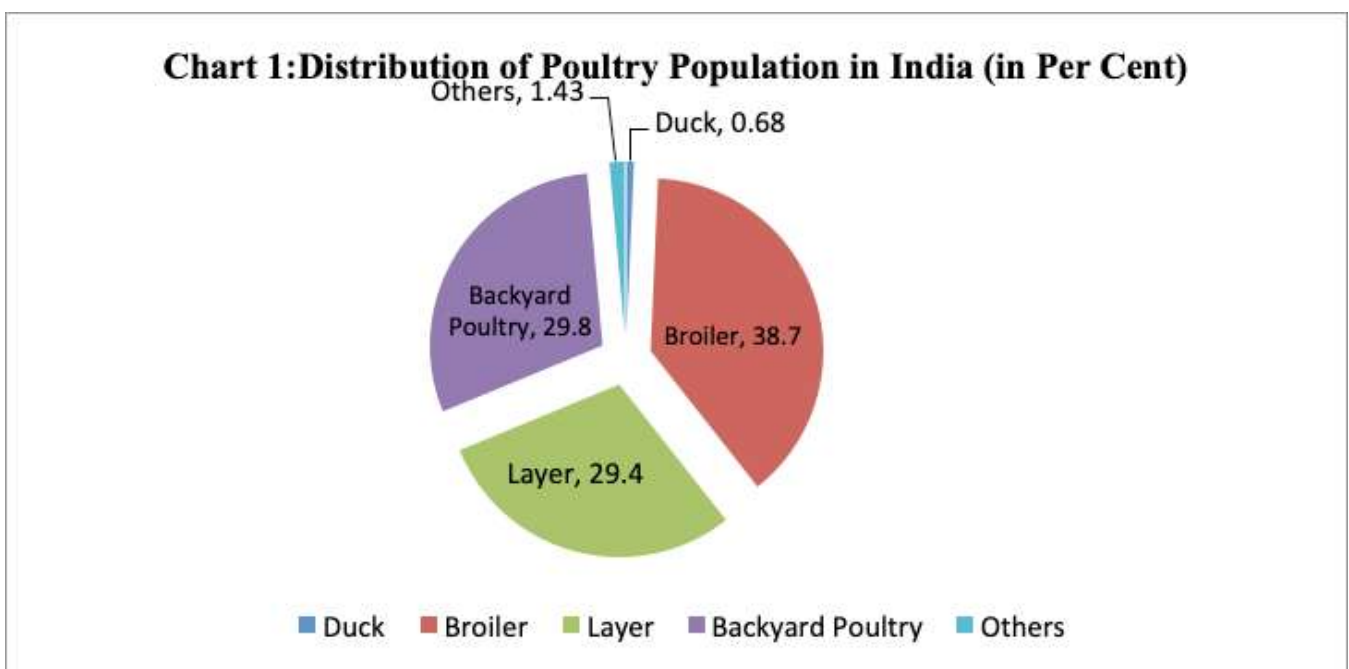


POULTRY INDUSTRY OUTLOOK

14 June 2019

INDUSTRY OUTLOOK

Poultry industry in India is valued at about Rs. 80,000 crore; broadly divided into two sub-sectors – one with a highly organized commercial sector with about 80% of the total market share (Rs. 64,000 crore) and the other being unorganized with about 20% of the total market share of Rs. 16,000 Crore.¹ Within a span of 25 years, the egg production has gone up to 70 billion from few millions and the broiler production has gone to 3.8 million tonne. Poultry is the most organised sector in animal agriculture, worth Rs 1 lakh crore. The growth is 6-8% in layers and 10-12% in broilers per year against the growth of agriculture as a whole which is around 2.5%.² The needs of organized and unorganized sectors are very different. Poultry sector- especially commercial poultry sector is flourishing in certain pockets, alongwith backward and forward linkages while the unorganized sector is very dispersed and micro-fragmented.



