

■■■■ CHAPTER - II ■■■■

CO-OPERATIVE SUGAR INDUSTRY -

" A HISTORICAL REVIEW "

(History and Growth of Sugar Industry in India)

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## 2.1 CO-OPERATIVE SUGAR FACTORIES:- (History)

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 the modest share of 1.4% in the national output of sugar in 1955-56, the co-operative sugar factories have now come to account for almost 33.40% of the total production of sugar in the country.

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

## 2.2 STRUCTURE:-

The National Federation of co-op. sugar factories is the Apex body of co-op. sugar factories. It was established in 1960 to co-ordinate and facilitate the working of the affiliated co-op. sugar factories and the state federations and to assist in promotion and organisation of new co-op. sugar factories. At the state seven federations of co-op. sugar factories have been formed, to attend to local and state level problems of their member factories.

The National Federation gives technical advice to co-op sugar factories and assists them in procuring the

essentiality certificate control materials and import licenses for machinery and spare parts. It also does liaison work on their behalf, with the various depts. of the central and state Governments and with their commercial organisation for supplies of machinery and stores, etc. The federation also helps the factories in securing the services of suitable personnel for appointment as General Manager, Chief Engineer, Chief Chemist etc.

### 2.3 MANAGEMENT:-

The management of sugar co-operatives present peculiar problems. These problems arise partly from the fact that the membership of some of these societies is very large, sometimes, exceeding 10,000 growers. In these circumstances, it is not easy to ensure that there will be a proper liaison between the management and the individual members. It is equally difficult to ensure that the management will be representative of and responsive to the views of the individual members.

The policy of the central Government regarding election nomination of the board of directors of co-op. sugar factory that-

i) In case, where the state Government considers if necessary to nominate the whole board such nomination should not be for more than three to five years in the initial stages of the society.

ii) In co-operative sugar factories, where state Government have neither contributed nor guaranteed the payment of any loans, full scope should be given to the normal democratic process of election, In these cases, the state Government need not nominate any one.

It have contributed largely to the coming into being of township with schools, colleges, polytechnics, hospitals, places of worship, centres for cultural and social activities etc. in the sugar factory areas.

It may thus be seen that sugar co-operatives have afforded a unique opportunity to the small cane cultivator to take full benefits of large scale management and organisation. Whereever, co-operative sugar factories have been successfully established, they have proved invaluable instruments of development and social change in rural areas. These institutions, being decentralised processing units of small cultivators, are serving as effective agencies in the diffusion of benefits of development plans in an even manner and helping in the fulfilment of the concept of socialist pattern of society. One of the most significant benefit of co-operative sugar factory has been the spirit of self reliance which has been generated amongst small growers. The co-operative sector of sugar industry has been rightly described as the Prince of processing industries in India.

#### 2.4 SCOPE:-

The sugar industry is most advanced processing industry in the agricultural sector in India. From the modest beginning in 1930-31, when tariff protection was granted to it the industry has made rapid strides. Against a mere 29 sugar mills in 1930-31, the number has gone up to 377 with about 100 mills in the pipeline while the output has increased from 1.20 lakh tonnes to record level of 115 lakh tonnes in 1990-91. The industry has surpassed the target set for it in the various plan and output of 160 lakh tonnes per annum has been targeted for the year 2000.

Sugar industry was initially concentrated in the subtropical states of Uttar Pradesh and Bihar, but the second plan it was dispersed into the Deccan area and the southern states.

About 35 million farmers (including their families) constituting about seven percent of the rural population are engaged in growing sugarcane. The industry absorbs a sizable portion of the cane crop, and provides the farmer with resources to meet his commitments. Each sugar factory deals with thousands of cane farmers, ranging from 7000 to 8000 in the southern states and Maharashtra to 40,000-45,000 in Northern India.

The by products of the industry, specially

molasses and bagasse, have opened up fresh areas of utilities. Molasses is utilised for production of alcohol and downstream chemicals. Bagasse, another important by-product, besides meeting the fuel requirement of industry, offers also the potential to attain self-sufficiency in the production of paper and newsprint.

