



Poultry

Sector Study

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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 by products 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.

Outputs

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



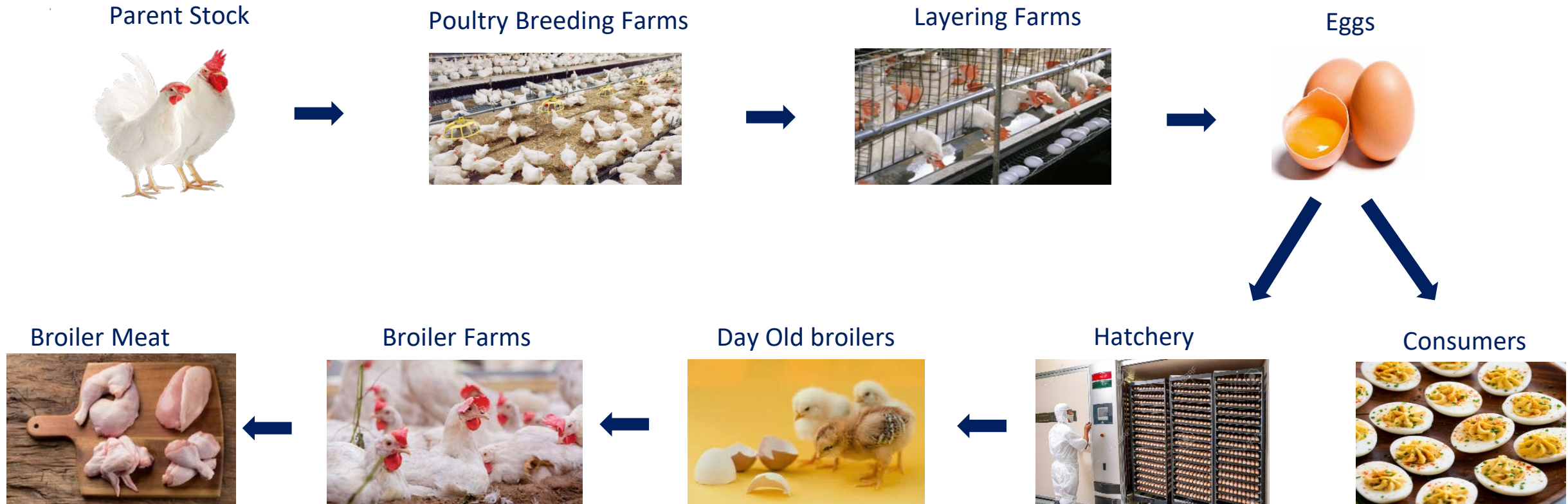
In the shape most common to customers, fresh and in-the-shell, are table eggs or shell eggs. Although commercial table eggs may come from a range of birds, many of the procedures are the same.

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.

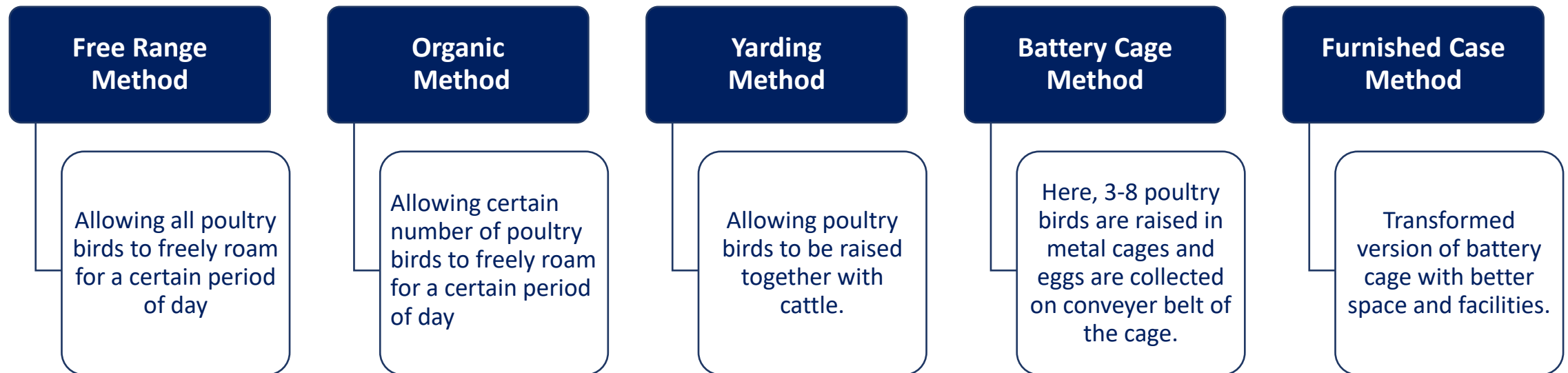
Process Flow



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 and continues to lay eggs till broilers drop in the age brackets of ~72-78 weeks.

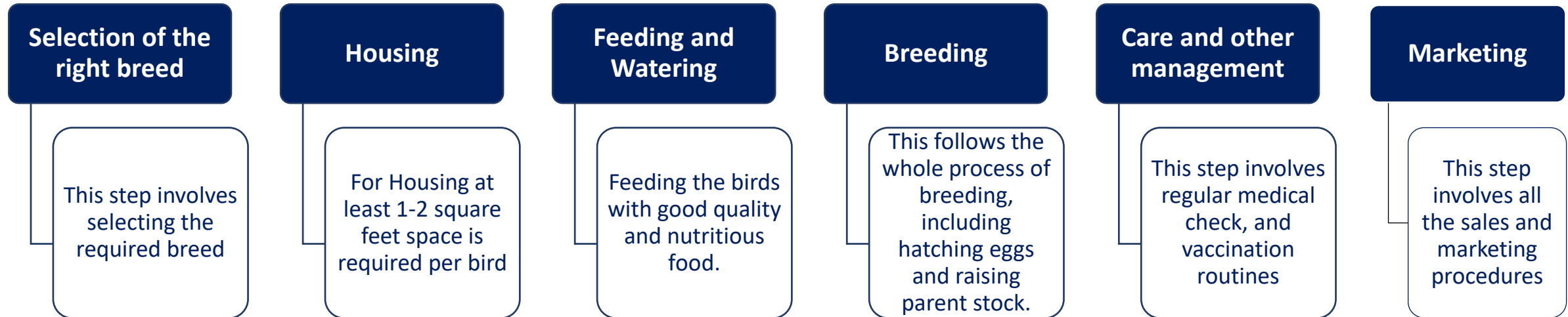
Producers typically hold hens from the first laying cycle for ~12 months and then transfer these hens to the slaughter house. Months of warming for poultry birds laying eggs are favored over cooler months. Layer poultry is raised by a range of techniques, some of which are explained below:



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 ~5-7 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 a low degree of activity. The flow chart below shows a typical broiler poultry farming process:



Global | Overview

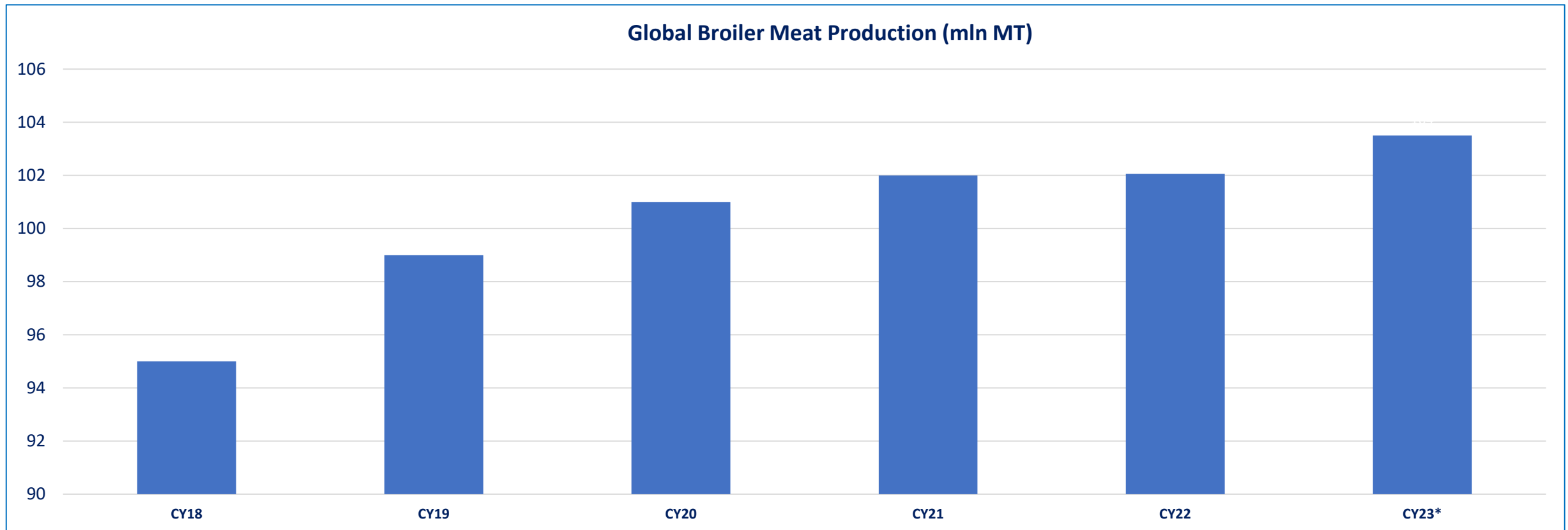
- Poultry farming is one of the key components of agricultural sector. It is an important part of livestock industry. It is divided into three distinct segments including breeding, production and processing. There are commonly two different types of poultry farming, i.e., broiler poultry farming and layer poultry farming
- Finished output from poultry farming consists of day-old chicks (DOCs), 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 CY23, the global turnover of poultry sector is expected to grow from USD~351bln in CY22 (CY21: USD~337bln) and reach to USD~379bln, at a compound annual growth rate (CAGR) of ~7.6%. The expected global per capita turnover in CY23 is USD~48/person (CY22: USD~44/person), with a YoY increase of ~9%. The global sector's share to GDP has stayed between ~0.3% and ~0.4% during CY18-22 and currently stands at ~0.4% in CY23. The sector is expected to grow to USD~487bln by CY27 at a CAGR of ~6.5%.

