CHAPTER III
REVIEW OF LITERATURE

Review of literatures pertaining to the past studies are the secondary sources which form the first working base for outlining the problems and analysis of the present study. It helps the present study to approach the problem in its proper angle.

Indian sugars industries are listed in agro-processing industry. Most of the sugar industries are located in the rural parts of our country. as such it affects not only agricultural sector but also affects all the persons in the rural area through backward and forward linkage. The existing 440 established Indian sugar factories accommodate 35 million farmers who are directly and indirectly engaged in sugarcane cultivation, harvesting, transportation and other ancillary industries”

V. Thiyagarajan in his research work mentioned that at present there are about 400 sugar factories in India and each deals with 100 to 300 villages for its cane requirements or on an average 150 villages. Thus the industry covers about 60,000 million hectares. The industry

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also contributes substantially to central exchequer with annual excise collection of about Rs. 800 crores.²

Sundaram, K.P.M. & Dutt pointed out their book as “per capita sugar consumption in India during 1994-95 around 11 kg per annum but taking into account consumption of sugar and Khandasari is 11 kg. The total per capita consumption of sugar and Khandasari is 22.1 kg. per annum. Sugar also used for the preparation of medicine, tonics, liquor, sweets biscuits, soft drinks and variety of consumable articles.” ³

Dagil. V noted that during the control period the farmers were assured the minimum price of cane which provided incentive to grow more cane which in turn had induced higher production of sugar. However, this had also resulted in over production of sugar in relation to off-take and a build-up of sugar stocks with comfortable stock position. There had been clamour for decontrol.⁴

Performance Budget of 2001-02 explains that “In countries like India, which is tropical in nature, Sugarcane becomes an important cash crop. In India it forms the main source of sugar and is being utilized in the manufacturing of sugar, Jaggery and Khandasari. The average

² Thiyagarajan. V. “Liberalization and Sugar Industry”. Indian Sugars Vol. XVIV. No.1 April 1994
sugarcane price per year paid to the farmer is worked out as Rs. 10 crores. Annually some of Rs. 1600 crores is collected as Tax from the sugar industry by both the central and state governments. The annual export earnings of this industry are estimated at Rs. 2000 crores.\(^5\)

Rajeswar Rao et. al.\(^6\) have analysed control, decontrol and partial controls, imposed by the government on Sugar industry over the past 40 years and the impact there of on various groups involved viz. the farmers, manufacturers and consumers.

India is the largest producer of sugar in the world. The unique position was achieved in 1991-92, sugar season when the total sugar production touched 84 lakh tones. In 1992-93 India produced around 83 lakhs tones of sugar. There after in 1993-94 it was about 5.9 million tones of sugar. In 1994-95 India produced around 85 lakhs tones of sugar, the value of which is about Rs. 3800 crores.\(^7\)

Sacchetti, D.C. noted that the Sugar industry provides both directly and indirectly job opportunities. It provides direct employment to about 3.25


\(^7\) Sugar Industry. A review. 1995 p.496
lakh workers besides providing indirect substance to about 30 million crores all over the country.\(^8\)

Dr. V.B. Kakade noted in his study that "The sugar industry shown its strength in terms of surviving through various crises in the past and hence the timely decisions and all out efforts by everyone will help to come out of dark. The industry with Rs. 25,000/- crores touches the lives of billions of people."\(^9\)

Rane\(^10\) found out the following results in his work that the opportunities and challenges for Indian sugar industry in the 21\(^{st}\) century highlights and the achievements of sugar industry to the Indian Economy and target of sugar production in future. The article also underlines the potentials and the application of established technologies through extension methodology to increase cane yields."

Vijaya Kumar\(^11\) in his study points out the factors of profitably in sugar and in sugar industry using the technique of ordinary least squares. The study reveals that the growth rate of sales, vertical integration, leverages, current ratio and operating expenses to sales are prominent

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\(^9\) Dr. Kakade, V.B. "Indian Sugar Export: A SWOT Analysis". Souvenir. 86\(^{th}\) Annual Conference of IEA, 2003 p.39
variables explaining profitably of firms in the sugar industry. The significance of operating expenses ration with a negative co-efficient and vertical integration with positive co-efficient indicates that the firms which are operationally efficient were able to earn profit compared to the others.

