



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 8/29/2003

GAIN Report Number: IN3080

India

Poultry and Products

Annual

2003

Approved by:

Chad Russell

U.S. Embassy, FASNEWDELHI

Prepared by:

V. Shunmugam

Report Highlights:

India's broiler meat production is forecast to grow by 13 percent to 1.8 million tons in CY 2004 due to increasing demand, affordable prices for poultry meat, and anticipated better availability of feed materials. The expansion of integrated poultry operations is likely to help sustain high growth in meat production and also create an increasingly competitive and cost-conscious industry that will generate increased demand for corn.

Includes PSD Changes: Yes

Includes Trade Matrix: No

Annual Report

New Delhi [IN1]

[IN]

Table of Contents

Production..... 3
Production Developments..... 3
Consumption 4
Production Policy..... 4
Trade..... 4
Market Opportunities..... 5
Table 1: Trade Treatment for Poultry and Feed Ingredient Imports 6
Table 2: Commodity, Poultry Meat, Chicken-16 weeks, PSD table 7

Production

India's broiler meat production is forecast to grow by 13 percent to 1.8 million tons in CY 2004 due to increasing demand, affordable prices for poultry meat, and anticipated better availability of feed materials. Increasing vertical integration in the industry, mainly in the southern and western regions, also supports higher production. CY 2003 production is estimated higher at 1.6 million tons notwithstanding higher feed prices caused by drought in many states.

Despite high corn and soybean meal prices, consumption of commercial feed rose by 10 percent to an estimated 3.5 million tons in 2002. This was due to an increasing awareness about the benefits of balanced feeding among farmers (thanks, in part, to the market promotion activities of the American Soybean Association and the US Grain Council), increasing commercialization in the industry, and flourishing vertical integration. Poultry processing is largely concentrated in and around urban centers. Consumer preference is mostly for fresh meat. However, a positive attitude towards processed meat is slowly emerging in major metropolitan cities.

Production Developments

In southern India, vertical integration in the broiler industry has been the trend due to better returns. Custom growers receive day-old chicks, feed, medicines, and other services from integrators with the assurance that their birds will be purchased at a contracted price. Input costs are deducted from the payment to the farmer, and he is provided bonuses if feed conversion ratios (FCR) are above stipulated levels. Some entrepreneurs have extended the level of integration to the retail level in order to improve margins and to reduce retail meat prices. This contract arrangement has encouraged a number of small farmers to enter the poultry business to supplement their incomes with low risk and an assured return. Integration also helped entrepreneurs to control production to some extent through coordinated efforts. For example, during a glut period in early 2003, the integrators in the south, mainly in Andhra Pradesh and Tamil Nadu, jointly agreed to discipline the industry through placement cuts and destruction of hatching eggs. The integration in the poultry industry is slowly spreading to the eastern and western parts of the country following recent high feed prices. However, the industry in the north still remains un-integrated, with the poultry entrepreneurs here regarded as "risk adverse." Hence, very little attention is paid to improving feed conversion ratios, nutrition, or quality.

Processed meat constituted only about 7 percent of total poultry meat production in 2002. This share is gradually increasing, spurred by rising consumer income, changing lifestyles, and efforts by the industry to popularize processed meat. Many of the poultry integrators have already built or are in the process of building processing facilities to produce chilled and frozen meat and products to cater to institutional demand and for retail sale. Two processors are now exporting frozen whole birds to the Middle East. The poultry integrators are the main advocates and promoters of chilled and frozen products.

Despite higher soybean meal and corn prices in 2002, related to drought, use of these inputs by industry increased due to limited availability of alternative protein and energy sources. Corn prices have recently declined in response to expected higher production following excellent monsoon rains this year. Industry sources forecast corn demand by the compound feed sector to reach 9.0 million tons by 2005, of which only 6.0 million tons would be met from domestic supplies. Despite higher prices of soybeans, use of soybean meal in the poultry sector during this year is expected to be higher by 12 percent at 1.3 million tons.

Consumption

CY 2004 poultry consumption is forecast to increase by 13 percent to an estimated 1.8 million tons due to lower prices encouraged by cheaper feed supplies. Growth in consumption is estimated to be stronger during CY 2003 at 1.6 million tons, despite drought-reduced feed supplies and high meat prices. This is due to the strong demand for alternative protein sources in the absence of drought-affected production of pulses and other protein sources.

Lower retail prices appear to have stimulated consumption, with per capita consumption in southern India, where integrators have been most active, reported to be four times the national average of 1.5 kg. Given pricey mutton and restricted availability of fish to the coastal regions of the country, poultry meat has wider regional acceptance than any other meat.

