CHAPTER 5 MARKETING OF THE PROCESSED PRODUCTS

5.1 CHANNELS OF MARKETING

Channels of marketing include all the business intermediaries involved in moving the raisin from the producers to the ultimtate consumers. There are three market channels concerned with first sale of raisins: (1) Raisin producers sell their product through commision agents at Tasgaon market yard. (2) Raisin producers sell their product to upcountry wholesale traders at cold storage. (3) Raisin producers sell their product to local retailers.

Marketing of raisin takes place throughout the year. It is because raisin can be preserved in cold storage. Usually the raisin producers bring their products in the market when the market conditions are favourable. The period between April to July is peak period for the marketing of

raisin. The producers sale their product in instalments. Therefore, though the raisin producing activity is seasonal, i.e. from January to April, marketing of raisins takes place throughout the year. Raisin produce leaves the hands of the producers in either of the three ways indicated above. The present analysis of marketing of raisins, is therfore, limited to the first sale only.

The most important channel of marketing of raisin is marketing through commission agents. A commission agent is normally understood as a person who himself buys or sells the product to another person and collects the payment thereof from the buyers and pays it to producers-sellers and receives by way remuneration, a commission of percentage upon the amount involved in each transaction. Raisin is not a regulated commodity in Tasgaon market yard. But for the convenience of the raisin producers, the Tasgaon Market Committee allows marketing of raisins through commission agents within the yard premises. The Agriculture Produce Market Comittee of Tasgaon does not charge any market fee for the transactions done.

Second channel is the marketing through cold storage. Of late, this channel is becoming more popular. Here, the arrangement is made by the owner of the cold-

storage. The traders from all over India, especially from Delhi, Mumbai and Karnataka state come to cold storage and purchase the product through open auction. The producer-seller has to give stipulated commission to the cold stcrage for the marketing arrangement.

Third channel is selling raisin products to retail traders and at times even to the consumers directly. But share of marketing through this channel is negligible in the total marketing of raisin. Usually, this channel is used for the marketing of low quality raisin, especially fourth grade raisin. This inferior quality raisin is not marketed through the first two channels.

Thus these are the three important channels which are used by the raisin producers for marketing of raisin. The role of commission agent is more important in the whole marketing activity.

5.2 MARKETING SERVICES

Marketing services is the important aspect of any business. There are different marketing services which are made available to the raisin producer. Packaging, storage, transport and market information are the important market

services in this context.

5.2.1 Packaging

Packaging of the product is an important aspect of marketing. Attractive packaging always attracts the attention of the customer. Good packaging helps in preserving the product. Regular items required for packaging of raisin include corrugated boxes, polythene bags, plastic tape, clips, etc. The producers purchase this material from nearby open markets mostly from Sangli and Tasgaon at the going market prices. In case of bulk purchase, some traders deliver the material at the production place of the producer free of charge. This favour is done only to those buyers who are in close contact. The producer has to incur labour cost for packaging of the product.

5.2.2 Storage

As raisin is a perishable commodity, it should be preserved in cold storage. Its marketing is done throughout the year and, therefore, the producer has to maintain the quality of the product round the year which is possible only through preservation in cold storage. Therefore, availability of this facility closeby is crucial to the industry.

There are a number of private cold storages in Tasgaon, Miraj and Sangli. Storage facility is provided to the procuders by charging rent at 30 to 35 paise per kilogram. Once the product is kept in the storage, the producer has a sigh of relief regarding its preservation as the owner of the cold storage take all the responsibilities thereafter. The producers occasionally keep their product in the cold storage even for one year in case the market conditions are not favourable.

Importantly the private cold storages have gradually assumed the role of a commission agent for sale of the product-in-storage. This is quite an interesting avenue in the marketing of raisins. The upcountry traders come to the cold stroages and purchase raisin through open auction. The producers give agreed commission to the owner of the cold storage for providing useful marketing service. But it should be noted that only few cold storages provide this facility and not all. Thus, the storages are helpful to the producers not only for preserving their products but also for their gainful marketing. This has become possible because the raisin producers are linked with the cold storages by their regular access to specific storages thus developing almost a personal relationship with the owners.

5.2.3 Transport

Transport is essential as far as marketing of a product is concerned as it provides place utility. Raisin producer has to bear very low cost for transporting his produce as for most of the times actual consignment are not required to be transported to market place from cold storage. Therefore the producer has only to bring his products to cold storage from the production place and for which he has to incur transport cost. Transport of the products is made either by own vehicle or by hired vehicle. The transport cost from production place to the cold storage depends upon the distance to be covered.

If the producer decides to sell his products through the commission agent, then he simply brings the sample of the products in the market yard and completes the transaction. Transport cost of the sample boxes is negligible. Alternatively, when the products are auctioned through cold storage, this cost is non-existent.

Once the product is marketed through open auction, the responsiblity of transport of the product to the respective upcountry market is of the buyer-trader is not of the producer-seller. The upcountry trader himself makes his own

arrangement for the same. Thus producer-seller is fully relieved of this cost on transport.

5.2.4 Market information

As mentioned earlier, two channels are used widely for marketing, i.e. marketing through commission agents at market yard of Tasgaon and through cold storages. Therefore commission agents and owners of the cold storages are important sources of market information to the producers as they keep regular touch with the upcountry traders and very faithfully pass on the information to the producer-clients. These local intermediaries look to this function as a means to perpetuate trading links and continue earning money. The producer is totally dependent on the commission agent while taking decision of sale at the price which is fixed through open auction. The commission agents as well as the owners of cold storages, by their experience and knowledge, guide the producer while taking decision about the sale. If the price of the product is expected to increase then the commission agent may advise withholding of at least a part of the stock. Thus the commission agents and owners of the cold storages are important for producers as they provide him right market information for taking right marketing decision for pecuniary gains.

5.3 MARKETING PRACTICES AND INFRASTRUCTURE

As already mentioned marketing of raisin takes place through three channels. It will be enlightening to see the modus operandi of the marketing process.

