

Feed cost is the biggest cost component of the cost of production of both chicken meat and eggs. To produce good quality feed inclusion of high quality maize at 45% or higher rate is considered essential. Insufficiency of maize for poultry feed production had been one of the major problems for both chicken meat and egg industries during last few years. For the year 2018, 500,000 MT of maize is required for poultry feed. The demand for maize had been further raised with the latest development of dairy industry. As the country is failing to produce the required quantity of maize locally, importation is essential to produce chicken meat and egg at a price which is affordable for the local consumer. However, since 2013 importation had not been granted as required, therefore product price continuously on rise. Also there is Rs 10.00/kg special commodity levy imposed. If these import restrictions and high import taxes are continued together with low local production, the cost of production of both chicken meat and eggs will continue to rise.

The soya bean production is yet remain very low. In 2017, only 6% of the demand is fulfilled locally. Also the oil extraction and production of soya bean meal is not taking place at industrial scale, thus the use of locally produced soybean for poultry feed production is limited.

Exports

Sri Lanka exports number of poultry products; mainly table eggs, hatching eggs, DOC and chicken meat. During the last year exportation of chicken meat has been increased by 35% while exportation of hatching eggs and DOC reduced. Poultry had been recognized by the government as one of the priority areas for export promotion. Yet the country was unable to take measures to make our products competitive at export market and as a result the exports are still remain at negligible level.

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POULTRY SECTOR ANALYSIS AND FORECAST - 2018

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Poultry has become the most important livestock sub sector in Sri Lanka contributing to 0.46% GDP in 2017 which is more than 75% of the total contribution of Sri Lankan livestock sector. Out of all poultry, broiler sector is the fastest growing segment which has almost doubled the production during last 10 years. However the industry still faces major drawbacks such as high cost of production and market instability. Yet the poultry products are considered essential food items supplying animal proteins at a comparatively cheaper price. Demand of chicken meat and eggs of the country is fulfilled through local production.

Broiler Sector

A total of three (03) grandparent (GP) farms are functioning in the country supplying parent birds of Hubbard Classic, Cobb 500 and Indian River strains to 35 parent farms. One GP farm was temporarily suspended its operation during the latter part of 2017, therefore the local supply of parent birds was reduced to 73% of total requirement in 2017. According to the forward plans of GP farms, it is expected to fulfill 86% of the total parent bird requirement through local production in 2018.

Table 1. Comparison of Broiler Sector Performance for 2016 – 2018

Item	Unit	2016	2017	Change (2016 - 2017)	2018 est*	Expected growth 2018
Grandparents and parents						
Grandparent farms	Number	3	3		3	
Parent farms	Number	32	35		35	
Grandparent imports	Number	20,950	33,136	58%	49,360	49%
Parent local production	Number	1,043,985	953,157	-9%	1,116,903	17%
Parent imports	Number	333,424	346,422	4%	186,962	-46%
<i>Total parent bird availability</i>	Number	1,377,409	1,299,579	-6%	1,303,865	0%
DOC production	Million	137.16	150.59	10%	131.91	-12%
DOC issues	Million	136.50	149.13	9%		
Meat production	'000 MT	182.69	200.98	10%	197.87	-2%
Imports						
Chicken meat	MT	252.59	243.13	-4%		
Exports						
Chicken meat	MT	1,473.03	1,995.82	35%		
Hatching eggs	Million	0.07	0.02	-65%		
Day old chicks	Million	0.25	0.23	-8%		

* Estimations are based on imports and stocking plans of breeder farms

In 2017, parent DOC importation was increased by 4% while local production was reduced by 9%. As the DOC supply is now largely depend on local production, the availability of parent DOC was also reduced by 6% reaching 1,299,579 in 2017. According to the stocking plans of the parent farms the DOC procurement would remain at the same level during 2018.

The commercial DOC production was increased by 10% in 2017 compared to 2016. The parent stock would produce 131.91 million DOC in 2018, if they stick to the stocking plan of 2018, which will be 12% reduction compared to 2017. Accordingly, the projected chicken meat (Broiler & Curry chicken) production would be 197.87 ('000 MT) within the year, which will be 2% reduction compared to 2017, but is still 8% higher compared to 2016. Considering the human population growth the projected per capita availability of chicken meat would be 9.16 kg/year in 2018.

Monthly chicken meat production forecast for 2018 is depicted in Table 02.

The farm-gate price of live broiler ranged between Rs. 170.00 to Rs. 297.50 per/kg during the year 2017. However, higher retail prices were observed throughout 2017 ranging from Rs. 451.25 to Rs. 567.08. Higher retail price in spite of the drop of farm-gate price could be a result of removal of maximum controlled price. Therefore, close monitoring on market behavior to identify the factors that govern the market prices may help to develop better regulation on market for the sustainable broiler industry.

