

A CRITICAL ANALYSIS OF VARIABLES INFLUENCING PRODUCTIVITY AND PROFITABILITY OF TAMILNADU COOPERATIVE SUGAR INDUSTRY

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Abstract

In the last few years, Tamil Nadu has made phenomenal success with respect to sugar production. High yield per hectare of sugar cane, higher concentration of sucrose, high recovery rate and long crushing season allowed Tamil Nadu to achieve the highest yield of 9.53 tons of sugar per hectare in India. As a result of these incentives, the state has emerged as the third largest sugar producer, producing more than nine per cent of India's overall sugar production. Most of the state's 32 mills are situated in Coimbatore, Ambedkar North Arcot, Vallalur South Arcot and Tiruchchirapalli. This paper attempts to analyse the problems faced by the Tamilnadu Sugar Cooperative industry in order to identify the reasons inhibiting its productivity and profitability.

Keywords : Tamilnadu, Sugarcane, sugar mills, location, distribution, yield, seasonality, etc.

INTRODUCTION

Sugar can be derived from sugar cane, sugar-beet or some other sugar-containing crop. But sugar cane is the principal source of sugar in India. Actually, after cotton textile industry, this is India's second largest agro-based industry.

India is the world 's biggest sugar cane producer and Cuba's second-largest sugar producer. But if gur and khandsari are also included India becomes the largest producer. This industry involves a total Rs 1,250 crore capital investment and provides employment for 2,86 lakh workers. Additionally, this industry benefits 2.50 crore sugarcane growers as well.

SUGAR INDUSTRY IN INDIA

India has a long history of sugar manufacturing. The Indians can find references to sugar producing also in the Atharva Veda. India is properly regarded as the sugar home nation. But in ancient times, only gur and khandsari were produced and only in the mid-19th century, when it was introduced in North Bihar by the Dutch in around 1840, modern sugar industry came on the Indian scene.

Unfortunately, the attempt has not been successful. The indigo planters made the first successful attempt at British initiative in 1903 when Vacuum pan mills were opened in north-eastern U.P. at Pursa, Pratabpur, Barachakia, and Marhowrah and the adjacent Bihar.

This happened when there was no demand for indigo due to the introduction of synthetic blue onto the market. The industry grew rather sluggishly in the early years of the 20th century and in 1920-21, there were only 18 mills and 29 mills in 1930-31. Since fiscal security in 1931 the industry received a major fillip and in 1936-37 the number of mills rose to 137. Over the same period, production also shot from 1.58 lakh tons to 9.19 lakh tons.

During and after the Second World War the industry passed through an uncertain phase, and some stability was experienced only after 1950-51. In 1950-51 there were 139 mills which produced 11.34 lakh tons of sugar. In 1950-51 there were 139 mills which produced 11.34 lakh tons of sugar. The strategy era started after that, and the industry took swift strides after which many sugar mills have started operations in India.

SUGAR INDUSTRY IN TAMILNADU

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As a result of these incentives, the state has emerged as the third largest sugar producer, producing more than nine per cent of India's overall sugar production. Most of the state's 32 mills are situated in Coimbatore, Ambedkar North Arcot, Vallalur South Arcot and Tiruchchirapalli.

REVIEW OF LITERATURE

Somannavar (2011) concluded that strong infrastructure building, coordination between central and state governments, dialog between the company and the farming sector, future-oriented R&D, the government's cooperative sector, proper use of by-products and a capable trade policy were the essential elements for making Indian sugar productive and profitable.

Misha (2001) conducted a study that reinvigorated that sugarcane red-red disease caused serious concern to Tamil Nadu farmers and mills. Sam Luther (2009) conducted a study and has demonstrated how the company had accomplished sufficient liquidity, risk minimization and benefit maximisation. The study aims at measuring and evaluating MCL's liquidity position, assessing the correlation between liquidity and profitability, and assessing the trade-off between profitability and risk over a period from 1994-98 to 2004-05. The relation between liquidity and productivity is determined by the co-efficient of rank correlation of Spearman measurement. By using t-test, the author has hypothesized that the relationship between liquidity and competitiveness is liner.

