



# Price Determination of Sugarcane

## Why in News

Recently, the **Cabinet Committee on Economic Affairs** has approved the **hike in the Fair and Remunerative Price (FRP)** of [sugarcane](#) for sugar season 2021-22.

## Sugarcane

- **Temperature:** Between 21-27°C with hot and humid climate.
- **Rainfall:** Around 75-100 cm.
- **Soil Type:** Deep rich loamy soil.
- **Top Sugarcane Producing States:** Uttar Pradesh > Maharashtra > Karnataka > Tamil Nadu > Bihar.
- India is the **second largest producer of sugarcane** after Brazil.
- It can be grown on all varieties of soils ranging from sandy loam to clay loam given these soils should be well drained.
- It needs manual labour from sowing to harvesting.  
It is the main source of [sugar](#), gur (jaggery), khandsari and molasses.
- **Scheme for Extending Financial Assistance to Sugar Undertakings (SEFASU)** and [National Policy on Biofuels](#) are two of the government initiatives to support sugarcane production and the sugar industry.

## Key Points

- **Sugarcane Pricing:** Sugarcane prices are determined by:
  - **Central Government: Fair and Remunerative Price (FRP)**
    - The Central Government announces **Fair and Remunerative Prices** which are determined on the recommendation of the **Commission for Agricultural Costs and Prices (CACP)** and announced by the **Cabinet Committee on Economic Affairs (CCEA)**.
      - CCEA is chaired by the Prime Minister of India.
    - The FRP is based on the Rangarajan Committee report on reorganizing the [sugarcane industry](#).
  - **State Government: State Advised Prices (SAP)**
    - The SAP are announced by the Governments of key sugarcane producing states.
    - SAP is generally higher than FRP.
- **Comparison Between FRP and MSP:**

	<a href="#">Fair and Remunerative Price (FRP)</a>	<a href="#">Minimum Support Price (MSP)</a>
<b>Definition</b>	FRP is the minimum price at which sugarcane is to be purchased by sugar mills from farmers.	MSP is a “minimum price” for any crop that the government considers as remunerative for farmers and hence deserving of “support”.

		It is also the price that government agencies pay whenever they procure the particular crop.
<b>Recommendation</b>	Recommended by the Commission for Agricultural Costs and Prices (CACP)	Recommended by the Commission for Agricultural Costs and Prices (CACP)
<b>Mandated Crops</b>	The mandated crop is sugarcane	<p>The mandated crops include 14 crops of the kharif season, 6 rabi crops and other commercial crops.</p> <ul style="list-style-type: none"> <li>▪ Cereals (7): Paddy, wheat, barley, jowar, bajra, maize and ragi.</li> <li>▪ Pulses (5): Gram, arhar/tur, moong, urad and lentil.</li> <li>▪ Oilseeds (8): Groundnut, rapeseed/mustard, toria, soyabean, sunflower seed, sesamum, safflower seed and niger seed.</li> <li>▪ Raw cotton, Raw jute, Copra, De-husked coconut.</li> </ul>
<b>Factors Considered</b>	<ul style="list-style-type: none"> <li>▪ Cost of production of sugarcane;</li> <li>▪ Return to the growers from alternative crops and the general trend of prices of agricultural commodities;</li> <li>▪ Availability of sugar to consumers at a fair price;</li> <li>▪ Price at which sugar produced from sugarcane is sold by sugar producers;</li> <li>▪ Recovery of sugar from sugarcane;</li> <li>▪ The realization made from the sale of by-products viz. molasses, bagasse and press mud or their imputed value;</li> <li>▪ Reasonable margins for the growers of sugarcane on account of risk and profits</li> </ul>	<ul style="list-style-type: none"> <li>▪ The supply and demand situation for the commodity.</li> <li>▪ Market price trends (domestic and global) and parity vis-à-vis other crops.</li> <li>▪ Implications for consumers (inflation).</li> <li>▪ Environment (soil and water use).</li> <li>▪ Terms of trade between agriculture and non-agriculture sectors.</li> </ul>
<b>Legal Backing</b>	The pricing of sugarcane is governed by the statutory provisions of the <b>Sugarcane (Control) Order, 1966</b> issued under the Essential Commodities Act (ECA), 1955.	<p>MSP is an obligatory, not a statutory exercise.</p> <p>Currently, there is <b>no statutory backing</b> for MSP or any law mandating their implementation.</p>

**Note:** The **Commission for Agricultural Costs and Prices (CACP)** is an attached office of the **Ministry of Agriculture and Farmers Welfare**. It is an advisory body whose recommendations are not binding on the Government.

[Source: PIB](#)

