

CHAPTER II,
GROWTH AND DEVELOPMENT OF SUGAR
INDUSTRY IN INDIA

CHAPTER - II

GROWTH AND DEVELOPMENT OF SUGAR INDUSTRY IN INDIA.2.1. Historical Background :-

Sugar has been known to India for about 2000 years and there is ample evidence to show that India is the original home of sugarcane as also of sugar manufacture, sugar has been mentioned in the epics as one of the five Amritas (i.e. celestial sweets). Mention of sugar is found in the Atharveda in 5000 B.C. From India, the growing of sugarcane and its use in the making of sugar spread to China, Cylone, Java to Persia in the sixth century and to Spain in the eighth century. As pointed out by Shri. M.L. Datta " There are many reasons to believe that India was the original home of sugarcane ".

The first modern sugar factory was the motipur built by Dutch in 1789. The industry started developing gradually thereafter towards close of the 19th century a great revolution took place in the methods of sugarcane improvement. A quite indifferent discovery of the improved seed was made by Boveland Hamson in 1889 in Barbodas. The setting up of a sugarcane Breeding Institute of Coimbatore in 1912, on a scientific lines was a great step forward in the sugar industry, in India.

India used to export large quantities of sugar (unrefined) upto the middle of the 19th century. Till 1963-64, exports exceeded imports later on Mauritius and Java

captured the Indian Market. From 1884-85, imports of sugar began to increase rapidly.

Under the policy of discriminating protection, the Tariff Board 1930 recommended, protection to the sugar industry for a period of 15 years from 1932. The rate of protection duty on import of sugar as recommended by the Tariff Board was Rs. 7-4-0 per cwt for the first seven years and Rs. 6-4-0 per cwt for the remaining eighth years.

India was one of the largest consumers of sugar in the world with regard to her home market. There was a phenomenal growth of sugar industry after the grant of protection. The number of working sugar factories in 1931-32, was 31 and they were producing 150 thousand tonnes of sugar. In 1938-40 these figures were respectively gone to 145 and 135 thousand tonnes. Index of production of sugar (pre-protection = 100) was 589 pre-war year and 659 in 1949.

The second world war did not benefited the sugar industry, rather wartime sugar controls hampered the growth of the industry in stagnant condition since the first phase of progress was over in 1939. After second world war, the Indian sugar industry once again in adverse position. The production of sugar greatly declined due to the shortage of sugarcane to the factories. The cane growers preferred to supply their cane to the gur manufactures who afforded higher prices to the growers than that of the price offered by the factories. The sugar factories were compelled to reduce their working days which results to further diminution of the production of sugar.

Sugar industry after independence (from 1942-43, till 1959-51) had to pass through a difficult time favourious seasons where the output fluctuated erratically between 9 and 11 lakh tonnes mainly on account of instability of sugarcane supplies caused by the governments performance to food crops.

In the view of the critical situation and crisis phase of sugar industry, sugar was decentralised in Dec. 1947, and as a result of it the price of sugar rose rapidly. This situation led to black marketing and hoarding and consequently the consumers were badly affected.

The circumstances compelled the government to control sugar in 1949. Recently the sugar industry received its due share of consideration in Five Years Plans of the Government of India. During First Five Year Plan, sugar production was 11.16 lakh-tonnes against the target of 50 lakh tonnes First Year Plan had not provided further expansion of the size. A new era commenced for the industry in 1951 because of the fact that development & regulation of sugar industry came under the control of the government of India for first time under the industries (Development & Regulation) Act of 1951. Prior to the initiation of the first year plan there were 139 sugar factories in India, of which 3 were co-operative joint stock f factories. The totalsugar production capacity was 16.68 lakh tonnes every year of which 16.50 lakh tonnes was contributed by joint stock factories. One was in Maharashtra & two were in Andhra Pradesh. The subtropical belt had 109 factories. All 139 factories were registered.

