CHAPTER – 9
CONCLUSION (OPPORTUNITIES AND CHALLENGES)

9.1 FINDINGS

It is known that financial analysis is based on secondary data and whenever secondary data are used Major Hypotheses are not there. Still a few minor Hypotheses have been developed to analyze the general condition of the Industry. The hypotheses of the study are given herewith:

1. The numbers of plants and units in Soya processing industry has increased.
2. Soybean oil is emerging as main edible oil.
3. Soya processing industry is well developed in Malwa Region but it is facing problems.
4. Soya Processing Industry has immense export potential.

TESTING OF HYPOTHESIS

1. **The numbers of plants and units in Soya processing industry has increased.**

\( \text{H}_0 \) : The number of plants and units in Soya Processing Industry has not increased in the duration of study.

\( \text{H}_1 \) : The number of plants and units in Soya Processing Industry has increased in the duration of study.
To test this Hypothesis data was collected from Soybean Processors Association of India (SOPA). During the period of analysis it was seen that there was a significant decrease in the number of plants. In the process of time many old plants were shut down and new plants were opened.

As per the data available with SOPA there were 102 soya units registered with it in the year 2001-2002 this number has gone down to around 55 in the year 2009-10. This is the reason why this hypothesis $H_0$ is accepted because the number of plants has not increased. This Hypothesis has been tested in Chapter No. 5.

2. **Soybean oil is emerging as the main edible oil**

$H_0$ : Soybean oil is not emerging as the main edible oil.

$H_1$ : Soybean oil is emerging as the main edible oil.

If the history of the edible oil consumption is analyzed then it can be said that in the initial times the ground nut oil and the mustard oil were the main edible oil that were being consumed. With time the prices of these oils became very high and it was not possible for the common people to afford groundnut or mustard oil.

Other than this the health awareness among the people increased. The amount of fat found in these oils was much more. These were the major two reasons of shift of demand of edible oil to soybean oil. But the soybean oil is not the highest consumed oil in India. Statistics show that Palm oil is the most consumed oil in India. As far as Soybean oil is concerned the consumption of soybean oil during the
period of study has increased. In the year 2000 the consumption of soybean oil was 2080 thousand metric ton. In the year 2010 it increased to 2640 thousand metric ton and in the year 2013 it was 3000 thousand metric ton.

Out of all the oilseeds produced in India the production of soybean was second largest with an average of 7.12 million metric ton from 2001-2010. The first was that of sunflower with 8.24 million metric ton.

In a survey conducted by the Solvent Extractor Association of India it was found that in the year 2010-11 soybean oil was the second largest edible oil consumed in West India. The share of Palm oil was 37% and that of soybean oil was 25%.

As Palm oil does not have a reasonable position and is neither produced nor branded in India so it can be said that Soybean oil is the major oil consumed. This Hypothesis has been tested with the help of Chapter No. 2 and 4.

3. **Soya processing industry is well developed in Malwa Region but it is facing problems.**

\[ H_0 \]: Soya processing industry is well developed in Malwa Region but it is not facing problems.

\[ H_1 \]: Soya processing industry is well developed in Malwa Region but it is facing problems.
The first part of the Hypothesis that is the Soybean Industry is well developed in Malwa region is true whether the Hypothesis is null or alternate. There are many arguments in support of this statement.

The prime reason why Malwa region is rich in soybean production is its location and other geographical parameters. The volcanic, clay-like soil of the region owes its black colour to the high iron content. The soil requires less irrigation because of its high capacity for moisture retention (one of the main reason for bumper soybean crops). The other two soil types are lighter and have a higher proportion of sand.

The region includes the Madhya Pradesh districts of Dewas, Dhar, Indore, Jhabua, Mandsaur, Neemuch, Rajgarh, Ratlam, Shajapur, Ujjain and parts of Guna and Sehore and the Rajasthan districts of Jhalawar and parts of Banswara and Chittorgarh. The major cities and towns of Malwa region have a predominant share in the production of soybean in M.P. The area of Malwa region alone accounted 34.680 Lakh MT of production in 2010 out of 60.987 Lakh MT of the state of M.P.

When the area cultivated and numbers of plants in M.P. are studied, it can be seen that this industry is particularly well developed in Malwa Region and the major soybean growing regions are also located in Malwa. Many plants are located for the simple reason that the raw material available is more and the transit time taken for the raw material to reach the plant is less.

The importance of Malwa as far as soybean production is concerned can be gauged from the fact that there are some 30+ big soya plants located in this area.
When talking about the later part of the Hypothesis, \( H_1 \) that is the Alternate hypothesis is selected. The reason is that when the officials of the companies were contacted it was reported by them that the industry is facing many problems.

