

BUSINESS PLAN

**Building, Promoting
and Nurturing Basmati
Producers Organization
(FPO) in Dadraul Block
of Shahjahanpur
District of Uttar
Pradesh”**

**Shaheed Bhoomi
Basmati Producer
Company Limited,
Shahjahanpur (Uttar
Pradesh)**



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INTRODUCTION

Shahjahanpur district can be divided into three major part 1- Tarai, 2-Central part and 3-Southern part. The Southern part of the district has loamy and sandy loam soils. The average annual rainfall of this part is 750 mm. and mean minimum and maximum temperatures are is 4.1 and 45 degree celcius respectively. The maximum rainfall in this part is experienced in four monsoon months ie. June to September. The soil, temperature and rainfall of this part of the district is very suitable for paddy cultivation in Kharif season. About 86% farmers are marginal and small. Amongst them majority is under the category of Resoure Poor Farmers.

The irrigation position of Southern part of the district is satisfactory. About 86% cultivated area is irrigated. Out of this 78% is irrigated through shallow tube wells, which is more dependable source of irrigation and under the control of farmers. Paddy yields are very poor but potential is there to increase productivity many folds. Hence Dadraul block of this southern part is being identified for developing cluster under the project.

These are also other reasons for selecting cluster of villages in this area.

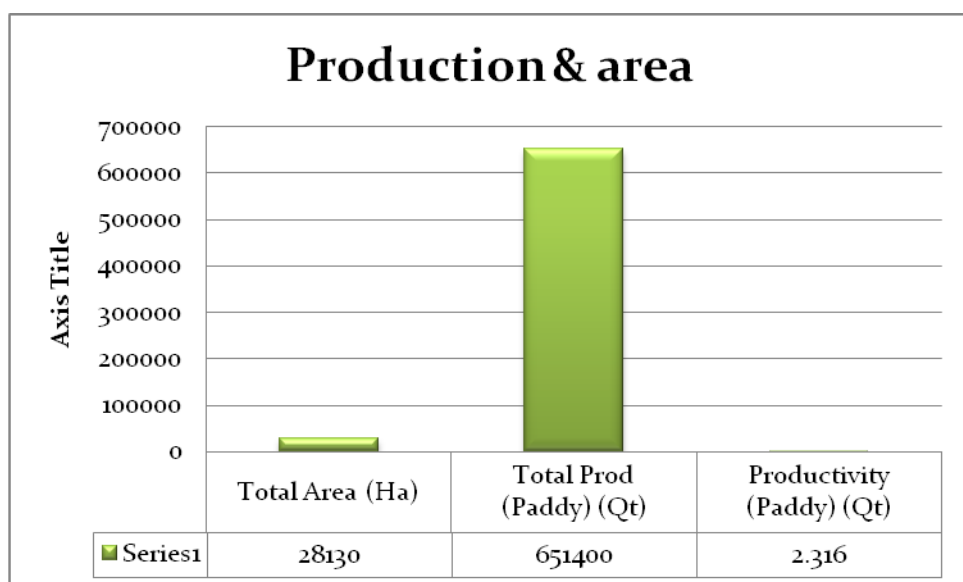
1. Access to facilities like Soil Testing, inputs like seeds, fertilizers, plant production chemicals and banking.
2. Efforts and initiatives taken under various govt. schemes/projects have inculcated awareness towards rice cultivation.
3. Self Help Groups and Farmers Interest groups are coming up gradually in this area. This has brought awareness and conviction among farmers about people's participation in the projects and its advantages.
4. The area is approachable and would be easier for bankers, purchasers, functionaries and other stakeholders to reach the farmers.
5. There is a keen interest of farmers for growing scented rice.

Keeping in views the above logical points, southern part of the dictrict(Dadraul Block) has been identified for the project work.

