CHAPTER VI

PROBLEMS OF SATHA SUGAR FACTORY

Although the cooperative sector of sugar industry has consolidated its position, the new liberal environment, which lays emphasis on privatization and globalization, has posed certain problems, necessitating the sector to bring out a new agenda for sustenance, progress and development. Till the last century, the emphasis was on quantity of production and the cooperative sector of the sugar industry managed to exceed all targets. This has also created many problems. The mounting over dues of interest burden and low realization during the past five years have made the industry financially weak. But with the pro-cooperatives and pro-agricultural policies announced by the Government, the sector can hope for a better future by emphasizing on quality and cost effective production of sugarcane, sugar and other value added products. But on what extent the Satha Sugar Factory has coped with this is discussed in the preceding chapter.

Agronomy

Low cane productivity is one of the major problems of the Satha Sugar Factory. The required emphasis has not been given to the production of good quality sugarcane. It is well known that Sugarcane is the backbone of every sugar industry and the success of any sugar factory depends on the adequate availability of good variety of sugarcane - rich in sugar content, so that the
capacity of individual factories is utilized to the fullest but unfortunately the Satha Sugar Factory is deficient in this regard.

Unlike Satha Sugar Factory, most of the sugar mills have been deriving hybrid varieties of Sugarcane from Sugarcane Breeding Institute in Coimbatore, the Vasantdada Sugar Institute in Pune and various other Regional Sugarcane Research Institutes which are suitable for different climatic and soil conditions.

**Mechanisation**

Most of the sugar plants have been upgraded according to the modern and developing need but because of low realization the Satha Sugar Factory has not been able to cope with the modern techniques. Further, because of availability of cheap labour, the sugarcane cultivation has been doing with classical (manual) techniques. No automatic machinery like heavy tractors for deep plugging and preparation of soil, machines for sowing of sugarcane seed and harvesters for harvesting have not been paid any attention, which further increases the cost of cultivation. No mechanization has been taken place in the Satha Sugar Factory.

**Processing**

It has been reported earlier that the Satha Sugar Mill has not been adopting an up-to-date system of processing. The latest practices for sugar technology with automation have not been introduced which certainly improve the efficiency of sugar extraction, reduce loss of sugar in the process & cost of fuel and further improve the quality of sugar. The National
Federation of Cooperative Sugar Factories Limited have been making all round endeavours to cope with this by setting a Research and Development Centre, but unlike other sugar factories, the Satha Sugar Factory is not benefiting much from this.

Co-product Industries

As Satha Sugar Factory is only one of its kind in the area, it cannot base itself on the main by-products i.e. bagasse and molasses. Although the plant has been set up for the production of different kinds of paper, newsprint, particle board, furfural from bagasse and distilleries have been set up for production of ethanol, ethyl alcohol, carbon dioxide, alcohol based chemical plants, plants for production of yeast, lactic acid, ephydrine etc. from molasses. But these cannot be done efficiently in isolation. The very fact that the name “by-product” has been changed to ‘co-product’ is proof enough that utilization of the down stream products and sugarcane and sugar is equally important and useful as product of sugar. But of efficient functioning and viability of co-product industry, it is essential that they be set up in the compound of the sugar industry itself. The aim should be to create ‘Sugar Complexes’.

Professionalisation

There is no doubt that the Satha Sugar Factory has vast potential but it does not have enough finance and whatever it has, it is not properly utilizing. Management of finance and efficient utilization of available potential for returns has lack of professionalization. May be the factory is managed by
unprofessional technical and professional personnel and the result is globally uncompetitive.

A major problem being faced by the Satha Sugar Factory is unprofessional management lack of foresightedness and absence of decision-making process. The decision-making is delayed because of the number of people involved in the process.

Marketing

One of the drawbacks of the Satha Sugar Factory has been the bureaucratic control of the Factory. This has hindered the progress and development of processing. On the other hand, if we look at the factories in Maharashtra, Gujarat and Karnataka, where the sugar cooperatives were managed democratically by elected members, the progress has been remarkable. But there are other States too where sugar production is more because of the beneficial agro-climatic conditions, but their progress and development has not been that remarkable.

Lack of Modernization

The very important drawback with the Satha Sugar Factory is, that it is still using old and outdated plant and machinery. Not in Satha only, in U.P. there are a number of units in operation which are quite old. And including Satha Cooperative Sugar Unit, Kasimpur, Aligarh (U.P.) have small and uneconomic crushing capacities with old and outdated machinery have still being functioning. As against this, Maharashtra, Karnataka and Tamil Nadu
have the largest number of new factories. Besides most of the mills of U.P.
require high fuel consumption, which is responsible for high cost of
production and consequently for weaker competitive position of the industry.
However at present government as well as industrialists are doing very little
towards the development of this industry.

