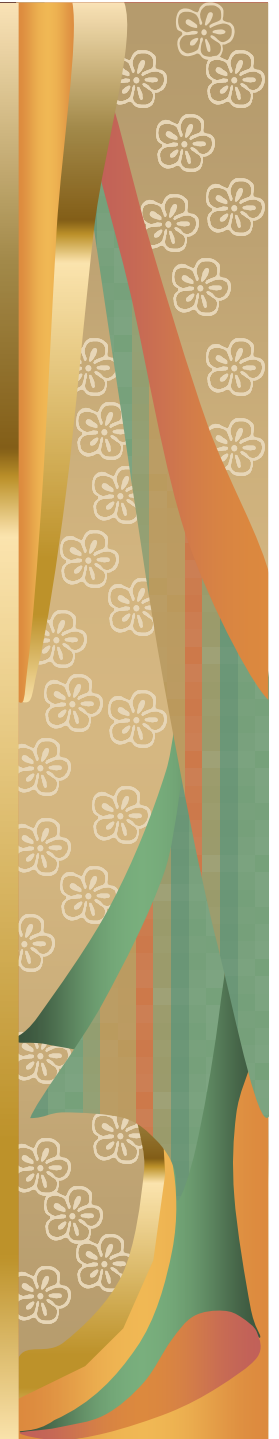


Ricky Thaper Treasurer

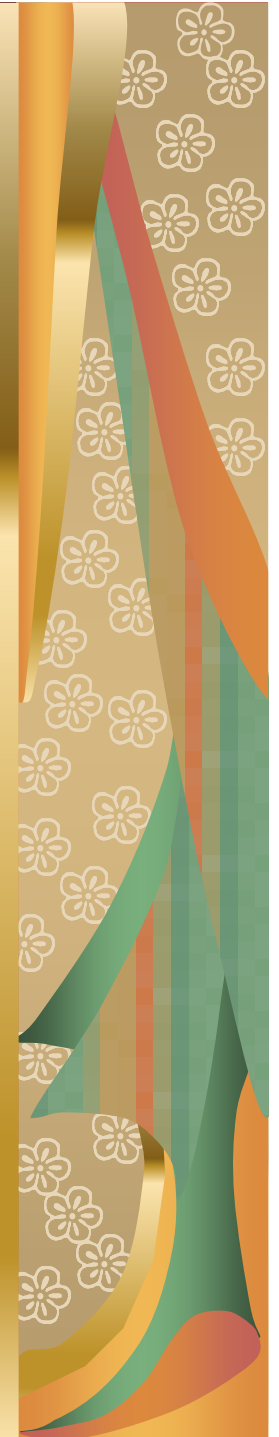
Poultry Federation of India

Email: ricky@pfindia.org

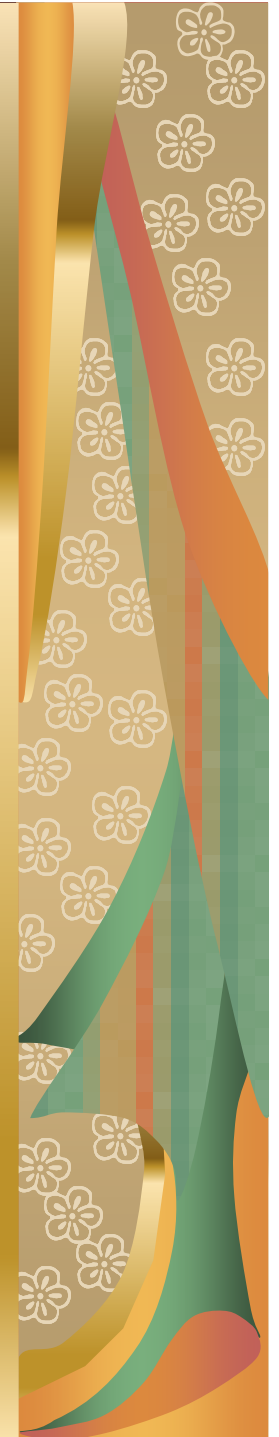
Website: www.pfindia.org



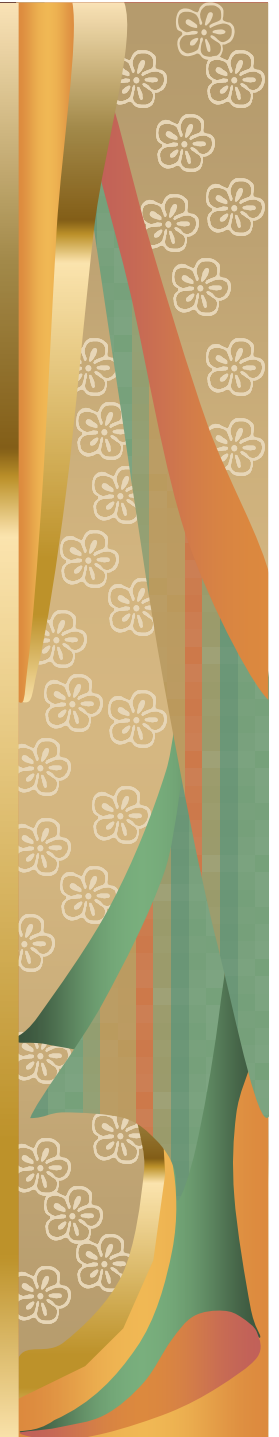
Indian poultry industry is in growth mode. It has been growing at around 8-10% annually during the last decade. The trend is likely to continue in the present decade also (2011-2020) as demand for poultry meat and eggs has been growing constantly.



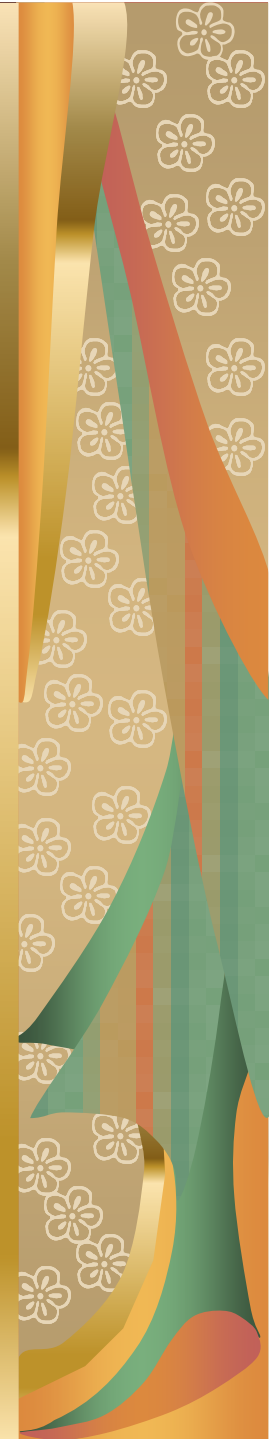
■ Per capita consumption of poultry meat in India is only 2.4 kg per annum. India has the second highest population