

## **CHAPTER -IV**

### **CONCLUSION AND RECOMMENDATION**

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## CHAPTER IV

### CONCLUSION AND RECOMMENDATIONS

#### 4.1 INTRODUCTION :-

We conclude this work by emphasizing some points emerging from the present study. The major aim of the study was to examine the various questions which assume analytical interest. To answer these and other related questions a sample survey of the groundnut oil manufacturing industrial units and sale is oil trading units in the Sangli was conducted. The groundnut oil industry which is one of the important agro-based industries has not received sufficient attention from the government regarding, regular and meaning supply of groundnut oil kernel (raw-materials) to the industry and rationalization of the crushing units. It is also has to remembered that working of the groundnut oil units is mainly eight months and not round the year. Therefore the performance of these units does not showing satisfactory and also recoveries of oil is very low and numbers of edible oils enter into the compe tant markets. With a view to achieving the specified objectives the entire investigation was carried out with the help of sample survey through questionnaire and analysis of the collected data.

#### 4.2 GROUNDNUT OIL INDUSTRY : AGRO-BASED INDUSTRY:-

In recent years agro-based industry has been rapidly developed. The review of groundnut oil industry in India

and importance of agro-based industry is relevant to the purpose of this study can be classified into. Numbers of groundnut oil units, in India. their production capacity, recoveries of oil total production area of groundnut, in India and Maharashtra, types of agrosed-based industries their importance in the economy etc. Oilseeds are one of the important groups of cash-crops in Indian agriculture.

In 1991 oilseeds were cultivated on 24 metric hectares of land out of total 190 mha. of gross cultivated area. The production of all nine oilseeds including groundnut as main crops in 1991 was 18.5 million metric tonnes which amount to value of 13,700 crores mp. The estimated production in 1992-93 and 1993-94 is 19.4 and 20.15 million metric tonnes, respectively. Oilseeds are grown practically in all the states of the country. Among the oilseeds the most important crop is of groundnut which is grown in A.P., M.P., Maharashtra, Gujarat, Rajasthan, Karnataka, Tamil Nadu, Orissa. The total production of groundnut in the country has fluctuated between 4.1 mmt and 9.7 mmt. (1971 to 1992-93). It may be noted that much of the fluctuation is caused by kharif production. The yield of kharif groundnut has been changing from year to year and remains between about 500 kg per hectare to 1000 kg per hectare. On the other hand the yield from rabi groundnut is about 1400 kg per hectare the area under

groundnut cultivation in Maharashtra it decreased from 8 lakh hectares to 6.5 lakh hectares by 1987-88, then increased to 8.8 lakh hectares in 1992-93. An analysis was attempted to find-out importance of rainfall to production of groundnut. A good monsoon seems to increase total production in Maharashtra. In the subsequent section we discuss that segment of the industry which concerned with mechanical expulsion of edible oil from oilseeds. Oil expulsion by mechanical pressure can be done using different kinds of equipment. ie. animal driven ghanis, rotating mechanism for oil expulsion with using power, powerghanis oil milling using screw type expeller technology, solvent extraction etc.

An attempt above all has been made in the second chapter. The first chapter which is introducing in nature to spell out the objectives methodology of the study.

#### **4.3 NATURE AND PERFORMANCE OF GROUNDNUT OIL MANUFACTURING AND SALE UNITS IN THE SANGLI.**

4.3:1 All the five groundnut oil manufacturing units under study are located in Sangli area. The individual unit has a total crushing capacity for 77 mt per day. All five groundnut oil manufacturing units has a total actual crushing for 23630mt per year. From the 80 kg pure kernel, they expected to get 32 to 37 kg groundnut

oil but the actual recovery is 30 kg and the balance is oilcake. Out of five units under study Mayur and Tulsi oil manufacturing unit producing large quality of groundnut oil in the year 1994-95.

4.3:2 We also selected trading units for study. These five are major sales units in the Sangli. More significantly Rajendra, Mahaveer and Arihant oil trading units are largest sales units in the Sangli. The general observation that the sales of groundnut oil rapidly increased with the year ie In 1991-92 the total sales of groundnut oil through the sales units was only 695 mt. This was increased to 1145 mt in 1993-94 and to 1429 mt in 1995-96. On the basis of this good performance we can say that it is favourable and incentive support to the oil manufacturing units in the Sangli.

4.3:3 It seem that all the oil manufacturing units under study has recover oil from the oilseeds at fairly efficient rate but when we compare with the huge investment in the manufacturing units, it is to say that they all are not efficient in their working because they all are making only normal profit. All the groundnut oil manufacturing units is presumed to have a length of working is 300 days. But actual full-fledge length of working of this units under study is only 240 days and they use only 70% of its capacity. There are number of reasons for under capacity production and low recovery of this units. Most of them are irregular and

insufficient supply of low-material that is groundnut seeds, another one is low standard oilseeds and old one machinery in the oil mill and solvent extraction units.

4.3:4 As regards average production costs of groundnut oil. The cost of manufacturing oil came to about 368.20 per 100 kg (1995-96) including raw-materials in groundnut kernel constitute 82% processing costs including power 9.9% wages charges constitute 4% Interest on capital invested is Rs 5.8%. Packing charges 1.85% cost on advertisement 0.36% and other including transportation charges, taxes, filtering charges etc. Constitute 1.13%. In this regard we asked the question to owners of the units They said every one would be no problem when the prices of oil has to gone-up if we accept this it is not the earning problem or normal profit problem but also continuous running of the units is the main problem of existence units, this was adverse affect on totality of groundnut oil production.

