Market Dynamics in Indian Poultry Industry

R.Karthikeyan, Research Scholar, Anna University, Chennai

Dr. V.R. Nedunchezhian, Professor, KCT Business School, Kumaraguru College of Technology, Coimbatore.

Abstract

The Indian poultry-meat industry has been growing at a very rapid rate in the last three decades, transforming gradually from unorganized, small-scale backyard farming into large-scale, organized farming. The poultry industry is one of the fastest growing sectors in India with the growth rate of 20% per annum. The market dynamics in Indian poultry industry because of vertical integration and also lower poultry prices, conversion from vegetarianism, increasing purchasing power of people largest growing population, urbanization, boom in retail sectors, increasing health consciousness and festival seasons. The preference of people play a major role in the market, this paper is elucidating the market dynamics in Indian poultry industry.

1. INTRODUCTION

India is the fifth largest producer of eggs and ninth largest producer of poultry meat in the world. In the overall market for poultry products, India was positioned 17 in World Poultry Production. And analysts estimate that the poultry sector in India has been growing at a much faster rate, along with other industries such as BPO and Securities market. While production of agricultural crops in the country has been growing at a rate of 1.5 to 2 percent per annum during the last two decades, that of poultry has been rising fast, 6 to 7 percent per annum in the case of eggs and around 18 percent in the case of broilers.

Table [1.1]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chicken (MT)</td>
<td>0.25</td>
<td>0.33</td>
<td>0.52</td>
<td>0.81</td>
<td>4.67</td>
</tr>
<tr>
<td>2</td>
<td>Egg (Billion No.)</td>
<td>9.62</td>
<td>13.88</td>
<td>24.9</td>
<td>44.06</td>
<td>6.02</td>
</tr>
</tbody>
</table>

(Source: http://www.indiastat.com)

Poultry has a crucial place in India as the eggs and chicken meat are important and rich sources of protein, vitamins and minerals. Chicken is the most widely accepted meat in India. Unlike beef or pork, it does not have a religious taboo. The prices of chicken meat are lower than those of mutton or goat meat. Many Indian families, especially the educated people in urban areas, have begun to accept eggs as a regular supplemental part of their vegetarian diet. The forecast surveys indicate that as the present younger generation goes to the adulthood, the acceptability and demand for eggs and chicken meat in next 2-3 decades is likely to increase many-folds very rapidly.

2. GROWTH IMPELS IN INDIAN POULTRY INDUSTRY

Indian has one of the largest live stock populations in the world, contributing approximately 4 % to the country’s GDP and 27 % to agriculture GDP. It also provides nutritional security to the poor in addition to offering employment to millions of people in rural areas. The poultry industry has been one of the
key contributors within the livestock sector. The poultry industry in India has emerged as the most dynamic and rapidly expanding segment of the livestock economy as evident with a compounded annual growth rate of 15%. Poultry is growing at a compound annual growth rate of 11% between 2000 and 2006 in comparison to beef (Growing at 5%) and sea foods (Growing at 2.8%). The key factors which differentiate the consumption of poultry meat from other animal proteins are preference, regional availability and preference and price. The domestic poultry sector is expected to witness accelerated growth of 12% to 15% per year in the coming years.

2.1 LOWER POULTRY PRICES
This is mainly the result of increasing integration in the poultry supply chain, which has allowed for significant cost reductions. Poultry meat is still somewhat of a luxury product in India but its status is changing. In the past, chicken was considered a delicacy and was more expensive than mutton. However, with the strong gains in poultry productions over the years, poultry price now lower than the mutton price and consumption among middle class consumers is expanding rapidly.

2.2 CONVERSION FROM VEGETARIANISM
Increasingly, vegetarians are converting to a non-vegetarian diet. These people tend to be particularly receptive to poultry products. According to nation survey 2006, around 60% of India’s population is now non-vegetarian. Many Indian families, especially the educated people in urban areas, have begun to accept eggs as a regular supplemental part of their vegetarian diet. Amongst the animal products, which are, by and large substitutable in the diet, chicken (both meat & egg type) gives more protein than cow milk.

2.3 INCREASING PURCHASING POWER OF PEOPLE
India is now the world’s fourth largest economy in purchasing power. The purchasing power of Indian middle class is also growing substantially with a year-on-year growth rate of 5-per cent in its household income. Rising incomes have enabled more people to include poultry and other meats in their diet. The gross domestic product per capita growth has increased from 2001 to 2011 considerably as mentioned below figure.

