CHAPTER III
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MARKETING DILEMMA

To look at poultry development essentially as a production problem is to view if from the wrong end of the telescope. Its real cruse is marketing. If producers have an assured market at a remunerative price, production will increase anyhow, and that too substantially. This has been demonstrated by the White Revolution, which focused on marketing of milk and milk products along with their production.

For sound growth, proper marketing channels and sales promotion to stimulate demand are vital. A Success story that illustrates this truth is that of America’s Tyon Foods, the world’s leading poultry producer (annual turnover, US $4 billion). It markets plants. It does business with 80% of the American fast food restaurants. Today, it makes chicken in 3000 different ways. As Don Tyson⁵, founder Chairman recalls ‘The problem was not raising chicken; it was selling them’. He stumbled on the solution:’ Further-processed, to get away from selling the whole chicken by weight at prices that varied from day to day to value-added products sold by number or by prices (not

⁵ Don Tyson, Founder Chairman American Tyson Foods, Indian Year Book,1994 p.16
weight) at prices which remained steady. About salvation of framers as new ways are found to sell egg-and poultry-based delicacies not just eggs and chickens.

Egg marketing possesses its own set of problems, due to the large number of farms (about 50000 in number) and volume of eggs to be handled (70 million per days) Eggs usually have to be transported over much longer distance than broilers. The movement of eggs is considerably influenced by the prevailing price in cities, which account for almost 75% of the total consumption. Interestingly, retail prices remain relatively uninfluenced by drop in egg prices. Some steps need to be taken to put marketing on a sound footing. For example:

i. Numbers, regardless of their size, now sells eggs. Numbers does not sell potatoes. Neither are tomatoes. Why eggs? Should not there be reward for farmers who produce more of large eggs? Some form of egg grading by weight and quality needs to be introduced. If sold by weight, customers will realize that they are paying for the actual quality bought. Also, they can compare the cost of eggs or chickens with other food products, be they vegetables, meat or fish in North
India, broilers continue to be sold in wholesale by numbers instead of by weight. The unit is ‘Kodi’ a basket of 20 birds.

ii. Farmers tend to depend entirely on wholesalers who ignore the cost of production. The price paid to farmers is promptly reduced when the demand reportedly drops. However when it pick up, there is significant time lag before price increases.

iii. Some innovative farmers have begun to take their produce by vehicles to the centers of consumption, which may be industrial townships, housing colonies and the like in the neighborhood. So, there is a considerable potential for increasing egg consumption. Various surveys conducted in medium and small towns show that people would be willing to eat more eggs and chickens if they were conveniently available in nearby shops.

iv. With urban family size getting smaller house wives are looking for chickens in small, convenient packs.

v. Opportunities for marketing of eggs and broilers are best where farmers are, and not in the distant, large urban centers. The dazzle of urban markets seems to blind most of them to the vast market, literally exploiting at their own doorsteps.
Ideas and scheme for marketing are plentiful. Their implementation will change the viability of the industry.

vi. The Indian poultry producer generally gets about 88% of the retail price. His counterpart in the E.U (European Union) countries gets as low as 45%. One reason cited by foreign exports for poor consumption level of eggs is the low margins available to Indian marketing agencies.

By providing more margin for the promotion of egg consumption, its demand can be stimulated both in urban and rural areas. A new image is need for the good old egg as an affordable source of better health for the family and to balance the national diet, which is presently shewed.

The cost of such a campaign has to be borne by the industry. With the present slim margin of 12 percent towards marketing, this is difficult. There is a network of 50000 farmers, 1000 traders, 5000 semi-whole salers and 30000 retailers who can help create awareness of eggs as a health food. A systematic promotion can be done such as imprinting of educational messages on the egg carton and the like. The National Egg Co ordination Committee (NECC) has given a commendable lead through its advertising campaign on the television, newspapers and
magazines. In the absence of orderly marketing, whole sale prices of eggs and broiler are unpredictable and often unremunerative, subject to cyclic boom and bust phenomena. Poultry marketing is largely in the hands of private traders and commission agents.

TRENDS IN MARKETING STRATEGIES.

Marketing of eggs in India today is different from that of potatoes. In fact it is even more primitive in that numbers sells eggs generally, regardless of size.

Eggs are largely marketed through a chain of wholesalers, the first of who lifts eggs from the producer at a rate ostensibly fixed according to supply and demand. This rate has no connection with the cost of production of egg. The product then goes through two to three sub-dealers before it reaches the consumer who pays roughly 15 paise more than what the farmer is paid for.

The poultry farmer today believes that “someone else” has to set up and run his marketing infrastructure. The folly in the reasoning is that most farmers have accepted the current marketing infrastructure as their

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6 KEITH J. ROSARIO, General Manager, Marketing, Deejay Group, Bangalore, Indian Poultry Industry Year Book 1994, p.51.

7 Ibid.
“fate”. They believe that it cannot be changed and “what cannot be cured must be endured”.

Till recently, the layer farmer was relatively comfortable in the assumption that the average price for the year would assure him a profit of 4-5 paise per egg and that the current marketing practices were, if not optimum, at least “not unsatisfactory”. When egg prices just did not keep pace with the increasing cost of production and layer farmers were forced to down shutters by the thousands. There are obviously two ways of staying in poultry and making profits:

- Getting a better return on one’s end product; and
- Reducing the cost of production.

