

CHAPTER III

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

- 3.1 INTRODUCTION
- 3.2 NATURE AND COMPOSITION OF GROUNDNUT OIL IN SANGLI.
- 3.3 PERFORMANCE OF GROUNDNNUT OIL MANUFACTURING AND TRADING UNITS IN SANGLI.
- 3.4 SALES OF GROUNDNUT OIL THROUGH SALES AGENCY IN SANGLI.
- 3.5 CAPITAL INVESTMENT IN THE GROUNDNUT OIL MANUFACTURING UNITS.
- 3.6 INDICATIVE CALCULATION FOR THE SHIVAM AND MAYUR INDUSTRIES SANGLI (A CASE).
- 3.7 TRADE AND MARKETING OF GRONDNUT OIL.

CHAPTER III

NATURE AND PERFORMANCE OF GROUNDNUTS OIL MANUFACTURING AND SALE UNITS IN THE SANGLI

3.1 INTRODUCTION:-

In this chapter we propose to present a comprehensive profile of the groundnut oil manufacturing and trading units under study. The information covers aspects related to composition and nature of the groundnut oil producing units and sales units in the Sangli city and basic information regarding the performance included. Cost structure, quantity of sales, manufacturing capacity of groundnut oil, actual production of groundnut oil, capital employed in the manufacturing units, marketing or demand for groundnuts oil and price and margin of the groundnut oil trading units. This profile is based on the classified data which were collected in the sample survey. The sample survey covered five manufacturing units and five trading units of groundnut oil located at Sangli city. The following case studies (carried out in 1995-96) are based on the discussion carried out with these units with the help of questionnaire and data obtained from them.

3.2 NATURE AND COMPOSITION OF GROUNDNUT OIL UNITS IN SANGLI

Table 3.1 presents the data regarding classification of groundnut units by general profile, i.e. establishment year, nature of production, organisation and name of the

manufacturing and trading units, under study In table 3.1 shows that first five are groundnut oil manufacturing units and remaining last five are oil sales or trading units.

Table 3.1 Profile of Groundnut Oil manufacturing and Trading units. (Shown Pg. No.28)

This table also shown the information regarding the profile and nature of the groundnut oil units, both manufacturing and trading. It is clear from the data that only few are manufacturing the groundnut oil in the Sangli and most of the oldest of them are Mayur and Sharifa oil manufacturing units. Among the groundnut oil trading units Rajendra trading are oldest one which was established in 1954. All of those five sales trading units not only trading groundnut oil but trading with all kinds of edible oil in the Sangli.

Some of the units is owned by partnership and some are individual which is shown in table No.3.1 The owner of all groundnut oil manufacturing units told us that he uses groundnut seeds only for crushing because groundnut is produced in some of the surrounding villages and Karnataka area which is very near to Sangli. All manufacturing units uses electric motors and crushing equipments further the owners of the units reported that, of the 100kg groundnut pods, two three percent was not belonging to oil, about 80 kg was kernel ie, directly belonging to

Table No: 3.1 Profile of Groundnut Oil Manufacturing and Trading Units

Sr No	Name of the Groundnut units	Name of the Brand	Name of Owner	Establishment Year	Nature of Organisa - tion	Nature/ Trading
1	Mayur Oil Manufacturing units	Mayur Brand	S.S. Ostwal	1987	Individual	Groundnut Oil
2	Tulsy Oil Manufacturing unit	Rani Brand	Patel Mahilal and Anand Bhai Attal	1994	Partnership	Groundnut Oil
3	Shivam Oil Manufacturing unit	Shiv Brand	Shailesh Bhai Patel	1996	Partnership	Groundnut Oil
4	Sharifa Manufacturing Corporation	Diamand Brand	1) V.M.Fakir . 2) A.M.Fakir . 3) A.M.Jambhikar	1989	Partnership	Groundnut Oil
5	Deepak Oil Manufacturing Unit	Deep Brand	D.S.Patil	1991	Individual	Groundnut Oil
6	Ashish Trading Agency	Mahaveer Brand	S.V. Relekar	May -1990	Individual	Groundnut and all types of edible oil
7	Swastik Traders	Mahaveer Brand	R.S. Kushthe	1992	Individual	Groundnut and all types of edible oil, Sunflower
8	Rajendra Trading Company	Ganesh Brand	N.R.Ladda	1954	Partnership	Groundnut and all types of edible oil, Sunflower
9	Shree Oil Trading	Shree Brand	R.S.Khot	1994	Partnership	Groundnut and all types of edible oil
10	Arihant Trading Company	Arihant Brand	Mr. R.Patil	1980	Partnership	Groundnut and all types of edible oil

oil and the balance was husk. From 80 kg kernel it is expected to get 28 to 35 kg. of groundnut oil and the balance was oil cake.

