

**CHAPTER - 5**

**COST ANALYSIS**

5.1 Cultivator's Cost

5.2 Marketing and Process Cost.

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COST ANALYSIS5.1 Cultivator's Cost :A - Plantation cost :

The cultivators have to spend Rs.7,766 during the period of three years from the planting, for 200 cashewnut trees per hectare. Thus planting cost of Rs.38.83 have to be spent per plant during first three years. The cost contains 76.43% of labour cost and 23.57% of material cost. The above cost is based on the rates in the year 1990-91 (Ref. Table No. 5.1)

B - Maintenance Cost :

The cultivators have to spend Rs. 23 per plant per year since fourth year of the plant. The plant starts cropping from its fifth year of age and gives continuous seasonal produce up to the 40th year of its age. Every year at blossoming season, the plant needs to be sprinkled the pesticides for three times, for protecting the blossom from worms, who are sucking the fluid from blossom. About 750 ml of 'Endosulfon' mixed with 500 lts. of water is to be sprinkled per hectare for three times. Further the cultivator's cost of Collecting the cashewnut from field is Rs.1 per k.g.

## 5.2 Marketing Cost :

There are three marketing channels identified for different grades of kernels under the study. These channels are found to be common in this tahasil (see figure No. 1, 2 and 3).

The special grade referred in channel - I denotes peeled and fine graded kernels and natural grade referred in channel - III means kernels without peeling, without much grading and processed under roasting method. However the wholesalers and retailers at Bombay market are not considered, though the maximum sale is made by them, on account of non availability of adequate and reliable data.

The marketing costs and margin of channel II and III are worked out separately for ascertaining the share of different functionaries involved. Ultimately, the producer's share in consumer's price are shown. (Ref. Table 5.3 and 5.5)

Table No. 5-3 indicating the cost analysis, is prepared on the basis of following points, taking the rates of the year 1993-94.

- (1) The cost of raw cashewnuts is an average amount received by the cultivators sellers, i.e. Rs.29 per k.g.
- (2) Transport charges paid by the Local Traders as loading and unloading charges at Rs.500 per truck carrying 125

bags of raw cashewnuts containing 80 k.g. of rawnuts in each bag.

- (3) The commission charged by Traders is at an average rate of 3.5% on their sales. This rate is ascertained by the difference between their cost of purchase and selling price charged by them to factory.
- (4) Processing cost in factory is referred to table No.4.15
- (5) The profit margin charged by factory is at an average rate of 18.93%. This rate is ascertained by the difference between the amount spent on purchase and process and the recovery of Sales (Refer Table No.4.17)
- (6) The retailers' profit margin @ 7% is ascertained by referring table No.4.18 and 4.19.

From the table No. 5.3 cultivator's share in consumers' price can be calculated with the help of the formula =  $H.S. = \frac{H.P.}{C.P.} \times 100$

$$= \frac{29}{44} \times 100$$

$$= 65.90\%$$

H.S. = Horticulturist's share

H.P. = Horticulturist's Price

C.P. = Consumers price

Thus the H.S. price in consumer's rupee is found to be 65.90%.

Table No. 5.4 and 5.5 present the cost of processing kernels which are sold without peeling in channel III. In this channel the cost of peeling is totally saved. Much grading is not necessary in this process, therefore the grading cost is also reduced, Further a tin packing is not needed, only plastic bags are packed. Thus the cost of packing is also reduced. Thus the processing cost reduced from Rs. 215 per 22 k.g. of kernels to Rs.107 (Ref. table No. 4.15 and 5.4)

Thus the cultivators price in consumer's Ruppee can be calculated in channel III from table No. 5.5

$$\begin{aligned}
 \text{H.S.} &= \frac{\text{H.P.}}{\text{C.P.}} \times 100 \\
 &= \frac{29}{42.60} \times 100 \\
 &= 68.07
 \end{aligned}$$

Thus the Horticulturist' price in consumer's ruppee is found to 68.07% in channel No. III.

