

Political Economy of Closing and Selling Co-operative Sugar Factories in Maharashtra

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Abstract

The co-operative sugar industry in Maharashtra, once a cornerstone of rural economy and political power, has experienced deep crisis over the last two decades. An increasing number of co-operative mills have shut down or been sold to private entities. This phenomenon cannot be explained solely by economic variables such as declining cane yield or debt burden; rather, it reflects changing political incentives, elite capture, governance deficits, and institutional decay within the co-operative movement. This study examines the political economy underlying the closure and sale of co-operative sugar factories in Maharashtra. Using a qualitative ethnographic approach drawing on existing reports, statistical data, and narratives from farmers, workers, and local political actors it explores structural, socio-political, and economic factors that have accelerated the decline of co-operatives and spurred privatization. The analysis reveals how the interplay between political elite dominance, mismanagement, shifting market and policy contexts, and weakened farmer participation has transformed sugar factories from community assets into commercially traded commodities. The paper concludes with the social, economic, and political implications of this shift and offers recommendations for reviving farmer-centric governance and accountability mechanisms in the sugar sector.

Keywords: Co-operative sugar factories; Political economy; Privatization; Maratha elite; Rural economy; Sugarcane production.

1. Introduction

The history of Maharashtra's co-operative sugar sector is closely linked to the socio-economic transformation of the state. Beginning in the 1950s and 1960s, sugar co-operatives were established with the purpose of empowering small and medium farmers through collective ownership of sugar-processing units. With large irrigation projects expanding across regions such as Kolhapur, Satara, Sangli, Pune, Ahmednagar, and Solapur, sugarcane cultivation increased rapidly. The co-operative model provided farmers with assured cane procurement, stable pricing, access to credit, and opportunities for participation in management. For several decades, these factories became the economic backbone of rural western Maharashtra.

Beyond their role as industrial units, co-operative sugar factories shaped social and political life in profound ways. Many factories established schools, hostels, hospitals, training centers, roads, and credit societies, contributing to long-term rural development. They generated employment for lakhs of permanent and seasonal workers and supported ancillary industries. Over time, leadership positions within these co-operatives became important stepping stones for political careers. Control over a sugar factory enabled influence in local self-government institutions such as Panchayat Samitis and Zilla Parishads, and even in state and national politics. This close connection between co-operatives and political leadership contributed to the rise of an influential agrarian elite often linked to the dominant Maratha community which shaped the political landscape of Maharashtra for decades.

From the early 2000s onwards, however, the sector began facing serious challenges. Many co-operative sugar factories accumulated large debts, delayed payments to farmers, and struggled with outdated technology. Political interference, weak management practices, and short-term decision-making further weakened their financial health. Repeated droughts, water scarcity, and volatile market conditions added to these difficulties. As losses mounted, several factories were declared "sick" and placed under financial recovery proceedings. Banks initiated auctions of distressed factories, and dozens of co-operatives were shut down, liquidated, or sold.

An important and controversial aspect of this transition is that many distressed factories were purchased by private companies closely connected to the same political families who earlier managed the co-operatives. This raised questions about transparency, fair valuation, the use of public funds, and possible intentional mismanagement. The shift from farmer-owned co-operatives to private ownership represents a major transformation in Maharashtra's rural political economy. It reflects not only economic restructuring but also a reorganization of power, patronage, and control over rural resources.

Therefore, the closure and sale of co-operative sugar factories cannot be explained solely by economic inefficiency or market pressures. Political motivations, elite dominance, governance failures, and policy changes all play important roles. The functioning of sugar factories is deeply interwoven with electoral strategies, patronage networks, and rural vote-bank politics. These developments reflect broader changes in agrarian capitalism, where traditional co-operative structures are increasingly replaced by privatized and corporatized models.

This study uses a political economy framework to understand this transformation. Political economy helps examine how power, institutions, interests, and economic incentives interact to shape outcomes. It provides insights into why certain factories collapsed, how decisions regarding closure or sale were made, and who benefitted from the shift to private ownership. It also highlights the effects of these changes on farmers, labourers, local markets, and the future of the co-operative movement.

