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## Poultry Feed

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# Poultry Feed

Contents	Page.	Contents	Page.
Introduction	1	Business Risk   Margins	11
Process Flow	2	Financial Risk   Working Capital Management	12
<b>Global</b>		Duty Structure	13
Global   Overview	3	Rating Curve	14
Feed Composition	4	SWOT Analysis	15
Key Inputs   Maize & Soybean Dynamics	5	Outlook	16
<b>Local</b>		Bibliography	17
Overview	6		
Supply Dynamics   Maize	7		
Supply Dynamics   Soybean	8		
Demand Dynamics	9		
Business Risk   Demand side	10		

# Poultry Feed

## Introduction



**Starter Poultry Feed** is a protein-dense variety of chicken feed intended to fulfill baby chicks' dietary requirements. The main ingredient in it is Soybean Meal. It offers a high concentration of proteins, i.e., ~40-48% proteins.



**Grower Poultry Feed** has lesser protein content than starter. It is used after 4-6 weeks of feeding with chick starter. The main ingredient in it is maize. That helps in preparing their body and reproductive organs for the egg-laying activities.

### Product Portfolio



**Layer Poultry Feed** is fed after they have started their first egg laying cycle. This poultry feed mainly constitutes of wheat. It helps in development and rapid production of eggs and has a high-level calcium, which is useful for egg laying poultry birds.



**Broiler Poultry Feed** has a very high volume of protein for the rapid growth of the broiler. The feed helps the broiler develop very rapidly in ~02 months. The main ingredient here is fish meal. It is enriched with proteins that helps in growth.



# Poultry Feed

## Process Flow

Poultry Feed Sector majorly involves the following steps:

**Step 1:** Inputs of poultry feed both domestically produced (Maize) and imported (Soybean Seeds and locally-produced Soybean Meal) are first collected.

**Step 2:** These inputs are then sent to feed mills in order to form the mixture (Poultry Feed).

**Step 3:** This mixture is transferred to poultry farms for consumption by poultry birds.



Maize



Poultry Feed Mill



Cattle Farms



Meal



Poultry Farms



Oil Seeds



Edible Oils Extraction Refinery



# Poultry Feed

## Global | Overview

- The global market value of the Feed sector during CY23 clocked in at USD~465.6bln (CY22: USD~432.6bln). The Feed sector composes of Poultry (Broiler and Layer), cattle, pet and others. In CY23, the global market value for the sector was valued at USD~195.5bln with a growth of ~11.0% YoY. The market is expected to reach USD~218.0bln by CY31, at a CAGR of ~6.3%.
- During CY23, global Feed production stood at ~1.3bln MT (up ~1.8% YoY), of which, Broiler and Layer collectively formed ~42.0%. Broiler feed production depicted an increase of ~3.4% YoY while Layer Feed remained stable at the CY22 levels.
- China remained the largest Feed-producing country in the world in CY23 (~20.3%), followed by the USA and Brazil, with ~18.4% and ~6.4% shares in the global output, respectively.
- A slowdown in the overall production of animal feed, in response to tight margins experienced by many feed and animal protein companies, also contributed to lower feed demand. Changing consumption patterns caused by inflation and dietary trends, higher production costs and geopolitical tensions also influenced feed production in CY23.
- With respect to consumption, ~63.8% of the global feed production is consumed by the top ten countries, whereas ~50.0% of the world's consumption is concentrated in four economies, namely, China, the USA, Brazil, and India.

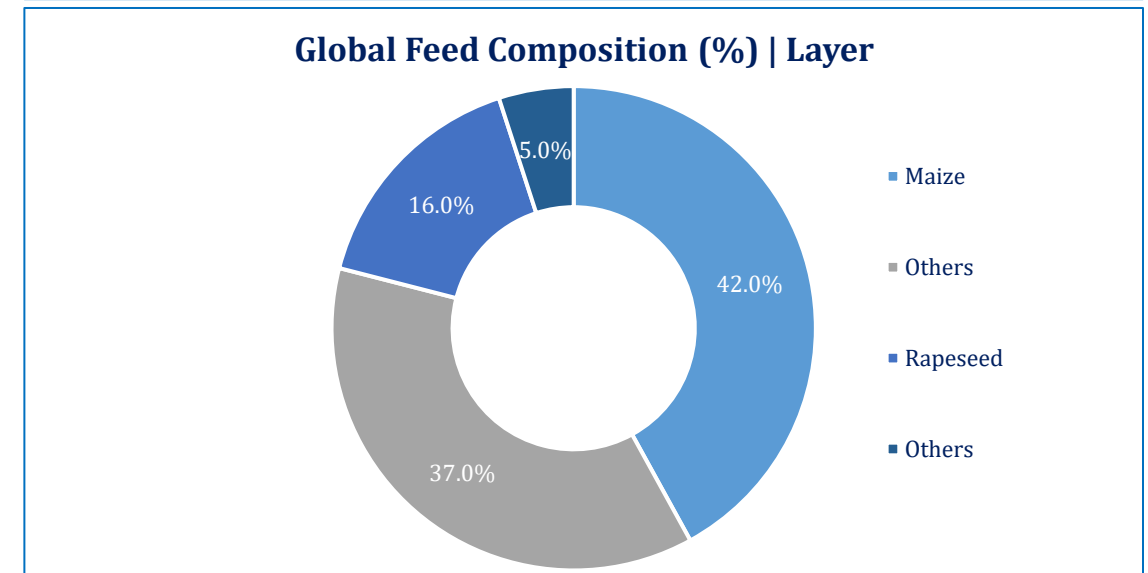
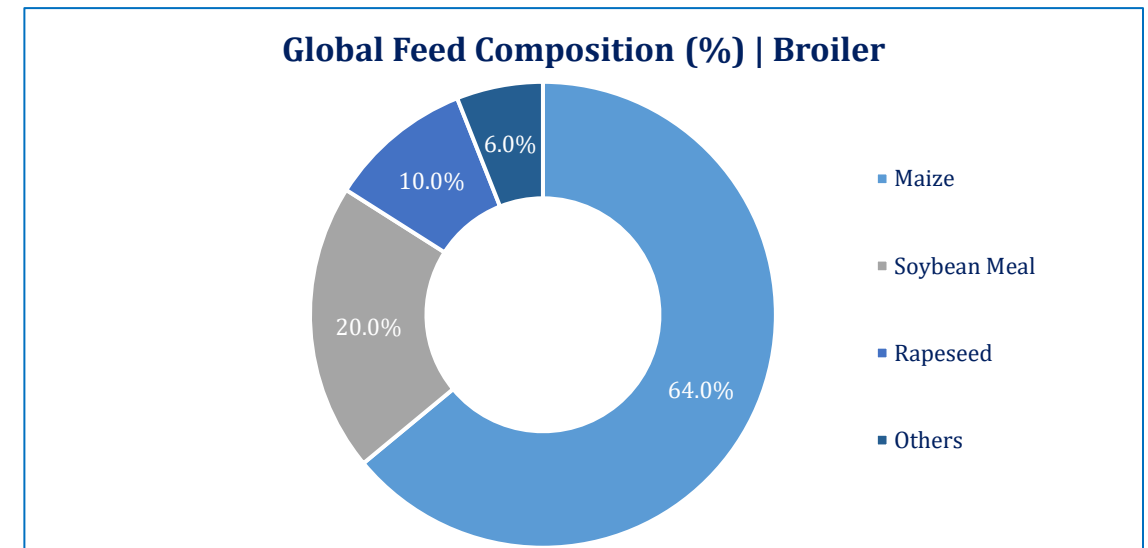
Country-wise Feed Production   mln MT			
Country	CY22	CY23*	YoY Growth (%)
China	260.7	262.7	0.7%
U.S.A	240.4	238.1	-0.9%
Brazil	81.9	83.3	1.7%
India	43.4	52.8	21.6%
Mexico	40.1	40.4	-0.7%
Russia	34.1	35.5	4.1%
Spain	31.2	27.5	-11.8%
Vietnam	26.7	24.2	-9.4%
Argentina	25.7	23.9	7.0%
Germany	24.4	24.8	1.6%
ROW	457.8	477.4	4.2%
<b>Total</b>	<b>1,266.4</b>	<b>1,290.6</b>	<b>1.8%</b>