The groundnut oil was packed in tins or barrals of 15kg and 100kg each. The oilcake was put in used gunny bags and sold in the open market through brokers. Some tins and barrals of groundnut oil were sold in the local market but the bulk were sold through the brokers and traders which we are selected under the study.

Table no.3.2 Classification of the units by workers employed

SR NO	MANUFACTURING AND TRADING UNITS	NO'S OF WORKERS EMPLOYED INCLUDING OFFICE STAFF AND SALESMAN			
		permanent	casual	= total	
1	Mayur oil manufacturing units	2	+	10	12
2	Tulsi oil manufacturing unit	1	+	4	05
3	Shivram manufacturing unit	1	+	6	07
4	Deepak manufacturing unit	1	+	6	07
5	Shrifa manufacturing unit	2	+	11	13
6	Swastik Traders	-		2	02
7	Shree oil traders	-		8	08
8	Rajendra trading Company	-		4	04
9	Ashish Agencies	-		1	01
10	Arihant Trading comapny	-		2	02

Table 3.2 shows that the workers employed in the manufacturing and trading units of groundnut oil. It is

clearly shows that in the manufacturing units at present the workers employed at the range of 5 to 15 in five units under study, and in the trading units 1 to 8 persons working in different units under study. They include accountant salesman supervisor and workers who are paid about Rs.400 to 1000 per month All the manufacturing and trading units of groundnuts oil is owned and managed by partnership, family level. The business interest of the family also include trading in all types of edible oil and dealership for edible oil. The owner, one of the brothers of the family told us that he uses both groundnut cotton seeds and soyabean for crushing. Groundnut is produced in some of the surrounding villages. Table 3.2 shows all units employment pattern concerned with permanent and casual workers They know the operation connected with oil crushing. None of the workers are well educated The 1 to 2 casual workers are illiterate and remaining workers are read and write. They also work whenever necessary in the other business enterprises of the family.

3.3 PERFORMANCE OF GROUNDNUT OIL MANUFACTURING AND TRADING UNITS IN SANGLI

3.3:1 INTRODUCTION -

In this sub-section the following aspects of groundnut oil produce and trading units covered general profile; production of groundnut oil; unitwise costs structure; production capacity of the units; capital employed and

total sales and oil from both manufacturing and trading units.

All the five groundnut oil manufacturing units are located in Sangli City. It was set-up as groundnut crushing units but during the 1995 production in the surrounding districts and villages declined and the units acquired facilities and interests in processing other oilseeds as well the individual unit has a total crushing capacity for 77 mt per day. It has a total oil storage capacity of 80 mt and all the five oil manufacturing units has a total crushing capacity for 3000 mt per year and storage capacity of 30000 mt in Sangli.

All the five groundnut oil manufacturing unit does three types of business concerned with raw-material purchases. The first was direct purchase of groundnut pods from the open-market agents and sales of groundnut oil and cakes in the open market. The second was custom hiring of the equipment, in which he charges a certain sum per ton of materials processed for the party. The third was purchase of groundnut and other seeds from farmers or from dalal markets and sales of groundnut oil and cakes in the market through agents or private dealers.

The owner of all the units that we were surveyed told us that the groundnut was selling at around Rs. 1200 per 100kg and groundnut oil at around

Rs. 3800 to Rs. 4000 per 100 kg. The manufacture of oil further told us that of the 100kg groundnut pods two, three percent was foreign matter about 80kg was kernel and the balance was husk. From the 80kg kernel, they expected to get 32 to 37 kg of groundnut oil and the balance was oil cake. They used the husk for the boiler. The groundnut oil was packed in barrels and tins of 100kg and 15kg each. The oilcake was put in used gunny-bags and sold in the open market through commission agents, brokers or whoslesalers.

