Excess Cane Payments

For Prelims: **Sugarcane, Fair and Remunerative Price (FRP)**

For Mains: Agricultural Pricing, Sugar production in the Indian Economy, Challenges faced by sugarcane industry.

Source: IE

Why in News?

In a significant move, the Government of India has taken a step to **provide relief to cooperative sugar mills** by allowing them to **claim excess cane price payments made to farmers as "business expenditure."**

What is the Issue of Excess Cane Payments?

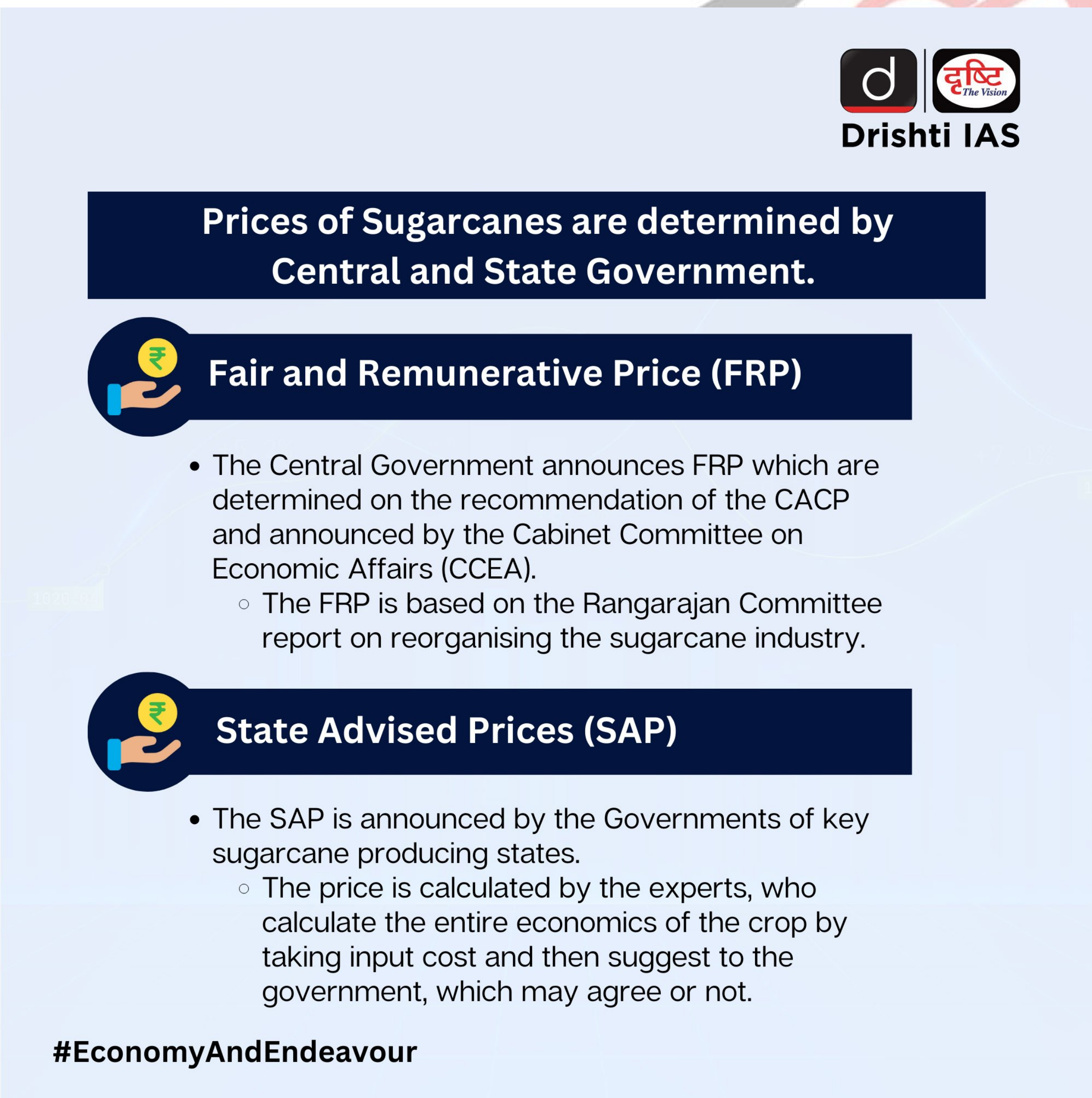
- Sugarcane is a major crop in India, especially in states like **Maharashtra, Uttar Pradesh, Karnataka, and Tamil Nadu.**
- The Centre fixes a **fair and remunerative price (FRP)** for sugarcane every year, which is th**e minimum amount that sugar mills have to pay to farmers** for procuring their cane.
- However, some cooperative sugar mills, especially in Maharashtra, **pay more than the FRP** to farmers as an incentive or bonus. This is called **excess cane payment.**
- The excess cane payment has resulted in tax disputes between the cooperative sugar mills and the Income Tax Department.
    - The mills claim the **excess payment as business expenditure**, while the **department treats it as a distribution of profits and disallows it as a deduction.**

How has the Government of India Resolved the Issue of Excess Cane Payments?

