6 MONTHS CERTIFICATE PROGRAM

(CBCS in Accordance with NEP 2020)

COURSE 2:
FINANCIAL MANAGEMENT AND SUSTAINABLE DEVELOPMENT IN PIG HUSBANDRY

MANAGEMENT

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Detailed Syllabus **Page No.**

UNIT 1: Basics of Accounting in reference to Agri-business Enterprises **8 - 23**
Introduction to accounting concepts and conventions, importance of accounting in livestock and piggery businesses, scope of financial management in small and commercial farms, distinction between cash and accrual basis of accounting, regulatory framework for accounting in Indian Accounting.

UNIT 2: Recording Transactions – Journal, Ledger, and Trial Balance **24 - 45**
Recording of farm transactions through journals and ledgers, treatment of purchases, veterinary expenses, sale of pigs, preparation of trial balance, role of systematic record-keeping in enhancing credibility with banks and investors.

UNIT 3: Preparation of Financial Statements **46 - 61**
Construction of Trading Account, Profit & Loss Account, and Balance Sheet, Inclusion of revenues from - pig sales, by-products, and subsidies, treatment of expenses, Expenses on - feed, labour, veterinary care, and depreciation, significance of these statements in measuring farm profitability and financial health.

UNIT 4: Cash Flow Management **62 - 75**
Understanding cash inflows and outflows in piggery operations, managing daily cash needs for feed and health expenses, seasonal variations in cash flows, preparation of cash flow statements, techniques for improving liquidity, importance of cash budgeting for smallholder farmers.

UNIT 5: Cost Classification in Piggery Business **76 - 86**
Classification of costs into fixed (housing, equipment), variable (feed, veterinary care), and semi-variable categories, relevance of cost behaviour in farm decision-making, examples of cost distribution in small, medium, and large-scale pig farms, role of cost classification in pricing decisions.

UNIT 6: Costing Methods – Standard, Marginal, and Absorption Costing **87 - 99**
Application of costing methods in piggery enterprises, standard costing for monitoring efficiency, marginal costing for decision-making in pricing and expansion, absorption costing for determining per-unit cost of pork production.

UNIT 7: Breakeven Analysis and Cost-Volume-Profit Relationship **100 - 110**
Concept of breakeven point, graphical representation, calculation of breakeven for small piggery units, cost-volume-profit (CVP) analysis, application of CVP in determining number of pigs required to achieve desired profit, role of breakeven in investment decisions.

UNIT 8: Budgeting for Piggery Farms **111 - 120**
Types of budgets – capital budget, operating budget, and cash budget, preparation of annual budget for small pig farms, role of budgeting in cost control and future planning, use of budgets in evaluating the feasibility of expansion projects, linkage with bank loan requirements.

UNIT 9: Financial Analysis Tools for Piggery Entrepreneurs **121 - 134**
Introduction to financial ratios such as profitability, liquidity, solvency, and

efficiency ratios, Net Present Value (NPV) and Internal Rate of Return (IRR) for evaluating piggery projects, application of these tools in analyzing creditworthiness, decision-making support for investors and farmers.

UNIT 10: National Livestock Policy and State-Level Initiatives **135 - 148**
Overview of the National Livestock Policy and its relevance to pig husbandry, objectives of improving productivity, health, and marketability of livestock, state-specific piggery development programmes in Assam, Meghalaya, Nagaland, and other regions, role of animal husbandry departments in extension and training.

UNIT 11: NABARD Financing and the Animal Husbandry Infrastructure Development Fund (AHIDF) **149 - 160**
Role of NABARD in providing refinance support for piggery units, eligibility criteria and loan application process, AHIDF as a flagship scheme for infrastructure development including - modern pigsties, slaughterhouses and cold storage facilities, capital subsidy schemes for pig farmers.

UNIT 12: Role of NGOs, Cooperatives, and SHGs in Piggery Development **161 - 168**
Contribution of self-help groups (SHGs), NGOs, and cooperative societies in promoting piggery as a livelihood option, capacity building and training provided by NGOs, role of FPOs (Farmer Producer Organizations) in creating collective bargaining power for pig farmers.

UNIT 13: Sustainable Piggery Practices and Waste Recycling **169 - 181**
Principles of sustainability in livestock enterprises, importance of biosecurity, manure management, and environmental protection, utilization of pig waste for biogas generation, composting for organic fertilizers, examples of farms integrating eco-friendly practices, government emphasis on green livestock management under national policies.

UNIT 14: Integration of Piggery with Allied Sectors **182 - 194**
Opportunities for integrating piggery with fisheries, poultry, and dairy farming, advantages of mixed farming systems for risk diversification, piggery as part of integrated farming systems in rural India, Concept of community farming and cooperative management of piggery units, benefits of resource pooling, collective marketing, and risk sharing, successful case studies of tribal and rural communities adopting group-based piggery projects, scope for scaling up through FPOs and producer cooperatives.

COURSE INTRODUCTION

This is the second course of the Certificate Programme.

The first unit introduces learners to the basic framework of accounting as it applies to agri-business and livestock enterprises, with a specific focus on piggery farms. It familiarizes them with core accounting concepts and conventions, the importance of systematic financial records for farm decision-making, the scope of financial management in small and commercial piggery units, and the distinction between cash and accrual systems within the Indian regulatory context.

The second unit takes learners through the practical process of recording day-to-day farm transactions using journals, ledgers, and trial balances. It emphasizes correct classification and posting of entries related to purchases, veterinary expenses, and sale of pigs, and highlights how proper record-keeping supports transparency, performance review, and credibility with banks and other finance providers.

The third unit develops the ability to prepare and interpret basic financial statements for piggery enterprises. Learners are guided in constructing Trading Accounts, Profit & Loss Accounts, and Balance Sheets that capture revenues from pig sales, by-products, and subsidies along with all key expenses, thereby enabling assessment of profitability and overall financial health of the farm.

The fourth unit focuses on cash flow management, a critical area for ensuring the day-to-day viability of piggery operations. It explains the nature of cash inflows and outflows in pig farming, seasonal variations in cash requirements, preparation of cash flow statements and cash budgets, and simple techniques to maintain adequate liquidity for feed, health care, and other operating needs.

The fifth unit introduces cost classification in the context of piggery business, helping learners understand how different types of costs behave and influence decisions. It distinguishes between fixed, variable, and semi-variable costs, provides examples across small, medium, and large pig farms, and explains how accurate cost classification supports pricing, expansion, and cost control decisions.

The sixth unit familiarizes learners with key costing methods standard, marginal, and absorption costing and their application to piggery enterprises. It explains how these methods can be used to monitor efficiency, take pricing and product-mix decisions, and calculate the per-unit cost of pork production for better planning and control.

The seventh unit focuses on breakeven analysis and the cost–volume–profit relationship as decision tools for piggery entrepreneurs. Learners are introduced to the concept and graphical representation of breakeven point, methods of estimating the required scale of operations to achieve target profits, and the use of these tools in evaluating the viability of new or expanded piggery projects.

The eighth unit introduces budgeting as a systematic approach to planning and controlling finances in piggery farms. It covers different types of budgets capital, operating, and cash budgets and shows how to prepare an annual budget for small pig farms, assess feasibility of

expansion, and present budget information in formats acceptable to banks and other funding agencies.

The ninth unit equips learners with financial analysis tools tailored for piggery enterprises. It introduces basic financial ratios related to profitability, liquidity, solvency, and efficiency, along with investment appraisal techniques such as Net Present Value and Internal Rate of Return, and explains how these tools support credit appraisal, investor decisions, and long-term financial planning.

The tenth unit shifts focus to the policy environment, presenting an overview of the National Livestock Policy and key state-level initiatives relevant to pig husbandry. It highlights policy objectives related to productivity, health, and marketability of livestock, and familiarizes learners with state piggery development programmes and the role of animal husbandry departments in extension, training, and support.

The eleventh unit explains the role of institutional finance in piggery development, with special reference to NABARD and the Animal Husbandry Infrastructure Development Fund. Learners gain an understanding of refinance support mechanisms, eligibility conditions, loan application processes, and capital subsidy schemes that facilitate investment in modern pigsties, slaughterhouses, and cold storage facilities.

The twelfth unit examines the role of NGOs, cooperatives, SHGs, and Farmer Producer Organizations in promoting piggery as a sustainable livelihood. It shows how these collective platforms contribute to capacity building, training, credit access, input supply, and marketing support, thereby strengthening the socio-economic position of pig farmers.

The thirteenth unit integrates financial management with sustainability by focusing on sustainable piggery practices and waste recycling. It explains the principles of sustainability in livestock enterprises, the importance of biosecurity and environmental protection, and the use of pig waste for biogas and organic fertilizers, while drawing attention to national policy emphasis on green livestock management.

The fourteenth unit broadens the perspective to integration of piggery with allied sectors such as fisheries, poultry, and dairy. It discusses mixed farming and community farming models, benefits of resource pooling, collective marketing and risk sharing, and presents successful cases of tribal and rural communities using integrated and cooperative approaches to scale up piggery-based livelihoods.

Each unit includes some alongside boxes to help you know some of the difficult, unseen terms. Some “EXERCISES” have been included to help you apply your own thoughts. You may find some boxes marked with: “LET US KNOW”. These boxes will provide you with some additional interesting and relevant information. Again, you will get “CHECK YOUR PROGRESS” questions. These have been designed to self-check your progress of study. It will be helpful for you if you solve the problems put in these boxes immediately after you go through the sections of the units and then match your answers with “ANSWERS TO CHECK YOUR PROGRESS” given at the end of each unit.

UNIT 1: BASICS OF ACCOUNTING IN REFERENCE TO AGRI-BUSINESS ENTERPRISES

UNIT STRUCTURE

1.1 Learning Objectives
1.2 Introduction
1.3 Accounting Concepts and Conventions
    1.3.1 What and Why is Farm Accounting
    1.3.2 Accounting Concepts and Conventions
1.4 Importance of Accounting in Piggery Businesses
1.5 Scope of Financial Management in Farming
1.6 Types of Accounting: Cash vs. Accrual Basis
1.7 Regulatory Framework for Accounting in Indian Agro Sector
1.8 Principal Books of Accounts in Agriculture
1.9 Let Us Sum Up
1.10 Further Reading
1.11 References
1.12 Answers to Check Your Progress
1.13 Model Questions

1.1 LEARNING OBJECTIVES

Upon completing this unit, learners will:

- Understand the basic concepts and conventions of accounting
- Recognize the critical role of accounting in piggery and livestock businesses
- Distinguish between cash and accrual basis of accounting
- Identify the regulatory framework and main books of account used in agri-business
- Apply fundamental accounting practices to farming and pig husbandry settings

1.2 INTRODUCTION

Accounting is a systematic process of recording, summarizing, analyzing, and reporting financial transactions. For piggery businesses, accounting is not just about calculating profits, but about managing resources, planning investments, meeting legal requirements, and analyzing the efficiency of operations. Whether running a backyard enterprise or a commercial pig farm, proper accounting helps owners make smart financial decisions, assess business health, and prepare for growth or emergencies. In agriculture, and particularly in pig husbandry, these principles help farmers navigate the challenges of daily operations and financial planning, ensuring sustainability and profitability.

1.3 ACCOUNTING CONCEPTS AND CONVENTIONS

1.3.1 WHAT AND WHY IS ACCOUNTING

Accounting is widely considered the language of business. It is essentially a system for systematically recording transactions to create economic information about business enterprises to facilitate decision-making.

Accounting can be defined in several ways:

1. **A process and art** - It is the art of recording, classifying, and summarizing in significant manner, and in terms of money, transactions and events of a financial nature, and interpreting the results thereof. It is also the comprehensive process of identifying, measuring, recording, and communicating economic information related to an organisation's events to interested users.

2. **A function** - The function of accounting is to provide quantitative information, primarily financial in nature, about economic entities, intended to be useful in making economic decisions.

3. **Objectives** - Accounting helps a business determine profits or losses for a period, ascertain its financial position on a specific date, and assists in overall management. Its main functions include measuring past performance, forecasting future positions, aiding rational decision-making, facilitating comparison and evaluation, providing control, and assisting in government regulation and taxation. The principles of accounting are typically guided by concepts and conventions.

What is Farm Accounting?

Farm accounting is the systematic measurement and recording of all farm resources and all business transactions that have financial consequences. It is considered a cornerstone of long-term success for running a farm, especially since farms encounter unique accounting and tax challenges that necessitate specialized knowledge.

The main purposes for keeping farm accounts, listed in decreasing order of importance, include the following:

1. **Determining Income:** The most important function is to allow the farmer to determine the size of the income derived from the farm. This knowledge then allows the farmer to adjust family expenses, loan repayments, and taxes, or save money for necessary farm investments or improvements.

2. **Assessing Value and Creditability:** Farm accounting provides information about the total value of the farm business and details what proportion is owned by the farmer versus what is financed by others. This information is essential for budgeting and determining the creditability and actual sales value of the farm business.

3. **Farm Management Tool:** Accounts serve as an indispensable tool for management, helping the farmer achieve and maintain the most profitable use of resources. They are the sole way to identify weak spots in the business and guide management improvements to increase income.

While accounts cannot teach farming, they help the farmer use agricultural knowledge to the greatest advantage.

4. **Other Regulatory and Financial Reasons:** Farm accounting helps detect theft or loss of cash or stock, provides necessary data for accurate income tax assessment, and supplies data to claim expenses for work performed by others.

Given the complex nature of farming, specialized accounting is required due to timing issues related to recording and valuing assets, such as specific calendar dates or the age of livestock. For example, livestock classification depends on whether the animal is held for resale, breeding, or dairy production. Misclassifying these assets can result in costly errors in financial projections and tax filings.

1.3.2 ACCOUNTING CONCEPTS AND CONVENTIONS

Accounting concepts and conventions form the foundation upon which all financial reporting and analysis in agri-business enterprises is built. These fundamental principles establish the basic assumptions and guidelines that ensure consistency, reliability, and comparability in financial statements across different agricultural operations. The importance of these concepts becomes particularly pronounced in agricultural settings, where the biological nature of assets and the cyclical patterns of production create unique challenges for financial measurement and reporting. The Accounting Concepts are:

- **Business Entity Concept:** The business entity concept represents one of the most crucial principles in agricultural accounting, requiring clear separation between farm business transactions and personal financial activities of the farm owner. This concept ensures that farming operations are treated as distinct economic entities, with their own assets, liabilities, revenues, and expenses. For livestock and piggery enterprises, this separation becomes critical when distinguishing between personal use of animals and commercial livestock operations. The practical application involves maintaining separate banking accounts, properly documenting personal drawings from business funds, and clearly categorizing assets used for business versus personal purposes.
- **Money Measurement Concept:** The money measurement concept dictates that only transactions capable of being expressed in monetary terms are recorded in accounting books. This principle presents unique challenges in agricultural settings where many valuable assets and activities may not have easily determinable monetary values. For example, the labor contributed by family members in livestock care, the value of manure produced as a byproduct of piggery operations, or the environmental benefits of sustainable farming practices may be difficult to quantify monetarily. Despite these challenges, the money measurement concept ensures that financial statements provide a standardized basis for comparison and analysis across different agricultural enterprises.
- **Periodicity Concept:** The periodicity concept acknowledges that while agricultural businesses are expected to continue indefinitely under the going concern principle, financial reporting must occur over finite time periods to provide timely information for decision-making. This concept becomes particularly important in agriculture due to the seasonal nature of most farming activities and the extended production cycles common

in livestock operations. Pig farming, for instance, involves gestation periods, weaning cycles, and growing periods that may span multiple accounting periods. The periodicity concept ensures that financial performance is measured and reported at regular intervals, typically annually, providing stakeholders with consistent information for evaluation and comparison.

- **Accrual Concept:** The accrual concept, also known as the mercantile system of accounting, requires recognition of all transactions in the period when they occur, regardless of when cash is received or paid. This concept is fundamental to matching revenues with the expenses that generated them, providing a more accurate picture of business performance than simple cash-based recording. In livestock operations, the accrual concept ensures that feed costs incurred in one period are matched with the milk production or weight gains they generate, even if payment for feed occurs in a different period.
- **Matching Concept:** The matching concept builds upon the accrual principle by requiring that revenues recognized in any period be matched with the expenses incurred to generate those revenues. This principle becomes complex in agricultural settings where production inputs may be applied months before the resulting output is realized. In pig farming, breeding costs, feed expenses, veterinary care, and facility maintenance costs must be properly matched with the eventual sale of pigs or pork products to accurately measure profitability.
- **Going Concern Concept:** The going concern concept assumes that the agricultural enterprise will continue operations indefinitely, influencing how assets are valued and expenses are allocated. This assumption affects depreciation calculations for farm buildings and equipment, the valuation of breeding livestock, and long-term investment decisions. However, when a farm operation faces potential closure or liquidation, this concept must be abandoned in favor of liquidation values, significantly affecting asset valuations and financial statement presentation.
- **Cost Concept:** The cost concept requires assets to be recorded at their historical acquisition cost rather than current market values. While this provides objectivity and verifiability in financial reporting, it can create challenges in agriculture where asset values may fluctuate significantly due to market conditions, biological changes, or technological obsolescence. Breeding livestock purchased several years ago may have substantially different productive capacities and market values than their historical costs would suggest.
- **Realization Concept:** The realization concept recognizes revenues only when they are actually earned through the completion of the earning process. In agricultural contexts, this might mean recognizing crop sales when crops are delivered and title transfers, rather than when contracts are signed or when crops are harvested. For livestock operations, revenue is typically recognized when animals are sold and delivered to buyers.

Among the Accounting Conventions, **consistency** requires that - once an accounting method or principle is adopted, it should be applied uniformly across time periods to enable meaningful comparisons. This convention is particularly important in agriculture where seasonal variations and cyclical patterns make year-to-year comparisons essential for performance evaluation. **Materiality** convention focuses attention on transactions and events that are significant enough to influence decision-making, while **conservatism** promotes recording anticipated losses

immediately while recognizing gains only when realized. **Full disclosure convention** ensures that all material information affecting stakeholder understanding is included in financial statements.

1.4 IMPORTANCE OF ACCOUNTING IN LIVESTOCK AND PIGGERY BUSINESSES

The significance of accounting in livestock and piggery operations extends far beyond basic record-keeping to encompass comprehensive financial management that drives operational success and long-term sustainability. Modern pig farming operations face increasingly complex financial challenges requiring sophisticated accounting systems to track multiple cost centers, manage cash flow variations, and optimize resource allocation across different production phases.

Piggery operations involve unique accounting considerations stemming from the biological nature of the assets and the complex production processes involved. As per Livestock Research Institutions, the feed costs represent approximately 70% of total production expenses in pig farming, requiring detailed tracking of feed consumption, conversion ratios, and cost per unit of weight gain. Effective accounting enables farm managers to calculate margin over feed cost (MOFC), a critical performance indicator that measures the cost of feed required to produce one kilogram of carcass weight subtracted from the average pig price.

The biological transformation inherent in livestock operations creates accounting challenges not found in other industries. Growing pigs undergo continuous physical and economic changes throughout their production cycle, from weaning through finishing weights. Accounting systems must capture these changes in asset values while properly allocating costs associated with different growth phases. Breeding stock requires separate accounting treatment, with sows and boars typically capitalized as fixed assets and depreciated over their productive lives, while market pigs are treated as inventory items.

Production cycle management in piggery operations demands sophisticated cost accounting to track expenses across breeding, farrowing, nursery, and finishing phases. Each production phase has distinct cost structures, resource requirements, and performance measures. Breeding phase costs include boar and sow maintenance, breeding management, and gestation facility expenses. Farrowing costs encompass specialized housing, intensive care requirements, and higher labor needs during birthing and early piglet care. Nursery phase expenses focus on specialized diets, climate control, and disease prevention for weaned pigs. Finishing phase costs center on maximizing feed conversion efficiency and managing market timing decisions.

Cash flow management represents a critical application of accounting in piggery businesses due to the extended production cycles and significant upfront investments required. Pig **production typically** involves 6 to 8 months of cycles from breeding to market, during which substantial expenses accumulate before any revenue is realized. Effective accounting systems enable producers to project cash flows, plan for seasonal financing needs, and optimize the timing of animal sales and input purchases. This capability becomes essential during periods of price volatility or when access to credit is limited.

Risk management in pig farming relies heavily on accurate accounting information to identify, measure, and mitigate various operational risks. Production risks associated with disease outbreaks, genetic performance variations, and mortality rates require detailed record-keeping to establish baseline performance expectations and identify emerging problems. Market risks related to price volatility for both inputs and outputs necessitate accounting systems capable of tracking forward contracting positions, hedging activities, and profit margin calculations under different price scenarios.

Compliance with government regulations and quality assurance programs requires comprehensive record-keeping that extends beyond basic financial transactions. Policies such as the National Lovestock Policy mandate specific documentation requirements for feed records, treatment protocols, and animal welfare practices. Accounting systems must capture this information while also supporting financial analysis and operational decision-making.

Investment analysis and capital budgeting decisions in piggery operations require sophisticated financial modeling capabilities supported by accurate historical cost and performance data. Expansion decisions, facility upgrades, genetic improvement programs, and technology adoption all require detailed financial projections based on reliable accounting information. The capital-intensive nature of modern pig farming makes these investment decisions critical to long-term success, emphasizing the importance of comprehensive accounting systems.

1.5 SCOPE OF FINANCIAL MANAGEMENT IN SMALL AND COMMERCIAL FARMS

The scope of financial management in agricultural enterprises varies significantly between small-scale and commercial operations, reflecting differences in complexity, resources, and strategic objectives. Understanding these distinctions is essential for developing appropriate accounting systems and financial management practices that align with operational scale and business objectives. The application and scope in each are:

- Small-scale agricultural operations typically focus on simplified financial management systems that emphasize cash flow management, basic profitability analysis, and regulatory compliance. These operations often operate with limited administrative resources and require accounting systems that can be managed by farm owners or family members without extensive accounting expertise. The financial management scope in small farms generally encompasses basic record-keeping for income and expenses, simple budgeting for seasonal operations, and preparation of tax returns and basic financial statements for lending institutions.
- Despite their smaller scale, small farms face unique financial management challenges that require careful attention. Limited access to capital markets necessitates creative financing approaches and careful cash flow management to bridge seasonal variations in income and expenses. Small operations often rely heavily on family labor and personal assets, requiring clear separation of business and personal finances to maintain accurate performance measurement and legal compliance. The accounting

systems must be simple enough for non-professional implementation while comprehensive enough to support decision-making and external reporting requirements.

- Commercial agricultural enterprises operate at scales that demand sophisticated financial management systems comparable to other industries. These operations typically involve multiple enterprises, complex supply chain relationships, significant capital investments, and professional management structures. The scope of financial management in commercial farms encompasses comprehensive budgeting and forecasting, detailed cost accounting across multiple production centers, sophisticated cash flow management, investment analysis and capital budgeting, risk management and hedging strategies, performance measurement and benchmarking, and comprehensive financial reporting for various stakeholder groups.
- The transition from small-scale to commercial operations often represents a critical juncture in agricultural business development, requiring substantial upgrades to financial management capabilities. This transition typically involves implementing professional accounting software systems, developing more detailed chart of accounts structures, establishing formal budgeting and planning processes, and often engaging professional accounting and financial advisory services. The complexity of this transition underscores the importance of scalable accounting systems that can grow with the operation.
- Technology integration plays an increasingly important role in financial management for both small and commercial agricultural operations. Modern farm management software platforms integrate financial accounting with production record-keeping, inventory management, and regulatory compliance tracking. These integrated systems enable more efficient data collection, reduce duplicate entry requirements, and provide real-time performance monitoring capabilities that support improved decision-making.
- Commercial operations often require sophisticated analytical capabilities to support strategic decision-making. Financial management systems must provide detailed enterprise budgeting to evaluate the profitability of different crops or livestock enterprises, scenario analysis capabilities to evaluate the financial impact of different production or marketing strategies, investment analysis tools to assess capital expenditure opportunities, and comprehensive reporting capabilities to support management oversight and stakeholder communication. These requirements typically necessitate professional accounting software systems and may require specialized agricultural financial management platforms.
- The scope of financial management also extends to relationship management with external stakeholders including lenders, investors, suppliers, and customers. Commercial operations must maintain financial reporting systems that satisfy various external requirements while providing internal management with timely and relevant information for operational decision-making. This dual requirement often drives the need for hybrid accounting systems that can support both external reporting requirements and internal management needs.
- Risk management represents an increasingly important component of financial management scope for both small and commercial agricultural operations. Financial risks from leverage and liquidity constraints, regulatory risks from changing government policies, and operational risks from labor availability and input supply disruptions. Financial management systems must capture information relevant to these various risk categories while supporting the development and implementation of risk mitigation strategies.

1.6 TYPES OF ACCOUNTING: CASH AND ACCRUAL BASIS OF ACCOUNTING

The choice between cash basis and accrual basis accounting methods represents one of the most fundamental decisions facing agricultural enterprises, with significant implications for financial reporting, tax planning, and management decision-making. Understanding the distinctions between these methods and their applications in agricultural settings is essential for developing effective financial management systems.

Cash Basis Accounting

Cash basis accounting records transactions only when cash actually changes hands, recognizing income when money is received and expenses when payments are made. This method aligns closely with the cash flow focus that characterizes many agricultural operations, particularly smaller farms where liquidity management represents a primary concern. Under cash accounting, a pig producer would record feed purchases when payment is made to the supplier and recognize livestock sales when payment is received from buyers, regardless of when the feed was delivered or consumed or when the pigs were actually delivered.

The simplicity of cash basis accounting makes it attractive to many agricultural operators, particularly those with limited accounting expertise or administrative resources. The method requires minimal understanding of complex accounting principles and can be implemented using basic record-keeping systems. Cash accounting provides a direct measure of cash flow, which often represents the most immediate concern for farm managers during periods of tight liquidity or seasonal cash flow variations.

However, cash basis accounting has significant limitations in providing accurate measures of operational performance. The method can distort the financial picture of agricultural operations, particularly those with significant seasonal variations in income and expenses or extended production cycles. A grain farmer using cash accounting might show substantial expenses during planting season with no offsetting revenues until harvest, creating an artificially negative picture during the production period. Similarly, a pig producer might show high feed costs in one period with livestock sales recorded in subsequent periods, making it difficult to assess the true profitability of different production cycles.

Accrual Basis of Accounting

Accrual basis accounting records transactions when they occur, regardless of when cash changes hands. Income is recognized when earned, typically when goods are delivered or services are performed, while expenses are recorded when incurred, usually when goods are received or services are consumed. This method aims to match revenues with the expenses that generated them within the same accounting period, providing a more accurate picture of operational performance.

For agricultural enterprises, accrual accounting offers several significant advantages in performance measurement and decision-making. The method provides more accurate profitability analysis by matching related revenues and expenses in the same period, enabling better evaluation of different enterprises or production strategies. Accrual accounting supports improved business planning by providing clearer pictures of the true costs of production and the relationships between inputs and outputs. The method also facilitates better performance

tracking over time by eliminating the distortions created by timing differences between cash receipts and disbursements.

Accrual accounting is generally preferred by lenders and investors because it provides a more complete picture of the enterprise's financial position, including accounts receivable and accounts payable. This comprehensive view enables more accurate assessment of the operation's ability to generate future cash flows and meet its obligations. Many lenders require accrual-based financial statements for significant financing decisions, particularly for commercial-scale operations or expansion projects.

The complexity of accrual accounting represents its primary disadvantage, particularly for smaller agricultural operations. The method requires tracking accounts receivable, accounts payable, inventory values, prepaid expenses, and accrued liabilities, significantly increasing the complexity of the accounting system. This complexity often necessitates professional accounting services or sophisticated software systems, increasing operational costs. The method may also create confusion about cash flow position, as profitable operations on an accrual basis might simultaneously experience cash flow problems.

Modern agricultural accounting software systems often support both cash and accrual reporting from the same underlying data, enabling enterprises to capture the benefits of both methods without maintaining duplicate record systems. These hybrid systems can provide cash-basis reports for tax planning and cash flow management while generating accrual-basis statements for performance analysis and external reporting requirements.

The table below brief distinctions of the two concepts:

Feature	**Cash Basis**	**Accrual Basis**
Revenue Recognition	When cash is received	When earned (regardless of receipt)
Expense Recognition	When cash is paid	When incurred (regardless of payment)
Suitability	Small, simple farms	Large/commercial, multi-activity farms
Advantages	Simple, matches cash flow	Accurate profit measurement, matches activity period
Disadvantages	May distort profitability in seasonal business	More complex, needs more records

1.7 REGULATORY FRAMEWORK FOR ACCOUNTING IN INDIAN AGRO SECTOR

The regulatory framework governing accounting practices in Indian agriculture has evolved significantly in recent years, reflecting the growing importance of the agricultural sector and the need for standardized financial reporting practices. The implementation of Indian Accounting Standards (Ind AS), particularly Ind AS 41 on Agriculture, represents a major development in establishing comprehensive accounting guidelines for agricultural enterprises in India.

The Ministry of Corporate Affairs (MCA), in consultation with the National Advisory Committee on Accounting Standards, issued the Companies (Indian Accounting Standards) Rules, 2015, which came into force on April 1, 2015. This regulatory framework established a roadmap for the mandatory adoption of Ind AS based on company net worth, with larger enterprises required to implement these standards earlier than smaller operations. The implementation was designed as a phased approach, with companies having net worth of Rs. 500 crore or more required to adopt Ind AS from April 1, 2016, while companies with net worth of Rs. 250 crore or more were required to comply from April 1, 2017.

The regulatory framework is administered by multiple institutions working in coordination. The Institute of Chartered Accountants of India (ICAI) serves as the primary standard-setting body, issuing Indian Accounting Standards and providing guidance on their implementation. The Ministry of Corporate Affairs provides the regulatory oversight and enforcement mechanisms through the Companies Act and related rules. The Securities and Exchange Board of India (SEBI) provides additional requirements for listed companies, while various sector-specific regulators may impose additional reporting requirements for specialized agricultural enterprises.

Indian Accounting Standard 41 (Ind AS 41) specifically addresses agricultural activities and represents the most significant development in Indian agricultural accounting. This standard prescribes accounting treatment for biological assets, agricultural produce at the point of harvest, and government grants related to agricultural activities. The standard applies to all entities engaged in agricultural activities, including traditional farming operations, livestock enterprises, forestry operations, and aquaculture businesses.

The scope of Ind AS 41 encompasses various agricultural activities including cultivation of crops, rearing of livestock, and forestry operations. The standard applies to both commercial and subsistence farming activities, though smaller enterprises may have modified compliance requirements based on their size and organizational structure. The standard also extends to agricultural produce when it undergoes further processing, though the accounting treatment depends on whether the processing results in new agricultural produce or fundamentally different products.

Biological assets represent a key focus of Ind AS 41, requiring recognition and measurement at fair value less costs to sell. This approach differs significantly from traditional historical cost accounting and reflects the continuous biological transformation that characterizes living assets. For pig farming operations, this means that breeding animals and growing pigs must be valued at their fair values, with changes in fair value recognized in the profit and loss statement. This requirement represents a significant departure from previous Indian accounting practices and requires enterprises to develop fair value measurement capabilities.

The measurement requirements of Ind AS 41 emphasize fair value accounting for biological assets and agricultural produce. Agricultural produce is required to be measured at fair value less costs to sell as of the harvest date, with this value serving as the cost basis for subsequent accounting under other standards such as Ind AS 2 (Inventories). This approach ensures that the economic reality of biological transformation is captured in financial statements, though it may introduce greater volatility in reported results.

Government grants related to agricultural activities receive specific treatment under Ind AS 41. Unconditional grants are recognized immediately as income, while conditional grants are recognized only when the conditions are met. This treatment ensures appropriate matching of government support with the periods and activities they are intended to support, though it requires careful tracking of grant conditions and compliance requirements.

Disclosure requirements under Ind AS 41 are comprehensive, requiring entities to provide detailed information about their agricultural activities. Required disclosures include descriptions of biological assets and agricultural activities, methods and assumptions used for fair value determination, reconciliations of changes in biological asset values, and information about risks associated with agricultural activities. These disclosure requirements are designed to provide stakeholders with sufficient information to understand the nature and financiaI effects of agricultural operations.

The implementation of Ind AS 41 presents several challenges for Indian agricultural enterprises. Fair value measurement capabilities may be limited for many biological assets, particularly in markets where active trading is limited. The volatility introduced by fair value accounting may complicate performance evaluation and lending decisions. Additionally, the compliance costs associated with Ind AS 41 may be substantial for smaller agricultural enterprises, potentially requiring professional valuation services and enhanced accounting systems.

The regulatory framework also addresses tax implications of agricultural income, which receives preferential treatment under Indian income tax law. Agricultural income is generally exempt from federal income tax, though this exemption has specific definitions and limitations. The interaction between accounting standards and tax regulations creates complexity for agricultural enterprises that must maintain compliance with both financial reporting standards and tax requirements.

The regulatory framework continues to evolve as regulators gain experience with Ind AS implementation and respond to industry feedback. Recent amendments and clarifications have addressed specific issues arising in practice, and further refinements are expected as the standards mature. Agricultural enterprises must maintain awareness of regulatory developments and ensure their accounting practices remain current with evolving requirements.

The regulatory framework's impact extends beyond individual enterprises to influence the broader agricultural sector's access to capital and integration with global markets. Standardized financial reporting practices enhance transparency and comparability, potentially improving access to institutional financing and investment capital. The alignment with international standards may also facilitate trade relationships and joint ventures with international partners, supporting the sector's global integration and development.

Check your progress

Q1: Why is accounting vital for piggery businesses?
Q2: What is the difference between cash and accrual systems?

1.8 PRINCIPAL BOOKS OF ACCOUNTS IN AGRICULTURE

The lifeblood of any successful piggery business lies in well-maintained records. Accounting is not only about compliance, it is also a decision-making tool that helps farmers monitor performance, anticipate challenges, and identify ways to improve profits. The quality of farm accounting depends largely on the use of appropriate books of accounts the structured tools where all financial and production data are recorded.

In the agricultural and livestock context, these books serve as the farmer's financial diary. Each book has a specific purpose and contributes to the overall system of business transparency. These records can be as basic as handwritten ledgers or as advanced as computerized management systems, depending on the scale and sophistication of the farm operation.

1.8.1 CASH BOOK

The Cash Book is the simplest and most fundamental financial record in any farm enterprise. It records all receipts (money coming in) and payments (money going out). In a pig farm, this might include:

- Receipts: income from sale of piglets, mature pigs, manure, or processed pork products; payments received from loans or subsidies.
- Payments: expenditures on feed, veterinary medicines, disinfectants, equipment repairs, or hired labour.

A properly maintained cash book is updated daily, weekly, or monthly, depending on transaction frequency. Many small-scale pig farmers use a single-column cash book where all inflows are written on one side and outflows on the other. Larger enterprises use two-column or three-column cash books, which include separate columns for cash, bank, and sometimes discounts.

The balance of the cash book at any given time shows the liquidity of the farm, the amount of ready money it has available to meet immediate expenses.

Practical Example:
A farmer selling ten piglets in June for ₹50,000 and buying feed worth ₹20,000 the same month should have a cash book balance of ₹30,000 at month-end. This transparency helps plan upcoming expenses such as medicines or wage payments.

1.8.2 LEDGER

The ledger is the next important book, often called the "book of final entry." It compiles information from the cash book and organizes it into specific accounts for example:

- Feed Account
- Sales Account
- Veterinary Expense Account
- Labour Account
- Loan Account

Each ledger account shows total expenses or income for a category over time. This grouping simplifies financial analysis by showing which activities consume most resources or generate most returns.

At the end of each month or quarter, the balances from all individual accounts are extracted to create a Trial Balance, ensuring the books are mathematically correct. For piggery operations, separate ledgers for feed, breeding stock, and transportation costs are particularly useful for assessing operational efficiency.

1.8.3 PROFIT AND LOSS ACCOUNT

The Profit and Loss (P&L) Account shows the financial results of the farm during a given period normally a year. It summarizes all income sources (mainly from sales of pigs, piglets, and manure) and all expenses (feed, labour, veterinary charges, electricity, repairs, etc.).

In a formula form:

$$\textbf{Net Profit/Loss} = \textbf{Total Revenue} - \textbf{Total Expenses}$$

If revenue exceeds expenses, the farm has made a profit; otherwise, it records a loss.

A P&L account helps in long-term analysis, such as:

- Checking whether feed costs are rising too fast.
- Determining the profit margin per pig sold.
- Evaluating whether loans, interest, and depreciation are manageable.

For smallholders, even a hand-written annual profit record is valuable. For commercial farms, software-based P&L reports are necessary to show lenders or investors the enterprise’s viability.

1.8.4 BALANCE SHEET

The Balance Sheet provides a snapshot of the piggery farm's financial position on a specific date usually at the end of a financial year. It shows what the farm owns (assets), what it owes (liabilities), and what belongs to the owner (capital).

In formula form:

$$\textbf{Assets} = \textbf{Liabilities} + \textbf{Capital}$$

Assets include:

- Land, buildings, pig sties, and machinery
- Livestock (breeding boars, sows, piglets)
- Feed inventory and medicines
- Cash and money in bank

Liabilities include:

- Bank loans and interest due
- Credit owed to feed suppliers or contractors
- Rent or utility dues

Capital is the farmer's investment and accumulated profit in the business.

A well-prepared balance sheet offers critical insights into financial health, helps evaluate borrowing capacity, and aids tax filing. For instance, if total assets are ₹8 lakh and liabilities are ₹3 lakh, the farmer's equity (net worth) equals ₹5 lakh. This is useful when applying for government schemes or bank loans in agriculture development.

1.8.5 JOURNAL

The Journal, sometimes called the "Book of Original Entry," is where all non-cash transactions are first noted. These can include purchases or sales on credit, depreciation adjustments, and corrections of earlier errors.

Example: if the farm purchases feed on credit worth ₹40,000, the transaction is entered in the journal before being posted to the ledger. The pig feed expense account will show a debit of ₹40,000, and the creditor's account will show a credit of ₹40,000.

Though small-scale farmers may skip this step, it becomes essential for medium to large piggery farms handling multiple accounts and credit operations.

1.8.6 INVENTORY RECORDS

For piggery farms, inventory records are indispensable. They keep track of:

- Number and types of pigs (piglets, growers, breeders)
- Quantity of feed and medicine in stock
- Equipment, tools, and consumable materials

Inventories help control wastage and theft while facilitating insurance claims or valuations. For proper management, inventory should be checked physically every month and compared with recorded data. These differences reveal unseen issues like unrecorded pig deaths, unused materials, or pilferage.

1.8.7 DEPRECIATION RECORDS AND FIXED ASSET REGISTER

Farm assets like housing, equipment, and machinery wear out over time. Depreciation records recognize this gradual loss of value. Every year, a small portion of the asset's cost is charged as an expense in the profit and loss account.

Common methods include:

- Straight-Line Method: equal deduction each year; simple and predictable.
- Declining-Balance Method: higher deductions in early years, lowering later.

For pig farming, asset depreciation is usually applied on housing, feeding troughs, grinders, and transport trucks. A Fixed Asset Register keeps details such as purchase date, cost, life expectancy, and accumulated depreciation.

1.9 LET US SUM UP

Accounting is foundational for all agri-businesses, including piggery enterprises. Sound accounting principles and regular records help farmers manage daily cash, assess profitability, secure loans, detect problems early, and grow their business responsibly. Choosing the right accounting system cash, accrual, or hybrid depends on business size, goals, and regulatory needs. Principal books (cash book, ledger, balance sheet, profit/loss account) offer clarity and control, and adapting them for livestock activities ensures pig farmers stay organized, resilient, and profit-oriented in a dynamic market.

1.10 FURTHER READING

- "Farm Accounting" by Agromisa Foundation.
- "Basic Accounting for Agribusiness and Rural Enterprises" Module by ICAI.
- "Accountancy SLM Module" – BAOU.
- Accountancy (Financial Accountancy) - NCERT Class 12.

1.11 REFERENCES

- Basic Accounting for Agribusiness and Rural Enterprises" Module by ICAI.
- Farm Accounting, Agromisa Foundation.
- Fundamentals of Accounting - ICMA
- Accountancy (Financial Accountancy) - NCERT Class 12.

1.12 ANSWERS TO CHECK YOUR PROGRESS

Q1: Accounting reveals the real financial health of a farm, enables better planning and decision making, builds trust with banks and buyers, allows for regulatory compliance, and helps prevent loss/theft and manage cash efficiently.

Q2: Cash basis records transactions only when cash is received or paid; accrual basis accounts for income/expenses as they occur, regardless of when cash moves, giving a more complete picture of business activities.

1.13 MODEL QUESTIONS

1. What is meant by the consistency convention in accounting?
2. Name any two principal books used in farm accounting.
3. Compare and contrast cash and accrual basis of accounting in agri-business.
4. Explain the importance of sound accounting for credit, subsidies, and management decision-making in piggery farms.

UNIT 2: RECORDING TRANSACTIONS – JOURNAL, LEDGER, AND TRIAL BALANCE

UNIT STRUCTURE

2.1 Learning Objectives
2.2 Introduction
2.3 Recording of Farm Transactions through Journals and Ledgers
2.4 Treatment of Purchases, Veterinary Expenses, Sale of Pigs
2.5 Preparation of Trial Balance
2.6 Role of Systematic Record-Keeping in Enhancing Credibility with Banks and Investors
2.7 Let Us Sum Up
2.8 Further Reading
2.9 References
2.10 Answers to Check Your Progress
2.11 Model Questions

2.1 LEARNING OBJECTIVES

After studying this unit, you will be able to:

- Explain the process of recording farm transactions through journals and ledgers.
- Describe the treatment of purchases, veterinary expenses, and sale of pigs in farm accounts.
- Prepare a trial balance from farm ledger balances.
- Identify and correct common errors in farm accounts.
- Appreciate the importance of systematic record-keeping for credibility with banks and investors.

2.2 INTRODUCTION

In the first unit, you learned the basics of agricultural accounting and the context in which farming businesses operate. Now, we move to the practical aspects: how farm transactions are first recorded, classified, summarized, and validated. As farms expand and diversify especially in livestock and piggery businesses, proper record-keeping becomes the backbone of financial decision-making, loan acquisition, and effective management. Here, the types and uses of financial statements are discussed, which allows the learners to compute and account business transactions effectively.

2.3 RECORDING OF FARM TRANSACTIONS THROUGH JOURNALS AND LEDGERS

1. The Journal – Book of Original Entry

Every business transaction, such as buying feed, selling livestock, or paying for medicines, must be first recorded as it occurs, in a systematic and chronological order. This is done in the journal, known as the “book of original entry.” In the context of farming, typical transactions include:

- Purchasing feed/veterinary medicines
- Selling pigs or crops
- Paying wages or utilities

The journal captures five key aspects:

- Date
- Particulars (details)
- Ledger Folio (reference to the ledger page)
- Debit amount
- Credit amount

Elaboratively, a **Journal** is the book of original record where all day-to-day business transactions are recorded chronologically. In journalizing, the account to be debited is written first, and the account to be credited is written subsequently, preceded by the preposition ‘To’.

The fundamental rules applied are: Debit the increase in Assets or Expenses/Losses, and Credit the increase in Liabilities, Capital, or Revenue/Gains. We will use the format provided in the sources, utilizing 'Rs' as the monetary unit, consistent with the economics tables related to pig farming.

Example 1: Initial Investment and Recurring Costs in Pig Husbandry (Breeding)

This example reflects transactions related to setting up and maintaining breeding stock, often categorized as fixed or recurring costs in piggery economics.

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
A	**Piglets/Boar Purchase A/c** Dr.		15,000	
	To **Cash A/c**			15,000
	(Being the cost of 3 female piglets and transport paid for in cash)			
B	**Feedstuffs/Purchases A/c** Dr.		9,000	
	To **Bank A/c**			9,000

	(Being purchase of feed concentrate for the pigs, paid by cheque)			
C	**Health Care Cost A/c** Dr.		300	
	To **Cash A/c**			300
	(Being payment for health care costs/vaccination for the piglets)			

Explanation of Entries:

• **Entry A (Purchase of Livestock):** Purchasing piglets or a boar involves investment/fixed costs for the farm enterprise. An increase in the asset (Livestock/Piglets) is debited, and the decrease in the asset (Cash/Bank) is credited.

• **Entry B (Feed Purchase):** Feed costs are a significant recurring cost in pig farming. When feed is purchased, the Purchase/Feedstuffs Account (an expense/asset category) is debited, and the decrease in the asset (Bank) is credited. Farm accounts track expenditures for production purposes, such as feedstuffs.

