

Marketing of Commercial Poultry in Faisalabad City (Pakistan)

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ABSTRACT

This study has been conducted to discuss the present marketing system of poultry, poultry meat and eggs, its costs, margins and profits and finally problems and potential solutions in Faisalabad city. For the purpose of this study, primary data was collected from different stakeholders by using personal interview technique. Results of the study show that marketing system of poultry is traditional in nature. On an average, the profit margin in case of the commission agents was Rs.257.13 per 40 kg whereas in case of retailer, the profit margin was Rs145.2 per 40 kg. The profit margin in case of eggs was 42.06% in case of salesmen, 33.07% in case of wholesalers and 48.5% in case of retailers. Marketing costs incurred by the commission agents was Rs.12.87 per 40 kg. It was also found that middlemen were exploiting poultry producers by exhorting a large portion of consumer's rupee. Therefore, producers were not getting remuneration according to the value of their products. Minimizing role of middlemen, providing marketing information to producers, strengthening marketing infrastructure and facilitating producers with easy access to veterinary services are the important steps that should be taken immediately by policy makers and other concerned bodies to boost up poultry farming in Pakistan.

Key Words: Poultry and its products; Marketing; Margins; Cost; Constraints; Faisalabad

INTRODUCTION

A balanced diet is essential for good health, vigour and productive capacity of the people. Protein plays an important role in the formation of balanced human diet. There are mainly two origins of proteins i.e. animal and plant. The human diet in Pakistan is deficient with respect to proteins of animal origin. At present 66% Pakistani are deficient in protein. The requirement of protein is 102.7 g per head per day while available protein for consumption is 69.61 g per head per day. The gap in requirement of protein is 33.09 g per head per day. The main source of animal protein in Pakistan is beef, mutton, milk, poultry meat and eggs, respectively (Government of Pakistan, 2003).

In Pakistan where the population is growing at a faster rate, the gap in production of food especially of animal origin is widening year after year. In the wake of animal health standards, the problem of an acute animal source protein shortage seems still more grave and distressing especially when it is compared with the protein intake of various developed countries like U.S.A., Canada, Germany, France, Japan and UK, where consumption of protein is 79-95 g per capita per day in their daily diet and of which 46-65 g is protein of vegetable origin and the rest of animal origin (FAO, 1998).

The food and nutrition dilemma demands a special attention to overcome the existing deficiencies in the food and nutritional needs of the population, with particular reference to protein deficiency and its availability from

animal source. Out of various sources to overcome the animal protein gap, poultry meat seems to offer much better prospect in this respect. It is capable of providing protein in terms of quality and quantity and can narrow down the animal protein supply gap in minimum possible time as compared to other sources of animal protein.

Poultry has still remained a neglected and unimportant sideline of our agricultural industry. Productivity of local birds in terms of eggs or returns has been low and is not considered it as a paying enterprise. Principally it is raised as stray birds on which particularly no cash outlay has been involved. Until 1964 poultry production was a cottage industry in Pakistan. The management and production on modern scientific lines was not known and disease control measures were also not sufficient. In 1964, the foundation of commercial poultry production was laid by Pakistan International Airline (PIA) shaver by introducing new and improved breeds of layers and broilers and by Lever Brothers with the production of poultry feed on modern lines. The Government on her part, exempted this industry from income tax and sales tax, allowed export of table eggs, day old chicks and broiler on subsidized rates.

However, along with this expansion, the poultry raisers cry for low economic return for their poultry products and consumers in streets cry for high cost of poultry products which is considered due to high marketing margin in this industry. The poultry industry faces problems like the incidence of diseases, substandard and costly feed and inefficient marketing system. In all stages of

development, there is a need of improving the efficiency and lowering the cost of distribution in existing system. For the achievement of this goal important steps are needed, such as orderly and least expensive marketing system. Thus it is necessary to enable the producers to sell their produce at reasonable price and consumers to buy their needs at minimum cost (Maqbool *et al.*, 2005).