The first enquiry into the cost structure & fair price payable to the sugar industry was held in 1958-59 by the Tariff Commission which submitted its report on Sept. 1959. The Government of India in 1959 also appointed Fact Finding Commission on Khandasari Sugar to ascertain its position vis-a-vis the sugar. The extent of diversion of cane to Khandasari in factory zones & to suggest measures necessary to meet the situation. In June 1963 Government of India appointed a Committee on Rehabilitation and modernization of sugar Factories in India. (under the Chairmanship of S.N. Gundu Rao) to examine the problems of old and un-economic units of sugar industry. In August 1964, a Sugar Enquiry Commission was appointed under the Chairmanship of Dr. S.R. Sen to make a comprehensive enquiry into the various aspects of the sugar industry including a economics of sugar production & its cost structure. The recommendations of this commission were adopted to fix exfactory price of sugar during the years from 1965-66 to 1968-69. The Government referred this question to the Tariff Commission. The Government accepted their major recommendations after announcing their decision on 29th Februry 1970. As a result of number of price zones was increased to 15. The cost schedules & the zones recommended by the commission in 1968-69 were based on the data of the year 1966-67. Again in December 1972 the Tariff Commission was requested by the Government to recommend cost schedules zones etc. for the period of three years (i.e.

1972-1973, to 1974-75.)

In 1969 there were 205 sugar manufacturing units. The number increased to 229 in 1972. On 28th September 1980, the Sugar Industry Enquiry Commission was set by the Ministry of Agriculture (then known as Ministry of Food Agriculture, Community Development & Cooperation), with the main objectives to study; working of sugar industry and the condition of the sugar plant & machinery of the sugar mills, working of co-operative sector sugar mills, suggestions for a rational & efficient organization of the sugar industry in different parts of the country, problems of cane supply & payment of cane price along with fluctuations of sugar & sugar cane production & suggestion there about for a stable & balanced development of the sugar industry.

The sugar industry Enquiry Commission 1974 (under the Chairmanship of Shri. V. Bhargava) submitted its second Interim Report, in May 1973 and the Final Report in 1974. Accordingly the sugar industry along with other industries was permitted to expand without a licence provided, that the value of the fixed assets of a unit after expansion did not exceed Rs. 5/- crores and aggregate value of the substantial expansion, whether in one or more stage did not exceed Rs. 1/- crore. The sugar industry was concentrated in the sub tropical belt which accounted for 108, out of total of 139, most of the factories were situated in Uttar Pradesh and Bihar. Their number was 68 & 29 respectively.

After 1951 the industry rapidly spread, itself in the tropical belt comprising Gujarat, Maharashtra, Andhra Pradesh, Tamil Nadu, Pandichery, Kerala & Mysore (Karnataka). The number of factories rose from 31 to 88, from 1950-51, to 1967-69 and 105 by 1971-72. During this period 74 new factories were established. The number of co-operative factories was more than one third of total number of sugar factories in India during 1974-75. The most significant development in the Indian sugar industry during the last 25 years is the emergency & rapid growth of the co-operative sector, primary due to the preferential treatment given to this sector by the Government in accordance with licence and financial assistance. Out of the 96 factories working under co-operative sector in India during 1974-75, more than one third were established in Maharashtra. The tropical belt has brought outstanding major changes. Maharashtra alone comprises of more than 50 % of the total co-operative sugar factories. In 1974-75 there were 42 factories in co-operative sector.

In the first Five Year Plan period the volume of sugar production was 18-92 lakhs tonnes resulting to an increase of 69.23 percent over 11.18 lakh tonnes in 1950-51 on the eve of planning period. The role of industry in the Second Five Year Plan was also equally commendable. The Second Five Year Plan had boosted the sugar production to 30-28 lakhs tonnes with 170.84 percent increase over the production in 1950-51, and 35-37 lakhs tonnes in the Third Five Year ^{Plan} period.