5.3.1 Price Determination

After assembling the samples of the products from various producrs at the premises of commission agents in the Agriculture Produce Market Committee of Tasgaon, prices are fixed through open auction. The level of market price is considerably influenced by: (1) total volume of market arrivals of the product at the auction, (2) number of traders participating in the auction, (3) colour of raisin, (4) quality of raisin, (5) grade of raisin and (6) taste of raisin. Before auction the colour, taste, quality, grade of raisin are scrutinised by the buyer-traders. Weight of the sample is also checked by them. The price of the product of each producer is fixed separately according to the grade, quality, etc. per kilogram of raisin. Green raisin always enjoys higher price than yellow raisin. It is due to the fact that yellow raisin has the flavour of sulphur due to its treatment which is often not liked by a section of the consumers. The prices of green raisin have fluctuated between

Rs.55 and Rs.85 per kilogram and of yellow raisin between Rs.45 to Rs.80 per kilogram in the year 1996-97. Auctions usually take place on Mondays and Thursdays throughout the year. In case of marketing done through cold storage, similar procedure is followed for price determination. The only this avoided is assembling of the samples. Open auction is accepted as the sacrosanct system.

When raisin producers sell their product directly to the local retailers and sometimes to the consumers, price are fixed by the producer-seller himself by taking into account the conditions of demand. There is some scope to the buyers for marginal bargaining.

5.3.2 Role of commissions agents

Commission agents play a crucial role while fixing the price of raisin in the market. Practically, it is impossible for the producer to remain present every time at the time of auction, because he does not sell the entire produce at one time. It is sold in instalments depending on market conditions. He trusts the commission agent fully. The commission agents, in turn, too do not act to cause any breach of the trust. Eventhough the producer is present at the time of auction, he take the decisions in consultation with the

commission agent. The commission agents played a fair game with the producers in order to perpetuate trading links and continue earning money. The producers are free to choose their agent as also change their agent as and when they thought necessary. But usually they continue with the same commission agent every year.

5.3.3 Commission

The commission agent charges his commission on the basis of gross amount of total sale proceeds of each prcducer. The market committee of Tasgaon allowed 1 per cent as the rate of commission. However, in practice, the rates varied from trader to trader and ranged between one and two percent. In case of marketing through cold storage, the owner of the cold storage charges commission as arrangement of auction is made available in the cold storage. The commission charged is usually Rs.0.50 to Rs.1.00 per kilogram of raisin.

5.3.4 Other deductions

Other deductions from the sale proceeds include coolie and weighment charges. Coolie charges are usually Rs.0.50 per box and weighment charges are Rs.0.15 per box. Each box contains 15 kilograms of green raisins and 12.50

kilograms of yellow raisins. It means that per kilogram coolie and weighment charge for green raisins is Rs.0.004 and Rs.0.001 respectively. It should be noted that all the commission agents do not make these deductions from the sale proceeds; only few of them do.

5.3.5 Collection of bills

The commission agent collects the bills from the buyer-traders and after deducting the amount of commission and other charges, makes the final sale note in the name of the producers-seller. The payable amount is normally given in cash. Generally producer-seller receives the amount within three weeks to one month if marketed through market yard and within 15 days if marketed through cold storage. The above process is repeated for every lot sold by the producer-seller. It is the duty of the commission agent to inform the producer-seller on receipt of the payable amount fron the buyer-trader.

5.3.6 Transport of the product

The responsibility of transport to the respective places of buyer-traders is not of the producer-seller. The traders themselves arrange the transport of the product after

the auction. As mentioned earlier, producers keep their product in cold storage. Transport cost from production place to the cold storage alone is borne by the producer. Again, for selling, the product, he has to take only samples to the market and the transport cost of the sample boxes is borne by himself; this cost is quite negligible.

In sum, of the total quantity of green and yellow raisins produced in the region under reference, only a small portion is disposed of in local markets. A larger chunck of the product is dispatched to nearby and distant regions. Commission agents play an important role in the sale of the product. The efficieny and trade links of commission agents determine the number of traders participating in the open auction.

As regards price fixation, the producer has least involvement in the process. The commission agent guides the producer in decision-making. As it is the auction market, competitive conditions prevailed in the market. The quality of the product is the sole factor which is considered in price determination. The producers are generally satisfied with the prices received. Time required for collection of bill is little longer if marketed through Tasgaon market yard; it takes three to four weeks for the payment. On the

otherhand, if the product is maketed through cold storage, the producer-seller receives his payment within 15 days. This is the reason why the producers are nowadays more attracted to this channel for marketing.

5.4 MARKETING COST

Given the marketing scenario, now the estimation of marketing cost of green raisin and yellow raisin with reference to per kilogram and in the context of size of firm can be done. The universe of study comprised 10 sample firms of green raisin and 5 sample firms of yellow raisin. The cost estimates in this context pertain to all the direct and indirect expenses in the components, viz. cost of packaging material, labour cost of grading, labour cost of packing, cost of storage, cost of transport of sample and market charges.

5.4.1 Per kilogram cost of marketing of green raisin

Size of firm has some influence on cost of marketing too. Though it is generally believed that average marketing cost should diminish with increasing size, the reality may depart from this. In case of marketing of green raisin the fact may be understood with the help of the data present-

ed in Tables 5.1, 5.2 and 5.3.

Table 5.1

Per kilogram cost of marketing of green raisin by size of firm: (a) Small firm

(Rs./Kg.)

Respondent	Cost of packaging material	Labour cost of grading	Labour cost of packing	Storage cost	Cost of transport of sample	Market charges	Aggregate cost
G-1	1.6 (35.16)	1 (21.97)	0.1 (2.19)	0.65 (14.28)	0.004 (0.08)	1.20 (26.31)	4.55 (100.00)
G-4	1.25 (35.16)	1 (25.25)	0.1 (2.52)	0.5 (12.62)	0.004 (0.10)	1.11 (28.03)	3.96 (100.00)
G-5	1.44 (40.22)	1 (27.93)	0.1 (2.79)	0.55 (15.36)	-	0.49 (13.68)	3.58 (100.00)
G-7	1.44 (33.17)	1.5 (34.56)	-	0.63 (14.51)	0.06 (0.13)	0.77 (17.34)	4.34 (100.00)
G-8	1.45 (32.51)	1.42 (31.83)	0.47 (10.53)	0.56 (12.55)	0.004 (0.08)	0.56 (12.55)	4.46 (100.00)
G-9	1.40 (36.84)	1 (26.31)	-	0.39 (10.26)	0.01 (0.26)	1.005 (26.44)	3.80 (100.00)
Universe Average	1.43 (34.79)	1.15 (27.98)	0.12 (2.91)	0.54 (13.13)	0.004 (0.09)	1.02 (24.81)	4.11 (100.00)

Note : Figures in Parentheses are percentages to aggregate cost.