• **Entry C (Health Care):** Veterinary services and health care costs are operational expenses. Expenses are debited, and the cash used is credited. Farm accounts often include columns for specific enterprise costs, such as "Cattle costs" or similar livestock costs.

Example 2: Sale of Produce and Non-Cash Adjustments in Pig Husbandry (Fattening)

This example reflects transactions related to generating revenue and recognizing asset value decline, relevant to a pig fattening enterprise.

Date	**Particulars**	**L.F.**	**Debit Amount (Rs)**	**Credit Amount (Rs)**
A	**Cash A/c** Dr.		27,000	
	To **Livestock Sales A/c**			27,000
	(Being cash received from the sale of two fattened pigs)			
B	**Depreciation A/c** Dr.		1,000	
	To **Housing/Pig-sty A/c**			1,000
	(Being depreciation charged on the pig housing/sty for the period)			
C	**Bank A/c** Dr.		1,500	
	To **Other Output/Manure Sales A/c**			1,500
	(Being funds deposited from the sale of manure)			

Explanation of Entries:

• **Entry A (Sale of Livestock):** The sale of meat/pigs generates revenue for the operation. Cash (an asset) is debited for the increase, and Sales/Livestock Sales (a revenue account) is credited for the increase in income.

• **Entry B (Depreciation):** Housing (pig-sty) is a fixed asset, and its reduction in value due to wear and tear is recorded as **depreciation**. Depreciation is considered a cost/expense, thus debited, and the value of the asset (Housing Account) is credited.

• **Entry C (Sale of By-product):** Selling manure is a form of gross receipt (other output) from the piggery. The Bank Account (asset) is debited, and the appropriate revenue account, categorized as "Other Output" or "Sales," is credited. Increase in cash/bank is a debit, and increase in income is a credit.

LET US KNOW
The double-entry system mandates that every credit has a corresponding debit.

2. Special Journals in Agribusiness

Special journals are a fundamental part of record-keeping for any business, including those in the agricultural sector. In simple terms, a special journal is a book used to record only one type of financial transaction that occurs frequently. This means that instead of writing every single transaction in the main journal, businesses use these dedicated books to handle repetitive tasks efficiently.

What Are Special Journals?

Special journals are used to record transactions of a similar kind in one place. This organization helps save time and effort, especially in agribusiness where there can be many repetitive transactions like buying seeds, purchasing fertilizers, receiving payments for milk, selling crops, or paying workers. By grouping these similar transactions, it keeps the business records clean and organized, making it easier for both the farmer and the accountant to keep track of finances.

Types of Special Journals in Agribusiness

There are several common special journals used in agribusiness, normally for large firms:

- Sales Journal: Used to record all credit sales of agricultural produce, such as when a farmer sells wheat, vegetables, or livestock on credit to a local vendor or shop.
- Purchases Journal: Used for recording all credit purchases, for example when seeds or fertilizer are bought from a supplier on credit.
- Cash Receipts Journal: This book records all cash that comes into the business, such as when customers pay for fruits or dairy products in cash.

- Cash Disbursements (Payments) Journal: Used for every cash payment made by the farm, such as wages to workers or payment for machinery repairs.

Check Your Progress
Q1: What is the difference between the purchases book and the journal proper?

3. Posting to the Ledger and Balancing the Ledger

The *ledger* is the principal book in which all accounts are kept. Once a farm transaction is recorded in the journal, it needs to be "posted" into the appropriate ledger accounts.

Key farm ledger accounts:

- Pig Feed Account
- Veterinary Expenses Account
- Pigs Sales Account
- General Expenses Account

Posting is defined as the process of transferring entries from the **Journal** (Book of Original Record) or **Special Journal Books** (Subsidiary Books) to the relevant accounts maintained in the ledger. The main purpose of this exercise is to bring all related transactions, which might have been recorded on different dates across different books, together in one place under a single account head.

A. Journal Posting Procedure:

The process of posting entries from the Journal Proper follows specific sequential steps:

1. **Identify and Open Accounts:** Identify the two affected accounts (the one debited and the one credited) in the journal entry, and open these two corresponding accounts in the ledger.

2. **Posting the Debited Account:** The item is posted on the **debit side** (left side) of the respective account in the ledger. The following details are recorded:

i. Date of the transaction.
ii. The name of the account to be **credited** is written in the Particulars column, usually preceded by the preposition 'To'.
iii. The amount of the transaction is entered in the Amount column.

3. **Posting the Credited Account:** The item is posted on the **credit side** (right side) of the respective account in the ledger. The following details are recorded:

i. Date of the transaction.
ii. The name of the account to be **debited** is written in the Particulars column, usually preceded by the preposition "By".
iii. The amount of the transaction is entered in the Amount column.

4. **Dual Aspect:** Both effects of a journal entry must be recorded in the ledger accounts **simultaneously**.

5. **Folio Reference:** For cross-referencing, the page number of the journal from which the item is taken is written in the **Folio (J.F.) column** of the ledger. Conversely, the page number of the ledger is written in the **L.F. (Ledger Folio) column** of the journal.

B. Posting from Subsidiary Books:

In practice, businesses often use Special Journals for repetitive transactions (like Cash Book, Purchases Book, Sales Book).

• **Individual Accounts:** Individual customer (debtor) and supplier (creditor) accounts in the ledger are generally posted daily with the net amount. For instance, each customer account is debited with the net amount due from them.

• **Total Accounts:** At the end of the month, the grand total of the Special Journal is posted in one sum to the respective main account in the ledger. For example, the monthly total of the **Sales Book** is posted to the **credit side** of the **Sales Account** in the ledger. Similarly, the grand total of the **Purchases Journal** is posted to the **Debit side** of the **Purchases Account**.

C. The Ledger Account Format:

The ledger contains various accounts classified according to relevant accounts. A typical account is expressed as a statement in the form of the English letter ‘T’, known as a **T-account**.

• The **left side** of the T-account is designated as the **Debit (Dr.) side**.

• The **right side** of the T-account is designated as the **Credit (Cr.) side**.

• The ledger sheet format includes columns for Date, Particulars, J.F. (Journal Folio), and Amount on both the debit and credit sides.

D. The Process of Balancing Ledgers:

Balancing of an account is the procedure used to find the difference between the total of the debits and the total of the credits of an account. This net effect is determined at the end of an accounting period. The steps in Balancing an Account are:

1. **Total Sides:** Total the amounts recorded on both the debit and credit sides of the account.

2. **Determine Difference:** Determine the difference between the two totals.

3. **Equating Totals:** The difference amount is entered on the **shorter side** of the account to make the totals of the two sides equal.

4. **Closing Balance (c/d):** This difference is recorded as **“Balance c/d”** (carried down).

   i. If the Debit side total is larger, the account shows a **debit balance**, and 'Balance c/d' is written on the credit side.
   ii. If the Credit side total is larger, the account shows a **credit balance**, and 'Balance c/d' is written on the debit side.

5. **Opening Balance (b/d):** The balance should then be **brought down** (carried forward) to the next accounting period.

i. A debit balance (Balance c/d on the credit side) is brought down to the next period on the **debit side** as **"Balance b/d"** (brought down).
ii. A credit balance (Balance c/d on the debit side) is brought down to the next period on the **credit side** as **"Balance b/d"**.

Balancing Different Types of Accounts:

The treatment of the balance depends on the type of account:

Account Type	**Typical Balance**	**Balancing Action**	**Closing Action**
Assets (Real Accounts)	Debit Balance	Always balanced.	Balance is carried forward (b/d) to the next period.
Liabilities (Personal Accounts)	Credit Balance	Always balanced.	Balance is carried forward (b/d) to the next period.
Capital (Owner's Equity)	Credit Balance	Always balanced.	Balance is carried forward (b/d) to the next period.
Expenses/Losses (Nominal Accounts)	Debit Total	Not balanced.	Closed by transferring the total/balance to the **Trading and Profit and Loss Account**.
Revenue/Gains (Nominal Accounts)	Credit Total	Not balanced.	Closed by transferring the total/balance to the **Trading and Profit and Loss Account**.

Check Your Progress
Q2: Why is it important to balance ledger accounts regularly?

2.4 TREATMENT OF PURCHASES, VETERINARY EXPENSES, SALE OF PIGS

Accurate recording and correct classification of major farm transactions are vital for determining profitability. The field of **Farm Accounting** requires measuring and recording all business transactions that have financial consequences in a systematic way. For a pig husbandry enterprise, this involves tracking the costs associated with production, such as purchases of inputs and veterinary care, and recording the revenue generated from the sale of livestock.

The examples below utilize the double-entry bookkeeping system where every transaction affects at least two accounts with equal debits and credits. The rules applied are: **Debit the**

Receiver/Increase in Asset or Expense, and **Credit the Giver/Increase in Liability or Revenue**.

The following are some simple and elaborative Journal examples for Pig Husbandry

1. TREATMENT OF PURCHASES (Variable Inputs/Feedstuffs)

Purchases in pig husbandry often relate to **feed**, which is recognized as one of the largest and most variable input costs.

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
XXX	**Feedstuffs/Purchases A/c** Dr.		3,500	
	To **Supplier (Creditor)/Payables A/c**			3,500
	(Being purchase of concentrated feed on credit for production purposes)			

Explanation:

When feed, which is a key means of production (input), is purchased on **credit**, the value of the purchase (an expense or cost item) increases, so it is **debited**. Since the payment is delayed, the farm incurs a liability (a debt payable) to the supplier, so the Supplier/Payables Account is **credited**.

Elaborative Principles in the solution:

• **Cost Classification:** Feed costs are recognized as **current expenditures** because they are typically used up within the current accounting year, making them variable costs influenced by production volume.

• **Recording Timing (Accrual Principle):** This transaction reflects a **credit purchase**. Although no cash is exchanged, the transaction must be recorded because it establishes a financial consequence (a debt). It will appear on the Balance Sheet under **liabilities** as 'debts payable' (or creditors) until paid.

• **Accounting Rule:** The **Purchases Account** acts as an Expense or Real Account (representing goods coming in for production) and is debited. The Supplier Account (a Personal Account) is credited, representing the Giver of the goods/credit.

2. TREATMENT OF VETERINARY EXPENSES (Operating Costs)

Veterinary services, including costs for medication, deworming, and **vaccination**, are essential recurring costs in livestock management. These expenses are incurred to maintain good animal health and production efficiency.

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)

XXX	**Veterinary/Health Care Cost A/c** Dr.		600	
	To **Cash A/c**			600
	(Being payment made in cash for vaccination services for the pigs)			

Explanation:

The payment for health services is recognized as a **cost/expense** necessary for running the business. Therefore, the **Veterinary/Health Care Cost Account** is **debited**. Since cash is paid out, the Cash Account (an asset) decreases, so it is **credited**.

Elaborative Principles in the solution:

• **Nominal Account:** Veterinary costs fall under **Nominal Accounts** (Expenses). These costs are deducted from revenue to calculate the overall profit or loss (Net Farm Income).

• **Importance in Farm Economics:** Health care costs are critical expenses in piggery economics. Effective health management, including vaccination programs, is crucial for minimizing mortality and maximizing net profit.

• **Recording Mechanism:** In a detailed accounting system (like the Cash Analysis Book), these costs would typically be categorized under an enterprise column such as **'Cattle costs'** (or in this case, pig costs). Non-cash health care costs (e.g., bills incurred but not paid) would also require adjustment under the **Accrual Basis** to reflect the true cost for the period.

3. TREATMENT OF SALE OF PIGS (Revenue/Output)

The sale of pigs (either fatteners, piglets, or breeding stock) constitutes **output** or gross **revenue** for the farm enterprise.

Date	Particulars	L.F.	Debit Amount (Rs)	Credit Amount (Rs)
XXX	**Cash A/c** Dr.		27,000	
	To **Livestock Sales A/c**			27,000
	(Being cash received from the sale of two fattened pigs)			

Explanation:

When pigs are sold for cash, the Cash Account (an asset) **increases** because money comes into the business, so it is **debited**. The **Livestock Sales Account** (a revenue account representing output) increases, so it is **credited**.

Elaborative Principles in the solution:

• **Live Capital/Assets:** Livestock (pigs) are considered **live capital** or biological assets. Unlike dead capital (machinery), livestock is simultaneously a capital good and farm produce. The sale generates **Gross Output**.

• **Sales vs. Capital Receipts:** Receipts from the sale of regular livestock output (like fattened pigs) are recorded as *revenue*. If the sale involved selling a fixed capital asset, such as a tractor, the receipt would not be considered *output* and would instead affect the Balance Sheet directly.

• **Net Sales and Growth:** The revenue from selling livestock is tracked alongside changes in the value of the remaining herd (Growth of Livestock) to determine the total livestock output for the Profit and Loss Account.

• **Cash Basis vs. Accrual Basis:** This example reflects a **cash sale**, which is recorded immediately in the Cash Book/Journal. If the sale were made on **credit** (a debt receivable), the transaction would still be recorded in the journal (or Sales Day Book) immediately, applying the accrual principle to capture the revenue event when it occurred, regardless of when cash is received.

Check Your Progress
Q3: Which accounts are affected when a pig is sold on credit and when it is sold for cash?

2.5 PREPARATION OF TRIAL BALANCE

The **Trial Balance** is a crucial step in the accounting process, acting as a summarized statement that helps verify the arithmetical accuracy of the records maintained.

A Trial Balance is a **statement** or a **list** of all ledger account balances extracted on a particular date. It is important to note that the Trial Balance itself is **not an account**; it is merely a statement.

The core reason for preparing a Trial Balance lies in the **double-entry system** of accounting. This system dictates that every debit in a transaction must have a corresponding credit for the same amount. Consequently, the total of all debit balances in the ledger should theoretically equal the total of all credit balances.

Key Objectives of Preparation:

1. **Check Arithmetical Accuracy:** The primary goal is to check the **arithmetical accuracy** of the ledger posting, which includes ensuring the correct amount is written, in the correct account, and on the correct side. If the debit and credit totals agree (tally), it is generally presumed that the ledger has been correctly maintained.

2. **Aid in Preparing Financial Statements:** The Trial Balance serves as a foundation for preparing the final accounts, such as the **Trading and Profit and Loss Account** and the **Balance Sheet**, as it consolidates all necessary balances.

3. **Help in Locating Errors:** If the two columnar totals **do not tally**, it indicates that a mistake exists in recording and/or posting transactions in the ledger, prompting the accountant to search for the errors.

4. **Reference and Comparison:** It acts as a **quick reference** to find the balance in any ledger account. It also helps management by allowing comparison of account balances over different periods.

Steps in Preparing the Trial Balance:

The preparation of a Trial Balance follows the **summarizing** stage of the accounting cycle, occurring after transactions have been recorded in the Journal/Special Purpose Books and subsequently **posted** and **balanced** in the Ledger.

The main steps involved in its preparation are:

1. **Ascertain Account Balances:** Determine the final balance (debit or credit) of every single ledger account (including cash and bank balances).

2. **Identify Account Type and Balance:** Classify the nature of the balance:

   ◦ **Debit Balances** usually belong to **Assets**, **Expenses**, **Losses**, and **Drawings**.

   ◦ **Credit Balances** usually belong to **Liabilities**, **Capital**, **Revenue**, and **Gains**.

3. **Transfer Balances:** Write the name of the ledger account in the appropriate column and record the balance amount:

   ◦ Debit balances are entered in the **Debit Amount column**.

   ◦ Credit balances are entered in the **Credit Amount column**.

4. **Total and Compare:** Add the totals of the Debit Amount column and the Credit Amount column. These totals **should be equal**.

Format and Methods of Preparation:

Format

The standard format of a Trial Balance lists the name of the business and the specific date it is prepared ("As at..."). It typically includes columns for:

1. **Name of the Account:** Lists all ledger account names.

2. **L.F. (Ledger Folio):** Used for cross-referencing the page number of the ledger where the account is found.

3. **Debit Balance (Amount):** Records the amount of the debit balance.

4. **Credit Balance (Amount):** Records the amount of the credit balance.

Methods of Preparation

There are generally three methods for preparing a Trial Balance, though the Balance Method is the most commonly used in practice:

1. **Balance Method (Net Trial Balance):** In this method, only the **net debit or credit balance** of each account is extracted and listed. This method is preferred as it is directly useful for preparing final accounts.

2. **Total Method (Gross Trial Balance):** In this method, the **total** of both the debit side and the total of the credit side of every ledger account are listed, without calculating the final net balance.

3. **Balance Total Method (Compound Method):** This combines both methods, showing the total amounts and the final balances separately in four amount columns.

Trial Balance and Errors

The agreement of a Trial Balance is an indication of arithmetical accuracy, but it is **not conclusive proof** that the accounts are entirely correct.

Errors that are NOT disclosed by a Tallying Trial Balance:

These errors do not affect the agreement because the debit and credit sides are affected simultaneously by the same amount. They include:

• **Errors of Omission:** Failing to record a transaction at all in the books (e.g., missing an entry completely in the Journal).

• **Compensating Errors:** Two or more errors that cancel each other out (e.g., one account is debited too much, and another is credited too much by the exact same amount).

• **Errors of Principle:** Recording a transaction in violation of accounting principles (e.g., classifying a Capital Expenditure as a Revenue Expenditure).

• **Misposting/Wrong Account Head:** Posting the correct amount on the correct side, but to the wrong account (e.g., debiting the Commission Account instead of the Insurance Account for a payment).

Dealing with Disagreement (The Suspense Account):

If the Trial Balance totals **do not agree**, there is an arithmetical error. To quickly equalize the totals and allow the preparation of final statements, the difference is transferred to a temporary account called the **Suspense Account**.

• If the **Debit total is less**, the difference is placed in the **Debit column** against the Suspense Account.

• This account is a **temporary arrangement** and disappears once the error(s) causing the discrepancy are detected and rectified.

Illustration: Mr. Zoding, a farmer in Mizoram (NEI), started a pig breeding enterprise on 1 January 2021. The currency used is the unit 'Rs' (Money), as designated in the sources. Prepare journal and Ledger entries and Trial Balance

Transactions for the period ending 31 December 2021:

1. **Jan 1:** Mr. Zoding commenced the business by investing cash of Rs 50,000 (Capital).

2. **Jan 3:** Purchased pig housing (Fixed Asset) on credit for Rs 10,000.

3. **Jan 5:** Purchased 3 female piglets (breeding stock) and incurred Rs 600 for transport, paying Rs 14,100 in total via bank transfer.

4. **Jan 10:** Purchased bulk concentrated pig feed (input) worth Rs 11,250 on credit from M/s Feed Suppliers.

5. **Jan 15:** Paid Rs 1,220 in cash for the year's preventive health care costs (Rs 600) and pig insurance (Rs 620).

6. **Dec 15:** Sold all weaned piglets produced during the first year for Rs 63,000, receiving the amount in cash.

7. **Dec 28:** Paid Rs 8,000 via cheque to settle part of the debt owed to M/s Feed Suppliers (from Jan 10). M/s Feed Suppliers allowed a cash discount of Rs 250 for prompt payment.

8. **Dec 31:** Mr. Zoding withdrew pig feed (goods) valued at Rs 500 from the stock for his household consumption.

Solution;

A. Journal Entries

Date	**Particulars**	**L.F.**	**Debit Amount (Rs)**	**Credit Amount (Rs)**
2021				
Jan 1	**Cash A/c** Dr.		50,000	
	To **Capital A/c**			50,000
	(Being commencement of business with cash capital)			
Jan 3	**Housing A/c** Dr.		10,000	
	To **Creditor (Housing) A/c**			10,000
	(Being purchase of housing on credit)			
Jan 5	**Livestock A/c** Dr.		14,100	

	To **Bank A/c**			14,100
	(Being purchase of breeding stock and transport paid by bank)			
Jan 10	**Purchases/Feedstuffs A/c** Dr.		11,250	
	To **M/s Feed Suppliers A/c**			11,250
	(Being credit purchase of feed concentrate)			
Jan 15	**Health Care Costs A/c** Dr.		600	
	Insurance A/c Dr.		620	
	To **Cash A/c**			1,220
	(Being payment of health costs and insurance in cash)			
Dec 15	**Cash A/c** Dr.		63,000	
	To **Livestock Sales A/c**			63,000
	(Being cash received from sale of weaned piglets (output))			
Dec 28	**M/s Feed Suppliers A/c** Dr.		8,250	
	To **Bank A/c**			8,000
	To **Discount Received A/c**			250
	(Being debt settled partially, and discount received, paid via bank)			
Dec 31	**Drawings A/c** Dr.		500	
	To **Purchases/Feedstuffs A/c**			500
	(Being pig feed taken by owner for personal consumption)			

B. Other questions to solve for the illustration

Question 1: Based on the journal entries above, **post all relevant items to the Cash Account** and determine its final **closing balance (Balance c/d)** as of 31 December 2021.

Hint: Show the Cash Account T-format, posting all entries and calculating the closing balance.

Question 2: Preparation of the Trial Balance (Balance Method)

Preparation of the Trial Balance for Mr. Zoding's Pig Breeding Unit as of 31 December 2021 using the **Balance Method**. (Assume all nominal accounts, like Purchases/Feedstuffs, Health Care Costs, and Livestock Sales, show their calculated balance/total at year-end, which is carried forward for the Trial Balance).

Note: For this question, assume that no depreciation has been charged for the year (Transaction 9 is ignored).

Solution 1: Cash Account (Ledger Posting and Balancing)

Cash Account

Dr.							Cr.
Date	**Particulars**	**L.F.**	**Amount (M)**	**Date**	**Particulars**	**L.F.**	**Amount (M)**
20X1				20X1			
Jan 1	To Capital A/c		50,000	Jan 15	By Health Care Costs A/c		600
Dec 15	To Livestock Sales A/c		63,000	Jan 15	By Insurance A/c		620
				Dec 31	By Balance c/d (Closing Balance)		**111,780**
Total			**113,000**	**Total**			**113,000**
20X2							
Jan 1	To Balance b/d (Carried Forward)		**111,780**				

Explanation: The Cash Account, being a **Real Account** (Asset), starts with a debit balance and typically maintains a debit balance, as cash received (**debits**) must be greater than or equal to cash paid (**credits**).

Solution 2: Trial Balance Preparation

The Trial Balance lists the final balances of all accounts.

Account Name	**Type of Balance***	**Debit (Rs)**	**Credit (Rs)**

Cash A/c (Asset)	Debit	111,280	
Capital A/c (Liability/Equity)	Credit		50,000
Housing A/c (Asset)	Debit	10,000	
Creditor (Housing) A/c (Liability)	Credit		10,000
Livestock A/c (Asset)	Debit	14,100	
Bank A/c (Asset)	Debit (See calculation below)	5,850	
Purchases/Feedstuffs A/c (Expense - Net)	Debit (See calculation below)	10,750	
M/s Feed Suppliers A/c (Liability - Net)	Credit (See calculation below)		3,000
Health Care Costs A/c (Expense)	Debit	600	
Insurance A/c (Expense)	Debit	620	
Livestock Sales A/c (Revenue)	Credit		63,000
Discount Received A/c (Revenue/Gain)	Credit		250
Drawings A/c (Equity reduction)	Debit	500	
GRAND TOTAL		**153,700**	**126,250**
Suspense Account (Difference)	Credit		**27,450**
FINAL TOTALS		**153,700**	**153,700**

Column *added for explanation only

Working Notes for Account Balances:

1. **Bank A/c:** (Cr. 14,100 from Jan 5) + (Cr. 8,000 from Dec 28) = 22,100 **Credit Balance**. *(Note: If the initial balance was Rs 50,000, the remaining balance would be Debit, but since no initial bank balance was specified, the bank is overdrawn, reflecting a **Liability**)*.

Correction based on typical accounting practice (Bank Overdraft is a liability and usually has a Credit Balance): 14,100 + 8,000 = **Rs 22,100 (Credit Balance)**.

2. **M/s Feed Suppliers A/c (Liability):**

- Credit (Jan 10): 11,250
- Debit (Dec 28): M 8,250
- **Credit Balance:** 11,250 – 8,250 = **Rs 3,000**.

3. **Purchases/Feedstuffs A/c (Expense):**

- Debit (Jan 10): 11,250

◦ Credit (Dec 31, Drawings): 500

◦ **Debit Balance:** 11,250 – 500 = **Rs 10,750**.

4. **Bank A/c:** Rs 22,100 (Credit Balance as per Working Note 1).

Check Your Progress
Q4: What does it mean if the debit and credit columns of the trial balance don't agree?
Q5: Why is it not advisable to erase or overwrite entries while correcting errors?

2.6. ROLE OF SYSTEMATIC RECORD-KEEPING IN ENHANCING CREDIBILITY WITH BANKS AND INVESTORS

The foundation of financial credibility for companies looking for bank and investor backing is systematic record-keeping. Companies establish a foundation of trust that makes external capital more available and affordable when they keep accurate, well-organized, and current financial records. This approach turns what could appear to be mundane administrative tasks into an effective strategic instrument that has a direct impact on a business's capacity to raise money and expand. The following can be comprehended for the said concept:

Developing Transparency to Foster Trust:
Credibility among investors and lenders is based on financial transparency. Businesses that keep thorough and transparent records show responsibility and responsible management techniques, which are highly valued by financial institutions. Stakeholders may observe how a business functions, where funds go, and how management takes choices thanks to well-organized financial systems. Investors, who inherently perceive less risk when they can confirm the completeness and correctness of financial information, are less uncertain as a result of this transparency.

Investors and banks require assurance that their money will be handled sensibly. By establishing an audit trail that records each transaction, spending, and source of income, systematic record-keeping offers this confidence. Lenders are more inclined to offer credit on favorable conditions when they can quickly confirm a company's financial stability using well-maintained cash flow, income, and balance sheets. This openness also enables companies to show that they can successfully manage debt commitments and produce steady returns.

Simplifying the Procedure for Loan Applications:
Businesses with systematic record-keeping systems are significantly more adept at navigating the substantial documentation required for loan approval than those with unstructured files. Usually, income tax returns, profit and loss statements, bank statements spanning six months to many years, and other financial records are requested by lenders. Businesses that keep these records in a methodical manner can respond to requests for information promptly and precisely, cutting down on the amount of time it takes to process applications.

When assessing loan applications, banks look at a number of important variables, and each evaluation area is supported by appropriate paperwork. They look at income sources to determine the ability to repay, analyze spending trends to comprehend financial management, closely study overdrafts and fees to spot warning signs, and confirm that application information corresponds with real financial records. Businesses may give accurate and consistent information at all of these evaluation points if they maintain systematic records. Discrepancies that could otherwise cause issues or result in the rejection of an application are eliminated by this uniformity.

Improving the Evaluation of Creditworthiness:
Systematic records give banks and investors the proof they need to determine a company's creditworthiness, which is a measure of its capacity to meet financial obligations. Financial records that are kept up to date show trends in profitability, operational stability, and prudent cash flow management. Since lenders favor borrowers who can demonstrate their financial stability over time, these criteria have a direct impact on credit scores and loan decisions.

Accurate records allow organizations to accurately display the debt-to-income ratio, which is a crucial criterion in evaluating creditworthiness. Lenders assess financial stress levels by comparing monthly income and debt obligations. In contrast to companies with inadequate or disorganized records, those with systematic record-keeping are able to clearly demonstrate both sides of this equation and frequently show a more advantageous financial condition.

Fulfilling the Needs of Due Diligence for Investors:
Before making a financial commitment, due diligence investors require thorough financial documentation. Systematic record-keeping guarantees that companies can easily deliver the five key document types that investors require: monthly financial records, multi-scenario financial models, legal and administrative documents, strong pitch materials, and frequent progress reports. Every category has a distinct function in boosting investor trust and proving preparedness for investment.

The foundation of investor due diligence is comprised of financial statements, which provide comprehensive overviews of the financial health of the company. Investors can assess financial situation and ability to meet obligations by looking at the balance sheet, which lists assets, liabilities, and equity. Through the breakdown of revenues, expenses, and net income, the income statement demonstrates profitability. By monitoring the movement of funds, the cash flow statement sheds light on liquidity and operational effectiveness. When taken as a whole, these documents give investors the ability to decide on funding options with knowledge.

To safeguard investors and companies alike, venture capital transactions necessitate especially thorough paperwork. Subscription agreements, rights of first refusal, voting agreements, stock purchase agreements, and investor rights agreements are examples of core agreements. Governance, stock rights, and investment terms are defined by foundational corporate documents such as articles of association, certificates of incorporation, and term sheets. Companies that maintain systematic records are able to efficiently gather these materials, showcasing their professional management skills and organizational maturity, which draw in investment money.

Lowering Audit Risks and Maintaining Conformance:
By retaining thorough, accurate, and readily available documentation, systematic record-keeping dramatically lowers audit risks. Businesses generate strong audit trails that meet internal control standards and regulatory requirements when they set up thorough recording procedures, keep accurate records, and reconcile accounts on a regular basis. The possibility of unfavorable conclusions or fines is decreased by this preparation, which gives auditors confidence and shows a dedication to financial integrity.

A vital component of preserving confidence with investors and financial institutions is adhering to regulatory standards. To maintain accountability and transparency, governments and regulatory agencies need companies to keep correct financial records and submit reports on a regular basis. Significant fines, legal repercussions, and even the closure of operations may follow noncompliance. Businesses can reduce legal risks and build trust with stakeholders, such as investors, consumers, and regulatory bodies, by using systematic record-keeping to swiftly produce the compliance documentation they need.

Providing Assistance for Strategic Financial Planning:
The financial clarity required for well-informed business choices and expansion planning is provided by accurate records. Management may examine spending trends, spot cost inefficiencies, optimize processes, and gain a deeper understanding of client behavior when they have access to well-organized historical data. Businesses can use this information to monitor target progress, set reasonable budgets, and modify plans based on performance rather than conjecture.

Systematic record-keeping is crucial for cash flow management, which is necessary for the survival and growth of businesses. According to research, inadequate cash flow management accounts for 82% of small business failures, making this a crucial area where appropriate documentation makes a real impact. Businesses can produce accurate cash flow statements and predictions by methodically tracking their income and expenses. This helps them anticipate issues before they arise and facilitates proactive remedies. Lenders and investors want to assist companies that anticipate and intelligently address issues, and this financial foresight shows management skill.

Enhancing Capital Access and Growth Prospects:
Access to cash is directly enhanced by well-organized financial records, which show management prowess and financial soundness. Before allocating resources, lenders and investors need comprehensive financial data to assess the risk, profitability, and viability of a business. Thorough financial reports with unambiguous cash flow, balance sheet, and income statement declarations offer the crucial clarity that fosters confidence and increases the likelihood of funding.

Documented financial performance is a major factor in financial institutions' evaluations of a company's loan repayment capacity. Systematic records demonstrate that companies make enough money, control spending, and have enough cash on hand to pay off debt. Better lending conditions, such as reduced interest rates, increased credit ceilings, and more accommodating repayment plans, are closely correlated with this finding. Studies show that companies with clear financial reporting get finance more quickly and under better terms than rivals with jumbled

or missing documents.

Financial transparency, in particular, aids in removing obstacles to capital access that have traditionally constrained the expansion of small and medium-sized businesses. Systematic record-keeping helps these enterprises to obtain funding from banks, government-backed initiatives, and private investors as their roles in economic diversification grow. Research indicates that training and management of business records have beneficial indirect effects on business growth, with the overall results of good record-keeping procedures showing a notable positive impact on the capacity for expansion.

Building Durable Stakeholder Connections:
Maintaining thorough records creates credibility that endures beyond specific funding proposals. Frequent, precise financial reporting encourages investors to retain long-term connections rather than seeing their involvement as temporary by demonstrating continued reliability and expert management. Over time, these crucial business relationships are strengthened and trust is fostered by consistent communication backed by well-documented financial performance.

When companies exhibit a steadfast dedication to accountability and transparency through careful record-keeping procedures, stakeholder confidence increases. This confidence shows itself in a variety of ways, such as banks extending credit lines to dependable borrowers, investors providing follow-on capital for later stages of growth, and business partners entering into bigger deals with trustworthy organizations. These improved linkages work together to produce competitive advantages that speed up company growth and provide access to possibilities that would not otherwise be available. The future impact in general could lead to the following:

- Access to cheaper, larger loans if bank is confident in farm's accounting.
- Attracts professional investors/ partners.
- Reduces fraud, error, and mismanagement risk.

2.7 LET US SUM UP

- Journal, ledger, and trial balance form the backbone of the accounting system, ensuring proper classification, summary, and validation of all farm transactions.
- Correct recording of purchases, veterinary, and sales transactions allows for accurate profitability estimation and control.
- Errors, if undetected, can misrepresent the business's true position—so using suspense accounts and checks is essential.
- Systematic record-keeping builds trust with banks and investors, supporting farm expansion and operational efficiency.

2.8 FURTHER READING

- NIOS Open School, Accountancy – Module 1 & 2
- “Farm Accounting Made Simple” – S. Roy
- “Principles of Farm Management” – JA Mote
- ICAI Foundation Course Study Material
- ICSI Executive Course Study Material

2.9 REFERENCES

- Foundation-Paper2-Revised by ICAI
- 320_Accountancy-1, ICAI
- National Livestock Policy, GoI – Latest Amendments
- Web-based accounting resources for agriculture and piggery enterprises, NIPR

2.10 ANSWERS TO CHECK YOUR PROGRESS

Answers to Q:

1. The purchases book records all credit purchases of goods, while the journal proper records non-routine transactions like asset purchases, corrections, or accruals.
2. Regular balancing allows for timely detection of errors and ensures up-to-date account positions.
3. For cash sales: debit Cash, credit Pig Sales; for credit sales: debit Debtor/Customer Account, credit Pig Sales.
4. It means some errors have occurred in ledger posting, balancing, or totaling—steps must be taken to identify and correct them, possibly using a suspense account.
5. Overwriting erases the audit trail and may enable fraud; corrections should be made via journal entries or neat cross-outs with initials.

2.11 MODEL QUESTIONS

Short Questions:

1. What is a journal?
2. Define ledger.
3. What is a trial balance?

Long Questions:

4. Describe the steps involved in recording a farm transaction from the journal to the trial balance.
5. Discuss the treatment of veterinary expenses with an example.
6. Explain with illustrations how to detect and correct common errors found at the trial balance stage.

UNIT 3: PREPARATION OF FINANCIAL STATEMENTS

UNIT STRUCTURE

3.1 Learning Objectives
3.2 Introduction
3.3 Construction of Trading Account
3.4 Construction of Profit & Loss Account
3.5 Construction of Balance Sheet
3.6 Important Inclusion of Revenues from Pig Sales, By-Products, and Subsidies
3.7 Treatment of Expenses: Feed, Labour, Veterinary Care, and Depreciation
3.8 Significance of Financial Statements in Measuring Farm Profitability and Financial Health
3.9 Let Us Sum Up
3.10 Further Reading
3.11 References
3.12 Answers to Check Your Progress
3.13 Model Questions

3.1 LEARNING OBJECTIVES

After completing this unit, learners will be able to:

- Construct a Trading Account, Profit & Loss Account, and Balance Sheet for a piggery or similar farm enterprise.
- Identify and include revenues from pig sales, by-products, and subsidies in the appropriate financial statements.
- Understand the importance of these statements in assessing farm profitability and financial health.

3.2 INTRODUCTION

If you have followed the material thus far, you are now ready to move from basic accounting records to the preparation of full financial statements. Preparing financial statements is like creating a clear report card for a farm business. You will see how all the transactions recorded through journals and ledgers are summarized to produce accounts that tell the story of your farm's financial progress, performance, and position at the end of a period. In the context of piggery enterprises and similar agri-businesses, this unit shows step-by-step how to construct the Trading Account, Profit & Loss Account, and Balance Sheet, and what each means for the measurement of business success and solvency.

This unit defines the preparation of **Financial Statements** that represents the culmination of the systematic accounting process, providing the final summary of a business's financial status and performance. These statements are essential because they provide quantitative financial information required by users such as owners, banks, and investors to make informed economic

decisions. The two primary statements prepared at the end of the accounting period are the **Profit and Loss Account** (Income Statement) and the **Balance Sheet**.

3.3 CONSTRUCTION OF TRADING ACCOUNT

The **Trading Account** is a fundamental component of the profitability statement used in financial accounting, especially in merchandising and trading concerns. Although pig husbandry often involves specialized farm accounting methods focused on calculating **Net Farm Income (NFI)**, the structure and principles of the Trading Account which calculates Gross Profit can be applied by summarizing direct production output and costs related to raising and selling pigs.

The objective of preparing a Trading Account is to find out the **Gross Profit** or **Gross Loss**, which is an important indicator of business efficiency.

A. Role and Structure of the Trading Account

The overall objective of the final accounts (which include the Trading Account) is to show the profitability of the business. The Trading Account generally deals only with items directly related to the main business activity, specifically the goods purchased and sold.

Components of the Trading Account:

Debit Side (Costs)	**Credit Side (Revenue/Output)**
Opening Stock (Finished goods only for trading concern)	**Sales Revenue** (Income earned from main activity, less returns)
Purchases (Goods bought for resale)	**Closing Stock** (Finished goods, valued at cost or net realizable value, whichever is lower)
Direct Expenses (Such as wages, carriage inwards, freight, and royalty on production)	**Gross Loss** (If debit side is greater than credit side, transferred to Profit & Loss A/c)
Gross Profit (If credit side is greater than debit side, transferred to Profit & Loss A/c)	

Distinction in Farm Accounting:

In traditional farm accounting, the balance remaining after costs are deducted from output is commonly called **Net Farm Income (NFI)**, rather than 'profit' or 'loss', especially in a sole proprietor or family business where the owner's labour and management remuneration are not included in expenditures. The Profit and Loss Account of a farm calculates the NFI.

However, the structure for livestock output is adapted: the total output of livestock should be looked at simultaneously as **produce rendering net sales** and **capital rendering growth**. Under good husbandry, **Net Sales and Growth of Livestock** typically result in a positive figure

and appear on the output (Credit) side of the Profit and Loss Account (which incorporates the gross margin or profit).

For the purpose of constructing a **Trading Account** related specifically to pig husbandry, we focus on the **direct costs of production** (like feed and direct farm labour/veterinary care) and the **revenue from sales** (output).

B. Trading Account Illustration for Pig Husbandry

This illustration focuses on the direct costs and output of a pig fattening unit in **Rs.** (Rupees)

Trading Account for Pig Husbandry for the year ended XXX

Dr.			Cr.
Particulars	**Amount (Rs.)**	**Particulars**	**Amount (Rs.)**
To Opening Stock (Livestock)	10,000	By Sales Revenue (Livestock Output)	60,000
(Value of fattening stock at start)		(Cash received from selling fattened pigs)	
To Purchases (Piglets)	15,000	By Other Output (e.g., Manure Sales)	2,000
(Cost of concentrates, by-products, etc.)		By Closing Stock (Livestock)	18,000
To Wages (Direct labour for rearing)	5,000	(Value of unsold pigs at year-end)	
To Veterinary Expenses (Direct cost)	1,500		
To Gross Profit c/d (Balancing Figure) [Amount transferred be to P/L Acc.]	**18,500**		
Total	**80,000**	**Total**	**80,000**

Explanation of Items:

1. **Opening and Closing Stock (Livestock):** These are recorded to account for the biological assets on hand at the start and end of the period. This step helps calculate the change in inventory value, necessary for output determination. The closing stock is typically valued at cost or market price, whichever is lower.

2. **Purchases (Inputs): Purchases** refers to goods bought for resale or for producing finished products for sale. In pig husbandry, this includes the cost of purchasing new piglets or fatteners (if not home-bred) and the high variable costs of **Feedstuffs** (e.g., concentrated feed). These are direct production expenses.

3. **Direct Expenses (Wages and Veterinary):** These include costs directly involved in the production process. Wages paid for the labour directly involved in rearing are included here, as are essential **Veterinary Expenses** (e.g., immediate vaccination costs), which are incurred to earn revenue.

4. **Sales Revenue (Livestock Output):** This records the income realized from the main business activity—the sale of fattened pigs. Revenue is recognized when cash has been received or the legal right to receive cash has been created (**Realisation Concept**).

5. **Gross Profit:** In this illustration, the total output (Rs 80,000) exceeds the total costs (Rs 61,500), resulting in a **Gross Profit of Rs 18,500**. This balance is a measure of operational efficiency before considering overheads (like administrative costs or depreciation on fixed assets). This Gross Profit is then transferred to the **Profit and Loss Account**.

Let Us Know
Gross profit is an efficiency measure how well your farm converts purchases and direct input into sales.

Check Your Progress
Q1: Why is closing stock added to the credit side of the Trading Account?

3.4 CONSTRUCTION OF PROFIT & LOSS ACCOUNT

The **Profit and Loss Account** (P&L Account), within the context of farm accounting, is the crucial final document used to determine the financial result of the business operations over one accounting year. It provides a **summary of all output and costs**.

A. Role of the Profit and Loss Account

1. **Calculating Net Farm Income (NFI):** The main objective of the P&L Account for a farm is to calculate the **Net Farm Income (NFI)**, which is the balance remaining after all real costs have been deducted from the total output. The equation used is:

Net Farm Income = Total Output - Total Real Costs.

2. **Owner's Remuneration:** For small farms or family businesses, the farmer is typically both the owner and the manager. Therefore, the NFI represents the farmer's **remuneration** (payment) for the labour, management, and own capital invested in the farm.

3. **Adjusting for Accuracy:** Simply listing the cash receipts and cash expenditures from the Cash Analysis Book is insufficient. The account requires crucial adjustments to convert 'receipts'

into true **output** and 'expenditures' into true **costs**. These adjustments include recognizing accruals (debts receivable and payable), valuing stock (inventory) of inputs and outputs, and calculating non-cash costs like **depreciation**.

4. **Treatment of Livestock:** For a pig husbandry unit, the financial activity of the livestock is viewed in two ways simultaneously: as **produce** (rendering net sales) and as **capital** (rendering growth). The figures for **Net Sales and Growth of Livestock** are combined to represent the total output derived from the pigs. If the farm is well managed, this combined figure should appear on the output side.

5. **Excluding Private Items:** Items related to the farmer's personal finances, known as **Private Drawings** or private receipts and expenditures, are specifically **omitted** from the Profit and Loss Account, as they are not costs or output of the farm business.

Format of **Profit and Loss Account for the Year Ended…**

Dr. (Debit Side)	**Amount**	**Cr. (Credit Side)**	**Amount**
Gross Loss (transferred from Trading A/c)		**Gross Profit** (transferred from Trading A/c)	
Administrative Expenses		**Other Income**	
Office salaries		Sale of manure	
Communication		Interest received	
Travel & Conveyance		Commission received	
Office rent		Subsidy received	
Depreciation of office assets		Profit on sale of assets	
Audit fees		Rent received	
Insurance		**Net Loss**	
Repairs & maintenance		**Total**	
Operational Expenses			
Feed & fodder expenses			
Veterinary expenses			
Breeding expenses			
Labour wages			
Farm utilities (Water, Electricity)			

Dr. (Debit Side)	Amount	Cr. (Credit Side)	Amount
Selling & Distribution Expenses			
Transportation expenses			
Commission on sales			
Advertising			
Vehicle expenses			
Delivery van expenses / Depreciation on delivery vans / Bad debts			
Financial Expenses			
Bank charges			
Interest on loans			
Financial expenses			
Loss on sale of assets			
Net Profit			
Total		**Total**	

B. Profit and Loss Account Illustration for Pig Husbandry

This illustration, specific to a pig husbandry operation in the context of NE India, follows the layout where **Output** is shown on the left and **Costs** are shown on the right, consistent with the format provided in the source material. Figures are represented in **Rs.** (Rupees).

Profit and Loss Account (Pig Husbandry) for the year ended XXX

Dr.
Cr.

Particulars - **Costs and Expenses**	**Amount (Rs.)**	Particulars - **Revenue and Output**	**Amount (Rs.)**
To Feedstuffs Costs	38,000	By Net Sales and Growth of Livestock	65,000
(Consumption of concentrated feed and inputs)		(Sales of piglets/fatteners (+) change in breeding stock value)	
To Veterinary and Health Care	1,500	By Other Output (Manure Sales)	1,500

Costs			
(Vaccination, medical supplies, and services)		(Income from secondary product sales)	
To Overhead Costs	3,000	By Home Consumption	2,000
(General farm overheads, rent, interest, etc.)		(Value of farm produce taken by owner for personal use)	
To Depreciation of Fixed Assets	5,000		
(Non-cash loss in value of pig housing/equipment)			
To Net Profit (NFI) transferred to Capital A/c	**21,000**		
Total	**68,500**	**Total**	**68,500**

Explanation notes:

1. **Debit Side (Dr.) – Expenses and Losses:** According to the rules governing **Nominal Accounts**, all expenses and losses are **debited**. Costs such as Feedstuffs, Veterinary fees, Overheads, and the non-cash cost of Depreciation represent consumption of resources used to generate revenue and are listed here. The owner's withdrawal of cash/goods for domestic use is typically treated as **Drawings**, which reduces Capital. However, the cost of goods withdrawn (Home Consumption) is included on the Credit (Output) side to determine the full output of the farm, and its value is reduced from the owner’s equity elsewhere.

