

CHALLENGES FACED BY SUGARCANE MILLS AND FARMERS IN INDIA

Chandrashila Gaikwad¹ , Shweta Jadhav²

*Yashwantrao Chavan Maharashtra Open University, Dnyangangotri,
Govardhan, Near to Gangapur Dam, Nashik (India)*

ABSTRACT

Sugar is the second largest agro-based industry in India. The industry provides employment to skilled and semi-skilled workers mostly from rural areas. . Sugar Industry is one of the largest farm based industry, only next to textiles and plays a very important role in the Indian Economy. The Industry affects the agriculture sector and the people related to it through the forward and backward linkages . Though the industry contributes a lot to the socioeconomic development of the nation, it is plagued with a number of problems such as Low Yield of Sugarcane ,Short crushing season, Fluctuating Production Trends, Low rate of recovery,High cost of Production, Small and uneconomic size of mills ,Competition with Khandsari and Gur,high support prices payable to farmers, lack of adequate working capital, partial decontrol and the uncertain export Outlook, Regional imbalances in distribution, Old and obsolete machinery, Low per capita consumption etc. But in the recent industry is faced with various grave problems like obsolete technology, short margin, policy hurdles, entry of private players, non availability of sugarcane, financial crisis, corruption and so on. This paper will provide brief idea about various list of problems in sugar industries.

Keywords: *Crushing Season,Policy Issues, Sugarcane Farmers ,Sugar Industry,*

I INTRODUCTION

Sugar Industry is one of the most important agro-based industry in India. Sugar industry is seasonal in nature and its working period is only for 120 to 200 days in year. In India, sugar industry is the second largest industry after textiles. The country is the second largest sugar producer in the world. The sub-tropical region (Uttar Pradesh) contributes almost more than 50% of India's total sugar production, while the balance comes from the tropical region, mainly from Tamil Nadu, Karnataka, Maharashtra and Madhya Pradesh. The sugar industry is one of the world's major agro-based industries. Maximum global sugar production comes from the top 10 producers, of which the top three (Brazil, India and the European Union) contribute 40% of the total.

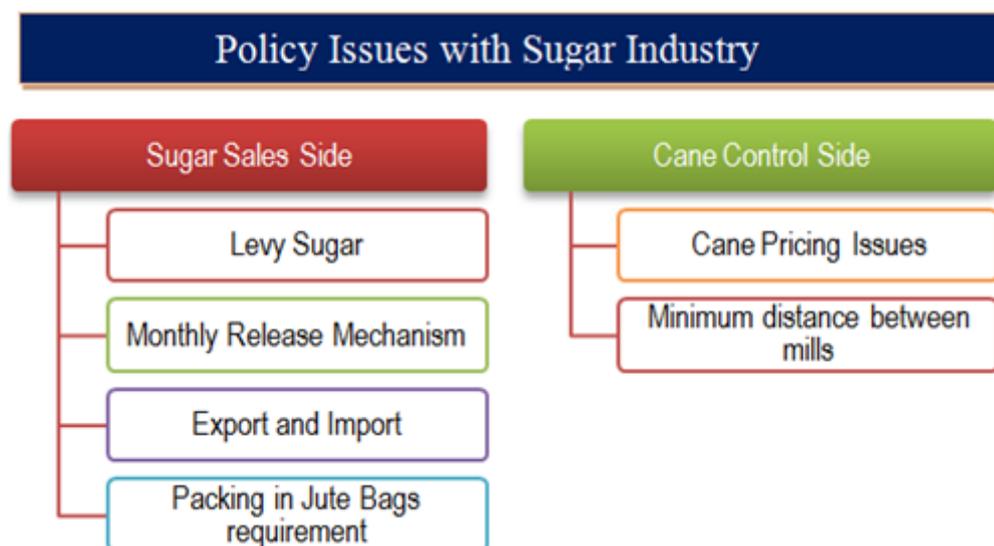
In 1930s Sugar was given protection. Since then, the industry has been traditionally called a "Child of Protection". The Industry grew after India's independence.

II OVERVIEW OF SUGAR INDUSTRY

- ◆ 2nd largest producer and largest consumer of sugar in the world
- ◆ high quantity of cane farmers and dependants
- ◆ Rs.80,000 crore sugar industry
- ◆ Estimated cane price payment for 2011-12 is Rs 55,000 crores - Paid to farmers directly without involvement of any middlemen
- ◆ Located in rural heartland, directly contributes to rural economic development and employment
- ◆ 65% of sugar consumed by bulk consumers viz. beverage, biscuit, confectionery etc. manufacturers

III PROBLEMS OF THE SUGAR INDUSTRY

Before April 2013 The problems with the sugar industry can be broadly divided into two parts viz. natural issues and policy issues. Before dealing with them, we have to note that there are two policy scenarios viz. **before April 2013** and **Post-April 2013**. We can also call it **before Rangarajan** and **after Rangarajan scenario**. In the Pre-April 2013 scenario, various problems of the sugar industry can be summarized in the following graphics. Sugar- A Political Sensitive Commodity The biggest problem of the Indian sugar industry is that it is one of the most politically sensitive commodities. Despite having a very small share in the monthly household budget, the slightest price increase can trigger inflation in other commodities. On the other hand, a large number of farmers grow sugarcane, and a fall in the price of sugarcane can shake the state governments, particularly in UP and Maharashtra. Sugar is also an essential commodity as per essential commodities act.