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The percentage of increase in production was 215.92 thus exceeding the target of 35 lakhs tonnes fixed under the plan. During the Fourth Five Year Plan sugar production had touched 39.48 lakh tonnes, with 253.13 percent increase over the production in 1950-51 with larger carry forward stock of about 22 lakh tonnes from the previous season, the total availability of sugar was still higher at about 51 lakhs tonnes in 1970-71. The sugar production improved to 38.7 lakh tonnes in 1973- and 39.48 lakh tonnes in 1973-74 due to increase in sugar average & its production. The industry achieved a sugar output to 47.9 lakhs tonnes in 1974-75, against 39.48 lakh tonnes during the preceeding season 1973-74. The sugar production during the season declined from 47.92 lakh tonnes to 42.61 lakh tonnes due to severe drought . In Uttar Pradesh, Tamil Nadu & Andhra Pradesh the decline due to drought continued even during Fifth Five Year Plan period. However, the country had more than 422.5 percent increase during the period.

Due to abundance of cane supply and its off take by Gur & Khandsari producers, the sugar factories had to crush mosre cane during 1977-78 season, utilizing 37 percent of the cane crop as against their normal intake of about 30 percent. The industry achieved a record sugar production 64.72 lakhs tonnes. The Government of India had estimated the requirements of sugar at 76.40 lakh tonnes by the end of the 6th Five Year Plan

(i.e. by the year 1984-85). For the achievement of this goal, the targets of the installed capacity & licenced capacity had put at 80.4 & 96.2 lakh tonnes respectively. India had a unique distinction of being the worlds' largest production of Sugar in 1981-82 with 8.4. million tonnes exceeding the production of Cuba & Brazil. A notable feature of the season 1981-82 was the achievement of an all time record sugar output which was initially visualised at 75 lakh tonnes. In this way India maintained it's class in the top leaders of the world sugar producers; although it related to the second position next to Brazil in the season 1982-83. The Sixth Five Year Plan had increased sugar production with 449.55 % increase over the production in 1950-51. The sugar output declined by as much as as 28.1 %. The sugar year 1982-83, commenced with a carry forward stocks of 32.7 lakhs tonnes. The total availability of sugar production was of 82.30 lakhs tonnes during 1982-83. The total availability of sugar was the highest being about 115 lakhs tonnes and the off take both for internal market and export was also higher at 64.88 and 4.25 lakh tonnes respectively during the ^{Same} ~~sugar~~ period.

During 1983-84 season sugar production declined to 59.16 lakhs tonnes. In 1984-85 the position of sugar production was 61.44 lakh tonnes which was slightly higher than the previous season production.

2.2. Progress & Importance of the Sugar Industry :-

India is the Fourth major sugar producing country in the world next to U.S.S.R., Brazil, Cuba. The sugar industry is the third largest organised industry in India next to iron & steel and cotton industry. Sugar plays an eminent role in economic life of India. It is the best agro-based industry with immense potential for transforming rural economy into a fairly prosperous state. It is an industry which affects agriculture fundamentally. Hence the expansion of sugar industry in India is an indispensable factor for the uplift of **socio-economic** life of India. As pointed out by M.P. Gandhi in his book "Problems of Sugar Industry in India," that the importance of this great industry in the national economy of the country need hardly be stressed. It has stopped the drain of about Rs. 16 crores per annum with the complete cessation of sugar imports, is supporting no less ^{than} 20 million agriculturists whose interests are indissolubly linked up with the future of this industry, had led to the developments of the village industry for gur manufacture, has provided of channel for investment of indigenous capital estimated at Rs. 33 /- crores, has been responsible for finding employment to no less than 3000 university men,

1,00,000 labour (skilled and unskilled) and has made the country self sufficient in respect of supplies of sugar, a valuable article on the dietary of millions in the country and promises to develop further, with the general improvement in the economic conditions of the people."

