

## Sugar cane pricing

BAVADHARINI K S

Ahead of the local body election in Uttar Pradesh, the State has increased the state advised price (SAP) by ₹10 per quintal to sugarcane farmers for the 2017-18 crushing season beginning October. The SAP is at ₹325 per quintal for early variety and ₹315 for general variety of sugarcane. Earlier this year, the centre also announced an increase in the fair and remunerative price (FRP) for sugarcane.

### FRP

Fair and remunerative price is the price payable to the farmer by the sugar mills and this is fixed by the Centre and revised from time to time based on the cost of production of millers, production of sugarcane, monsoon and demand and supply in the market. FRP replaced statutory minimum price (SMP) in the year 2009-10. The Centre fixes FRP for sugarcane based on the recommendations of the Commission for Agricultural Costs and Prices (CACP) and after consulting the State governments and associations of sugar industry. Considering the variations (such as labour and technology) among the sugar mills and to ensure that the sugar recoveries are rewarded adequately, the FRP is linked to basic recovery rate of sugar, with a premium payable to farmers for higher recoveries of sugar from cane. Accordingly, for this crushing season, FRP is fixed at ₹255 per quintal, linked to a basic recovery rate of 9.5 per cent. Additionally, a premium of ₹2.68 per quintal for every 0.1 per cent increase in recovery is to be paid to the farmers by the millers.



### SAP

The highest producer of sugarcane in India is Uttar Pradesh, followed by Maharashtra, Karnataka and Tamil Nadu. These States, based on factors such as total production, cost of production for mills and other state-level factors, fix SAP. The SAP announced is usually higher than FRP. Accordingly, SAP is the ruling price in that particular state, and sugar mills are obligated to pay SAP to farmers. The problem with SAP approach is that, the price is not linked with sugar recovery. Also, at times when sugar prices are low, cane arrears increase due to higher SAP. Thus, the Commission recommends doing away with the system of SAP.

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