\*Latest data available.

# Poultry Feed

## Global | Feed Composition

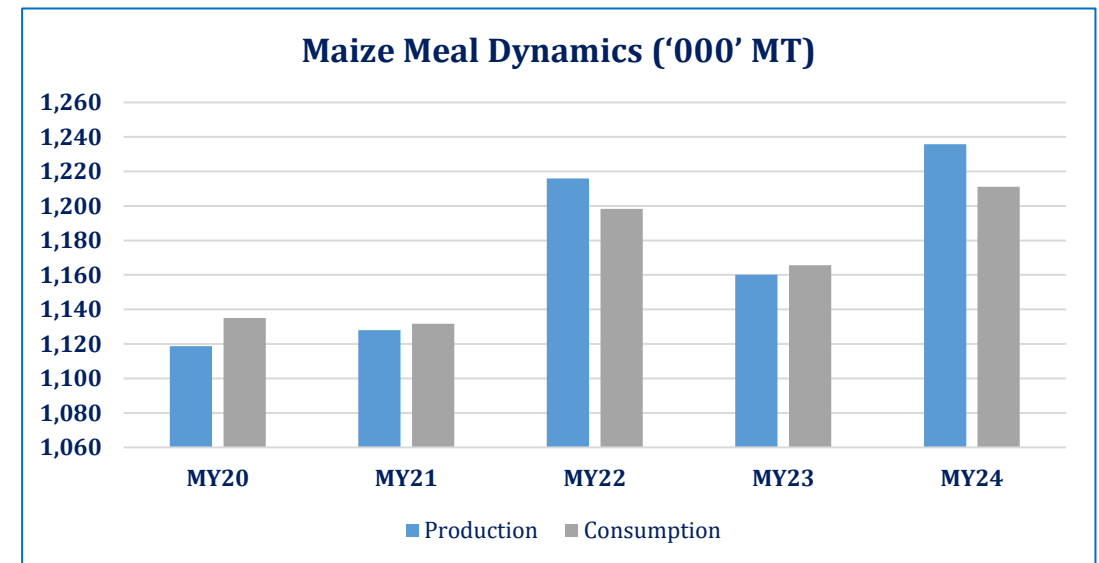
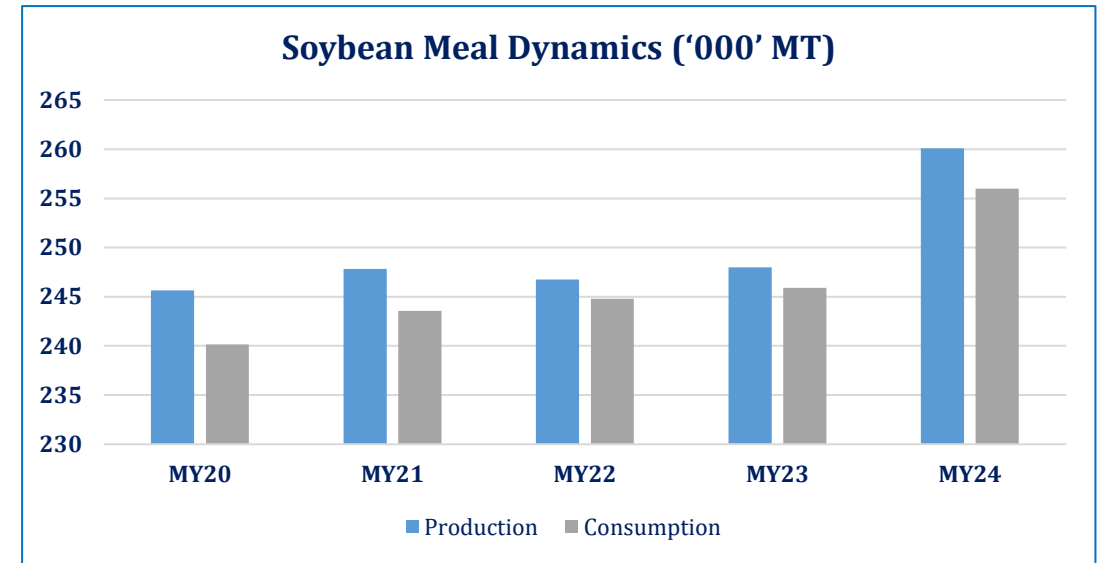
- Maize** has been globally recognized as a major energy poultry feed component. In a broiler starter diet, maize contributes ~65.0% of the metabolizable energy and ~20.0% of the protein. It is by far the most widely used cereal grain in the diets of intensively-reared poultry. The market size for Maize is expected to grow from USD~360.2bln in CY25 to USD~404.3bln by CY29, at a CAGR of ~2.9%.
- Soybean Meal**, primarily used as a protein supplement, serves not only as a source of metabolizable energy but is also used as food and poultry feed. Usually, ~1 bushel of soybeans (i.e. ~60lbs. or ~27.2kg) yields ~48lbs. (~21.8kg) of meal with soybeans.
- Maize and soybean are two major components of poultry feed. Thus, changes in dynamics of both components (local/ global) have direct implications on the sector's overall performance.
- Rapeseed Meal** is used as an alternative source of protein in feed. As with the case with soybean, rapeseed is being produced as by-products in the production of rapeseed edible oil. Rapeseed has a considerable share in global oil production.
- Others:** Major other components are cotton seed, animal protein feed, vitamins, hay meal, grass meal, among others.



