CHAPTER 6	SUMMARY OF CONCLUSIONS AND FUTURE OUTLOOK

SUMMARY OF CONCLUSIONS

6.1 Grape is one of the important horticulture crops in Sanlgi district. Recently, area under cultiation of grape crop has increased very much. In times of excess production of grapes, the producers divert a part of the produce to raisin-making and thus avoid glut in the market and consequent crash of prices. Raisin-making in Sangli district was taken up by 'Tasgaon Vaidnyanik Sheti Seva And Drakshakul Pvt. Ltd.' since 1974, but actual process was finalised in 1975.

Initially, raisin-making activity was started at the grower level which became a wide-scale activity soon after. Stray efforts also were made to institutionalise the

activity and accordingly a cooperative processing unit was established in 1984-85. This unit undertook production as well as marketing activity of raisin. But this institutional experiment proved rather short-lived upto 1992, beyond which the activity has been frozen on the grounds of uneconomical production. Another institutional efforts in the field of raisin-making was made in 1994 with the establishment of 'Shrikrishna Fal Utpadak Sahakari Society'. This society by itself did not undertake production of raisins, but provided only the infrastructure. Therefore, it can be well described as a common facility centre. Eventhough, raisin-making has this kind of an institutional base this activity is more flourished at grower level.

6.2 The present study is aimed at examining the progress of raisin industry in Sangli district in order to guage the improvement in economic conditions of the growers. It also aimed to examine whether the raisin-making activity is a profitable proposition directly for the processor and indirectly for the grape producer. The hypothesis is tested in the context of the size of holding of a firm.

6.3 'Cost of production' for the present study comprised 'Cost of establishment', 'Cost of processing' and 'managerial cost'. Purposive sampling method is used and 10

units of green raisins and 5 units of yellow raisins are covered. The field survey was carried during 1997. A structured schedule was used to collect necessary details from the respondents. Attempt is also made to study marketing practices and find out 'cost of marketing'.

6.4 Cost of production is divided into establishment cost, processing cost and managerial cost. The aggregate establishment cost of green raisins with respect to size of firm was Rs.1.98 for small firms, Rs.1.53 for medium firms and Rs.0.96 for large firms. The establishment cost has different components like land cost, cost of shed assets other than land, labour cost and transport cost of material. The share of all these cost components in respect of small firm was 18.18 per cent, 79.29 per cent, 1.51 per cent and 0.40 per cent respectivly. In case of medium firm, the share was 6.53 per cent, 90.84 per cent. 1.63 per cent and 0.98 per cent respectively and in case of large firm it was 8.42 per cent, 88.47 per cent, 1.05 per cent and 0.84 per cent respectively. The aggregate establishment cost of yellow raisins was Rs. 2.68 for small firm and Rs.0.80 for medium firm. In case of yellow raisins also establishment cost is divided in the same components. The shae of each component in the same order for small firm was 26.49 per cent, 66.17 per cent, 4.85 per cent and 1.11 per cent and in case of medium firm it was

46.25 per cent, 47.5 per cent 5 per cent and 0.87 per cent respectively.

6.5 Aggregate processing cost of green raisins with respect to size of firm for the universe was Rs.47.50 for small firm, Rs. 47.59 for medium firm and Rs. 44.34 for large firm. This cost is also divided in different cost components like cost of raw material, transport cost of raw material, cost of assets, cost of chemicals. Cost of labour, water charges and electricity charges. The share of these cost components in case of small firm producing green raisins was 87.48 per cent, 2.32 per cent, 1.93 per cent, 4.21 per cent 3.65 per cent, 0.21 per cent and 0.08 per cent respectively. This share in case of medium firm was 87.05 per cent, 1.88 per cent, 2.78 per cent, 3.97 per cent, 4.16 per cent, 0.23 per cent and 0.03 per cent respectivley and finally in case of large firm the shares were 91.12 per cent, 2.03 per cent, 1.09 per cent, 4.07 per cent, 1.52 per cent, 0.11 per cent and 0.02 per cent respectively. The aggregate processing cost of yellow raisins with respect to size of firm for the universe was Rs.44.01 for small firm and Rs.42.26 for medium firm. The share of each cost component in case of small firm was 83.84 per cent, 1.65 per cent, 2.56 per cent, 2.97 per cent, 8.24 per cent, 0.61 per cent and 0.09 per cent respectively. In case of medium firm, the share was 94.65 per cent,

0.59 per cent, 0.42 per cent, 1.82 per cent, 2.48 per cent, 0.02 per cent and 0.01 per cent respectively.

