

## **Problems of Corporate Social Responsibility in Sugarcane Value Chain in Utter Pradesh: An Analysis through Integrated Model of CSR**

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### **ABSTRACT:**

Corporate social responsibility is a concept whereby companies integrate social and environmental concerns in their business activities and interactions with their stakeholders on a voluntary basis. In this global context, voluntary social and environmental practices of business which go beyond companies' existing legal obligations play a major role in filling the governance gap in an innovative way. The sector is characterized by controls across the entire value-chain of sugar production and sale, which not only hampers its efficiency but also exacerbates the cyclical in sugar and sugarcane production. The growth and development in sugar sector in the country in general and in the state of Uttar Pradesh in particular has multiple linkages with social, economic and environmental issues. The purpose of this study is to conduct a triple bottom line assessment of sugarcane value chain and suggest alternatives that could improve the current sustainable practices of CSR across various stakeholders.

**Keywords:** *Corporate social responsibility, Cyclical, Value chain, Sustainable growth*

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### **INTRODUCTION**

The Corporate Social Responsibility (CSR) is generally understood to be the way a company achieves integration of economic, environmental, and social imperative. Many firms believe that the focus on new opportunities as a way to respond to interrelated economic, societal and environmental demands in the marketplace provides a clear competitive advantage and stimulates corporate innovation. Corporate social responsibility is a concept whereby companies integrate social and environmental concerns in their business activities and in interaction with their stakeholders on a voluntary basis. According to some experts corporate social responsibility usually affords to avoid labor

conflicts. In this global context, voluntary social and environmental practices of business, going beyond companies' existing legal obligations play a major role in filling the governance gap in an innovative way. Sugar Industry in India is well developed with a consumer base of more than billions of people. It is also the second largest producer of sugar in the world (table 1).

The sector is characterized by controls across the entire value-chain of sugar production and sale, which not only hampers its efficiency but also exacerbates the cyclical in sugar and sugarcane production. Governments have relied on the legislation and regulations to deliver social and environmental objectives in the

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**Table 1: The sector-wise break-up of sugar mills**

SL. NO.	Sector	Number of factories
1	Co-Operative	324
2	Private	314
3	Public	62
	Total	700

Source: Annual report dept of food and public distribution

business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead. This characteristic of unpredictability in sugarcane production, coupled with the controls, does not allow the sugar sector to tap its full potential and thereby adversely impacts the interests of stakeholder's across the value-chain—be they sugarcane growers, sugar mills, or consumers. The purpose of this study is to conduct a triple bottom line assessment of sugarcane value chain and suggest alternatives that could improve the current sustainable practices across various stakeholders. Further, a value chain approach will be adopted to identify the issues related to social, economic and environment across various stakeholders linking the sugarcane produces and the processors.

#### Literature Review

Harishchandra et al. (2013) point that unemployment, lack of educational facility & domestic violence were major social problems in sugarcane harvesters.

Rangarajan committee 2012 identified that Government de-regulation is likely to reduce the cyclical nature of cane production. With consolidation and contracts between mills and farmers, there will be more sustained cultivation of cane across years.

CAFP (2013) suggests the strengthening of sugarcane research and development activities in the state of uttar Pradesh.

KPMG (2007) states that the sugar sector is impacted by induced cyclical nature, since high sugar and sugarcane prices lead to an increase in production at the cost of other crops. The resulting low prices for sugar impact the ability

of mills to pay the farmers, thus leading to creation of arrears.

Nikam (2006) is an attempt to find out cost trend, profitability and operational efficiency of the sugar mills of two states, Uttar Pradesh and Maharashtra. The study also attempts to compare the working of the sugar mills of different regions of Uttar Pradesh and Maharashtra.

Mustafa (1990) Labor Problems and Welfare is a systematic, comprehensive and analytical study of the problems related to mill workers and welfare measures introduced especially in the sugar industry.

Ram Vichar Sinha (1988) analyses the historical background of Indian Sugar Industry, agricultural economics of sugarcane, problems of cane marketing and transport, technical performances, utilization of byproducts, labor and relations, policies on sugar economy, fiscal and financial aspects of the industry.