Measured in terms of aggregate assets, the sugar industry has total investment of the order of Rs. 2700/- crores. It produces value of the order of excise duty in the season 1983-84 has been over Rs.2200/- crores. About 25 million cultivators including their dependents are today engaged in growing sugarcane to whom the industry has paid about Rs. 1250/- crores for cane supplied to it in 1983-84, Its working force, including technical staff is estimated at over 3.35 lakh persons. The annual wages & salary bill of the industry in 1983-84, were of the order of Rs. 240 crores. The contribution in the form of excise duty and cane cess during 1983-84 was estimated at about Rs. 500/- crores. The actual Export of sugar in 1983-84, was 2.84 lakh tonnes earning a foreign exchange of Rs. 70/- crores. The total exports in 1974 were of the order of 4.97 lakh tonnes and foreign exchange earnings were of the order of about Rs.214.3 crores. However, India received physically 3.62 lakh tonnes of sugar as import against a targeted quantity of 5 lakh tonnes sugar by import to meet the domestic requirements in 1983-84.

In 1986-87, season, 339 sugar factories were working in the country each deal with 100 to 400 villages for its cane

supplies or an average 200 villages. Thus the industry covered about 67,000 villages.

The most outstanding features of the industry is the vital link between the factory and the cultivators, whose interest and well-being are interdependent. No other agro-based industry can compete with it in having impact and close contact between the agriculturists and factory owners, obviously, sugar industry is an agro-industry par excellence and consequently shows a very important vehicle for coming progressive influences in the country side of India.

TABLE NO. 2.1.

PROGRESS OF THE SUGAR INDUSTRIES IN INDIA.

Years.	No. of factories in opera- tion.	Average actual capacity per 24 Hrs. (ton)	Total Cane crushed (000 ton.)	Recovery of sugar cane	Total sugar produced (000 tons)	Average duration (days)	Molasses Production (000 tonn.)
1	2	3	4	5	6	7	8
1950-51	138	873	11,147	10.03	1,118	101	402
1951-52	139	929	15,743	9.57	1,507	133	608
1952-53	134	649	13,384	9.98	1,336	113	510
1953-54	134	956	10,092	10.08	1,017	86	351
1954-55	136	988	16,267	9.92	1,615	132	627
1955-56	143	1,072	19,141	9.83	1,829	145	750
1956-57	147	1,048	21,187	9.73	2,059	150	782
1957-58	158	1,073	20,055	10.01	2,009	129	759
1958-59	164	1,098	19,800	9.84	1,904	120	737
1959-60	167	1,174	24,811	9.91	2,460	138	954
1960-61	174	1,168	31,109	9.74	3,028	167	1,240
1961-62	179	1,166	27,937	9.77	2,730	246	1,094

Cont....

TABLE NO. 2.1 (Cont.)

1	2	3	4	5	6	7	8
1962-63	816	1,128	20,765	19.24	2,135	108	748
1963-64	192	1,207	25,632	9.96	2,562	120	959
1964-65	198	1,204	33,459	9.64	3,232	153	1,339
1965-66	200	1,249	36,404	9.68	3,532	159	1,519
1966-67	202	1,237	21,659	9.91	2,159	95	846
1967-68	201	1,304	22,599	9.92	2,243	94	862
1968-69	206	1,322	37,455	9.50	3,558	150	1,670
1969-70	215	1,363	45,672	9.33	4,261	170	2,004
1970-71	216	1,359	38,204	9.78	3,740	142	1,620
1971-72	221	1,429	30,997	10.03	3,108	107	1,207
1972-73	229	1,447	40,407	9.57	3,873	133	1,696
1973-74	229	1,470	42,278	9.34	3,948	138	1,825
1974-75	227	1,528	48,435	9.90	4,794	140	2,015
1975-76	253	1,569	41,849	10.19	4,262	115	1,702
1976-77	271	1,564	48,819	9.92	4,840	126	2,059
1977-78	286	1,537	67,329	9.96	6,457	167	2,964

Cont.....

