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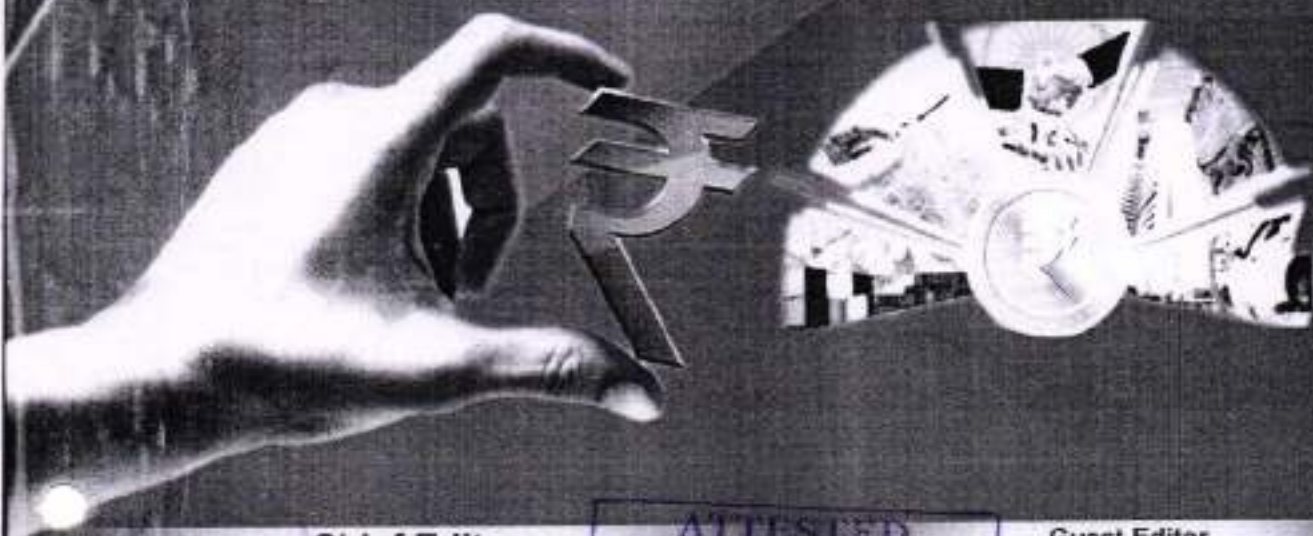
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CRISIS IN SUGAR COOPERATIVES IN MAHARASHTRA

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Introduction

The Cooperative sugar industry in Maharashtra occupies the place of pride in the National economy. It has played a very importance role in changing the rural economy. The sugar cooperatives in Maharashtra have enhanced the socio-economic development of their service areas.

After Independence, industry has witnessed a location shift. The sugar industry was localized for quite some time in U.P. and Bihar. For instant in 1960-61 about 60% of the sugar, production came from these two states. The southern or tropical states like Maharashtra, Tamil Nadu, and Karnataka emerged as leading states in sugar production. Their production efficiency is greater and cost of production is lower as compared to the Sugar factories in U.P. and Bihar. The Co-operative sugar factories in Maharashtra constitute the important medium of comprehensive and integrated rural development.

Sugar industry is an important organized industry in Maharashtra, dependent in a major way on unorganized sector. Since the industry has been organized on the principles of co-operation, its responsibility is to transform the rural life. The socio-economic life of agriculturists has undergone a complete change since the installation of sugar co-operatives in rural areas. Pandit Jawaharlal Nehru, Dr. D.R.Gadgil, Vaikunthbhai Mehta, Yashvantrao Chavan, Vitthalrao Vikhe Patil, Dr.Vasantdada Patil were the pioneers in bringing the ideology of Agro Industrial Co-operative Commonwealth into practice. The rural employment - both in agriculture and in industrial sector, has risen phenomenally since the inception of sugar factories in Maharashtra.

Maharashtra state has 201 co-operative and 23 private sugar factories, but out of total co-operative factories only 167 are working in year 2011. The co-operative sugar industry having the objective of welfare of the people required be organizing and operating with highest efficiency. Among the Indian states, Maharashtra tops in sugar production as well as recovery of sugar. Due to the weight losing nature of sugar cane, all sugar factories are established in sugarcane area. These factories play major role in the socio-economic development of rural areas in Maharashtra. India accepted the New Economic policy in 1991. This policy has three dimensions i.e. liberalization, Privatization and Globalization. This policy raised the competition among private and co-operative sugar factories. Last two decades sugar industry in Maharashtra has facing various internal and external problems. In this paper we will try to discuss some problem and to suggest the measures for solve it.