Even when the officials of the Soybean Processors Association of India were contacted, they disclosed that the industry is tremendously facing problems and this is the reason why many plants have been shut down in the course of time. While conducting the study the researcher has pointed out some 38 problems that the industry is facing. This number also includes the problem for low productivity of soybean in Malwa. Thus \( H_1 \) is accepted. This Hypothesis has been tested with the help of Chapter No. 2 and 8.

4. **Soya processing industry has immense export potential.**

\( H_0 \) : Soya processing industry does not have immense export potential.

\( H_1 \) : Soya processing industry has immense export potential.

Soybean is the world’s most important vegetable protein feed source accounting for nearly 65% of the world protein feed demand.

The demand for soy meal in the international market is very high and India has taken full use of this opportunity.

As far as the export of Soya products is concerned, it has been clearly indicated from facts and figures that the exports are huge.

During the period of study it was found that the export from our country has increased manifold. Moreover, it is known that the soy products of India are considered of premium quality in many countries.
It has also been observed that the people in developed countries are becoming much health conscious and are shifting their demand towards soy products. These are the reasons why the soy products have immense export potential.

The soybean meal export has increased from 2000-01 with 2.367 MMT to 4.245 MMT in 2008-09. After falling to 2.136 MMT 2009-10, the export reached to 3.846 MMT in 2010-11.

Starting from 2000 – 2001 in which the exports was estimated at 18400.00 million rupees and reaching 10 years ahead it can be seen that in the year 2009 – 2010 it was 42585.00 million rupees.

An increase in exports of about 20 times is a big achievement for Indian exporters. India’s export of soybean meal surged to 38.46 lakh tones in 2010 – 11, considerably high as compared to export in 2009 – 2010 which was 21.14 lakh tones.

It is projected that the soybean exports are expected to reach 10000 crores in the year 2015 and upto 15000 crores by the year 2020. Hypothesis H₁ is accepted. This Hypothesis has been tested in the Chapter No. 4.

**SWOT Analysis :**

SWOT Analysis of Soya Processing Industry in Madhya Pradesh.

(1) **Strengths :**

- The Soya Processing industry is very important part of the economy of M.P. and is one amongst the highest employment generator.
This industry is large, competitive and well developed, offering variety of soy products.

Health and other benefits of soy products.

Easy availability of Raw Material.

Recent advances in technology and government initiatives.

Abundant cheap labour force hence can compete on price.

Health and functional qualities.

(2) Weakness:

Inconsistent quality.

Current agriculture practices are not economically sustainable, resulting in lower yield and productivity.

Non- utiliziation of installed capacity.

Not considered as high priority industry.

Lack of adequate infrastructure.

Inadequate market study and market strategy.

Unawareness of international standards by many players in the market.

High capital investment and low ratio of value addition.

(3) Opportunities:

Future prospects of industry are bright.
Increase in awareness and publicity of soy product can bring tremendous changes.

This industry has a lot of export potential.

More than 10 mega food parks are being planned to be set up by 2015 indicating the governments focus on food processing industry.

Global soybean demand is estimated to grow to approximately 371 million tons by 2030.

Favourable geographic condition lessens the transportation cost.

Use of e-commerce in direct marketing.

4) Threats:

Tough competition from their counterparts in USA, Brazil and Argentina.

Poor capacity utilization which is much below the breakeven level may increase industrial sickness.

Possibility of switching over to cultivation of other crops by the farmers.

GMO (Genetically Modified) Value Added Products of countries like China.

Stricter international standards.

Import of duty free crude palm oil.
9.2 FUTURE POTENTIAL:

It is important to consider the reasons for a continued increase in area cultivated with soybean despite its stagnant and low productivity and despite the increasing cost of production. The following factors contribute to increased area under soybean cultivation:

- Suitability of soybean for cultivation on fallow land.
- Yield and price advantage over other Khariff crops.
- Stable price and well organized markets.
- Soybean net returns are higher than other Kharif crops.
- Alternative Kharif crops, e.g. cotton, sugarcane, sorghum, maize can be completely destroyed by excess moisture. Soybean is more tolerant. Soybean sustains drought and excess rains. Except in critical periods such as germination, flowering and pod formation, soybean is generally considered to be tolerant to shortage of moisture. Also soybean, compared with other legumes, is relatively tolerant to temporary water logging and in the absence of disease it recovers quickly after water logging ceases.
- Risk taking ability of farmers, i.e. low risk soybean vs high risk crops in other seasons.
- The efficiency of Government schemes for example, the Technology Missions for Oilseeds, for the development of soybean production and processing in India.