3.3:2 ACTUAL PRODUCTION OF GROUNDNUT OIL IN SANGLI -

Table No. 3.3 show that the production capacity as an average and Quantity of production of groundnut oil in five manufacturing units in the Sangli. The units has a total crushing capacity for 77 mt per day in five units. It has a total oil storage capacity of the five units are 30,000 mt. But they all actually producing 23600 mt groundnut oil with 300 days of worked in the years 1994-95. All the units has large godwons for storing oilseeds. Following for table No. 3.3 shows total oil processed and the number of days worked between the same year.

Table No.3.3

Total production capacity of the manufacturing units production of groundnut oil in the Sangli.

Qty

NAME OF THE UNITS (OIL PRODUCING)	NUMBERS OF DAYS	TOTAL PRODUCTION CAPACITY USED	ACTUAL PRODUCTION 1995-96
Mayur Oil Industries	290	70%	5000ton mt
Sharita manufacturing corporation	290	60%	3000 " mt
Deepak Industries	290	60%	4600 "mt
Tulsi Oil Industries	300	80%	6000 " mt
Shivam Industries	310	70%	5000 "mt
Total	(300 average)		23600 metric tonnes

During the year 1995-96 the Mayur Oil manufacturing unit and Shivam oil manufacturing unit has used 70% production capacity for the production of 5000 mt groundnut oil. Tulsi oil manufacturing unit produced large quantity of groundnuts oil in the 300 days worked 6000 mt in the same year. Only poor performance showed by sharif manufacturing unit is 3000 mt in 290 working days due to non-availability of groundnut; power bbreakdown and old one machinary.

3.4 SALES OF GROUNDNUT OIL THROUGH SALES AGENCY IN SANGLI

Table No 3.4 gives information regarding sales of groundnut oil through sales trading units in Sangli during the period of 1991 to 1996.

Table 3.4

Sales of groundnut oil through trading agency in Sangli

YEAR	MAHAVIR (KG)	SWATIC TRADERS (KG)	ARIHANT TRADING (KG)	SHRIOIL (KG)	RAJENDRA TRADING CO (KG)	GRAND TOTAL
91-92	2,40,000	----	2,10,000	85,000	1,60,000	6,95,000
92-93	2,50,000	1,00,000	3,00,000	1,00,000	1,70,000	9,20,000
93-94	2,40,000	10,000	2,10,000	85,000	6,00,000	11,45,000
94-95	2,50,000	15,000	3,00,000	40,000	7,00,000	12,75,000
95-96	2,60,000	18,000	3,40,000	11,500	8,00,000	14,29,500

At the outset we have to make a general observation that the five main trading units are major sales units of groundnut oil in the Sangli. More importantly that the Rajendra Trading, Arihant and Mahavir are largest sales units in the Sangli their shares in selling the groundnut oil is larger than any other units. In the year 1994-95 the Rajendra, Arihant and Mahavir trading units groundnut oil sales is 700 mt, 300 mt, and 250 mt respectively. During the period of 1995-96 the sales of groundnut oil of Rajendra, Arihant and Mahavir are increased to 800mt, 340mt and 260 mt respectively. It is clear from the data that a major portion of sales the groundnut oil are performed by these three units. This is followed by the sales of groundnut oil in Sangli through. Swastic and Shri oil Agency, The general observation that the sales of groundnut oil rapidly increased within the year ie. In 1991-92 the total sales of groundnut oil through the

sales units was 695 mt. This was increased to 920 mt in 1992-93; 1145 mt in 1993-94; 1275 mt in 1994-95 and 1429 mt in 1995-96.

Looking at the data we can say that it is a good performance of trading units in this business on the basis of this information we can further say that it is incentive support to the manufacturing units that means it seem to be no marketing problems to the groundnut oil units in the Sangli.

