

CHAPTER VII

SUGARCANE PRICING IN COOPERATIVE SUGAR FACTORIES

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CHAPTER VII

SUGARCANE PRICING IN CO-OPERATIVE SUGAR FACTORIES

7.1. INTRODUCTION

In fact there is no difference as such in the procedure involved in the pricing of sugarcane between the co-operative & private sugar mills. Every year before the commencement of the crushing season, the Ministerial Committee Meeting is being held. Which is headed by Chief Minister. It is also participated by the representatives of the cane growers as well as sugar mills. The desirable interests of farmers and sugar factories is considered in the meeting. The information of sugar factories regarding crushing performance, cost of production of sugar, financial position is collected the cost of cultivation of sugarcane while fixing the sugarcane price.

In the process of sugarcane pricing following important factors are generally considered:

1. Cost of cultivation.
2. Cost of production of sugar.
3. Realisation from sale of sugar.
4. Ruling price of molasses.
5. Recovery of sugar.
6. Taxes.
7. Financial position of sugar factories.
8. Stock of sugar etc.

The minimum prices are fixed on the basis of these norms. The factories should not pay prices less than those fixed by the state Government. The factory can pay an additional cane price depending upon the financial performance of the respective sugar factories. The factories coming under the high recovery zones are paying higher prices.

There are 4 zones which are classified on the basis of recovery. The sugar factories in Belgaum and Bijapur districts comes under high recovery zone. The recovery in this zone is more than 11%. In Dharwad, Bellary and Richur districts the recovery is between 10 to 11%. It is around 10% in rest other districts.

Since it is difficult to work out a common price applicable to all sugar factories in view of variation in recovery of sugar, profit and loss position investment and capacity utilisation etc. Different prices have been suggested for various sugar factories.

During the years 1994-95 and 1995-96 different SAP was fixed for sugar factories with distillery and those without distillery. However, it is recommended that a single price may be fixed making it applicable to all sugar factories in the state since the number of factories with distillery are very few in the state.

At the factory level, generally the cane price is fixed after deducting the total cost from the total income earned by selling the sugar. The deductions are made by way of various taxes duties, conversion cost, transport cost, rent , interest and fair return on investment etc. The prices so fixed are related to statutory minimum price fixed as well as the State

Advisory Prices. The prices paid at the factory level seems to be higher than those fixed by the Government regularly.

The cane prices are paid in advance. It is paid in 2 to 3 installments. The factories in the Belgaum and Bijapur districts are paying ex-field prices to the cane growers. Some factories pay an additional payment for early grown variety. The Doodhaganga Chikodi has paid Rs. 10 extra for the cane variety of CO-671.

In the co-operative sugar factories various deductions from the cane bills are made for the purpose of factory's development, area development, and which are in the form of deductions & saving deposits respectively.

7.2. PROFILE OF SHREE DOODHAGANGA KRISHNA SAHAKARI SAKKARE KARAKHANE NIYAMIT CHIKODI

The Doodhaganga Krishna is one of the leading co-operative sugar factories so far as the performance of the sugar factories in the state is concerned. This factory was established by the co-operative leaders of this area. It was with the tremendous efforts of late Shri Chidanand Kore, Shri Shantappana Mirji, Late Shri Appangouda Patil (Snakeswar), The factory has been established in 1974.

The factory is located in Nanadi village near Chikodi (Belgaum district) It is 10 k.m. away from Chikodi. The share capital of the factory is Rs. 48982500 and the capital contributed by the State Govt. is worth of Rs. 7300350. The number of share holders of the factory is around 15185.

7.2.1. SUGAR FACTORIES IN VICINITY:

Within the orbit of 25 k.m., of Krishna Doodhaganga, there are two co-operative sugar factories viz Halsidhanath Sahakari Sakkare Karakhane Niyameet, Nippani and the Raibag Sahakari Sakkare Karakhane Niyameet Raibag.