Source: National Action Plan for Egg & Poultry-2022 For Doubling Farmers' Income by 2022' by the Department of Animal Husbandry, Dairying & Fisheries Ministry of Agriculture & Farmers Welfare Government of India.

Table 1: Average Layer production Cycle in India

SI No.	Cycle category	Time Period
1	Chick	0-8 weeks
2	Grower	8-7 weeks
3	Laying	18-72 weeks

Source: 'Poultry Industry: Growth, Opportunity and Challenges'(11 October 2018); International Soy Enclave, Indore, India; http://www.sopa.org/presentations_2018/Poultry%20Industry%20-%20Growth,%20Opportunity%20&%20Challenges.pdf

The domestic poultry industry primarily consists of broiler meat and table egg with other poultry meat forming marginal proportion of overall market. Processed chicken market in USA, EU and Australia comprise close to 90% while China, South East Asia etc. consume 50 per cent of processed chicken. Given the Indian consumers belief that fresh meat is healthy and germ free, the retailing of live bird is limited to a small geography as it is a perishable product. Moreover, limited cold storage/transportation infrastructure renders wide distribution un-economical. This often results in regional poultry production and consumption imbalances accentuated by seasonal nature of consumption across regions.³

Table 2: Leading Global Poultry Companies

SI No.	Company	Country	Head slaughtered annually (in millions)
1	JBS S.A.	Brazil	3,500
2	Tyson Foods Inc.	United States	2,029.72
3	BRF	Brazil	1,724
4	New Hope Group	China	1,300
5	Wen's Food Group	China	807
6	CP Group	Thailand	685
7	Perdue Foods (Broiler)	United States	682.24
8	Koch Foods Inc.	United States	624
9	Industrias Bachoco	Mexico	595
10	Sanderson Farms Inc.	United States	559.52

Source: Wattagnet; <https://www.wattagnet.com/directories/80-the-world-s-leading-broiler-turkey-and-egg-producers>

POULTRY PRODUCTION IN INDIA

According to the National Action Plan for Egg & Poultry-2022 For Doubling Farmers' Income by 2022 by the Department of Animal Husbandry, Dairying & Fisheries Ministry of Agriculture & Farmers Welfare Government of India, following states have majority regarding poultry production.

