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CHAPTER-II

REVIEW OF LITERATURE AND GROWTH OF SUGAR INDUSTRY

2.1 Introduction:

In recent years majority of researchers have been studied the sugar cooperatives in various angles.

In 1980 the Government of Maharashtra appointed a committee under chairmanship of shri Gulabrao patil. Committee studied the problem of sickness of cooperative sugar factory in Maharashtra. This committee submitted its report in 1983 and made various recommendations to the Government to overcome the problem of sickness of the cooperative sugar factory in Maharashtra. The committee recommended that state government should give financial help to sick sugar unit in the form of exemption income purchase tax and to take effective steps for sugarcane development. The committee identified the sick cooperative sugar factories from Maharashtra and the reasons of the sickness and made the recommendation to solve the problems of these factories.

Vasant Kodag studies "New challenges before cooperative sugar Industries in Maharashtra –A case study of Sangli District" In this paper he explains the many reasons of sickness of the sugar industries. High cost of production, majority sugar units suffering from financial burden of interest rates and high working capital, mismanagement are the main reasons of sickness in sugar factories.

Atul Deulgaonkar in his studies entitled "Crisis in sugar cooperative" highlighted the problems of sugar industries. The fall in the price of sugar the dwindling area under sugarcane and mismanagement of the factories has pushed the sugar cooperatives in Maharashtra to the brink.

In September 1991 Miss. Lalita D. Mahajan in her studies entitled "Sugarcane price in India process and problems," 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 price considering agriculture costs and price commission's recommendation and state government advice. There is no definite relation between cost of cane cultivation and price of sugarcane. Year after year the

cost of cane cultivation is increasing where as the price of sugarcane remains constant or decreases. So sugar factories face the problem of sickness.

The committee was appointed under the chairmanship of Shivajirao Patil. The committee identified 45 cooperative in the sugar units as sick. But out of there units an improvement in the sugarcane supply, the number of sick units fall down up to 20 units during 1990's. Financial bankruptcy and accumulated losses were the main cause of falling net worth.

The Vasantdada sugar institute Director General, V.P. Rane submitted a package of report in July 2005. The rising conversion cost and falling sugar prices are the main causes of distress being faced by the sugar factories the rising interest cost on term loans, rising harvest and transport costs and competition in taking over sugarcane from out of the operational areas which also increase transport costs were the major causes of sickness. The Rane committee also suggested measures for improving the health of sugar factories in Maharashtra.

Government of India appointed Mahajan committee for study of sickness in sugar industry. The committee submitted it report to the Government of India in April 1998. It has mentioned that "practically half of the sugar factories are more than 25years old. The physical condition of many of these sugar factories is poor resulting in high down time and losses of capacity". Mahajan committee recommendations for the rehabilitation package for sick units were not accepted by the GOI.

2.2 GROWTH OF SUGAR INDUSTRY

2.2.1 Genesis of sugarcane and sugar: –

India is the homeland of sugarcane and sugar. There are references of sugarcane cultivation, its crushing and preparation of Gur in Atharva Veda as well as kautaliyas Arthasastra. The scribes of Alexandrder the great who came to India in 327BC recorded that inhabitants chewed a marvelous reed which produced a kind of honey without the help of bees. The India religious offerings contain five Ameits (elixirs) like milk, curs , ghee (clarified butter), honey and sugar which indicates how important sugar is not only as an item of consumption but as an item which influences the India way of life. It is understand that sugar was initially made in India during fourth and sixth centuries the pieces by weight to extract the juice and then boiling it to crystallize. These crystals were called sarkara meaning graves in Sanskrit.

The larger lumps were called khand form which the English word 'candy' is derived. Around 600AD the Chinese Emperor, Tsai Hang sent an emissary to Bihar where sugarcane was cultivated for making sugar. There for it is for India that the art of making sugar went to Persia and subsequently to the world over.

2.2.2 Sugar Industries in India:-

The sugar industry in India progressed only after 1932 when Government of India imposed custom duty of 7.25 percent plus surcharge 25 percent on imported sugar under the Sugar Industry Protection Act of 1932.

Prior to 1951 the sugar industry was mainly concentrated in sub-tropical belt which accounted for 108 out of a total 139 factories. Most of the factories were situated in Uttar Pradesh and Bihar, their number being 68 and 29 respectively. After 1951 the industry spread rapidly in the tropical belt also. In Industrial Policy Resolution of 1956 Government assigned an important role to agro processing units as an instrument of bringing about rapid industrialization. The specific role of cooperatives in rural industrialization was also emphasized and accordingly policies were formulated for sugar cooperative and other processing units. As a result wide spread development of sugar industry, throughout the country became possible.

Today this agro industry is the second largest organized industry. Because of its raw material orientation this industry is located in rural areas where it stands as a growth centre of the area. The process of rural industrialization and rural socio economic development has been made easier by the sugar industry. It has promoted rural entrepreneurship and created confidence among the rural masses.