OVERVIEW OF RICE PRODUCERS

A cursory view was taken of all the blocks of Shahjahanpur district on the total area under rice, area under basmati rice, average productivity and production of total rice and basmati rice

respectively. It was found that the main area under basmati rice is in Dadroul block of the district. Then the secondary data of all the villages of the Blocks was collected with the help of Village Revenue officer (Lekhpal) and



Gaon Sabha Pradhans. On the basis of these information a cluster of 12 villages was identified for Bench mark survey. Under this survey primary informations were collected through Participatory Rural Appraisal (PRA) tools and techniques. After bench mark survey, the data for total area under basmati Rice, production per year taking the average of the last five years were collected and summarized.

From the perusal of the collected data, it becomes clear that sufficient area is being covered under the basmati rice but average yield is very poor. The farmers are also not getting remunerative price in the market. Sometimes they are compelled to make distress sale of their produce to the local trader. In few villages farmers are on the verge of losing interest in growing of basmati rice. Economics of basmati rice of the identified cluster is being summarized below.

Total Area	28,130 ha
Total Prod (Paddy)	6, 51,400 Q
Productivity (Paddy)	2.316 Q/ha
Average Price	1750/Q (Rs 1500.2000/Q)
Total Price of Produce	6, 51,400 Q X Rs 1750 Rs. 11, 39,950.00

Average Cost of Production Rs. 1500/Q of Paddy

The basic features of the basmati area are very poor yields in the field and poor price in the market. The causes for these phenomenons are narrated below:

Main Constraints responsible for Poor yields:-

- 1) No availability of locally Agro-Eco suited basmati varieties.
- 2) Early sowing is the main practice based on old traditions.
- 3) Imbalanced use of fertilizers and decline in organic matter content.
- 4) Very less or no adoption of IPM and INM technologies.
- 5) Poor management of floods and drainage system.
- 6) Lack of contingent plan in case of severe floods and draughts.

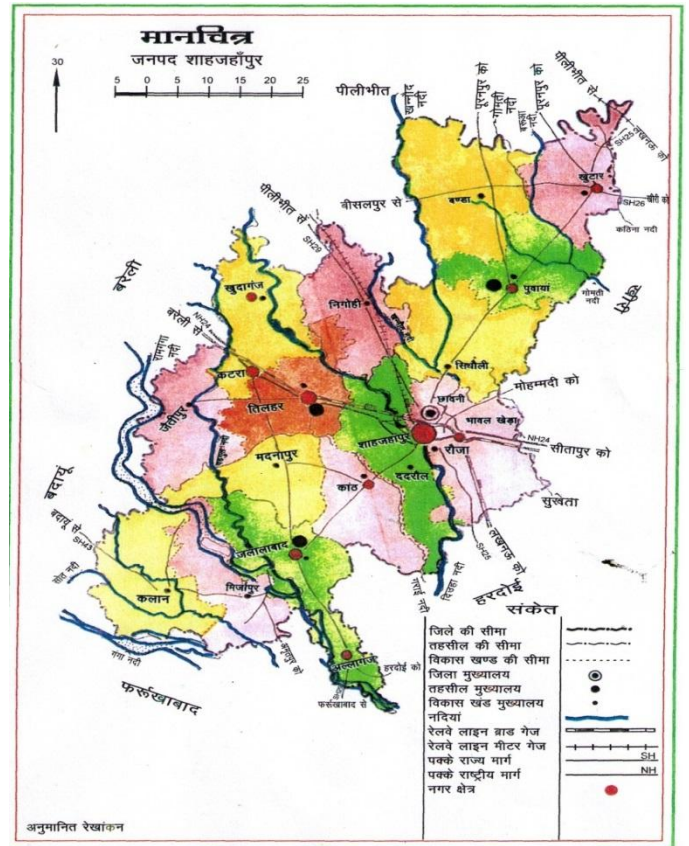
Marketing Constraints:-

- 1) Poor Post harvest management.
- 2) Minimum support Price (MSP) is not fixed on the basis of cost of cultivation.
- 3) No regular marketing system.
- 4) No specific facilities for marketing of basmati rice in mandis.
- 5) Black mailing by local traders consequently distress sale.

Remedial measures cannot be taken on individual farmers basis. Only suitable strategic measures need to be taken by making growers/producers group or commodity interest group (FIG).

