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Financial feasibility of broiler production in Palghar district (M.S.)

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Abstract

Financial feasibility criterion such as Payback period in non-contract broiler units in the study area was 1.70 years. Net present value is positive Rs. 17,88,886, cost benefit ratio is more than one i.e., 1:1.03 and Internal rate of returns are higher than prevailing rate of interest i.e., 30.46 per cent. Therefore, non-contract broiler poultry business is economically feasible and in contract broiler units Payback period was 6.01 years, Net present value is Rs. 1,15,783, cost benefit ratio was 1:1.04 and Internal rate of returns was 19.38 per cent. Therefore, contract broiler poultry business is economically less feasible than non-contract poultry unit.

Keywords: financial feasibility, broiler, internal rate of return, pay back period

Introduction

Poultry farming in Palghar district of Maharashtra has wide scope for production and rising demand for poultry due to increasing industrialization, increasing population growth, changing food habit, urbanization and nearness to Mumbai city, increased per capita income and awareness about health care etc. Poultry farming is proved to be the one of important component of farming system in the region, contributing sizable income to farmers. In this context to it is essential to fill the farmers income basket through the subsidiary farm enterprises. Such as dairy, poultry, piggery, rabbit farming, emu farming, mushroom processing etc. On this back drop it was felt necessary to assess the economic situation of poultry farming in the region. Hence study undertaken with the following specific objective to study the financial feasibility of poultry farming.

Methodology

Study area

For present study four stage sampling method was followed such as

1. selection of region: North Konkan Zone
2. selection of districts: Palghar
3. selection of tahsil: Four tahsils were selected randomly
4. selection of broiler unit: From each tahsil four villages and from each village twenty broiler units will be selected randomly.

Thus, the total sample consists of 80 broiler units which were analyzed to obtain appropriate results as per proposed objectives. The data were collected by survey method pertained to the agriculture year 2019-2020.

Financial feasibility of broiler units

Financial feasibility of investment in broiler farming was judged with the help of following discounted & undiscounted measures.

A) Discounted measures

1. Net present value or worth (NPV or NPW)
2. Benefit cost ratio (BCR)
3. Internal rate of return (IRR)
4. Profitability index (PI)

B) Undiscounted measure

Payback period (PBP)

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Results and Discussion

Table 1: Financial feasibility of investment in broiler poultry farming

Sr. No	Parameters	Contract (N=59)	Non-Contract (N=21)	Overall (N=80)
1	Payback period (years)	6.01	1.70	4.88
2	Net present value (Rs.)	115783	1788886	55497254
3	Benefit cost ratio	1.04	1.03	1.04
4	Internal rate of returns (%)	19.38	30.46	22.30
5	Profitability index	0.74	3.38	1.43

It was observed from table that Payback period was 6.01 years in contract units, whereas in case of non-contract units it was 1.70 years. The results of this study also confirm the earlier reports of Mohan Kumar (2016) [3]. Net present value was Rs.1788886 in non-contract units whereas in case of contract units it was Rs.115783. The results are confirmed by Firdaus and Komalasari (2010) [2]. Internal rate of returns was 30.46 per cent in non-contract units and in case of contract it was found to be 19.38 per cent confirmed by Shiva Prasad (1991) [3]. Profitability index found high in case of non-contract farming. Results are confirmed by Abdul *et al.* (2008) [1].

Conclusion

It is concluded that, the non-contract broiler units require longer time to cover up their initial investment as compared to contract units which is attributed to larger size of non-contract farms. Net present value is positive, Benefit cost ratio is more than one and Internal rate of returns are higher than prevailing rate of interest. The broiler poultry business is economically feasible. In case of non-contract units all the financial feasibility criterion such as Net present value, Benefit cost ratio, payback period, Internal rate of returns and Profitability index are satisfactory. Financial feasibility shows that the investment in contract units was comparatively less feasible than non-contract. This may be one of the reasons why farmers shift to non-contract when once they earn adequate capital for the same.

Policy Implications

Government should frame some kind of mechanism to streamline the procedure of terms and conditions of agreement between poultry owner and contracting company.

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