



Poultry

Sector Study

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Poultry

Global Snapshot

- Poultry farming is one of the key components of agricultural sector. It is an important part of livestock industry. It is divided into three distinct segments including breeding, production and processing.
- There are commonly two different types of poultry farming, i.e., broiler poultry farming & layer poultry farming
- Finished products from poultry farming consists of day-old chicks (DOC), farm eggs and meat.
- Poultry products are distributed through a variety of channels including wholesale, retailers, corner shop retailers and hawkers etc.
- **Global Market size:** In CY22, the global turnover of poultry sector is estimated to reach USD~351bln (CY21: USD~337bln), with a YoY increase of ~10%. The global per capita turnover is estimated around USD~44/person (USD~40/person), with a YoY increase of ~2%. The global sector's share to GDP has been in between ~0.3%~0.4%. during CY18 to CY22*. The market is expected to grow to USD~493.2bln in CY26 at a compound annual growth rate (CAGR) of ~8.9%.

Industry Snapshot	CY18	CY19	CY20	CY21	CY22*
Turnover - (USD bln)	267	319	311	319	351
Turnover per Capita - (USD)	35	41	40	40	44
Share to GDP	0.3%	0.4%	0.4%	0.3%	0.3%
Growth Rate (Annual)	3.0%	3.0%	-2.7%	2.5%	10.1%

Source: Report Linker

*Estimated



Poultry

Inputs

Parent flock of birds



Parent flocks are owned by integrated broiler farms or hatcheries. The female and male birds are bought from a major breeding farm at day-old (DO). The birds are placed on specialist rearing farms until around eighteen weeks of age and are then transferred to production farms.

Poultry feed



Conventional poultry food usually includes many cereals like maize, rice, wheat, oat, barley; and a few cereal byproducts such as wheat-bran or rice polish, animal and vegetable protein sources like fish-meal, meat-meal, soybean-oil-meal, groundnut-cake, etc. according to their availability. The quantity of feed and the nutritional needs of the feed depend on the weight and age of the poultry, the rate of growth of the poultry, the rate of development of eggs, the weather (cold or wet weather induces higher expenditure of energy) and the quantity of nutrients received by the poultry from foraging.



Day Old Chicks



The newly-hatched chick is the "day-old chick" (DOC) . Day old chicks are obtained from the eggs laid by the healthy parent flocks of different breeds.

Farm Eggs



In the shape most common to customers, fresh and in-the-shell, are table eggs or shell eggs. Although commercial table eggs may come from a range of birds, many of the procedures are the same.

Broiler Meat



A broiler is any chicken that is bred and raised specifically for meat production. Most commercial broilers reach slaughter weight between four and seven weeks of age, although slower growing breeds reach slaughter weight at approximately 14 weeks of age. Typical broilers have white feathers and yellowish skin.



Poultry

Process Flow

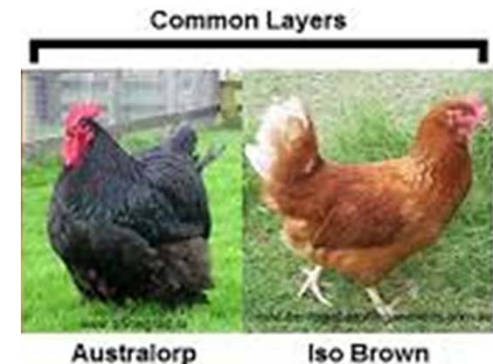




Poultry

Types of Poultry Farming

- Layer Poultry Farming:** Poultry birds that are used for egg production are involved in this method of farming. Generally, at 18-19 weeks of age, a commercial hen begins laying eggs. When these broilers drop in age brackets of 70-72 weeks, they reduce producing eggs. Producers typically hold hens from the first laying cycle for around 12 months and then transfer these hens to the slaughter house. Months of warming for poultry birds laying eggs are favored over cooler months. Layer poultry is raised by a range of techniques, some of which are explained below:



Common Layers

Australorp

Iso Brown

Free Range Method

Allowing all poultry birds to freely roam for a certain period of day

Organic Method

Allowing certain number of poultry birds to freely roam for a certain period of day

Yarding Method

Allowing poultry birds to be raised together with cattle.

Battery Cage Method

Here, 3-8 poultry birds are raised in metal cages and eggs are collected on conveyer belt of the cage.

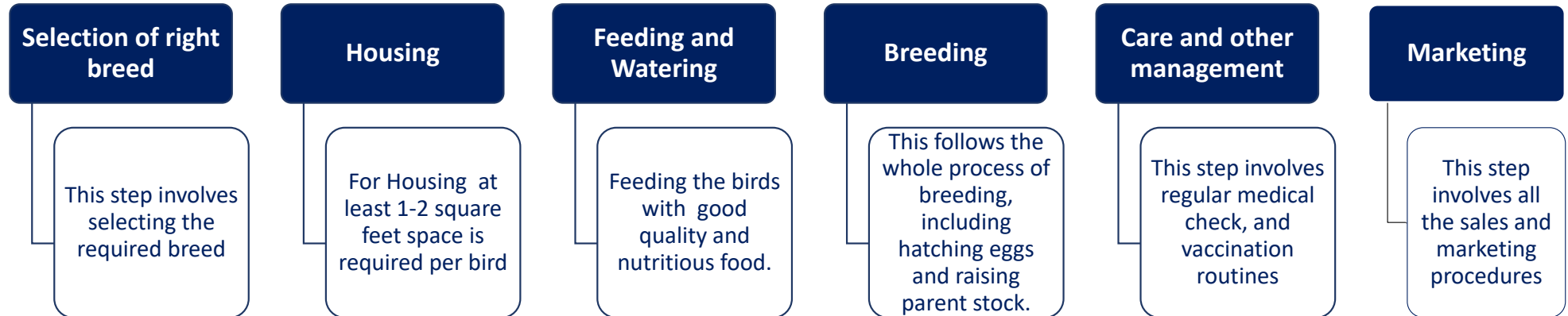
Furnished Case Method

Transformed version of battery cage with better space and facilities.

Poultry

Types of Poultry Farming

- Broiler Poultry Farming:** In this type of farming, poultry birds are raised for the processing of commercial meat. These birds are generally referred to as broilers and are bred before becoming suitable for consumption in just 5-6 weeks to achieve a weight of 2kgs. Most of these broilers are artificially picked and bred on a large scale and have white feathers and yellowish eyes. These birds are observed to have a high rate of growth but as low degree of activity. The typical boiler poultry framing raising systems includes:

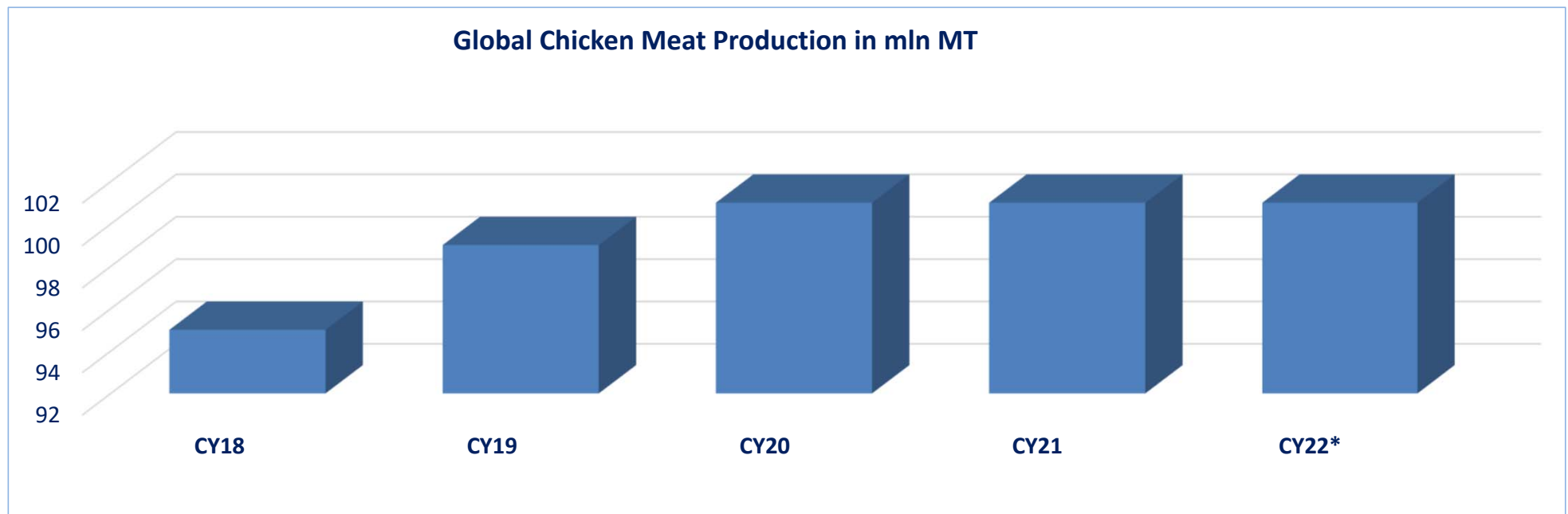




Poultry

Global Production

- Global Poultry Sector's revenue is estimated to reach at USD~351bln in CY22 (USD~337bln in CY21), an incremental demonstration of ~10% on YoY basis. Growth in CY22 is expected to be driven largely by the two markets, USA and Brazil, having global meat production share of ~23% and ~15% respectively followed by China (~14%).
- The global chicken meat production estimates have largely remained unchanged (CY22:~101mln, CY21:~101mln MT).



*Estimated

Poultry

Global Production | Country Wise

- In terms of global chicken meat production, USA leads the market with a production of ~23mln MTs (CY20:~20mln MTs) while China ranks the second with a production of about ~15mln MTs (CY19:~14mln MT). . By contrast, China’s poultry meat production is forecast to drop, given the high probability of consumers switching back to pig meat.
- Pakistan ranks at number 11 in terms of chicken production, which was recorded at ~2mln MTs in CY22 (CY21: ~2mln MT).

Chicken Meat Production (mln MT)					
Sr No.	Country	CY21		CY22*	
		Amount	% Share of World Market	Amount	% Share of World Market
1	USA	20	20%	23	23%
2	China	15	15%	14	14%
3	Brazil	15	14%	15	15%
4	European Union	11	11%	11	11%
5	Russia	5	5%	5	5%
6	India	4	4%	4	4%
7	Mexico	4	4%	4	4%
8	Thailand	3	3%	3	3%
9	Turkey	2	2%	2	2%
10	Argentina	2	2%	2	2%
11	Pakistan	2	2%	2	2%
12	Malaysia	2	2%	2	2%
	Others	16	16%	14	14%
	Total	101	100%	101	100%

*Estimated

Poultry

Global Consumption | Country Wise

- In terms of Poultry meat consumption, USA again leads the market (~17mln MTs) with no deviation in three years. China ranks the second with a consumption of about ~15mln MTs. Lately, there is a decrease in consumption of poultry meat in China as demand shifts to other meat products.
- Pakistan ranks at 11th number in terms of poultry meat consumption, which was estimated around ~2mln MTs in the last couple of years.

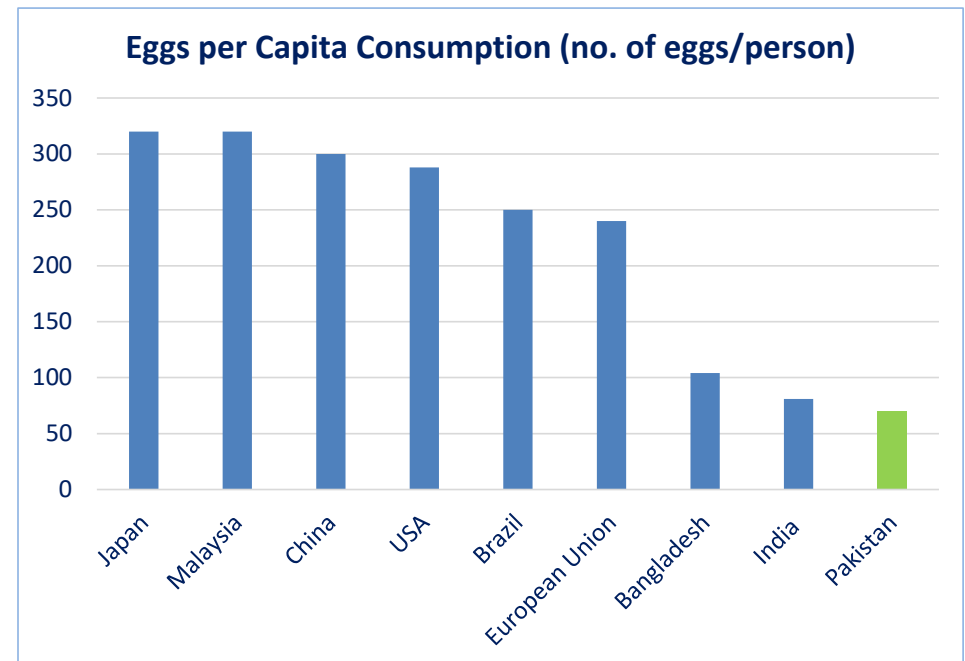
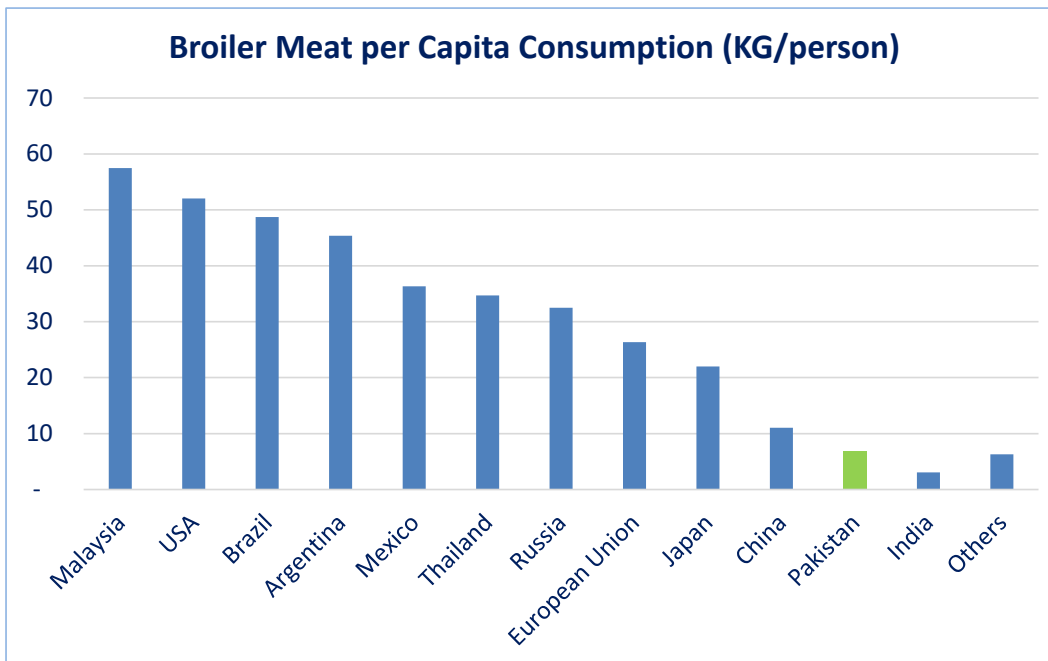
Chicken Meat Consumption (mln MTs)					
Sr no.	Country	CY21		CY22*	
		Amount	% Share of World Market	Amount	% Share of World Market
1	USA	17	17%	17	18%
2	China	15	15%	14	15%
3	European Union (EU)	10	10%	10	10%
4	Brazil	10	10%	10	10%
5	Mexico	5	5%	5	5%
6	India	4	4%	4	4%
7	Japan	3	3%	3	3%
8	Thailand	2	2%	2	2%
9	Argentina	2	2%	2	2%
10	Malaysia	2	2%	2	2%
11	Pakistan	2	2%	2	2%
	Others	25	26%	27	28%
	Total	98	100%	98	