6.6 The cost analysis of managerial cost is also done with respect to size of firm. The aggregate managerial cost of small firm for universe was Rs. 0.60, for medium firm Rs. 0.52 and for the large firm Rs.0.15. This cost item is divided in different cost components like cost of managerial work, cost of office premises, cost of salaries of staff. The share of each component to total managerial cost in case of small firm was 98.33 per cent, 1.67 per cent and zero per cent respectively. In case of medium firm it was 51.92 per cent, 21.15 per cent and 25 per cent respectively. It was 100 per cent, zero per cent and zero per cent in case of large firm. The managerial cost of yellow raisins with respct to size of firm for the universe was Rs.1.44 for small firm and Rs. 0.25 for medium firm. The share of each cost component was 100 per cent zero per cent, zero per cent for small firm as well as medium firm.

6.7 Summation of establishment cost, processing cost and managerial cost would give the aggregate of production independently of green as well as yellow raisins. The total production cost of both commodities is expressed in Table 6.1.

Table 6.1

Cost of prodcution of raisins

(Rs./Kg.)

Size of firm	Green raisin	Yellow raisin
Small firm	50.08	48.14
Medium firm	49.64	43.31
Large firm	45.45	-

6.8 The statistical data relating to establishment. Processing and managerial cost of green and yellow raisin indicate the following general inferences:

(1) The establishment cost of green raisin was less than yellow raisin in case of small firm but more in case of medium firm.

(2) With reference to size of firm, processing cost of green raisin was more than yellow raisin.

(3) The managerial cost of green raisin was less than yellow raisin in case of small firm but more in case of medium firm.

(4) Establishment cost is inversely related to size of firm in case of both the products.

(5) The processing cost of yellow raisin is inversely related to the size of firm. But any definite statement cannot be made in case of green raisin.

(6) Managerial cost also is inversely related to size of firm in case of both the products.

Thus, on the whole cost of production of yellow raisin was lower than green raisin. As regards size-cost relationship, no uniform behaviour could be noticed commonly for both the products. However for yellow raisin, medium size of firm was more economical than small firm. In case of green raisin the total cost of production inversely related to size of firm. The large firms were most economical and small firms were costlier.

6.9 While the local market is too narrow, most of the quantity of green and yellow raisins is dispatched to nearby and distant markets. There are three market channels concerned with the first sale of raisins: (1) raisin producers sell their product through commission agents at Tasgaon market yard, (2) raisin producers sell their product to upcountry wholesale traders at local cold storage and (3) raisin producers sell their product to local retailers.

6.10 The role of commission agent is more important in the sale of the product. Prices of green and yellow raisins are fixed through open auction at Tasgaon market yard and cold storage. The commission agent and owner of the cold

storage guide the producer in decision-making and his actual involvement in price fixation is the least. The process of price determination is influenced mainly 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. Commission charged by commission agent, if marketed through Tasgaon market yard and owner of the cold storage if marketed through cold storage, coolie charges and weighment charges are the main deductions from the sale proceeds. After deducting for all above-mentioned items, the commission agent gives a final sale note to the producer-seller. 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 commission agent and the owner of the cold storage provide market information to the producer-seller.

6.11 The average cost of marketing per kilogram of green raisin was Rs.4.11, Rs. 4.42 and Rs. 4.08 for small, medium and large firms respectively. In case of yellow raisin it was Rs. 4.42 and Rs. 4.18 for small and medium firms respectively. Cost of packaging material, labour cost of grading, storage cost and market charges comprised major items of marketing cost. The share of labour cost of packag-

ing was very much less while the share of transport cost of sample was negligible. There was no specific relationship between cost of marketing and size of the firm in case of green raisin, but this cost decreased with increase in size of firm indicating inverse size cost relationship in case of yellow raisins. The local market being too narrow, major portion of the product reached the far and upcountry places. All the same, it did not result in increase in marketing cost for the producer-seller as the responsibility of upcountry transport is not of the producer-seller but of the trader-buyer.

6.12 The price received by producer of green raisin is more than the producer of yellow raisin. Price received by small firm producing green raisin was Rs.71, Rs.49, Rs.25 per kilogram for grade-1, grade-2 and grade-3 respectively. It was Rs.76, Rs.50 and Rs. 20 per kilogram for the same grade respectively in case of medium firm. And in case of large firm the price received for each grade was Rs.78, Rs. 53 and Rs.36 respectively per kilogram.

In case of yellow raisins small firm received Rs.60 and Rs.34 per kilogram for grade 1 and grade 2 categories respectively. It was Rs.70, Rs.30 and Rs.5 for grade 1, grade 2, grade 3 in case of medium firm. Therefore it can be

concluded that the price varied directly with the size of the firm in case of both the products and for all grades.

6.13 The net returns were considered as a difference between total receipts and total cost of production. Cost of production as a broader connotation would include cost of establishment, cost of processing and cost of marketing. For the long survival of the business unit, it must be in a position to meet all these costs. Excess income beyond this is an incentive for better production. Therefore, a double test was applied: (1) whether the firm price can meet the aggregate cost of production and (2) whether the processors are capable of earning desired surplus of a minimum of 20 per cent of cost of production.