Figure No.1 : Marketing channel for special Grade Kernels

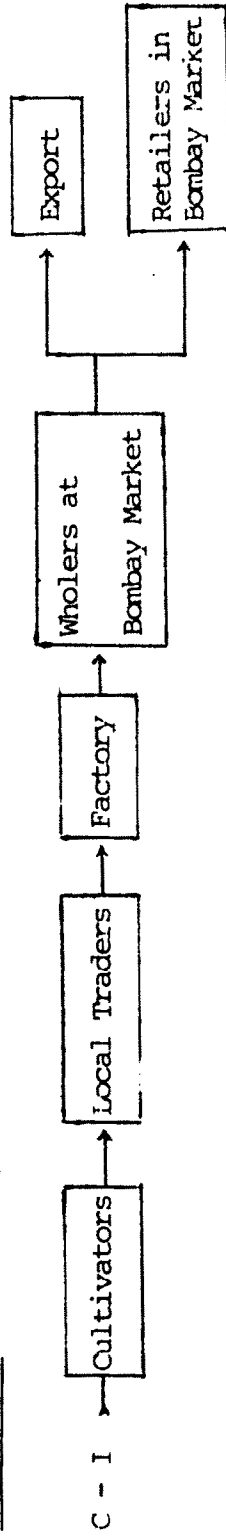


Figure No. 2 : Marketing channel for Special Grade Kernels



Figure No. 3 : Marketing channel for Natural Grade Kernels

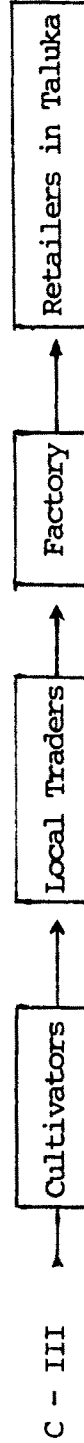


Table No. 5.1

**Cost of plantations for first three years of planting  
(1990-91)**

(Per Hectare, Per 200 plants)

SR. NO.	ITEM OF COST	Labour(Rs)	Material (rs.)	Total (Rs.)
1	Land Development	640	---	640
2	Piting (Dig.Out)	400	---	400
3	Thorny Fencing	960	400	1360
4	Filling the pits with soil and manure	240	300	540
5	Planting	240	400	640
6	Fertilization	400	400	800
7	Internal Maintenance	336	90	426
8	Plant preservation	960	---	960
9	Watering	1408	---	1408
10	Other	352	240	592
	<b>Total</b>	<b>5936</b>	<b>1830</b>	<b>7766</b>

Table No. 5.2

**Yearly recurring expenses per plant (1993-94)**

SR. NO.	Item of Cost	Rs.
1	Dung manure ( 15 to 20 kg)	5.00
2	Uria ( 2 k.g.)	6.70
3	Super phosphet (1.5 k.g.)	3.30
4	Murate of Potash (420 gms)	1.00
5	Sprinkling pesticides	1.00
6	Labour charges for above	6.00
	<b>Total</b>	<b>23.00</b>

Table No. 5.3

## Marketing and processing cost and margin for channel-II

SR. NO.	Item of Cost	Per bag of 80 kg/ per 22 kg of kernels (Rs.)	Percentage %	Cost per kg of Cashewnut (Rs.)
1	Raw cashewnuts sold by the cultivators	2,320.00	65.90	29.00
2	Transport (loading/ unloading)	40.00	1.13	0.50
3	Traders Commission @3.5% on their sale	80.00	2.27	1.00
4	Processing cost in factory	215.00	6.10	2.70
5	Profit margin charge by factory @ 18.93% on their sale	620.00	17.60	7.75
6	Retailers Profit on sale to consumers @ 7% on sales	245.00	7.00	3.05
	Total	3520.00	100.00	44.00



Table No. 5.4

Analysis of processing cost of Natural kernels (1993-94)					
(Per 80 kg. of cashewnuts/22 kg. of kernels)					
SR. NO.	ITEM OF COST	Material (Rs.)	Labour (Rs.)	Total (Rs.)	Percentage
1	Drying of nuts	-----	4.00	4.00	3.73
2	Roasting of nuts	6.00	1.50	7.50	7.00
3	Shelling of nuts	-----	66.00	66.00	61.68
4	Drying of shelled Kernels	1.00	1.50	2.50	2.33
5	Grading of Kernels	-----	10.00	10.00	9.34
6	Packing	11.00	6.00	17.00	15.92
	<b>Total</b>	<b>18.00</b>	<b>89.00</b>	<b>107.00</b>	<b>100.00</b>

Total processing cost per 80 kg. of Rawnuts	<u>Rs.</u>
i.e. 22 kg. of kernels	107.00
Total processing cost per kg. of Raw nuts	1.34
Total processing cost per kg. of kernel	4.86

Table No. 5.5

## Marketing and processing cost and margin for channel-III

SR. NO.	Item of Cost	Per 80 kg of cashewnut or 22 kg of kernels	Percentage	Cost per kg. of Cashewnut
1.	Raw cashew nuts (Ref. Tab. 5.3)	2,320.00	68.00	29.00
2.	Transport (Ref Tab.No. 5.3)	40.00	1.17	0.50
3.	Traders commission (Ref. Table No.5.3)	80.00	2.35	1.00
4.	Processing Cost in factory (Ref. Table No.5.4)	107.00	3.13	1.33
5	Profit margin charged by factory @ 20% on their sales	643.00	18.85	8.02
6	Retailers' Margin @ 6.5% on their sales	220.00	6.50	2.75
	Total	3,410.00	100.00	42.60