As observed, the Sugar industry in India faced problems due to the reason that, since the inception in 1932, the industry remained under continued protection. Firstly, the protection was in the shape of Tariff walls against imports as the sugar industry in India could not meet the challenge of comparative cost. After the withdrawal of tariff protection, new protection in the shape of area reservation was provided in order that the industry could compete with gur and khandsari producers with regard to sugar cane procurement.

The cost and price of the sugar in India is continuously rising which requires a thorough probe. This involves certain basic issues connected with production of raw materials, their mode of utilisation as well as labour, machines and market conditions.

India is in a process of development, and with economic progress, the standard of living will improve and the food habits will also improve both in quality and quantity. As a result it is expected that there will be more per capita need of sugar in future even if the population remains stationary. It is, therefore, essential that the problems are to be properly examined and solutions are found out. The problems of sugar industry inter alia include the manipulation of the sugar manufacturers and traders.
The Five Year Plans considered requirements of development of the sugar industry to meet the needs of the nation. The various plans provided certain targets for sugar cane and sugar production which were more or less met. The number of factories grew with somewhat rapidity and the principal objective to initiate a balanced growth of the industry was partially attained*. But the disequilibrium in the industry vis-à-vis the economy as a whole remained.

The plans, as well as the Government directives, are still very much silent in the matter of raising the sugar industry to the International Quantity level. The price and supply of sugar continues to remain a headache of the consumers and the government, and the lacuna is being rectified by an ad-hoc patch work on every occasion. This Ad-hoc character should be rectified so that the future plans could make provision for putting the industry in the desirable direction. The industry, which was so long mobilised on the shop keepers' line without sufficient innovations, in all the levels, must hereafter be organised on economy-oriented industrial lines.

The expansion of the industry was mainly localised in northern India at the time of granting new licences in the early stage. But subsequently, this has been considerably changed and preferences were given for co-operative type of factory organisation and in southern India which enjoy better natural advantages. The co-operative factories in the south, have exhibited appreciable progress.

* The plant target for the production of sugar cane, sugar and the rate of growth of the sugar industry have been achieved almost to the estimated level.
The existing system of cane supply is such that the sugar producers have to compete with the gur and khandsari producers. Crushing arrangements, parallel gur and khandsari industry, tax and cess levies etc. added with the Government policy do not conform to a happy situation. In addition, the ad-hoc policy of the government, non-improvement of cane quality, poor maintenance of the plant and machinaries and inefficient management have resulted high cost incidence in sugar industry.

Sugar Industry enjoys a seasonal character. The labour in the sugar industry, therefore, is also seasonal. The cost structure of the sugar factory exhibit high incidence of depreciation but the rehabilitation programme is also poor. Even then, the sugar industry, as a whole, has exhibited capital formation regularly. The rate of growth in the sugar industry, on an average is 5.5 percent and this progress is continuous.

The sugar industry is not only concerned with the principal output i.e. sugar but has also to take into consideration the major by-products which bears considerable economic value. But the by-products are being neglected entirely and as a result, the incidence of cost are imposed upon sugar. The highest cost of production of sugar is observed in Madhya Pradesh and lowest cost of production occur in Maharashtra and Karnataka on the basis of lower incidence of cane price and labour charges. The incidence of cost of production of sugar is bound to come down if the by-products are processed for economic utilisation. There may be further cost reduction if the sugar industry is made farm linked and distillery linked. Further more, to make the situation compatible the tax, cess etc. which are being imposed on sugar only must also be imposed
equitably on gur and khandsari so that a healthy competition may exist among them.

India is the highest producer of sugar cane in the world but lags behind in the production of sugar. The per capita consumption of sugar in India is considerably low and yet India is unable to export sugar for two-fold reason. Firstly, the total sugar production is not appreciably high, and secondly, the cost of production is high. In order to force up substantial quantity of sugar, the sugar factories have utilised more of sugar cane for higher production of sugar. Intensive cultivation of robust type of sugar cane will produce more of juice yielding higher quantity of sugar by utilising the crushing capacity in more than one shift. The utilisation of the by-products will permit considerable cost reduction rendering sugar at much lower cost. This will ensure export of sugar at lower prices if not at competitive prices.

The present method of costing, pricing and distributing sugar in India, which are vested in the control of certain sugar kings, must also be revised through proper Government control. This will release the sugar industry and trade from the grip of racketeers, black marketeers etc. Assessment for the cost of cultivation of sugar cane has also to be made in order to remove vicious activities. Side by side, the gur and khandsari industry should be brought to a healthy level and these sweetening agents should be produced only on the basis of consumption expectations. The government has to formulate and follow a long run based comprehensive policy in respect of sugar industry which would replace the present ad-hocism.
It is noticeable that the examination of the published accounts and balance sheets of sugar factories exposed that the concerns are running at loss for years together. The management did not attempt to utilise the assets so as to secure some advantages. The management and the working force will have to induce themselves to work prudently as they would have done if they were the owners of these factories.

The accounts and balance sheets of a sugar company in the private sector exhibit that there have been sufficient manipulations. These include huge amount of expenses for paying sugar sales commission, loans & investments made that sustained loss, bearing liability at the same time for debentures floated and loans taken. It is somewhat astonishing that while the company was running at a loss year after year, one of the directors could find it lucrative to advance loan to the company to the extent of more than ten lakhs (case of United Provinces sugar Mills Ltd.). The profit and loss account, however, exhibit the case as quite serious since it shows that interest to the extent of about 5 lakhs was paid to the same Director against loans and advances given to the company by him. Government intervention and proper Government audit must be there to cure such type of manipulations.

The published accounts of a co-operative factory shows that though it has sustained loss continuously, it has been able to pile up the Reserve fund considerably as per standing rules and by laws. If the co-operative factories can be made to function on a farm linked basis and a compulsory cost audit is introduced, it might achieve good results which may serve as a model to be adopted in the other spheres of activities of the sugar industry.
To sum up, it may be suggested that since the sugar industry has grown considerably, there should not have been any difficulty to bring the industry to the international level. But, the sugar industry in India is still suffering from problems of production, cost, pricing etc. It would, therefore, be essential to improve the cane cultivation, ensure better utilisation of the canes, utilisation of the by-products to the maximum possible extent, to effect cost reduction on sugar and eliminate import of certain materials, and above all ensure absolute control over the quantity and quality of sugar and their proper distribution and export. At the same time, gur and khandasari are to be produced on the basis of estimated consumption requirement through market study and the same are to be subjected to cane price tax, cess etc. at par with the sugar manufacture. As a result of these measures it is hoped that the sugar industry in India shall be able to become properly self-sufficient and shall be able to compete in the world market.