

Investment analysis in grapevine orchards

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ABSTRACT

The study was conducted in Bijapur district of Karnataka state with overall objectives of studying the feasibility of investment in grapevine orchards. Data were collected from 60 grape wine growers spread over in the district. The per hectare establishment cost were Rs. 3, 94,377.44. The total maintenance cost during bearing period was Rs. 1, 86,043.25. The average yield of grapevine orchards was 14.00 tonnes per hectare per year and average returns were Rs. 5, 29,787. The study further revealed that NPV for grapevine orchards was Rs. 16, 26,956, the B- C ratio was 2.2, Pay Back period was 3.2 years and IRR was 42.33 per cent.

INTRODUCTION

The wine industry in India is projected to grow at more than 30 per cent annually in next decade, the quantum jump from 2 million liters of wine production to 13 million litres in 2007. With the wine consumption in Karnataka recording a steady rise in the last few years, several wineries have evinced interest to invest in the state, even as five wineries would be fully operational by the end of the year. While two wineries are coming up at Devanahalli near Bangalore, one each in Koppal, Kolar, and Belgaum districts, at least three companies have shown interest in setting up wineries in the state. Following the spurt in the number of wineries, the Karnataka State Department of Horticulture is expecting the area under grapevine cultivation to increase from 700 acres at present to around 2,000 acres by the end of 2009.

The wine sales in the Karnataka, which was around 4.9 lakh liters in 2003-04, have exceeded 14 lakh liters during 2007-08, the sales figures include imported (both from outside the state and the country) wines and those produced in Karnataka.

Historically, grapevine (*Vitis vinifera* L.) is grown mostly for wine making in the world over. In India, on the contrary remarkable success has been achieved in table grape production and yield levels of fresh grapes are among the highest in the world. At present, in India grape is grown over an area of 60,000 ha with an annual production of 1.6 million tonnes.

In Karnataka, more than 12 varieties of grapes are used for wine making. Cabernet sauvignon, pinot noir, merlot, pinotage, shiraz, zinfandel, chardonnay, chenin blanc and others are being cultivated by farmers who have contracts with the wineries. These varieties are mostly grown in Bijapur, Belgaum, Koppal, Baglkot, Bangalore rural and urban, and Chikkaballapur districts. Karnataka is the second largest producer of wine, next to Maharashtra. Many factors, such as the increasing consumption of wine and promotion of wine as a healthier drink, when compared to other varieties of alcohol have kindled interest for wineries to invest in Karnataka. If table grapes fetch Rs. 6 to Rs. 15 a kg to the farmer who harvests around 15 tonnes per acre, the wine varieties fetch Rs. 35 to Rs. 40 a kg and five to six tonnes can be harvested from each acre. These varieties require less water and are grown organically.

As the grapevine production involves heavy initial establishment and subsequent high maintenance expenses, its economic analysis is of great importance but the studies conducted on economics of grapevine production and investment pattern in wineries are very few. The present study is an effort in this direction of having an integrated study of all economic aspects of production grapevines and to identify the constraints faced by the grapevine producers and with an overall view of exploring the possibilities for bringing about the required improvement.

Key words :

Grapevine orchard, Investment, Cash inflows, Financial feasibility

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