2.4 LARGEST GROWING POPULATION
The country’s population around 1.12 Billion people is growing at 2.11% per annum. The country's young working population, disposable incomes that are expected to increase at an average 8.5% per annum till 2015, and a steadily climbing per capita income and consumption.
YEARS | Eggs Production (In Million Nos) | Human Population | Per Capita Availability of EGGS
---|---|---|---
2000-2001 | 36632 | 1019 | 36
2001-2002 | 38729 | 1040 | 37
2002-2003 | 39823 | 1056 | 38
2003-2004 | 40403 | 1072 | 38
2004-2005 | 45201 | 1089 | 42
2005-2006 | 46235 | 1106 | 42
2006-2007 | 50663 | 1122 | 45
2007-2008 | 53581 | 1138 | 47
2008-2009 | 55395 | 1154 | 48
2009-2010 | 59844 | 1170 | 51
2010-2011 | 61454 | 1186 | 53

2.5 URBANISATION
Urban poultry consumption is substantially higher than rural consumption. Urbanisation is expected to reach 34% by 2012. Rapid urbanization is expected to spark a future increase in poultry demand. Urban population accounts for around 75% of the total poultry consumption in the country.

2.6 BOOM IN RETAIL SECTORS
A retail revolution is sweeping through India. Organised retailing making it among the fastest-growing industries in the country. With the growth of malls and hypermarkets, the consumer is being exposed to a new kind of shopping experience and services which is quietly and surely redefining her expectations from shopping. Organised retail is expected to grow from 3% from 11% by 2012, resulting in the development of cold chain, Freezer and other front and back end infrastructure.

2.7 INCREASING HEALTH CONSCIOUSNESS
The preference for health food has seen a steep rise because of the increasing health awareness. People want to consume healthy and hygienic food, Chicken has a high health appeal and is seen as a rich source of protein with a low cholesterol level.

2.8 FESTIVAL SEASON
The Christmas, New Year festivities and other Hindu festivals, provide momentum to the surge in demand for poultry products. The month of December and January usually trigger a 25% jump in poultry consumption.

2.9 POULTRY INTEGRATORS
The expanding role of poultry integrators, primarily in South and West India, has contributed to declining poultry prices. Integration, typically encompassing enterprises ranging from breeding, feed milling, and contract growing to wholesale and retail marketing, appears to have increased production efficiency and significantly reduced marketing margins and consumer prices. Future industry expansion may depend on the pace at which integrated poultry operations spread in the West, East and particularly, the affluent North. Expansion of poultry sector integration, in turn, may depend on the pace of transition in India’s poultry sector from a live-bird market to a chilled/frozen-product market. Live-bird sales now dominate the market, preventing exploitation of regional comparative advantages in production, or the use of storage, domestic product movements, and international trade to stabilize supplies and prices.

3 PRESENT POULTRY MARKET IN INDIA
Most of the poultry meat in India is marketed to consumers in the form of live birds, with only a small share of output now marketed as chilled, frozen, or further processed products. The costs of moving live
birds, including transport, shrinkage, and mortality costs, severely limit interregional movements. As a result, Indian poultry markets are regional, rather than national, in scope and there is limited potential for low-cost producers to market their product in higher cost regions. The presence of poultry integrators in a region has a significant impact on the returns received by poultry producers and the margins between producer and consumer prices. For example, retail prices and producer-retail margins were found to be significantly higher in the northern region, where poultry integrators are least active.

3.1 LIVE-BIRD PREFERENCE
The Indian broiler sector operates almost completely (95 %) as a live-bird market, with poultry retailed as live birds and slaughtered for customers in retail shops. This practice is in accordance both with the lack of cold chain facilities, which limits capacity to market chilled or frozen products, and with consumer preference. Consumers have more confidence in the quality of fresh poultry meat that is slaughtered in their presence; frozen or chilled meat may have problems that can only be detected when it is thawed. Even when refrigeration is available, consumers lack confidence in chilled or frozen meat because of the unreliability of electrical power.

<table>
<thead>
<tr>
<th>Countries</th>
<th>Share of Wet market ( In %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>95</td>
</tr>
<tr>
<td>Egypt</td>
<td>60-70</td>
</tr>
<tr>
<td>Indonesia</td>
<td>60-70</td>
</tr>
<tr>
<td>China</td>
<td>50-60</td>
</tr>
<tr>
<td>Malaysia</td>
<td>50-60</td>
</tr>
</tbody>
</table>

The preference for fresh meat also extends to the belief that it is superior in taste and texture. Poor sanitary conditions are common in India’s retail poultry shops. In general, however, consumers and merchants share a belief that there is minimal health risk because the Indian style of cooking kills bacteria that could otherwise lead to food poisoning or disease. Most Indian meat preparations are well cooked, and some locally used spices are reportedly effective in killing food borne bacteria.