# Poultry Feed

## Global | Soybean, Maize Meal Dynamics

- China is the largest global producer as well as consumer of Soybean Meal, with ~30.0% share in the global production and consumption recorded in MY24. Other prominent producers included the USA, Brazil and Argentina with shares of ~19.3%, ~16.7% and ~11.0% respectively, whereas other leading consumers included USA, EU and Brazil with ~14.2%, ~10.9% and ~8.3% shares, respectively, in the same period.
- For MY24, Soybean Meal production increased by ~4.8% YoY, led primarily by ~17.1% YoY growth in Argentina's output as it recovered from the MY23 draught. On the consumption side, competitive prices of Brazilian Soybean Meal, due to the abundance of produce in the last season, raised demand from China, resulting in ~4.1% YoY increase in global consumption.
- Global production of Maize Meal was up ~6.5% YoY in MY24 (USA's production levels had increased by ~3.8% YoY due higher yields). The USA was the largest producer, with ~32.0% share in global Maize Meal production, followed by China and Brazil with ~23.0% and ~10.0% shares, respectively. Global maize production forecast for the MY25 stands at ~1,225mln MT.
- Global Maize Meal consumption was up ~3.9% YoY in MY24 owing to the increase in consumption of Maize by China, India, Brazil and Indonesia by ~2.4%, ~1.4%, ~1.0%, and ~2.1% YoY, respectively.



**Note:** MY: Most countries are on an October/September Marketing Year (MY). The United States, Mexico, and Thailand are on a September/August MY. Canada is on an August/July MY. Paraguay is on a Jan/Dec MY.

# Poultry Feed

## Local | Overview

- Pakistan’s poultry feed turnover declined by ~7.7% YoY in FY24, as depicted. At present, the animal feed mill segment in Pakistan is relatively unorganized with sales being dependent solely on the poultry and livestock sectors and primarily generated via shops/ household premises. The sector’s market structure can be classified as competitive, with ~215 feed mills that are producing poultry feed.
- One of the key ingredients of Poultry Feed, Maize, is grown locally in the provinces of Punjab and KPK, which is highly dependent on the nature of climate. During FY24, Maize production declined by ~3.9% YoY due to a decrease in area under cultivation. Other key inputs, like Soybean Seed, are mostly imported where imports for these increased ~42.8% YoY to record at ~1.0mln MT during FY24.
- Poultry Feed is mostly used in controlled sheds where ~90.0% of the sales are made on credit, thus sector players are subject to credit risk from their customers. Moreover, any fluctuations in the demand for poultry products can directly impact the production and import of poultry feed.

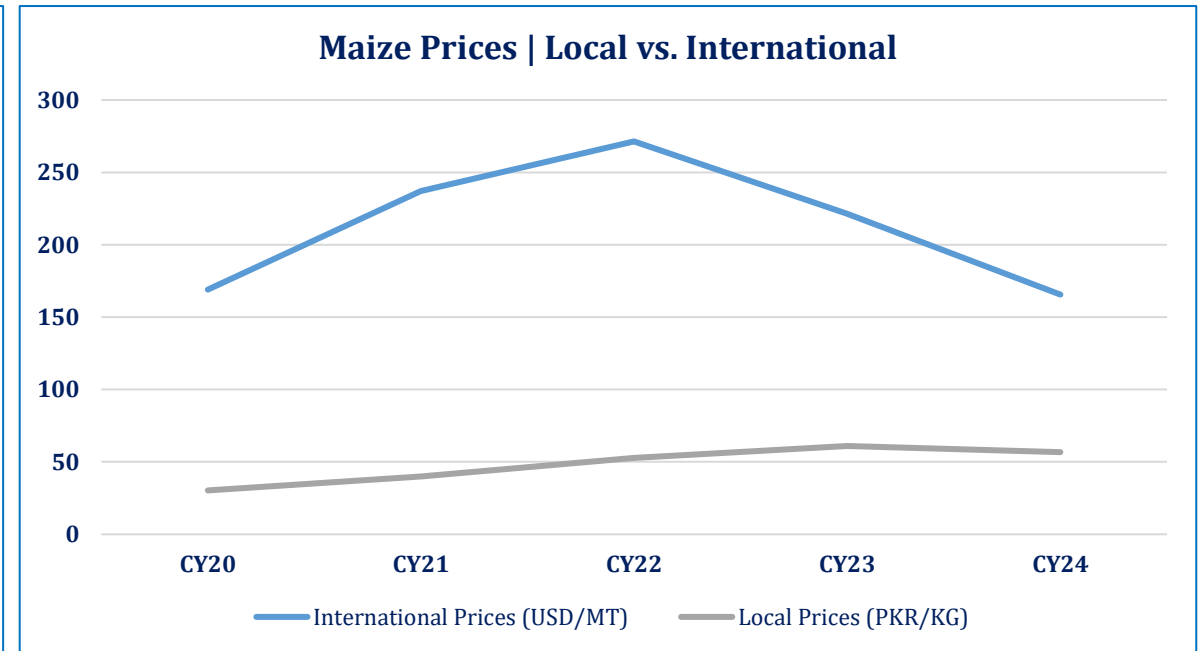
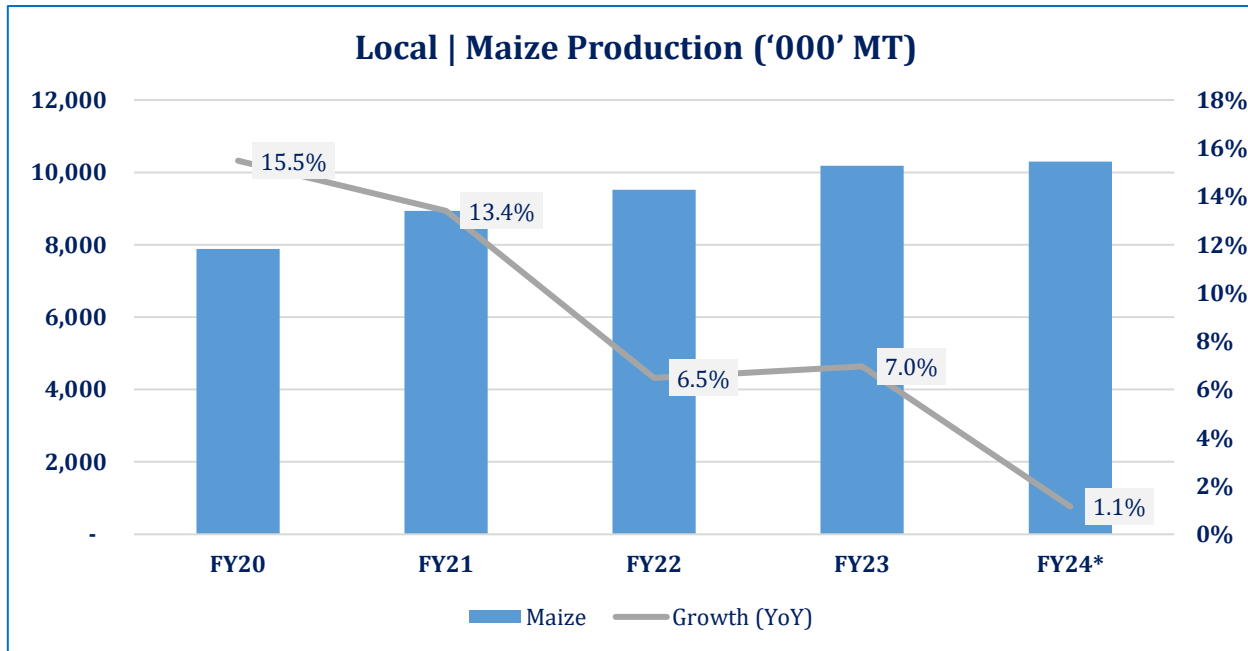
Sector Snapshot	Units	FY23	FY24
<b>Revenue</b>	<b>PKR bln</b>	827	763
<b>YoY Growth</b>	<b>%</b>	28.6%	-7.7%
<b>Contribution to GDP</b>	<b>%</b>	1.0%	0.8%
<b>Maize Production</b>	<b>mln MT</b>	10.2	9.8
<b>Soybean Seed Import</b>	<b>mln MT</b>	0.7	1.0
<b>Soyabean Meal Production</b>	<b>mln MT</b>	0.4	0.9
<b>Association</b>	Pakistan Poultry Association (PPA)		
<b>Market Structure</b>	Competitive		



