CHAPTER 1

INTRODUCTION

1.1 POULTRY INDUSTRY

The term "poultry" is used to designate those species of birds which render man an economic service and reproduce freely under his care. It includes chickens, turkeys, ducks, geese, swans, guinea-fowl, pigeons, pheasants and ostriches and refers to them whether alive or dressed. Out of these, chickens are more widely distributed than any other class of farm livestock. The significance of poultry farming is manifold. Chickens are reared for eggs, meat, manure, vaccines, preparation of animal foods etc.

In India, Poultry farming as an industry has shown impressive record of growth in recent years. Poultry farming offers entrepreneurial opportunities for agriculturists. Farmers, both small and marginal, find this to be an effective supplementary enterprise. For medium and large farmers too, this industry has opened up avenues to increase their income. Poultry farming is seen as the main source of income by many agriculturists due to the uncertainties in the sources of agricultural income and large quantities of agro-industrial by-products which are used as feed ingredients for transformation into eggs and meat. Poultry industry is providing large employment opportunities to the unskilled rural population. Realizing this, the development plans of the State and Central governments encourage poultry farming, dairying, goat and sheep rearing and other similar pursuits with the provision of simple training.
In very recent times, over a span of no more than thirty years, there have been greater changes in the methods of keeping poultry than probably in any other sector of the world's livestock agricultural production. It has now become the most intensive of all branches of livestock farming. In many countries poultry are now ahead of all other livestock in economic importance. Productivity has increased remarkably. Apart from direct employment on the farm, persons away from the producing center are also employed for transportation and distribution among the consumers. It has an enormous potential to improve the socio-economic status of the rural people, particularly landless, small and marginal farmers as it requires minimum capital investment which gives quick and good returns. It is a promising agribusiness for eradicating hunger, alleviating poverty, helping to check migration to cities by providing employment opportunity especially to rural young men and women. The employment potential of poultry in India can be understood from the fact that India's share the total world poultry trade is negligible.

1.2 NATURE OF POULTRY

Poultry farming is a viable business activity and has got immense scope for improving the socio-economic status of the weaker sections of the country. Poultry farming is a subsidiary source of employment and income for small and marginal farmers and agricultural labourers. An entrepreneur may adopt poultry as a main activity because the profit making potential offered by it is satisfactory. Poultry farming not only supplements the income of farmers but also helps in increasing the employment opportunities in the country. Poultry is also important from the nutritional point of view. It provides egg and meat which are very rich in protein, fat, minerals and vitamins. Poultry keeping has been practiced for centuries as a backyard operation among the rural families. However, the scenario has changed now. The process of
planned poultry development on scientific lines started in India in the early 1960's with the advent of scientific methods of breeding, feeding, poultry management and health cover. Poultry industry, from the very first day, has suffered a lot and step-motherly treatment by all supporting agencies had increased its woes. One after the other, epidermis and slumps in the market with ever increasing rise in feed prices had ruined almost all the farmers. The only factor that has kept poultry industry alive since its inception is the taste of non-vegetarian eaters and declining population of goat and sheep due to shrinking grazing lands.

Now the poultry industry is in the hands of really brave persons who have suffered and still survived all the natural and man-made calamities. Now this industry is entering its golden period, as demand for poultry products have stabilized and new Fast Foods Joints entering the market everyday are just in need of regular supply. Poultry too has now become a global business. Export and Import is now more difficult than it used to be in the past. It is the time of systematic and organized business.

1.3 Poultry Industry

1.3.1 Traditional Poultry Farming

Traditional poultry farming was adopted in the backyard of farmer’s houses, which was followed in the early days of poultry production. The chicks were sold by the government agencies and also by the limited private players to farmers. The farmers usually buy the chicks from the chicks sellers in the market and rear them on their farm and the feed was purchased from the feed dealers and also some farmers had manufactured them in their own farms. The management and equipments are conventional in nature since the poultry veterinary services were provided by the government authorities. The grown broilers were purchased by the traders directly from the farmers.
and based on the weight / count of birds the amount would be paid to the farmers.

1.3.2 Contract Poultry Farming Model (Integration)

Farmers had abandoned layer farming (Egg production) after a major disease outbreak during the early 1990s playing havoc on the fortunes of the feed millers and hatchery units in the western region of Tamilnadu. In order to ensure survival, an entrepreneur involved himself in feed mixing and was instrumental in the introduction of contract farming of broiler chickens in the region. As per this integration model, the Integrator (Contract Company) invests in the entire value chain, including:

- Grandparent farms;
- Parent stock farms;
- Hatcheries
- Feed mills

Poultry Contract farmers invest in poultry sheds and equipment on their existing land. Integrators provide:

- Day-old chicks
- Feed
- Medicines/vaccines
- Training to farmers in process and cost management
- Technical supervision.

