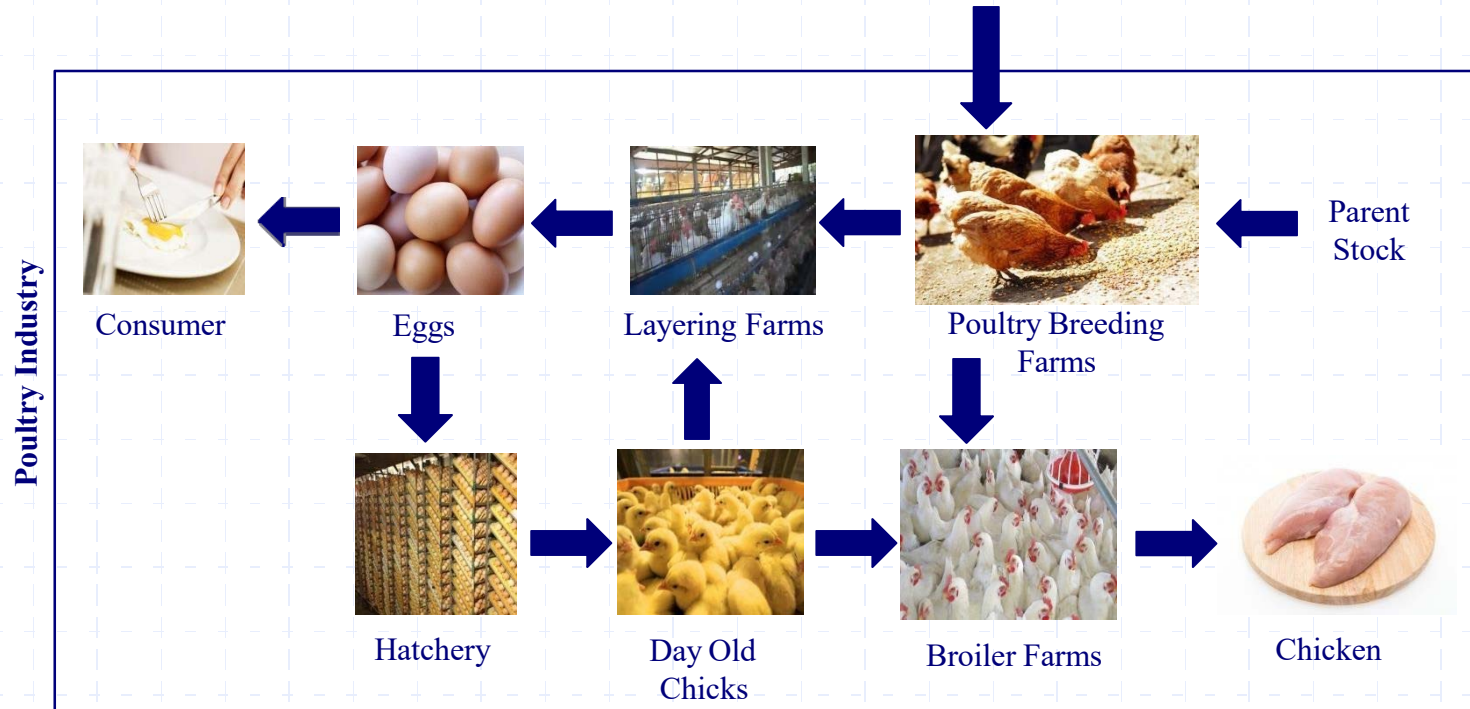
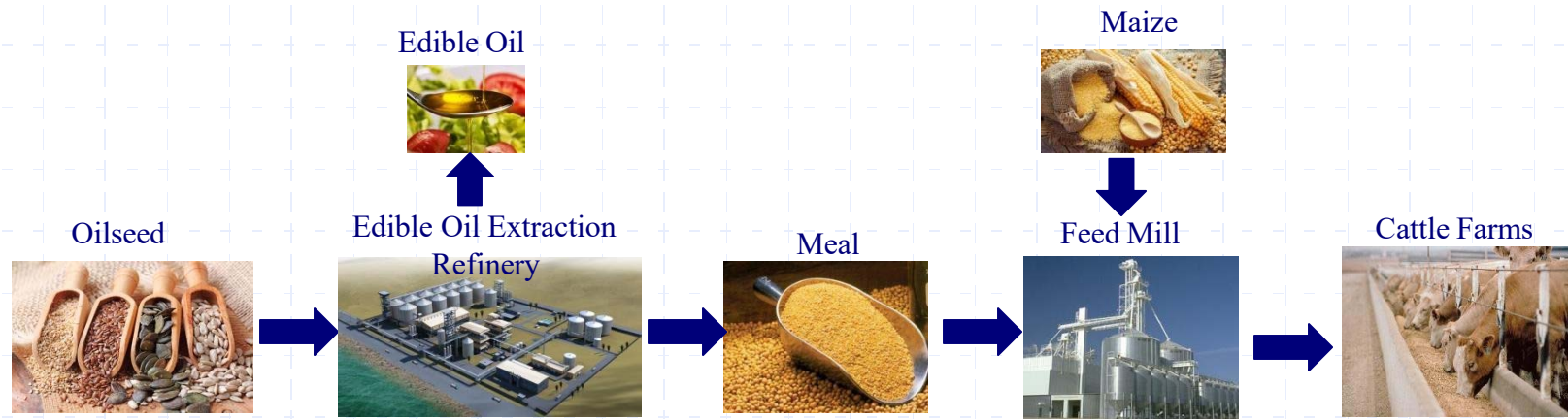