The other two sugar factories namely, Hirannyakesi Sahakari Sakkare Karakhane Niyamit Sanakeswar, is 34 k.m. away from the factory and the Ugar Sugar Works Ltd. Khurd is 35 k.m. from the factory.

There are seven sugar factories the Belgaum district. The region had undergone a phenomenal change from the point of view of agricultural development, educational awakening, cultural and economic progress in various ways due to these factories.

7.2.2 EXPANSION PROPOSALS:

The factory was established with the initial crushing capacity of 1250 CTD. The crushing capacity was expanded in 1984-85 from 1250 to 2000 CTD. The further expansion of crushing capacity took place in 1994-95. The expansion was completed within a shortest period of one year. The cost of the expansion has been estimated at Rs. 2700/- lakhs.

These expansions become necessary due to the rapid rise in the area of sugarcane cultivation in the operational area of the factory. The trends in area registered in the factory is shown in table No. 7.1. The table shows that, the total area registered increased from 17746.11 acres in 1986-87 to 21612.16 acres in 1995-96 (i.e. rise of 21.80%) In spite of the expansion of capacity large proportion of diversion of sugarcane is found. This calls for the further expansion of the capacity and vice-versa.

Table No. 7.1

SUGARCANE AREA (In acres)

Season	Plant Area	Ratoon Area	Total Area Registered	Area sugar cane crushed by the factory	Diversion	Average yield
1986-87	7955.37	9790.14	17746.11	14857.00	2889.11	25
1987-88	6544.30	9085.16	15630.06	1264.00	2988.06	34
1988-89	6249.38	6841.15	13091.13	12170.00	921.13	30
1989-90	7876.21	7395.28	15272.09	12338.18	2933.31	36
1990-92	8826.17	8364.32	17191.09	13997.12	3393.37	35
1991-92	9698.25	9680.19	19379.04	12756	6623.04	32
1992-93	9692.29	8999	1869.29	11185.26	7506.03	31
1993-94	8748.18	8085.10	16833.28	9073.21	7760.07	33
1994-95	13416.08	7222.18	20638.26	12236.05	8402.21	35
1995-96	19538.16	9078.00	21616.16	19248	N.A.	30

Source: Factory Office Records.

AREA OF OPERATION :

The factory has made a tremendous impact on the economy of region and the people in its area of operation. There are nearly 113 villages which comes under the area of operation of the factory. The total of 102 villages are only from chikodi taluka, 7 villages are from Raibag taluka and 4 from Athani taluka comprises the operational area of the factory. The sugar cane yield from 32 thousand acres comes to the factory area from the area.

7.2.4. SUGARCANE DEVELOPMENT ACTIVITIES:

a) Financial Assistance To The Members Through Sugar Development

Fund:

With an intention to assist the members of the factory to increase their irrigation facilities for growing improved varieties of sugarcane and improving their lands and for production of improved varieties of sugarcane seed, the management was availed a loan of Rs. 156.38 lakhs [1994-95] from Sugar Development Fund. A loan of 1.20 lakhs ^{distributed} is to 300 members for their wells on 6% rate of interest and 2860 members were given Rs. 47.25 lakhs for distributed cultivating improved varieties of sugarcane without any interest.

Further the management has succeeded in getting sanctioned a 2nd phase loan of Rs. 296/- lakhs from Sugar Development Fund which distributed to members for their lift irrigation scheme and for growing improved varieties of sugarcane.

b) Distribution Of Fertilizers To The Members:

To ensure better yield of sugarcane, the factory distributed the chemical fertilizers to its members. During 1993-94, the factory has distributed the fertilizer such as Sampati Mop, Biopass, Multimin, Multiplex to the forms of C-505 members to the tune of Rs. 10.28 lakhs.

