

₹227-cr penalty on sugar mills in UP

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Even as Uttar Pradesh's (UP's) sugar mills are burdened with cane arrears of ₹3,500 crore, the state government has slapped additional interest penalty of ₹227 crore over their failure to settle dues with farmers within the stipulated period during the current 2016-17 season.

Mills are mandated to settle dues within 14 days of the purchase of crop at the factory gates to avoid interest payment liability of 15 per cent, going by the rules of state-advised price (SAP) of cane.



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Of the total interest payables, payment of about ₹1.76 crore has already been realised from three sugar mills in western UP. SAP is the cane price to be paid by state mills as against the fair and remunerative price (FRP), which is fixed by the Centre as the pan-India base price for cane procurement.

During 2016-17, FRP stood at ₹230 per quintal, while SAP in UP was much higher at ₹305 per quintal (normal variety). On Thursday, the Union Cabinet had approved 10.9 per cent hike in

FRP to ₹255 per quintal for 2017-18.

Meanwhile, UP Cane Commissioner Vipin Kumar Dwivedi told *Business Standard* the total interest payment could collectively rise to ₹300 crore for the season, if mills failed to clear arrears at the earliest.

Of the current cane arrears of ₹3,500 crore, 90 per cent or about ₹3,200 crore pertain to private sugar mills, numbering 91 of the total 116 functional units in UP. Against total sugarcane payables of ₹25,381 crore for the 2016-17 season, the mills have paid farmers nearly ₹21,670 crore, leaving about ₹3,500 crore to be settled. Dwivedi said UP had clocked significant growth in cane yield this season at 724 quintals per hectare from 665 quintals per hectare last year.

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