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1. Objectives and Methodology

The main intension of this research paper is to study the progress of sugar industry in Maharashtra, to study the problems regarding sugar industry and to find out the problems which are facing by the sugar co-operatives in Maharashtra. In our study we will try to suggest some practical suggestions for solve these problems.

This research is based on the secondary data which is furnished from the Economic Survey of Maharashtra – 2008, some reports published by the Maharashtra State Co-Operative Sugar Factories Federation Ltd., National Federation of Cooperative Sugar Factories Limited and various websites related to sugar industries.

2. Progress Of Sugar Industry In Maharashtra

Maharashtra State came into existence on 1st May 1960. It lies in tropical belt. A British company established the factory providing sugar directly from sugarcane in 1919 at Haregaon in Ahmednagar district. In 1930 Walchand 'group erected a sugar factory at Walchandnagar in Pune district. In 1932 Government of India granted fiscal protection to sugar industry. The very next is year is that in 1933 the sugar factories at Phaltan, Kolhapur and Rawalgaon came into existence. In 1934 three more sugar factories were established at belwandi, Malinagar and Tilaknagar. In 1939 two factories at Sakharwadi and Shripur were created and in 1941 two more at Changdeonagar and Laxmiwadi came up, making the total number of sugar factories 12 in the region. They all were in the private sector.

In 1945, a conference of irrigators was held under the chairmanship of D.R.GAdgil where in the proposal for establishing sugar factory on co-operative basis was mooted and upheld unanimously deciding the establish a sugar factory at Loni, Vitthalrao Vikhe Patil took up the challenge for Pravara Co-operative Sugar Factory. This sugar factory becomes the precursor of sustained co-operative sugar industry movement all over the country. The sugar factories under production, sugarcane area and the sugarcane production in Maharashtra since 1953-54. Total no of sugar factories in co-operative sector increased from 01 to 173 within the five decades, but now-a-days only 141 co-operative sugar factories are working. Numbers of Private sugar factories are declined till 1990, but in the era of New Economic Policy the private sector sugar factories are increased from 04 to 22. Government policy is favorable to increase the sugar factories in private sector within this period. At the same period the area under sugarcane increased from 1.98 lakh hectares to 10.17 lakh hectares and sugarcane production also increased from 48.36 lakh tonnes to 834.44 lakh tonnes. Co-operative sugar factories have started the agricultural development department and through this department they supported to the farmers for growing the sugarcane crop. So total area and total sugarcane production is increased.

From last fifty years the installed capacity of sugar factories in Maharashtra has been increased rapidly. No of sugar factories have adopted the modern technology for the production of sugar. The investment in sugar factory is also increased. The installed capacity of co-operative sugar factories is increased by 853.6 times and private sector sugar factories installed capacity increased by 1.97 times within the period from 1980-81

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to 2006-07. This shows the development of co-operative sugar factories is very rapid than the private sugar factories.

The Maharashtra state emerged as a leading state in India regarding the production of sugar. The highest productivity of sugar industry in Maharashtra as compared to the India's average is also noteworthy. There is also higher recovery of sugar obtained by sugar factories in Maharashtra, which was 'between' 10.47 % to 12.20% as compared to all India average of 10.20% in 2003-04.

The development of sugar co-operatives in Maharashtra is due to the favorable policy of government regarding the prices of sugar and sugarcane. These factories are strictly farmer's factories. As a result, farmers have keen interest in the development of sugar co-operatives. They have become central agencies of further economic efforts and development within their own area. Once a co-operative factory begins, the functioning effectively in an area; the members realised advantages of the co-operative efforts and they look forward to the expansion of facilities which can be made further available through the society. The development of sugar co-operatives in Maharashtra has to be largely ascribed to leadership of late Yashwantrao Chavan. The role of political leaders has become important and this has lead to the growth of sugar industry. The involvement of government with Shree Vikhe Patil, eminent thinker and Prof. D.R.Gadgil is important the growth of co-operative sugar factories on a large scale in 1950's.

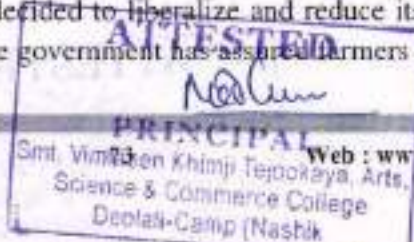
3. Changing Sugar Policy:

The sugar development fund was set up in 1982 for advancing loans on soft terms for rehabilitation and modernisation of sugar industry and for development of sugarcane production in the sugar factory area. The sugar development fund makes grants from undertaken research projects for development of sugar industry.