During 1995-96 fertilizer worth Rs. 10 lakhs has been purchased in order to distribute it to the needy members.

c) Cane Harvest Management:

Harvesting of sugarcane is an important task. The harvesting programme is set by Agricultural Staff of the factory. At the time of registration, date of plantation & date of ratoon crop, is recorded in the

central office of the factory . Maturity of cane survey is being done one month earlier to the cane beginning of the sugar factories. The schedule is strictly followed by the sugar factory. The harvesting order is issued on the basis of N.S.T. method. The recovery of the factory is maintained uniformly through out the season.

The factory is arranging the harvesting plans and transportation of sugarcane through bullock carts, trucks & tractors. During the year 1995-96 the factory has made agreement bonds with 100 trucks, 200 tractors & 250 bullockcarts each vehicle having harvesting gangs of their own which are taken from regional as well as from drought districts of Maharashtra.

7.2.5 LABOUR WELFARE ACTIVITIES:

The factory has implemented many social, educational and developmental activities for the welfare of its members. The factory is providing education of the children of the workers upto S.S.L.C. There is a primary as well as highschool run by the factory. Various scholarships as well as prizes are kept for the meritorious students.

The factory has facilitated medical allowances to the workers. There is a separate hospital established in the factory area to take care of the workers and members.

There is separate Co-operative Credit Society established in the factory. Various types of loans are being given to the workers according to their needs.

Besides, there are the facilities of canteen, restroom, fair price shop, recreational facilities, library as well as housing facilities in the factory.

For overall area development, the factory is assisting money towards construction of school building, hospital building, road and road repairs encouragement to the sports and assisting for the education of member s' children who secure admission on their own merit to medical & engineering. During 1994-95 and 1995-96 Rs. 888000 and Rs. 424000 have been spent as area development. The details are as under:

-	-	1994-95	1995-96
1.	Roads	110000.00	141000.00
2.	Education	584000.00	145000.00
-	(for construction of School building)	-	
3.	Social Welfare	10400. 0	25000.00
4.	Religious	5000.00	20000.00
5.	Medical &Engineering Education	24000.00	8000.00
6.	Hospital	25000.00	. 50000.00
7.	Members Tour	36000.00	-
8.	Sports	-	35000.00
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-	-	888000.00	424000.00

7.2.6 SEMINARS AND CONFERENCE:

In order to educate the members seminars and conference have been held purposively at factory site wherein eminent schollors from agricultural department are invited to address to the members.

7.2.7 OUTSTANDING PERFORMANCE:

The factory is running efficiently and has shown good performance. It has achieved remarkable prizes continuously since last several years.

1. The management has received the prizes for its excellent performance for the year 1993-94 and 1994-95 from National Federation of Co-operative Sugar Factories Lid., New Delhi. in efficiency for the year 1993-94 and 1994-95.
2. The factory has begged award continuously for three year for Sugarcane Development Activity and Highest Sugar Recovery amongst operative sugar factories in Karnataka from South India Sugarcane and Sugar Technologygists Association Madras.
3. For the first time the factory received the best recovery award from the Karnataka State Federation of Co-operative Sugar Factories in 1994_95 season.
4. The factory has bagged 1st award continuously for two years for maintaining good garden from the District Harticulture Department Belgaum.
5. In addition Chairman, Vice-chairman and the Managing Director have individually awarded and honored for their excellent performances by the National Institutions.

The factory's profit loss position is shown in table No.7.2. This factory is running efficiently & it has shown profit since 1986_87 continuously upto 1991-92.

