

CSFS in Maharashtra Growth, Development and Cost Increasing Tribulation

Prof. Satish Naykinde

B.A. (Hons.) M.B.A. (Fin.)

I. INTRODUCTION

The sugar industry in Maharashtra is one of the most illustrious and large scale sugar producing sectors in India. The Maharashtra sugar industry has been alone contributing round about 43 per cent of country's overall sugar production; the speed of sugar producing has been enormous over the past some of the few years. The latest data on sugar production in Maharashtra shows that this state is doing better than the other states in the country. The sugar industry in Maharashtra is deeply admired in the co-operative segment, as farmers have cooperative ownership of the sugar factories. These co-operative sugar factories have been playing foremost role in the sugar industry of Maharashtra. The Maharashtra sugar industry has experienced an expansion owing to the diverse reasons, especially an urge to develop on cooperative principles and possibilities to strengthen the political leadership; besides one of the chief crops produced in Maharashtra is sugarcane which is instrumental to the development of CSFs in Maharashtra and hence there is an acceleration of economic as well as social activities.

A cooperative sugar factory in Maharashtra since sixties has been instrumental for gradual economic transformation of the rural Maharashtra. Cooperative movement helped in shifting rural agriculture economy to prosperous Industrial and social development predominantly in western Maharashtra under promising cooperative leadership. In developing economy, it is vital to have social obligations to gain balanced regional growth under cooperative ethos to trim down adverse effects of industrialization; in such efforts, the agricultural or agro based units can have major role as successful development centers for socio-economic reforms. Because of CSFs in rural areas and embryonic of these are their ancillary units to generate employment in and around the neighboring areas and thereby plummeting burden on urban infrastructure and crafting essential infrastructure in rural area. Along with industrialization, social welfare schemes implemented by these CSFs have been playing a crucial part in elevating the living standards of employees and the people in the neighbourhood (VSI-Pune, 2015).

II. METHODOLOGY

The methodology of research is both descriptive and exploratory used for the thesis which is being submitted to Savitribai Phule Pune University. For the study, 10 CSFs

having the largest crushing capacity in 2014-15 were selected for the investigation. The total numbers of 89 senior executives, having 10+ years of experience with engineering qualification were selected from above CSFs under the judgment sampling selection technique to represent the management side/views. (Table No. 1)

III. PRAVARA CSF: UNIQUE MODEL EMERGED IN MAHARASHTRA:

The *Pravara* Cooperative Sugar Factory in Ahmednagar was first of its kind established under the cooperative spirit instilled in peasants by the social leaders under the guidance of stalwart economists. The District Ahmednagar previously had private sugar mills-three of them were in Koregaon Taluka. There was unbridled exploitation of sugarcane growers by mill proprietors. The Pvt. Sugar mills used to give their lands for tilling to many small peasants and used to get the full-grown sugar cane at elfin prices. The real estates of proprietors of sugar mills used to be constructed over the lands owned by them. These proprietary mills as said above used to pay very petite price for the sugarcane-growers and moreover it was not compulsory on the part of mills to purchase all the sugarcane grown by them. As a result the cane growers had to blaze very frequently their sugarcane standing on their farms due to low price not affording to meet cartage expenses and thus that often had made them bankrupt. As there was no irrigation project and little rain water, the *Pravara* area by default was unfruitful. Although the *Pravara* canal started flowing in 1910, the farmers were deprived off this water source by erstwhile capital class owing sugar mill. After experiencing exploitation for irrigated water, the native farmers' in 1945 held a meeting chaired by Dr. Vikhe Patil and Prof. D. R. Gadgil, an economist to start *Pravara* cooperative sugar factory in the Loni area by using the Neera Canal. Only by the end of 1948 that the *Pravaranagar* CSF was registered (Patil Anil, 9th July 2007). The echoing achievement of the *Pravara* CSF resulted in granting industrial licenses in 1954 by the Govt for sugar industry underneath co-operatives ethos. This gave a main impetus to the development of CSF in Maharashtra. The decade of the 1950s alone experienced emergence 14 new CSFs.