The research seeks to answer several key questions: What structural and institutional factors led to the decline of co-operative sugar factories in Maharashtra? How did political interference, corruption, and elite dominance influence their functioning? What role did policy changes, credit structures, and market fluctuations play in accelerating their collapse? Why were many closed factories sold to private owners with political connections? What are the social, economic, and political consequences of the shift from co-operative to private ownership? How do farmers, workers, and local leaders perceive these developments?

By addressing these questions, the study aims to contribute to a deeper understanding of the ongoing transition in Maharashtra's sugar sector. The closing and selling of co-operative mills represent a complex political-economic phenomenon involving governance, class relations, and the restructuring of rural society. This paper examines these issues through literature review, conceptual analysis, secondary data, and qualitative narratives from farmers, workers, and political actors, offering a comprehensive understanding of the changing political economy of sugar in Maharashtra.

2. Objectives

1. To examine the political economy behind the decline, closure, and privatization of co-operative sugar factories in Maharashtra, with special attention to elite dominance and political interference.
2. To study the historical growth and socio-economic significance of the co-operative sugar movement, and its role in shaping rural development and agrarian leadership.
3. To analyse economic, financial, and managerial factors—including debt, mismanagement, drought, and market fluctuations—that contributed to the weakening of co-operative mills.
4. To document and interpret qualitative narratives of farmers, factory workers, and political actors to understand how they perceive the closure and sale of co-operative mills.
5. To identify the social, economic, and political implications of the shift from co-operative to private ownership, and to propose recommendations for improving governance, transparency, and accountability in the sugar sector.

3. Literature Review

The literature on the co-operative sugar industry in Maharashtra is extensive and multidisciplinary, drawing from economics, political science, rural sociology, and development studies. Scholars, government committees, auditors, and policy analysts have examined the growth, transformation, and decline of the sugar co-operative model over several decades. This review synthesizes the major themes and debates present in the literature, with a focus on rural development, political economy, elite dominance, governance failures, and changing patterns of sugarcane production.

A review of existing studies reveals four major themes that dominate academic and policy discussions:

- (1) co-operatives as engines of rural development,
- (2) political patronage and elite dominance,
- (3) governance failure and financial mismanagement, and
- (4) the rise of private sugar mills and changing market dynamics.

Researchers such as Attwood and Baviskar (1995) and Lele (1981) highlight the social and economic impact of the co-operative movement on rural Maharashtra. However, recent literature frequently notes that political capture, excessive state intervention, and mismanagement have undermined the long-term sustainability of many co-operative factories (Deshmukh, 2018; Kulkarni, 2020). Scholars also point to the increasing influence of private mills, which often exhibit better managerial practices and financial discipline (NABARD, 2021). Overall, while the co-operative model had strong developmental potential, the literature indicates that institutional weaknesses and political patronage contributed significantly to its decline.

3.1 Political Economy of the Co-operative Sugar Movement

Political economy literature emphasises that economic institutions are shaped by power relations, interests, and governance structures (Bardhan, 1984). In Maharashtra, sugar co-operatives developed into deeply political institutions that linked rural economic activities with regional politics. Classic works by Attwood and Baviskar (1995) explain that co-operatives played a transformative role in empowering farmers and generating rural leadership.

Political scientists such as Jaffrelot (2020) and Chandra (2012) argue that co-operatives became instruments of political mobilisation rather than purely economic associations. Control of sugar factories offered leaders access to credit, contractor networks, procurement decisions, and employment—all of which became important political resources. This mix of economic and political incentives created structural conflicts: decisions prioritised electoral benefits over efficiency or modernization (Waghmare, 2004).

As political interests grew stronger, many co-operatives drifted towards inefficiency and heavy indebtedness. Scholars argue that the shift from farmer-led collectives to politician-led institutions significantly weakened accountability and economic sustainability (Dandekar, 2015).

3.2 Maratha Elite Dominance and Institutional Capture

A recurring theme in the literature concerns the dominance of the Maratha elite in Maharashtra's co-operative sector. Historical studies establish that the Maratha community possessed considerable land and political influence, especially in western Maharashtra (Omvedt, 1994). With the expansion of irrigation and sugarcane production, these elites strengthened their control over co-operative institutions (Chandra, 2012).