Looking into the above mentioned factors it is very clear that the cultivation of soybean in India is backed up with some extremely strong aspects. This indicates that the future potential of the Industry is bright.
The study has revealed that the Soya Processing Industry has prospective future in India. Some points studied are summed up as follows:-

1) India, a country with a large population, is experiencing a rapid income growth.

2) Approximately 2/3rd of India’s population in vegetarian, much of the increase in protein consumption is expected to come from a non–meat source.

3) Consistently rising domestic demand for edible oil in general and soy oil in particular leading to higher imports.

4) Higher crush capacity utilization in the industry.

5) Increased Soy Meal demand from Far East due.

6) Recovery of domestic and global poultry industry resulting in revival of demand for feed, thus benefiting Soy Meal manufacturers.

7) Rising demand for bio–fuels.

8) Indian Soybean market is worth over US $ 1.64 billion or INR 7000 crores.

9) India is an importer of Soy oil but exports soy meal which is considered to be one of the premium soy meals among European and Asian countries.

11) India’s soy meal exports are expected to have crossed 50,00,000 ton mark, way back in 2007 – 2008 and now is much ahead.
12) India export approximately 65% of the total soy meal produced and has turned out to be one of the largest exporters of soy meal usually to the Asian Countries.

13) Encouraged by the current export trend, the Solvent Extractors Association has planned to send a delegation to Cambodia and other Far – Eastern nation to further strengthen the hold on the markets there.

14) Indian Soya has price advantage in world market as Indian soy meal is still cheaper when compared with the American and Brazilian soy meal.

15) Indian Soya has another advantage that no other country produces cheaper soy meal than India, which contains high protein content of around 48%.

16) Only India supplies non – Genetically Modified soy meal, while the U.S., Argentina and Brazil manufacturers supply only or mainly Genetically Modified (GM) Soya meal.

**FUTURE PROSPECTS :**

It is undoubted, that Soya industry has come of age and has achieved a respectable status. Industry is very confident of its promising journey with a quest for excellence and setting New Benchmark.

The Soybean Processors Association of India (SOPA) in the 49th All India Convention on Oilseeds, Oils Trade and Industry held on 5 – 6th Nov. 2011, Indore gave following projections in the Souvenir published by it :-
Assumptions

- Area under cultivation will continue to remain between 9.5 to 10 Million Hectare.

- Projected Production
  - Year 2015: 15 Million Tons
  - Year 2020: 18 Million Tons

- Installed Capacity of Soya Processing Units – 25 Million Tons.

- Projected Output
  - 2015
    - Soybean Crushing: 13 MT
    - Soybean Oil: 2.3 MT
    - Soybean Meal: 10.4 MT
  - 2020
    - Soybean Crushing: 16 MT
    - Soybean Oil: 2.9 MT
    - Soybean Meal: 12.8 MT

- Projected Turnover (Rs. Crore)
  - 2015
    - Soybean Oil: 13000
    - Soybean Meal: 20000
    - Export 50% and Domestic Consumption 50%
    - Value Added Soya Food Products: 2000
    - TOTAL: 35000
  - 2020
    - Soybean Oil: 18000
    - Soybean Meal: 28000
    - Value Added Soya Food Products: 4000
    - TOTAL: 50000

- Contribution to overall National Economy.
  - 2015
    - Employment (Direct + Indirect): 15 Lacs
    - Foreign Exchange earnings: 10000 crore
    - Share / Contribution of Soya in Oilseeds Crops: 35%
  - 2020
    - Employment (Direct + Indirect): 18 Lacs
    - Foreign Exchange earnings: 15000 crore
    - Share / Contribution of Soya in Oilseeds Crops: 40%
9.3 SUGGESTIONS AND RECOMMENDATIONS:

The prospects of soybean expanding further into a major crop in India are good. The know-how accumulated on soybean farming in India is already considerable, and industry is becoming increasing aware of the varied uses of soybean.

The major constraint to sustained development of soybean remains the low and declining yields. Consumer and farmer education and governmental support can help increase yields; increased industrial utilization of the crop can become more important. High yields are constrained by a complex interaction of genetic, physiologic and climatic factors.

There is a substantial scope to increase both area and productivity of soybean in India. The crop which is presently confined to Central India would extend to non-traditional regions. Feasibility studies undertaken have demonstrated that crop can be successfully taken up in northeastern and southern regions for which suitable varieties and production practices have been identified (Tiwari et al, 1994).

