

# **Rationalising Cane Pricing Policy**

#### What is the issue?

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The mismatch between price of sugarcane and that of sugar calls for implementing the suggestions of CACP.

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### What is the anomaly in price support?

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- The Cabinet Committee on Economic Affairs approves the Fair and Remunerative price (FRP) for sugarcane.
- FRP is the minimum price that the sugar mills have to pay to farmers.
- FRP does protect the farmers by deciding the price of **sugarcane**.
- But on the other hand, sugar prices are determined by market sentiments and market forces, causing unfavourable effects.

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## How does it impact?

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• **Farmers** - The high FRP of sugarcane results in over-production of cane and ultimately surplus sugar.

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- This could, in turn, cause sugar prices to fall below cost levels.
- This eventually leads to delays or defaults in making payments to the farmers.

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• Export - Too high a price for cane makes Indian sugar uncompetitive globally.

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• E.g. Indian cane prices are 70-80% higher than that in Brazil.

ullet Thus, exporting the surplus from India too becomes harder.

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### What is desired?

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• The government's protection with a remunerative cane price and assured buyer is unquestionable.

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• However, the anomalies call for rationalisation of the cane-pricing policies in tune with global practices.

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• This is especially to facilitate Indian sugar industry to export the surplus favourably.

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• The governments (including states) should take roles beyond cane-price fixing.

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• The government will have to offer interest-free loans, subsidies and incentives, etc for production.

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 $\bullet$  Special efforts would also be needed to dispose off the surplus sugar.  $\mbox{\ensuremath{\backslash}} n$ 

 $\bullet$  This is essential to keep sugar prices at adequate levels and ensure caneprice payments on time.  $\mbox{\sc h}$ 

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### What are the recommendations of the CACP?

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• Some of the suggestions made by the Commission for Agricultural Costs and Prices (CACP) in this regard include the following:

 $\bullet$  Farmers should be guaranteed a minimum cane price at the level of FRP.  $\ensuremath{\backslash n}$ 

• In addition, the liability of sugar mills will be restricted as per a revenue sharing formula (RSF).

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• Accordingly, 75% of revenue realised from sugar will be the cane price payable by mills.

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- If the cane-price, as per RSF, is more than FRP, the farmers get a second instalment over and above the FRP.
- When sugar prices are depressed, the price as per RSF may work out to below FRP.

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- The gap would then be paid directly to the farmers from a fund created by the government (government is yet to approve it).
- **Benefits** The sugar mills will pay farmers as per their revenue realisation and pay on time.

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- Farmers get cane price at least at the level of FRP, or more with better sugar prices, instead of the current system of giving farmers only FRP.
- $\bullet$  It will also keep cost of production reasonable, ensuring that Indian sugar is competitive globally to allow exporting the surplus. \n

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**Source: Financial Express** 

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