*Estimated

Poultry

Global | Per Capita Consumption

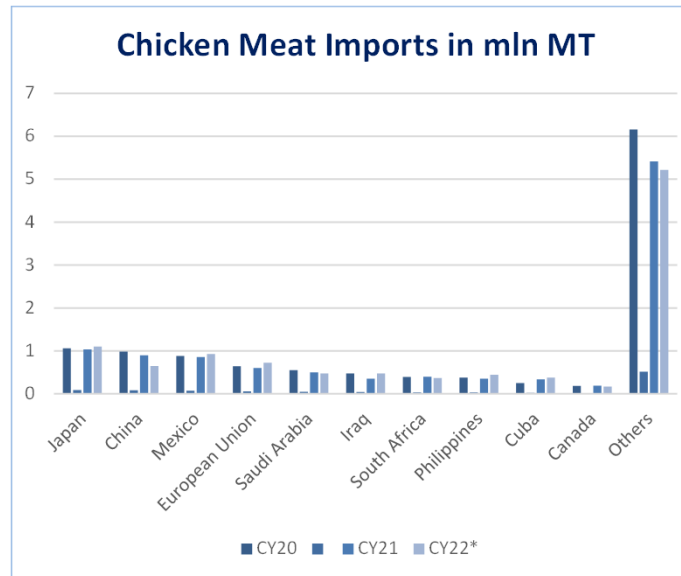
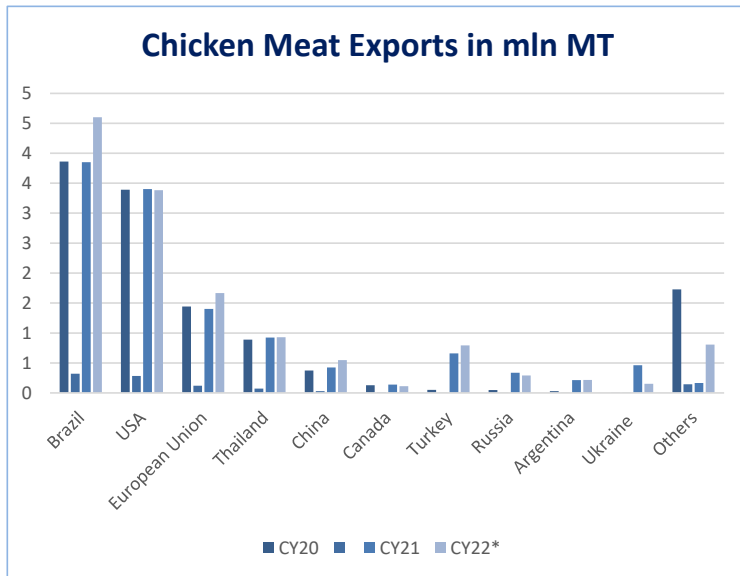
- World average broiler meat per capita consumption is around ~13 Kgs/person. Malaysia has the highest per capita consumption of ~57Kgs/person, while USA ranks the second with a per capita consumption of ~52 Kgs/ person.
- Pakistan ranks at 11th number, while India ranks at 12th in terms of per capita broiler meat consumption.
- In terms of egg consumption, Japan and Malaysia have the highest per capita consumption of ~320 eggs/person. Per capita consumption in Pakistan is very low around ~70 eggs/person, while in India it is around ~81 eggs/person.



Poultry

Global Trade

- **Total global trade:** In CY22, the total quantity of chicken meat trade is estimated around ~14mln MTs (CY21:~12mln MTs). In terms of exports of chicken meat, Brazil leads the market, with an export of ~4.6mln MTs in CY22 (CY21: ~3.9mln MTs), with a YoY increase of ~0.7%. USA ranks the second in terms of global trade. Moreover China, Mexico and Canada are net importers, while European Union is the net exporter.
- On imports side, Japan was ranked the highest with around ~1.1mln MTs of imports in CY22 (CY21:~1.0mln MTs) , a YoY increase of ~10%. China ranked the second with ~0.7mln MTs imports in CY22 (CY21:~0.9mln MTs) , with a YoY decrease of ~22%. The rise in exports is witnessed since major economies are now recovering from the aftershocks of the pandemic. Overall ,the trade levels have not seen any major changes over the current period.