# Poultry Feed

## Local | Supply Dynamics | Maize

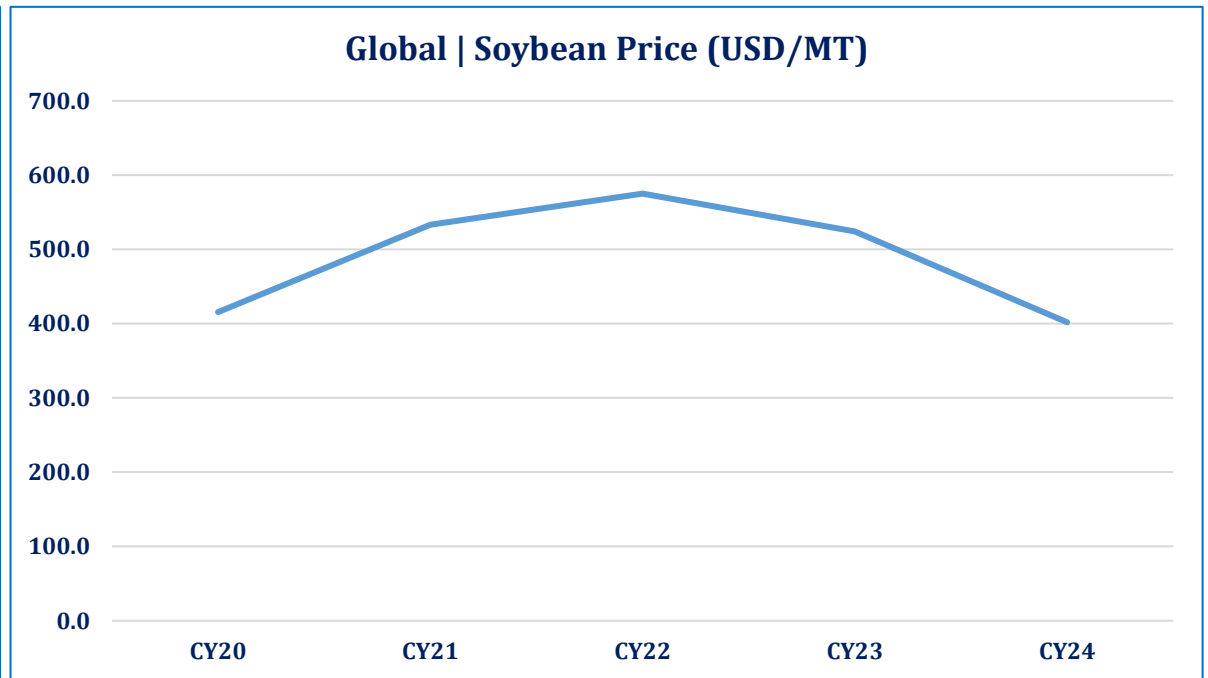
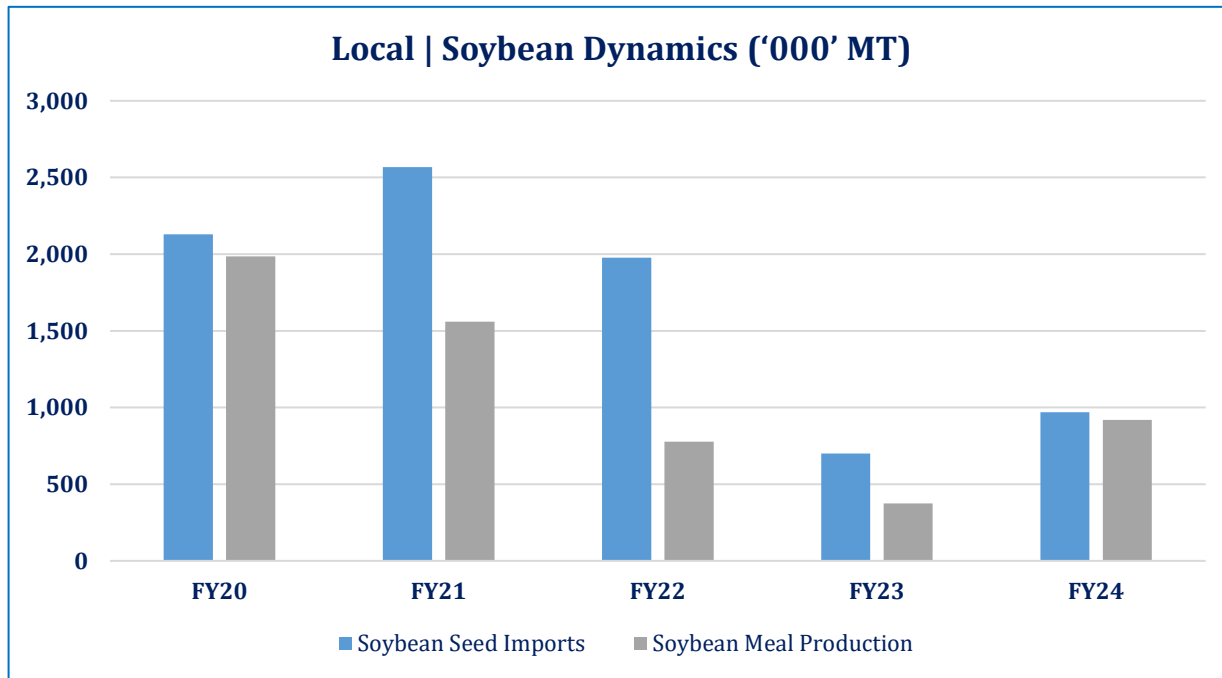
- Maize is the third important cereal crop of Pakistan after Wheat and Rice. During FY24, it contributed ~2.9% to the value added in agriculture and ~0.7% to the GDP. Pakistan is entirely self-sufficient in meeting local demand of Maize. The commodity is a multi-purpose crop as it is used for food, feed and fodder. During FY24, area under cultivation for Maize shrunk by ~4.5% YoY to ~1.6mln hectares. Subsequently, its production registered a YoY decline of ~3.1% during the year.
- Average global Maize prices during CY24 declined ~25.2% YoY to USD~165.6/MT due to an increased crop production, especially in Brazil, USA and Argentina. Considering encouraging production forecasts, prices are expected to remain rangebound in CY25. During CY24, average local Maize prices decreased ~6.8% YoY to PKR~56.8/KG.



