PROJECT REPORT ON BROILER FARMING UNIT FOR COOPERATIVES

CONTENTS

Abbreviations:

S.No.	Abbreviation	Full form
1	PDS	Public Distribution System
2	Kg.	Kilogram
3	LD	Least Developed
4	DSCR	Debt Service Coverage Ratio

Executive Summary:

The project report is regarding setting up a broiler project for Cooperative Societies to generate additional income and provide gainful employment to its members.

The project is designed to cater huge demand and supply gap in broiler chicken in local areas. Chicken meat is in huge demand and in particular in festive seasons and winter and there is no commercial broiler farm locally available. Broiler unit if managed properly gives high return on investment with a vow to provide unadulterated chicken meat to the local market at an affordable price.

Based on certain realistic assumptions the future cash flow of the project has been also worked out. The average Debt Service Coverage Ratio **(DSCR)** is worked out to be **1.53** which signifies that project will be able to generate significant revenue to easily repay its debt/ loan.

The project is thus very important for the Cooperative Society to generate revenue and provide gainful employment to the members of the society.

Broiler Project for Cooperative Society.

The Indian Poultry Industry is the 2nd largest in the market, especially the broiler industry segment growing at 8-10% every year. In comparison to the layer units, broiler farms are finding more popularity as broilers are market ready within 7-8 weeks. With increase in acceptance of frozen food (meat), the market penetration for broiler chicken has seen an significant increase.

Need of the project for the organization:

- Coop.Society needs rehabilitation by starting a new business activity..
- No commercial poultry farming unit established in the area till date.
- Broiler unit, viable business activity and income generating activity at a small scale.
- Generates return from the starting year.
- Inculcate collective farming practices by supporting member workers.

Vision:

To be a preferred supplier of poultry product through a sustainable business model.

Mission:

Providing employment to the members and healthy animal product to the people by establishing a viable broiler farming business unit.

Objectives :

- To set up a profitable broiler faming unit.
- To supply unadulterated healthy animal product to the local market.

Business Strategy:

A SWOT Analysis is drawn out to gain clarity about the positive aspects and drawbacks about project and decide on the course of implementation of the same accordingly :

1	STRENGTH • No Competitor: ready market • Availability of land : ease for creation of poultry shed etc. • Member workers: no hiring of external workers • Availability of land nearby a local bazaar(haat) : minimizes logistic cost	WEAKNESS • No prior technical training. • Market penetration.
2	OPPURTUNITIES • Increase in acceptance of frozen food in market. • Non vegetarian population. • Retail outlet just in the vicinity of the farm unit.	THREATS • Animal disease: sudden epidemics like Bird Flu :potential threats for the business. • Away from main location (cities, commercial area)

About the Proposal:

A) Bird Sheds :

- Bird-sheds are constructed with a sloping roof ,each shed is preferably constructed with a gap of 1.00 feet owing to Bio Security measures.
- The roof has to be sloping roof (12ft high in centre & 6-8 ft high on the side wall to prevent rainwater entering the farm. Building material can be either asbestos or cement
- Wall of the shed : height: 1.00 ft; brick wall on four sides ; extended with 4 ft wire netting above the brick.
- Floor: cemented, covered with straws, impervious to moisture.
- Doors : two doors, 4ft wide & 6 ft high ; opposite to each other.

B) Other parameters about the Project :

Sn No.	Particulars	Value/Details
1	System of rearing	Deep Litter System
2	Batch Size (no. of birds)	1000 +5%
3	Batch Interval	(45 rearing + 7 days cleaning)
4	Mortality rate	5%
5	Cycle size	1000
6	Cost of day old chick	Rs.25.00
7	Cost kg. of feed	Rs. 28.00
8	Cost of equipments	Rs. 15 /bird
9	Cost of insurance /medicine/ vaccine	Rs. 4/bird/year
10	No. of batches in a year	6
11	No. of batches in a year sold	6
12	Selling Price of kg of a broiler	Rs. 73.00
13	Avg. age at selling	39 days
14	Avg.wt. of birds at the time of sale	2.00 kg
15	Feed req. to attain 1.8 kg body weight	3.5 kg
16	interest rate on term loan	10.60%
17	Interest rate on working capital	10.00%
18	Additional products for sale	Farmyard manure & Gunny Bags

Availability of the raw material: The day old chicks will be supplied from the hatchery of the Poultry & Animal Husbandry department along with the feed/concentrate & antibiotics required for rearing of the birds. The agreement upon this is already worked out as per their extension programme.

