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A study of marketing cost and marketing efficiency of grape wine in Maharashtra

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Abstract

Grape (*Vitis vinifera*) is a significant fruit crop in India, ranking third in cultivation after citrus and banana. With a global production of approximately 68.9 million tonnes, grapes are a major fruit crop worldwide. In India, grapes are cultivated over an area of 139 thousand hectares, yielding about 2920 thousand tonnes in 2017-18 (NHB). Maharashtra is the leading state in grape production, contributing 62.7 percent of the national output. Major grape-growing districts in Maharashtra include Nashik, Sangli, Pune, Ahmednagar, and Solapur. Given its perishable nature, grapes are processed into products such as wine, raisins, and juice. Maharashtra hosts 78 of India's 95 wine industries. A study focusing on the marketing costs of grape wine processed product in five major districts revealed that fewer middlemen in the distribution channels lead to higher profit margins for producers. The data from 14 grape wine industries indicated that direct producer-to-consumer sales (Channel I) yielded the highest profit margins and marketing efficiency compared to channels involving retailers and wholesalers. It showed that reduced intermediary involvement increased the producer's profit margin. The study concluded that direct marketing channels are more beneficial for grape producers, highlighting the efficiency and profitability of minimizing middlemen in the supply chain. This finding underscores the importance of streamlining distribution to enhance income for grape farmers in Maharashtra.

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

Introduction

Grape (*Vitis vinifera*) holds significant importance in India's horticultural landscape. It is the third most extensively cultivated fruit crop in the country, following citrus and banana. Globally, grapes are a crucial fruit crop, with an estimated production of 68.9 million tonnes, making them one of the top fruit crops, placing them behind only citrus, bananas, and apples.

In India, grape cultivation spans a substantial area of 139 thousand hectares, with a production volume of approximately 2920 thousand tonnes in the 2017-18 period (NHB). The principal grape-growing states include Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu, Punjab, Haryana, western Uttar Pradesh, Rajasthan, and Madhya Pradesh. Among these, Maharashtra stands out as the leading producer, contributing about 62.7 percent of the total grape production in the country. This makes Maharashtra a critical area for grape cultivation and processing, with key districts like Nashik, Sangli, Pune, Ahmednagar, and Solapur being major contributors.

Given the highly perishable nature of grapes, it is essential to process them into more stable products such as wine, raisins, and juice. This has led to the development of a robust grape processing industry in India. Currently, there are 95 wine industries in the country, with Maharashtra housing 78 of them, making it a hub for grape processing.

The concentration of grape production and processing industries in Maharashtra highlights the importance of studying the marketing and economic aspects of grape processing. The perishable nature of grapes necessitates efficient marketing and processing strategies to minimize losses and maximize profitability. Wine, raisins and juices derived from grapes not only provide a means to preserve the fruit but also add significant value, making grape cultivation a more lucrative endeavor for farmers.

Therefore, understanding the dynamics of grape processing industries and their marketing channels is crucial. By examining these aspects, stakeholders can devise strategies to enhance

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efficiency, reduce intermediary costs, and increase the profit margins for farmers. This study focuses on these areas to provide insights and recommendations that could benefit grape producers and processors in Maharashtra and other grape-growing regions in India.

Objectives

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

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. 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

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

Results and Discussions

Channel wise marketing cost and marketing efficiency of Grape Wine

Five districts i.e. Nashik, Sangli, Pune, Solapur and Ahmednagar were selected to collect the primary data of marketing cost of various middlemen's for marketing of grape wine. There are total 78 no. of grape wine industries in Maharashtra. Of these, there were 48 no. of farmer-producer grape wine industries. Therefore, about 30 percent of the total farmer-producer industries in Maharashtra i.e. 14 no. of grape wine industries were taken as a sample size to collect the primary data related to marketing cost of grape wine. The data was also collected for different marketing channels of these industries to market the grape wine. Following channels were observed for marketing of grape wine 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 wine industries. The overall marketing cost calculated for these 14 no. of industries is given in the below table 1.

