

“An Analytical Study of Problems and Remedies of Sugar Industries, with special reference to Western Maharashtra”

Prof. M. S. Yadav,
Assistant Professor,
Bharati Vidyapeeth University,
Institute of Management and Entrepreneurship Development, Pune-38.

ABSTRACT :

In India sugar industry is a second largest agro-based industry with over 600 operating sugar mills across India, about 50 million sugarcane farmers and a large number of agricultural laborers are involved in sugarcane cultivation and ancillary activities. Maharashtra state is the one of the biggest sugarcane production state in India. Sugar industries play the main role to development in Maharashtra. The sugar industry in Maharashtra is most popular in co-operative sector.

‘Special’ status was gained to the sugar cooperatives and the government assumed the role of a mentor by acting as a stakeholder, guarantor and regulator. Persistence of the maze of regulations instituted five decades ago, despite its stated original rationale being frustrated, suggests that it is by active design of entrenched vested interests. The clarion call of the times is a fresh start with minimum regulations. Teething the problems and initial market failures that may occur cannot be worse than continuing the saga of government failure. New start with innovative ideas by killing the industry problems with little amendment in Government policies and less interference by politics may evolve the sugar industry with a fruitful result.

Keywords:

Sugar Factory, co-operative sector, social impact, Political impact problems and remedies.

INTRODUCTION

Maharashtra likely has significant potential to expand sugarcane production by increasing both planted area and yield, while Maharashtra area planted to sugarcane, about 1022 in thousand hectares in recent year of primarily irrigated land. Sugarcane however is a year-round crop that typically remains in the field for three years and returns to sugarcane production must be competitive for irrigated land on which two and in some three crops are taken in one year.

Maharashtra Sugar industry has made considerable progress especially in the co-operative sector. Maharashtra is well known for the development of sugar industry on co-operative lines in which the farmers acquire a share in the sugar mills and recently private sugar industries investment also increased. In 2001-02 year 122 cooperative and 13 private industries, later thirteen year 96 cooperative and 61 private industries in Maharashtra.

The cooperatives sugar factories in the state have not just remained an industries, but they have become a movement s. this movements not only led to the industrial development of the state but also gave many of its social and political leaders.

OBJECTIVES

- 1] To study the present scenario of sugar industries in Western Maharashtra.
- 2] To study the present problem faced by sugar industries in Western Maharashtra.
- 3] To suggest remedies to minimize problems of sugar industries in Western Maharashtra.

SOURCES OF DATA COLECTION

This paper is an outcome of secondary data. It includes books, Research journals, Internet, Research articles and Government reports.

LIMITATIONS OF THE STUDY

- 1] The period for this study is thirteen years from the year 2001- 2002 to 2013 - 2014.
- 2] Western Maharashtra .

RECENT TRENDS IN SUGAR INDUSTRY

Maharashtra Sugar Industry is one of the most notable and large-scale sugar manufacturing sectors in the country. The Sugar industry in Maharashtra is highly popular in the cooperative sector, as farmers own a portion in the sugar factories. The Maharashtra Sugar Industry has seen a spectacular growth owing to the different conducive in the state. One of the chief crops manufactured in Maharashtra is sugarcane, with a host of sugar industries been set up over the years.

Table 1

Profile of Sugar industry in Maharashtra state

Year	No. of Factories under Crushing			Crushed Sugarcane (Lakh mt.)	Sugar Production (Lakh q.)	Sugar Average Recovery (%)
	Co-op.	Private	Total			
2001-02	122	13	135	483.97	562.81	11.63
2002-03	144	15	159	534.68	621.80	11.63
2003-04	120	16	136	290.64	317.75	10.93
2004-05	83	18	101	194.54	223.21	11.49
2005-06	120	22	142	445.57	519.57	11.67
2006-07	141	22	163	798.39	909.47	11.39
2007-08	145	26	171	761.74	909.80	11.94
2008-09	116	28	144	400.42	461.40	11.52
2009-10	111	30	141	641.47	710.60	11.56
2010-11	123	41	164	802.52	907.20	11.30
2011-12	119	51	170	771.08	899.60	11.67
2012-13	108	62	170	700.26	798.70	11.41
2013-14	96	61	157	676.37	771.20	11.41

Source: <http://www.mahasugarfed.org>.

The pace of Profile of sugar manufacturing has been massive over the past few years. The latest statistics of sugar production in Maharashtra indicates that this state this doing better than

the other states in the country. The cooperative sugar industry in Maharashtra has seen the growth trajectory at its heights with future trading being implemented in sugar manufacturing. Table No. 1 and fig No. 1 shows that the 2001-02 to 2013-14 years Profile of the Maharashtra sugar industry. In the season 2001-02 shows that 122 cooperative and 13 private industry in Maharashtra. After thirteen years Maharashtra cooperatives industries decreases and increased the private industries. It is 96 industries in cooperatives and 61 industries in private stories in 2013-14. It is decreased year by year and increased private sector investment in sugar industry. Crushing of sugarcane decreased in 2003-04 and 2004-05, it was 290.64 and 194.54 lakh metric tonnes. respectively, rather than it was found averagely. And sugarcane production decreases in 2003-04 and 2004-05. It was 317.75 and 223.21 Lakh quintile respectively. And it is observed that year by year decreases the average sugar recovery percentage, because the changing the agriculture productivity, pattern and climate of the region.