Availability of Professional expertise / skilled manpower: The nearby Agricultural University will play a key role in terms of providing training support. The agreement upon this is already worked out as per their extension programme under which the training component is taken care of.

Availability of Statutory and other clearances required:

1.No objection certificate (NOC) from the local gram panchayat had been obtained.

2. NOC has been received from pollution board

3. Permission from electricity department to have a transformer based on the poultry size (no. of motors you use in the poultry) have been received.

4. Ground water department/ Municipality of the district.

Availability of utilities – water, electricity, fuel etc: The society already has a water connection from the Municipality with adequate water supply to fill 2000-3000 lit. water reservoirs every day. The recurring cost for such utilities is taken into consideration in the working capital component of the project.

C. Implementation:

- Each batch will consist of 1000 chicks.
- After every fortnight the next bird shed is filled with day old chicks with a batch of 1000 day old chicks.
- Therefore, by the time the 4th shed is filled, the birds in the 1st shed are ready for market.
- In this way a scheduling is automatically in place for the batch for ready to be processed broilers.
- Each year: 5-6 cycle, rearing of 5000-6000 chicks.
- The society comprises of 10 members who will run the broiler unit on their own.
- Training in terms of essential aspects with respect to the functionality of the project will be imparted to the members in subjects like :
  - Hands-on training for running a broiler unit.
  - Processing & marketing of the product.
  - Essentials of accountancy & book-keeping for Cooperatives.

D. Business Model:

Step 1	Purchase of day old chicks from Agriculture University
Step 2	Building of 4 sheds & training of members of the society.
Step 3	Procurement of 1st batch of day old chick
Step 4	1st batch ready for selling after 2 months ,i.e 60 days*
Step 5	Availability of near by market place, logistics ensured by members of the cooperative.
Step 6	Sales of meat, bird litter sold as manure and the gunny bags of the feed/concentrate may be again sold in the market which adds up to the total sale of Rs. 8.824 lakh in 1st year.

E. Scheduling:

Sl. No.	Particulars	Commencement (Month and year)	Completion (Month & year)
1	Land Acquisition	Owned	
2	Land Development	-	1 month
3	Building of Sheds	-	45 day
4	Training to staffs and Management	-	15 days
5	Water and Sanitation	-	15 day
6	Electricity	-	On the day
7	Procurement of feed, medicine, equipments etc.	-	10 days
8	Procurement of day old chicks	-	On the day
9	Rearing	-	The first batch will be ready for market by 60 days

F. Cost Details:

Sn. No.	**CAPITAL COST**	**AMOUNT (Rs.)**
1	Construction of Brooder cum grower house(1 sq.ft/bird for 1000 birds @ Rs. 150/sq. ft.)	150000
2	Equipments for 1000 birds @ Rs.15/bird	15000
3	Electrification & Electrical installation	15000
4	Feed store 100sq. Ft. @ 200 /sq. ft.	20000
5	Cost of chicks 1030 @ Rs.25/chick (5% extra for mortality ,2% free from hatchery)	25750
6	Cost of concentrate feed @ 3.5 kg /bird @ Rs. 28/kg for 1st batch	98000

7	Misc. expenditure (electricity, vaccine medicine, insurance etc. Including veterinary aid @ Rs. 4 /bird/batch and contingency	6250
8	Training Cost	37500
9	Margin money for WC	32500
	Total Project Cost	**400000**
	WORKING CAPITAL CALC	
1	Cost of chicks 1030 @ Rs.25/chick (5% extra for mortality ,2% free from hatchery)	25750
2	Cost of concentrate feed @ 3.5 kg /bird @ Rs. 28/kg for 1st batch	98000
3	Misc. expenditure (electricity, vaccine medicine, insuranceetc. Including veterinary aid @ Rs. 4 /bird/batch and contingency	6250
	Working Capital Required	**130000**
A	**NCDC Assitance**	
	Loan (65%)	**260000**
	Subsidy (25%)	**100000**
	Total (90%)	**360000**
B	**Beneficiery Contribution (10%)**	40000

