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Report Highlights:

Expansion of India's poultry sector slows, but corn imports likely to lower feed costs and spur growth.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Summary

Low profitability is slowing the expansion of India's poultry industry to about 3 percent this year (CY 1999). Production is expected to accelerate next year for cyclical reasons and in response to falling feed costs arising from liberalized access to world corn supplies. About 125 tons of US poultry meat was imported last year by luxury hotels, the only buyers permitted to access these products. While the planned removal of quantitative restrictions in 2003 may create a major new market for US leg quarters, for now the prime opportunity lies in meeting the rapidly mounting corn import needs of India's commercial feedmillers.

Production

India's poultry sector is expected to grow by just 3 percent this year (CY 1999) due to falling farmgate prices, expensive feed, and lower export demand for eggs. Output is estimated at 35 billion eggs and 680,000 tons of meat. Production is forecast to accelerate to 37 billion eggs and 715,000 tons of meat next year due to stronger demand and reduced feed costs resulting from increased imports of corn.

Despite high prices for domestic corn, commercial feed consumption rose an estimated 9 percent to 2.4 million tons in MY 1998/99 (Apr/Mar). Gains were attributed to increased farmer awareness of poultry nutrition and further commercialization of the industry, especially in the South. Although poultry can be found throughout India, intensive egg production occurs in pockets located near transportation facilities and where availability of inputs is assured. Broiler production occurs nearer consumption centers due to constraints in the transportation of live birds and consumers' preference for freshly-slaughtered meat.

Production Developments

In southern India the broiler industry is becoming increasingly integrated. Some producers are even extending their reach to the retail level in order to net marketing margins. Production in the North continues to be mostly unintegrated, with producers regarded as "risk averters." Here, little attention is paid to feed conversion ratios or product quality, except for a few buyers who purchase hygienically-produced eggs from farmers at premium prices for further processing into value added products such as egg powder.

Within the integrated systems of the South, growers receive day-old chicks, feed, medicines and other services along with the assurance that their birds will be purchased at a contracted price. Costs are deducted from the payment made to the farmer and he receives bonuses as feed conversion ratios (FCR) improve. This system has encouraged a number of small farmers to enter the poultry business to supplement their incomes.

Although poultry production is becoming more commercialized, small numbers of indigenous birds continue to be raised in backyards, mainly for family consumption. The meat and eggs of these birds often sell at a premium as some traditional poultry consumers regard them as more nutritious and prefer the flavor of birds fed on a variety of feedstuffs including earthworms and insects. Although they have low FCRs, these birds are hardy and can survive climatic and nutritional extremes.

The commercial feed industry continues to expand, and its increasing access to world markets is beginning to soften prices to the benefit of poultry producers. About 115,000 tons of corn were imported in the first seven months of 1999, including the first commercial imports from the United States (85,000 tons). Industry sources estimate that the compound feed sector will need about 11 million tons by 2005, of which only 4.5-5.0 million tons can be supplied locally. Due to lower prices, use of soymeal in the poultry sector rose 36 percent last year (MY 1998/99) to 1.5 million tons. Use is expected to rise to 1.8 million in MY 1999/00 due to the increasing demand for compound feeds.

The marketing of birds/eggs continues to suffer from inadequate infrastructure, especially transportation and cold storage. Most eggs and birds are lifted from farms by local transporters who sell them to wholesalers or retailers. Wholesalers either sell the products to local retailers or to wholesalers catering to other consumption areas. Wholesalers also sell to egg/poultry meat processors. However, most egg powder producers/poultry meat processors use contract systems to ensure adequate supplies at agreed upon prices.

Processed poultry meat constitutes only about 4 percent of total production. Industry sources estimate that with increasing incomes and more working couples, processed meat may rise to around 15 percent of total output by 2005. Some of the major players have started marketing branded frozen cuts, and their sales are reported to be growing at 10 percent/year.