Particulars	CY19	CY20	CY21	CY22	CY23*
Turnover (USD bln)	319	311	319	351	379
Turnover per Capita (USD)	41	40	40	44	48
Contribution to GDP	0.4%	0.4%	0.3%	0.3%	0.4%
Growth Rate (YoY)	3.0%	-2.7%	2.5%	10.1%	8.0%

*Estimated values for CY23.

Global | Overview

- Global Poultry market revenue is estimated to reach at USD~379bln in CY23 (USD~351bln in CY22), a modest increase of ~8% YoY basis.
- Growth in CY23 is expected to be driven largely by the three markets, USA , Brazil and China, having global meat production share of ~21%, ~15% and ~14%, respectively. The global broiler meat production is estimated to stand at ~104mln MT in CY23 (CY22:~102mln MT).



*Forecast values for CY23.

Global | Production

- In terms of global chicken meat production, USA leads the market with a production of ~21mln MT in CY23 (CY22:~23mln MT), while China and Brazil rank second with production estimated at ~14mln MT for CY23 (CY22: ~14mln MT).
- By contrast, China's poultry meat production is forecast to drop, given the high probability of consumers switching to pig meat as well as an expected economic slowdown. Pakistan ranks eleventh in terms of chicken meat production which was recorded at ~2mln MT in 9MCY23 (CY22: ~2mln MT).

Chicken Meat Production (mln MT)

Sr.	Country	CY21		CY22		CY23*	
		Amount	% Share of World Market	Amount	% Share of World Market	Amount	% Share of World Market
1	USA	20	20%	23	23%	21	21%
2	China	15	15%	14	14%	14	14%
3	Brazil	14	14%	14	14%	15	14%
4	European Union	13	12%	11	11%	11	11%
5	Russia	5	5%	5	5%	4	4%
6	India	4	4%	4	4%	4	4%
7	Mexico	4	4%	4	4%	4	4%
8	Thailand	3	3%	3	3%	3	3%
9	Turkey	2	2%	2	2%	3	3%
10	Argentina	2	2%	2	2%	2	2%
11	Pakistan	2	2%	2	2%	2	2%
	Others	18	19%	16	16%	21	18%
	Total	102	100%	101	100%	104	100%

*Forecast values for CY23.

Global | Consumption

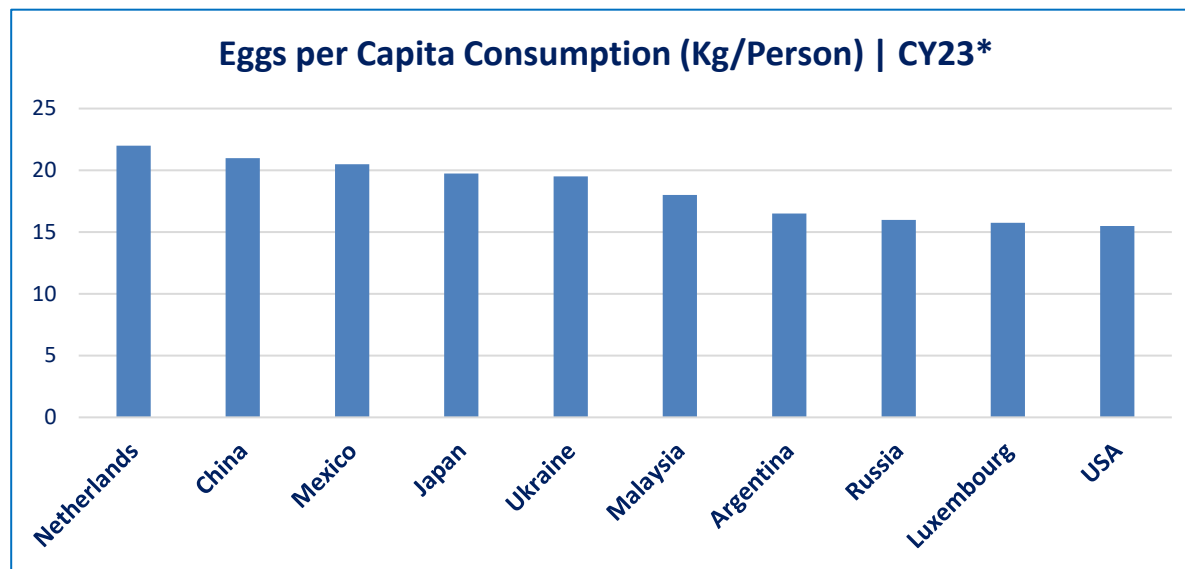
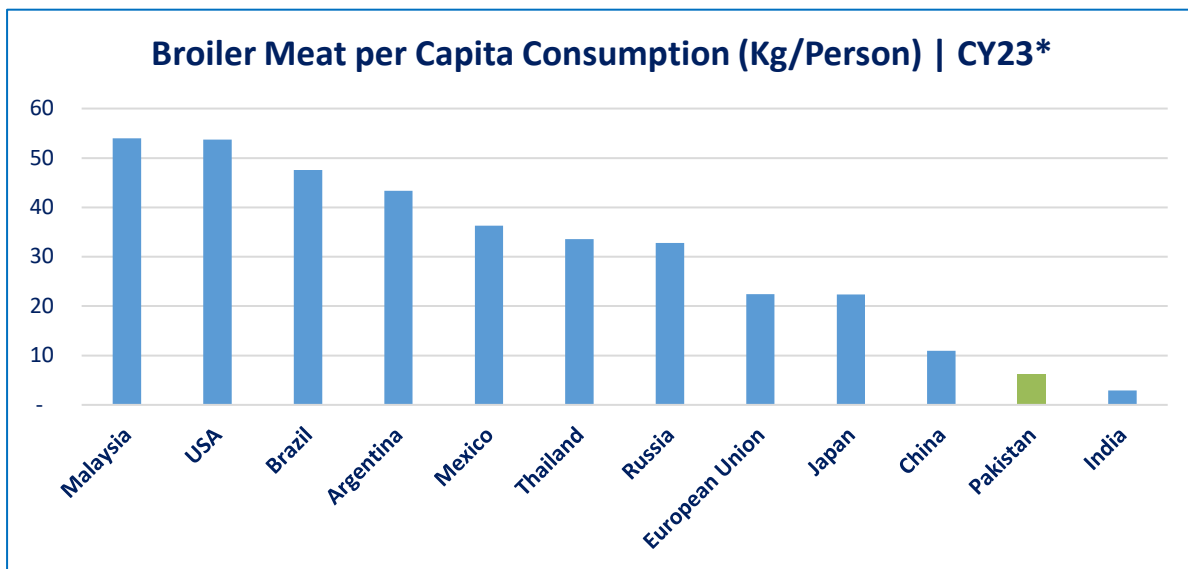
- Over the past two decades (CY02-22), poultry has become the most consumed livestock commodity in the world. In terms of poultry meat consumption, USA again leads the market with no major change in the last three years, recording at ~18mln MT. China ranks the second with consumption standing at ~14mln MT.
- Lately, there is a decrease in consumption of poultry meat in China as demand shifts to other meat products compounded by an economic slowdown. Population growth, rising incomes in developing nations and urbanization have led to a surge in global poultry consumption. Pakistan's poultry meat consumption is forecast to record at ~2mln MT in CY23, similar to both CY22 and CY21 levels.

Chicken Meat Consumption (mln MT)							
Sr.	Country	CY21		CY22		CY23*	
		Amount	% Share of World Market	Amount	% Share of World Market	Amount	% Share of World Market
1	USA	17	17%	17	18%	18	18%
2	China	15	15%	14	15%	15	14%
3	European Union (EU)	10	10%	10	10%	10	10%
4	Brazil	10	10%	10	10%	10	10%
5	Mexico	5	5%	5	5%	5	5%
6	India	4	4%	4	4%	4	4%
7	Japan	3	3%	3	3%	3	3%
8	Thailand	2	2%	2	2%	2	2%
9	Argentina	2	2%	2	2%	2	2%
10	Malaysia	2	2%	2	2%	2	2%
11	Pakistan	2	2%	2	2%	2	2%
	Others	25	26%	27	27%	28	27%
	Total	98	100%	98	100%	101	100%

*Forecast values for CY23.

