Maharashtra's Sugarcane FRP Changes

Why in news?

The Maharashtra government has issued a government resolution which will allow sugar mills to pay the basic fair and remunerative price (FRP) in two tranches.

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.
- The payment of FRP across the country is governed by **The Sugarcane Control order, 1966** which mandates payment within 14 days of the date of delivery of the cane.
- 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 FRP is based on the recovery of sugar from the cane.
- 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.

To know more about fair and remunerative price, click here

What is the change that has been proposed?

- Since the beginning, sugar mills have paid farmers on the basis of the sugar recovery of the previous season.
- Mills raise money by pledging their sugar stock, and use the realisations from sales to clear their debts.
- Thus, in a difficult year when sales are lean, or in a year of bumper production, mills face severe liquidity crises, and fail to pay both their creditors as well as the farmers.
- This ultimately leads them to financial insolvency, which can end with the mill being sold off or rented out.
- Payment of the basic FRP in installments has been one of the long-standing demands of the industry as it would ease their liquidity burden.
- Monday's government resolution makes the payment system more systematic.

    - The mills will now have to pay the FRP in two instalments.
    - Instead of relying on the recovery of the last season, they would have to pay as per the recovery of the current season.

- The state has been divided in two recovery zones of 10% and 9.50%.
- The first installment would have to be paid within 14 days of delivery of cane 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 as per the sugar produced and the ethanol produced from 'B heavy' or 'C' molasses.
- Mills would have to henceforth declare their FRP in two widely circulated newspapers.
- Instead of relying on last season's FRP, the government resolution says farmers would be paid as per the current season's recovery.

Why are the farmers protesting?

- According to farmers, what this order essentially says is that they would be paid as per the average recovery band of their district within 14 days of cane delivery, and the final payment would happen after the final recovery is calculated after the season.
- The final recovery, which would be calculated within 15 days of the season ending and would depend on the sugar and ethanol produced from B heavy or C molasses, can be both higher or lower than the previous season.
- 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.
- Farmers mostly require a lumpsum at the beginning of the season (October-November), because their next crop cycle depends on it.
- They have also questioned the state government's authority to interfere with the payment schedule of FRP, arguing that is the prerogative of the central government.

Reference

1. https://indianexpress.com/article/explained/explained-maharashtras-sugarcane-frp-changes-farmers-7787466/

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