Commodity, Eggs, PSD

PSD Table							
Country:	India						
Commodity:	Poultry, Eggs						
		1998		1999		2000	UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin		01/1998		01/1999		01/2000	(MONTH/ YEAR)
Layers	143	143	150	150	0	160	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(MIL PCS)
Production	34000	34000	35500	35000	0	37000	(MIL PCS)
Hatch Eggs, Imports	0	0	0	0	0	0	(MIL PCS)
Shell Eggs, Imports	0	0	0	0	0	0	(MIL PCS)
Other Imports	0	0	0	0	0	0	(MIL PCS)
Intra EC Imports	0	0	0	0	0	0	(MIL PCS)
TOTAL Imports	0	0	0	0	0	0	(MIL PCS)
TOTAL SUPPLY	34000	34000	35500	35000	0	37000	(MIL PCS)
Hatch Eggs, Exports	60	80	75	90	0	105	(MIL PCS)
Shell Eggs, Exports	190	120	200	125	0	140	(MIL PCS)
Other Exports	270	115	350	40	0	40	(MIL PCS)
Intra EC Exports	0	0	0	0	0	0	(MIL PCS)
TOTAL Exports	520	315	625	255	0	285	(MIL PCS)
Hatch Eggs, Consumption	370	370	385	390	0	410	(MIL PCS)
Shell Eggs, Human	33110	33315	34490	34355	0	36305	(MIL PCS)
Shell Eggs, OT.Use/Loss	0	0	0	0	0	0	(MIL PCS)
Other Dom. Consumption	0	0	0	0	0	0	(MIL PCS)
Total Dom. Consumption	33480	33685	34875	34745	0	36715	(MIL PCS)
TOTAL Use	34000	34000	35500	35000	0	37000	(MIL PCS)
Ending Stocks	0	0	0	0	0	0	(MIL PCS)
TOTAL DISTRIBUTION	34000	34000	35500	35000	0	37000	(MIL PCS)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(MIL PCS)

Commodity, Total Poultry, PSD

PSD Table							
Country:	India						
Commodity:	Poultry, Meat, Total						
		1998		1999		2000	UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin		01/1998		01/1999		01/2000	(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	670	665	700	680	0	715	(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	670	665	700	680	0	715	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(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	0	0	0	0	0	0	(1000 MT)
Human Consumption	670	665	700	680	0	715	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	670	665	700	680	0	715	(1000 MT)
TOTAL Use	670	665	700	680	0	715	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	670	665	700	680	0	715	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)

Consumption

About 80 percent of India's poultry products are consumed in urban areas. Most eggs are used by households in the preparation of foods. Commercially, eggs are used mainly in bakery products and confectionaries. Egg powder producers consume less than one percent of total production, and produce mainly for export as domestic demand is almost nil. Due to the slump in world markets, three of India's six manufacturing facilities have closed. The others are trying to develop domestic markets among pasta, ice cream, confectionary and pancake premix producers. Cookie manufacturers have begun showing some interest in the use of egg powder (rather than raw eggs) in an effort to increase product quality.

Egg prices are low at rs. 113/100 eggs ($2.70) compared with the year ago price of rs. 125/100 eggs ($2.90). Farmgate prices for birds have dropped 23 percent to rs. 22-24/kg ($0.55) live weight compared with last year's rs. 30/kg, ($0.71). Nonetheless, retail prices have stayed at rs. 70-75/kg ($1.75) of dressed meat. Per capita consumption of eggs/poultry meat (35 eggs/690 grams meat) continues to be well below the government's recommended 180 eggs/1.9 kgs meat per year. However, increasing incomes, greater availability, persistently high pulse prices, and some concern over the cost and fattiness of sheep/goat meat are likely to encourage the consumption of poultry meat over the next few years. The National Egg Coordination Council (NECC) is involved in an advertising campaign to promote egg consumption. There also are efforts by a southern-based consortium of broiler producers and marketers (National Broiler Coordination Council) to promote poultry meat.

Production Policy

Poultry receives far less government support than other agricultural sectors, a situation which constrains the industry's growth despite its huge potential. Poultrymen receive no breaks on power prices or other inputs and are taxed at the same rates as non-agricultural businesses. The government does fund several research activities, as well as the Agricultural and Processed Products Exports Development Authority (APEDA), which provides infrastructural support for the export of eggs/egg products. Government and private entrepreneurs assist the NECC, which promotes egg marketing and consumption. Overall government support for the poultry sector increased from rs. 47 million in FY 1997/98 to rs. 55 million last year.

Trade

Exports of eggs/egg products and poultry meat are under no restrictions, while imports are effectively banned by licensing requirements. India exports large quantities of table and hatching eggs to the Middle East, specifically to the UAE, Oman, Saudi Arabia, Kuwait and Bahrain, all of which contain a large population of ethnic Indians. Exports of egg powder (estimated at 115 million shell egg equivalents) have been adversely affected by the global economic slowdown, stringent quality standards imposed by the EU, and cheaper supplies from Thailand and Brazil.

Although Russia and several Middle Eastern countries have increased their imports of Indian egg powder, it has not offset the downturn in EU and Japanese demand. As a result, only three of India's egg powder plants are still operating, and those at less than one-third of capacity. Egg powder exports are estimated to have declined

by 35 percent to 115 million shell egg equivalents in CY 1998. They are expected to plunge to 40 million in CY 1999 and remain there through CY 2000.