The *Pravara* Cooperative Sugar Factory has been a trend setter. Pt. Jawaharlal Nehru, when he visited *Pravara* Cooperative Sugar Factory in 1961 had said "*I have heard about this cooperative sugar factory and had some idea of*

it, but a visit here and learning more about it has been a revelation. It has not only shown marked development but has begun to change the countryside. I would like people from other States to come here and see how a real cooperative is organized and run. This is an example for the nation. I wish it all success."

Pravara model thus has with considerable significance from the eyes of national leader, not only because of the achievement it had as agro industrial unit, but also in terms of the possibilities of percolation of socio-economic benefits to all their members spread over the entire sugarcane strap in the country. *Pravara* factory is strictly farmers' owned. As a result, farmers have keen interest in the development of their sugar co-operative. Once a *Pravara* CSF began functioning effectively in an area, the members had realized advantages of the co-operative efforts and they look forward to the expansion of facilities which could be made available further through the *Pravara*.

The *Pravara* lesson has been alluring to farmers in Maharashtra as well as across to it. After *Pravara* experiment, the development of sugar co-operatives in Maharashtra has been supported by GoM especially fixing the favorable sugar cane prices and giving crop-loans to farmers for sugarcane cultivation. The development of sugar co-operatives in Maharashtra has largely ascribed to the leadership of late Yashwantrao Chavan, Shree Vikhe Patil, eminent politicians and economists like Prof. D. R. Gadgil and others. The role of political leaders as well as economic expert has thus become imperative and this has spurred to the growth of sugar industry in Maharashtra.

During post sixties, the Maharashtra state emerged as a top state in India as pertains to the production of sugar. The uppermost productivity of Maharashtra sugar industry is also found noteworthy as compared to the India's average. There is also higher recovery of sugar obtained by sugar factories in Maharashtra, which was 'between' 11.47 % to 13.20% for 143 CSFs as compared to all India average of 10.20% in 2011-12(VSI, 2014). Another vital development in favor of peasants was the acceptance of social land reforms policy by the GOI. Ceiling was imposed on land property-both irrigated and dry land. This had incarcerated large sugarcane plantations unworkable. (G. Malyadri and Sudheer Kumar, 2013)

IV. CSFS IN MAHARASHTRA: GROWTH AND DEVELOPMENT

In 1919, the British joint stock company established a sugar mill at Haregaon in the Ahmednagar district. Later on, in 1930 Walchand 'group installed a sugar mill at Walchandnagar of the Pune district. The industry since 1932 sought support from the British Government by way of fiscal and statutory fortification to sugar industry. In 1933 the sugar factories at Phaltan, Kolhapur and Rawalgaon were commenced. By 1941, there were 12 sugar

factories in Maharashtra; all of them were in the private sector. (Lalwani, Mala, 2008).

In 1945, a conference of sugarcane growers under chairmanship of D. R. Gadgil was held up where in the suggestion for organizing sugar factory on co-operative ethos was initiated; the conference participants unanimously advocated establishment of CSF at Loni. Vitthalrao Vikhe Patil took up the bold -step for *Pravara* CSF. This sugar factory becomes the forerunner of inexorable co-operative sugar industry movement not only in Maharashtra but all over the country. Since then to the date (1st Jan, 2016), the number of licensed CSFs in Maharashtra has been gradually increased and reached to 173.