Cyclicality in Production Another big problem of the sugar industry is the cyclicality in the sugarcane production. By cyclicality, we mean to say that the sugar cycle in our country gives three years of good production in a row followed by consecutive years of bad crop. This creates difficulties in policy making.

Cane Pricing Issue In most of the major sugar exporting countries, the sugarcane prices are linked to sugar prices. In our country, there is a disconnect between the two. This is mainly because at the same time, the one cannot sustain

the low sugar price, high cane price and a healthy flourishing sugar industry at the same time. Numerous committees have tried to design a formula linking sugar and sugarcane prices, but as of now, none of such formulae is perfect. The problem in arriving at a formula is as follows: If there is abundant supply of sugarcane, the mills will drop the prices to be paid to farmers. If there is an erratic supply of sugarcane, the mills will raise the prices to be paid to farmers

Some of the Problems of Sugar Industries are listed below:

1. Low Yield of Sugarcane

Although India has the largest area under sugarcane cultivation, the yield per hectare is extremely low as compared to some of the major sugarcane producing countries of the world.

This leads to low overall production and results in short supply of sugarcane to sugar mills. Efforts are being made to solve this problem through the introduction of high yielding, early maturing, frost resistant and high sucrose content varieties of sugarcane as well as by controlling diseases and pests which are harmful for sugarcane.

2. Short crushing season

Manufacturing of sugar is a seasonal phenomenon with a short crushing season varying normally from 4 to 7 months in a year. The mills and its workers remain idle during the remaining period of the year, thus creating financial problems for the industry as a whole. One possible method to increase the crushing season is to sow and harvest sugarcane at proper intervals in different areas adjoining the sugar mill. This will increase the duration of supply of sugarcane to sugar mills.

3. Fluctuating Production Trends

Sugarcane has to compete with several other food and cash crops like cotton, oil seeds, rice, etc. Consequently, the land available to sugarcane cultivation is not the same and the total production of sugarcane fluctuates. This affects the supply of sugarcane to the mills and the production of sugar also varies from year to year.

4. Low rate of recovery

Average rate of recovery in India is less than ten per cent which is quite low as compared to other major sugar producing countries.

5. High cost of Production

High cost of sugarcane, inefficient technology, uneconomic process of production and heavy excise duty result in high cost of manufacturing. The production cost of sugar in India is one of the highest in the world. Intense research is required to increase the sugarcane production in the agricultural field and to introduce new technology of production efficiency in the sugar mills. Production cost can also be reduced through proper utilization of by-products of the industry.

For example, bagasse can be used for manufacturing paper pulp, insulating board, plastic, carbon cortex etc.

Molasses comprise another important by-product which can be gainfully used for the manufacture of power alcohol.

This, in its turn, is useful in manufacturing DDT, acetate rayon, polythene, synthetic rubber, plastics, toilet preparations, etc. It can also be utilized for conversion into edible molasses and cattle feed. Press-mud can be used

for extracting wax.

6. Small and uneconomic size of mills

Most of the sugar mills in India are of small size with a capacity of 1,000 to 1,500 tones per day. This makes large scale production uneconomic. Many of the mills are economically not viable.

7. Old and obsolete machinery

Most of the machinery used in Indian sugar mills, particularly those of Uttar Pradesh and Bihar is old and obsolete, being 50-60 years old and needs rehabilitation. But low margin of profit prevents several mill owners from replacing the old machinery by the new one.

8. Competition with Khandsari and Gur

Khandsari and gur have been manufactured in rural India much before the advent of sugar industry in the organised sector. Since khandsari industry is free from excise duty, it can offer higher prices of cane to the cane growers. In India about one-third of the sugar cane production is utilised for making gur and khandsari. This causes shortage of raw material for the sugar mills.

Further, cane growers themselves use cane for manufacturing gur and save on labour cost which is not possible in sugar industry. It is estimated that about 60 per cent of the cane grown in India is used for making khandsari and gur and the organised sugar industry is deprived of sufficient supply of this basic raw material.

9. Regional imbalances in distribution

Over half of sugar mills are located in Maharashtra and Uttar Pradesh and about 60 per cent of the production comes from these two states. On the other hand, there are several states in the north-east, Jammu and Kashmir and Orissa where there is no appreciable growth of this industry. This leads to regional imbalances which have their own implications.

10. Low per capita consumption

The per capita annual consumption of sugar in India is low. This result in low market demand and creates problems of sale of sugar.