Table No. 7.2

AVERAGE COST OF PRODUCTION , AVERAGE REALISATION
PROFIT & LOSS POSITION & DEPRECIATION OF D.K.S.S.K.
CHIKODI

Season	Average cost of production	Average Relisation	Profit or loss	Depreciation
1980-81	332.72	366.72	-11.12	14.92
1981-82	334.08	320.14	-30.08	20.07
1982-83	330.10	309.21	-82.66	22.89
1983-84	450.27	330.14	-111.11	16.94
1984-85	423.58	395.83	-149.77	65.00
1985-86	430.91	431.14	-36.85	70.63
1986-87	452.63	440.72	+1.57	56.56
1987-88	481.49	482.16	+107.79	76.05
1988-89	484.64	531.40	+212.18	26.31
1989-90	474.64	584.65	+278.07	48.80
1990-91	623.08	591.79	+2.35	45.84
1991-92	614.86	623.31	+157.83	25.02

Source: Office Records of the Factory

7.2.8. FUTURE PLAN OF ACTION:

The proposal has been sent to the Govt. of India for the sanction of Rs.475 lakhs for Sugarcane Development Fund. This will be used for creating irrigation facilities, establishing the soil testing facility etc. Further, co_generation, distillery units are other future plans of the factory.

7.3 SUGARCANE PRICING:

The corresponding explanation deals with the sugarcane price in co_operative unit. Generally, the price of sugarcane means distribution of surplus generated in the process of manufacture of sugar after deducting all types of expenses of sugar production.

The cost of production is the best resultant cost of producing the product and includes the element of the fixed cost and variable cost. In fixed cost the item like the interest on the fixed capital investment, depreciation on fixed assets and other cost are included. The variable cost includes the cost of raw material, handling charges, processing cost salary and wages of seasonal and temporary workers, bonus, taxes, and finished product, expenses on sales etc.

The sugar production, sugarcane crushed, recovery and price paid by the factory is shown in table No. 7.3 and the cost of production of the factory is shown in table No.7.4.

Table No. 7.3

**THE SUGARCANE CRUSHED, SUGAR PRODUCED, RECOVERY
AND PRICE PAID BY D.K.S.S.K. CHIKODI**

Sr. No	Year	Sugarcane crushed (in tonnes)	Annual Growth (%)	Sugar Produced (in qtls)	Annual Growth (%)	Recovery	Price paid
1.	1979-80	133360.07	-	139225.04	-	10.44	222.58
2.	1980-81	167758.128	25.79	182600.78	31.15	10.88	275.00
3.	1981-82	232039.720	38.31	249799.80	36.80	10.77	210.00
4.	1982-83	242258.395	4.40	255634.87	2.33	10.65	195.00
5.	1983-84	107200.00	-55.74	113834.00	-55.74	10.32	225.00
6.	1984-85	214333.645	99.93	224702.00	97.39	10.13	275.00
7.	1985-86	279886.668	30.58	305304.00	35.87	11.08	305.00
8.	1986-87	356579.331	27.40	377224.00	23.55	10.48	325.00
9.	1987-88	429835.120	20.54	485928.00	28.81	11.10	325.00
10.	1988-89	365113.669	-15.05	407550.00	-16.52	11.14	400.00
11.	1989-90	445882.604	22.12	469226.00	15.13	11.05	465.00
12.	1990-91	490888.00	10.09	522048.00	11.25	10.56	490.00
13.	1991-92	475706.181	-3.09	468922.00	-10.17	11.56	507.00
14.	1992-93	357333.357	99.53	333374.00	11.94	11.94	638.00
15.	1993-94	319325.606	-10.63	405230.00	21.55	12.52	911.00
16.	1994-95	444103.138	39.07	544627.00	34.39	12.57	808.00

Source: Annual Reports of the Factory.

The sugarcane crushed by the factory increased from 133360.070 at in 1979-80 to 444103.138 MTS in 1994-95. An average quantity of sugarcane crushed during the period is 316350.227 M.T. It shows an increase of 233.010 percent over 1979-80 performance. The general trend of sugarcane crushed indicate fluctuations in crushing. The record progress in the sugarcane crushed is found in 1994-95 season i.e. 544627.00 MT.

The recovery rate of the factory is found at increasing trend during the study period. From 1979 to 1986-87, the recovery is constant round 10 percent.