With reference to the size of the firm, average net return for small, medium and large firms was Rs.99,167, Rs.3,23,500 and Rs.7,94,000 respectively in case of green raisins and Rs.22,780 and Rs.3,64,520 respectively in case of yellow raisins. The rate of profitability, with reference to firm size, was 18.24 per cent, 24.32 per cent and 33.82 per cent respectively in case of green raisins and 7.06 per cent and 28.58 per cent in case of yellow raisins.

6.14 Average net return per kilogram, with reference to the size, for small, medium and large firms was Rs.10.14, Rs.12.83, Rs.16.61 respectively for green raisins and Rs.4.68 and rs.13.50 respectively for yellow raisins. With reference to the size, the rate of profitability for small, medium and large firms was 18.92 per cent, 23.96 per cent and 33.64 per cent respectively for green raisin and it was 9.15 per cent and 28.58 per cent for yellow raisin. In green raisin activity the hierarchy of firms in diminishing order of net returns was large firm, medium firm, small firm. It was the same in case of yellow raisin. Thus it can be concluded that the rate of profitability is directly related to firm size in case of both the products. Again, the production of both the products covered fully the cost of production and, in addition, provided considerably higher profit. This inference supports the hypothesis enunciated while launching this study.

FUTURE OUTLOCK

Employment generation and insurance against price depression of grapes

6.15 Raisin-making activity is definitely helpful for preventing unwarranted depression in the price of grapes. In times of excess production of grapes, the producers can divert a part of the produce of grapes to raisin-making and thus avoid the glut in the grape market and consequent crash

of the price. This activity involves value addition. A considerable value addition per kilogram of grapes is done by the raisin producers.

Raisin-making activity is also important as far as employment generation is concerned. Both male and female workers are employed for various activities. Labour is required fo construction of shed, in processing activity, for grading and packing of raisins. Usually male workers are employed for the construction of shed. Processing activity is conducted with the help of male as well as female workers. There is usual practice to employ female labour for grading of raisin and therefore this industry creates employment opportunity for female labour, though seasonal. The packing activity is conducted by male workers. Overall, the industry plays an important role in employment generation. As such, the activity needs to be supported in all possible ways.

Foreign competition

6.16 The raisin-making activity earns profit which is adequate for continuing in the endeavour. Marketing facilities presently available to the producers are considered satisfactory, and the producers are satisfied with the price they receive. Eventhen, it is beyond doubts that if the marketing activity is conducted at institutional level, then

it may prove more helpful for getting still higher price as the institution can have a better command over the market supplies compared to the individual seller.

An important reason due to which raisin producer enjoys higher price is that raisin industry in India is protected from foreign competition by heavy import duty. But with the advent of globalisation, the Indian economy is opening up and raisin industry will not be an exception to that. Indian raisin industry may face competition from other countries in near future. The latest event relating to the arrival fo imported raisin in Indian market through illegal channels, as reported by the Government, is quite remarkable in this context. Recently, raisins were imported into India from Afghanistan which adversely affected the price of domestic raisin; because the supply of raisins increased in the market and the price of the imported raisin was much less than that of the domestic one. So far by imposing heavy customs duty on raisin imports, the raisin industry is protected. The customs duty levied is either Rs.70 per kilogram of raisin or 125 per cent of the bill whichever is higher. In November 1998, Mumbai Customs Department allowed the foreign raisin in India by charging customs duty which was 125 per cent of the bill. The importing agent played a trick and got the bill prepared underpriced. So that the volume of customs duty required to

be paid was conspicuously reduced. Consequently, it became profitable to him to sell his product at an advantageous price in the domestic market. With the arrival of the imported raisin in even Tasgon market, the price of local raisin slumped. This development alerted the domestic raisin producers who, in association with the political leaders, immediately pressed the government for not allowing the imports of raisins any more to protect domestic interests. The government has obliged them. However, in the wake of adoption of the policy of liberalisation, protection may not live longer and sooner or later the industry will have to come out for open competition with the imported raisin. Rather, in view of this possiblity, it is essentia that Indian raisin industry should start preparing for that. One of the ways is improvement in marketing practices. If raisins are marketed at institutional level then the domestic producer may face the competition in the open market more effectively. Therefore, it is essential that the raisin producers should come together and form a cartel-like marketing institution which may help them to muster control over supplies and thereby retain market price at sufficiently high level. The organisational pattern of the institution may either be cooperative or even a private limited company. It is the choice of the producer depending on their readiness to accept either of the two forms. The point, however, stands that in spite of retaining

the customs duty, possibilities of imports of raisins cannot be ruled out in the future and hence the industry has to plan for more cost-effective production and better marketing system to withstand successfully the threat of foreign competition.