

**CHAPTER I**  
**RESEARCH METHODOLOGY**

- 1.1 Intorduction**
- 1.2 Statement Of The  
Problem**
- 1.3 Importance Of The Study**
- 1.4 Objectives Of The Study**
- 1.5 Review Of The Previous  
Studies**
- 1.6 Methodology**
- 1.7 Chapter Scheme**

# CHAPTER-I

## RESEARCH METHODOLOGY

### 1.1 INTRODUCTION

Among the various important commercial crops, sugarcane is one. It is cultivated on the commercial lines. It is important raw-material of sugar production. Sugar as an essential consumer item has its significance both in domestic as well as in the international market. It has a strong consumer preference in our country.

The processing of agricultural produce particularly sugarcane has a strategic place in rural economy. It makes the commodity acceptable to the consumers and serves as a source of income to the producers. A large programme of processing greatly increase the pace of rural industrialization and creates opportunities for building up new industrial and business leadership in rural areas.

Because of cooperative organization of the sugar factories, the farmers who are cultivating sugarcane gets remunerative prices. The prices of sugarcane has been fixed by the central level organization viz. Commission for Agricultural Costs and Prices (CACP). The statutory minimum prices of sugarcane are fixed every year. However at the state level, the Government fixes the state advisory prices. Further more, at the factory level final sugarcane prices are fixed differently. So, the issue is of great phenomenal to explore the facts therein.

Keeping this intention in mind, the topic has been selected to focus a light on the sugarcane price policy at Central Government level, state Government level, and at sugar factory level.

## 1.2 STATEMENT OF THE PROBLEM

In Karnataka at present there are 30 sugar factories in operation. Out of them, 10 are under private sector, 17 factories are organized in a co-operative sector, other two factories are managed under public sector and rest two factories are under joint ventures. But the overall performance of these factories is not so fair and well. The per day crushing capacity of many of these factories is 1,250 M.T whereas a few factories have a crushing capacity of 2500, 3000, 5000 M.T etc..

Karnataka state is purposively selected for this study. The organizational pattern of sugar factories is a kind of mixed performance, which deserve to study the sugarcane prices paid to the farmers. Two sugar factories were selected as samples, one belongs to co-operative and another private sector enterprise to explore the whole procedure of pricing of sugarcane.

## 1.3 IMPORTANCE OF THE STUDY

Sugarcane is an important commercial crop which is largely grown in Karnataka. The price policy has its impact on sugarcane grower, industrial cost structure, production of sugar etc.. But proper accessible policy is not formulated in sugarcane pricing. So the study is important to

all related factors, like Government sugar factories and farmers. This study includes the exploration of price structure of private and cooperative sugar factories for the selected period. Because of the restricted and barring policy of the state Government, the sugar occupation is not so satisfactory as compared to the states like Maharashtra and Tamilnadu. So the study will be an interesting issue to explore the fact.

#### 1.4 OBJECTIVES OF THE STUDY

The most pressing problem faced by the sugar industry is to ensure cane supplies at stable price. The cultivators find it easy to change their cropping pattern from years depending upon market fluctuations. The study is related to the pricing policy of central Government, state Government the bases of price fixation in Karnataka.

The main objectives of the study thus are,

- (1) To study the central Government policy of sugarcane prices.
- (2) To study the system under which sugarcane prices are determined in Karnataka.
- (3) To evaluate the trends of sugarcane prices in Karnataka and India.
- (4) To find out similarities and dissimilarities regarding prices in co-operative and private sector sugar factories in Karnataka.
- (5) To ascertain the effect of price policy on cost structure of the factories under private and co-operative hands.
- (6) To explore the cost structure of sugarcane cultivation.

## 1.5 REVIEW OF THE PREVIOUS STUDIES

A large number of studies have been conducted on sugar industry in India. However the study relating to the sugarcane pricing, the price fixation procedure under co-operative, private and their impact on the farmers are only few. The analytical studies explaining such differential impact are indeed rare.

“Cost of cane cultivation and its relationship with sugar prices” by Srinivas D.(1980) refers to the cost of sugarcane cultivation in relation to sugar prices at Mandya district of Karnataka. The comparative forms of costs of sugarcane and paddy have been analysed in detail. He has arrived at the conclusion that there was no relationship between the cost and price of cane making it impossible for the cultivator to grow sugarcane only at loss.