Table 3: Top States in terms of poultry population (2016-17)*

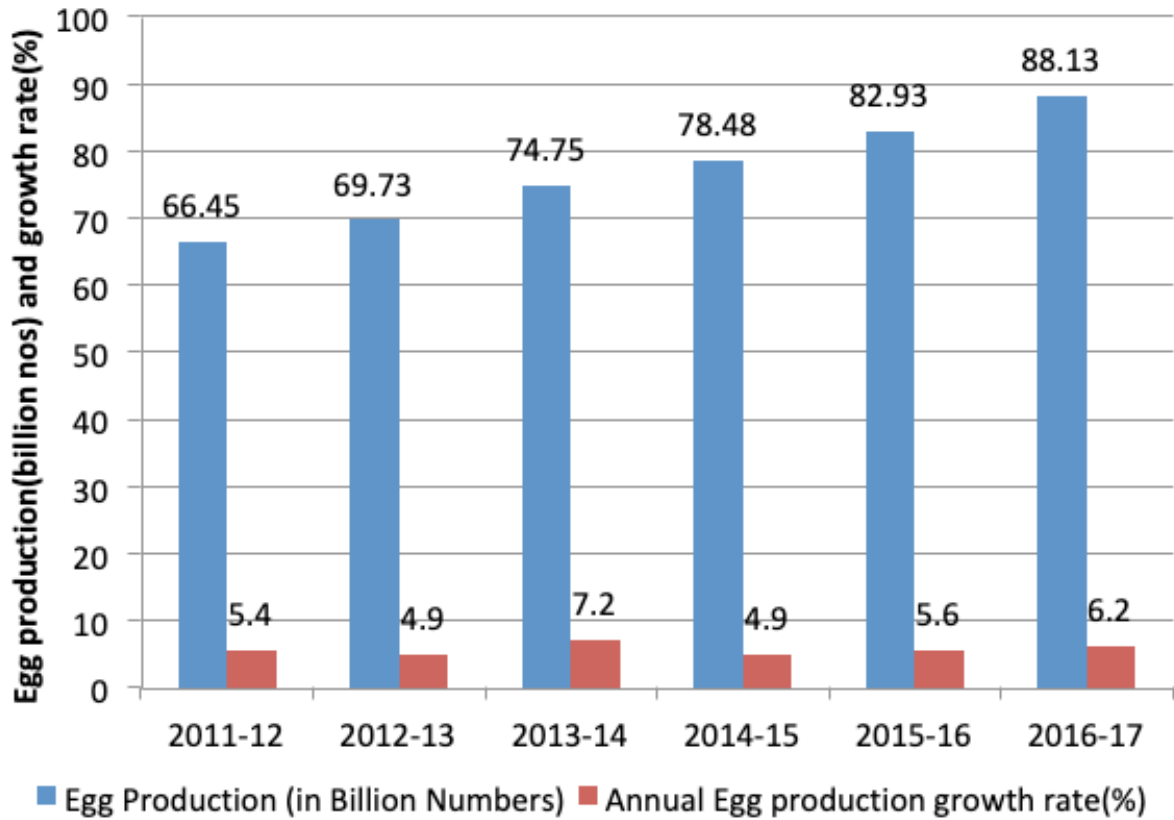
Sl No.	States	Poultry Population (in million)
1	Andhra Pradesh	161.33
2	Tamil Nadu	117.35
3	Maharashtra	77.79
4	Karnataka	53.44
5	West Bengal	52.84
6	All Other States	266.45
	Total	729.21

Note: *As per latest available data from the following source.

Source: National Action Plan for Egg & Poultry-2022 For Doubling Farmers' Income by 2022

