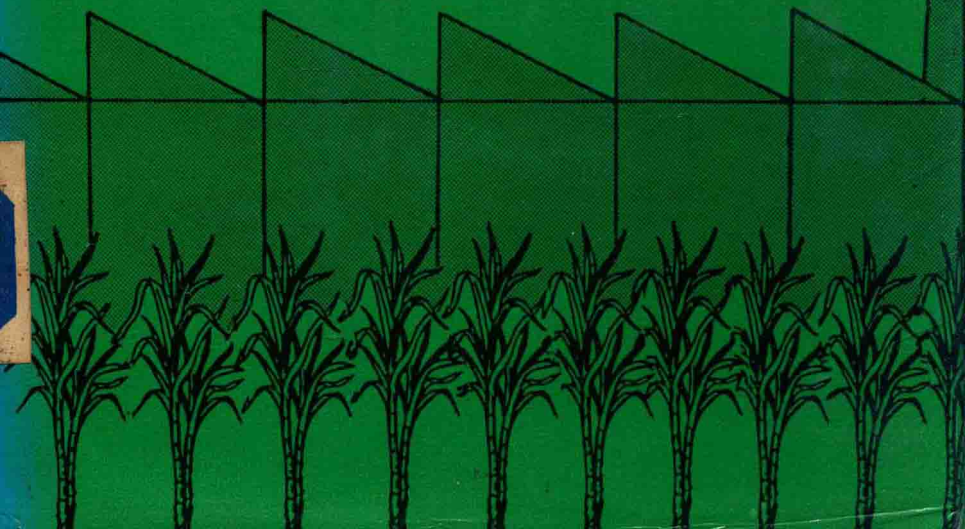


SUGAR INDUSTRY IN INDIA

RAM VICHAR SINHA



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**Dedicated
To
My Reverable Late Parents**

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PREFACE

I think that this is the first time that such an exhaustive book on sugar industry dealing with all its important aspects with critical analysis has been written. This book is chiefly addressed to the serious students, the economists, the industrialists, the government as also the planners on sugar economy. Though its primary objective is to analyse the problems of the industry and assist formulation of sugar policy, it is hoped that this volume may prove of value also to those whose concern with the questions of sugar industry is less pragmatic. I have thought it important not only to explain my own point of view but also to show in what respect it departs from the prevailing ideas and belief while discussing the various problems of the industry. I am confident, if the suggested measures are translated into action, the sugar industry in the country will be stabilised fulfilling the hopes of the government, the sugar industrial circle, the sugar consumers as also the cane growers. The book is really innovative in nature.

My own thinking on different controversial issues are aimed at providing some material for an answer and I cannot but ask forgiveness if in the pursuit of sharp and fair distinctions, my controversial points are themselves too keen.

There is a great deal in the book which would not have taken the shape it has except on availability of information from the various reports by the numerous Commissions, Boards, and Labour Tribunals which have a mention in it.

I am really indebted to Dr. C.D. Sinha, Director, L.N. Mishra Institute of Economic Development and Social Change, Patna, and Dr. R.K. Sinha, Prof. and Head, University Deptt. of Applied Economics, Rohilkhand University for their esteemed advice and encouragement for writing such a book on the subject of my specialisation.

I cannot but express my sense of gratitude to the Indian Sugar Mills Association, Southern India Sugar Mills Association and Technologists' Association whose various issues of journals and literature have enabled me in obtaining the latest data and facts on the related topics.

It would be really injustice on my part if I fail to express my sense of satisfaction and thanks to my both sons and my wife for their spontaneous support and fervent willingness for publication of this work even at the cost of my duties to them and other members of the family.

I very much wish to express my sincere thanks to Deep and Deep Publications, New Delhi, particularly Mr. G.S. Bhatia for special interest in publishing the book in time.

Any suggestion for improvement from any quarters will be welcome.

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RAM VICHAR SINHA

1

SUGAR INDUSTRY IN INDIA : HISTORICAL BACKGROUND

The Sugar Industry being the second largest organised industry next in importance to textile industry plays eminent role in economic life of India. The sugar industry has a great significance which cannot be devalued in its relation to agricultural and industrial economy of the rural region of India. It is an industry which affects agriculture fundamentally. Therefore, the expansion of sugar industry in India is an indispensable factor for the uplift of socio-economic life of India. Sugar is an agro-based industry. Located in rural areas sugar industry has provided the most effective instrument for carrying progressive trends into the country side.

