

The Role of the Poultry Industry

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Over the last two decades the commercial poultry farming sector, which provides broiler chicken and eggs, has grown into a formal industry attracting more than BDT 15,000 crores in investment and employing more than 50-60 lac people. Continued growth in this sector will bring Bangladesh considerably closer to achieving the United Nation's Millennium Development Goals, particularly on poverty reduction and nutrition. This growth will also help the country develop into a middle income nation per the Government's Vision 2021. Implementation of policies and practices that support the poultry industry and ensure its current challenges are overcome will ensure sustainability and maximization of the tremendous growth opportunity that lies ahead.

A decade ago the largest farms produced up to 50,000 eggs per day or 10,000 broilers per week. Today they produce up to 500,000 eggs per day or 100,000 broilers per week. Currently there are 5 grandparent farms producing 2.8 lac parent stock per week and 32 parent stock farms producing 53 lac day old chicks (DOC) per week. Additionally, 50,000 commercial farms produce over 9,800 MT of broiler meat and 1,258 lac eggs per week. Yet, in comparison to Pakistan, Sri Lanka, Indonesia and Malaysia, where chicken meat consumption is 5.5, 5.7, 7, and 38 kg per capita per year, respectively, and chicken egg consumption is 60, 54, 87, and 320 eggs per capita per year, Bangladeshis only consume 3.2 kg broiler meat and 41 eggs per capita per year. This, coupled with the fact that poultry remains the cheapest source of protein, implies significant latent demand that can be tapped. Such growth would be desirable not only from an employment and income generation perspective, but also from a nutritional standpoint.

Today the average Bangladeshi draws just 6% of caloric energy requirement from animal protein versus the global average of 15%. Increased poultry consumption will ensure a more balanced nutrition, thereby contributing to MDG nutritional targets of reducing hunger and malnutrition rates, particularly among children. As GDP grows, increases in protein demand will drive further expansion in poultry farming, leading to economies of scale and lower prices, thereby making chicken protein more affordable and driving up its consumption. However, in order to ensure sustainable growth in the poultry industry, current challenges need to be met head on by all stakeholders.

The most severe challenge facing the commercial poultry sector over the last few years has been the widespread and recurring onset of avian influenza (AI), first in 2005 and again, with increased severity, in 2007 and 2010. The 2007 epidemic resulted in the closure of approximately 50% of poultry farms.

In 2010, there were 84 parent stock farms and 114,000 commercial farms with weekly production of 69 lac broiler DOC and almost 4 lac layer DOC. By 2012, these numbers had dropped to 32 parent stock farms, 50,000 commercial farms and weekly production of merely 49 lac broiler DOC and just over 3 lac layer DOC. The poultry industry is collectively grateful to the Government for recently allowing the introduction of vaccines, which should prevent similar levels of devastation in the future. Until now bio-security awareness, surveillance and stamping out were the major activities to control AI. Given the potential long-term effects of endemic AI with high probability of repeated future outbreaks, vaccinations are critical for ensuring sustainability of the poultry industry. The adoption of a Government-sponsored large scale vaccination program coupled with a substantive disaster recovery program, as successfully demonstrated in Vietnam and Indonesia, would ensure Bangladesh is better prepared to manage future AI outbreaks and associated socio-economic losses.

The spread of AI can also be curtailed by moving away from the system of wet markets most prevalent today. Such a move would require infrastructure investments in poultry processing, storage and distribution facilities. For reference, Sri Lanka has managed to develop its poultry sector to a point where 90% of chicken consumed is processed. An extension of the current tax exemption for the poultry industry from 2013 until 2021 would heighten the likelihood of such investments. This would hasten Bangladesh's progress towards middle income status in line with the Government's Vision 2021. However, increased investment would require affordable and sustained power, one of the perennial constraints to Bangladesh's industrial growth. Providing incentives for the usage of poultry waste for biogas production would help ameliorate the power shortfall while offering an environmentally-friendly method of waste management.

Another challenge facing the industry is the instability in DOC and feed prices. Average annual DOC prices from 2008 to 2012 were Taka 23, 32, 44, 25, and 45. The fluctuations in DOC prices partly stem from the length of the production cycle and the lack of inventory held. It takes 33 weeks for a bird to reach its laying peak and anticipated demand may alter during those weeks. Factors such as the price of substitute and complementary protein and vegetables ultimately determine actual demand at the end of the production cycle at which point there is likely a differential in available supply. This intrinsic mismatch in supply and demand of DOCs makes it extremely difficult to predict variability in prices.

Similarly, as feed constitutes approximately 65-70% of the cost of production of poultry meat and eggs, increases in feed prices affect poultry pricing. Over the last five years the price of maize and soy, which generally constitute 80% of feed, have increased by 36% and 142%, respectively. The price of feed has gone up 56% during the same time frame. The severe variability in prices and limited access to financing make it difficult for poultry farmers to sustain farms. A government initiative to provide a customized, low-interest loan product will help producers manage their cash cycle better and survive in volatile market conditions.



Dealers and agents typically sell farmers the inputs required such as feed from feed mills, commercial DOC produced by hatcheries, and veterinary pharmaceuticals. Live birds also reach consumers via intermediaries. This typically leaves the farmer with minimal bargaining power and results in higher costs of broilers and eggs. For example, over the last two years, farmers in the Mawna market earned only 16% profit per kg of broiler meat while agents and retailers received 38% and 36%, respectively. By streamlining the marketing value chain such that farmers sell their live birds directly to processing plants, we can ensure that a larger share of profits reach the farmers, who are the heart and soul of our nation. Today there are only two processing plants in Bangladesh. Incentives such as tax exemption and special interest rates to encourage further infrastructural investment will not only help curb the spread of disease, as aforementioned, but also establish a fairer system for farmers.

While trends suggest continued rise in demand for poultry is inevitable, the government should play a role in advocating the nutritional benefits of a higher protein diet. Simple yet effective measures such as incorporating an egg into school feeding programs will help improve the nutritional status of children while also reinforcing the value of protein intake. Given the widespread knowledge and impact of AI, it is also crucial that policymakers work with the industry to ensure safety and assure consumers of the same. For example, in line with Digital Bangladesh initiatives, incorporation of the poultry sector into Krishi (AIS) Tottho service will allow producers and intermediaries to receive timely access to disease management and other critical information. Other aforementioned regulatory policies such as the adoption of a large scale vaccination program, a substantive disaster recovery program, an extension of tax exemption status until 2021, low-interest loan products, and the promotion of a more efficient marketing system boosted by infrastructure investments are critical in overcoming instability and enhancing productivity and sustainability. If the tremendous opportunity in the poultry sector is realized, Bangladesh will take a giant leap towards achieving the UN's Millennium Development Goals and the Government's Vision 2021.

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