

CHAPTER I	INTRODUCTION AND STATEMENT OF THE PROBLEM
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1.1 INTRODUCTION:

Sugar industry is a very important and main agro-processing industry next to cotton textile industry in India. It is a major consumer goods industry too. Our's is the highest producer country of sugar in the world. Sugar industry is an important instrument for socio-economic development of rural areas. It provides an employment opportunities to rural masses. Rural development is basically depends upon development of sugar industry, and the development of sugar industries depends on the supply of sugarcane. Sugarcane is the main raw-material of this industry. Similarly sugarcane is an important commercial crop in Maharashtra.

Agricultural price policy is a very sensitive and complex field. It plays an important role in the development of agricultural sector. The pricing of sugarcane has always been a complex phenomenon. It is related to both sugarcane cultivators and the sugar factories.

The need for a minimum price for sugarcane supplied to factories, emerged within a short period after passing of a legislation of Sugar Industry Act in 1932.

Upto 1950's, the statutory minimum price for sugarcane was fixed only in certain cane growing states and that too was established separately for each state by the respective state Governments. The minimum price of sugarcane was being fixed purely on weight basis except in Gujarat and Maharashtra upto 1961-62 season. From 1962-63 onwards the Government of India adopted the policy of fixing the minimum price of sugarcane linked with the recovery basis of sugar from sugarcane.

The minimum statutory sugarcane price is fixed by the Government of India under the provisions of the sugarcane (control) order 1966. Since 1966-67 the Government is consulting the Agricultural Prices Commission and now the Commission of Agricultural Costs and Prices in concern to the fixation of the minimum prices of sugarcane.

Maharashtra state Government, every year declare, the State Advised Prices. These prices are generally higher than the statutory minimum prices fixed by CACP. The State Advisory Prices are determined for only co-operative sugar factories. Maharashtra State Government announces different prices for different sugar factories. Those sugar factories who have borrowed the loans from State Government or the

Government is guarantor to term loan of sugar factories, they have to accept state advisory prices.

Co-operative sector enterprises run on the co-operative principles. Sugarcane price in co-operative sugar factories is nothing but distribution of surplus over and above all expenses to sugarcane suppliers in proportion to sugarcane supplied by them.

Sugar factories in private sector enterprises are based on the capitalistic profit motive. However, private sugar factories may not give sugarcane price below the statutory minimum prices. They give near about the same prices actually paid by co-operative sugar factories operating in the same area.

1.2 STATEMENT OF THE PROBLEM:

Sugarcane is one of the important cash crop in Maharashtra. The most difficult problem is, the area under the sugarcane is fluctuating year to years. In Maharashtra, out of total sugarcane output, 80 percent sugarcane output is utilised for manufacturing sugar in the sugar factories. In Maharashtra, the number of sugar factories is increasing day by day. So the problem of inadequate supply of sugarcane is becoming serious. Similarly on the other hand, per hectare productivity of sugarcane is declining. From 1982-83 to 1991-92 the per hectare productivity of sugarcane in



Maharashtra had declined from 96.3 tonnes to 79.8 tonnes. This is because of the number of causes and constraints in cultivating the sugarcane and managing the sugar factories.

Central Government determines the sugarcane prices as sugar industry comes under the perview of the Central Government. However, the State Governments have also empowered to administer the state prices (SAP). Similarly the sugar factories also pays the varrying prices for their sugarcane suppliers. There is varrying degree of differences in paying the sugarcane prices. So we decided to study this complex issue in this dissertation.

1.3 SIGNIFICANCE OF THE PROBLEM:

A comparative study of sugarcane pricing in private and co-operative sugar factories is an interesting issue to study. Besides, this study is also important for sugarcane growers. Similarly this research directly benefit the sugar factories either private or co-operative. Till to day very few have worked on the sugarcane pricing, but no work reflects a comparative study of sugarcane pricing in private and co-operative sugar factories. This research focuses its attention on the comparative study of sugarcane pricing in private and co-operative sugar factories.

Now-a-days sickness of sugar factories is increasing due to the poor yield of sugarcane. Many efforts have

been made through Government and sugar factories for increasing the quality of sugarcane but response is not so satisfactory.

This study covers the issue by selecting the period of 10 years i.e. from 1981-82 to 1990-91.

1.4 OBJECTIVES OF THE RESEARCH PROJECT:

This study focusses its attention on the pricing policy of sugarcane in private as well as co-operative sugar factories. The process and methodology of sugarcane pricing has been reviewed at the levels of Central Government, State Government and factory levels. At the central level the APC, now CACP recommends the minimum sugarcane prices every year. At the State, State Administered Prices are fixed. At the state level prices of the sugarcane are fixed in the Ministerial meeting every year. And at the factory level the final prices are fixed by considering the factory's performance during a particular year.

Following are the important objectives of this study.

- 1) To review the methodology of sugarcane pricing and its policy.
- 2) To study the role of State Government and state intervention in determining the sugarcane pricing and

its policy.