Source: Field survey

Table 5.2

Per kilogram cost of marketing of green raisin by size of firm: (b) Medium firm

(Rs./Kg.)

Respondent	Cost of packaging material	Labour cost of grading	Labour cost of packing	Storage cost	Cost of transport of sample	Market charges	Aggregate cost
G-3	1.40	1	0.25	0.57	0.005	1	4.23
	(33.09)	(23.64)	(5.91)	(13.47)	(0.11)	(23.64)	(100.00)
G-6	1.45	1.8	0.12	0.56	0.005	0.68	4.61
	(31.45)	(39.04)	(2.60)	(12.14)	(0.10)	(14.75)	(100.00)
Universe Average	1.42	1.4	0.18	0.56	0.005	0.84	4.42
	(32.12)	(31.67)	(4.07)	(12.66)	(0.11)	(19.00)	(100.00)

Note : Figures in Parentheses are percentages to aggregate cost.

Source: Field survey

Table 5.3

Per kilogram cost of marketing of green raisin by size of firm: (c) Large firm

(Rs./Kg.)

Respondent	Cost of packaging material	Labour cost of grading	Labour cost of packing	Storage cost	Cost of transport of sample	Market charges	Aggregate cost
G-2	1.49	1	-	0.5	0.001	1	3.99
	(37.34)	(25.06)		(12.53)	(0.02)	(25.06)	(100.00)
G-10	1.19	1	0.25	1	0.003	0.73	4.17
	(28.53)	(23.98)	(5.99)	(23.98)	(0.07)	(17.50)	(100.00)
Universe Average	1.34	1	0.12	0.75	0.002	0.86	4.08
	(32.81)	(24.50)	(2.94)	(18.38)	(0.04)	(21.07)	(100.00)

Note : Figures in Parentheses are percentages to aggregate cost.

Source: Field survey

In case of small firm as per Table 5.1 marketing cost of per kilogram stood at Rs.4.11 in 1996-97. The marketing cost of small firms varies from Rs.3.80 to Rs.4.55. The share of cost of packaging material is nearly one-third in total marketing cost.

Table 5.2 covers the medium firms. Average marketing cost per kilogram was Rs.4.42 in 1996-97. As already pointed out that there are only two firms in this group. The share of cost of packaging material is the leading cost item here too.

The case of large firm is shown in Table 5.3. Average marketing cost per kilogram of large firm was Rs.4.08. Here also the share of cost of packaging material is the highest in total marketing cost.

5.4.2 Per kilogram marketing cost of green raisin : Inter-firm comparison

Now it will be possible to attempt an inter-firm comparison of marketing cost per kilogram and thereby note the size cost relationship. The relevant data are brought together in Table 5.4

Table 5.4

Per kilogram marketing cost of green raisin: inter-firm comparion

(Rs./Kg)

Particualrs	Small firm	Medium firm	Large firm
1. Cost of packaging material	1.43 (34.79)	1.42 (32.12)	1.34 (32.84)
2. Labour cost of grading	1.15 (27.98)	1.4 (31.67)	1.00 (24.50)
3. Labour cost of packing	0.12 (2.91)	0.18 (4.07)	0.12 (2.94)
4. Storage cost	0.54 (13.13)	0.56 (12.66)	0.75 (18.38)
5. Cost of transport of sample	0.004 (0.09)	0.005 (0.11)	0.002 (0.04)
6. Market charges	1.02 (24.81)	0.84 (19.00)	0.86 (21.07)
Aggregate cost	4.11 (100.00)	4.42 (100.00)	4.08 (100.00)

Note : Figures in parenthese are percentages to aggregate cost.

Source : Table 5.1 to 5.3

In respect of cost items, the inferences are as follows:

(1) Aggregate marketing cost per kilogram of green raisin is the lowest in case of large firm and the highest in case of medium firm. So it is very difficult to explain the size cost relationship.

(2) Cost of packaging material is the important cost component of marketing cost in case of all types of the firms. Its share in aggregate cost is more or less the same for each size of firm, though small firm has marginal edge over others. Nearly one-third of the aggregate marketing cost is eaten away by this item.

(3) The share of labour cost of grading is also remarkable in aggregate marketing cost. It varied between 24 and 32 per cent.

(4) Labour cost of packing is hardly about 3 per cent on the whole.

(5) Storage cost is substantially higher in case of large firm and it is more or less the same at lower level in case of small and medium firms. The cost share ranges between 12 and 18 per cent.

(6) The share of cost of transport of raisin in aggregate marketing cost is negligible in all size firms.

(7) The share of market charges is remarkable in aggregate marketing cost. It is highest in case of small firm nearly one-fourth and lowest in case of medium firm. Therefore, it is difficult to establish any size-cost relationship.

On the whole the large firms are in a better position as far as marketing cost is concerned.

5.4.3 Per kilogram cost of marketing of yellow raisin

Data culled in connection with yellow raisin can be presented and analysed similar to green raisin so that lateron inter commodity comparison could be attempted. Tables 5.5 and 5.6 provide data on aggregate average marketing cost of yellow raisin with reference to the size of firm.

Table 5.5

Per kilogram cost of marketing of yellow raisin by size of firm: (a) Small firm

(Rs./Kg.)

Respondent	Cost of packaging material	Labour cost of grading	Labour cost of packing	Storage cost	Cost of transport of sample	Market charges	Aggregate cost
Y-1	1.16	0.75	-	0.26	0.025	2.62	4.81
	(24.11)	(15.59)		(5.10)	(0.51)	(54.46)	(100.00)
Y-2	1.27	1	1	0.42	0.01	1.5	5.2
	(24.42)	(19.23)	(19.23)	(8.07)	(0.19)	(28.84)	(100.00)
Y-3	1.11	1.25	1	0.6	0.02	0.57	4.55
	(24.39)	(27.47)	(21.97)	(13.18)	(0.43)	(12.52)	(100.00)
Y-5	1.18	1	-	-	0.01	0.96	3.15
	(37.46)	(31.74)			(0.31)	(30.47)	(100.00)
Universe Average	1.18	1	0.5	0.32	0.01	1.41	4.42
	(26.69)	(22.62)	(11.31)	(7.23)	(0.22)	(31.90)	(100.00)

Note : Figures in Parentheses are percentages to aggregate cost.