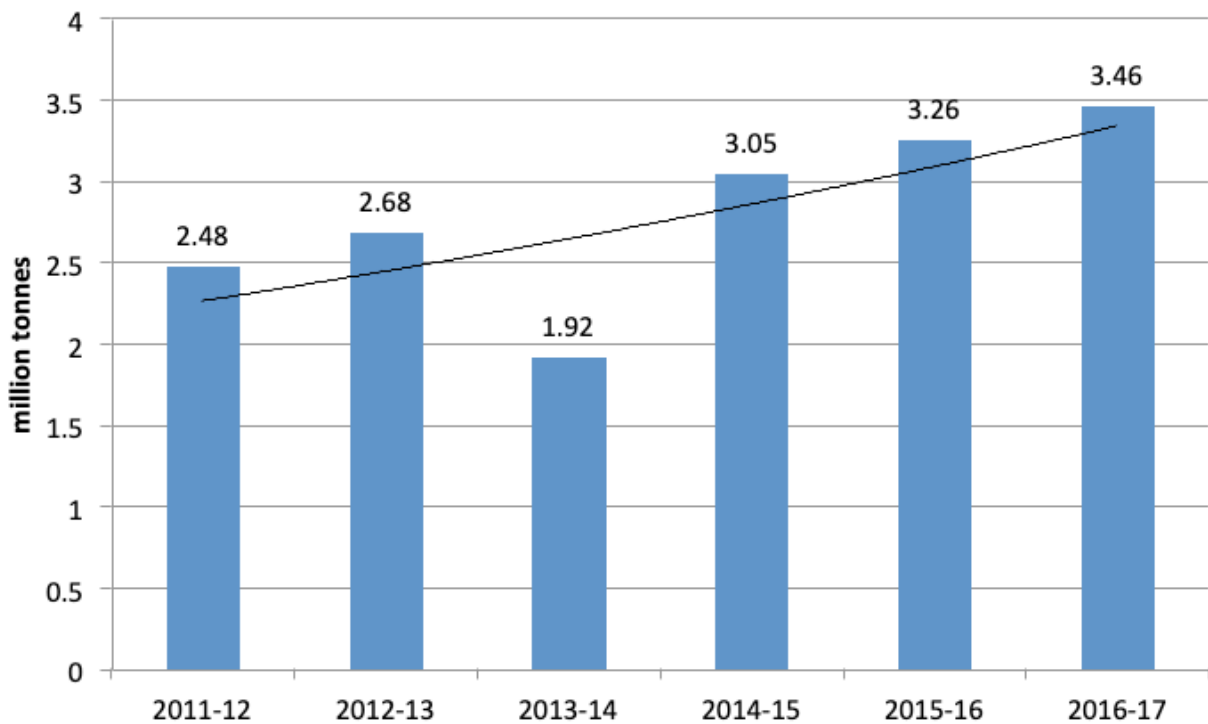


Chart 2: Egg Production in India (2011-12 to 2016-17)



Source: Compiled from National Action Plan for Egg & Poultry-2022 For Doubling Farmers' Income by 2022

Chart 3: Poultry Production in India (2011-12 to 2016-17)



Source: Compiled from National Action Plan for Egg & Poultry-2022 For Doubling Farmers' Income by 2022

Table 4: Broiler Poultry Production (million tonnes) and Growth Rate (Per Cent) in India

S.No.	Year	Poultry Production (million tonnes)	Annual poultry production growth rate (in per cent)
1.	2011-12	2.48	13.22%
2.	2012-13	2.68	8.01%
3.	2013-14	1.92	-28.50%
4.	2014-15	3.05	59.16%
5.	2015-16	3.26	6.75%
6.	2016-17	3.46	6.13%

Source: National Action Plan for Egg & Poultry-2022 For Doubling Farmers' Income by 2022

The growth in the broiler segment is expected to remain strong due to consumer preference for poultry, increasing income levels, and changing food habits.

MARKET SIZE

More than 80 percent of India's poultry output is produced by organized commercial farms. Major poultry companies have vertically integrated operations which comprise approximately 60-70 percent of the total chicken production. Broiler production is mainly concentrated in the states of Tamil Nadu, Andhra Pradesh, Maharashtra, Uttar Pradesh, and Telangana.

The size of the poultry farms varies significantly from small farms with just 200 birds to large farms of more than 50,000 birds. Most of the poultry farms are simple open sheds while only a few large poultry integrators have controlled-environment housing with automatic feeding and drinking systems. High capital costs and unreliable power supplies restrict large scale adoption of the controlled environment poultry barn model in India.

The broilers in India are usually reared for 35-40 days to a market weight of 1.8 to 2.2 kg. Supply-demand situations generate significant seasonal fluctuation in broiler prices: prices may rise in summer due to reduced production but decline during certain Hindu festivals. The major industry players attempt to support prices by reducing chick placements when demand falls.