Food & Allied

Poultry Industry

March 2019

Industry Process Flow



Poultry

- Poultry is one of the largest agro based segment
- It accounts both domestic & commercial poultry
- In Pakistan, commercial poultry was established in 1962
- In FY18, investment in poultry sector ~ PKR 750 billion
- Pakistan's poultry industry is making a tremendous contribution in bridging
 - The available animal protein source for our masses
 - An effective check upon the spiralling animal protein prices





Poultry | Industry Process

- **Input:** Parent stock of birds & poultry feed from various feed manufacturing mills
- **Types of Poultry Farms:** Breeder units used for the purpose of planned breeding of parent stock
- Layering sheds gives better egg production under controlled environment
- In Hatcheries, eggs are hatched under artificial & controlled conditions
- In Broiler sheds, chicken is raised specifically for meat production
- **Output:** Day Old Chicks, Table Eggs & Chicken Meat

Poultry | Industry Snapshot

- Population growth, increase in per capita income and export opportunities are fuelling the demand of poultry products in Pakistan.
- Sectors' contribution in GDP ~ 1.4%
Contributed:
 - 7.5% to total Agriculture Value.
 - 12.7% to Livestock value.
- Employs 1.5 million people
- 15000 poultry farms spread from Karachi to Peshawar.
- Capacity of farms range from 5,000 to 500,000 broilers.
- Turnover of Pakistan Poultry Industry is about 750 Billion rupees.
- Its growth rate is 8 - 10% per annum
- Poultry meat contributes 32.7% of the total meat production in the country

Source: Pakistan Economic Survey FY18



Feed Conversion Ratio

Broiler

- Modern broilers weigh 2.5 kg in 35 days
- FCR ~ 1.6 kg of feed is consumed to gain 1 kg of weight/meat

Layer

- Annual egg production by a layer is around 330 eggs
- FCR is dependent on production percentage
- This differs in case of every flock, as per age of the bird
- Peak parameter is when 90-95% layers in a flock are laying eggs
- However, 1.5 kg of feed is consumed to lay a dozen of eggs when layer is at its peak of laying eggs i.e. 32 weeks



Growth In Poultry

In FY18, growth in poultry is evident as shown in the table below:

Type	FY15 (Mln)	FY16 (Mln)	FY17 (Mln)	FY18 (Mln)	Growth (%)
Domestic Poultry					
Cocks	11	11	12	12	3%
Hens	40	41	42	42	2%
Day Old Chicks	32	32	33	33	1%
Table Eggs	4018	4090	4164	4239	2%
Poultry Meat	113	115	118	120	2%
Commercial Poultry					
Layers	43	46	49	52	7%
Broilers	795	874	962	1058	9%
Breeding Stock	11	11	12	12	5%
Day Old Chicks	830	913	1004	1105	9%
Table Eggs	11307	12077	12900	13779	6%
Poultry Meat	961	1054	1158	1271	9%
Total Poultry					
Hen - Layer	83	87	90	95	4%
Day Old Chicks	862	945	1037	1138	9%
Cock - Broiler	806	885	973	1070	9%
Table Eggs	15325	16167	17064	18018	5%
Poultry Meat	1074	1170	1276	1391	8%

Production

Year	FY13	FY14	FY15	FY16	FY17	FY18
Poultry Population	785	855	932	1,016	1,108	1,210
Poultry Meat (000 Tonnes)	907	987	1,074	1,170	1,276	1,391
Eggs (mln no.s 1000 Tonnes)	13,813	14,556	15,346	16,188	17,083	18,037

- Both Poultry population and Poultry Meat production have witnessed a constant increase of ~ 9% since FY13
- Production of Eggs that had witnessed an increase of ~ 5% upto FY16, increased at ~ 6% in both FY17 and FY18