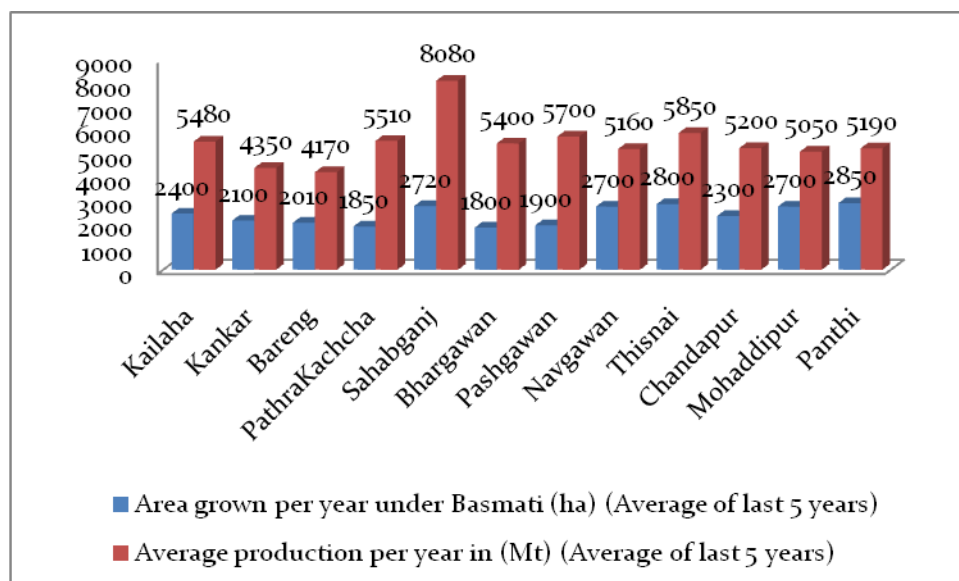
INTERVENTION AREA

The selected Dadraul block is situated in the south of the headquarters of the district Shahjahanpur. Fertility map of the block is indicating low level of Nitrogen and phosphorus and medium status of potash. It can also be verified from the soil map of the district. The intervention is proposed in 12 selected villages which are to be covered under the project [Table 1.] The average literacy of the cluster of these villages is above 60%. If we look at gender wise, male literacy is 68% while female is 49%. The population is predominantly depending on agriculture for their livelihood. Wheat, Paddy Pulses and Sugarcane are the main crops of the project area. Luckily water table is within reach to take advantage of shallow borings.



List of Villages to be covered under the Project [Dadraul Block]

Sr. No.	Name of Village	Area grown per year under Basmati (hs) (Average of last 5 years)	Average production per year in (Mt) (Average of last 5 years)
1	Kailaha	2400	5480
2	Kankar	2100	4350
3	Bareng	2010	4170
4	PathraKachcha	1850	5510
5	Sahabganj	2720	8080
6	Bhargawan	1800	5400
7	Pashgawan	1900	5700
8	Navgawan	2700	5160
9	Thisnai	2800	5850
10	Chandapur	2300	5200
11	Mohaddipur	2700	5050
12	Panthen	2850	5190
	Total	28,130	65140



BUSINESS PLANNING

The Farmers of the identified area by and large take paddy crop in Kharif season and some of them also take basmati rice. They are basically unorganized and mostly dependent on the local vendors for selling their produce which consequently fetch them low price for their produce. This in result has given rise to the tendency of migration temporarily among them for better livelihood prospects.

Under these circumstances Farmers Producer Organization (FPO) can play an important role to provide small-holding farmers better access to new agricultural technologies and well coordinated value chains. The Bhawana Sewa Sansthan, since its very inception is working to organize these small and marginal farmers into either Self Help Groups or Farmer Interest Groups for developing comprehensive business plan and growth opportunities to ensure their sustainability.

The Strategy to achieve the above mentioned objectives of the proposed scheme is to involve basmati rice producing farmers at every stage right from planning, implementation, monitoring and evaluation in order to inculcate the feelings of belongingness. Their difficulties and suggestions are taken care of and incorporated in the Project to make it easily implementable.