Most of the sugar mills in Uttar Pradesh and Bihar are more than 50 years old. These mills are working with old and outdated machinery. Thus, low production reduces the amount of profit and finally makes the unit sick. The cost of sugar production in India is one of the highest in the world. This is due to high sugar cane cost, uneconomic production process, inefficient technology and high taxes exercised by the state and the central governments. The main by-products of the sugar industry are bagasse and molasses. The industry faces problems indisposing these by-products, especially under pollution control devices. The government policy, based on dual price system, discourages the entrepreneurs to make investment for further growth and improvement. Most of the sugar mills in Uttar Pradesh and Bihar are more than 50 years old. These mills are working with old and outdated machinery. Thus, low production reduces the amount of profit and finally makes the unit sick. The cost of sugar production in India is one of the highest in the world. This is due to high sugar cane cost, uneconomic production process, inefficient technology and high taxes exercised by the state and the central governments. The main by-products of

the sugar industry are bagasse and molasses. The industry faces problems in disposing these by-products, especially under pollution control devices.

The profit margin should be increased for future developments.

IV PRODUCTIVITY ISSUES

1. Monoculture of sugarcane i.e. lack of crop rotation in some areas, leads to deletion of nutrients in soil and adversely affect cane productivity.
2. Post harvest deterioration in cane quality on account of staling and delayed crushing contributes to low sugar recovery.
3. An irregularity in availability of water is other major issue in cultivation of sugarcane crop. As many states have sufficient irrigation facility with regular raining season (like South India) while others have poor irrigation facility with even raining season (like Uttar Pradesh).
4. Inadequate availability of quality seed of new sugarcane varieties and poor seed replacement rate adversely affect the realization of potential cane yield of varieties.
5. Further reduction in yield of sugarcane due to rise in temperature is significant.
 - The average yield of sugarcane is around 50 tons/hectare only which is much lesser when compared to other nations such as 70 tons/hectare in Brazil or 100 tons/hectare in Hawaii.
 - The technology used by sugar mills is obsolete and old which make sugar mills economically unviable and due to this farmers benefit get affected.
 - The small crushing season last only for 4 to 6 months especially in North India due to lesser availability of water or occurrence of frost, etc.
 - The political ownership or their large share in cooperative sugar mills cause delays in payment to farmers. The corruption due to political ownership further cause higher price and poor productivity in sugar mills.

V PROBLEMS FACED BY SUGARCANE GROWERS

The sugarcane growers in India face two types of problems viz., on the fields and off the fields, in other words problems occurred during cultivation as well as marketing of sugarcane as follows :

A) On the fields:

- Availability of seeds, fertilizers, pesticides, etc. in sufficient quantity
- Fertility of land,
- Supply of water,
- Labour,
- Finance,
- Fertilizer,
- Pesticides,
- Technical guidance ,

- Demand for sugarcane.

Absence of these factors may affect the sugarcane cultivation and yields in terms of quality and quantity.

B) Off the fields:

- Low rate for sugarcane
- Waiting in a long queue
- Dishonest in weighing at weigh bridge
- Unnecessary deductions in the name of toll, charges, etc.
- Delay in payment of installments
- Shortages of sugarcane buyers



VI SUGGESTIONS

Taking into consideration, the problems of sugarcane farmers the following suggestions are given to sustain Sugarcane cultivation and to improve the economic conditions of sugarcane farmers.

1. The Mahatma Gandhi National Rural Employment Guarantee Act has to be grounded strictly during non-agriculture season i.e. from April –June.
2. In view of huge labour cost, appropriate capital intensive techniques (machinery to plant sugarcane stems, de-weeding and harvesting machines) are to be supplied by the government on subsidy basis or 275 made available. Farmers who can afford them will purchase. Once they are available in the village, farmers can hire them as they are doing in case of tractors and crushing machines.

3. Sugarcane farmers need to be educated on recent techniques of cultivation and Farm Management by government extension department functioning at Mandal level.
4. The sugarcane mills are to be strictly instructed to purchase cane immediately after harvest without loss of weight.
5. The most important recommendation is, proper review of government policy of MSP. This need to be increased.
6. Uninterrupted power supply need be ensured at least 8 hours in a day so that necessary irrigation from wells will be possible which affect the output.
7. Relation between the sugarcane growers and the factory should be always well knit.
8. There should be some systems for providing suitable seeds, fertilizers and pesticides to the member farmers.
9. There should be Option for factory's transportation service.
10. There should be new Techniques and Technologies in Sugarcane Cultivation

VII CONCLUSION

In sugarcane cultivation techniques and technologies are changing every day. So it is essential to accept and apply of all these new things during cultivation. Sugar industry and cane farmers both of them should work with cooperation for reciprocal benefits because the benefits are interrelated and progress is correlated. Therefore, the sugar factories must take care of sugarcane growers by providing materials and information when required. In order to improve the relation between the farmers and the factory,

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