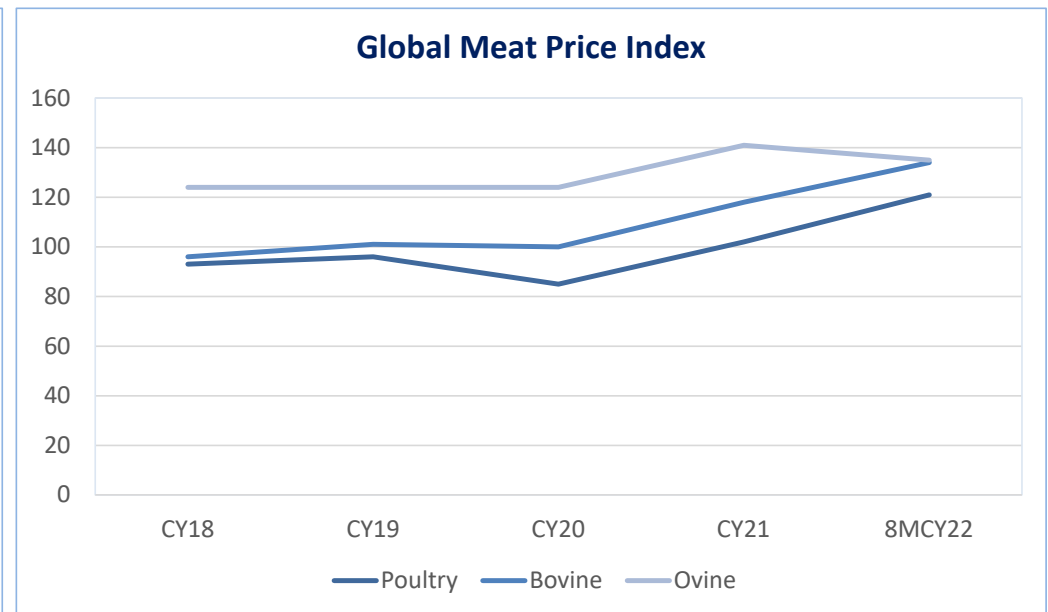
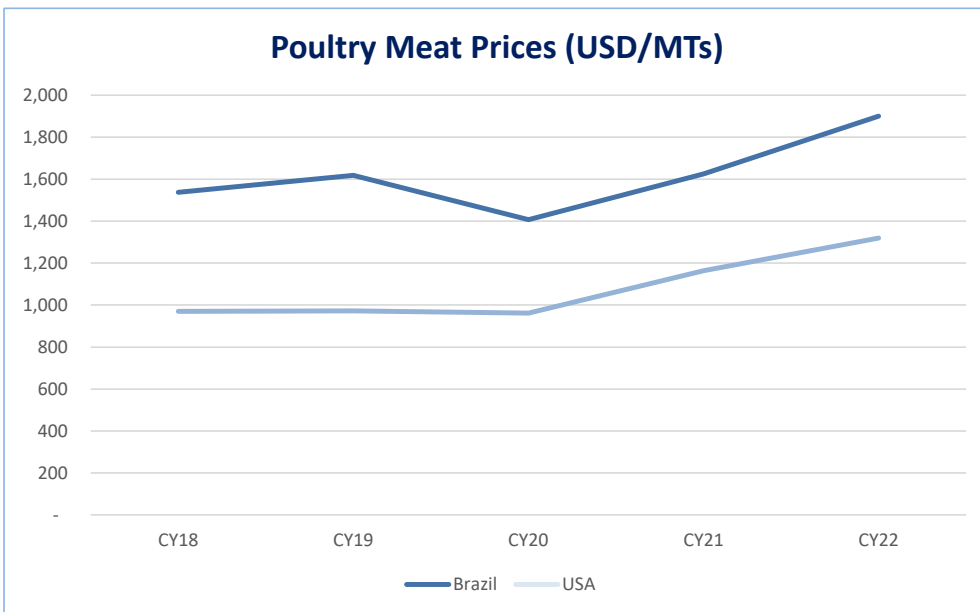


Exporter vs Importer			
Mln MTs	Export	Import	Net Export/(Imports)
China	0.5	0.7	-0.2
European Union	1.7	0.7	1
Canada	0.1	0.2	-0.1
Mexico	0.0	0.9	-0.9

Poultry

Global | Price Dynamics

- Global poultry prices experienced an upsurge during CY22 owing to continued supply chain disruptions in Ukraine and recent cases of Avian Influenza (disease in birds) amid a surge in demand in Europe and the Middle East. Poultry prices are highly dependent on the price behavior of major feed components.
- On a historical basis, poultry prices have remained moderately volatile based on last five years. Supply shocks and high demand has pushed the poultry prices upwards. Going forward, poultry prices are expected to remain volatile for short to medium period considering the global inflation.



Poultry

Domestic Snapshot

- Local Market Size:** Pakistan’s poultry sector revenue was recorded around PKR~1,533bln in FY22 (PKR~1,190bln in FY21), a YoY increase of ~29%. The increase is majorly price driven as demand already started picking up in FY21 on relaxed conditions following the pandemic.
- With a population of around ~230mln, Pakistan’s placement in global poultry sector also stands at a prominent position. Pakistan ranks at the 11th position among the largest poultry producers of the world, providing employment to more than 1.5 million people in the country.
- Sector Structure:** The sector can comfortably be termed as competitive since there is a large number of players and no single company exerts influence on the sector prices. The sector consists of over 350 players majorly operating in the informal small industry segment.
- Pakistan’s poultry sector is one of the largest Agri-based sectors of the economy with over ~15,000 poultry farms spread across the country. The capacity of farms ranges from 5,000 – 500,000 broilers.

Synopsis	FY19	FY20	FY21	FY22
Sector Size (PKR bln)	1,168	1,082	1190	1,533
Sector Growth	10%	-7%	10%	6.9%
Sector contribution to GDP (%)_	2.7%	2.3%	2.1%	2.3%
Egg production- mln no's	19,052	20,113	21,185	22,496
Poultry Meat 000 MT	1,518	1,657	1,809	1,977
Players	~350 Players			
Structure	Competitive			
Association	Pakistan Poultry Association - PPA			

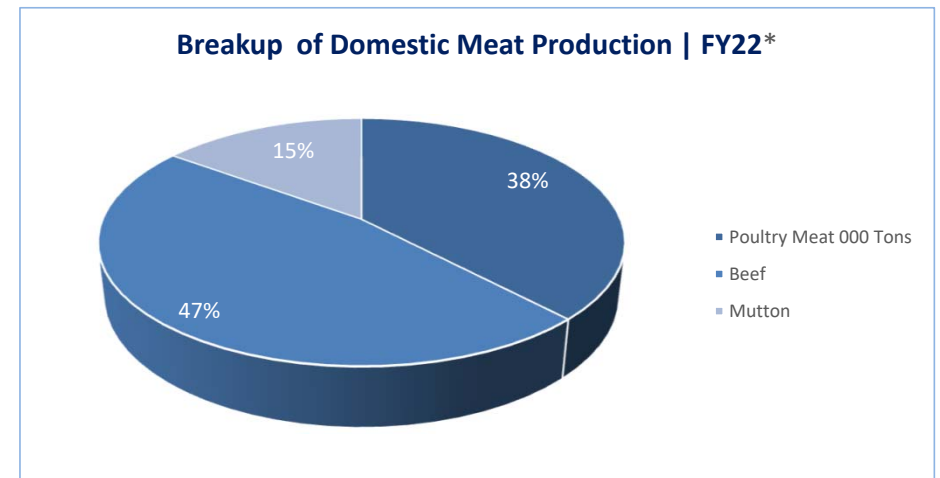
*Estimates

Poultry

Domestic Production

- Pakistan’s major poultry product is meat and it contributes around 38% (~1.9mIn MTs) to the total meat production of the country (~5.2mIn MTs). Other meat products Include ~47% beef, and ~15% mutton. Pakistan’s total meat production has witnessed growth since FY20 (CAGR: ~ 10%)
- In FY22*, Poultry meat and eggs production have recorded a growth of ~9.3% (FY21:~9.2%) and 6.2% (FY21:~5.7%), respectively. Domestic Poultry birds produced during the period were recorded at ~1,725mIn (~1,578mIn in FY21) .
- The quantity and quality of poultry products have been rising over the past few years mainly due to formation of around ~6,500 environmentally friendly controlled shed system leading to direction of modernization.
- Post COVID-19 pandemic related challenges, the impact of recent floods is difficult to comprehend. Loss of livestock (~1mIn) is expected to affect the product availability in coming year FY23.

