

CAB Training Cards



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Technical-Financial Appraisal of Dairy Projects

Introduction

- Dairy farming is an important source of income for millions of rural households
- India is the largest producer of milk (165.4 MMT in 2016-17) in the world.

Technical aspects

- The area should be well drained and should be well connected to the milk route/grid.
- The beneficiary should have experience in dairy farming.
- Local animal husbandry department officials to be consulted for selection of breed.
- Good quality animals i.e., cross breed cows or graded buffaloes should be purchased from the sources having pedigree records.
- The animal should be insured at the spot of purchase itself.
- Financing for dairy animals is to be done in two batches with 6 months gap to have continuity in milk production. The animal is to be purchased preferably in the second lactation.

Type of animal	Covered area (sft)	Open area (sft)
Buffaloes	60	120
Cows	40	80
Calves	20	40
Heifers	30	60
Bulls	100	200

- The space requirement for dairy shed is indicated in the table.
- The covered shed portion should have roof at a height of 16 to 18 feet from the ground level.
- Floor should be non-slippery and with proper drainage.
- Feeding accounts for 60% of the cost of milk production. The feeding schedule is indicated in the table.

Type of fodder	Lactation day	Dry day
Green fodder in kg/day	25	20
Dry fodder kg/day	5	6
Concentrate feed in kgs	1.5 kg + **	1
** 1 kg for maintenance + 1 kg for every 2.5 kg of milk produced		

- General equipment like milk cans, chaff cutters, milking machine can be considered depending upon the requirement.
- Availability of veterinary dispensaries and Artificial Insemination (AI) centers for breeding and animal health care to be ensured.
- Availability of clean drinking water (100 liters/day/adult animal) and electricity to be ensured.

Financial aspects

- **Project cost** includes (A) Capital cost i.e., cost of animals, cost of shed, equipment and other machinery like milking machine, chaff cutters etc. and (B) Recurring Cost like feed cost, veterinary, insurance cost, labour cost.
- Recurring cost for the first batch may be capitalised for arriving at bank loan.
- The benefits include sale of milk, manure and gunny bags.
- **Lactation chart** is to be prepared to find out no. of lactation days and dry days.
- **Income and Expenditure:** The lactation chart will form the basis for arriving at Income and Expenditure and cost flow analysis which can be prepared for 5 to 6 years.
- **Cash flow statement:** BCR, NPV and IRR are to be calculated on the basis of the cash flow to find out the financial viability of Dairy project.
- DSCR is to be calculated **on the basis of** net income generated to find out the bankability of the project.
- **Sensitivity analysis** to be carried out to see whether the dairy project is viable if there is 10% increase in the cost of feed or a 10% drop in milk prices or milk yield.

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