



Rethinking the Valuation of Bangladesh's State-Owned Sugar Industry: Beyond Profit-and-Loss Toward a Tripartite Framework

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Abstract: The state-owned sugar sector in Bangladesh, managed by the Bangladesh Sugar and Food Industries Corporation (BSFIC), is conventionally evaluated through a strict commercial accounting lens. Consequently, recurring operating deficits have framed the industry as an economic burden, leading to factory closures and disinvestment. This paper argues that a conventional profit-and-loss (P&L) approach misrepresents the sector's systemic function. We propose an integrated "Financial Performance + Social Value + Rural Development" valuation framework. By incorporating socio-economic indicators—such as smallholder income stabilization, climate resilience, employment generation, and regional infrastructure—this study demonstrates that public sugar mills serve as essential rural economic anchors whose broader public value offsets financial losses. Strategic policy interventions centered on modern co-generation, product diversification, and multi-dimensional performance accounting are recommended to align the industry with Bangladesh's Sustainable Development Goals (SDGs).

Index Terms: Public Sector Enterprises, BSFIC, Integrated Evaluation, Rural Economy, Social Value Creation, Agricultural Policy.

I. Introduction

The state-owned sugar industry in Bangladesh stands at a critical juncture. Governed by the Bangladesh Sugar and Food Industries Corporation (BSFIC), the enterprise oversees 15 state-owned sugar mills spread primarily across the agrarian landscape of North-Western and Western Bangladesh. Over recent decades, the sector has suffered severe financial deterioration, recording annual operational losses exceeding BDT 500 crore. High cost of production, low sucrose extraction rates, outdated machinery, and severe competition from imported raw sugar refining conglomerates have drawn intense criticism from neoclassical economic perspectives.

However, reducing public sector institutions to mere commercial ledger entries creates policy distortions. State-owned enterprises (SOEs) in developing economies were created to perform dual roles: economic production and state-led social welfare. Assessing these industries solely through financial indicators obscures their multi-layered contribution to rural stabilization, market intervention, and agrarian livelihood ecosystems.



This paper develops a holistic assessment framework that reconciles financial sustainability with social value creation and rural development. It evaluates how a paradigm shift in performance metrics can transform state intervention strategies from defensive disinvestment to strategic modernization.

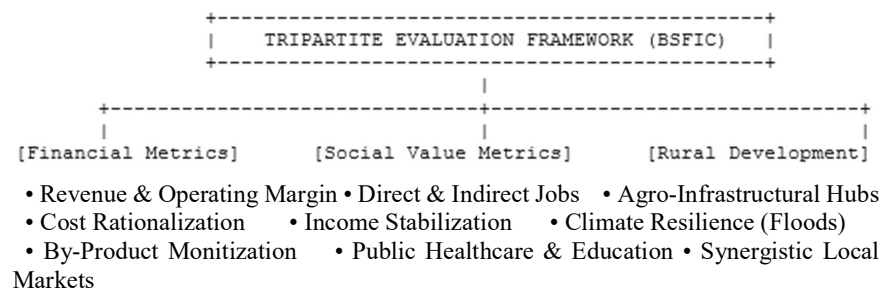
II. Contextual Overview: The Commercial P&L Dilemma

Under traditional corporate accounting systems, BSFIC's operational record reveals persistent underperformance. The key factors behind this structural deficit include:

1. **Agronomic and Process Bottlenecks:** Low average recovery rates (around 5.5%–6%) compared to global standards (10%–12%) significantly inflate manufacturing costs per ton.
2. **Underutilized Capacity:** Delay in farmer payments and shift toward competing high-yield cash crops have reduced sugarcane supply, resulting in shortened crushing seasons and elevated fixed overhead costs per unit.
3. **Price Disparity:** The cost of domestic production (approx. BDT 260/kg) starkly contrasts with market retail prices driven by imported refined sugar (BDT 110–125/kg). This traditional ledger focus led to the temporary suspension of operations in six loss-making state-run mills. However, this contraction produced severe socio-economic ripple effects across rural communities, illustrating the shortcomings of isolated commercial metrics.

III. The Proposed Tripartite Evaluation Framework

To accurately capture the net public benefit of state-owned sugar mills, this study proposes an expanded evaluation framework incorporating three core dimensions:



3.1 Financial Performance (Commercial Metrics)

Financial viability remains essential for long-term viability, but it must be reframed. Instead of viewing raw sugar production as the sole revenue source, financial metrics should evaluate integrated byproduct commercialization.

- **Co-Generation & Energy Sales:** Capitalizing on bagasse for power generation to supply the national grid.



- Distillery & Industrial Alcohol: Replicating profitable models (e.g., Carew & Co.) where distillery units subsidize milling overheads.
- Organic Fertilizer: Converting press mud into bio-fertilizers to replace chemical inputs and generate secondary cash flows.

3.2 Social Value Creation (Welfare Metrics)

State-owned sugar mills operate in economically vulnerable regions where private capital investment is scarce.

- Employment Stabilization: The industry directly employs over 15,000 industrial workers and engages roughly 100,000 seasonal laborers and cane suppliers.
- Social Infrastructure: Mill complexes maintain localized schools, primary health clinics, and access roads, reducing the state's direct burden for municipal services.
- Market Stabilization: Domestic production provides a buffer against extreme international price volatility and curbs monopolistic tendencies among private refiners.

3.3 Rural Development & Environmental Resilience

Sugarcane cultivation forms the backbone of northern Bangladesh's agro-ecosystems.

- Climate Resilience: Sugarcane is a long-duration, deep-rooted crop highly resilient to seasonal flooding, drought, and waterlogging compared to short-duration cereals. It acts as a natural buffer against climate shocks in vulnerable agro-ecological zones.
- Capital Cash Inflow: Crop procurement programs disburse hundreds of crores of Taka directly into rural banking networks, stimulating localized consumer markets and micro-enterprises.

IV. Policy Recommendations and Implementation Matrix

To operationalize this tripartite framework, policymakers and public management bodies should pursue the following strategic directions:

Domain Strategic Action Target Outcome

Accounting Policy Adopt Social Return on Investment (SROI) and ESG reporting alongside standard P&L statements. Quantify non-financial public benefits for objective state budget allocation.

Industrial Modernization Implement Balancing, Modernization, and Replacement (BMR) with emphasis on high-efficiency crushers and co-generation units. Raise sucrose extraction rates to >8% and generate auxiliary power revenues.

Agronomic Support Integrate high-yield, early-maturing varieties developed by the Bangladesh Sugarcrops Research Institute (BSRI). Increase farmer yields from 16 tons/acre to >30 tons/acre.

Commercial Strategy Institutionalize direct supply contracts with public welfare distribution systems (e.g., TCB). Eliminate warehouse stockpiles and stabilize operational cash flows.

V. Conclusion



Evaluating Bangladesh's state-owned sugar industry purely on commercial profit and loss is an incomplete strategy that threatens rural economic stability. While financial losses must be controlled through BMR modernization and product diversification, public policy must recognize the broader social value and rural economic foundation provided by these state enterprises. Transitioning to an integrated tripartite framework allows the state to preserve crucial socio-economic benefits, protect vulnerable agricultural livelihoods, and chart a sustainable path toward industrial and rural development.

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