in the world (1.21 billion) but stands 5th largest in poultry meat production with 2.9 million tonnes. United States of America and China hold top positions with production of 15 and 10 million tonnes of poultry meat respectively. So, potential exists for faster growth in broiler production



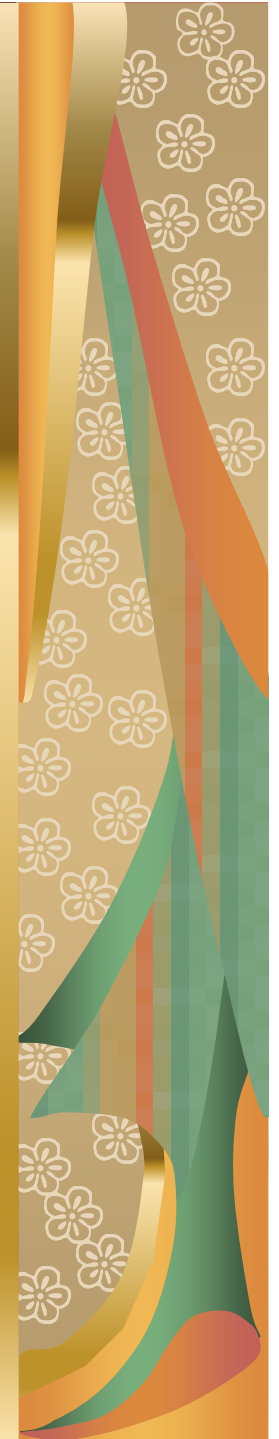
■ Per capita consumption of Eggs in India is only 49 eggs per annum. With 60 billion eggs production (2.86 million tonnes) India is in the third place in the world. China and USA are in top position with 22 and 5 million tonnes egg production respectively. Growth in egg production will continue in the present decade (2011-2020) also.



