Analysis of raw material inventory for insecticide packaging bottle with material requirement planning: a case study

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1. INTRODUCTION

Raw material planning identically with scheduling, mainly the purpose of scheduling, manages inventory in the best way and within the optimal timeframe [1], [2]. PT. Agricon mainly produces 1L pesticide product, which has not implemented safety stock for inventory. When demand decreases, warehouse stock will increase because supplies didn't meet the demand, which is a loss for the company because of inventory cost or tied money. Lack of coordination in the planning division impacts some problems such as too much inventory, bad services, and not optimal capacity utilization [3], [4]. Preventing that problem, proper planning, and material control is needed using Material Requirement Planning system [5], [6]. MRP is a manufacturing management system assisting manufacturers in dealing with production planning, scheduling, and inventory control [7], [8]. The advantages of the MRP method are cuts down and optimizes the inventory costs within a production period [9], purchase planning streamlines the production process [10], work scheduling [11], and time-saving [12].

Material Requirement Planning is a method for carrying out production planning to determine the order date and quantity of materials ordered to fill each product component [13], [14]. MRP system also provides appropriate information
about inventory and production [15], [16]. Material Requirements Planning aims to schedule raw materials, components, and sub-assemblies quantified in the correct quantity and ready at the right time [17], [18]. So MRP needs to keep 1L insecticide packaging bottle inventory meet reorder point and safety stock.

The company produces pesticides, fungicides, insecticides, and herbicides. The demand level is uncertain and not fixed per day, and the company is required to plan the production process sequences precisely to meet consumer needs. The company experienced problems such as high shipping and ordering costs, and raw material inventory was far less than inventory capacity.

The company must maintain raw materials availability such as 1L insecticide packaging bottle to expedite the production process. It was scheduling a 1L insecticide packaging bottle as its superior product needs to be done to determine the inventory amount in a certain period. The inventory can meet demand, knowing the safe amount of inventory to meet production needs optimally, and minimizing ordering costs by maximizing ordering capacity.

2. RESEARCH METHODS

One of the thriving markets that are The first step is Observations and interviews with operators and staff in order to understand the production process at PT. Agricon. Data collection will then continue, such as schedule receipt data, lead time, lot size, demand, truck capacity, and inventory data [19], [20]. Collected data processed using MRP. MRP is a method used for planning and control production and a tool for manage inventory depend on higher item levels [21], [22].

It is possible to get the raw materials needed to complete a product in the future demand using MRP. The company can optimize the required inventory, so it’s not too much but not too small either [23]. MRP planning considers time priority to calculate material requirements and schedules supply to meet a product’s demand [24].

MRP also considering production planning and computer-based inventory control system related to production scheduling and inventory control [25]. MRP related to production and inventory scheduling to ensure raw material planning must be precise to avoid excess or shortage inventory of raw material [26]. Here Table 1 is the format used in the MRP method.

### Table 1. MRP

<table>
<thead>
<tr>
<th>Item</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead time</td>
<td>1</td>
</tr>
</tbody>
</table>

- Gross requirement
- Schedule receipt
- Project on hand
- Net requirement
- Planned order receipt
- Planned order release

Mrp formulation and calculation [17]:

\[
POH = \text{Max } \{0, POH(t-1) + SRt - GRt} \tag{1}
\]

\[
NRt = \text{Max } \{0, GRt - POH(t-1) - SRt}\tag{2}
\]

\[
PoRect = NRt \tag{3}
\]

\[
PoRelt = PoRect \tag{4}
\]

The explanation of the notations in the formula: \(it\) is Gross Requirement on \(t\)-period, \(SRt\) is Schedule Receipt on \(t\)-period, \(POHt\) is Project On Hand on \(t\)-period, \(NRt\) is Net Requirement on \(t\)-period, \(PoRect\) is Planned Order Receipt on \(t\)-period, and \(PoRelt\) is Planned Order Release on \(t\)-period.