Source: Field survey

Table 5.6

Per kilogram cost of marketing of yellow raisin by size of firm: (b) Medium firm

(Rs./Kg.)

Respondent	Cost of packaging material	Labour cost of grading	Labour cost of packing	Storage cost	Cost of transport of sample	Market charges	Aggregate cost
Y-4	1.07 (25.59)	1.50 (35.88)	0.08 (1.91)	0.32 (7.65)	0.006 (0.14)	1.21 (28.94)	4.18 (100.00)
Universe Average	1.07 (25.59)	1.50 (35.88)	0.08 (1.91)	0.32 (7.65)	0.006 (0.14)	1.21 (28.94)	4.18 (100.00)

Note : Figures in Parentheses are percentages to aggregate cost.

Source: Field survey

As per Table 5.5 the sample small producers spent an average of Rs.4.42 as cost of marketing. The share of market charges is maximum in aggregate cost of marketing.

The case of medium firm can be perused with the help of Table 5.6. The solitary sample firm has an overall average marketing cost of Rs.4.18. The share of labour cost of grading is maximum in aggregate marketting cost.

5.4.4 Per kilogram marketing cost: Inter-firm comparison

In order to study the size-cost relationship, important results of the two firm sizes are brought together in Table 5.7

Table 5.7

Per kilogram marketing cost of green raisin: inter-firm comparion

(Rs./Kg)

Particualrs	Small firm	Medium firmm
1. Cost of packaging material	1.18 (26.69)	1.07 (25.59)
2. Labour cost of grading	1.00 (22.62)	1.50 (35.88)
3. Labour cost of packing	0.50 (11.31)	0.08 (1.91)
4. Storage cost	0.32 (7.23)	0.32 (7.65)
5. Cost of transport of sample	0.01 (0.22)	0.01 (0.14)
6. Market charges	1.41 (31.90)	1.21 (28.94)
Aggregate cost	4.42 (100.00)	4.18 (100.00)

Note : Figures in parenthese are percentages to aggregate cost.

Source : Table 5.5 and 5.6

In respect of individual cost items, the inferences are as follows:

(1) The aggregate cost of marketing varied inversely with the size of the firm.

(2) The cost of packaging material absolutely as also in percentage is or less in case of medium firm.

(3) Laour cost of grading is more in case of medium firm than small firm.

(4) Labour cost of packing is conspicuously less in case of medium firm than small firm.

(5) Storage cost is almost similar in case of medium and small firm.

(6) The share of cost of transport of sample is negligible in aggregate marketing cost of small and medium firms.

(7) Market charges is an important cost component in aggregate marketing cost eating about 28 to 32 per cent of the cost. Small firms incur more cost, even as percentage of total, on account of this item.

On the whole, medium firms appear to be in better position than small firms as far as marketing cost in concerned.

Per kilogram cost of marketing : Inter-commodity comparison

Final figures of per kilogram marketing cost of green raisin and yellow raisin can now be placed side-by-side for inter-comparison. Table 5.8 highlights the details.

Table 5.8

Per kilogram marketing cost : inter-commodity comparison

Particulars	Green raisins						Yellow raisins					
1. Per kilogram markeing cost by size of firm												
(A) Small firms	4.11						4.42					
(B) Medium firms	4.42						4.18					
(C) Large firms	4.08						-					
2. Share of cost groups in the aggregate cost (%)	1	2	3	4	5	6	1	2	3	4	5	6
(A) Small firms	34.79	27.98	2.91	13.13	0.09	24.81	26.69	22.62	11.31	7.23	0.22	31.90
(B) Medium firms	32.12	31.67	4.07	12.66	0.11	19.00	25.54	35.88	1.91	7.65	0.14	28.94
(C) Large firms	32.84	24.50	2.94	18.38	0.04	21.07	-	-	-	-	-	-

Note : Serial numbers in the columns under caption(2) indicate (1) cost of packing material; (2) labour cost of grading, (3) labour cost of packing, (4) storage cost, (5) cost of transport of samples and (6) market charges

Source : Table 5.4 and 5.7

Following are the inferences from Table 5.8

(1) Marketing cost of small firms producing green raisin is less than the yellow raisin, but it is more in case of medium firm producing green raisin than yellow raisin.

(2) The marketing cost varies inversely with the size of yellow raisin firms. But no specific relationship can be seen in case of green raisin.

(3) With reference to the cost components, the share of market charges is maximum in case of both the products but the medium firm producing green raisin is exception for it. But still it is an important cost component of both the firms.

(4) Comparison of percentage shars of cost groups indicates that -

    (a) the share of cost of packaging material is more in case of green raisin than yellow raisin;

    (b) the share of labour cost of grading is more of green raisin than yellow raisin in case of small firm but less in case of medium firm;

(c) labour cost of packing of small firm producing yellow raisin is more than green raisin; it is less in case of medium firm producing yellow raisin than green raisin;

(d) the share of storage cost is more of green raisin than yellow raisin;

(e) the cost of transport of samples is more of green raisin than yellow raisin. It is negligible in aggregate marketing cost;

(f) the share of marekt charges is more of yellow raisin than green raisin.

5.5 PRICES OF PRODUCTS

As has been observed earlier, in the market structure of raisin price of the commodity is fixed by open auction either in market yard, Tasgaon or in the cold storage. The buyer-trader is dominating in the whole process. Therefore, the market structure of raisin is by and large, imperfect in nature. The producer is at the mercy of the upcountry trader and the realised price is largely a decision of the buyer-trader. True that the producer-seller can decide whether to sell the product at the price determined in the

open auction. As such, he is not totally passive in price-making. Even then, the buyer's say has an upper hand in the pricing process.

