CHAPTER VI
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Export and Foreign market problems and its impact on the internal production and planning.

India is the highest producer of sugar cane in the world and therefore, India can manufacture highest quantity of sugar excepting in the bad years of the cyclical agricultural fluctuations in sugar cane production.

The per capita consumption of sugar per annum is quite low (in 1981-82 it was about 8.5 kg) in India. Gur and Khandsari, the other two important sweetening materials are being manufactured in India by utilising more than 50% of the sugar cane produced.

There are a good no. of countries in the world which do not manufacture sugar of any appreciable quantity but do require sugar as a necessary of life. India has opportunity to produce additional amount of sugar cane by utilising more of the land which are highly favourable for the cultivation of sugar cane and by improving the quality of sugar cane as well as the methods of production.

The available statistical records establish that the production of sugar cane and sugar have exhibited an upward trend in an appreciable degree since the introduction of Five Year Plans and this trend is still continuing. The cyclical fluctuations of sugar cane production due to the
hazards of nature and unknown factors, do not therefore, appear to enjoy any importance in this respect. Besides, the improvement in the quantity of sugar cane and sugar production, as well as the quality of sugar, have also improved appreciably continuously. This can be compared with the other foreign producer of quality sugar.

<table>
<thead>
<tr>
<th>Plans</th>
<th>Sugar cane produced</th>
<th>Sugar produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>913.94</td>
<td>24.60</td>
</tr>
<tr>
<td>2</td>
<td>1220.77</td>
<td>32.32</td>
</tr>
<tr>
<td>3</td>
<td>1350.24</td>
<td>42.61</td>
</tr>
<tr>
<td>4</td>
<td>1408.05</td>
<td>47.69</td>
</tr>
<tr>
<td>5</td>
<td>1564.50</td>
<td>58.58</td>
</tr>
</tbody>
</table>

Furthermore, there will be a great need for uniformity in the grade and quality of sugar. Though the substantial part of the sugar production is of international standard, a good number of factories produce varieties of grades, including bolder grains. Production of bolder grains of sugar affected the capacity of boiling house since it takes more time to supersaturate the juice for bolder grain sugar. Switching over from bolder grains to fine grains is likely to increase the pan-floor capacity by about 30 percent, of crystallizers by about 25 percent and the centrifugal capacity by about 11 percent. The estimated average annual sugar production of bolder grains to the extent of 4.5 lakh tonnes would constitute about 30 lakh tonnes of finer grain sugar which may provide exportable surplus to the extend of about 25 lakh tonnes without incurring any additional production cost. This means a substantial reduction of appreciable nature.

* Kothari Industrial Directory
In addition, substitution of bold grain sugar by small grain sugar would also result in reduced consumption of steam and savings on this account which would result in further cost reduction in the production of sugar. Smaller grain sugar being more easily soluble, there will be almost no wastage which will invoke controlled per capita consumption. This will also ensure economy to the consumers *

The production of gur and khandsari in India has assumed an appreciable quantity. For the production of these two items, extraction of sugar cane juice is made by using unscientific process which range from 50 to 55 percent leading to a huge waste. Besides, there is heavy inversion losses in course of boiling the juice. The national sugar Institute has evolved a process with the adoption of which it will be possible to extract 80 to 85 percent and gur recovery can be made to the extent of 15 to 16 percent as against 11 to 12 percent through the conventional open pan boiling process. It will add an additional advantage since there will be no inversion losses and the gur, if refined to sugar, will give higher recovery. There will also be saving in the fuel consumption since more of sugar can be obtained in lesser period of time. By the adoption of scientific process, production of gur may likely increase by about 50 percent and would, therefore, help for an increased supply of sweetening agents for consumption. It is evident that the adoption of this process of manufacture of gur will ensure cost reduction at every stage and there will be no difficulty for the producers of gur to pay taxes to the Government as well as release a substantial quantity of sugar cane for utilising and crushing by the sugar factories. This will

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increase the volume of the total sugar production. Higher production of gur in the years of excessive supply of sugar cane, without waiting for the prolonged crushing by the sugar factories, accompanied by adequate storage facilities, will also be a good raw material for the production of sugar provided a proportional quantity of gur is later refined for the production of sugar. This should be done by the sugar factories during off seasons. Such an arrangement will help in providing the sugar factories with a more economic utilisation of plant and manpower without facing low recoveries due to draige as a result of prolonged cane crushing. All these together will provide much higher supply of the fine-grained sugar.

With cost reduction on one side and increased supply of sugar on the other, there will remain a constant surplus for the purpose of export. The production of gur and khandsari is made without any estimation of the demand for them. The gur and khandsari produced are directed to the market for stocking by the distributors and wholesalers and ultimately for sale by the retailers. Improper containers, excessive stock piling etc. lead to their spoilage to a substantial extent. If this spoilage of gur in this context could be prevented it would provide additional surplus quantity of sugar.

Export of sugar, like any other commodity, depend on the costing-vis a vis pricing of the sugar. If the gur and khandsari are taxed adequately so that the price of three major sweetening agents, i.e. sugar, gur and khandsari, are near to each other, there will be control and economy in their consumption and as a result there will be a surplus stock of sugar.
The price of sugar should be lower and competitive at the time of export. In the technique of marginal costing, export of a commodity is permissible for the about of production by utilising the normal capacity of production factors beyond the B.E. Point.

