

TOPIC NO. III

HISTORICAL BACKGROUND AND
DEVELOPMENT IN INDIAN
SUGAR INDUSTRIES

HISTORICAL BACKGROUND AND DEVELOPMENT IN INDIAN
SUGAR INDUSTRIES

INTRODUCTION :

The published literature in all the countries say's without any about the sugarcane was born in India. Thousands of years ago and was taken later on the other countries. Organised development of sugarcane in India started in the year 1856 and later on breeding of new varieties of Sugarcane. Breeding Institute at Coimbatore in 1912. Some of the Co-varieties of sugarcane evolved at this Institute are flourishing in 17 other countries.

In India, Textile industry is the first largest industry and sugar industry is the second. The production of sugar from sugarcane is very old process in India. The system of sugar production from sugarcane was introduced by Dutch at North Bihar in 1840. Sugarcane was used for making Gur and Khandsari because there was no factory system of sugar production. In 1903 the first successful factory was established by British entrepreneurs.

The past production story of India's sugar industry is revealing from a Scarcity of 32 working units in 1931-32. The number of factories rose to 130 in 1934-35 and the volume of sugar output which stood at 1.62 lacs tonnes., In 1935-36. It rose up to 9.47 lacs tonnes. After independence the industry made a steady progress especially with the

commencement of the five year plan era and the only phase of dissatisfactory performance was at the beginning of the plan holiday i.e. 1966-69. The production during the first year of the Fourth Plan (1969-70) was an all time record of 42.6 lac tonnes. The production however could not be maintained at this level in 1970-71 and declined to 37.4 lac tonnes during that period. In 1983-84 there was 325 sugar factories in operation and crushed 5,90,24,000 tonnes of sugarcane and produced 5,91,7,000 tonnes of sugar.¹"

India is the biggest producer of sweetness in the world including sugar and gur. Table No.II-1 shows the area under sugarcane yield and the total production of sugarcane in some of the countries which grow considerable quantities of sugarcane.

It may be seen from Table-II-1 that India is highest amongst the cane growing countries regarding the area under sugarcane and production of sugar the average yield of sugarcane per hectare in India is of the order of 56 tonnes, which is not very low as compared to other countries. Indian occupy 11th position among all the 80 cane sugar producing countries of the world in regard to yield of sugarcane per hectare. Countries like, Surinam, Venezuela, Iran, Japan, Spain, Guyana, Columbia etc. produce very little quantity of sugarcane with slightly higher yields, than India but they are not taken into account here.

In India, the yield of sugarcane is 92.3 tonnes per hectare in Tamilnadu 90.3 in Maharashtra, 75.5 in Gujarat,

1 Co-operative Sugar - Nov., 1985 - Vol.17, No.3,
Page - 222.

67.7 in Orissa, 73.2 in Karnataka, 46.4 in Uttar Pradesh, 68.8 in Andhar Pradesh, 44.3 in Hariyana and 30.4 in Bihar. A sugar average recovery of 10.02 % is obtained for the whole season, is considered satisfactory in Uttar-Pradesh and Bihar, while a recovery of 11.5 % and above is easily obtained in Maharashtra. Few factories obtain the recovery of 12.5 % and over as an average for a six months season. As a result of these high recoveries of sugar industry has shifted more and more to the Deccan from its original home in the North. For many years Utter-Pradesh produced 50 % of all sugar produced in India. But during the last few years the center of production has shifted to south and at present Maharashtra is responsible for producing 33 % of sugar in region. The climate in Deccan is more suitable for sugarcane being Warm and equitable and as such noble causes with higher yield per hectare and more present sugarcane can grow there. This gives the sugar industry in the Deccan an edge over the sugar industry in the northern regions.

✓ In India there are as many as 8,000 manufacturers of Khandsari sugar and millions of manufactures of Gur, as many growers. Convert their sugarcane into gur for their own consumption.

The first vaccum pan sugar factory was established in India in the year 1930. By the year 1930 the number of sugar factories established in India was 30. The production of Sugar by 30 sugar factories and few gur refineries was also of the order of 0.1 million tonnes per annum. India was imparting about one million tonne of sugar from other countries mainly

Jawa (Indonesia) for meeting its internal requirement of sugar. In order to develop the Indian sugar industry and to protect it from foreign sugar, the Government of India promulgated the Indian sugar industry Act 1932 imposing a protective tariff on imported sugar. Immediately after the grant of production to the Indian sugar industry, there was a sudden spurt in the number of sugar factories established in India by 1939-40 there was 142 sugar factories producing about 1.2 million tonnes of sugar per annum. Subsequently under the different five year development plans introduced by the Government of India from 1951 onwards the sugar industry developed to a considerable extent.