Truly speaking, the genuine beginning of the growth and development of sugar industry has commenced just after independence, when the GOI introduced the Industrial Policy Resolution on 6th April, 1948, followed by the Industrial Act, 1956, wherein the principle of Cooperation was ascribed significant role for the country's economic development, mainly for the development of agro based product such as sugarcane. This policy of GOI has provided priorities in licensing of new CSF. The GOI in its Industrial Policy Resolutions (IPR) enunciated further recommendations towards the development of sugar industry. The privileged licensing policy was mostly dependable for the fast development of the sugar cane cultivation along with the sugar mills in India. As a result of the special policy practiced by the GOI in developing sugarcane areas and licensing sugar mills under cooperative roof; that has provided a formidable spurt in the organization of sugar factories and sugarcane farming, especially under the cooperative sector of Maharashtra. During the post IPR period, the gradual evolution of cooperative sugar industry in Maharashtra has become a guiding post for all the Indian cooperatives. The state Govts have undertaken the development of irrigation facilities in areas which did not have any irrigation amenities and which were almost unproductive. Govt assisted Sugar co-operatives for their growth and development gave importance to improved sugarcane cultivation practices by providing fitting agricultural inputs to farmers and amplifying irrigation facilities in their jurisdictions.

The Maharashtra state comes out as a most important state in India concerning the production of sugar. The uppermost productivity of sugar industry in Maharashtra as contrast to the India's average is also striking. There is also elevated recovery of sugar gained by CSFs in Maharashtra, which was 'between' 10.49 per cent to 12.27 per cent as compared to all India average of 10.13 per cent

The record of office of Sugar Commissioner of Maharashtra provide the following data about sugar cane production unveiling discouraging position of the sugar segment resulting to sugar shortages during the period March 2017 onwards

Sugar cane crushing and sugar production in Maharashtra (2006-07 to 2016-17) (in Lakhs of ton)

Sr. No	Year	Cane crushing	Sugar production
1	2006-07	798.39	90
2	2007-08	761.74	90
3	2008-09	400.42	46
4	2009-10	614.47	71
5	2010-11	802.52	90
6	2011--12	771.08	89.9
7	2012-13	700.26	79.8
8	2013-14	676.37	77
9	2014-15	930.41	105
10	2015-16	742.94	84
11	2016-17	415.72	42

Source: Recent record of office of Sugar Commissioner of Maharashtra

V. OBSTACLES IN STARTING NEW CSFS:

The numbers of registered CSFs are always more than the number of functioning, since after registration there are lots of obstacles in getting required wherewithal for starting actual production. Moreover the decision to get registration for factory is based on political enthusiasm for getting votes in elections. There are many cases that the buildings or some portion of sugar factory is under construction for a number of years due to lack of political support, sugarcane availability from the farmers willing to become shareholders, lack of new modern technical know-how and such other obstacles beyond the control of promoters. The data shows that the number of sugar factories for the last five years (2013-16) were 202 as against 168 in 2013, 157 in 2014, 178 in 2015 and 177 in 2016.

VI. COST INCREASING TRIBULATION CONFRONTED BY CSFS IN MAHARASHTRA:

The Maharashtra region for a number of years has been experiencing the shortage of rain water causing to disturb its industrial development and its effort to escort economy from underdeveloped to develop. This economic milieu has been adverse for the cost minimization of sugar production. However, there are many other problems which escalate the sugar production cost and making the functioning profitably. Such cost increasing, Loss increasing and profit decreasing tribulations are briefly delineated in the following table.

Table 1. APIs Envisaged By Sampled Executives (N=89) Over the Factors That Escalate the Cost of Sugar Production of CSFs (Bench Mark API As 100 % Unveils Full Intensity /Severity of Problem)

Sugar Cost Escalating Factors as weighted by experts	APIs in %
1. Mismanagement	78%
2. Delay in Decision-Making	68%
3. Problem of Price Crash	56%
4. Export Policy	47%
5. Export Subsidy	41%
6. Sugarcane Availability	57%
7. Lack of Professional Management	57%
8. Corruption Practices	68%
9. Lack of Co-operative Heritages	45%
10. Inadequate Modernization	44%
11. Problem of supply sugarcanes	66%
12. utilization of capacity	66%
13. Excessive number of sugar factories	66%
14. Inefficient sugar factories	67%
15. Dearth of Technical Know How	69%
16. Multi-lateral market competition	77%
17. Policy of distribution and prices of sugar	88%
18. Concentration of Economic Power in few hands	88%
19. Inherited problem	89%