PROBLEMS OF SUGAR INDUSTRIES

1) High price of sugar:

The efficiency and uneconomic nature of production in sugar mills low yield and short crushing season the high price of sugar cane the heavy excise duties, leaved, by the government these are responsible for the high cost of production of sugar in Western Maharashtra .

2) Shift in location Pattern:

Analytical studies about production cost. Revealed the irrational nature of the regional pattern of production. Since the sucrose content of sugar cane begins to deteriorate sun after the stalks have been cut it is essential that mills must be located in close proximity to the sources of raw material. Consequently attempts were made to locate to new unit in the can producing states

3) Faulty Government policy:

The sugar economy is highly controlled sugar factories were under compulsory licensing till recent years. There is a statutory minimum price (SMP) for sugarcane fixed by the Central Government and state advised prices (SAP) fixed by each state over and above the SMP. There is a levy- normally 10%of the output on the sugar mills, which have to supply the levy quota at prices, fixed much lower than the market prices. The levy sugar is allotted to the state / Central Government for distribution through the public distribution system (PDS). Prices of levy sugar are fixed zone wise on the basic of SMP of sugar cane plus conversion costs as recommended by the bureau of industrial cost and prices There is no price control on the sale of free sugar however the market suppliers of free sale sugar are regulated by government by fixing monthly release quota so as to maintain price stability. . The government fixed export quotas and sugar exports have to be handling by designated export agency. This whole scheme of sugar controls is not in the interest of the industry or the economy. The government has announced its intention to review this policy regime with the objective of making sugar industry globally competitive and generating export surplus while insuring adequate supplies for domestic consumption as a part of restricting sugar industry beginning was made when price and distribution controls on molasses were abolished in June 1993 the government has also announced number of incentives to encourage sugar mills to maximize sugar production

4) Gur Price:

The output of sugar is also greatly influenced by the relationship between sugarcane prices and Gur price. From the production side sugarcane can be used for the price manufacturing of sugar or Gur from the consumption side the substitutions of sugar in place of Gur Arises. When the price of sugar full in relation to Gur Price.

5) The problems of by products:

An important problem of sugar of sugar industry is the fuller utilization of byproducts specially bagasse and molasses. At one time, bagasse was used as fuel. While sugar factories did not know what to do with the accumulating molasses a health hazard. At present small paper plants are coming up to make paper and paper board, packing paper etc. Through using bagasse. Molasses is now being used for the manufacture of power alcohol fertilizers cattle feed etc. A number of sugar mills located in close proximity to each other are joining together to utilize by products fully and effectively in this they help to bring dower the cost of production of sugar.

6) Low sugar Recovery:

The Sugar recovery from the canes as also the yield of cane crop has been stagnant for a long time for want of any major breakthrough in reading better varieties of sugar cane. The average recovery extraction rate for the Indian sugar mills is just 9.5 to 10 percent against 13 to 14 percent in some other producing countries

7) Cane Price:

A High level Committee to be appointed by the Government for determining cane price which should be linked to sugar price through some transparent formula based methodology. The price so decided should also take into consideration inter-crop parity to avoid cyclicity in sugarcane production.

8) Old Machinery:

Like jute and cotton textiles some sugar factory also requires replacement of old machinery and modernization of production technique. The need is particularly great for the sugar factories located in western Maharashtra .

9) Competition From cheaper Imports:

Stiff competition from cheap imports is causing problem for the sugar industry sugar import in recent years have been due to ample global availability and heavy export subsidies in several countries including Pakistan, Brazil, and the European union. The international sugar prices tumbled down so imported sugar is cheaper than domestic sugar.

10) Release Mechanism:

Sugar is sold by sugar factories on the basis of release orders issued monthly by the Sugar Directorate, Government of India. Release mechanism should be discontinued in order to have better cash management and timely payment to the farmers. Price discovery should be done through a transparent Forwards and Futures market.

11) Levy Sugar Obligation:

The Government declares a certain proportion of sugar production as Levy sugar (at present 10% of total production) to be sold under Public Distribution System at pre-determined prices (which is way below the cost of production of the mills). This causes a huge financial burden on the mills. Levy sugar obligation should be totally abolished and if the Central Government wants to provide any sugar under the Public Distribution System it should buy such sugar from the open market and subsidize it from its own resources.

12) Import/Export Policy:

The Government should have a Pro-active Import/Export Policy in order to ensure reasonable sugar prices so that sustainable cane prices can be paid to the farmers.

13) Packing Material:

The Ministry of Textile has been prescribing the minimum percentages from time to time for compulsory packaging of sugar in jute bags. The packing cost of sugar in jute bags is very high compared to the other packaging material. The sugar industry is subsidizing jute industries. The Government should fully exempt the sugar industries from compulsory packaging in jute bags.

