

Abstract of Doctoral Dissertation

Profitability Analysis of South Indian Private Sector Sugar Industry¹

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I. Introduction

THE SUGAR INDUSTRY is the second largest industry in India next to cotton textile, playing an important role in the national economy. The sugar industry has a great significance which cannot be devalued in its relation to agricultural and industrial economy of the rural region of India. It is an agro-based industry. Therefore, the expansion of sugar industry in India is an indispensable factor for the uplift of socio-economic life in India. The most outstanding feature of the industry is the vital link between the factory and the cultivators whose interest and well being are interdependent. It also provides employment to quite a large number of people at national and state level. India's dual pricing policy of subsidizing levy sugar procured by the government from the industry at prices 20 per cent below cost of production. Based on the hypothesis that higher prices of levy-free sugar in open market will compensate its losses has lost focus and has been driven to illogical ends. Indian producers are fleeced by making their part with 40 per cent of their output towards levy at far below production cost for sales through the Public Distribution System (PDS). The resultant losses contribute to the mounting of sugarcane arrears to farmers.

The central government declares the Statutory Minimum Price (SMP) for sugarcane every year in lieu of the Minimum Support Price (MSP) that it declares for food grains and other essential commodities. In effect the prices of sugarcane are increased every year by the center and further by each state. The unrealistic high state dictated cane prices have been made most of the sugar mills unviable and they turned sick. With mill declaring losses, lakhs

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