

PRIVATIZATION OF AGRO INDUSTRIES WITH REFERENCES TO DHAMPUR SUGAR MILL LTD

DAVINDER KAUR SOHI^{*}, BHARTI WADHWA^{*}

INTRODUCTION OF PRIVATIZATION

Privatization means transferring the control of an enterprise from government to private sector. Its objective is to increase efficiency and to reduce government interference in the economy and to promote greater private initiative.

The agro industry is regarded as an extended arm of agriculture. The development of the agro industry can help stabilize and make agriculture more lucrative and create employment opportunities both at the production and marketing stages. The broad-based development of the agro-products industry will improve both the social and physical infrastructure of India. Since it would cause diversification and commercialization of agriculture, it will thus enhance the incomes of farmers.

The sugar industry is regulated right from cane production to cane pricing, allocation of cane area to distribution of sugar by the respective state governments and the central government. With the levy sugar obligation remaining unchanged at 10%, the balance 90% sold in the open market as free sale sugar is subject to restrictions in the form of release mechanism under which monthly free sale quantities are fixed by the central government. The release mechanism under the Essential Commodities Act has been used to achieve price stability, ensuring sugar availability and enable the sugar mills to pay the statutory minimum support price for the sugarcane fixed by the government.

India is the largest consumer and second largest producer of sugar in the world. India is the largest consumer and second largest producer of sugar in the world. The Indian sugar industry is the second largest agro-industry located in the rural India. The Indian sugar industry has a turnover of Rs. 500 billion per annum and it contributes almost Rs. 22.5 billion to the central and state exchequer as tax, and excise duty every year (It is the second largest agro-processing industry in the country after cotton textiles). With 453 operating sugar mills in different parts of the country, Indian sugar industry has been a focal point for socio-economic development in the rural areas. About 50 million sugarcane farmers and a large number of agricultural laborers are involved in sugarcane cultivation and ancillary activities, constituting 7.5% of the rural population. Besides, the industry provides employment to about 2 million skilled/semi skilled workers and others mostly from the rural areas.

The industry not only generates power for its own requirement but surplus power for export to the grid based on byproduct biogases. It also produces ethanol, an ecology friendly and renewable energy for blending with petrol.

Better realizations from sugar and rising contribution from its co-generated power business boosted Dhampur Sugar Mills Ltd's performance in the December quarter.

^{*} Assistant Professor, Faculty of Finance, Symbiosis Center for Management Studies, Noida.

Correspondence E-mail Id: editor@eurekajournals.com

The Rs946 crore turnover sugar company's revenue rose by 29% to Rs347 crore, while net profit jumped fourfold to Rs57 crore, compared with the same period last year.

PRIVATIZATION; It is the incidence or process of transferring ownership of a business enterprises agency or public services from the public sector (government) to the private sector (business). In a broader sense privatization refers to transfer of any government function to the private sector including departmental function like revenue collection and law enforcement.

ADVANTAGES OF PRIVATIZATION

Its accuracy and commitment toward the service as they are very much concern about the profits they make ultimately which depends on the quality of service being provided by them and the public response to it.

It generates more revenue compared to government enterprises thus government can indirectly earn a bit more by leasing out enterprises to private organization.

Customer support and satisfaction basically is of much interest in private enterprises comparatively.

DISADVANTAGES OF PRIVATIZATION

The biggest threat is reliability. There is nothing that back up the private organization whereas government can back up its enterprises easily in terms of funds.

There are more chance of bankruptcy in private organization where are 0 to few in govt organization.

Though the quality of service may be little compromised its reliable.

Some departmental need social responsibility which can be done only by government like police department, traffic management.

OBJECTIVE OF PRIVATIZATION

- To promote increased efficiency.
- To raise revenue for the state (and there by bridge fiscal deficit)
- To reduce government interference in the economy and promote greater private initiative.
- To promote wide share ownership and development of the capital market.

RESEARCH METHODOLOGY

The agro industry is regarded as an extended arm of agriculture. The development of the agro industry can help stabilizes and make agriculture more lucrative and create employment opportunities both at the production and marketing stages. The broad-based development of the agro-products industry will improve both the social and physical infrastructure of India. As it causes diversification and commercialization of agriculture, it will enhance the incomes of farmers and create food surpluses.

The agro-industry mainly comprises of the post-harvest activities of processing and preserving agricultural products for intermediate or final consumption. It is a well-recognized fact across the world, particularly in the context of industrial development, that the importance of agro-industries is relative to agriculture increases as economies develop. Food also encompasses a wide variety of processed products. It is in this sense that the agro-industry is an important and vital part of the manufacturing sector in developing countries and the means for building industrial capacities.

THE AGRO INDUSTRY IS BROADLY CATEGORIES

1. Village Industries owned and run by rural households with very little capital investment and a high level of manual labour, products include pickles, papad, etc.

2. Small scale industry characterized by medium investment and semi-automation; products include edible oil, rice mills, etc.
3. Large scale industry involving large investment and a high level of automation; products include sugar, jute, cotton mills, etc.

The development of agro-based industries commenced during pre-independence days. Cotton mills, sugar mills, jute mills were fostered in the corporate sector. During the post-Independence days, with a view to rendering more employment and using local resources, small scale and village industries were favored.

The increasing environmental concerns will give further stimulus to agro based industries. Jute and cotton bags, which have begun to be replaced by plastic bags, have made a comeback. It is the right time to engage in mass production of low cost jute/cotton bags to replace plastic bags.