3.5 CAPITAL INVESTMENT IN THE GROUNDNUT OIL MANUFACTURING UNITS -

Financial model of the groundnut oil manufacturing unit under study has given in three important items for the sake of simplification and their performance. This is based on our primary survey. Tax report of the oil manufacturing units and discussion of the units, We have obtained fairly representative figures for specific elements of costs and operating level. The financial model for a five groundnut oil manufacturing units is given in table No. 3.5 The model for crushing unit of 77 mt per day capacity is given in table No. 3.3. The financial aspects for the statement for a all the oil manufacturing unit of 77 mt capacity is mentained in table No. 3.5 including fixed investment working capital and wages. These all units have been made on assumptions regarding length of working day, capacity, utilization and separate financial model during the working period

which seem to be reasonable given the experience of manufacturing units. Based on these cost figures obtained from the survey and discussions, net-profit per annum, working capital and fixed capital necessary, and wages etc. have been worked-out.

Table No. 3.5 Classification of the sample unit according capital Investment

OIL MANUFACTURING UNITS	FIXED INVESTMENT (RS.LAKHS)	WORKING CAPATIAL INVESTMENT (RS.LAKHS)	WAGES	TOTAL
MAYUR INDUSTRIES	18,00,000	20,00,000	14,400	38,14,400
SHARITA MANUFACTURING CORPORATION	20,00,000	5,00,000	8,400	25,08,400
DEEPAK INDUSTRIES	-----	6,00,000	7,200	6,07,200
M/S TULSI OIL	10,00,000	10,00,000	8,500	20,08,500
SHIVAM INDUSTRIES	15,00,000	5,00,000	10,800	20,10,800

Ref :- Tax audit Report 1995-96

It seem that all the units under study has recover oil from the oilseed at a fairly efficient rate in turns to represent that these huge investment make the only normal, profit to the manufacturing units. Above table indicates the financial elements for groundnut oil of 77 mt per-day Capacity as an average 15.4 mt per day per unit manufacturing capacity.

The largest one is Mayur Groundnut oil manufacturing Industry has already invested Rs 18 lakhs as fixed capital investment, Rs. 20 lakhs as working capital investment per year and Rs. 14.4 thousand, for wage/salaries payment purpose ie. The total investment in the year 1995-96 is Rs.38.14 lakhs followed by Sharifa manufacturing units was Rs. 25.08 lakhs, Shivam manufacturing units was Rs.20.10 lakhs Tulsi Rs. 20.08 lakhs and Deepak industries was Rs only 6.07 lakhs investment on fixed capital variable and wage payment purpose.

It is worthwhile to conclude this subsection as compare to the actual production of groundnut oil. It is very interesting to note that among the five manufacturing units that we have selected for study, some are fairly efficient and some are inefficient. We can further say that the fairly efficient units get justified by the regular and meaningful availability of raw-materials from local market and also from inter-state markets. It is clear from the structure of the units that these are modernised units. They use advanced technique for the oil production. This proves that Tulsi and Shivam groundnut oil manufacturing units produces more than 5000 mt groundnut oil with only 20.10 lakhs capital investment in their units. As compared to this, the Mayur and Sharifa groundnut oil manufacturing units invested huge amount in their firms but do not show efficient performance. They are only producing 5000 mt

and 3000 mt with Rs. 38.14 lakhs and Rs. 25.08 lakhs total investment respectively. This data proves that the efficiency and good performance of the groundnut oil units depends on only regular and meaningful supply of groundnut and advanced technology.

Table 3.6

Average production cost of groundnut oil (per 10kg)

	TOTAL COST	PERCENTAGE
Raw material cost	341.80	82%
Processing cosst		
a) Power	6.6	9.9%
b) Wages(labour charges)	3.70	4%
c) Labour benefit	1.68	
Int. on Capital	2.15	0.58%
Packing Cost	6.83	1.85%
Advt. Cost	1.33	0.36%
other(transportion charges tax, filtering charges etc.)	4.12	1.13%
	368.21 (36.82)	100%

Bracketed figure shows per kg cost of production

Table No. 3.6 show only average production cost of groundnut oil. All the units under study is presumed to have a length of working for 30 days (as an average) But actual full fledge length of working for 240 to 250 days i.e. 8 months in a year and during this period it will use 70% of its capacity. Therefore we have to calculate an average cost was Rs.