The price of the same quality product will vary from lot to lot. This is obvious as the product is sold in the market in instalments over the year and the market conditions go on changing over time. At any given time, the process of price fixation is influenced mainly by the (1) total volume of market arrivals of the product, (2) number of traders prticipating in the auction, (3) colour of raisin, (4) quality of raisin, (5) grade of raisin and (6) taste of raisin. These factors are very much volatile in nature and as such the prices of the product in question also moved up and down frequently.

The price of raisin is fixed per kilogram. Raisins enjoy good price because traders from Delhi, Mumbai and South India come to Tasgaon market as Tasgaon is the only market in India where raisins are marketed by open auction. Simultaneously, they visit the cold storages in the periphery and participate in the auctions there too. Hence the raisin producers have good market openings to market their products. As a result, raisin producer receives good price which cover the cost of production and enjoys handsom profit. One of the

reasons of good profitability of the raisin industry is the heavy import duty levied on the import of raisins. Thus domestic industry is protected, by which profitability increases. The prices are different for each grade of the raisin. The number one grade receives higher price than number two and three.

5.5.1 Realised price per kilogram : green raisin

The price received by the producer can be discussed with reference to the data given in Table 5.9.

Table 5.9

Price received by producer of green raisin by size of firm : (a) Small firm

(Rs./Kg.)

Respondent	Grade 1	Grade 2	Grade 3
G-1	75	60	45
G-4	65	55	45
G-5	75	45	-
G-7	65	45	35
G-8	60	40	-
G-9	85	50	25
Universe Average	71	49	25

Source: Field Survey

Table 5.10

Price received by producer of green raisin by size of firm : (b) Medium firm

(Rs./Kg.)

Respondent	Grade 1	Grade 2	Grade 3
G-3	82.50	55	20
G-6	70	45	-
Universe Average	76	50	20

Source: Field Survey

Table 5.11

Price received by producer of green raisin by size of firm : (c) Large firm

(Rs./Kg.)

Respondent	Grade 1	Grade 2	Grade 3
G-2	70	45	27.50
G-10	85	60	45
Universe Average	78	53	36

Source: Field Survey

Table 5.9 depicts the picture of small firm. The average prices of grades 1,2 and 3 are Rs.71, Rs.49 and Rs.25 respectively. The maximum price for grade 1 was received by G-9, for grade 2 by G-1, and for grade 3 by G-4.

The medium firm scenario is shown in Table 5.10. The average price for each grade is Rs.76, Rs.50 and Rs.20 respectively. Here, G-2 is relatively in better position.

The case of large firm is given in Table 5.11. The average price for each grade is Rs. 78. Rs.53 and Rs.36 respectively. G-10 has got maximum price for each grade.

5.5.2 Per kilogram price of green raisin : Inter-firm comparison.

In order to study the size-price relationship important results of the three firm sizes are brought together in Table 5.12.

Table 5.12

Per kilogram price of green raisin : inter-firm comparison

(Rs./Kg.)

Particulars	Small Firm	Medium Firm	Large Firm
Grade - 1	71	76	78
Grade - 2	49	50	53
Grade - 3	25	20	36

Source: Table 5.9 to 5.11

Following inferences can be drawn from Table 5.12.

1) Higher quality raisin receives higher price in all size of firms. This is obvious.
2) Large firm has received maxmimum prices for all grades of green raisin.
3) Small firms have receive the lowest prices for grades 1 and 2 of green raisin, their reward for grade3 surpassed that of medium firm.

On the whole, price of green raisins varied directly with the size of the firm.

5.5.3. Realised price per kilogram : yellow raisin

Like green raisin the price received by the producer of yellow raisin also can be analysed with reference to the firm size (Tables 5.5 and 5.6).

Table 5.13

Price received by producer of yellow raisin by size of firm : (a) Small firm

(Rs./Kg.)

Respondent	Grade 1	Grade 2	Grade 3
Y-1	55	30	-
Y-2	60	20	-
Y-3	70	57	-
Y-5	53	30	-
Universe Average	60	34	-

Source: Field Survey

Table 5.14

Price received by producer of yellow raisin by size of firm : (b) Medium firm

(Rs./Kg.)

Respondent	Grade 1	Grade 2	Grade 3
Y-4	70	30	5
Universe Average	70	30	5

Source: Field Survey

The small firm scenario is presented in Table 5.13. Average prices for grades 1, and 2 are Rs.60 and Rs.34 respectively. In this group, Y-3 received maximum prices for both the grades.

Table 5.14 depicts the picture of the medium firm. Average prices for each grade are Rs.70, Rs.30 and Rs.5 respectively.

5.5.4 Per kilogram price of yellow raisin : Inter-firm comparison

Now it will be possible to attempt an inter-firm comparison of price per kilogram and thereby note the size-

price relationship. the relevant data are brought together in Table 5.15.

Table 5.15

Per kilogram price of yellow raisin : inter-firm comparison

(Rs./Kg.)

Particulars	Small Firm	Medium Firm
Grade - 1	60	70
Grade - 2	34	30
Grade - 3	-	5

Source: Table 5.13 to 5.14

Table 5.15 would lead to the following conclusions

1) The medium firm receives better price for grade-1; its price is 16.67 per cent higher.
2) The small firm earned more for grade-2 ; its earning was higher by 13.33 per cent.
3) Since the sample small firms has no production of grade 3, inter-firm comparison is out of question.

5.5.5 Per kilogram price : Inter-commodity comparison

The average price received by producers of green and yellow raisin can now be placed side by side for comparison (Table 5.16)

Table 5.16

Per kilogram price of green and yellow raisin : comparative scenario.

(Rs./Kg.)

Per kilogram price received	Green raisin			Yellow raisin		
	Grade-1	Grade-2	Grade-3	Grade-1	Grade-2	Grade-3
Small firm	71	49	25	60	34	-
Medium firm	76	50	20	70	30	5
Large firm	78	53	36	-	-	-

Following inferences can be drawn from Table 5.16:

1) Price received by producer of green raisin is more than the producer of yellow raisin for all grades and for small as well as medium firms.

2) Specifically for grade 1 products, price varied directly with the size of the firm.