G. Feasibility Study :

Assessment of feasibility of the project is undertaken before the implementation of the project to check the viability of the project.

i) Technical feasibility: The tropical dry weather condition is feasible for functioning poultry unit which essentially requires dry environment. The community has a considerable population of non- vegetarian population which will cater as a ready market for the chicken. The number of sheds are according to the number of cycles taken up each year which automatically acts as a scheduling mechanism for the batch of birds ready for processing .

ii) Organization /Managerial feasibility: The members of the Cooperative Society will manage the farm all by themselves who will be trained for running a poultry/broiler unit in the adjoining University as a part of the Extension Programme module.

iii) Economic feasibility: The project will start generating profit from the very first year. This project can serve as a model and can be replicated to create more such projects at a bigger scale. This business unit will give employment to the members as well as act as mode of

employment to the local community in due course of expansion of the project. In present scenario, food market is full of adulterated animal products in terms of additives incorporated to enhance the weight/volume of the product so as to get more price. In comparison to these unfair practices Coop. Society will provide quality, farm fresh produce without any adulteration. Thus, the genuineness for the product (USP) will create market preference and generate good returns establishing viability of the project.

iv) Commercial feasibility: The nearby Agricultural University will play a key role in terms of providing raw materials and training support. The day old chicks will be supplied from the hatchery of the Poultry & Animal Husbandry department along with the feed/concentrate & antibiotics required for rearing of the birds. The agreement upon this is already worked out as per their extension programme under which the training component is taken care of. Along with the sales of meat, the litter of the birds can be sold as manure and the gunny bags collected from the feed/concentrate may be again sold in the market which adds up to the total sale of Rs. 8.824 lakh in the first year, itself. There are no other commercial poultry unit in the district and the adjoining areas thus market is already available. The scheduling is planned in a manner that all the 5 sheds in the farm are filled with a batch of birds one after the other after every 15 days. Therefore, by the end of 2 months, when the 4th shed is filled with day old chicks, the batch of birds in the first shed is ready for market. This gives an automatic sequence to the batches. Since within the vicinity of the farm there is a bazaar / haat ,the logistics support becomes very easy. The society members proposes to use their owned autorickshaw / other carrier vehicles to transit the broilers to the retail outlet in the bazaar. In forthcoming years, the society may buy a carrier vehicle, as per the future demand and the profit generated in the coming years.

v) Financial feasibility : The total project cost is Rs. 4.00 lakh. Out of which, Loan is Rs.2.60 lakh(65% of the total project cost), LD subsidy is Rs.1.00 lakh (25% of total project cost) and society's share is Rs. 0.40 lakh (10% of total project cost), The total sales in first year works out to be Rs. 8.824 lakh with profit of Rs.0.163 lakh. The project being an agricultural project has a moratorium of one year. Over the period of 8 year the profit reaches to Rs.3.71 lakh. The average DSCR of the project is assessed to be1.53, i.e. 1.53 times of the loan amount, cash is available for servicing of the debt amount.

H. Risk Assessment:

1) Operational Risk
    - Non technical member worker

- Deviation in maintaining bio-sanitation- deterioration in the quality of the product.
- Sudden epidemic like Brid Flu etc.

2) Market Risk
   - Minimized competitors.
   - Possibilities of replication of such similar business in near future.
   - No arrangement for supplying to other potential market at nearby cities and towns : for business expansion , market outreach needs to be worked out in future .

3) Liquidity Risk
   - Flow of working capital is ensured by margin money loan .
   - But proper planning and coordination needs to be ensured for timely payments to the supplier of day old chicks and feed because this may directly affect the farm produce.

4) Credit Risk
   - Project is subject to availability or sanction of loan.
   - Depends upon back ended subsidy (25%) of Central Govt.
   - Late availability of subsidy hinders the efficiency of the project.
   - Collateral is the 1.5 acre land owned by the society which secures its loan amount.
   - The value of land is more then 1.12 times of the loan amount of Rs.2.60 lakh.