One of the significant features of the development of the Indian sugar industry during the different five year plan periods have been the establishment of grower's co-operative sugar factories in order to improve the economic status of the rural population. The Govt. of India in its industrial policy Resolution of 1948. Stressed the need of rapid industrialization of the country by building up a large co-operative sectors with the financial assistance of the Govt. Therefore the licencing policy of the Govt. of India was also amended to give preference for the establishment of grower's co-operative sugar factories in the country. Wherever possible failing which the establishment of sugar factories in the public sector (State owned) and private sector was considered. As a result of this preferential policy a number of grower's particularly in the state of Maharashtra. This development can be seen from the fact that out of total

number of 140 sugar factories that existed in the year 1950-51 only one was a grower's co operative sugar factory where as during the year 1984-85 crushing season out of total number of 355 sugar factories existing as many 183 one grower's co-operative sugar factories. In addition to this new 32 co-operative sugar factories are under various stages of establishment.

3.2 REVISED

Guide lines for sixth plan licencing :

The Govt. of India vide its press note dated 24th September 1984 revised guidelines for licencing in the sugar industry during the remaining period i.e. upto 30-9-1985. The guidelines are as under :-

- i) Expansion in existing units will normally not be permitted beyond 3500 TCD and only in exceptional cases and purely on merits and techno-economic considerations, with a view to establish agro-industrial complex that expansion beyond 3500 TCD would be permitted.
- ii) Subject to economic feasibility, licencing of new sugar factories might be confined to districts where sufficient cane is grown at present but where no sugar factories are existing or have been licenced.

3.3 SEVENTH PLAN PROGRAMME :

The planning commission in August 1983 had set up a working group on sugar industry comprising 21 members to formulate targets for the 7th Five Year Plan period 1985-90

as well as for the perspective period of 15 years. The National Federation of co-operative sugar factories also represented in the group. This group recommended that in order to meet the increased requirements of the sweetening agents during the seventh plan period, the sugar factories should be made responsible for the development of sugarcane in their respective areas and the technical guidance and support for the purpose might be provided by the central and state Extension Agencies. Each sugar factory should also have a farm of its own which can provide seed and can also help in the training of farmers and extension workers. The cane areas of every factory should be statutory demarcated. The sugar cane pricing policy should be framed in such a fashion so that a minimum sugarcane price which is equivalent to cost of production of cane is ensured to the farmers and the practice of state Govt. announcing payment of a higher price than statutory price fixed by the Govt. should be more operative.

A sizable buffer stock and long term pragmatic policy taking in to account the interest of the farmer, the industry and the consumers should be framed.

3.4 Sugar Policy for 1987-88 Announced Dec., 22, 1987 :

✓ Government has decided to revise the statutory minimum price of sugarcane payable by sugar factories for the 1987-88 sugar season from Rs.18.00 per quintal announced in November, 1986 to Rs.18.50 per quintal linked a recovery of 8.5 percent with proportionate premium for higher recoveries. The price has been increased in the wake of drought and floods affecting sugarcane farmers in many parts of the country.

Consequently, it has also been decided to increase the retail issue price of levysugar from Rs.4.85 to Rs.5.10 per Kg. with effect from 1.1.1988.

The ratio of levey to freesale sugar during the sugar year 1987-88 will remain unchanged at 50:50 .

Government have also announced that the statutory minimum price of sugar cane for the next season vize 1988-89 (Oct.,1988 to Sept.,1989) will be fixed at Rs.19.00 per quintal linked to a recovery of 8.5 percent with proportionate premium for higher recoveries.

3.5 Co-operative Sugar Factories - Historical Background :

✓ The begining of co-operative sugar factories can be traced back to 1933, when few sugar mills on co-operative basis were started. For nearly two decades, however there was no further development in this direction. An effective starting point for the sugar industry in co operative sector was provided by the establishment of co-operative sugar mills at Pravaranagar in Maharashtra. The success of this co-operative mill inspired the growers and state authorities else where to promote similar organisations. During the first plan period licences were granted to establish 13 co-operative sugar mills in Bombay and 3 in Punjab. During the second plan period 24 licences were issued.

It was since the beginning of the second plan, that the co-operative processing of agricultural produce gained impetus. At the end of Third Plan there were 78 co-operative Sugar factories.

One of the most hopeful developments of the last decade in the field of co-operative processing has been the rapid establishment of co-operative sugar factories in the country. Beginning with a modest share of 1.4 % in the national output of sugar in 1955-56, the co-operative sugar factories have now come to account 54.7 % of the total production of sugar in the country.

The rapid progress of the co-operative sugar factories has been made possible on account of policy decision of the Govt. to give preference to co operatives in the licencing new units.

3.6 Statewise Position of Co-operative
Sugar Factories at A Glance :

✓ The statewise position of co-operative sugar factories licenced, established any yet to be established as on 30.9.1987 is given in Table No. III-1.

