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#### COST AND RETURN ANALYSIS OF PADDY UNDER ORGANIC FARMING

#### DR. K. THIRIPURASUNDARI PRINCIPAL SRI PARASAKTHI COLLEGE FOR WOMEN COURTALLAM

#### R. SWARNA RESEARCH SCHOLAR SRI PARASAKTHI COLLEGE FOR WOMEN COURTALLAM

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#### ABSTRACT

Organic farming uses fertilizers and pesticides but excludes or strictly limits the use of manufactured synthetic fertilizers, pesticides which include herbicides, insecticides and fungicides, plant growth regulators such as livestock antibiotics, food additives, genetically modified organisms and nano material. Currently, India ranks 10th among the top ten countries in terms of cultivable land under organic certification. The certified area includes 15% cultivable area with 0.72 million Hectare and rest 85% (3.99 million Hectare) is forest and wild area for collection of minor forest produces. The total area under organic certification is 4.72 million Hectare (2013-14). With its widening scope it becomes necessary to know its costs and return to have a clear approach towards organic farming and its commercial viability. Against this backdrop, the present study analyses the cost of cultivation of Paddy under organic farming in Tirunelveli district and its profitability.

#### **KEYWORDS**

cost, organic paddy, returns.

#### INTRODUCTION

rganic Farming is a form of agriculture that relies on techniques such as crop rotation, green manure, compost and biological pest control to maintain soil productivity and control pest on a farm. Organic farming uses fertilizers and pesticides but excludes or strictly limits the use of manufactured synthetic fertilizers, pesticides which include herbicides, insecticides and fungicides, plant growth regulators such as livestock antibiotics, food additives, genetically modified organisms and nano material. Currently, India ranks 10th among the top ten countries in terms of cultivable land under organic certification. The certified area includes 15% cultivable area with 0.72 million Hectare and rest 85% (3.99 million Hectare) is forest and wild area for collection of minor forest produces. The total area under organic certification is 4.72 million Hectare (2013-14).

With its widening scope it becomes necessary to know its costs and return to have a clear approach towards organic farming and its commercial viability. Against this backdrop, the present study analyses the cost of cultivation of Paddy under organic farming in Tirunelveli district and its profitability analysis.

#### OBJECTIVES

- To analyse the average annual cost of production of paddy under organic farming in Tirunelveli district.
- To present the profitability analysis of organic paddy cultivation.

#### METHODOLOGY

The present study is confined to Tirunelveli District. The present study is both descriptive and analytical in nature. The farmers who are practicing organic farming were identified by using "Snow-ball" sampling technique. Likewise, a sample of 300 farmers were chosen by using the technique throughout Tirunelveli district, who form part of the sample size of the study. The farmers with less than 5 acres of land and having less than 3 years of organic farming experience were grouped as small farmers. The farmers possessing five or more acres and having organic farming experience of three or more years were grouped as medium farmers. The present study is based on both primary and secondary data. The primary data were collected with help of a well- structured and pre- tested interview schedule by adopting personal interview method. The secondary data were collected from articles published in various reputed research journals, books, periodicals and websites.

#### MATERIALS AND METHODS

#### COST OF CULTIVATION OF PADDY UNDER ORGANIC FARMING

The average annual cost of production of Paddy under Organic cultivation for small and medium farmers per acre was worked out and the results are presented in Table 1:

TABLE 1: ITEM WISE ANNUAL PRODUCTION OF PADDY UNDER ORGANIC CULTIVATION						
S.No	Particulars	Classification of Farm				
		Small Rs/Acre	Percentage	Medium Rs/Acre	Percentage	
Α.	Variable Cost					
1.	Seed and seed Materials	252.54	0.70	250.00	0.79	
2.	Human labour	12000.00	33.19	9685.00	30.49	
	a. Family Labour	998.40	2.76	574.15	1.81	
	b. Hired labour	11001.60	30.43	9110.85	28.68	
3.	Tractor power & Bullock power	3122.77	8.64	2603.50	8.20	
4.	Panchagavya	643.31	1.78	453.13	1.43	
5.	Amirta karaisal	289.70	0.80	206.25	0.65	
6.	Farmyard Manure	1964.62	5.43	1942.97	6.12	
7.	Vermicompost	4500.00	12.45	4009.32	12.62	
8.	Bone meal/fish meal	327.93	0.91	308.44	0.97	
9.	Cost of irrigation	2828.13	7.82	2489.55	7.84	
10.	Bio-pesticide	390.47	1.08	373.44	1.18	
11.	Interest on working capital	986.98	2.73	837.06	2.63	
12.	Total Operating Cost(A)	27306.45	75.54	23158.66	72.90	
В	Fixed Cost					
13.	Land revenue	12.00	0.03	12.00	0.04	
14.	Rental Value of Owned Land	7500.00	20.75	7500.00	23.61	
15.	Depreciation	749.73	2.07	574.04	1.81	
16.	Interest on fixed capital	581.91	1.61	523.54	1.65	
17.	Total Fixed Cost(B)	8843.65	24.46	8609.57	27.10	
18.	Total Cost (A+B)	36150.10	100.00	31768.23	100.00	

Source: Compiled from Primary data

It could be observed from the table that the cost of production of Paddy under organic cultivation worked out Rs. 36150.10 per acre in the case of small farmers and Rs.31768.23 per acre in the case of medium farmers.