TABLE NO. 2.1. (cont.)

1.	2	3	4	5	6	7	8
1978-79	299	1,560	59,717	9.78	5,842	140	2,564
1979-80	299	1,687	39,080	9.88	3,858	86	1,582
1980-81	314	1,725	51,584	9.98	5,147	105	2,126
1981-82	319	1,727	87,342	9.66	8,436	173	3,886
1982-83	320	1,784	82,695	9.95	8,232	158	3,708
1983-84	325	1,785	59,022	10.03	5,916	111	2,436
1984-85	339	1,807	60,392	10.24	6,144	107	6,463.

Hectare = 2.4711 acre provisional.

Source :-

Indian Sugar, March 1986, PP.11 (Statistics).

The Table No. 2.1 defineates the various aspects of sugar such as sugar production, number of factories total cane crushed, recovery of sugar cane, duration and molassess production from 1950-51 to 1984-85.

2.3. Shift in Locational Pattern :-

The sugar industry initially was located in Uttar Pradesh and Bihar which together accounted for about 60 % of sugar production in 1960. Analytical studies about production, costs revealed the irrational nature of regional pattern of production. Since the sucrose content of sugarcane begins to deteriorated soon after the slacks 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 new units in the cane producing states. As a result of this, the share of Uttar Pradesh & Bihar declined from 60 % in 1960-61 to 28 % in 1980-81, that of Maharashtra, Andhra Pradesh Karnataka & Tamil Nadu taken together rose from 31 to 60 % in this respect. If this trend is continued, there may be further shift in the locational pattern, the decline in the importance of Uttar Pradesh & Bihar is mainly due to severe competition faced from other states.

During the recent years, co-operative sector has been increasing importance in sugar industry. During 1977-78 the co-operatives sugar factories produced 32

lakh tonnes of sugar which was 40 % of the total production during the year. Co-operative sugar mills have two advantages in their favour ; Firstly, they got the maximum supply of sugarcane as almost all sugarcane farmers are members of the cooperative sugar mills. Secondly the profits of the co-operatives are distributed among farmers instead of going into the hand of a few " sugar barons ".

2.4. Sugar Policy & Sugar Prices :-

The erratic trend in the production of sugar is attributed to the fact that it is an agro-based industry and it's output fluctuates with vagaries of mansoons. Secondly, the output of cane is influenced to a great extent by the prices of sugarcane ; industry's main raw material. Which in turn depends upon the prices of a competitive food crops, on the one hand and the cane prices fixed by the Government on the other.

Besides, Government policy, the output of sugar is greatly influenced by the relationship between cane prices and gur and prices. From the production side, sugarcane be used for the manufacture of sugar or gur. From the consumption side, the substituted of sugar in place of gur arises when the prices of sugar fall in relation to gur prices.

The Government policies regarding sugar economy during the last 30 years have been directed towards the defectives, which includes the following some broad features.

- a) Fixation of minimum sugarcane price to be paid by sugar factories to the growers;
- b) Fixation of licencing capacity so as to regulate expansion of existing sugar factories and establishment of new ones.
- c) Fixation of exfactory prices of sugar, determination of zones and incentives for increasing sugar production.
- d) Regulating production prices, movement, etc. in respect of gur & Khandsari.
- e) Distribution of sugar for domestic consumption and export.
- f) Decontrol of control. 9
- g) Ordinance for taking over the management of the sugar factories by the government.
- h) Sugar Research & Development.

