



## CHAPTER VIII

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**Seasonal Variations in Prices of Vegetable Oils**

CHAPTER - 8SEASONAL VARIATIONS IN THE PRICES OF  
VEG. EDIBLE OILSEEDS

Over the period of study, price of groundnut oil per kg range between minimum Rs.19 and maximum Rs.40. Among the prices of various food articles, the price of groundnut oil seems to be much more sensitive to seasonal demand and supply variations. On the whole the trend of groundnut oil price seems to have been on the increase consistently. Despite the sporadic changes in the prices of groundnut oil could be attributed to inelasticity of demand for and supply of it. The variation in the demand and supply gap though very temporarily are caused from the demand side the festivals like Diwali, Dasara and Marriage seasons and from the supply side the Groundnut crop position of the nearby states of Karnataka Andhra Pradesh and Gujarat. The traders of groundnut oil take the advantage of price rise caused by imbalance between demand and supply in the local market. When the price of the principal consumable edible oil (groundnut oil) goes up, the traders are likely to be much more prone towards adulterating it <sup>by mixing</sup> low priced parity oils for which the consumers demand is not revealed. Under such circumstances the adulteration of groundnut oil, for which the consumers revealed preference is very high. So the adulteration in the form of selling the

substitute oils in place of groundnut oil becomes a common feature. In addition to this, traders through trial and error methods mix the substitute/parity oils with the groundnut oil so that they can evade from the provision of the PFA Act. As far as the supply of groundnut oil is concerned it varies in accordance with seasonal variations in the crop position of the groundnut in the nearby states. Not only this, but the supply of edible oils the bulk of which consists of the oils supplied by other states, the frequent changes in prices could also be ascribed to the seasonal changes in the demand condition in the district and also in the western coastal nearby districts of Ratnagiri and Sindhudurg. The behaviour of prices is largely governed by demand-supply position in the district itself. Hence the conclusion could be drawn that the adulteration has more chances<sup>to</sup> occur too frequently in the scarcity conditions. In the scarcity conditions when the demand exceeds the supply and the consumer's revealed preference is very high, the price of concerned product tends to be higher relatively to those prices of other substitute products and the incidence of adulteration are likely to be more. But owing to inadequacy of the enforcing machinery and also consumers' least resistance the adulteration of food product tends to become pervasive (See Table No. 3-1).

The refined vegetable oils are the close substitutes for groundnut oil. However, the prices of refined vegetable oils have been relatively higher than those of groundnut oil.

Over the period under study the groundnut oil being a cheaper substitute oil for refined vegetable oil the consumers buy the groundnut oil instead of refined oils on account of price differential for instance, the minimum and maximum prices of the refined vegetable oils have been Rs.24 per kg. and maximum Rs.50 per kg. In case of refined vegetable oils the chances of adulteration are quite low as a very few consumers of the higher income strata purchase refined edible oils attached with brand names. These people attached with the brand names of the refined oils, they afford to pay a premium price. Hence there is no temptation on the part of the traders, who adulterate such types of refined edible oils packed in packages containing different quantities of refined vegetable oils. Even at the manufacturing level the adulteration of such product could be ruled out, as the manufacturers of these products being in close competition with one another do not want to lose their customers by spoiling their reputation as regards the quality and superiority of their respective products sold under different brand names.

Available Supply of Groundnut Refined Vegetable Oil  
in the District :