The total operational costs were worked out at Rs. 27306.45 and Rs.23158.66 respectively for small and medium farmers. In other words, the share of operational cost to total cost was 75.54 per cent in the case of small farmers and 72.90 per cent in the case of medium farmers. The contribution of fixed cost to total cost of production was Rs. 8843.65(24.46%) and Rs.8609.57(27.10%) for small and medium farmers respectively.

In the case of small farmers, among operational costs, human labour accounted for the maximum share of Rs.12000.00(33.19%) followed by cost of the Vermicompost Rs.4500(12.45%) and cost of the tractor power and bullock power Rs.3122.77(8.64%). The cost of irrigation and cost of manure was estimated Rs. 2828.13(7.82%) and Rs. 1964.62 (5.43%) respectively for per acre production. Besides that, interest on working capital (2.73%), cost of panchakavya (1.78%), cost of bio pesticides (1.08%) and cost of amirtha karaisal (0.80%) are the other significant costs included in total variable cost.

In the case of medium farmers, among operational costs human labour accounted for the maximum share of Rs. 9685.00(30.49%) followed by cost of the vermicompost Rs.4009.32(12.62%) and cost of the tractor power and bullock power Rs.2603.50(8.20%). The cost of irrigation and cost of farm yard manure was estimated Rs. 2489.55(7.84%) and Rs.1942.97(6.12%) respectively for per acre production. Besides that, interest on working capital (2.63%), cost of panchagavya (1.43%), cost of bio-pesticides (1.18%) and cost of amirtha karaisal (0.65%) are the other significant cost included in total variable cost.

Among the fixed cost components, the rental value of owned land constituted the major share of Rs.7500 both in the case of small farmers (to whom it is accounted for 20.75% in total cost) and medium farmers (23.61%).

Share of interest on fixed capital was 1.61 per cent in the case of small farmers and 1.65 percent in the case of medium farmers, both of them were little lower than the share of depreciation on total cost. The share of depreciation for small farmers was 2.07 per cent and for medium farmers it was 1.81 per cent.

From the above analysis, it could be inferred that the variable cost was more than the fixed cost in both the cases of farmers. In the case of medium farmers, the percentage share of variable cost was lower than that of other category. It might be due to efficient utilization of resources and comparatively larger area of cultivation. It is also observed from the table that the total cost was also lower for medium farmers which indicate that they are conscious of the economic methods of cultivation and are enjoying the advantage of large scale of operation.

#### **PROFITABILITY ANALYSIS**

The gross returns and the net profit were computed for the sample farmers and the results were analyzed. The gross returns and net profit of Paddy under organic cultivation per acre in Tirunelveli district were estimated. The results are presented in Table:2

Particulars	Small farmers (Rs.)	Medium farmers (Rs.)	
Gross sales	78726.65	88324.67	
Less: Marketing Cost	18386.00	19626.62	
Gross returns	60340.64	68698.05	
Less:Variable cost	27306.45	23158.66	
Contribution	33034.19	45539.39	
Less:Fixed cost	8843.65	8609.57	
Net profit	24190.54	36939.81	
Net profit ratio	40.09%	53.76%	
	Gross sales Less: Marketing Cost Gross returns Less:Variable cost Contribution Less:Fixed cost Net profit	Gross sales         78726.65           Less: Marketing Cost         18386.00           Gross returns         60340.64           Less:Variable cost         27306.45           Contribution         33034.19           Less:Fixed cost         8843.65           Net profit         24190.54	

#### TABLE 2: STATEMENT OF INCOME IN PADDY UNDER ORGANIC CULTIVATION (acre/annum)

Source: Computed data

It could be observed from Table:2 that the gross returns worked out was Rs. 60340.64 per acre in the case of small farmers and it was Rs.68698.05 per acre in the case of medium farmers. The gross return was computed by deducting marketing cost incurred by the farmers from the sale proceeds of Paddy produced under organic cultivation. The contribution was worked out Rs.33034.19 per acre and Rs.45539.39 per acre respectively for small and medium farmers when the variable cost was deducted from the gross returns.

The net profit derived by reducing fixed cost from the contribution amounted to Rs.24190.54 per acre is the cost of small farmers and it was Rs.36939.81 per acre in the case of medium farmers. The net profit ratio indicates that the producers' margin was 40.09 per cent in the case of small farmers and 53.76 per cent in the case of medium farmers.

3

#### **RESULTS AND DISCUSSION**

- The analysis of cost of cultivation of paddy under organic farming indicates the variable cost was more than the fixed cost in both the groups of farmers. However, the medium farmers enjoyed more a favourable position than that of their small category counterparts as they incurred a lesser percentage of variable costs resulting to lower cost of production. This may be due to efficient utilization of available resources and advantage of larger scale operation.
- The profitability analysis indicates that in the Tirunelveli region the organic paddy producers' margin was 40.09 per cent in the case of small farmers and 53.76 per cent in the case of medium farmers, which clearly shows that the medium farmers are reaping the benefit more than the small farmers, however the return of the small farmers also seems to be profitable.

#### CONCLUSION

Costs and return structure of organic paddy cultivation gives an insight into commercial viability of organic farming. Organic products have been increasingly conquering the market for the past five years, during which the sales crossed billions worldwide. With necessary initiatives, it is hoped that the market will further expand both to tapped and untapped sectors.

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