# Poultry Feed

## Local | Supply Dynamics | Soybean

- Pakistan meets its local demand of Soyabean Meal majorly through imports of Soybean Seeds. During FY24, Soybean Seed imports increased ~38.6% YoY as import restrictions on Genetically Modified Organisms (GMOs) were lifted in Nov'23, per amendments in the National Biosafety Rules. Hence, Soybean Meal production clocked in at ~0.9mln MT for FY24, registering a YoY growth of ~145.9%.
- Global Soybean Seed prices decreased during CY24 to USD~401.8/MT, a YoY decrease of ~23.3%, as substantial harvests led to an oversupply in the global market, exerting downward pressure on prices. Global Soybean stocks were forecast to rise significantly, with ending stocks projected at ~128.5mln MT for CY25, up from ~111.7mln MT in the previous year.



Note: HS codes 1201.1000, 9000 (Soybean Seeds).

# Poultry Feed

## Local | Demand Dynamics

- Domestic Poultry production has traced an upward trajectory over the past years (FY19-24), exhibiting a CAGR of ~10.9% during this period. Local poultry output, including domestic and commercial, reached ~4,020mln during FY24, recording a YoY increase of ~9.7%. Poultry production is influenced by the quality and quantity of the Poultry Feed available for consumption by Poultry birds. ~70.0% of the total Maize produced is used in the production of Poultry Feed while ~20.0% is used in wet milling\* and ~10.0% in foods and seeds of the maize.
- The composition of Poultry Feed affects the conversion ratio of poultry birds and in turn affects the time it takes for the poultry bird to enter the supply chain for commercial and domestic usage. In FY24, the total feed usage recorded a decline of ~7.2% YoY, owing to a lower demand from the poultry sector. Among Poultry birds, Broiler has the highest consumption of feed (~58.4% in FY24). While poultry feed consumption for broiler is quoted ~3.2mln MT in FY24 (SPLY: ~3.5mln MT), Poultry Feed consumption by commercial layer stood at ~1.6mln MT, same as last year.

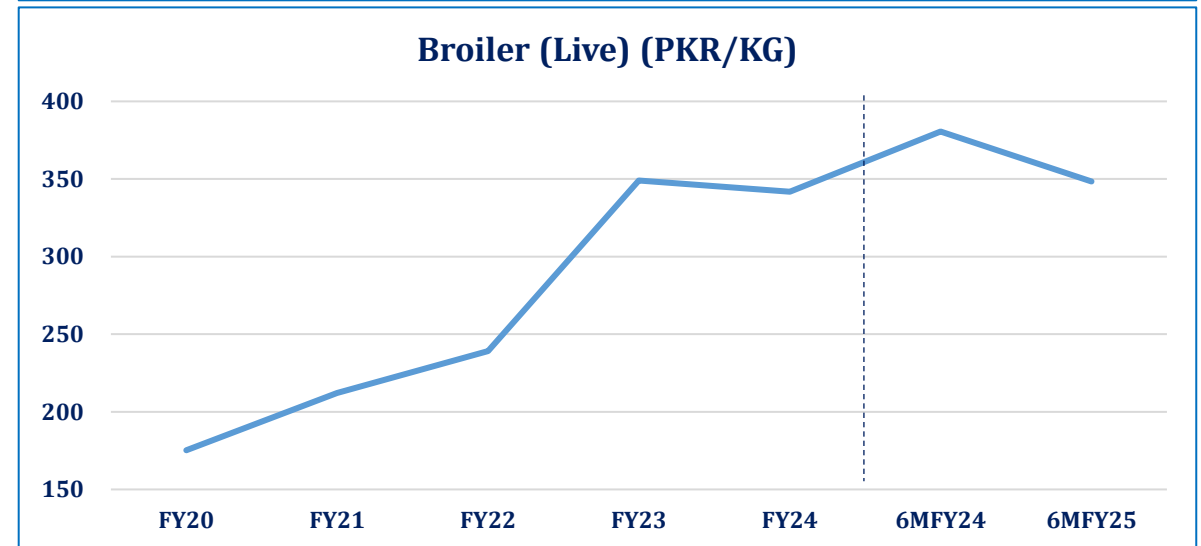
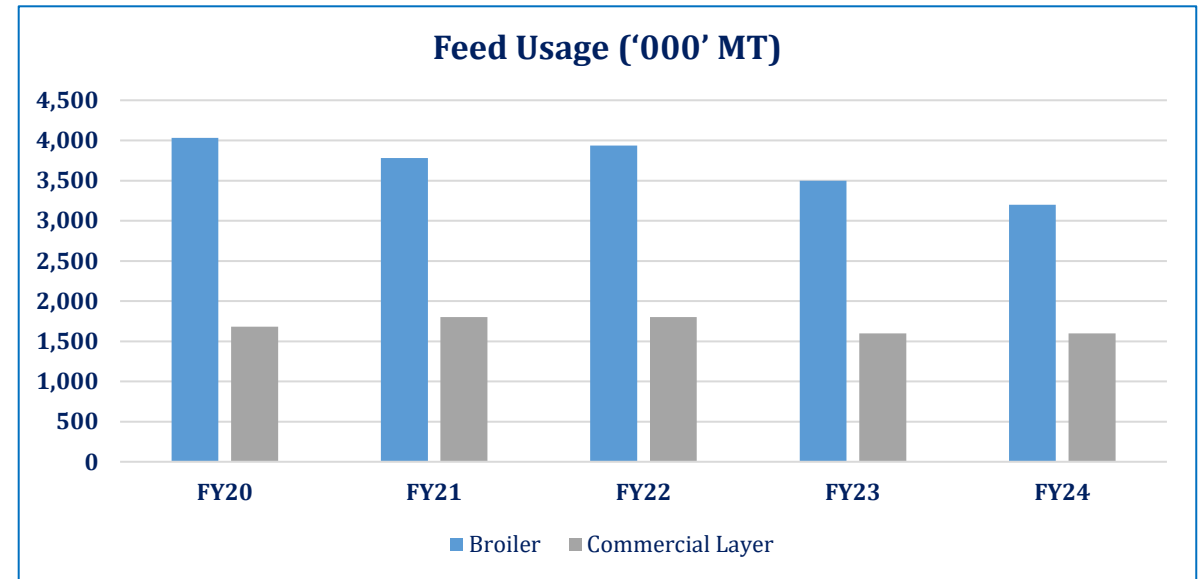
Poultry Supply (mln No.)	FY20	FY21	FY22	FY23	FY24	Poultry Feed Usage ('000' MT)					
						Broiler Farming	FY20	FY21	FY22	FY23	FY24
<b>Domestic Poultry</b>											
Cocks	13	13	13	14	14						
Hens	44	45	46	46	47	Grand Parent Stock	38	25	30	16	15
Broiler	33	34	34	34	34	Parent Stock	820	768	832	768	640
<b>Total Domestic Poultry</b>	<b>90</b>	<b>91</b>	<b>93</b>	<b>94</b>	<b>95</b>	Broiler	4,032	3,780	3,937	3,500	3,200
<b>Commercial Poultry</b>						<b>Layer Farming</b>					
Layers	60	64	68	73	78	Parent Stock	34	36	32	28	27
Broilers	1,280	1,408	1,549	1,703	1,874	Commercial Layer	1,680	1,800	1,600	1,600	1,600
Breeding Stock	14	14	15	16	16	<b>Total Poultry Feed</b>	<b>6,604</b>	<b>6,409</b>	<b>6,431</b>	<b>5,912</b>	<b>5,482</b>
Day Old Chicks	1,337	1,470	1,617	1,779	1,957						
<b>Total Commercial Poultry</b>	<b>2,691</b>	<b>2,956</b>	<b>3,249</b>	<b>3,572</b>	<b>3,925</b>						