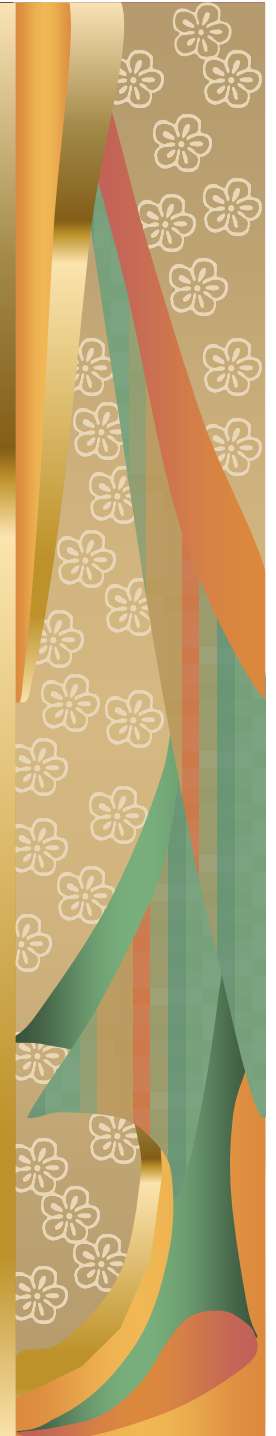
■ The Indian government has encouraged through National Meat and Poultry Processing Board (NMPPB) to develop meat and poultry processing for local consumption and export. The government has allowed 100% FDI (Foreign Direct Investment) in food processing and many multinational companies are taking advantage of this to process broiler meat in India (including further processing) and export the premium cuts to the markets abroad. Those companies have a good understanding of export markets.



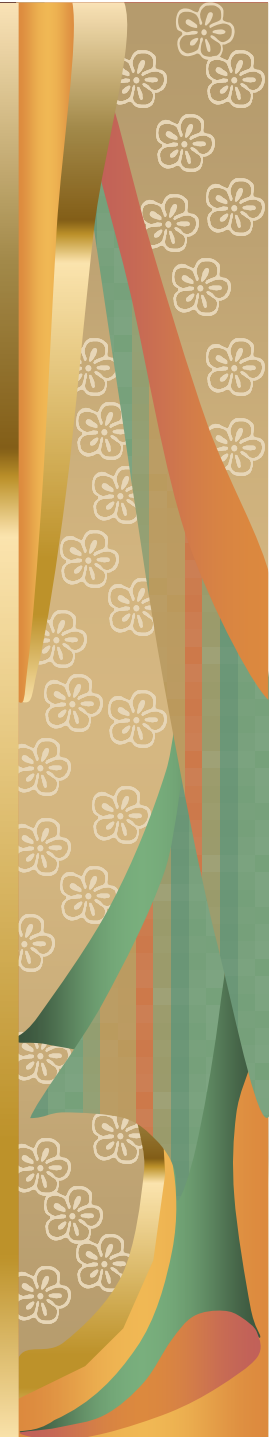
At present international trade in poultry products is minimal (US\$110 Million). With the Free Trade Agreement, import of poultry products into India will increase tremendously. It shall definitely affect the Indian poultry market and poultry producers will have to struggle a lot to keep prices profitable.




■ Poultry birds in European and other developed countries are processed further into different parts such as legs, feet, wings and premium cuts such as breast meat.




■ Demand for premium cuts is the highest, as cholesterol levels are very low in those parts. Leg meat is very rich in Cholesterol and as such is not liked in those countries. European Union countries have large supplies of leg meat and will like to sell the same to the Indian consumers, who prefer leg meat of poultry. As the maximum price is realised from premium cuts (breast meat) they will prefer to export other meat parts to India, even at a discounted price. This will reduce market price for poultry products in India.

