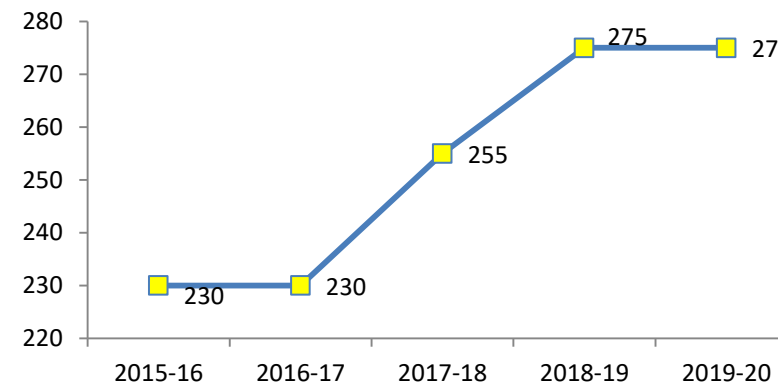


Government keeps sugarcane Fair and Remunerative Price (FRP) unchanged at Rs.275 per quintal for 2019-20

The government kept the FRP of sugarcane unchanged at Rs.275 per quintal for the sugar season October 2019-September 2020. The sugarcane FRP was also unchanged for the year 2016-17. In the following years, the sugarcane FRP was increased by 10.9% to Rs.255 per quintal in 2017-18 at 9.5% recovery rate which was further raised by 7.8% to Rs.275 per quintal in 2018-19 at 10% recovery rate.

Chart 1: Trend in sugarcane FRP (Rs./quintal)



Source: ISMA

Note: FRP linked to 9.5% recovery except for 2018-19 and 2019-20 which is at 10% recovery

Trend in sugarcane arrears and sugar prices

Chart 2: Sugarcane arrears (in Rs. Crore)

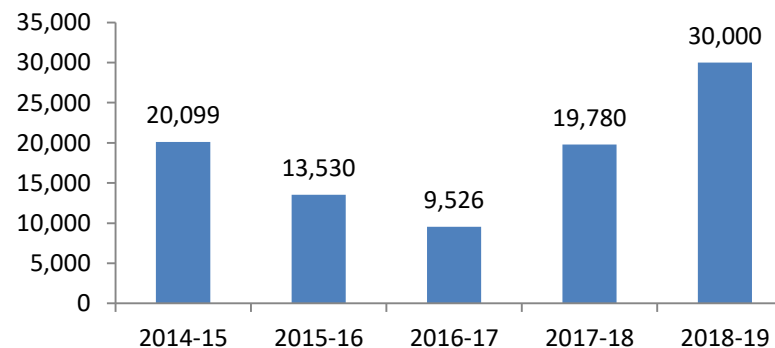
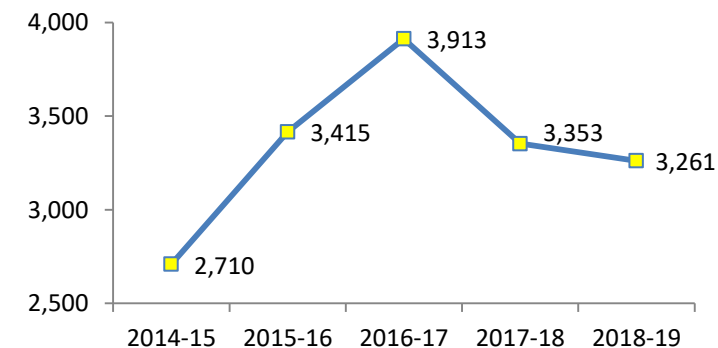


Chart 3: Average sugar prices (in Rs./quintal)



Source: ISMA, CMIE

Note: The sugar prices for 2018-19 are average sugar prices during the period October 2018-June 2019

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From the above charts (Chart 1,2 and 3) it can be observed that when the sugarcane FRP was kept unchanged at Rs.230 per quintal for the season 2016-17, the sugarcane arrears reduced to Rs.9,526 crore. This was also backed by higher sugar prices at Rs.39 per kg during 2016-17. In the next sugar season when the sugarcane FRP was increased to Rs.255 per quintal, the sugarcane arrears increased to Rs.19,780 crore. Also, lower sugar prices at Rs.34 per kg during 2017-18 resulted in higher cane arrears. **Therefore, with introduction of sugarcane FRP at same level at Rs.275 per quintal for the season 2019-20, the sugarcane arrears for the season 2019-20 can be expected to remain at same level compared to the cane arrears of 2018-19 season assuming that sugar prices remain range bound given higher sugar inventories.** As on 17 July 2019, the cane arrears for the season 2018-19 so far stands at Rs.15,222 crore. **Also, the same cost of sugarcane will bring relief to the sugar mills and will encourage them to pay cane arrears.**

The government also approved a proposal to create 4 million tonnes of sugar buffer stock. This will lead to reduction in sugar inventory and will facilitate payment of cane arrears.

Concluding remarks

- With introduction of sugarcane FRP at same level at Rs.275 per quintal for the season 2019-20, the sugarcane arrears for the season 2019-20 can be expected to remain at same level compared to the cane arrears of 2018-19 season assuming that sugar prices remain range bound given higher sugar inventories.
- The government also approved proposal to create 4 million tonnes of sugar buffer stock. This will lead to reduction in sugar inventory and will facilitate payment of cane arrears.
- The price of sugarcane has been unchanged to keep the sugarcane arrears under check.

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