Hubert (1958) gives factual information on many facets of sugar cane cultivation, irrigation system, construction of factories, old and new equipment, trouble shooting, comparative value of different labor forces, role of chemists in scientific quality control and production efficiency.

#### Objectives of the Study

1. To identify the critical productive agents across sugarcane value chain, primary and support activities performed by them and role in social development context.
2. To assess the sustainability issues faced by each productive agents across the sugarcane value chain, using the 'triple bottom line approach'.
3. To evaluate importance of sugar factories in social, economic and environmental

upliftment of society.

### RESEARCH METHOD

The growth and development in sugar sector in the country in general and in the state of Uttar Pradesh in particular has multiple linkages with social, economic and environmental issues. John Elkington developed a model of measuring sustainability during the mid-1990s, using an accounting framework, called the triple bottom line (TBL). In general, the triple bottom line (TBL) approach focuses on the three pillars i.e. social, economic and environment. This approach has been used for measuring the performance in a number of sectors including sugar. The purpose of this study is to conduct a triple bottom line assessment of sugarcane value chain and suggest alternatives that could improve the current sustainable practices across various stakeholders. Further, a value chain approach will be adopted to identify the issues related to social, economic and environment across various stakeholders linking the sugarcane produces and the processors.

### Social Sustainability

Several studies have shown that farmers as a class fall in the lowest category of income slab in the country. The ministry of agriculture has acknowledged in parliament that the average monthly income of a farming family is less than Rs, 2400 per month. Most of the cane growers are small farmers whose livelihood depends upon sugarcane alone. Farmers have to wait for a year to get a remunerative price. The one-off payment they receive for the sugarcane crop runs

their family expenses throughout the year. Often they are not paid for months if not years. In Utter Pradesh cane arrears of Rs 2350-crores has already forced two farmers to commit suicide (one in Lakhimpur in Utter Pradesh and other in Belgaum in Karnataka). There has been also cases of feeding the crop to the cattle (farmers in Hapur village in Utter Pradesh) (table 2).

Increase in the cost of production due to increase input cost, especially the cost of labor, fertilizers and transportation. Indian institute of sugarcane research has underlined in its annual report of 2011-12 that input prices have increased massively in the recent years. Cabinet committee on economic affairs (CCEA) in compliance with the recommendation for agricultural cost and price (CACP) came forward with a hike of Rs 40 in fair and remunerative price (FRP) at Rs 210 per quintal for the season 2013-14. Various farmers' organization hinted that the hike is in no way going to ameliorate their condition, as the final payment will amount to very little after deducting the cost of transport and harvesting. Farmers have to spend about 40 percent of cultivation on harvesting alone. There is scarcity of labor due to implementation of Mahatma Gandhi national Rural Employment Guarantee Act during the season of agriculture operation. This scarcity of labor has increased the wages. Cane prices are paid to farmers after deducting from it the transportation cost at Rs 5.65 per quintal irrespective of distances between fields and factories; it is bound to create resentment in the long run among farmers who have sugarcane fields adjacent to factories.

**Table 2: Position of cane price payments and arrears for the past few sugar seasons**

Season	Position as on	Total Price Payable	Total Price Paid	Arrears	% Of Arrears on Price Payable
2012-13	31/3/2013	53,436.17	40,734.00	12,702.17	23.77
2011-12	31/3/2012	44,596.21	36,018.75	8,577.46	19.23
2010-11	31/3/2011	36,530.88	32,215.59	4,315.29	11.81
2009-10	31/3/2010	32,051.71	29,328.61	2,723.09	8.5
2008-09	31/3/2009	17,002.88	15,777.50	1,225.37	7.21

(Source: Annual report dept of food and public distribution)

Farmers are not aware of recent techniques of production and farm management which help to increase output and reduce cost. As bore wells are important source of irrigation for sugarcane cultivation, electricity power failures, lack of adequate power supply are affecting the irrigation which in turn affect the output, and weight of crop.