Finance

Another important constraint in the way of the development of the
sugar industry is inadequate finance, as is referred above. Due to financial
crisis sugar mills have not been in a position to pay the cane growers
regularly. As a result there is diversion of cane supply from sugar factory to
commercial gur and khandsari units. Though the Central and State
Government have been spending nearly Rs. 100 crores a year in the form of
subsidy in order to make up for the losses, it is inadequate keeping in view
the total requirement of the industry in the state. It is fact that due to financial
crisis of the mills the management finds it difficult to replace the old and
outdated machines.

Transportation System

Sugarcane which is the main raw material for the all the Cooperative
Sugar Mills, is an extremely perishable commodity. Its supply is being drawn
from the areas lying within the range of 40 to 70 km. facing a problem in
transportation. In Uttar Pradesh inadequate transportation facility has been
the chief bottleneck in the way of the development of Sugar Economy. Most of
the mills in the State are not linked with proper roads and feeder roads. As a result transportation of sugarcane is still continuing with the same slow speed as before independence though the Bhargawa Commission has suggested that as far as possible, cane growers should not be allowed to transport their cane to the gate of the factory by bullock-carts over the distance of more than 8 kilometers. It is a fact that greater the delay in transportation of the cane to mills, the greater will be the loss of sucrose content from the cane and hence sugar recovery.

Threat of Nationalisation

There has been growing apprehension among the sugar mill owners that the sugar industry is going to be nationalized. This misconception has adversely affected the growth of Satha Sugar Factory especially after the seventies. The mill has refrained from putting in fresh funds. In order to restore the economic health of the sugar industry in U.P., the Government has to categorically announce and assure the industrialists that the units in good economic health are not to be nationalized only the units which have become sick or have been losing their economic viability, shall be taken over. And of course the Satha Sugar Factory is facing a host of problems to retain its identity.

In order to check out the above referred problems, the personal interviews with a designed questionnaire have been taken from different
higher authorities of Satha Sugar Factory. No doubt, they were very much particular in general rather than to their own factory i.e. Satha Sugar Factory.

According to the Chief Engineer of Satha Sugar Factory, the quantity of sugar produced at a mill depends not only upon the installed capacity of the mill, but also on the quantity of sugarcane supplied and the recovery rate. The recovery rate in turn depends upon the processing technology and quality of sugarcane supplied. The quality of sugarcane supplied depends on the variety of seeds used and the cultivation practices followed by the farmers. It also depends upon the time elapsed between actual harvesting of sugarcane by the farmers and its crushing at the mill. Transportation, maintenance and other logistics could, thus, make a lot of difference in a mills financial performance.

The dependence of sugar mills on the vagaries of climate, obligation to accept the committed in-take of sugarcane from areas allotted, dependence on the Central Government for quota based release of sugar on monthly basis (both for levy sugar as well as free sales) made them carry inventory levels that were not the most economical quantities and affected their financial performance. Restriction on areas from where they could procure sugarcane, the quantity and the price at which they could procure it, made the task even more difficult.

Sugar mills could produce some downstream products such as processing of molasses and press mud. Sugar manufacturing being a seasonal and labour-intensive activity, the mills had to carry a substantial burden of fixed costs. This could reduce if the mills could undertake some other
activities. However, most of them could not do so because of factors, many of which were out of their direct control.

The views of the General Manager of Satha Sugar Factory indicate the problem of sugar industry as one of the most complex businesses in India. The complexity emanates from several factors. First of all, the cooperatives are not made for earning a profit and its main motive was to help the rural people and generate employment. Commenting upon the factors affecting the performance of a sugar mill, the main input (sugarcane) is a highly perishable one. The juice starts drying up fast after the harvesting, putting heavy demands on time and place co-ordination between the farmers and the sugar mill. Cane must be transported to and crushed at the mill fast, otherwise the sugar recovery rate may go down at a rate as high as almost 1% a day as the temperature rises towards the end of February. Harvesting is typically done between mid October to mid March. All the decisions are taken by Federation to improve the efficiency of sugar factory.

According to the Chief Cane Officer (Cane Development) of a mill, there are many agencies involved as intermediaries (such as cane directorate of the state government, co-operative societies issuing slips, mediating payment etc). Their interests are neither interlocked with those of the farmers, nor with those of sugar mills. The logistics arrangements are crucial for the success of a mill. However, they are normally not made by the mills, but by the farmers and their co-operatives. The Farmers' Co-operatives are not the Farmers' (cane growers) Co-operatives in the true sense. These are primarily
the state sponsored ones. The farmers' stakes are very low (to the tune of 5%).
The same holds true for sugar mill co-operatives. Almost 90% of the
membership fee is subscribed by the state government. This attracts, at times,
the unscrupulous brokers, who are neither concerned with the protection of
the interest of the farmers, nor with that of the mills, and hence breed
corruption and inefficient operations.

Presently it has been noted that the total yield of sugarcane from last 4-5
years is very low. It has been reported by the chief cane officer that the main
reason of low productivity is low rain. The production of July, September and
October needs much more rain and particularly in that period the entire U.P.
faced a problem of draught, and finally the crops was ruined. Moreover, the
proper electricity supply was not received by the farmers.

