Research Paper Management

Problems of Indian Sugar Industry

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ABSTRACT

The erratic trend in the production of sugar is attributed to the fact that it is and agro-based industry and its output fluctuates with the vagaries of monsoons secondly the output of cane is influenced to a great extent by the price of sugar cane – Industry main. Row material which is turned depends upon the price of competitive food crops on the one hand and the cane prices faced by the government on the other.

Keywords : Gur, Khandsari

PROBLEMS OF INDIAN SUGAR INDUSTRY:

1) The Problems of 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 India. The price of Indian sugar in considerably higher than the world price of sugar. A part from the manipulations of stocks by sugar factories, hoarding, Speculation. And black marketing of sugar by wholesale dealers are rampant in India.

2) Gur Price:

The output of sugar is also greatly influenced by the relationship between cane 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

3) Shift in locational Pattern:

The sugar industry was initially located in Uttarpradesh and Bihar which together accounted for about 60 Percent of sugar production in 1960. 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.

As a result of these the share Of U.P. and Bihar declined from 60% in 1960 – 61 to 28% in 1980-81 while that of Maharashtra, Andhra-Pradesh, Karnataka, and Tamilnadu. Taken together rose from 31% to about 60% in that year, if this trained is counted; there may be a further shift in the locational pattern. The declined in the importance of UP and Bihar is mainly due to server competition faced from other state.

4) Roll of Co-Operative sector:

During recent year's Co-Operative sectors has been increasing in importance in sugar industry there know 211 Co-Operative Sugar Factories producing over 60% of the total output of sugar Co-Operative Sugar mills have to positive advantages in their favour. First they get the maximum supply of sugar cane as almost all the sugar cane farmers are members of the Co-Operative Sugar mills secondly the profits of the co-operative unit are distributed among member – farmers instead of going into the hands of a few "Sugar Barons".

5.) Need for can development

The factor which is of crucial importance in the growth of sugar industries the yield of sugar cane there is a steady increase yield of sugar cane per hectare from 33 tons. In 1950-51 to the 70 tons on 2000-07 and 80 tons in 2007 it may be maintained here that average sugar cane productivity in other countries range between 134tones per hectare (subtropical regions) to one 88tons per hectare (Tropical regions) percentage recovery of sources is the second factor which determines production in India both the yield of sugar cane per acre and percentage recovery of sources is low point. There is possibility of doubling or even trebling the yield the sugar cane.

6.) Competition from Gur Production:

India 10 tons of sugar is obtained from 100 tons cane but in case of Khandsari only 7 tonnes of sugar are derived. Thus there is a net loss to the country by the use of cane from Khandsari and Gur the recovery content of Gur is only 5%. But since it is a food of higher nutritive value, the demand for Gur is not only motivated by its use as a sweetening agent but also as an article with specificity in its demand. But the Gur Factories deprive the community by 25 to 40% of source when they divert the cane required by sugar mills. While the government fixes the price of sugar cane supplied to the factories there is no price fixation for sugarcane used for Gur. The obvious result is that production of Gur often increases at the cost of sugar.

As a result of the policy of price fixation alone, the distribution of sugarcane among the producers of sugar Gur and Khandsari is not done on a fair basis. It is therefore necessary that price competition between sugar Gur and Khandsari be avoided. It would be much more desirable to chalk out a combined allocation of sugarcane for these three close substitutes at the same price.

7) Problems of Production of Sugar:

The Low yield of sugarcane, short crushing season, unsatisfactory location of industry in U.P and Bihar and inadequate supply of cane all these create problems of production of sugar factories have low milling efficiency and recovery of sugar from sugarcane is very low. One reason for that is the uneconomic character of many of the sugar mills. Further Indian sugar mills do not have sugar plantations of their own (as in the case of west of west India's) and hence do not have control over the quantity and quality of sugarcane. Supplied by the innumerable cane growers.

8.) 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.

9) Problem's of 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 (SMP) fixed by each state over and above the SMP. There is a levy- normally 40% 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 / UT 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.

There are price and distribution controls on molasses the major by – product of sugar factories. 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 Jane 1993 the government has also announced number of incentives to encourage sugar mills to maximize sugar production.

10) The Questions of minimum economic size:
The minimum economics size as it exists in India is 2500 tons of came crushed per day (tpcd) this is much less than the minimum economic size in other countries for instance in Thailand the average plant size is of 10000 tpcd against the average of 1400 tpcd in these country according to some experts the sheer size makes us loss out in the economics of scale also the small MES makes efficient use of byproducts impossible.