Statutory control on sugar was first imposed in April 1942, under the sugar products control order. The sugar controller to the government of India regulated production distribution and prices of sugar with effect from May 1, 1942. Accordingly no sugar factory was permitted to affect sugar to persons other than authorised by the sugar controller. Control on sugar was removed with effect from December 8, 1948, after which the Indian Sugar Syndicate again became the selling organisation for factories in Uttar Pradesh & Bihar. Statutory control was reimposed with effect from 2nd September, 1949

and an exfactory price Rs. 76.35/- per quantal for D-4 grade and corresponding prices for other grades fixed by the sugar syndicates were declared. In April 1955, Government requisitioned 25 % of the production of all factories for distribution on a tender basis. During seasons 1945-46, 1955-56, and 1956-57 Government did not fixed exfactory prices for sugar.

Control on sugar price was reimposed on 30th July, 1958. Other measures adopted by the Government were,

- 1) Tightening of bank advances.
- 2) Licencing of whole sale dealership in sugar by State Government.
- 3) Banning of movement of sugar from Delhi & Greater Bombay.
- 4) Assignment of specific quota to individual states.
- 5) Banning interstate movement of sugar. Finally with effect from July 1, 1959, Government took over the entire production of sugar for allocation.

The policy of full control was continued to 21.3 lakh tonnes. It was feared that if the policy of control continued during 1967-68, the production was estimated to decline further to meet, which would be hardly be sufficient for the government to meet the internal demand. It was under these circumstances that the union minister for Food and Agriculture made a statement in parliament on 16th August, 1967 and announced partial decontrol of sugar.

Under this policy a quantity equal to 60 % of the production achieved from 1st October 1966 to 30th September 1968 at a fixed levy price, and factories will be free to sell the balance production any where in India for the free market price subject to release from factories sanctioned by the government of India. Subsequently by a further order, the government allowed levy and free sale sugar in the ratio of 60 : 40 on the production of 1967-68 season. The policy of partial decontrol was continued during the subsequent two seasons 1968-69 and 1969-70. However the ratio of levy sugar to free sale sugar was raised to 70 : 30. It was under these circumstances that government decontrolled sugar from 25 th May 1971. Government regulated the monthly release of sugar during this period.

The policy of decontrol did not continue for a long time. Prices have showed an increasing towards trend the end of the season on account of sharp fall in sugar production during 1971-72 caused by floods in some important sugar producing areas and also due to diversion of cane area to other crops. It was under these circumstances that the industry voluntarily offered 60 % of the monthly released quota for a distribution to the domestic consumers at a fixed price of Rs. 150/- per quantal exclusive of excise duty.

The Government of India had extended the policy of partial decontrol for the season 1974-75 and the proportion of levy and free was maintained at 70 : 30.

Subsequently by a press note issued by the Government on 29th January, 1975, the levy and free sugar was raised on 65 : 35. It may be stated here that in competition of final levy sugar prices government had taken into consideration the actual cane prices paid by the factories in different regions, the exfactory realisation of free sale sugar etc. Government of India in the ministry of Agriculture and Irrigation decided to continue the sugar policy of partial decontrol for 1976-77 season as it was in vogue in the previous year. The proportion of levy of free sugar was kept unchanged at 65 : 35, (See table 2.3).

TABLE NO.2.3.

SUGAR PRICING IN DIFFERENT YEARS

<u>YEAR</u>	<u>POLICY</u>	<u>YEAR</u>	<u>POLICY</u>	<u>LEVY %</u>	<u>FREESALE %</u>
1941-42	Control	1967-68	Partial control	60	40
1942-43	Control	1968-69	Partial control	70	30
1943-44	Control	1969-70	Partial control	70	30
1944-45	Control	1970-71	Partial control		
1945-46	Control	a) 1-10-1970	Partial control	60	40
1946-47	Control				
1947-48	Decontrol	24-5-1971			
1948-49	Decontrol	b) 25-5-1971	Decontrol		
1949-50	Control				
1950-51	Partial control	30-9-1971			
1951-52	Partial control	1971-72			
1952-53	Decontrol	a) 1-10-1971	Decontrol		
1953-54	Decontrol				
1954-55	Decontrol	31-12-1971			

TABLE NO.2.3. (cont.0)