Another problem is that about 80% of the total area covered by the
Satha Mill is using COS 767 variety of sugarcane seed, whose recovery is only
7-8%. On the other hand the recovery of other varieties i.e. COS 88230,
COS98231, COS01235, COS8436 etc. is around 10% which covers the area of
only 2% of total area. The farmers are not using these varieties in a big way
because the sugarcane of these varieties of seeds is very soft which attract the
wild animal. Another reason for non availability of sugar cane is poaching by
private sugar factories, it means that private sugar factories enters into those
areas, which allotted for cooperatives factories. And distribute slips and use
unfair means by luring farmers, providing transport facility and extra
payment. Moreover recently our major sugar cane producing centers has been
allotted to the private sugar factories by District Cane Officer and he know all unfair practices of private sugar cooperatives factories but he is ignoring

The Chief Chemist was commenting on the critical parameters of the process of sugar manufacture, he said, “The critical factors here are the recovery rates. Capacity utilization, maintenance, procurement of cane, labour, the average time of crushing, the period of operation in a season, time lapsed between crushing of cane and production of sugar, handling and further processing of by-products, down time of the mills are the other factors that affect financial performance.”

Workers

Labour is one of the important inputs for any sugar industry. The labour factor plays a vital role towards the development of sugar industry since the sugar mills are generally located in the rural areas because of the peculiarity of the industry, therefore most of the workers are generally drawn from the agricultural classes and such there is always shortage of man power in the mills. This is because of the seasonal nature of the sugar industry which provides employments temporarily only for the period of crushing season. Most of the workers remain jobless, during the off season, when the factories are not working, even a worker who has worked in the mills during the current crushing season has no guarantee that he would be reappointed at the commencement of the next season their uncertainly compels the workers to
undertake other jobs, where security and the guarantee of reemployment is available. Their seasonal nature of unemployment in the sugar sectors shall be remedial, if alternative appointment is created in the rural areas.

In Satha Sugar Factory there are two types of workers. One is appointed by the Federation, that consists around 15 percent only and the other is appointed by the Factory, which is in majority. Workers who are appointed by the Federation are being paid by the factory according to 5th pay commission and 6th is under process. And the majority which is appointed by the factory is being paid according to Wage Board, which was implemented in 1989, is facing a many problems i.e. low salary, no increment, no incentives, no implementation of pay scale for the last 15 year, therefore, their interest would not develop for the betterment of sugar mill.

Describing all these problems which affect the performance of the Mill, another important reason is a location of the factory. Generally the mills are acquired or opened for political reasons than concern for viability of Mills. All these factors lead to losses in sucrose content and recovery and capacity utilization and stoppages. According to him, there are many factors affecting the performance of the Mill, some natural and some manmade but it is difficult to pinpoint the reason for mills poor performance. No doubt, the corruption is also one of the factors at some places.
Farmers

It has been reported from the questionnaire that a majority of the farmers are very much keen to sell the sugarcane to cooperatives rather than to private factories due to surety of payment. But they were very much particular about the specified, stable and fair price policy of the government. Moreover, farmers want to get payment in time as they do not have much saving to invest year after years. Because of these reasons, the farmers have been diverting their cultivation from sugarcane to other crops like wheat and paddy, and the land can be used twice a year to get production of two different crops.

Another problem is that, if the production of sugarcane becomes higher and government fixes a state advised price, this price may not be suited to the private factory owner and they move to the court. Ultimately, the farmer suffers. In 2005 the production of sugarcane was much more than expectations due to favorable climatic conditions and government fixed the prices of sugarcane as Rs. 125/- per quintal, but this was not suited to the private factory owners and they moved to the court. After few hearings, the court passed its judgment that the price of sugarcane would be Rs. 110/- per quintals. All the farmers have been paid according to the court judgment and the remaining Rs. 15/- per quintal is still pending.

In the recent past, the production of sugarcane was not enough, owing to unfavourable climatic conditions due to this shortage of sugarcane, the private factory owners are ready to pay Rs. 200/- to 210/- per quintals and
the government has fixed the price of sugarcane at Rs. 165/- per quintal. When the farmers insisted to increase the price, then the government decided to give the incentives of Rs. 30/- per quintal to the farmers.

Above condition compels the farmers to sell their product to private factory owners because the farmers are of the opinion that if in future the production becomes high, the government may eliminate the incentives. Moreover they have also decided to sell it in Uttarakhand and Haryana because these state governments have fixed the sugarcane price as at Rs. 215 and Rs. 220/- per quintal respectively.

One of the very important differences between the cooperatives and private factory owners is that, the private factory owners offer the transportation charges, but in case of cooperatives, the farmers sell the product to cooperatives, he has to bear out the burden of transportation charges.

The farmers are also angry on the point regarding the payments matter. When they sell the sugar can to cooperatives, the payment may be held for more than a year, but in another case the farmers go to cooperatives to get seeds and manure, the cooperatives ask them to make cash payment at the same time. All these problems are faced by farmers including large, medium and small are, low price of cane, delay in payment, shortage of electricity for irrigation due to rainfall, seeds are not provided.