14) Priority Sector:

Sugar industry has been cash striven for decades. Finance is not easily available from institutions to new sugar factories and to existing factories for expansion as well as for

REMEDIES AND PREVENTATIONS FOR SUGAR INDUSTRIES**1) Restart of Closed Mills:**

To restart closed mills Though Maharashtra has 163 sugar mills across the state 56 have been shut down. Permanently and more than 50 have already reached their capacity of carousing this. Situation has created panic among the growers that their crop is not for different in the adjoining states of Karnataka, Tamilnadu, and Andhra-Pradesh. But the ultimate answer to these livelihood issue remains unanswered as not a single policy has so far been drafted to solve this issue The authority should regulate the situation arising as of now in the sugar industry and solve the problem at the earliest. Timely assistance is very essential in agriculture as “anything can wait but not agriculture”.

2) To provide Minimum Supportive Price:

Formulations of sugar policies are very essential which should support the domestic sugar industry and the sugarcane growers. Minimum supportive price should be announced before the beginning of the sugar. This would avoid creation of glut in the sugar cane production.

3) To encourage exports:

To encourage the export of excess sugar produced government should provide export duty exemptions and tax waivers. Proper market analysis and forecasting if the price is also essential to avoid any harm growers Or to the sugar mills. The growers should be made aware of the crop insurance scheme which will help them in adverse conditions from losing any returns.

4) Credit for sugar cane farmers:

Over 90% of the people dependent on the agriculture do not have access to bank credit however in the sugar cane sector all the farmers sponsored by the sugar mills enjoy timely credit from the banks with 100% recovery banks should advance more many to the sugar cane farmers.

5) Issue of Industrial sickness:

Although the incidence of inefficient operations and resulting sickness is one average higher for Co-Operative and public sector unit's private sector too is not free such problem as the present study demonstrates.

As per the Mahajan Committee and an earlier RBI Committee have suggested either the provisions BIFR for rehabilitation of sick mills should be intended or an alternative arrangement must be made without further delay to take care of the problems of sick Co-Operatives however it appears that there are chronically sick mills in all the three sectors which cannot be rehabilitated they must be allowed natural death by switching over to a market based system in the functioning of this industry.

6) Issue of regulations on sale of sugar:

Ideally the government should relieve the sugar mills of levy sugar payment at an remunerative price. This will also relieve the factories of the unnecessary hustles and implied cost burdens. They face due to delayed lifting of sugar and delayed payment on levy sugar by the food corporation of India the public distribution system (PDS) together with its associated inefficiencies ought to be maintained at a minimum scale. What the poor in India needs is meaningful jobs which alone can provide steady source of income and not an inefficient system of subsidy and that too at somebody else's cost. The government is of course free to maintain PDS at any desirable scale through open market purchase of sugar as it is doing in case of cereals. If the government cannot achieve this switch – over in the short run it should progressively reduce the levy sugar commitment of the sugar factories.

7) Financial Restructuring and meeting credit needs:

The sugar industry in India has been in great financial stress since year 2001. It is therefore essential to understand the factors that have contributed to it.

8) Effect of drought/floods on sugar production:

Maharashtra is the largest producer of sugar in the country the Tamil Nadu Andhra-Pradesh and Karnataka are some of the other major producer of sugar this states are of crucial importance to national production of sugar droughts in 2002- 2003 and 2003-04 and woolly aphid infestation have seriously affected sugar cane production in these states it is estimated that the availability of sugar cane was reduced from 165 lakh tons in 2002-2003 to 121 lakh tons in 2003-2004 in Tamil Nadu from 120 lakh tons in 2002-2003 to 86 lakh tons in 2003-2004 in Andhra-Pradesh 172 lakh tons in 2002-2003 to 100 lakh tons in 2003-2004 in Karnataka and from 535 lakh tons in 2002-2003 to 290 lakh tons in 2003-2004 in Maharashtra on the other hand because of regular floods sugar cane production in Bihar has been consistently falling. Since the last 4 years the sugar production in the country as a result fell from 201 lacks MT. in 2002-2003 to 140 lacks M.T. in 2003-2004.

CONCLUSION:

Maharashtra Sugar industry has made considerable progress especially in the co-operative sector. Development of sugar industry in the state is progressive but after globalization support of state government is declining. So, sugar industry in Maharashtra is facing to so many problems. Currently, sugarcane price is a burning problem in Maharashtra state. For the season 2009-10 the central government fixed 'Fair and Remunerative Price' [FRP] of Rs. 129.84 per quintal and for 4 percent incremental recovery rate F.R.P. will be 9.5 percent. means, recovery rate is a base of Fair and Remunerative price. In 2013-14 The farmers Union Leader Mr Raju Shetti has demanded to the new Government that Rs 3,250/- Per Tons rate should be given to the farmers so that somehow the farmers will come out of their few problems. Maharashtra Government need to amend the policies affecting the growth of sugar industry and also ensure that less politics influence is affected to the co-operative sector like sugar industry.

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