



WRITE A MEANINGFUL BUSINESS PLAN TO ESTABLISH A SUCCESSFUL VENTURE



National Agribusiness Development
Programme (NADeP)

www.nadep.lk



Value Chain Development and Market Linkages

Framework for Business Proposal Submission and Business Proposal Format – NADeP Out Grower Model

NADeP will participate for the viable business proposals submitted by private sector reputed / capable companies (Proponent Company) that are willing to operate out-grower networks of small holder farmers and purchase the output of farmers through buy back agreements. The proposed projects should increase farmer income by 20 % - 30 % and the investment should be justified by the income generated.

Eligibility criteria of the Proponent Company

Should be a reputed company incorporated in Sri Lanka

Direct involvement in agri – businesses for minimum of 2 years

Objectives should be to specialize in agriculture, processing of agricultural materials and agribusinesses and / or to deal in agricultural products or services-related,

Unqualified auditors' opinion and a sound financial position as evidence by its financial reports,

Reputation of fair dealing and empathy with smallholders and the low income farmers

Sound management and corporate governance systems

Comply with the relevant environmental regulations (on preventing water and air pollution)

Should be capable of providing significant co-financing (already invested or willing to invest) and technical expertise

Should have sound long term marketing capability.

Eligibility criteria of the farmers

Should be engaged in agriculture

Should not possess land extent over one hectare (At least 80 % of the farmers of the outgrower network should belong to this category)

More than 50 % of the income should be from agriculture

Women and youth participation should be encouraged.

NADeP participation in out grower model;

Will be for “on farm” productivity improvements.

Approximately Rs 130,000/- per farmer could be allocated (of which maximum up to 50 % could be as grant and balance should be through Micro Credit from financial institutes NADeP entered in to agreement with.



Grant component of the NADeP contribution should be utilized as much as possible for value chain capital assets, on-farm development and construction. If the grant component is not sufficient for the purpose, then micro credit component too could be utilized. Anyhow, grant component should be 50 % or less of total NADeP contribution.

Inputs (seeds, planting materials, fertilizer etc), machinery maintenance and other working capital requirements could be purchased from micro credit component. Other capital asset requirements also are considered under Micro Finance.

Asset ownership should be with the individual farmer. Proponent Company should have a signed agreement with each asset owner. In that agreement, it should be clearly indicated that if the farmer stop using that asset, Proponent Company should take the asset back and give it to some other farmer who is willing to do the same agriculture production and be in the out grower network. In that case, net amount original owner paid (total amount paid less depreciation) should be paid to the original owner by new owner. In addition to the grant component, if there is a micro credit component involvement for the purchase of asset, then capital payment (excluding interest paid) up to cessation of the asset has to be paid back to the original owner. If the taken back asset is given to a farmer who is already in the asset receiver group, then Proponent Company should ensure that assets should not accumulate with individuals more than 1 % of the assets given with NADeP contribution in same project.

NADeP expects followings

Proponent Company should ensure maintenance of the asset is looked after by the asset owner.

Proponent Company should ensure asset insurance and farmer insurance (ie. Crop). to make sure the sustainability of the project.

Total expenses on extension activities should be carried out by the proponent company and should ensure effective and efficient extension service.

Proponent Company in association with farmer network should ensure establishment of a welfare fund and utilization of funds should be decided in agreement with both parties. This is also to make sure the sustainability of the project

Business Proposal Guidelines – out grower system

1.0 Executive Summary

2.0 Organizational Overview (about the company that submit the proposal)

2.1 Vision / Mission of the organization;

2.2 History



2.3 Ownership

2.4 Legal structure

2.5 Type of businesses organization is in

2.6 Products

2.7 Type of marketing Channels

2.8 Office, Factory, Branch Locations

2.9 Quality Assurance Certificates

2.10 Past two years' sales of the end product that uses out-grower produce as a raw material

2.11 Competition for the end product that uses farmer produce as a raw material.

2.12 Market segments and distribution channels.

2.13 Total market volume data for past 3 years of the end product that uses farmer produce as a raw material.

3.0 Description of the sector of the product produced by the outgrower farmers (not the product that is produced using farmer output by the proponent company)

(If farmer produces vegetables, then it is vegetable sector; if farmer produces milk, then it is milk sector; if farmer produces bee honey, then it is bee honey sector)

This description may include following factors; (Please note all of the following data are not a must, but provide as much as possible data so that sector will be better understood)

History / evolution

Present status of the sector

Approximate total number of farmers in the sector

Land extent / number of animals in the sector

Geographical coverage

Approximate total annual production for last 5 years

Competition for the product produced by farmers, among buyers

Contribution of the sector to agriculture sector and total economy

Threats / issues in the sector

Export / import data



3.1 Proposed Project

3.2 Project Goals

3.2 Project Objectives

3.3 Problem Identification

3.4 Project Solution for the problem

3.5 Project outputs

3.6 Project Beneficiaries (both direct and indirect), target group in detail

3.7 Project geographical coverage

3.8 Project Benefits

3.9 Project Cost – Detailed cost item wise in SLR excluding company contribution

	Cost item	Unit Cost	# of Units	# of farmers receive this item	Total Cost
1					
2					
3					
4					
Total					

3.10 Projected Cost table

	Description	Company Contribution Rs.	NADeP Contribution Rs.	Farmer Contribution Rs.	
				Own	Credit
1					
2					
3					
4					
Total					
% of contribution					



3.11 Summary of Projected Cost table

Description	Per farmer Cost (Rs.)	Total Cost for farmers (Rs.)
NADeP Contribution		
Company Contribution		
Farmer Own Contribution (this includes micro credit component too)		

3.12 Company contribution for the project – item wise details.

	Cost item	Unit Cost	# of Units	# of farmers receive this item	Total Cost
1					
2					
3					
4					
Total					

3.13 Detailed income and cost for farmers and farmer profitability calculation

	Estimated quantity	Unit price	Total Income / Cost	
Income				
(1)Sales of item 1 @ buy back price				
(2)Sales of item 2 @ buy back price				
Total Income				
Expenses (up to				



buy back point)				
(1)				
(2)				
(2)				
(2)				
(2)				
Expense Total				
Net Income				

3.14 Crop /Animal insurance & Welfare fund contribution

3.14.1 Crop / Animal insurance

3.14.2 Welfare fund contribution in SLR

From Farmer		From Promotor		Total	
Monthly/ Seasonally	Annually	Monthly/ Seasonally	Annually	Monthly/ Seasonally	Annually

3.15 Project Monitoring and evaluation

3.16 Fund Requirement Plan.

3.17 Project Activity Calendar

3.18 Extension Service Calendar

4.0 Social Impact of the project

5.0 Gender wise beneficiary categorization

6.0 Youth participation in beneficiaries

7.0 Past two year's financial statements and unqualified audit reports

8.0 GAP proposed to the project.