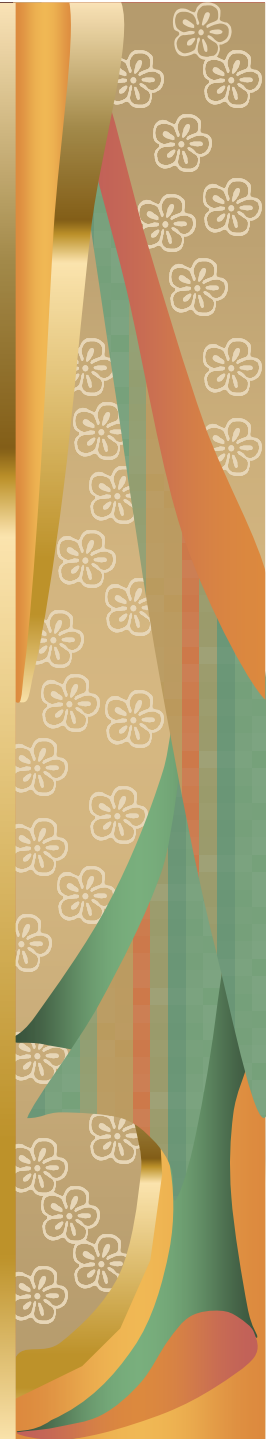




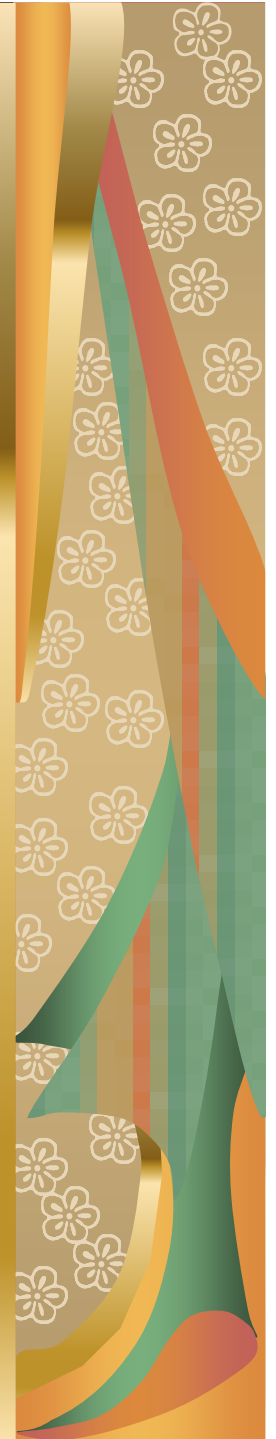
India is traditionally 'wet market' i.e birds are sold live and all the body parts are dressed in the presence of the customers. Over 80 percent poultry birds are sold as live. So, there is no choice with the consumers to purchase only specific parts.




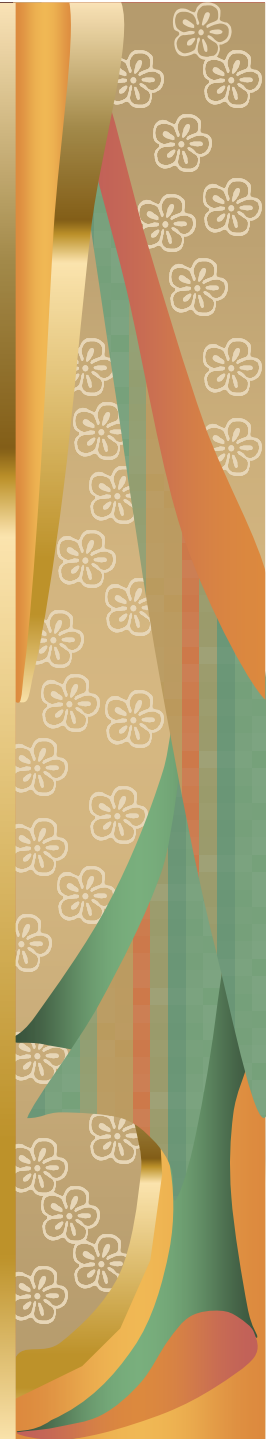
When different parts of poultry bird (imported from E.U) such as leg pieces (which are considered a delicacy in India) are available in the market, properly displayed in big stores, at a price less than the price of live birds, consumers will shift from 'wet market' to dressed chicken parts, because of better hygiene, reliable supplies and economical price.



