



Fair and Remunerative Price (FRP)

For Prelims: Fair and Remunerative Price (FRP), Sugarcane.

For Mains: Agricultural Pricing, Sugar production in the Indian Economy, Challenges faced by sugarcane industry.

Why in News?

Recently, **Maharashtra Government** issued a government resolution which will **allow sugar mills to pay the basic Fair and Remunerative Price (FRP) in two tranches.**

What are the changes in the government resolution?

- The first installment would have to be paid within **14 days of delivery of cane**, and would be as per the average recovery of the district.
- Farmers would get the **second installment within 15 days of the closure of the mill** after calculation of the final recovery, which would take into account the sugar produced, and the ethanol produced from 'B heavy' or 'C' molasses.
- Thus, **instead of relying on last season's FRP**, farmers would be paid as per the current season's recovery.

Why are farmers in Maharashtra protesting?

- Farmers argue that this method would **impact their incomes**. They point out that while FRP will be paid in installments, and will **depend on an unknown variable**, their bank loans and other expenses are expected to be paid for as usual.
- Also, farmers mostly require a **lumpsum at the beginning of the season (October-November)**, because their next crop cycle depends on it.

What is the FRP?

- FRP is the **price declared by the government**, which mills are **legally bound** to pay to farmers for the cane procured from them.
 - Mills have the **option of signing an agreement with farmers**, which would allow them to pay the FRP in installments.
 - **Delays in payment can attract an interest** up to 15% per annum, and the sugar **commissioner can recover unpaid FRP** as dues in revenue recovery by attaching properties of the mills.
- The payment of FRP across the country is governed by **the Sugarcane Control order, 1966 issued under the [Essential Commodities Act \(ECA\), 1955](#)** which **mandates payment within 14 days of the date of delivery** of the cane.
- It has been determined on the recommendation of the **Commission for Agricultural Costs and Prices (CACP)** and announced by the **Cabinet Committee on Economic Affairs (CCEA)**.
 - 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.**

◦ CCEA is chaired by the **Prime Minister of India.**

- The FRP is based on the **Rangarajan Committee report** on reorganizing the [sugarcane industry](#).

Which Factors are considered for announcing FRP?

- Cost of production of sugarcane
- Return to the growers from alternative crops and the general trend of prices of agricultural commodities
- Availability of sugar to consumers at a fair price
- Price at which sugar produced from sugarcane is sold by sugar producers
- Recovery of sugar from sugarcane
- The realization made from the sale of by-products viz. molasses, bagasse and press mud or their imputed value
- Reasonable margins for the growers of sugarcane on account of risk and profits

How is FRP Paid?

- The FRP is **based on the recovery of sugar** from the cane.
 - FRP has been fixed at Rs 2,900/tonne at a base recovery of 10% for the sugar season of 2021-22.
- Sugar recovery is the **ratio between sugar produced versus cane crushed**, expressed as a percentage.
- The higher the recovery, the higher is the FRP, and higher is the sugar produced.

What is 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.

[Source: IE](#)

PDF Refernece URL: <https://www.drishtiias.com/printpdf/fair-and-remunerative-price-frp>