2. **Credit Side (Cr.) – Revenue and Gains:** All revenue and gains are **credited**. This includes the primary income stream from **Livestock Sales and Growth** and secondary income like **Other Output (Manure Sales)**. **Home Consumption** (the value of goods consumed by the owner) is recognized here as part of the total output generated by the farm before considering its personal use by the proprietor.

3. **Net Profit Calculation:** The P&L Account is prepared to show the financial performance of the business (profit or loss).

- Total Revenue (Credit Side) = Rs. 68,500
- Total Expenses (Debit Side) = Rs. 47,500 (38,000 + 1,500 + 3,000 + 5,000)
- Since Revenue exceeds Expenses, the result is a **Net Profit**.
- Net Profit (NFI) = Rs. 68,500 – Rs. 47,500 = **Rs. 21,000**.

This Net Profit (NFI) is the **balancing figure** placed on the Debit side to make the totals equal, and it is subsequently added to the owner's **Capital** in the Balance Sheet, as profit increases the owner's equity.

Let Us Know
Subsidies are usually recognized as income in the period they are received or receivable, according to the accrual concept.

Check Your Progress
Q2: List two examples each of indirect income and indirect expenses in a piggery.

3.5 CONSTRUCTION OF BALANCE SHEET

The **Balance Sheet** is one of the final statements prepared in the accounting process, providing a snapshot of the business's financial health on a specific date.

It is important to note that the Balance Sheet exhibits the financial position of the business only **as of a particular date**. It is not an account, but rather a statement or list of balances derived from the ledger.

The Role and Purpose of the Balance Sheet:

The Balance Sheet is often referred to as a **Position Statement** because its main objectives are to:

1. **Depict Financial Position:** It shows what the business **owns** (Assets) and what it **owes to others** (Liabilities). It describes the **state of affairs** of the business as on a particular date.

2. **Verify the Accounting Equation:** The entire statement is structured around the fundamental **Accounting Equation**:

Assets = Liabilities + Capital (Owner's Equity).

The two sides of the Balance Sheet must always be equal.

3. **Show Resource Funding:** The Balance Sheet shows the list of resources (assets) and how these resources are funded (the liabilities and capital/owner's equity). The liabilities and capital represent the **sources of funds**, and the assets represent the **application of funds**.

4. **Reflect True and Fair View:** An auditor must confirm in their report whether the Balance Sheet provides a **true and fair view** of the state of affairs of the enterprise.

5. **Reflect Financial Results:** The Balance Sheet is prepared **after incorporating the resulting profit or loss** from the Income Statement (Profit and Loss Account). Profit/Loss is either added to or deducted from the owner’s Capital/Equity.

Construction and Components

The Balance Sheet lists three primary components: Assets, Liabilities, and Capital. The format typically adheres to a horizontal or T-format (especially for non-company organizations).

A. The Liabilities Side (Sources of Funds)

This side details the obligations of the business. As per the **Business Entity Concept**, the owner and the business are separate entities, so any contribution by the owner is considered a liability of the business.

1. **Capital (Owner's Equity):** This is the amount invested by the owners. It represents the owner's claim against the assets.

◦ This figure is adjusted by adding **Net Profit** (or deducting Net Loss) from the Profit and Loss Account and deducting **Drawings** (money or goods withdrawn by the owner for private use).

◦ For non-corporate firms, accumulated profits or losses are generally added to the capital account.

2. **Long-Term or Non-Current Liabilities:** Obligations that are to be settled over a **longer period of time**, generally exceeding one year. Examples include long-term loans from banks or debentures issued.

3. **Short-Term or Current Liabilities:** Obligations that are **payable in the near future** (generally within a year). Examples include Sundry Creditors (suppliers), Bills Payable, Bank Overdrafts (if bank account is overdrawn), and Outstanding Expenses (accrued expenses not yet paid).

B. The Assets Side (Application of Funds)

Assets are resources owned by the enterprise, acquired for business use, carrying probable future benefits, and intended to raise the profit-earning capacity of the business.

1. **Fixed Assets (Non-Current Assets):** Assets acquired for **long-term use** (longer than one year), not intended for resale. Examples include Land, Building, Machinery, Furniture, and Goodwill (Intangible Asset). Fixed assets are recorded at their **original cost** (historical cost) and are shown in the Balance Sheet as **"original cost less depreciation"**. Depreciation is the recognized wear and tear applied on the asset value.

2. **Current Assets:** Assets held for a **short period**, generally one year, whose balance fluctuates frequently. These assets are expected to be converted into cash within the next 12 months. Examples include Cash in Hand/at Bank, Sundry Debtors (customers who owe money), Bills Receivable, Stock/Inventory, and Prepaid Expenses.

Balance Sheet Construction Illustration:

The illustration below provides a general format for a sole proprietorship, incorporating principles discussed above and using **Rs.** (Rupees) as the monetary unit:

Liabilities	**Amount (Rs.)**	**Assets**	**Amount (Rs.)**
Capital		**Fixed Assets (Non-Current)**	
Opening Capital	XXX	Land and Building	XXX
Add: Net Profit/NFI	XXX	Plant and Machinery	XXX

Less: Drawings	(XXX)	*Less:* Depreciation	(XXX)
Closing Capital	**XXX**	Furniture and Fixtures	XXX
Long-Term Liabilities		**Current Assets**	
Loan from Bank (Long-Term)	XXX	Stock/Inventory (Closing)	XXX
Current Liabilities		Sundry Debtors	XXX
Sundry Creditors (Payables)	XXX	*Less:* Provision for Bad Debts	(XXX)
Bills Payable	XXX	Bills Receivable	XXX
Outstanding Expenses	XXX	Cash in Hand	XXX
Bank Overdraft (if any)	XXX	Cash at Bank	XXX
		Prepaid Expenses	XXX
Total	**XXX**	**Total**	**XXX**

*(Note: In a situation where the Trial Balance totals do not agree and the difference is put into a **Suspense Account**, this temporary account appears in the Balance Sheet. If it has a Debit balance, it appears on the Asset side; if it has a Credit balance, it appears on the Liability side.)*

Illustration:

From the following information, prepare the Balance Sheet of **Mr. R. K. Baruah** as at **31st March 2013**:

Given Balances:
Capital: ₹2,50,000; Drawings: ₹45,000; Cash in Hand: ₹18,000; Loan from Bank: ₹50,000; Sundry Creditors: ₹48,000; Bills Payable: ₹25,000; Feed Stock: ₹70,000; Livestock (Breeding Stock): ₹1,80,000; Pig Pens and Farm Buildings: ₹95,000; Fodder Chopper and Machinery: ₹35,000; Investment: ₹22,000; Bills Receivable: ₹12,000; Cash at Bank: ₹28,000.

Adjustments for Final Accounts:
i. Outstanding liabilities: Sundry Creditors ₹12,000; Wages ₹25,000; Interest on Bank Overdraft ₹4,000; Interest on Bank Loan ₹5,000.
ii. Provide interest on capital @ 10% p.a.
iii. Charge depreciation @ 10% p.a. on Pig Pens and Machinery.
iv. Bad debts amounted to ₹12,000 and create a provision for bad debts @ 10% on Sundry Debtors.
v. Closing stock amounted to ₹1,35,000.

Net profit for the year after considering all adjustments was ₹8,000.

Solution:

In the Books of Mr. R. K. Baruah

Balance Sheet as at 31 March 2013

Liabilities	**Amount (₹)**	**Amount (₹)**	**Assets**	**Amount (₹)**	**Amount (₹)**
Capital	2,50,000		**Livestock (Breeding Stock and Fattening Pigs)**		1,80,000
Add: Interest on Capital @ 10%	25,000		**Pig Pens and Farm Buildings**		95,000
Add: Net Profit	8,000		**Fodder Chopper and Machinery**	35,000	
		2,83,000	Less: Depreciation @ 10%	3,500	31,500
Less: Drawings	45,000	**2,38,000**	**Feed Stock**		70,000
Bank Overdraft	20,000		**Closing Stock**		1,35,000
Add: Outstanding Interest	4,000	**23,000**	**Investment**		22,000
Bank Loan	50,000		**Sundry Debtors**	80,000	
Add: Outstanding Interest	5,000	**55,000**	Less: Bad Debts	12,000	
Sundry Creditors	48,000		Less: Provision for Bad Debts @ 10%	6,800	**61,200**
Add: Outstanding Creditors	12,000	**60,000**	**Bills Receivable**		12,000
Bills Payable		**25,000**	**Cash at Bank**		28,000
Outstanding Wages		**25,000**	**Cash in Hand**		18,000
Total		**4,51,000**	**Total**		**4,51,000**

Let Us Know

The Balance Sheet is a snapshot. It does not show transactions over a period, but what is held and owed at a point in time.

Check Your Progress

Q3: Why must the Balance Sheet always balance? What does it indicate if it does not?

3.6 IMPORTANT INCLUSIONS OF REVENUES FROM PIG SALES, BY-PRODUCTS, AND SUBSIDIES

Indian accounting requires the systematic recording of business transactions that have financial consequences. The treatment of revenues from pig sales, by-products, and subsidies must adhere to the **Accrual Basis of accounting**, which ensures that income is recognized when it is earned or realized, regardless of when cash is received.

1. Inclusion of Revenues from Pig Sales (Primary Output):

Sales represent the total revenue derived from goods or services provided to customers. For a pig husbandry unit, this is the primary income stream generated from the sale of livestock output (pigs, meat, or piglets).

Accounting Classification and Recognition:

• **Type of Account:** Sales revenue is classified under **Revenue** accounts. An increase in revenue is **credited**.

• **Recording Method:** Sales may be cash sales or credit sales.

◦ **Cash Sales:** Revenue is recognized immediately upon receipt.

◦ **Credit Sales:** Revenue is recognized when the transaction takes place or the legal right to receive cash is established, even if payment is received later.

• **Measurement:** Revenue per animal is determined by multiplying the number of animals sold or the average weight sold by the selling price per animal or unit of weight.

• **Financial Statement Presentation:** This primary revenue is used in the profitability statement. In farm accounting, the figure known as **Net Sales and Growth of Livestock** is calculated and appears on the Output (Credit) side of the Profit and Loss Account (P&L Account) to determine the Net Farm Income (NFI). If the Net Sales are high, this indicates high profitability.

2. Inclusion of Revenues from By-Products:

By-products and secondary output generated by the pig enterprise are categorized as supplementary revenue or other income.

Accounting for Manure and Other By-products:

• **Definition: Revenue** is the amount earned by selling products or services in the normal course of business. Manure sales provide an **additional income stream** for pig farmers.

• **Classification:** These earnings are classified as **Other Income** or **Other Output**. Examples of general other revenue include Commission, Interest, Dividends, Royalties, and Rent received.

• **Specific Examples in Pig Husbandry:** Selling **manure** as organic fertilizer or generating revenue through the sale of **value-added products** created from pig waste (e.g., compost or biogas).

• **Financial Statement Presentation:** These secondary incomes are reflected on the credit side of the P&L Account.

Accounting for Home Consumption (Non-Cash Output):

• **Definition:** If the owner takes pig feed or piglets from the farm for household or private use, this is termed **Drawings**. Drawings are private expenses and not expenses of the business.

• **Dual Treatment:** According to the **Business Entity Concept** (owner and business are separate entities), the value of farm produce consumed by the owner's family (**Home Consumption**) must be **valued and included as output** on the revenue side of the Profit and Loss Account. However, the act of withdrawal (**Drawings**) is then deducted from the owner's **Capital** in the Balance Sheet, as it reduces the owner's equity.

3. Inclusion of Subsidies and Government Grants:

Subsidies and grants provided by government entities (such as those promoting backyard pig rearing under DAY-NRLM in India) are treated under specific accounting standards.

Accounting Treatment:

• **Governing Standards:** The treatment of government assistance is addressed by **Accounting Standard (AS) 12** on "Accounting for Government Grants and Disclosure of Government Assistance".

• **Subsidy as Cost Reduction:** From a cost accounting perspective, any **subsidy, grant, or incentive** received or receivable related to **input costs** must be **reduced from the cost** of the specific item or activity to which that amount pertains.

• **Example (Inputs):** If the subsidy relates to the purchase of piglets or feed, the value of that subsidy would typically decrease the recorded cost of those Purchases/Inputs, rather than being recorded immediately as pure revenue.

• **Funding Sources:** Government schemes provide funds for various components of pig rearing, including pig-sty construction, piglet purchase, and entrepreneurial induction, often through convergence opportunities with the Department of Animal Husbandry. These funds contribute to the financial needs of the enterprise.

3.7 TREATMENT OF EXPENSES: FEED, LABOUR, VETERINARY CARE, AND DEPRECIATION

Feed Expenses

Feed is typically the largest single expense in a piggery. All feed purchases (cash or credit) must be recorded when acquired, not just when paid for. Feed used during the period appears in the Trading Account; feed left at year-end is stock (asset) in the Balance Sheet. Special care should be taken to match feed expenses with output in the correct period.

Labour Expenses

Wages paid to workers directly involved in pig rearing and maintenance are direct expenses in the Trading Account. Salaries for office clerks, supervisors, or sales staff are indirect and go to P&L. Any outstanding wages at year-end are shown as current liabilities in the Balance Sheet.

Veterinary Care

Routine health costs medicines, vaccines, periodic veterinary check-ups are direct if they relate to production (Trading Account). Non-routine or general herd improvement costs are indirect (P&L). Treatment of a sick animal with significant cost may require special note, especially if it affects stock valuation.

Depreciation

Depreciation is the systematic allocation of the cost of fixed assets (barns, equipment, vehicles) over their useful lives. It is a non-cash expense, but a real cost that reflects the wearing out or obsolescence of physical assets. Feeding equipment depreciated over five years, for example, should have one-fifth of its value charged each year to P&L.

Check Your Progress

Q4: Differentiate between direct and indirect expenses in a piggery with two examples of each.

3.8 SIGNIFICANCE OF THESE STATEMENTS IN MEASURING FARM PROFITABILITY AND FINANCIAL HEALTH

Financial statements are not just records they are powerful tools for farm management, planning, and communication.

Measuring Profitability

The Trading Account gives the **gross profit**, the immediate return from production. The P&L, by incorporating overheads and other incomes, shows the **net profit** the ultimate reward for the owner's effort and risk. By analyzing these, managers can benchmark against previous years, similar farms, or industry standards.

Assessing Financial Health

The Balance Sheet reveals the farm's solvency (Can liabilities be covered by assets?), liquidity (Can short-term debts be paid?), and capital structure (How much is owner-financed and how much is borrowed?). Patterns over years indicate whether the business is growing stronger or moving toward risk.

Support for Decision-Making

Well-prepared financial statements allow for vital decision-making should you expand, invest in new facilities, or change feeding strategies. A farm with recurring net losses may decide to switch breeds, reduce costs, or diversify.

Relationship with External Parties

Financial statements are essential for gaining the trust of banks, investors, and business partners. No lender will release credit without recent accounts; government grants often require audited financials; potential partners insist on balance sheets before investing.

Planning and Forecasting

Clear statements help estimate cash flows, plan for major expenses (like replacing old barns), and set budgets for feed or livestock purchases. They also help in assessing the impact of policy changes such as new subsidies or taxes.

Regulatory Compliance

Accurate financial statements ensure tax compliance and facilitate reporting to authorities. In the event of an audit or assessment, only systematic records and formal statements provide protection and credibility.

3.9 LET US SUM UP

The Trading Account, Profit & Loss Account, and Balance Sheet together provide a comprehensive view of a piggery's financial performance (profitability) and position (financial health). Revenues from pig sales, by-products, and subsidies must be properly accounted for in the correct statement.

Treatment of expenses like feed, labour, veterinary care, and depreciation distinguishing between direct and indirect is key to measuring true profitability.These statements allow farm managers to make informed decisions, assure banks and investors of credibility, and meet regulatory demands.

3.10 FURTHER READING

- "Principles of Accounting" by Maheshwari S.N.
- "Accountancy-I" (NCERT), Class 11 (CBSE)
- "Farm Business Management: The Decision-Making Process" by Peter C. Hardaker
- "The Complete Book of Pig Farming" by David Black
- ICAI Foundation Course Study Material (latest version)

3.11 REFERENCES

- Foundation-Paper2-Revised, ICAI
- IGNOU SLM of M. COM
- Relevant web resources on agricultural and livestock accounting

3.12 ANSWERS TO CHECK YOUR PROGRESS

Answers to Q:

1. Closing stock is added to the credit side because it represents goods that have not yet been sold but were part of the purchasing/production process—thus, it must be credited to match costs with the correct period.
2. Indirect incomes: Government subsidy, rent received. Indirect expenses: Office salaries, insurance premium.
3. The Balance Sheet must balance because assets = liabilities + owner's equity, reflecting the double-entry system; an imbalance indicates errors in recording or omissions.
4. Direct expenses: feed for pigs, wages for farmhands; indirect expenses: office staff salaries, depreciation on delivery van.

3.13 MODEL QUESTIONS

1. What is the purpose of the Trading Account?
2. Define gross profit and net profit.
3. List three sources of income for a piggery.
4. Describe step-by-step how to prepare a Trading Account for a livestock farm.
5. Explain with examples the treatment of depreciation, feed, and veterinary expenses in the financial statements of a piggery.
6. Discuss the significance of a Balance Sheet for a farm business and explain how it can help in attracting loans and investments.

UNIT 4: CASH FLOW MANAGEMENT IN PIG HUSBANDRY

UNIT STRUCTURE

4.1 Learning Objectives
4.2 Introduction
4.3 Foundations of Cash Flow Management
4.4 Cash Flow Statement: Structure and Process
4.5 Sources of Cash Inflow and Outflow
4.6 Practical Issues in Pig Farm Cash Flow
4.7 Planning, Forecasting, and Budgeting
4.8 Recordkeeping for Piggery Enterprises
4.9 Let Us Sum Up
4.10 Further Reading
4.11 References
4.12 Answers to Check Your Progress
4.13 Model Questions

4.1 LEARNING OBJECTIVES

After completing this unit, learners will be able to:

- Explain the concept and importance of cash flow in piggery farm management
- Structure and prepare cash flow statements, using practical examples
- Identify major sources and uses of cash in pig husbandry
- Explore methods for maintaining healthy cash flow in different farm contexts
- Anticipate and address cash flow-related challenges in piggery businesses

4.2 INTRODUCTION

Managing a piggery business demands proper attention to not only the health and productivity of livestock, but also the movement of money on the farm. Many farm owners make the mistake of focusing only on profit, neglecting how actual cash travels in and out of their business. This neglect can lead to running out of money even when profits look healthy on paper. Understanding cash flow is essential for running day-to-day operations, meeting financial obligations, and planning for both growth and emergencies. In this unit, the basics of cash flow management are explored for both new and experienced piggery entrepreneurs, using simple, practical language suited to real-life pig farm scenarios, especially tailored to North-Eastern India.

4.3 FOUNDATIONS OF CASH FLOW MANAGEMENT

Effective cash flow management is a cornerstone of success and long-term sustainability for any piggery enterprise. This process falls primarily under Management Accounting, which is concerned with generating information relating to funds, cost, and profits to assist the management in making rational policy decisions.

The foundations of cash flow management in piggery rely on several key accounting principles and practices:

1. Systematic Record-Keeping and Monitoring Cash Balances

Cash flow management is fundamentally based on good record-keeping, defined as the art of keeping a permanent record of business transactions.

• Cash Book: The Cash Book plays a significant role in tracking funds, as it is a special journal used for recording all cash receipts and all cash payments. The Cash Book records cash receipts on the debit side and cash payments on the credit side, making it both a journal and a ledger.

• Vital Balances: Systematic recording provides crucial financial information, including vital balances like the cash balance and bank balance. Cash in hand or at the bank are classified as Current Assets, meaning their balances fluctuate frequently throughout the year.

• Ascertaining Flow: From the books of accounts, important details such as total cash receipts and total payments can be ascertained, which are essential for managing liquidity.

2. Identifying and Managing Costs (Cash Outflows)

A crucial aspect of managing cash flow is keeping costs to the absolute minimum possible, as costs reduce the net income of the business.

• Variable Costs: These are purchases that vary based on the farm's production volume. In piggery, feed is one of the largest and most variable input costs. Other variable costs include labour and chemicals. Cash flow management must anticipate that producers often seek to obtain a large quantity of these inputs at one time, often prepaid or locked-in, to limit the risk of price increases.

• Direct Costs: These are costs, which may be a combination of variable and fixed items, that vary in proportion to the scope of the specific enterprise (e.g., pig raising). Examples include livestock feed.

• Financial Obligations (Non-Operating Costs): Cash flow considerations must also account for necessary non-operating expenses that are part of running the farm business, such as family living costs, income taxes, and principal debt payments.

3. Understanding the Accounting Basis for Cash Flow

The method chosen for accounting significantly influences the manager's ability to assess financial health and cash flow.

• Cash Basis Accounting: This method is simple and easy to manage, recording income only when cash is actually received and expenses only when actual payments are made. While

simple for small operations, the cash basis may give a distorted view of financial health or show a "phantom profit" because expenses related to one year might not hit the books until the next. Cash basis accounting does not follow the matching concept of accounting.

• Accrual Basis Accounting (Mercantile System): This method is based on recording revenue when it is earned and expenses when they are incurred, regardless of when cash changes hands. This is preferred for comparison and planning because it matches revenue and expenses to the period they actually occurred, providing a much clearer and more consistent view of profitability over time.

4. Assessing Repayment Capacity and Solvency

For long-term success and securing financing, cash flow must be monitored against debt obligations:

• Repayment Capacity (Cash Flow Break-Even): Lenders focus on the farm's capacity to cover its financial obligations. The formula for the repayment capacity break-even price covers variable and fixed costs plus some financial obligations, but subtracts economic depreciation. Economic depreciation is subtracted because it is a non-cash expense and the calculation focuses on the actual dollars spent.

• Solvency: Financial statements, including the Balance Sheet, provide crucial information to stockholders regarding the concern's potential to meet its obligations in the short run as well as in the long run. Current assets are expected to be converted into cash within one year, and managing these assets relative to short-term liabilities (Current Liabilities) is essential. The ability of the firm to meet all its short-term or current obligations as they fall due is known as its solvency.

5. Utilizing Cash Flow Information for Management Decisions

The information derived from tracking cash flow is vital for decision-making.

• Decision Making: Accounting provides the relevant data to users, enabling them to make appropriate decisions in respect of investment or whether to supply goods on credit or lend money.

• Management Control: Management makes extensive use of accounting information to arrive at informed decisions such as cost controls and reduction, and investment into new projects.

• Profitability: The main objective of a business is to earn profits. Understanding cash flow helps a manager concentrate on the variable costs to control them, as these are the only costs influenced by their daily decisions on output volume.

4.4 CASH FLOW STATEMENT: STRUCTURE AND PROCESS

The **Cash Flow Statement (CFS)** is one of the three basic financial statements prepared by an enterprise. It is a statement that summarizes cash receipts and disbursements for a particular period of time, and shows the movement of cash from one date to another.

The CFS assesses the capability of an enterprise to generate and utilise cash, tracing the sources (inflows) and applications (outflows) of cash.

As per **Accounting Standard (AS) 3 (Revised)**, the cash flows shown in the CFS are strictly categorized into three main activities: operating, investing, and financing activities.

For determining **cash flow from operating activities**, there are two methods: the **Direct Method** and the **Indirect Method**. SEBI (Securities Exchange Board of India) guidelines recommend only the direct method.

Structure of the Cash Flow Statement

The overall structure of the CFS remains consistent regardless of the method used, classifying all inflows and outflows under the three principal activities:

1. **Cash flows from Operating Activities:** These are the primary revenue-generating activities of the enterprise.

2. **Cash flows from Investing Activities:** These relate to the acquisition and disposal of long-term assets and investments.

3. **Cash flows from Financing Activities:** These are activities that change the size and composition of the owner's capital and borrowings.

The final step involves summing up the cash flows from these three activities to find the **Net Increase/Decrease in Cash and Cash Equivalents** for the period, which is then reconciled with the opening and closing balances of cash and cash equivalents.

I. Structure of the Direct Method

The Direct Method directly shows the major classes of gross cash receipts and gross cash payments related to operating activities.

A. Cash Flows from Operating Activities (Direct Method)

Under this method, cash generated from operating activities is determined by listing the actual cash receipts and cash payments related to daily operations.

Key Cash Inflows (Receipts) include:

• Cash receipt from the sale of goods and rendering services.

• Cash receipts from royalties, fee, commissions, and other revenue.

Key Cash Outflows (Payments) include:

• Cash payments to suppliers for goods and services.

• Cash payment to employees (salaries and wages).

• Cash payment or refund of Income tax.

The Net Cash Flow from Operating Activities is simply calculated by taking the difference between total cash operating receipts and total cash operating payments.

B. Investing and Financing Activities (Direct Method)

The structure for Investing and Financing activities is the same for both the Direct and Indirect methods, as these sections directly list major cash movements related to long-term asset changes and borrowing/equity changes.

II. Structure of the Indirect Method

The Indirect Method begins with the **Net Profit/Loss** reported in the Profit and Loss Statement and adjusts it for all non-cash, non-operating, and extraordinary items to arrive at the cash flow from operations.

A. Cash Flows from Operating Activities (Indirect Method)

This method has two stages for calculation:

Stage I: Calculation of Operating Profit before Working Capital Changes

1. **Start with Net Profit/Loss** before Tax and Extraordinary Items.

2. **Add Back Non-cash and Non-operating Items (Debited in P&L):** These include items like Depreciation, Amortization of intangible assets, Loss on sale of fixed assets, Loss on sale of long-term investments, and Interest on borrowings.

3. **Deduct Non-cash and Non-operating Items (Credited in P&L):** These include Profit on sale of fixed assets, Interest income received, and Dividend/Rental income received.

4. The result is the **Operating Profit before Working Capital Changes**.

Stage II: Adjustment for Working Capital Changes

1. Adjust the Operating Profit for changes in Current Assets (CA) and Current Liabilities (CL).

2. **Add:** Decrease in current assets (e.g., decrease in inventory) and increase in current liabilities.

3. **Deduct:** Increase in current assets and decrease in current liabilities.

4. The result is the **Cash generated from operations**.

5. Finally, subtract Income Tax Paid and adjust for any Extraordinary Items to find the **Net Cash Flow from Operating Activities**.

B. Investing and Financing Activities (Both Methods)

These sections are structured identically under both methods, showing the gross cash movements for non-operating activities:

Activity	Cash Inflows (Sources)	Cash Outflows (Uses)
Investing Activities	Proceeds from the sale of fixed assets, investments, interest, and dividend received.	Payments to acquire fixed assets or investments.
Financing	Proceeds from the issue of shares and	Repayment of loans, payment of

Activities	debentures, and proceeds from long-term borrowings.	dividends, and interest paid on loans/debentures.

Illustration:

There are two methods for calculating Cash Flow from Operating Activities - the **Direct Method** (listing gross cash receipts and payments) and the **Indirect Method** (reconciling Net Profit). SEBI guidelines recommend the Direct Method.

Below is an illustration of the CFS layout for a piggery business, prepared using both methods for the Operating Activities section, with all figures in **Rs.** (Rupees). The hypothetical data is derived from the structure and costs typical of a pig fattening unit.

Cash Flow Statement for Piggery Business

(For the Year Ended 31st March 20XX)

Particulars	**Details (Rs.)**	**Amount (Rs.)**
I. CASH FLOW FROM OPERATING ACTIVITIES	(Revenue Generating Activities)	
Method A: Direct Method	(Showing major cash receipts and payments)	
Cash Receipts from Pig Sales (Output)		63,000
Cash Receipts from By-Product Sales (Manure)		3,000
Gross Cash Receipts		66,000
Less: Cash Payments for Operating Expenses:		
Payments to Suppliers (Feed and Inputs)	(19,280)	
Payments for Health Care & Maintenance	(660)	
Gross Cash Payments		(19,940)
Net Cash from Operating Activities (I)		**46,060**
Method B: Indirect Method	(Reconciliation of Net Profit)	
1. Net Profit before Tax (Hypothetical Accrual Profit)		35,000
Adjustments for Non-Cash Items:		

Add: Depreciation (on Housing/Equipment)	5,000	
Add: Loss on Sale of Fixed Assets (if any)	XXX	
Operating Profit before Working Capital Changes		40,000
Adjustments for Working Capital:		
Add: Decrease in Trade Receivables (Debtors)	2,000	
Add: Increase in Trade Payables (Creditors)	1,000	
Less: Increase in Inventory (Feed Stock)	(2,500)	
Net Cash Generated from Operations		40,500
Less: Income Tax Paid	(5,500)	
Net Cash from Operating Activities (I)		**35,000**
II. CASH FLOW FROM INVESTING ACTIVITIES	(Acquisition and Disposal of Long-Term Assets)	
Purchase of Fixed Assets (Pig Housing, Manger)	(10,500)	
Proceeds from Sale of Fixed Assets (if any)	XXX	
Net Cash Used in Investing Activities (II)		**(10,500)**
III. CASH FLOW FROM FINANCING ACTIVITIES	(Changes in Capital and Borrowings)	
Proceeds from Issue of Share Capital (if owner invests cash)	50,000	
Repayment of Loans/Borrowings (if any)	(20,000)	
Drawings (Cash withdrawn by owner)	(7,000)	
Net Cash from Financing Activities (III)		**23,000**
IV. NET INCREASE/(DECREASE) IN CASH (I + II + III)	(Using Indirect Method Result: Rs 35,000)	**47,500**
V. Add: Cash and Cash Equivalents in the Beginning of the Year	(Cash in Hand/Bank)	1,000
VI. Cash and Cash Equivalents at the End of the Year (IV + V)		**48,500**

Check Your Progress

Q1. Why is it better to break the cash flow statement into smaller time periods such as months or quarters, rather than using a single yearly summary?

4.5 SOURCES OF CASH INFLOW AND OUTFLOW

The cash flow of a piggery business, like any other enterprise, is determined by transactions that result in the actual movement of money into (inflows) and out of (outflows) the business. Understanding these flows is crucial for effective **cash flow management**.

In the context of pig husbandry, these flows can be broadly categorized into receipts (inflows/revenue) and payments (outflows/expenditure/costs), covering operating, investing, and financing activities.

I. Sources of Cash Inflow (Receipts/Revenue)

Cash inflows are transactions that increase the cash position of the entity. The primary sources of cash inflow for a piggery business are generated through its main revenue-producing activities (Operating Activities) and through financial activities.

A. Operating Activities (Revenue Generation)

These are inflows arising from the principal revenue-generating activities of the enterprise. Revenue is the amount earned by selling products or providing services.

1. **Sales of Primary Output (Pigs/Pork):**

◦ **Cash Sales of Goods:** Cash receipts derived from the sale of pigs, meat, or pork products. The sale of pigs and pork products provides a reliable source of cash income.

◦ **Cash Received from Debtors:** Payments received in cash from customers who purchased goods or services on credit (Sundry Debtors or Accounts Receivable).

2. **Sales of By-Products and Secondary Output:**

Cash receipts from the sale of secondary output, such as pig **manure**, which can be sold as organic fertilizer, providing an additional income stream.

3. **Other Operating Income:**

Cash receipts from other revenue activities common to many businesses, such as commissions, fees, royalties, or rent received.

B. Financing and External Funding

These activities relate to changes in the size and composition of the owner's capital and external borrowings.

• **Capital Contribution:** The amount invested in the business by its owners, often in the form of cash, which increases the business's liability (internal liability) towards the owner.

• **Proceeds from Borrowings:** Cash proceeds received from long-term or short-term borrowings, loans, or the issue of shares and debentures. Small farmers may finance the farm through **loans or grants**.

• **Government Program Payments:** Cash support received from government policies and subsidies, such as those promoting backyard pig rearing in India. Funding sources for pig-sty construction or piglet purchase may come from **SHG loans** or **Self-contribution**.

C. Investing Activities

These inflows come from transactions involving the disposal of long-term assets.

• **Sale of Fixed Assets:** Cash receipts from the disposal or sale of long-term assets (Fixed Assets).

• **Interest/Dividend Received:** Income generated from investments held by the business.

II. Sources of Cash Outflow (Disbursements/Costs)

Cash outflows are transactions that decrease the cash position of the entity. These represent expenditures incurred for securing assets or services.

A. Operating Activities (Recurring Costs)

These outflows are related to the costs incurred by the business in the process of earning revenue.

1. **Purchases and Inputs (Variable/Direct Costs):** Expenses that vary with the level of production. In pig farming, these are often the largest and most variable costs.

◦ **Feed Costs:** Payments for essential inputs like concentrated pig feed, by-product feeds, minerals, and supplements. Feed costs account for a major portion of production costs.

◦ **Purchases of Livestock:** Cash paid for acquiring piglets or breeding stock.

◦ **Payments to Suppliers/Creditors:** Cash payments made to suppliers for goods and services received on credit (Creditors or Accounts Payable).

2. **Labour and Wages:**

Cash payments made to employees for services (salaries and wages). Labour costs are expenses that reduce the net income of the business.

3. **General Operating Expenses:**

◦ **Rent/Utilities:** Payment of rent, electricity, light, water, telephone, heating, and similar overhead expenses.

◦ **Maintenance and Repairs:** Payments for repairs and maintenance.

◦ **Insurance and Taxes:** Payments for insurance (e.g., pig insurance) and Income tax.

◦ **Health and Veterinary Care:** Payments for preventive health care, vaccinations, and veterinary services.

B. Investing Activities (Capital Expenditure)

Spending money or incurring a liability for a benefit or property received that lasts for more than one year. These outflows are for acquiring long-term assets.

• **Fixed Asset Acquisition:** Cash payments to acquire non-current assets (Fixed Assets) such as pig housing, machinery, or equipment (e.g., feeding mangers, watering systems). Expenditure on housing is often a **Fixed Cost** or **Investment**.

• **Investments:** Payments to acquire shares, debentures, or other long-term investments.

C. Financing Activities (Debt and Equity Servicing)

These activities relate to changing the size and composition of the owner's capital and borrowings.

• **Drawings:** Withdrawal of money or the value of goods by the proprietor for his/her household or private use. This is the owner's private expense, not a business expense, and reduces cash.

• **Debt Repayment:** Cash repayment of amounts borrowed (repayment of loans, debentures, or notes).

• **Interest and Dividends Paid:** Payment of interest on loans/debentures and dividends to shareholders.

4.6 PRACTICAL ISSUES IN PIG FARM CASH FLOW

Pig farms, especially small-scale operations, face unique cash flow challenges. Farm income may be highly seasonal in nature, peaking when most pigs reach market size. Expenses, on the other hand, are steady throughout the year.

Often, unforeseen situations such as a disease outbreak, sudden drop in pork prices, or feed price spikes can create immediate demands for cash. Inability to promptly pay for feed, medicine, or repairs can lead to production losses, forced sales, and even business closure.

Other practical issues include:

- Delayed payments from buyers, shops, or processors
- Increased competition or lower market prices
- Weather disruptions affecting feed availability, housing, or marketing
- Family emergencies diverting farm earnings

It is vital to keep a close watch on cash balances, plan purchases and sales according to forecasted cash flow, and maintain emergency reserves for such practical issues.

Let Us Know:
Some successful farmers even negotiate partial pre-payments when selling pigs, helping them secure cash needed for the next round of feed and health expenses.

4.7 PLANNING, FORECASTING, AND BUDGETING

Cash flow planning, forecasting, and budgeting are vital functions that fall under **Management Accounting**. The core purpose of Management Accounting is to generate information related to funds, cost, and profits to assist the management in making rational policy decisions, exercising control over operations, and evaluating the impact of their actions. These forward-looking tools ensure that the business not only remains profitable but also maintains adequate cash flow to cover daily operational needs, pay suppliers, and meet financial obligations. Accounting provides the relevant data that enables managers to make appropriate decisions regarding investment or cost controls.

Cash flow forecasting involves using current and historical records to predict how cash will move into and out of the business over a future period. The **Cash Flow Statement** (CFS) is the primary tool used for this analysis. Cash is considered the centre of all financial decisions, and the CFS is used as the **basis for the projection of future investing and financing plans** of the enterprise, helping management anticipate when funds will be available or when external financing might be required. Furthermore, banks and financial institutions heavily rely on the CFS to analyze the **liquid position** of the firm, enabling them to assess risk and determine eligibility for loans. This capability to plan ahead also assists management in determining appropriate schedules for loan repayment and the replacement of fixed assets.

Steps for Cash Flow Forecasting:

1. Review past cash flow statements for patterns in income and spending
2. List expected income timings based on pig sales cycles, by-product sales, and known subsidies
3. List expected expenses, such as feeds, wages, and loan repayments
4. Anticipate possible emergencies, market changes, or price spikes
5. Use this forecast to guide decisions about purchases, sales timing, and loan needs

Budgeting serves as a crucial control mechanism by establishing a detailed plan for a defined future period. Budgets represent complete plans for the year, taking into account expected conditions. By setting financial targets for both revenues and costs, budgets allow management to exercise rigorous control over resources. For example, it is advisable to compare **budgeted overheads with actual** costs for control purposes. This comparison is often facilitated through computerised accounting systems (CAS), which utilize a **Budget Sub-system** to prepare budgets and compare them against actual performance figures. This systematic approach helps

managers concentrate efforts on minimizing controllable expenditures, particularly variable costs like feed, which must be kept to the absolute minimum possible.

Finally, for any planning or forecasting tool to be effective, it must be based on reliable data. While the Cash Basis of Accounting is simple, recording only when cash is received or paid, it often fails to provide a **true and fair view of profit** and may distort financial health. For advanced planning, the **Accrual Basis of Accounting** is essential because it records income when it is **earned** and expenses when they are **incurred**. This adherence to the **matching concept** ensures that revenues and the expenses incurred to earn them are recorded in the same period. Because it provides a **clearer, more consistent, apples-to-apples view** of performance over time, accrual-based financials are relied upon by most **lenders and financial partners** when assessing risk, making it a strategic necessity for planning and seeking funding.

4.8 RECORDKEEPING FOR PIG HUSBANDRY ENTERPRISES

Keeping clear and accurate records is at the heart of good cash flow management. Small farm owners may use basic exercise books, while medium or large farmers can adopt accounting software or spreadsheets.

Essential cash flow records include:

- Daily or weekly receipts and payments log: Date, item, amount, category
- Cash flow statements, breaking down inflows and outflows in detail
- Loan books, noting amount borrowed, repayment schedules, interest, and repayments made
- Budget books or sheets, recording projected and actual figures for better planning

Regular reconciliation of cash in hand, bank statements, and cash book balance helps avoid errors and detect theft or losses early.

Let Us Know:
Farmers should also record the purpose behind major expenses (new shed construction, bulk feed buying), and compare actual spending against forecasts. Monthly meetings with family or helpers can be scheduled to check records and discuss the status of farm finances.

Check Your Progress
Q 2. What steps can small piggery owners take to protect themselves from sudden cash shortages caused by delayed buyer payments or emergency expenses?

4.9 LET US SUM UP

Cash flow management is more than a bookkeeping task it is central to the survival and health of every piggery enterprise.
By studying cash inflow and outflow, preparing regular statements, forecasting, and budgeting for needs, piggery entrepreneurs can support both day-to-day operations and long-term growth.

Regular recordkeeping and active response to challenges allow even smallholder farmers to avoid unnecessary stress and forced asset sales. With discipline, planning, and flexibility, successful cash flow management becomes possible and practical, whatever the scale of the farm.

4.10 FURTHER READING

- “Comprehensive Guide to Farm Financial Management” – Saskatchewan Agriculture
- “Pig business planning and financial management” – CGIAR/CG Space
- “Pig Farming” – NABARD Technical Guides
- “Swine Farm Business Analysis Workbook” – MSU Extension

4.11 REFERENCES

- Module 5: Preparing Cash Flow Statements
- Pig business planning and financial management, Gov of MZ
- Pig Farming, NABARD
- Farm Accounting, Agromisa Foundation

4.12 ANSWERS TO CHECK YOUR PROGRESS

Answers to Q:

Q1: Monthly or quarterly breakdowns allow for easier detection of cash shortages or surpluses, enabling timely adjustment and intervention when problems arise.
Q2: Small piggery owners can set aside emergency cash reserves, negotiate favourable payment terms with suppliers, diversify income sources, and maintain strict control over expenses to shield themselves during cash flow crises.

4.13 MODEL QUESTIONS

1. Define cash flow and explain why it matters for piggery businesses.
2. List three sources of cash inflow and three sources of cash outflow in a piggery farm.
3. What does a cash flow statement typically include?
4. Discuss the significance of budgeting and forecasting for cash flow management in piggery enterprises.
5. Explain methods for overcoming practical cash flow challenges, using examples relevant to pig rearing.

Additional Activities:

- Prepare a quarterly projected cash flow statement for your piggery farm using historic sales and expense data.
- Interview two local piggery farmers and summarize how they monitor and manage their cash flow across the year.

UNIT 5: COST CLASSIFICATION IN PIGGERY BUSINESS

UNIT STRUCTURE

5.1 Learning Objectives
5.2 Introduction
5.3 Classification of Costs
    5.3.1 Fixed Costs
    5.3.2 Variable Costs
    5.3.3 Semi-Variable Costs
5.4 Relevance of Cost Behaviour in Farm Decision-Making
5.5 Estimated Cost Distribution in Small, Medium, and Large-Scale Pig Farms (NE India)
5.6 Role of Cost in Pricing Decisions of Piggery – Pork and Pork Products
5.7 Let Us Sum Up
5.8 Further Reading
5.9 References
5.10 Answers to Check Your Progress
5.11 Model Questions

5.1 LEARNING OBJECTIVES

By the end of this unit, the learners should be able to:

- Identify and distinguish between fixed, variable, and semi-variable costs in piggery management
- Understand how cost classification affects decision-making on the pig farm
- Recognize how cost structures change with farm size, especially in Northeast India
- Explain how cost classification guides fair and profitable pricing decisions

5.2 INTRODUCTION

Managing a piggery business involves more than just feeding pigs and selling them for profit. Every sound decision that a farmer or manager makes rests on understanding what money is spent, where it goes, and how this spending changes as farm activity increases or decreases. This is where the classification of costs becomes central. In a piggery, costs are not all the same. Some costs stay the same even if no extra pigs are raised, while others grow or shrink as the herd changes. Being able to group costs as fixed, variable, or semi-variable helps a farmer see which costs are unavoidable and which ones can be controlled. This unit explains each major cost type using simple, real-world examples from piggery practice. It explains how cost behaviour affects key decisions about expansion, risk, and investment, showing especially how these ideas play out on small, medium, and large farms across Northeast India. Finally, the unit explains how understanding these different costs helps a farm set product price that cover all costs and leave a fair profit.

5.3 CLASSIFICATION OF COSTS

All spending in a farm business is called "cost," but not all costs behave in the same way. Properly grouping farm expenses gives a better idea about which costs are "fixed" and must be paid anyway, which ones are "variable" and can be controlled or changed, and which are somewhere in between (semi-variable or mixed).

5.3.1 FIXED COSTS

Fixed costs are expenses that do not change over a short period, no matter how many pigs are being kept or sold, as long as the farm is within its normal capacity. These costs must be paid even if only a few pigs are reared or sold during the year.

In piggery, common fixed costs include:

- Cost of building pigsties/housing and maintaining them
- Costs for equipment like feeders, waterers, or weighing scales
- Insurance premiums
- Licenses or regular fees (such as compliance with animal husbandry laws)
- Permanent staff or caretaker salaries, if not directly tied to number of pigs
- Depreciation on buildings and major machinery

To understand, let’s take the cost of building a pig house. Whether there are ten or one hundred pigs inside, the basic expense of constructing and maintaining that building remains the same each month. Similarly, equipment bought to serve up to a certain number of pigs will not need replacing simply because a few more pigs are kept, unless capacity is greatly exceeded.

Depreciation is another important fixed cost. Rather than considering the whole cost of a shed or major equipment as a single year's expense, the farm spreads the cost over several years (its useful life), showing a steady annual cost for each year.

5.3.2 VARIABLE COSTS

Variable costs change directly as the number of pigs or the level of production changes. The more pigs a farmer raises, the greater these costs will be.