5.6 PROFITABILITY OF THE ENTERPRISE

5.5.1 Performance of the grape processing industry

5.5.1.1 Performance of the firm producing green raisin

Grape processing activity has well picked up in recent years and therefore, production of green as well as yellow raisins has increased substantially. Naturally,

competition among firm engaged in the activity has also in creased. Every individual firm has been struggling to get as high a price as possible in the market. An important measure adopted for the purpose is to improve the quality of the product. Actual performance of the raisin making firm producing green raisin can be judged with the help of Table 5.17. The data is presented according to size of the firm and quality of the product.

Table 5.17

Performance of firms producing green raisin by size of firm : a) Small firm

(Kilograms)

Respondent	Grade-1	Grade-2	Grade-3	Grade-4	Total
G-1	9,750	1,500	750	-	12,000
G-4	5,000	3,000	4,000	-	12,000
G-5	7,500	3,000	-	-	10,500
G-7	6,000	1,500	1,500	-	9,000
G-8	8,775	1,725	-	-	10,500
G-9	5,600	700	700	-	7,000

Source : Field survey

Table 5.18

Performance of firms producing green raisin by size of firm : b) Medium firm

(Kilograms)

Respondent	Grade-1	Grade-2	Grade-3	Grade-4	Total
G-3	15,000	12,000	3,000	-	30,000
G-6	18,000	2,000	-	-	20,000

Source : Field survey

Table 5.19

Performance of firms producing green raisin by size of firm : c) Large firm

(Kilograms)

Respondent	Grade-1	Grade-2	Grade-3	Grade-4	Total
G-2	35,000	7,000	3,000	-	45,000
G-10	30,000	10,000	6,000	4,000	50,000

Source : Field survey

Tables 5.17,5.18 and 5.19 depict the performance of small, medium and large firms respectively. It can be concluded from these tables that the share of grade 1 quality of raisin is more in all the firm sizes followed by grade 2 and grade 3. Among the sample cases grade 4 quality raisin is produced only by G-10, who falls under the category of large firm.

5.5.12 Performance of the firms producing yellow raisin

Now the performance of the firms producing yellow raisin can be analysed by the same way as green raisin. The data is given in Tables 5.20 and 5.21.

Table 5.20

Performance of firms producing yellow raisin by size of firm : a) Small firm

(Kilograms)

Respondent	Grade-1	Grade-2	Grade-3	Grade-4	Total
Y-1	3,600	400	-	-	4,000
Y-2	6,000	1,000	-	-	7,000
Y-3	7,000	2,000	-	-	9,000
Y-5	2,000	400	-	-	2,400

Source : Field survey

Table 5.21

Performance of firms producing yellow raisin by size of firm : b) Medium firm

(Kilograms)

Respondent	Grade-1	Grade-2	Grade-3	Grade-4	Total
Y-4	22,000	3,000	2,000	-	27,000

Source : Field survey

In case of yellow raisin also the production of grade 1 quality of raisin is the highest which is followed by grade 2 quality. Only one firm produces grade 3 quality and that is of medium size. Therefore, it can be concluded that the firms are more cautious about the quality of the product and hence prefer to go for grade 1 quality product as far as

possible. Actually, grades 2,3and 4 are the offshoots of the main production activity. Hence, their quantity is bound to be much lower compared to grade 1.

5.5.2 Profitability of the enterprises

Profitability refers to the surplus generating capacity of the enterprise. It is judged on the basis of net returns earned by the firm. Net returns are difference between total receipts and total cost of production including cost of marketing. Total receipts comprise income from the sale of total production. Cost of production as a broader connotation would include cost of establishment, cost of processing and cost of marketing. Net return thus estimated in absolute terms as also in terms of percentage to cost of production would throw light on the profitability of the enterprise.

Main purpose of estimating cost of production of a product is to guage the extent to which the endeavour of the grower provides him surplus of income over cost in order to retain him in the enterprise and also to provide him incentive for adoption of technological improvements. (Doshi,1991).

In practice, however, the consideration of every grower is narrowly based. He gives maximum importance to the covering of only paid-out costs. Capital and managerial costs and value of family labour are not direct payments and as such, their values are not taken into account for arriving at the figure of net income from the enterprise with the result that the entire income over and above 'working cost' less value of family labour is treated as net gain. Such an accounting would at best provide a rock-bottom limit below which the firm price should not fall. Coverage of 'working cost' alone less value of family labour would any how retain the grower in his activity. For his long-run survival, he must be in a position to meet capital, managerial and marketing costs too besides all working cost. Excess income beyond this is an incentive for better farming. Therefore a double test can be applied : 1) whether the farm price can meet the aggregate cost of production and 2) whether the producers are capable of earning the desired surplus beyond aggregate cost of production (Doshi,1991). Analysis in the follwing section is based fully on this approach.

Before proceeding to the actual analysis based on the gleaned data, it is necessary to explain two conceptual details. One is the 'net return'. It will calculate as under :

Net return = Total cost - Total Receipts.

The other is 'profitability' of the enterprise. It is considered as percentage of net returns to total cost. Expressed in a formula -

$$\text{Profitablity} = \frac{\text{Net returns}}{\text{Total cost}} \times 100$$

Since total cost represents total investment in the enterprise by the firm, profitability will represent by the firm, profitability will represent the return on this investment. One can think of a minimum 20 per cent rate of return as satisfactory for the firm to continue doing the activity over a long period. Analysis in the following pages will be done in this light.

5.2.1 Net return : green raisin

The net return earned by the firms producing green raisin can be analysed. the data is presented by size of the firm in Tables 5.22,5.23 and 5.24.

Table 5.22

Net return from green raisin by size of frim: (a) Small firm

(Rs.)

Respondent	Cost of establishment	Cost of processing	Cost of markeing	Total cost	Gross receipts	Net return	Profitability (per cent)
G-1	23,400	5,71,440	54,600	6,49,440	8,55,000	2,05,560	31.65
G-4	7,064	5,31,000	47,520	5,85,584	6,70,000	84,416	14.42
G-5	18,375	5,51,355	37,590	6,07,320	6,97,500	90,180	14.85
G-7	24,750	4,12,830	39,060	4,76,640	5,10,000	33,360	7.00
G-8	27,405	4,90,770	46,830	5,65,005	5,95,500	30,495	5.40
G-9	15,960	3,34,950	26,600	3,77,510	5,28,500	1,50,990	40.00
Universe Average	19,492	4,82,058	4,20,334	5,43,583	6,42,750	99,167	18.24

Source : Field survey.