Table egg exports also fell sharply last year, from 150 million pieces (CY 1997) to 120 million pieces (CY 1998). Traders blame "highly-subsidized" EU eggs. Middle-Eastern countries and the Maldives are the major export markets for Indian table eggs. Export of hatching eggs, however, continued to increase in 1998 to 80 million, compared with 50 million in the previous year. This despite the fact that a major Indian hatching egg exporter has set up a breeding unit in Dubai to supply hatching eggs to Middle-Eastern markets. Table egg and hatching egg exports are forecast to reach 140 and 105 million eggs, respectively, in CY 2000 on revived demand from traditional markets.

Imports of poultry meat are sharply restricted. Only luxury hotels may import the product, and they must pay a tariff of 21.2 percent. Government policy permits imports of grand parent breeding stock under open general license (OGL). Grand parent hatching eggs are assessed a tariff of 44.0 percent, while grand parent chicks are admitted at 32.6 percent. Most broiler breeds and a few layer breeds are derived from American lines such as Cobb and Hyline. Some feed ingredients such as lysine, methionine, choline, vaccines and vaccine related raw materials can also be freely imported.

Market Opportunities

India’s growing poultry sector may require corn imports of up to 3.0 million tons by 2005 (well below industry estimates), as stagnating domestic corn production and increasing use of corn for other purposes (e.g., starch manufacturing) have led to chronic shortages of corn for feed. Recently, as local corn prices reached $175/ton (15 percent above year ago levels) domestic feedmillers began importing corn for the first time. Though such prices are, for now, seasonal, it is likely that they will become permanent as poultry feed requirements expand. India’s commercial feed industry is also expected to become a lucrative market for suppliers of feed additives, amino acids and various binding agents used in the manufacture of poultry feed.

There may also be further opportunities for the import of grand parent stock, as most birds are produced using US genetics which will need to be "upgraded" from time to time.

Removal of quantitative barriers in accordance with WTO disciplines seems likely to lead to large imports of poultry meat beginning in 2003. Indians prefer dark meat to light, and even with high duties, US legs should be competitive with the Indian product. Despite current restrictions which permit only luxury hotels to import poultry meat, US exports of poultry meat to India reached 125 tons in CY 1998.

Commodity, Eggs, Export Matrix

Export Trade Matrix			
Country:		Units:	million pieces
Commodity:			
Time period:	Jan-Dec		
Exports for	1998		1999
U.S.	1	U.S.	0
Others		Others	
U.A.E	110		
Netherlands	30		
Oman	27		
Japan	25		
Germany	23		
Austria	20		
Saudi Arabia	17		
Russia	15		
Bangladesh	12		
Korea	10		
Total for Others	289		0
Others not listed	25		
Grand Total	315		0

Commodity, Eggs, Price Table (retail prices)

Prices Table			
Country:			
Commodity:			
Year:	1998		
Prices in (currency)	Rupees	per (uom)	100 Eggs
Year	1997	1998	% Change
Jan	141	145	2.8%
Feb	145	116	-20.0%
Mar	135	105	-22.2%
Apr	110	104	-5.5%
May	117	106	-9.4%
Jun	137	127	-7.3%
Jul	163	151	-7.4%
Aug	140	134	-4.3%
Sep	149	134	-10.1%
Oct	158	147	-7.0%
Nov	167	172	3.0%
Dec	180	159	-11.7%
Exchange Rate	42.5	(Local currency/US $)	

Table 1: Trade Treatment for Poultry and Feed Ingredient Imports 1/

HTS Code	Commodity	Trade Policy*	Tariff**
010511	Poultry Grand Parent Stock	Free	32.60
0207	Poultry Meat	Restricted	21.16
0407	Eggs (Table/Hatching)	Restricted 2/	44.04
0408	Egg Yolks	Restricted	44.04
100590	Corn, for Feed	Free 3/	0
100700	Sorghum	Canalized	0
230120	Fish Meal	Free	0
2306	Oilmeals	Restricted	45.60
230910	Concentrates for Compound Feeds	Restricted	45.60
230990	Poultry Feed	Free	45.60

1/ All tariffs are equal to or below GATT bindings.

2/ Import of hatching eggs is free.

3/ Only for poultry and animal feed manufacturers, subject to actual user registration of import contract with the National Agricultural Cooperative Marketing Federation.

* All restricted items require an import license to be issued by the Director General of Foreign Trade.

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