We have calculated total quantities of groundnut oil arrived in the district place (Kolhapur) by taking into account the Octroi collected by the Kolhapur Municipal Corporation monthwise. Over the period, the monthwise arrivals of groundnut oil have been changing very frequently. The

monthwise figures of groundnut oil arrivals calculated by us indicate that over the period they have been on the increase despite the monthly variations though pronounced. For example the total quantity of arrivals increase from 382 MTs in Feb. 1988 to 1103 MTs in Oct. 1992. Therefore, over the years the supply of groundnut oil from other States has been increasing continuously. However the supply from other states tends to be low during the off seasons, i.e. during the rainy seasons which starts from 7th June and ends by September of every year. During this period the demand recession for oil sets in and the revival in the demand for groundnut oil begins from September and continues upto December. After a brief spell of demand recession in the following months the revival of demand begins generally from February end which last upto the end of May. During this period the demand increase is caused by the marriage ceremonies which concentrate in this period. Broadly the arrivals and changes thereof are tide with the demand which change according to the timings of the festivals and marriage ceremonies. Incidentally the demand for groundnut oil expands during the Ganesh Chaturthi, Dasara and Diwali and again with a fall in the demand for a brief slack period the demand again increases after the 'Tulsi' marriage (it is the name of the Hindu's Godess), when the marriage period starts. These <sup>cyclical</sup> changes of supply demand are the normal features of the years. But looking closely

at the table, the overall supply and demand despite the month wise marginal fall and rise, has expanding in the district. As the cost of slight repetition the expansion in the demand for and supply of oil has been on the account of growth in population and a rise in the per capita income. Owing to the attachment of the population to groundnut oil the excess of demand over the supply creates a room for growing adulteration. The figures of arrival of groundnut oils indicates that the dependence of the district on the supplies from other states has been rising over the period. On the one hand rising demand and increasing dependence on the other states has increased the scope for prices to move in upward direction over the period. This itself is a proof of a rise in the groundnut oil prices due to basic imbalance between supply and demand.

Table VIII-1 The monthwise arrivals of edible oils and their respective prices

Oils -> Month & Year	Price per kg. of groundnut oil Rs.	Quantity of arrival in mts.	Price per kg. of refined veg. oils	Quantity of Ref. and veg.oils mts	Total of groundnut oil & Ref.veg. oils
1	2	3	4	5	6
Jan. 1988	30	44	30	179	223
February	29	382	29	158	540
March	32	560	32	234	794
April	29	514	29	97	611
May	28	522	28	132	654
June	28	543	28	167	710
July	29	334	29	229	563
August	28	475	28	192	667
September	28	567	28	184	75
October	26	623	26	177	800
November	25	640	25	197	837
December	24	440	24	218	658
Jan. 1989	24	951	24	50	1001
February	24	94	24	-	94
March	24	1188	24	-	1188
April	24	828	24	538	1366
May	27	846	27	129	975
June	27	413	27	32	545
July	28	382	28	171	553
August	30	436	30	233	669
September	31	776	31	49	1025
October	35	502	35	116	618
November	31	492	31	165	657
December	29	688	29	292	980

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Table VIII-1 contd.

1	2	3	4	5	6
January 1990	28	784	28	484	1268
February	31	592	31	147	739
March	31	822	31	389	1211
April	34	370	34	121	491
May	34	537	34	11	548
June	35	620	35	NA	620
July	35	704	35	NA	704
August	36	528	36	NA	528
September	38	NA	38	502	502
October	41	NA	41	778	778
November	31	NA	31	544	544
December	27	NA	27	702	702
January 1991	44	198	44	610	808
February	45	143	45	455	598
March	45	253	45	772	1025
April	45	549	45	96	645
May	41	248	41	692	940
June	47	281	47	404	685
July	47	181	47	641	822
August	50	201	50	569	770
September	50	408	50	585	993
October	49	442	49	942	1404
November	51	213	51	470	683
December	46	83	46	938	1021

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Table VIII-1 contd.

1	2	3	4	5	6
January 1992	47	453	47	54 6	999
February	46	377	46	686	1177
March	46	326	46	491	817
April	43	302	43	32	33 4
May	42	147	42	681	828
June	43	259	43	854	1113
July	42	130	42	69 4	824
August	43	167	43	932	1099
September	43	432	43	553	985
October	45	479	45	1103	1582
November	42	213	42	820	1033
December	42	218	45	386	604