If the production is designed in a scientific manner utilising every scope for cost reduction and increased capacity for producing fine grain sugar there will be no difficulty to ensure an exportable surplus at a competitive price. When the sugar cane production exceeds the installed capacity of the sugar factories, the factories may be tuned to extra shift working until new factories are established to meet the demand of a permanent character on a long term basis. For a short run requirement the
labour, both whole time regular and seasonal may be employed on over
time duties without resorting to fresh employments so that there may be
economy on labour cost. For a farm linked sugar factory there will be
additional advantages to secure competitive price for exportable
surplus as a result of additional cost reduction.

Furthermore, when the by-products are properly utilised through
their processing for obtaining separate find products like wine, industrial
alcohol etc. either in the distillery run by the factory itself or by
a separate concern. There will be no difficulty for a sugar factory estab­
ishment to allocate an appropriate portion of the total cost against
such by - products which will increase cost reduction for sugar and make
sugar cheaper. This will provide the sugar price in the international
competitive market more secured. In no event, however, it will be advisable
to produce bolder grain sugar of appreciable high cost because the lower
competitive international price will not permit export of sugar by India
excepting at a considerable loss. During the past two decades, India has
aimed and attempted for the promotion of sugar export but these exports
have been made mainly at a loss. The reasons for this are unscientific
production, wastes, non utilisation of by products and so many other
factors which are, however, absolutely controllable. At the earlier stage
these losses were entirely borne by the industry but subsequently the
exports are being made on the basis of subsidy so that the entire amount
of losses are borne by the Government. Under such a condition the contrib­
bution of the industry towards the export amounts to the earning of expected
profit on the quantity of sugar released by the industry for export. If it
is possible for India to export sugar at a competitive price, or near about
it, it will be advisable for India to refrain from exporting sugar to the countries like U.K., U.S.A., etc. at preferential prices which means loss, since it is evident that India can attain a level of production at a cost which will provide exportable sugar at a competitive price rendering no loss either to the industry or to the Government.

The export of sugar and other by products at a competitive price will no doubt permit India to earn considerable volume of foreign exchange which will be able to feed the currency at the same time for imports to the required extent.

India's sugar production during the five years ending 1971-72 was between 31 and 42.6 lakh tonnes which was almost 4.2 to 5.8 percent of the total world production. This has risen to 65 lakh tonnes for the year ending 1978-79 which means an appreciable increase in the sugar production and the total production of the sweetening agents i.e. sugar, gur and khandsari is largest in the world (more than 131 lakh tonnes) backed by the largest area in the world for the cultivation of sugar cane. It is, therefore, possible that India can have a play in the world sugar market if the production of sugar is increased duly tuned with competitive level of costing. The per capita consumption of sweetening materials are in the increase throughout the world and in addition newer areas are entering into sugar consuming habits. Till the end of 5 Year Plan, India's contribution in the world sugar trade has not assumed any appreciable role and yet India has been exporting to certain countries with preferential advantages to those countries sustaining loss. Besides, export of sugar by
India was not of any remarkable character.

India's Sugar Export in Lakh tonnes *

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Export</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>30.28</td>
<td>1.94</td>
</tr>
<tr>
<td>1961-62</td>
<td>27.30</td>
<td>3.54</td>
</tr>
<tr>
<td>1962-63</td>
<td>21.35</td>
<td>5.66</td>
</tr>
<tr>
<td>1963-64</td>
<td>25.62</td>
<td>2.43</td>
</tr>
<tr>
<td>1964-65</td>
<td>32.32</td>
<td>2.67</td>
</tr>
<tr>
<td>1965-66</td>
<td>35.32</td>
<td>3.92</td>
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<tr>
<td>1966-67</td>
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<td>1967-68</td>
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<td>1969-70</td>
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<td>1971-72</td>
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<td>1972-73</td>
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<td>1973-74</td>
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<td>-</td>
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<tr>
<td>1978-79</td>
<td>58.58</td>
<td>8.63</td>
</tr>
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</table>

India has the largest area under sugar cane and produces the largest quantity of sugar cane. There should not, therefore, be any

* Industrial Directory - Kothari.
justification for India to fail to compete in the world sugar market on the ground of loss. The loss on sugar in India's export trade is due to higher cost of production. In the present set up the high cost of production is entailed by the contribution of raw material price (nearly 2/3rd of the total cost), high cost of conversion and very high market price of sugar. This is due to:

a) Prolonged crushing period leading to drying of the sugar cane to a considerable extent.

b) Manipulated delay in the sale of sugar.

c) Higgling with the Government authorities for a decision about the quota of sugar for export and the Government subsidy,

d) Uncertainty about the exportable quantity of sugar for facing tender in the world market can be called.

The world sugar consumption is increasing faster than the production and consequently the price is rising, and therefore, it will be easy to earn profits in the international market by exporting sugar at such high prices and India has the scope to earn foreign exchange by increasing export of sugar in the interest of the industry and of the nation. India enjoys a large potentiality of sugar production and if some serious special efforts are made to increase fine grain sugar production, cube-sugar and control the cost of production by proper utilisation of the by products, it will be easy for India to step up export of sugar in substantial quantities at a competitive level.