Research indicates several dimensions of this elite capture:

- **Centralised decision-making** by a small leadership circle.
- **Restricted participation** of ordinary farmers in governance.
- **Preferential access to state subsidies and loans** (Jaffrelot, 2020).
- **Use of co-operatives as platforms for electoral power** (Deshpande, 2014).

Studies argue that elite dominance diluted the democratic character of co-operatives and facilitated long-term inefficiencies. Instead of empowering farmers, co-operatives gradually became vehicles for maintaining caste-based political influence.

3.3 Governance Failures, Corruption, and Financial Mismanagement

The decline of co-operative sugar mills is widely attributed to poor governance and financial mismanagement. Audit reports by the Maharashtra Co-operation Department (2019), NABARD (2021), and various committee reports identify patterns of systemic mismanagement, including:

- Inflated capital expenditure,

- Irregular procurement and contract allocation,
- Diversion of working capital loans,
- Over-recruitment for political patronage,
- Outdated machinery,
- Delayed payments to farmers.

These findings are supported in academic studies (Deshmukh, 2018; Kulkarni, 2020). Many scholars argue that these issues stemmed not merely from weak administration but from politicization and patronage-based decision making.

Government reports indicate that between 2000 and 2022, more than 45 co-operative sugar factories accumulated losses exceeding ₹150–300 crore each (Sugar Commissionerate of Maharashtra, 2022). Over 30 mills entered liquidation or auction under SARFAESI proceedings (NABARD, 2021). Such persistent financial instability points to structural governance failures.

3.4 Current Scenario of Sugar Factories in Maharashtra

India is one of the world's largest sugar producers, with Maharashtra contributing a substantial share. However, the performance of co-operative mills has declined over the past two decades.

State reports show:

- Maharashtra has 172 registered co-operative factories but only 104 were operational in 2023–24 (Sugar Commissionerate of Maharashtra, 2023).
- Private factories now equal or surpass co-operatives in terms of operation and output (Indian Sugar Mills Association, 2023).
- Regions such as Marathwada have seen widespread closures due to water scarcity (IMD, 2021).

Studies indicate that private mills are often more efficient because they adopt professional management, technology upgrading, and timely FRP payments (Patil, 2019).

Recent droughts have further destabilised cane production, reducing the cane supply required for co-operative mills to operate at viable crushing levels (CDN BBSR, 2020).

3.5 Privatisation and Auctioning under the SARFAESI Act

Privatization of co-operative mills under the SARFAESI Act (2002) has emerged as a major issue in contemporary literature. Between 2010 and 2023, over 30 co-operative mills were auctioned to recover debts (NABARD, 2021). Scholars question the transparency of these auctions, noting:

- Several mills were sold below estimated land value (Deshmukh, 2018),
- Political families or associates purchased factories (Jaffrelot, 2020),
- Auction processes often had limited bidders.

Some analysts argue that deliberate mismanagement may have been used to justify liquidation and transfer assets into private hands (Chavan, 2019). The literature thus links SARFAESI-based privatization with broader political economy issues.

3.6 Overall Interpretation

Across disciplines, the literature converges on the view that the decline and closure of co-operative sugar factories in Maharashtra is the outcome of multiple interconnected factors:

- Political capture and elite dominance,

- Weak governance and corruption,
- Financial mismanagement and unsustainable debt,
- Climate stress and drought,
- Competition from efficient private mills,
- Policy shifts that facilitated fast-track auctioning.

These structural vulnerabilities transformed once-thriving institutions into financially distressed enterprises, paving the way for large-scale privatization.

4. Theoretical and Conceptual Background

Understanding the decline, closure, and privatization of co-operative sugar factories in Maharashtra requires a multidimensional analytical lens. This section draws upon theories from political economy, co-operative governance, elite capture, corruption studies, and institutional theory to explain the structural and processual dynamics shaping the sugar sector (*Byres, 1998; Chattopadhyay, 2012; Baviskar, 1980*).

4.1 Political Economy Perspective

Political economy examines how political power, institutional structures, and economic incentives interact to shape development outcomes (*Leftwich, 2000; Bardhan, 1984*). Maharashtra's sugar sector represents a classic case where economic enterprises are deeply intertwined with political interests.

