

### SUGAR POLICY AND MARKET DEVELOPMENTS

The Central Government has fixed the Fair and Remunerative Price (FRP) of sugarcane for SS 2021-22 at ₹ 290 per quintal, linked to a basic recovery of 10% and subject to a premium of ₹ 2.90 per quintal for every 0.1% increase of recovery, over and above 10% and reduction in FRP at the same rate for each 0.1% decrease in the recovery rate till 9.5%. With a view to protecting the interests of farmers, the Government has decided that there shall not be any deduction where recovery is below 9.5%; such farmers will get ₹ 275.50 per quintal for sugarcane in the current season.

The Government of Uttar Pradesh announced a ₹ 25 per quintal hike in the State Advised Price (SAP) for SS 2021-22 over SS 2020-21. In Uttar Pradesh, there are three varieties (categories) of sugarcane - early, ordinary and rejected. Early variety constitutes 97% of the sugarcane cultivated, while 2.7% is the ordinary variety. The rejected variety constitutes only 0.3%. The SAP of the early variety has been hiked from ₹ 325 per quintal to ₹ 350 per quintal, while for ordinary variety it has been increased to ₹ 340 per quintal from ₹ 315 per quintal. The SAP of the rejected variety has gone up from ₹ 310 per quintal to ₹ 335 per quintal.

### DOMESTIC SUGAR PRICES

The average sugar price for the industry remained quite volatile during the year, with a peak of ₹ 3,700 per quintal from a bottom of ₹ 3,150 per quintal. The fluctuations were mostly attributable to the quantum of the monthly release quota allocated to the domestic mills, especially to the mills of Uttar

Pradesh and Maharashtra. With heavy carryover stocks of the previous season and further piled up stocks from SS 2020-21, this resulted in disproportionately higher quota for the North Indian states, thereby impacting the realisation price.

Indian sugarcane prices are the highest globally, which has made Indian sugar uncompetitive in the international market in the past. Historically, sugar exports have thus been dependent on Government subsidies, which will not be possible post December 2023 due to WTO guidelines. The Government did not announce any export subsidies for SS 2021-22 and consequently, non-coastal states like Uttar Pradesh were unable to significantly participate in the sugar exports programme. However, favourable global prices led to record exports from coastal states like Maharashtra and Karnataka.

There is an urgent need for India to adopt global pricing practices. The Minimum Selling Price (MSP) of sugar was revised to ₹ 31/kg in February 2019, and has since remained unchanged. Fortunately, however, the actual selling price has remained above the MSP. The mismatch between the higher sugarcane pricing and sugar prices leads to sugarcane arrears. Sugar industry has been demanding steady increase in MSP in line with the increase in cane price and other input costs. Further, as per the recommendations of the Commission for Agricultural Costs & Prices (CACP) for reforming the sugarcane pricing policy, the Government should adopt Revenue Sharing Formula (RSF) along with Price Stabilisation Fund (PSF), to grant justifiable increase in cane price without burdening the sugar industry. It is a win-win situation for all the stakeholders.