368.20 per 10 kg. Then per kg it will be 3.68 & not 36.82 per kg. The unit is considered to be a well managed processing centre. Showing high recovery rates and efficient capacity used. The cost of manufacturing oil come to about Rs. 368.20 per 10 Kg including raw materials, i.e. groundnut kernel constitute 82%, processing cost including power or diesel 9.9%, wages or labour charges constitute 4%, Interest on capital (variable + fixed) invested was 0.58%, packing charges (cost of tin & other) constitute 1.85%, cost of advertisement 0.36% and other including transportation charges. Tax and filtering charges etc constitute 1.13%. The rational manufacturer told us that it is expected to maintain a parity i.e. from 80kg of kernel, he expected to get 35kg of groundnut oil and balance was oilcake. Further the owner of the groundnut oil units told us that in the absence of parity he planned to stop the unit till such time as the price picture changed. They said every one had no problem when the prices of oil has to gone-up. However if we accept that it is not only earning which determine the returns or profit but also continuous running of the units also affect totality of the groundnut oil industry then it is evident that there are a number of possible measuers which can improve the quality of the units and good performance the manufacturing units. It is in this regards that we are making certain concrete measures with respect of good performance of the groundnut oil units in the last chapter.

3.6 INDICATIVE CALCULATION FOR THE SHIVAM AND MAYUR INDUSTRIES SANGLI

Table No. 3a and 3b shows the indicative financial model in the manufacturing units ie Mayur oil manufacturing unit and Shivam oil manufacturing unit of 77 mt capacity per day. The following analysis of two case explain the operating income. operating cost, operating surplus and Net profit of the units.

Both these two cases shows their net-profit ie The shivam oil manufacturing units shows their net profit in the year 1995-96 was 1.15 lakhs where as the Mayur oil manufacturing units shows 70 thousand Net profit the above analysis explains why there is a substaintial low returns or low income/profit. This low net profit ariese because of low value available for these units. This alos explain why much of the units depends a lot on poor quality of kernel or groundnut and irregular supply of raw-material further also raises the question of improving the processing quality of origin units as well as also solvent extraction unit and questiion of reducing the operating cost in the solvent extraction unit given the cost of manufacturing and cost of refining it is understandable that refineries find it profitable to operate on job hired basis than the oil manufacturing units. While the analysis shows the viability of integrated plants there does not appear an integrated oilseed processing facilities. The reasons can be found in the high investment need in the

Table No 3.a Calculation of Shivam oil manufacturing unit Sangli regarding operating income, operating cost, surplus and Indicative profit and loss statement. (Rs. in Lakhs)

1) Operating Cost Statement -

Item

Raw-material	---	136.00
Fuel	---	2.50
Packing/tins	---	3.75
Wages/Salaries	---	2.50
Other Misc. (Octroi)	---	2.25

Total		147.00 Lakhs

2) Operating Income

Sales of oil (both raw & refined oil)	95.04
Sale of cake	39.30
others	16.57

total	151.25 lakhs

3) Operating surplus 2-1 Rs . 4.25 lakhs

4) Estimated working Capital

a) Stock of raw-material	72.4
b) Stock of groundnut oil	128.30
c) Stock of gunny bags and tins	44.2
d) Others	3.0

Total	RS.248.62lakhs

50

5) Fixed costs and Net profits

Int on fixed capital	1.20
Int on working capital	1.50
Depreciation	.30
General admn expenses	.10

Total	Rs3.10 lakhs

6) Operating Surplus - fixed cost

= Net profit Rs. 1.15 lakhs

Table No.3.b Calculation of Mayur oil manufacturing units
operating income cost and (Net profit account)

a) Operating Costs

1) Groundnut oil

Raw material consu	1,40,29,243
Fuel	1,87,245
Packing	4,19,381
Wages and Salary	1,94,469
Misc	39,126
	88,409
Freight octroi	2,84,390

	1,52,42,263
	(152.42) lakhs

2) Oil Cake

Packry	1,99,683
Misc.Exps	39,126

	2,38,809
	(2.39) lakhs

3) Operatry Income

Ground nut oil	1,18,99,038
Cake	31,68,926
Cloths sw-pur	2,33,759
Guny Bags	2,92,563
Empty Tiny	1,87,935
Plasticls	7,515
Pachy Box	1,503