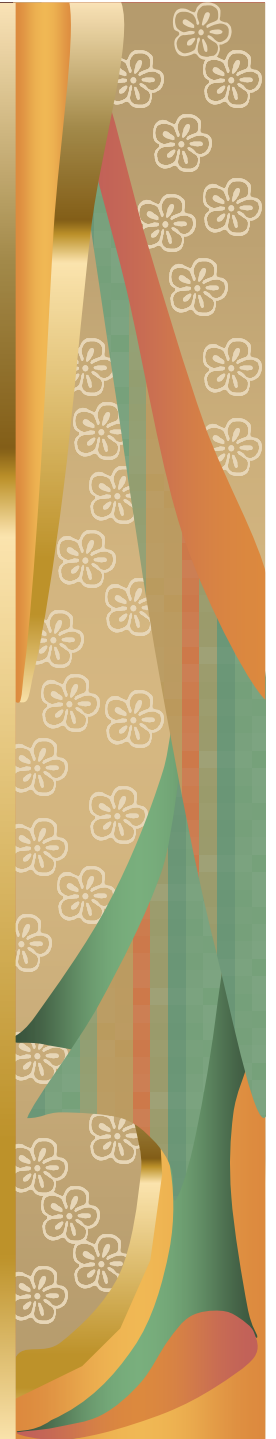
Similarly, other poultry bird parts such as feet and wings, which are used in chicken soup and meat snacks etc., shall be available in abundance and at a throw away price. This will reduce consumption of whole birds, produced locally and marketed as such by small vendors.



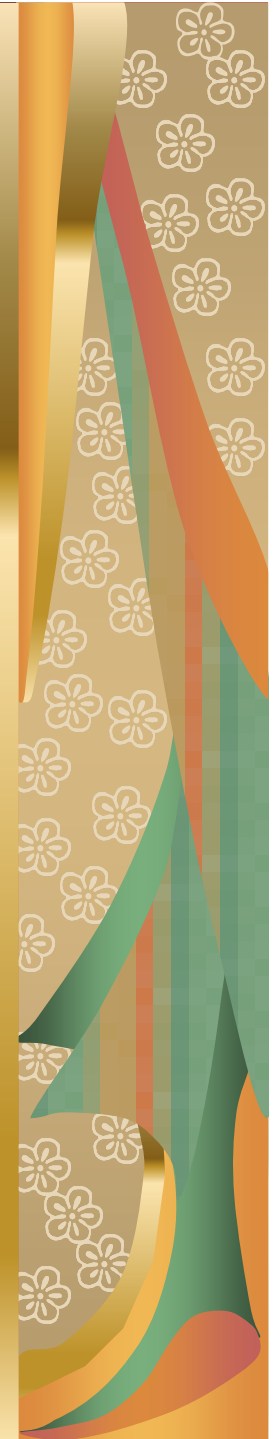
 Livelihood of small poultry producers will be affected, as low profits or even losses in some cases will not be absorbed by the small poultry producers, who have little cushion to stand any losses.