Over the years after independence sugar industry developed very rapidly. Table No. 2.1 shows increase in number of sugar factories and sugar production since 1950-51.

The table shows the number of sugar industries in India, total destination of sugarcane, the total production of sugar and the recovery of sugar. Through this table we understand the development of sugar factories in India. In the year 1950-51 there were 139 sugar factories in active progress. Those factories had distilled 13348 tonne sugarcane. They produced 700 tone sugars and its recovery was 9.99 per cent. In the year 1960-61, the numbers of sugar factories have been increased up to 174. At the

same time cane crushing has been increased up to 31021 along with sugar production up to 3021 tonnes.

The table No.2.1 shows that the number of sugar factories has been increased gradually up to 2000-01 but in the next three year it has been decreased.

Table No. 2.1

PROGRESS OF SUGAR INDUSTRIES IN INDIA

Sr. No.	Years	No of Factories in operation	Total Cane crushed (000 tonnes)	Total sugar produced (000 tonnes)	Recovery of sugar (%)
1.	1950-51	139	11348	1100	9.99
2.	1960-61	174	31021	3021	9.74
3.	1970-71	215	38205	3740	9.79
4.	1980-81	315	51584	5150	9.98
5.	1990-91	385	122338	12047	9.84
6.	1994-95	408	147643	14643	9.92
7.	1999-2000	423	178494	18200	10.20
8.	2000-01	436	176660	18511	10.48
9.	2001-02	434	180346	18528	10.27
10.	2002-03	453	194365	20145	10.36
11.	2003-04	422	132511	13546	10.22

(Source – Cooperative Sugar December 2006 Valum . 01.38 No – 4, Page No- 51)

It is observed from the table No.2.1 that:-

- 1) The crushing of the sugarcane has been up to increased 1999-2000 gradually from 11348 thousand tones to 178494 thousand tones in the

respective season. However it has been decreased up to 176660 thousand tones in 2000-2001. In the next two year it has been increased up to 194365 thousand tones.

2) The total sugar production has been gradually increased from 1100 thousand tonne in 1950-51 to 20145 thousand tones in 2002-2003. However, it has been decreased up to 13546 thousand tones in 2003-2004.

3) Recovery of the sugar factories during the period under study has been increased but not in the same direction. There are fluctuations in recovery over the period under study.

2.2.3. Emergence of Cooperative Sector:

The growth of the Indian sugar industry in an organized manner had its beginning when the government of India passed the Industrial Policy Resolution on April 6, 1948 followed by the Industrial Policy Resolution 1956. Where in the principal of cooperation was assigned an important role for the country's economic development. Particularly for industries based on agricultural produce such as sugarcane. Under this policy the government of India started giving preference to licensing of new sugar factory in the cooperative sector. This policy was reemphasized in all the subsequent Industrial policy Resolutions made by the government till the decanting of sugar industry in 1998. The preferential licensing policy was mainly responsible for the rapid development of the sugar industry in India.

As a result of the preferential policy adopt by the government in the matter of licensing, there was a spurt in the establishment of sugar factories especially in the cooperative sector in Maharashtra. The evolution of cooperative sugar industry in Maharashtra has been a trend setter for the entire cooperatives in India. The establishment of sugar factories in area which did not have any irrigation facilities and which were almost barren i.e. Pravara, Sanjivani and Sangamner represented a category of considerable significance not only because of the success they achieved as agro industrial units concerned with production of an important commodity like sugar, but also in term of the distribution of socio-economic benefits to all their members spread over the entire sugarcane belt in the country.

On the other hand, the consumption of sugar was growing rapidly with the increase in population and with increased standard of living. The Government of India wanted self sufficiency in sugar production as it could not afford to spare foreign exchange for import of agricultural commodities the exchange was to be utilized for import of sugar goods mainly food grains.

2.2.4. Sugar industry in Maharashtra:

Maharashtra is leading in Indian sugar industry with its big cooperative sector which comprise of 158 sugar cooperatives in 2003. Maharashtra sugar industry is ahead of the national average in respect of sugar recovery percentage and average crushing days. Although this is the situation to day, before independence, there were only 3 sugar factors in Bombay province operating in the private sector only one of them survived. The reason for such a poor state of sugar industry in Maharashtra was that the soil and climatic conditions were such that sugarcane cultivation on a large scale was possible. By the end of March 2003 there were 158 sugar factories and out of these 144 were in the cooperative sector and remaining 14 in the privet sector. These 144 sugar cooperatives contributed more than 35% of total sugarcane production in the country. As far as the production of the sugar in cooperative sector of the country as a whole is concerned the percentage share of 144 sugar cooperatives in Maharashtra in Maharashtra was 50%. Thus the distinguishing feature of sugar industry in Maharashtra is its rapid development on cooperative line but now a days many sugar factories faced lot of problems.