Badar Alam Iqubal$^{12}$ analysed in his work about the major constraints standing in the way of growth and development of sugar industry in India. He also provides suggestion for obtaining stability in sugar industry.

Misra utters that sales forecasting and planning are indispensable sugar industry where various government control are in Operation, Management is to be more cautious on all fronts to economies the operations and to reduce loss$^{13}$

Agarwal$^{14}$ discussed about the various aspects such as phenomenal growth of sugar industry, varieties payment, relationship between mill owners and labourers, role of co-operative in the sugar industry, causes for low recovery etc., in his research study.


Desai\textsuperscript{15} explains in his article about a comparative statement of Sugar Production and price of sugar in India and the whole world. He also suggests the utilization of co-products of sugar.

Mohamed Ariff\textsuperscript{16} analysed various aspects such as unique growth and development of co-operative sugar industry, relationship between mill owners and labourers, importance of co-operatives in the sugar industry, causes for low performance etc., in his research study.

Krishna Gowda et al in their study established that “The Indian Sugar Industry is passing through a difficult phase in terms declining area under cane coupled with liberal licensing for establishment of new sugar factories leading to excess capacity building and underutilization in the years to come. The authors call for a comparative long term strategy, encompassing all aspects of cane cultivation”\textsuperscript{17}

Dewett et al\textsuperscript{18} explains in their book regarding the account of the performance of sugar factories and their development under five year plans. The study also provides for improvement of sugar industry.

\textsuperscript{17} Krishna Gowda M.K. and Ramesh K. “Sugar Economy of India: Withering Co-operative Sector?” Co-operative perspective, July-September 1999, pp. 27.32  
Like other business firms, agribusiness firms also provide resources for productive investment. They can benefit the locals in employment, technologies transfer, and incremental Technical Knowledge especially at the farmer's level.\(^{19}\)

Sugarcane is the prime raw material both in the manufacturing of sugar and jaggery. Jaggery manufacturing is a small scale processing industry. Agricultural processing industries comprise of manufacturing of sugar cotton, ginning and pressing, rice flour and oil milling, coffee, tea, tobacco curing, fruit canning, servicing and preservation\(^{20}\)

Srivastava noted that an agro-industry as an enterprise that processed agricultural raw materials, which includes crops as well as live stock and fishers to create edible/visible forms, enhance nutritive value and extract chemical for other uses.\(^{21}\)

Agricultural commodities are processed to make them more edible, more palatable, and in some cases to help preserve them. Processing of commodities includes not only standardization, cleaning, grading etc. but also a part of marketing activity which dealt with conservation of raw-produce into finished product and offered for sale to

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the final consumer. The term processing in the study includes harvesting, crushing boiling sugarcane juice into Ball Jaggery Achhu Vellam and Nattucharkarai.22

Dewett explains that production referred not only to the creation of the utility, but also creation of value.23

Ganesan revealed that the product should form a base for marketing. If anything a firm markets, it is called a product. Product generally means that the physical product but the real sense it includes service also.24

Buller and Berkman mentioned that product as something, which satisfied the potential customer, not only they physical tangible but also anything else that brings satisfaction to the customer.25

Canon explained that a product as anything can be offered to a market for attention, acquisition or consumption including physical objects, services, personalities, organisations and desires.26

DEFINITION OF MARKET

In this section different concept related to marketing and their relevance to the present study is extensively reviewed from the related

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past studies. This kind of exercise will enable the researcher to have a clear idea pertaining to the meaning, functions and the related problems confronted by the marketers and the producers of jaggery in the study region.

Gail L. Gramer and Clarence W. Jensen explains that a market consists of buyers and sellers with facilities to communicate with each other.27

Acharya and Agarwal define the market that it is a social institution, which performed activities and provided facilities for exchange commodities between buyers and sellers.28

American Marketing Association defines that market is an expression of the aggregate forces or conditions with in which buyers and sellers make decision resulting the transfers of goods and services consequent to the aggregate demand of the buyers of a commodity or service.29

According to Larson, “Market denotes the entire area with in which the forces of demand and supply of a given commodity or service interact in effective exchanges and establishing prices. Thus whenever

29 Committee on Definitions, Marketing Definitions (Chicago: American Marketing Association 1960). p.15
and wherever buyer and seller are brought together, whatever the means of achieving communication Market exists”. 30