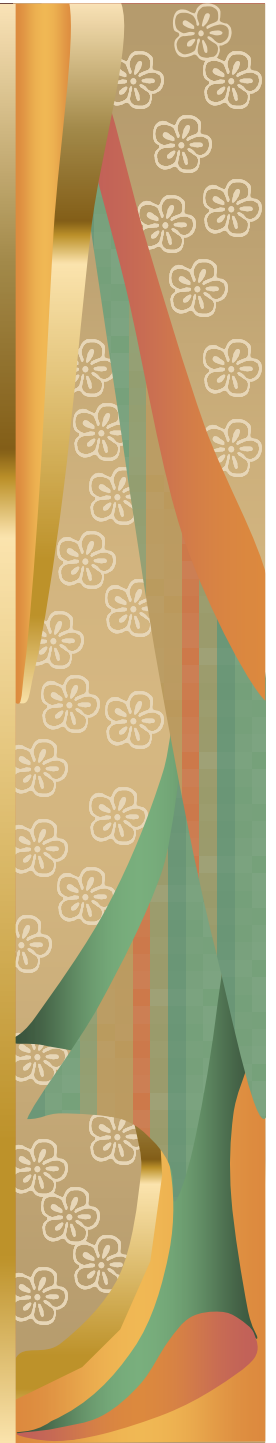
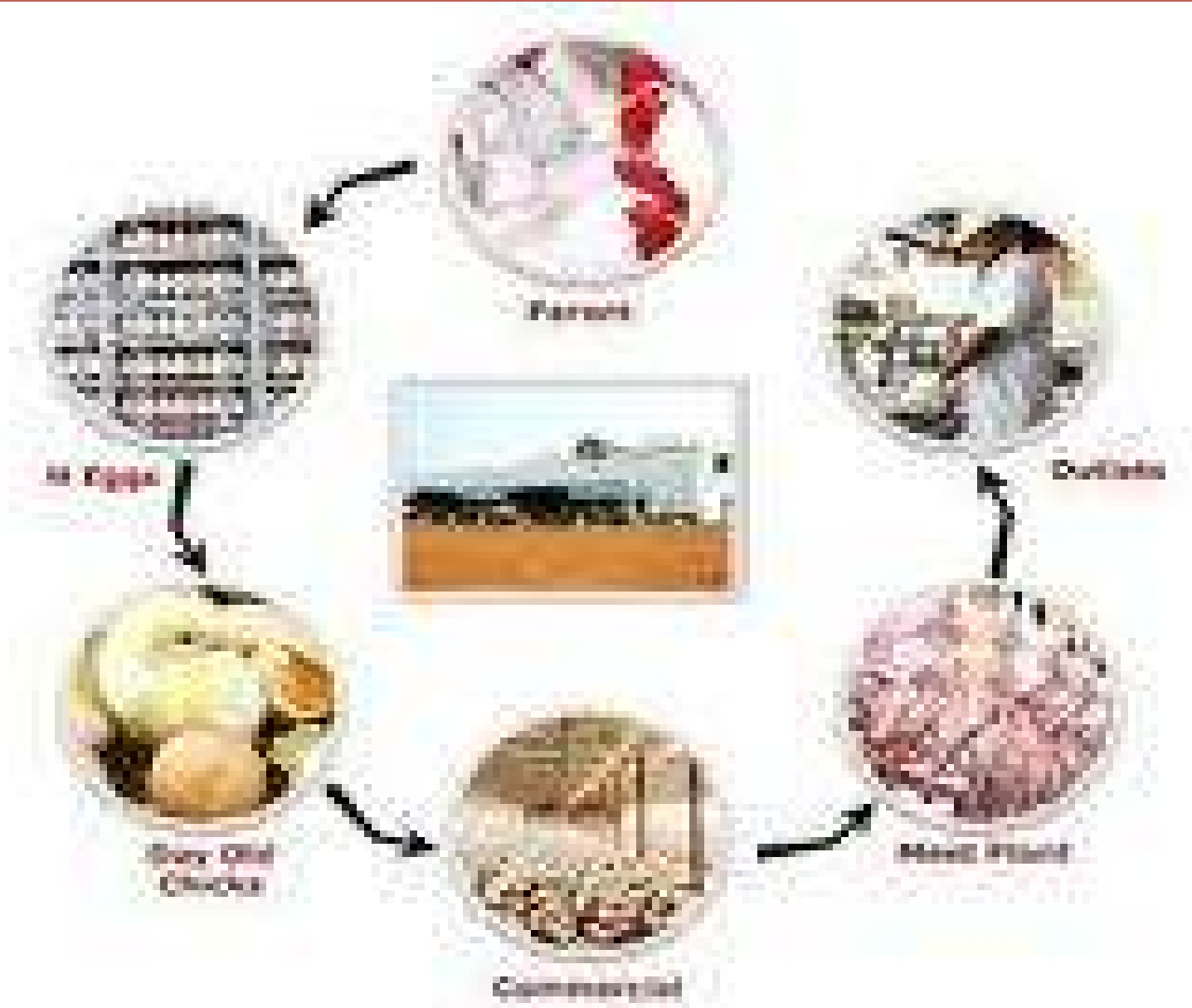



■ Right to food may not be affected much as consumers will get enough supplies (imported from Europe Union) dressed hygienically and at a reasonable price.



- Free Trade Agreement (FTA) will offer some positive opportunities also such as properly dressed poultry cuts, keeping in view proper hygiene, and development of cold chain in India to store and market poultry products.
- This will stimulate the local poultry companies to install poultry processing plants and market poultry only after further processing into different parts, as is done in European Union and other developed countries.



