

## PROBLEMS OF COOPERATIVE SUGAR INDUSTRY IN MAHARASHTRA



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**Abstract:-**Cooperative Sugar industry is one of the largest industries in the country and makes significant constitution to the economy of the country. The cooperative sugar factories in Maharashtra are facing several challenges in terms of finance, management and governance. The lack of financial management in cooperative sugar mills and rising number of private sugar mills bringing the tough competition for cooperative sugar mills. In spite of the giant economic strength of this sector, it has not been given due attention. The performance of co-operative sugar mills in India and Maharashtra is very poor when compared with international sugar industry. This is due to sugar mills do not have effective control over the cost incurred during the production and low recovery of sugar from the sugarcane crushed. In order to have a better control over; the cost of new techniques to be followed. Recovery of sugar can be improved by using modern management and machineries. Hence it will improve the productivity and increase the profitability.

**Keywords:** Cooperative Sugar Industry , economy , financial management .

## INTRODUCTION

Sugar industry is one of the largest industries in the country and makes significant constitution to the economy of the country. There are total 527 sugar factories located all over India. It provides direct employment to over 4.5 million people and generates sizeable employment in ancillary industries. is the second largest producer of sugarcane in the world. Andhra Pradesh, Uttar Pradesh, Gujarat, Maharashtra are the major sugarcane producing states in India. Area under sugarcane cultivation is highest in the case of Uttar Pradesh followed by Maharashtra, Karnataka, Bihar. The cooperative sugar factories in Maharashtra are facing several challenges in terms of finance, management and governance. In spite of the giant economic strength of this sector, it has not been given due attention as far as its management is concerned.

The performance of co-operative sugar mills in India and Maharashtra is very poor when compared with international sugar industry. This is due to sugar mills do not have effective control over the cost incurred during the production and low recovery of sugar from the sugarcane crushed. In order to have a better control over the cost of new techniques like activity based on costing etc., to be followed. Recovery of sugar can be improved by using modern machineries. Hence it will improve the productivity and increase the profitability. Sugarcane prices should be fixed on basis of sugar recovery. Attention is to be given on manufacturing quality sugar as per international standards at competitive prices.

## PROBLEMS FACED BY COOPERATIVE SUGAR FACTORIES IN MAHARASHTRA:

The state has one-fourth of the total sugar mills and produces a little more than one-third of the total sugar of India. Sugar mills of Maharashtra are much larger as compared to the mills in other parts of the country. The major concentration of sugar mills is found in the river valleys in the western part of the Maharashtra Plateau. Ahmednagar is the largest centre. The other major centers are in the districts of Kolhapur, Solapur, Satara, Pune and Nashik. Cooperative sector is dominant by sugar industry in Maharashtra. It contributes around 40 per cent of national sugar production. It has been playing significant role in socio-economic development of the state. The industry has achieved spectacular growth owing to the conducive environment in the state. It has become a movement and contributed significantly to the industrial development of the state. The hallmark of the industry is the involvement of large numbers of small and marginal farmers regardless the size of their holding.

Over a last decade the sugar cooperatives in Maharashtra have been facing some grave problems. In the recent past this one time champion industry is faced with various grave problems like obsolete technology, short margin, policy hurdles, entry of private players, non-availability of sugarcane, financial crisis, management problems and corruption and so on. A report shows that almost 40 per cent of state sugar factories are sick. Moreover, with the advent of new economic era, cut throat competition, awareness of farmers coupled with their movements and changing global environment are threatening the very survival of the industry at large. Therefore there is an urgent need to take review of these problems and identify remedies thereon for the protection of millions of farmer dependent on the industry.

## PROBLEMS OF SUGAR INDUSTRY:

The lack of financial management in cooperative sugar mills and rising number of private sugar mills bringing the tough competition for cooperative sugar mills. Cooperative Sugar industry in Maharashtra is facing the following problems:

**Low Yield of Sugarcane:** 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.

**Short crushing season:** Manufacturing of sugar is a seasonal phenomena with a short crushing season varying normally from 4 to 6 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.

**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.

**Low rate of recovery:** The average rate of recovery in Maharshttra is less than ten per cent which is quite

low as compared to other major sugar producing countries.

**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 Maharashtra is highest.

**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 tonnes per day. This makes large scale production uneconomic. Many of the mills are economically not viable.

**Old and obsolete machinery:** Most of the machinery used in sugar mills, 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.

**Competition with Khandsari and Gur:** Khandsari and gur have been manufactured in rural area 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. Further, cane growers themselves use cane for manufacturing gur and save on labour cost which is not possible in sugar industry.

**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.

#### ASSISTANCE BY STATE GOVERNMENT:

The State Government provides assistance in the project costs in the form of share capital contribution, loans, guarantees for loans, subsidies and loans to SC / ST / marginal farmers towards their share capital contribution and deferment of payment of purchase tax. The minimum contribution of the Government to the share capital is 30 per cent of the originally appraised project costs. The loans raised by the factories from various financial institutions, for which Government gives guarantees, amount to 60 per cent of the project costs. In the event of cost overruns, Government gives additional share capital to enable the CSFs to complete their projects. Relief is also given in the form of subsidies for uncrushed cane, for exports and loans and subsidies for payment of cane arrears.

During the period from 1982-83 to 2005-06, the sugar factories in the State had contributed Rs 1,312.60 crore to the Fund which included an amount of Rs 488.25 crore contributed during 2001-06. The amounts of loans disbursed during 2001-06 were Rs 176.58 crore. Thus, receipt of assistance from SDF was only 36 per cent of the amount contributed to the Fund during the same period. The loans outstanding at the end of March 2006 along with penal interest amounted to Rs 725.36 crore. Proposals for loans amounting to Rs 12.82 crore submitted (2003-04 to 2005-06) by five CSFs were pending with the Scrutiny Committee of GOI for periods ranging from one to four years as of January 2008. The financial aid of the government is aimed at neutralizing the brewing conflict between the mill owners and the cane farmers in the states of Maharashtra

#### CONCLUSIONS:

Cooperative Sugar industry is one of the largest industries in the country and makes significant constitution to the economy of the country. The cooperative sugar factories in Maharashtra are facing several challenges in terms of finance, management and governance. The lack of financial management in cooperative sugar mills and rising number of private sugar mills bringing the tough competition for cooperative sugar mills. In spite of the giant economic strength of this sector, it has not been given due attention. The performance of co-operative sugar mills in India and Maharashtra is very poor when compared with international sugar industry. This is due to sugar mills do not have effective control over the cost incurred during the production and low recovery of sugar from the sugarcane crushed. In order to have a better control over the cost of new techniques to be followed. Recovery of sugar can be improved by using modern management and machineries. Hence it will improve the productivity and increase the profitability.

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