

‘In poultry market, branding of shop helps’

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For Coimbatore-based Suguna group, the growing market for chicken in the country has opened up opportunities across the poultry sector. During the last three decades, Suguna has built its capacities across the entire poultry vertical – from feed to processed and packed chicken. Its market has crossed boundaries. Started as a poultry company in Udumalpet, near Coimbatore, in 1984, it is today a Rs.5,000 crore plus group exploring opportunities in the food and agricultural space. Suguna Foods, the flagship company in Suguna Holdings, is into production of broiler, processed meat, ready-to-eat products, eggs, and poultry feed. The company exports its products to West Asian countries, and has operations in Bangladesh and Sri Lanka. Under the contract farming model, it has partnered over 18,000 farmers across the country for broiler and egg production. The company supplies day-old chicks and feed to the farmers. It also helps take care of the health of the birds. The farmers get “growing charges” and the company takes back the fully-grown birds for sale.

B. Soundararajan, Managing Director of Suguna Holdings, elaborates on the market, opportunities, and trends in the Indian market for the poultry sector. Excerpts from his interaction with *The Hindu*.

How has the Indian market evolved for poultry products during the last one-and-a-half decades?

Almost one-third of the Indian population either does not have access to, or cannot afford to buy chicken. Another one-third of the population is vegetarian. So, just one-third of the population consumes chicken. What was once a festive dish is now a weekly dish. In future, it will become a daily dish. That is the opportunity we are seeing in this business.

When we started (in the 1980s), chicken was known as country chicken and the Indian average of annual per capita consumption was 200-300 gm. Gradually, organised poultry came in, prices became affordable, and availability went up. This increased the availability of chicken at retail points. In Coimbatore, in the 1980s, there was just one bulk buyer in the city, and he used to purchase 2,000 kg of chicken a day. Now, the average daily consumption (institutional and retail) here is one lakh kg.

The annual per capita consumption of poultry in the country is now 3 kg. In developed countries, the total per capita consumption of meat is 70-80 kg. Even in developing countries, where meat is a daily food, it is 30-40 kg. Compared to these markets, Indian consumption is less.

The number of hotels serving non-vegetarian food has gone up. It shows the consumer interest and preference. Food habits are changing, especially among the younger generation. In the coming days, the consumer base will increase. That is the opportunity.

What is the market for processed meat?

The market for processed meat is just 4-5 per cent of the total chicken consumption segment. While the poultry sector is growing at about 10 per cent annually, the processed meat sector is growing at nearly 30 per cent.

It has three major buyers — quick serve restaurant chains (they buy only processed meat from certified plants), 5-10 per cent of restaurants have moved towards processed chicken, and retail consumers (4 or 5 per cent).

For the retail consumers, the limitation is availability of processed chicken according to their need. Very few modern retail outlets sell processed meat. Further, consumers' preference differs according to the cooking style and dish.

In such a market where customisation plays a major role, how do you think branding helps?

Sale of unpacked, but customised products in branded shops will succeed, rather than branding the product. For another 5-10 years, this will be the trend. Dairy has moved to packed concept mainly because availability of fresh products has reduced and customer trust of the product in the packed form has increased. In poultry, even in metros, consumers do not store meat in the refrigerator and use it over a period of time. They prefer to buy the product fresh from a meat shop and cook it immediately. In such a market, branding of the shop helps.

Now, tell us a little bit about competition

Competition is intensifying. Especially, existing players are growing.

What is the export potential?

We have gone to Bangladesh. But, we do not sell the end-product there. We sell feed and chicks (which are not fully grown birds). In Sri Lanka, we produce poultry feed. We export processed chicken to West Asia but not on a regular basis.

In the poultry sector, Brazil is a raw meat exporter across the world. Another major exporter is the U.S. which markets select chicken products to several countries. Thailand is a major exporter of cooked meat. It is difficult to compete with these countries. Our corn and soya prices are higher, and it is difficult to be cost-competitive. Further, these countries are looking at opportunities in India, which has a growing market.

Price of several agricultural products has shot up during the last one year. How is it affecting the feed sector?

We are an integrated company, producing from feed to packed chicken. We entered the feed sector in 1990. Livestock feed has three major categories — poultry, cattle and aqua. Farmers, who are in the layer segment (eggs), buy corn and soya and make the feed in their farm. In broiler, the farmer buys the feed from the market. Corn and soya are two main products for poultry feed. Availability of these is not an issue. The country has an annual corn production of 22 million tonnes and nearly 12 million tonnes is consumed by the poultry sector. But, corn is pre-dominantly rain dependent. So, if monsoon fails, prices shoot up. Since 2008, every year there is a 15 per cent increase in corn prices.

In the case of soya, 95 per cent of production is dependent on rain. Even internationally, the price of this commodity has gone up. Hence, feed cost has also shot up. Feed constitutes 80 per cent of the poultry production cost.

What are the challenges for the sector?

There are two major challenges — commodity price fluctuation and the sales side. In other countries, at the end of the crop season about 15 per cent stock of the produce is available. In India, where the crop season starts in October, the stock is almost nil by the end of the season. In September, availability comes down. This escalates the cost of production and the chicken price.

The next is the sales side. Chicken is not a product that is stored and sold. Hence, whatever the price on a given day, the product is sold.

What about bird flu?

As much as 80-85 per cent of eggs and chicken produced in the country are estimated to be from the organised sector. The organised sector includes contract farming and independent farming. In India, 70 per cent of production is from contract farming. Bird flu has not had an impact on the organised poultry sector.

How is poultry part of allied activities in farms?

Farmers should have allied activities so that they are not dependent only on crops for revenue. The input cost for agriculture will come down when they have poultry or cattle as allied activities.

In an integrated farm, the need for fertilisers will come down. Several farmers are taking poultry farming as an alternative source of income compared to direct agriculture income.

Broiler production is a commercial activity and several farmers evince interest in it. Income from poultry farming is sustainable to them. Further, poultry manure is good organic manure. Poultry is a focussed activity and can be taken up by those who are at the farm every day.

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