An economic study of co-operative sugar factories in Belgaum District; the research study by shri. A.P. Biradar Patil for his Ph.D degree of Karnataka University Dharwad on 'Co-operative Sugar Factories in Belgaum District' in 1990 referred to the impact of sugar co-operatives on rural economy, comparative study of the relative impact of public, private and co-operatives on rural economy. Various aspects of sugar factories' pricing, administration, cost of cultivation of sugar has been reviewed in this study.

In August 1994, Shri H.S.Nanaware studied for his M.phil degree of Shivaji University Kolhapur on "A comparative study of sugarcane pricing in Private and Co-operative Sugar Factories". It is stated that the price of sugarcane should be based on the quality of sugarcane. Again there should be a definite relation between cost of sugarcane cultivation and the price of sugarcane.

Besides some committees were appointed by Central Government from time to time to study the problem of sugarcane pricing. One such committee was set up in 1964 under the chairmanship of Dr.S.P.Sen and it submitted its report in 1965. Another committee was appointed under the chairmanship of ex Supreme Court justice V.Bhargava who submitted its report in 1974. This committee has illustrated a formula for cane pricing known as Bhargava formula.

## 1.6 METHODOLOGY

The research project is conducted in Karnataka. Two sugar factories located in Athani and Chikkodi taluka were selected purposively.

### (A) AREA OF STUDY.

So as to analyse the system of cane pricing in both cooperative as well as private sector, two sugar factories belonging to different organisational systems are selected.

- 1) Shri Doodhaganga Krishna Sahakari Sakkare Karkhane Limited, Chikodi Dist, Belgaum is a co-operative enterprise established in 1974-75.
- 2) The Ugar Sugar Works Pvt. Ltd., Ugar tq, Athani Dist, Belgaum is a private enterprise and an oldest sugar factory in Karnataka established in 1939 was selected.

The present study is primarily concerned for the period of 15 years commencing from 1980-81 and ending by 1994-95. Considering the availability of time and resources, the scope of the study was restricted to a micro level study of two sugar factories has been taken up to find out the pricing policy of sugarcane.

#### (B) DATA COLLECTION.

The study is more concerned to secondary source of data information. In order to make the study as exhaustive as possible, secondary source of data have been collected from the official documents, annual reports, balance sheets, manufacturing schedules and from the Directorate sugar etc., Several other related matters were collected by discussing personally with Chairman and Vice-Chairman of the sugar factories under study.

The primary data was collected by conducting field work. The primary data collection becomes essential in concerned to the cost estimation of sugarcane cultivation. A separate schedule has been prepared for 50 cane growers spread over 5 villages covering two

talukas i.e. Chikodi and Athani of Belgaum district. The cost of production of sugarcane per acre of land were obtained from the growers.

### (C) DATA ANALYSIS.

By and large relevant statistical information pertaining to different aspects which were collected from Directorate of Sugar, Bureau of Economics and Statistics, Annual reports of the sugar factories, official records had been processed tabulated to identify the ratio, percentages, average of selected variables.

## 1.7 CHAPTER SCHEME

The chapter scheme for this dissertation is as follows

Chapter I deals with the research methodology, statement of the problem, data collection, significance of the study and objectives of the study etc.,

Chapter-II deals with sugar scenario in Karnataka, the contribution of the state in sugarcane production, sugar production and the performance of sugar factories in the state is elaborated.

Chapter-III deals with various issues related to agricultural price policy, complexity of agricultural prices and methods involved in fixing the prices.

Chapter-IV explores the sugarcane pricing policy of the Central Government, methods adopted in fixing the prices and trends in the prices of sugarcane.

Chapter-V illustrates the relevance of the state advisory prices, price fixation policy in Karnataka.



Chapter-VI deals with the profile of private sugar factory; The Ugar Sugar Works ltd., Ugar Khurd and sugarcane pricing policy in private sugar factories in Karnataka.

Chapter-VII deals with the profile of co-operative sugar factory namely, Shri Doodhaganga Krishna Sahakari Sakkare Karkhane Niyamit, Chikkodi & its trends in sugarcane prices.

Chapter-VIII illustrates the cost of cultivation by selected samples of sugarcane around the factory area.

Chapter-IX summarizes the findings of the study and conclusions are derived with few suggestions.