- In the **2015-16 Union Budget**, the Government of India introduced an amendment to the **Finance Act** that allowed cooperative sugar mills to claim excess cane payment as deduction for computing their business income. However, **this was applicable only from the 2016-17 assessment year onwards.**
- In the **2023-24 Union Budget,** the Government of India extended the **benefit of deduction to all financial years prior to 2015-16.** This was done by amending **Section 155 of the Income Tax Act .**
- The move is expected to provide relief of almost Rs 10,000 crore to cooperative sugar mills, against pending tax demands and litigation in respect of payments made before the 2015-16 financial year.

What is the FRP?

- **About:**
  - FRP is the **price set by the government** that sugar mills are obligated to **pay to farmers for the sugarcane procured from them.**
- **Payment and Agreement:**
  - Mills are legally required to pay the FRP to farmers for their cane.
  - Mills can choose to sign agreements with farmers, allowing them to pay the FRP in installments.
  - **Delayed payments can attract interest charges of up to 15% per annum**, and the **sugar commissioner can recover unpaid FRP by attaching properties of the mills.**
- **Governing Regulations:**
  - The pricing of sugarcane is governed by the statutory provisions of the Sugarcane (Control) Order, 1966 issued under the **Essential Commodities Act (ECA), 1955.**
  - According to the regulations, the FRP must be paid within 14 days of cane delivery.
- **Determination and Announcement:**
  - The FRP is determined based on the recommendations of the **Commission for Agricultural Costs and Prices (CACP).**
  - The **Cabinet Committee on Economic Affairs (CCEA)** announces the FRP.
- **Factors Considered:**
  - The FRP takes into account various factors, including th**e cost of sugarcane production, returns from alternative crops,** trends in agricultural commodity prices, availability of sugar to consumers, selling price of sugar, sugar recovery from cane, and income margins for cane growers.



What is Sugarcane?

- **Temperature:** Between 21-27°C with hot and humid climate.
- **Rainfall:** Around 75-100 cm.
- **Soil Type:** Deep rich loamy soil.
- **Top Sugarcane Producing States:** Uttar Pradesh, Maharashtra, Karnataka, Tamil Nadu, Bihar.
- India is the **second largest producer** of sugarcane after Brazil.
- It can be grown on all varieties of soils ranging from **sandy loam to clay loam** given these soils should be well drained.
- It needs manual labour from sowing to harvesting.
- It is the main source of **sugar**, gur (jaggery), khandsari and molasses.
- Scheme for Extending Financial Assistance to Sugar Undertakings (SEFASU) and **National Policy on Biofuels** are two of the government initiatives to support sugarcane production and the sugar industry.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. With reference to the current trends in the cultivation of sugarcane in India, consider the following statements: (2020)

1. A substantial saving in seed material is made when 'bud chip settlings' are raised in a nurse, and transplanted in the main field.
2. When direct planting of setts is done, the germination percentage is better with single budded setts as compared to setts with many buds.
3. If bad weather conditions prevail when setts are directly planted, single-budded setts have better survival as compared to large setts
4. Sugarcane can be cultivated using settlings prepared from tissue culture.

Which of the statements given above is/are correct?

(a) 1 and 2 only
(b) 3 only
(c) 1 and 4 only
(d) 2, 3 and 4 only

Ans: (c)

Exp:

- **Tissue Culture Technology**
  - Tissue culture is a technique in which fragments of plants are cultured and grown in a laboratory.
  - It provides a new way to rapidly produce and supply disease-free seed cane of existing commercial varieties.
  - It uses meristem to clone the mother plant.
  - It also preserves genetic identity.
  - The tissue culture technique, owing to its cumbersome outfit and physical limitation, is turning out to be uneconomical.
- **Bud Chip Technology**
  - As a viable alternative of tissue culture, it reduces the mass and enables quick multiplication of seeds.
  - This method has proved to be more economical and convenient than the traditional method of planting two to three bud setts.
  - The returns are relatively better, with substantial savings on the seed material used for planting. Hence, statement 1 is correct.
  - The researchers have found that the setts having two buds are giving germination about 65 to 70% with better yield. Hence, statement 2 is not correct.

- Large setts have better survival under bad weather but single budded setts also give 70% germination if protected with chemical treatment. Hence, statement 3 is not correct.
- Tissue culture can be used to germinate and grow sugarcane settlings which can be transplanted later in the field. Hence, statement 4 is correct. Therefore, option (c) is the correct answer.