Marketing in agricultural economics has a variety of meanings. To an ordinary housewife it denotes shopping for provisions and to a farmer it referred to sell their commodities. From the point of view of the handler of a commodity, it means storing the commodity transforming the product into a form that consumers wants transporting it to retailed outlets and promoting its sale”. 31

Marketing is also defined as the process of determining customer demand for a product or service motivating its sale and distributing it into ultimate consumption at a profit”. 32

Bishwanbar defined that marketing is s an organization the task of which is to determine the needs and wants of target market and the organisation has to deliver the desired satiation more effectively and efficiently than its competitors. 33

According to Rodger, “Marketing is the primary management function, which organizes and directs the aggregate of business activity involved

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in converting consumer’s purchasing power into effective demand for a specific product or service and in moving the product or service to the final customer or user so as to achieve company-set profit or other objectives.\textsuperscript{34}

Hansen noted that marketing which involves the design of the products acceptable to the consumers and the conduct of those activities which facilitates the transfer of ownership between sellers and buyers.\textsuperscript{35}

“The purchase of the agriculturist’s requirement and the scale of his produce are key activities in the business of farming and their importance is likely to be even more crucial in a socially regulated economy. Due to his inability to secure a fair deal at these two stages, the average agriculturist is denied the full fruits of his industry”.\textsuperscript{36}

Gail et. al narrates, “Marketing in agriculture economics has a variety of meanings. To an ordinary housewife it denotes shopping for provisions and to a farmer it referred to sell their commodities. From the point of view of the handler of a commodity, it means storing the

\textsuperscript{35} Harry L. Hansen “Marketing Text. Case and Reading.” P. 108
\textsuperscript{36} First Five Year Plan
commodity transforming the product into form that consumers wants transporting it to retailed and promoting its sale”

According to Lazo and Corbin, “Marketing as the recognition on the part of the management that all business decision of a firm must be made in the light of customer needs and wants; hence that all marketing activities must be under one supervision and that all activities of a firm must be coordinated at the top, in the light of market requirements”

Cundiff and Still defines, “Marketing is the managerial process by which products are matched with transfer of ownership are affected”.

Brech told that “Marketing is the process of determining customer demand for a product or service, motivating its sale and distributing it into ultimate consumption at a profit”.

George and Sigh explains, “Market structure refers to those characteristics of the organization of the market, which influence nature of consumption and d pricing in the market and conduct of business firms.”

The term market in his study refers to the place where the buyers coming from different parts of the country, purchase jaggery from the locally established private jaggery market where the producer-seller offered their jaggery for sales.

Processing of sugarcane including crushing, cleaning the juice, boiling, converting the boiled juice into round balls i.e., Achhu Vellam or Sarkarai, Packaging and disposing. The operations included in the determination of the cost of processing technical operations like crushing, boiling the juice and testing the quality of the juice and the operation associated with bagging packaging, handling and transportation.

FIXED AND VARIABLE COST

The costs acquired by the firm are classified into two types namely fixed cost and variable cost. Fixed cost referred to the total expenses that go on even when no output was produced. The term fixed cost in the present study denotes the rental value of land depreciation of buildings, machines and equipments, property tax, salary to permanent staff.\(^{42}\)

Variable cost refers to the expenses incurred for using variable inputs which varied with the level of production.\textsuperscript{43}

**MARKETING AND MARKETING CHANNEL**

Marketing may be defined as a major specialized activity performance in accomplishing the market process. In the manufacturing of a commodity. The following are the important functions of the market.

- Buying
- Selling
- Storage
- Transportation
- Processing
- Standardization
- Financing
- Risk-bearing
- Market intelligence

In the present study market functionaries includes those who were engaged in marketing the produce and classified according to the services rendered as pre-harvest contractors, commission agent,

\textsuperscript{43} Joshi S.S and Kapur, T.R. "Fundamentals of Farm Business Management". New Delhi, Kalyani Publishers, 1951. p 95
wholesalers and retailers. In the present study the wholesale buyer of jaggery, producer sellers of jaggery commission agent are the functionaries.

According to Amarchand and Varadharajan marketing channel as pathways taken by goods as they flowed from the point of production the point of consumption and the marketing institution associated with the above process.

Buzzel and Mathews defined that marketing channel expresses a series of marketing institutions through which control of produce was transferred from the producer to consumers.44