YEAR	POLICY	YEAR	POLICY	LEVY %	FREE SALE %
1955-56	Decontrol	b) 1-1-1972	Scheme of voluntary distribution.		
1956-57	Decontrol				
1957-58	Decontrol	30-6-1972.			
1958-59	Control	c) 1-7-1972	Partial control	60	40
1959-60	Control				
1960-61	Control	30-9-1972			
1961-62	Decontrol	1972-73	Partial control	70	30
1962-63	Decontrol	1973-74	Partial control	70	30
1963-64	Control	1974-75	Partial control	65	35
1964-65	Control	1975-76	Partial control	65	35
1965-66	Control	1976-77	Partial control	65	35
1966-67	Control	1977-78			
		a) 1-10-1977 to			
		15-8-1978	Partial control	65	35

TABLE NO.2.3. (CONT.)

a YEAR	POLICY	YEAR	POLICY	LEVY %	FREE SALE %
b) 16-8-1978 onwards			Complete control (also discontinuance of monthly release mechanism)		
1978-79 to					
1-10-1978- to					
4-6-1979			----- do -----		
5-6-1979 to			Monthly release mechanism reintroduced by Govt.		
5-6-1979 onwards					
c) 12-9-1979 onwards			Government introduced full price control.		
1979-80					
a) 1-10-1979 to					
16-12-1979			Full price control.		
b) 17-12-1979 onwards			Partial control	65	35
1980-81			Partial control	65	35
1981-82			Partial control	65	35
1982-83			Partial control	65	35
1983-84			Partial control	65	35

TABLE NO.2.3. (Cont.)

YEAR	POLICY	YEAR	POLICY	LEVY %	FREESALE %
		1984-85	Partial control	65	35
		1985-86	Partial control	65	35
		1986-87	Partial control	65	35

The Government decided to decontrol sugar with effect from 10th August, 1978. The above policy did not work successfully and had to be changed again on 17th November 1979. The government decided to reintroduced the dual pricing with levy and free sugar in proportion of 65 : 35. While fixing the levy prices, government also took into account the expected realization from the sale of free sugar with a view to reducing for levy rates. The levy prices were announced for the 16 cost zones, The weighted average price calculating to about Rs. 230/- per quintal.

The dual pricing in case of sugar industry has been of a different nature i.e. higher prices to new units and lower prices to old units. It was brought into operation for encouraging expansion of capacity in the industry. The new units set up in the various zones (high recovery, medium recovery, lower recovery) would be allowed exemption from the delivery of sugar to the Government at levy for a period of two to four years and there after would be progressively taken into the existing scheme.

Since 1982-83, a policy of larger release of free sugar has been continuously followed. The ratio of release of sugar of levy and free sugar which was 58 : 42 in 1981-82, deteriorated to 55 : 45 in 1982-83. In 1983-84 it was allowed to decline further 49 : 51 and for the first time

since the adoption of the partial decontrol policy, the free sugar releases exceeded those of levy sugar. In view of the industrialist this undesirable trend has been continued undebated during the sugar year 1984-85, and the ratio of levy and free sale sugar released till the end of May 1985, had further deteriorated to 45 : 55. The government again has newly changed the ratio of levy to free sale sugar from 65 : 35 to 55 : 45 in 1986, Season Under the new policy the government has fixed the statutory minimum price at Rs. 16.50/- per quintal for basic recovery of 8.5 % with proportionate premium every 0.1 % increase in recovery above the basic level.

2.5. Problems of Sugar Industry :- -----

In India, 10 tonnes of sugar are obtained from 100 tonnes of a cane, but in case of Khandsari only 7 tonnes of sugar is derived. Thus there is a net loss of 3 tonnes sugar. 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 specifically in its demand. But the gur factories deprive the community by 25 % to 40 % of sucrose, when they divert the cane required by sugar mills. While the prices of sugarcane supplied to the factories are fixed by the government

There is no price fixation of 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 products of sugar, gur and Khandsari is not practiced on a fair basis. It is therefore, necessary that price competition among sugar, gur and khandsari be avoided. It would be much more desirable to chalk-out a combined allocation policy of sugar cane for these three close substitutes at the same price. This is being done now.

