CHAPTER IX

MILL OWNERS PROBLEMS AND REACTIONS

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9.1 INTRODUCTION:

Government and politicians always blame to the oil businessmen for the disturbances of oil market. The press also neglects the real problems of the oil industry. The real problems of this industry are yet to be studied. It is necessary therefore to identify the real and important problems of this industry.

There are some common problems from the consumers' point of view. They are mainly the price fluctuations and adulteration. Similarly, there are some other problems of this business from the businessmen's point of view.

9.2 MILL OWNERS PROBLEMS:

1) The prices of the edible oils and edible oilseeds are not stable. Number of times they fluctuate within a year. Therefore it is difficult to run the oil mill to the oil mill owners. The prices of oilseeds depend upon the agricultural yields of oilseeds and the speculators. The agricultural output is uncertain. Due to this and speculators there are always fluctuations in the prices of oilseeds and oils. This is a serious problem before the oil mill owners.

2) In the recent days oil mills are facing the problem of low supply of oilseeds as a raw material. After 1991 due to the globalization and free market the international traders, even big agriculturists are exporting the edible oilseeds. This leads to create the low supply of oilseeds. After 2001-02, particularly there is a rapid change in cropping pattern in agricultural sector. Most of the farmers cultivate their farms for
commercial crops, particularly for fruits, sugar cane, etc. This also leads to remain low supply of oilseeds to the edible oil mills.

3) Oil mills in Solapur city are facing the problem of capital. They cannot make easily the provision of sufficient capital for storage of raw material and as working capital. They are not getting sufficient borrowed capital from different financial institutions such as nationalised and co-operative banks, private credit finance companies, money lenders and indigenous bankers easily. Therefore mills cannot store sufficient oilseeds to run the oil mills in un-season period. Small oil mills in Solapur city run only in the season period, further they are not having their own sufficient working capital and also they are not having the solid security to deposit to the banks.

4) It is noticed the superiority of electric motor over the diesel engine. At present, all oil mills are using electric power. As the oil mills are scattered in the city, there are certain technical and financial difficulties in providing an electric current to the oil mills. If an electric current is provided without fixing a transformer, it increases the load on the line and affects the supply in the area. If a transformer has to be fixed, it involves lot of capital expenditure. But this cannot be undertaken in the absence of a definite industrial planning of Solapur.

There is a problem of non-continuous supply of electric power nearly half of the day which affects adversely on the size of the production.
5) Most of the oil mill owners in Solapur city are using the old and out-dated machineries rather than the modern machineries – expellers. Therefore, the oil percentage remain in oil cake is 7 to 8%. Due to lack of capital they cannot use modern expellers in which the oil percentage in oil cake remains 4 to 5%. It has affected unknowingly both quality and quantity of production. In the present days in big cities like Mumbai, Kolkata, Jalana, Chitradurga oil mill owners are using the heavy expellers.

6) Most of the oil mills in Solapur city are located in different areas in the city. The minimum 10 thousand sq. ft. area is required for processing and 10,000 sq.ft. area is required for crushing the oilseeds. Numbers of oil mills are not having required area for processing and crushing. So, mills are facing the difficulties in the process of drying and cleaning oilseeds. This is one of the problems before the oil mills in Solapur city.

7) The oilseeds being the agricultural products are not available for all the months of the year. They are seasonal and yield depends upon the rainfall. So the oil mill owners cannot buy the oilseeds in required quantities as and when they need.

8) There are no sufficient warehouses for storing the oilseeds. The oil mill owners of Solapur city are also having low storage capacity and small godowns. Hence the oil mill owners failed to purchase large quantity of oilseeds.
9) There is a scarcity of skilled workers in processing and crushing of oilseeds. Most of the available labours in Solapur city are engaged in power loom and bidi industry. Some labours are migrated from Solapur to big cities like Pune, Nagpur, Nashik and Mumbai etc. So the oil mills are facing the problem of skilled and unskilled labours.

10) The central govt. and state govt. of Maharashtra imposed heavy taxes as excise duty, and purchase and sales tax in the form of VAT. The oil mill owners have to pay the tax on the purchase of oilseeds and again on the sale of the final products such as oil and oil cakes. This creates heavy burden on the oil mill owners and curtail the percentage of profit.

11) The edible oil industry needs clean and purified water for processing and crushing of oilseeds. There is no any facility of such water in Solapur city for oil mill owners. So the oil mill owners have to face the problem of quality production of oil. The bore well water damages the boiler and other parts of the crushing machineries. This is also one of the problems before the oil mill owners.