5) Managerial Risk
   - Lack of professionalism in primary societies. Professionalism is important to make a business viable and productive.
   - Inexperienced member worker without any prior knowledge of handling business in terms of books of accounts etc.
   - No past experience of handling of any kind of animal production unit.
   - But will be trained during the project period in technical and accounting aspects as per the need in the project.

Conclusion :

The project is thus very important for the Cooperative Societies to generate revenue and provide gainful employment to the members of the society.

COST DETAILS OF THE PROJECT **Annexure 1**

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	Equipments for 1000 birds @ Rs.15/bird	15000
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	Total (90%)	**360000**
B	**Beneficiery Contribution (10%)**	40000

Cash Flow for the project

Annexure 2

Particulars	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th year	7th Year	8th Year	Total(in Rs.)
Cost of day old chick	154500	154500	154500	154500	154500	154500	154500	154500	1236000.00
Cost of feed for birds	588000	588000	588000	588000	588000	588000	588000	588000	4704000.00
Misc. expenditure (electricity, vaccine medicine, insuranceetc. Including veterinary aid @ Rs. 4 /bird/batch and contingency	37500	37500	37500	37500	37500	37500	37500	37500	300000.00
Technical training to the Cooperative worker	37500								37500.00
Interst on term loan (10.6%)	27560	27560	23622.86	19685.71	15748.57	11811.43	7874.286	3937.143	137800
interst on WC loan (10%)	13000	13000	13000	13000	13000	13000	13000	13000	104000
TOTAL EXPENDITURE	**858060**	**820560**	**816622.9**	**812685.7**	**808748.6**	**804811.4**	**800874.3**	**796937.1**	**6519300**
Sale of broiler @ Rs146/ bird(2 kg.@ Rs.73/kg)	876000	876000	876000	876000	876000	876000	876000	876000	7008000.00
Sale of gunny bags	2900	2900	2900	2900	2900	2900	2900	2900	23200.00
Sale of manure	3500	3500	3500	3500	3500	3500	3500	3500	28000.00
Depriciation on shed & building @ 10% / year	17000	15300	13770	12393	11153.7	10038.33	9034.497	8131.047	96820.57
Depriciation on equipments @15% year	2250	1912.5	1625.625	1381.781	1174.514	998.337	848.5864	721.2984	10912.64
Total Depriciation	19250	17212.5	15395.63	13774.78	12328.21	11036.67	9883.083	8852.346	107733.22
TOTAL SALE	882400	882400	882400	882400	882400	882400	882400	882400	7059200.00
GROSS PROFIT	24340	61840	65777.14	69714.29	73651.43	77588.57	81525.71	85462.86	539900.00
Profit Before Tax	5090	44627.5	50381.52	55939.5	61323.21	66551.9	71642.63	76610.51	432166.78
Tax (33%)	8032.2	20407.2	21706.46	23005.71	24304.97	25604.23	26903.49	28202.74	178167.00
Profit after Tax (PAT)	16307.8	41432.8	44070.69	46708.57	49346.46	51984.34	54622.23	57260.11	361733.00
Term Loan Repayment		37142.85714	37142.86	37142.86	37142.86	37142.86	37142.86	37142.86	260000.00
DSCR	2.29	1.33	1.37	1.41	1.46	1.53	1.61	1.71	1.53
Average DSCR	**1.53**								

REPAYMENT SCHEDULE Annexure 3

Year	Loan	Principal	Interest	Instalment amount for repayment(in Rs.)
1	260000		27560	27560
2	260000	37142.86	27560	64702.86
3	222857.1	37142.86	23622.86	60765.71
4	185714.3	37142.86	19685.71	56828.57
5	148571.4	37142.86	15748.57	52891.43
6	111428.6	37142.86	11811.43	48954.29
7	74285.71	37142.86	7874.286	45017.14
8	37142.86	37142.86	3937.143	41080.00
		260000	137800	397800.00

Annexure 4

DEPRICIATION								(in Rs.)	
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	
Depreciation on land and building	17000	15300	13770	12393	11153.7	10038.33	9034.497	8131.047	96820.57
depreciation on equipments	2250	1912.5	1625.625	1381.781	1174.514	998.337	848.5864	721.2984	10912.64
Total Depriciation	19250	17212.5	15395.63	13774.78	12328.21	11036.67	9883.083	8852.346	107733.2