OBJECTIVES OF THE STUDY

- To understand the variables affecting productivity of Tamilnadu Cooperative sugar industry.
- To identify the factors which inhibit sugar mills in Tamilnadu from being profitable.

VARIABLES AFFECTING PRODUCTIVITY OF TAMILNADU COOPERATIVE SUGAR INDUSTRY

Sugar cooperative industry as a whole in Tamilnadu faces some unique problems which are mostly related to the way the sugar industry is localised. Sugar industry depends heavily on sugarcane which has some unique characteristics like it being a heavy, low value, weight losing and perishable raw material.

It is a known fact that sugarcane as such has problems with respect to being kept in storage for a long period of time as it tends to lose out on the content of sucrose within it. Apart from this, sugarcane cannot also be easily transported over long distances as it is liable to dry up easily and incur additional cost in the form of transportation cost which would invariably bring about an increase in the cost of production.

It is estimated that on an average 100 tonnes of sugarcane is required to produce about 10 – 12 tonnes of sugar and 50 per cent cost of production could be attributed to the cost of only sugarcane. This being the cost aspects to be considered even today with so much of improvement and advancement in technology most of the sugarcane is carried only through bullock carts for a distance which ranges from 20 to 25 kms to the place where conversion is to happen from sugarcane to sugar.

Even where the facility of a tractor-trolley, railway wagons and trucks are available, it is not preferred on account of the cost factor unless and until the sugarcane has to be transported to a distance of well over 70 – 75 kms. resulting in an exorbitant increase in the cost of the product. Thus, it is seen that this cost of transportation variable is an inhibiting factor prompting the sugar factories to be set up close to the place of cultivation of sugarcane.

Yet another variable influencing productivity and thereby financials of sugar cooperative in Tamilnadu is that it is heavily distributed only in a few districts of Tamilnadu such as Coimbatore, North Arcot Ambedkar, South Arcot Vallalur and Tiruchchirapalli.

There are also several severe and complicated problems plaguing the cooperative sugar industry in Tamilnadu which call for immediate attention and rational solutions. Some of the problems with the burning are briefly detailed below:

Low Yield of Sugarcane:

Although Tamilnadu has a large area under sugarcane cultivation, the yield per hectare is extremely low as compared to some of the major sugarcane producing countries of the world. For example, India's yield is only 64.5 tonnes/hectare as compared to 90 tonnes in Java and 121 tonnes in Hawaii. This low overall production results in short supply of sugarcane to sugar mills. Constructive and concrete efforts need to be put in to solve this problem. To a certain extent the problem could be solved by introducing high yielding, early maturing, frost resistant and high sucrose content varieties of sugarcane as well as by controlling the spread of diseases due to pests which turn out to be harmful for sugarcane.

Short crushing season:

Since the sugar is a seasonal product involving a short crushing season varying normally between 4 to 7 months in a year, the sugar mills in India are able to provide only work for this limited period of time to its employees thereby making them idle for the rest of the year. Such unemployment among the employees of sugar mills leads to financial implications among the employees of the industry as a whole. To solve this problem, farmers would do well to try and increase the crushing season by sowing and harvesting sugarcane at regular time intervals in different areas adjoining the sugar mills. This would ensure supply throughout the year and increase the level of employment provided by sugar mills to its employees.

Fluctuating Production Trends:

Sugarcane has to compete with several other food and cash crops like cotton, oil seeds, rice, etc with respect to obtaining a slot for cultivation. As a result, the land available to sugarcane cultivation is not the same and the total production of sugarcane tends to fluctuates crop after crop. This not only affects the supply of sugarcane to the mills and in turn also influences the quantum of sugar production which is seen to vary widely year after year.

Low rate of recovery:

Farmers have always been experienced a low rate of recovery on an average with respect to the output which is seen to be lesser than ten per cent which is quite low as compared to other major sugar producing countries. For comparison purposes it may be noted that the recovery rate is 14-16 per cent in Java, Hawaii and Australia which is quite high as compared to what Tamilnadu farmers are able to get.