Total Poultry Production	FY18	FY19	FY20	FY21	FY22*
Poultry Birds-mIn Nos.**	1,210	1,321	1,443	1,578	1,725
Eggs-mIn Nos	18,037	19,052	20,133	21,285	22,496
Day Old Chicks-mIn Nos	1,138	1,248	1,370	1,504	1,651
Poultry Meat-000 tons	1,391	1,518	1,657	1,809	1,977



*Estimates

**Poultry birds include layers, broilers, hens and cocks

Poultry

Supply Dynamics | Input

- The input of the sector is produced both domestically and commercially. On a domestic scale, cocks and hens are produced. While layers, breeding stock and Day-Old Chicks are commercially produced. Broilers are majorly produced at commercial level with a very small production on domestic scale too.
- Total commercial poultry – including Layers, Broilers, Breeding Stocks and DOCs was recorded at ~3,249mln in FY22 (~2,956mln in FY21), a YoY growth of ~10%. Domestic broiler produced during the period were recorded at ~34mln (~34ln in FY21) whereas commercial broiler recorded a growth of ~10%.. Production of DOC has increased over the period covered (FY18-FY22) average rate of 45%

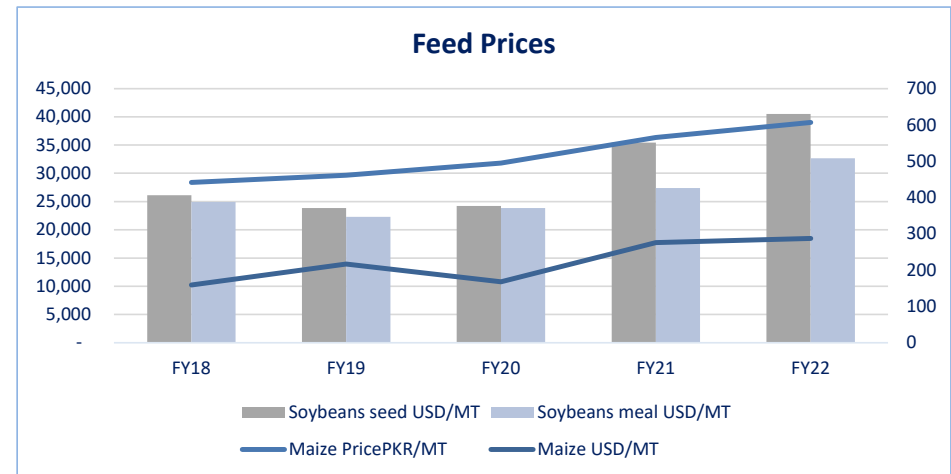
Domestic and Commercial Poultry Supply (mln)					
	FY18	FY19	FY20	FY21	FY22
Domestic Poultry					
Cocks	12	12	13	13	13
Hens	42	43	44	45	46
Broiler	33	33	33	34	34
Total	87	88	90	91	93
Commercial Poultry					
Layers	52	56	60	64	68
Broilers	1,058	1,163	1,280	1,408	1,549
Breeding Stock	12	13	14	14	15
Day Old Chicks	1,105	1,215	1,337	1,470	1,617
Total	2,227	2,447	2,691	2,956	3,249



Poultry

Domestic | Feed Prices

- In FY22, the price of maize rose by ~4% as against ~-64% in FY21, which was due to supply shortages as the farmers switched to producing other profitable crops. Maize crop is grown twice a year.
- Going forward: The production of maize in the country has remained smooth in FY22. However, Recent detrimental floods has damaged Agri lands of the country have raised questions about the food security.
- Soybean is a major ingredient of poultry feed and is mainly imported. Soybean seed and meal prices are volatile due to global production contraction in some countries (China & Ukraine) and some production losses in Brazil & Argentina in CY22.
- Poultry meat producers in leading exporting countries confronted sharply rising feed prices and dim growth prospects, mainly stemming from outbreaks of the Highly Pathogenic Avian Influenza (HPAI), including in parts of Asia, Europe and North America. Disruptions to poultry meat exports from Ukraine following the outbreak of the war in late 3QFY22 added more uncertainty to meat markets.



Input Price Change	FY22	FY21
Maize	+4%	+64%
Soybean Seeds	+14%	+46%
Soybean Meal	+19%	+15%

*Average figures for FY22

Poultry

Supply Dynamics | Output

- The output of the sector comprises eggs, meat and DOCs, which are produced both commercially and domestically.
- The number of eggs produced are increasing over the years, with an increase in population. At domestic scale, the egg output has increased to ~2% in FY22, while Commercial egg output increased to ~7%.
- In FY22, domestic poultry meat production showed a growth of 2%, while commercial poultry meat production increased by ~10%.

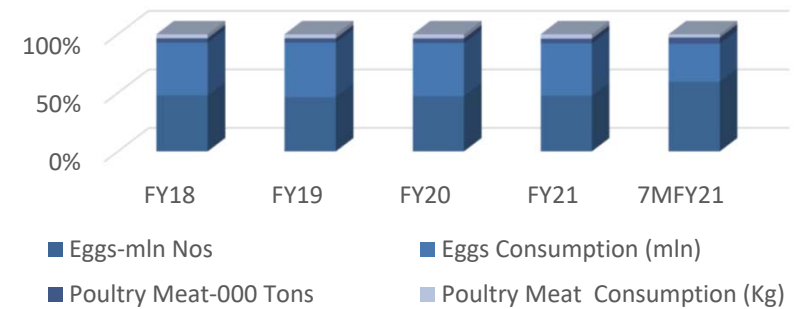
Domestic and Commercial Poultry Supply					
Period	FY18	FY19	FY20	FY21	FY22
Domestic Poultry					
Eggs Mln Nos	4,239	4,315	4,393	4,472	4,552
Meat (Mln Tons)	120	120	130	127	130
Commercial Poultry					
Eggs Mln Nos	13,779	14,719	15,723	16,797	17,944
Meat (Mln Tons)	1,300	1,400	1,500	1,682	1,846

Poultry

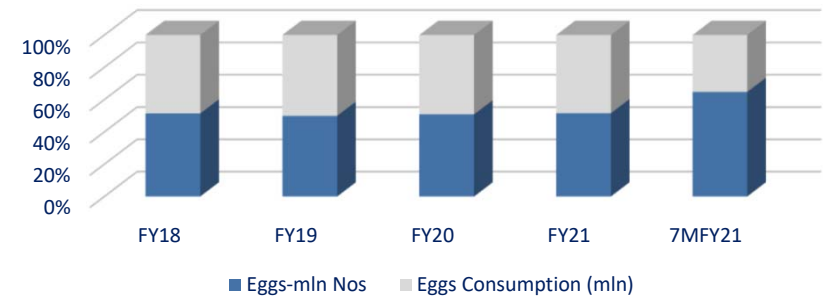
Demand Dynamics

- For Poultry meat, the consumption to production ratio remains above ~95%. The poultry meat consumption stood at ~1.1mln MTs during 7MFY22 (FY21:~1.9mln MTs). Poultry meat demand is price inelastic
- For eggs, the consumption to production remains around~94%, and the consumption has increased over the years, with better capacity utilization and growing population. In 7MFY22, total egg consumption stood at ~12,275mln units (FY21:~20,008mln units)
- Since Eggs and Meat are one of the most essential food items both at domestic and commercial scale, the consumption to production ratio usually remains high.
- Another reason contributing to the high consumption to production is that poultry products are perishable food items, therefore their sales run on continuing bases.