\*The main products of wet milling are industrial starches, liquid glucose and dextrose

# Poultry Feed

## Business Risk

- **Operating Risk** refers to difficulties relating to the operations of sector players which can hamper their profitability. Inputs for the sector include both local and imported products.
- The Sector’s costs are subject to exchange rate volatility and global poultry feed prices to the extent of the imported raw materials. Other unavoidable factors include high inflation rates alongside import duties and sales tax structure of the sector which also indirectly impacts the profit-making capacity of the sector players.
- **Sales Risk:** The sector mainly derives its demand from the local poultry sector. Any disruption in demand from the poultry sector can hamper the demand of this sector significantly.
- Feed usage in the broiler chicken segment fell ~8.5% YoY during FY24, whereas the demand for commercial layer remained steady at ~1.6mln MT. However, the prices of broiler are not much impacted by the reduction in demand of poultry products as it is considered to be an essential commodity.
- Average price of broiler chicken during 6MFY25 declined to PKR~348.0/KG compared to the average price of PKR~381.0/KG during SPLY, owing to the easing of food-related inflation levels.

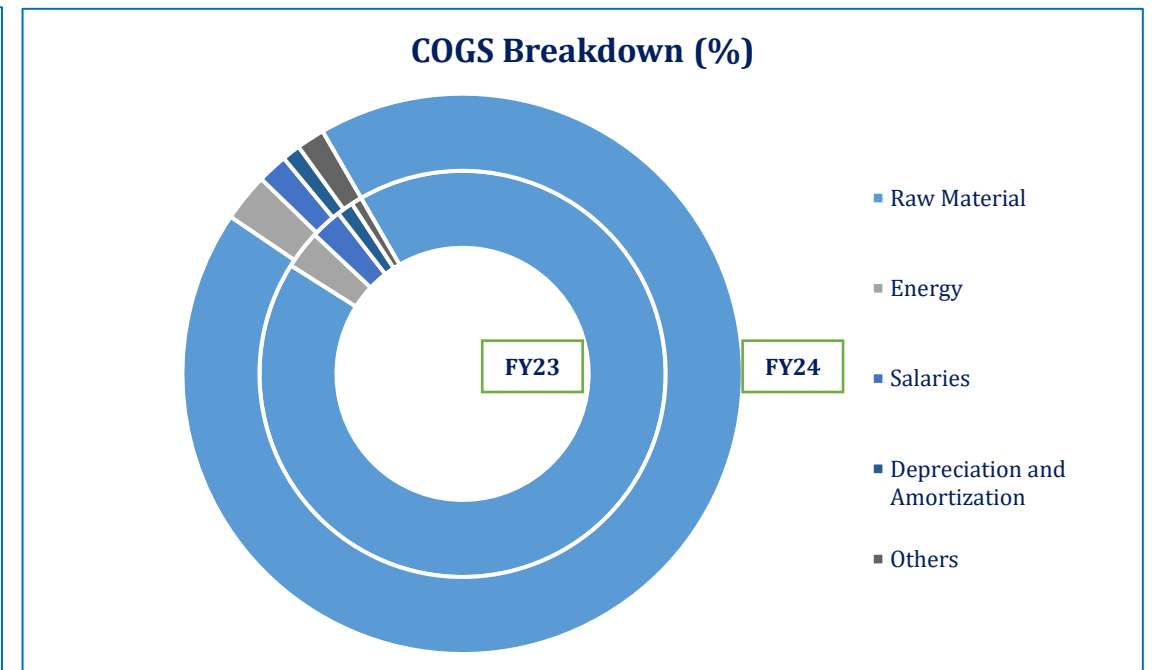
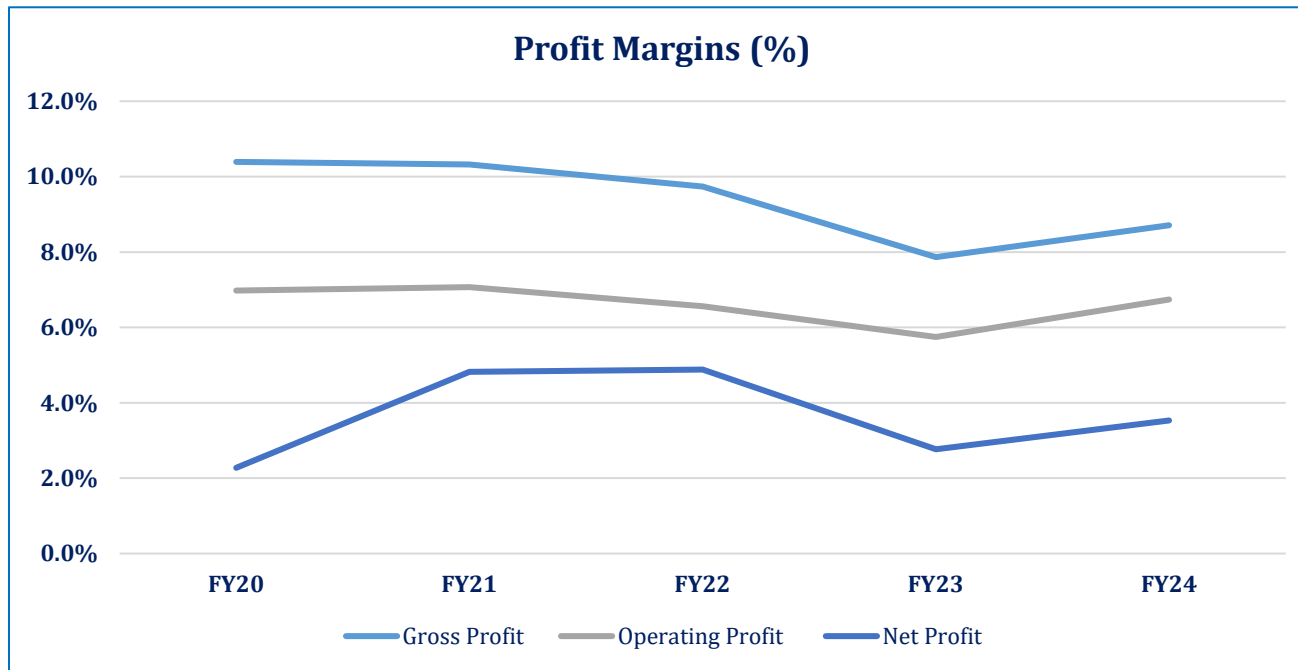