Table 5.23

Net return from green raisin by size of frim: (b) Medium firm

(Rs.)

Respondent	Cost of establishment	Cost of processing	Cost of markeing	Total cost	Gross receipts	Net return	Profitability (per cent)
G-3	44,700	13,64,100	1,26,900	15,35,700	19,57,500	4,21,800	27.47
G-6	31,400	9,94,200	99,200	11,24,800	13,50,000	2,25,200	20.02
Universe Average	38,050	11,79,150	1,13,050	13,30,250	16,53,750	3,23,500	24.32

Source : Field survey.

Table 5.24

Net return from green raisin by size of frim: (c) Large firm

(Rs.)

Respondent	Cost of establishment	Cost of processing	Cost of marketing	Total cost	Gross receipts	Net return	Profitability (per cent)
G-2	43,200	19,59,750	1,79,550	21,82,500	28,47,500	6,65,000	30.47
G-10	47,500	22,57,000	2,08,500	25,13,000	34,36,000	9,23,000	36.72
Universe Average	45,350	21,08,375	1,94,025	23,47,750	31,41,750	7,94,000	33.82

Source : Field survey.

With reference to Table 5.22, the average of net returns of small firms is Rs.99,166. Among the sample respondents, G-1 received the highest return of Rs.2,05,560 and G-8 receive the lowest return of Rs.30,495. The average profitability is 18.24 per cent. The highest profitability is seen in case of G-9 which is 40.00 per cent and the lowest profitability is of G-8 which is just 5.40 per cent.

Medium firms show overall better performance as they earn Rs.3,23,500 as average net return. There are only two firms in this group, in which G-3 is in a better position as it receives net Rs.4,21,800 with 27.47 per cent profitability.

Large firms have the best of performance with Rs.7,94,000 overage net return, registering 33.82 per cent profitability.

5.2.2. Inter-firm comparison of net return

Now the inter-firm comparison of net return can be attempted to know the difference in the profitability rate for each size of firm. Table 5.25 shows the inter-firm comparison.

Table 5.25

Inter-firm comparision : Net return

Size of firm	Net return (Rs.)	Profitability (per cent)
Small firm	99,167	18.24
Medium firm	3,23,500	24.32
Large firm	7,94,000	33.82

Source : Table 5.22 to 5.24

Table 5.25 shows that there is a definite relationship between size of the firm and absolute amount of surplus as also profitability. As size of the firm increases, net returns in absolute terms as well as in terms of profitability increase giving direct relationship between size of the firm and profitability. Furthermore, medium and

large firm are in a position to get returns well above the bench-mark of 20 per cent while small farm is marginally below that.

5.5.2.3. Net return : yellow raisin

The net return earned by the firms producing yellow raisin are analysed with the help of data presented in Tables 5.26 and 5.27.

Table 5.26

Net return from yellow raisin by size of frim: (a) Small firm

(Rs.)

Respondent	Cost of establishment	Cost of processing	Cost of markeing	Total cost	Gross receipts	Net return	Profitability (per cent)
Y-1	3,120	1,45,920	19,240	1,68,280	2,10,000	41,720	24.79
Y-2	22,890	3,10,450	36,400	3,69,740	3,80,000	10,260	2.77
Y-3	16,700	5,81,800	45,500	6,44,000	6,74,000	30,000	4.66
Y-5	12,120	89,160	7,560	1,C8,840	1,18,000	9,140	8.40
Universe Average	13,708	2,81,833	27,175	3,22,715	3,45,500	22,780	7.06

Source : Field survey.

Table 5.27

Net return from yellow raisin by size of frim: (b) Medium firm

(Rs.)

Respondent	Cost of establishment	Cost of processing	Cost of markeing	Total cost	Gross receipts	Net return	Profitability (per cent)
Y-4	21,600	11,41,020	1,12,860	12,75,480	16,40,000	3,64,520	28.58
Universe Average	21,600	11,41,020	1,12,860	12,75,480	16,40,000	3,64,520	28.58

Source : Field survey.

As per Table 5.26, the average of net return of small firm is Rs.22,780 and profitability is barely 7.06 per cent. The highest net return in this is received by Y-1 which was Rs.41,720 and Y-5 received the lowest net return Rs.9,140.

Table 5.27 shows the performance of medium firm. The average net return of the sample medium firm producing yellow raisin is Rs.3,64,520 and the profitability is 28.58 per cent.

5.5.2.4. Inter-firm comparison : net return

To know the size-return relationship, inter-firm comparison can be attempted. The relevant data is shown in

Table 5.28

Table 5.28

Inter-firm comparision: net return

Size of firm	Net return (Rs.)	Profitability (per cent)
Small firm	22,780	7.6
Medium firm	3,64,520	28.58

Source : Table 5.26 and 5.27

Table 5.28 shows a direct relationship between size of firm and net returns in absolute terms as well as in terms of profitability like green raisin.

5.5.2.5. Inter-product comparison : net return

Now inter -product comparison can be attempted to know the difference of profitability between the two products, i.e. green and yellow raisins. Details are given in Table 5.29

Table 5.29

Inter-product comparison : net return

Product	Small firm		Medium firm		Large firm	
	Net return (Rs.)	Profitability (per cent)	Net return (Rs.)	Profitability (per cent)	Net return (Rs.)	Profitability (per cent)
Green raisin	99,167	18.24	3,23,500	24.32	7,94,000	33.82
Yellow raisin	22,780	7.06	3,64,520	28.58	-	-

Source : Table 5.25 and 5.28

From Table 5.29 it can conclude that net returns and profitability of small firm producing green raisin are higher than those of yellow raisin. But on the other hand, medium firm producing yellow raisin enjoys comparativey more net returns and profitability than green raisin.

A point needs to be noted specifically. Small firms are not getting a stipulated minimum 20 per cent of surplus over and above their cost, hence they are pulling on with whatever small proportion of gain they are able to accrue. As against this, medium and large producers are placed in quite a satisfactory position. Given these results, it is good to encourage at least the minimum scale of operation of the activity and do away with small seale.