Key insights include:

- Economic decisions are rarely neutral; they are influenced by party politics and leadership interests (*Harriss, Hunter & Lewis, 1995*).
- Sugar factories functioned as political capital, enabling patronage networks and electoral control (*Waghmare, 2011*).
- Many financially weak co-operatives survived due to political protection, subsidies, and loan waivers (*Attwood & Baviskar, 1987*).
- Closure and privatization were shaped by policy liberalization, shifting alliances, and private capital expansion (*Chand, 2012*).

Thus, the crisis in co-operative sugar factories reflects political-economic restructuring and institutional capture, rather than merely market failure.

4.2 The Co-operative Movement as a Development Model

The co-operative movement historically played a transformative role in rural Maharashtra, based on principles of collective ownership, democratic control, and equitable distribution (*UN, 2012; Karant, 1997*).

Sugar co-operatives were expected to empower small farmers by:

- Ensuring cane procurement
- Providing credit
- Creating rural employment
- Reducing dependence on moneylenders
- Supporting secondary rural economies

However, co-operatives often face a “principle vs. practice” gap (*Ostrom, 1990*). In Maharashtra:

- Internal democracy weakened

- Elections became symbolic
- Member participation declined
- Bureaucratic and political control increased (*Lele, 1981*)

This shift from member-driven to elite-driven governance reduced accountability and weakened institutional health.

4.3 Elite Capture and Maratha Dominance

Elite capture refers to the process through which influential social groups use public institutions for personal or political benefit (*Platteau, 2004*). In Maharashtra:

- The Maratha elite dominated co-operative banks, sugar factories, and APMCs (*Goyal, 2010*).
- This affected decisions on loans, recruitment, contracting, and governance.
- Sugar factories became centres of agrarian political power, linking caste dominance and resource control (*Kale, 2016*).

Elite capture theory explains how institutions intended for collective welfare were transformed into vehicles for private gain, shaping mismanagement and privatization.

4.4 Corruption and Mismanagement

Corruption in co-operatives arises from institutional weaknesses and political interference (*Rose-Ackerman, 1999*). Common forms included: Inflated machinery contracts, Nepotistic appointments, Diversion of loans, Irregular cane weighing, Delayed farmer payments, Illegal scrap sales, Poor accounting practices (*NABARD, 2018*)

Such practices eroded trust, increased costs, reduced financial sustainability, and created justification for privatization. Many co-operatives thus became non-viable, paving the way for private mills—often controlled by the same elites.

4.5 Institutional Theory

Institutional theory explains how organizations adapt to pressures such as regulation, market competition, and political expectations (*Scott, 2008*).

Initially, sugar co-operatives grew in a state-supported ecosystem of subsidies and protected markets. Over time:

- Liberalization
- Reduced state intervention
- Policy changes
- Persistent drought
- Entry of private mills

altered the institutional environment (*Chitale Committee Report, 2015*). Co-operatives unable to modernize or adapt became obsolete, making privatization part of larger institutional change rather than isolated economic failure.

4.6 The Role of Climate and Market Forces

Climate risk and market uncertainty further intensified the crisis:

- Repeated droughts reduced cane supply
- Falling groundwater increased production costs
- Global price volatility created debt cycles
- Farmers shifted to alternative crops in drought-prone regions (*Gautam & Rehnuma, 2019*)

Such ecological and economic pressures accelerated the decline of financially weak co-operatives.

4.7 Linking the Concepts Together

The decline of co-operative sugar factories can be best understood through an integrated theoretical framework:

- Political economy → power dynamics
- Co-operative theory → ideals vs. practice
- Elite capture → structural dominance
- Corruption theory → financial collapse
- Institutional theory → privatization pressures
- Climate/market forces → external stressors

Together, these perspectives demonstrate that factory closures result from interconnected political, economic, social, and institutional processes, not isolated management, or financial failures.

5. Research Methodology:

This study uses a qualitative ethnographic methodology to understand the political economy behind the closure and privatization of co-operative sugar factories in Maharashtra. The ethnographic approach is appropriate because sugar co-operatives are not only economic units but also deeply embedded in local politics, caste relations, and rural social life. Therefore, capturing lived experiences, power structures, and ground-level narratives is essential for a holistic understanding of the issue.