Table 2 – Monthly procurement and production forecast 2018 - Broiler sector

Month	Procurement of Parent Birds		Production of DOC (Mn)	Chicken meat production (000 MT)
	Local	Import		
January	100,498	26,326	11.21	14.34
February	62,741	31,354	10.98	17.17
March	78,970	26,973	10.69	17.06
April	61,350	-	10.63	17.68
May	64,594	44,024	10.48	16.31
June	97,445	44,801	10.56	17.48
July	103,916	33,304	10.99	19.30
August	84,100	-	11.38	15.44
September	98,670	30,000	11.53	15.93
October	80,100	16,960	11.34	15.90
November	70,980	8,800	11.24	15.68
December	125,420	25,760	10.88	15.58
Total	1,028,784	288,302	131.91	197.87

*Estimates based on imports and stocking plans of breeder farms

Layer Sector

The layer sector has shown positive growth during the year 2017. Fourteen (14) layer parent farms were functioning during the year. Imports of layer parent birds were reduced by 8% during 2017 but the DOC production was increased by 8% as the parent birds imported during 2016 was double the figure of the year 2015. 98% of the pullet DOC produced during 2017 was absorbed by the commercial layer farms yielding to escalation of egg production by 24% leading to crisis situation in the egg market causing tremendous drop in retail prices of eggs during the latter part of the 2017 and early 2018.

Table 3. Comparison of Layer Sector for 2016 - 2018

Item	Unit	2016	2017	Change (2016-2017)	2018 est*	Expected growth 2018
Parent Farms	Number	11	14	27%	15	7%
Layer Parent Imports	Number	117,548	108,076	-8%	80,181	-26%
Pullet DOC Production	Million	8.76	9.46	8%	8.19	-13%
Pullet DOC Issues	Million	8.68	9.31	7%		
Egg Production	Million	2,304.06	2,856.09	24%	3,022.33	6%
Exports						
Table eggs	Million	4.09	4.60	12%		
Pullet DOC	Million	0.013	0.007	-49%		

*Estimations are based on imports and stocking plans of breeder farms

Retrospective analysis shows that layer sector remained static for the past few years. The market prices for eggs were favorable during 2013 to 2016. As the result rapid expansion on layer sector happened in 2016 and 2017 with importation of more than 100,000 parent birds per year. It seems that producers were not sensitive enough on market behavior, therefore the increased DOC production was absorbed by the commercial farmers leading to excess egg production which could not be absorbed to the market. The result had been the drop in egg prices which badly affected the layer industry. Farm gate price of egg ranged from Rs. 9.38 to Rs. 12.25 while retail price ranged from Rs. 9.50 to Rs. 13.50 which was sometimes below the cost of production. This unorganized production system endangered the sustainability of layer sector. Although the DAPH intervene by regulation of

parent bird importation with the consensus of layer breeder farm owners in early 2018, excess production of eggs could not be controlled. Unregulated culling of commercial layers were happened in early 2018 changing the direction of the market, and high egg prices were observed in July – August period of 2018. The scenario emphasizes the requirement of strong regulatory and monitoring system on industry to assure the sustainability of the layer sector.

The variability of the procurement of parent birds and forecasted pullet and egg production are depicted in Table 4.

Table 4 – Monthly procurement and production forecast 2018 - Layer sector

Month	Procurement of Parent Birds	Pullet DOC Production	Estimated Egg Production (Mn)
January	5,703	704,819	265.51
February	3,106	667,544	265.33
March	-	635,767	261.28
April	-	666,167	257.47
May	6,965	760,337	252.51
June	2,455	588,799	246.26
July	-	749,567	239.89
August	26,455	709,869	251.84
September	5,319	684,861	250.71
October	5,390	631,828	246.97
November	3,460	580,176	244.52
December	21,328	450,014	240.04
Total	80,181	7,829,748	3,022.33

*Estimates based on imports and stocking plans of breeder farms

Animal Feed Production Sector

Animal feed production has been grown by 9% in year 2017 compared to 2016. However, the production of maize; main raw material for poultry feed has reduced by 21% in the year 2017. Therefore, producers had to go for alternative materials of low quality which affect the feed conversion ratio.

Table 5. Comparison of Poultry Feed Production for 2016 - 2018

Item	Unit	2016	2017	Change (2016-2017)	2018 est	Expected growth 2018
Commercial feed production	MT	620,310.65	678,187.50	9%	710,185.46*	0%
Self-mixed feed production	MT	413,540.44	450,125.00	9%	417,093.05 *	0%
Total poultry feed production	MT	1,033,851.10	1,128,312.50	9%	1,127,278.50*	0%
Maize						
Local Maize production (Maha)	MT	207,075.00	163,733.00	-21%	243,888 **	49%
Extent (Maha)	Ha	57,094.00	44,515.00	-22%	69,500 **	56%
Local Maize Production (Yala)	MT	36,885.00	32,011.00	-13%	22,010 **	-31%
Extent (Yala)	Ha	10,536.00	8,029.00	-24%	6,014 **	-25%
Imports for animal feed	MT	40,821.80	192,918.76	373%		
Soya bean						
Local Soya production (Maha)	MT	432.00	5,207.00	1105%	632 **	-88%
Extent (Maha)	Ha	207.00	3,095.00	1395%	392 **	-87%
Local Soya production (Yala)	MT	7,514.00	9,156.00	22%	2,022 **	-78%
Extent (Yala)	Ha	6,094.00	5,221.00	-14%	1,202 **	-77%
Imports for animal feeds	MT	196,792.80	226,437.40	15%		

*Estimates are based on DOC import plans, imports and estimated production of DOC

** Crop Forecast, Dept. of Agriculture