For most piggery businesses, main variable costs are:

- Feed (both purchased feed and home-mixed)
- Medicines and veterinary care directly used for the pigs
- Labour (if daily wagers or casual workers are hired only as needed)
- Water and energy costs for cleaning, if these increase with herd size
- Transport cost for sending more pigs to market

Examples from practice show that feed is by far the largest variable cost in piggery, often making up 60–75% of total variable costs. This is because pigs must eat every day, and more pigs mean more food is needed. If the farmer decides to fatten or finish additional pigs, the total feed bill rises in direct proportion.

Similarly, any vaccination or medicine required per animal is a variable cost, since it is incurred each time a pig is treated or each new pig introduced to the farm.

Extra labour can also be variable for seasonal flushing, cleaning, or harvesting waste when more pigs are present, but not if workers are on fixed, permanent wages (then these are fixed costs).

5.3.3 SEMI-VARIABLE COSTS

Some costs do not fit clearly into fixed or variable categories. These are semi-variable or mixed costs. Part of the expense stays fixed up to a certain production level, but after that, the total cost rises in steps.

In piggery practice, a few common semi-variable costs include:

- Maintenance costs for buildings and pens, which are regular up to a point but rise if there is overstocking or an unexpected disease outbreak
- Utilities (electricity, water): the farm pays a basic (fixed) amount each month, but extra usage for larger herds or extra cleaning pushes up the bill
- Supervisory wages: a manager's pay may be fixed, but if new workers are hired for expanded production, the supervisor may need to be paid more or extra management staff employed

Some costs, like vehicle maintenance or farm office overheads, are also semi-variable when some costs are fixed (insurance, registration) and others grow with more trips or activity (fuel, repairs from heavier use). Segregating and understanding which costs belong to each group helps the manager predict how expenses will change as pig production is increased, decreased, or temporarily halted.

5.4 RELEVANCE OF COST BEHAVIOUR IN FARM DECISION-MAKING

The concept of **cost behaviour** is highly relevant in farm decision-making, particularly in a piggery business, because it helps managers understand how different expenses react to changes in production volume. This knowledge is vital for setting prices, controlling expenditures, and planning for the long-term sustainability and profitability of the farm. Management Accounting generates information relating to funds, cost, and profits to assist the management in making rational policy decisions.

Cost behaviour classifies all costs into three main types: **Fixed Costs**, **Variable Costs**, and **Semi-Variable Costs**. This classification acts as a very potent tool for short-term decision-making.

1. Understanding and Utilizing Variable Costs

Variable Costs are expenses that change in direct proportion to the level of output or production volume. In piggery, these costs are often the largest that the farm will incur during the year. Managers must concentrate on controlling variable costs because these are the costs they can influence with daily decisions on output volume. An increase in production volume results in a corresponding increase in these costs. However, the cost *per unit* of output remains the same, which is an interesting aspect of variable costs.

Moreover, under the respective **Purchasing Strategy,** Producers often try to purchase a large quantity of inputs like feed at one time ("pre-paid" or "locked-in" purchases) to limit the risk of price increases. Understanding how variable costs behave is essential for timing these purchases well in advance of when they are needed.

2. Strategic Role of Fixed Costs

Fixed Costs are generally the same each year, regardless of the farm's production volume within the relevant range (installed capacity). They are often considered basic necessities for the business to operate. Although fixed costs do not carry the sharp swings seen in variable costs, they still have a significant impact on profitability year after year. Managers must understand how fixed costs affect the overall **Cost of Production**. Further implications of the cost are: -

Capacity Utilization: The total fixed cost remains constant, but the **per unit fixed cost decreases as production goes up**. This helps management understand the importance of maximizing capacity utilization to spread the fixed cost over more units.

Depreciation as a Fixed Cost: Depreciation (specifically *economic depreciation*) is a crucial type of fixed cost that managers use routinely in evaluating profitability. Although it is a non-cash item not found in the farm's checkbook, the depreciation value (the lost value of assets like equipment and buildings from age and use) is included in the cost of production calculation. This helps managers determine if enough revenue is being generated to cover this loss.

3. Direct Costs and Enterprise Management

The concept of cost behaviour is used when determining **Direct Costs**, which are those expenses that vary in proportion to the size or scope of each farm's enterprises (each type of crop or livestock produced).

• **Enterprising:** Farm managers use this process to determine each production area's specific costs of production, allowing them to evaluate the success of each component (e.g., pig fattening versus breeding) individually.

• **Combination of Costs:** Direct costs include a combination of both **variable and fixed cost items** that are used specifically for one enterprise or another. Examples include livestock feed, irrigation costs, and land rent.

4. Decision-Making Applications using Cost Behaviour

The segregation of costs into fixed and variable components is the foundation of **Marginal Costing** (or Cost-Volume-Profit Analysis). This technique is applied for several critical management decisions:

• **Pricing Strategy:** Marginal costing is very useful in **fixation of selling prices**, particularly during trade depression or acute competition, or when exploring foreign markets. Managers may fix the price below the total cost for some time, but the price must cover the **marginal cost** (which closely resembles the variable cost) plus a certain amount of fixed overhead.

• **Break-Even Analysis:** Understanding cost behaviour helps determine the **Break-Even Point (BEP)**, which is the sales volume where no profit or loss is made (total cost equals total selling price). Knowing this threshold is crucial for making decisions, especially in the early stages of a business.

• **Shut-Down Decisions:** If a firm is facing temporary closure, marginal costing helps decide whether to continue production. If the **Contribution** can cover at least some portion of the fixed costs, it is advisable to continue, as total closure would mean losing the entire fixed overhead amount.

• **Investment Decisions (Management Accounting):** Management makes extensive use of accounting information to arrive at informed decisions such as **cost controls and reduction** and **investment into new projects**. Cost accounting provides the necessary costing information for management decision-making.

Illustration: If a farmer keeps his piggery running at half capacity, feed and medicine bills (variable costs) will drop, but building rent, depreciation, and the salary of a caretaker (fixed costs) will not. If the farm is not producing enough to spread fixed costs across more pigs, then the per-pig fixed cost rises, and the business may not be able to make a profit.

When expansion is considered, the farm checks at what point the semi-variable costs (like additional water supply or electricity connection, or hiring another worker) will need to be raised. Farmers should plan ahead, knowing that fixed costs can be spread over more units as output increases, making each pig cheaper to raise, while variable costs will keep growing linearly.

Hence, farmers who understand cost classification are less likely to be caught off-guard by sudden increases in bills, and can take timely action to minimise losses or improve profits.

Check Your Progress

Q1. What is meant by fixed costs in piggery business? Give two examples.

Q2. How do variable costs differ from fixed costs in piggery management?

5.5 ESTIMATED COST DISTRIBUTION IN SMALL, MEDIUM, AND LARGE-SCALE PIG FARMS WITH REFERENCE TO NORTH EASTERN INDIA

In Northeast India, piggery is an important economic activity among both tribal and non-tribal communities. The way costs behave often depends on the scale of the enterprise and the production system used.

Small-Scale Piggery (typically 2–10 adult pigs):
Most backyard or smallholder farmers use low-input methods. Housing is simple, often made from local materials, and sometimes shared with other livestock. Feed is a mix of kitchen waste, local forages, crop residues, and modest purchased concentrate.

For such farmers:

- Fixed costs are low: shed construction may be under ₹10,000, often shared over several years; equipment costs are minimal.
- Variable costs dominate, especially the cost of feed, which is the largest part of day-to-day spending.
- Semi-variable costs include basic water or transport expenses, with bigger expenses only if the herd size increases.

Vet care is often irregular and based on need, contributing only slightly to overall costs but potentially disastrous if disease hits, due to limited cash for medicines.

A practical example, adapted from the DAY-NRLM government guidelines and ICAR data:

- Construction of pigsty for 3 piglets: ₹10,000
- Equipment (feeding manager, waterer): ₹1,500
- Cost of 3 piglets (15 kg each): ₹13,500
- First-year feed (450 kg): ₹11,250
- Health care: ₹600
- Insurance/repair/supplements: ~₹2,220

Here, about 60–65% of the total first-year cost is for feed and piglet purchase (variable costs), while about 30% is fixed (housing, some equipment), with semi-variable (utilities, repairs) less than 10%.

Medium-Scale Piggery (10–50 adult pigs):
As the operation grows, there is greater investment in better housing, waste disposal, regular feeding, and health routines. These producers start using commercial feed and maintain regular veterinary protocols. They may also start employing wage workers.

Specifically in Mid- Scale:

- Fixed costs cover improved housing (₹40,000–₹1,00,000), better drainage, bigger equipment assets, and salary for one or two permanent caretakers.

- Variable costs include the proportionately larger feed bill (may be 65–75% of all costs), more regular (and higher quality) medicines, and transport for feed and animals.
- Semi-variable costs increase as operations scale, especially for water supply, periodic disinfection, and management labour.

Cost studies and manuals show that as the number of pigs multiplies, the per-pig fixed costs drop; but variable costs, especially for commercial feed, remain a dominating share of total annual spending (can be over ₹2,000–₹2,500 per pig annually, depending on feed quality and market prices).

Large-Scale Piggery (more than 50 adult pigs):
Large farms invest heavily in purpose-built housing and efficient equipment, sometimes automated feeding and watering systems, scheduled veterinary care, and specialized staff for management.

- Fixed costs become significant: land, well-constructed sheds (₹2–5 lakh investment or more), machinery, vehicles, and higher insurance, possibly property taxes or regulatory fees.
- Variable costs are even larger in absolute terms but still permit economies of scale—bulk feed purchasing, organized health management, and scheduled marketing reduce the per-unit variable cost somewhat.
- Semi-variable costs, like maintenance and repair, utility supply, and tiered staff salaries, become more prominent.

In NE India, progressive cooperatives or investor-driven farms may spend ₹25–₹35 lakh establishing a unit of several hundred sows and finishers. Fixed costs are a heavy initial burden but are recovered over time with efficient operations.

Comparative Cost Example Table
Suppose we compare per-pig costs (approximate figures for illustration; actual costs may vary by feed, labour, and breed):

Cost Category	**Small Farm (3 pigs)**	**Medium Farm (30 pigs)**	**Large Farm (100 pigs)**
Fixed costs per pig	₹2,500	₹1,000	₹700
Variable costs per pig	₹5,000	₹4,200	₹3,750
Semi-variable per pig	₹250	₹450	₹350
Total per pig (annual)	₹7,750	₹5,650	₹4,800

Most farms in NE India, as per government and ICAR studies, find that feed takes up 60–70% of running costs, with housing/equipment between 10–20%, health and utilities the rest. Smallholders have less scope for spreading fixed costs, so their profitability often depends more on controlling variable costs or using subsidised inputs.

Check Your Progress:

Q3. Explain what semi-variable costs are in the context of a pig farm and mention one example.

Q4. Why is understanding cost behaviour important for farm decision-making?

Q5. How does cost classification help a piggery business in setting its product prices?

5.6 ROLE OF COST IN PRICING DECISIONS OF PIGGERY – PORK AND PORK PRODUCTS

The determination of cost plays a **critical and central role in making pricing decisions** for a piggery business, particularly when selling pork and value-added pork products. Effective pricing ensures that the farm not only covers its expenditures but also generates the necessary profit for sustainability and growth.

1. Cost Accounting as the Foundation for Pricing

Cost analysis is fundamental to setting prices because the basic definition of **profit is the difference between revenue (selling price) and costs**. Since the selling price in today's market is often decided by market forces (demand and supply), maintaining profitability requires keeping **costs to the absolute minimum possible**.

• **Cost Ascertainment:** The role of **Cost Accounting** is to analyze expenditure to **ascertain the cost of various products** and, based on that, to **fix the prices**. It involves the process of classifying, identifying, and recording expenditure to determine the cost of a product or cost unit. The cost of production will ultimately determine if the business is successful.

• **Cost Sheet:** The preparation of a **Cost Sheet** is a formal way to assemble the detailed cost of a cost unit. One of the main **uses of the Cost Sheet is the determination of the Selling Price**. The cost sheet systematically tracks costs from direct material and labour up to the **Cost of Sales**.

• **Cost Definition:** Cost is the monetary measurement of resources used for a specific purpose, such as producing pork. The cost of raw material consumed, including incidental charges like carriage and insurance, must be carefully computed.

2. Utilizing Marginal Costing for Strategic Pricing

The technique of **Marginal Costing** is a potent tool for **fixation of selling prices**, especially in competitive environments or when exploring new markets. Marginal costing distinguishes

between fixed and variable costs, advocating that only variable costs be charged directly to cost units, while fixed costs are charged to the period's Profit and Loss account.

• **Contribution and Price Floor:** Marginal costing uses the concept of **Contribution.** In situations like a trade depression or acute competition (e.g., in foreign markets), the selling price may be fixed **below the total cost for some time**. However, the price should always be fixed in a manner that it must cover the **marginal cost** (which closely resembles the variable cost) plus a certain amount of fixed overhead.

• **Consequences of Low Pricing:** If the selling price is set below marginal cost, the firm will suffer a loss equal to the remaining marginal cost added by fixed expenses. If the price equals marginal cost, there will be no contribution, resulting in a loss equal to the full fixed overhead.

• **Profit Maximization:** The fundamental relationship in Marginal Costing is: **Contribution equals Fixed Cost added by Profit (C = F + P)**. If a firm wants to increase its contribution, it must either increase the volume of sales, reduce marginal/variable cost, or increase the per-unit selling price.

3. Cost Allocation for Pork and Value-Added Products

Accurate cost allocation is pivotal for making informed decisions regarding pricing and resource management. This is particularly complex in a piggery that produces both raw pork and processed value-added products (like sausages or bacon).

• **Costing of Value-Added Products:** Pricing must account for the additional expenses incurred during processing (value addition). Value-added products, such as sausages, bacon, and ham, often fetch **higher prices in the market**. The processing requires specialized machinery (e.g., cutter, mincer, filler) and facilities, and the associated costs, including **Secondary Packing Material** and advertising, must be captured in the selling and distribution costs.

• **Direct vs. Indirect Costs:** Pricing decisions benefit from segregating costs. **Direct costs** (like feed for livestock) can be directly attributed to the pork or piglet being sold. **Indirect costs** (like machinery maintenance or insurance) must be allocated based on usage to reflect the true cost contribution of the pork enterprise.

• **Pricing for Profitability:** Setting competitive yet profitable prices involves considering **production costs**, labour cost, market rates, and consumer willingness to pay. Tracking and controlling production costs is essential for identifying areas for cost savings and improving overall profitability.

5.7 LET US SUM UP

Cost classification in piggery business is the foundation of successful financial management. Fixed costs provide a measure of the long-term commitment needed to run a stable farm, while variable costs represent the daily challenge of efficient, responsive management. Semi-variable costs bridge gaps and show where increases or declines in production can create "step-changes" in expenses.

Understanding cost behaviour helps the farmer make decisions on herd size, expansion, cost control, and long-term planning. NE India examples show that cost structures change by scale spreading fixed costs over more animals reduces per-pig expense, but variable costs (mainly feed) must be constantly controlled for profitability. Finally, cost classification is the backbone for sensible, fair pricing, allowing piggery businesses to thrive in competitive markets, secure loans, and withstand inevitable economic shocks.

5.8 FURTHER READING

- "Beginners Guide to Pig Production and Management: A Comprehensive Handbook and Training Manual"
- "Farmers' Hand Book on Pig Production (FAO)"
- "Foundation Paper 2: Fundamentals of Accounting"
- "Accountancy and Costing: NCERT/NIOS Modules"
- "Guidelines on Promotion of Backyard Pig Rearing" (Ministry of Rural Development, Govt. of India)

5.9 REFERENCES

- Foundation-Paper2-Revised, ICAI
- 320_Accountancy-1_-Final, NIOS
- Beginners Guide to Pig Production and Management: A Comprehensive Handbook and Training Manual, University of Osmania
- Guidelines on promotion of Backyard Pig-rearing, Gov. of MZ & ICAR
- Farmers-hand-book-on-pig-production-fao, NABARD
- Relevant and recent ICAR/AGRI/GOI handbooks and reports

5.10 ANSWERS TO CHECK YOUR PROGRESS

Answers to Q:

1. Fixed costs in piggery business are those expenses that do not change with the number of pigs being reared or sold, at least within the normal operating range. Examples include the cost of building pig sheds and equipment depreciation.
2. Variable costs change directly with the scale of production. As more pigs are kept or sold, these costs increase; when there are fewer pigs, they decrease. Unlike fixed costs,

variable costs are directly linked to activities such as purchasing feed or spending on medicines and veterinary care.

3. Semi-variable costs, or mixed costs, partly remain constant and partly vary with the farm's activity level. For instance, water and electricity bills may have a fixed charge plus extra charges based on usage, which goes up if the herd size increases.
4. Understanding cost behaviour is important because it allows farm owners and managers to predict how expenses will change when making operational choices. This helps in planning expansions, controlling costs to avoid losses, and making balanced decisions about investments and productivity.
5. Cost classification helps a piggery business set product prices that cover all the different types of costs and ensure a healthy profit. By identifying which costs must be paid regardless of output, and which will change with more or fewer pigs, farmers can calculate a realistic price per pig and avoid selling at a loss.

5.11 MODEL QUESTIONS

1. What is the main difference between fixed and variable costs?
2. Explain, giving one example, what is a semi-variable cost in pig farming.
3. Describe how costs change as a piggery farm expands from small to large in the context of NE India, using estimated cost shares.
4. How does cost behaviour influence a piggery's pricing policy?
5. Why is it important for a piggery owner to distinguish between fixed, variable, and semi-variable costs when planning for next year?

UNIT 6: COSTING METHODS – STANDARD, MARGINAL, AND ABSORPTION COSTING

UNIT STRUCTURE

6.1 Learning Objectives
6.2 Introduction
6.3 Application of Costing Methods in Piggery Enterprises
6.4 Standard Costing for Monitoring Efficiency
6.5 Marginal Costing for Decision-Making in Pricing and Expansion
6.6 Absorption Costing for Determining Per-Unit Cost of Pork Production
    6.6.1 Practical Use in Pricing and Market Analysis
    6.6.2 Absorption and Marginal Costing in the Pig Business
6.7 Let Us Sum Up
6.8 Further Reading
6.9 References
6.10 Answers to Check Your Progress
6.11 Model Questions

6.1 LEARNING OBJECTIVES

After studying this unit, learners will be able to:

- Explain the role of different costing methods in farm management and piggery enterprises.
- Distinguish between standard, marginal, and absorption costing.
- Understand the use of standard costing for efficiency, marginal costing in pricing and decisions, and absorption costing for product costing.
- Apply practical costing approaches to estimate profitability and guide business choices.

6.2 INTRODUCTION

A successful piggery enterprise requires constant attention to costs. Knowing not just how much is spent, but how those costs behave and are controlled, makes the difference between running a profitable operation and one that just breaks even. In farming, especially in producing pork, costs can vary due to feed prices, genetics, health, labour, energy, and changing markets.

Costing methods are simple systems and rules farm managers and accountants use to measure, record, and analyze these costs so as to make better decisions. In this unit, three main costing methods are examined: standard costing, marginal costing, and absorption costing. Each has a unique purpose and special advantages, but all help the piggery business track how much is spent, where savings can be made, and how to plan for the future. After an

overview of their application to farming, you will learn how each method works and how to use them with real examples from piggery production.

6.3 APPLICATION OF COSTING METHODS IN PIGGERY ENTERPRISES

Costing methods are not just textbook ideas. They are practical ways for a farmer or farm manager to keep close track of where the money goes from daily feed rations and vaccines to building depreciation and labour costs. In piggery production, where tight margins are common, using these methods can highlight ways of improving efficiency, avoiding losses, and setting more accurate prices.

Each method of costing is best suited to particular farm questions. When a farmer wishes to set up “target figures” for production costs say, a standard daily feed amount, or an expected cost per pig standard costing provides a goalpost. When the challenge is to decide at what price to sell a pig, or whether to take on an extra order for pork, marginal costing helps analyze if the extra work is worthwhile. For understanding the total real cost of a pig at the end of its life, in other words, to know what it really costs, including fixed and variable costs absorption costing (sometimes called full costing) is the answer.

In real piggery enterprises, these methods are used to:

- Prepare business plans and loan applications.
- Set or review selling prices, especially as feed or health costs change.
- Decide when to expand or contract production.
- Monitor where wastage or inefficiency creeps in.
- Compare costs over years or between different farms.

A practical approach in any piggery should not involve using just one method, but combining insights from each at the right stage. For instance, standard costs might guide weekly expenses, marginal costing can be used every time a new market enquiry comes, and absorption costing helps fix the base price for pork.

6.4 STANDARD COSTING FOR PIGGERY

Standard Costing is a specific technique within management accounting that serves as an integral part of any performance management system in an organisation. It is defined as a **pre-determined cost** calculated based on management’s expectation of **efficient operations** and the necessary expenditure required to achieve that efficiency. Standard Costing provides the necessary costing information and analysis for management decision making and cost control. Once established, the standard cost acts as a crucial **benchmark** against which the actual costs incurred by the piggery are continuously compared. The primary goal is to measure and analyze any **deviation from the standard**, a process known as variance analysis, which helps

fix responsibility and enables management to take corrective actions. This technique is most effective when applied to industries where the products, processes, and operations are sufficiently **standardised**.

The Strategic Role of Standard Costing in Pig Husbandry:

In a piggery, Standard Costing is vital because it addresses the management's main purpose: to add value and make a profit by keeping costs to the absolute minimum possible. Pig farming involves standardized production phases, such as starter, grower, and finisher, which allow for the establishment of precise standards.

1. **Cost Control Focus:** Costs incurred reduce the net income of the business. For pig farming, **feed** is typically the largest and most variable input cost, accounting for about 70 to 75 per cent of the total production cost. Standard Costing allows management to focus intently on these expenditures.

2. **Monitoring Efficiency:** Cost accounting involves classifying and recording expenditure to ascertain the cost of a product for the purpose of **cost control**. In a piggery, efficiency is monitored using key metrics, such as the **Feed Conversion Ratio (FCR)**. The FCR measures how efficiently pigs convert feed into body weight. A **lower FCR indicates better feed efficiency**, leading to reduced feed costs and improved overall profitability. Standard Costing sets a standard FCR and then compares actual performance against it, measuring variances related to material price (cost of feed) and material quantity (amount of feed used per unit of weight gain).

3. **Labour and Overheads:** Standard Costing also tracks **Labour Cost** (Employee Cost), ensuring proper control over the utilisation of the workforce and the salaries and wages bill. Labour efficiency can be measured by comparing the actual hours worked against a standard time set per unit of output. Similarly, indirect costs like **overheads** can be controlled by comparing actual expenditures against budgets or standards.

Example of Standard Costing Application in Northeast India:

Within the context of backyard pig rearing in the Northeast Indian region, financial plans are often structured comparing current "Existing" practices against scientifically informed "Recommended" practices.

We establish the **Standard Cost** using the figures derived from the **Recommended Practice**, which is based on management's goal of efficient operations:

Standard Component	Details (Recommended Practice)	Standard Value (Rs.)
Standard Output (Total Revenue)	Sale of 2 pigs yielding 90 kg meat each @ Rs 300/kg (Total 180 kg)	54,000
Standard Variable Cost (Feed)	Total Feed Cost (for 2 pigs for 11 months rearing duration)	11,319
Standard Fixed Cost (Other Expenses)	Medicine, Vaccine, Sanitation, Miscellaneous Expenses (for 2 pigs)	1,400

Standard Total Cost (Variable + Fixed)	Total Expenses for 2 pigs (excluding piglet cost)	12,719

Calculating a Variance for Cost Efficiency:

A manager sets the standard that two pigs should yield Rs **29,281** in total profit over 11 months. At the end of the rearing cycle, the manager finds the following **Actual Results** based on traditional methods (Existing Practice):

Actual Component	Details (Existing Practice)	Actual Value (Rs.)
Actual Output (Total Revenue)	Sale of 2 pigs yielding 70 kg meat each @ Rs 300/kg (Total 140 kg)	42,000
Actual Variable Cost (Feed)	Total Feed Cost (for 2 pigs for 12 months rearing duration)	1,800
Actual Fixed Cost (Other Expenses)	Medicine, Vaccine, Sanitation, Miscellaneous Expenses (for 2 pigs)	600
Actual Total Cost (excluding piglet cost)	Total Expenses for 2 pigs (excluding piglet cost)	2,400

*Note: Although the sources show the Existing Practice's total cost is lower due to lower feed consumption (1800 Rs.), the output is significantly lower (140 kg total meat vs. 180 kg standard). In Standard Costing, the manager would analyze the **efficiency loss** (yield variance) caused by failing to meet the target output, thereby missing the projected standard profit.*

Efficiency Monitoring through Standard Costing:

The manager compares the two sets of figures to identify the reason for the deviation from the Standard Profit of Rs **29,281**.

1. **Output Efficiency Variance:** The farm produced 140 kg of meat instead of the 180 kg standard, a shortfall of 40 kg. This efficiency variance is investigated: why did the pigs only achieve 70 kg weight when 90 kg was the standard? This analysis points directly back to inputs, confirming the need to adhere to the recommended protocol for **high quality feed** and adequate nutrition to reach weight targets.

2. **Rearing Duration Variance:** The actual rearing duration was **12 months** (Existing) compared to the standard **11 months** (Recommended). The extra month required to reach market weight indicates **poor efficiency** and potentially higher costs in areas like labour, which further justifies the necessity of setting standards for efficiency.

By using Standard Costing, the piggery management shifts its focus from merely recording what happened (Actual Cost) to diagnosing **why** the farm failed to meet the benchmark of efficient

operation (Standard Cost), leading to targeted improvements in genetics, nutrition, and husbandry practices.

Check Your Progress

Q1. Why is standard costing useful for monitoring efficiency on a pig farm?

6.5 MARGINAL COSTING FOR DECISION-MAKING IN PRICING AND EXPANSION

Marginal Costing is a valuable technique used in Management Accounting to assist managers in taking rational policy decisions by focusing on how costs change with production volume. Essentially, marginal cost is the amount by which the total, or aggregate, costs change if the level of output is increased or decreased by one unit. This technique is recognized as a very potent tool for short term decision making because it concentrates solely on the expenses that are directly influenced by the quantity of goods produced or services rendered.

The technique operates by differentiating all costs into two fundamental types: **Fixed Costs** and **Variable Costs**. **Variable Costs** are those expenses that vary in direct proportion to the volume of output, such as purchased feed and chemicals. In pig husbandry, **feed is typically one of the largest and most variable input costs**, often accounting for 70 to 75 per cent of the total production cost. **Fixed Costs**, in contrast, are generally the same each year regardless of the production volume, covering items like housing or insurance, which do not change with the number of pigs raised. Marginal costing advocates that only variable costs should be charged directly to the cost units (pigs), while fixed costs should be charged against the total profits for the entire accounting period.

The cornerstone of Marginal Costing is the concept of **Contribution**, which is simply the excess of sales revenue over the total variable costs (Sales - Variable Cost). This contribution must first be applied to recover the **Fixed Cost**, and any remaining amount becomes the **Profit**. This relationship establishes the fundamental equation of marginal costing:

Profit + Fixed Cost = Sales - Variable Costs.

If a farm wishes to increase its profits, it must either increase the volume of sales, reduce the variable costs, or increase the selling price, as fixed costs remain constant within the relevant production range.

This analysis is critical for several farm management decisions. For example, in **Fixation of Selling Price** for pork or value-added products, Marginal Costing guides the manager to determine the lowest possible price. Although the total selling price should cover all costs plus a profit, in highly competitive markets or when exploring foreign markets, the price may be fixed below the total cost. Crucially, that price must always cover the marginal cost (the variable cost) plus some portion of the fixed overhead. If the selling price fails to cover even the marginal cost, the business will suffer a loss equal to the remaining marginal cost in addition to the fixed expenses. Furthermore, Marginal Costing helps in **Shut Down or Continue decisions**, advising that if the calculated Contribution can cover at least some amount of fixed overhead, it

is financially advisable to continue operating rather than face a total closure where the entire fixed overhead would be lost.

Example from Northeast India

The principles of Marginal Costing can be applied directly to the economics of a piggery unit in Northeast India, where backyard pig rearing is promoted under schemes such as DAY NRLM. The financial breakdown of a **pig fattening unit** for three castrated piglets provides a clear illustration of this cost behavior.

1. **Sales (Revenue):** Total Receipts from the sale of pigs and manure were Rs **63,000**.

2. **Variable Costs (Marginal Cost):** The total Recurring Costs, which approximate the Variable Costs (feed, health care, transport, minerals, etc.), amounted to Rs **19,940**.

3. **Contribution Calculation:** The farm's Contribution is the sales minus the variable costs: Rs 63,000 minus Rs 19,940, which equals Rs **43,060**. This is the cash generated that is available to cover the fixed costs.

4. **Fixed Costs:** The total Investment or Fixed Cost (Housing and feeders) was Rs **10,500**.

5. **Profit Calculation:** The Profit is the Contribution minus the Fixed Cost: Rs 43,060 minus Rs 10,500, resulting in a Net Profit (Income in the first year) of Rs **32,560**.

This analysis confirms that the significant contribution generated by the sales successfully covered all variable costs (Rs 19,940) and the fixed costs (Rs 10,500), leaving a healthy profit of Rs 32,560, demonstrating the financial success and **profitability** of the enterprise when operating efficiently.

Decision Making in Pricing and Expansion:

The management of a piggery business requires informed decisions regarding **pricing** and **expansion**. Accounting information, particularly relating to costs, funds, and profits, is essential for managers to make rational policy decisions and evaluate the impact of their actions.

I. Decision-Making in Pricing (Pork and Pork Products)

The primary goal of pricing is to ensure that the selling price covers all costs and yields a desired profit. In the current market driven world, the selling price is often dictated by market forces (demand and supply), meaning the only reliable way to increase profits is to **keep costs to the absolute minimum possible**.

A. The Role of Cost Analysis

1. **Cost Ascertainment: Cost Accounting** is the process of analyzing expenditures to determine the cost of various products and ultimately **fix the prices**. The total cost of production fundamentally determines if the business will be successful.

2. **Using the Cost Sheet:** The **Cost Sheet** is a statement that provides a detailed breakdown of costs and is directly used for the **determination of the Selling Price**. This document helps track all costs, from direct material and labour up to the Cost of Sales.

3. **Variable Costs and Marginal Costing:** The technique of **Marginal Costing** is very useful for setting selling prices. It focuses on **Variable Costs** (costs that change with production volume, like feed) because managers can influence these daily, making them crucial for cost control.

4. **Contribution and Price Floor:** Marginal Costing emphasizes the **Contribution**. Even during fierce competition or when exploring new markets, the price must be fixed to cover at least the **marginal cost** plus some portion of fixed overhead. If the price is set below marginal cost, the firm will incur losses greater than just the fixed expenses.

B. Pricing Strategy for Value Added Products

Pork processing and value addition, such as producing sausages or bacon, transforms pigs into products that are **more valuable** than raw meat and can increase profitability.

• **Higher Prices:** Value added products often fetch higher prices in the market, but their costs are complex.

• **Costing Value Addition:** Pricing these products requires careful consideration of the additional expenses incurred during processing (value addition), including the costs of **Secondary Packing Material** and advertising, which are part of selling and distribution overheads.

II. Decision-Making in Expansion and Investment

Decisions regarding expansion and new projects are major components of management's use of accounting information. Expansion decisions involve long term investments, often classified as **Capital Expenditure**, which increases the profit earning capacity of the business.

A. Evaluating Investment and Expansion

1. **Investment into New Projects:** Management makes extensive use of accounting information to arrive at informed decisions regarding **investment into new projects**. Accounting provides the relevant data to users, enabling them to make appropriate decisions in respect of investment.

2. **Capacity Expansion:** Decisions regarding **capacity expansion** or the addition of new facilities, such as a Mini Slaughter House, require financial projections and analysis of both fixed and recurring costs.

3. **Resource Utilisation: CVP Analysis** (Cost Volume Profit Relationship, which utilizes Marginal Costing) is helpful for planning, as it assists management in deciding how to use limited resources to **maximise the profits**.

4. **Diversification of Products:** When considering product diversification (introducing a new product alongside existing ones), the decision relies on the new product's **contribution per unit**

and the possibility of incurring additional **fixed overhead**. If the existing fixed overhead is already recovered by current products, any contribution from the new product will be treated as revenue. If the new product yields a negative contribution, diversification should not occur.

B. Financial Considerations for Expansion Funding

1. **Capital Requirements:** Expansion often requires **Capital Investment** for purchasing land, constructing pens, buying breeding stock, and necessary equipment.

2. **Securing Loans:** A **solid business plan** is a vital component of running a successful farm and is crucial for securing loans. This plan must include financial projections, such as **Income Statements, Cash Flow Statements, and Balance Sheets** for the next three to five years.

3. **Loan Purposes:** Loans can be sought for various needs, including **equipment, land purchase, operating expenses, or infrastructure improvements**.

4. **Solvency and Debt:** Lenders assess the farm's solvency—its ability to satisfy debt obligations often measured by the **debt to asset ratio**. Farm businesses specializing in **hogs** generally have a higher average debt to asset ratio compared to other agricultural sectors.

Check Your Progress

Q2. How does marginal costing help a piggery enterprise decide whether to accept a special order below the usual price?

6.6 ABSORPTION COSTING FOR DETERMINING PER-UNIT COST OF PORK PRODUCTION

Absorption Costing, often known as Full Costing, is an accounting method that treats all manufacturing costs, both fixed and variable, as costs of the product. The key difference from other methods, such as Marginal Costing, is that under Absorption Costing, **fixed overheads are absorbed by the cost units** (the products or services created). This method is typically used in financial accounting because it is more scientific and rational in application, and it aims to disclose the **correct profit or loss** by matching all types of expenses against the revenue they helped generate.

The Core Mechanism of Absorption Costing:

In Absorption Costing, the entire process of calculating the final cost is systematic, ensuring that no expense incurred during the production period is ignored. The full cost is built up in steps:

1. **Prime Cost:** This is the basic direct cost and includes all **Direct Material, Direct Labour, and Direct Expenses**. In a piggery, this would primarily cover the cost of the piglet itself and the feed (direct material).

2. **Factory Cost (or Works Cost):** To the Prime Cost, managers add all factory or production overheads. Critically, this includes the **fixed portion of factory overheads**. If the benefit of an expenditure lasts for more than one year (Capital Expenditure), it is added to the value of the asset, and a portion of that cost (depreciation) must be allocated to the product each year.

3. **Cost of Production and Cost of Sales:** Finally, **Administration Overheads** and then **Selling and Distribution Overheads** (both fixed and variable portions) are added to reach the total **Cost of Sales**. Under this system, unsold goods (stock) carried forward to the next year are valued at a higher cost because they include a share of fixed overheads.

Application in Pig Husbandry:

In pig husbandry, applying Absorption Costing is essential to determine the true profitability of the enterprise. It moves beyond just covering the immediate cash costs (like feed) and confirms whether the farm is earning enough to cover its long-term investments and standing charges.

• **Variable Costs (Direct):** These are easily traceable and directly charged to the pigs (the product). The largest and most variable cost here is the **feed**.

• **Fixed Costs (Overheads):** These are indirect costs that do not change with the number of pigs raised, but are necessary for production. They must be absorbed. Examples include:

◦ **Depreciation on Fixed Assets:** The loss in value of long-term assets like **pig housing** (pig-sty), equipment, and machinery over time.

◦ **Farm Insurance and Taxes:** General administrative expenses.

Since these fixed costs cannot be directly traced to an individual pig, they are charged to the cost of the entire production batch using a suitable overhead absorption rate. For example, the total annual depreciation cost of the pig house might be allocated based on the **production unit method** (the number of pigs fattened that year).

Example from Northeast India

We can illustrate Absorption Costing using the financial structure of a backyard **pig fattening unit** for three castrated piglets, based on the prescribed guidelines under DAY NRLM.

The total cost calculation must absorb the cost of the **fixed investment** (Capital Expenditure) required for the pig-sty and equipment, which is Rs **10,500**. Assuming this investment benefits the business for many years, the annual depreciation must be absorbed into the current year's cost of production.

Cost Component	Details	Amount (Rs.)	Absorption Costing Treatment
Direct Material/Variable Cost	Recurring Costs (Feed, Transport, Health Care, etc.)	19,940	**Charged fully to the product (Prime Cost)**
Fixed Investment (Housing/Equipment)	Initial Investment (e.g., Pig-sty and Manger)	10,500	**Allocated over the asset's life**

			(Depreciation)
Fixed Overheads Absorbed (Hypothetical)	Annual Depreciation (e.g., 10% of Housing/Equipment)	1,050	**Absorbed into Works Cost/Cost of Production**
Total Absorption Cost	(Direct + Absorbed Fixed Costs for the Period)	**20,990**	**Total cost covered per unit of output**
Sales Revenue	Total Receipts from Sales and By-products	63,000	
Net Profit	(Rs 63,000 - Rs 20,990)	**42,010**	**Profit after covering fixed investment value**

In this Absorption Costing framework, the full economic expense (including depreciation on fixed assets like the pig-sty) is calculated as part of the total cost of producing the pork (Rs 20,990). This calculation provides managers and lenders with a **clear picture** of the financial performance, ensuring that the price charged for the final pork product (derived from Rs 63,000 sales) successfully covers all expenditures, including the ongoing loss in value of the long-term assets. If the farm did not use Absorption Costing, it might underestimate the true cost needed to replace facilities later on.

6.6.1 PRACTICAL USE IN PRICING AND MARKET ANALYSIS

Absorption Costing, also called Full Costing, guides a piggery in setting prices for its products, such as live pigs, raw pork, or value-added products like sausages or bacon. Cost analysis is a key role of Cost Accounting, which classifies expenditure to figure out the cost of various products and helps to **fix the prices**. Management makes extensive use of this information to arrive at informed decisions like **determination of selling price**.

The primary use of Absorption Costing in pricing is that it determines the **total cost** (or full cost) of production for a unit of pork. This total cost includes all expenses, both those that change with production volume (**Variable Costs**, like feed) and those that stay the same (**Fixed Costs**, like housing depreciation and insurance).

By determining the cost per unit, the farm avoids major pricing errors. Without Absorption Costing, managers risk setting prices too low, thinking they are profitable because they covered their variable costs. If the farm only covers its variable costs, any excess revenue is called the **Contribution**, which must first be used to recover Fixed Costs. If the price only covers marginal or variable costs, it results in an **unrecognized loss** from the fixed overheads, because the farm is not generating enough income to account for long term necessary expenses. This practice ensures that enough revenue is generated to cover the lost value of assets, such as equipment and buildings, through depreciation deductions, which is a vital part of the farm’s cost of production calculation.

6.6.2 ABSORPTION AND MARGINAL COSTING IN THE PIG BUSINESS

While **Marginal Costing** is a valuable technique for **short term decision making** and tactical choices, **Absorption Costing** is essential for **long term sustainability** and achieving the primary goal of the business, which is making a profit. Marginal Costing concentrates only on **variable costs** (like feed, which is directly influenced by output volume). This focus is useful when deciding whether to **accept additional orders** at reduced prices or exploring **foreign markets**, as the price only needs to cover the marginal cost plus some fixed overhead.

However, for overall financial health, **absorption costing must not be ignored**. Absorption Costing is considered a **more scientific and rational** method because it aims at disclosing the correct profit or loss for the period. It achieves this by matching all expenses against the revenue generated. When preparing financial statements that show financial performance during the accounting period, the goal is to show the profit or loss.

Selling continuously at prices below the full **absorption cost** (total cost) will lead to farm failure, even if the price temporarily covers variable costs. This failure occurs because the farm is not setting aside funds to cover necessary **fixed costs**, such as depreciation on assets like pig housing, or administrative expenses. If these fixed costs rise, or if the production volume falls, the business will be unable to meet its long-term obligations and replace essential assets, reducing the net worth of the business over time. Therefore, for sound financial evaluation and sustained profitability, using Absorption Costing is necessary to ensure the business is **generating enough revenue to cover the lost value of assets**.

While **Marginal Costing** is a potent tool for making short term, tactical choices like accepting a special order, **Absorption Costing** (Full Costing) provides the clearest view of long-term financial health. For continuous sustainability in pig husbandry, managers must utilize both methods but base their final selling prices on the Absorption Cost to ensure all expenditures, including non-cash fixed costs, are covered.

Feature	**Marginal Costing (MC)**	**Absorption Costing (AC)**
Basic Definition	Only **Variable Costs** (those that change with production volume, like feed) are included in the product cost.	**All costs**—both variable and fixed are treated as costs of the product.
Treatment of Fixed Costs	Fixed Costs (e.g., depreciation on pig housing, insurance) are treated as **Period Costs**; they are charged directly against the profits of the accounting period.	Fixed Costs (Fixed Overheads) are **absorbed** into the cost units (pigs/pork products) using an allocation rate.
Inventory Valuation	Unsold stock (inventory) is valued at its **Variable Cost** only.	Unsold stock is valued at a **higher cost** because it includes a share of the fixed production overheads.
Profit Calculation	Profit is calculated using **Contribution** (Sales - Variable Costs). Profit differs from AC profit	Aims to disclose the **correct profit or loss** by matching all revenue and expenditure. Profit is calculated after deducting all costs (fixed and variable)

	when stock levels change.	from sales.
Pricing Decision-Making	Guides setting the **price floor**; useful for tactical decisions like accepting orders at reduced prices. Price must cover marginal cost plus some fixed overhead.	Guides setting the **long-term sustainable price** by ensuring all fixed overheads (like depreciation/loss in asset value) are covered. Used to avoid pricing errors.
Primary Use	Used for **short term decision making**, such as break-even analysis, shut down decisions, and choosing between products.	Used for **long term financial reporting** (Financial Statements) and assessing long term profitability.
Focus in Piggery	Controlling **Variable Costs** (feed, labour) that managers influence daily.	Ensuring revenue covers the full economic cost, including the cost of long-term assets (like the pig-sty) through **depreciation**.
Financial Recognition	The Companies Act 1956 does **not recognize** this basis of accounting.	The Companies Act 1956 **recognizes** this basis of accounting.

6.7 LET US SUM UP

This unit has shown that understanding and applying costing methods—standard, marginal, and absorption is a practical requirement for piggery success, not just a textbook skill. Standard costing helps set targets and quickly spot wastage. Marginal costing supports smart decisions about pricing, expansion, and whether to accept special orders. Absorption costing ensures that the full real cost of production is covered by sales, protecting the business against unseen losses. While each method has a specific application, using all three provides a balanced approach to efficient, profitable pig farming.

6.8 FURTHER READING

- Beginners Guide to Pig Production and Management: A Comprehensive Handbook and Training Manual.
- Farmers' Hand Book on Pig Production (FAO).
- 320 Accountancy-1 NIOS/NCERT Modules.
- Foundation-Paper2-Revised, (ICMAI).
- Additional livestock accounting and costing handbooks.

6.9 REFERENCES

- Foundation-Paper2-Revised (ICMAI)
- 320_Accountancy-1_-Final, ICAI
- Farmers-hand-book-on-pig-production-fao, NABARD
- Cost and Management Accounting, ICAI

6.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q1:
Standard costing helps the piggery manager compare expected and actual costs for items like feed, veterinary care, and labour. If actual costs are higher or lower than standard, the difference (variance) can be quickly spotted and corrected, improving efficiency and reducing waste.

Ans to Q2:
Marginal costing considers only the extra variable costs for the special order. If the revenue from the order is greater than these extra costs, the farm can accept the lower price because fixed costs are already being covered by existing sales. This means extra sales contribute to profit even at a lower price.

6.10 MODEL QUESTIONS

1. What is a standard cost? Why is it set in pig farming?
2. How does marginal costing help in short-term pricing decisions for a piggery?
3. What is meant by absorption costing in livestock production?
4. Compare and contrast standard, marginal, and absorption costing with examples from pig production.
5. Explain how a piggery might use standard costing to monitor its efficiency and reduce losses.
6. Why should a pig farm avoid selling pigs at prices below absorption cost for a long period?