Integrators take the broilers at around 42 days of age, and farmers are paid growing charges according to agreed rates. The farmers are given an incentive bonus if the feed conversion ratio (FCR) and / or mortality rate is better than the contracted level. Thus, the farmers get considerable price
insurance. Moreover, the advantage is that there are no intermediaries: only integrator – farmer – wholesaler in the market. Farmers do not have to make any investments in working capital. There is also no risk to farmers from fluctuations in selling process – they get a fixed income. This arrangement has encouraged a number of small farmers to enter the poultry business in order to supplement their income with a stable return on their investment.

1.4 DESIGN OF THE STUDY

India has a human population of around 1.22 billion and is predicted to grow to somewhere around 1.32 billion by the year 2020. Post-independence, India is developing stage by stage. The first was food for everyone. That was fulfilled by the green revolution and it took 25 years. Further, food related additional needs in terms of nutrition have taken its turn. Milk was considered one such and this was also attained by ‘Operation Flood’. Now, it is the turn for other product such as poultry, fishery to get attention consequently, and more concentration is on poultry. The present study has been taken up to examine the problems and challenges of contract farming in the poultry industry with reference to western tamilnadu. In the southern part of India, the widely acceptable poultry production methodology is contract farming based production system and these contracts farming companies are also called as “Integrators”. At present, 95 percent of broiler poultry production is carried out through integrators in western tamilnadu.

1.5 USE OF RESEARCH WORK

Chickens are being used extensively in biological research work because they are cheap and readily available, reproduce freely, have a sensitive metabolism, and are good laboratory animals. Many of the findings made with chickens in the interest of pure science may be applied in a practical way for improving poultry production. The term poultry farming and
poultry industry are used interchangeably in the present study. In a broader connection, the term poultry industry includes chickens, turkeys, pigeons, egg, poultry breeding, stock hatcheries, broilers, layers, replacement poultry growers, commercial egg farmers, egg and poultry marketing organizations and the number of allied industries such as feed, equipment packing and distribution trade.

The present study has taken up the problems and challenges of contract farming in the poultry industry with reference to Western Tamilnadu. In the recent times, over a span of not more than thirty years, there have been greater changes in methods of keeping poultry than probably in any other sector of the world's livestock agricultural production. Productivity has increased remarkably. Apart from direct employment on the farm, persons away from the producing center are also employed for transportation and distribution among the consumers. It has an enormous potential to improve the socio economic status of the rural people, particularly landless, small and marginal farmers as it requires a minimum capital investment which gives quick and good returns. It is a promising agricultural business of eradicating hunger, alleviating poverty, helping to check migration to cities by providing the opportunity of employment especially to rural young men and women. The employment potential of poultry in India can be understood from the fact that India's share the total world poultry trade is negligible.

In spite of the huge demand in the market, the poultry industry has increased egg prices or meat prices in recent years since the poultry industry is facing problems and many challenges in the recent years. The problems are rising cost of inputs like feed and raw materials which decides the cost of production per kilogram of chicken and in-turn the profit per kilogram of chicken becomes less day by day, this mismatch affects the entire supply chain of poultry production, particularly under poultry contract farming chain.
in the Western Tamilnadu. In this contract farming model, the problems are lower feed conversion ratio leads to higher production cost, theft of input supplies, theft of output items (Broiler Birds), negative performance and growing charges, quality of input and output, corruption, labour, the price rise of farm inputs, demand pricings and surplus production, diseases and intensification etc. Representations have also been made by the poultry industry associations to the government for requesting subsidies. In this background, the present study has been taken up to study the problems and challenges of contract farming in the poultry industry with reference to western tamilnadu.

1.6 STATEMENT OF THE PROBLEM

The poultry farming offered very good entrepreneurial opportunities and this is believed to be a profitable and supplementary enterprise to the agricultural farmers of this region. The growth of the industry will also facilitate in creation of employment opportunities. Further, this industry will not only facilitate in bringing nutritious food to the family but also add revenue to the farmers, whose life is dependent on their day to day produce. This also means that the farmers and the integrators have the sole responsibility of ensuring a continuum in terms of producing and serving hygienic chicks to a customer base which is ever growing in its awareness on health, hygiene and quality. To maintain this basic need of the entire humanity, there is an ever increasing demand on the part of the farmers as well as the integrators to continuously increase their quality levels and at the same time keeping up their profit margins. This has resulted in several problems in this industry affecting both the farmers as well as the integrators.

The farmers have the responsibility of ensuring their productivity as per the requirements of the integrator and to achieve this, the farmers have to
ensure that they have a firm poultry shed, requisite standard poultry equipments, adequate water supplies, electricity power supply, required labour, biosecurity arrangements and other farm requirements like litter, sanitizers, charcoal / LPG, which will ensure that the chicks are healthy. The integrator has to supply recommended quality chicks and feed, medicines, extension services on time. A simple mismatch in the mutual interests of the farmer and the integrators in properly executing any of the above responsibilities could adversely affect both of them. Further, this in-turn will adversely affect the social responsibility of the farmer and the integrator.