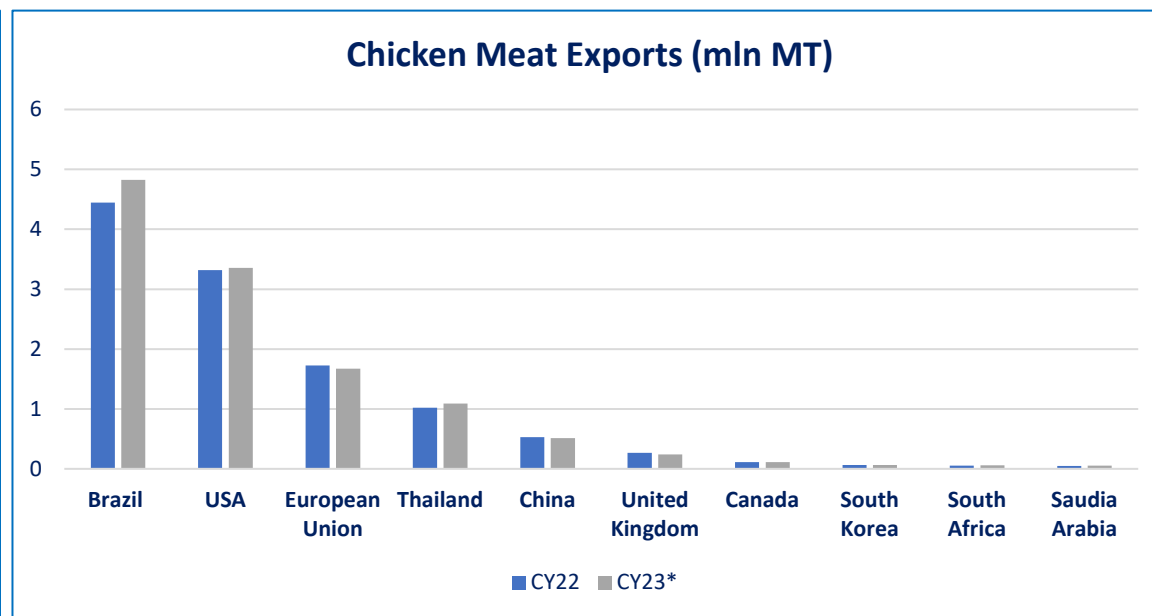
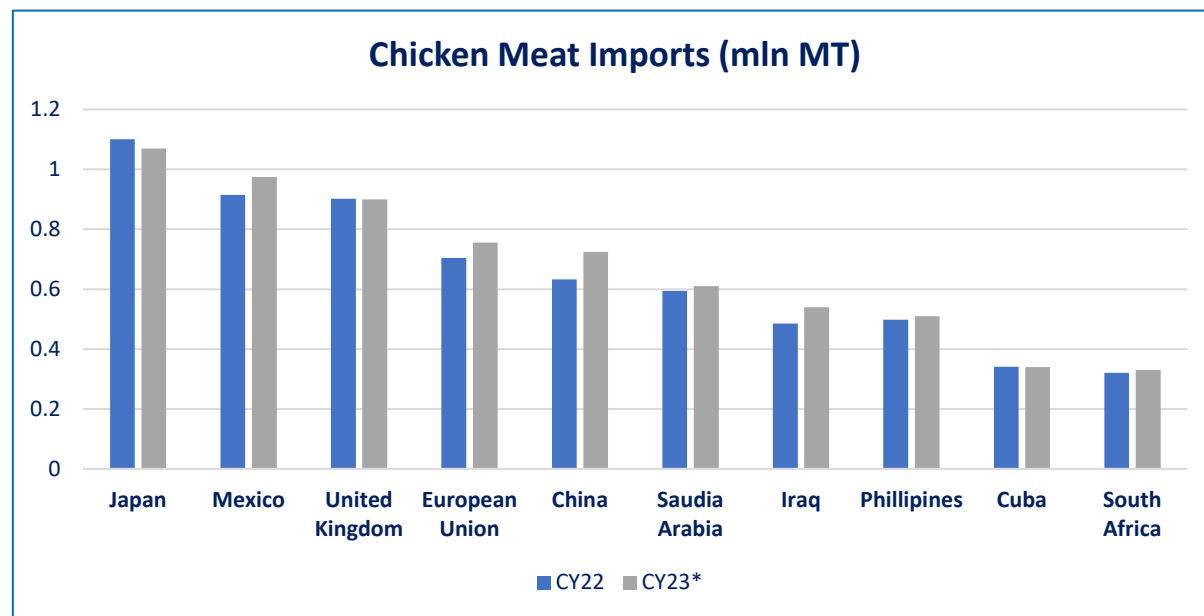
Global | Per Capita Consumption

- Poultry provides consumers an affordable protein source that is more readily available than other meats. Developing and emerging markets have been the major drivers for growth in poultry consumption over the past ten years (CY12-22). Rising demand for poultry products and increase in poultry imports can be attributed to a rise in real GDP per capita, which can be seen as a proxy for income. As incomes rise, consumers tend to spend more on animal proteins. Additionally, growing population and urbanization trends also influence the growth in poultry's trade.
- The world average broiler meat per capita consumption is estimated at ~29Kgs/person in CY23. Malaysia and USA both have the highest per capita consumption of ~54Kgs/person. Meanwhile, Pakistan ranks eleventh with ~6Kgs/person, while India ranks twelfth at ~3Kgs/person in terms of per capita broiler meat consumption.
- In CY23, the average per capita consumption of eggs of top 10 egg consuming countries is estimated at ~18Kgs/person. Netherlands has the highest forecast of per capita consumption of eggs at ~22Kgs/person, whereas, per capita consumption of eggs in Pakistan is low and estimates for CY23 stand at ~4Kgs/person, while for India it is estimated at ~3kgs/person.



* Forecast values for CY23.

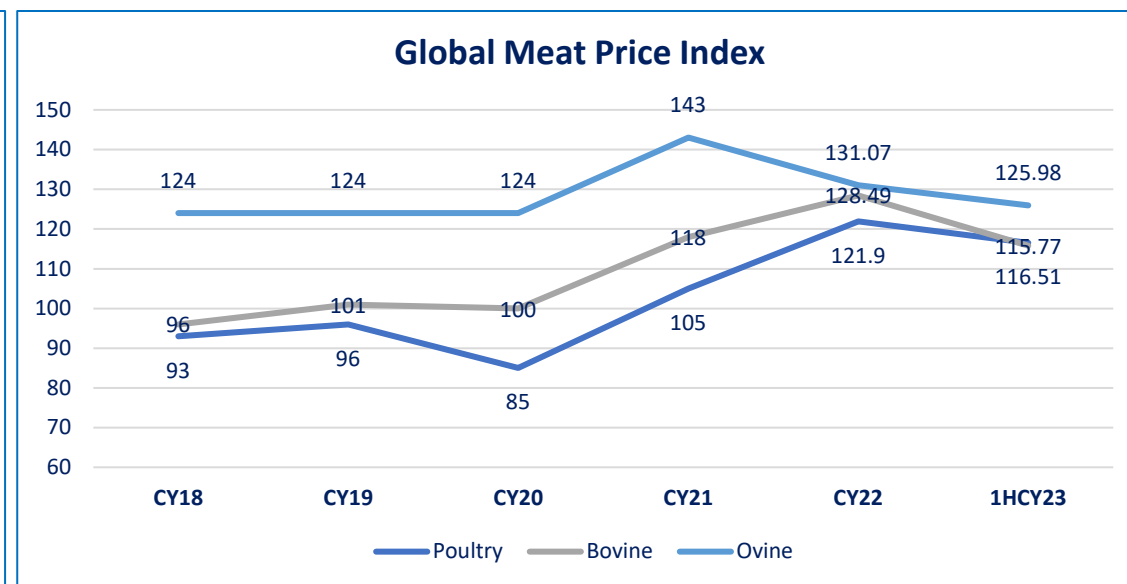
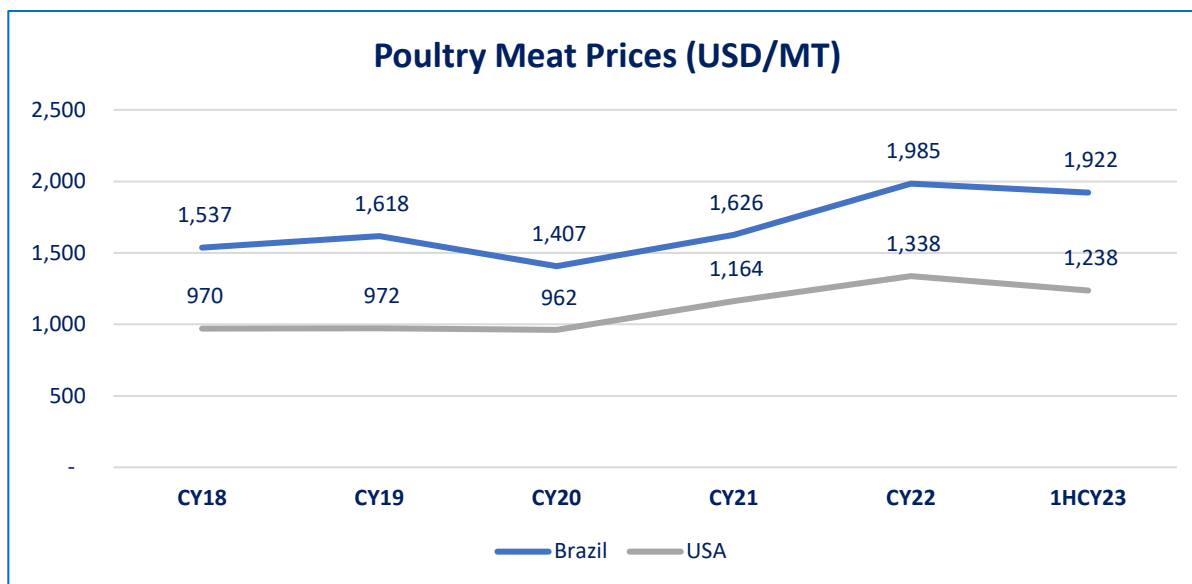
- As demand for poultry products grew in the markets over the last two decades from CY02 to CY22, global imports increased at an average of ~4% a year. For CY23, the total export of chicken meat trade is forecast at ~14mln MT (CY22: ~14mln MT). Brazil leads the market for exports estimated at ~4.8mln MT for CY23 (CY22: ~4.4mln MT), an increase of ~9% YoY. Brazil has maintained the title of the world's largest poultry exporter since CY07. Share of Brazil in global exports is ~35% in CY23 (CY22: ~33%).
- On global imports side, Japan ranks the first with projected imports of ~1.1mln MT in CY23 (CY22: ~1.1mln MT), whereas Mexico ranks the second with forecast imports of ~0.98mln MT in (CY22: ~0.92mln MT), a YoY increase of ~6.6%. Overall, trade levels have not exhibited any major changes over the current period (i.e., projected CY23 data). Shares of Japan and Mexico in global imports are ~10% and ~9%, respectively, in CY23 (CY22: Japan ~10%, Mexico: ~8%).