12) The oil mill owners in Solapur city are facing the problem of competition with the solvent plants in the market. The solvent plants produce refined oil with attractive packings in the market. The oil mill owners cannot follow the packing system easily to sale the edible oil in the market due to non-refined and pressible oil. Without refining, the oil mill owners cannot store the oil for a long period.
13) ‘The edible oil is one of the adulteration commodity’ this wrong assumption is in the mind of consumers and also the govt. officials. There are no protection under the Prevention of Food Adulteration Act and Rules. Therefore, the oil mill owners are in trouble.

14) There is no any centre where research can be done on processing and production of edible oil at district level. The Research Centres provide new techniques and technology through the research for processing and crushing of edible oilseeds. Hence the oil mill owners cannot produce the quality edible oil which is necessary for national and international market.

15) Till today India is facing the shortage of edible oil, as there is no any concrete govt. policy to motivate the oil mill owners for the expansion of their production and sale. The govt. of Maharashtra should provide a special package giving facilities and subsidies to develop the oil mills in the state. Therefore the oil mill owners of Solapur city are facing the problems such as increasing cost of production, strict control of the govt., cutthroat competition in the market and the burden of heavy taxes etc.

16) The transport fare of railway is cheaper as compared to the road transport. There is no rail transport facility particularly for edible oil in Solapur. Therefore mill owner of Solapur city have to bear the heavy road transportation fares. This is one of the problems before the oil mill owners.
17) Some problems were put to the businessmen of this industry for their opinion. 69 sample oil mill owners were interviewed and the following problems raised by them.

1) Idle capacity and scarcity of raw materials.
2) Price fluctuations.
3) Losses and closing of firms.
4) Adulteration in oil.
5) Government controls.
6) Uncertain and unstable government policy.
7) Heavy tax burden.
8) Modernisation of oil mills.

The open alternates with above problems also were given of which there found only 2 problems as open opinions, (1) Tax evasion and (2) Corruption, including these 2 alternates, there are thus, total 10 problems that need deeper analysis.

Table 9.1 shows the weightage of problems in percentage as per opinions stated by 69 businessmen.
Table 9.1

Weightage of Problems in Percentage
as per Sample Oil Mills in Solapur City

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Problem</th>
<th>Total Preference</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Idle capacity &amp; scarcity of raw material</td>
<td>57</td>
<td>82.22</td>
</tr>
<tr>
<td>2.</td>
<td>Government controls</td>
<td>57</td>
<td>82.22</td>
</tr>
<tr>
<td>3.</td>
<td>Price instability</td>
<td>46</td>
<td>66.61</td>
</tr>
<tr>
<td>4.</td>
<td>Heavy taxation</td>
<td>40</td>
<td>57.78</td>
</tr>
<tr>
<td>5.</td>
<td>Uncertain and unstable govt. policy</td>
<td>37</td>
<td>53.33</td>
</tr>
<tr>
<td>6.</td>
<td>Tax evasion</td>
<td>25</td>
<td>35.56</td>
</tr>
<tr>
<td>7.</td>
<td>Adulteration</td>
<td>20</td>
<td>28.81</td>
</tr>
<tr>
<td>8.</td>
<td>Corruption</td>
<td>14</td>
<td>20.00</td>
</tr>
<tr>
<td>9.</td>
<td>Losses and closing of mills</td>
<td>12</td>
<td>17.71</td>
</tr>
<tr>
<td>10.</td>
<td>Modernisation of mills</td>
<td>2</td>
<td>2.22</td>
</tr>
</tbody>
</table>

**SOURCE:** Calculated from Field Survey Primary Data.

Out of the 10 problems, (1) Idle capacity with scarcity of raw material and (2) Government controls seem to be the main problems as per opinion given by businessmen. Both the problems accounted equal importance of 82.22 percent. Heavy tax burden and unstable government policy are also seem major problems which accounted for 57.78 percent and 53.33 percent weightage respectively. Tax evasion, adulteration, corruption, losses and closing of mills are also the major issues recognised as problems of oil industry. Incidentally, the modernisation of oil mill plants is no more a serious problem for the industry as per respondents' opinion.
9.3 MILL OWNERS REACTIONS:

1) The oil mill owners of Solapur city raised their reactions about the price fluctuations of edible oil and oilseeds. For the continuous supply of edible oilseeds the central and state govt. should implement some motivating plans for the oilseed growers and farmers. The govt. should also implement some concrete actions to control the activities of the speculators of oilseeds. This leads to make available more and continuous supply of oilseeds to the oil mills. Automatically this controls the price fluctuations of edible oils and oilseeds.

