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A Study of the Progress of Sugar Industry: It's Problem and Challenges

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ABSTRACT - Present research paper is an attempt as to study of the progress of Sugar Industry in India, understand its problems and challenges in context on an going liberalization process. At present Indian Sugar Industry is facing a lot of problems. These are lower sugarcane yield, lower sugar recovery, high production costs and low quality of sugar. If Indian Sugar Industry can solve these problems, it may be a global leader in the field of sugar production.

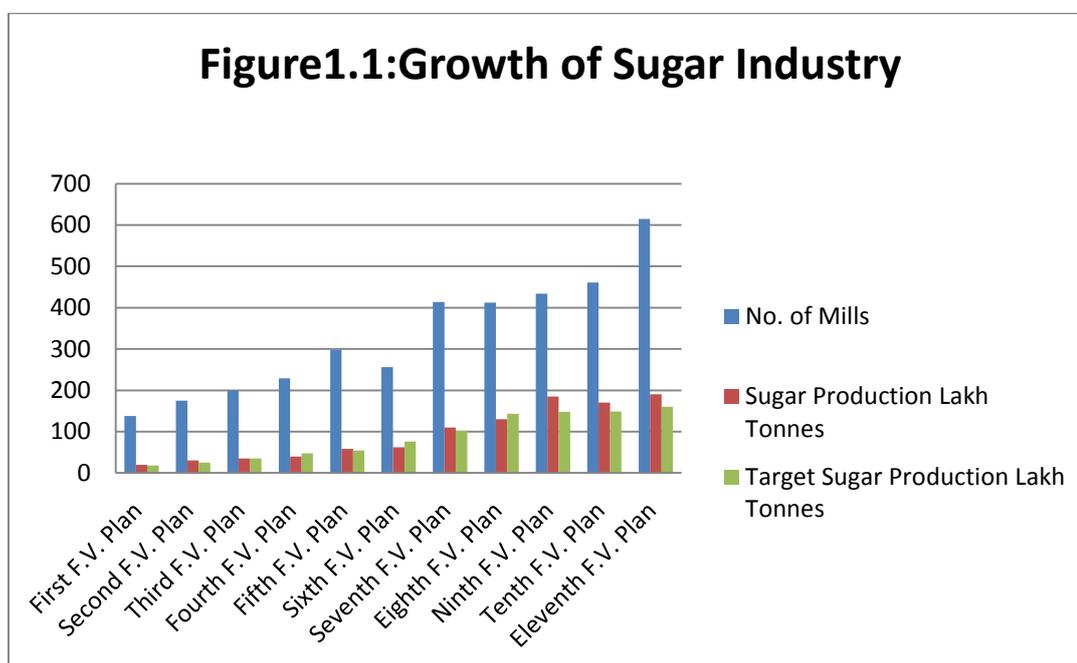
I. Introduction

India is the fourth major producer country in the world and in India Sugar Industry is the second industry after textile industry. Sugar Industry, one of the major agro industry in India, has been instrumental in resource mobilization, employment generation, income generation and creating social infrastructure in rural and urban areas. Indeed Sugar Industry has facilitated and accelerated pace of rural industrialization. In present time there are 615 sugar mills (Public, Private and cooperative sector) producing 25 million tons sugar. Indian Sugar Industry is providing employment to more than 6 lakh people in rural area and more than 5-40 crores farmers are engaged in sugar-cane cultivation. Sugar Industry has brought socioeconomic changes in rural India by way of facilitating entrepreneurial activities such as dairies, poultries, fruits and vegetable processing and providing educational health and credit facilities. The sugar industry was granted protection till 1950. Since independence there have been on overall increasing trend in sugar production in India. Production of sugar has increased by leaps bounds in the planning period.

To meet the increasing sugar requirements during different plan periods, targets of sugar production were fixed as depicted in table 1.