3. RESULTS AND DISCUSSION

PT. Agricon applies total product requirement in a month's production. 1L insecticide packaging bottle demand in July is 72,171 Units. The maximum storage capacity for a 1L insecticide packaging bottle is 100,000 Units. The total quantity available for the 1L insecticide packaging bottle is 100,000 Units. The total quantity available for the 1L insecticide packaging bottle on 1\(^{st}\) July is 71,700 Units. Schedule receipt contains information about the quantity and date of raw material in-house. Table 2 below is the schedule receipt for some package.

### Table 2. The arrival date of 1L insecticide bottle

<table>
<thead>
<tr>
<th>Arrival date of 1L insecticide bottle</th>
<th>200 ml</th>
<th>500 ml</th>
<th>1000 L</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipt date</td>
<td>Units</td>
<td>Receipt date</td>
<td>Units</td>
</tr>
<tr>
<td>02/07</td>
<td>9078</td>
<td>02/07</td>
<td>5922</td>
</tr>
<tr>
<td>02/07</td>
<td>8122</td>
<td>10/07</td>
<td>11000</td>
</tr>
<tr>
<td>22/07</td>
<td>11000</td>
<td>10/07</td>
<td>9144</td>
</tr>
<tr>
<td>12/07</td>
<td>5856</td>
<td>19/07</td>
<td>15050</td>
</tr>
<tr>
<td>12/07</td>
<td>1144</td>
<td>23/07</td>
<td>7070</td>
</tr>
<tr>
<td>12/07</td>
<td>3736</td>
<td>26/07</td>
<td>7070</td>
</tr>
<tr>
<td>30/07</td>
<td>110</td>
<td>30/07</td>
<td>13590</td>
</tr>
</tbody>
</table>

http://dx.doi.org/10.30656/jsmi.v4i2.2765
Safety stock calculation for 1L insecticide packaging bottle:

Value $Z (95\%) : 1.65$

Std deviation overall demand = 34,110

Lead Time = 11 days

Safety Stock = $Z \times \text{Std Deviation} \times \sqrt{\text{Lead Time}}$

= $1.65 \times 34,11 \times \sqrt{11}$

= 18,667 units

Based on the calculation safety stock for the 1L insecticide packaging bottle is 18,667 Units. Below Table 3 is MRP calculation for 1L insecticide packaging bottle based on the gross requirement in July 2019 with total quantity 72,171 Units and opening stock (on Hand) is 71,700 Units.

Example:

Period 11

$\text{GR}_{11} = \text{GR}_{12} = 8008$

$\text{SR}_{11} = \text{SR}_{12} = 5040$

$\text{POH}_{11} = 69687$

$\text{POH}_{12} = \max (0, \text{POH}_{(t-1)} + \text{SR}_{t-1} - \text{GR}_{t-1})$

= $\max (0, 69687 + 5040 - 8008)$

= 66719

$\text{NR}_{t} = \max (0, \text{GR}_{t} - \text{POH}_{(t-1)} - \text{SR}_{t})$

$\text{NR}_{11} = 0$ (because POH_{(t-1)} fulfill GR_{t})

$\text{PoRect} = \text{PoRect} = 0$

$\text{PoRelt} = \text{PoRelt} = 0$

MRP 1L insecticide packaging bottle calculation proposed considering various factors such as total request, store inventory capacity, safety stock, truck capacity, and reorder point. So schedule receipt calculation will be:

- Total Gross Req in 1 month = 72,171 units
- Store Capacity = 100,000 units
- Safety Stock = 18,667 units
- Truck Capacity = 15,050 units
- Demand every 11 days in/ Month = 3
- Reorder point period 1 (1-11) = 34,680 units
- Reorder point period 2 (12-23) = 66,824 units
- Reorder point period 3 (24-30) = 26,668 units
- Example reorder point period 1 calculation

Reorder Point $= \text{Safety stock} + \text{demand in t}$

Reorder Point $= 18667 + 8008 + 8005 = 34680$ units

The following Table 4 is the proposed MRP calculations on 1L insecticide packaging bottle.