- 2) The Sugar policy of the government has been seriously lacking a longterm perspective. Controls, decontrols, partial control etc. have been used in the past in an ad hoc manner. Whereas it may be unwise to argue for a complete decontrol of sugar in times of scarcity. It would be advisable that the government uses partial control as a permanent mechanism so as to assure supplies of sugar to poorer sections at a reasonable rate. Government policies on cane prices, control price of sugar, dual pricing etc. have been designed and used for the benefit of sugar mill owners and distributors and rarely for the benefit of the consumers. Much of the illness and problems of the sugar industry are the result of government policy.

The sugar policy viz. partial, control and dual pricing continued unchanged. The ratio of levy and free

sale sugar was retained at 65 : 35. The government imported nearly 12 lakhs tonnes of sugar during 1984-85 and decided to sell a part of it through the public distribution system, at Rs. 5.80 per kg. from August 3, 1985. However, the ratio of levy and free sale sugar was changed from 65 : 35 to 55 : 45 in order to improve the viability of sugar factories as also to enable them to pay competitive cane prices. To provide a statutory minimum price to cane growers, the Government has raised the price of cane to Rs. 16.50/- percent in 1985-86. The government also announced in advance the statutory minimum price of cane at Rs. 17 per quintal for 1986-87 season.

- 3) The low yield of sugarcane, short crushing season, unsatisfactory location of the industry in Uttar Pradesh and Bihar and inadequately supply of cane etc. create problems of production of sugar in India. Besides, Indian sugar factories have low milling efficiency and recovery of sugar from sugarcane is also very low. One reason for this is the uneconomic character of many sugar mills. Further Indian sugar mills do not have sugar plantation of their own (as in the case of West Indies) and hence do not have control over the quantity and quality of sugarcane supplied by the innumerable cane growers.
- 4) The inefficiency and uneconomic nature of production in sugar mills, low yield and short crushing season, the high

price of sugarcane and the heavy excise duties levied by the government etc. are reasonable for the high cost of production of sugar in India. The price of Indian sugar is considerably higher than the world price of sugar. Apart from the manipulations of stocks by sugar factories hoarding, speculation and black marketing of sugar by wholesale dealers are rampant in India. In 1980-81, the price of sugar touched Rs. 3/- to 11 per kg. in different parts of the country. With larger production and larger availability of sugar, the market price of sugar declined.

- 5) An important problem of sugar industry is the fuller utilization of by products specially, bagasses and molasses. At one time bagasses was used as fuel, while sugar factories did not know what to do with the accumulating molasses. At present, small paper plants are coming up to make paper, paper board, packing paper etc. through bagasses. Molasses is now being used for the manufacture of power, alcohol fertilizers, cattle feed etc. Many number of sugar mills located in close proximity to each other joining together to utilize by-products fully and effectively. This will help to bring down the cost of production of sugar.
- 6) The crucial importance in the growth of sugar industry is the yield of sugarcane. There is a steady increase in yield of sugarcane per hectare from 45 tonnes in 1960-61 to 48 tonnes in 1970-71; and further to 60 tonnes during

1986-87. Percentage recovery of sucrose is the second factor which determine the production. In India both the yield of sugarcane per acre and percentage recovery of sugrose is low. There is possibility of doubling or even tripling the yield of sugarcane.

Despite all these handicaps and difficulties no other industry in the country has developed as fast as the sugar industry. The industry had induced very bright prospects, as there is abundant supply of raw materials, cheap labour and local market. The government should continue on a long-term basis partial control and dual pricing system.

So that the interests/consumers on the one hand and that of production on the other hand will be protected and reconciled.