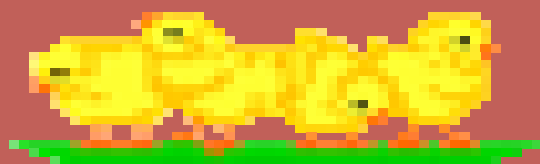




The recent performance results of Godrej-Tyson poultry company has given confidence to Indian poultry companies to go for joint ventures with leading multinational companies for processing of poultry birds in processing plants and market as different parts as per the requirement of the consumers.

A recent report in Poultry Times of India, Volume 32, Issue 2, December 2010 explains this:

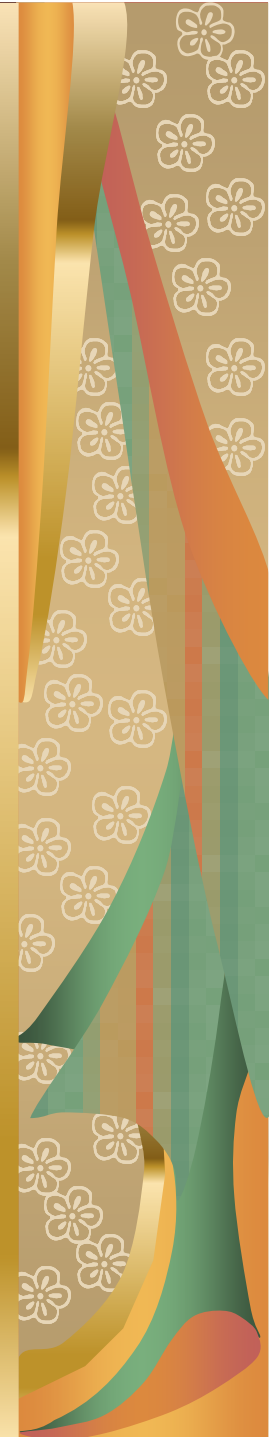
Two years after the Indian Godrej group spun off its poultry business into a 49% joint venture with American meat producer and marketer Tyson Foods, Godrej Tyson has recorded a net profit in the half-year ended September 2010 as compared to a loss for the fiscal year 2009-2010. This is the result of Tyson bringing in a number of efficiencies which have helped enhance shelf life of processed chickens (sold under the Real Good Chicken brand) reducing wastage, reducing processing losses by finding markets within Asia for products which were previously discarded such as claws and adding new institutional customers such as KFC and McDonald's, said S. Varadaraj, Executive Vice-President, Finance and Systems, Godrej Agrovet.



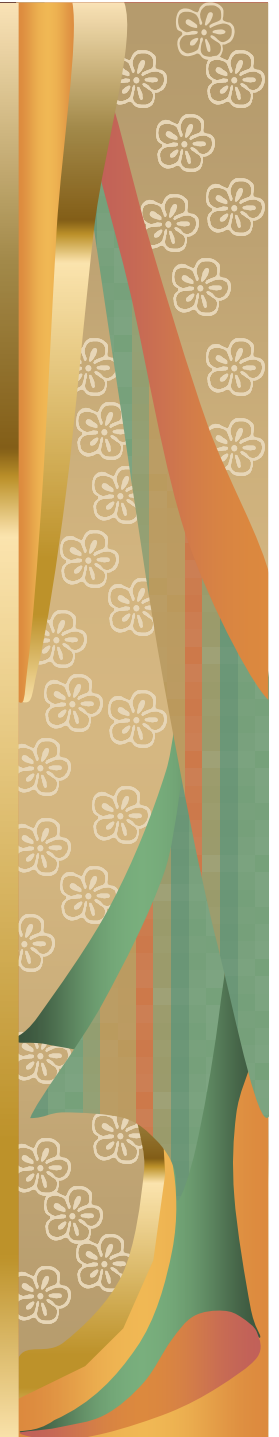
■ Since Godrej Agrovet was in the business of supplying poultry feed to farmers we thought we could forward integrate by buying back broilers from farmers, processing and selling them in market. But we lacked the food processing technology and domain expertise they bring, added Varadaraj. In the quarter ended September 2010, Godrej Tyson sales zoomed by 41.9%. Real Good Chicken volumes improved by 16% and price realisation improved by 5.5%, Godrej recently told analysts. Yummiez volume improved by 69% and realisation rose by 6% the company said in an analyst's presentation.




