

Sector	Project Title
Agriculture/Food Processing	Edible Oil Manufacturing Unit

### Project Description

The Agricultural sector contributes approximately 15.7% of India's GDP. India is the world's largest producer across a range of commodities due to its favourable agro-climatic conditions and rich natural resource base.

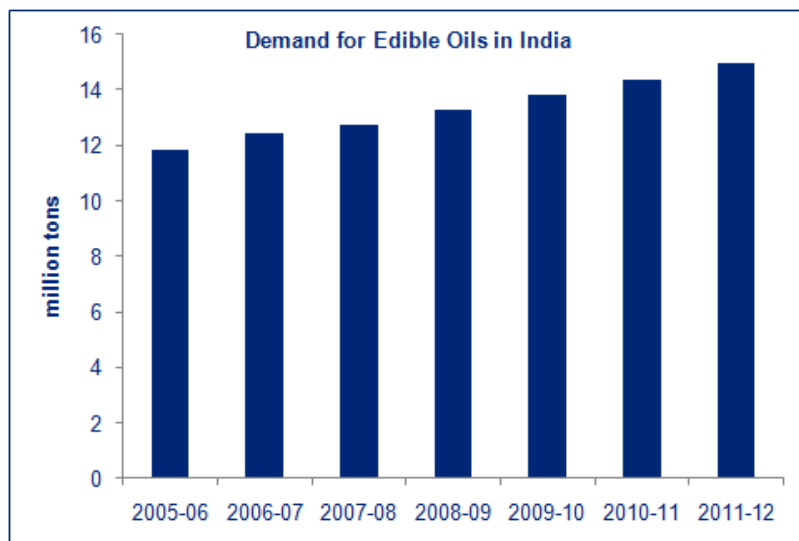
The Food Processing sector is a highly fragmented industry and widely comprises of the following sub-segments:

- Fruits and Vegetables,
- Milk and Milk products,
- Beer and Alcoholic beverages,
- Meat and Poultry,
- Marine products,
- Grain processing,
- Packaged or Convenience food and Packaged drinks.



It accounts for more than 70% of the sector's output in terms of volume and 50% in terms of value. Though the organized sector seems comparatively small, it is growing at a much faster pace.

The project proposes to set up manufacture units for edible oils in the State of Madhya Pradesh. The demand for edible oils is directly proportional to the increase in population of the country, which as per the census is increasing @ 3.2% p.a. Assuming average consumption of the oil per person as 20 gm/ day, the present demand/ day is approx. 20600 MT with a yearly increase of 660 MT/ day. Projected demand for edible oils in India is shown in the chart:



Source: The Central Organisation for Oil Industry & Trade ([www.cooit.org](http://www.cooit.org))

To realize the present and upcoming opportunities in the edible oils sector, the proposed project envisages the setting up of such edible oil manufacturing units in the State of Madhya Pradesh.

### Project's Value Proposition

Mustard oil is widely used in food preparation in Northern and Western India. The oil has gained popularity because of taste and health consciousness growing among the public. Also, mustard oil, due to its nature, cannot be substituted with any other alternative commodity. The demand of this product is increasing day by day. The unit can also have facilities for manufacturing cottonseed oil through expeller. Madhya Pradesh, being the largest producer of soya beans in India, is well equipped for providing low cost raw material for oil production.

There is a sharp change in the food habits of urban population of the country. People prefer to use quantitative, certified and hygienic food products in packed condition rather than using unbranded/ cheap quality food products.

The deficit of the production of edible oil within the country is well evident from the policy of Government of India to import edible oils to meet the demand supply gap. The table below provides Demand-Supply scenario of edible oils in India during 1998 – 2008:

Oil Year (November- October)	Production of Oilseeds	Net availability of edible oils from all domestic sources	Demand of Edible Oils
1997-1998	213.2	60.32	72.98
1998-1999	247.48	69.61	95.83
1999-2000	207.15	60.15	102.11
2000-2001	184.4	54.99	96.76
2001-2002	206.63	61.46	104.68
2002-2003	148.39	46.64	90.29
2003-2004	251.86	71.4	124.3
2004-2005	243.54	72.47	117.89
2005-2006	279.79	83.16	126.04
2006-2007	242.89	73.7	115.87
2007-2008*	282.08	84.27	121.91

\* Advance Estimates

Source: The Central Organisation for Oil Industry & Trade ([www.cooit.org](http://www.cooit.org))

As evident, there is large market that can be catered to and which can be targeted by setting up the said units.

### MP's value proposition

Madhya Pradesh is ideally suited to house this project on account of the following reasons:

#### Natural resources and abundant raw materials

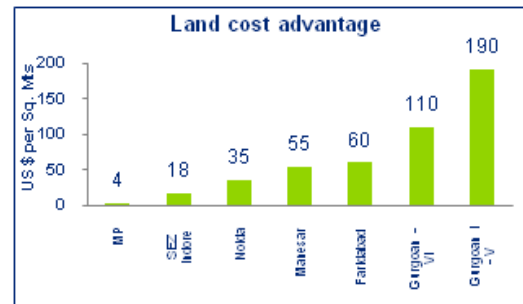
- Madhya Pradesh is large producer of required raw materials for the unit viz. oilseeds, particularly, Soyabean and Mustard. Khargone & Sendhwa region in southern Madhya Pradesh are large producer of cottonseed.
- Presence of 11 out of 18 Agro Climatic zones of India, 5 crop zones and 4 soil types will suit production of almost any crop
- Established diversified crops - Field Crops, Fruits, Spices, Vegetables, Medicinal and aromatic plants
- Wider combination of soil type, rainfall, sun light, and temperature to suit new crops
- Largest producer of soya bean, garlic, gram and pulses
- Second largest producer of lentils
- Around 100 agricultural farms with an area of over 20,000 acres which is available on lease to investor.

