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Cabinet approves determination of Fair and Remunerative Price payable by Sugar Mills for 2018-19 sugar season

Keeping in view the interest of sugarcane farmers, the Cabinet Committee on Economic Affairs chaired by Prime Minister Shri Narendra Modi has approved the Fair and Remunerative Price (FRP) of sugarcane for sugar season 2018-19 at Rs. 275/- per quintal for a basic recovery rate of 10%; providing a premium of Rs. 2.75/qtl for each 0.1 % increase in recovery over and above 10%. The cost of production of sugarcane for the sugar season 2018-19 is Rs. 155 per quintal.

This FRP Rs. 275 per quintal at recovery rate of 10% is higher by 77.42% over production cost thereby ensuring the promise of giving the farmers a return of more than 50 % over their cost. Keeping the expected production of sugarcane in the sugar season 2018-19 the total remittance to the sugarcane farmers will be more than Rs. 83,000 crore. The Government through its pro-farmer measures will ensure that sugarcane farmers get their dues in time.

The Government with a view to protect interest of farmers has also decided that there shall not be any deduction in case of mills where recovery is below 9.5%. Such farmers will get Rs. 261.25 per quintal for sugarcane in place of Rs. 255/qtl in the current season.

The FRP so approved shall be applicable for purchase of sugarcane from the farmers in the sugar season 2018-19 (starting w.e.f. 1st October, 2018) by the sugar mills.

The sugar sector is an important agro-based sector that impacts the livelihood of about 5 crore sugarcane farmers and their dependents and around 5 lakh workers directly employed in sugar mills, apart from those employed in various ancillary activities including farm labour and transportation.

Background:

The FRP has been determined on the basis of recommendations of Commission for Agricultural Costs and Prices (CACP) and after consultation with State Governments and other stake-holders. Recommended FRP has been arrived at by taking into account various factors such as cost of production, overall demand-supply situation, domestic and international prices, inter-crop price parity, terms of trade prices of primary by-products, and likely impact of FRP on general price level and resource use efficiency.

In order to improve the liquidity of the industry so that the cane price arrears of farmers can be cleared, the Government has implemented a series of interventions in the past few months including allocation of mill-wise Minimum Indicative Export Quota (MIEQ) of 20 LMT and financial assistance @Rs.5.50/quintal of cane crushed amounting to about Rs.1500 crore.

Further to ensure clearance of their dues, the Government brought out a comprehensive package of about Rs.7000 crore. This includes creation of buffer stock of 30 LMT at the cost of Rs.1200 crore and a major scheme worth more than Rs.4,400 crore for increasing the ethanol capacity in the country for diversion of sugarcane for production of ethanol in surplus sugar season to facilitate timely payment of sugarcane dues of farmers. The Government will bear the interest subvention cost of about Rs. 1332 crore for this scheme.

The Government also decided a minimum price for sale of sugar at Rs.29/kg. which will help clearance of sugarcane dues of the farmers.

Through the measures mentioned above the liquidity position of sugar mills has improved and as a result cane price arrears of farmers which were peaked at Rs. 23,232 cr on 21.05.2018 have come down to Rs. 17,824 cr and are expected to reduce further in coming months.

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