

GOVERNMENT APPROVES DETERMINATION OF FAIR AND REMUNERATIVE PRICE OF SUGARCANE PAYABLE BY SUGAR MILLS FOR SUGAR SEASON 2021-22

Relevant for: Economy | Topic: Agricultural Finance & Insurance

Keeping in view interest of sugarcane farmers (GannaKisan), the Cabinet Committee on Economic Affairs chaired by Hon'ble Prime Minister Shri Narendra Modi has approved Fair and Remunerative Price (FRP) of sugarcane for sugar season 2021-22 (October - September) at Rs. 290/- per quintal for a basic recovery rate of 10%, providing a premium of Rs. 2.90/qtl for each 0.1% increase in recovery over and above 10%, & reduction in FRP by Rs. 2.90/qtl for every 0.1% decrease in recovery. The Government's proactive approach to protect interest of farmers is also seen in the decision of no deduction in case of sugar mills where recovery is below 9.5%. Such farmers will get Rs. 275.50 per quintal for sugarcane in ensuing sugar season 2021-22 in place of Rs. 270.75/qtl in current sugar season 2020-21.

The cost of production of sugarcane for the sugar season 2021-22 is Rs. 155 per quintal. This FRP of Rs. 290 per quintal at a recovery rate of 10% is higher by 87.1% over production cost, thereby giving the farmers a return of much more than 50% over their cost.

In the current sugar season 2020-21, about 2,976 lakh tons of sugarcane of worth Rs. 91,000 cr was purchased by sugar mills, which is at all time high level & is the second highest next to the procurement of paddy crop at Minimum Support Price. Keeping the expected increase in the production of sugarcane in the ensuing sugar season 2021-22, about 3,088 lakh tons of sugarcane is likely to be purchased by sugar mills. The total remittance to the sugarcane farmers will be about Rs. 1,00,000 crore. The Government through its pro-farmer measures will ensure that sugarcane farmers get their dues in time.

The FRP approved shall be applicable for purchase of sugarcane from the farmers in the sugar season 2021-22 (starting w.e.f. 1st October, 2021) by sugar mills. The sugar sector is an important agro-based sector that impacts the livelihood of about 5 crores 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.

In last 3 sugar seasons 2017-18, 2018-19 & 2019-20, about 6.2 Lakh Metric Tonne (LMT), 38 LMT & 59.60 LMT of sugar has been exported. In the current sugar season 2020-21 (Oct – Sept.), against the export target of 60 LMT, contracts of about 70 LMT have been signed & more than 55 LMT has been physically exported from the country, as on 23.8.2021. Export of sugar has improved liquidity of sugar mills enabling them to clear cane price dues of farmers.

Government is also encouraging sugar mills to divert excess sugarcane to ethanol which is blended with petrol, which not only serves as a green fuel but also saves foreign exchange on

account of crude oil import. In last 2 sugar seasons 2018-19 & 2019-20, about 3.37 LMT & 9.26 LMT of sugar has been diverted to ethanol. In current sugar season 2020-21, more than 20 LMT is likely to be diverted. In the ensuing sugar season 2021-22, about 35 LMT of sugar is estimated to be diverted & by 2024-25 about 60 LMT of sugar is targeted to be diverted to ethanol, which would address the problem of excess sugarcane as well as delayed payment issue because farmers would get timely payment.

In past 3 sugar seasons about Rs. 22,000 crore revenue was generated by sugar mills/distilleries from sale of ethanol to Oil Marketing Companies (OMCs). In the current sugar season 2020-21, about Rs. 15,000 cr revenue is being generated by sugar mills from sale of ethanol to OMCs at 8.5%. This is expected to significantly increase in the next 3 years as we go upto 20% blending by 2025.

In the previous sugar season 2019-20, about Rs. 75,845 crores cane dues were payable, out of which Rs. 75,703 crore has been paid & only Rs. 142 crore arrears are pending. Even, in the current sugar season 2020-21, out of cane dues payable of Rs. 90,959 crores, Rs. 86,238 crores cane dues have already been paid to farmers. Increase in export & diversion of sugarcane to ethanol is ensuring timely cane price payments to farmers.

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