20. Lack of Prompt Audit	88%
21. Problem of Raw Material Other Than Sugarcane	67%
22. Problem of Finance	56%
23. Weak Transport System	66%
24. Lack of Sugar Factories' Own Farms	89%
25. Low Cane Price	66%
26. Low Utilization of By-Product	88%
27. Personnel Problems	67%
28. Vested Interest	89%
• <i>Mean</i>	68.32143
• <i>SD</i>	14.82004
• <i>Kurtosis</i>	-0.82144
• <i>Skewness</i>	-0.06497
• <i>Range</i>	48

It is seen from the data and the above graph that the APIs envisaged by sampled executives (n=89) over the Factors that escalate the Cost of Sugar Production of CSFs bear 72.05% mean value with 14.41664 SD coupled with supporting mean (67%) and Mode (66%) unveiling much but divergent severity of problems which are 28 in numbers. These statistical parameters are in conformities with Kurtosis (-0.63498) and skewness (-0.32315) within the frequencies range of 45.

VII. FUTURE PROSPECT

It is estimated that by 2017, the home sugar consumption would be about 28.5 million MT. Given the elevated cost of imports and the premeditated significance of defensive food stock, India would need to focus its sugar production in surfeit of home sugar consumption. Given the past leaning in sugar cane and sugar production cyclicity, sugar stock equivalent to 28.5 million MT of sugar would require to be produced by 2017. Therefore during the ensuing period the sugar segment has enormous investment potential. In the near term (i.e. Sugar Season 2016-17 & 2017-18), the sugar prices are likely to rise as most mills had to reduce the sugar production due to inadequate supply of sugarcane available at higher cost against prevailing low sugar prices.

The new plants which are being *installed* are all multifaceted. This would assist in de-risking from sugar recession and advantage from untapped embryonic potential of ethanol and cogen (Cogeneration). For example, while sugar industry capability are happened to be grown by 58 per cent, Cogen and ethanol capacities may be planned to go up by 175 per cent and 217 per cent respectively. Looking to need to export white and raw sugar to abroad, there seem to be the following key factors that would may forcefully act either positively or negatively in the sugar trading, depending upon the Govt Policy:

- *Positive Factors*

- India has proximities to sugar deficient markets such as countries of Indonesia, Bangladesh, Sri Lanka, Pakistan, Saudi Arabia, UAE and some East African countries. These countries are sugar deficient and require importing sugar on a regular basis.

- International trade has the embryonic potential to enable steadiness in the home market and also industry is supported by GoI

- *Negative Factors*

- Average recovery in India including Maharashtra and UP not only underneath the expected standard but also below the echelon recorded by the entire sugar industry in Maharashtra.
- Inadequate rain water or irrigation facilities
- As shown earlier that there are many cost Escalating factors in sugar Production some of them are (a) fairly within the control of CSFs Management and some of them (b) are not! Few selected illustration as pertains to (a) and (b) are given ahead

- *Reasons within Control of Management*

- Inadequate Modernization
- Under Utilization of Capacity
- Inefficient Sugar Factories
- Absence of Technical Know How
- Inherited Problem
- Lack of Prompt Audit
- Problem of Raw Material Other than Sugarcane
- Problem of Finance
- Weak Transport System
- Lack of Own Farms
- Utilization of By-Product
- Personnel Problems
- Vested Interest

- *Reasons beyond the Control of Management*

- Mismanagement inbred by politicians
- Delay in Decision-Making by Govt
- Problem of Price Crash
- Export Policy
- Export Subsidy
- Sugarcane Availability
- Lack of Professional Management
- Corruption
- Inherent Drawbacks
- Lack of Co-Operative Heritages

- Assured/Timely Sugarcanes supplies
- Excessive Number of Sugar Factories
- Concentration of Economic Power In Few Hands
- Policy of Distribution and Prices of Sugar
- Multi-Lateral Market Competition
- Low Cane Price

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Truly speaking we cannot draw a clear-cut line as between controllable and uncontrollable factors dwarfing the growth of sugar industry. In fact all these factors are overlapping or intermixed and may in totality affect adversely to the industry

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