- 3) To make a comparison of prices of sugarcane in private and co-operative sugar factories and find out the casual relations in the differences if any.
- 4) To compare the cost of production, recovery & other items of sugar industry in private and co-operative sugar factories.

1.5 REVIEW OF LITERATURE:

Various scholarly efforts have been made to study the sugar industry in different angles. But no study has been made to review the comparative study of sugarcane pricing in private and co-operative sugar factories. Besides very few literature is available on the issue of sugarcane pricing and the policy. Some committees were appointed by the Central Government and Maharashtra State Government time to time to study the problem of sugarcane and sugarcane pricing.

These committees have carefully studied the issue of cane pricing and recommended number of suggestions. The foremost committee is the Bhargav Committee, which has illustrated a formula for cane pricing known as Bhargav formula.

1) Bhargav Formula:

Central Government had appointed two Sugar Enquiry Commissions for the most objective and impartial insight in the working problems of the sugar industry. The first one was set up in 1964 under the chairmanship of Dr S.R.Sen and it submitted its report in 1965. The second one was appointed under the chairmanship of Ex-Supreme Court Judge, Justice V. Bhargava. This committee submitted its report in 1974. This commission is popularly known as Bhargava Commission. It has played a major role in forming the present Government policy on sugar and its recommendations are therefore of special significance for this study.

*What is the
the Commission*

2) Sampath Committee Report:

The Government of India appointed a committee to study the problems relating to inadequate supply of sugarcane to sugar factories in Maharashtra in 1975 under the chairmanship of Shri. S.V. Sampath. The committee recommended measures for cane development, proper zoning for sugarcane area and some directives in issuing licences to new units.

3) Gulabrao Patil Committee Report:

In 1980 the Government of Maharashtra appointed a committee under the chairmanship of Shri. Gulabrao Patil.



the veteran co-operator, to study the problems of sickness of co-operative sugar factories in Maharashtra. This committee submitted its report in 1983 and made various recommendations to the Government to overcome the problem of sickness of the co-operative sugar factories in Maharashtra. The committee recommended that state Government should give financial help to sick sugar factories in the form of exemption in the cane purchase tax and to take effective steps for sugarcane development. The committee identified the sick co-operative sugar factories from Maharashtra and the reasons of the sickness and made the recommendations to solve the problems of these factories.

4) In September 1991 Miss. Lalita D. Mahajan studied for her M.Phil degree of Shivaji University, Kolhapur on "Sugarcane Pricing In India - Process and Problems". She has given the historical account of sugarcane pricing. The price of sugarcane is not fixed by the process of perfect competition or monopoly. Sugar factories decide cane prices considering Agricultural Costs and Prices Commission's recommendations and State Government advice. There is no definite relation between cost of cane cultivation and price of sugarcane. Year after years the cost of cane cultivation is increasing whereas the price of sugarcane is not.

1.6 DESCRIPTION OF THE METHODOLOGY:

a) Study Area :- In this dissertation the present study

proposes to study the pricing of sugarcane in private and co-operative sugar factories in Malshiras Tehsil.

As on July 1994 there are four sugar factories in Malshiras Tehsil. Out of these four sugar factories at present, three sugar factories are working in co-operative sector and only one sugar factory is working in private sector. But during the study period 1981-82 to 1990-91 out of these four sugar factories, two sugar factories were working in co-operative sector and remaining two sugar factories were working in private sector. Out of private sector sugar factories one factory was later incorporated in co-operative sector. We selected one co-operative and one private sugar factory to review the sugarcane pricing in two different set up.

b) Study Units:- We selected two sugar factories located in Malshiras Tehsil, They are:

- 1) Shri. Shankar Sahakari Sakhar Karkhana Ltd., Sadashivnagar, Tal. Malshiras; a co-operative set up.
- 2) The Saswad Mali Sugar Factory Ltd., Malinagar, Tal. Malshiras; a private (joint stock) set up.

c) Study Period:- This study referred to the period of ten years i.e. 1981-82 to 1990-91.

d) Data Collection:- This study is dependent on purely the secondary source of data information. The required data has

been collected from the Annual Administrative Reports, Directorate Sugar, Deccan Sugar Manufacturers Association etc., some important journals, books, reports were used to collect the information. Interviews of some important persons who are actually working in sugar factories were organised.

1.7 CHAPTER SCHEME:

Following is the chapter scheme for this dissertation.

Chapter-I deals with the statement of problem, its significance of the study and objectives of the study etc.

Chapter-II illustrates a reviews of sugarcane pricing consisting of minimum sugarcane prices, early and recent trends in sugarcane pricing and method of fixing sugarcane pricing etc.

Chapter-III deals with a pricing policy in co-operative as well as private sector sugar factories in Maharashtra.

Chapter-IV deals with the profile of sugar factories selected so far.

Chapter-V illustrates a comparative study of sugarcane pricing in co-operative and private sector sugar

factories.

Chapter-VI summerises the findings of the study and causal relations of factors determining different sugarcane prices in both sectors.

Last chapter concludes the analysis.