The Primary Strategy of this project was to mobilize basmati rice producing farmers into member owned producer organization in order to enhance production productivity and profitability of basmati rice producers. Their grassroot problems and their farming situation centric location specific solutions will be identified through mobilization, awareness campaign and Participatory Rural Appraisal (PRA) exercises. On the basis of these collected informations/data, appropriate strategies would be developed to suggest locally suited varieties, farming technologies including Integrated Nutrients and Pest/Disease Management systems. Since these are being evolved through community based processes, farmers will not hesitate to adopt them. Initially farmers

will be organized into small neighbourhood informal groups which would be supported under the program to form organizations relevant to their context including confiderating them into FPOs for improved input and outputs, market access as well as negotiating power.

Thus newly formed FPO will help these farmers participate in emerging high value markets such as the export market and modern retail sector. The basic logic of this planningis to assess the need of the community through PRA and PLA exercises and the point of intervention by utilizing the traditional knowledge and expertise of cultivation and linking them up with the modern farming techniques. The ultimate aim is to provide them a forum where a farmer could get a better price of their produce without any dependence on middlemen. It also aims at integrating small holders into modern supply network minimizing transaction and coordination cost, thus on the basis of baseline survey, technical feasibility and economic viability analysis, a final shape of the three years sustainble business plan is being given for paddy producers. The producers in the area will also be promoted with crop diversification at various level in the sector of medicinal herb farming and processing, whereas primarily, they will be supported with Mini Rice Mill in the area to be managed and operated by formed FPO.

MINI RICE MILL

1. INTRODUCTION

Shahjahanpur is one of the largest producers of rice in the region. The major portion of the paddy is being processed through hullers in normal way. The hullers are usually low capacity mills. In these hullers, both shelling and polishing operations are carried out simultaneously. Hence, there is no control on the polishing of rice, bran and a higher breakage of rice occurs. To overcome these entire mini rice mills is proposed to meet the needs of the villagers and a substitute for a huller mill, to get polished rice, rice bran and paddy husk. It is a kind of value addition to the paddy producers by providing a sustainable business of paddy processing

2. MARKET

The mini rice mill gives the same yield as a modern rice mill. Rice being the staple food for the majority population, no problem is envisaged in marketing. Besides, the mill can be utilised as a service unit for custom milling. Rice bran, which is a byproduct, is a source of valuable edible oil. The compactness of the unit, its low cost and above advantages enable installation of a number of units in all the paddy growing areas and should result in significant cost advantage to mini rice mill owners. Rice being the staple food of majority population, no problem is envisaged in marketing. Besides, the mill can be utilized as a service unit for custom milling. It also noticed the producers are going for long distance to convert paddy to rice for domestic consumption. Thus, there exists demand for non-trading rice mill in some important centers.

3. BASIS AND PRESUMPTIONS

- a. The unit will work for 300 days per annum on single shift basis.
- b. The unit can achieve its full capacity utilization during the 2nd year of operation.
- c. The wages for skilled workers are taken as per prevailing rates in this type of industry.
- d. Interest rate for total capital investment is calculated @ 12% per annum.
- e. The entrepreneur is expected to raise 20-25% of the capital as margin money.
- f. The unit would construct its own building.
- g. Costs of machinery and equipment are based on average prices of manufacturers.

4. PADDY PROCESSING PROCESS

The mini rice mill consists of a paddy cleaner, Sheller, separator and a polisher. The most important feature of the mill is that the shelling and polishing are kept separate. Because of the low capacity, a centrifugal Sheller is most commonly employed. Different units could be used as polisher. For maximum advantage, it is necessary also to use a paddy separator, whereby need of a high polish can be avoided thus avoiding unnecessary loss of rice. The separator is a compact unit designed on the densimetric classification principle. The polisher could be either a vertical cone polisher or a horizontal rotor polisher. Even a huller used for milling could serve as a polisher though there may be more breakage of rice. Different units could be used as polisher. For maximum advantage, it is necessary to use a paddy separator, whereby need of a high polish can be avoided.