India is the second largest producer of food in the world. Whether it is canned food, processed food, food grains, dairy products, frozen food, fish, meat, poultry, the Indian agro industry has a huge potential, the significance and growth of which will never cease.

Sea fishing, aqua culture, milk and milk products, meat and poultry are some of the agro sectors that have shown marked growth over the years. to take advantage of the global market.

PROCESSED FOOD SEGMENT

The processing level of the agro industry may be at the primary, secondary or tertiary stage. In the case of hides and skins, India exports largely semi-processed items whereas in coffee/ tea, the exports are mostly in secondary stage by way of fully processed bulk shipments without branding/ packing. Exports at the tertiary stage mean branding and packaging the product that are ready for use by the consumer

The levels of processing and manufacturing can be classified into three groups, namely manual, mechanical and chemical or a combination thereof. In choosing the process, the main considerations are the nature of the raw materials, technology of processing, and packing.

OTHER SEGMENTS

Dairy product is another area where there is enormous potential. No doubt the country has made tremendous strides in the last 20 years in production and processing of milk and milk products. But the fact remains that only 15 per cent of all the milk produced is processed. Today, a large number of people suffer from diabetic or cardiac ailments and availability of fat free milk, fat free curd and sugar free food is poor. A simple product like soya milk is not produced in adequate quantity.

THE PROGRESS AHEAD*

With modernization, innovation and incorporation of latest trends and technology in the entire food chain as well as agro-production, the total production capacity of agro products in India and the world is likely to double by the next decade.

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DHAMPUR SUGAR MILL INDUSTRY OVERVIEW

DHAMPUR AT A GLANCE

Dhampur Sugar is a responsible and integrated sugar manufacturer with a significant presence in Uttar Pradesh, India.

OUR LINEAGE

Established in 1933, Dhampur remains one of the oldest and largest producers of sugarcane products in India.

OUR DE-RISKING PHILOSOPHY

- To re-establish ourselves as the most efficient sugarcane products company in India.
- To become a global sugarcane products company by leveraging our rich technical expertise.
- To continuously bring down the cost of conversion.
- To optimize the value of stakeholder investments with a continuous improvement in financial performance.
- To attain the highest level of accountability, corporate governance and shareholder value.

OUR PIONEERING INITIATIVES

At Dhampur, we pride ourselves on a rich legacy of seven decades of pioneering initiatives and listed below are some of our recent achievement

First sugar manufacturer in India to commission co-generation facilities and market surplus power in 1994

First sugar company to install high pressure boilers of 105 kg per sq. cm (G) and 170 tonnes per hour capacities.

First sugar company to produce alcohol in 1992 through the Encillium Process developed by the National Physical Laboratory, Pune.

Pioneering use of a pressure evaporation system with falling film type evaporator bodies.

OUR PRODUCT RANGE

POWER

145 MW with 79 MW of grid-interactive power

ETHANOL AND OTHER CHEMICALS

270 KLPD capacity, including 100 KLPD under Joint venture Fuel Ethanol, Ethyl acetate, Acetic anhydride, Acetic acid, Rectified spirit.

SUGAR

39500 TCD sugar cane crushing capacity, including 17000 TCD for refined sugar.

- Refined sugar
- Plantation white sugar
- Refined sugar
- Retail sugar (branded as Dhampure)

CONSULTANCY/ SERVICES

- Software solutions Power Project , Sugar and Ethanol project
- Engineering and Automation solutions

MANUFACTURING HIGHLIGHT

- Sugar Recovery increased to 9.98% in 2007-08 from 9.58% in 2006-07.
- Sugar cane crush decreased to 361.65 Lac Qtls in 2007-08 from 405.77 Lac Qtls in 2006-07.
- Sugar cane production decreased to 36.01 Lac Qtls in 2007-08 from 38.91 Lac Qtls in 2006-07.
- Absolute alcohol production increased by 120.22% to 17631KL in 2007-08.
- Other chemical production decreased by 23.33% to 29005 MT in 2007-08 from 26086 MT in 2006-07.

CORPORATE DEVELOPMENTS

- Dhampur Sugar Distillery Pvt. Ltd., having a chemical Plant of 100KLPD at Asmoli, became subsidiary of the company
- Company increased its equity capital to 52.78 Crores.
- Issued 51,41,052 fresh equity share (50,00,000 equity share to promoter group

company, 1,41,052 equity share issued upon conversion of compulsorily convertible Preference share.

CONCLUSION

In the December quarter, Dhampur sold only around 80,000 tonnes of sugar, compared with 130,000 tonnes in the same period last year. It produced 140,000 tonnes of sugar, including 80,000 tonnes from crushing cane and the rest from processing raw sugar. The farmers' agitation contributed to lower crushing

Dhampur has a sugar inventory of 110,000 tonnes of sugar for sale in the coming quarter. Costs are on the rise. While mills were willing to pay around Rs190 a quintal, average cane prices were higher than that. Cane procurement prices are at Rs230-240 a quintal at present. Still, companies are doing well because of higher sugar prices. Dhampur's average realization during the quarter was Rs32, around 80% higher than last year. Moreover, companies have contracted for raw sugar in the year to 20 September. Sugar companies count their year from October.

Dhampur has contracted for 245,000 tonnes of raw sugar, of which 70,000 tonnes has been processed. Since most of these sugar contracts will be at lower than current rates.

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