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A Study of marketing cost and marketing efficiency of grape raisins in Maharashtra

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Abstract
Grape (*Vitis vinifera*) constitutes a major fruit crop in India, ranking third in area and production after citrus and banana. Globally, grapes account for approximately 68.9 million tonnes of fruit production, underscoring their economic significance. In India, grape cultivation spans about 139 thousand hectares, with a production of nearly 2,920 thousand tonnes in 2017–18 (NHB). Maharashtra is the dominant grape-producing state, contributing 62.7 percent of the country's total output. The principal grape-growing districts within the state include Nashik, Sangli, Pune, Ahmednagar and Solapur. Due to the highly perishable nature of grapes, a substantial share of the harvest is processed into value-added products such as wine, raisins, and juice. Maharashtra alone houses 69 raisin-processing industries. A study examining marketing costs in five major grape raisin producing districts found that distribution channels with fewer intermediaries yielded higher profit margins for producers. Similarly, an evaluation of 19 raisin-processing units indicated that reduced involvement of middlemen significantly enhanced producer's returns. The study concluded that direct marketing channels are more advantageous for grape growers, as they increase efficiency and profitability by minimizing intermediary participation. These findings highlight the importance of streamlined distribution systems in improving the economic well-being of grape farmers in Maharashtra.

Keywords: Marketing cost, marketing efficiency, marketing channels, farmer income

Introduction
Grape (*Vitis vinifera*) occupies a prominent position within India's horticultural sector, ranking as the third most widely cultivated fruit crop after citrus and banana. At the global level, grapes represent one of the most important fruit crops, with an estimated production of 68.9 million tonnes, placing them just behind citrus, bananas, and apples in overall output.

In India, grape cultivation covers approximately 139 thousand hectares, yielding about 2,920 thousand tonnes during 2017-18 (NHB). Major grape-producing states include Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu, Punjab, Haryana, western Uttar Pradesh, Rajasthan and Madhya Pradesh. Among these, Maharashtra is the predominant producer, accounting for roughly 62.7 percent of national production. Key districts such as Nashik, Sangli, Pune, Ahmednagar and Solapur serve as major hubs of grape cultivation and processing within the state. Due to the highly perishable nature of grapes, processing plays a critical role in reducing post-harvest losses and enhancing product stability. Grapes are commonly converted into value-added products such as wine, raisins, and juice, fostering the development of a substantial processing industry. Maharashtra alone hosts 69 raisin-processing units, reinforcing its position as a central node in India's grape value chain. The concentration of grape cultivation and processing activities in Maharashtra underscores the need to examine the economic and marketing dimensions of grape-based industries. Efficient processing and marketing strategies are essential for mitigating losses, improving value addition, and enhancing profitability for producers. Processed products such as wine, raisins, and juices not only extend the shelf life of grapes but also generate significantly higher economic returns, thereby contributing to the overall viability of grape farming. Accordingly, a comprehensive understanding of the operational dynamics of grape-processing industries and their associated marketing channels is vital. Such analysis enables stakeholders to identify opportunities for improving efficiency, reducing intermediary-related costs, and maximizing producer's profit margins.

This study seeks to address these issues by offering insights and recommendations aimed at benefiting grape growers and processors in Maharashtra, as well as other grape-producing regions across India.

Objectives

1. To study the marketing cost of various marketing channels of grape raisins.
2. To identify effective marketing channel for distribution of grape raisins.

Methodology

Marketing Efficiency: There are three methods of marketing efficiency i.e. Conventional method, Shepherd method and Acharya method.

Pricing Marketing Efficiency

The primary data was collected from farmers, processors, commission agents, wholesalers and retailers by preparing schedule and by personal interviews on marketing cost, margins and price spread for different distribution channels of grape raisins. Marketing efficiency indicated the ratio of value added for the goods to the marketing cost and was calculated by the following formula using Conventional method.

$$ME = \left(\frac{V}{I}\right) - 1$$

Where
V = Value added to the commodity
I = Total marketing cost incurred
ME = Index of Marketing efficiency

Or

Marketing Efficiency by Shepherd's Method

$$ME = \frac{RP\ (Retailers\ Sale\ Price)}{MC\ (Total\ Marketing\ Cost)}$$

Results and Discussions

Channel wise marketing cost and marketing efficiency of Grape Raisins

Five districts i.e. Nashik, Sangli, Pune, Solapur and Ahmednagar were selected to collect the primary data of marketing cost of various middlemen for marketing of grape raisin products. There were total 66 no. of grape raisin industries in these 5 districts. Of these, there were 39 no. of farmer's producer grape raisin industries. Therefore, about 50 percent of the total farmer's producer industries i.e. 19 no. of grape raisin industries were taken as a sample size to collect the primary data related to marketing cost of grape raisins. The industry-wise marketing cost data was collected. The data was also collected for marketing channels of these industries to market the grape raisin. Following channels were observed for marketing of grape raisins during the study.

