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Rayat Shikshan Sanstha's

Dada Patil Mahavidyalaya, Karjat

Dist.- Ahmednagar (Maharashtra)

(Re-accredited 'B' Grade by NAAC with CGPA 2.83)

Proceeding of National Seminar
on

"Challenges Before Co-operative Sector"

October 10th & 11th, 2013




Anuradha Publications, Nanded

ISBN - 978-81-926087-9-2

• Published by •

Principal, Dr. Bal Kambale

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<p>Commerce National Seminar Proceedings – “Challenges Before Co- operative Sector” ISBN :- 978-81-926087-9-2</p>	 <p>Paper Title – “Challenges before Co-operative Sugar Industries In Maharashtra”</p>	<p>Dr. Gawali S.N. C.D.Jain College of Commerce Shrirampur Dist-Ahmednagar.</p>
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ABSTRACT: Sugar industry is an important organized industry in Maharashtra, dependent on 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-operative in rural area. The industry is the backbone of the rural economy of the state. Therefore cooperative sugar industry is deep rooted and grown in the state. The industry has achieved spectacular growth owing to the conducive environment in the Maharashtra state. It has become a movement and contributed significantly to the industrial development of the Maharashtra. The hallmark of the industry is the involvement of large number of small and managerial farmers regardless the size of their holding. In 1945 Late Padmashree Vitthalrao Vikhe Patil pioneered the first successful co-operative sugar factory in the country at Pravaranagar in Ahmednagar District of Maharashtra. As well as Pandit Jawaharlal Neharu, Dr. D.R. Gadgil, Vaikunthbhai Mehta, Yeshwantrao Chavan, 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.

KEY-WORDS- Co-operative sugar industry, socio-economic life, agriculturists, hallmark, agro-industry.

OBJECTIVES OF THE STUDY: Following are the main objectives of the study.

1. To study the progress of sugar industry in Maharashtra.
2. To find out the challenges which are facing by the sugar co-operative industry in Maharashtra.
3. To suggest some practical suggestions for solve these problems.

RESEARCH METHODOLOGY :

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

INTRODUCTION:

After independence industry has witnessed a location shift. The sugar industry was located 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. Therefore it is say that Maharashtra is known as sugar bowl of India. It contributes around 40% of national sugar production in Maharashtra. The cooperative sector is dominant in sugar industry. The production on efficiency is greater and cost of production is lower as compared to the sugar industry in U.P. and Bihar. About sugar industry, India is second largest sugar producing nation in the world, while it is only seventh largest exporter of sugar. Maharashtra has a remarkable history and tradition of cooperative sugar industry in this the Maharashtra state has been known as pioneer of cooperative movement. Cooperative sugar industry is deep rooted and grown in the state since 1950.

Over a last decade the sugar cooperative industries in Maharashtra state have been facing some problems. The sugar industry that has transformed the life of millions of farmers and social development.

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. In the year 1933 the sugar factories at Phalton, Kolhapur and Rawalgaon came into existence. In 1934 three more sugar factories were established at Belwandi, Malinagar and Tilaknagar. In 1939 two factories at Sakharvadi 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 private sector.

In 1945, a conference of irrigators was held under the chairmanship of Dr. D.R. Gadgil where in the proposal for establishing sugar factory on cooperative basis was mooted and upheld unanimously deciding to establish a sugar factory at Pravaranagar. The sugar factories under production, sugarcane area and the sugarcane production in Maharashtra since 1953-54. Total number of sugar factories in cooperative sector increased from 01 to 173 within the five decades. But now a days only 141 cooperative sugar factories are working. Numbers of private sugar factories are declined till 1990, but the era of New Economic Policy the private sector sugar factories are increased from 04 to 22.

From last five decades the installed capacity of sugar factories in Maharashtra has been increased rapidly. The development of sugar cooperatives in Maharashtra has to be largely ascribed to leadership of Late Yashwantrao Chavan. The role of political leaders has become important and this has led to the growth of sugar industry.

CHANGING SUGAR POLICY:

The sugar development fund was set up in 1982 for advancing loans on soft terms for rehabilitation and modernization 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.

Sugar industry is influenced by Central Government Sugar Policy. It is also influenced on sugarcane farmers in the period of 1991 to 2007 the growth rate of sugar factories is 42 %, preceding the decade 1970's this growth was only 10.2% but the area under sugarcane has not increased comparing to the growth of sugar factories.

The Maharashtra Government decided to liberalize and reduce its intervention in the price policy of sugarcane.

CHALLENGES BEFORE THE SUGAR COOPERATION IN MAHARASHTRA :

Sugar cooperatives in India are the perfect example of a sweet dream turned sour. They have been backbone of India's sugar sector. But in the recent past this one time champion industry is faced various problems like mismanagement, corruption, threats of privatization, levy system shortage of sugarcane. Due to these challenges the cooperatives are on as its death and bed.

