



CROSS BORDER CONSULTANCY

Market Entry | Feasibility Studies | Partner Search | Trade and Investment

CURRENT OPPORTUNITY IN INDIA'S POULTRY SECTOR

Date: 22nd January 2015

FACILITATE
MARKET ENTRANCE

MITIGATE
CORPORATE RISKS

ACCELERATE
BUSINESS GROWTH

TABLE OF CONTENTS

OPPORTUNITY OVERVIEW.....	3
FUTURE PLANS.....	3
ABOUT ABROADER.....	4
OUR SUPPORT.....	4
OPPORTUNITY SYNOPSIS.....	4
THE BACKGROUND: POULTRY SECTOR IN INDIA.....	5
INDIA'S POULTRY SECTOR: AN OVERVIEW.....	5
INDIAN DEMAND DRIVERS.....	8
KEY SECTOR CHALLENGES.....	8
INDIAN GOVERNMENT SUPPORT.....	8
THE GROWING INDIAN OPPORTUNITY.....	9

OPPORTUNITY OVERVIEW

ABC was established in 1978 and is based out of Hyderabad, Andhra Pradesh. It is one of India's largest integrated poultry hatcheries with production facilities in Telangana & Andhra Pradesh and an upcoming mega Food Park near Kakinada Port. The firm's broiler division is in Vishakhapatnam, which is the second largest poultry production area in the country.

Over three and a half decades, ABC has established itself as a leading poultry player in South India, providing employment to over 4,000 people and overseeing over 35% of the poultry feed market across eight coastal districts of Andhra Pradesh in its area of operations. They supply layers and broilers to poultry players across this region.

Current infrastructure:

In terms of infrastructure, their facilities include separate brooding, growing and laying sheds, cold storage rooms for hatching eggs, separate farms and hatcheries for layer and broiler breeders, feed and disease testing laboratories with modern analytical and diagnostic facilities. There is a need for upgrading and expansion.

Note: The identity of the company has not been disclosed for confidentiality reasons.

FUTURE PLANS

Recently, ABC decided to change their existing process of rearing parent stock in cage systems with artificial insemination, to floor systems using natural mating between hens and roosters.

In order to execute this, they will require management of broiler systems in well equipped sheds and houses, in order to provide optimal conditions for breeding stock. The core requirement is to address all technical requirements to optimise the hatching process with a major emphasis on quality production, lower mortality & higher fertility.

With these priorities in mind, the key requirements are:

- **Short term:** Management of breeder birds on the floor system. Designing new hatcheries, utilising new technologies without increasing the cost of hatching
- **Long term:** Enlarge the broiler division including abattoirs, freezing & processing plants to make ready-to-cook & ready-to-heat end products.

In addition to this, they are also in talks with the Governments of Andhra Pradesh and India to establish a Mega Food Park spanning an area of 350 acres and positioned near two major East Coast ports.

ABOUT ABROADER

Abroader was established in 2001, as a boutique consulting firm supporting foreign players with an active interest in the Indian market. Over the years, the company has executed several projects with an aim to facilitate, mitigate and accelerate client interests by leveraging experience, knowledge and skills across markets and sectors.

Services:

Abroader offers a gambit of services under the Facilitate Mitigate Accelerate banner focused on market entrance, risk management and business growth facilitation. These service offerings include:

Facilitate | Incorporation | Partner Search | Trade Show Representation | Business Intelligence | Office Set Up |

Mitigate | Legal Support | Compliance | IP and Trade Mark Registration | Independent/Resident Director Services |

Accelerate | Mergers and Acquisitions | Business Development | Tender Bidding | Sourcing Networks | Marketing and Press | Joint Venture and Partners |

OUR SUPPORT

Abroader has entered into a strategic partnership with ABC to connect and liaison with interested international partners. Through this partnership, Abroader will offer hands-on support to ABC to source suitable expertise, technology and funding partners from Europe to modernize their current systems and expand the broiler division.

In collaboration with experts, [Abroader Consultancy](#) now seeks to build a consortium of Dutch poultry suppliers to establish a demo or pilot plant in one of ABC's facilities to showcase up-to-date hatchery technology & systems, with the intention that more Indian clients will source their poultry expertise, technology & other requirements from the Netherlands.

OPPORTUNITY SYNOPSIS

International firms with an interest in exploring or establishing a foothold in the Indian poultry sector can leverage on the mentioned opportunities and offer their technical expertise and specialisation to ABC for the same.