The growth in area of soybean is continuing and it is expected to reach 15 million ha by 2020. For enhancing the productivity, major thrust areas for research have been identified which include evaluation of existing and newly acquired germplasm for useful traits, identification of genotypes having potentials to address the emerging constraints to soybean production and development of new varieties with high yield potential with wider adaptability and resistance to biotic and abiotic stresses. Efforts are already on to identify the molecular markers associated with useful traits in soybean which can be used in market
assisted breeding programs. The emphasis has also been on refinement and development of environmentally eco-friendly need based soybean production technologies and development of integrated disease, pest and nutrient management technologies.

Strengthening of extension activities to educate farmers through training programs and large scale on farm demonstration of soybean technology is also a future thrust area for improving the productivity levels of soybean in India and particularly in Madhya Pradesh.

To further enhance the productivity of soybean in Madhya Pradesh and abridge the vast yield gaps, following thrust areas have been identified:

(A) RESEARCH NEEDS:

1. Development of drought resistant or tolerant varieties with wider adoptability over variable planting time.

2. Farmer’s participatory approach in development and selection of varieties.

3. Refinement of existing water conservation technologies to suit to small and marginal farmers.

4. Development of farm machinery for using the water conservation techniques for both small and marginal farmers and large farm holdings.

5. Development of crop management practices suited to small and marginal farmers and to reduce the cost of soybean production.
(B) EXTENSION NEEDS:

1. Proper sensitization of the farmers for adoption of improved soybean management practices that include improved soybean varieties, agronomic practices and technologies available for conservation of moisture.

2. Strengthening of on-farm demonstrations, farmers training programmes and interaction between farmers and soybean scientists.


(C) POLICY ISSUES:

1. Strengthening of advanced weather forecasting mechanism.

2. Easy and simple credit policy.

3. Timely availability of inputs.

4. Cost efficient and reliable availability of farm machinery. Development of mechanism community by sharing of costly farm equipments.

CONCLUSION:

The Soya Processing Industry has taken our country by stride, with its exciting and promising journey of four decades. With a commercial beginning in 1970 the industry has grown a lot. The production of the crop which was just 0.014 million tons in 1970, has increased to 12.65 million tons by 2010.
The major contribution to this industry is from the units of Madhya Pradesh specially Malwa region. To analyze the financial condition of this industry the research was taken up and five companies of different status were chosen as samples. By performing the whole study and by analyzing the facts and figures of production, sales, export and financial reports, it can be concluded that the financial condition of the industry as a whole is not very strong or sound.

After conducting a detailed financial analysis the financial condition of the five companies becomes very clear. Starting from the lowest, Prestige Feed Mills is ranked last, then Premier Industries, Vippy Industries, Divya Jyoti Industries and at the top is Ruchi Soya Industries. During the period of study it was found that only the condition of Ruchi Soya is stable and sound with good Returns on Sales and Assets.

The profitability of this industry is heavily dependent on the raw materials and other inputs needed for production. The cost of these inputs has gone pretty high during the decade. Moreover this industry is seasonal and is highly agro-dependent. During the period 2007-10 the condition improved because of sufficient amount of rainfall.

Other than this, Ruchi Soya has the strategy of Contract Farming which means that they enter into contract with the farmers and purchase the soybean seeds (full yield) at predetermined rates and not at the rate prevailing at the time of harvest, this has been the major reason for the better condition of Ruchi Soya. This strategy is lacking in most of the plants. As per the survey only Ruchi Soya was found engaged in contract farming. The other reason is exports. The soy products have immense export immense potential. The units which have succeeded in exporting
the soy products have gained a lot. More dependency on domestic market has turned less fruitful.

Moreover, it is very necessary that the units should have Plan B in case Plan A is not feasible. The units other than Ruchi have failed to do this.

The maximum success of the soya plant is dependent on how well they are able to play in the commodity market and how accurate they are in forecasting which is, a very important function of management.

There is a need of Action Plan at the time of cultivation, production and extraction. The development of the industry requires a combined effort of farmers, industrialist, agricultural scientists and government both at state as well as central level.

Still it can be concluded that the industry has immense potential and the units need to dig out the potential by developing proper strategy, following a well built action plan and playing wise in the market.

After completing the study on Financial Analysis of Soya Processing Industry in Madhya Pradesh with Special Reference to Malwa Region From 2000-2010, I conclude my research that the Soya Processing Industry has been a growing industry and has a very good prospects in future. The fact underlying the study is that the industry inspite of many potential it is facing some problems. This industry is important because it is catering to meet the demand of very important edible oil that is soybean oil. The industry is also a huge foreign exchange earner for India. As stated earlier that this
industry is facing many problems so it is necessary that the Government both at central as well as state level should take measures and steps for the improvement of this industry. It should come up with schemes and policies which are beneficial for the industry.

Therefore, it is clear that the industry has been playing a very vital role in the economy of India. The financial analysis indicates that the industry needs support for the upliftment of its financial condition.

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