*Estimated values for CY23.

Global | Price Dynamics

- Global poultry prices experienced an upsurge in CY22, owing to a rebound in poultry feed prices and global demand, in the aftermath of global economies opening up post-COVID. The percentage increase from CY20 in CY22 stood at ~19%. Poultry prices are highly dependent on the cost behavior and availability of major feed components. Major feed components are maize, soybean, soybean meal and rapeseed.
- On a historical basis (CY18-21), poultry prices in Brazil (the largest exporter of chicken meat) have remained moderately volatile (stayed between USD~1,500/MT and USD~1,600/MT). In CY22, the poultry prices climbed to USD~2,000/MT, but in 1HCY23, the trend reversed and increased production in Brazil and demand contraction led to a downfall in Brazilian poultry prices. Therefore, global meat price index which is derived from a mixture of projected and observed prices of poultry products in Brazil and USA has resultantly dropped in 1HCY23 compared to CY22 and CY21 levels. Global meat price Index stands at ~117.85 as at Jun'23 (Jun'23: ~112.4)



Note: Bovine and ovine are terms used for bull and sheep, respectively. Global Meat Price Index is the average of poultry products' prices.

Local | Overview

- Pakistan’s poultry sector was recorded at PKR~1,962bln in FY23 (PKR~1,533bln in FY22), a YoY increase of ~28.0%. The increase is majorly owed to the rising cost of inputs such as poultry feed.
- With the country’s population recording at ~241mln as of FY23 (FY17: ~208mln), Pakistan’s placement in the global poultry sector is also at a prominent position. Pakistan holds the 11th position among the world's largest poultry producers with a great potential for future growth and advancement, providing employment to more than ~1.5mln people in the country.
- **Market Structure:** The poultry sector has a large number of players but no single company exerts influence on the sector prices. The sector comprises ~350** players.
- 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 inputs of the sector are cocks, hens, chicken in domestic poultry and layers, broilers, breeding stock and DOCs in commercial poultry. The output of the sector are eggs and meat. The capacity of farms ranges from 5,000-500,000 broilers.

Particulars	FY19	FY20	FY21	FY22	FY23
Sector Size (PKR bln)	1,168	1,082	1,190	1,533	1,962
YoY Growth	10%	-7%	10%	29%	28%
Contribution to GDP (%)	2.8%	2.4%	2.3%	2.4%	2.5%
Egg production (mln Nos)	19,052	20,113	21,285	22,512	23,819
Poultry Meat Production (000 MT)	1,518	1,657	1,809	1,977	2,160
No. of Firms	~350 players				
Sector Structure	Competitive				
Association	Pakistan Poultry Association (PPA)				

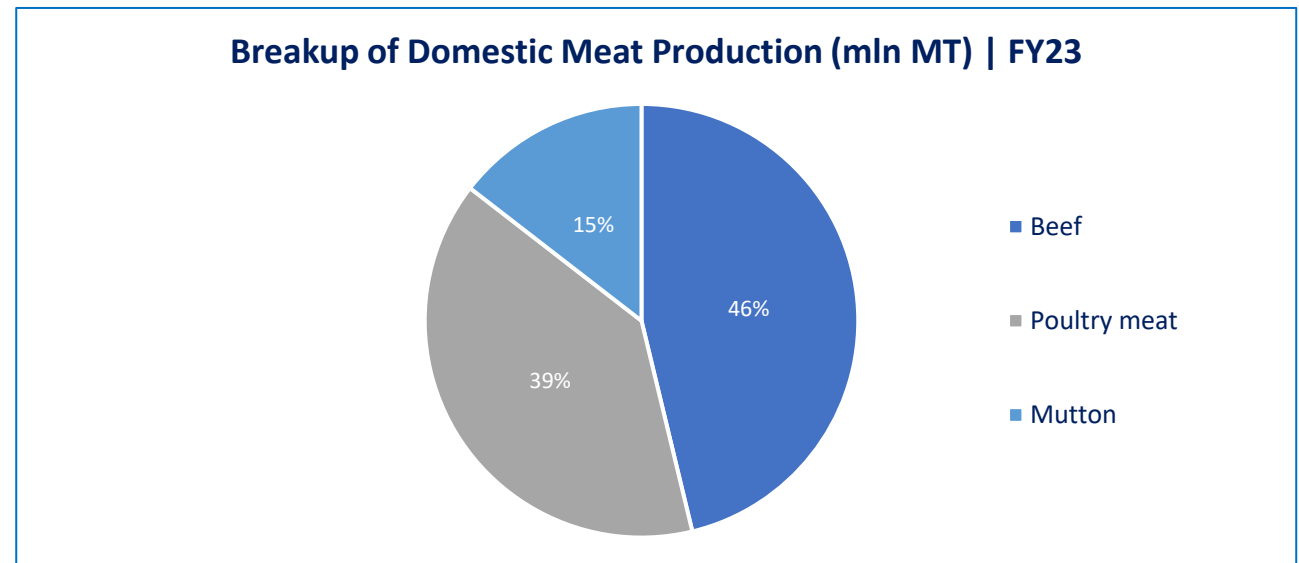
**Number of players as of Sep'22 is the latest available data.

Poultry

Local | Production

- Pakistan’s major poultry product is poultry meat and in FY23 it contributed ~39% (~2mln MT) to the total meat production of the country, which was recorded at ~5.5mln MT. Other meat products include ~46% beef and ~15% mutton. Pakistan’s total meat production has witnessed a YoY growth of ~5.5% during FY22-23.
- In FY23, poultry meat and eggs production recorded a growth of ~9.3% (FY22: ~9.2%) and ~5.8% (FY22: ~5.8%) YoY, respectively. Total poultry birds produced during the period were recorded at ~1,887mln (~1,725mln in FY22). Owed mainly due to usage of cutting edge technology for poultry production in controlled environments, along with the focus on poultry disease control procedures resulted in improving the health of poultry birds, local production levels have traced an upward trend.
- The poultry sector was exposed to various challenges during FY23 that included high import costs and restrictions on the import of soybean (one of the major components of poultry feed), absence of which resulted in broiler to reach the required weight in a much longer time for consumption.

Poultry Breakdown	FY19	FY20	FY21	FY22	FY23
Poultry Birds (mln Nos)*	1,321	1,443	1,578	1,725	1,887
Eggs (mln Nos)	19,034	20,116	21,285	22,512	23,819
Total Day Old Chicks (mln Nos)	1,248	1,370	1,504	1,651	1,813
Poultry Meat (000 MT)	1,522	1,624	1,809	1,977	2,160