4.3:5 The indicative calculation for the Mayur and Shivam groundnut oil manufacturing units in the Sangli Shows that the low net profit. This is due to low value available for this units. This also explains that most of the oil manufacturing units depends a lot on poor quality of kernel and groundnut seed vis and vis also irregular and insufficient supply of raw-materials, further it is necessary to reducing the operating cost in the oil mill and solvent extraction units through

with the help of modernising and rationalising the units. It is more interesting to note that refineries find it more profitable to operate on job hired basis than the oil manufacturing units.

4.3:6 In regard to the trade and marketing an attempt has been made on to find out the groundnut oil market characterisation, trade channels, cost and margin in the oil trade, and prices of groundnut oil etc. It is observed that about 80% of the groundnut oil are purchased in the household sector. While the balance 20% are purchased by institution such as hotels, hostels & restarants. In our study it was found that 95 percent of the consumers of Sangli use groundnut oil and per-capital (household as a unit) consumption was estimated at 5.5 kg per month. It was discovered that 75 percent of the consumers has purchased from shops specialising in oil trading and 25 percent came from the manufacturs own shops.

It was found that average daily sale of groundnut oil in Sangli market was 20 mt sold per-day (1995-96). It also seems that a pack of 5 kg purchased by bulk buyers accounted for 39 percent; purchase of loose oil accounted for 59 percent and small packs of size upto 1 to 2 kg accounted for 2 percent of the market.

4.3:7 In the year 1995-96 the leading brand in the Sangli market was Arihant Brand accounted for 17.5 of the

market followed by Rajendra,(Ganesh) brand and Mahaveer brand accounted 15 and 13 percent respectively. The Shri oil brand accounted for 10.5 percent in the market and rest of the all trading and manufacturing units brand accounted 44 percent for over 10 brands.

4.3:8 All the manufacturing units are sold their oil through wholesale and commission agents and wholsalers was sold through retail network of 10 consumer Bazar & 500 retail shops in the Sangli. It seems that the average margin available to packers or wholesaler was about Rs.3.50 per 15 kg ten. While the retailers margin was Rs.2 per tin of 15 kg sometime they get about 3 percent margin while selling oils in the loose form.

4.3:9 In our finding it seems that groundnut oil prices has continuously risen for Rs. 4 per kg in 1970 to a level of Rs. 40 kg in the year 1991 and the price of groundnut oil fluctuated from Rs. 37 to Rs.41 in the period of 1995 to 1998. It is common to ascribe these price variations to production of the crops groundnut seeds within the country.

#### 4.4 **RECOMMENDATION**

The general price regarding performance of the groundnut oil manufacturing units that emerges from this sample survey is that of irregular and insufficient supply of groundnut, low-level of recoveries of oil in the manufacturing units and outdated low capacity machinery



(plants) creating economic handicaps coupled with business insecurity and industrial growth problem. Further these are absence of integration in between trading units and manufacturing units. Apparently we can say that the total net earnings of the units are just normal, which determine only the operational surplus and also affect totality of industrial growth, then it is evident of that there are a number of possible measures which can impore the quality of units and add to their net profits substantially. It is in this regard that we are making certain concrete suggestions with respect to improvment in the performance of manufacturing units and also trading units.

1) With the possibility of quick returns the groundnut oil industry in the Sangli needs to focus its attention on earing returns through value conservation and addition alone. The outdated inefficient plants could service all these days mainly because the manufacturing margine were really secondary to speculative operational profits. The industry will increasingly focus on itergrated and efficient functioning style.

The oil mill or crushing units can survive only if one or a combination of the following things is achived that we have a specific recommendations to make with in regards to (a) more efficient processing, eleminating to make with the excessive oil loşses, energy and material wastage etc.(b)

Better care of the cake and quicker disposal for obtaining optimum price (quality combination). (c) It is necessary to integrated operations conering trading company of oil, trade in seeds, oil manufacturing units and cake trading units. (d) Another important recommendation is in respect of developing oil brand, developing a brand for the oil and selling it in small package sizes using the top of quality, purity taste etc. made significant committment to sustai n&d industrial activity ang growth.

2) Various states have levied different taxes on groundnut oilseeds, oils and oilcakes. These are in the form of purchase taxes, mandicess, turnover tax, sales taxes. The incidence of these taxes on a per-unit basis differ from one state to another, on an average the total incidence of taxes, on oils canes to about 6 to 8 percent by value of the oil. This reals the modus operandi of tax evasion by floating of benami firms, prepartion of illegitmate documents, wholly illegal operation on purchase transport of sale of oil without doing any documents; frequent change in the legal name of the firm etc. This is adversely affected on the performance of the groundnut oil manufacturing units. We therefore a specific reccommendation to make with regards to the tax structure.

All taxes on oil seeds, oil and cakes should be withdrawn or groundnut oil should be exempt

form all the taxes or atleast and the tax structure in all the states should be rationalised so as lessen the evil and bring in more uniformity.

3) Sufficient scientific and modern storage facilities should be provided in the stage for storage of groundnut seed. So that during the off season, the groundnut seed crushing industry can carry on its activities smoothly and make possible to use full-fledged production capacity.

4) In Sangli area and nearby the border line of karnataka nearly 1/2 oilseeds crushing capacity has been situated. As transport of oilseeds is expensive and the incidence of sales tax and additional transport cost of oil to consuming centres would make reliance on distance in these regions highly uneconomic, greater attention need to be paid to the increase, in production of groundnut and other oilseeds in the Sangli area and boarder line of Karnataka regions.

5) Even if there is a significant increase of oilseeds production in the nineth plan there is little prospect for achieving full utilization of crushing capacity. There is also not much scope for the expansion of solvent extraction units, that is why it is necessary to rationalised the units of all groundnut oil industry in the Sangli. Steps should be taken to turn the present traditional ghani type of mills into power crushing

units(oil mills) and expellar solvent extraction. This would have beneficial effect on the quality and recoveries of oil and on oil production.