“The importance of this great industry in the national economy of the country need hardly be stressed. It has stopped the drain of about Rs. 16 crores per annum with the complete cessation of sugar imports, is supporting no less than 20 million agriculturists whose interests are indissolubly linked up with the future of this industry, has led to the development of the village industry for Gur manufacture, has provided a channel for investment of indigenous capital estimated at Rs. 33 crores, has been responsible for finding employment to no less than 3,000 University men, 1,00,000 labour skilled and unskilled and has made the country completely self-sufficient in respect of supplies of sugar, a valuable article on the dietary of millions in the country and promises to develop

further, with the general improvement in the economic conditions of the people.”¹

IMPORTANCE OF SUGAR INDUSTRY TO NATIONAL ECONOMY

Measured in terms of aggregate assets, the Sugar Industry has total investment of the order of Rs. 2,700 crores. Its product value inclusive of excise duty in the season 1983-84 has been of over Rs. 2,200 crores. About 25 million cultivators including their dependents are today engaged in growing sugarcane to whom the industry has paid about Rs. 1,250 crores for cane supplied to it during 1983-84. The working force employed directly by the sugar factories which include sizeable number of technical staff including highly trained engineers and chemists, is estimated at over 3.35 lakh persons. The annual wages and salary bill of the sugar industry in the year 1983-84 were of the order of Rs. 240 crores. Above all, the fiscal contribution of the industry to the exchequers of the both Central and State Governments is of considerable dimension. The contribution in the form of excise duty and cane cess during 1983-84 was estimated at about Rs. 500 crores. The total exports in 1974 were of the order of 4.97 lakh tonnes and foreign exchange earnings were of the order of about Rs. 214.3 crores. The industry had earned a foreign exchange of Rs. 475 crores including a rupee profit of Rs. 155 crores. During 1982-83, 8.19 lakh tonnes levy sugar was procured for export. With the carry forward stock of 0.74 lakh tonnes from the previous season, the total availability for export was 8.94 lakh tonnes. Against this, 7.24 lakh tonnes was exported earning a foreign exchange of Rs. 180.96 crores. The actual export during the year 1983-84 was 2.84 lakh tonnes earning a foreign exchange of Rs. 70 crores only. However, India received physically 3.62 lakh tonnes of sugar as import against a targeted quantity of 5 lakh tonnes sugar by import to meet the domestic requirements. India was a net importer of sugar in 1983-84 in this way.²

This is an industry best suited to promote rural transformation. There are about 339 sugar factories working in the country in 1986-87 season and each deals with 100 to 400

villages for its cane supplies or an average 200 villages. Thus the industry covers about 67,000 villages.

Further, citing the case of a single state, Bihar the critical role of sugar industry can be easily visualised. During 1981-82, sugar industry in Bihar paid about Rs. 78.27 crores as cane price to the growers and about Rs. 15 crores as wages to about 30 thousand persons employed directly in the industry. About 30 thousand tyres and bullock carts were engaged every day for 126 days during the crushing season for transporting cane from fields to the mill gate or different weighment centres besides a large fleet of trucks and tractors with trollies. During 1981-82 the industry contributed more than Rs. 20.8 crores to government exchequer in the form of cane cess and excise duty on sugar and molasses in addition to another sizeable amount by way of commercial taxes, income tax and other levies. In that season a total of 3.44 lakh tonnes of sugar was produced worth about Rs. 129 crores at the issue price in 1984. Leaving aside all this 1.55 lakh tonnes of molasses (a raw material for alcohol and prospective source of renewable energy), 13.36 lakh tonnes of baggase (a raw material of paper industry if not used as fuel) and 1.34 lakh tonnes of Press-mud (a good manure) was also produced by the industry as by-products which accounted for another several crores of rupees. The interest of over 5 lakh of cultivators of the state is much interwoven with this industry. Thus Bihar specially North Bihar cannot afford to lose sugar industry at any cost.