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

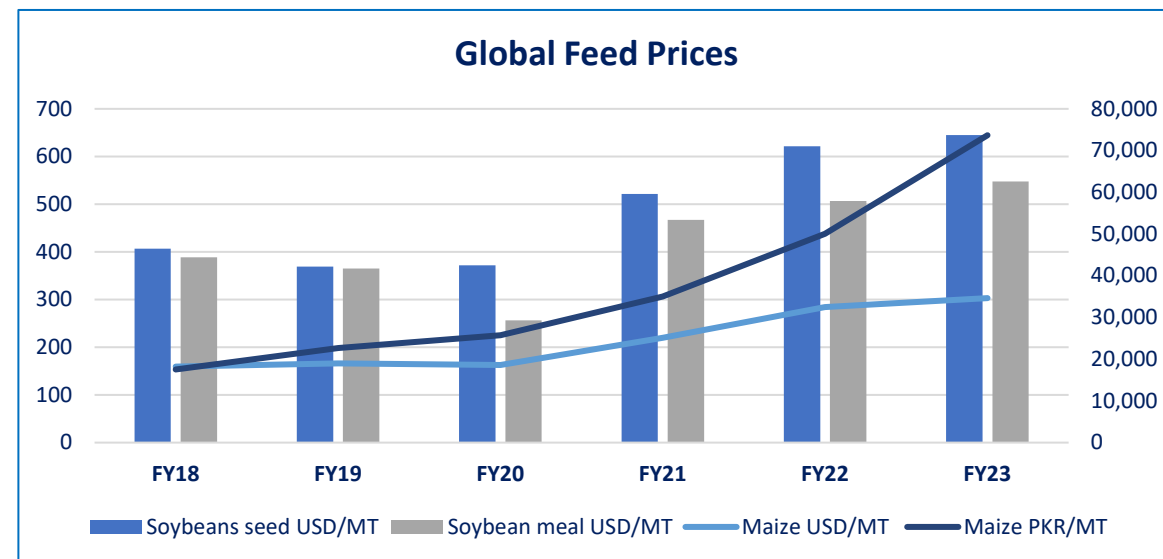
Local | Inputs

- The sector's produce comprises both domestic (individual) and commercial outputs. On the domestic scale, cocks and hens are produced, while layers, breeding stock and Day-Old Chicks (DOCs) are commercially produced. Broilers are majorly produced at a commercial level with a very small production on the domestic scale too.
- Total commercial poultry, including Layers, Broilers, Breeding Stocks and DOCs was recorded at ~3,571mln in FY23 (~3,249mln in FY22), a YoY growth of ~13%. This increase in production is partially owed to the GoP that supports the industry in various ways such as providing pre-vaccinated high-laying backyard birds distributed, implementation of supportive policies and ease of credit from banks.
- Domestic broiler produced during the period were recorded at ~34mln (~34mln in FY22) whereas commercial broiler recorded a growth of ~10% (~1.5bln in FY22 to ~1.7bln in FY23). Production of DOCs has increased over the period covered (FY18-22) at an average rate of ~46%. The production of DOCs increased from ~1.7bln in FY22 to ~1.8bln in FY23 (~6% growth YoY) due to an increase in demand.

Domestic and Commercial Poultry (mln Nos)					
	FY19	FY20	FY21	FY22	FY23
Domestic Poultry					
Hens	43	44	45	46	46
Chicken	33	33	34	34	34
Cocks	12	13	13	13	14
Total Domestic Poultry	88	90	92	93	94
Commercial Poultry					
Day Old Chicks	1,215	1,337	1,470	1,617	1,779
Broilers	1,163	1,280	1,408	1,549	1,703
Layers	56	60	64	68	73
Breeding Stock	13	14	14	15	16
Total Commercial Poultry	2,447	2,691	2,956	3,249	3,571
Total Poultry Input	2,535	2,781	3,048	3,342	3,665

Local | Feed Prices

- In FY23, local maize prices rose by ~47% as against ~43% in FY22, which was due to import restrictions of soybean that pushed up the demand for maize. Pakistan lacks sufficient domestic production of plant protein to replace the ~2-3mln MT of soybeans annually imported. Almost all the meal derived from soybean imports is used for poultry feed. Local Maize prices (PKR/MT) have remained elevated in FY23, despite international prices (USD/MT) slowing down, reflecting currency depreciation.
- Maize crop is grown twice a year (in July-Aug & Jan-Feb). The production of maize in the country remained smooth in FY23. Maize crop was not affected by the floods as the areas where maize is grown were not hit by flood (Northern Punjab and Central Punjab, where ~84% of the maize is grown). August'23 prices of soybean, soybean meal and maize stood at USD~583.9/MT, USD~514.6/MT and USD~207.6/MT, respectively.
- Soybean is a major ingredient of poultry feed and is mainly imported. In CY23, Soybean seed and meal prices have been volatile due to contraction in global production in some countries (i.e., China and Ukraine) and some production losses in Brazil & Argentina.
- In FY23, 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), in parts of Asia, Europe and North America and ~58mln poultry birds were affected as at Feb'23*.



Input Price Change	FY22	FY23
Maize (USD/MT)	29%	7%
Maize (PKR/MT)	43%	47%
Soybean Seeds (USD/MT)	19%	4%
Soybean Meal (USD/MT)	8%	8%

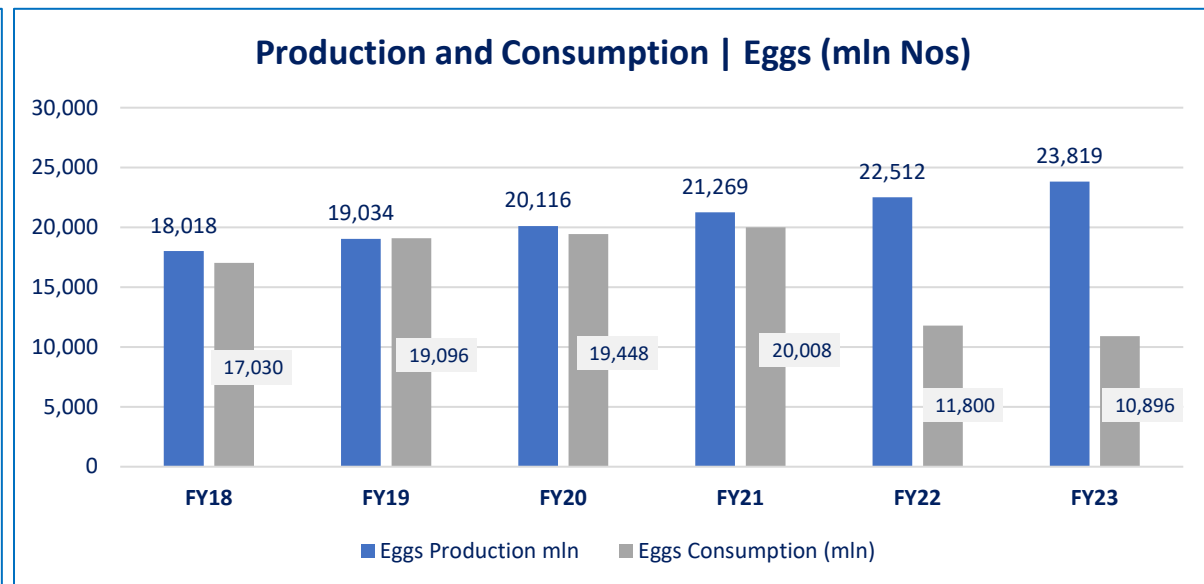
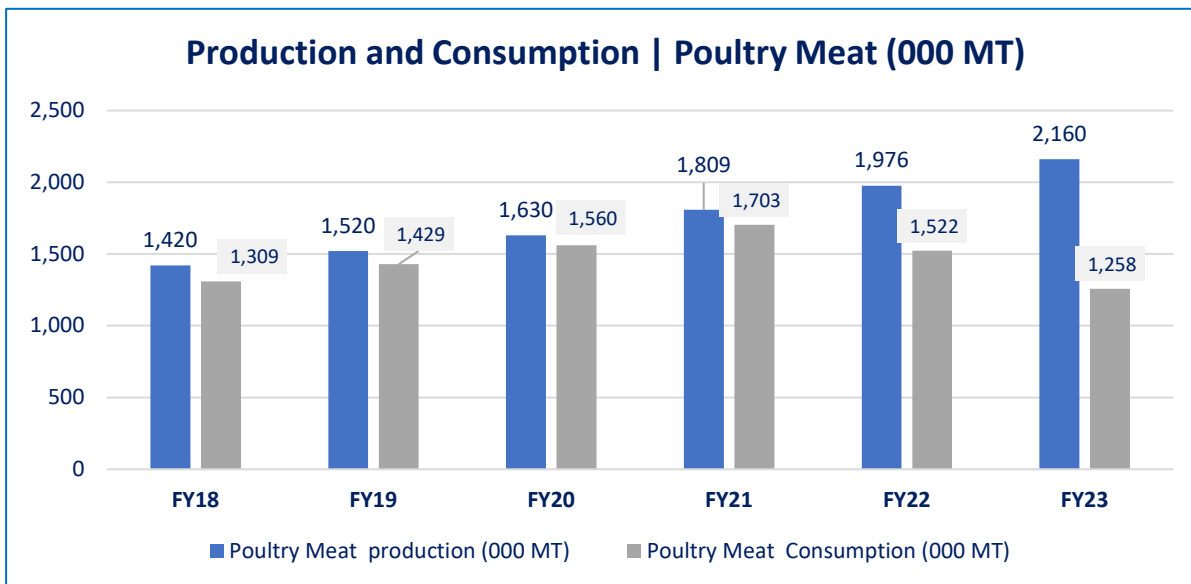
Local | Outputs

- The output of the sector comprises eggs, meat and DOCs, which are produced both commercially and domestically. The number of eggs produced have exhibited an increasing trend over the years consistent with the rise in population. At a domestic scale, the egg output has increased by ~2% in FY23 (FY22: ~2%), while commercial egg output increased by ~7%, same as FY22.
- In FY23, domestic poultry meat production depicted a growth of ~2% (FY22: ~2%), while commercial poultry meat production increased by ~10% (FY22: ~10%).