TABLE NO. III-1

State	Licenced converted to co-op.	Already Establi shed;	To be Establi shed	Order for plant and Machinery placed	Yet to place order for plant and Machinery
U.P.	30	21	9	8	1
Punjab	9	4	5	2	3
Uttar Pradesh	7	4	3	3	-
Assam	2	1	1	1	-
Rajasthan	1	1	-	-	-
U.P.	3	3	-	-	-
Orissa	4	2	2	1	1
Maharashtra	89	69	20	12	8
Gujarat	17	15	2	1	1
Goa	1	1	-	-	-
Tamilnadu	12	11	1	-	1
Karnataka	19	14	5	4	1
Andhra	18	18	-	-	-
Chandichery	1	1	-	-	-
Kerala	2	2	1	-	-
All India	215	167	48	32	16

△ Nowgong in Asam, Ulundurpet and Tiruttani in TamilNadu and Nayagarh and Badamba in Orisa converted from public sector in to Co-operative Sector.

△ Co.op.Sugar , Sept., 1984.

3.7 Progress of Co-operative Sector :

✓ During the last 22 years of planned Development, the sugar industry has made rapid strides. Both the terms of number of units and the contribution to the total sugar produced in the country this sector has shown steady progress. They Yearwise details are given in Table No.III-2.

The co-operative sugar factories in India has introduced many socio economic activities in their factory areas which has been responsible for converting the rural parts of India into modern towns with all amenities. They have not only established sugar factories but have mobilised the funds of the growers for establishing industries based on by-products like paper from bugasse, alcohol from Molasses and alcohol based chemicals.

They have also established educational institutions, like primary schools, high schools, degree colleges, technical training centres, engineering colleges and medical colleges too. To improve the medical facilities in the rural parts of the country, they have established primary health centres, dispensaries, family planning centres, hospitals and modern equipment and also nursing training colleges. They have introduced many recreational and communication facilities in the factory areas. All these facilities are meant for only to the sugar factory workers but for the entire rural population.

They have also introduced many other activities like poultry farms, milk processing units, dairy farms, super markets, life irrigation scheme all on co-operative basis only.

TABLE NO. III-2

Y e a r	Number of Sugar Factories in operation		Sugar Production (lacs tonnes)		Percentage Co-op.
	Co-operatives	Total	Co-operative	Total	Total
1961-62	34	180	4.75	27.29	17.4
1962-63	41	186	4.73	21.39	22.1
1963-64	48	194	6.01	25.73	23.4
1964-65	50	198	7.95	32.32	24.6
1965-66	53	200	9.41	35.41	26.6
1966-67	55	200	6.62	21.51	30.8
1967-68	58	200	7.05	22.48	31.4
1968-69	63	205	12.06	35.59	33.9
1969-70	70	215	13.82	42.62	32.4
1960-71	73	215	12.62	37.40	33.8
1971-72	79	220	12.85	31.13	41.3
1972-73	85	228	14.67	38.73	37.9
1973-74	84	229	15.64	39.48	39.4
1974-75	96	246	20.93	47.97	43.7
1975-76	103	252	20.33	42.82	47.7
1976-77	116	270	23.13	48.40	47.8
1977-78	129	287	31.75	64.61	49.1
1978-79	136	298	30.52	58.41	52.3
1979-80	138	300	20.32	38.58	52.7
1980-81	149	315	29.03	51.48	56.4
1981-82	153	320	46.04	84.37	54.6
1982-83	156	320	45.10	82.40	54.7
1983-84	160	325	31.88	59.17	53.9
1984-85	178	338	-	-	-
1985-86	186	343	-	-	-

^ Source : Co-operative sugar Director and Year Book 1983-84;
Page 8,12, Co-operative Sugar Dec., 1987.

3.8 Sugar Exports :

✓ The world sugar production during 1983-84 was around 96.06 million tonnes as compared to 100.60 million tonnes during the 1982-83. On the other hand, consumption has increased from 94.62 million tonnes during 1982-83, to 96.88 million tonnes during 1983-84. The final stock in 1983-84 was around 36.63 million tonnes as against 37.94 million tonnes in the previous year. In the view of the above situation, the final stock of sugar as percentage of the consumption is of the order of 38% as against the normal figure of 25%. Bumper sugar production and heavy carry over stocks during 1982-83 and 1983-84 kept the sugar prices at a low level in the international market. From a major exporter in one year, we become importers in the next year. A quantity of 7.06 lac tonnes was exported in 1983-84. However in view of internal shortage and in the absence of International Sugar agreement, the Government of India suspended the export of any further quantity during 1983-85 except a committed quantity of E.E.C. U.S. and Nepal. Exported sugar was 9 lac tonnes in 31st July 1987. This sugar was Bumper stock account showing.

3.9 Sugar Imports :

✓ The Government of India had to resort to sugar imports due to poor sugar production in 1983-84 and equally poor production estimates in 1984-85. This situation is partly due to mishandling of sugar releases during the last two years as heavy releases were made to depress the sugar prices. Though the Government has succeeded in keeping the sugar prices at a low level. They had to go in for about 0.6 lac tonnes import

of sugar in 1983-84. The Government had already imported a quantity of about 4.2 lac tonnes in 1984-85 and it is reported that a contract of another 4.0 lac tonnes of import has already been made by state trading corporation. Thus a huge amount of foreign exchange is frittered away in the process.

.....