The most outstanding feature of the industry is the vital link between the factory and the cultivators whose interest and well-being are inter-dependent. No other agro-based industry can compete with it in having great impact and close contact between the agriculturists and factory owners. Obviously, sugar industry is an agro-industry par excellence and consequently serves a very important vehicle for carrying progressive influences into the country-side of India.

Sugar has been known to India for about 2000 years and there is ample evidence to show that India is the original home of sugarcane as also of sugar manufacture. Sugar has been mentioned in the epics as one of the five 'Amritas' i.e. Celestial Sweets. Nothing tastes so sweet as sugar. Even the English term 'sugar' is a derivative of the Sanskrit word, "SARKARA",

TABLE I.1
Statement Showing the Contribution of the Sugar Industry to the Indian Economy
During 1960-61 to 1969-70

(Figures in crores of Rs.)

Year	Cane price paid	Value of sugar output including Excise Duty	Annual wage bill	Excise duty*	Cane Cess/ Purchase Tax	Cooperative Societies' Commission	Income tax/Sur-tax	Total capital employed**
1960-61	140	313	25	54.8	15	2.5	5.9	317
1961-62	126	292	23	58.4	13	2.2	5.6	322
1962-63	93	233	20	75.0	10	1.4	4.9	232
1963-64	123	306	22	66.2	13	2.0	8.1	269
1964-65	184	399	28	65.2	17	2.6	8.1	317
1965-66	200	458	31	75.0	19	2.4	9.3	391
1966-67	130	304	29	109.9	11	1.4	4.5	341
1967-68	300	508	36	73.7	13	1.6	14.4	402
1968-69	358	645	41	62.9	22	2.5	13.9	541
1969-70	353	680	46	100.3	25	3.5	10.0	600
1970-71	290	630	48	135.0	21	2.7	10.0	N.A.

*Figures relate to the Government Financial Year.

**Computed on the basis adopted by the Reserve Bank of India.

Source : Government of India : Report of the Sugar Industry Enquiry Commission, 1974.

The word 'Shakkara' was in vogue in Prakrit literature for sugar. Thereafter, its mention is found in many languages with different names varying in pronunciation though resembling in some way. It has been mentioned as 'Schakar' in Persian, 'Sukkar' in Arabic, 'Suicar' in Assyrian, 'Saccharum' in Latin 'Azucar' in Spanish and Portuguese, 'Zuchero' in Italian, 'Sucre' in French, 'Zucker' in German and so on. Mention about sugarcane is found in the Atharva Veda in 5000 B.C. There is perhaps no earlier description of sugarcane than this in the hoary history of the world. References of sugar are found long long ago in the Institutes of Manu and the treatises of Charaka and Susruta dealing with medicine. Its mention in the records of Megasthenes and in Arthashastra of Chanakya is also traced back to the period 321—296 B.C. Alexander, the Great and his soldiers were the first foreigners (Europeans) to find sugarcane in India when they came over to this country in 327 B.C.³ A Chinese encyclopaedia written about the middle of the 16th century mentions that in India the art of sugar making had reached such a high standard that the Chinese Emperor TAI TSUNG (627—650 A.D.) sent his men to learn the method of sugarcane cultivation and manufacture of sugar. In fact, India is the birth place of the manufacture of sugar from sugarcane juice.

A close study of the literature of the Mohammedan period reveals that first class white sugar was produced from 'Gur' throughout Northern India specially in Burdwan and Murshidabad Divisions in Bengal up to Gorakhpur in Oudh before the advent of the British.⁴ In the past India enjoyed monopoly in the world from the view-point of both sugar production and sugar supply. Indian sugar used to pass through the famous caravan routes of Khaiber and Bolan Passes. Sugar from India used to be shipped to Genoa, Venice and many other countries of Europe and Asia. The famous trade of sugar received first jolt in 1453 when the Turks captured Constantinople and demanded heavy tributes on sugar passing through the city. This trade had to face a second jolt with naval blockade of the British which caused hindrance to France in getting sugar from India. Consequently on the initial and sponsoring of Napoleon, France succeeded in the production of sugar out of sugar belt. This was followed by bounties which subsidised sugar export