- Marketable surplus in several key commodities

Crop	Paddy	Maize	Soyabean	Sesamum	Wheat	Cotton	Gram	Mustard
Production (in lakh MT)	13.7	8.4	47.8	0.88	73.3	8.65	21.4	6.9
Surplus (in lakh MT)	5.0	2.3	43.0	0.68	38.1	7.74	8.5	6.2

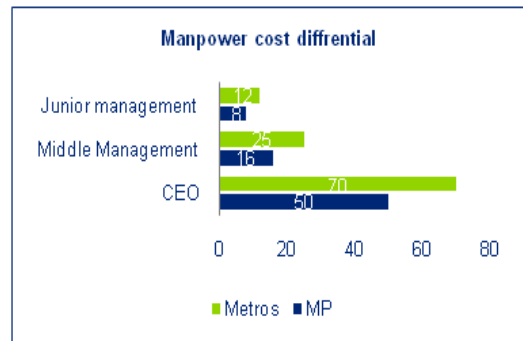
### Land cost advantage

- MP offers cheap land cost in comparison to other developed industry centres



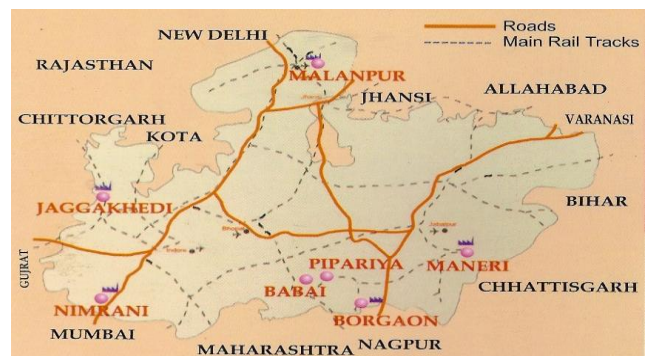
### Man Power Cost Advantage & peaceful labour environment

- Cost to a company for human resources is cheaper by 30-35% in the State
- Greater saving potential for the executives level on account of cheaper land, cheaper housing and cheaper labour
- Mandays lost over last 5 years < 1% of total available mandays
- One of the most peaceful and labour productive State



### Food Parks & supporting infrastructure

- Six food parks are / are being established in MP at:
  - Jaggakhedi – Dist Mandasaur
  - Nimrani – Dist Khargone
  - Babai-Pipariya – Dist Hoshangabad
  - Bargaon – Dist Chhindwara
  - Malanpur-Ghirongi - Dist Bhind
  - Maneri – Dist - Mandla



- These food parks have all the common facilities expected in an industrial park along with common facilities needed for agro industry like:-
  - Cold Storages /modified atmosphere cold storages
  - Warehousing facilities
  - Milk Chilling plants
- All the food parks have excellent rail and road connectivity

- Another 16 food parks have already been planned across the State
- A Centre for Perishable Cargo is being developed at Indore airport
- A Mega Food Park in Jabalpur is proposed, to be developed as an SEZ
- A Multi Modal Logistics Hub to be developed in Pawarkheda, MP.
- Availability of 24 hours electricity for industries

Madhya Pradesh has several soyabean / mustard solvent extraction plants established in the state. A partial list is furnished below:

- Ruchi Soya Industries (Nutrela, Nutri Gold)
- Mandeep Oil Industries
- Agro Solvent Products Pvt. Ltd (Sahaj)
- Bunge (Dalda)
- Dewas Soya Ltd. (Sfurti)
- Gujarat Ambuja Exports Ltd. (Ambuja)
- Itarsi Oils & Flours Ltd.
- K S Oils Limited
- Kriti Industries (India) Ltd.
- Mahakali Foods Pvt. Ltd.
- Natraj Proteins Ltd.
- Sharda Solvent Ltd.

#### **Policy Initiatives (for developers and food processors)**

- 50% of project cost (excluding land cost) upto maximum of Rs. 500 million available from MOFPI under MFP scheme (subject to MFPS guidelines)
- State capital subsidy for SSI up to Rs. 0.5 million
- Central Capital subsidy up to Rs. 500 million
- Entry tax exemption up to five years
- ISO-9000 certification cost reimbursement up to Rs. 75000/-
- Project report cost reimbursement upto Rs. 0.3 million
- Interest subsidy up to Rs. 400 million
- Investment Promotion Assistance
- Concessions to Mega Projects
- Exemption in stamp duty and registration charges
- Interest subsidy on term loan
- Exemption in Mandi fee
- Reimbursement of expenditure on Quality Certification

#### **Project Specification**

The proposed project will have the following specifications:

- Location: Project can be located in Neemuch / Mandsaur region as there is ample availability of soyabean and mustard oilseeds in nearby area. Mustard is also produced in Gwalior and Morena districts. Hence, Gwalior & Morena are also suitable locations for setting up a mustard oil plant.

- **Capacity:** The installed capacity of the unit is proposed at 1200 TPD (0.3 million MT of seed processing p.a.). The unit can process soyabean as well as mustard oilseeds for extraction of oil. The unit can also have facilities for manufacturing cottonseed oil through expeller.
- **Project Cost:** Major components of the project (for a single unit) and their estimated costs are presented in the table below:

Particulars	Amount (INR in Millions)
Land	175.00
Building	420.00
Plant & machinery	1115.00
Misc. Fixed assets/furniture fixtures	55.00
Contingencies	90.00
Pre-operative expenses	55.00
Margin money for working capital	600.00
<b>Total</b>	<b>2510.00</b>

- **Returns:** Internal rate of return is estimated at 15-16%

## Project Contacts

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