5. QUALITY CONTROL AND STANDARDS: As per AGMARK specification

6. CLIMATIC CONCERNS:

There is no major pollution problem associated with this industry except for disposal of waste which should be managed appropriately. The FPO will ensure to take "No Objection Certificate" from the State Pollution Control Board.

7. LOCATION

There is a vast potential for installing mini rice mills in all paddy growing areas, as a rural small scale activity. Therefore, the proposed Mini Rice Mill will be installed in mutually agreed location of the project area, which is accessible to all members equally in the block.

8. BUSINESS INITIATIVE SCHEDULE

Project implementation will take a period of 8 months. Break-up of the activities and relative time for each activity is shown below:

Scheme preparation and approval	:	01 month
SSI provisional registration	:	1-2 months
Sanction of financial supports etc.	:	2-5 months
Installation of machinery and power connection	:	6-8 months
Trial run and production	:	01 month

9. PRODUCTION CAPACITY PER ANNUM

Sale of rice, husk, bran

Rs. 1600000 per annur

PROJECT COST/CAPITAL INVESTMENT

Sl. No	Description	Amount Rs.
1	Fixed Capital	450000
2	Working Capital for 1 month(s)	109700
3	Preliminary & Preoperative Expenses	5000
	Total Project Cost	5,64,700

6. MEANS OF FINANCE

S.No	Description	% age	Amount Rs.
1	Promoter Contribution	15%	84705
2	NABARD	20%	112940
3	Equity shares	65%	367055
	Total		5,64,700

7. FINANCIAL ASPECTS

A. FIXED CAPITAL

i. Land and Buildings

Land Rs. 50,000

Buildings Rs. 2,00,000

ii. Machinery and Equipment

S.No	Description	Qty.	Rate	Amount Rs.
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1	Total plant and machinery	LS		200000
	Total			200000

B. WORKING CAPITAL

i. Salaries & Wages (per month)

S.No	Description	Nos.	Sal/mon.	Amount Rs.
1	Supervisor/Entrepreneur	1	2500	2500
2	Skilled worker	1	2000	2000
3	Unskilled worker	1	1500	1500
	Total			6000

ii. Raw Material (per month)

S.No	Description	Unit	Qty.	Rate	Amount Rs.
1	Paddy	tons	LS		100000
	Total				100000

iii. Utilities (per month)

S.No	Description	Unit	Amount Rs.
1	Power	LS	1000
2	Water	LS	200
	Total		1200

iv. Other Expenses (per month)

S.No	Description	Amount Rs.
1	Postage, Telephones & Stationery Expenses	200

2	Transportation & Conveyance Expenses	1000
3	Consumable Stores	300
4	Repairs and Maintenance Expenses	500
5	Miscellaneous Expenses	500
	Total	2500

v. Total Working Capital (per month)

S.No	Description	Amount Rs.
2	Salaries and Wages	6000
3	Raw Material	100000
4	Utilities	1200
5	Other Expenses	2500
	Total	109700

8. COST OF PRODUCTION (PER ANNUM)

S.No	Description	Amount Rs.
1	Total Working Capital	1316400
2	Depreciation	

	- Buildings	5%	10000
	- Plant and machinery	15%	30000
3	Interest on term loan @	12%	44047
	Total		1400447

9. TURNOVER (PER YEAR)

S.No	Description	Qty.	Rate Rs.	Amount Rs.
1	Sale of rice, husk, bran	LS	1600000	1600000
	Total			1600000

10 FIXED COST (PER YEAR)

S.No	Description	Amount Rs.
1	Depreciation	40000
2	Interest	44047
3	Salaries & Wages @ 40%	28800
4	Other Expenses incl. Utilities @ 40%	17760
	Total	130607

