CHAPTER 6

Summary and Conclusions
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SUMMARY AND CONCLUSION

An attempt is made in this chapter to recapitulate the major conclusions arrived at in the course of the study. The importance of a study of this type pertaining to an analysis of the production and processing of groundnut arises from the fact that such a crop will have a vital role to play in the national or regional economy.

Groundnut, as a monocrop, is gaining importance in the tropical agriculture not only for its use as food but also for its industrial use. India occupies first place in the oil-seed economy of the world with respect to area and production of the three oilseed crops namely groundnut, rapeseed-mustard and seasamum. About half of the area under oilseeds and over two-thirds of oilseeds production are accounted by groundnut.

In India, Tamilnadu ranks second in the production of oilseeds, next only to Andhra Pradesh. Among the twenty Districts of Tamilnadu, Salem District occupies third place in respect of area as well as production of groundnut. It is only in this district, there has been an increase in the area under groundnut cultivation, as it has emerged as the most important commercial crop of the District. Further the prosperity
of the area is very closely linked with the efficiency with which the crop is produced as it forms the most important raw material for nearly 243 oil mills of the Salem District.

The profile of the study area reveals that soil, climate and rainfall are profusely suited for groundnut cultivation. This has resulted in a positive growth trend in area though there is greater instability in production and productivity.

In order to analyse the production and marketing of groundnut, 25 groundnut growers have been interviewed and with regard to oil manufacturing, 15 oil mill owners from Tiruchengodu, Namakkal and Salem have been interviewed.

In Salem District, groundnut occupies first place with respect to area under cultivation. It is grown as a rainfed crop as well as irrigated crop. Sowing of groundnut seed coincides with the on-set of rains. In the study area, since the rainfall is inadequate, groundnut is grown as an irrigated crop.

There are four methods of processing groundnut into oil - Bullock-driven Ghani Method, Power-driven Ghani Method, Expeller Method and Solvent Extraction Method. Irrespective of the methods of processing, all units obtain raw materials
at an uniform rate of Rs.900/- per metric ton. The cost of conversion varies from process to process. In bullock-driven ghani method, the crushing cost comes to Rs.35 per metric ton. Under electric driven ghani method, the cost is calculated to be Rs.24 per metric ton. The cost of conversion in the rotary method is Rs.31.25 per metric ton. The cost of conversion is the highest in bullock driven ghani method because of the labour cost and the time involved in conversion process.

In all the four methods of production, oil recovery ranges from 33 kgs. to 38 kgs., cake production 61 to 64 kgs. for 100 kgs. of kernels and the loss ranges from 1% to 3%.

In Salem District, Oil production is concentrated in the three taluks - Salem, Tiruchengodu and Namakkal. Salem has majority of Expeller units, whilst Namakkal has a large number of Rotary units.

The study also reveals that 90% of the groundnut oil is produced only through expeller. Though the number of Rotary is also large, most of them are not functioning because they have shifted to gingely and other vegetable oil production. Out of 24 mills undertaking the process of extracting oil from oil cake (Solvent extraction method) two are functioning, in the study area - one in Salem Taluk and the other in Namakkal Taluk.
An analysis of cost structure of oil mill reveals that all the rotary and expeller units have a uniform rate of depreciation of 0.08%. Rent is not an element of cost in all the oil mill industries because in the study area all factory buildings are owned by the proprietors themselves.

Insurance premium which is paid for coverage of risks and uncertainties involved right from the purchase of raw materials till the sale of products, constitutes a less percentage of total cost. It amounts to just 0.04%.

Interest imputed for own funds constitutes a small percentage to total cost and it works out to 0.26% of the total cost.

The raw-material which is the most important element in the cost structure forms the highest component amounting to 92.32%. Wages and salaries constitute a small percentage to total cost due to the fact that lack of raw material is the main hindrance in generating additional employment for labourers. Further, the work in the industry does not require much of skill and dexterity. There are no family labourers engaged in this industry, except the owners who act as Directors. Transport cost forms 1.7% of the total cost. Repair and maintenance costs amount to 0.31% of the total cost, which shows the inadequate attention paid to proper maintainence of plants and equipments.
Sales tax constitutes a large proportion in the total cost. It amounts to 4.50% of the total cost.

There are different types of marketing channels. Marketing channels for oilseeds are different from those meant for foodgrains, mainly because the extraction of oil from oilseeds is an important marketing function of oilseeds. The most common marketing channel in the study area is - producer to consumer who either directly consumes the oilseeds or gets it processed on custom basis. This is followed in Rotary method. But under Expeller method the manufacturer sells to consumers through retailers.

The calculation of marketing margin shows that the manufacturer's profit margin comes to about 1.04%, the wholesaler's amounts to 1.56% and that of the retailer to 1.57%.

For pricing of groundnut oil, it has been suggested that government should give subsidy for the producers. Dual pricing has also been recommended. Government should take effective steps in fixing procurement price of groundnut pods/kernels on scientific lines on the basis of cost of cultivation. Fixed percentage of groundnut expeller oil production must be made over to Government. Edible oil industry should be covered under cost Audit.
The presence of large number of intermediaries, lack of grading and standardisation have been felt seriously by 60% of the farmers in the study area. This is aggravated further by the absence of institutional marketing arrangements.

Lack of transport facility was mentioned by 20% for the farmers and absence of warehousing facility by 80% of the respondents.

In the field of groundnut oil production, almost all the problems are experienced by all the units surveyed by the researcher. The problems of licensing and price fixation are universal, since they are experienced by all the units in the study area.

Regarding the licencing policy of the Government (issue of a single licence for one or more edible oil) the mill owners expressed that at present there is no scarcity condition warranting control over groundnut oil. By imposing control through licencing, trade and industry will be affected severely. Therefore, the mill owners in Salem District feel that de-licensing of groundnut oil is a must to pave the way for healthy trade activities apart from increased production and greater availability of groundnut oil.
80% of the oil mill owners expressed the problem of storage of groundnut oil. This is because a dealer having a number of godowns in one and the same district is forced to obtain separate licence for each of the godown by approaching different licencing authorities of different localities in the same district and has also to deposit cash as security. This leads to much financial commitment.

The mill owners also feel that the rules that a wholesaler shall not sell groundnut oil to another wholesaler in the same district and no wholesaler shall hold any stock of groundnut oil for a period of exceeding fifteen days will affect the regular channel of distribution and will also lead to collapse of the market structure.

A very important problem faced by the oil industry is the rate of tax. As the tax payable works out to more than 10%, the millers sell the oil in black market resulting in loss of revenue to the government. Therefore, it is suggested that the Government should exempt the edible oils from taxation or atleast reduce the rate of tax on oils by 50%.

The price of Groundnut oil is fixed in Bombay market which is followed all over the country. It is similar to monopoly
price. The oil mill owners are forced to have contact with oil and oilseeds Association, Madras to ascertain and fix the price.

One common difficulty experienced by the units is the absence of drying yard resulting in loss of oil extraction. Hence, it is suggested that the Government should provide necessary drying yards.

Government of India has placed restrictions on the export of deoiled cake which has created an atmosphere of uncertainty among the solvent extraction units. If this continues, oil cake and deoiled cake stocks pile up at the mills blocking significant amount of their capital and will result in closure of such units. Hence, it is suggested that the Government should take necessary steps in removing all the restrictions imposed on the export of deoiled cake so as to ensure a steady market for it.