Growth of Sugar Industry

Plan	No. of Mills	Sugar Production (Lakh Tonnes)	Target Sugar Production (Lakh Tonnes)
First F.V. Plan	138	19.34	18
Second F.V. Plan	175	30.29	25
Third F.V. Plan	200	35.32	35
Fourth F.V. Plan	229	39.50	47
Fifth F.V. Plan	298	58.42	54
Sixth F.V. Plan	256	61.78	76
Seventh F.V. Plan	414	109.90	102
Eighth F.V. Plan	412	130.20	143
Ninth F.V. Plan	434	185.30	148
Tenth F.V. Plan	461	170.00	149
Eleventh F.V. Plan	615	195.00	160



Source Economic Serve and Internet

Before the five year plan there were 138 sugar mills which were producing 19.34 lakh tones sugar during the plan time, to achieve the targets of sugar production, license were issued for setting up new sugar production units and for expansion also. The number of sugar mills are increasing plan to plan. In first five year plan in India 138 mills are working and in Second plan 175 and in the eleventh five year plan in India 615 sugar mills were providing approx 25 million tones sugar. At the present time in India, sugar industry is the second largest Industry.

II. GOVERNMENT AND INDIAN SUGAR INDUSTRY

Sugar Industry is totally government controlled industry because sugar is a controlled commodity in India central commodities act 1955. Government of India initiated de-licensing policy in sugar industry on 11th, September, 1998 in view of globalization process and since then industry has experienced significant changes. De-licensing of sugar industry has led to mushrooming growth of sugar mills. During 1988-89 to 1991-92 Government had introduced partial central in accordance with levy-free sugar ratio was 45:55. It was 40:60 during 1992-93 to 1996-97. Decontrol of sugar trade got momentum in due course and at present levy-free sugar ratio is 20:80 (2010-11). The committee appointed by Government under chairmanship of S.K. Tuteja recommended decontrol of free sale sugar by October 2005. Central Governments announced S.M.P. (statutory minimum prices) of sugarcane and on the basis of S.M.P. state government fix SAP (State advised prices). In India SAP is used as a political tool and it plays an important role in sugar production cost.

III. IMPORT-EXPORT OF SUGAR IN INDIA:

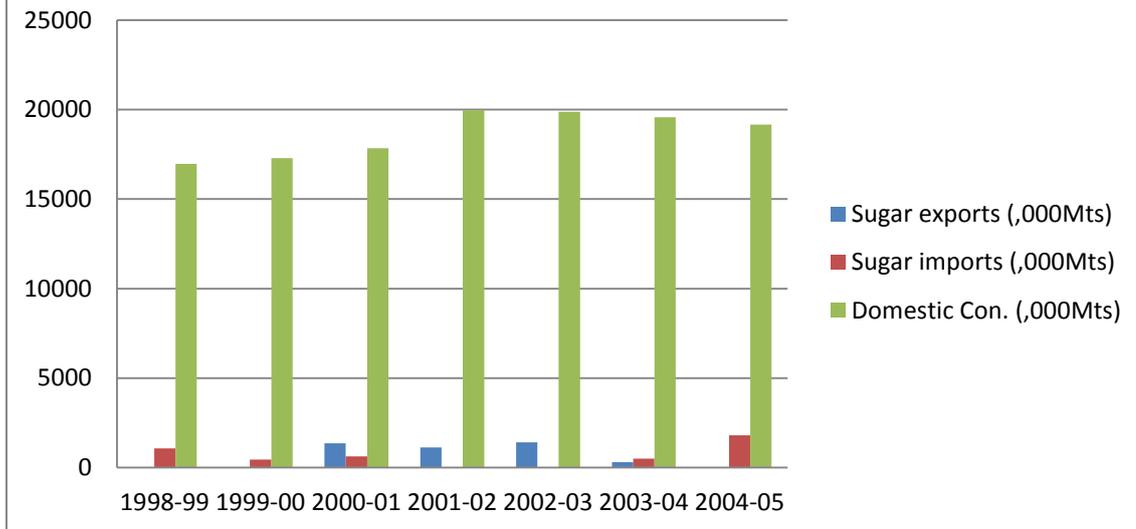
Indian sugar industry contributes 17% of global sugar production while its share in global sugar consumption is around 13.4%. Sugar export from India has shown remarkable growth during 1998-99 to 2002-03, i.e. from 10000 MTs to 1410000 Mts. However, an export of sugar substantially during 2003-04 by 78.72% and 93.33% during 2004-05 over their respective previous years due to decreased sugar production in country, sugar is imported to meet domestic demand. Sugar import during 1998-99 to 2003-04 has mixed growth trends. Domestic consumption of sugar in India had slight fluctuation during 1998-99 to 2004-05.