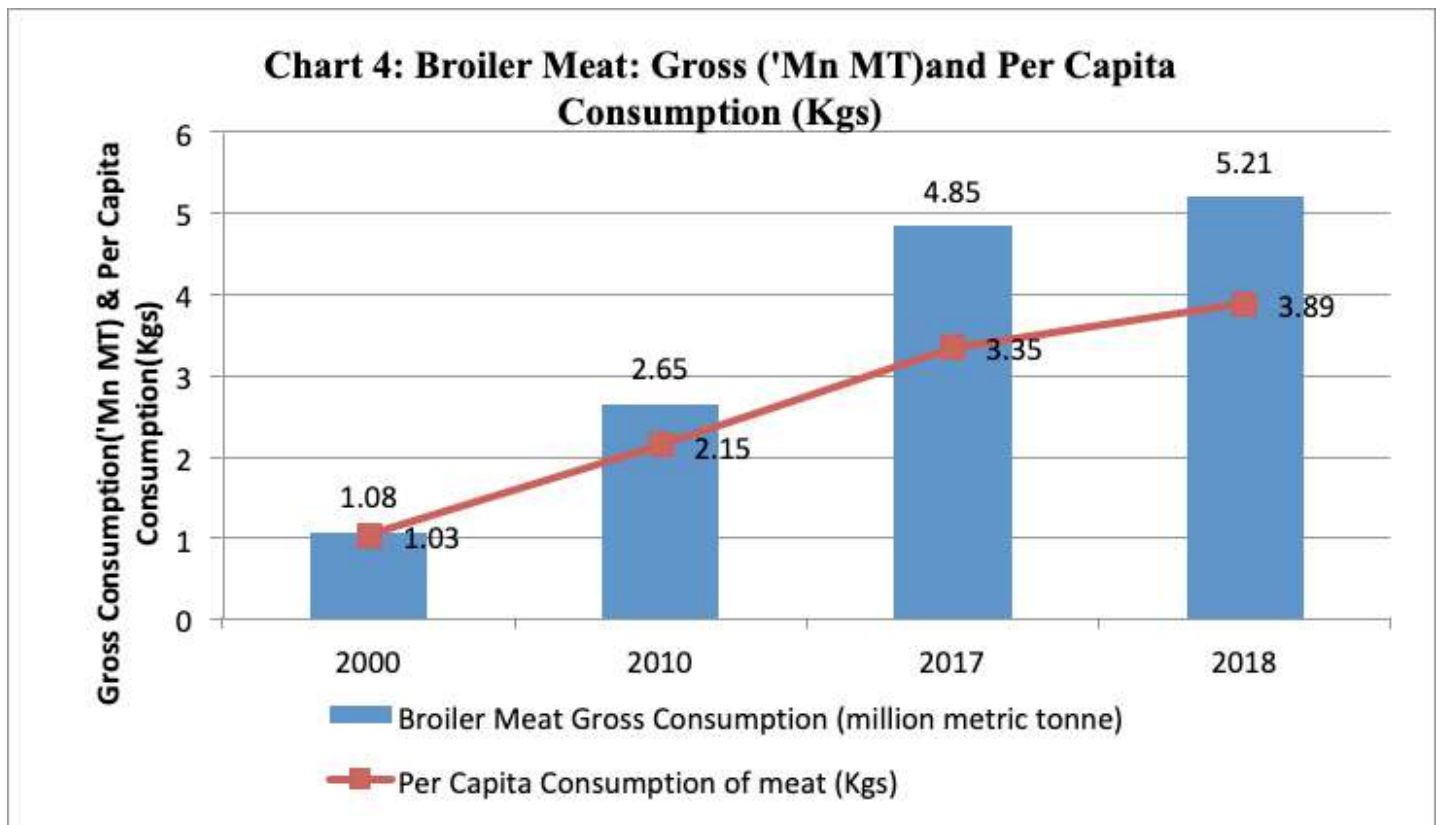
The average bird placement in broiler segment is 65-70 million birds per week. Five major players (Suguna in Coimbatore, Venky's in Pune, CP, Sneha, and Shalimar in Kolkata) constitute 60 per cent of the broiler meat market. The average live wt of 1.8-2.2 Kg. Broiler meat production has been growing in India at a rate of 7-8 per cent. One third of the production is carried out by individual farmers while two third by contract farmers (integration farmers). Average farm size is 7000-8000 birds.

Birds' placement depends on feed prices, status of disease outbreaks, financial status of farmers and the profitability related to the prevailing demand and price of final product in the market. Feed price constitutes around 80 percent of the total production cost and therefore is the major component in changing production and marketing scenario of poultry and poultry products. At lesser feed prices, more farmers are willing to enter into the business and most of them would want to place more birds.

CONSUMPTION PATTERN OF BROILER MEAT

India's per capita consumption of broiler meat just 3.35 Kg per person per year as compared to 45 Kg in Brazil, 43 Kg in the United States, 34 Kg in South Africa, 31 Kg in Canada, 10.5 Kg in China, and 6.5 Kg in Indonesia, and 17 Kg for the world. Consumption of broiler meat is increasingly at a faster pace in developing nations, like Brazil, Russia, South Africa, and China.