Table No-2.2

PROGGRESS OF SUGAR I NDUSTRY IN MAHARASHTRA

Sr. No.	Year's	No of Industry
1.	1990-91	101
2.	1994-95	107
3.	1997-98	115
4.	1998-99	119
5.	2002-2003	158
6.	2004-2005	202
7.	2005-2006	202

(Source – Economic Survey of Maharashtra)

The table No.2.2 shows that in the year 1990-1991 there were 101 registered sugar factories, but out of them only three sugar factories were in looking condition. The number of registered sugar factories has been increased gradually from 101 in 1990-1991 to 202 in 2004-05 and 2005-06.

In 2004-05, 202 sugar industries were registered out of these industries many industries was working on basis of cooperation basis. In total numbers of sugar industries in India, the Maharashtra accounts for a major share.

2.2.5. A SUCCESS STORY:

The first cooperative sugar factory to be set up in Maharashtra was the Pravara Cooperative Sugar Factory at Ahmednagar. Ahmednagar district already had six joint stock companies, three of them in Kopergaon taluka. There was rampant exploitation of sugarcane farmers by owners of the joint stock companies. The joint stock companies paid very low price for the sugarcane and as it was not binding on them to purchase all the sugarcane grown, the cane growers had to very often burn their sugarcane fields thus making them bankrupt. As there was no irrigation worth the name and as rainfall was scanty the Pravara area was barren. Although the Pravara canal had come into existence in 1910, the farmers had not taken to canal irrigation. Because of the exploitation of the joint stock companies and deriving impetus from the Malis of Saswad village, who had made use of the Neera canal and prospered the farmers of the Loni area under the leadership of Padmashree Dr. Vikhe Patil and guidance of Prof. D.R.Gadgil, Dr. Vaikunthabhai Mehta and help of Maharashtra state Cooperative Bank which helped in the collection of share capital, registered the Pravara Cooperative Society and set up the Pravara Cooperative Sugar Factory with a capacity of 500 TCD in 1950-51. Since then it has expanded three times until 1976-77 when it reached its present capacity of 4000 TCD. Despite the shortage in irrigation facilities the society with the help of lift irrigation projects increased sugarcane production and consequently this led the prosperity of farmers.

The Pravara factory was a torch bearer for others to follow not only was it replicated in Maharashtra but in other states like Gujarat, Haryana, Karnataka, Tamil Nadu, Uttar-Pradesh and Punjab where the sugar farmers found the cooperative form of organization more attractive and advantages.

Pt. Jawaharlal Nehru, when he visited Pravara cooperative sugar factory in 1961 had said, "I have heard about this cooperative sugar factory and some idea of it but a visit here and learning more about it has been a revelation. Ten years of growth since this was first started has not only shown marked development but has begun to change the country side. I would like people from other states to come here and see how a real cooperative is organized and run. This is an example for the nation. I wish it all success."¹

2.2.6. Sugar Industry in the Sangli district:

The Sangli district is a part of the western Maharashtra which is well known for sugar industry, on the basis of sugar recovery percentage, the state of Maharashtra is divided into three zones viz. Southern zone, Central zone of Maharashtra. There are 17 sugar factories in the district and all of them are in the cooperative sectors. Yashawant cooperative sugar factory is the oldest sugar factory in the district.

Sugar factories and sugar production of Sangli district is given in table No-2.3.

Table No. 2.3.

PROGRESS AND PRODUCTION OF SUGAR INDUSTRIES IN SANGLI DISTRICT.

Sr. No.	Year's	No of Sugar Factory	Production (M.T.)
1.	1991-1992	8	402
2.	1995-1996	14	517
3.	1999-2000	17	565.10
4.	2002-2003	17	522
5.	2005-2006	15	17 thousand (M.T.)

(Source - Socio-Economic Review of Sangli District)

Above Table No.2.3 show the progress of sugar industries in Sangli district after that 1991.

The number of sugar factories in Sangli district has been increased gradually from eight in 1991-1992 to seventeen in 1999-2000. However it has remained constant in 2002-2003 and decreased up to fifteen in 2005-2006.

The sugar production in Sangli district has been increased gradually from 402 metric tonne in 1991-1992 to 565.10 metric tones in 1999-2000. However it has been decreased up to only 17 to metric tones in 2005-2006. Since 1991 the sugar factories have been facing so many obstacles e.g. the problem of sugarcane availability, reduction in sugar price, increase in sugarcane price, the excessive load of bank loan and so on. That's why the financial position of factories becomes so weak. Therefore many factories are in closed position.

Reference:-

- 1) Economic survey of Maharashtra. (From 1990-91 to 2006-07)
- 2) Socio- economic review of Sangli district. (from 1990-91 to 2006-2007)

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3. V. B. Jugale - Rehabilitation of Sugar Cooperative, think-line Nashik – issue-55.
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