UNIT 7: BREAKEVEN ANALYSIS AND COST-VOLUME-PROFIT RELATIONSHIP

UNIT STRUCTURE

7.1 Learning Objectives
7.2 Introduction
7.3 Concept of Breakeven Point
7.4 Graphical Representation of Breakeven
7.5 Calculation of Breakeven for Small Piggery Units
7.6 Cost-Volume-Profit (CVP) Analysis
    7.6.1 Application of CVP in Determining Number of Pigs to Achieve Desired Profit
    7.6.2 Role of Breakeven and CVP Analysis in Investment Decisions
7.7 Let Us Sum Up
7.8 Further Reading
7.9 References
7.10 Answers to Check Your Progress
7.11 Model Questions

7.1 LEARNING OBJECTIVES

After completing this unit, learners will be able to:

- Explain the concept of breakeven point in farm and piggery context
- Calculate the breakeven point for a small piggery unit
- Use cost-volume-profit analysis for planning profit targets
- Apply CVP analysis in making investment and expansion decisions in piggery

7.2 INTRODUCTION

Breakeven analysis and the study of cost-volume-profit relationships are essential tools in business planning. For piggery enterprises, these methods help farm owners understand at what level of sales their business will start making a profit instead of incurring a loss. Knowing the breakeven point helps to plan production, pricing, and investments confidently. CVP analysis expands on this, showing how profits change as costs, output, and prices change. This unit explores these concepts using simple language, farm-based examples, and practical calculations.

7.3 CONCEPT OF BREAK-EVEN POINT

The breakeven point is where the total revenues from selling pigs and related products exactly equal the total costs of running the piggery. At this point, there is no profit and no loss, only recovery of all money spent on both fixed and variable costs. Any sales beyond this point create actual profit, while sales below this level result in a loss. More elaboratively, the break-even point is an important idea in business and farming. It tells us when the total money earned from selling a product is equal to the total money spent to produce it. At this point, the farmer is not making a profit but also not facing a loss. Understanding the break-even point helps farmers plan their work and business decisions.

In pig husbandry, the break-even point is especially useful. This is because raising pigs involves many costs such as buying piglets, feed, medicines, paying workers, taking care of the pigsty, and other expenses. A pig farmer spends this money to produce and raise healthy pigs for sale. Every farmer wants to know how many pigs they need to sell, and at what price, to recover their total expenses.

To calculate the break-even point, a farmer first finds out two main things. The first is the total cost, which includes both fixed and variable costs. Fixed costs do not change with the number of pigs, like rent or equipment. Variable costs change as more pigs are raised, like food and medicines. The second is the total revenue, which means the money earned by selling pigs.

When the revenue from selling pigs equals the total cost to raise them, the farm reaches the break-even point. This is a very important stage. Before this point, the farmer loses money because the costs are greater than the earnings. After this point, every extra pig sold brings profit, as all costs have been covered.

Understanding the breakeven point is especially important for farmers and piggery owners because it helps answer key questions about how many pigs need to be raised and sold, at what minimum price, and how changes in costs or prices will affect business survival.

For a small piggery, fixed costs include things like pig house construction, equipment, and caretaker wages (if paid regularly), while variable costs are primarily feed, veterinary care, and other inputs that change with the number of pigs.

The formula for the breakeven point in units is simple:

$$\textbf{Breakeven Point (number of pigs)} = \frac{\textbf{Total Fixed Costs}}{\textbf{Selling Price per Pig} - \textbf{Variable Cost per Pig}}$$

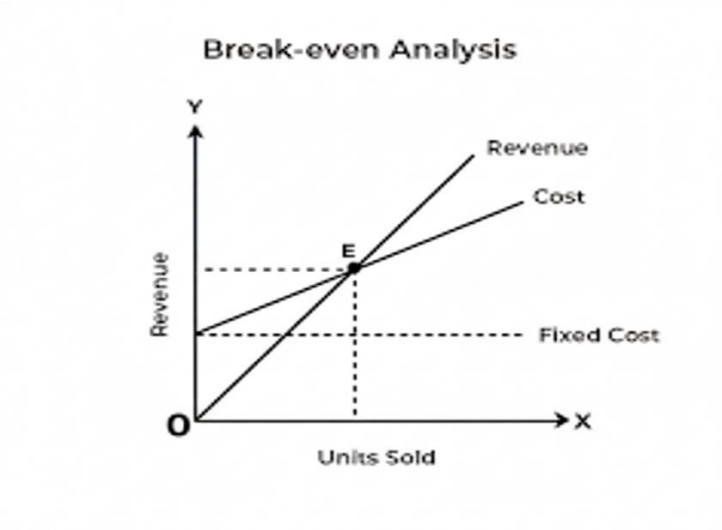
The denominator, “Selling Price per Pig - Variable Cost per Pig,” is called "contribution per pig" because it shows how much each sale contributes towards covering fixed costs.

Check Your Progress

Q1. What is the breakeven point and why is it important for piggery owners?

7.4 GRAPHICAL REPRESENTATION OF BREAKEVEN

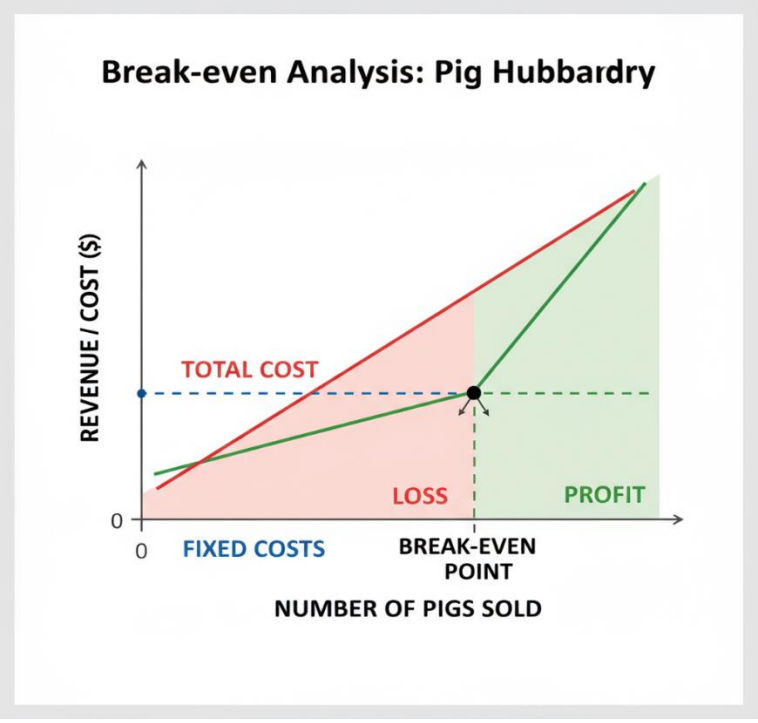
General graphical representation of Break-Even:



Source: Internet

Graphical representation makes the concept of breakeven easier to understand. A typical breakeven chart has the number of pigs or units produced and sold on the horizontal axis, and amount of money (rupees or dollars) on the vertical axis.

Graphical Representation in Piggery:



Source: Institute of Pig Research and Breeding, MZ

The point where the total revenue line crosses the total cost line is the breakeven point. To the left of this, costs are higher than revenues (loss). To the right, revenues are higher than costs (profit). The following briefly elaborates the graphs:

1. Axes of the Graph

- The horizontal axis (X-axis) is called "Number of Pigs Sold." This shows how many pigs the farmer sells in a given period.
- The vertical axis (Y-axis) is called "Cost/Revenue." This shows money the rupees or dollars either earned or spent.

2. Fixed Cost Line

- The fixed cost line is flat (horizontal) and does not change, no matter how many pigs the farmer sells.
- Fixed costs are items like the rent of the pigsty, salary of farm labourers, or equipment cost. These remain the same whether you raise 1 pig or 100 pigs.

3. Total Cost Line

- The total cost line starts from the level of fixed cost and goes up as the number of pigs increases.
- This is because as the farmer raises and sells more pigs, they need to buy more feed, medicines, and pay for other expenses. These are called variable costs.
- Total cost = Fixed cost + Variable cost (which increases with more pigs).

4. Revenue Line

- The revenue line starts at zero and goes upwards, growing faster than the cost line if the business is going well.
- This line shows the amount of money earned from selling pigs. The more pigs the farmer sells, the higher the revenue.

5. Break-even Point

- The break-even point is where the revenue line and total cost line cross each other. This is a key moment for any business.
- At this point, all the money earned equals the total money spent. The business is neither in profit nor loss.
- For any number of pigs sold before this point, the farm is at a loss. After this point when more pigs are sold the farm starts earning profit.

7.5 CALCULATION OF BREAKEVEN FOR SMALL PIGGERY UNITS

Let us look at a step-by-step calculation of the breakeven point using figures found in typical small-scale piggery operations, especially relevant in Northeast India where costs are well studied and are often the main concern for farmers.

Suppose a backyard piggery with capacity for 5 pigs per cycle has:

- Fixed costs: Pig shed construction spread per year ₹10,000, equipment ₹2,000, and annual depreciation for these comes to ₹2,400. Permanent labour (part-time caretaker): ₹6,000 per year. Total fixed costs per year: ₹18,400.
- Variable costs per pig: Feed ₹2,000, medicines ₹300, water and bedding ₹100, for a total of ₹2,400 per pig.
- Selling price for each pig at market weight (say, after 10 months): ₹4,000.

Applying the formula:

$$\textbf{Breakeven Point} = \frac{\mathbf{18,400}}{\mathbf{4,000 - 2,400}} = \frac{\mathbf{18,400}}{\mathbf{1,600}} = \mathbf{11.5}\boldsymbol{pigs}$$

So, about 12 pigs must be raised and sold each year just to recover costs. Any sales beyond 12 pigs mean profit, while fewer would mean a loss.

Since many backyard piggeries may not keep as many pigs each year, their strategy may need to include higher selling prices, cutting costs, or combining income from by-products like manure sale to lower the breakeven.

Check Your Progress

Q2. A piggery's fixed costs are ₹24,000 per year, the selling price per pig is ₹5,000 and the variable cost per pig is ₹3,000. Calculate the breakeven number of pigs.

Q3. Describe the margin of safety and its significance for piggery farm managers.
Q4. Why is the contribution per pig important in both breakeven and CVP analysis?
Q5. How can breakeven and CVP analysis help pig farmers make decisions during market price fluctuations?

7.6 COST-VOLUME-PROFIT (CVP) ANALYSIS

Cost-volume-profit analysis, often referred to as CVP analysis, is a simple way of understanding how changes in sales volume, costs, and selling price impact profits. For pig farmers, the CVP framework is valuable to predict how changes in herd size, feed cost, or market prices affect the bottom line.

7.6.1 APPLICATION OF CVP IN DETERMINING NUMBER OF PIGS TO ACHIEVE DESIRED PROFIT

Fundamentals of CVP Analysis for Desired Profit

CVP analysis is built upon the idea that costs can be clearly separated into **Fixed Costs** and **Variable Costs**. This distinction is used to calculate the **Contribution**, which is the revenue remaining after covering the Variable Costs.

1. **Variable Costs (VK):** These costs change in direct proportion to the volume of output, such as pig feed, which is one of the largest and most variable input costs in a piggery.

2. **Fixed Costs (FK):** These costs remain constant over the period, regardless of the number of pigs sold, such as the initial investment in pig housing or equipment depreciation.

3. **Contribution (C):** The amount generated from sales that is first applied towards recovering the Fixed Costs, with the remainder becoming the profit.

Therefore, Beyond the breakeven point, piggery owners naturally want to estimate: -

"*How many pigs must I sell to earn a specific profit?"*

Therefore, CVP analysis provides a formula for this:

$$\textbf{Number of pigs for desired profit} = \frac{\textbf{Fixed Costs} + \textbf{Target Profit}}{\textbf{Contribution per Pig}}$$

For example, if the fixed costs are ₹24,000, the farmer wants to earn at least ₹20,000 profit, and the contribution per pig is ₹2,000, then:

$$\text{Required pigs} = \frac{24{,}000 + 20{,}000}{2{,}000} = \frac{44{,}000}{2{,}000} = 22$$

So, 22 pigs need to be sold that year to earn a profit of ₹20,000.

CVP analysis can also estimate how profits will change if feed prices suddenly rise, if a new buyer offers a large order at a lower price, or if more pigs can be sold at a festival season.

Pig farmers often use CVP for situations such as:

- Planning annual production targets for a given income goal.
- Checking the effect of price changes on profit.
- Assessing the benefit of buying feed in bulk or producing part of the feed on-farm.

Illustration:

Cost Component	Total Cost (3 Pigs) (Rs)	Cost Per Unit (1 Pig) (Rs)	Calculation

Fixed Cost (FK)	Initial Investment (Housing, Manger)	**10,500**	This is the fixed cost for the unit and does not change with the number of pigs sold in this scenario.
Variable Cost (VK)	Total Recurring Cost (Feed, Health, etc.)	19,940	Rs 19,940 / 3 pigs = **Rs 6,647**
Sales Price (S)	Gross Receipts from Sale (3 pigs at 100 kg each @ Rs 200/kg)	63,000	Rs 63,000 / 3 pigs = **Rs 21,000**
Contribution per Unit (C/u)	Sales per Unit – Variable Cost per Unit	**14,353**	Rs 21,000 - Rs 6,647 = **Rs 14,353**

Calculating Number of Pigs Needed for Desired Profit

To reach a target profit of Rs 50,000 after covering the Rs 10,500 fixed cost, we use the formula:

$$\textbf{Units Required} = \frac{\textbf{Fixed Cost} + \textbf{Desired Profit}}{\textbf{Contribution per Pig}}$$

$$\text{Therefore, Units Required} = \frac{10{,}500 + 50{,}000}{14{,}353} = \frac{60{,}500}{14{,}353} \approx 4.21$$

The piggery manager should plan to raise and sell about 5 pigs (4.21 rounded up) to cover the fixed costs and reach a profit goal of Rs 50,000, given the present costs and selling price. This shows how cost-volume-profit (CVP) analysis helps convert a financial goal into a clear production target, making it practical for farm planning.

7.6.2 ROLE OF BREAKEVEN AND CVP ANALYSIS IN INVESTMENT DECISIONS

The analysis of **Cost-Volume-Profit (CVP)** and the **Break-Even Point (BEP)** are essential tools of **Management Accounting**, providing the necessary costing information for rational policy decisions, particularly concerning **Investment Decisions** and **Expansion** in a piggery. This analysis helps managers anticipate the financial impact of major capital expenditures before they are incurred, ensuring the business makes sufficient revenue to cover all costs and generate profit.

1. The Role of CVP and Break-Even Analysis in Investment Decisions

CVP analysis is focused on understanding the dynamic interplay between costs, sales **volume**, and **profit**. It is explicitly designed to assist management in various decision situations, including **investment into new projects** and determining whether to **expand or close a particular line of business**.

A. Identifying Costs and Setting the Threshold

The calculation starts by sorting costs into **Fixed Costs** and **Variable Costs**. This segregation of costs is a powerful tool for management decision making.

• **Fixed Costs:** Investment decisions involve **Capital Expenditure**, such as purchasing machinery, constructing housing (pig-sty), or acquiring land. These costs are incurred to increase the **profit earning capacity** of the business and typically provide benefits that last for more than one year. These investments become the **Fixed Costs** that must be recovered. The BEP is the point where the **Total Contribution is equal to the Fixed Cost**.

• **Variable Costs:** These costs, such as feed, are directly linked to the volume of output. Marginal Costing relies on the **Contribution** to assess how much revenue is available to cover the fixed costs associated with the new investment.

B. Determining Viability and Risk - BEP

The Break-Even Point reveals the volume of sales at which **no profit or no loss is made**. Knowing this threshold level of sales is **very crucial in making decisions**.

• **Setting Targets:** Investment decisions, such as expanding the sow breeding unit, require calculating the sales volume needed to cover the new, higher fixed costs. The BEP calculation tells managers exactly how many units (e.g., pigs) must be sold, or what total revenue (amount) is needed, to justify the investment.

• **Capacity Expansion:** CVP analysis is essential for decisions concerning **capacity expansion** or the addition of new facilities, such as a **Mini Slaughter House**. It confirms if the projected sales volume (the new capacity) is far enough above the BEP to ensure a large **Margin of Safety**, which indicates the financial soundness of the business.

• **Resource Optimisation:** CVP analysis helps management to decide how to use the limited resources (like capital or breeding capacity) to **maximise the profits**.

2. Break-Even Analysis for Investment

Farm managers calculate different types of break-even numbers to assess the success and longevity of an investment.

• **Capital Retainment (Net Worth) Break Even:** This is the most comprehensive break-even calculation for investment decisions. It determines the price required to cover all operating costs (Variable and Fixed Costs) and **Financial Obligations** (like debt payments), ensuring the farm generates additional dollars to offset the lost value of assets (**Depreciation**) and grow the **Net Worth** of the business. Capital Retainment is a sign that the business is successful.

• **Repayment Capacity (Cash Flow) Break Even:** This is the BEP that lenders often focus on. It ensures the investment generates enough cash flow to cover the cash-based costs and the yearly **Financial Obligations** (including loan payments), subtracting the non-cash expense of **Economic Depreciation**.

3. Example of CVP Analysis for Investment - Northeast India

Consider a SHG (Self Help Group) woman in Northeast India considering two major investments for their piggery operation under schemes like DAY NRLM:

A. **Investment in a Pig Fattening Unit:** Purchasing three castrated piglets requires a total initial **Investment** (Fixed Cost) for housing and equipment of **Rs 10,500**.

B. **Investment in a Boar Keeping Unit (Breeding):** Purchasing five boars for breeding purposes requires a much higher initial **Investment (Fixed Cost)** for housing and maintenance of **Rs 36,000**.

The manager uses Marginal Costing and CVP analysis to compare the profitability of these two investment paths in the first year:

Financial Metric	Pig Fattening Unit (3 Pigs)	Boar Keeping Unit (5 Boars)
Fixed Cost (Investment)	Rs 10,500	Rs 36,000
Total Sales (Revenue)	Rs 63,000	Rs 41,000
Total Variable Costs (Recurring Cost)	Rs 19,940	Rs 23,100
Contribution (Sales – Variable Cost)	Rs 63,000 – Rs 19,940 = **Rs 43,060**	Rs 41,000 – Rs 23,100 = **Rs 17,900**
Net Profit (Contribution – Fixed Cost)	Rs 43,060 – Rs 10,500 = **Rs 32,560**	Rs 17,900 – Rs 36,000 = **(Rs 18,100) Loss**

The analysis shows that the **Fattening Unit** investment generates a massive **Contribution of Rs 43,060**, which is more than four times the Fixed Cost (Rs 10,500). The BEP is easily surpassed, leading to a strong profit of **Rs 32,560**.

In contrast, the **Boar Keeping Unit** investment generates a smaller Contribution (Rs 17,900), which **fails to cover the high Fixed Cost (Rs 36,000)** for housing and boar purchase, resulting in a **loss of Rs 18,100** in the first year. The CVP analysis clearly advises management that, based on first year projections, the Pig Fattening Unit is the superior investment option. However, for a long-term view, the manager must use this data to project the sales volume and prices needed in the subsequent years to reach the BEP and achieve profitability.

7.7 LET US SUM UP

Breakeven analysis and cost-volume-profit analysis are simple but essential tools for farmers and piggery owners. They allow estimation of the sales level required to cover all costs, highlight the importance of cost control, and support setting realistic targets for sales and profit. Calculating and understanding these numbers help guide decisions on farm size, pricing, and

investments. Graphical and calculation-based approaches both help visualize and plan business performance. These tools enable farmer-entrepreneurs to make informed, risk-aware choices and plan for healthy, reliable profits.

7.8 FURTHER READING

- Foundation Paper-2-Revised.pdf (ICMAI)
- 320_Accountancy-1_-Final-PDF.pdf (NIOS/NCERT)
- Beginners Guide to Pig Production and Management
- Farmers' Hand Book on Pig Production (FAO)

7.9 REFERENCES

- Foundation-Paper2-Revised, ICAI
- 320_Accountancy-1_-Final-PDF, ICAI
- BeginnersGuidetoPigProductionandManagementAComprehensiveHandbookandTraining Manual, NABARD
- Farmers-hand-book-on-pig-production-fao, NABARD

7.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q1:
The breakeven point is the level at which total revenue from selling pigs matches the total cost (fixed and variable). Below this, the business makes a loss; above this, it makes a profit. For piggery owners, it is important because it tells them the minimum number of pigs to sell (or piglets, pork, etc.) to recover all costs, helping plan sales and production effectively.

Ans to Q2:
Contribution per pig = Selling price – Variable cost = ₹5,000 – ₹3,000 = ₹2,000
Breakeven point = Fixed costs / Contribution per pig = ₹24,000 / ₹2,000 = 12
So, the piggery must sell 12 pigs to cover all costs in a year.

Ans to Q3:
The margin of safety is the difference between actual or expected sales and the breakeven sales level. It signifies how much sales can fall before the piggery starts making losses. A wide margin of safety gives farmers confidence, while a narrow margin means the farm is at greater risk of financial loss if sales drop.

Ans to Q4:
Contribution per pig shows how much each pig sold contributes toward covering fixed costs and generating profit. It is central to both breakeven and CVP analysis because it helps determine how many pigs need to be sold and how profit changes with changes in costs or selling price.

Ans to Q5:
Breakeven and CVP analysis allow pig farmers to quickly assess how changes in market prices for pork will affect their profitability. If prices drop, farmers can use these tools to calculate whether their business will still cover costs or if they need to make adjustments such as cutting costs, raising efficiency, or altering production plans.

7.11 MODEL QUESTIONS

1. What is the formula for the breakeven point (number of pigs) in piggery? Also elaborate
2. Explain the term “contribution per pig” with a practical example.
3. Why do piggery farmers use CVP analysis?
4. Calculate the breakeven point and number of pigs required for a desired profit in a farm with specified cost and price figures.
5. How does graphical representation help in understanding breakeven and profit planning for piggery enterprises?
6. Discuss the role of breakeven and CVP analysis in making expansion and investment decisions for a piggery.

UNIT 8: BUDGETING FOR PIGGERY FARMS

UNIT STRUCTURE

8.1 Learning Objectives
8.2 Introduction
8.3 Types of Budgets
  8.3.1 Capital Budget
  8.3.2 Operating Budget
  8.3.3 Cash Budget
8.4 Preparation of Annual Budget for Small Pig Farms
8.5 Role of Budgeting in Cost Control and Future Planning
8.6 Use of Budgets in Evaluating Feasibility of Expansion Projects
8.7 Linkage with Bank Loan Requirements
8.8 Let Us Sum Up
8.9 Further Reading
8.10 References
8.11 Answers to Check Your Progress
8.12 Model Questions

8.1 LEARNING OBJECTIVES

After studying this unit, learners will be able to:

- Explain the different types of budgets relevant to piggery farms.
- Understand the steps involved in preparing an annual budget for a small pig farm.
- Discuss the importance of budgeting for cost control and long-term planning.
- Explain how budgets can support the evaluation of expansion projects.
- Describe how farm budgets support applications and negotiations for bank loans.

8.2 INTRODUCTION

Budgeting is a fundamental aspect of managing any business, and it is especially important for piggery enterprises, where cash flow, cost control, and planning for the future are vital for survival and growth. A budget acts as a financial road map, allowing the farmer to anticipate problems before they arise and to seize opportunities in a planned way. In piggery management, budgeting is not just a paperwork exercise, but a central tool for making informed decisions about feed, health care, staffing, and investment in new facilities or activities. This unit will describe the main types of budgets a piggery business might use, show how to prepare an annual budget for a small operation, and discuss how budgets are used for planning, cost management, expanding the business, and communicating with banks for loans.

8.3 TYPES OF BUDGETS

Budgeting for a piggery farm generally involves making three major types of budgets: capital budget, operating budget, and cash budget. Each has a specific use, focus, and time frame.

8.3.1 CAPITAL BUDGET

A capital budget is a plan for investments in long-term assets, such as pig houses, barns, equipment, bore wells, vehicles, or new breeding stock. Capital budgets are not concerned with daily running costs, but with bigger, less frequent expenditures that will benefit the farm over several years. Preparing a capital budget requires the farmer to estimate the cost of new buildings or equipment, decide when the money will be needed and whether it will come from savings, loans, or other sources, and consider the value that these investments will add to the farm business.

Example: If a pig farmer wants to construct a new farrowing shed and buy additional feeders, she first prepares a list of all expected expenses (including construction materials, labour, permits, and equipment purchase). She then plans when these expenses will occur and calculates how she will pay for them. The capital budget helps her decide if it is affordable and what effect the investment will have on future profits and costs.

8.3.2 OPERATING BUDGET

The operating budget is the plan for the ordinary, everyday costs and expected incomes of the piggery farm within a set period, usually a year. It includes the projected spending on feed, medicines, veterinary services, water, electricity, labour, and all other regular expenses. It also details the expected sales and other incomes, such as by-products or piglet sales. The primary purpose of an operating budget is to ensure that the daily and monthly financial needs of the farm are anticipated and that all costs are covered by projected income.

A typical operating budget will include tables of expected costs and revenues, broken down by category and by month or quarter, allowing the farmer to spot cash shortages or surpluses in advance.

8.3.3 CASH BUDGET

A cash budget tracks the movement of money into and out of the business. Unlike the operating budget, which may include non-cash items like depreciation, a cash budget focuses only on real cash receipts and payments. It is usually prepared for shorter time frames (monthly or quarterly) and helps ensure the farm will not run out of cash to pay ongoing bills.

The cash budget starts with the opening cash balance, adds all expected cash inflows for the period (such as sales of pigs, bank loans, grants, or subsidies received), and deducts all planned cash payments (such as feed purchases, wage payments, interest, and loan repayments). The result is a closing balance for the period.

Check Your Progress

Q1. What is the main difference between a capital budget and an operating budget?

8.4 PREPARATION OF ANNUAL BUDGET FOR SMALL PIG FARMS

An annual budget is essentially a **plan for a defined period of time**, typically one year, expressed in financial terms. For small pig farms, preparing a budget is a crucial component of **Management Accounting**, which generates information about funds, costs, and profits to assist the management in making rational policy decisions and exercising control over operations. A comprehensive budget provides a vital **roadmap for the farm's future**, integrating operational factors like feed and housing with overall goals for sustainability and success.

The Role of Budgeting in Small Pig Farms

Budgeting is critical because it allows the piggery manager to anticipate financial needs, control large expenditures, and ensure the business has adequate funds when needed. This systematic process helps assess the farm's financial performance and position. Furthermore, having strong financial projections, including annual Income Statements and Cash Flow Statements, is vital for a comprehensive **business plan**, which is often required when securing loans, grants, or funds for investment. The **Budget Sub-system** in accounting systems deals specifically with preparing the budget for the coming financial year and comparing it against actual performance.

Steps for Preparing an Annual Budget:

The budgeting process moves from setting overall targets down to detailing expected revenues and expenditures for all farm activities.

1. Setting Clear Financial Goals and Historical Review

The first step is setting **smart goals** for the budgeting period. Next, the manager must analyze financial and production data from the previous year. **Accurate record-keeping** is the foundation for effective budgeting and helps determine financial performance, allowing the manager to **better plan production and output** for the following year. Detailed records must be kept for income, expenses, livestock performance, and the use of inputs like feed. Reviewing these records allows managers to see what worked and what did not, ensuring necessary adjustments are planned in the new budget.

2. Forecasting Revenue (Income Budget)

The budget must estimate all **receipts** (money coming in) from sales over the year. This involves forecasting the number of pigs or pork products expected to be sold, along with their anticipated market prices. Income sources include sales of live pigs, pork, value added products like bacon, and even by products such as manure.

3. Budgeting Costs (Expense Budget)

This is the most critical part, requiring a detailed breakdown of all expected spending (expenditure). Costs must be classified based on their nature:

• **Capital Expenditure (Fixed Costs):** This budget includes spending to acquire **assets** that have a benefit lasting **more than one year**, such as purchasing land, constructing the pig-sty, or buying specialized equipment. Capital expenditure increases the profit earning capacity of the business. For budgeting, these initial fixed costs must be recovered over time, typically through depreciation.

• **Revenue Expenditure (Variable/Recurring Costs):** This budget details expenses incurred to earn revenue during the current year, the benefit of which is exhausted quickly. This includes recurring items like veterinary care, insurance, consumables, and critically, **feed costs**.

4. Enterprise Budgeting and Cost Control

Small farms often run multiple operations, known as **enterprises** (e.g., pig fattening, boar keeping, or a breeding unit). **Enterprise accounting** is vital as it allows the farm manager to track income and expenses specifically for each enterprise, making sense of which activity is performing well and which is not. The budget must focus on controlling **Variable Costs**, especially **feed**, which is often the largest expense in pig farming.

Budgeting in Pig Husbandry in North East India

Backyard pig rearing is deeply embedded in the culture and provides an important source of livelihood in the North Eastern Region, particularly for tribal communities. However, small farmers often face challenges such as the **high market price of feeds** and lack of scientific rearing knowledge.

For farmers participating in initiatives like the **DAY NRLM** (National Rural Livelihoods Mission), preparing a robust annual budget and financial projection is necessary. This financial plan determines the farm's **Investment** (Fixed Costs) and its **Recurring Costs** (Variable Costs) to ensure the venture's viability and secure necessary financing, such as **SHG loans** or **self-contribution**.

Illustration: Annual Budget Structure for a Pig Fattening Unit (NE India)

The following example illustrates the structure of a first-year budget for a small **pig fattening unit** focused on three castrated piglets, based on data provided for schemes in the region:

Budget Section	**Component**	**Unit Cost (Rs)**	**Total Cost (Rs)**	**Cost Type**
A. Investment – Fixed Cost	Housing (Thatched roof, pucca floor with ventilation)	10,000	**10,000**	Fixed Cost / Capital Expenditure
	Feeding Manger, Waterer	500	**500**	Fixed Cost / Capital Expenditure

Total A (Initial Investment/Fixed Cost)			**10,500**	
B. Operating /Recurring Cost (First Year)	Cost of Piglets (10 KG)	3,000	9,000	Variable Cost / Revenue Expenditure
	Transport	100	300	Variable Cost
	Feeding Cost (Concentrate + Byproducts)	3,000	9,000	Variable Cost (Largest component)
	Health Care Cost	100	300	Variable Cost
	Insurance	180	540	Variable Cost
Total B (Operating/Variable Cost)			**19,940**	
C. Receipts (Revenue)	Sale of 3 Market Pigs (100 kg each @ Rs 200/kg)	20,000	60,000	Forecasted Revenue
	Sale of Manure (By-product)	1,000	3,000	Forecasted Revenue
Total C (Gross Receipts)			**63,000**	
Budgeted Net Income (C – A – B)			**32,560**	

Source: ICAR-Mega Seed Project on Pig

This detailed budget shows that the total **Fixed Costs (Investment)** and the total **Recurring Costs (Operating/Variable Costs)**. By achieving the budgeted sales volume and price, the farm projects a Net Income of in the first year, confirming the profitability and informing the manager about the largest area of expense (feed/piglet purchase).

Check Your Progress

Q2. List three important steps in preparing an annual budget for a small piggery farm.

8.5 ROLE OF BUDGETING IN COST CONTROL AND FUTURE PLANNING

The process of **budgeting** plays a crucial role in the management of a pig husbandry business, serving as a primary tool for **cost control** and guiding **future planning**. As part of **Management**

Accounting, budgeting generates essential information relating to funds, cost, and profits, enabling management to make rational policy decisions and exercise control over operations.

1. Budgeting as a Tool for Cost Control

A budget is fundamentally a **plan for a defined period of time**, which is expressed in financial terms to estimate future revenues and expenditures. In a piggery, using a budget is essential for controlling costs, which, if left unchecked, reduce the net income of the business.

• **Setting Benchmarks:** The budget sets a **target** or a **benchmark** within which the farm is intended to operate. These estimated costs take into account anticipated changes in conditions and represent the complete plan for the year.

• **Controlling Variable Costs:** Costs that change with the volume of production (Variable Costs) are the most important area for control in pig husbandry, especially **feed costs**, which can account for 70 to 75 per cent of the total production cost. The budget provides the data to track and manage these large, daily fluctuations.

• **Monitoring Overheads:** For costs that are difficult to trace directly to an individual pig (Overheads), such as administrative expenses, **budgets are the primary control mechanism**. Management monitors costs by setting up budgets and ensuring that the actual costs incurred are kept within those predetermined limits.

• **Comparison of Actual vs. Budgeted:** For control purposes, it is advisable to **compare budgeted overheads with actual** expenses. Any deviation between the budgeted cost (the target) and the actual cost incurred is analysed to identify the causes for the increase, which helps management fix responsibility on the departmental head and mitigate the issue. The **Budget Sub-system** in computerised accounting deals specifically with this preparation and comparison.

2. Budgeting for Future Planning and Decision-Making

Budgeting transforms the farm's strategic goals into concrete financial targets, thereby supporting planning, resource allocation, and major **Investment Decisions**.

• **Forecasting Performance:** Accounting helps in **forecasting future performance** and the financial position of the enterprise by using past data. Budgeting takes historical figures as a base and adjusts them according to anticipated changes in market prices for inputs (like feed) or outputs (like pork).

• **Resource Optimization:** CVP analysis, which relies on cost data, helps management decide how to use the farm's **limited resources** (like capital or available feed) to **maximise the profits**. Budgeting ensures that resource utilization is optimized for a consistent and profitable running of the business.

• **Capital Expenditure Planning:** Budgets are essential for planning **Capital Expenditure**, which is money spent to acquire fixed assets like new pig housing or equipment that increase the business's profit earning capacity. Budgeting ensures that these long-term investments are financially viable and aligned with the farm's goals.

• **Securing Financing:** A detailed budget is a critical element of a **solid business plan**. Financial projections, including **Income Statements** and **Cash Flow Statements** for the next

three to five years, are vital for demonstrating the viability and profitability of the farming operation when seeking loans, grants, or funding.

• **Comparative Study:** A systematic record, facilitated by the budgeting process, enables a pig farmer to **compare one year's results with those of other years** to identify factors that led to changes in performance. This continuous improvement cycle is crucial for long term success.

In essence, budgeting forces managers to look ahead, quantify their goals, and anticipate challenges. It acts like a **ship's rudder**, setting the desired course (Future Planning) and allowing the crew (management) to make real-time corrections (Cost Control) to stay on track towards profitability.

8.6 USE OF BUDGETS IN EVALUATING FEASIBILITY OF EXPANSION PROJECTS

When a piggery business decides to expand - such as increasing the herd, building a new barn, or starting a new piglet breeding venture - it faces additional costs and risks. Budgets are essential for checking if the projected returns from the expansion are likely to exceed the extra costs.

The process begins with a detailed capital budget: what new buildings or equipment will cost, what extra staff and running expenses will be involved, and what is the best source of funds (savings, loan, or grants). Then, an updated operating and cash budget forecasts how these extra costs will impact monthly and annual income.

A feasibility study uses these budgets to create "what-if" scenarios for the expansion project. For instance, if the market price for pork falls, will the expanded farm cover its higher running costs? If disease destroys a batch, how will loan repayments be handled? This analysis uses expected revenues and expenses to project possible outcomes and highlight the risks involved.

Banks and lending agencies require this type of budgeting and documentation to support loan applications. Having a detailed, evidence-based set of budgets makes approval more likely and gives the farm credibility in the eyes of lenders and investors.

Check Your Progress

Q3. Why do banks and lenders require detailed budgets from farmers before approving loans for expansion?

8.7 LINKAGE WITH BANK LOAN REQUIREMENTS

Financing is a constant concern for piggery farms. Most lenders, whether they are banks or cooperative societies, require a farm to submit budgets as part of their loan application process. Budgets provide evidence that the farmer has assessed the financial feasibility of the project, can repay the loan, and understands the cash flows associated with the business.

Banks specifically look for the following:

- Capital budgets showing the costs of the proposed investment, such as new buildings, equipment, breeding stock, and any other fixed asset purchases.
- Operating budgets projecting realistic revenues and costs, showing how the farm's cash flows will be able to meet loan repayments and cover all operational costs.
- Cash budgets mapping out monthly cash inflows and outflows, identifying potential shortfalls in liquidity and showing how the farm will manage these issues.

In many cases, banks also want to see "sensitivity analysis" in the budgets – this means that the farm owner has planned for what happens if sales are lower than expected, costs are higher than planned, or if payment for pigs comes later than usual.

Meeting Bank Requirements for Financial Assessment:

Banks and financial institutions need assurance that the piggery is a **reliable borrower** with the capacity to repay its obligations. Budgets provide the necessary data for this assessment:

1. **Repayment Capability (Cash Flow):** Banks prefer to analyze the **liquid position** of the borrowing firm using the **Cash Flow Statement**. A budget forecasts future receipts and disbursements, which helps the bank assess the farm's **repayment capability** and ability to meet its financial obligations, such as term debt payments. The budget helps plan the **schedule for loan repayment**.

2. **Debt Management (Solvency):** Lenders evaluate the creditworthiness and **solvency** (the ability of the firm to meet all its short term or current obligations) of the business before granting credit. Financial statements derived from budgets reflect the farm's **Assets** (resources owned, like machinery and housing) and its **Liabilities** (money owed to outsiders, like loans). This includes analyzing the **debt to asset ratio**, which indicates the farm's overall leverage.

3. **Loan Purpose and Type:** The budget must clearly define the **purpose of the loan** and the **amount needed**. For pig husbandry in the NE region, loans may be sought for various needs, including **equipment**, **land purchase**, **operating expenses** (like feed and labour), or **infrastructure improvements** (like the pig-sty).

In special Context to Northeast India:

In the context of promoting backyard pig rearing in the Northeast, particularly through programs like the **Deendayal Antyodaya Yojana National Rural Livelihoods Mission (DAY-NRLM)**, a robust budget is a necessity for securing financial support:

• **SHG Linkage:** The DAY-NRLM program promotes backyard piggery intervention among Self Help Group (SHG) members. The promotion strategies rely on **Credit Linkage**, where SHG women farmers access credit through banks using their financial plans.

• **Specific Budget Requirements:** The budget structure for these small farms details the **Investment** (Fixed Cost) required for assets like pig housing and feeders, and the **Recurring**

Costs (Variable Cost) for items like piglets, feed, and health care. These detailed projections are used by local agencies and banks to determine the necessary **SHG loans** or other funding.

• **Investment Justification:** For instance, a budget for a boar keeping unit requires a Fixed Cost investment of **Rs 36,000** for housing and the boar. This specific budget figure justifies the loan amount needed for **Capital Expenditure**, which increases the profit earning capacity of the business.

In short, the budget is the **language of business** that translates the farm's operational goals into financial data that banks can assess. By detailing the required **Fixed Costs** for facilities, forecasting **Variable Costs** (especially feed), and projecting sufficient **Revenue**, the budget serves as a foundational component for convincing a lender of the farm's creditworthiness and ability to sustain debt repayment.

8.8 LET US SUM UP

Budgeting is a key management skill for piggery farmers. Through careful preparation and use of capital, operating, and cash budgets, farmers can plan for financial success, keep costs under control, and make wise decisions for expansion and borrowing. Budgets are essential tools for running the business efficiently, anticipating future needs, convincing banks and investors of farm viability, and setting a stable foundation for sustainable growth.

8.9 FURTHER READING

- Foundation Paper2-Revised.pdf (ICMAI)
- Accountancy-11 (NIOS/NCERT)
- Beginners Guide to Pig Production and Management, Gov. of MZ
- Farmers' Hand Book on Pig Production (FAO), NABARD
- Local agricultural lending bank guidelines/manuals for farm credit, NABARD

8.10 REFERENCES

- Foundation-Paper2-Revised, ICAI
- 320_Accountancy-1_-Final, ICMA
- BeginnersGuidetoPigProductionandManagementAComprehensiveHandbookandTraining Manual.pdf
- Farmers-Hand-Book-On-Pig-Production-Fao, NABARD

8.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q1:
A capital budget is used for planning long-term investments, such as construction and equipment, which benefit the piggery over several years. An operating budget focuses on regular, repeated costs and incomes for running the farm over a period, usually a year.

Ans to Q2:
Three important steps are estimating the likely income from pig sales (and by-products), listing and estimating all fixed and variable costs, and considering any seasonal needs or borrowing, followed by reviewing all figures for realism.

Ans to Q3:
Banks and lenders require detailed budgets to be sure that the farm has carefully planned the investment, knows its likely costs and income, and will be able to repay the loan. Budgets show feasibility and raise confidence in the farm's management.

8.12 MODEL QUESTIONS

1. What is the purpose of a cash budget in a piggery business?
2. Explain why operating budgets should be reviewed regularly.
3. Name two ways that budgeting can help in controlling costs on a piggery farm.
4. How can a budget be used to decide whether to expand herd size?
5. Discuss the steps and importance of preparing an annual budget for a piggery farm.
6. How do well-prepared budgets support lending negotiations with banks?
7. Describe the relationship between budget preparation and long-term sustainable planning in piggery businesses.

UNIT 9: FINANCIAL ANALYSIS TOOLS FOR PIGGERY ENTREPRENEURS

UNIT STRUCTURE

9.1 Learning Objectives
9.2 Introduction
9.3 Introduction to Financial Ratios
  9.3.1 Profitability Ratios
  9.3.2 Liquidity Ratios
  9.3.3 Solvency Ratios
  9.3.4 Efficiency Ratios
9.4 Net Present Value (NPV) and Internal Rate of Return (IRR) for Evaluating Piggery Projects
9.5 Application of Financial Analysis Tools in Analyzing Creditworthiness
9.6 Decision-Making Support for Investors and Farmers
9.7 Let Us Sum Up
9.8 Further Reading
9.9 References
9.10 Answers to Check Your Progress
9.11 Model Questions

9.1 LEARNING OBJECTIVES

After reading this unit, learners will be able to:

- Understand and calculate basic financial ratios for piggery farms.
- Explain the concepts of Net Present Value (NPV) and Internal Rate of Return (IRR) in evaluating investments.
- Apply financial analysis tools to assess creditworthiness and make business decisions.
- Use these tools to communicate with investors and banks.

9.2 INTRODUCTION

Running a piggery farm as a successful business is about more than simply raising pigs and selling them in the market. Entrepreneurs need to know how well their business is performing compared to others, whether it is strong enough to survive bad times, and whether it is efficient in using its resources. Financial analysis tools make all these things possible. These tools allow farmers, investors, and bankers to answer questions like: “Is the business going to be profitable”, “Can it pay its own bills” “Is it safe to give this farm a loan” and “Will this new investment pay off as expected”, etc. Therefore, this unit presents financial ratios, NPV, and IRR in clear language and uses practical examples to show how they help piggery ventures grow and prosper.

9.3 INTRODUCTION TO FINANCIAL RATIOS

Financial ratios provide easy-to-understand measures for checking the financial health and performance of farms. Ratios serve as quick signals, pointing out strengths and warning about weaknesses. They can be calculated using statements such as the balance sheet and the income statement, and they fall into different groups, based on what they are meant to show.

9.3.1 PROFITABILITY RATIOS

Profitability Ratios are essential tools for analyzing the financial performance of a pig husbandry business. These ratios measure the degree to which a farm is generating **profit** relative to its sales, capacity, or investment. Profit is universally defined as the **excess of revenue of a business over its costs**, or the amount remaining after all types of expenses are accounted for.

Profitability analysis is vital because managers must continuously track and control **production costs** (like feed, labour, and equipment) to identify areas for savings and **improve overall profitability**. Accounting statements formally show whether the farm has earned a profit or suffered a loss by applying the **matching concept**, where expenses incurred are compared to the revenue they helped generate during the accounting period.

Key Profitability Ratios:

Profitability is analyzed through several key measures that reflect different stages of cost recovery:

1. Gross Profit (GP)

Gross Profit is the initial measure of profitability before considering general operational or administrative expenses. It is calculated by taking the farm's total sales revenue and subtracting only the direct cost of the goods sold (the direct cost of raising the pigs/producing the pork).

$$\textit{Gross Profit (in Rs)} = \textit{Sales Revenue (in Rs)} - \textit{Direct Cost of Goods Sold (in Rs)}$$

2. Operating Profit

Operating Profit measures the profitability of the core, routine activities of the piggery business before accounting for non-operational income, financing costs (like interest on loans), or taxes. It represents the ultimate result found by preparing the Income Statement (Profit and Loss Account).