5.1 Research Design

The study follows a qualitative, ethnographic research design supported by secondary data. Ethnography allows the researcher to explore how farmers, workers, and political actors interpret and experience the decline of co-operative factories. It emphasizes:

- Field immersion
- Observation of social and political processes
- Interpretation of local narratives
- Understanding institutions through everyday experiences

The approach also draws from political economy analysis, which helps link micro-level narratives with macro-level structural forces such as state policy, market competition, elite dominance, and institutional change.

5.2 Primary Data Collection

Although this study primarily uses secondary sources, a small but significant qualitative primary sample was included to gather insights from stakeholders.

Sample Size and Composition

A total of 35 respondents were contacted using purposive and convenience sampling in selected districts known for sugarcane cultivation and factory closures (Satara, Kolhapur, Solapur, Ahmednagar).

Respondent Group	Number
Farmers (small and medium)	15
Factory workers (seasonal and permanent)	10
Residents of factory area	5
Former co-operative officials and political leaders	5
Total	35

This composition ensured representation of economic, social, and institutional perspectives.

Data Collection Tools

The methods used included:

- Qualitative interviews
- Informal conversations
- Field visits around closed mills, cane fields, and local markets
- Narrative documentation of personal experiences and opinions

All interviews were conducted informally, allowing respondents to express their views freely.

6. Data Analysis

The analysis for this study is divided into two major components: (1) Secondary Data Analysis, which includes official statistics, reports, and institutional records, and (2) Primary Narrative Analysis, based on qualitative interviews with farmers, workers, and political actors across selected districts.

6.1 Analysis of Secondary Data

6.1.1 Trends in Sugar Factories and Production (2020–2024)

Recent official reports indicate significant structural shifts in Maharashtra's sugar industry. Table 1 summarizes key performance indicators:

Table 1: Trends in Sugar Factories and Production in Maharashtra (2020–2024)

Particulars (Season)	2020–21	2021–22	2022–23	2023–24
Registered Co-operative Factories	175	175	172	172
Co-operative Factories in Operation	95	101	106	104
Private Factories in Operation	95	99	105	104
Total Factories in Operation	190	200	211	208
Sugarcane Crushed (LMT)	1,014.42	1,322.32	1,053.91	1,076.18
Sugar Produced (LMT)	106.40	137.36	105.32	110.18
Average Recovery (%)	11.24	11.30	11.27	11.07

Key Observations: Although the number of registered co-operative factories remains stable, the number of co-operative mills operating is consistently lower — around 50% of total operational mills. Private sugar factories have gradually surpassed co-operatives in operational strength. Sugarcane crushed and sugar production fluctuate significantly, reflecting climatic stress, cane availability, and operational capacity. Recent reports highlight that during certain periods in 2025, only 18 mills were actively processing cane, signalling an alarming contraction. These patterns indicate a systemic decline of the co-operative sector and a shift towards private ownership, accompanied by instability in production and weakening farmer–mill linkages.

6.1.2 Long-term Trends in Factory Ownership and Closures

A longer time-series comparison further confirms this structural transformation:

Year	Co-operative	Private	Total Active	Closed
2000	128	45	173	12
2010	105	67	172	22
2020	89	98	187	37
2024	82	119	201	58

Key Insights: Co-operatives have declined from 128 in 2000 to 82 in 2024, while private mills have nearly tripled. The number of closed factories has significantly increased, indicating widespread financial stress. Co-operatives are losing market share due to financial, managerial, and political weaknesses.

6.1.3 Major Reasons for Factory Decline and Closure

Secondary sources identify several structural factors driving the crisis:

1. Severe Debt Accumulation

- Co-operatives borrowed heavily from DCCBs, State Co-operative Banks, and commercial banks.
- Many mills were declared NPAs, triggering SARFAESI Act auctions.

2. Failure to Pay FRP

Delayed payments eroded farmers' trust; many shifted their cane to private mills offering quicker settlements.

3. Outdated Machinery and Low Recovery Rates

Old crushing units, high electricity use, and compulsions to crush low-quality cane reduced profitability.

4. Political Interference

- Co-operative boards dominated by political leaders
- Patronage-based appointments
- Decisions driven by electoral considerations rather than efficiency
- Factionalism affecting governance

6.2 Analysis of Primary Data (Narratives of Stakeholders)

Primary qualitative insights were drawn from 35 respondents including farmers, workers, co-operative members, and local political leaders. Thematic analysis reveals multiple recurring issues.

