Project Profile Preperation for Start-Up's in Agriculture

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Agriculture is the dominant sector of Indian economy, which determines the growth and sustainability of our nation. Around 70 per cent of our rural households still depend on agriculture for their livelihood, with about 82 per cent of farmers being small and marginal. Even if we attained self-sufficiency in food grain production, we failed to maintain farming an attractive profession. Increased cost of production, distress sale and post-harvest losses led to low profit in agriculture. Farming will become lucrative only when farmers will be able to reap higher profit for every rupee invested. Therefore, for farming to become a lucrative occupation, farmers have to consider farming as a business, keeping one eye on the production and the other on the marketing.

Agribusiness is a broad term referring to different businesses involved in agricultural sector which includes input supplies, crop production, processing, value addition, marketing etc. Transforming agriculture into a business needs systematic planning and execution by considering farming as a project. Turner (1999) defined project as a venture in which various resources such as humans/machines, materials, finance and knowledge are organized to carry out work of given specification within the stipulated cost and time to deliver qualitative, quantitative and consumer oriented product and service. Converting his production system into a business, requires a wider range of support including identification of the right enterprise, organizational support, marketing opportunities, available technologies, financial and entrepreneurial information which should be provided by the research and extension system.

Selection of an Enterprise/ Project

The prima facie task that an agripreneur has to perform is to explore, identify and then select a viable and attractive business opportunity i.e. what to produce and how much to produce. While selecting any enterprise the agripreneur must consider the viability of project in terms of technical, financial and commercial feasibility. If the entrepreneur becomes successful in selecting the right produce, there is a reasonable chance for success of his venture. When number of ideas are available to start an agribusiness, how to select the most viable and profitable enterprise? This can be done using a technique known as "Micro-screening".

Micro-screening

The entrepreneur must identify at least 10 potentially feasible project ideas which he/she thinks is viable in his/her location. These 10 project ideas will be further screened to identify the most viable project in the entrepreneur's locality based on ten factors. These factors are

1. **Availability of market**: Market should be large enough so that the entrepreneur can capture a market share and get a reasonable profit from the enterprise.
2. **Availability of raw material:** Whether the raw material essential for the venture is available locally in adequate quantity, quality and at a reasonable price. Whether any variation in the supply of the raw material or price can be managed without affecting the working of the enterprise.
3. **Availability of technology:** Whether proven technology is available at a reasonable price to produce the required quantity of quality produce.
4. **Availability of skill:** Whether sufficient skilled labours required to run the project are available in the area so that even if there any unforeseen situation labours can be managed.
5. **Government priority:** Whether the project selected fits into any government schemes or priority areas from which the entrepreneur can get assistance.
6. **Strategic Fit:** The proposed project should fit into the existing situation of the farmer i.e. it should complement the existing production system, facilities and resources available with the agripreneur.

7. **Ease of Implementation:** Project should have a short gestation period and can be easily implemented and managed by the entrepreneur.
8. **Risk exposure:** The risk associated with the project should be as minimum as possible. The possible risks are competition in the market, changes in customer preference, bad weather condition, unavailability of raw material, change in government policies, priorities, technology obsolesce etc.
9. **Profitability:** It means in the agripreneur's experience, observation or feedback from others, the return on investment in a particular enterprise will be excellent, very satisfactory, satisfactory, fair or poor.
10. **Cost / benefits:** This factor is basically the summation of all the other nine factors and gives an overall impression regarding the desirability and feasibility of undertaking the project.

Micro-screening is done using a chart given below:

PJ	MKT	RM	TEC	SKL	GOP	SFT	EI	RE	PFT	C/B	TTL	CSF
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												

PJ -Project
MKT - Availability of market
RM - Availability of raw material
TEC- Availability of technology
SKL- Availability of skill
GOP- Government priority
CSF-Critical success factors
SFT - Strategic Fit
EI - Ease of Implementation
RE - Risk exposure
PFT- Profitability
C/B- Cost / benefits
TTL- Total

According to the agripreneur's perception or experience for each project, the 10 factors starting from availability of market to Cost / benefits will be rated on five point continuum scale i.e. 1-Poor, 2- Fair, 3- Satisfactory, 4- Very Satisfactory and 5- Excellent. The maximum total score a project idea can get is 50 points, that is 5 for excellent multiplied by 10 factors.

Using micro screening, we can narrow down the enterprise to three highest rated projects. Micro screening leads to the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the project ideas which will be helpful in the identification of the right enterprise. It should always be kept in mind that a project, suitable and viable for an entrepreneur in one place may not yield similar profits in another area.

Micro screening also consist of critical success factors (CSF) i.e. certain factors particular to the identified projects that are crucial for the success of that specific project. A project's critical success factor can be any of the above ten factors. If any of the certain factors is missing or inadequate or not taken care, it may lead to failure of the project.

Business Plan

Once the agripreneur identifies an enterprise and decides to launch it, he should have a clear plan of how to execute the project. A business plan is a blue print of the activities that has to be carried out to implement the basic business idea. Business plan consists of a detailed project report which enables an entrepreneur to know about the kind of resources required, the technology and process involved and amount of investment needed. Business plan serves as a guideline for the business operation, aids in to planning strategies, increases the confidence of the entrepreneur, helps in availing bank loan for the enterprise and assists in periodic monitoring of the enterprise

Components of a Business Plan: Detailed Project Report (DPR)

A detailed project report consists of the following details:

1. General Background Information:	
a) About entrepreneur/ promoters	• Name, date of birth, Permanent address, Educational qualification, Current profession, Member of farmers group/ SHG/ NGO/APMC or any government institution
b) About Project	• Name of the project, Correspondence address, Address of the project site, Rationale of the project
2. Technical Aspects:	
a) Product details and production program	• Nature of the product/ service, Process of production and technology, Scale of production
b) Suitability of the location	• Location latitude, Longitude, Altitude, No: of growers/area under crop in the area, Current usage and proposed usage of land
c) Infrastructure requirement	• Total area proposed/ required for the project, Current infrastructure facilities available like building, road, water supply, electricity, transportation, storage, work space etc., Proposed infrastructure facilities, Layout plan of the project/farm/ production unit etc.
d) Machinery and equipment required	• Availability of machineries, Manufacturer/supplier, Technical advisors, Price, Capacity of machine, Auxiliary equipment, Erection and installation process and Cost involved
e) Raw materials	• Quantity and quality of required raw material, Cost, Source of procurement, Seasonality and storage
f) Technical standards of raw material and products or other certifications required	• AGMARK/ FSSAI standards, Pollution control certificate
g) Gestation period	• Time required for the commencement of the project
h) Suggested capacity and capacity utilization	• The total capacity of the project and what percentage of the capacity will be utilized each year during the project
i) Schedule of implementation	• Works that will be carried during each month for starting the project
3. Commercial Aspects:	
a) Product strategy	• Marketing quality produce, product differentiation through branding, focusing on particular group of consumers having homogenous demand
b) Demand forecasting	• Quantity of the produce that consumers would be willing to buy at all possible prices in a given market at a given point of time
c) Demand supply gap	• Estimating demand in future and then comparing the same with present supplies and potential new suppliers. A positive demand- supply gap favours the market potential and vice versa
d) Pricing strategy	• Premium pricing, psychological pricing, market penetration pricing, economy pricing etc.
e) Distribution strategy	• Transportation facility, marketing channel (direct sale/ distributors/ whole sale, franchising), Promotion of products (advertisement/free samples)

4. Managerial Aspects:

a) Skilled Labour	• Availability of skilled and unskilled labour in the area, requirement of the labours for running the project
b) Knowledge and experience of the entrepreneur	• Prior experience of the entrepreneur in the selected venture
c) Trainings undergone	• Whether the entrepreneur/ workers has under gone any prior training in the selected venture
d) Training facilities available in the area	• Any training facilities available in the nearby areas for the skill development of the entrepreneur as well as the workers

5. Organisational Aspects:

a) Mode of organisation	• Type of organisation/enterprise (Sole proprietorship/ Informal group/Co-operative/Partnership/Registered group/any other)
b) Linkage with other farmer groups/ organization	• Whether in association with any SHG/FPO/ NGO/Producer Company for production or marketing of the produce

6. Financial Aspects:

a) Capital requirement	• Investment requirement for setting and running the project. Two types of capital investment is there: Fixed capital and Working capital
i. Fixed capital	• Cost required for investing in basic facilities such as land, building, machineries, equipment, furniture etc.
ii. Working capital	• Cost required for purchasing in raw materials/ semi-finished goods/ finished goods, salary, rent, marketing cost, administrative and utility cost. This cost is incurred only during cycle of production
b) Sources of capital	• Own/ family/ friends/ relatives/ financial institutions, percentage share of own funds and percentage share required from other sources
c) Securities offered/ available	• Securities available with the entrepreneur for pledging loan
d) Profitability	• Estimation of the profitability based on the planned projections of sales/service
i. Cash flow statement	• Statement showing the relationship between cash inflow and cash outflow of a project Cash flow= Cash inflow- Cash outflow
ii. Benefit-cost ratio (BCR)	• Ratio of the sum of discounted benefits to the discounted costs of an investment with reference to the same point in time BCR> 1, project is bankable
iii. Net Present Value (NPV)	• Sum of discounted cash flow of a project over the cost of its initiation NPV> 0, project is bankable
iv. Internal Rate of Returns (IRR)	• Rate of discount that equates NPV to zero IRR> Cost of capital, project is bankable
e) Repayment Plan	• Repayment of loans. Two types of repayment plan: Diminishing balance repayment plan and Even repayment plan
i. Diminishing balance repayment plan	• Constant principal plus interest on outstanding balance is paid till the loan is fully repaid
ii. Even repayment plan	• An equal installment is paid till the loan is completely repaid
f) Break-even point	• Point where enterprise make no profit no loss

$$\text{BEP} = \frac{\text{Fixed Costs}}{(\text{Sales projected} - \text{Variables Cost})}$$

7. Sensitivity Analysis:

- To identify how far our estimates of project appraisal remains constant under changing situation of costs, prices and yields Project worth is calculated again assuming,

(1) Price of goods and services increases or decreases by a certain proportion (10%, 20% etc.)
(2) Changes in level of cost (increases or decreases 10%, 20% etc.)
(3) Changes in the level of production of the produce (increases or decreases 10%, 20% etc.)
(4) Varying gestation period

Points to be considered while making DPR

1. The estimated costs and returns must be as realistic as possible

2. Project's overall profitability must be calculated on the basis of the expected cost and returns

3. Projected profits have to be calculated taking into account interest on loan, depreciation on assets and rates of return on investment in plant and machinery etc.

The detailed project report will give a clear picture to the entrepreneur about his enterprise like what to produce, how much to produce, when to produce, cost of production, how to sell, how much to sell, where to sell, at which price so that he will be able to earn maximum profit from the venture. DPR also provides follow-up to agripreneur about the enterprise so that they can decide on whether to expand, diversify, modernize or bring about any change in the marketing strategy.

Conclusion

An entrepreneur starts his venture with a hope to succeed. The agripreneur must select the most appropriate enterprise and should have adequate knowledge and skills to run the enterprise. Micro screening technique aids in selecting the appropriate venture. Entrepreneur has to plan adequately to work on business. Preparation of a detailed project report gives the entrepreneur a clear picture of the enterprise including technical, commercial and marketing feasibility.

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