

An Economic Analysis of Oilpalm Cultivation in West Godavari District of Andhra Pradesh

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ABSTRACT

Oil palm is the world's highest oil yielding crop, with an output 5-10 times greater per hectare than other leading vegetable oils. The study examines the financial and economic aspects of establishing an oil palm plantation in West Godavari district of Andhra Pradesh. 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 (11.5%) was included. A positive NPV of Rs. 157487, IRR at 41.77% and BCR of 1.63. showed that establishing an oil palm plantation to be a profitable investment. Change in selling price of FFB is more sensitive to NPV than a change in total cost and total revenue.

Key words: *BCR, IRR, NPV and Sensitivity analysis.*