Many studies have been conducted to look into marketing channels of poultry, meat and eggs and also to determine the costs, margins and profits of different intermediaries and also to estimate their marketing problems (Hussain, 1982; Walters *et al.*, 1987; Sugiyama, 1989; Rasool, 1991; Zahid, 1994; Kumar & Mahalati, 2000; Khalid *et al.*, 2001) Chohan (1992) studied the marketing of poultry in district Jhang. He found that poultry producers got considerably less price than that of market. He further concluded that in case of birds, marketing cost of collection agents and retailers were Rs.72.50 and 51.43 per 40 Kg, respectively. Marketing cost in terms of eggs included rent of shops, labour charges, electricity charges, loading, transportation, breakage, etc. Kumar and Mahalati (2000) studied price spread, marketing cost and marketing margin for eggs with a sample of 50 respondents (comprising producers, wholesalers & retailers). Results revealed that the producer's share of consumer price was higher in the producer consumer marketing channel than in other channels in which one or more middlemen existed Miah *et al.* (1992) in his study on economic analysis of poultry marketing in Mymensingh district concluded that poultry was an important source of animal protein. In Bangladesh, it was produced within subsistence methods and the existing poultry marketing is inefficient. Results revealed that poultry birds were marketed through a particular channel. The intermediaries faced various problems in running their business. In marketing cost the transportation account was the highest cost whereas the profit earned by them was not encouraging compared to the marketing costs. He further, concluded that since the marketing channel was long, the consumer had to pay a high price; the producer was deprived of reasonable returns.

Islam (2003) discussed about the existing poultry products processing and marketing system, its problems and its potential solutions in Bangladesh. Traditionally chickens were sold alive, because of lacking trust on slaughtering method (halal or not), fear of disease or dead birds slaughtered, lack of processing and preserving technology and skill man power. Egg grading and packing had not yet been developed. As a result producers were not getting remunerative price that is why middleman were being gainer. Therefore, modern poultry processing plant, preserving technology and proper marketing channels were suggested to establish.

To pinpoint the extent to which the existing marketing system of poultry will efficiently perform various functions needs detailed study. The existing poultry and marketing system of their products has been functioning without much

attention of planners and policy makers. The present study was planned to look into poultry, meat and eggs marketing channels prevalent in the present setup with a view to see their efficiency and suggest remedial measures for their improvement.

MATERIAL AND METHODS

The nature of the problem is such that it should be studied at much wider jurisdiction at least at province level. But due to obvious limitations of the research workers viz. time and financial resources, the study was restricted only to 10 miles radius of the Faisalabad city. An adequate and scientifically sound sample is essential if a limited investigation is to yield valid results. With this fact in view, the enquiry was extended to all those agencies that moved the poultry from farm level to ultimate consumers. Thus, a representative sample of commercial poultry producers, commission agents, wholesalers, retailers was taken for detailed investigation. Eight commercial poultry producers, two from each side around Faisalabad city were taken to collect information on production of birds and eggs. Similarly, six commission agents, five wholesalers and eight salesmen of eggs, were taken. Eighteen retailers-six each from eastern, central and western parts of city of poultry meat and eggs were selected to collect detailed information. Forty-five consumers of poultry meat and eggs i.e. fifteen consumers each from low income, medium income and high income localities of Faisalabad were interviewed to collect data about consumption patterns in poultry meat and eggs.

For the purpose of getting information, separate questionnaire was developed for each category of respondents. The questionnaires were filled in by direct interview method by using random sampling technique. To analyze the results of present study, the arithmetic mean (AM) and percentage techniques were used.

Arithmetic mean was calculated as follows

$$AM = \frac{\sum X}{N}$$

Where

X = Value of variable

N = Number of observations

\sum = Summation of variables

The study was conducted with some limitations. One important problem faced by enumerators was to gather detailed information from various stakeholders. Due to illiteracy and conservative nature of respondents, a great deal of time had to be spent in explaining them the purpose and objectives of the study. The dealers were especially reluctant to expose their business secrets. A great effort was made to get the correct information. Moreover, the poultry farmers did not maintain any record of production as well as sale prices. Similarly, dealers had no record of their business dealings. The only alternative was to rely on their memories.

RESULTS AND DISCUSSION

Poultry farming may be set up for egg production, broilers production or for breeding chicks. For the present study, the former two types were chosen for detailed analysis. Table I indicated production, consumption, marketed surplus and marketable surplus of eggs and birds on the sampled farms. Total number of birds and eggs were 48000 and 12115500 in the sampled area. The average production of eggs per bird in the sampled area was 251 in numbers. Similar pattern and trend of production was given by Qazi (1989). As far as home consumption of eggs and birds was concerned, it was estimated that 288 birds (0.6%) and 36346 (0.3%) eggs were used at home for the consumption of the family members. An important limiting factor in the poultry production was losses due to death. It was estimated that it was death that was causing huge losses, 6% in birds production and 2% in egg production. This result indicated the need for the provision of proper veterinary services at the doorstep of poultry farmers. In this way, losses could be reduced substantially. The marketable surplus of commercial poultry producers was 93.4% in birds and 97.70% in eggs. But actually 91.53% of birds and 97.10% of eggs were offered for sale in case of commercial poultry producers, because 2% of birds and 0.6% of eggs were lost during transportation. This result indicated the inefficient marketing facilities prevailing in the study area. The results of present study were quite similar to Hussain (1982) and Qazi (1989).