The MSP fixed by the government is not remunerative to the farmers in view of steep rise in cost of production, transportation and incidental costs. Farmers in Uttar Pradesh are demanding a price Rs 300/quintal saying that the cost of diesel and labor have gone up, the sugar mill owners want it lowered to Rs 225/quintal saying they are already making a loss of Rs 6 per kg of sugar they sell.

#### **Economic Sustainability**

A standoff between the sugar industry and the Uttar Pradesh government over cane prices could lead to an economic crisis for sugarcane growers in the state came to end as millers agreed to make payments to farmers in two tranches. Farmer will get Rs.260 per quintal in the first tranche immediately after supplying the cane and the remaining Rs.20 at the end of the crushing operation. Uttar Pradesh has 158 mills with Bajaj Hindusthan, BalrampurChini and Triveni Engineering among the top sugar companies. Livelihood of about seven million farmers in the state depends on sugarcane. Mills facing difficulties in making payments to farmers this season as well. Low sugar price resulted in a loss of Rs 3000 crore for the industry last year and the industry apprehends a loss of Rs 5000 crore if it pays the price the state government has mandated. Millers arguing that they can't pay farmers the state advised price (SAP) of Rs 280 a quintal on account of surplus stocks and decline in sugar prices.

There are regulations across the entire value chain many of these regulations not only impact the sugar business but also impair the high potential byproducts' businesses. The principal aspects regulated in the sugar sector are as under:

**Price of sugarcane** — while on the one hand, the Centre Government fixes FRP as the minimum price, which is also used for arriving at the price of levy sugar. On the other, many States have intervened in sugarcane pricing with

State Advised Price (SAP) to strengthen the farmer interests. SAP has typically been higher than FRP. Farmers and millers on the one hand, and CACP and states on the other, have held divergent views on which is a price fair to both farmers and millers.

**Levy sugar obligation** — every sugar mill mandatorily surrenders 10% of its production to the Central Government at a pre-determined price, which is, at present, Rs. 1,904.82 per quintal. This enables Central Government to get access to low cost sugar stocks for distribution through PDS. At present prices, the Government of India saves about Rs. 3,000 crore on account of this policy—the burden being borne by the sugar sector.

**Regulated release of free-sale (non-levy) sugar** — the release of non-levy sugar into the market is regulated by the Central Government through a controlled release mechanism. Earlier, monthly release orders were issued to each mill. Release orders have now become quarterly. The idea seems to be to match supply with anticipated demand based on the data available with the Directorate of Sugar.

**Minimum distance criterion** — The Central Government, under the Sugarcane Control Order, has prescribed a minimum distance of 15 km between any two sugar mills. Enhancement of this distance has also been allowed on the request of some state governments.

#### **Environmental Sustainability**

Farmers cultivating sugarcane are facing multiple problems. Water is one of the major constraints and it is affecting the productivity and profitability of sugarcane growers and millers. The problem is going to further deteriorate due to variability of rainfall influenced by climate change. So, unless sugarcane farmers are provided with options of high yields with much less water, India will find it difficult to meet its growing demand for sugar.

According to the World Wildlife Fund (WWF), roughly 145 million tons of sugars are produced in 121 countries each year. And sugar production does indeed take its toll on surrounding soil, water and air, especially in threatened tropical ecosystems near the equator. A 2004 report by WWF, titled "Sugar and the Environment," shows that sugar may be responsible for more biodiversity loss than any

other crop, due to its destruction of habitat to make way for plantations, its intensive use of water for irrigation, its heavy use of agricultural chemicals, and the polluted wastewater that is routinely discharged in the sugar production process.

Order of the National Green Tribunal in the matter of Krishan Kant Singh and Anr. Vs. National Ganga River Basin Authority and Ors. Dated 12/02/2014 regarding consent to operate granted to M/s Simbhaoli Sugars Ltd. & Distillery by the Uttar Pradesh Pollution Control Board. In its Inspection Report dated 4th September, 2013 the Central Board has specifically noticed that Distillery Unit was operating at 63.91 KLD alcohol production in July, 2013 against the restricted capacity of 60 KLD which according to the State Board is further been restricted to 30 KLD in November, 2013. In the order the judges noted that "It is strange that the Officers who are present from the Uttar Pradesh Pollution Control Board cannot say with certainty that when they inspected; whether they collected trade effluents samples and analyzed them in accordance with law or not."