Domestic and Commercial Poultry Output							
Period	FY18	FY19	FY20	FY21	FY22	FY23	
Domestic Poultry							
Eggs (mln Nos)	4,239	4,315	4,393	4,472	4,568	4,649	
Meat (000 MT)	120	120	130	127	130	132	
Commercial Poultry							
Eggs (mln Nos)	13,779	14,719	15,723	16,797	17,944	19,170	
Meat (000 MT)	1,300	1,400	1,500	1,682	1,846	2,028	
Total Poultry Output							
Eggs (mln Nos)	18,018	19,034	20,116	21,269	22,512	23,819	
Meat (000 MT)	1,420	1,520	1,630	1,809	1,976	2,160	

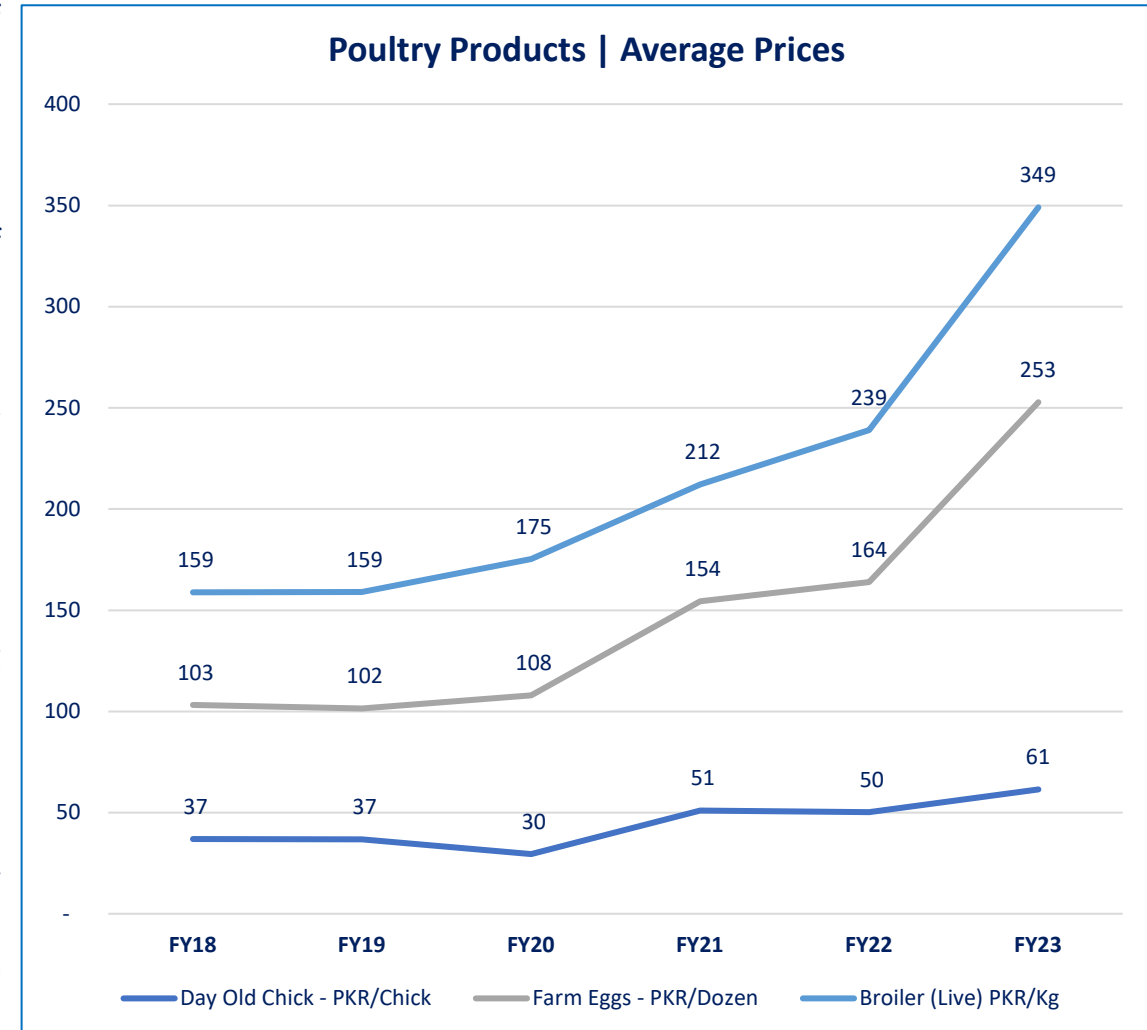
Local | Demand Dynamics

- Poultry meat demand is generally price inelastic. However, the poultry meat consumption fell to ~1.3mln MT during FY23 from ~1.5mln MT in FY22. The consumption of eggs had increased over the years from FY18-21 with better capacity utilization and growing population. In FY22, following a similar pattern as poultry meat, the total egg consumption also fell to ~10.9mln in FY23 from ~11.8mln in FY22. The reason for the decline in consumption of both poultry meat and eggs is increase in prices by ~46% and ~54%, respectively, although, on the other side, production levels have increased despite increase in poultry feed prices.
- Since Eggs and Meat remain essential food items both at domestic and commercial scale, the consumption to production ratio usually remains high (average ratio during FY18-22 of poultry meat and eggs was recorded at ~0.9). Another reason contributing to the high consumption-to-production is that poultry products are perishable food items, therefore their sales run on continuing basis.



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. Poultry meat and eggs have witnessed a sharp rise since Oct'22, after the customs authorities at ports stopped the release of soybean shipments arriving mostly from the USA and Brazil due to import restrictions of soybean. Weight of eggs in rural CPI is ~0.57 and in urban CPI ~0.51).
- **Day Old Chicks:** Average prices of DOCs during FY22 remained close to FY21 level of PKR~50/chick. However, these increased to PKR~61/chick in FY23, a ~22% YoY increase due to general increase in prices of essential items.
- **Farm Eggs:** Average prices of farm eggs grew by ~6% from PKR~154/dozen in FY21 to PKR ~164/dozen in FY22 as against ~54% increase in FY23 (PKR~253/dozen). In Jun'23, farm eggs urban prices increased by ~37%/dozen YoY whereas rural egg prices witnessed an increase of ~40.4%/dozen on a YoY basis.
- **Broiler:** The average price of broiler (live) increased by ~13% from PKR~212/Kg in FY21 to PKR~239/kg in FY22 and further went up by ~46% in FY23 to record at PKR~349/kg. In Jun'23, 1Kg broiler (live) contributed ~3.35% to Urban CPI (YoY growth in price of broiler ~57.7%/kg) and ~3.24% to Rural CPI (YoY growth in price of broiler ~63.5%/kg). During FY23, Broiler Chicken was amongst the top 10 contributors to both Rural and Urban Inflation.

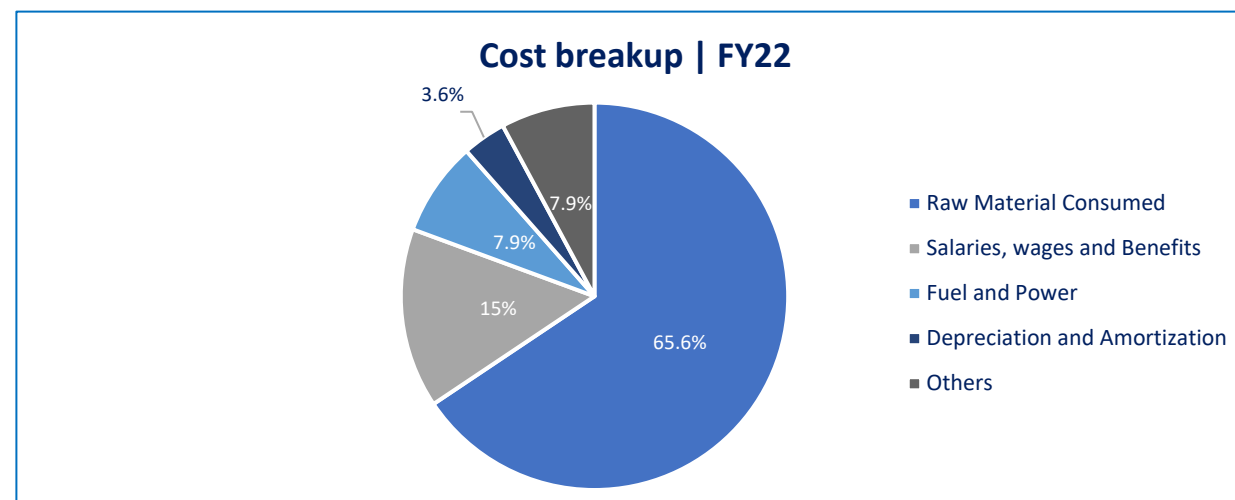
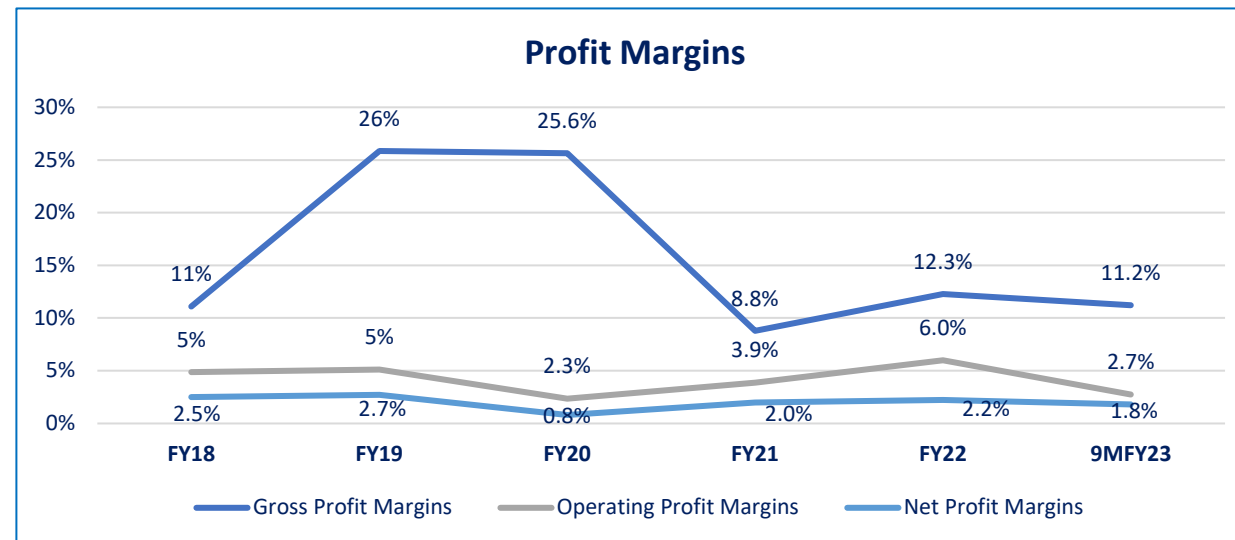


