

Financial Profitability and Sensitivity Analysis of Coffee Cultivation in Paderu Division of Andhra Pradesh

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ABSTRACT

The study examined the present conditions of financial and economic aspects of coffee plantation in Visakhapatnam district of Andhra Pradesh. Data collection was done using pre tested questionnaire administered on 90 coffee producers selected randomly. The costs and returns per ha of coffee garden based on the opinion of sample producers the economic life was considered as 25 years. A spreadsheet model was used to develop and calculate the Net Present Value (NPV), Internal Rate of Return (IRR) and Benefit Cost ratio (BCR). Sensitivity analysis of NPV to the default discount rate (11%) was included. Results indicated that Positive NPV of Rs. 243136.97, IRR at 26.39% and BCR of 2.03 indicates establishing of coffee plantation to be a profitable investment. NPV, BCR and IRR values indicate that coffee is financially feasible and economically viable project under different risk scenario like 10, 20 and 30 per cent increase in cost. The NPV and BCR even at 30 per cent decline in selling price in the coffee, represented positive value more than one. Change in selling price of Fresh Fruit Berry (FFB) is more sensitive to NPV than a change in total cost and total revenue.

Key words: *Coffee, NPV, BCR and IRR.*