	1,57,91,239
	(157.92) lakhs

operatry profit/surplus

(B-A)	310167
	(3.11) lakhs

current Assets

working captial	stock	818218 lakh
	Bon Bw	101798
	cash	31217
	drs	515665

		1466898
- current liab		1880657

		413753

Operatind Surplus	310167 (3.11 lakhs)
+ other Icome (misc)	73580

	382747 (3.84 lakhs)
- Expenses int on depo	314558 (3.14 lakhs)

depre etc	69189 (70 thousand)
N/p	9189

(Depri - 83,243 int to partners 26911, salary to partners 70,034, in on dep 48869, bannnk comm 24,578 salary to staff 24000 etc.)

modernised machinery the degree of care management of the unit necessary and difficulty in achieving the product mix assumed here. So that oil recoveries will be maximised and problem in deterioration of the quality of the oil cake are avoided.

3.7 TRADE AND MARKETING OF GROUNDNUT OIL

In this sub-section the following aspects of trade and marketing of oil are covered (a) market characterisation (b) Trade channels (c) Costs margins and trade practices (d) the price trends. Edible oil is one of the important consumption good in the consumption basket of the people. It is used primarily a cooking medium in preparation of normal Indian diets. The particular oil desired by consumers is determined largely by the taste and cooking habits of the concerned consumers. It is observed that groundnut oil is the most preferred oil for everyday use in most of western, southern and central Indian. In eastern Indian expeller mustard oil is relatively more favoured by the consumers. In the north vansapati is the preferred cooking medium. While the above preference are for everyday use, demands for specific preparation charge. The bulk for edible oil purchased is in commodity form. Bonded and packed oils account for a relatively minor share of raw market. Thus we are mostly concerned with Sangli market for groundnut oil.

3.7:1 MARKET CHARACTERISATION

In our survey we made inquiries regarding the groundnut oil consumption in Sangli with the help of Traders, manufacturers, agents, wholesales and retailers. It is very interesting to note that, about 80 percent of the oil are purchased in the household sector. While the balance 20 percent are purchased by institutions such as hotels, hostels restaurants etc. Further we had observed on the basis of monthly data gathered by the researcher with help of small questionnaire. According to this the largest quantity (ie 64%) is purchased in monthly lots in the Sangli market Fortnighly (within 15 days) purchase also account for about 14 percent of the demand Weekly purchases account for about 14 percent and only 2.2 percent of the total quantity purchased is in daily lots. The balance 5.8 percent is purchased in frequencies of less than the above.

We present the salient features of our groundnut oil studies as relevant for characterising the edible oil market.

1) In a study it was found that 95 percent of the consumers of Sangli use groundnut oil. The per-capital (household as a unit) consumption was estimated at 5.5 kg per month.

2) It was discovered that of 75 percent was purchased from shops specialising in trading oils out of this 60

percent from Rajendra Trading, Ashish Agencies, Arihant trading, Shri oil and swastic traders and 15 percent from other trading oils in the Sangli of the 25 percent came from the manufactuers shops and their specific traders shops.

3) In study conducted in Sangli market with the help of trading agency and manufacturing units, it was found that the average daily sale of groundnut oil alone in the market ws 20 mt sold per day. Data regarding sales of groundnut oil in Sangli through the trading units and manufacturing units given in table 3.7 shows that

Table no.3.7 Sales of groundnut oil in Sangli.

a) Name of trading units	Sales of groundnut oil per day
1) Mahavir trading	(mahaveer) 2.6 mt
2) Swastic trading	(mahaveer) 1.80 mt
3) Arihant trading	(Arihant brand) 3.5 mt
4) Shri oil trading	(Shri oil) 2.1 mt
5) Rajendra trading	(Ganesh brand) 3.0 mt

	13.0 mt
b) Manufacturing units own shops	
1) Mayur oil industry (Mayur brand)	1.3 mt
2) Sharifa oil industry (Dimond oil)	1.1 mt
3) Deepak oil industry (Deep brand)	.5 mt
4) Tulsi oil industry (Rani brand)	.6 mt
5) Shivam (Shiv brand)	1.5 mt

	5.0 mt
c) Others	2.0 mt
Grand total	20.00 mt per day

Sale of groundnut oil in the Sangli market was 13 mt sold per day by the Sample trading units. The manufacturing units under study was sold

5.00mt per day and others shops trading units sold 2 mt per day. Even if we examine this information with reference to individual units Rajendra trading, Shri oil, Arihant and Mahaveer trading shows their good performance in the Sangli market The manufacturing units also shows their performance in Sales of groundnut oil in the town as a secondary duty.