Consumption of Poultry Meat (in mln MT)



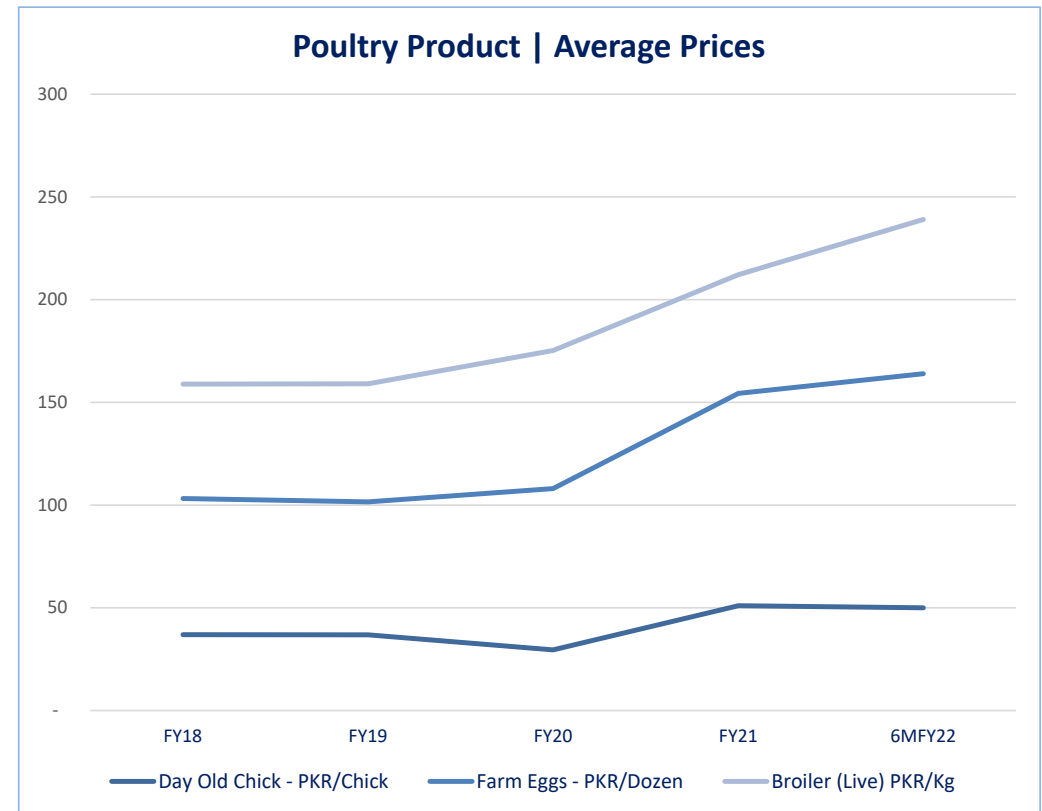
Consumption of Eggs (in mln Units)



Poultry

Local | Price Dynamics

- Poultry products are considered a perishable commodity due to non-availability of holding centers across the country. If a bird is ready on the field, it has to be put on the market and sold, without taking account of the prevailing open market price of the animal.
- **Day Old Chicks:** Average prices of Day Old Chicks (DOC) during 6MFY22 remained close to FY21 i.e. PKR~50/chick, FY21: PKR~51/chick (FY20: PKR~30/chick).
- **Farm Eggs:** Average prices of farm eggs grew by 6%, i.e., FY22: PKR ~164/dozen as against 43% in the corresponding period (FY21: PKR~154/dozen FY20: PKR~108/dozen).
- **Broiler:** Average price of broiler (Live) has remained quite vibrant in the recent times. The average price of broiler (Live) during FY22 increased around 13%, i.e., PKR~240/kg (FY21: PKR~212/Kg, FY20: PKR~175/Kg). Broiler chicken price in Sep'22 moved to PKR~350-~380/kg as compared to Sep'21 PKR~180-210/kg.



Note: Period mentioned in the chart is 6MFY22

Source: PACRA Database, PBS 19



Poultry

Business Risk

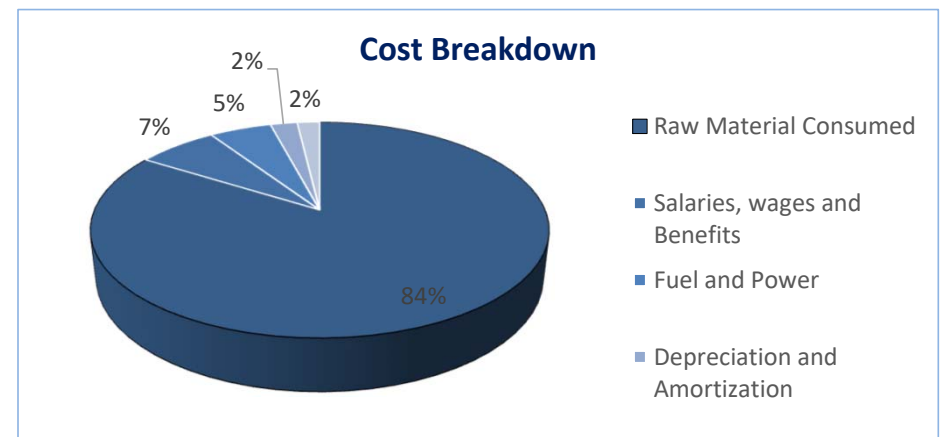
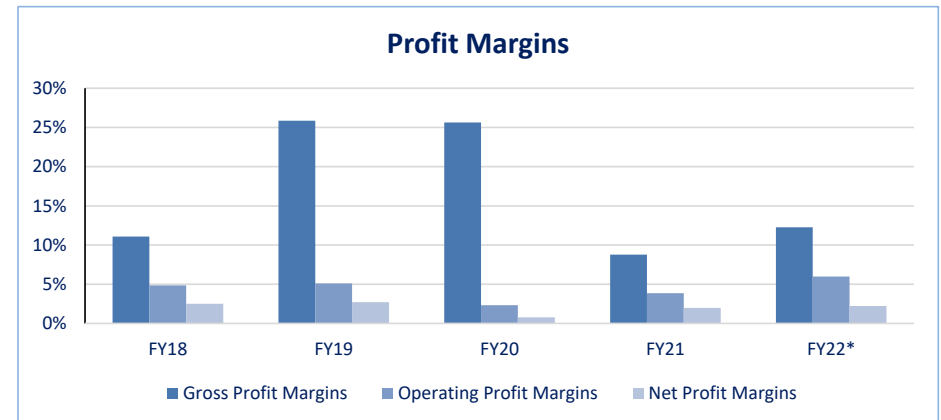
- The business risk of poultry sector can be divided into operating risk and sales risk.
- The sector is highly influenced by the input dynamics of poultry supply chain, as major raw material is imported and the supply fluctuates with price ranges. This was evident in COVID-19 times, when smaller players in sector struggled to operate, because of the difficulties they had to face in order to cope up with challenging environment. Another fact that can't be ignored is the short-mid term shocks industry has to face on account of animal disease outbreaks and unfavorable weather condition & national catastrophe.
- **Operating Risk:** This risk particularly refers to the difficulties relating to the operations of the poultry players which can hamper the profitability and performance of the Sector. Poultry Sector inputs include both local inputs and imported inputs. The Sector's costs are therefore subject to Exchange Rate volatility and International Poultry feed prices to the extent of the imported raw materials. This risk is further discussed in detail in the next sheet.
- **Sales Risk:** This risk is focused on the demand side of the poultry chain. The poultry sector mainly receives its demand from food services. Any disruption in demand from festive activities, restaurants, hotels or marriage halls can hamper the demand of the Sector significantly. Therefore, closure of restaurants, hotels and marriage halls amid COVID-19 induced lockdown, had a direct and substantial effect on the sale of poultry products. However, since poultry products are considered essential, the demand dip of the sector is short-lived, with eggs and meat consumption resuming again upon the easing of lockdown restrictions.
- Moreover the sector is vulnerable to price volatility. Seasonality, market demand, consumer preference and high input cost are the factors affecting the output price. Other unavoidable factors include rising inflation rates alongside import duties and sales tax structure of the sector which also indirectly impacts the profit making capacity of the sector players.