# Poultry Feed

## Business Risk | Margins

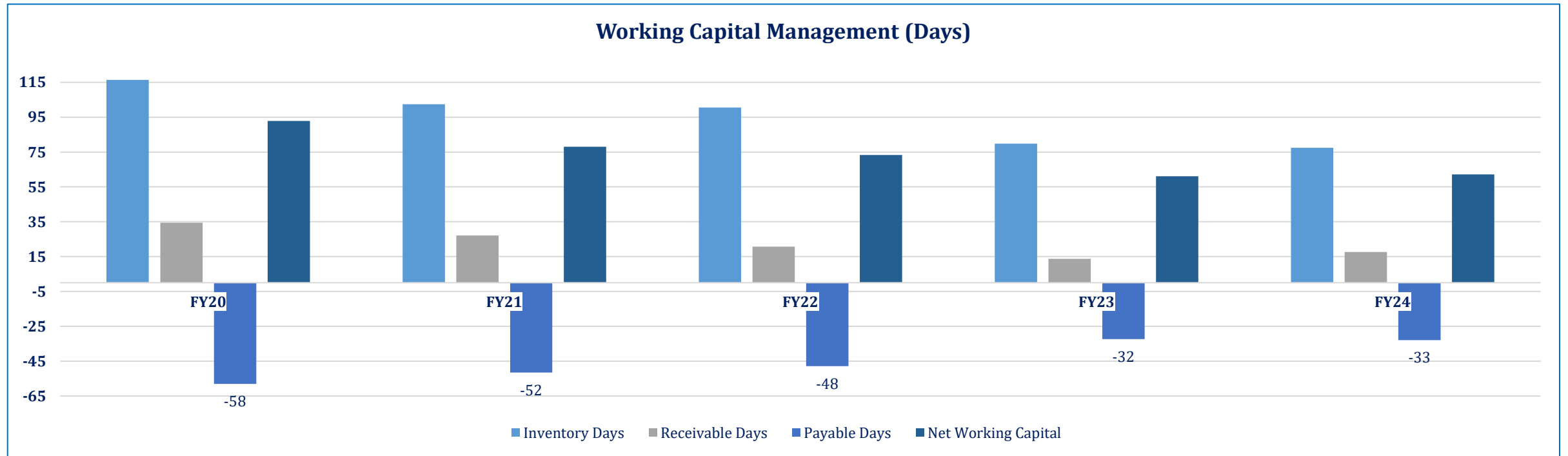
- During FY24, the sector's gross revenue increased by ~4.9% YoY (FY23: ~31.9% YoY) while gross profits rose by ~16.8% YoY in FY24 (FY23: ~39.8%). Meanwhile, cost of sales also increased by ~3.7% YoY (FY23: ~30.6%), resulting in overall average gross margins recording at ~8.7% (SPLY: ~7.9%). Moreover, operating profit was up ~25.2% YoY (FY23: ~43.2%), while the net profit registered increase of ~67.8% YoY during the period under review (FY23: ~2.2%). This resulted in average net margins improving to ~3.5% in FY24 (FY23: ~2.8%). During the year, the sector's finance costs rose by ~5.2% YoY, owing to high interest rates in FY24 (~22.0%), while other income increased by ~18.3% YoY.
- Raw materials constituted ~92.8% of the sector's production costs in FY24 and majorly comprised Maize and Soybean Meal. Price linkages to international market also have an impact on the costs borne by the feed millers. In case the rise in international prices of raw materials is not passed on to the customers, the whole impact is borne by the sector players.



# Poultry Feed

## Financial Risk | Working Capital Management

- The working capital cycle of the sector is generally characterized by high inventory and trade receivable days. Sector players significantly rely on short-term borrowings to finance their working capital needs which include purchasing and storage of feed, chick, incubators, farms equipment's and construction of sheds and vaccination of poultry birds, short term borrowings constitute a significant portion of the sector's borrowing.
- Average working capital days of the sector increased marginally to ~62 days in FY24 (FY23: ~61 days). However, average inventory days decreased to ~77 days (FY23: ~80 days), while trade receivables increased to ~18 days in FY24 (FY23: ~14 days). Average payable days also increased to ~33 days (FY23: ~32 Days).