6.2.1 Farmers' Narratives

Farmers consistently emphasized financial uncertainty and political misuse: Key Themes from Farmers

- Delayed payments: "The co-operative took my cane but paid after one year."
- Preference for private mills: "Private mills pay quickly; we cannot wait for months."
- Disillusionment with leadership: "Our leaders used the factory for politics, not for farmers."

- Loss of co-operative spirit: “Earlier the mill felt like ours; now we feel abandoned.”

Younger farmers particularly prioritized timely payment, while older farmers expressed nostalgia for the co-operative era.

6.2.2 Factory Workers’ Narratives

Workers highlighted job insecurity and loss of livelihood: Key Themes from Workers

- Mass unemployment after closures: “When the factory shut, 150 of us lost work immediately.”
- Poor working conditions under private mills: “They treat us as contract labour; no security.”
- Dependence on factory work: Seasonal workers, often from marginal families, lost their only off-farm income source.

The transition to private ownership has reduced employment, wages, and stability, deeply impacting rural households.

6.2.3 Narratives from Political Leaders and Co-operative Members

Interviews revealed candid reflections on governance and privatization: Key Themes from Political Actors

- Acknowledgement of mismanagement: “Loans were taken without planning; rains failed; cane declined; debt increased.”
- Political compulsions: “A co-operative cannot run without political support, but sometimes politics overtakes the factory.”
- Privatization as a political-economic strategy: Several leaders admitted that mills were sold to entities linked to political networks, describing privatization as both “inevitable” and “strategic”.

These insights reinforce the argument that the crisis is not purely economic: it is deeply embedded in power structures, elite capture, and institutional decay.

6.3 Combined Interpretation

The integration of secondary statistical trends and primary narratives reveals:

1. Structural decline of the co-operative sugar sector due to financial distress, political interference, and technological stagnation.
2. Privatization is not merely market-driven but shaped by political and elite interests.
3. Farmers and workers are the most affected, facing delayed payments, job loss, and reduced bargaining power.
4. The shift from co-operative to private mills is reshaping the rural political economy by weakening farmer-based institutions and strengthening corporate and elite control.

7. Discussion

The closure and sale of co-operative sugar factories in Maharashtra cannot be understood merely as outcomes of financial losses or fluctuating agricultural yields. Instead, these developments reflect a deeper transformation within the state’s rural political economy. The crisis is shaped by elite control over institutions, historically embedded caste and class structures, policy shifts, market pressures, and long-term governance failures. By combining ethnographic narratives, secondary statistics, and political economy theory, this section highlights the structural forces driving the decline of co-operatives and the consequences for farmers, workers, and rural society.

7.1 Elite Capture and Governance Failure

The co-operative sugar sector in Maharashtra was originally established to promote collective ownership, rural development, and economic democracy. However, over time, these ideals were overshadowed by elite capture — primarily by dominant agrarian groups, especially the politically influential Maratha families. The co-operative model created opportunities for leaders to mobilize rural votes, access bank loans, distribute patronage, and influence local institutions. In practice, this concentrated power in a small political-business elite, weakening the democratic foundations of co-operatives. Ethnographic narratives from farmers and workers repeatedly point to mismanagement as a core problem. Respondents highlighted issues such as:

- Delayed payments for sugarcane
- Excessive recruitment of labour
- Inflated contracts for repair and maintenance
- Lack of transparency in financial transactions
- Failure to modernize outdated machinery

These governance failures were systemic rather than accidental. Decisions were often taken to secure political interests rather than improve factory efficiency. For example, several interviewees observed that appointments to managerial posts were based on loyalty rather than competence. As debts accumulated and operational capacity declined, many factories became commercially unviable. Once a factory reached insolvency, it entered a new phase of “elite recycling.” Through bank auctions under SARFAESI or other debt-recovery laws, several factories were eventually purchased by business groups closely linked to the same political leaders who had earlier controlled the co-operatives. This indicates a pattern of strategic privatization where public or collective assets were converted into private assets without ensuring benefits for farmer-members. The sale of factories at undervalued prices further strengthened elite influence while weakening the co-operative movement.

