Reasserting The Co-operative Movement

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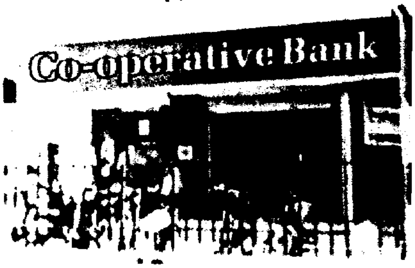

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Serials

14

Co-operative Sugar Sector : New Avenues For Revenues

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Introduction

Sugar is the first processed article of the diet that every child enjoys with milk. We need Sugar right from morning in bed tea to till at night in sugarcoated tablets. Sugar plays a significant role as a source of energy in our diet. A few of us know about cultivation of sugarcane (raw material), processes of sugar manufacturing and it's by products. After textile industry, sugar industry is the second largest organized agro-based industry in India.

Reference of sugar and its product occurs in Vedas and epics indicated that the sugar was known to Hindus earlier than to any other race. Mr. Columbus introduced sugar cane to American in his second voyage led to the rapid development of sugar manufacturing in tropical America. The other settlers, Spanish, Portuguese and Dutch spread sugar manufacturing rapidly into many parts of America. During the 15th century, sugar cultivation started in all the countries in the Mediterranean. After that Mediterranean became the sources of supply of sugar cane to Europe and Africa.

British rulers made a remarkable achievement in 1922 by appointing the Sugar Commission to observe sugar cane cultivation in India. The sugar scientist revealed that the Indian canes were unfit for white sugar industry. The Coimbattore Breeding station developed a new variety and made possible the growth of sugar industry not only in India but also several other countries. In 1930 the Govt. of India appointed a Tariff Board to examine the position of the sugar industry in India and based on the Board's report passed the Sugar Industry Protection Act, 1932. A clause in the Act protected indigenous sugar industries in India for an initial period of 14 years, till 1st march, 1946.

Global Scenario

Sugar cane is cultivated in 127 countries in the world. Most of them are situated in between 35°S and 35°N of the Equator with altitudes ranging from sea level to over 700 metres and with varying climatic conditions and soils. About one third of the world's sugar production contributed by the five countries viz., Cuba, Puerto Rico, Dominican Republic, Jamaica and Trinidad. The major sugar producers are Brazil, Argentina, Peru and Mexico. In USA the principal sugar cane States are Hawaian Islands, Louisiana and Florida. At a lowest cost of production the USA sugar producers maintaining highest environmental and labour standard. The USA is also a major sugar importer. Here sugar cane harvesting season normally extends 22 to 24 months and some times it extends even 30 to 34 months. The highest sugar recovery recorded in Australia. The Republic of South Africa, Egypt and the islands of Mauritius are the three major sugar producers in African continents. In Asia the major sugar cane producing countries are in India, Indonesia, Philippine and China. In India sugar cane is cultivated in 40.76 lakhs hectors of land. India ranks first with regard to the area followed by Brazil (26 lakhs hectors) and 13 lakhs hectors in Cuba. The International Sugar Organization established under the International Sugar Agreement, 1968. After two decades International Sugar Agreement was adopted by the United Nations' Conference on Trade and Development in 1992. India casts 38 votes out of 2000 votes in International Sugar Council.

Role Sugar Industry In India Economy

Altogether there are 506 sugar mills installed in India, unfortunately only 453 mills are functioning. There are 143 mills in India's sugar bowl i.e. Maharastra, followed by Uttar Pradesh, 129 mills. The sugar sector has generated employment for 4 crore farmers in the fields of 40.76 hectors and 5 lakhs in 506 in factories. The Indian farmers are capable to produce 30 crore metric tones of sugar cane in a year. In India early varieties mature in 10 to 11 months and late varieties stands on the field for 12 to 14 months. The Adsali crop stand on the field for 14 to 18 which is grow in Maharashtra and some parts of Andra Pradesh. Normally the crushing season in India extends from October to May. The Southwest monsoon affecting areas start their crushing in October whereas Northeast monsoon affecting regions start their season during late November. Tamil Nadu and some parts of Karnataka get a chance to start their crushing season from June to September and also run their mills about 190 to 200 days above the normal period of 120 to 150 days. During the month of October highest recovery rate is observed.