11 PROFIT ANALYSIS & RATIOS

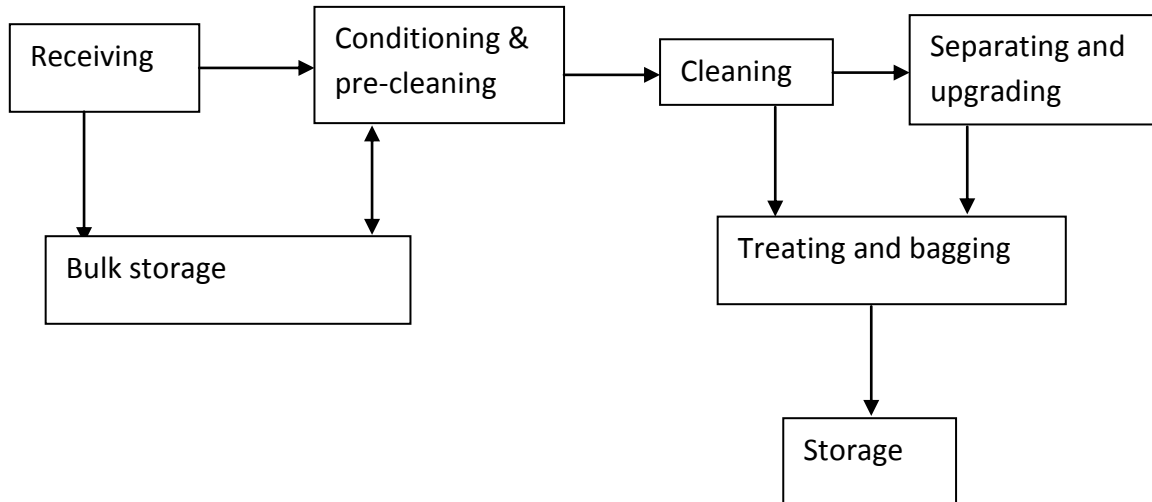
1	Net Profit	Rs.	199553
2	Percentage of Profit on Sales		12%
3	Percentage of Return on Investment		35%
4	Break Even Point		40%

Note:

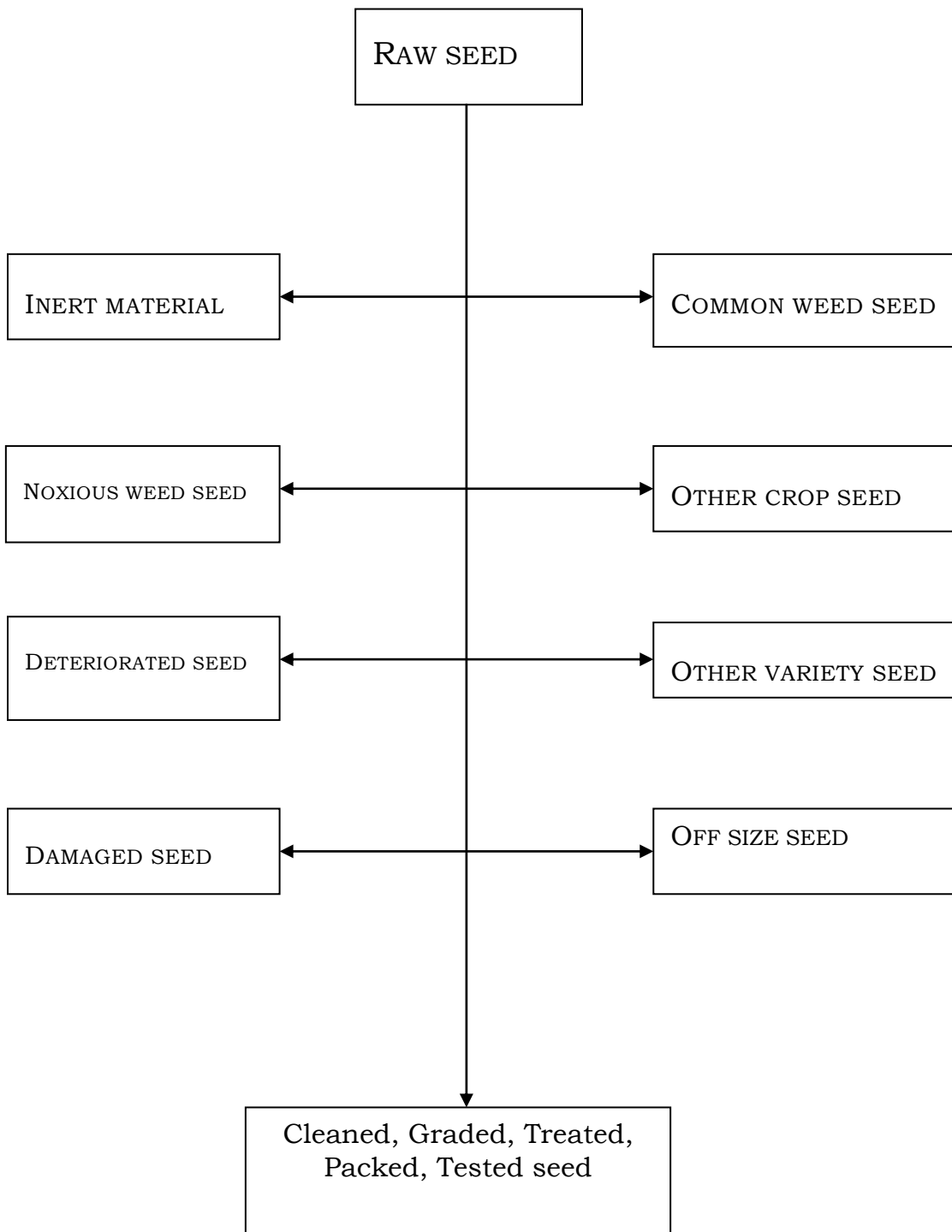
- a) All figures mentioned above are only indicative and may vary from place to place.
- b) If the investment on Building is replaced by Rental then
- c) Total Cost of Project will be reduced.
- d) Profitability will be increased.
- e) Interest on C.E. will be reduced.