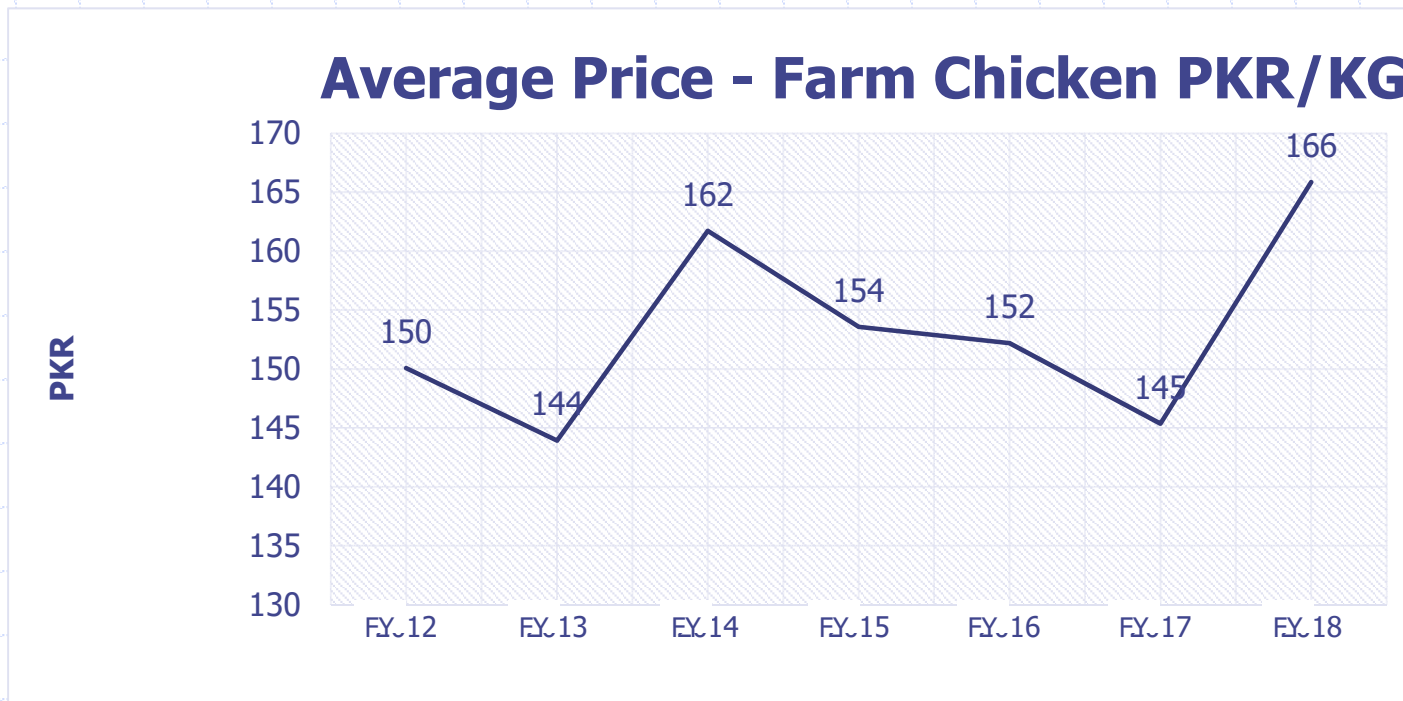


Consumption

Eggs Consumption	FY 18
Pakistan's Per Capita consumption	65 - 70 Eggs
Developed Countries per capita consumption	300 Eggs
World's average per capita consumption	160 Eggs
Poultry Meat Consumption	FY 18
Pakistan's Per Capita meat consumption	7 Kg
Developed Countries per capita meat consumption	40 kg
Pakistan's daily poultry meat consumption	17 grams
As per WHO, daily requirement of animal protein	27 grams

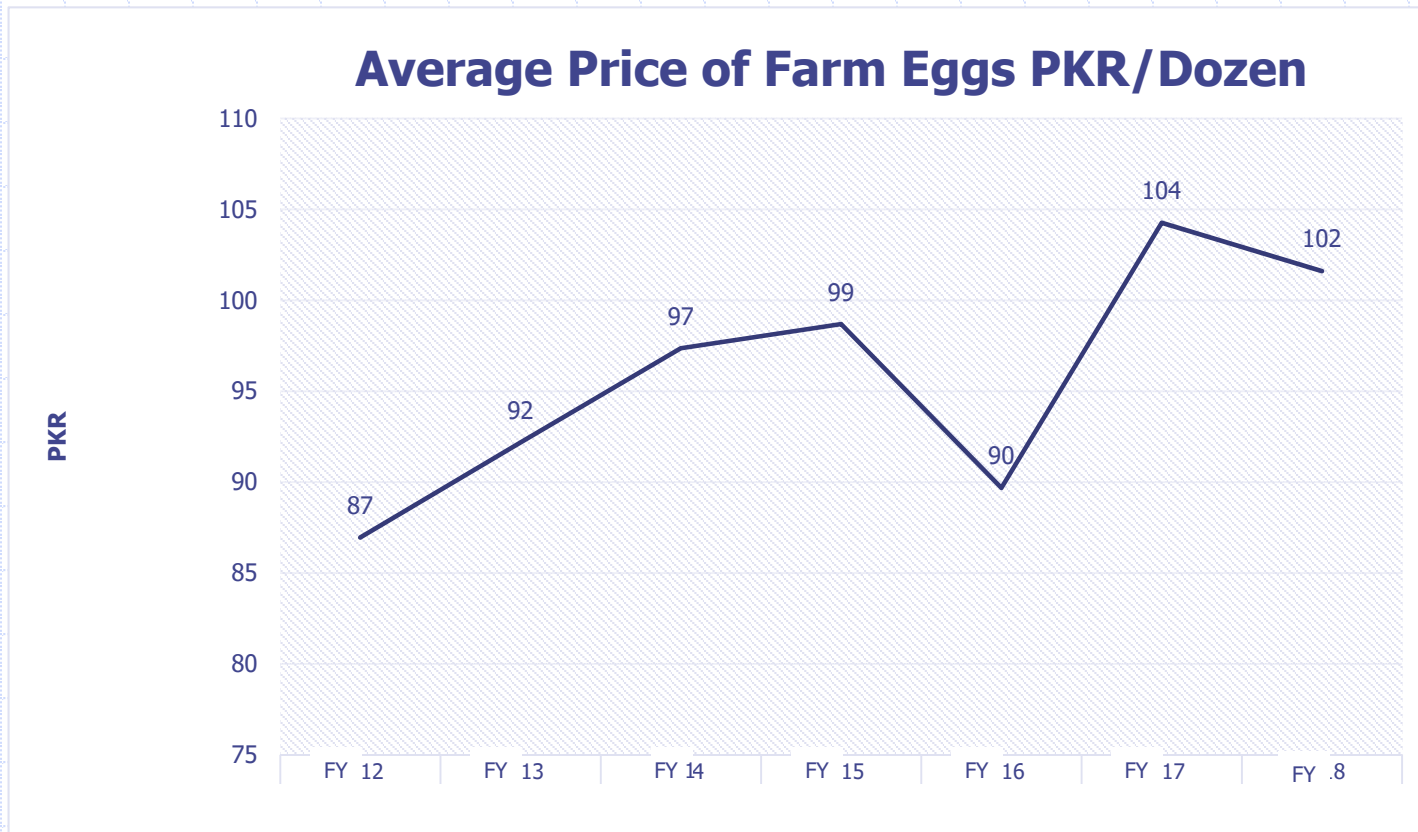
- Consumption Statistics have remained in line with FY17, with close to little or no change