India produces about 15.53 million tones of sugar every year. The state of Maharashtra contributes 5.34 million tones followed by U.P. 3.73 million tones. Today India is not only self-sufficient but also capable to export to a tune of 0.81 million tones per annum to more than 20 countries. The countries like Pakistan, Bangladesh and Shri Lanka are our bulk buyers. The annual sugar cane price paid to the cultivators by the Sugar mills amounts to Rs.12,500 crore per year. The annual turnover of the Sugar Sector amounts to Rs.20,000 Crore. The Central Excise Department gets an income of Rs.1,400 Crores are the State Governments receives Rs. 800 Crore in the form various cases. Looking at the importance of the Sugar sector the Government of India establish 56 Sugar cane Research stations all over the country.

Co-operative Sugar Scenario in India

Indian sugar industry can be classified into two categories viz. Organized sector (consist of modern sugar factories) and unorganized sector (consist of traditional Sweeteners like gur and Khandsari). The Unorganized sector considered as a rural industry and enjoys much greater freedom than sugar factories. They contribute about 37% of total Sweetener consumption in India. The farmers co-operatives own and operate the lion share of the total capacity of sugar industry. Share of sugar co-operative in the national sugar sector amounts to 59%. The First Five Year Plan (1951-56) could not do a notable improvement in the co-operative sector of the sugar industry. The plan finished with only three co-operative sugar factories on the map of India's sugar industry. The country had to import 0.73 million tones. A ten fold improvement was achieved by the co-operative sector in 1960-61. Indian businessmen and sugar cultivators established 174 sugar mills, out of that 30 factories here in co-operative sector. The total output of sugar was 3.02 million tones and the share of the co-operative was 0.45 millions tones. In 1970-71 there were 73 mills, in 1980-81 149 co-operative sugar factories, in 1990-91 the number shot up to 220 and at the end of the century it was 259 out of 436 sugar mills in India. Today we have 252 working co-operative mills out of 453 (working) mills. About 53 mills in India are not functioning due to several problems.

Problem of Sugar Industry in India

Low Yield of Sugar Cane

Low cane productivity is one of the serious problems that confronts the industry. The Sugar cane yield was 30.9 tones per hector in 1930-31. But the two fold improvement observed after implementation of new varieties of sugar cane like Adsali. In 1994-95 it was 71.3 tonnes per hector and in 2002-03. This year it was 72.6 tonnes per hector. It is very low when it is compared with Peru and Rhodesia which produce 171.4 and 100 tones per hector respectively.

The sugar cane yield across the country varies widely in the range of 40 to 134.2 tones per hector. The Tamil Nadu and Karnataka states stand first and second by producing 134.2 and 91.2 tonnes per hector respectively. Leading states like Madhya Pradesh and Bihar have the lowest yield in the range of 39.3 to 48.5 tones per hector. The Maharashtra and Goa has 89 and 60.6 tones of yield per hector.

Outdated Machinery

Most of the Machineries in sugar mills, particularly in those of U.P and Bihar are out-dated. For the last 40-50 years none of the major repairs or replacements have been made. Low profit often do not allow a substantial depreciation without which the rehabilitation cannot be done.

The Co-operative Sugar Factory, Goa could not make significant gain for the last 30 years. The cumulative effect of accumulated loss did not allow the Mill's management to go for modernization. The factory never experienced major repairs since inception.

Low Rate of Sugar Consumption

The average per capita consumption of sugar in India is only about 17.75 kg per annum, gur and khandsari 8.62 kg per annum (total 26.37kg): one of the lowest in the world. It is 55 kg in Australia, 52 kg in U.K and 50 kg in USA. The high sugar price and substitutes availability in the form of gur in the country, are often responsible for low consumption. Jagarry tea is common in Indian villages.

Competition with Gur and Khandsari Industry

One of the most serious threats faced by the sugar industry is its competition with unorganized sector- gur and khandsari producers. Imposition of high excise duty and control on sugar stock, sugar price and cane price have resulted, decrease in the profit margin of the sugar mills and therefore, they are neither in a position to offer high price of cane to the farmers nor in a position to make payment in time. On the contrary khandsari units are free from such impediments and therefore, even though the recovery percentage of gur or khandsari does not exceed 6 - 7 percent against 8 -10 percent in case of sugar, it is able to offer higher price for cane and payment in time. Infect, over 50 % of the cane grown in the country is consumed by the cottage industry. During the period of low sugar cane production in the country, gur and khandsari producers simply supply their raw materials to the mills, and yet a good return without much efforts.