The producer's share in case of eggs in consumer's rupee was 83.16% and margins of salesmen, wholesaler and retailer were 4.9, 4.45 and 7.42%, respectively. The marketing margins of the market intermediaries were not high and the producer's share in consumer's rupee was quite reasonable. This fact is shown in Table II. Qazi (1989) reported share of producers in consumer's rupee as 52% in eggs and 61% in case of birds when disposed off through the collection agents, while 43% and 39% share was taken up by the market intermediaries in eggs and birds respectively. Such findings were quite different recorded by Qazi (1989) from the present study mainly due to more production and less mortality rate.

The distribution margins of intermediaries in case of birds are given in Table III. The producer's share in consumer's rupee was 75% and the remaining went to intermediaries i.e. 16.87 and 9.14% went to retailer's margin and wholesaler's margin, respectively. Such findings are in full agreement with those reported by Chohan (1992). The commission agent's margin as compared to the retailer was the higher because commission agent deducted commission from total income i.e. 3 to 4% commissions.

The total marketing margin of the commission agent was Rs. 270. Out of this, marketing cost was Rs. 12.87 per 40 kg so; the net margin was Rs. 257.13 per 40 kg. The profit as a percentage of sale price and purchase price was 17.49 and 21.42%, respectively. Commission agents had to

pay 4.76% as a cost and got net profit as 95.27% (Table IV).

The retailer was the last functionary in the marketing system selling the product to the ultimate consumers. On an average, net margin and marketing cost of the retailer in case of birds was Rs.150 and 4.80, respectively whereas the marketing margin was Rs. 145.20. It was estimated that the profit as a percentage of sale price and purchase price was 8.83 and 9.87%, respectively. On an average, the share of cost was 3.20% and that of profit margin was 96.80% in the gross margin (Table V).

The salesman is an important market intermediary who purchases the eggs from producers and sells to the wholesalers and retailers. On an average, the net marketing margin of the salesmen was Rs. 50.00 per crate whereas cost born by him was Rs. 7.49 per crate and his gross margin was estimated to be Rs. 42.06. The profit as a percentage of sale price and purchase price was 4.72 and 5.00%, respectively. On an average, share of cost of salesmen was 15.82% and that of profit was 84.12% of the gross margin (Table VI).

Results of Table VII indicated that on an average, the net marketing margin of the wholesaler was Rs. 45.00 per crate whereas his total cost was Rs.11.93 per crate and the gross margin was Rs.33.07. The profit as a percentage of sale price and purchase price was 3.53 and 3.71%, respectively. On an average, the share of cost of the wholesaler in gross margin was 26.51% whereas net profit was 73.48%. Qazi (1989) concluded that the net marketing margin per 40 kg, cost per 40 kg and profit per 40 kg of the wholesaler were Rs. 89.00, 31.60 and 57.40, respectively in case of birds, whereas in case of eggs, the net marketing margin per crate, cost per crate and profit per crate of the wholesaler were Rs.46.00, 28.74 and 17.26, respectively.

The retailer is the last functionary who purchases either from the salesmen or wholesalers and sells to the ultimate consumers. On an average the net marketing margin of the retailer was Rs. 75 per crate whereas the total cost which the retailer has to bear was Rs. 26.50 and the profit margin was Rs. 48.50. On an average, the share of cost paid by the retailer in gross margin was 35.30% whereas net profit was 64.6% as shown in Table VIII. It was further estimated that the profit as a percentage of sale price and purchase price was 4.8% and 5.18%, respectively.

Marketing problems faced by our farmers. Poultry marketing is a very complex marketing system. Unfortunately, Pakistan is facing many difficulties in maintaining a good marketing system of their products especially poultry products. Some of the problems which are most critical are discussed as under:

- Market information system is not good. Poultry farmers don't have proper knowledge about the prevailing prices of bird and eggs and therefore, cannot get better remuneration of their production.