Indian institute of sugar technology has been set up at Kanpur for improving technological efficiency in the industry. According to the government policy (announced on November 1, 1999 and modifications declared on August 20, 1998) license for new factories would be issued subject to the proviso that there is no sugar factory within a radius of 15 km. Beside the new sugar factory will be licensed for a minimum crushing capacity of 2500 tonnes per day.

Sugar industry is influenced by Central Government sugar policy; it is also influenced on sugarcane farmers. Considering the area under sugarcane in the state, the government should permit the new sugar factories. In the period of 1991 to 2007, the growth of sugar factories is 42%, preceding the decade 1970s, this growth was only 10.2%, but the area under sugarcane has not increased comparing to the growth of sugar factories. It resulted on the supply of sufficient sugarcane. The government permitted 26 new sugar factories in year 2000, of which 88% of sugar factories of on the path of progress. The machinery of rest is rusting from for the last six years. So what's about the more capital of the concerned farmers involved in these factories? In this connection, the Maharashtra Government should think twice before giving permission to new sugar factories.

The Maharashtra government decided to liberalize and reduce its intervention in the price policy of sugarcane. The State government has assured farmers a payment of Rs





900 per T as first installment for their produce, while indicating sugar factories themselves can decide on subsequent payments. The decision comes in the wake of a statewide stir by cane farmers in November month, in protest against insufficient remuneration for cane. The Swabhimani Shetkari Sanghatana has agreed to accept the price of Rs 1280 per T, while it had continued its agitation demanding Rs 2200 per T. Meanwhile, the Supreme Court has upheld the ban on new sugar mills within 15 km radius of the existing sugar mills as per the Sugarcane (Control) Amendment Order 2006.

In a major policy shift that can improve price recovery for sugarcane farmers across Maharashtra, the state Government has decided to liberalize and reduce its intervention in the pricing policy. The government has assured farmers a payment of Rs 900 per tonne as first installment for their produce, while individual sugar factories themselves can decide on subsequent payments.

The Government of Maharashtra has suggested to CACP Commission should fix a premium over and above normal SMP for sugar rich varieties so as to encourage the sugarcane growers to grow such varieties. It was argued in favour of the suggestion that the State Governments of northern India do give premium on early and late varieties. This was opposed by a few sugar factories on the ground that same variety gives different yield in different fields depending upon the inputs applied and weather conditions and also different recovery at different points of time. The Commission considered the suggestion of Maharashtra and it was of views that unlike the northern India states where the State Governments fix the State Advised Price irrespective of the recovery rate, the SMP of sugarcane is linked to recovery rate. With increase in recovery rate, both the sugar factories and sugarcane growers gain equally. The sugar factories gain by way of higher production whereas sugarcane growers get increased SMP.

4. Problems Before The Sugar Co-Operatives In Maharashtra:

Sugar cooperatives in India are the perfect example of a sweet dream turned sour. They have been the backbone of India's sugar sector. Once upon a time they were raking in money like a Shylock-managed company. But, thanks to mismanagement and corruption, the cooperatives are on its death bed now. Take the case of Maharashtra, the land of sugar cooperatives. They contribute 95 per cent of the total sugar produced in the state, making private sector's presence almost insignificant in the state.

- **Mismanagement:**

At that time, extracting sugar from cane was so expensive that most of the farmers preferred to convert it to jaggery, which resulted in a glut of jaggery in the market. The cooperative changed this situation by assuring the farmers of off-take of their produce at a reasonable price. The unique aspect of the cooperative movement was that a farmer with a small landholding is also given the same status of a shareholder. Situation has changed down the years. What is ailing the sugar cooperatives now? According to Prakash Naikavare, managing director, Maharashtra State Co-operative Sugar Factories Federation Ltd. He said: "A major problem being faced by the cooperative sugar sector is unprofessional management, lack of foresightedness and absence of decision-making process."





• **Delayed in Decision-Making:**

The decision-making is delayed because of the high number of people involved in the process. Another issue is that of vagaries of nature. Sugar industry is grossly governed by natural vagaries and the infamous sugar cycle of two years surplus followed by one year of shortage." Biggest problem the sugar industry facing today is surplus production -- from 10 lakh tonnes in 1950 to over 200 lakh tonnes at present. While consumption of sugar is increasing at a steady pace of 4 to 5 per cent per annum, it does not match the increase in production. As a result, prices of sugar have been steadily sliding this year. In three months' time -- from January to March this year -- sugar prices crashed from Rs 1,800 to Rs 1,300 per quintal.