Expansion in the middle class in India is helping to boost the demand for more plentiful and less costly proteins and consequently chicken meat. Because of its huge population of 1.3 billion, even a small rise in average uptake will translate into a large increase in the total volume of chicken eaten. Other factors favoring chicken consumption are: increasing employment levels and incomes; a growing demand for ready-to-eat products; a rise in the number of quick-service establishments and a general preference for poultry over other meats on a price basis and in some instances cultural and religious reasons.



Source: 'Poultry Industry: Growth, Opportunity and Challenges'(11 October 2018); International Soy Enclave, Indore, India; http://www.sopa.org/presentations_2018/Poultry%20Industry%20-%20Growth,%20Opportunity%20&%20Challenges.pdf

BROILER CHICKEN PRICE TRENDS

Broiler chicken has become costlier by up to 50 per cent in March 2019 majorly due to lower production following large-scale birth deaths caused by wide day-night temperature differences.

Table 5: Price Trends in Indian Cities/ Towns during Feb-March 2019

Sl No.	Particulars (Local Variety)	As on 28/2/2019	20/3/2019	Per Cent Change
1	Delhi	62	94	50.8
2	Hyderabad	78	105	34.6
3	Jammu	72	96	33.3
4	Indore	70	92	31.4
5	Ajmer	64	84	31.3
6	Ahmedabad	75	98	30.7
7	Mumbai	72	93	29.2
8	Bengaluru	70	86	22.9

Source: 'Poultry prices surge by up to 50% on rising demand, lower production (22 March 2019) Business Standard



GROWTH DRIVERS FOR EGGS AND POULTRY

- Rising incomes and a rapidly expanding middle class, together with the emergence of vertically integrated poultry producers that have reduced consumer prices by lowering production and marketing costs.
- Integrated production, market transition from live birds to chilled and frozen products, and policies that ensure supplies of competitively priced corn and soyabean are keys to future poultry industry growth in India.
- Broiler industry is growing with the backward integration system providing opportunities for the rural masses with all the technical inputs and assured remunerations.

GOVERNMENT INITIATIVES AND REGULATORY FRAMEWORK

- Food Safety and Standards Authority of India (FSSAI) step towards issuing guidelines towards egg handling and processing.
- The Prevention & Control of Infectious and Contagious Disease in Animals Act, 2009 to regulate disease transmission from one state to other with the objectives.
- Importation of Livestock and Livestock products are regulated by the Livestock Importation Act, 1898.
- Food Safety & Standards Act, 2006; Quality Control of Food Products of Animal Origin (Export-oriented).
- The Export (Quality Control and Inspection) ACT, 1963.
- The Department of Animal Husbandry, Dairying, and Fisheries (DADF) under the Ministry of Agriculture and Farmers' Welfare, Government of India, released "National Action Plans" focusing on various sub-sectors of India's dynamic livestock industry. These documents provide in-depth insights on each sub-sector such as poultry and egg; feed and fodder; and also sheep, goat and pig meats with a comprehensive roadmap to double farmers' incomes by 2022.⁴

EXPORT OF POULTRY AND EGG PRODUCTS

Major items exported are table eggs, egg powder, hatching eggs, SPF eggs, live birds, and poultry meat. Major markets are Middle East and Asia. Egg powder is also sent to Japan and in EU (in European markets, Netherlands and Germany are important destination of poultry products for India). Indian exports are nowadays also extended to many African countries.



The strength of exports mainly lies in the competitive cost of production, proximity to international markets and successful regaining of freedom from Highly Pathogenic Avian Influenza (HPAI). India exports more raw material than processed product.