4) Of the 20 mt sold perday a packs of 5 kg bulk buyers accounted for 39 percent, purchase of loose oil accounted for 59 percent and small packs of size upto 5kg accounted for 2 percent of the market

5)In 1995-96 the leading brand of bulk sales and consumer pack oil was Arihant brand, accounted for 17.5 percent of market Rejendra Ganesh brand and Mahaveer brand accounted for 15% resepectively. The Shri oil brand accoounted for 10.5 percent in the market and rest of the all trading and manufacturing units accounted 44 percent for by over 6 brands.

6) The Mayur oil, Sharifa oil, Deepak, Tulsi and Shivam oil manufacturing units was sold through a wholesale shops while trading units was sold through a retail networks of 10 consumer Bazar and 500 retail Shops. The average margins available to the packers was about Rs. 3.50 per tin while the retailers margin was Rs.2 per tin of 15kg. The retailers are allowed to Rs. 2 per kg when they sell consumer packs. While they get about 3 percent margin. While selling oils in the loose form or the

polythene packets of 1/2 kg oil were preferred particularly by the lower income consumers. The leading brands of refined oils in small amounts were postman and saffola.

3.7:2 :TRADE CHANNELS

The trade Channels differ for oils sold in bulk (15 kg tin or drums of 192 kg) and for oils sold in consumer packs. For oils sold in bulk the trade channels is from manufacturer (millers) refiners / repackers through Commission agents or from commission agent to wholesalers, from wholesalers to retailers and finally to the consumers. The modus operandi and the details of operations elements. We have selected only three elements with a view to our limitation and objectives given in the Chapter I the operations are briefly described below.

Table No.3.8 Trade channels of groundnut oil manufacturer/Refiners/Repackers

Question	Trade Channels
1) Who do they buy from Groundnut and raw-material	- Maharashtra, Gujraht Karnataka, Anndra Pradesh, Tamilnadu.
2) Who do they sell to (Refined oil)	- Wholesalers through commission agent, local consumers, Bazar, own shops
3) Number of days of credit they get	- No credit, they insist on payment on delivery
4) Daily turnover	- 20 mt

- 5) What are the methods of purchase? - Bulk, loose in tankers
loose in barrels, 15kg
tin 195kg barrels
- 6) What is the commission - 2 to 3 percent commission
- 7) Expenses on repacking and refinery - Packing expense is Rs. 2.50
to 3 and filtering and
refining expenses comes to
Rs. 1 Rs per 15 kg tin

Table 3.9 Trade channels of trading company/wholesalers

- 1) Who do they buy from - Millers of Sangli and from
Gujrath all over maharashtra
and commission agents.
- 2) Who do they sell to - Consumers Bazar, Retailers,
direct consumers
- 3) Number of days of credit they get - No credit to the consumers 4 to 5
days credit given to the
retailers
- 4) Daily turnover - 2000 to 3000kg
- 5) What are the methods of purchase - in direct purchase barrels,
loose in tankers.
- 6) What is the commission in the business - 1 percent of net realizable
value from retailers and
consumers, Bazars and 50
paise per kg from consumer
- 7) What are the expenses in the business - Handling charges, transport
charges, telephone charges etc
- 8) What is the size of the stock - 500 tins(15kg per tins)

The manufacturer of oil under study refers to the industries who crush oilseeds and sell expeller oil sometime the manufacturer or miller may use expeller oil or solvent extracted oil for refining and sales to the wholesalers and to the direct consumers with his own shops. The oil traders or wholesalers buy oils in bulk from the millers pack them in new tin or in

polythen bags and sell than under well promoted brands to the ratailers and to the consumers. Most of the oils and oilseeds come from in and around the Sangli, Maharashtra, Gujarath, and Karnataka states. This group in the trading channel sells the oil to wholesalers or traders through a system of commission agent. The payment is made on delivery. Generally the wholesalers or traders buy edible oils either from commission agents or from the millers or manufacturers. In Sangli the wholesalers or traders sell their oils to retailers and direct to the consumers.

