

# Challenges and Issues Faced By Sugar Industry In Tamil Nadu - A Case Study

Dr. C. Thirumal Azhagan<sup>1</sup>, A. Chithiravalli<sup>2</sup>

<sup>1</sup>Assistant Professor, Dept of Management Studies

<sup>2</sup>Dept of Management Studies

<sup>1,2</sup> Anna University, BIT Campus, Trichy

**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 farms 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 , 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, and corruption and so on. This paper will provide brief idea about various list of problems in sugar industries.*

**Keywords-** agro-based industry, forward linkages, backward linkages, socioeconomic development, Regional imbalance.

## I. INTRODUCTION

Sugar Industry is one of the most important agro-based industries 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 **Problems of Sugar Industry:**

**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.

**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 tons 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 organized 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 utilized 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 organized 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.

## II. 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.

### 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

#### *Competition from alternate sweeteners like gur / khandsari:*

Around 31-32% of sugarcane diverted to production of alternate sweeteners which are not controlled by the government either with regards to purchase price of sugarcane nor on the selling price. **Competition from cheaper imports and world sugar prices** The price of Indian sugar is currently higher as compared to current export prices of Brazil. Also with regard to internal competition, states that have adopted Rangarajan Committee recommendations have become more competitive.

### III. CONCLUSION

Productivity in the sugar industry affects the whole nation in terms of foreign currency earnings, production of ethanol, generation of electricity, molasses and other by-products from sugar cane. If more sugar cane is produced then more of each of the benefits that can be obtained from sugar cane will be derived. The results showed that the Lowveld is a suitable altitude for the growth of sugar cane. 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,

### REFERENCES

- [1] Bhosale, V. (2010, October). Sakharutapadakanchikigrahakanchi. People's Politics, p. 6 & 13.
- [2] Deshmukh, H. V. 'Sugar Cooperatives, the largest agro based industry in rural Maharashtra'. Speech, in Annual General Meeting of NCFC.
- [3] Gadgil D. R., Sugar Co-operatives in Maharashtra, Published by National Federation of Sugar Factories Ltd.
- [4] Kute, Y. (2010, July 17). 'SakharechaBhavTharatokasa' SaptahikSakal, pp. 8-12.
- [5] P.G.Medhe.(2010,octomber).SakharecheArthkaran. People's Politics, pp. 8-11