As the Indian poultry market continues to grow at a considerable rate, this venture provides international companies an opportunity to establish connections in a growing, dynamic and potentially rewarding market.

THE BACKGROUND: POULTRY SECTOR IN INDIA

The global poultry sector has been primarily characterized by a continuous growth in demand over the years. Expected to grow by 31.6% and reach 119.4 MT by 2023, global consumption stood at 90.7 MT in 2012.

Global meat consumption per person, expressed in retail weight, is expected to reach 36.3 kg by 2023. This will be 2.4 kg more than the average for 2010-12, with poultry meat accounting for 1.7 kg or 72% of this gain. By 2023, poultry uptake will come close to 15 kg per person on a retail weight basis.

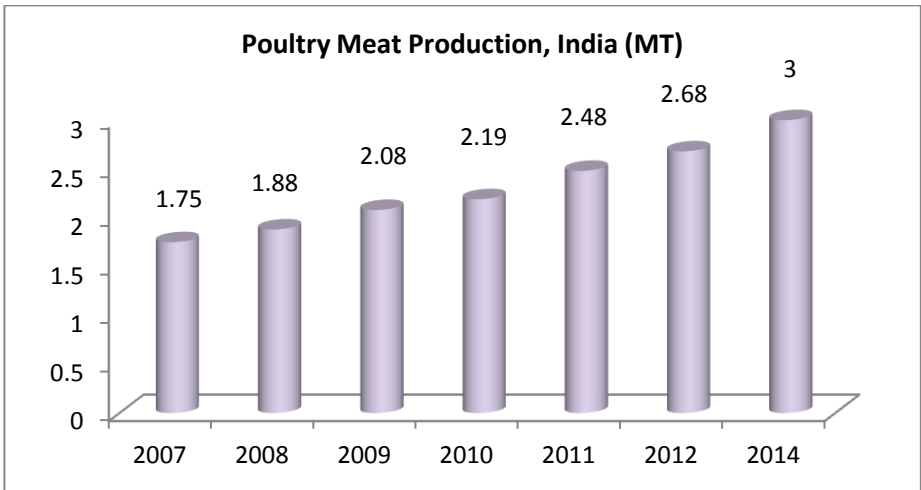
Over the same period, world trade in poultry meat is expected to increase by 31.3%, from 10.8 million tonnes to 14.2 million tonnes.

A major increase in production is foreseen as BRIC nations emerge as key players. India is expected to double its poultry trade statistics, followed closely by Brazil and China. Traditional poultry producing nations like the US and EU are expected to see a slowdown in growth as developing nations take centre stage.

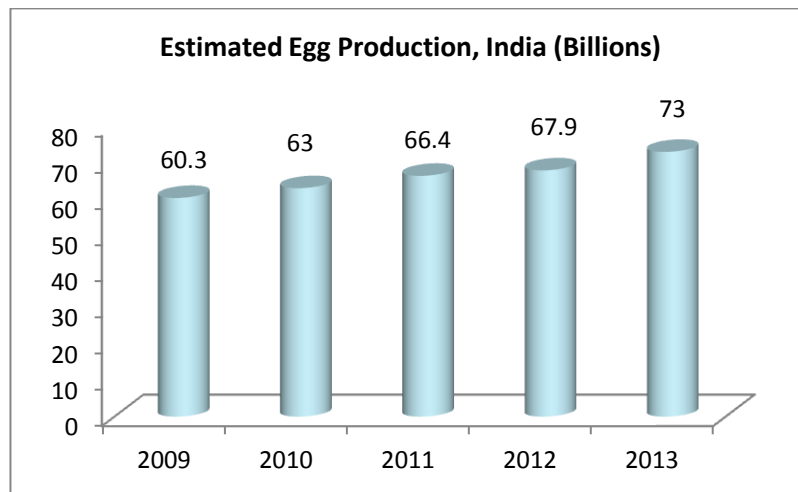
As demand for poultry products continues to grow, exploring India’s role in the global market becomes more and more crucial.

INDIA’S POULTRY SECTOR: AN OVERVIEW

India’s poultry sector represents one of the biggest success stories of the country over the past decade. India is the **second largest** egg producer and **third largest** broiler-chicken producer in the world with production estimates of 65,000 million (2.8 million tonnes) eggs and 3 million tonnes of broiler meat per year. The market is estimated to be worth about INR 90,000 Crore (EUR 12.65 Bn).