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

Sr. No.	Particulars	Marketing Channels					
		I		II		III	
		Cost Rs/Litre	Profit Margin (Rs)	Cost Rs/Litre	Profit Margin (Rs)	Cost Rs/Litre	Profit Margin (Rs)
1.	a) Producer Margin Production Cost Marketing Cost incurred by the Producer Producer's Total Cost Producer's Sales Price	377.50 123.93 501.43 649.29	147.86 (100)	377.50 107.50 485.00 610.36	125.36 (58.02)	377.50 91.43 468.93 572.86	103.93 (46.41)
2.	b) Wholesaler Margin Wholesaler's Purchase Price Cost incurred by the Wholesaler Wholesaler's Total Cost Wholesaler's Sale Price	- -	-	- -	-	572.86 38.93 611.79 656.79	45.00 (20.10)
3.	c) Retailer Margin Retailer's Purchase Price Cost incurred by the Retailer Retailer's Total Cost Retailer's Sale Price	- -	-	610.36 66.78 677.14 767.86	90.72 (41.98)	656.79 52.14 708.93 783.93	75.00 (33.49)
4.	d) Consumer's Purchase Price	649.29		767.86		783.93	
5.	e) Producer's Share in Consumer (%)	(100.00)		(79.49)		(73.07)	

(Figures in the parenthesis are in percentage)

It was seen from the table 1 that, in channel I profit margin of producer was Rs. 147.86 per litre of wine whereas in channel II it was Rs. 125.36 per litre of wine and in channel III the profit margin was Rs. 103.93 per litre of wine. The profit margins for

producer were 100, 58.02 and 46.41 percent for channel I, II and III respectively. All the industries which were selected for the study were farmer-producer grape wine industries.

From the above, it concludes that farmers are benefited by

reduction of middlemen in marketing of grape wine. The channel I shows more profit margin to the producer than channel II and III. It is due to less no. of middlemen. The above table also 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 wine

Sr. No.	Particulars	Unit	Marketing Channel		
			I	II	III
1.	Retailer's Sale Price or Consumer's Purchase Price	Rs/litre	649.29	767.86	783.93
2.	Total Marketing Cost	Rs/litre	123.93	174.28	182.50
3.	Total Net Margins of Intermediaries	Rs/litre	0	90.72	120
4.	Net Price Received by Producers (Gross Price Received - Producer's Marketing cost)	Rs/litre	525.36	660.36	692.50
5.	Value Added: (1 - 4)	Rs/litre	123.93	107.50	91.43
6.	Conventional Method: 5 / 2	Ratio	1	0.62	0.50
7.	Shepherd's Method: 1 / 2	Ratio	5.24	4.41	4.30
8.	Acharya's Method: 4 / (2 + 3)	Ratio	4.24	2.49	2.29

The table 2 shows the channel-wise marketing efficiency of grape wine by different methods. Using Conventional method and Shepherd's method, Channel No. I with marketing efficiency 1 and 5.24 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 4.24 than the Channel No. II and III with marketing efficiency 2.49 and 2.29 respectively. By Shepherd method, Channel No. I i.e. Producer to Consumer was found to be more efficient with marketing efficiency 5.24 than the Channel No. II and III with marketing efficiency 4.41 and 4.30 respectively. It shows that as the number of middlemen decreases, returns to the producer increases. Channel No. I found more effective which gives the higher returns to the producers.

Therefore, tables 1 and 2 demonstrate that a reduction in the number of middlemen in the marketing of grape wine processed products leads to an increase in the producer's profit margin.

The above table concludes that as the number of middlemen increases, marketing costs rise due to additional charges for storage, packaging, transportation, loading, and unloading, which in turn negatively impacts the profit margin of farmers.

Conclusion

The study of marketing channels for grape wine revealed three primary routes: Channel I (Producer → Consumer), Channel II (Producer → Retailer → Consumer), and Channel III (Producer → Wholesaler → Retailer → Consumer). Among these, Channel I proved to be the most efficient and profitable for farmers due to the absence of intermediaries. This direct producer-to-consumer model yielded higher profit margins and marketing efficiency, as confirmed by both the Conventional and Shepherd methods. In contrast, Channels II and III involved additional middlemen, which increased marketing costs such as storage, packaging, transportation, loading, and unloading, ultimately reducing the farmer's share of the returns. Overall, reducing the number of intermediaries in the marketing of grape wine significantly enhances producer profitability and marketing efficiency.

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