*Note: Calculations are based on 03 PACRA rated clients.*

# Poultry Feed

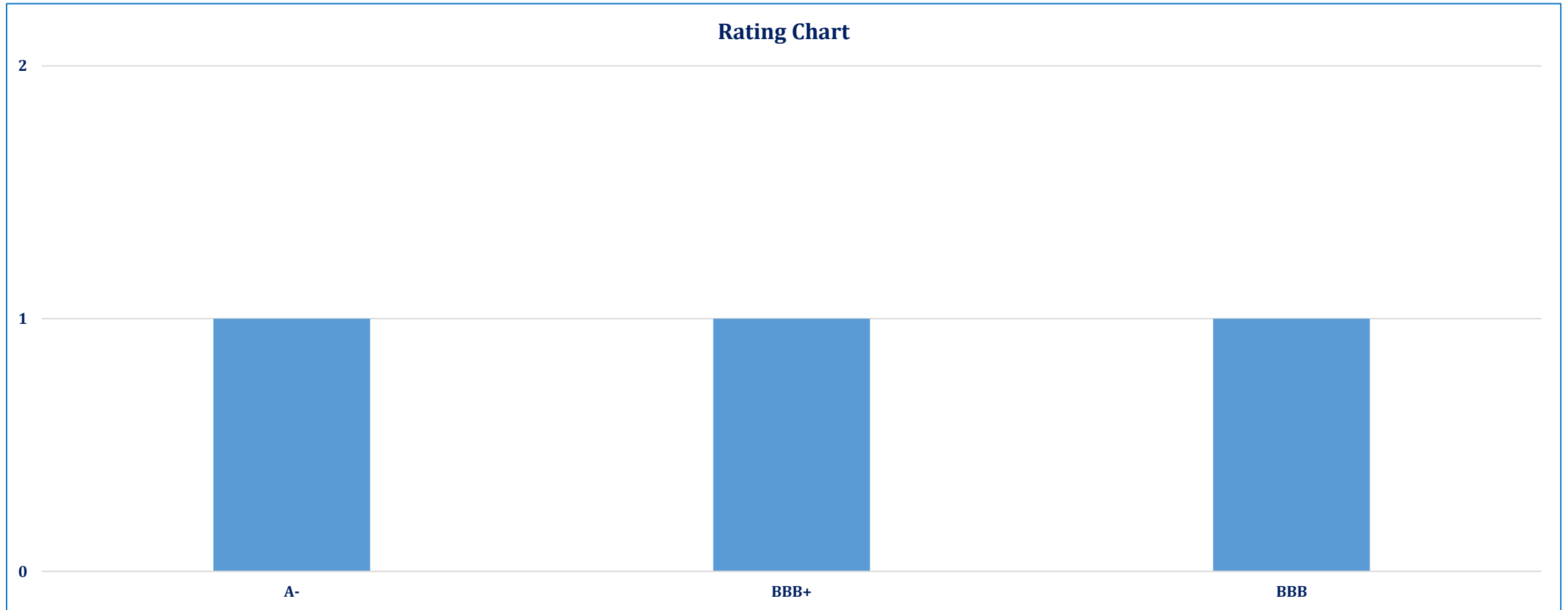
## Duty Structure

PCT Code	Description	Custom Duty		Additional Custom Duty		Total	
		FY24	FY25	FY24	FY25	FY24	FY25
<b>1201.1000</b>	Soyabean Seed	3%	3%	2%	2%	<b>5%</b>	<b>5%</b>
<b>1005.9000</b>	Maize	11%	11%	2%	2%	<b>13%</b>	<b>13%</b>
<b>1103.1300</b>	Meal of Maize	16%	16%	4%	4%	<b>20%</b>	<b>20%</b>
<b>1208.1000</b>	Meal of Soyabean	11%	11%	2%	2%	<b>13%</b>	<b>13%</b>

# Poultry Feed

## Rating Curve

- PACRA rates three players in the Poultry Feed sector. The rating bandwidth stretches from A- to BBB.





# Poultry Feed

## SWOT Analysis

- Sustained demand
- Local availability of major raw materials
- Ease of operating controlled sheds
- Government incentives and supportive policies
- Established supply network

### Strengths

### Weaknesses

- Lack of research and development initiatives
- Outdated technology used for making a mixture of poultry feed
- Unregistered and unorganized sector
- Perishable Items
- Addition of preservatives and steroids

- Economic and political instability
- Poor Infrastructure
- Low entry barriers
- Lack of required regulation by the government of Pakistan
- Outbreak of any viral disease in broilers
- Cartelization

### Threats

### Opportunities

- Increased research and development
- Rising population and purchasing power
- Low brand loyalty
- Vast distribution
- Modernization of technology used

# Poultry Feed

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## Outlook: Stable

- In FY24, Pakistan's GDP (nominal) stood at PKR~105.4trn, increasing, in real terms, by ~2.5% YoY (FY23: ~-0.2% YoY). Industrial activities in FY24 held ~21.9% share in the GDP while manufacturing activities made up ~62.9% of the value addition. In 1QFY25, Pakistan's GDP (nominal) stood at PKR~26.3trn, increasing, in real terms, by ~0.9% YoY and signaling a slight improvement in economic activity.
- The Poultry Feed sector is important for the country's food security, with Maize and Soybean Meal being the major inputs. Pakistan is entirely self-sufficient in meeting the local demand for Maize. The commodity is a multi-purpose crop as it is used for food, feed and fodder. During FY24, area under cultivation for Maize shrunk by ~4.5% YoY and, subsequently, production registered a YoY decline of ~3.1% YoY.
- Soybean Meal is another major input, demand for which is met majorly through imports of Soybean Seed, which exposes the sector to change in international prices and exchange rate fluctuations. In FY24, Soybean Seed imports increased ~38.6% YoY as import restrictions on Genetically Modified Organisms (GMOs) were lifted in Nov'23. Hence, Soybean Meal production clocked in at ~0.9mln MT for FY24, registering a YoY growth of ~145.9%.
- During FY24, the sector's gross revenue increased by ~4.9% YoY while cost of sales also increased by ~3.7% YoY, resulting in overall average gross margins recording at ~8.7%. Further, average net margins improved to ~3.5% in FY24. During the year, the sector's finance costs rose by ~5.2% YoY, owing to high interest rates in FY24 (~22.0%), while other income increased by ~18.3% YoY.
- Going forward, the sector's performance is expected to remain rangebound, owing to the improved macroeconomic indicators. Owing to increase in population and lower inflation levels, demand for food items such as Broiler/ Layer poultry is likely to increase. Moreover, lower international prices and a stable currency might translate into better gross margins for sector players while lower interest rates are likely to provide respite in the form of better repayment capacity and improved net margins.
- Nonetheless, there is a need for the sector players to shift to alternatives for Soybean Meal such as cotton seed, rapeseed, mustard seed, sunflower seed and canola seed, which will serve to further lower the sector's vulnerability to international prices and import restrictions.

# Poultry Feed

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- Pakistan Bureau of Statistics (PBS)
- Financial Statements
- PACRA Internal Database

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