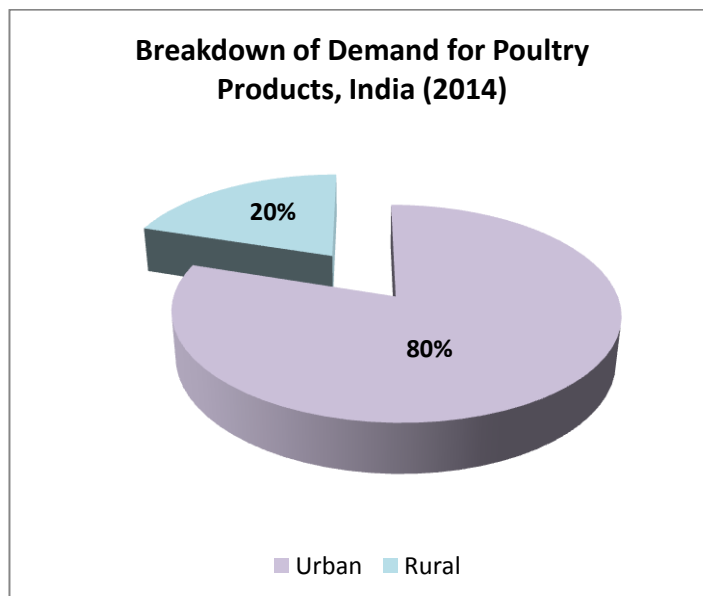
Source: India Ministry of Agriculture, Department of Animal Husbandry, Dairy and Fisheries and State Animal Husbandry Departments, 2014



Source: India Ministry of Agriculture, Department of Animal Husbandry, Dairy and Fisheries and State Animal Husbandry Departments, 2014

Nearly 20 million farmers are employed in poultry industry with around 1,000 hatcheries operating across India.

While agricultural production has been rising at the rate around 2% per annum over the past two to three decades, poultry production has been rising at the rate of around 8-10%, posting an annual turnover of US\$ 7500 million. The domestic market has displayed increasing buoyancy, owing to a growing rural market based on lower feed and poultry prices, growing disposable income and increased awareness of new technologies and mechanisations in the sector. Nevertheless, urban demand still accounts for 80% of domestic consumption.



Source: IBEF Report, 2015

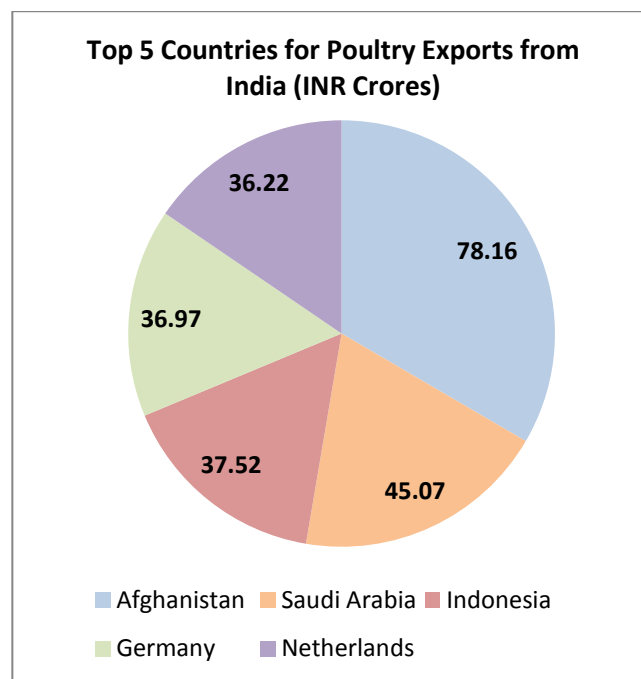
South India accounts for majority of total poultry production and consumption in the country. Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Maharashtra in the west and Haryana, Punjab in the north are key regions in this aspect.

Top 5 states by estimates of meat production ('000 tonnes)							
	2007	2008	2009	2010	2011	2012	CAGR
Andhra Pradesh	309	334	363	400	446	449	10.07%
Maharashtra	275	280	309	334	346	379	6.61%
Tamil Nadu	334	356	397	362	306	334	0.02%
Haryana	185	220	230	306	324	333	12.5%
West Bengal	231	232	252	273	301	328	7.3%

Source: Centre for Science and Environment, India: 2014

As domestic demand for broiler meat and eggs continues to grow, the Indian poultry industry is expected to see double-digit growth in 2015. Stable feed prices and encouraging rural demand have encouraged domestic consumption, despite local and global challenges (including an outbreak of bird flu).