Poultry

Business Risk

- Gross margins:** The average gross margins of the sector (FY18-FY21) have recorded around ~18%. In FY22, the sector's gross margins clocked in at ~12%, slightly better from FY21 (~8%) attributable to increased prices of poultry meat.
- Operating & Net Margins:** The sector operates on thin operating and net margins. Average operating and net margins of the sector (FY18-FY21) have recorded around ~4% and ~2% respectively. In FY22, operating margins continued with the historical trend, with small improvement, to record around ~6% while net margins remained at ~2%. For the first 6MFY22. Net margin remained same on YoY basis while for the remaining six months, rising interests might keep the margins under pressure
- Cost Breakup:** The largest component within direct costs is raw material comprising ~69% of the total manufacturing cost. The major raw material for this sector is poultry feed whose prices have been on a continuous rise since FY20 in the aftermath of COVID-19 pandemic and rising inflation worldwide.

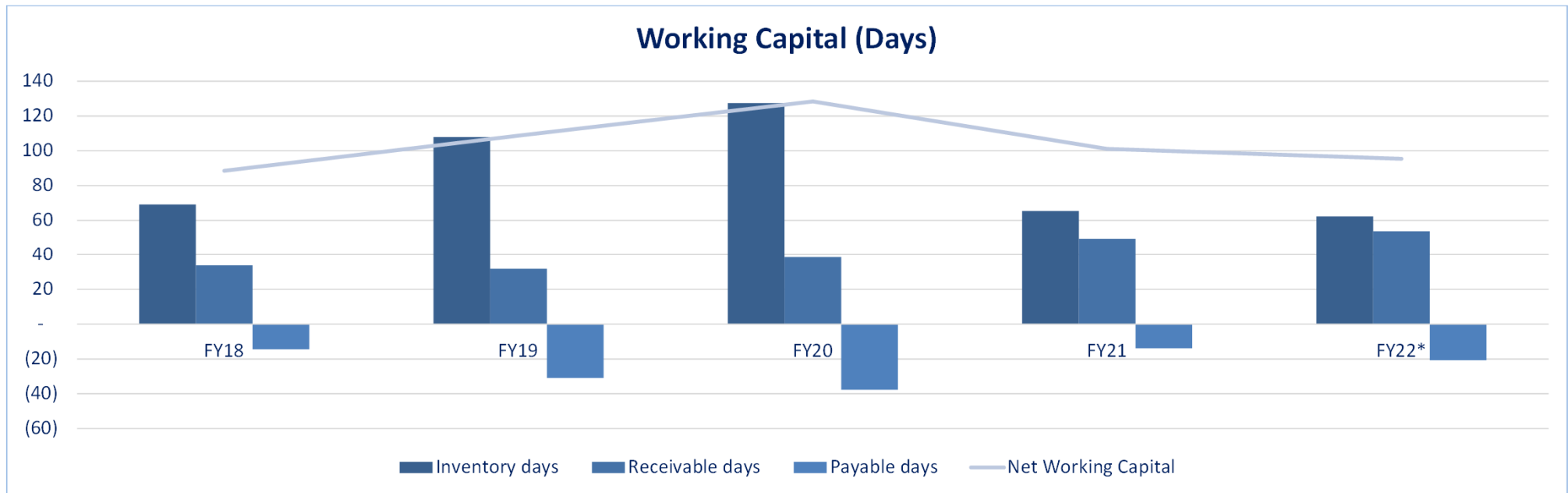


Note: Figures annualized for FY22 and are estimated based upon PACRA rated clients

Poultry

Financial Risk

- Working Capital Management:** The average working capital days of the sector (FY18-FY22) have recorded around ~86 days. The sector’s inventory comprises of flock and feed. In FY22, the net working capital days decreased to ~95 days (FY21: ~101 days). The decrease is associated with reduced inventory days, that is, ~62 days in FY22 (FY21: ~65 days). In FY19 & FY20, the inventory days hiked up because of the slow turnover due to the over supply of stocks in the market. Moreover in FY22, Both receivable and payable days moved up to ~21 days (FY21: ~14 days), ~54 days (FY21: ~50 days).

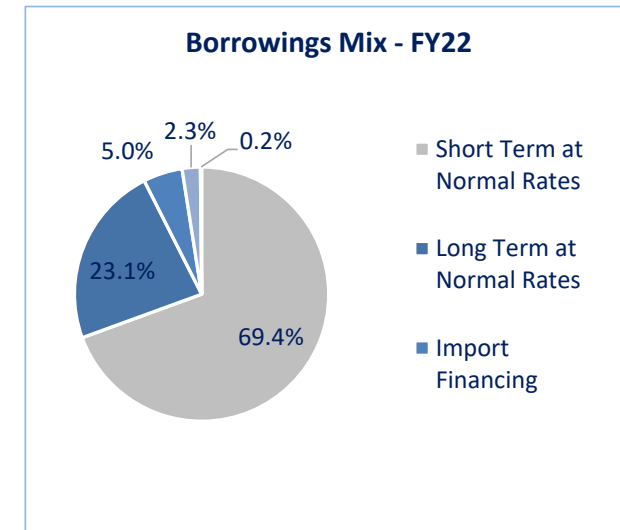
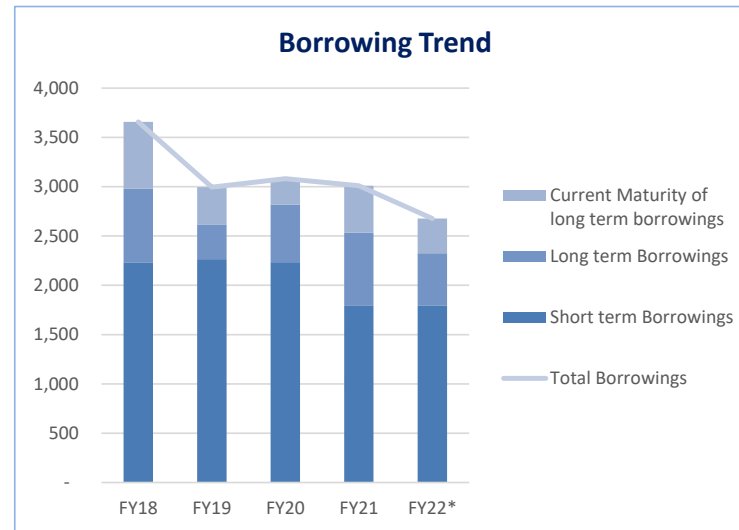
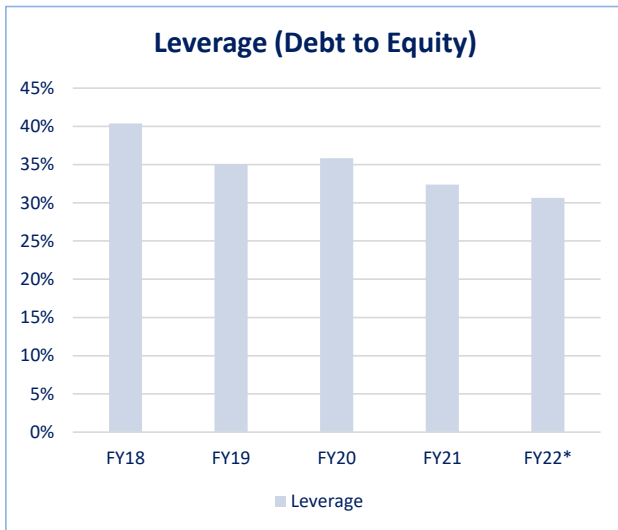