Advantages of Paddy processing:

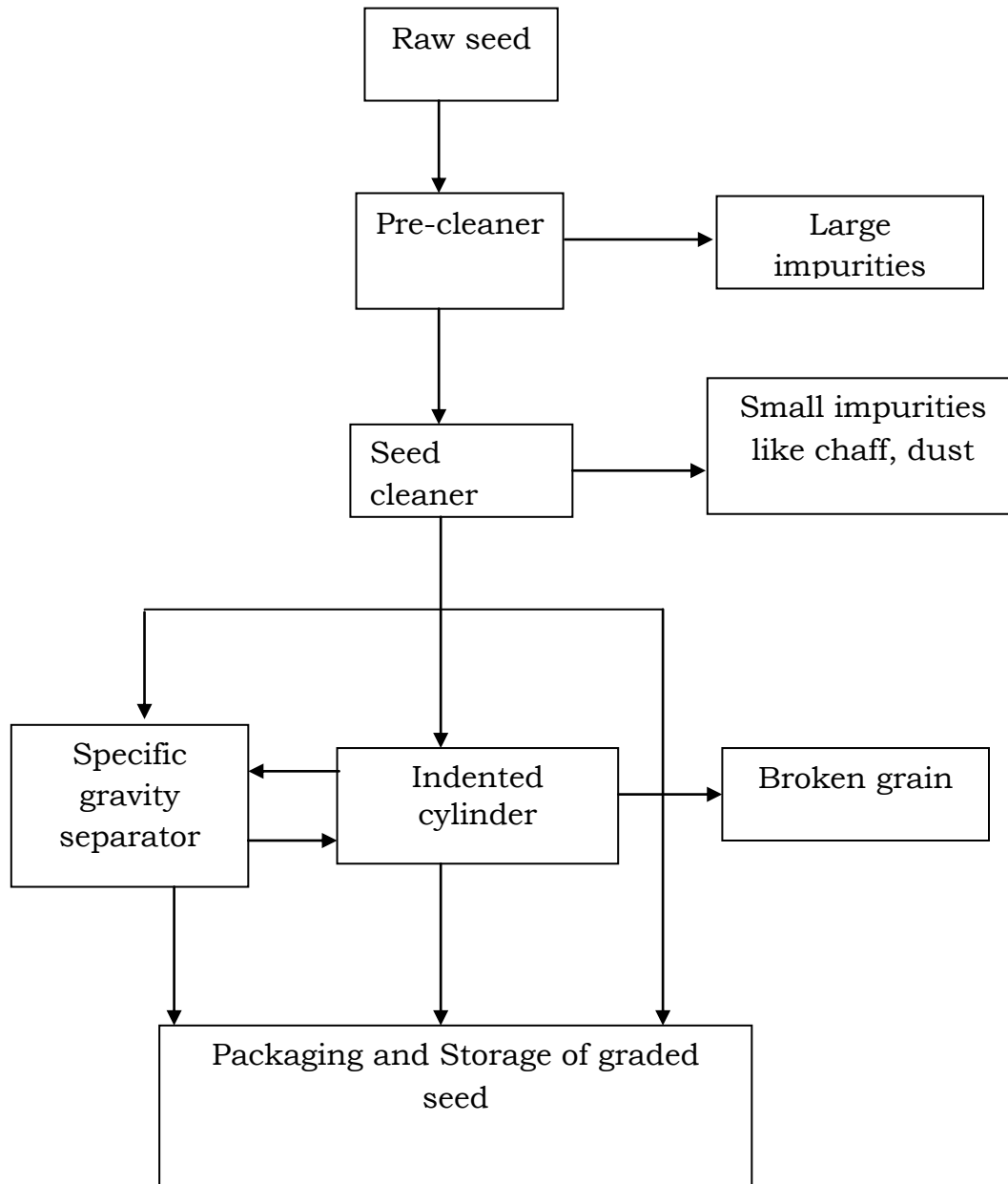
- Make possible more uniform planting rates by proper sizing
- Improve seed marketing by improving seed quality
- Prevent spread of weed seed
- Prevent crops from disease by applying chemical protectants
- Reduces seed losses by drying
- Facilitate uniform marketing by providing storage from harvest time until the seed is needed for planting.
- Viable rates of produces will be ensured for the producers;



