Fair and Remunerative Price (FRP)

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The Cabinet Committee on Economic Affairs chaired by Prime Minister Shri Narendra Modi approved the Fair and Remunerative Price (FRP) of sugarcane for Sugar Season 2024-25.

[ref- moneycontrol]

About Fair and Remunerative Price (FRP):

- FRP is the **minimum price** that mills have to pay to sugarcane growers.
- It was introduced by the government in 2009 by an **amendment to the Sugarcane (Control) Order, 1966.**
- It **replaced the Statutory Minimum Price (SMP)** on the Commission for Agricultural Costs and Prices (CACP) consultation.
- The Union government's **Cabinet Committee on Economic Affairs (CCEA)** determines the FRP.
- CCEA determines FRP is based on the **recommendations** of the **Commission for Agricultural Costs and Prices (CACP)** and after **consultation with state governments** and other stakeholders.
- The FRP is **unrelated to the profits made by sugar mills**.
- States can set their own **State Agreed Price (SAP),** which is typically higher than the FRP.
- The Sugarcane (Control) Order, 1966 considers the following factors for fixing the FRP:
    - **Cost of Production**: Taking into account the expenses incurred in cultivating and processing sugarcane.
    - **Return to Growers from Alternative Crops**: Evaluating the potential returns from cultivating alternative crops.
    - **Trends in Agricultural Commodity Prices**: Considering the general trend in prices of agricultural commodities.
    - **Availability and Pricing of Sugar to Consumers**: Ensuring fair pricing for consumers.
    - **Price of Sugar Produced**: Reflecting the price at which sugar produced from sugarcane is sold by sugar producers.
    - **Recovery of Sugar from Sugarcane**: Considering the efficiency in extracting sugar from sugarcane.
    - **Realization from By-Products**: Recognizing revenue from by-products like molasses, bagasse, and press mud.
    - **Reasonable Margins for Growers**: Providing margins for sugarcane growers to account for risks and profits.

Advantages of the FRP System

- **Timely Payments**: Unlike the previous system, farmers under the FRP system are not required to wait until the end of the season for payments or announcements of profits by sugar mills or the Government.
- **Assured Margins**: The FRP system guarantees margins for farmers on account of profit and risk, **independent of the individual performance of sugar mills**.
- **Linkage to Sugar Recovery Rates**: To incentivize higher sugar recoveries and accommodate variations among sugar mills, the FRP is linked to a basic recovery rate of sugar.
    - Additionally, a **premium is payable to farmers** for achieving **higher sugar recoveries from sugarcane.**