Local | Business Risk

- 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 therefore supply fluctuates with price levels. Another fact that can't be ignored is the short-mid term shocks industry has to face on account of animal disease outbreaks, unfavorable weather conditions and natural catastrophes. The FY22 floods significantly damaged livestock and crops. Overall, ~31% of livestock holders have lost animal/poultry due to the floods, while more than ~50% of animal shelters/ sheds have been damaged. This kept the prices escalated during FY23.
- **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, therefore, remain 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 later on.
- **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. For instance, closure of restaurants, hotels and marriage halls amid pandemic in CY20-CY21, 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.

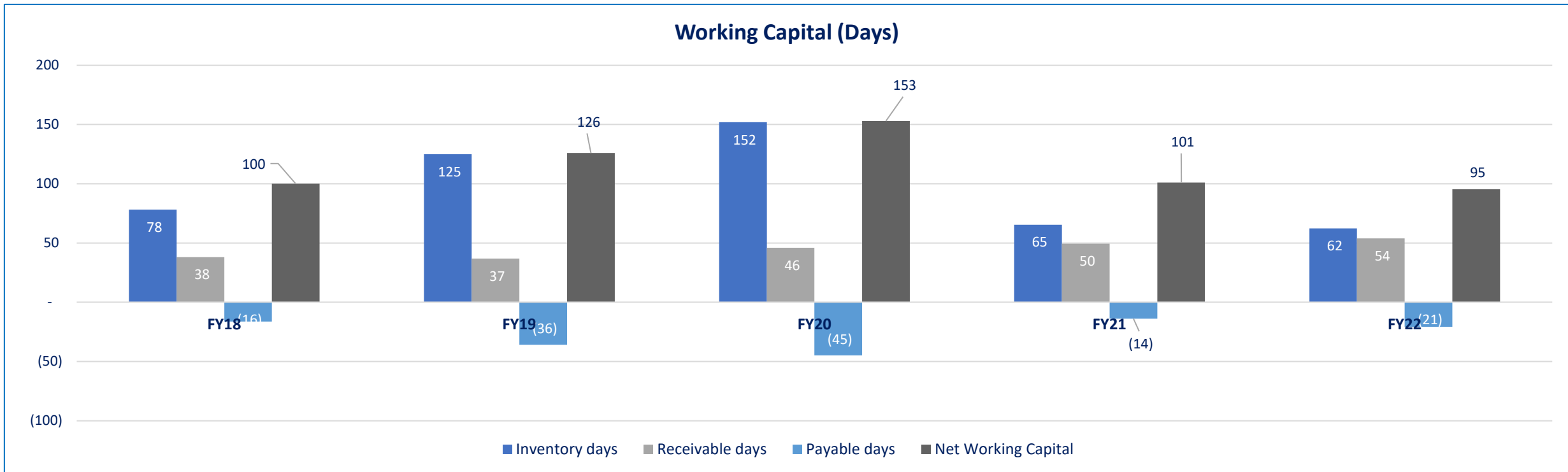
Business Risk | Margins

- The average gross margins of the sector (FY18-FY21) have historically hovered around ~18%. In FY22, the sector's gross margins clocked in at ~12%, slightly better than the FY21 levels (~9%) and could likely be attributed to increased prices of poultry meat. This came despite a decline in revenues from the DOCs segment, which posted a volumetric decrease of ~120.2mln in FY22 (FY21: ~122.8mln). In 9MFY23, average gross margins fell to ~11%, on account of slow consumption levels amid high prices.
- The sector has historically operated on thin operating and net margins. In FY22, average operating margins exhibited some improvement to record at ~6% (FY21: ~3.9%). The trickle-down effect of lower sales figure for the 9MFY23 has impacted the operating margin that fell to ~3%, even though operating expenses in FY22 were higher than the figures in 9MFY23. Net margins fell from ~2.2% in FY22 to ~1.8% in FY23 due to higher finance costs as a result of higher interest rates.
- 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 following FY20 in the aftermath of COVID-19 pandemic and rising inflation worldwide.



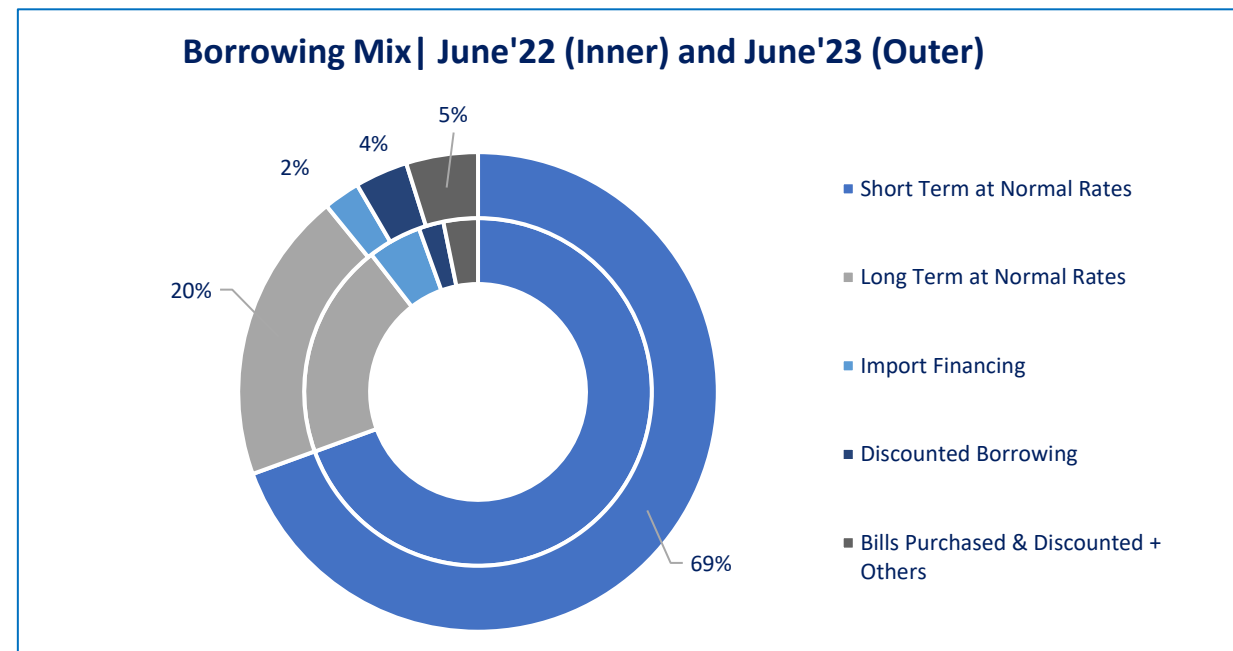
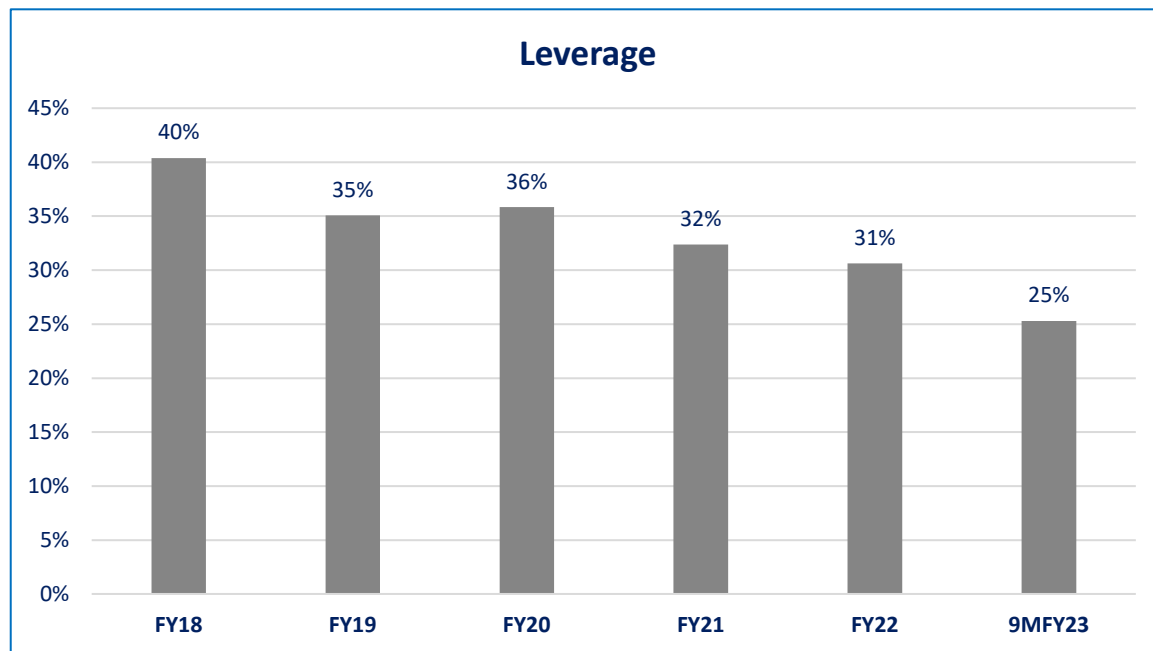
Financial Risk | Working Capital Management

- The sector's inventory largely comprises 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 and FY20, the inventory days had hiked up because of the slow turnover due to the oversupply of stocks in the market.
- In FY22, both receivable and payable days moved up to ~21 days (FY21: ~14 days), ~54 days (FY21: ~50 days) since the payment methods were more tilted towards credit rather than cash by both receivables and payables.