High cost of Production:

Unfortunately, the sugar mills involve the use of ineffective technology, uneconomic production processes together with the levy of a quite a heavy excise duty make the mills incur higher manufacturing costs. The cost of producing sugar in Tamilnadu is accepted as being much higher when compared with other mills in India and other nations. To reduce this cost, mills would do well to focus attention on carrying out elaborate research which could help in increasing the production of sugarcane in the fields and identify new and adopt latest technology to increase efficiency in the sugar mills. The mills could also perhaps have proper utilisation of by- products of the industry so as to bring down drastically the cost of production.

For example, to start with sugar mills could perhaps sell the bagasse which is used in the manufacture of paper pulp, insulating board, plastic, carbon cortex etc. Likewise, they could also sell molasses which comprises another vital by-product and which could be profitably employed to manufacture power alcohol.

Small and uneconomic size of mills:

Most of the sugar mills in Tamilnadu are of rather small sized capable of managing a capacity of just ,000 to 1,500 tonnes per day. This unfortunately tends to make it rather uneconomical as the benefits of large-scale operations cannot be reaped. Besides this at present many of them as a result of the above are not in a situation to make ample profits to cover their ever-increasing g costs.

Old and obsolete machinery:

Most of the machinery used in Tamilnadu sugar mills is old and obsolete, being 50-60 years old and requiring rehabilitation, particularly those in rural areas of the State. Yet low profit margin prohibits most owners of mills from replacing the old equipment with the modern technology- oriented ones.

Competition

Much before the emergence of sugar production in the organised market, Khandsari and gur were developed in rural India. Since the khandsari industry is exempt from excise duty, it offers the sugarcane growers higher prices.

Furthermore, cane growers themselves use cane to produce gur and save on labour costs that in the sugar industry are not possible. It is estimated that around 60% of India's cane is used to make khandsari and gur and that the organized sugar industry is deprived of adequate supply of this basic raw material.

Regional imbalances in distribution:

More than half of the sugar mills are located in Maharashtra and Uttar Pradesh and about 60% of the production comes from those two states. On the other hand, there are several states in the north-east, Jammu and Kashmir and Orissa where this industry is not growing appreciably. That results in regional imbalances that have their own implications.

Small intake per capita:

In India, the annual per capita sugar consumption is only 16.3 kg compared to 48.8 kg in the US, 53.6 kg in the UK, 57.1 kg in Australia and 78.2 kg in Cuba, and the world average is around 21.1 kg. This results in weak competition on the market and causes sugar selling issues.

REASONS FOR LACK OF PROFITABILITY OF TAMILNADU SUGAR COOPERATION INDUSTRY

Very many reasons could be attributed to the lack of profitability of the industry in Tamilnadu. Some of them are as given below.

- Constant rivalry between cash crop and food-grain and sugar cane with other cash crops like cotton, ground-nut etc.
- No prior history of sugar cultivation from ancient period in Tamilnadu zone and as a result there is an absence of large and extensive sugar tract.
- Cost of sugar cane production in Tamilnadu is seen to be much higher than other regions.
- Due to seasonal nature of the job, workers lack professional ability and traditional skill which reduces their productivity leading to reduction in profitability
- Feudal nature of the industrial set-up which is anything beyond professional acts as a stumbling block to bring about changes which could probably increase the profits of sugar mills.
- There is a sizeable lack of substantial amount of sugarcane, even during the peak period which prevents from enjoying the benefit associated with large scale production.

CONCLUSION

In conclusion it may be quoted that sugar mills should work in the direction of increasing their production and lengthening the duration of maturing, and work also towards

improving productivity of the employees. It is high time that these plants are mad modernised with sophisticated technology. They should learn also to take advantages of the irrigation facilities made available to them throughout the year and employ the services of logistics sector and try to work in the direction of increasing their exports thereby making sure that they are able to demonstrate a satisfactory level both with respect to productivity and profitability.

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