Following are the top Export destinations of Poultry products for India in 2017-18:

Table 6: Top Ten destinations of Exports of Poultry products for India (2017-18)

Sl No.	Country	Quantity (in metric tonne, MT)	Value (in INR Lakhs)
1	Oman	2,90,260.85	20,493.24
2	Maldives	1,15,341.68	5,154.22
3	Vietnam Soc Rep	3,034.05	4,382.82
4	Indonesia	1,109.11	3,744.91
5	Russia	1,052.04	2,763.73
6	Japan	749.90	2,422.99
7	Netherland	585.38	2,075.34
8	Saudi Arab	635.77	1,728.81
9	Nigeria	430.40	1,417.57
10	Bhutan	1,545.37	1,293.28

Source: DGCIS Annual Export and Agri Exchange; http://agriexchange.apeda.gov.in/product_profile/exp_f_india.aspx?categorycode=0406

POULTRY ASSOCIATIONS IN INDIA

There are several poultry associations in India like Poultry Federation of India (PFI), Compound Livestock Feed Manufacturers Association (CLFMA), National Egg Coordination Committee (NECC), Indian National Federation of Animal Health (INFAH), Broiler Coordination Committee (BCC) and likewise. The associations also play an important role by regularly guiding the farmers, creating awareness among consumers and presenting industry requirements to the government, promoting egg consumption on various occasions etc.

MAJOR PLAYERS

There are well-established players such as Venky's Ltd, Suguna Foods Pvt. Ltd., Godrej Tyson Foods Ltd., and Skylark Foods Pvt. Ltd. Competition entails unique variants to differentiate them and gain a competitive advantage.

Table 7: Major Players in Poultry Products

SI No.	Company	Major Products/Brands
1	Venky's Ltd ⁵	AHP (Animal Health Care Products); Bio-Security products, Aqua; Human Health Care Products; Egg Powder; VH Breed, feed Supplements
2	Suguna Foods Pvt Ltd. ⁶	Eggs, Suguna Feeds, Mother's Delight, Suguna Organix, Suguna Equipments, Suguna Chicken
3	Godrej Tyson Foods ⁷	Real Good Chicken, Real Good Yummiez-Aloo Tikki, Cheese Fingers, Green Piyas, Garlic Fingers etc.
4	Skylark Foods Pvt. Ltd ⁸	Processed meat (Nutrich Range) ⁹ , Day old chicks, poultry equipment, Settler & Hatcher trays.

Source: Compiled from company websites

INDUSTRY RISK

There are challenges like transportation of organic matter, waste management, use of green energy, disease diagnosis etc. that might affect the further growth of the sector. Land scarcity is another major issue in India while some Animal Welfare Organizations are proposing a ban on cage rearing, Indian poultry farmer finds it difficult to rear the birds in open range units.

Growth of the poultry industry has slowed down due to lower consumption. The per capita consumption of eggs is 120 and 8 kg of chicken in Telangana State (TS) whereas in India it is 3.5 kg of chicken and 65 eggs. The per capita consumption in comparison to other countries is less in India. The growth of the poultry industry can be supported, with the increase in consumption and implementation of minimum support price.¹⁰

Lameness in chickens is another issue. For instance, BCO lameness affects both long-life birds and fast growing birds. Enterococcus cecorum is considered as an emerging pathogen in poultry and cause substantial losses in broiler flocks. Femoral head necrosis and spondylitis were as the main pathological changes in infected chickens. There are significant economic losses due to this.¹¹

Government policy like increasing productivity of maize is also required as the poultry industry grows at 6-8% per annum.¹² There needs to be a guideline towards sanitising the egg shells as it can house more bacteria.¹³ Lack of availability of trained manpower is another challenge for this industry.¹⁴ Issues have erupted as the US poultry industry was interested in making inroads into the Indian market for chicken legs (which are not preferred by American customers). According to industry estimates, the US could potentially take away 40 per cent of the market of domestic breeders, who produce 3.5 million tonnes of chicken annually.¹⁵

The poultry industry is faced with social unacceptance in some regions and environmental problems, such as handling and disposal of large amounts of litter. Despite the increasing disposable income of Indians, the higher price of processed poultry meat acts as a deterrent to increased adoption in some cases.