## 2.5 PRODUCTION:-

The Indian sugar industry is heading for a new production peak during the 1990-91 season with production estimates being liked to 115 lakh tonnes. The sugar production amounted to 110 lakh tonnes in 1989-90. This represented a 25% growth over 1989-90 and made India the largest sugar producer in the world. The following table shows sugar - cane and sugar production and area under cane.

Year	: Area under: 1000 : Hecters	: Production of sugar	: Total cane crushed : tonnes	: Total .000: sugar :Produced:	: Recovery of : Sugar
1970-71	2,615	1,26,368	38,205	3,740	9.79
1980-81	2,667	1,54,248	51,584	5,150	9.98
1985-86	2,850	1,70,648	68,366	7,016	10.23
1986-87	3,079	1,86,090	85,202	8,502	9.98
1987-88	3,279	1,96,737	93,933	9,110	9.70
1988-89	3,329	2,03,037	85,647	8,752	10.22
1989-90	3,405	2,22,628	1,11,158	10,989	9.89

Source:-

Co-operative sugar, february, 1991 In the overall interest of growers and industry, the Government of India raised the statutory minimum price (SMP) of sugar cane for the 1989-90 season from Rs. 19.50 per quintal to Rs. 22.00 per quintal in octomber, 1989. The SMP for 1990-91 season was fixed at Rs. 23.00 per quintal to encourage the formers to grow more cane SMP for 1991-92 has been announced in advanced at Rs. 24.00 per quintal.

**2.6 STATE WISE SPREAD:-**

Sugar cane is grown widely in India in 15 out of 22 states and in two out of nine union territories. Utter Pradesh, topes the list with 93 factories and 17 lakh hectories under sugar cane. Maharashtra ranks next with 78 factories and 3 lakh hectories under sugar cane. Andhra Pradesh ranks third in respect of number of sugar factories but fifth in respect of area under sugar cane.

A noteworthy feature of the regional spread in while the Northern and Eastern states, viz. Assam, Bihar, Haryana, Punjab, Rajasthan, West Bengal, Utter Pradesh, together accounted for 68% of the area under sugar cane in the country, their share in the number of factories was 43%.

The central and southern states which accounted

for 32% of area had 57% of the factories. The growth and development of sugar co-operative factories in Maharashtra is being presented in the following table.

"Co-operative sugar factories in Maharashtra"

Sr No.	Items	Year			
		1981	1987	1989	1989-90
1	No.of Registered factories.	78	100	104	124
2.	Working factories	67	84	90	92
3.	Members (00)	4376	6995	7664	8431
	(Cane growers)	4303	6711	7515	8232
4.	Share Capital(Lakh)	9443	21478	24357	27078
	Govt. -- ,, --	4513	12280	13036	14288
5.	Deposits (Rs.)	14129	38523	45903	58147
6.	Owed funds (Rs.)	26004	61320	73768	89550
7.	Borrowing out standing (Rs.)	19656	44358	69833	72952
8.	Working capital (Rs)	66843	149268	232761	264330
9.	Fixed assts (Rs)	41537	101926	111201	134046
10.	Profit (Rs)	417	392	2557	46140
11.	Loss (Rs)	3011	6683	6242	1918
12.	No.of factories Licenced.	71	96	95	132
13.	Licenced capacity (TCP)	119	158	163	173



14.	Installed capacity	118	156	163	173
15.	Sugar cane (rushed qty.)	16953	64819	23053	35500
16.	Sugar Produced (Qty.)	1877	2691	2550	3808
17.	No.of factories having distillery palnts.	18	33	33	33
18.	Distillery plants.	12	27	27	27
19.	Molasses (Qty.)	639	1033	987	142.

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Note:-

- 1) Rupees in Lakh.
- 2) Members in Hundred.
- 3) Quantity in thousand terms.
- 4) TCD per day in thousands.