In 1987-88 season the recovery rate raised to 11.10 percent & remained constant upto 1992-93 season. The recovery rate is highest in 1994-95 season i.e. 12.52 percent. The recovery rate in 1994-95 is 12.17 percent.

The sugar produced by the factory has increased from 139225.04 qtls 544627.00 qtls during the period under study. The annual average sugar produced is 342826.843 qtls. It shows an increase of 291.18 percent during the study period.

In the study period the price of sugarcane increased by four times. The price of sugarcane increased from Rs. 222.58 per MT in 1979-80 to 808.95 by 1994-95. An average rate of sugarcane price paid is Rs.411.95 during 1979-80 to 1994-95. It shows an increase of 263.44 percent during the study period. The highest price of sugarcane is Rs. 911 per MT in 1993-94. That is an increase by 309.29 percent as compared to 1979-80 season.

Table No 7.4
Cost of Production of Sugar (per MT of cane) of D.K.S.S.K Chikodi
Years

Particulars	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
A. Cost of cane	285.36	279.76	279.66	261.70	272.29	359.14	338.28	345.67	476.52	974.80	799.18	675.07
1. Cost of cane												
2. Cost of H. & T.	32.62	38.80	39.80	45.48	47.01	51.69	56.45	63.88	76.33	84.19	91.64	92.05
3. Cane purchase tax TOT on cane P.Tax & Others	17.42	20.61	19.98	19.99	20.00	20.00	28.29	44.09	223.14	68.84	137.18	76.42
4. Cane feeding charges	0.11	0.12	0.10	0.12	0.12	0.14	0.16	0.20	1.27	0.32	0.38	0.46
5. Others expenses on cane	-	0.37	-	-	-	-	-	-	0.39	0.07	0.05	0.6
Total of A	335.51	339.66	339.54	327.29	339.42	430.97	423.18	453.84	603.87	1128.22	1029.23	844.06
B. Cost of conversion												
6.(a) Salary & Wages (ot)	31.70	30.27	28.03	27.11	22.09	35.97	40.72	42.68	51.65	67.13	74.83	70.66
(b) Benefits & welfare	3.61	3.06	2.41	3.46	3.71	4.57	5.90	7.62	6.67	10.29	10.25	7.95
(c) Provision for Bonus	9.34	10.52	6.27	7.77	8.63	8.04	12.70	16.19	18.03	26.90	31.98	25.44
Graduity & retaining allowances												
7.(a) Chemical & Consumable stores	2.28	2.07	3.63	3.26	3.19	3.44	3.53	4.46	6.57	10.66	10.88	8.51
(b) Packing material and Gunny bags	16.64	19.53	12.27	12.09	16.08	17.80	16.84	20.15	19.37	28.55	28.24	30.29

Particular	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96
(c) Fire wood	1.49	1.15	1.10	1.13	1.59	0.63	1.00	1.20	0.47	2.03	1.23	1.05
(d) Electricity Fuel	1.38	1.17	2.31	2.81	1.55	3.54	2.61	1.81	2.68	5.23	5.54	3.01
(e) Repair & Maintenance	7.55	15.17	10.84	5.44	11.46	10.71	12.43	17.58	26.39	31.92	24.25	14.59
(f) Cleaning & Overhauling	9.39	5.81	4.75	3.21	3.14	10.68	4.58	9.98	16.56	22.10	9.92	4.99
(g) Oil and Lubricants	1.09	1.05	1.04	0.85	1.33	0.88	1.00	1.32	-	-	-	1.82
(h) Insurance	-	-	-	-	-	-	-	-	1.79	1.82	1.71	2.60
8. Other factory												
Administration	13.44	7.27	7.77	8.48	7.96	-	17.52	24.41	16.71	19.36	28.31	22.47
Total of B	97.91	97.07	80.42	75.61	80.73	103.10	118.83	147.40	167.19	228.37	229.65	193.38
C) Interest & Depreciation												
9. Interest on working capital and borrowings	43.93	41.98	42.27	30.36	7.18	8.56	7.77	28.26	31.89	36.88	125.82	157.57
10. Depreciation	20.98	25.90	15.86	17.69	8.48	11.04	10.49	5.58	6.53	9.32	9.19	58.55
Total of C	64.91	67.88	58.13	48.05	15.66	19.60	18.26	34.14	38.42	46.20	135.01	216.11
Total of Cost of production	498.33	504.61	478.09	543.33	501.38	640.20	700.07	740.02	887.92	1402.7	1355.25	1244.56