The dominance of the live-bird market restricts the movement of poultry because of the high transport, mortality, and shrinkage costs associated with moving live birds over India’s poor roads. In particular, the live-bird preference severely limits movement of poultry from low-cost producing areas, particularly in southern and western India, to higher cost areas, such as northern India. In a market where poultry consumers are sensitive to price, this limitation can slow the growth in both consumption and production of poultry.

3.2 PROCESSED POULTRY DEMAND
Processed poultry products, including chilled or frozen poultry, as well as further processed items, currently account for a small share of urban household consumption and a negligible share of rural consumption. Chilled whole birds and parts can be found in markets and higher end shops in major cities and are also consumed in institutional settings, including restaurants and hotels. Frozen birds and parts are more difficult to find at the retail level but can be found in shops in major cities, and are also marketed by processors directly to hotels and restaurants. Frozen, further processed items, such as heat-and-serve dishes, can be found in high-end shops in the major cities.

The size of the frozen poultry market can, perhaps, be more accurately measured because of the relatively few firms involved in this industry segment. Dressed and frozen products are produced by about 12 firms operating semi- or fully mechanized dressing plants and freezing facilities. Frozen
poultry products produced and consumed annually in India total about 12,000 tons, or about 1-1½ percent of total consumption, depending on the estimate of total consumption used. The live-bird market will likely continue to dominate in India for the next few years. Institutional demand for chilled and frozen birds will continue to expand, but movement by household consumers to chilled or frozen products is likely to be slow. Chilled meat is more acceptable to consumers than frozen meat, and growth in consumption of chilled meat may help facilitate the transition toward a frozen bird market. Most of the poultry integrators in southern, western, and eastern India are already marketing dressed and chilled products and have plans to expand sales to both institutional and retail customers. Current and future sources of growth in the institutional segment include hotels, restaurants, and fast food establishments, including McDonald’s, Pizza Hut, Dominos, and many indigenously developed fast food brands. In the retail segment, growth is likely to be fostered by the emergence of a number of new approaches by poultry integrators, including the establishment of integrator-owned or franchised chilled/frozen poultry shops and sales counters in existing food shops, and home delivery services for chilled/frozen poultry products. The recent emergence of supermarkets, now mostly in southern India, is also likely to support growth in the retailing of chilled/frozen poultry.

4. INVESTMENT AND GROWTH OPPORTUNITIES IN POULTRY INDUSTRY

The Food processing segment can be assessed for attractiveness based on size, growth, penetration levels and level of organization in India. Poultry meat, Egg appears attractive options for investments in the future.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Size -Output / Value</th>
<th>Projected Growth</th>
<th>Penetration</th>
<th>Percentage organized Players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat &amp; Poultry</td>
<td>US $ 13 Million</td>
<td>10%</td>
<td>6%-10%</td>
<td>5%</td>
</tr>
</tbody>
</table>

The Industry can undertake several projects to promote the further growth of demand. To initiate marketing campaigns to inform the consumers about health benefits of poultry products’ consumption. Improve the labeling and packaging of poultry products to better meet customer preference for such provisions. Establish increased control over the retail activities. This will help poultry companies to establish uniform market price, provide high in store hygiene level, initiate branding efforts, receive direct consumer feedback and promote the sale of value added poultry products.

5. CONCLUSIONS

Rapid growth in the Indian poultry industry is being driven by a combination of rising incomes, a young and urbanizing population, and declining real poultry prices. The Indian poultry industry has been growing at a very rapid rate in the last three decades, transforming gradually from unorganized, small-scale backyard farming into large-scale, organized farming. The pace of transition from a live-bird market to a chilled/frozen product market will likely be a factor in the future expansion of poultry sector integration. The future of poultry market will be processed, packed, convenient ready-to-eat and ready-to-serve. A shift away from live-bird sales to mechanical and more hygienic processing will also have public health benefits.

Besides, government’s support in terms of basic infrastructures like adequate warehouse/cargo space, efficient cold-chain system, exemption from excise duty on branded poultry products, simplified policies and efficient marketing network are essential for promoting domestic market prospects of poultry products. It is, therefore, imperative for the Ministry of Food Processing Industries, APEDA, poultry producers-cum-processors, food processors, food scientists and technologists, extension specialists and other stakeholders to identify and address the constraints and evolve and appropriate mechanism for the transformation of the nascent poultry processing and product development sector into a dynamic, vibrant and versatile enterprise as an integrated approach to create an efficient poultry production-cum-processing interface for accelerating the pace of growth of Indian poultry industry.
REFERENCE