Note: Figures are estimated based upon PACRA rated clients

Poultry

Financial Risk

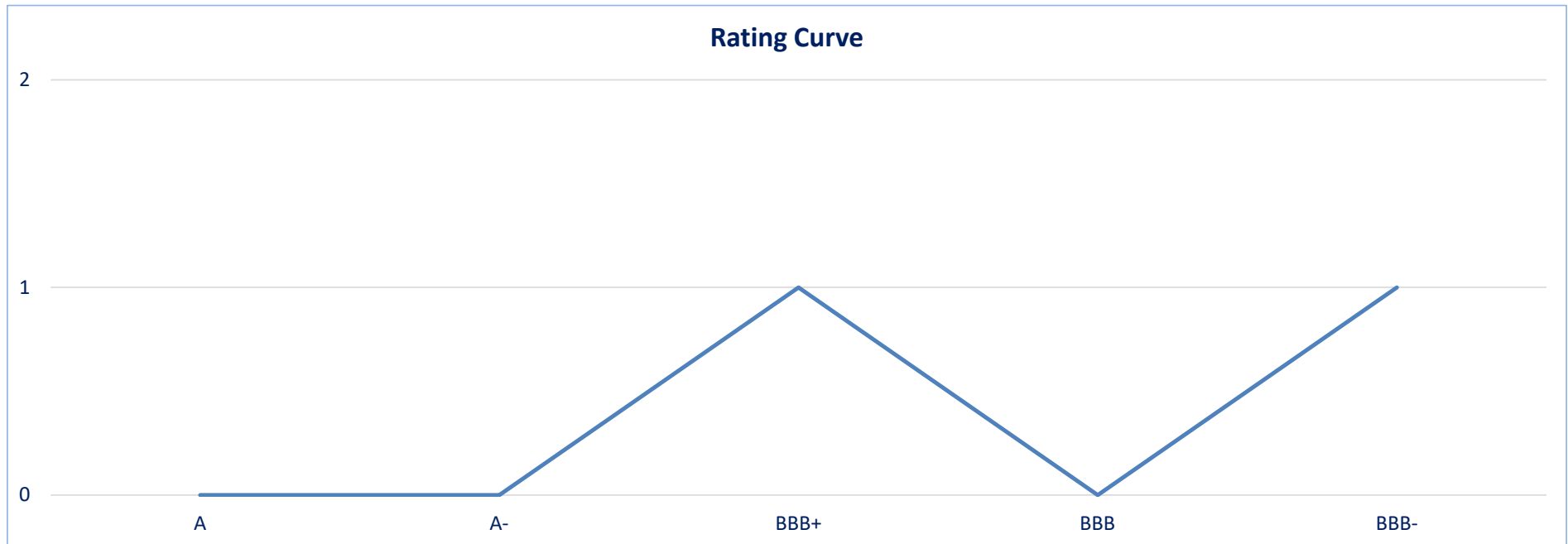
- **Borrowing Mix:** The poultry sector’s total borrowing as at FY22 stood at PKR~2,677mIn (FY21 : PKR~3,010mIn) a drop of ~11% YoY basis.
- The largest component in this borrowing mix is represented by short term borrowings (~69% for FY22 and ~68% in FY21). This is associated with the fact that the poultry sector majorly relies on external capital to meet their operational needs due to their small size and nature of business.
- **Leverage:** The average leverage of the sector is recorded around ~35% (historical 5 years) , which slightly reduced in FY22: ~31% (FY21:~35%), due to improved capital structure.



Note: Figures are estimated based upon PACRA rated clients

Rating Curve

- PACRA rates 2 clients in the Poultry sector.
- Rating category of the Sector is BBB.





Poultry

Taxes & Duties

PCT Code	Description	Custom Duty		Sales Tax Description	Description	
		FY21	FY22		FY21	FY22
1.05	Live poultry, that is to say, fowls of the species (broiler)	3%	3%	Local - Poultry Sheds, Incubators, Brooders and other Poultry Equipment	7%	7%
2.07	Meat and edible offal of the poultry, fresh, chilled or frozen.	20%	20%	Electricity used in Poultry	16%	16%
4.07	Birds' eggs, in shell, fresh, preserved or cooked. (Fertilized eggs for incubation)	11%	11%	Import of Poultry machinery & Equipment	Exempt	Exempt
4.08	Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water	16%	16%			
16.02	Other prepared or preserved meat, meat offal or blood. Of fowls of the species (broiler)	20%	20%			
84.36	Other agricultural, horticultural, forestry, poultry- keeping, poultry incubators and brooders.	0%	0%			
94.06	Prefabricated buildings.	20%	20%			

- There is no change in duty structure of the sector since the previous Sector Research.



Poultry

SWOT





Outlook: WATCH

- Pakistan's poultry sector is majorly characterized with small and undocumented market players. The sector's overall growth has historically remained subdued in the absence of any sustainable development plan and policy framework. Poultry feed, whose ingredients are majorly imported, are subject to duties and taxes at import stage which further increases their cost impacting both the feed and poultry sectors. Moreover, lack of R&D for better farming techniques and improved meat quality, persists to remain an obstacle in the Sector's long-term growth.
- Additionally, **torrential rains** causing deadly floods across Pakistan is yet another concerning situation that erupted following FY22. Devastating damages to agriculture land/crops, livestock, infrastructure has exacerbated food insecurity across the country. Around ~1mln livestock (*based on NDMA Report of 21st Sep,22*) have so far perished because of the floods. The number is still expected to grow. Poultry, whose otherwise official numbers of damage are not yet available, is also expected to bear the loss.
- On the other side, **global inflation & commodity super cycle**, is another challenge exposing almost every sector that is dependent on International inputs. While the soyabean meal prices have softened to some extent since July'22, the emerged super cycle accompanied with sheer rupee depreciation is a major concern for the sector players that usually operate in small setups with thin margins. However, since the output of the Sector is an essential food item, the demand of the poultry sector remains unaffected to a great extent despite price changes. One of the probable reasons is also that poultry meat costs the lowest in comparison to beef and mutton meat, and so is the cheapest source of protein for human body.
- The key business risk of the Sector rests on the cost side; where management of input cost is a challenge, due to vulnerability of feed price. Two main yet interlinked factors to this are (i) The war in Ukraine and the risks it poses for global food commodity markets & (ii) High input prices have pushed the feed prices to greater levels. Another important element is the rising interest rates since Sep'21. Poultry sector's average net margins remain from 2% - 4%. With an increase in policy rate by 800bps since Sep'21, the finance cost of the sector has gone up and any marginal increase in the finance cost is expected to erode the net margins of the sector.
- Poultry is a competitive business that is conducted across a broad range of scale. Small farmers get the most impacted by cost vulnerabilities due to their inability to absorb any major cost rise. The sector's borrowing needs are majorly derived from Working capital financing requirements.
- In conclusion, the sector is being placed on Watch due to the uncertainty of the magnitude of damage caused by the floods. While risks exist on the supply side, prices of poultry products are expected to remain elevated. Additionally, general inflation and rising interest rates are an impediment to the growth and stable performance of the sector.



Poultry

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