The cost of cane per MT of cane including transport and harvesting, cane purchase tax, cane feeding charges, other expenses on cane etc. increased from 335.51 1984-85 to 844.06 in 1995-96. An average rate of cost of cane is 549.56 per MT during this period. It shows an increase of 151.57 percent over the year 1992-93. The percentage of cane cost as a percentage of total cost during 1984-85 was 67.32%. It increased by 67.84 percent in 1995-96.

The cost of conversion of the factory includes various cost such as, salaries and wages, welfare activities, provision of bonus, chemical and consumable stores, packing materials and gunny bags, fire wood, electricity and fuel, repairs and maintainance, cleaning and overhauling, insurance & other factory administration etc. The total conversion cost of the factory was Rs. 97.91 in 1984-85 it increased to 193.88, an average rate of conversion cost during the period is 134.91. The conversion cost shows an increase of 97.50 percent during the period. The conversion cost as a percentage of Total cost in 1984-85 was 19.64 percent. It declined to 15.53 percent in 1995-96.

The factory's cost under interest and depreciation increased from 64.91 per MT in 1984-85 to Rs. 216.11 in 1995-96. An average increase is 63.53 per MT. The percentage increase during the period is 232.93. The cost towards interest & depreciation as a percentage of total cost of production was 13.02 percent in 1984-85. Which increased to 17.36 percent in 1995-96

The total cost of production per MT of sugarcane of the factory increased from 498.33 in 1992-93 to 1244.56 in 1995-96. An average rate of total cost of production is 791.37. It increased by 149.75 percent during the years.

7.3.1 DEDUCTIONS FROM SUGARCANE PRICES BY THE DOODHAGANGA KRISHNA S.S.K. CHIKODI

The factory has created various kinds of funds from the farmers. The deduction from the sugarcane prices are made for the development of sugar factory and socio-economic development of the region.

The yearwise deduction from the cane prices by D.K.S.S.K. Chikodi is shown in table No. 7.5. In 1986-87 Rs. 5 Per MT was deducted from the cane price. The highest price deducted was Rs. 35 during 1990-91 & 1991-92. In 1994-95 Rs. 20 Per MT was deducted from the cane price.

These deductions are made for the various purposes such as pressmud, early variety seeds, tube well, fertilizer, lift irrigation, bioplant, expansion deposite etc.

Table No. 7.5

CANE PRICE DEDUCTION (Rs. PMT)		
Sr.No.	Year	(Rs.PMT)
1.	1986-87	5.00
2.	1987-88	5.00
3.	1988-89	25.00
4.	1989-90	25.00
5.	1990-91	35.00
6.	1991-92	35.00
7.	1992-93	28.00
8.	1993.94	32.00
9.	1994-95	20.00

Source : Office Records of the Factory.

7.4 CONCLUSION:

The Co-operative sugar factories are not merely the profit making enterprises but they have immense impact on the around area development.

Generally the price of sugarcane means the distribution of surplus generated in the process of manufacture of sugar after deducting all expenses of sugar production. The co-operative sugar factories in Karnataka have paid fair prices for sugarcane to the cultivators. The price paid by the factories located in Southern parts of the state is lower due to the low recovery.

The Doodhaganga Chikodi factory has better performance in sugar recovery as well as the price paid. The factory's cost towards cost of cane and cost of salary and wages paid are higher. The minimisation of cost of the factory will lead to further rise in the cane price.