There are also potential threats from other countries like Brazil (e.g. JBS the largest meat producer of Brazil) is set to introduce its chicken products through its subsidiary Seara. Seara has received approval from authorities here to sell its chicken products in the country. Domestic poultry players are rattled at the latest threat; imports of poultry products rebounded in 2018-19 after India lost a protracted dispute at the WTO to the US. Faced with a new threat, poultry players are seeking a level playing field to compete with low-cost producers such as the US and Brazil, where the birds are fed on genetically-modified corn and soyabean. While the current duty levels on imports may provide a partial protection, in the long run the cheaper imports will harm the domestic poultry sector. Chicken legs, which are not consumed in the West, are sold at a throwaway price. Despite 100 per cent duty, the imported chicken legs will still be cheap in India. A level playing field by allowing higher imports of maize, the main raw material for the poultry sector might be the need of the hour.¹⁶

FUTURE OUTLOOK

In coming years, poultry production and consumption in India is predicted to grow due to various factors such as a shift in food habits, urbanization, increasing awareness of balanced nutrition etc. The broiler meat consumption pattern shows that around 62 percent of meat is consumed in major 10 cities and rest of the consumption comes from other cities with a smaller percentage from villages. The industry's profitability remains stable in FY2018 driven by remunerative broiler and table egg realisations throughout the year.

FOOTNOTES

1. 'National Action Plan for Egg & Poultry-2022 For Doubling Farmers' Income by 2022' by the Department of Animal Husbandry, Dairying & Fisheries Ministry of Agriculture & Farmers Welfare Government of India.
2. "Poultry is most organised, worth Rs 1 lakh cr"(28 January 2019) <http://www.fnbnews.com/Interview/poultry-is-most-organised-worth-rs-1-lakh-cr-45678>
3. <https://economictimes.indiatimes.com/news/economy/agriculture/icra-predicts-decent-growth-for-domestic-poultry-industry/articleshow/63613459.cms>
4. 'National action plan for egg & poultry-2022 for doubling farmers' income by 2022' (12.12.2017) Ministry of agriculture and Farmer's welfare <http://www.indiaenvironmentportal.org.in/content/450792/national-action-plan-for-egg-poultry-2022-for-doubling-farmers-income-by-2022/>
5. <http://venkys.com/about-us/>
6. <http://www.sugunafoods.co.in/brands/brands.asp>
7. <http://www.godrejagrovet.com/godrej-tyson-foods.aspx>
8. <https://www.skylarkfoods.com/product.html>
9. The company market fresh and frozen chicken in wholesale as well as retail segments in multiple weight packs under brand Nutrich.
10. 'Low consumption hitting poultry sector'(27 November 2018) HANSINDIA <https://www.thehansindia.com/posts/index/Business/2018-11-27/Low-consumption-hitting-poultry-sector/448298>.
11. <http://www.poultryindia.co.in/speaker-presentations-2018/>
12. This is required to combat volatility of maize and soya prices. See,'Government asked to import 1 million tonnes of maize to check local price'(21 December 2018) Economic Times.
13. <http://www.fnbnews.com/Interview/poultry-is-most-organised-worth-rs-1-lakh-cr-45678>
14. http://www.sopa.org/presentations_2018/Poultry%20Industry%20-%20Growth,%20Opportunity%20&%20Challenges.pdf
15. 'US chicken import row: WTO cedes India's request'(11 January 2018) The HinduBusinessline <https://www.thehindubusinessline.com/economy/agri-business/us-chicken-import-row-wto-cedes-indias-request/article9709970.ece>
16. <https://www.thehindubusinessline.com/economy/agri-business/soon-indians-will-be-able-to-sink-their-teeth-into-brazilian-chickens/article26973729.ece>; accessed on 13 June 2019.

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