In addition, exports are also seeing considerable growth. India's poultry exports grew from INR 314.25 Crore (EUR 44.1 Mn) in 2010 to INR 494 Crore (EUR 69.4 Mn) in 2012.



Source: National Meat and Poultry Processing Board, 2014

With reduced risk from imports flooding the markets and improving demand, poultry players remain upbeat. Economic revival is expected to stimulate growth of the industry by at least 10%, leading to growing confidence and added expansion among existing players.

INDIAN DEMAND DRIVERS

Recent demand within India's poultry sector has been galvanized by lowering prices for feed and live birds, rising purchasing power, changing food habits, contract poultry farming and rapid urbanisation.

Industry estimates expect local maize prices to stay at lower levels. Annually, the domestic poultry industry consumes around 12 million tonnes of maize and 4 million tonnes of soy-meal which account for some 85% of total poultry feedstock.

A growing rural market and awareness of new technologies and specialised methodologies and techniques in hatching and bird rearing have also boosted market growth and reduced wastage.

KEY SECTOR CHALLENGES

Despite positive forecasts and investor confidence, the poultry sector still faces certain fundamental challenges.

Global trends— most prominently, sporadic bird flu outbreaks— have resulted in a widespread demand drop across the country in the past.

However, the key concern is the existing lack of storage, cold chain, transport and processing facilities. High feed costs also result in an increased cost of production which translates to higher prices. Other challenges include a lack of quality standards which result in high vulnerability to disease outbreaks.

Poultry integrators have limited control over feed prices and broiler realizations; and they continue to focus on improving productivity by experimenting with feed mixes, lower mortality rates through enhanced farm management and medication, and continuous efforts towards improving other operational parameters like hatchability, average daily weight gain and reducing selection gaps. These practices may be essential but they translate into compromising on quality.

The need of the hour is therefore, specialised systems and upgrades and existing facilities to boost production, enhance quality and improve outputs.

INDIAN GOVERNMENT SUPPORT

There are a several opportunities for foreign direct investment (FDI) in the poultry sector in areas like breeding, medication, feedstock, vertical integration and processing. Currently, 100% Foreign Direct Investment (FDI) is permitted in the food processing sector which covers dairy, poultry, marine, vegetables and fruits.

The Government of India also launched a National Meat and Poultry Processing Board on 19th Feb 2009 to work as a National hub for addressing all key issues related to Meat and Poultry processing sector for the systematic and proper development of this sector.

In addition to these efforts, the Ministry of Food Processing Industries is exploring other opportunities like development of mega food parks, modern abattoirs, cold storage & transport, processing units and incentives to further develop existing projects.

THE GROWING INDIAN OPPORTUNITY

Robust growth in the poultry output, coupled with future growth potential and favourable socio-economic factors over the last decade makes India one of the fastest growing world markets in this segment.

India's transition from a predominantly live bird market to a chilled/frozen market is expected to be crucial for the increased presence in international trade (where India currently has minimal presence). The need for developing efficient distribution system with large investments in cold chain infrastructure, and increasing the market acceptability of frozen chicken are going to be the key industry drivers in the long-term.

Other factors such as the increased requirement for upgraded infrastructure will also play a key role in determining India's continued presence in the global poultry market.

The industry has traditionally focused primarily on productivity improvement, but current market needs suggest increased importance of enhancing distribution infrastructure, value additions and exercising better control over its supply chain.

International players with an interest in the Indian poultry market will find considerable opportunities in this sector— focused on increased technological specialisation, enhanced distribution systems and quality upgrades.



CONTACT US

Market Entry | Feasibility Studies | Partner Search | Trade and Investment

Pratap Raju

Director

Email: Pratap@abroader.com

Carin Rustema

Director

Email: Carin@abroader.com

Abroader Consultancy India Pvt Ltd

Plot# 161, PDA Colony,
Porvorim, Goa - 403521

Office: +91-832-2415616
Web: www.abroader.com

FACILITATE
MARKET ENTRANCE

MITIGATE
CORPORATE RISKS

ACCELERATE
BUSINESS GROWTH