Government Policies

Neither the sugar cane cultivators nor the sugar mill owners are happy with the implementation of Government policies either by the Central Government or by the State Governments. So far no research has been made on the impact of the Government policies on sugar sector. The Government policies are the key earning drivers of the sugar sector. The government control on the sugar industry extends from procurement of raw material to sale of sugar. Any liberal move in government policies relating to the removal or reduction in levy quota, monthly release mechanism for free market, export thrust, import duty and financial incentives to take over of sick units will have enormous benefits for the sugar industry in the long term. The Central Government regulates sugar price through releases. Presently free sale is 90% of the total production and levy sugar 10%. The overall realization per quintal is much below the cost of factories. The Govt. control policies led to blocked stock of sugar of 12.8 millions tones in 2002-03 which amounts to Rs.16,000 crore.

Other Related Problems are

(i) The idea of sugar complex has not been implemented properly, factories are not permitted to utilize their own molasses;

(ii) obligation have increased to maintain clean air and environment;

(iii) low rate of import duty led to the dumping of sugar from other country.

(iv) due consideration is not given for the promotion of sugar export; and

(v) the Statutory Minimum Price (SMP) is influenced by political wind rather than economic significance.

Suggested Model to Overcome the Problems

In 2005, no states in the world will have a control over the entry of foreign products in their country. The country like China, Japan, USA, are waiting to dump their product in the Indian market for the 'crazy buyers of foreign product'. China has already encroached our toys market. In the mean time the Govt. of India introduced disinvestments policy and sold it stake. In this juncture, the co-operatives are the only hope of the masses to meet the future challenges.The success of the co-operative sugar industries purely depends upon the introduction of the following steps effectively and efficiently.

Corpoerate Patriotism

The co-operative sector is the only field where the members play multi- dimensional role; as a buyer, as a seller, as a producer, as an administrator, as a banker, etc. In case of joint-stock companies, real owners are kept away from the direct participation. The stake-holder are interested in wealth maximization rather than socio-economic development of their company and employees. Lack of corporate patriotism is clearly visible among the members of the joint stock concerns.

The co-operative sector generated 'surety and security' for members. The co-operative sugar factories, in particular, provide a definite market for their entire lot of sugar cane and infrastructure development funds at low rate of interest. A drastic advancement in this direction may push up the status of the co-operative sugar factories among the co-operative sectors.

Merging of the State Boundaries

Most of the co-operative sugar mills in India have problem of short supply of sugar cane. The sugar factories are seasonal in nature. They run 90 to 130 days in a year. Even after considering three shift per day, the total operating time comes less than any other mills which run for 8 hours per day. No unit can maintain its expenditure after utilizing 25% to 33 % capacity but sugar industry is still reaping profit.

The Sanjivani Sahakari Sakhar Karkhana in Goa, could not utilize its full crashing capacity since inception. Goan farmers have been supplying only 40 % of the total cane requirement of the factory for the last 30 years. The factory is depending upon the 60% of gate-cane from Karnataka. The Karnataka farmers are not only interested to supply sugar cane but also interested to become members. The political boundaries of the states do not allow them to unify, being in the same union government. It is high time for the co-operative sugar sector to merge the political boundaries as early as possible without prejudice.

Sugar Industries into Sugar Complexes

The by-products of the sugar industries are (a) Bagasses (30%-35%), (b) Molasses (4%-5%), (c) Press mud (2%-4%), (d) [illegible] and (e) Boiler ash (0.3%). The cost of sugar continues to be high and due to the neglect of the profitable utilization of the by-products. If the by-products are used the cost of production of the sugar may go down by about 20%. The development of sugar cane by-products industries and their ancillaries may push up the profitability of the sugar industry. The countries like Australia, Brazil, Cuba, Philippines, South Africa and Taiwan have developed numerous industries utilizing the by-products. Some of these countries produce alcohol as main product and sugar as by-product.