For a piggery, this requires matching the revenue with the total expenses related to running the farm, including administrative and selling costs. Expenses like office salaries, travel, insurance, and audit fees are commonly factored in at this stage.

$$\textit{Operating Profit (in Rs)} = \textit{Gross Profit (in Rs)} - \textit{Total Operating Expenses (Administrative, Selling, etc.) (in Rs)}$$

3. Net Profit (NP)

Net Profit is the final, comprehensive measure of profitability. It is the profit remaining after allowing for **all types of expenses** (including operational, non-operational costs, financing charges, and non-cash items like depreciation). If the expenses exceed the revenue, a net loss is recorded. A profitability analysis confirms if the Net Profit figure is sufficient to sustain the business.

$$\textit{Net Profit (in Rs)} = \textit{Revenue (in Rs)} - \textit{All Expenses (in Rs)}$$

Or,

$$\textit{Net Profit (in Rs)} = \textit{Operating Profit (in Rs)} \pm \textit{Non-Operating Income/Gains (in Rs)} \pm \textit{Non-Operating Expenses/Losses (in Rs)}$$

4. Profit Volume Ratio (P/V Ratio)

The **Profit Volume Ratio** (or Contribution to Sales Ratio) is a measure of profitability used specifically in **Marginal Costing** and **CVP analysis**. It assesses the relationship between the **Contribution** generated by sales and the total Sales revenue. A higher P/V ratio indicates a more efficiently run business and better cost structure.

$$\boldsymbol{P/V\ Ratio} = \frac{\boldsymbol{Sales\ (in\ Rs)}}{\boldsymbol{Contribution\ (in\ Rs)}} \times \mathbf{100}$$

Where, **Contribution = Sales – Variable Costs**

Illustration from Northeast India: Piggery Profitability

Using the financial structure for a small **pig fattening unit** in NE India, which focuses on generating revenue from three castrated piglets, we can calculate the core profits based on the projected figures.

We can use the budget structure for a small **pig fattening unit** in Northeast India, focusing on three castrated piglets, to demonstrate how the **Net Profit** ratio is calculated, which is the most fundamental measure of profitability at the enterprise level.

The net profit is calculated by subtracting the total costs (Investment and Recurring Costs) from the Gross Receipts (Revenue).

Financial Metric	**Amount (Rs.)**	**Component Type**
Gross Receipts (Revenue)	63,000	Total Sales (pigs + manure)
Total Investment (Fixed Cost)	10,500	Housing, manager, waterer
Total Recurring Cost (Variable Cost)	19,940	Piglets, feed, transport, health care, etc.
Total Costs	**30,440**	(Investment + Operating/Recurring Cost)
Net Profit (Income)	**32,560**	(Rs 63,000 - Rs 30,440)

The above calculation demonstrates that the piggery achieved a substantial **Net Profit of Rs 32,560** in the first year. To express this as a basic profitability ratio (Net Profit Margin), the manager would divide the Net Profit by the Gross Receipts:

$$\boldsymbol{Net\ Profit\ Margin = \frac{Net\ Profit}{Sales} = \frac{Rs\ 63,000}{Rs\ 32,560} = 51.68\%}$$

This shows that for every rupee of sales generated by this pig fattening unit, approximately 51.68 paise is retained as profit, illustrating the financial **profitability** of the enterprise.

9.3.2 LIQUIDITY RATIOS

Liquidity Ratios are essential financial measurements used to assess a pig husbandry business's ability to meet its **short-term financial obligations** or debts that are payable in the near future, typically within a year. Understanding liquidity is vital because it determines if the farm has enough easily convertible assets (like cash or marketable livestock) to cover its immediate liabilities, which is crucial for operational stability and solvency. Analyzing liquidity and asset ratios helps inform operational, financial, and investing decisions.

Core Components of Liquidity:

Liquidity ratios compare a farm's **Current Assets** against its **Current Liabilities**.

A. Current Assets:

Current assets are those assets held for a short period, generally one year, and their balances fluctuate constantly. In a piggery, Current Assets include:

• **Cash and Cash Equivalents:** It is the cash held in hand or at the bank.

• **Inventories (Stock):** Tangible property held for the purpose of sale in the ordinary course of business. For pig farming, this includes market-ready pigs or finished pork products. Biological assets (livestock) may be disclosed as current assets.

• **Trade Receivables (Debtors):** Amounts receivable from customers.

• **Pre-paid Expenses:** Expenses paid in advance.

B. Current Liabilities:

Current Liabilities are obligations that must be settled in the near future, generally within a year. Examples include:

• **Trade Payables (Creditors):** Money owed to suppliers.

• **Bank Overdrafts:** A short-term borrowing liability.

• **Short-Term Loans/Bills Payable:** Other liabilities due within the operating cycle.

Key Liquidity Ratios:

Lenders and managers use specific ratios to assess the short-term creditworthiness and **solvency** of the business.

A. Working Capital (or Net Current Assets):

Working Capital measures, the net resources remaining after all short-term debts are paid. A positive working capital figure indicates a stronger financial position for funding day-to-day business activities. The fair valuation of biological assets (pigs) can result in more desirable working capital ratios.

Working Capital (in Rs) =Current Assets (in Rs) −Current Liabilities (in Rs)

B. Current Ratio

The **Current Ratio** (or Working Capital Ratio) measures the capacity of the farm to satisfy its current obligations using its Current Assets. A ratio greater than indicates that the farm holds more short-term assets than short-term debts.

Current Ratio= Current Assets (in Rs) /Current Liabilities (in Rs)

A better current ratio suggests greater liquidity. If this ratio is low, the farm might struggle to pay for essential **Variable Costs** like feed.

Illustration from Northeast India

In the context of promoting **backyard pig rearing** under schemes like DAY-NRLM, assessing liquidity is crucial for securing **SHG loans** and demonstrating financial health.

Let's use a hypothetical financial snapshot (in Rupees) for a small piggery in NE India at the end of its first operating year:

Component	Amount (Rs)	Classification
Cash and Bank Balance	5,000	Current Asset
Market Pigs (Inventory/Stock)	45,000	
Trade Receivables (Debtors)	10,000	
Total Current Assets (CA)	**60,000**	
Trade Payables (Creditors for feed/supplies)	15,000	Current Liability
Outstanding Expenses (e.g., unpaid salary)	5,000	
Total Current Liabilities (CL)	**20,000**	

Calculation of Liquidity Ratios:

1. **Working Capital:** *The farm has **Rs 40,000** in positive Working Capital, indicating sufficient net resources to handle daily operations after all immediate debts are covered.*

$$\textit{Rs 60,000 − Rs 20,000 = Rs 40,000}$$

2. **Current Ratio:** *The Current Ratio is **3:1**. This means the piggery holds three rupees of Current Assets for every one rupee of Current Liability. This strong ratio indicates high liquidity and a robust ability to pay its short-term debts and purchase necessary inputs like feed and veterinary services promptly.*

$$\frac{\boldsymbol{Rs\ 60000}}{\boldsymbol{Rs\ 20000}} = \mathbf{3.0}$$

9.3.3 SOLVENCY RATIOS

Solvency Ratios are crucial financial measurements that assess a pig husbandry business's ability to satisfy its **debt obligations when they are due**. Solvency refers to the long-term financial health and stability of the farm. These ratios are essential for external users, such as banks and investors, who need to determine the farm's risk exposure, its capacity to overcome adverse financial events, meet long-term debts, and **continue future operations**.

In pig husbandry, where operations may require significant **Capital Investment** for facilities (like pig housing) and equipment, assessing solvency is especially important. A farm that is deemed solvent is considered a reliable borrower.

Key Solvency Ratios

Solvency is measured by comparing the business's total debt (liabilities) against its total assets or its owner's equity (capital).

1. Debt-to-Asset Ratio

The Debt-to-Asset Ratio is one of the most common and popular methods for measuring solvency. It provides a measure of **leverage**, indicating the amount of debt used to finance the farm's assets.

$$\boldsymbol{Debt - to - Asset\ Ratio} = \frac{\boldsymbol{Total\ Debt\ (Liabilities)\ (in\ Rs)}}{\boldsymbol{Total\ Assets\ (in\ Rs)}}$$

A **low debt-to-asset ratio is preferred** to a higher one, as lower ratios indicate a greater capacity to pay off debt. Farm businesses specializing in **hogs** generally have a high average debt-to-asset ratio compared to other agricultural sectors. If this ratio is manipulated (e.g., through inappropriate valuation of biological assets like pigs), it can distort the user's view of the risk.

2. Debt-to-Equity Ratio (or Debt-to-Capital Ratio)

The Debt-to-Equity Ratio compares the farm's total debt (Liabilities) to the total Owner's Equity (Net Worth or Capital). Owner's equity represents the amount available to be distributed to owners in the event the business closes after all liabilities are paid.

$$\boldsymbol{Debt - to - Equity\ Ratio = \frac{Total\ Debt\ (Liabilities)\ (in\ Rs)}{Owner's\ Equity\ (Capital\ or\ Net\ Worth)\ (in\ Rs)}}$$

This ratio is crucial for understanding how the business's resources are funded whether through owner capital or through borrowing. A high debt-to-equity ratio might be seen as risky by lenders, although high capital costs, like those needed for **poultry** or **dairy** operations, can lead to higher leverage. Distorted fair valuation of biological assets might manipulate this ratio.

Illustration from Northeast India

In the context of small-scale pig farming in NE India, managers must prepare financial projections for loan applications, which include assessing solvency.

Let's use a hypothetical financial position (Balance Sheet components in Rupees) for a small piggery operation that secured a loan for its initial **Capital Investment** in assets like housing and equipment:

Component	**Amount (Rs)**	**Classification**
Total Assets (A)	1,50,000	Includes Fixed Assets (housing) and Current Assets (pigs, cash, feed stock)
Long-term Borrowings (Loan)	40,000	Non-Current Liability (e.g., loan taken for 5 years)
Trade Payables (Creditors)	10,000	Current Liability
Total Debt (Liabilities, L)	**50,000**	(Long-term Borrowings + Trade Payables)
Owner's Equity (Capital, P)	**1,00,000**	(Calculated as Assets - Liabilities)

Calculation of Solvency Ratios:

1. **Debt-to-Asset Ratio:**

Rs 50,000 / Rs 1,50,000 = 0.33

The farm has 33 paise of debt for every rupee of assets. This low ratio suggests that the business is solvent and has a strong capacity to satisfy its debt obligations.

2. **Debt-to-Equity Ratio:**

Rs 50,000 / Rs 1,00,000 = 0.50

*The Debt-to-Equity Ratio is **0.5:1**. This means the farm relies half as much on external debt as it does on the owner's equity (Capital) to finance its assets, indicating a financially well-positioned business.*

9.3.4 EFFICIENCY RATIOS

Efficiency Ratios are key financial measurements used to determine how well a pig husbandry operation utilizes its resources, such as feed and inventory, to generate revenue or output. **Efficiency** is defined as getting **more output from the same resources** or achieving the **same output from fewer resources**. These ratios help farm managers track production efficiency and financial efficiency, which is essential for maximizing overall profitability and achieving long-term sustainability.

Key Efficiency Ratios in Pig Husbandry

In pig farming, efficiency is measured through operational performance metrics, such as Feed Conversion Ratio, and financial ratios, such as Inventory Turnover Ratio.

1. Feed Conversion Ratio (FCR)

The Feed Conversion Ratio is a crucial operational metric that measures the efficiency with which pigs convert feed into body weight. It quantifies how effectively the farm is managing its largest and most variable cost: feed.

FCR = Amount of feed consumed / Weight gain achieved

A **lower FCR indicates better feed efficiency**, meaning less feed is needed to achieve the same weight gain. Improving FCR is vital because it directly reduces feed costs, which are a significant portion of production expenses, thereby improving overall profitability and the economic efficiency of the farm. FCR is calculated as the amount of feed consumed divided by the weight gain achieved, typically expressed as kg of feed per kg of weight gain.

2. Inventory Turnover Ratio

The Inventory Turnover Ratio is a financial technique available at a broad level that measures how fast a company converts its stock (inventory) into sales. For a piggery, inventory includes marketable pigs and finished pork products.

This ratio indicates the linkage between the stock held by the farm and the sales activity carried out by the business.

Formula (Expressed as number of times):

Inventory Turnover Ratio = Value of inventory consumed / Average inventory held

Note: The figure indicates whether the stock is converting into sales quickly or not. A higher ratio is better.

Formula (Expressed as number of days sales in stock):

Number of days sales in stock = Number of days in a year / inventory turnover ratio

Note: A lower number of days sales in inventory is better, as it indicates inventory is moving fast, which is a good sign.

In pig husbandry, a high turnover rate is desirable, as pigs are ready for market within a small cycle time (8–9 months from birth to market weight). Efficient management of stock reduces holding costs and ensures timely processing and sale of pork products.

Illustration from Northeast India about Measuring Feed Efficiency

In the context of pig husbandry in the Northeast Indian region, Feed Conversion Ratio is the most relevant efficiency measure, as efficient feed management is crucial for profitability due to the high market price of feeds. Let's consider a pig fattening operation in Mizoram, aiming to track the efficiency of its **Finisher Phase** (from to market weight), where pigs are expected to gain (up to total weight).

Metric	**Value (Units)**	**Notes**
Target Weight Gain	40kg	From to 50kg to 90kg
Feed Quantity Consumed	110 kg	Based on average consumption

Calculation of Feed Conversion Ratio (FCR):

FCR Calculation:

FCR = Amount of feed consumed / Weight gain achieved FCR = FCR = ***2.75***

Therefore, an FCR of means that the farm requires of feed to achieve a increase in body weight for a pig in the finisher phase. This measure allows the manager to compare this performance against industry benchmarks or the farm's historical performance, and if the ratio is too high, strategies must be implemented to improve FCR, such as adjusting feed quality or improving health practices.

Check Your Progress

Q1. What is the main purpose of profitability ratios in piggery farm analysis?

9.4 NET PRESENT VALUE (NPV) AND INTERNAL RATE OF RETURN (IRR) FOR EVALUATING PIGGERY PROJECTS

Planning to invest in new housing, large-scale breeding programs, or processing facilities needs careful project evaluation. Two important tools are Net Present Value (NPV) and Internal Rate of Return (IRR).

In the context of pig husbandry, evaluating major purchases or expansions known as **Capital Expenditure** requires methods that look at financial returns over the long term. These investments include assets like constructing pig housing, buying machinery, or purchasing land, as they provide benefits that last for more than one year and increase the **profit earning capacity of the business**.

While the specific financial accounting sources provided do not define the Net Present Value (NPV) or the Internal Rate of Return (IRR) methods, they confirm that assets in the agricultural sector, particularly livestock (biological assets) and commodities like sugarcane, are sometimes valued using the **net present value of cash flows**.

IRR and NPV are critical capital budgeting techniques used to decide if a major investment is financially worthwhile.

Net Present Value (NPV):

Net Present Value (NPV) is a valuation method that helps a pig farm manager determine if an investment project such as building a new, large pig house is expected to increase the farm's value. It calculates the present value of all expected future cash inflows (revenue from selling pigs) and subtracts the present value of all cash outflows (initial investment and future operating costs).

If the **NPV is positive**, the project is accepted because it means the expected future earnings, discounted back to today, are greater than the cost of the investment. If the NPV is negative, the project should be rejected.

The NPV represents the sum of the present values of all future cash flows (inflows and outflows) discounted at a specific rate (the cost of capital).

$$\boldsymbol{NPV} = \sum \frac{\boldsymbol{Cash\ Flow\ at\ time\ 't'}}{(\mathbf{1}+\boldsymbol{r})\boldsymbol{t}} - \boldsymbol{Initial\ Investment}$$

Where:

• *t* = Time period

• *r* = Discount rate (often the farm's cost of capital)

• Cash Flow at time *t* = Net cash expected in a specific year.

Internal Rate of Return (IRR)

The **Internal Rate of Return (IRR)** is a discount rate at which the Net Present Value (NPV) of all the cash flows from a particular project equals zero. In simple terms, the IRR calculates the expected percentage return the farm will earn on the specific investment over its lifespan.

For a project to be accepted, the calculated IRR must be **greater than the farm's minimum acceptable rate of return** (or the cost of capital). If a piggery can earn by investing in housing (IRR) but can only get from a bank deposit, the investment is worthwhile.

The IRR is the value of *rate* that makes the NPV equal to zero:

$$\boldsymbol{IRR}(\mathbf{0}) = \sum \frac{\boldsymbol{Cash\ Flowat\ time\ 't'}}{(\mathbf{1}+\boldsymbol{IRR})\boldsymbol{t}} - \boldsymbol{Initial\ Investment}$$

Illustration from NE India: Evaluating Pig Housing Investment

A Self-Help Group (SHG) planning to set up a new intensive pig unit in Northeast India must decide if the initial **Capital Investment** of **Rs 1,00,000** for a new, durable pig house is financially viable over its four-year useful life.

The farm forecasts the following net cash flows (revenue (-) variable costs, excluding initial investment) from the expanded operation over the next four years:

Year (t)	Expected Net Cash Flow (Rs)
1	35,000
2	40,000
3	45,000
4	50,000
Initial Investment	**(1,00,000)**

Assume the farm's minimum acceptable rate of return (discount rate, *r*) is 10%.

1. Net Present Value (NPV) Calculation:

We calculate the present value (PV) of each year's cash flow discounted at 10%:

Year (t)	**Cash Flow (Rs)**	**Discount Factor ($1/1.10^t$)**	**Present Value (Rs)**
1	35,000	0.909	31815
2	40,000	0.826	33040
3	45,000	0.751	33795
4	50,000	0.683	34150
Sum of Present Values			**1,32,800**

NPV = Sum of Present Values – Initial Investment NPV = Rs 1,32,800−Rs 1,00,000=Rs 32,800

Since, the NPV is **positive (Rs 32,800)**, the investment in the pig house is financially sound and is expected to generate returns that exceed the minimum required rate (10%) over its life. The manager should proceed with this Capital Expenditure.

2. Internal Rate of Return (IRR) Estimation:

The IRR is the actual rate of return this project is expected to yield. Since the NPV is strongly positive at 10%, the IRR must be higher than 10%.

(A precise IRR calculation requires complex iteration, but based on the strong positive NPV, the actual IRR for this project would be significantly higher than 10%, potentially around 20% to 25%.)

If the estimated IRR is higher than the farm's cost of capital, the investment is accepted, as it generates excess earnings, contributing to the farm's net worth. Both NPV and IRR confirm that investing in the new pig housing will increase the **profit earning capacity** of the business.

Check Your Progress

Q2. Explain in simple terms what a positive NPV tells a farm owner about a new piggery project.

9.5 APPLICATION OF FINANCIAL ANALYSIS TOOLS IN ANALYZING CREDITWORTHINESS

When a piggery farm applies for a bank loan, the banker or credit officer carefully reviews the farm's statements and uses financial analysis tools to judge whether lending the money is a good risk. The most common checks are made using the ratios and project evaluation tools described earlier.

A piggery farm with a high current ratio and positive cash flow is seen as able to cover bills and service debt. A solid profitability ratio and a reasonable debt-to-equity ratio are positive signals. If the farm presents a strong NPV and IRR calculation for an expansion, the bank is more likely to lend.

Banks also look at efficiency ratios and record of past repayments, but no single ratio is enough. Analysts look at trends in ratios over several years and compare the farm's numbers with typical industry benchmarks.

A farm with falling liquidity or negative NPV for planned projects will find it tough to get loans or may get less favorable terms. Financial analysis tools allow farms not just to secure loans but to negotiate better rates and payment schedules.

9.6 DECISION-MAKING SUPPORT FOR INVESTORS AND FARMERS

Investors and farm owners use financial analysis tools for more than just loans. For family-owned piggery farms, these tools give a true picture of business health and help in making choices such as reinvestment, expansion, or even exiting the business. For professional investors or partners, financial ratios, NPV, and IRR allow comparison of different ventures and help in selection.

These tools make risky decisions more informed, showing the possible upsides and alerting stakeholders about bigger risks, such as taking on too much debt or investing in projects with poor returns.

Regular financial analysis helps piggery owners see if they are competitive with similar farms. When used together with other farm records, these measures make planning and management much more effective.

9.7 LET US SUM UP

Financial ratios and project evaluation methods are the backbone of smart decision-making in piggery businesses. From checking profitability and solvency to testing expansion ideas with NPV and IRR, these tools ensure entrepreneurs, investors, and bankers rely on real numbers, not just hopes and guesses. Using them regularly can make piggery farming more robust, safer, and more attractive for lenders and partners.

9.8 FURTHER READING

- Foundation-Paper2-Revised.pdf (ICMAI)
- 320_Accountancy-1_-Final-PDF.pdf (NIOS/NCERT)
- Beginners Guide to Pig Production and Management, Gov. of MZ
- Farmers' Hand Book on Pig Production (FAO), NABARD
- Current banking and agri-lending policy documents, NITI AYOG

9.9 REFERENCES

- Foundation-Paper2-Revised, ICSI
- 320_Accountancy-1_-Final, ICSI
- BeginnersGuidetoPigProductionandManagementAComprehensiveHandbookandTraining Manual, Gov. of India
- Farmers-hand-book-on-pig-production-fao, NABARD

9.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q1:
Profitability ratios help measure how much profit the farm makes from its sales, assets, or owner's investment. They show if the business is making enough money after covering all expenses, so owners can judge whether the farm is truly performing well.

Ans to Q2:
A positive NPV means the farm's planned new project is expected to earn more than the original money invested, after considering the value of money over time. This tells the owner the project will likely add value and is a good financial choice.

9.11 MODEL QUESTIONS

1. Name and explain one liquidity and one efficiency ratio relevant for piggery farms.
2. How can the IRR be used by farm owners when deciding on a new investment?
3. Why do banks look at more than one financial ratio before granting a loan?
4. What risk does a very high debt-to-equity ratio signal for a farm?
5. Explain the asset turnover ratio and how it helps farm managers.
6. Compare profitability, liquidity, and solvency ratios, giving examples from piggery business.
7. Explain step-by-step how a piggery can use NPV and IRR to decide whether to expand production.
8. Describe how regular use of financial analysis improves long-term decision-making for rural piggery entrepreneurs.

UNIT 10: NATIONAL LIVESTOCK POLICY AND STATE-LEVEL INITIATIVES

UNIT STRUCTURE

10.1 Learning Objectives
10.2 Introduction
10.3 Overview of the National Livestock Policy and Its Relevance to Pig Husbandry
10.4 Objectives of Improving Productivity, Health, and Marketability of Livestock
    10.4.1 Productivity
    10.4.2 Health
    10.4.3 Marketability of Livestock
10.5 State-Specific Piggery Development Programs in Assam, Meghalaya, Nagaland, and Other Regions
10.6 Role of Animal Husbandry Departments in Extension and Training
10.7 Let Us Sum Up
10.8 Further Reading
10.9 References
10.10 Answers to Check Your Progress
10.11 Model Questions

10.1 LEARNING OBJECTIVES

After studying this unit, learners will be able to:

- Understand key aspects of the National Livestock Policy (NLP) and its importance for pig production.
- Identify the main objectives associated with improving livestock productivity, health, and marketability.
- Describe state-level piggery initiatives in selected northeastern states.
- Explain the extension and training roles of animal husbandry departments.

10.2 INTRODUCTION

Livestock contribute significantly to nutrition, livelihoods, and rural incomes across India. Pig husbandry in particular is a crucial occupation for many people in the North East, giving families a steady source of food and earnings. National and state-level policies set the frame under which piggery develops and grows. The National Livestock Policy (NLP) sets broad goals around improving productivity, animal health, and access to markets, and is supported by a network of schemes and initiatives implemented by individual states and their animal husbandry departments. This unit describes the structure and intention of the NLP, how it is being put into practice, and the special examples of Assam, Meghalaya, Nagaland, and other regions. The unit also highlights the practical services and training that animal husbandry authorities provide to pig farmers for modern, sustainable development.

10.3 OVERVIEW OF THE NATIONAL LIVESTOCK POLICY AND ITS RELEVANCE TO PIG HUSBANDRY

The National Livestock Policy (NLP) of India is a comprehensive policy document created to guide the sustainable development of the country's livestock sector, which includes cattle, buffalo, goats, sheep, pigs, and poultry. Its main aim is to enhance productivity, ensure healthy animal populations, and improve the livelihoods of livestock producers, especially smallholders and marginal farmers, who form the backbone of rural India. The policy sets broad directions for state governments, central ministries, agricultural universities, and development agencies to follow for improving animal husbandry in all regions. Pig husbandry, being a major income source in parts of India like the Northeast, stands to benefit greatly from the implementation of this policy across states.

Objectives of the National Livestock Policy

The National Livestock Policy seeks to create an environment that enables livestock farmers to raise their animals in a healthy, productive, and profitable manner. Major objectives include enhancing breed improvement and genetic resources, promoting scientific feeding and management systems, strengthening disease control, developing better marketing infrastructure, and encouraging use of technology. These goals are based on the recognition that livestock especially pigs in certain states are crucial for food security, nutrition, and income generation for millions of families in rural and peri-urban areas.

Relevance of the Policy to Pig Husbandry

Pig husbandry holds special importance in regions such as Northeast India due to its cultural and economic significance for tribal and rural communities. The National Livestock Policy covers several aspects relevant to pig production and management:

One fundamental feature is the push towards breed improvement. Many local pig breeds have low productivity, so the policy encourages crossbreeding with improved breeds and supports genetic research. This helps farmers produce healthier pigs that grow faster and yield more meat, which can raise income.

Scientific feeding and nutrition management are emphasized in the policy, which is particularly relevant to piggery because feed costs make up the largest share of total expenses. The policy promotes the development of affordable and balanced feed options, as well as local feed manufacturing units, which can help pig farmers control costs and improve productivity.

Health and disease control recommendations are central to the National Livestock Policy. For pig farmers, outbreaks of Classical Swine Fever or African Swine Fever can be devastating. The policy guides the states to build strong disease surveillance systems, ensure timely vaccination, and train veterinary workers so they can respond quickly to health emergencies. These measures mean pig farmers face less risk of sudden losses due to epidemics and get more support for routine health management.

Breeding and Genetic Improvement

The policy encourages conservation and improvement of native pig breeds while introducing suitable exotic breeds for crossbreeding to boost meat yield. It recommends setting up breeding farms, providing subsidized piglets to farmers, and using artificial insemination to ensure better

genetic quality. Improved genetic resources translate into higher production, lower mortality, and better reproductive performance in pig herds.

Market Access and Infrastructure

To help farmers sell their animals profitably, the National Livestock Policy advocates building modern slaughterhouses and cold storage facilities and creating better transport links from rural areas to city markets. It suggests organizing farmers into cooperative groups and self-help collectives so that smallholders get a fair price and more bargaining power. By enhancing market infrastructure, pig farmers can sell meat more efficiently, reduce dependence on middlemen, and increase their profit margins.

Training, Extension, and Capacity Building

The policy stresses the need for regular training programs, practical demonstrations, and farmer field schools. Extension services provide pig farmers with information on scientific husbandry, market trends, disease prevention, and government schemes. The policy encourages collaboration between research institutions, universities, and local governments to create accessible learning opportunities for everyone engaged in pig rearing.

Support for Small Farmers and Inclusive Growth

Recognizing that many pig farmers are from marginalized and tribal communities, the policy places special emphasis on equity and social inclusion. It recommends targeted subsidies, credit support, insurance options, and entrepreneurship programs, making it easier for resource-poor households to start or expand pig farming. By aligning the National Livestock Policy with existing state and central government schemes, more support reaches the ground level where it is needed most.

Environmental Management

Sustainable pig farming is addressed by the policy through guidelines for waste management and prevention of pollution from animal rearing. The document encourages farmers to adopt biogas plants, composting, and eco-friendly waste disposal methods to protect soil and water resources. Such measures make pig husbandry more harmonious with the environment, safeguarding both animal and human health in rural communities.

Research, Innovations, and New Technologies

The National Livestock Policy promotes investment in research for animal genetics, nutrition, housing, and health. It encourages the development of regional pig research centres, pilot breeding programmes, and collaboration between the private sector and government agencies. Adopting new technologies, such as improved disease diagnostics, vaccine development, and better farm management tools, enables pig farmers to be more resilient and productive in changing market conditions.

The National Livestock Policy provides a broad framework for pig husbandry that covers genetic improvement, feeding systems, disease control, infrastructure, market access, capacity building, inclusiveness, and sustainability. With effective implementation at state and local levels, pig farmers across India can benefit directly from the policy's provisions and guidance.

Moreover, the Pig husbandry receives specific mention in the policy because it is important for food security, income, and local industry, especially for tribal populations and poorer regions. The NLP supports

- The breeding of high-yielding, healthy pig lines
- Improving availability of quality feed
- Disease control through vaccination and better veterinary facilities
- Market access and support for small and marginal pig farmers
- Organizing piggery cooperatives and linking them with markets

This wide frame supports states in designing their piggery development projects and helps channel central funds for infrastructure, inputs, and capacity building for piggery.

Check Your Progress

Q1. Why does the NLP consider pig husbandry a focus area in India, especially in the Northeast?

10.4 OBJECTIVES OF IMPROVING PRODUCTIVITY, HEALTH, AND MARKETABILITY OF LIVESTOCK

10.4.1 PRODUCTIVITY

One core objective of the NLP and state initiatives is to enhance the productivity of livestock, including pigs. For a sector with mostly small and backyard farmers, improved productivity means getting more output (meat, piglets, manure) for the same or even less input. Policy supports the use of scientifically bred pigs, ensuring enough good quality breeding males and females are available to farmers.

Schemes support training in improved feeding practices, better housing and hygiene, and use of record-keeping. For example, farmers learn about using local materials for pens, rotating feedstuffs to lower costs, and how basic data on growth rates and feed use can help them select better animals for breeding.

10.4.2 HEALTH

Improving the health of pig populations is a major goal of the NLP. Disease outbreaks can quickly wipe out entire herds and cause huge losses for families. Therefore, the policy aims to strengthen veterinary infrastructure, make vaccines widely available, and train farmers in basic disease recognition and prevention.

State-level health goals also include regular deworming and vaccination drives, diagnostic camps, and training so that farmers recognise early signs of infection. Simple, clean water supply, good waste disposal, and vector control are promoted routinely. Funds flow into veterinary sub-centres, mobile vet units, and telemedicine in remote areas. This helps in quick reporting and management of diseases such as swine fever, foot and mouth disease, and more. Encouraging reporting of notifiable diseases is also a critical activity.

10.4.3 MARKETABILITY

A third major objective is to improve the marketability and earning potential of piggery products. This involves both supporting access to local and distant markets and making pig rearing a more profitable venture for vulnerable communities. The NLP and allied state policies push for better pig market yards, cold chains, modern slaughterhouses, and transport facilities so that pigs and pork can travel safely and profitably to consumers.

Value addition is encouraged through by-product processing, packaging, and more diverse pork products. State policies promote farmer marketing cooperatives and pig producer groups to strengthen their bargaining power. The policy also fosters private investment by making piggery more attractive as a business for youth and SHGs.

10.5 STATE-SPECIFIC PIGGERY DEVELOPMENT PROGRAMMES IN ASSAM, MEGHALAYA, NAGALAND, AND OTHER REGIONS

Pig farming is an important part of the economy in India's Northeast region, especially for tribal and rural communities. The government has started many programs to help pig farmers improve their income and production. Let me explain the main programs in different states using simple language.

National-Level Support Programs:

National Livestock Mission (NLM)

The central government runs the National Livestock Mission, which provides financial help to pig farmers across India. Under this program, entrepreneurs can receive a subsidy of up to 50% (maximum Rs 30 lakh) of the total project cost. This money helps farmers set up proper pig breeding farms with at least 100 female pigs (sows) and 25 male pigs (boars).

The program is designed to help individuals, self-help groups, farmer organizations, and cooperatives start pig farming businesses. The remaining money can come from bank loans or the farmer's own savings. The government releases the subsidy only after the farmer has spent 25% of the project cost and officials verify the work.

For different sizes of pig farms, the maximum subsidy amounts are:

- 50 sows + 5 boars: Rs 15 lakh
- 100 sows + 10 boars: Rs 30 lakh

Assam Piggery Development Programs:

Semi-Intensive Pig Farming Program

Assam has good potential for pig farming because pork is in high demand in certain parts of the state. The Assam government runs a Semi-Intensive Pig Farming scheme with help from Rashtriya Krishi Vikash Yojana (RKVY) using a 50:50 funding pattern. This means the government and the farmer share the costs equally.

The program encourages farmers to rear crossbred pigs (a mix of local and foreign breeds) in selected areas where pig farming is traditionally practiced. This helps increase pork production and allows farmers to earn better prices because of the high demand.

State Pig Breeding Farms

Assam has several government pig breeding farms that supply quality piglets to farmers. However, some of these farms face challenges. The state has proposed setting up 5 nucleus farms in different climate zones to provide better quality breeding animals to farmers.

Area Development Scheme

NABARD (National Bank for Agriculture and Rural Development) has created special schemes for districts like Dibrugarh to promote pig farming. Under this scheme:

- The Animal Husbandry Department creates awareness about scientific pig farming
- Banks provide loans to selected pig farmers
- The department conducts health camps and training programs
- Farmers learn about proper breeding, feeding, and disease control

Meghalaya Piggery Development Programs:

Meghalaya Piggery Development Scheme

Meghalaya launched a special Piggery Development Scheme under the CM-ELEVATE program (Chief Minister's Entrepreneurship, Livelihood, Education, Ventures, Arts, Tourism, and Employment program). This is a groundbreaking program designed specifically for the state's needs.

Key Features:

- 50% financial assistance through EMI (monthly installment) co-payment support
- Training and skill development for entrepreneurs
- Help with accessing markets to sell pork products
- Business advisory services for farmers

Main Goals:

- Improve the economic condition of rural families
- Create employment opportunities, especially for women

- Increase pork production to reduce imports from other states
- Combat malnutrition by making protein-rich pork more available

The program is open to both registered and unregistered entrepreneurs in Meghalaya. Women are specially encouraged to participate because pig farming provides good employment opportunities for women in rural areas.

Meghalaya Piggery Mission

The state also runs the Meghalaya Piggery Mission with the following objectives:

- Provide livelihood to traditional pig farmers
- Encourage rearing of good quality breeding stock
- Increase pork production in the region
- Educate and train farmers to produce clean and hygienic meat

The Animal Husbandry & Veterinary Department plays an important role by:

- Providing technical support on pig feeding, breeding, and disease prevention
- Supplying quality piglets and breeding animals
- Organizing training programs
- Monitoring the piggery sector

State Pig Breeding Farms

Meghalaya has established pig breeding farms to maintain pure breeds and produce quality piglets. One major farm is in East Khasi Hills district, set up under the National Agriculture Development Programme (NADP). The farm can produce piglets from 100 sows annually and supplies piglets to farmers across the state.

Nagaland Piggery Development Programs:

National Livestock Mission Implementation

Nagaland actively implements the National Livestock Mission's Entrepreneurship Development Programme (EDP). Under this program:

- Subsidy up to Rs 15 lakh for a farm with 50 sows + 5 boars
- Subsidy up to Rs 30 lakh for a farm with 100 sows + 10 boars

NABARD Area Development Schemes

NABARD has created special Area Development Schemes for all eleven districts of Nagaland to promote pig farming in a planned manner. The schemes focus on:

- Setting up proper infrastructure for pig breeding
- Providing credit linkage through banks

- Supporting both group and individual pig farmers
- Improving pig breeds through genetic upgradation

For example, in Dhansiripar Block, Dimapur district, a special scheme for "Pig Rearing cum Fattening" has been implemented. The project is financially viable with an Internal Rate of Return (IRR) of more than 15%.

State Pig Breeding Policy

Nagaland has also worked to improve pig breeds in the state. In 2018, the government inducted 280 improved breeds of pigs and supplied them to State Pig Breeding farms. The department also provided:

- 724 quintals of concentrated balanced pig feed
- Feed supplements, minerals, and vitamins
- Medicines to control worms and parasites

ICAR Mega Seed Project

The Indian Council of Agricultural Research (ICAR) has been running a Mega Seed Project on Pig in Nagaland since 2009. The project has:

- Distributed around 7,000 improved pig germplasm (called Rani Pig, a cross between Hampshire and Ghungroo breeds) to 2,200 pig farmers
- Trained more than 2,000 farmers, extension workers, and government officials
- Created about 20 successful pig entrepreneurs
- Reached even the remotest areas like Noklak district at the Indo-Myanmar border

Tata Trusts Piggery Enterprise Development

Tata Trusts, through the North East Initiative Development Agency (NEIDA), has helped 4,600 households set up properly managed pig farms in Nagaland. The program includes:

- Developing low-cost pig houses
- Providing veterinary care at farmers' doorsteps
- Holding more than 100 health camps
- Training 80 "livestock service providers" (local youth trained in pig farming) who serve as a link between farmers, government, and NEIDA

Other Northeast States' Piggery Programs:

Arunachal Pradesh

Arunachal Pradesh Pig Breeding Policy, 2018: Arunachal Pradesh has a comprehensive pig breeding policy with clear objectives:

- Genetically improve indigenous Arunachalee pigs by crossbreeding with exotic breeds like Hampshire and Large White Yorkshire

- Conserve indigenous pig breeds through selective breeding
- Establish nucleus herds in government farms and with private entrepreneurs
- Create at least four new exotic pig nucleus herds of each breed in different locations

Arun Pig Development Scheme: This is a special state scheme that received fresh funding for 2024-25, aiming to help 500 farmers in districts such as Lohit and Namsai.

Atma Nirbhar Pashu Palan Yojana: Launched in 2021, this is a credit-linked subsidy scheme by the Animal Husbandry Department to promote pig farming in the state.

Manipur

Manipur has two District Piggery Farms located at:

- Torbung, Churachandpur District
- Tarungpokpi, Bishnupur District

The state supplies improved piglets to farmers at subsidized rates. The department recognizes that pork consumption is very high in Manipur, so piggery development is a priority.

Suggested Improvements for Manipur:
Experts recommend that Manipur should:

- Establish more compound feed manufacturing units (since 70-80% of pig farming costs are for feed)
- Provide adequate Artificial Insemination facilities
- Make superior breeding stock available to farmers
- Create a pig insurance scheme to protect farmers from sudden losses
- Improve breeding policies to encourage genetic improvement

Mizoram

Pig farming is very popular in Mizoram as the population is predominantly tribal and pork is the most preferred meat. The state has:

- Piggery Development Projects under the National Livestock Mission
- Support for establishing commercial pig farming units with 200-pig capacity
- Special focus on Hampshire crossbred pigs for better production

FAO Green-Ag Project: The Food and Agriculture Organization (FAO) is running a special project in the Dampa-Thorangtlang landscape of Mizoram. The project focuses on:

- Promoting the indigenous Burmese Black breed of pigs, which are more disease-resistant
- Building improved pig houses with better biosecurity
- Establishing decentralized pig breeding units

- Providing training through Farmer Field Schools
- Initially benefiting 462 pig-rearing households

Under this project, 63 households across three villages in Lunglei district received one boar (male pig) and 20 sows (female pigs) per household to start a sustainable breeding cycle.

Sikkim

Sikkim has launched India's first-ever Pig Production Incentive Scheme (PPIS) under Mukhya Mantri Pashudhan Samriddhi Yojana in October 2021.

Key Features:

- The state government provides a subsidy of 60% of total input costs (this is one of the highest in the country)
- Farmers who rear more than 20 pigs receive an annual incentive of Rs 1 lakh
- Under the revised PPIS, farmers can receive an incentive of up to Rs 50,000 each

The scheme aims to uplift the economy of pig farmers and make Sikkim self-sufficient in pork production. Sikkim has also conducted the first-ever clinical training on pig semen collection and Artificial Insemination to help farmers access better breeding technology.

Tripura

Pig farming is a traditional practice among the tribal population of Tripura. The state has launched schemes funded by:

- Department of SC Welfare: Piggery scheme with unit cost of Rs 97,000, benefiting 290 farmers with total funding of Rs 2.81 crore.
- Department of Tribal Welfare: Piggery scheme with unit cost of Rs 25,000, benefiting 164 farmers with total funding of Rs 41 lakh.
- Interest Subvention Scheme: The Tripura government has approved an Interest Subvention Scheme for Piggery Units with a project cost of Rs 2,64,110 for a unit of three female and one male pig.

The state has 10 pig breeding farms across 6 districts that supply exotic and crossbred piglets to farmers.

Common Support Services Across All States

Training and Capacity Building

All Northeast states provide training programs on:

- Scientific pig farming practices
- Proper feeding and nutrition management
- Disease prevention and vaccination
- Breeding management and Artificial Insemination
- Clean and hygienic rearing methods

Veterinary Support

The Animal Husbandry Departments in all states provide:

- Veterinary health camps in villages
- Vaccination against Classical Swine Fever (CSF)
- Deworming medicines
- Vitamin and mineral supplements

Breed Improvement Programs

States focus on improving local pig breeds by crossbreeding with exotic breeds such as:

- Hampshire
- Large White Yorkshire
- Large Black
- Landrace

These crossbred pigs grow faster, produce more meat, and give birth to more piglets compared to local breeds.

Financial Support

Apart from subsidies, farmers can access:

- Bank loans with favorable terms
- Credit linkage through NABARD
- Support from State Rural Livelihood Missions
- Assistance for Self-Help Groups and cooperatives

Check Your Progress

Q2. Name two specific ways in which the government of Assam supports piggery in the state.

10.6 ROLE OF ANIMAL HUSBANDRY DEPARTMENTS IN EXTENSION AND TRAINING

The animal husbandry departments of states and the central government are the backbone of knowledge transfer, infrastructure setup, and technical support for piggery. They link the vision of policy with reality on the ground by providing crucial extension and training services.

These departments set up extension camps, health check-up drives, hands-on training for farmers and workers, and distribute simple, accessible technical guides. Their staff conduct awareness campaigns on disease control, feeding practices, and record-keeping. Livestock field

officers encourage networking and group formation for collective pig marketing. Many states have training and demonstration units at the block or district level, where farmers can see and try modern piggery practices. Departments also make available AI (artificial insemination) services, vaccination, support for housing and water systems, and guidance on starting and running piggery SHGs or cooperatives.

A growing emphasis is placed on digital tools, with some departments launching farmer helplines, mobile applications, and WhatsApp groups. Such services increase farmer access to market price updates, disease warnings, and government scheme notifications.

Through extension and training, animal husbandry departments help farmers become more knowledgeable, skilled, and better prepared to face challenges. Their work improves adoption of good practices, sustainability, and the social and economic upliftment of farming families.

10.7 LET US SUM UP

The National Livestock Policy and state-level piggery initiatives create a comprehensive system for improving the productivity, health, and market power of India's pig farmers. These policies aim to blend modern science with traditional knowledge, expand the reach of veterinary and marketing services, and deliver real improvement in income and food security for rural families, especially in the Northeast.

The coordinated roles played by animal husbandry departments ensure that the benefits of supportive policy are felt on the ground, in better livestock, stronger farmer groups, and a future for the next generation in piggery.

10.8 FURTHER READING

- National Livestock Policy, Department of Animal Husbandry and Dairying, Ministry of Fisheries, Animal Husbandry and Dairying (2013)
- Assam Livestock and Poultry Mission – Government of Assam
- Meghalaya Piggery Development and Commercialization Project – Department of Animal Husbandry, Meghalaya
- Certificate Program in Management of Pig Husbandry and Piggery Business (IGNOU SLM)
- Farmers' Hand Book on Pig Production (FAO)

10.9 REFERENCES

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2. "Policy Review: Livestock Development in India", FAO Corporate Document Repository, https://www.fao.org/3/x6542e/X6542E06.htm

3. FAO. Farmers' Hand Book on Pig Production. https://www.fao.org/3/am735e/am735e.pdf

4. Beginners Guide to Pig Production and Management, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5753914/

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10.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q1: The NLP focuses on pig husbandry because it is a major source of income, nutrition, and employment for many families, especially those in the Northeast, where pig rearing is culturally and economically important. Piggery helps in poverty reduction and food security for vulnerable groups.

Ans to Q2: The government of Assam supports piggery by providing subsidised breed stock and supporting production clusters for smallholders, as well as building demonstration units for training and the spread of modern practices.

10.11 MODEL QUESTIONS

1. State one major objective of the National Livestock Policy in relation to piggery.
2. What is meant by 'marketability' in the context of livestock policy?
3. Describe one role of animal husbandry departments in piggery extension.
4. Mention one way state initiatives in Northeast India support piggery farmers.
5. Discuss the main goals of the National Livestock Policy with reference to pig husbandry, productivity, and market development.
6. Explain how state-level piggery programmes in Assam or Nagaland combine technical guidance and group action for local development.

7. Describe the function of extension and training by animal husbandry departments and their impact on smallholder piggery livelihoods.

UNIT 11: NABARD FINANCING AND THE ANIMAL HUSBANDRY INFRASTRUCTURE DEVELOPMENT FUND (AHIDF)

UNIT STRUCTURE

11.1 Learning Objectives
11.2 Introduction
11.3 Role of NABARD in Providing Refinance Support for Piggery Units
11.4 Eligibility Criteria and Loan Application Process
11.5 AHIDF as a Flagship Scheme for Infrastructure Development
11.6 Capital Subsidy Schemes for Pig Farmers
  11.6.1 Central Sector Animal Husbandry Schemes
  11.6.2 State Schemes and Regional Incentives
  11.6.3 Other Relevant Support Initiatives
11.7 Let Us Sum Up
11.8 Further Reading
11.9 References
11.10 Answers to Check Your Progress
11.11 Model Questions

11.1 LEARNING OBJECTIVES

After finishing this unit, you will be able to:

- Explain how NABARD helps finance piggery units and other animal husbandry activities.
- Describe eligibility criteria and steps for loan application under various piggery funding schemes.
- Summarize capital subsidy schemes for pig farmers from central and state governments.
- Understand the role and features of the Animal Husbandry Infrastructure Development Fund (AHIDF).