The Indian poultry industry remains primarily a live bird market. Although there is a growing trend in consumption of chilled and frozen poultry products in restaurants and hotels, most consumers prefer fresh poultry meat. Birds for home consumption are typically purchased live and slaughtered in small local or roadside shops. Demand for frozen poultry products will continue to remain constrained by inadequate cold chain facilities. Luxury hotels account for most of the consumption of processed poultry products such as sausages, salami, etc.

Movement of birds from low cost to high cost areas within the country is restricted by the high mortality rate among birds, inadequate transportation facilities, and significant weight loss in birds during hot weather, resulting in significant temporal and spatial variation in producer prices of poultry. Currently poultry meat prices range from \$1.1 per kg in south India to \$1.74 per kg in North India.

Production Policy

The poultry sector receives much less government assistance and subsidies compared to other agriculture sectors. Furthermore, income from the poultry industry is taxed unlike other agricultural income. The government, however, funds several poultry research activities. The Agricultural and Processed Products Exports Development Authority, a government export promotion agency, provides infrastructure support such as cold storage and also provides airfreight subsidies for export of eggs and egg products, mainly to the Middle East. Overall government assistance to the poultry sector in 2003/04 (April-March) is budgeted at rs. 85 million (\$1.8 million) compared to rs. 72 million (\$1.6 million) in 2002/03.

Most of the existing broiler breeds are derivatives of American strains such as Cobb, Arbor Acres, and Hyline. Though some of the producers have adapted their breeds to domestic conditions, most of the integrators who own breeding operations still depend on imported grandparents to replenish their genetic stocks.

Trade

Imports of poultry meat and meat products are effectively banned by high tariffs and ambiguous sanitary requirements. Although luxury hotels are allowed to import poultry meat and products at a tariff rate of 25 percent, such imports are negligible as hotels locally source most of their requirements.

Government policy permits imports of grandparent breeding stock, subject to importers getting an advance special import permit from the Department of Animal Husbandry, Ministry

of Agriculture. Grandparent hatching eggs and the grandparent day old chicks carry a tariff of 35.2 percent. Some feed additives such as lysine, methionine, choline, and vaccines/vaccine related raw materials are mostly imported.

Export of poultry meat is looking up, as integrators/processors in south and west India are able to supply chicken at competitive prices. Integrators are currently exploring the possibility of exporting their product to the Middle East.

Market Opportunities

The expansion of integrated poultry operations is likely to help sustain high growth in meat production and also create an increasingly competitive and cost-conscious industry that will generate increased demand for corn. The industry may become increasingly sensitive to fluctuations in feed prices, especially corn, prompting them to lobby for better access for imported corn at a lower tariff. Since most of the integrators do not have their own grandparent operations, they are regular importers of grand parent stocks, which provides an opportunity for US suppliers. Although India is currently a substantial exporter of soybean meal (competing against the U.S. in certain markets), the rapid growth in poultry feed demand is beginning to erode the exportable surplus. This has been an objective of the American Soybean Association's work in India.

Table 1: Trade Treatment for Poultry and Feed Ingredient Imports

HTS Code	Commodity	Trade Policy*	Tariff**
010511	Poultry Grand Parent Stock	Free	35.2
0207	Poultry Meat	Free	108.0
0407	Eggs (Table/Hatching)	Free	35.2
0408	Egg Yolks	Free	35.2
100590	Corn, for Feed	Free 1/	15/50
100700	Sorghum	Canalized	0
230120	Fish Meal	Free	0
2306	Oil meals	Free	35.2
2309 9020	Concentrates for Compound Feeds	Free	35.2
2309 9010	Compounded Poultry Feed	Free	35.2

1/ Corn imports are subject to a TRQ. The in quota tariff for 500,000 tons is 15 percent and out quota tariff is 50 percent

* Livestock and livestock product imports are permitted against sanitary import permit to be issued by Joint Secretary (Trade), Department of Animal Husbandry, Ministry of Agriculture.

** Inclusive of special and additional tariffs as applicable for the respective commodities.

Note: All tariffs are equal to or below GATT bindings. Whole Birds, Dressed Fresh/Chilled (0207.12) attracts a GATT bound duty of 35 percent.

Table 2: Commodity, Poultry Meat, Chicken-16 weeks, PSD table

PSD Table							
Country:	India						
Commodity:	Ply, Meat, Chicken -16 wks						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin		01/2002		01/2003		01/2004	(MONTH/YEAR)
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	1400	1400	1500	1600	0	1800	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1400	1400	1500	1600	0	1800	(1000 MT)
Whole, Exports	2	2	5	5	0	10	(1000 MT)
Parts, Exports	0	0	0	0	0	0	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	2	2	5	5	0	10	(1000 MT)
Human Consumption	1398	1398	1495	1595	0	1790	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	1398	1398	1495	1595	0	1790	(1000 MT)
TOTAL Use	1400	1400	1500	1600	0	1800	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	1400	1400	1500	1600	0	1800	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)