1. Shortage and Fluctuations in the sugarcane productions: The availability of sugarcane in the state is not enough. The installed capacity of the state is over 72 lakh metric tons but the average sugarcane production in the state for the last 10 years is not more than 50 lakh tons. As a result in the cane production is fallen, 40% of the installed sugar factories could not start crushing season and if they start they could not run for more than 100 days. The average sugarcane yield in Maharashtra has fallen to below the national average.

2. **Price Crash :** Today the price of cane is more than price of sugar and this has never happened before. the impact of the price crash will ultimately be felt by sugarcane farmers. A mills run into losses payment to farmers will be delayed. Then, cane planting will go down and crop patterns will change. As result farmers will be faced to shift to other crops.
3. **Mismanagement:** At that time extracting sugar form 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. Situation has changed down the year.
4. **Lack of professional management:** The mismanagement in sugar cooperatives is exhibited in form of unskilled and untrained workforce, vested political interest absence of modern management tools and techniques, lack of farsightedness, absence of quick decision making process delay and vested decisions, high authority and low productivity.
5. **Short margin:** Short margin is another problem that relates to price crash. In Maharashtra all sugar cooperatives collect sugarcane from cane growers crush it out produce sugar from the loan amount availed can growers payment is made. In price crash situation cane price paid to can growers and processing cost per ton exceeds loan obtained per bag of sugar.
6. **Threat of Privatization:** The number of operating sugar cooperatives in the state are decreasing day by day. The private players are acquiring the sick units and running it successfully. Therefore leasing out sick cooperatives to private players is emerging as a remedy for its survival. But if this situation is not changed the day is not far when sugar cooperative in the state will vanish.
7. **Need of modernization :** Most of the sugar industries in the state are as old as 35 to 40 years. Over the period of time lot of technological changes and diversification have taken place most of the players in the industry have not maintained modernized or expanded their plants. But few have changed with the times and have pursued an agenda for reform. They have realized that the by-products of sugarcane e.g. molasses, bagasse and press-mud can yield profits too. New diversified technology and low cost plant and process techniques have been invented in sugar industry.
8. **Export Policy :** In a bid to rescue the sugar sector the government recently lifted the ban on exports and divided to create a buffer stock. But, lifting the ban on export 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 growth at a sluggish pace.
9. **Levy system:** Sugar falls under the Essential Commodities Act 1955 and hence the government is permitted to impose a levy quota, that is procure a certain percent of the sugar at subsidized price to be said via the public distribution system (PDS) at a lower price than the free market price within India.
10. **Sluggish pace of De-controlling :** Sugar industry decontrolling decision has been put on hold for a long time. At present it is under partial decontrol made because of which the industry has flourished. Recently, the union cabinet decided to constitute an expert group to look into the matter and means total decontrol of sugar industry. the Government had announced complete decontrol of the commodity by March 2003, but the decision was referred to October 2005.
11. **High Interest Burden:** Cooperative sugar industry in the state is highly capital intensive. Basically this industry is seasonal in nature. A 2500 TCD sugar factory expected to run 160 days in a year commencing in the month of October, where as sugar sales happen throughout the year. Average interest cost per quintal of sugar produced for last five years is Rs. 111.30 which is significant. The rate of interest for obtaining loan from District Bank or State Corporate Bank is around 13% to 14 % p.a. Which is relatively high and the factories are bound to take loan from these banks.

Apart from the main problems discussed above the other challenges faced by the sugar cooperatives in the Maharashtra state are decreasing yield of sugarcane, higher cane price. Competition from Gur and Khandasari industry. Inter-factory competition for cane supply continues like purchase tax, income tax, sales tax, excise duty, problems of cane cutters labour, high production cost are affecting the growth of sugar cooperatives.

Recommendation and Suggestion:

To revive the state cooperative sugar industry from these challenges and for resurgence of the noble farmers movement following remedies are suggested.

- There is a need to levy on import raw sugar more than 50% and there should be removed because factory collects sugarcane from its number.
- The government should allow use of 20% ethanol along with petrol in vehicles. It will help on boosting molasses market prices and it will save the precious foreign currently for imported oil.
- Purchase tax on sugarcane which at present is at 3% on cane price should be removed because factory collects sugarcane from its members.
- Government should purchase levy sugar through open market according through open market according to central or state government policy.
- To avoid short margin, government should determine steady pricing policy for certain period up to 5 years it will reduce the problem of price crash. Price policy for by products should also be determined.
- Professional management techniques like cost central, purchase procedure fund raising branding, research and development training should be used all sugar cooperatives. Every factory should use employee resource planning (ERP) technique.

CONCLUSION :-

Considering the above information, it is concluded that, the pace of growth of sugar industries has been massive over the past few years. It has been playing significant role overall socio-economic development of the state for the past six decades. Overall, cooperative sugar industries have played important role in development of Maharashtra state. But in the recent past this one time champion industry is facing with various problems like short margin, non-availability of sugarcane, financial crisis, corruption, and policy hurdles and so on. However Government, cooperative management farmers, employees and all stakeholders should join hands to accept these challenges and give it a new lease of life.

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