• **Problem of Price Crash:**

Today, the price of cane is more than the price of sugar and this has never happened before. The impact of the price crash will ultimately be felt by sugarcane farmers. As mills run into losses, payment to farmers will be delayed. Then, cane planting will go down and crop patterns will change. As a result, farmers will be forced to shift to other crops, causing shortage of sugar.

• **Export Policy:**

In a bid to rescue the sugar sector, the government recently lifted the ban on exports and decided to create a buffer stock. But, lifting the ban on exports came at a time when global prices had crashed. So, despite export subsidy, sugar mills were not able to ship the commodity to other countries at a competitive price. While sugar production has increased in the last decade, domestic sugar consumption has grown at a sluggish pace. This has led to accumulation of stocks with sugar mills which affected prices. This is one of the main reasons why the margins are under pressure. This is also true to the global sugar scenario and thus to prevent imports at low global prices, the government has a high tariff protection in place. This situation can be rectified if the government encourages exports. While India is the third largest sugar producing nation in the world, it is only the seventh largest exporter of the commodity for 2005-06 fiscal. India produces around 20 million tonnes of sugar and exports just one million tonnes. The per capita consumption stands at 18 kg, much lower than 59 of Brazil, which is the largest producer and exporter of sugar.

• **Export Subsidy:**

The main reason why we are not able to exploit the export potential is that we mainly produce plantation white sugar, which is not in much demand in the global market. There is virtually no demand for our sugar. Many countries have started to export raw sugar and then set up their own refineries to process it. Thus, we are unable to capture the export market. This year, Maharashtra government announced an export subsidy of Rs 1,000 per tonne, which is over and above the export subsidy of Rs 1,350 a quintal announced by the Central government. The subsidy is for exports up to 10 lakh tonnes.



• **Sugarcane Availability:**

Maharashtra, the top producer of sugar in the country, is faced with a peculiar situation due to an estimated shortfall of at least 30 per cent in its cane yield and a higher demand due to delayed cane crushing and higher state advised price (SAP) in Uttar Pradesh. The sugarcane available for crushing this season (2008-09) is estimated around 530 lakh metric tonnes (LMT) as against 761.74 LMT the previous season

This was after two successive years of surplus sugarcane production – in 2006-07, 798.49 LMT cane was crushed to produce 909.47 lakh quintals of sugar, while the 761.74 LMT cane crushed in 2007-08 had yielded 909.76 lakh quintals of the sweetener. In fact, the Maharashtra government had ended up paying compensation for uncrushed cane to the tune of Rs 25 crore in 2007-08, and Rs 131 crore the previous year. The state's cane growers, it is believed, were deterred, by the long dry spell this monsoon coupled with frequent power load shedding, and had switched to crops like soybean. Also, the growers were tired of waiting for the sugar mills to pick up their cane or await compensation if it remained uncrushed

5 Suggestions:

The problems of sugar industry have been examined by the various committees and they have suggested the various suggestions. Some suggestions are as follows:

1. Support price of sugarcane should be fixed so as to stabilize sugarcane production.
2. The experience is that it is the prices of gur and Khandsari, and not sugar, which determine how much area would be planted under sugarcane crop. In involving any sustainable policy, gur and khandsari interests have to be given due consideration.
3. Another area of consideration is greater corporatisation of the industry. Corporate have the financial power to integrate forward into alcohol, paper and also set of facilities for co-generation of power. This will help improve the profitability of the mills. Another edge that corporate can provide is in improving the processes to produce sugar of exportable grades. This will improve Maharashtra's competitive edge globally.
4. To compensate for the losses incurred by growers the sugar factories, in view of the additional profits earned by curing these varieties, should offer adequate incentives to growers. They should from the part of the cane price announcement made by the state government.
Export of raw sugar need a careful consideration, since E.U. is not accepting white sugar of low quality and prefer to refine its own white sugar from imported raw sugar.
6. Lack of optimum utilization of by-products needs attention because it would not only help in reduction of cost of production but also improve the economic status of the sugarcane growers.

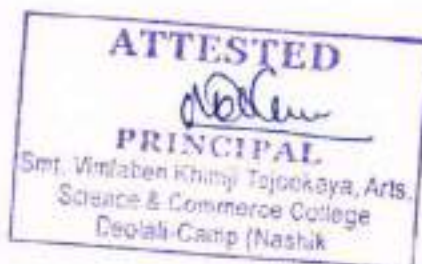
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7. The co-operative sugar factories should give more attention on the professional management, new techniques in administration, to produce the by-products, co-generation projects, increase efficiency of workers, control on corruption, increase market competitiveness, away from politics, instant decision making etc.

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