11.2 INTRODUCTION

The expansion of piggery in India is closely linked to access to appropriate finance and infrastructure. Small and large farmers, cooperatives, and entrepreneurs all need help in getting the money required to build sheds, buy animals, set up feed units, and install modern storage and processing equipment. In India, two major pillars for supporting these activities are NABARD and the recently created Animal Husbandry Infrastructure Development Fund. Through special schemes, refinancing of banks, capital subsidies, and technical guidance, these institutions help farmers move from traditional, small-scale piggery to market-linked, sustainable business models. This unit explores how NABARD and AHIDF work, what financing and support is available, and what steps a pig farmer must follow to access these opportunities.

11.3 ROLE OF NABARD IN PROVIDING REFINANCE SUPPORT FOR PIGGERY UNITS

NABARD, the National Bank for Agriculture and Rural Development, is a specialized financial institution in India dedicated to supporting rural and agricultural development. It plays a major role in financing piggery and animal husbandry activities by acting as a "refinancer" for commercial banks, regional rural banks, co-operatives, and other lending bodies serving farmers.

This means NABARD does not usually directly lend to individual farmers for their piggery ventures. Instead, it lends to banks, microfinance agencies, and rural development organizations, which then pass on loans to the final borrowers at local level. The advantage is that these banks can access cheaper funds, better information, and risk-sharing support, all of which they can pass on to smallholder piggery units, self-help groups (SHGs), farmers' cooperatives, and private entrepreneurs.

NABARD supports piggery both as a standalone activity and as part of integrated farming models where pigs are raised with fish, poultry, or crops. It encourages adoption of scientific and environmentally sound practices, funding only projects that follow veterinary and environmental guidelines.

Bankers and loan officers use NABARD's model project reports for piggery to estimate costs, likely income, possible risks, and technical needs, tailoring the final loan to the farmer's condition. Major finance categories include construction of modern pigsties or sheds, purchase of improved pig breeds, feed stores, waste management systems, veterinary care facilities, and small value-addition units for pork products.

Check Your Progress

Q1. What is NABARD's main method for supporting piggery units, and who are its direct borrowers?

11.4 ELIGIBILITY CRITERIA AND LOAN APPLICATION PROCESS

Any individual farmer, SHG, cooperative, producer company, or agribusiness interested in establishing or upgrading a piggery unit can seek financing through banks which are supported by NABARD refinance. However, eligibility depends on a few conditions that keep projects sound and sustainable.

Applicants usually need to:

- Own suitable land (property papers or long-term lease agreement must be available)
- Provide a project plan or detailed proposal with costs, expected animal numbers, feeding systems, waste management, expected production, veterinary care plan, and market linkages

- Offer basic supporting documents, such as identification, land records, caste or group certificates (if seeking special category benefits), and sometimes margin money (own contribution, usually 10 to 20 percent of project cost)
- Demonstrate feasibility through a simple break-even or profit estimate, preferably using a model project template (often available from NABARD or state banks)

The eligibility criteria and loan application process for piggery projects in India, with reference to NABARD, are designed to help individual farmers and groups start or expand pig farming businesses. NABARD (National Bank for Agriculture and Rural Development) works with scheduled banks and recognized institutions to make credit accessible at reasonable rates, often linked with government subsidy schemes like the National Livestock Mission.

Eligibility Criteria

Applicants must be Indian citizens or legal entities such as self-help groups (SHGs), joint liability groups (JLGs), farmer producer organizations (FPOs), farmer cooperative organizations (FCOs), and Section 8 companies. Applicants should have their own land or a registered lease for suitable land, where they will set up the piggery unit. It is necessary to hold KYC-compliant documents (such as Aadhaar and PAN), and the applicant should have a valid bank account. Most banks expect applicants to either possess basic training in piggery or hire a qualified technical person for farm operations. A detailed project report describing the business model, cost estimates, and expected income is also needed. In self-financed projects, banks may require a bank guarantee as security for the project.

Step-by-Step Loan Application Process:

1. Project Preparation and Registration:

   Begin by preparing a detailed project report (DPR) for the piggery enterprise. The DPR should explain all aspects of the proposed farm, including the number of animals, construction, feed, medicines, labor, and marketing strategy. If a government scheme requires it, register on the National Livestock Mission (NLM) portal or respond to an official Expression of Interest for the scheme.

2. Application Submission:

   Fill out the online application form on the relevant government portal or approach your local bank for the piggery loan, submitting all required documents. For government-linked subsidy schemes, submit the DPR, KYC proofs, proof of land ownership or lease, and any training or experience certificates in pig farming.

   Additional documents may include an affidavit declaring employment status and credit history, and for loans above a certain limit, land mortgage papers may be requested.

3. Screening by Officials:

   The application and project report are screened by the State Implementing Agency or the responsible department to ensure the proposal is viable and complete. Applicants may be called for an interview or site inspection to verify project details.

4. Bank Loan Processing:

After screening, the application is transferred to the lender (scheduled bank or recognized institution) for credit appraisal. The bank verifies documents, evaluates the business proposal, and after due diligence, decides on the loan amount and terms.

5. Approval and Subsidy Recommendation:

Once the bank sanctions the loan, it uploads a copy of the sanction letter to the relevant portal. The proposal then goes to the State Level Executive Committee for final recommendation, and the central department (Animal Husbandry and Dairying) reviews and approves the subsidy, if eligible.

6. Disbursement and Implementation:

The loan amount is credited to the applicant's account by the bank. Subsidy, wherever applicable, is credited in two installments through SIDBI into the lending bank, which then passes it on to the beneficiary. The first installment is provided after initial expenditure on the project, verified by officials, and the second installment after full project completion and official certification.

7. Ongoing Monitoring:

The project is monitored for a set period after completion (often up to two years) by the implementing authority to ensure proper operation and utilization of funds.

Key Documents Required for Loan Application:

- Aadhaar Card and PAN Card
- Land ownership or lease agreement for the site of the piggery unit
- Detailed Project Report (DPR)
- Bank account details and, for some schemes, a bank guarantee
- Certificates or evidence of training in pig farming, if available
- Loan sanction letter from the bank, including any security documentation if required by the lending institution

The entire process aims to ensure that the applicant is capable and prepared to establish a successful pig farm, while the loan and subsidy system is structured to reduce risk and promote responsible use of funds.

Illustration: Detailed Project Report for a NABARD Piggery Loan

Example Case: Woman Farmer SHG, Meghalaya

1. Basic Details

- Name: Mawphlang Women Farmers SHG
- Contact: Address, mobile number, Aadhaar, bank details

- Location: Mawphlang village, East Khasi Hills, Meghalaya
- Promoters: Ten tribal women, experienced in animal husbandry

2. Introduction & Objectives

- Purpose: To establish a small-scale commercial piggery unit to improve family incomes and employ local youth
- Objective: To rear and sell 24 pigs per cycle (per year) for meat in local markets, using scientific methods

3. Project Background & Justification

- Mawphlang is known for pork consumption and has adequate water and fodder resources
- Market survey shows rising demand for pork in Shillong and nearby towns
- Local veterinary services are available within 5 km

4. Project Technical Details

- Breed selected: Hampshire cross, sourced from Meghalaya Veterinary Department farm
- Number & Age: 20 weaner piglets (50:50 male to female, aged 2 months)
- Housing: Brick boundary wall, sloped cemented floor, split into 4 pens

Construction Layout:

- Pen area: 10 square feet per animal
- Shelter: Asbestos roof with proper ventilation
- Dung channel for easy cleaning

Feeding Plan:

- Local feeds (rice bran, kitchen waste, forage) mixed with concentrate feeds
- Water troughs and clean tap water

Veterinary Plan:

- Scheduled deworming
- Vaccination (CSF, FMD as per animal husbandry guidelines)

Waste Management:

- Manure collected and used for vegetable garden
- No pollution to nearby streams

5. Financial Details

Item	Unit	Rate (Rs.)	Total (Rs.)
Construction	500 sqft	400	200,000
Piglets	20	4,500	90,000
Feed (8 months)	20	6,000	120,000
Vet/medicines	20	500	10,000
Equipment	Lump sum	-	10,000
Labour (family)	-	-	0
Insurance	20	200	4,000
Total Project			434,000

6. Funding Pattern

- Promoter's Margin (own funds): 25% = Rs. 108,500
- NABARD Term Loan (via local bank): 75% = Rs. 325,500
- Government subsidy under NLM (if eligible): As per scheme norms

7. Revenue & Profit Estimates

- Expected survival: 18 pigs (assuming 10% mortality)
- Each sold at 100 kg live weight, fetching Rs. 200/kg
- Gross sales = 18 × 100 × 200 = Rs. 360,000
- Net annual profit = Income (-) All expense (detailed cash flow included)

8. Repayment Plan

- Loan repayment over 5 years, with one year grace
- Annual EMI repaid from profit from two production cycles (early returns in piggery help meet repayments faster)

9. Risk Analysis & Mitigation

- Disease risk minimized by vaccination and vet support

- Market risk low due to strong local demand
- Feed cost risk managed using local by-products

10. Annexures

- Land ownership/lease deed
- SHG registration proof
- Local animal husbandry department “No Objection Certificate”
- Training certificate (if available)
- Veterinary doctor’s technical opinion
- Bank account and KYC documents
- Consent letter from SHG members

11. Certifications
The SHG and veterinary officer certify the accuracy of figures and responsible management.

11.5 AHIDF AS A FLAGSHIP SCHEME FOR INFRASTRUCTURE DEVELOPMENT

The Animal Husbandry Infrastructure Development Fund (AHIDF) is a central government programme launched to modernize and expand infrastructure in the animal husbandry sector, including piggery. The fund aims to boost private investment and enable the creation of modern pigsties, integrated processing units, slaughterhouses, cold storage, meat transport, rendering plants, and even bio-gas or manure-based fertilizer units.

The Animal Husbandry Infrastructure Development Fund (AHIDF) is a flagship scheme that plays a major role in supporting and modernizing infrastructure for livestock activities in India, including pig husbandry. This fund was started by the Government of India to encourage investments from individuals, companies, cooperatives, and farmer organizations to build better facilities for animal farming and processing.

Scheme Overview

AHIDF was announced with a fund of Rs. 15,000 crore under the Atmanirbhar Bharat initiative. The main idea is to provide low-cost loans and financial support for setting up or improving infrastructure in livestock sectors such as meat processing, animal feed plants, cold storage, slaughterhouses, and value addition units. Developing such infrastructure helps farmers add more value to their products and connects them to bigger markets.

Key Features

- Individual entrepreneurs, private companies, micro and small enterprises (MSMEs), Farmer Producer Organizations (FPOs), Section 8 companies, and cooperatives are all eligible to apply.

- Loan Facility: The scheme provides loans up to 90% of the total project cost. Applicants are required to contribute 10% (for micro/small units), up to 15% (for medium), or 25% (for larger firms) of the investment from their own sources.
- Interest Subvention: The scheme includes a 3% interest subvention (lowered interest rate), helping to reduce the repayment burden for beneficiaries.
- Repayment Terms: There is a two-year moratorium period (where no principal needs to be paid) followed by a six-year repayment schedule, making it easier to manage finances as the project gets established.
- Credit Guarantee: NABARD manages a Credit Guarantee Fund. Up to 25% of the loan is guaranteed for eligible projects, reducing risks for lending banks and making it easier for farmers and entrepreneurs to access credit.
- No Collateral up to Rs. 2 Crore: For eligible MSMEs, there is no need for collateral security for loans up to Rs. 2 crore, which simplifies access for small and medium entrepreneurs.

Infrastructure Supported

For pig husbandry, AHIDF can support:

- Building new pig breeding and multiplication farms using modern technology for better productivity.
- Establishing hygienic and modern slaughterhouses for pigs that meet quality and export standards.
- Setting up meat processing units that can add value by producing pork sausages, bacon, and packaged meat products.
- Creating cold storage and refrigerated transport facilities to maintain meat quality during distribution.
- Building and upgrading animal feed plants that supply balanced and affordable feed for pigs.
- Encouraging waste-to-wealth systems like biogas plants, which use pig farm waste for energy generation or organic fertilizer production.

Application and Project Approval Process

- Applications are made online through the official portal (ahidf.udyamimitra.in).
- Applicants submit detailed project reports, identity and land documents, layout plans, market strategy, and expected impact.
- Projects are screened for viability and loan-worthiness, then picked up by lending institutions.
- Once approved by banks, the Ministry marks the project for interest subvention, and loan disbursal follows.

Impact on Pig Husbandry

The AHIDF scheme helps pig farmers and entrepreneurs in multiple ways some of them are:

- It allows them to build world-class facilities and meet health and hygiene standards, which is becoming important for domestic and export markets.
- The scheme encourages integration of small producers into organized value chains, improving income and bargaining power.
- By financing feed plants and waste management, AHIDF helps reduce operating costs, promote sustainability, and reduce environmental impact.
- The scheme's incentives have improved participation of young entrepreneurs, women, and smallholder groups in piggery infrastructure development.

Check Your Progress

Q2. What is the central aim of AHIDF, and give two examples of projects it funds in piggery?

Q3. Name one central and one state-level capital subsidy scheme for pig farmers.

11.6 CAPITAL SUBSIDY SCHEMES FOR PIG FARMERS

Capital subsidy is direct financial assistance provided to reduce the cost burden of investments by farmers or entrepreneurs. These are grants, not loans, though often only available along with a formal banking loan.

11.6.1 CENTRAL SECTOR ANIMAL HUSBANDRY SCHEMES

The central government, through the Department of Animal Husbandry and Dairying, runs schemes like the Dairy Entrepreneurship Development Scheme (DEDS) and National Livestock Mission (NLM). While DEDS is mostly for dairy, NLM contains sub-missions for piggery, supporting both breed improvement and infrastructure through back-ended capital subsidies.

Subsidies typically range from 25 to 33 percent of project outlay depending on the category of applicant (general, SC/ST, women, SHGs). For piggery, NLM's breed improvement and rural backyard projects provide one-time subsidies for shed construction, purchase of breeding stock, or basic processing units. Application is through state animal husbandry departments and often requires a valid loan sanction letter. Grants are released only after verification that outlay has been spent as proposed.

11.6.2 STATE SCHEMES AND REGIONAL INCENTIVES

Many state governments operate their own capital subsidy programmes for pig farmers—Assam's Livestock Mission, Meghalaya's Piggery Commercialization Project, Nagaland Piggery Mission, and others. These may fund upgradation of local piggery, modern breed purchase, SHG-based collective farms, or village demonstration units. State subsidy rates sometimes layer over central subsidies but are capped at the cost of project outlay or state funding limits.

Common requirements for state subsidies involve:

- Registration with the state animal husbandry office or pig producer federations
- Proof of use of subsidy for eligible assets (new sheds, animals, equipment)
- Adherence to livestock health and environmental standards (proper manure disposal, disease notification compliance)

A benefit of state schemes is their orientation to local conditions: for instance, supporting low-cost housing in flood-prone Assam, promotion of indigenous breeds in Nagaland, or market-linked pilot units in hill areas.

11.6.3 OTHER RELEVANT SUPPORT INITIATIVES

In addition to capital subsidies, other initiatives that reduce the cost for piggery enterprises include interest subvention schemes (where a portion of the loan interest is paid by the government), risk sharing (government guarantees covering part of loans), and insurance cover for pigs and piggery infrastructure. These schemes are often bundled with livestock finance, offering a safety net for weather, disease, or market shocks, and further incentivizing formal banking for animal husbandry. Some major initiatives are listed below:

- Disease Control and Veterinary Services: Funded programs for vaccination against Classical Swine Fever, veterinary clinics, extension services, and animal health centers are run by central agencies and implemented across states.
- Extension, Awareness, and Capacity Building: Central funding supports farmer training, workshops, demonstration projects, and seminars to promote scientific piggery practices.
- Market Development/Export Promotion: Measures for improving pork market access, branding, and export orientation receive government support under umbrella schemes for processed meat and animal products.

11.7 LET US SUM UP

NABARD and the AHIDF are central to financing the growth and modernization of piggery units in India. By extending refinance support, guiding banks, and designing model project reports, NABARD enables easier farmer access to institutional credit. The AHIDF, with its unique focus on infrastructure and private investment, opens new possibilities for larger, integrated projects in

the pork supply chain. Central and state subsidy schemes reduce the investment burden further and encourage group entrepreneurship, modern practices, and compliance with animal health standards. Together, these schemes represent a ladder of support for piggery farmers in the evolving landscape of livestock management.

11.8 FURTHER READING

- NABARD Model Bankable Projects for Piggery, **https://www.nabard.org**
- Animal Husbandry Infrastructure Development Fund, **https://ahidf.udyamimitra.in/**
- National Livestock Mission Guidelines, Ministry of Fisheries, Animal Husbandry and Dairying, **https://dahd.nic.in/**
- Assam Livestock and Poultry Mission, Government of Assam, **https://animalhusbandry.assam.gov.in/**
- FAO Farmers' Hand Book on Pig Production, **https://www.fao.org/3/am735e/am735e.pdf**

11.9 REFERENCES

1. "NABARD Role in Livestock Sector", **https://www.nabard.org/content1.aspx?id=572&catid=23&mid=530**
2. "Animal Husbandry Infrastructure Development Fund", Ministry of Fisheries, Animal Husbandry and Dairying, Government of India, **https://ahidf.udyamimitra.in/**
3. "National Livestock Mission Guidelines", **https://dahd.nic.in/sites/default/filess/Guidelines_for_National_Livestock_Mission.pdf**
4. FAO. Farmers' Hand Book on Pig Production, **https://www.fao.org/3/am735e/am735e.pdf**
5. Assam Livestock and Poultry Mission, **https://animalhusbandry.assam.gov.in/**

11.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q1: NABARD mainly helps pig farmers by providing refinance and technical support to banks and cooperatives, making it easier for farmers to access loans for piggery construction, equipment, and livestock purchase through those banks.

Ans to Q2: The central aim of AHIDF is to support infrastructure development for animal husbandry, including piggery. Project examples include the setting up of modern pigsties and construction of pork processing units or cold storages.

Ans to Q3: A central scheme is the National Livestock Mission (NLM), which gives capital subsidy for piggery units. An example of a state scheme is the Assam Livestock and Poultry Mission, which provides subsidy and support tailored for piggery in Assam.

11.11 MODEL QUESTIONS

Short Answer

1. Explain what a model project report is in the context of NABARD financing for piggery.
2. What kind of support does the AHIDF offer for value-added pork processing?
3. List any two documents usually required when applying for a piggery loan through a bank.
4. What is the main difference between a capital subsidy and an interest subvention scheme for piggery farmers?

Long Answer

1. Describe the complete steps a farmer must follow to access loan and subsidy through NABARD and AHIDF-supported schemes.
2. Compare central government and state government support strategies for piggery, with examples from Assam or Meghalaya.
3. Discuss how new financial schemes are improving the adoption of modern infrastructure and scientific practices in Indian piggery farms.

UNIT 12: ROLE OF NGOs, COOPERATIVES, AND SHGs IN PIGGERY DEVELOPMENT

UNIT STRUCTURE

12.1 Learning Objectives
12.2 Introduction
12.3 Contribution of Self-Help Groups (SHGs), NGOs, and Cooperative Societies in Promoting Piggery as a Livelihood Option
  12.3.1 Contribution of Self-Help Groups (SHGs)
  12.3.2 NGOs
  12.3.3 Cooperative Societies
12.4 Capacity Building and Training Provided by NGOs
12.5 Role of Farmer Producer Organizations (FPOs) in Creating Collective Bargaining Power for Pig Farmers
12.6 Let Us Sum Up
12.7 Further Reading
12.8 References
12.9 Answers to Check Your Progress
12.10 Model Questions

12.1 LEARNING OBJECTIVES

By completing this unit, you will be able to:

- Explain the role of SHGs, NGOs, and cooperatives in strengthening piggery-based livelihoods.
- Describe capacity building and training interventions from NGOs in piggery.
- Understand how FPOs enable collective bargaining for pig farmers.
- Understand how to leverage societies for grown and profit.

12.2 INTRODUCTION

Piggery has long been an important livelihood option for rural families in India, especially in northeastern and tribal regions. While private farmers have individually developed piggery practices for generations, the acceleration of piggery as a reliable and organized source of income has depended upon support from collective groups like self-help groups (SHGs), non-governmental organizations (NGOs), and cooperative societies. These institutions not only provide practical help in the form of credit, technical inputs, and market support but also engage deeply in training, social organization, and collective problem-solving. In this unit, their individual and joint contributions to the development of piggery will be explored, with a particular focus on capacity building, the power of collective bargaining, and the role of Farmer Producer Organizations (FPOs).

12.3 CONTRIBUTION OF SELF-HELP GROUPS (SHGs), NGOs, AND COOPERATIVE SOCIETIES IN PROMOTING PIGGERY AS A LIVELIHOOD OPTION

12.3.1 CONTRIBUTION OF SELF-HELP GROUPS (SHGs)

Self-Help Groups (SHGs) are informal associations, typically composed of rural women or mixed-gender community members, with a common interest in supporting one another. Over the last two decades, the SHG movement has worked closely with piggery, especially in regions where social and economic barriers reduced access to commercial agriculture. SHGs have enabled smaller farmers to pool resources, save money collectively, and access subsidized loans from banks and government schemes.

In piggery, SHGs often take the lead role in group purchase of piglets, construction of basic housing, and joint marketing of pigs to local buyers or processing units. They assist members in daily management, health monitoring, and feed purchasing. Importantly, SHGs encourage gender inclusion, helping women become active participants in farm management, finance, and decision-making. Through regular meetings, SHGs provide a safe platform for discussion, training, and planning, thereby reducing isolation and risk for members new to piggery farming.

12.3.2 NGOs

Non-Governmental Organizations (NGOs) work at many levels in Indian piggery development. Some NGOs are focused on local, field-based training, while others operate at state or national scale to shape projects, policies, and partnerships. NGOs such as PRADAN, Rural Volunteers Centre, ActionAid, and others have made measurable impact on piggery livelihoods by hosting demonstration farms, organizing health camps, or offering business development services for pig entrepreneurs.

NGOs often bridge gaps between official government extension and ground-level realities. For example, they help pig farmers understand government schemes, prepare funding proposals, and adopt modern piggery practices in nutrition, breeding, and disease control. Through their social networks, they identify vulnerable groups such as the landless, women-headed households, or scheduled tribes and provide targeted interventions that enhance livelihood security. NGOs have introduced innovations such as community managed feed mills, group piglet nurseries, revolving loan funds, and mobile veterinary services for remote villages. Regular exposure visits, workshops, trainer-supported farmer field schools, and resource material are also part of their interventions.

12.3.3 COOPERATIVE SOCIETIES

Cooperative societies are formal organizations legally registered to promote the interests of their members. In piggery, cooperatives enable groups of farmers to combine capital, negotiate with input suppliers, and market pigs more effectively. Famous northeastern examples include the Assam Cooperative Piggery Federation and Mizoram Piggery Cooperative Society, which have helped hundreds of producers access better pig breeds, feed inputs, veterinary services, and collective insurance.

Cooperatives manage training programs, record keeping, and quality monitoring for products, so their members can command better prices and meet buyer requirements. They also help organize transport and storage, which is a significant challenge for small-scale pig farmers. By working together, cooperative members create structured business enterprises that can access bank loans and subsidies more easily than isolated individuals.

12.4 CAPACITY BUILDING AND TRAINING PROVIDED BY NGOs

The provision of **capacity building and training** is crucial for the successful promotion of pig husbandry, especially among small-scale and backyard producers in India. Non-Governmental Organizations (NGOs), often working within the framework of larger government initiatives like the **Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM)**, play a key role in delivering this essential knowledge and practical support.

Training aims to equip beginners with the necessary **knowledge and practical skills** to effectively manage their operations, enhance productivity, animal welfare, and ensure sustainability.

1. Training and Capacity Building Strategies

The overarching goal of these programs is to transition traditional pig rearing, where productivity is often low, into a sustainable, scientific enterprise. Training covers all aspects of pig production for all types of pig producers.

Training Area	Definition
Improved Pig Rearing Practices	This involves teaching scientific methods to manage pigs, ensuring the health and growth of the herd. Training includes instruction on overall **farm management**.
Housing and Facilities	Farmers are trained on setting up appropriate housing, ensuring proper **ventilation and sufficient space** for the pigs, which is crucial for maintaining a healthy and productive herd.
Feed and Nutrition	Training covers the development of **balanced pig feed formulation** using locally available materials, such as brewer's spent malt, rice bran, and wheat bran. Farmers learn about the nutritional needs of pigs at different stages of growth and how to ensure the quality of ingredients, which are often expensive.
Animal Health and Biosecurity	Training includes providing detailed guidance on **disease prevention, hygiene**, and general care. This involves following vaccination schedules, parasite control (deworming), and managing health records.
Breeding and Management	Training covers the importance of maintaining pure and true to breed boar lines to avoid **inbreeding**, which causes deterioration of the breed. It also includes instruction on sow breeding and gestation timelines.

Value Addition and Marketing	Training encourages the adoption of strategies for efficient resource management, cost control, and marketing. This includes promoting value addition, such as processing pork into products like sausages or bacon, which increases profitability.

2. Role of Trained Personnel and NGOs

NGOs and community-level entities provide this training through experienced individuals who work directly with the pig farmers:

• **Pasu Sakhi/Pig Entrepreneurs:** The program promotes pig-breeders (**Pig-breeders entrepreneurs**) and boar keepers to ensure a continuous supply of quality piglets. Individuals trained for this role may be promoted as *Pasu Sakhi* (or 'Animal Friend').

• **Experienced Trainers:** Training and capacity building are conducted by **National Resource Persons (NRPs)**, **State Resource Persons (SRPs)**, and **Hand Holders** (who are experienced Community Resource Persons (CRPs) or Progressive Resource Persons (PRPs)).

• **Extension Services:** Training can be provided to individual farmers through trained *Pasu Sakhi* and CRPs in villages. This extension service ensures knowledge of improved rearing practices is delivered.

3. Convergence and Funding

The effectiveness of NGO and training efforts is enhanced by linking these activities with government support:

• **Convergence Opportunities:** There is ample scope for **convergence** with the Department of Animal Husbandry, which provides animal vaccination, subsidies for piglets, feed, and vet-doctors.

• **Academic Support:** The **ICAR-National Research Centre on Pig** and their units also play a role in training and capacity building, ensuring new technologies are incorporated.

Through these training and capacity building efforts, NGOs and related entities help small farmers in India overcome challenges like the lack of technical know-how and high feed costs, ensuring the economic success and sustainability of pig farming operations.

Check Your Progress

Q1. Name two ways in which NGOs support the training and skill development of pig farmers.

Q2. What main advantage does SHGs offer piggery farmers in rural communities?

12.5 ROLE OF FARMER PRODUCER ORGANIZATIONS (FPOs) IN CREATING COLLECTIVE BARGAINING POWER FOR PIG FARMERS

Farmer Producer Organizations (FPOs) are special types of cooperatives formed exclusively for agricultural producers, including pig farmers. FPOs work to strengthen the economic position of their members by organizing collective buying, selling, and negotiating. In piggery, FPOs pool orders for feed and medicines, securing bulk rates. They aggregate production for group sales, allowing small producers to meet the quantity and quality demanded by institutional buyers, processors, or government canteens.

FPOs offer formal membership and legal protection, often registering as companies under the Indian Companies Act. This allows them to sign contracts, access bank loans, and sell in far-flung markets that would be unreachable for individual pig farmers. FPOs also provide technical services including training, veterinary advice, product grading, and traceability certification critical in gaining better prices and trust in the market.

Most importantly, FPOs act as strong negotiating bodies that can resist price manipulation by middlemen and secure fair rates for members. They also serve as platforms for knowledge exchange and innovation, particularly in adapting to price changes, disease threats, and new technologies. The rise of FPO-linked piggery units is one of the most promising trends for sustaining rural incomes and strengthening community resilience.

The concept of **Farmer Producer Organizations (FPOs)**, or similar farmer collectives, is vital in pig husbandry because it gives small farmers **collective bargaining power**. In India, particularly in the North Eastern Region, this collective strength is built through structures such as **Self Help Groups (SHGs)**, **Pig Rearers Groups (Producers Groups)**, and **Producers Enterprises (PE)**.

These organizations bring individual, small-scale pig producers together to operate like a larger business, which helps them overcome significant challenges and increase their profitability.

1. Creating Bargaining Power for Purchasing Inputs

The largest cost in pig farming is typically the purchase of inputs, especially **feed**, which is often the largest and most variable input cost. By organizing collectively, farmers can dramatically reduce these costs, increasing their profit margins.

• **Aggregated Supply of Inputs:** The **Producers Enterprise (PE)**, which is a federation of pig producers at the block or district level, is specifically organized to provide an **aggregated supply of inputs**.

• **Bulk Purchasing:** Instead of buying expensive feed, vaccines, minerals, and supplements individually at high market prices, the collective group can **purchase in bulk**. Buying in large quantities, or locking in purchases early, is a strategy farm managers use to limit the risk that the price for a needed item may significantly increase.

• **Specific Inputs:** The collective bulk supply covers critical items necessary for scientific pig rearing, such as:

- ◦ Vaccines and vet-medicine.
- ◦ Minerals, supplements, and feed.

◦ Items like **packaging, branding, and marketing** materials.

2. Creating Bargaining Power for Selling Products (Marketing)

When small farmers try to sell their pigs or pork products individually, they have very little influence over the price. By selling through an organized group, they gain the volume and professionalism needed to demand better prices.

• **Collective Marketing:** The Pig Rearers Groups and the Producers Enterprise (PE) are designed to handle the collective marketing of piglets, pigs, and other products.

• **Accessing Lucrative Markets:** Collective sales create **higher volumes** of output, making the farm operation attractive to **wholesale buyers, processors, and retailers**. Individual farmers may lack the resources to meet the stringent quality standards or certification requirements often demanded by these lucrative markets.

• **Price and Volume Maximization:** Effective marketing involves analyzing market conditions and consumer preferences. Collective groups can sell products in an **attractive form** to consumers and establish **pricing strategies** that cover all production costs, labour costs, and market rates, thereby maximizing revenue.

• **Addressing Deficit Market Demand:** The North Eastern Region, which has a significantly high consumption of pork (especially Mizoram and Nagaland), relies heavily on outside supply. Collective groups leverage this deficit market opportunity, enabling smallholders to **flourish** without the presence of large competitors.

3. Creating Bargaining Power for Financial Stability

The collective organization is essential for accessing formal financial services, which is difficult for an individual poor, small-scale farmer.

• **Credit Linkage:** Under government initiatives promoting backyard pig rearing, the **SHGs** play a key role in channeling loans and arranging **additional credit linked with the banks**. This "credit linkage" ensures the SHG women farmers can access the necessary credit to purchase piglets and fund the construction of the pig-sty.

• **Financial Assessment:** When seeking loans, lenders (creditors) need to assess the business's **solvency and creditworthiness**. A collective group with detailed business plans and records presents a more stable and financially viable entity, increasing the chances of securing necessary funding for expansion or operation.

Check Your Progress

Q3. How do FPOs help pig farmers improve their market access and bargaining power?

12.6 LET US SUM UP

Self-help groups, NGOs, cooperatives, and FPOs have together played vital roles in transforming the piggery sector from isolated, subsistence activities to organized, sustainable business models.

By providing collective action, technical support, access to credit, and market linkages, these groups have helped rural and tribal communities especially women make piggery a trusted livelihood source. Their work in capacity building, participation, and negotiation brings lasting social and economic benefits even in the most remote regions.

12.7 FURTHER READING

- "Farmers' Hand Book on Pig Production" (FAO), **https://www.fao.org/3/am735e/am735e.pdf**
- "Beginners Guide to Pig Production and Management," **https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5753914/**
- "Role of SHGs and NGOs in Promoting Piggery," Rural Volunteers Centre, Assam, **https://www.rvcassam.org/livelihood.html**
- How Farmer Producer Organizations Benefit Indian Agriculture, NABARD, **https://www.nabard.org/demo/authors.aspx?id=1**

12.8 REFERENCES

1. FAO. "Farmers' Hand Book on Pig Production." **https://www.fao.org/3/am735e/am735e.pdf**
2. NABARD. "How Farmer Producer Organisations Benefit Indian Agriculture." **https://www.nabard.org/demo/authors.aspx?id=1**
3. Rural Volunteers Centre, "Livelihood Initiatives," **https://www.rvcassam.org/livelihood.html**
4. Beginners Guide to Pig Production and Management. **https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5753914/**
5. Assam Cooperative Piggery Federation, Government of Assam, **https://animalhusbandry.assam.gov.in/page/coop-piggery**

12.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q1: NGOs support training and skill development by offering hands-on learning through demonstration farms and exposure visits, and designing training modules on pig feeding, health, and business planning.

Ans to Q2: SHGs allow piggery farmers to pool resources and access loans, making it easier for members to buy inputs and market pigs collectively in rural communities.

Ans to Q3: FPOs enable pig farmers to bargain collectively for better prices, obtain bulk rates for inputs, supply large orders to institutional buyers, and gain access to new markets and technical services.

12.10 MODEL QUESTIONS

Short Answer

1. State one role played by cooperative societies in piggery development.
2. Why is capacity building important for pig farmers adopting new technologies?
3. What makes FPOs different from SHGs in promoting piggery?
4. Mention any one innovation introduced by NGOs in piggery management.

Long Answer

1. Discuss how SHGs, NGOs, and cooperatives work together to transform piggery into a sustainable livelihood in Northeast India.
2. Explain the process and benefits of capacity building by NGOs for piggery entrepreneurs.
3. Describe the impact of FPOs on pig farmers' income, bargaining power, and access to services in India.

UNIT 13: SUSTAINABLE PIGGERY PRACTICES AND WASTE RECYCLING

UNIT STRUCTURE

13.1 Learning Objectives
13.2 Introduction
13.3 Principles of Sustainability in Livestock Enterprises
13.4 Importance of Biosecurity, Manure Management, and Environmental Protection
13.5 Utilization of Pig Waste for Biogas Generation
  13.5.1 Principles of Biogas Generation
  13.5.2 Pig Waste Management and System Design
13.6 Composting for Organic Fertilizers
13.7 Examples of Farms Integrating Eco-Friendly Practices
13.8 Government Emphasis on Green Livestock Management under National Policies
  13.8.1 National Guidelines for Green Livestock Management
13.9 Let Us Sum Up
13.10 Further Reading
13.11 References
13.12 Answers to Check Your Progress
13.13 Model Questions

13.1 LEARNING OBJECTIVES

After completing this unit, you will be able to:

- Discuss the principles and applications of sustainability in piggery management.
- Explain the importance of biosecurity, manure handling, and their role in environmental protection.
- Describe biogas generation and composting techniques for recycling pig waste.
- Identify best-practice examples of eco-friendly pig farms in India.
- Summarize the efforts and intentions of government policy towards sustainable livestock and piggery management.

13.2 INTRODUCTION

Modern piggery farming goes beyond just producing pork or piglets. Today, pig farmers are responsible for protecting their environment, improving the quality of their herds, and making smart use of resources to avoid wastage. Sustainable piggery means choosing methods that work now and, in the future, safeguarding the land, air, and water for other uses, and finding added value in everything a piggery produces including its waste. By adopting proper manure management, recycling pig waste for biogas, and using compost as fertilizer, farmers not only

reduce pollution but can also lower costs and improve their incomes. This unit will guide you through these practices, explaining key principles, practical methods, and policy support.

13.3 PRINCIPLES OF SUSTAINABILITY IN LIVESTOCK ENTERPRISES

The concept of sustainable piggery is built on three broad pillars: profit, environmental protection, and social responsibility. Healthy and sustainable livestock enterprises use resources efficiently, reduce unwanted waste, and improve the productivity and well-being of both animals and workers.

A sustainable piggery farm ensures that each input like feed, water, and energy is used effectively, with minimum loss. It pays attention to the health of animals so that medicines and antibiotics are used carefully and only when needed. The farm also makes sure that animal housing, feed storage, and waste disposal do not harm the soil or water in surrounding areas. Sustainable piggery should help the local community, not endanger it with bad smells, unsafe waste, or disease risk.

These farms keep careful records, not just of animal performance, but also of feed use, water consumption, and manure generated. Responsible farmers monitor greenhouse gas emissions, water quality, and try to match animal numbers to what the land and local society can bear. By following these principles, piggery farmers can ensure their business remains profitable and accepted by the community in the long term.

13.4 IMPORTANCE OF BIOSECURITY, MANURE MANAGEMENT, AND ENVIRONMENTAL PROTECTION

A core part of modern piggery practice is biosecurity creating barriers to disease entry and spread. Biosecurity is especially vital on medium and large farms, but it is equally important for small family piggeries to stop disease from destroying assets and livelihoods.

Good biosecurity practices include controlling who enters the farm, keeping new pigs in isolation before mixing them, disinfecting vehicles and equipment, and setting up footbaths and clean clothing for workers.

Manure management is equally essential. Pig waste can be a valuable asset, but if handled poorly, it becomes a source of pollution, odour, and disease. Responsible manure management includes setting up well-planned collection systems, separating solids and liquids if needed, and regular removal or treatment. Pigs produce large amounts of manure rich in nutrients. If spread too thickly or allowed to reach water sources, it can cause pollution, promote weed growth, and harm fish or drinking water.

Farmers must store manure in lined pits or tanks, away from wells and streams, and time its application to fields so that crops make best use of the nutrients. Some farms now treat piggery effluent in simple wetland or vegetative systems before reuse.

Environmental protection also means using just enough chemicals, medicines, and disinfectants and never throwing them away carelessly. Many progressive farms use natural ventilation,

efficient water use, and try to reduce their climate footprint through better feeding and waste recycling.

Importance of Sustainable Farm Management Practices in Piggery:

Successful pig production relies heavily on implementing **sound management practices** covering animal health, waste handling, and environmental protection. These measures ensure the health of the animals, maintain profitability, and comply with environmental standards.

1. **Biosecurity and Disease Prevention**

Biosecurity is vital for preventing the introduction and spread of diseases within the pig herd. Good hygiene and cleanliness are fundamental for keeping animals' disease free and ensuring farm safety.

Hygiene and Sanitation Practices Farm staff must regularly **clean and disinfect housing, equipment, and facilities** to minimize the presence of pathogens. The floor and walls of the pigsty should be cleaned daily using a solution of Potassium Permanganate (KMnO4). Feeders should also be cleaned daily with clean water. Floors must be maintained dry. Since concrete floors can harbor bacteria and viruses, regular washing helps reduce the microbial load and minimize the risk of infections. **Removing solid manure before washing** prevents large quantities of waste from causing blockages in the drainage system. Weekly disinfestations of the floor are crucial for reducing or eliminating pig diseases.

Controlling Access and Movement It is essential to **restrict access to the farm** and ensure visitors follow strict hygiene protocols. Visitors should be provided with protective gear, such as disposable boots or covers, to prevent contamination. Farm staff must wear separate clothes while working with the animals and avoid mixing them with other items.

Segregation and Health Monitoring To minimize disease transmission, different age groups and newly introduced animals should be segregated. New or sick animals must be isolated (quarantined) immediately to prevent disease spread. Maintaining good **biosecurity practices** is essential for minimizing veterinary expenses, reducing mortality rates, and improving overall productivity. Regular health monitoring, preventive measures, and appropriate vaccination programs are crucial for protecting the herd. Farmers must administer vaccinations and medications as directed by the manager or veterinarian.

2. **Manure Management and Waste Utilization**

Pig waste (manure) is a **valuable resource** that must be properly managed to contribute to farm sustainability and profitability. **Manure as Organic Fertilizer** Pig manure is rich in essential nutrients like nitrogen, phosphorus, and potassium, making it an **excellent organic fertilizer** for crops. This organic fertilizer helps improve soil retention, enhances water retention capacity, and promotes healthy plant growth. Manure contributes significantly to **sustainable agriculture practices**. By combining pig manure with other organic materials like straw or crop residues, farmers can produce high quality compost, which lowers the pathogen load and makes nutrients more readily available to plants. Farmers can even sell manure to others as an additional income stream.

Biogas Production and Renewable Energy Pig waste can be used in **anaerobic digesters to produce biogas**, a renewable energy source consisting mainly of methane. Utilizing anaerobic digestion helps to capture and use this methane instead of releasing it into the atmosphere. This biogas can be used for purposes such as cooking, heating, or generating electricity. The resulting byproduct, called **digestate**, is nutrient rich and can be used as a biofertilizer, returning valuable nutrients back to the soil.

Proper Storage and Handling Effective waste management systems must be implemented to handle manure and other byproducts. Well-designed manure storage systems, such as lagoons, pits, or tanks, should be lined and covered to prevent leaks and runoff.

3. Environmental Protection and Sustainability

Adopting **sustainable and ethical farming practices** is crucial for environmental stewardship. Compliance with environmental regulations helps to minimize negative impacts such as pollution and greenhouse gas emissions.

Protecting Water Sources Pig structures should be placed a minimum of **100 meters away from any water bodies** to comply with environmental protection guidelines. This measure prevents the contamination of water bodies by agricultural runoff, which can lead to pollution. Manure runoff can negatively affect local water bodies and ecosystems. Farmers should establish **vegetated buffer zones or riparian strips** between areas where manure is applied and water sources. These zones help filter runoff and reduce erosion.

Minimizing Greenhouse Gas Emissions Pig farming contributes to **greenhouse gas emissions**, as pigs produce methane during digestion and from manure decomposition. Implementing effective manure management practices, such as **anaerobic digestion**, helps capture and utilize this methane for energy, reducing its release into the atmosphere. Proper disposal and treatment of manure are vital steps for reducing pollution and controlling odour.

Efficient Water Use Pig farming requires substantial water for drinking and cleaning activities. To minimize the strain on local water resources, farmers should implement efficient water use practices. This includes using water saving systems, such as nipples, low flow drinkers, and automatic waterers, and promptly repairing any leaks.

The successful management of a piggery therefore acts as a cycle, where **protecting the health of the animals (biosecurity)** leads to better resource utilization and less waste, and **properly managing waste (manure management)** transforms potential pollutants into valuable products, contributing directly to **environmental sustainability and farm profitability**.

Check Your Progress

Q1. State two methods piggery farms use to prevent environmental pollution from manure.

13.5 UTILIZATION OF PIG WASTE FOR BIOGAS GENERATION

13.5.1 PRINCIPLES OF BIOGAS GENERATION

Pig waste contains organic matter that can be processed in biogas plants to generate renewable energy for the farm. Biogas is produced when bacteria digest the pig manure (and sometimes other organic farming wastes), releasing a mixture of gases, mainly methane. This biogas can be used for cooking, heating, or even generating electricity if the system is large enough.

The process also produces a solid by-product called digestate, which is a nearly odourless, pathogen-free fertilizer that can be safely applied to fields.

Making Procedure:

Biogas is a renewable source of energy created from pig waste through a process called anaerobic digestion. This process uses **anaerobic digesters** to convert the manure into gas.

• The pig waste contains organic matter.

• When bacteria break down (digest) this manure, they release a mixture of gases.

• This biogas is made up mainly of **methane**. Methane is a potent greenhouse gas, and using anaerobic digestion helps capture and utilize it instead of releasing it into the atmosphere.

Usage:

The resulting biogas can be used to generate energy in several helpful ways:

• It can be used for **cooking** or **heating**.

• It can be used for **electricity generation**.

• It can be used as a **fuel for vehicles**.

• The biogas can also be liquefied and bottled, providing an **additional source of income**.

What is Digestate?

The process of generating biogas also creates a solid byproduct called **digestate**. This digestate is rich in nutrients.

• Digestate is recognized as a **biofertilizer**.

• Pig manure itself is already rich in nutrients like nitrogen, phosphorus, and potassium, making it an excellent **organic fertilizer** for crops. This fertilizer helps improve soil retention and enhances water holding capacity, leading to healthy plant growth.

• Processing pig waste into biogas creates value-added products (like digestate) that can be sold for **profit**, which helps with farm sustainability.