Basic flow and essential steps in Paddy



Undesirable materials removed during processing of seed



Process flow chart of paddy seed processing

Packaging

After processing, the rice produce is to be packed. Bagging is usually the slowest and most costly operation in a seed processing plant. Bagging requires filling the bag to an exact weight, closing and labeling the bag. These operations will be done either with hand or with manually operated machines, like weighing scale and bag closer. Bagger-weighers are simple machines and are very accurate, easy to adjust and can fill 5 to 6 or more bags per minute. Bag-sewing machines are precision, high-speed machines. The label will be attached to the bag, or it is printed directly on to the container or bag. The label contains all-important information about the seed.

Complete processing records need to be maintained to trace the product from the time it is received at the plant until it is sold with full details of operations. A processing plant record system include following records:

- i. Receiving
- ii. Drying/storage
- iii. Processing, treating and packaging
- iv. Testing
- v. Storage
- vi. Inventory
- vii. Sale

Certification and packing cost

Certification and packing material cost includes the cost of bags, labels, leaflets, tags, lead seals etc. Cost of these materials has been worked out; taking into consideration the present cost and worked out on per quintal basis as given in Table.

S. No.	Item	Rs/quintal	Remarks
1.	Bags	37.50	Processed Rice produce will be

			packed in jute canvas bags costing Rs 15 per bag
2.	Certification materials like labels, leaflets, tags, lead seals, thread etc.	2.50	Labels @ Rs 170 per 1000. Leaflet @ Rs 250 per 1000. Tags @ Rs 170 per 1000. Lead seals @ Rs 30 per kg. Thread @ Rs 40 per 1000 m.
			Total = 40.00

Storage

Good product storage is an important phase of processing and is essential to successful seed marketing. Proper storage preserves seed viability, from harvest to sale, and protects the producer, the processor and the user. The storage will be provided for produce/paddy from the time of harvest until planting time. Storage is provided for seed that may be carried over until the planting season in the next or a subsequent year.

Branding and marketing:

It is planned that the rice produce will be branded with **Shaheed Bhoomi Rice** through registration process. To promote the market for branded rice, a strategic marketing and publicity process will be done by involving retailers, whole sellers, super marts, print and electronic media, hoardings, brochures/leaflets, pamphlets etc. the plant will also include sale outlet.