- **Channel I:** Producer → Consumer
- **Channel II:** Producer → Retailer → Consumer
- **Channel III:** Producer → Wholesaler → Retailer → Consumer
- **Channel IV:** Producer → Distributer → Retailer → Consumer

OF these total 4 marketing channels, channel no. I, II and III were observed commonly in all selected grape raisin industries. The overall marketing cost calculated for these 19 no. of industries is given in the below table 1.

Table 1: Overall channel-wise marketing cost for selected grape raisin industries

Sr. No.	Particulars	Marketing Channels					
		I		II		III	
		Cost Rs/Kg	Profit Margin (Rs)	Cost Rs/Kg	Profit Margin (Rs)	Cost Rs/Kg	Profit Margin (Rs)
1.	**a) Producer Margin** • Production Cost • Marketing Cost incurred by the Producer • Producer's Total Cost • Producer's Sales Price	103.37 20.63 124.00 159.21	35.21 (100)	103.37 17.15 120.52 147.89	27.37 (57.78)	103.37 15.00 118.37 142.50	23.13 (40.81)
2.	**b) Wholesaler Margin** • Wholesaler's Purchase Price • Cost incurred by the Wholesaler • Wholesaler's Total Cost • Wholesaler's Sale Price	-	-	-	-	142.50 9.69 152.19 165.63	13.44 (22.73)
3.	**c) Retailer Margin** • Retailer's Purchase Price • Cost incurred by the Retailer • Retailer's Total Cost • Retailer's Sale Price	-	-	147.89 13.42 161.31 181.31	20.00 (42.22)	165.62 12.19 177.81 199.37	21.56 (36.46)
4.	d) Consumer's Purchase Price	159.21		181.31		199.37	
5.	e) Producer's Share in Consumer (%)	(100.00)		(81.57)		(71.47)	

(Figures in the parenthesis are in percentage)

It was seen from the table 1 that, in channel I profit margin of producer was Rs. 35.21 per kg whereas in channel II it was Rs. 27.37 per kg and in channel III the profit margin was Rs. 23.13 per kg. The profit margins were 100, 57.78

and 40.81 percent for channel I, II and III respectively. All the industries which were selected for the study were farmer-producer grape raisin industries.

The above table concludes that as the number of middlemen increases, their marketing cost increases due to their charges for storage, packaging, transportation, loading and unloading which is affected on profit margin of farmers.

Table 2: Channel-wise marketing efficiency for marketing of grape raisins

Sr. No.	Particulars	Unit	Marketing Channel		
			I	II	III
1.	Retailer's Sale Price or Consumer's Purchase Price	Rs/kg	159.21	181.31	199.37
2.	Total Marketing Cost	Rs/kg	20.63	30.57	36.88
3.	Total Net Margins of Intermediaries	Rs/kg	0	20.00	35.00
4.	Net Price Received by Producers (Gross Price Received – Producer's Marketing cost)	Rs/kg	138.58	164.16	184.37
5.	Value Added: (1 – 4)	Rs/kg	20.63	17.15	15.00
6.	Conventional Method: 5 / 2	Ratio	1	0.56	0.41
7.	Shepherd's Method: 1 / 2	Ratio	7.72	5.93	5.41
8.	Acharya's Method: 4 / (2 + 3)	Ratio	6.72	3.25	2.56

The table 2 shows that the channel-wise marketing efficiency of grape raisins by 3 different methods. Using Conventional method and Shepherd's method, Channel No. I with marketing efficiency 1 and 7.72 respectively was found to be more efficient than the Channel No. II and III to get higher returns to the producers. By Acharya's method, Channel No. I was more efficient with marketing efficiency 6.72 than the Channel No. II and III with marketing efficiency 3.25 and 2.56 respectively.

Therefore, the table 1 and table 2 indicate that when number of middlemen decreases in marketing of grape raisins, then producer's profit margin increases.

The above table concludes that as the number of middlemen increases, their marketing cost increases due to their charges for storage, packaging, transportation, loading and unloading which is affected on profit margin of farmers.

Conclusions

The study identified three principal marketing channels for grape raisins: Channel I (Producer → Consumer), Channel II (Producer → Retailer → Consumer), Channel III (Producer → Wholesaler → Retailer → Consumer). The analysis revealed that Channel I yielded the highest profit margins for producers, primarily due to the absence or minimal involvement of intermediaries in the distribution of grape raisins. Consequently, this channel provided greater financial returns to farmers compared with Channels II and III. Channel I was also found to be the most efficient marketing pathway, as demonstrated by both the Conventional and Shepherd methods of efficiency measurement. The results clearly indicate that a reduction in the number of intermediaries leads to increased net returns for producers. Furthermore, the study showed that the presence of additional intermediaries increases overall marketing costs due to expenses associated with storage, packaging, transportation, loading and unloading. These added costs ultimately diminish the profit margins available to farmers. Hence, direct marketing channels, such as Channel I, offer a more effective and profitable distribution strategy for grape raisins.

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