13.5.2 PIG WASTE MANAGEMENT AND SYSTEM DESIGN

A typical small farm biogas system consists of a collection pit, a digester tank, and gas storage and piping. Fresh manure is mixed with water and fed regularly into the digester, where it ferments for about two to three weeks. The gas is collected and piped to the kitchen or

generator, while the slurry is taken out and stored for field application. Importantly, the system must be kept airtight, and hygiene measures should be maintained to get consistent output.

Farmers can join with neighbouring households to develop community biogas plants, making use of collective resources. Proper design and maintenance are critical, as leaks, overloading, or lack of regular feeding will lower both gas output and fertilizer quality.

System Design and Location

Proper management requires well-designed systems for handling manure and other by-products.

• **Protecting Water:** Pig structures should be placed a minimum of **100 meters away from any water bodies**. This adherence to guidelines helps prevent contamination from agricultural runoff, which includes animal waste. Manure runoff can pollute local water sources and ecosystems.

• **Storage:** Use manure storage systems—such as **lagoons, pits, or tanks**—that are designed well. These structures should be **lined and covered** to prevent leaks and runoff.

• **Filtering Runoff:** Farmers should establish **vegetated buffer zones or riparian strips** between areas where manure is applied and water bodies. These zones help to filter runoff and decrease erosion.

Operational Requirements for the System

Maintaining the biogas and waste management system is crucial for safety and efficiency.

• **Hygiene:** Good hygiene and cleanliness are essential for keeping the animals disease-free and ensuring farm safety.

• **Preventing Disease Spread:** Removing solid manure before washing pig housing areas helps prevent large amounts of waste from entering the drainage system, which could cause blockages and lower efficiency.

• **Training:** It is important that all farm staff receive **training** in environmental management practices and understand their part in minimizing the farm's environmental impact.

In essence, using pig waste to generate biogas is like creating a closed-loop system: the waste provides renewable energy and a rich fertilizer, transforming a potential environmental problem (manure) into profitable and sustainable resources.

13.6 COMPOSTING FOR ORGANIC FERTILIZERS

When biogas is not an option, or alongside it, composting is an easy and effective method to recycle pig manure and bedding into valuable organic fertilizer. Composting uses natural

microorganisms to break down pig waste and absorbs greenhouse gases that would otherwise escape to the air.

To make compost, manure is mixed with crop residues, sawdust, or other carbon-rich farm waste. The mixture is kept damp (not wet) and turned regularly to allow oxygen inside. With some attention to balance and regular management, a hot compost pile quickly destroys pathogens and seeds. In three to four months, the pile transforms into dark, crumbly compost ready for field application. Compost reduces the need for chemical fertilizers, improves soil health, and helps retain soil moisture, saving money and building resilience for the farm.

Proper management of pig waste is a crucial component of sustainable and ethical farming practices. Pig waste, or pig manure, is recognized as a **valuable resource** that contributes to farm profitability and overall sustainability. Pig manure is naturally rich in essential nutrients, including nitrogen, phosphorus, and potassium. This nutrient content makes it an excellent **organic fertilizer** for crops.

Creating High Quality Compost:

To transform raw pig manure into an even better fertilizer, farmers can use the process of composting.

• Composting involves combining pig manure with other organic materials, such as straw or crop residues.

• This process helps create **high quality compost**.

• The act of composting specifically achieves two important benefits: it **reduces the pathogen load** within the waste, making it safer to handle and apply, and it makes the valuable nutrients found in the manure **more readily available to plants**.

Benefits of Composting Manure:

Composting achieves important benefits beyond just being a simple disposal method.

• This process specifically **reduces the pathogen load** found within the waste. This makes the resulting compost safer to handle and apply to fields.

• Composting also works to make the manure's valuable nutrients **more readily available to plants** for their growth.

• Applying the organic fertilizer improves the soil's ability to retain water and enhances overall soil retention.

• Furthermore, applying manure or composted manure improves the structure of the soil, particularly in soils that are degraded, and increases microbial activity.

Other Benefits are the following:

Benefits to Soil and Crops

The application of pig manure, or composted manure, significantly benefits soil health. Manure helps improve soil retention and enhances the capacity of the soil to hold water. This promotes healthy plant growth. Furthermore, applying pig manure to fields improves soil structure, especially in soils that are degraded, and increases microbial activity. Manure can also aid in controlling soil erosion by improving soil cohesion.

Value Added Products from Compost

Beyond the solid compost itself, farmers can also create liquid fertilizers. Compost tea, a liquid fertilizer, can be made directly from pig manure compost. This liquid can be applied as a foliar spray or a soil drench to provide direct nutrients to plants and enhance microbial life within the soil. Converting pig waste into these value-added products supports farm sustainability.

Environmental Protection through Composting

Composting plays an essential role in environmental stewardship by managing waste effectively. By processing manure through methods like composting, farmers can minimize pollution and aid in odour control. Utilizing composting as a manure management practice is also beneficial for the atmosphere, as it can **lower methane production** compared to simply storing raw manure directly. Methane is a potent greenhouse gas produced during manure decomposition. Therefore, proper treatment and disposal of manure are crucial steps for reducing pollution.

Check Your Progress

Q2. List two direct benefits of composting pig waste on the farm.

13.7 EXAMPLES OF FARMS INTEGRATING ECO-FRIENDLY PRACTICES

Pig husbandry is a very important activity in the North Eastern Region of India, particularly among tribal communities and groups facing socio economic challenges. The local farming systems commonly seen in this area inherently include practices that are eco-friendly because they focus on maximizing the use of available resources while keeping waste generation low. This focus helps ensure that the farm is both productive and sustainable.

A primary eco-friendly method is the **integrated farming system**, where pig rearing is combined with other agricultural activities. Pig manure, which is rich in nutrients, is highly valued as an **organic fertilizer** used for crop farming to improve the soil's health and fertility. Furthermore, pig husbandry is often integrated with the aquaculture sector, specifically **fish farming**. In this integrated setup, pig housing, known as a pigsty, might be constructed near a fish pond. The pig manure then fertilizes the pond, which helps algae grow quickly, serving as a food source for the fish and thus ensuring the fish grow rapidly.

Farmers in this region also practice eco-friendly waste utilization by minimizing the reliance on costly commercial feeds and instead using **locally available resources**. The traditional production systems use simple pigsties where feeding primarily consists of local grains, agricultural byproducts, vegetables, and **kitchen waste**. Pigs are known to be versatile animals

that can consume a wide range of these feeds, including byproducts from agriculture, making them a cost-effective option. For example, in Aizawl District of Mizoram, some farmers use stall feeding and boil **kitchen waste mixed with specific weeds** before feeding them to the pigs. Commercial farms often seek to exploit these **nonconventional feed resources**, such as waste from hotels or household kitchens, to reduce their operational expenses.

The recycling of pig manure greatly benefits the soil and promotes sustainability. Pig waste is highly rich in key nutrients like nitrogen, potassium, and phosphorus, establishing it as an **excellent organic fertilizer** for growing crops. Applying this organic fertilizer to fields is known to improve the soil's structure, especially in degraded areas, and increases its ability to hold water, leading to healthier plant growth. Ultimately, transforming and utilizing pig waste to create value added products like fertilizer helps support farm profitability and overall farm sustainability.

In terms of physical infrastructure, farmers often employ **traditional and cost-effective housing** solutions. A study in Mizoram noted that farmers build pigsties using confinement methods that involve **raised platforms constructed with wood and bamboos**. This strategic use of locally sourced materials for construction allows farmers to keep costs low and maintain an efficient farming structure.

Many progressive piggery farms in India and abroad now demonstrate how well eco-friendly methods can work in practice. For instance, in Assam and Mizoram, smallholder clusters have installed simple biogas units that take care of household cooking needs and reduce firewood use. In Meghalaya, farmers have formed groups to construct compost pits and rotate manure application to paddies. Some enterprising SHGs and cooperatives add value by selling bagged compost or biogas slurry to neighbouring crop farmers.

A model piggery at the Indian Veterinary Research Institute successfully combines deep litter bedding with composting, covers its slurry tanks to prevent methane leaks, and uses solar energy for lighting. These farms show how, even with limited investment, substantial resource recovery and pollution reduction are possible. More and more state governments arrange exposure trips or demonstration events at such farms so local piggery entrepreneurs can see waste recycling in action and ask questions about practical issues and day-to-day maintenance.

Eco-Friendly Practice	**Description**	**Major Benefits**
Integrated Farming Systems	Combining pig rearing with crop farming and aquaculture. Pig manure is applied to fields as fertilizer and to fish ponds to promote algae growth, enhancing both soil fertility and fish production.	Boosts soil quality, improves resource use efficiency, supports multiple farm outputs
Utilizing Waste as Feed	Feeding pigs with locally sourced grains, vegetables, agricultural byproducts, and kitchen waste. Reduces dependency on commercial feeds and lowers production costs.	Saves on feed expenses, reduces farm waste, supports local and household sustainability

Eco-Friendly Practice	Description	Major Benefits
Manure Recycling & Soil Health	Recycling pig manure as organic fertilizer for crops. Nutrient-rich manure improves soil water retention and plant growth, and farmers may sell processed manure for extra income.	Improves soil health, promotes sustainable farming, provides additional income
Traditional & Cost-Effective Housing	Constructing pigsties from locally available bamboo and wood, often using raised platforms for confinement. This approach utilizes renewable, affordable materials suited to the region.	Lowers housing costs, uses sustainable resources, preserves cultural building methods

13.8 GOVERNMENT EMPHASIS ON GREEN LIVESTOCK MANAGEMENT UNDER NATIONAL POLICIES

The government of India, through the Department of Animal Husbandry and Dairying and various state-level agencies, has put greater focus on green livestock management in recent years. The National Livestock Policy and National Livestock Mission stress the need for modern, climate-smart animal farming that protects air, soil, and water quality.

Central and state sector schemes encourage adoption of biogas and composting with capital subsidies, training, and technical manuals. Financial backing is often available for pollution control, waste utilization, and cleaner farm technologies. The government also promotes integrated crop-livestock systems, providing incentives to mix piggery with paddy, horticulture, or fish farming in ways that maximize recycling.

The Government of India places emphasis on improving livestock management practices, particularly for rural and vulnerable populations, through national programs that implicitly promote resource efficiency and sustainability. In the context of pig husbandry, the central policy is channeled through the **Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)**, a program run by the Ministry of Rural Development.

13.8.1 NATIONAL GUIDELINES FOR GREEN LIVESTOCK MANAGEMENT

The Government of India has circulated **Guidelines on promotion of backyard pig rearing under DAY-NRLM** to all states. This initiative aims to improve social status and economic abilities of rural women by promoting backyard piggery as a livelihood intervention.

The guidelines target Self Help Group (SHG) women who come from small, marginal, landless households, and forest dwellers. The promotion of pig rearing, especially in the tribal areas of central and north eastern India, is highlighted due to its large potential.

Under this framework, **essential livestock interventions** are promoted, covering practices that reduce environmental harm and enhance sustainability:

1. **Improved Management Practices** The guidelines call for the promotion of essential practices such as **improved feed and breed management, preventive healthcare, better housing, and general improved management practices**.

2. **Disease Prevention and Biosecurity** Compliance with **hygiene** standards is crucial to reduce the risk of infections and diseases. Farmers are encouraged to use **timely vaccination** against diseases such as Swine fever (Hog cholera) and Foot and Mouth Disease (FMD).

3. **Inbreeding Avoidance** The guidelines support practices to **maintain pure and true to breed boar** and ensure they are rotated to **avoid inbreeding**.

Resource Efficiency and Waste Utilization:

A core principle underlying the promotion of pig rearing within this policy context is the pig's ability to act as a natural recycler, maximizing resource efficiency:

• **Waste Conversion** The pig is highly valued because it has the potential to convert **wastes into a high-quality edible protein** in its body.

• **Cost Effective Feeding** The typical local production system relies on feeding that comprises **locally available grains, vegetables, and agricultural byproducts along with kitchen waste**. Commercial pig farming systems often aim to exploit **nonconventional feed resources** such as waste from kitchens or hotels. The guidelines specifically mention that the bulk of the feed for pigs being promoted depends on agricultural or household wastes generated at the household level.

• **Manure Use** Pig waste itself is a valuable resource. It is rich in nutrients like nitrogen, phosphorus, and potassium, making it an **excellent organic fertilizer** for crops. Proper waste management is critical for reducing environmental pollution.

Policy Support for Infrastructure and Training:

To ensure the sustainability of these backyard operations, the government supports infrastructure and capacity building:

• **Funding and Infrastructure** Funding for essential physical structures, such as a **pigsty**, can be sourced through **SHG loans, self-contribution, and MGNREGS**. Construction of housing (sheds) can be undertaken through the **MGEREGA scheme at a cheaper cost**.

• **Pork Processing Infrastructure** To help farmers add value and ensure sustainable market linkages, funding for **Slaughter houses** and **Pork processing units** is available through

convergence with the Animal Husbandry department under the "Animal husbandry infrastructure development fund".

• **Training and Extension** The national guidelines emphasize **training and capacity building** for all types of pig rearers. This training covers awareness on **improved pig rearing and hygienic pork production**. Specialized individuals, known as **Pashu Sakhi** or pig entrepreneurs, are promoted to work as facilitators and provide training to individual farmers.

The government's focus on green livestock management in pig husbandry is deeply tied to **enhancing the profitability and sustainability** of small-scale farmers by promoting efficient resource use, strict hygiene, and utilizing pig waste as a valuable byproduct.

13.9 LET US SUM UP

Sustainable piggery practices build the foundation for long-term success in animal agriculture. By paying close attention to biosecurity, careful manure management, and environmental protection, farmers reduce risk and maintain their license to operate. Recycling waste through biogas or composting turns a problem into an opportunity, producing energy and nutrients for farm and local use. Supported by fresh government focus and successful real-life examples, these green methods are now accessible to even small and medium farmers across India.

13.10 FURTHER READING

- FAO. "Farmers' Hand Book on Pig Production" **https://www.fao.org/3/am735e/am735e.pdf**
- National Livestock Policy, Department of Animal Husbandry & Dairying **https://dahd.nic.in/sites/default/filess/National%20Livestock%20Policy.pdf**
- DAHD Manure Management Guidelines, **https://dahd.nic.in/animal-husbandry-welfare**
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4. Indian Veterinary Research Institute, "Livestock Waste Management Models."
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13.12 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q1:
Piggery farms prevent environmental pollution by storing manure in lined pits or tanks away from water sources, and by treating effluent through wetlands or vegetative systems before use or disposal.

Ans to Q2:
Composting pig waste produces a safe, natural fertilizer for crops and reduces the need for chemical fertilizers, while also helping improve soil health and retain soil moisture.

13.14 MODEL QUESTIONS

Short Answer

1. What does biosecurity mean in the context of piggery farms?
2. Explain one way in which biogas plants help improve sustainability on a farm.
3. Why is it important not to spread pig manure near water sources?
4. List any one government scheme that supports eco-friendly piggery practices.

Long Answer

1. Describe how sustainable piggery practices contribute to environmental protection and long-term profitability.
2. Explain the process of composting pig manure, and outline its benefits for small farmers.
3. Discuss the government’s role in promoting bio secure and climate-resilient livestock enterprises in India.

UNIT 14: INTEGRATION OF PIGGERY WITH ALLIED SECTORS

UNIT STRUCTURE

14.1 Learning Objectives
14.2 Introduction
14.3 Opportunities for Integrating Piggery with Fisheries, Poultry, and Dairy Farming
  14.3.1 Integration of Piggery with Fisheries
  14.3.2 Integration of Piggery with Poultry
  14.3.3 Integration of Piggery with Dairy Farming
14.4 Advantages of Mixed Farming Systems for Risk Diversification
14.5 Piggery as Part of Integrated Farming Systems in Rural India
14.6 Concept of Community Farming and Cooperative Management of Piggery Units
14.7 Benefits of Resource Pooling, Collective Marketing, and Risk Sharing
14.8 Successful Case Studies of Tribal and Rural Communities Adopting Group-Based Piggery Projects
14.9 Scope for Scaling Up through FPOs and Producer Cooperatives
14.10 Let Us Sum Up
14.11 Further Reading
14.12 References
14.13 Answers to Check Your Progress
14.14 Model Questions

14.1 LEARNING OBJECTIVES

After completing this unit, you will be able to:

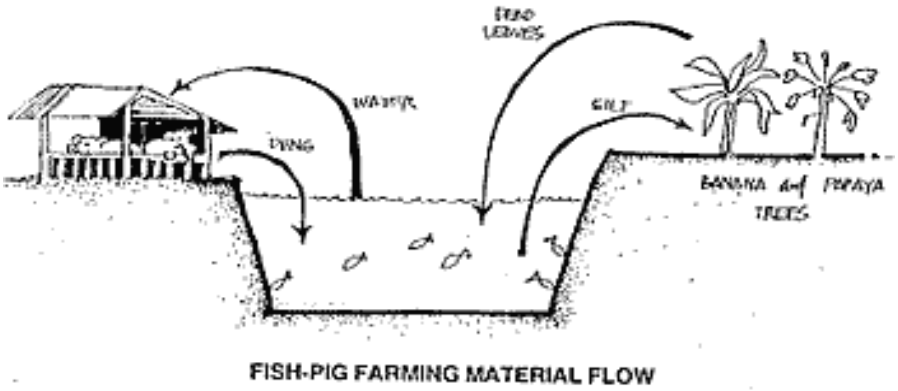
- Identify the opportunities for integrating piggery with allied sectors such as fisheries, poultry, and dairy.
- Discuss risk diversification and income stability in mixed and integrated farming.
- Explain the practice and benefits of community and cooperative piggery management.
- Describe resource pooling and collective marketing models in rural India.
- Analyze successful cases of group-based piggery projects and scaling up through FPOs and cooperatives.

14.2 INTRODUCTION

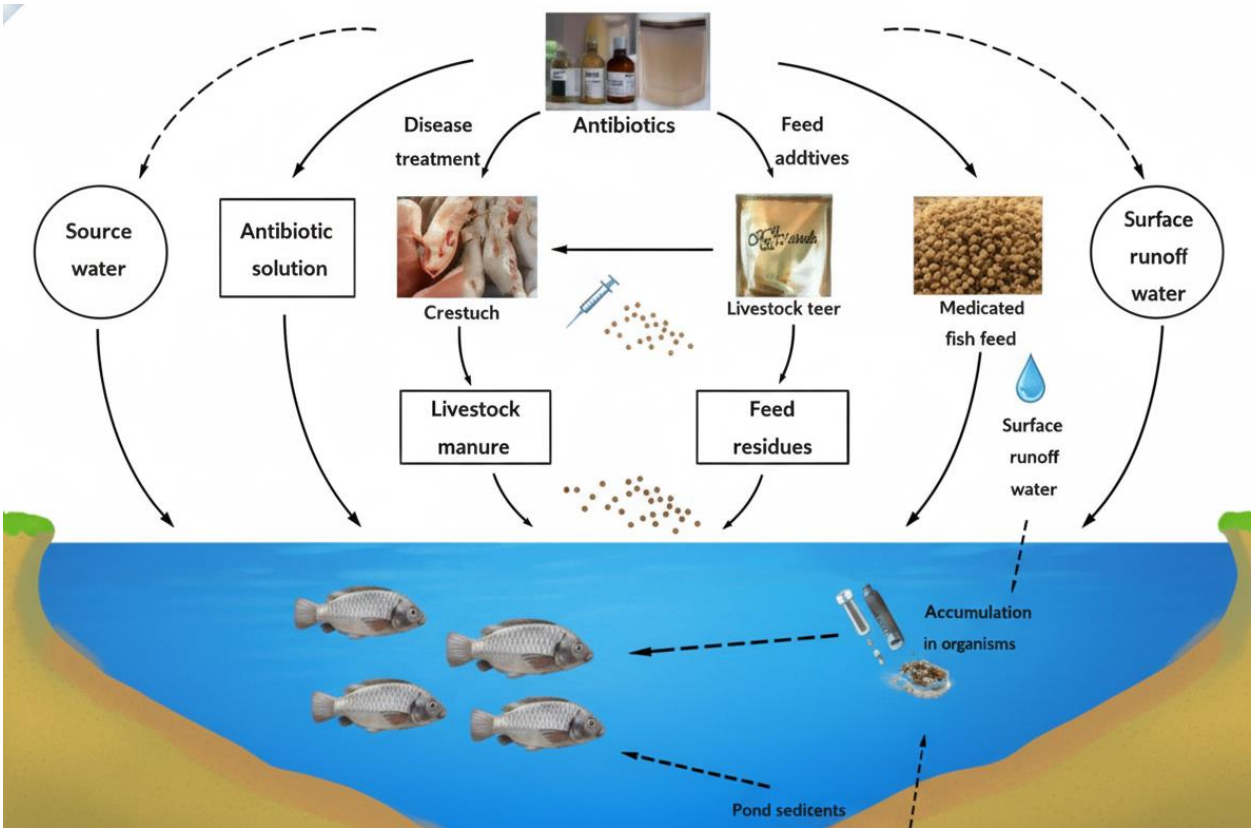
Modern agriculture increasingly emphasizes the value of integrated farming a system in which two or more enterprises work together for better productivity, economic security, environmental improvement, and efficient use of local resources. Integrating piggery with other farm-based enterprises like fisheries, poultry, and dairy offers farmers a path to increase their income, reduce risk, and build a more resilient livelihood. In this unit, you will learn how these mixed systems function in Indian rural settings. You will also see how cooperative and community-based management strengthen these benefits, enable collective marketing, and provide a foundation for tribal and rural communities to thrive.

14.3 OPPORTUNITIES FOR INTEGRATING PIGGERY WITH FISHERIES, POULTRY, AND DAIRY FARMING

14.3.1 INTEGRATION OF PIGGERY WITH FISHERIES



FISH-PIG FARMING MATERIAL FLOW



Mixing piggery and fishery, especially in clustered rural areas and the Northeast, has proven to be a highly productive system. Pig manure is nutrient rich and serves as an excellent pond fertilizer, promoting natural plankton growth the main food for fish. Well-managed integration allows for the efficient recycling of farm waste, reducing both feed and fertilizer bills for the fish unit. Piggery waste is channeled directly or after partial composting to fertilize fish ponds,

boosting yields without the need for expensive chemical inputs. Successful pig–fish integration helps families exploit available land and water, lowers pollution risk, and supports both protein and income production within the household.

Integrating piggery with fish farming is a well-tested method that boosts farm productivity while efficiently using natural resources. In this system, pig manure serves as a rich, organic fertilizer for fish ponds, enhancing the growth of natural plankton and making fish farming less dependent on costly chemical fertilizers and feeds. This integration allows farm waste to be recycled in a way that saves money and increases fish production.

In the Northeast and similar regions, combining these enterprises helps maximize the benefits of small landholdings and supports families with regular supplies of both meat and fish. Farmers frequently report improved productivity and household nutrition, and this system is seen as an environmentally friendly solution for rural development.

Major advantages include:

- Reduced fertilizer and fish feed costs through natural waste recycling
- Increased fish yields because of improved plankton availability
- Sustainable use of farm waste, lowering environmental impact
- Stable income and food security from multiple products

14.3.2 INTEGRATION OF PIGGERY WITH POULTRY

Operation of piggery alongside a poultry unit brings benefits through shared resource use and mutual support in risk management. Poultry droppings are rich in nitrogen and help improve compost quality when mixed with piggery waste for field use. Moreover, since poultry and pigs are susceptible to different diseases, integrated systems decrease the risk of total farm loss during animal health emergencies. Shared facilities like storage rooms, feed units, and fenced exercise yards, as well as common staff, lower operational costs. Integrating pig and poultry units encourages farmers to learn biosecurity and multi-species disease control, which raises the overall skill level in the community and makes each farm less vulnerable.

Running piggery and poultry together can result in cost savings and greater farm efficiency. Mixing poultry droppings with pig manure produces high-quality compost for crops or fodder plots, reducing the need for artificial fertilizers. This system is especially appealing because pigs and poultry are affected by different diseases, which lowers the risk of a complete loss during a disease outbreak. Shared use of feed storage, water supply, labor, and fenced spaces further cuts down on expenses.

With this approach, farmers become better at managing multiple animals, learning about species-specific biosecurity and disease prevention. These skills help keep animal health problems in check and create a resilient production system, especially important in densely farmed rural communities.

Major advantages are:

- Better compost through waste mixing, leading to healthier crops

- Lower disease risk across the whole farm due to different diseases in pigs and poultry
- Savings from shared inputs, labor, and facilities
- Opportunities for year-round income and skill development

14.3.3 INTEGRATION OF PIGGERY WITH DAIRY FARMING

Piggery dairy integration comes with many potential synergies. Dairy waste and unmarketable milk can serve as a nutritious feed base for pigs, lowering feeding costs in smallholder settings. Pigs, in turn, provide high-quality manure for use on fodder plots, improving grass yields for dairy animals. Combining the two enterprises helps stabilize daily cash flow, as milk generates daily income while pigs provide larger, periodic lump-sum sales. This system is particularly effective in regions like Bihar and West Bengal, where dairy and piggery both form core rural livelihoods. Integrating them enables a better year-round use of labour, facilities, and family management time.

Pairing piggery with dairy farming creates a supportive system in which one enterprise complements the other. Waste milk or milk by-products from the dairy unit provide a low-cost feed option for pigs, assisting with nutrition and saving money otherwise spent on commercial feeds. Conversely, pig manure is a valuable fertilizer for growing fodder for dairy animals, which can increase grass yields and support larger herds.

This integration allows farmers to spread workload and risk throughout the year. Milk offers steady daily returns, while pigs deliver significant income at the time of sale. The model encourages optimal use of available land, labor, and by-products, providing economic stability and more efficient farm management.

Major advantages are:

- Cost-effective pig feeding by using dairy waste
- Improved fodder production for dairy animals thanks to pig manure
- Daily and periodic income streams balancing household cash flow
- Year-round use of labor and resources, improving farm sustainability

Check Your Progress

Q1. How does integrating piggery with fisheries help improve overall farm efficiency?

14.4 ADVANTAGES OF MIXED FARMING SYSTEMS FOR RISK DIVERSIFICATION

In the context of rural India, mixed and integrated farming systems act as insurance for the household. If one farm activity fails due to disease, market slump, or climate shock, others can help absorb the loss. With piggery and poultry, for example, a disease outbreak hitting one

species does not necessarily threaten the other, so some income will still be generated. Similarly, the combination of crops with livestock smooths out the annual cash flow and makes more productive use of family labour and land in different seasons.

The basic idea is to manage several farming activities together on the same property. Pig rearing can be easily **integrated with a series of other farming activities** such as agriculture (crop production) and aquaculture (fish farming). This integration of different activities is recognized as a **valuable diversification option in small scale production systems**.

Market and Financial Stability

One of the biggest benefits of mixed farming is that it helps manage financial risk and market volatility. When a farmer relies on only one type of crop or livestock, the income of the farm is highly sensitive to price changes or sudden problems affecting that specific product. If pig prices fall sharply or if a disease outbreak affects the herd, a farm relying solely on pigs faces severe financial consequences. However, when pig production is combined with other enterprises like crops, dairy, or fish, the farmer benefits from **multiple revenue streams**. If the market price for pork drops, the farmer still has income from selling crops or fish, which provides **financial stability**. Separating farm budgets for different enterprises, such as crops versus livestock, allows managers to carefully **evaluate the profitability and cost efficiency of each sector independently**. This detailed understanding supports **effective cross subsidization**, meaning profits from one thriving area can support another area during a lean period.

Resource Recycling and Cost Efficiency

Mixed farming improves the overall efficiency of the farm by turning waste from one enterprise into a valuable input for another. This closed loop system significantly reduces operational costs.

• **Manure as Fertilizer:** Pig manure is rich in valuable nutrients like nitrogen, potassium, and phosphorus. Instead of disposing of this manure as waste, it is used as an **excellent organic fertilizer** for crops. This use of pig waste enhances **soil fertility** and supports sustainable agriculture practices.

• **Manure for Fish Farming:** Pig husbandry can be integrated into the aquaculture sector. In this integrated system, the pig manure is used to **fertilize fishponds**. This fertilization promotes the growth of algae, which then serves as feed for the fish. This practice ensures the **fast growth of the fish**. Properly managed pig waste is a valuable byproduct that acts as a **nutrient source for crops**.

• **Waste as Feed:** Pigs are versatile animals that can consume a wide range of feeds, including **agricultural byproducts**. Local production systems commonly rely on feeding pigs **kitchen waste** alongside local grains and vegetables. This conversion of waste into high value animal protein helps farmers keep costs low, as feed typically accounts for the largest expense in pig farming.

Maximizing Overall Farm Profitability

Mixed farming ensures the business capitalizes on all available resources, promoting long term success. The pig itself is highly valued because it has the potential to convert agricultural and household **wastes into a high-quality edible protein**. By integrating this animal with other

enterprises, the farm enhances its total **output and income potential**. Good farm management involves systematically measuring and recording all resources to obtain and **maintain the most profitable use of those resources**. By efficiently linking pig production to crop production and aquaculture, the farm transforms potential pollutants (manure) into profitable outputs (fertilizer, fish feed), making the entire operation more resilient and supporting **long term viability**.

14.5 PIGGERY AS PART OF INTEGRATED FARMING SYSTEMS IN RURAL INDIA

Integrated farming has a long tradition in Indian rural settings. In the Northeast, farmers' fields often accommodate pigs, hens, fish ponds, and a range of vegetables and fruits, all run as one coordinated unit. Modern extension projects and demonstration units run by state veterinary and agricultural departments now promote even more deliberate, science-based integration.

Under these systems, piggery is positioned not as a stand-alone enterprise, but as part of a cycle pig waste fertilizes ponds and fields, biogas units generate energy, and surplus crop residues feed pigs. Simple innovations, like using pig shed wash water on vegetable gardens, cut waste and create extra value. Extension missions counsel farmers about matching livestock numbers to land, rotating crops and animal yards for pest control, and carefully distributing labour so that no season or resource goes unused.

Integrated systems are particularly useful for women and SHG-led enterprises, as they allow flexible participation, skill sharing, and better year-round returns. For tribal and upland communities, integration helps preserve local breeds and traditions while increasing household resilience to drought, market shocks, and price swings.

Check Your Progress

Q2. Give two advantages of using integrated farming systems that include piggery, with reference to rural India.

14.6 CONCEPT OF COMMUNITY FARMING AND COOPERATIVE MANAGEMENT OF PIGGERY UNITS

Community farming and cooperative-based piggery management have been central to raising profitability and strengthening social bonds in tribal and rural India. In such models, groups of 10 to 100 households may pool funds, land, or labour, and jointly manage piglets, breeding stock, and housing facilities. These units make collective decisions about the purchase of feed, marketing of pigs, and reinvestment of profits.

The cooperative structure brings several benefits: shared risk in case of market slumps or disease, easier access to working and fixed capital, collective negotiation with banks and buyers, and eligibility for government schemes reserved for registered bodies. Practically,

cooperatives can build shared slaughter units, storage, feed mills, or cold chains, which individual families cannot afford alone.

Community farming models often have mentorship arrangements, with more experienced families guiding newer members. As income grows, these groups invest in social goods — village roads, water supply, and local schools. This builds a sense of ownership and pride as well as income.

Group Structure and Financial Support

The foundational structure for cooperative piggery management involves **Self Help Group (SHG) women** from vulnerable households, such as those that are small, marginal, landless, or forest dwellers. Promotion of pig rearing is targeted toward these groups as a livelihood intervention.

• **Pig Rearers Groups**, also known as **Producers Groups**, are formed by organizing all pig rearers breeders, fatteners, and boar keepers. This group involves pig rearers from a cluster of neighboring villages.

• The Pig Rearers Group functions as an informal organization where members can share experiences, participate in cross learning, and facilitate boar exchange. They also manage the collective marketing of pigs and piglets, as well as Mini Slaughter Houses.

• The Pig Rearers Group may also operate as a **Pashu Pathshala**.

• The SHG plays a vital role in connecting farmers to financial resources by **channeling all loans** for different types of pig rearers. Funding for livelihood activities is supported through mechanisms like the **Revolving Fund (RF)** and **Community Investment Fund (CIF)**, with additional credit linked through banks.

Cooperative Management and Shared Services

For greater scale and efficiency, the local pig rearers groups federate into a **Producer Enterprise (PE)** at the block or district level. This enterprise structure enables cooperative management of critical farming inputs and services.

• The main function of the Producer Enterprise is to **aggregate the supply of necessary inputs**. These inputs include items such as vaccine, vitamins, mineral mixture, and vet medicine.

• The PE also facilitates access to essential services, including veterinary services provided by qualified vet doctors, slaughter houses, and pork processing.

• Furthermore, the PE handles the collective **marketing, branding, packaging, and processing of pork**.

• By operating through the PE, the cooperative structure helps ensure the **availability of quality piglets at an affordable price** to all pig fatteners in the area.

Specific Cooperative Practices in Piggery

Cooperative management implements specialized practices critical to pig health and productivity:

• **Boar Exchange to Prevent Inbreeding:** A key cooperative practice is the regular exchange of breeding boars among the breed keepers at the cluster level. This scheduled rotation is necessary to **avoid inbreeding** problems. For instance, Common Breeding Boars (05) are maintained by **Pashu Sakhi** or pig entrepreneurs and rotated annually across the village to prevent inbreeding.

• **Capacity Building and Facilitation: Pashu Sakhi** or pig entrepreneurs are developed and utilized within the community framework. These individuals function as facilitators for training and capacity building for all types of pig rearers. They also work as facilitators in piggery insurance initiatives.

• **Infrastructure:** Cooperative efforts lead to investments in collective infrastructure, such as the **Mini Slaughter House**, which may be promoted as an individual enterprise but is supported by the Pig Rearers Group. Funding for these structures and pigsties can be sourced through SHG loans or convergence with government schemes like MGNREGS.

Cooperative management systems enhance farm viability by promoting the most **profitable use of farm resources** and enabling cross subsidization between profitable sectors and those needing support. This unified approach allows small scale farmers to achieve better economies of scale and access sophisticated services like training and marketing.

14.7 BENEFITS OF RESOURCE POOLING, COLLECTIVE MARKETING, AND RISK SHARING

Resource pooling allows larger purchases of feed, medicines, and piglets at discounted prices, reduces dependency on single moneylenders or input dealers, and makes it easier to absorb shocks like crop failures or abrupt price drops. When communities market their pigs together as a bulk order to processors, wholesalers, or institutional buyers they can demand better rates, negotiate payment terms, and lower transportation costs per animal.

Community and group piggery projects foster economic and personal resilience, greater transparency in transactions, and easier transfer of new knowledge and technology. The ongoing success of these initiatives in regions like Nagaland, Mizoram, and tribal Orissa are documented in both government and academic reports.

Collective approaches, centered on community involvement and cooperative management, are highly effective in supporting small scale pig farming operations, particularly in the North Eastern (NE) Region of India where pig husbandry is a tradition. Organizing farmers into groups enhances the efficiency and profitability of their ventures by ensuring stability and access to critical resources.

Resource Pooling and Efficiency:

Resource pooling allows individual farmers to access inputs, infrastructure, and specialized services that they might not be able to afford alone.

• **Collective Procurement of Inputs** Groups of pig rearers (known as Pig Rearers Groups or Producers Groups) federate into a **Producer Enterprise (PE)** at the block or district level. The primary goal of this enterprise is to **aggregate the supply of necessary inputs**. These inputs include items such as **vaccine, vitamins, mineral mixture, and vet medicine**. This cooperative structure ensures that quality inputs are available to all pig fatteners at an affordable price.

• **Shared Genetic Resources** To maintain the health and quality of the pig herd, a critical cooperative practice is the **regular exchange of breeding boars** among the breed keepers at the cluster level. This scheduled rotation is necessary to **avoid inbreeding** problems, which can lead to lower birth rates and weaker piglets. Common Breeding Boars are often maintained by Pashu Sakhi or pig entrepreneurs and rotated annually.

• **Infrastructure and Funding** Collective efforts enable the funding and establishment of shared physical structures. For example, the investment required for structures like a **pigsty** can be pooled through **SHG loans** (Self Help Group loans), self-contribution, or through government convergence schemes like MGNREGS. Cooperative management also allows for collective investments in facilities such as a **Mini Slaughter House**.

Collective Marketing and Market Access:

Collective marketing provides small scale farmers with the leverage needed to negotiate better prices and access wider, more profitable markets.

• **Accessing Better Prices:** Pig Rearers Groups engage in **collective marketing of pigs and piglets**. By selling products together, they achieve better economies of scale and overcome individual limitations in reaching lucrative markets.

• **Value Addition and Branding:** The Producer Enterprise handles the crucial functions of **marketing, branding, packaging, and processing of pork**. Farmers can increase their profitability by processing pork into a variety of **value-added products** such as bacon or sausages. Collective efforts ensure that these products meet quality standards and are effectively branded, enabling the farmers to attract premium customers and secure higher prices.

• **Reducing Market Weakness:** In the NE region, the piggery sector often faces challenges due to a **weak supply chain and poor market linkage**. Cooperative structures help streamline the system by providing an organized channel for sales and ensuring that the pigs are marketed at the proper age.

Risk Sharing and Diversification:

Risk diversification is a natural benefit of integrating piggery into a broader farming operation, while cooperative models help mitigate specific financial and health risks.

• **Financial Diversification through Integration** Pig husbandry is traditionally recognized as a **valuable diversification option** in small scale production systems. It is often integrated with other activities, such as **crop farming or aquaculture** (fish farming). This practice creates multiple revenue streams. If one segment of the farm faces challenges, such as poor crop yields, the income generated from pigs or fish provides financial stability for the family.

• **Mitigating Financial Loss** Within the cooperative framework, **farm management tools** such as specialized accounting records allow managers to separately evaluate the **profitability and cost efficiency of each farm enterprise**. This enables **effective cross subsidization**, where profits from a successful sector can financially support an enterprise undergoing a lean period.

• **Community Insurance and Health Risks** Community structures are essential for managing unpredictable risks like disease outbreaks (e.g., African Swine Fever or Swine fever). The community promotes **Insurance Service**, and **Pashu Sakhi** (pig entrepreneurs) work as facilitators to help farmers enroll in **piggery insurance initiatives**. Insurance is vital for mitigating losses against natural disasters and hard times. Regular vaccination and hygiene compliance, often promoted collectively, also reduce the risk of disease spread and high mortality.

14.8 SUCCESSFUL CASE STUDIES OF TRIBAL AND RURAL COMMUNITIES ADOPTING GROUP-BASED PIGGERY PROJECTS

Several Indian states provide well-documented examples of transformative group piggery projects. In Nagaland, women's self-help groups have led collective breeding and fattening operations for two decades. These projects typically begin with seed grants or subsidized loans for purchase of improved piglets, construction of basic housing, and group training. Producing up to 100 pigs in a cycle, these groups market directly to wholesalers or supply special festival orders. Shared profits are redistributed to members, and a portion is reinvested for growth.

In Assam, the Assam Cooperative Piggery Federation supports rural cooperatives, handling vaccination, breeding, value addition, and collective sales, leaving farmers to focus on daily management and animal care. The pooled resources offer members income, veterinary support, and a wider range of marketing channels than individuals could access. In Chhattisgarh, scheduled tribe communities work through farmer producer organizations, controlling all parts of the supply chain, from genetics to pork processing.

Such cases show that with the right support, group-based piggery can succeed even in remote and resource-poor settings, raising overall living standards.

Check Your Progress

Q3. How does collective marketing benefit piggery communities compared to individual selling?

14.9 SCOPE FOR SCALING UP THROUGH FPOs AND PRODUCER COOPERATIVES

Farmer Producer Organizations (FPOs) and producer cooperatives represent the next step for successful, small group-based piggery systems to scale up across regions and link with large-scale buyers, processors, and export networks. The increase in government and donor funding for FPOs, training programs on business skills, and the establishment of digital trading platforms, are making it easier for village-level pig farmer groups to register as companies and operate professionally.

FPOs enable combined investments in slaughterhouses, cold chains, and feed processing units, taking local production clusters closer to national-level pork supply chains. In states like Meghalaya and Assam, FPOs have created their own pig breeds, brand identities, and "fair trade" certification. Such formalization means product traceability, compliance with food safety rules, and eligibility for greater funding under the National Livestock Mission, NABARD, and AHIDF facilities.

Scaling up through FPOs multiplies the benefits of integration, resource pooling, and bargaining, extending them to many more farmers, and moving piggery from a subsistence activity towards a long-term, sustainable business sector.

Collective Marketing and Value Addition

One of the largest scopes for scaling involves moving beyond selling live pigs to processing and marketing value-added pork products, which is best achieved collectively:

• **Marketing and Negotiation:** The Pig Rearers Groups engage in the **collective marketing of pigs and piglets**. This allows small producers to gain leverage, access better markets, and secure higher prices, addressing the common problem of a weak supply chain and poor market linkage.

• **Processing and Branding:** The Producer Enterprise (PE) manages the functions of **collective marketing, branding, packaging, and processing of pork**. Processing pork into products like sausages, bacon, ham, and other delicacies increases profitability, as these value-added products fetch higher prices in the market.

• **Specialized Services:** The PE facilitates access to essential shared services, including slaughter house operations and **pork processing units**. This collective access to processing infrastructure allows for scaling up production capacity.

Financial Viability and Management

FPOs and cooperatives support sustainable scaling by adopting sound financial management practices:

• **Profitability Monitoring:** By having a strong organizational structure, managers can separate budgets for different farm enterprises. This allows them to **evaluate the profitability and cost efficiency of each sector independently**. This analysis reveals weak spots in the business and shows where and how to improve management to arrive at a larger income.

• **Managing Financial Risk:** Cooperative models support effective **cross subsidization**, where profits from one enterprise (like breeding) can financially support another (like fattening) during periods of lower returns.

• **Capacity Building:** Scaling requires skilled management. The community structure promotes **Pashu Sakhi** (pig entrepreneurs) to work as facilitators for **training and capacity building** for all types of pig producers. This ensures that improved management practices and hygienic pork production standards are applied widely, supporting commercial growth.

The collective framework, provided by FPOs and Producer Cooperatives, turns potential business challenges (high input costs, market access, risk of inbreeding) into opportunities for profitable expansion by ensuring the most **profitable use of farm resources**. This organized approach is key for small-scale pig farmers to achieve commercial scale and long-term success.

14.10 LET US SUM UP

Integration of piggery with fisheries, poultry, and dairy offers farm households better risk management, year-round cash flow, and more efficient use of local resources. Mixed farming and group management build economic stability, reduce dependency, and create new opportunity. Community cooperation, collective marketing, and scaling via FPOs are shown to work, not just for income, but also for social progress and rural resilience.

14.11 FURTHER READING

- Farmers' Hand Book on Pig Production (FAO), **https://www.fao.org/3/am735e/am735e.pdf**
- National Livestock Mission Guidelines, Ministry of Animal Husbandry & Dairying, **https://dahd.nic.in**
- Success Stories of Integrated Farming by ICAR, **https://icar.gov.in**
- Beginners Guide to Pig Production and Management, **https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5753914/**
- Assam Cooperative Piggery Federation, **https://animalhusbandry.assam.gov.in/page/coop-piggery**

14.12 REFERENCES

1. FAO. Farmers' Hand Book on Pig Production. **https://www.fao.org/3/am735e/am735e.pdf**
2. ICAR. Integrated Farming System Models and Experiences. **https://icar.gov.in**

3. National Livestock Mission Guidelines. Ministry of Animal Husbandry, Dairying and Fisheries, Govt. of India. **https://dahd.nic.in**

4. Assam Cooperative Piggery Federation, **https://animalhusbandry.assam.gov.in/page/coop-piggery**

5. Beginners Guide to Pig Production and Management. **https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5753914/**

14.13 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q1: Integrating piggery with fisheries makes use of pig manure to fertilize fish ponds, raising natural fish food levels, increasing fish yield, and cutting fertilizer costs, which improves the overall resource use and productivity of the farm.

Ans to Q2: Integrated systems with piggery improve income diversity and reduce risk from price or disease shocks, and make better use of feed, manure, water, and labour throughout the year.

Ans to Q3: Collective marketing allows piggery communities to negotiate higher prices, lower transport and transaction costs, and open up larger and more profitable markets than they could reach individually.

14.14 MODEL QUESTIONS

Short Answer

1. Explain one benefit of integrating piggery with dairy farming.
2. What does resource pooling mean in the context of cooperative piggery?
3. Why is mixed farming recommended in the Northeast and tribal regions?
4. What is one key feature that makes FPOs suitable for scaling up piggery projects?

Long Answer

1. Discuss the process and impact of integrating piggery with other farm enterprises in Indian rural settings.
2. Describe how collective marketing and cooperative management reduce individual risk in piggery projects.
3. Illustrate with a case study how integrated, group-based piggery raised community income and resilience.