### Table 3. Calculation MRP 1L insecticide packaging bottle - the initial condition

<table>
<thead>
<tr>
<th>Item: 1L bottle</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead Time : 11</td>
<td>1     2 3 4  27 28 29 30</td>
</tr>
<tr>
<td>Gross requirement Schedule receipt</td>
<td>14000</td>
</tr>
<tr>
<td>Project on hand</td>
<td>71700 71700 71700 85700 . . 63299 63299 63299 76999</td>
</tr>
<tr>
<td>Net requirement</td>
<td>0 0 0 0 . . 0 0 0 0</td>
</tr>
<tr>
<td>Planned order receipt</td>
<td></td>
</tr>
<tr>
<td>Planned order release</td>
<td></td>
</tr>
</tbody>
</table>

### Table 4. Calculation MRP 1L insecticide packaging bottle – proposed

<table>
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<th>Item: 1L bottle</th>
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<tbody>
<tr>
<td>Lead time : 11</td>
<td>1     2 3 4  27 28 29 30</td>
</tr>
<tr>
<td>Gross requirement Schedule receipt</td>
<td></td>
</tr>
<tr>
<td>Project on hand</td>
<td>71700 71700 71700 71700 . . 74779 74779 74779 74779 74779</td>
</tr>
<tr>
<td>Net requirement</td>
<td>0 0 0 0 . . 0 0 0 0</td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>Planned order release</td>
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</table>
Based on the MRP calculation for the 1L insecticide packaging bottle on initial condition in Fig. 1, the Net value requirement for each period is 0 because the previous quantity of schedule receipt can cover each period’s gross requirement. Project On Hand has a high demand in the 10th–24th period. On period 22nd, Hand’s project has an unstable condition and close to the lowest quantity with a total Project on Hand 41,669 units. The vertical axis shows the units, and the horizontal axis shows the period.

Fig. 1. 1L Bottle graph initial condition

It considers various factors such as storage capacity, safety stock, demand, and truck capacity, and the proposed order scheme is used to improve or guide when making an order. Therefore, orders with considering inventory and demand will be more stable, shown in Fig. 2. Notice unstable demand in the company, then implement a three-period reorder point for 1L insecticide packaging bottle in a month. The reorder point for the 1st period is 34,680 units, where the company will make an order if inventory is less than the reorder point. The reorder point 2nd period is 66,824 units, and the reorder point 3rd period is 26,668 units.

The company only needs to order the bottle five times, compared to the previous condition needs seven times, where the company needs to make order seven times (2 times save). The other benefit is order and inventory are more stable close to demand. The following is a comparison chart using initial and proposed data in Fig. 3.

Fig. 2. 1L Bottle graph proposed condition

Research with the MRP method has been widely used in various industries, for example apparel [6], paper [11], cement [12], automobile [13], garment [15], construction [16], motorcycle chains [17], talc powder [18], screen printing ink [19], briquette [20], sewing thread [21], pharmaceuticals [22], alloy cast [23], and coconut sugar [24]. The majority of existing research discusses the raw materials for making finished products. There are not many studies that discuss packaging. Packaging supplies are important because they complement the products being marketed, and the amount must meet the amount of products. Excess packaging inventory increases storage costs, and a shortage of packaging inventory hinders the packaging process. In addition, proper ordering frequency can reduce the cost incurred by the company.

4. CONCLUSION

The proposed order scheme for ordering 1L insecticide packaging bottle improve the company on reducing the frequency for ordering bottles from 7 times to 5 times and inventory is more stable and close to demand quantity. In future research, MRP calculations can be carried out by comparing various methods and conducting a

Fig. 3. Comparison of initial vs proposed
sensitivity analysis of the proposed results. PT. Agricon has not implemented an ordering system for raw material of 1L pesticide bottles using safety stock. This impact on inventory accumulation occurs in the warehouse (waste of inventory). Project On Hand on 10th – 24th period for 1L insecticide packaging bottle is not stable because inventory vs demand not precisely catches. Implemented safety stock and reorder points will improve inventory control and make it more durable.

REFERENCES