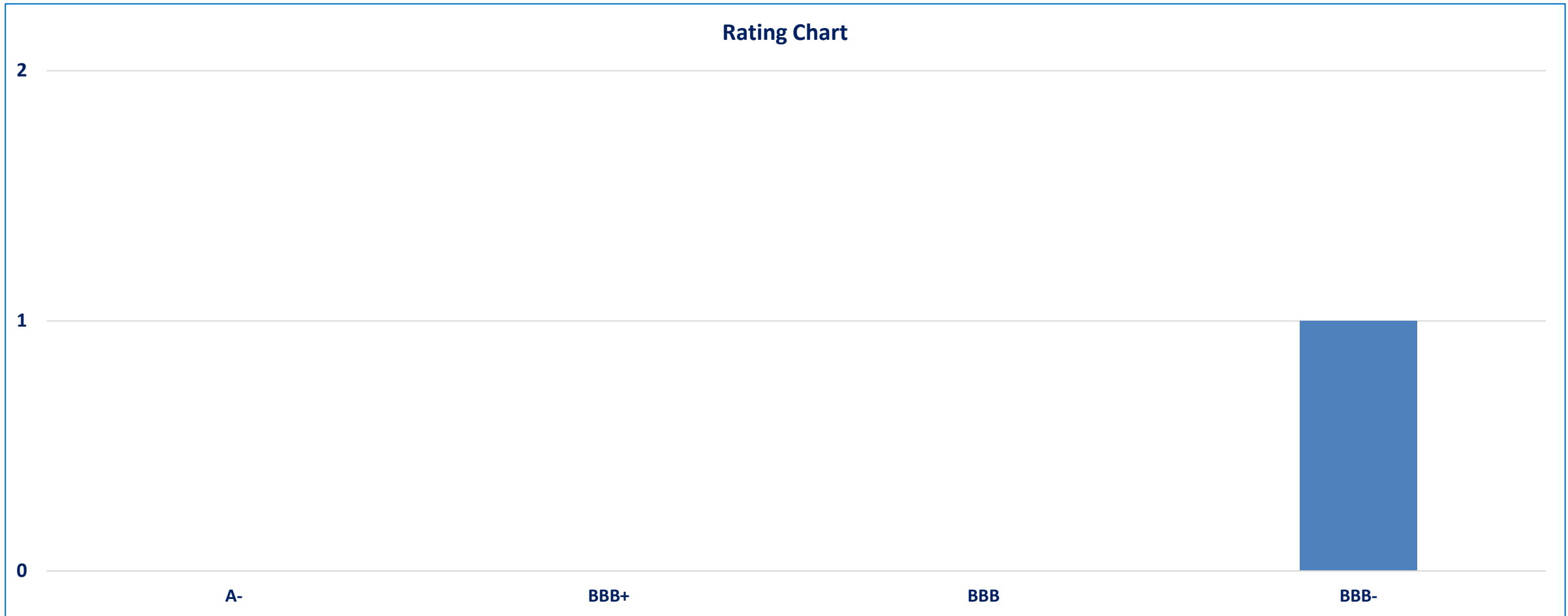
Financial Risk | Borrowing

- The poultry sector's total borrowing as at Jun'23 stood at PKR~30,842mln (Jun'22 : PKR~35,048mln) a drop of ~12% YoY basis. The sector comprises largely short-term borrowings, i.e., ~69% in Jun'23 (Jun'22: ~69%) to finance its working capital needs, majorly raw materials financing. This is associated with the fact that the poultry sector majorly relies on external capital to meet their day to day operational needs due to their small size and nature of business. Long-term borrowings comprised ~20% both in Jun'23 and SPLY. Percentage of import financing dropped from ~5% in Jun'22 to ~2% in Jun'23 due to the import restrictions imposed by GoP during most part of FY23.
- The average leverage of the sector is recorded around ~35% (FY17-21), which slightly reduced in FY22 to~31% (FY21:~35%), due to improved capital structure and the business's short-term trade leverage indicating room to borrow. Moreover, repayment of long-term debt is one of the reasons for improved leverage.



Rating Chart

- PACRA rates 1 client in the Poultry sector. Rating category of the Sector is BBB-.



Duty Structure

PCT Code	Description	Custom Duty	
		FY23	FY24*
01.05	Live poultry, that is to say, fowls of the species (broiler)	3%	3%
02.07	Meat and edible offal of the poultry, fresh, chilled or frozen	20%	20%
04.07	Birds' eggs, in shell, fresh, preserved or cooked (Fertilized eggs for incubation)	11%	11%
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%

The Sales Tax on local poultry sheds, incubators, brooders and poultry equipment is 5% whereas, import of Poultry machinery & Equipment is exempt from sales taxes.

SWOT Analysis

- Continuous availability of raw material
- Simple to operate controlled sheds
- Available capacity
- Increased income levels and restaurants
- Wide range of target market
- Product is basic protein requirement of body, so there is low price sensitivity



- Artificial breeding of broilers
- Lack of research and development initiatives
- Outdated technology used for hatchery and breeding
- Highly fragmented sector
- Perishable Items
- Fluctuating Input costs

- Economic instability
- Lack of Government oversight and sector support incentives.
- High competition
- Viruses and diseases in Parent stocks such as Bird Flu
- Prevailing uncertainty due to COVID-19
- Higher Mortality rate of poultry birds in Pakistan

- Increased Research & Development
- Economic Recovery
- Increase in per capita income
- Evolving consumer taste palette
- Change in eating habits
- No brand loyalty
- Vast distribution

Outlook: Stable

- In Pakistan, Poultry sector is one of the largest agricultural based segments with a substantial investment of PKR~1,056bln, comprising domestic and commercial poultry. It has an annual growth rate of ~10%-12%. Pakistan ranks 11th in terms of global poultry production and consumption per capita. The sector posted a turnover of PKR~1,981bln in FY23 (SPLY: PKR~1,533bln), a ~29% YoY growth rate. Further, it recorded an increase in average commercial poultry production from ~3,249mln in FY22 to ~3,571mln in FY23 (~10% YoY growth). Commercial poultry includes DOCs, Broilers, Breeding stocks and layers with YoY growth rates of ~10%, ~10%, ~7% and ~7%, respectively, in FY23.
- The key business risk of the sector comprises cost side factors due to vulnerability of feed price. In FY22, the sector's gross margins clocked in at ~12%, slightly better from FY21 (~9%), attributable to increased prices of poultry meat. This came despite the decline in revenue from the DOC segment. The trickle-down effect of lower sales figure for the 9MFY23 also impacted average operating margins which fell to ~3%, even though operating expenses in FY22 were higher than those recorded in 9MFY23, whereas average net margins fell from ~2.2% in FY22 to ~1.8% in FY23. The net working capital days decreased to ~95 days in FY22 (FY21: ~101 days) and leverage ratio in FY22 was ~31% (FY21: ~35%) decreased due to the decrease in borrowings by the sector.
- To strengthen and develop this industry, the poultry development strategy that is recommended by the agricultural department focuses on key areas which include disease control, utilization of advanced technology for poultry production in controlled environments and expanding product diversification. To achieve these goals, the GoP has implemented farmer-friendly policies such as giving incentives to commercial banks to provide loans to the producers in the sector and interventions to support both rural and commercial poultry production.
- Prices of poultry products are expected to remain elevated in the days to come. However, since the output of the Sector is an essential food item, the demand of the poultry sector largely remains unaffected (price inelastic) to a great extent despite price increases. 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 poultry sector will continue to remain under pressure in terms of high import costs and restrictions on the import of (genetically modified organism) GMO soybean which is the main import in poultry feed. Currently, this is a key risk exposed to the supply chain of the sector, which is also putting poultry businesses, especially the small firms, at a high risk. Additionally, high inflation and devaluation of Pakistani rupee remain an impediment to the sector's overall performance.
- Pakistan lacks sufficient domestic production of plant protein to replace the ~2 to ~3 mln MT of soybeans annually imported. Almost all the meal derived from soybean imports is used for poultry feed. Without soybean meal in poultry rations, the feed conversion ratio has worsened, and it is taking longer for broilers to reach market weight. However, the sector is gradually shifting to alternatives for soybean such as cotton seed, rapeseed, mustard seed, sunflower seed and canola seed.

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