Export-Import of Sugar in India

Year	Sugar exports (000Mts)	Sugar imports (000Mts)	Domestic Con. (000Mts)
1998-99	10	1075	16971
1999-00	25	438	17296
2000-01	1360	427	17845
2001-02	1130	10	19960
2002-03	1410	10	19880
2003-04	300	500	19580
2004-05	20	1800	19170

Source-Indian Sugar Mills Association

Figure 1.2:Export-Import of Sugar in India



IV. Problems of Sugar Industry in India:

Sugar industry is the second largest industry in India and it has fourth place in sugar production in world. Sugar industry in India is suffering from different types of problems, like sugarcane problem, infrastructural problems. After 1991 globalization has brought a lot of opportunities but at present there are certain challenges before sugar industry. At the time of study in India 615 sugar mills are producing sugar and other by-products like molasses, bags and industrial alcohol and electricity but most of sugar mills especially co-operative sugar mills utilize below 50% of production capacity. Low capacity utilization and inadequacy of sugarcane led to closer of 120 sugar production units in India. Low capacity utilization increasing losses and decreasing net worth of sugar mills. These factors are responsible for sickness of sugar industry Sugar Industry is facing low cash inflow condition due to piling stocks leads to serious financial crises and finally to closing sugar factories.

Sugarcane price in India is a political tool which is creating a lot of problems every year before the sugar industry, it is increasing every year and it is the main reason of high production cost. The main concern of sugar industry in India is fluctuation in sugarcane production due to inadequate irrigation facilities lower sugarcane yield. In India sugarcane yield has been lower 60 Mts per hectare sugar recovery from sugarcane is also lower in comparison with other sugar producer countries like Cuba and Brazil. This leads to escalation of production cost and weakness competitive edge of sugar industry.

V. Operating Days during Season

Sugar mills showed a higher average of capacity utilization than other sweeteners processing units, but the total number of crushing or operating days during a season was the lowest in sugar mills than khandsari and gur processing units. The number of operating days in the sugar units ranged from 129 to 132 days in the eastern region, 135 to 142 days in the central region and 154 to 162 days in the western region. However, the number of operating days for khandsari and gur processing was 150-200, as they enjoyed the relative price advantage owing to mismatch between demand and supply of cane in the region.

A competition was noticed between sugar mills and khandsari/gur processing units when there was shortage or high prices of gur. During the surplus period, both gur and

khandsari units could not absorb the excess quantity of cane and hence the farmers supplied the cane to the sugar mills. But, the sugar mills could reduce the price of sugarcane unlike their counterparts to take advantage of the surplus production. The implication is that the government should implement certain regulatory measures wherein it can restrict variations in the prices offered by the khandsari units in an operating season so that they do not pose a stiff competition to sugar units during the time of scarcity. By such a policy induced mechanism, the farmers will also be benefited, because at the time of glut, they need not sell the cane to khandsari units at throw away prices.

VI. Recovery Percentage

This is an important indicator of technical efficiency with regard to the conversion of sugarcane to sugar. The recovery percentage in case of sugar processing units of the state ranged from 9.15 percent to 9.60 percent and did not have any distinct trend with regard to the region or sector of sugar processing in U.P.

VII. Conclusion

India has first place in sugar consumption and its share in global sugar trade is 3% because most of sugar are not utilizing 100% of their production capacity and the quality of the product is not very good. In India most of farmers are not educated so they do not know about seed of sugarcane so they are producing average quality sugarcane and getting low sugarcane yield (60MTs) per hectare. On other hand sugar mills are producing sugar from average quality sugarcane and getting low sugar yield and it creates high production cost.

In India Sugar industry is playing an important role in economic development, employment generation, in rural India. In India most of private sugar mills are providing education facility, health facilities and other facilities which are needed for development for rural people. But sugar industry is facing lot of problems in the compression of other sugar producer countries. So there is a need to solve the problems of sugar industry from first step (sugarcane) to last step (sugar sale).

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