Fair and Remunerative Price

Why in news?

\n\n

The Centre's decided to increase the Fair and Remunerative Price (FRP) for sugarcane by 11% in the Fair and Remunerative Price (FRP) for sugarcane for the upcoming sugar season.

\n\n

What is FRP?

\n\n

\n
- FRP is the minimum price that the sugar mills have to pay to farmers.
  \n
- It is supposed to signal to farmers the need to plant more or less cane for the coming year.
  \n

\n\n

What is the necessity to increase FRP?

\n\n

\n
- The country's sugar output dropped to a seven-year low of 203 lakh tonnes (2016-17).
  \n
- So the domestic availability of sugar is expected to be low this year.
  \n
- It is this scenario the decision to hike the FRP appears to be an attempt to incentivise farmers to plant more cane for the upcoming season.
  \n

\n\n

What are the shortcomings of FRP?

\n\n

\n

- Successive governments have been prompt to hike the FRP in deficit years.
  \n
- But they have subsequently shied away from slashing it in surplus years.
  \n
- e.g Between 2010-11 and 2017-18, despite excess production in most years, the FRP for cane has nearly doubled from Rs 130/quintal to Rs 255/quintal.
  \n
- Contrarily, they have been reluctant to allow higher cane prices to reflect in the end-product.
  \n
- Sugar prices in the same period have barely risen 30%, leading to a loss-making industry and unpaid cane dues.
  \n

\n\n

What should be done?

\n\n

\n
- To resolve this issue, the Centre should implement long-overdue reforms and allow cane prices to be decided by a market-based formula that shares revenue between millers and farmers in a pre-decided proportion.
  \n
- This should be accompanied by dismantling reservations that force farmers to sell their output to a single mill.
  \n
- Allowing cane prices to respond to market forces is also critical to ensure that alternative food crops get equal priority when farmers make their sowing decisions.
  \n

\n\n

\n\n

Source: Business Line

\n