As a consequence, sugar has also had an important impact on other ecosystems. For example, sugar production has changed coastal hydrology. Siltation from soil erosion has clogged coastal ecosystems, especially coral reefs and sea grass beds, which are important to a wide range of species. Nutrient runoff from sugar cultivation has led to nutrient loading and eutrophication of freshwater and marine systems. Finally, sugar mills are cleaned periodically, and the organic matter that is flushed can tie up all oxygen in nearby rivers as it decomposes. This in turn asphyxiates fish and other aquatic organisms health.

The improved varieties released by research organizations perform well in the initial years but lose their vigor and decline in yield in due course. Water availability is unpredictable. The concern is not only the quantity of water required, but also the lack of proper water management practices. Due to this, water is either wasted or sometimes not available at the right time. Unpredictable climatic aberrations, improper cultivation practices, negligence in plant protection measures, imbalanced nutrient

management and other practices like mono cropping often result in low productivity, fetching low price in the market.

## **CONCLUSION**

Sustainable development requires meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. Indiscriminate industrial development and unsafe disposal of industrial waste, especially in developing countries is resulting into overexploitation of non-renewable natural resources, land degradation and pollution of water and environment, which is becoming a big threat to sustainable development. Therefore corporate sector should consider it as their responsibility not to overexploit the natural resources, not to pollute the environment for the well being of the future generations. To minimize the conflict between corporate houses and different stakeholders a proper harmony has to be maintained if we have to survive as a happy community for all times to come. To achieve this corporate social

Responsibility should take care of their employees, shareholders, suppliers, consumers and community.

Taking into consideration, the technical social, economic and environmental issues, the problems of sugarcane farmers as pointed out sample farmers the following suggestions are given to sustain Sugarcane cultivation and to improve the economic conditions of sugarcane farmers. The Mahatma Gandhi National Rural Employment Guarantee Act has to be grounded strictly during non-agriculture season i.e. from April –June. Sugarcane farmers need to be educated on recent techniques of cultivation and Farm Management by government extension department functioning at Mandal level. Uninterrupted power supply need be ensured at least 8 hours in a day so that necessary irrigation from wells will be possible which affect the output. The sugarcane mills are to be strictly instructed to purchase cane immediately after harvest without loss of weight.

## **RECOMMENDATIONS**

**Rural Development Cell**—Development of the society, people where sugar factory is existed should contribute through providing them

education of school, college of all kind. Children's should get education facilities near so they don't need to go from their house.

**Road and Maintenance**— To build the road and maintain the road so that it will easy to transportation of the people and goods from one place to the other is the job of the government. Road is the basic need of the transportation and normal people are using it.

**Education**— Education is the basic right of every child, but India is developing country and numbers of people are living below poverty line. If people don't know that they will get food of evening or not then education is like a dream for them. Government is providing as much possible but as a citizen it is our responsibility too. Work in education field is also the big contribution to the government.

**Drinking Water / Sanitation / Latrines**— According to the 'Factories Act' the factories have to provide the pure and cool water to the employees and it must be easily available when employees are in factory. Along with Sanitation and Latrine facilities to the employees. Within the factory there is arrangement of the latrines which is separated for male and female.

**Rehabilitation Program**— If farmer is failing problem like no rain or heavy rain then it is difficult them to ultimate the crop. At such incident factory should give financial aid, free seeds, chemicals etc to the farmers so that they can return from the problem.

**Environment Related Activities**— Factories have to be environment friendly if we have to leave the better future to the next generation. So it is always good to obey the law of nature.

**Co-operative Bank**— Sugar Factory should have Co-operative Bank with its mission is to help the people to make them financially strong, providing loan on interest to the small farmers in their agriculture, medical, marriage and education of children etc. they can use it.

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