SOURCE:-

"Co-operative movement at a glance in Maharashtra".  
- office of the commissioner for co-operation and  
Registrar of co-operation societies, Maharashtra state,  
Poona.

## 2.7 EXPORT:-

India started exporting sugar from year 1957. Export of sugar were to the tune of Rs. 32.5 crore in 1989-90 and Rs. 37.4 crore in 1990-91. Output of sugar has shown tendency to fluctuate from year to year and when-ever there had been higher sugar production, efforts were made by the industry to get more export quota sanctioned from the international sugar organisation.

## 2.8 COMPETITION:-

Manufacturer of sugar consumer 33% of the sugar-cane production, while about 55% is consumed by the "Khandsari" and gur producers and 12% goes for chewing and seeding purposes. There are about 8000 Khandsari producers in the country. Under the plea that recovery of Khandasari is lower than that of sugar, a section of sugar industry demands some restrictions on Khandasari producers. But it can not be ignored that a vast majority for our rural masses consume Khandasari. The sugar industry will have to live with competition of Khandasari producers.

## 2.9 SUGAR LICENSING POLICY:-

The Govt. of India, announced the new sugar licensing policy on June,1 1990. The new policy, designed to give boost to the sugar industry, makes for major changes in the guidelines governing the licensing of new sugar mills. These are -

1. The requirement that minimum spatial distance of 40 km (relaxable to 25 km in case of higher productivity) be maintained between an existing mill and the proposed new one has been dispensed with.
2. The earlier crushing capacity of 1750 tonnes per day has been upgraded to minimum economic size of 2500 tonnes per day.
3. Performance in licensing is to be given to proposals from the co-operative and public sectors rather than to those from the private sectors.
4. Licenses are to be given liberally for the manufacturer of industrial alcohol through the conversion of the molasses in bid to boost production of the commodity and tap the buoyant export demand for the same.

#### **2.10 NEW SUGAR POLICY:-**

The Government's new sugar policy announced in November, 1991, has retained the minimum economic capacity of 2500 tonnes cane crush per day for issuing fresh licences. There would, however, not be any maximum limit on such capacity for issue of licences.

The new policy, envisages an additional 30 lakh tonnes capacity in areas specified as industry backward.

Licensing of new sugar factories in the co-operative and public sectors would be allowed with an initial capacity of 1750 tonnes cane crush per day. But this would be subject to the condition that, it would be expanded to 2548 tonnes cane crush capacity per day within 5 years going into production.

The policy has relaxed the distance criterion of 25 km which could be 15 km in special cases where cane availability justified it.

According to new policy all new licences would be issued with the stipulation that the cane price would be payable on the basis of sucrose content of sugar-cane while granting licences for new units and expansion projects, the additional capacity to be created up to the end of the Eighth Plan would be kept in view. Licences for down stream industries would also be readily given. Priority would be given to proposals for new units from the co-operatives and the public sector. In case of more than one application, priority would be given to the one received earlier.

#### **2.11 THREE FOLD ACHIEVEMENT:-**

In spite of all problems, the industry has managed to achieve three significant success. First, it has managed to survive, even thrive, second, it has also

succeeded in enticing sugarcane growers to increase both acreage and yield of sugarcane in the country. The area under sugar cane cultivation has increased from around 2.6 million hectares in 1970.71 to around 3.4 million hectares in 1990. And yield of cane per hectares has also gone up to from 48 tonnes to 65 tonnes in 1990. And third, it has finally succeeded in convincing the Government on the need to let sugar industry go in for verticle expansion by setting up units to produce products based on alcohol. (a sugar cane/molasses derive)

Referance:-

1. R.B. Tyagi : Recent Trends in co-operative Movement.
2. K.R. Kulkarni. : The Theory and Practice of Co-operation in India and Abroad, Co-operative Book Depot, Bombay-1968.
3. R.D. Bedi. : Theory, History and Practice of co-operation. Royal Book Depot, Meerut, 1977.
4. Note on Sugar factory in Maharashtra state, 1982.