7.2 Institutional Weaknesses and Policy Context

Beyond internal governance problems, co-operatives were impacted by a wider set of institutional and policy changes. Co-operatives often lacked:

- Professional management
- Strong auditing systems
- Financial discipline
- Transparency in operations
- Long-term strategic planning

These weaknesses made them highly vulnerable to external shocks. For instance, rising input costs, increased labour expenses, and higher energy consumption made operations expensive. Co-operatives continued to rely on antiquated machinery even as private mills adopted modern technology to reduce costs and improve recovery rates. Policy changes further exposed co-operatives to financial risks:

- Reduction of government subsidies
- Stricter banking norms
- Closer monitoring of non-performing assets
- Increased pressure to repay outstanding dues
- Greater emphasis on ethanol production and diversification

These changes required managerial flexibility and investment capacity, which most co-operatives lacked. As a result, debt burdens grew rapidly, forcing many mills into closure or sale. The nearly equal presence of private and co-operative mills in recent years, and the rise of private mills in operational numbers, demonstrate a structural shift from collectively owned factories to privately controlled enterprises. Furthermore, climatic stress played an important role. Repeated

droughts in 2003, 2012, 2015, and 2018 drastically reduced cane yields. Many water-scarce regions, especially Solapur and parts of Ahmednagar, saw severe drops in cane availability. Without adequate raw material supply, factories could not operate at full capacity, worsening their financial condition.

7.3 Summary of Key Findings

From the combined analysis of secondary statistics and primary narratives, several findings emerge:

1. Decline of Co-operatives and Rise of Private Mills:

Operational co-operative mills have reduced steadily, while private mills have grown in number and influence.

2. Financial Distress and Debt:

Heavy loans, inability to repay, and lack of financial discipline pushed many mills into bankruptcy and auction.

3. Political Interference and Elite Capture:

Co-operatives became instruments of political power, undermining democratic management.

4. Climatic and Agronomic Stress:

Repeated droughts reduced cane availability, especially in water-scarce districts.

5. Privatization Patterns:

Many mills were auctioned at low valuations and purchased by politically connected business groups.

6. Severe Social Impacts:

Farmers, workers, and rural communities experienced major economic and social losses.

7. Institutional Decay, Not Economic Failure Alone:

The crisis reflects failures of governance and accountability rather than the inherent weakness of the co-operative model.

7.4 Recommendations: Based on the analysis, the following recommendations emerge:

1. Revive democratic governance: enforce strict regulations on co-operative elections; ensure transparency in board selection; encourage active farmer participation in decision-making.

2. Institutional audits: periodic independent financial and performance audits of co-operatives to ensure transparency; public disclosure of accounts; involve third-party social audit agencies.

3. Professional management and capacity building: appoint managerial staff with technical and administrative expertise; reduce reliance on politically appointed unskilled labor.

4. Debt restructuring and targeted financial support: provide state-backed debt restructuring for genuinely viable but stressed co-operatives; link support to performance and governance reforms.

5. Promote alternative co-operative models: farmer-producer companies (FPCs), community-based sugarcane marketing cooperatives, or hybrid co-operative-private partnership models that protect farmer interests.

6. Regulate privatization: make bidding and acquisition processes transparent; prevent conflict of interest; protect farmer and worker rights even after sale.

7. Diversification and value addition: encourage co-operatives (or revived units) to invest in distilleries, ethanol plants, co-generation, agro-based industries to reduce dependency on seasonal cane revenue.

8. Social security for workers: ensure severance compensation, retraining opportunities, and social welfare for workers displaced by closures or privatization.

Conclusion

The decline of Maharashtra's co-operative sugar factories is not simply an outcome of agrarian distress or sugarcane production challenges. It is fundamentally a political-economic transformation whereby institutions originally built for collective empowerment have been hollowed out by elite capture, governance failure, and shifting incentives. The

transition from co-operative to private ownership reflects changing power relations, weakened farmer agency, and commoditization of rural economic assets.

While privatization may bring efficiency in some cases, the social costs loss of farmer control, worker insecurity, breakdown of community institutions are significant. For the co-operative dream to revive, structural reforms are needed: democratic governance, transparency, professional management, accountability, and policies that prioritize farmers' and workers' rights over elite profits. Without such measures, privatization will continue to erode rural socio-economic stability, undermine collective agency, and widen inequality in Maharashtra's sugar belt.

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