The Retailers in the Sangli also engaged in sales of a large number of consumption goods Retailers buy oil usually from traders and frequently stock more than 10 tins of oil with each of 15 kg. They get credit upto a week from the traders or wholesalers. Usually the oil is sold by the retailers by opening the tins and selling the oil in a loose form. The retailers earn about 2 percent on the value of the groundnut oil or 5 Rs. per tin.

3.7:3 COSTS AND MARGINS IN THE OIL TRADE IN SANGLI

Expenses incurred at each level of channel for Sangli.

Lets us assume that loose oil is purchased in tankers or barrels for Rs 527 per 15kg of oil from oil-factory. Expenses will be calculated after the oil has been either refined or filtered the millers

(manufactures) sale price is equal to traders cost price
for 15kg of oil reference year 1996 (January)

Cost price of manufacturer(15kg tin) = Rs. 527

1) Filtering Cost = Rs 1

2) cost of tin	=	Rs 12
lable and glue	=	Rs 1
Handling charges	=	Rs .50

Total of 2	=	Rs 13.50

3) + Octroi		Rs 1.50
+ sales tax(4%)		Rs 20.50

Total of 3	=	Rs 22.00

Selling price miller/manufacturer Rs. 563.50

Cost price of the commission Agent Rs. 563.50

4) Transporatation expenses	Rs. 1.50
Commission Rs.per tin	Rs. 1.00

 Total Rs. = Rs. 566.00

5) Cost price of the traders or wholesalers Rs. 566.00

His commission is 1 percent ie	Rs. 5.65
His expenses are Transportation	Rs. 1.00
Handling charges	Rs. .50
Shortage	Rs. .35

 His selling price is = Rs. 573.50

6) Retailers cost price of the oil	Rs. 573.50
Retailers margin (2percent)	Rs. 11.50

Price at which oil is available	-----
to the consume if sold in 15kg tins is	=Rs. 585.00

During the year 1995-96 the average price for 1kg oil was Rs. 39 If the retailer opens the 15kg tins and sells

it loose then he makes a profit of Rs 1 per kg of oil ie Rs.40 per kg. Thus Retailers margin in that case is Rs.15 It is interesting to note that the price paid by the consumer is much higher. The total difference in Sangli market is to the order of 11 percent of the value of the oil.

3.7:4 BEHAVIOUR OF PRICES OF GROUNDNUT OIL-

In our survey we made inquiries regarding groundnut oil prices during the period of 1991 to 96. More particularly groundnut oil prices have increased from about Rs. 4.5 per kg in 1970 to a level of Rs. 40 kg in the year 1991 and again reduced to Rs. 27kg in the year 1993. Further since 1994 groundnut oil prices has risen continuously ie from Rs.27 to 30 in 1994 to Rs.35 in 1995 and 37 in 1996 and at present the prices of groundnut oil fluctuated from Rs.37 to Rs.41 in the period of 1996 to January 1998. Thus one may argue that one of the reasons for the increasing prices of oilseeds and oil lies with shortages in oilseed production due to unfavourable and irregular monsoon in agriculture sector and consequently lack of price incentive. While there is a general increasing trend in the groundnut prices inter year and within year of 1994 to 1995 and 1996 to 1998. Fluctuations are remarkably high. It is common to ascribe these price variations to production of the crop within the country. The government of India in their integrated policy on the edible oil sector announced a programme of market intervention operations in 1991. In this

programme prices of oil were to be maintained between Rs. 20,000 per mt to Rs. 25,000 mt in the case groundnut oil. The prupose behind this was to ensure that oilseeds prices as derived from the above price band and secondly the operations of the price band is expected to control excessive. Price riese in lean seasons and thus help the consumers obtain adequate supply of oil at reasonable prices.