5.5.2.6. Net returns per kilogram : green raisin

Now an exercise can be attempted to know the net returns per kilogram of the product. Net returns and profitability of small firm, medium firm and large firm are presented in Tables 5.30,5.31 and 5.32 respectively.

Table 5.30

Net returns per kilogram from green raisin by size of firm:(a) Small firm

(Rs./Kg.)

Respondent	Cost of production				Gross receipt	Net return per kg	Profitability (per cent)
	Cost of establishment	Cost of processing	Cost of marketing	Total cost			
G-1	1.95	47.62	4.55	54.12	71.25	17.13	31.65
G-4	0.58	44.25	3.96	48.79	55.84	7.05	14.44
G-5	1.75	52.51	3.58	57.84	66.42	8.58	14.83
G-7	2.75	45.87	4.34	52.96	56.67	3.71	7.01
G-8	2.61	46.74	4.46	53.81	56.71	2.90	5.39
G-9	2.28	47.85	3.80	53.93	75.50	21.57	40.00
Universe Average	1.98	47.50	4.11	53.59	63.73	10.14	18.92

Source : Field survey

Table 5.31

Net returns per kilogram from green raisin by size of firm:(b) Medium firm

(Rs./Kg.)

Respondent	Cost of production				Gross receipt	Net return per kg	Profitability (per cent)
	Cost of establishment	Cost of processing	Cost of marketing	Total cost			
G-3	1.49	45.47	4.23	51.19	62.25	14.06	27.47
G-6	1.57	49.71	4.61	55.89	67.50	11.61	20.77
Universe Average	1.53	47.59	4.42	53.54	66.37	12.83	23.96

Source : Field survey

Table 5.32

Net returns per kilogram from green raisin by size of firm:(c) Large firm

(Rs./Kg.)

Respondent	Cost of production				Gross receipt	Net return per kg	Profitability (per cent)
	Cost of establishment	Cost of processing	Cost of marketing	Total cost			
G-3	0.96	43.55	3.99	48.50	63.27	14.77	30.45
G-6	0.95	45.14	4.17	50.26	68.72	18.46	36.73
Universe Average	0.96	44.34	4.08	49.38	65.99	16.61	33.64

Source : Field survey

A consolidated glance at Table 5.30 to 5.32 reveals at the outset that with increase in the size of the firm, net return per kilogram of green raisin has increased as also the profitability. Compared to the net returns of small firms, medium firms enjoy 26.53 per cent and large firms enjoy 63.81 per cent higher returns. This phenomenon is also reflected in the profitability percentages too. Therefore, it is worthwhile to encourage formation of as large units as possible to make the enterprise highly rewarding to the enterpreneurs.

This can be looked at from the angle of grape producer himself. What is the value addition to grapes due to processing to raisins ? considering that nearly 4 kilograms of grapes are required to make a kilogram of raisins, the value addition per kilogram of grapes is Rs.2.53, Rs.3.20 and Rs.4.15 in small, medium and large firms respectively. It is, therefore, worthwhile to undertake the activaty.

5.5.2.7 Net return per kilogram : yellow raisin

Data in respect of cost of production gross return and net return from yellow raisin is presented according to the size of firm in Tables 5.33 and 5.34.

Table 5.33

Net returns per kilogram from yellow raisin by size of firm:(a) Small firm

(Rs./Kg.)

Respondent	Cost of production				Gross receipt	Net return per kg	Profitability (per cent)
	Cost of establishment	Cost of processing	Cost of marketing	Total cost			
Y-1	0.78	36.48	4.81	42.07	52.50	10.43	24.79
Y-2	3.27	44.35	5.20	52.82	54.28	1.46	2.76
Y-3	1.67	58.18	4.55	64.40	67.40	3.00	4.66
Y-5	5.05	37.14	3.15	45.35	49.17	3.82	8.42
Universe Average	2.69	44.04	4.42	51.15	55.83	4.68	9.15

Source : Field survey

Table 5.34

Net returns per kilogram from yellow raisin by size of firm:(b) Medium firm

(Rs./Kg.)

Respondent	Cost of production				Gross receipt	Net return per kg	Profitability (per cent)
	Cost of establishment	Cost of processing	Cost of marketing	Total cost			
Y-4	0.80	42.26	4.18	47.24	60.74	13.50	28.58
Universe Average	0.80	42.26	4.18	47.24	60.74	13.50	28.58

Source : Field survey

It appears from Table 5.33 that the average of net returns per kilogram of small firms is Rs.4.68 and rate of profitability is barely 9.15 per cent which is not at all a satisfactory level of reward.

Medium firm could gain Rs.13.50 registering the profitability of 28.58 per cent which is higher than the benchmark norm contemplated for the activity.

A consolidated glance at Table 5.33 an 5.34 reveals at outset that with increase in the size of the firm, net return per kilogram of yellow raisin has increased as also the profitability. Average net return of medium firm is 188.46 per cent higher and profitability per centage 212.35 per cent higher than small firms. These results clearly indicate a strong case for encouraging formation of medium and large scale units for the activity for substantial gains to the producers of raisins. This activity is also gainful for the producers of grapes as value addition per kilogram of grapes is Rs.1.17 and Rs.3.37 in small and medium firms respectively.

5.5.2.8 Inter-product comparison : net return

Now inter-product comparison may help to compare

the profitability of firms producing green and yellow raisins. It is presented in Table 5.35.

Table 5.35

Inter-product comparison : net return

Product	Small firm		Medium firm		Large firm	
	Net return (Rs.)	Profitability (per cent)	Net return (Rs.)	Profitability (per cent)	Net return (Rs.)	Profitability (per cent)
Green raisin	10.14	18.92	12.83	23.96	16.61	33.64
Yellow raisin	4.68	9.15	13.50	28.58	-	-

Source : Table 5.30 to 5.34

Following inferences can be drawn from Table 5.35.

1) There is positive size-return relationship for both the products.
2) The profitability of small firms producing green raisin is almost double than the small firms producing yellow raisin.
3) The profitability of medium firm producing green raisin is less than yellow raisin.

On the whole, net returns in absolute terms and rate of profitability in percentage was more in case of green raisin than in case of yellow raisin.