Export of premium cuts such as breast meat to European Union will increase, as the premium cuts are in good demand in developed economies. Cost of poultry production in India is less than in European Union. So, many poultry processing companies in European Union will prefer to have joint ventures with Indian poultry companies and use India as a production base for poultry.



■ Many small poultry farmers, who may not be able to stand independently, because of market forces, will tie up with the poultry companies as poultry producers having buy back arrangement with those companies.



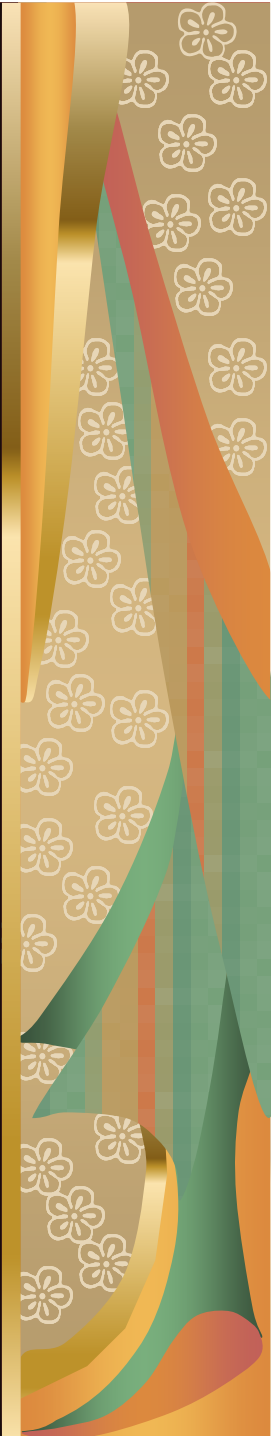


Even though India is self sufficient in major feed ingredients, country has to import many poultry feed supplements, by paying very high import duty. Government should reduce import duty on vitamins and other premixes used in poultry feed ration.

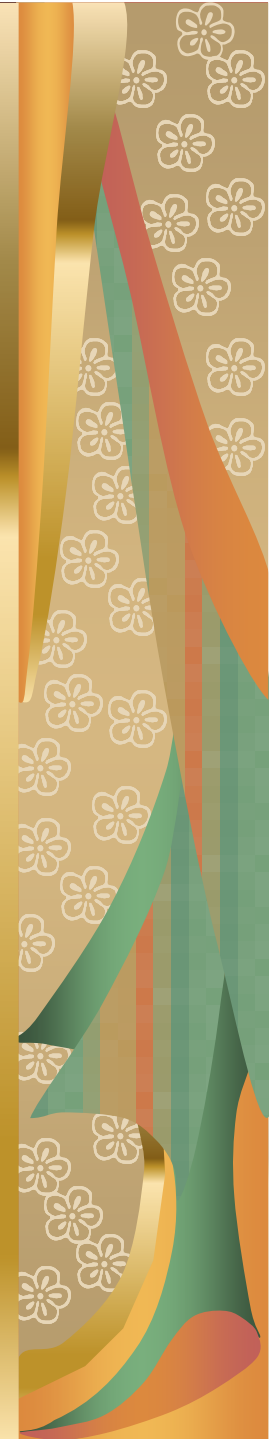
Also Indian Government should encourage insulated poultry houses with temperature control devices, processing , further processing plants and development of cooling chain. India may be exporting country of poultry if these facilities may available in India.

There is one more strong point in favour of India i.e Non-GMO products. European Union is conscious of the possible bad effects of GMO (Genetically modified products) in food. India is perhaps the only country in the world, which can guarantee Non-GMO chicken to the customers in European Union.

The major feed ingredients used in production of poultry are maize (corn) and soybean meal. India is in a position to meet its requirement for poultry from within the country (without any import of feed ingredients). Maize and soybean meal produced in India are non-GMO. So, poultry produced by feeding non-GMO products will be preferred in European Union.



- Indian poultry producers can export premium cuts such as breast meat to European Union on the strength of competitive price (low cost of production in India) and guaranteed quality (Non-GMO).
- Indian Government should encourage the exporters of Indian poultry and help them by highlighting above benefits in favour of India, when the Free Trade Agreement (FTA) is in place.





THANK YOU