All the sugar industries in India have an opportunity to utilize the by-products and the off-season man-days. The sugar mills do not have any operation for 240-270 days in a year. In these days the industries can:

(a) Generate Electricity Power; produce fine writing paper with the help of Australian technology or ready made cattle feed by utilizing bagasses ;

(b) extract alcohol and spirit from molasses; and

(c) wax from filter cake/press mud.

Additional investment in new plant certainly will fetch a large amount of revenue. The industries can compensate the man and machine hours unutilised of in the sugar production unit in off-season. Let us establish co-operative sugar complexes but not just sugar factories in due course.

Recruiting Co-operative Specialist

Only the efficient and expert management can create innovative ideas. Hence there is need to appoint competent man power. The success in performing the functions of recruitment and selection depends on a well-defied recruitment policy. The success of recruitment policy depends upon 'LET' mentality of the employees and THREE 'A's-Adept, Adapt and Adopt.

Let the adept or expert personnel frame the policy;

Let us adopt or accept it, if does not work;

Let us adapt or modify as per our needs.

Majority of Board of Directors occupies the position by virtue their economic status in the society. The quorum of these ctors hampers the innovative ideas of the sugar profes-als. The seminar like this may inculcate them to think in

right direction; leaving their prejudice and age-old beliefs aside. The well-informed members of the co-operative sugar factories can over turn the problems of selection of directors. Hence the need of the hour is an awareness programme at bottom level.

Export as Viable Option

The countries like Brazil, European Union and Thailand dominate the world export market. Due to the large scale government subsidies and protectionist policy of the respective States, they succeeded in keeping the international price at rock bottom i.e. at Rs. 850 to 900 per quintal, corresponding sugar cost Rs. 1200 to 1250 in India. They never pay Minimum Support Price (MSP) to their farmers. Lot of export incentives and modern technology have these countries at top and in stationary position.

Sugarcanes are crushed under three wheels to extract the sugar juice. In India, unfortunately, sugar industries are under the pressure of three wheels - Cane Price wheel, Quota wheel and Tax wheel. On an average cane constitutes 60% of the total cost of sugar production. The Central and the State Governments notifications on Statutory Minimum Price (SAP) control the sugarcane procurement policy of the factories. The notifications are released in the month of October every year. These notifications are influenced by the sugar politics of the respective states.

In spite of the resistance, Sanjivani Sahakari Sakhar Karkhana, Goa introduced high price for high quality canes, based on recovery rate. Quota system of the Central Govt. led to the pilling up of sugar stock is another problem. For the year 2002-03 it was Rs. 16,000 crore, created an additional burden of carrying cost in the form of interest and maintenance. Quota system is not applicable to gur and khandsari units. The inventory caring cost can be shifted to any other agencies of public distribution system by handovering the stock.

Many sugar units can not bear the pressure of the cess wheel at various stages. In this direction the rational thought of Govt. of Karnataka should be appreciated. The said Govt. had withdrawn the tax burden and created an environment to grow fast with their highest recovery rate which is the vital point of the sugar industries in Karnataka. It is the well organized and

with high civic sense members group of the co-operative sugar factories can lead prevailing sugar politics in a right direction.

Conclusion

Ten Avenues For Sugar Revenues

(1) Amicable interstate agreement may abolish shortage of sugarcane problem.

(2) The policy of cane price based on recovery rate gives justice to the efficient farmers and inefficient units.

(3) No more sugar factories but sugar complexes which will generate employment, sales proceeds throughout the year.

(4) Handover the sugar stock to any national inventory agencies and get rid of the nuisance of 'carrying cost'.

(5) Recruitment of trained and adept personnel in co-operative sugar sector.

(6) Implementation of complete freedom and autonomy from paper into practice.

(7) Treating socio-economic impact made by the co-operative sugar industries itself is the tax recovery. Hence recognizing sugar sector as less cess or cessless sector as in the case of unorganized sugar sector.

(8) Self-conscious programme for members to generate corporate patriotism.

(9) Setting of export target and not any import quota.

(10) Following 'LOTUS' policy–keeping politics away being in and around politics. In Short

"Let us drive the growth engine of co-operative sugar factories for prosperity and nation building with self-respect, self-confidence, self-help and mutual help, and self-sufficient."

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