2) The central and state governments should implement a concrete export, import programme for oilseeds. The govt. should control the export of edible oilseeds for continuous supply of raw material i.e. oilseeds to the domestic oil mills. The mill owners raised their view about the changing cropping pattern. The state govt. should implement programmes for the fixation of minimum area under cultivation of oilseeds. This leads to make the continuous supply of oilseeds to the edible oil mills.

3) The oil mill owners of Solapur city suggested that a special provision of finance should be made available by the state govt. The state govt. should establish a special financial corporation to provide easy finance at cheap rate of interest for the different purposes such as storage of raw material, construction of building, elaboration of machinery, transportation and crushing etc. to the oil mill owners. It creates the better performance of edible oil mills.
4) The edible oil mill owners raised their views about the continuous supply of electric power. They suggest that electric transformers should be provided through which they can get worth and continuous supply of electric power. The load shading of electric power should be minimised which leads to increase the size of oil production.

5) The oil mill owners of Solapur city raised their views about the application of modern machineries for crushing edible oilseeds. A special fund should be made available for the building, machineries and for modernisation of processing and crushing of oilseeds.

6) The oil mill owners raised their views about the area of processing and crushing of oilseeds. According to them a state govt. should form a special agro-based industrial zone through a special industrial corporation. The corporation should provide sufficient area of land on lease basis at a very cheap rent.

7) According to the oil mill owners for the continuous supply of oilseeds the area of agriculture under cultivation should come into the irrigation and also the large area of agricultural land should be undertaken for oilseed crops. For this the farmers are to be motivated for changing cropping pattern which further leads to create continuous supply of oilseeds to the edible oil mills all the months in the year.
8) The oil mill owners expressed their view about the deficiency of storage facility of raw material. A sufficient storage facility be made available by the Maharashtra State Warehousing Corporation. The Corporation should provide the storage facility at cheap rent not only to the farmers but also to the oil mill owners. So that the oil mill owners can purchase in bulk quantity of oilseeds.

9) The Solapur Oil Mill Association should establish a special training centre for the oil mill workers. The Solapur Oil Mill Association should provide some facilities and amenities to the workers to attract towards edible oil industry.

10) The central govt. and state govt. should not impose heavy taxes on purchase and sale of oilseeds and oil, oil cakes respectively. The edible oil is one of the basic intakes of human creature. There is a shortage of edible oil in the nation in such a situation govt. should motivate the producers by evasion of taxes.

11) The Solapur Municipal Corporation should make a special provision of supply of clean purified and sufficient water throughout the year continuously at lower cost. It further leads to expand the size and quality of production.

12) The Ministry of Industry of the state should give the permission to form a Refinery unit to the oil mill owners in Solapur city on the co-operative basis. It helps to remove the difficulty of competition in the market with the solvent plants and also the refined oil can be stored for a long period of time.
13) For the problem of adulteration of edible oil there should be a special district Adulteration Office. The officers should make the provision of testing of edible oil every year at the district centre. And the purity of edible oil should be declared earliest to the customers in the market with the name of the oil mill owners.

14) According to the oil mill owners the Research Centres of edible oil should be established at district level by the govt. of Maharashtra. It helps to use modern techniques and technology which further helps to produce quality edible oil. This helps to enter the oil mill owners in the national and international market. In the state of Gujrart the govt. established Research Centres at district levels which provides the new findings and technology to the oil mill owners.

15) The govt. of Maharashtra should give a special package providing subsidies, tax evasion, concession in electric charges etc. This helps to develop the edible oil industry and helps to overcome the difficulty of shortage of edible oil in the nation.

16) The railway goods transport fare is cheaper than the road transport. So, the railway junction of Solapur city should make available the facility of transportation of edible oil at least once in a week. It helps the oil mill owners to enter in the state and national market easily.
9.4 CONCLUSION:

In the survey, it is tried to touch upon the important economic aspects of the edible oil mill industry in Solapur city. The survey has revealed the difficulties faced by the industry. Over capacity, existence of value added tax (VAT), lack of electricity and water supply, shortage of capital, difficulties of railway transport are the main problems faced by the industry. If they are tackled properly, the industry will be stabilized and may have a chance of further growth. This may also result in the establishment of some of the new industries linked with this industry in Solapur city.