- Transportation system for carrying the bird and eggs to the ultimate consumer is traditional. Mostly poultry farmers and commission agents use motorcycles and donkey carts

Table I. Production, marketable and marketed surplus of eggs and birds

Items	Production	Home consumption	Losses due to death	Marketable surplus	Losses due to marketing	Marketed surplus
Birds	48000	288	2880	44832	896	43936
%age	100	0.6	6.00	93.4	2.00	91.53
Eggs	12115500	36346	242310	11836845	71893	11764952
%age	100	0.3	2.00	97.70	0.6	97.10

Table II. Distributive margins of market intermediaries for eggs

Particulars	Price/30 dozen (Rs)	Marketing margin/30 dozen (Rs)	Margin as percent of consumer price
Producer's sale price or salesmen's purchase price	840	--	83.16
Salesmen's margin	--	50.00	4.9
Salesmen's sale price or wholesaler's purchase price	890	--	--
Wholesaler's margin	--	45.00	4.45
Wholesaler's sale price or retailer's purchasing price	935	--	--
Retailer's margin	--	75.00	7.42
Retailer's sale price or consumer's purchase price	1010	--	--

Table III. Distribution margins of market intermediaries in case of birds

Particulars	Rs/40kg	Marketing margin Rs/40kg	Margins as a percent of consumer rupee
Producer's sale price or commission agent's purchase price	1200	--	75.00
Commission agent's margin	--	270	16.87
Commission agent's sale price or retailer's purchase price	1470	--	--
Retailer's margin	--	150	9.14
Retailer's sale price or consumer's purchase price	1640	--	--

Table IV. Marketing margin of Commission agents (Rs/40 kg)

item	Sale price	Purchase price	margin	cost	Profit margin	Profit as a % of sale price	Profit as a % of purchase price
Birds	1470	1200	270	12.87	257.13		
%			100	4.76	95.23	17.49	21.42

Table V. Marketing margin of the retailer for birds (Rs/40 kg)

Items	Sale price	Purchase price	margin	cost	Profit margin	Profit as a % of sale price	Profit as a % of purchase price
Birds	1640	1470	150	4.8	145.2		
%			100	3.2	96.8	8.83	9.87

Table VI. Marketing margins of the salesmen (Rs/crate)

item	Sale price	Purchase price	margin	cost	Profit margin	Profit as a % of sale price	Profit as a % of purchase price
Eggs	890	840	50.00	7.94	42.06	--	--
%	--	--	100	15.88	84.12	4.72	5.00

Table VII. Marketing margins of the wholesaler of eggs (Rs/crate/month)

Items	Sale price	Purchase price	Margin	Cost	Profit margin	Profit as a % of sale price	Profit as a % of purchase price
Eggs	935.00	890.00	45.00	11.93	33.07	--	--
%	--	--	100.00	26.51	73.48	3.53	3.71

Table VIII. Marketing margins of retailer of eggs (Rs/crate)

Items	Sale price	Purchase price	Margin	Cost	Profit margin	Profit as a % of sale price	Profit as a % of purchase price
Eggs	1010.00	935.00	75.00	26.50	48.50	--	--
%	--	--	100.00	35.3	64.60	4.80	5.18

for disposal purposes. Roads are bumpy. Therefore, a lot of produce is lost before marketing.

○ Storage and packing system is not up to the mark. Improper storage facilities damage a lot of produce and cause losses to poultry farmers.

○ The prices of feed and medicines are extremely high and out of reach of the stakeholders. Poultry farmers cannot afford to buy these inputs due to financial constraint.

○ Grading is totally ignored at farm level. The produce without proper grading doesn't attract buyers.

- Health facilities are lacking in poultry farms. Therefore, a lot of birds die due to certain diseases.

CONCLUSIONS

One of the major findings of the study is that the middlemen at various levels of poultry marketing were exploiting the poultry farmers because the farmers received low prices of their produce. Poor market information system and lack of proper transportation facilities were some of the major constraints in this industry. Another important aspect being ignored was grading and it was largely ignored due to lack of price incentives and extra cost. Moreover, at producer level the storage facilities were inadequate in the sampled area, only the wholesalers used the facility of storage.

SUGGESTIONS

In order to improve the present marketing system of poultry following suggestions are expected to go a long way in removing these complaints.

- Market information system need to be improved. It is the need of the hour to provide quick information to the poultry farmers so that they sell their produce in an easy way.
- In order to curtail breakage losses, packing and distribution system should be modernized.
- Feed and medicines are the main inputs in poultry industry. In order to enhance its economic viability and to make it more rewarding, the prices of feed and medicines should be kept within reasonable limits.
- In order to stabilize and to maintain quality prices, poultry coordination boards should be established at Federal as well as Provincial level.
- Grading at farm level is all together lacking so the high quality of eggs is not promoted at a price premium. It is noticed that only 12.5% of poultry producers used the practice of grading. So, practice of grading at producer's level would be encouraged and price information on the basis of grades and standards should be regularly collected and disseminated through T.V, press and through other means.
- Inadequate health facilities were estimated in sampled farms, it is due to viral, bacterial infection and parasitic infestation. It is therefore, suggested that a long run vaccination and deworming campaign policy should be started.

- Transportation means for poultry products need to be improved, especially donkey cart should be replaced with wagons.

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