The farmers have the problem of ensuring productivity in terms of weight and mortality rate which sometimes go beyond his control. This has affected their return on investment on time and ensuing non-payment of their debts on time. Moreover, the extension services offered by the integrator have to be favourable to the farmer and the integrator. The person directly responsible for such services have enormous opportunity to decide on the sustenance of business associations between the farmer and the integrator. On time communication of supplies with respect to feed, chicks and all other input supplies and output is paramount to ensuring continuum of mutual trust between the farmer and the integrator. The level of awareness on the part of the farmer in terms of legalities pertaining to poultry farming could provide confidence in carrying out the business. Another problem faced by the farmers is due to the non-availability of an organized institution that can better redress their problems. All the above problems have also favoured some of the farmers to keep their fingers crossed and also close down their business considering future prospects in this industry. The integrator has his own responsibility of ensuring that all the retailers are provided on time, with birds of standard quality. This can be ensured by way of giving quality chicks,
feed and adequate medicines as well as extension services to the farmer which have to be on a win-win basis.

The challenges affecting the farmers on social front are awareness levels, resource availability and risks. Whereas, growing charges, supply of electricity, government policies, delay in growing charge payments to farmers, etc. have economically challenged the industry and its growth. This situation has motivated the researcher to study the problems and challenges which affect the farmers as well as the integrators in terms of investment, production, other business processes and also their perception towards poultry business.

1.7 SCOPE OF THE STUDY

“The Problems and Challenges of Contract Farming in Poultry Industry With Reference to Western Tamilnadu” is the area of research. The study analyses the problems and challenges of poultry contract farming in Coimbatore, Erode and Tirupur Districts. The study will be helpful for integrators and farmers in these regions. It will help the chick growers (Farmers) to understand the problems and challenges of the poultry business in terms of integrator, and poultry management practices of poultry farming requirements. The study also helps the farmers in their investment decisions in this sector. The study helps the integrating companies to know the profit potential of the integrated poultry production market and provides suggestions to maximize their profits through this model and to improve the performance of the poultry farming business. The study also helps to understand the real causes for conflict between farmers and integrators (Contract Companies) with reference to market rate based growing charges.
1.8 OBJECTIVES OF THE STUDY

General Objective

1. To study the profile of the contract farmers, poultry farm infrastructure and poultry integrators in these regions.

Specific Objectives

2. To understand the problems faced by the farmers, and the factors causing these problems in these regions.

3. To analyze the impact of challenges faced by the farmers and the risk factors involved in their poultry business.

4. To analyze the perception of the contract farmers towards poultry farming in these regions.

5. To examine the integrators’ perception towards poultry farming, contract farmers and risk factors in poultry farming in these regions.

6. To offer suggestions on the basis of the results of the study.

1.9 RESEARCH HYPOTHESES

Based on the above objectives, the following hypothesis has been framed.

Main Hypothesis

The problems and challenges faced by the farmers in the poultry industry is significantly related to their contract farming operations and their investment and profitability of the business.

The above hypothesis is cascaded in to the following research hypotheses.
Research Hypothesis

1. The causes related to production expressed by the farmers do not have any significant association with the production problems faced by the farmers in terms of weight of the birds and mortality rates of the chicks.

2. The causes related to finance expressed by the farmers do not have any significant association with the financial problems faced by the farmers in terms of less growing charges per kilogram of chicken production, less returns on investment, and delay in growing charges payment.

3. The causes related to people expressed by the farmers do not have any significant association with the problems faced by the farmers in terms of the corruption activities in contract farming and effectiveness of extension service by the supervisor.

4. The causes related to information expressed by the farmers do not have any significant association with the information problems faced by the farmers in terms of the visiting staff are not communicating the supplies and payment details on-time.

5. The causes related to compliance expressed by the farmers do not have any significant association with the compliance problems faced by the farmers in terms of the integrators not maintaining the contract terms and conditions and there is no legal contracts with the company.

6. The social factors affecting the poultry business of the farmers do not have any significant association with the social
challenges faced by the farmers in terms of the average weight of the bird and mortality rate of the chicks.

7. The economical factor affecting the poultry business of the farmers do not have any significant association with the economical challenges faced by the farmers in terms of the less returns on investment of the farmers.

8. The perceptions of the farmers towards poultry business do not vary significantly based on socio economic and infrastructural profile of the farmers.

9. The opinion of the integrators towards poultry business do not vary significantly based on the profile of the company.

10. There is no significant difference between farmers and integrators on their opinion regarding poultry operations.

The above hypotheses are discussed in detail in the analysis and interpretation chapter.