Price Dynamics| Poultry Meat



- Poultry meat prices can be observed as volatile with several hikes and drops in the past 7 years.
- The highest annual average price being noted in 2018 as ~PKR 166/Per Kg, with volatility again surfacing as Dec 2018 prices ~PKR. 172 were 2.8% higher on a YOY basis with prices dropping by 21% in January 2019 on a MOM basis.
- Price hikes emanated from increase in Feed production costs that have been on a rise in FY18.

Price Dynamics| Eggs



- The average price of Farms Eggs excluding a dip in prices 2016 has seen incremental increases
- The prices at December 2018 and beginning of January 2019 have been gradually decreasing with a YOY decline of 8.6% and a MOM drop of 1.1%.



Regulatory Structure

Regulations	%	Stage of Imposition
Customs Duty	5%	Import of Grand Parent/ Parent Stock of poultry birds
Customs Duty	3%	Import of Incubators, Brooders and other Poultry Equipment
Sales Tax	7%	Local - Poultry Sheds, Incubators, Brooders and other Poultry Equipment
Income Tax	0.50%	Minimum tax as percentage of person's turnover for the year on poultry breeding, broiler production, egg production and poultry feed production
Sales Tax	16%	Electricity used in Poultry
Withholding tax	10%	
Withholding tax	Exempt	Poultry and its products
Sales Tax	Exempt	Import Of Poultry machinery & Equipment

Sources: Federal Excise Act (FY05 – Amended up to 01-Jul-18), Sales Tax Act (FY90 - Amended up to 01-Jul-18), Income Tax Ordinance 2001 updated upto 30-Jun-18 and Customs Act (FY69 - Amended up to 30-June-18)



Key Challenges

- Lack of Required Regulation by the Government of Pakistan on inspection of slaughter houses for ensuring contamination free and hygienic food production hampering potential exports.
- The poultry industry has to deal with 33 different departments to stay compliant. This creates legal, tax, procedural and administrative hurdles.
- Pakistan Poultry Association (PPA) is urging government to raise nutrition level in children, as 45% of children under 5-15 years are malnutrition.
- Price is based on demand and supply mechanism regardless of production cost.
- Continuous energy crisis and enhancement in electricity tariff rates.
- Extreme weather conditions during the year and spread of ND, IB, H7 and H9 viruses among different regions of Pakistan creates problems for poultry industry.
- Implementation of Biosecurity programs to control disease outbreaks.
- Issues surrounding inclusion of antibiotics in poultry feed and also the use of alternatives to antibiotic growth.
- Nutrition-related environmental issues (excretion of nutrients such as nitrogen and phosphorus in the manure)



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