11) 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 U.P and Bihar.

12) 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.

13) 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 verities 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

14) Overall observation
The main reason for sickness in the sugar industry as many as 70 mills are lying closed are : the practice of state advise price (SAP)for sugar cane low realization from the sale of molasses fluctuations in sugar production non availability of adequate cane and the uneconomic size of the mills and their out date machinery and mismanagement.

This implies that adequate relief and concessions would be required from state government banks and financial instructions for the revival of sick and closed sugar mills.

15. 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 cyclicality in sugarcane production.

16. 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.

17. 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 subsidies it from its own resources.

18. 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.

19. De-reservation of Cane Area
Reservation of cane area should be removed. This will help in efficient use of resources, better farmer-miller relationship and will provide a level playing field. Farmers will also have the option of supplying their cane to which ever miller he wants.

20. 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.

21. 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 working capital requirements. Sugar sector being a very important sector in agronomy space should be classified as a Priority Sector.

Besides major issues as above, sugar industry is facing other issues also as under:

- Under utilization of plants' installed capacity due to low availability of Sugar Cane

- Utilization of sugar cane by Gur / Khandsari industry without any control
- Low Recovery
- Prices of Ethanol
- Sale of Cogen power in open market

REMEDIES ON THE PROBLEMS OF INDIAN SUGAR INDUSTRIES

In this chapter I am given some suggestion for improvement of Indian sugar industries in other words this remedies on the problem of Indian sugar industries point of my view.

1) 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 at joining states of Karnataka, Tamilnadu, and Andhra-Pradesh. But the ultimate answer to these livelihood issue remains unanswered as not a single policy has so for 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 waif but not agriculture”. (Nehru)

2) To provide Minimum Supportive Price:

Formulations of sugar policies are very essential which should support the domestic sugar industry and the sugar cane 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 came 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 Gur and Khandsari units:

These units may be subjected to the some cane price obligations respective of weather it is a normal year or not in terms of cane production this will avoid the efficiency losses of sucrose by such unit. If the consumers have specials preference for their products they must be prepared to pay higher price. A market best solution will thus avoid the insufficiencies associated with anomalous treatment of such unit through bureaucratic loopholes.

6) Issue of regulations on sale of sugar:

Ideally the government should relive the sugar mills of leavy sugar payment at unremunerative price. This will also relive 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 inefficienes ought to be mainted at a minimum scale. What the poor in India needs is meaning full jobs which alone can provide steady source of income and not and 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.

Even the restrictions on free sale of sugar can be dispensed with. The fear that the mills would raised the domestic price through the creations of artificial scarcity is an immaterial one as long as the option of sugar import with reasonable tariff duties is open to the country. The other fear is that the industry in its eagerness to sell too much within too short period will push down the domestics price level is an equally unrealistic one as this a common problem to any industry which it must manage itself the industry was earlier managing exports very well by spreading the loss across all units so given an opportunity to manage their supply subject to some broad guild lines and safeguards (for exp. A buffer stock requirement) which the government can prepared with adequate homework and stipulate the industry should be in position to handle the matter the artificial lowering of domestic price of sugar in merely serving the interest of downstream industries which are bulk consumers of sugar in the free market. Ones these bureaucratic barriers are removed the industry itself can take more interest in developing its on retails distribution system.

It will also make the management incentive schemes a redundant issue. Ones again give the government usual apprehensions about switching gradually decreasing the periodicity of release order Quota.

7) 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 the Mahajan Committee and an earlier RBI Committee have suggested either the provisions BIFR for rehabilitation of stick mills should be intended or an alternative arrangement must be made without further duly 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.

8) 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.

9) Effect of drought / floods on sugar production

Maharashtra is the largest producer of sugar in the country the Tamilnadu 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 efficient sugar cane production in these states it is estimated that the availability of sugar cane was reduce from 165 lack tons in 2002-2003 to 121 lack tons in 2003-2004 in Tamilnadu from 120 lack tons in 2002-2003 to 86 lack tons in 2003-2004 in Andhra-Pradesh 172 lack tons in 2002-2003 to 100lack tons in 2003-2004 in Karnataka and from 535 lack tons in 2002-2003 to 290 lack 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 M.T. in 2002-2003 to 140 lacks M.T. in 2003-2004.