Unfortunately, the layer farmer has not paid enough attention to the second factor, which under current circumstances is more within his immediate control than the first.

Under uniformly good management condition, the cost of production of an egg at,

Say, 280 eggs Hen-Housed (H-H) can vary from 74 to 79 paise. 80% of the cost of production is accounted for by feed alone. At current feed costs and egg prices, every two grams extra feed consumption must be supported by a 1% increase in average hen day percentage or 3.65egg
HH extra per year to be justified. The farmer retails less than 5% of all eggs produced directly to consumers. The margin between the price paid to the farmer and the price paid the consumer is 10-15 paise.

The following factors regarding the current marketing system need to be noted as these represent possible areas of change:

i. Eggs are sold by number and not by weight, as in the developed countries. No grading worth mention is done.

ii. In some market, small pullet eggs (the entire production during the first six-eight weeks of the hen’s laying cycle) are offered at substantially lower rates.

iii. Wholesalers decide the egg rate paid to the farmer. This rate is supposed to be based on the “supply and demand” situation and does not take the cost of production into consideration.

The demand for eggs fluctuates with the season and is affected by the following factors

A) Climate: The demand drops at the onset of warmer months and increases in the cooler months

B) Religious festivals/ seasons which may affect demand either way depending on their nature; and,
c) **Availability and price of fish:** The demand drops when fish is abundant and cheap.

Consider the implication of the four major points listed above. Currently, through the effects of certain national bodies, the difference between the rate of pullet eggs and regular eggs has been removed in some areas, and all eggs are paid for to the farmer at the same rate, albeit at a lower ‘average’ rate. This appears to be a retrograde step as it aims to literally “force down the consumer’s throat” eggs, regardless of their size.

It must be accepted that the consumer is getting more and more discriminating and is aware of his rights. It will not be long before he will demand a minimum size egg for the money he pays- and willing to pay more for a larger egg. In other words, grading of eggs in some form is other is around the corner and rather than resist it prepares to get best out of it.

The first result of grading would be the shifting of the price differential for pullet eggs from the wholesaler to the consumer. This it will make pullet eggs and small eggs available at a lower rate and have the effect of pushing up demand. The spin—off from this to the farmer is that the larger eggs from the peak and post—peak will command correspondingly higher prices. As the post-peak is the considerably longer than pre-peak, the net effect to the producer would be considerably better average prices and more
stable economics. Grading of eggs therefore, is a strategy to be promoted in egg marketing for the benefit of both producer and consumes.

**EGG MARKETING**

The Indian egg market is in a disorganized state. Its development has not kept pace with the progress achieved in egg production. The wholesale trade of eggs in big cities, where potential demand exists, is in the hands of a few traders who have monopolized this trade to their own advantage. Egg prices vary from one market to another and from one season to another. In summer, the wholesale egg prices crash down to a level, which is sometimes lesser than the cost of production, but the retail price does not vary proportionately. Therefore, proper attention has to be given to efficient disposal of market eggs.

**MARKETING AGENCIES**

Present the wholesale trade of eggs in big cities like Bombay and Calcutta is in the hands of a few traders who have monopolized this trade for their own advantages.

About 1,382 small and large poultry Co-operative societies have been setup in the country for marketing of eggs. But due to their limited operational areas and lack of support either in inter-state or in export trade, and lack of resources to undertake a total programme of procurement,

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package, storage, transportation and retailing of eggs, these Co-operative societies have achieved limited success. The total turnover of these societies was Rs.45.3 million only in 1976-77 as compared to an estimated national egg production of Rs.4000 million.

Poultry corporations in different states have also set up retail booths to sell eggs and related products at reasonable prices. This has helped reduce by half the margin between the egg price received by farmer and that paid by consumer, from 10-12 to 5-6 paise. About 150 retail sales booths were established in the twin cities of Hyderabad and Secunderabad in 1980 with expected retail sale of 30 million eggs. Various other state corporations and private organizations like state dairy corporations and agro Industrial Corporation and state fisheries development corporations are also participating and offering their product at concessional rates.
NECC is also planning to enter the export market as a means of balancing supply and demand. To achieve this end Agro-Corpex India Ltd. has been set up. The structure and function of Agro-Corpex is presented in the following Chart No.1.
MARKETING CHANNELS.

Broadly, there are four methods of marketing—Indirect Marketing, Direct Marketing, Integrated Marketing and Co-operative Marketing. There are different channels through which eggs are marketed such as producer to consumer, producer via retailer to consumer, and producer via co-operative agency to consumer. The most common marketing channel usually adopted in our country by some egg dealers is given in following chart 2.

POULTRY PRODUCTION-COMMON MARKETING CHANNEL

The consumer reflects the efficiency of marketing channels in the share received buy the producer and the price paid. The higher the share the
greater is the efficiency of marketing channel. For a perishable like egg, the channel should relatively shorter to ensure quick supply and avoid delay and repeated handling.

Though there are commonly adopted channels direct marketing has its own advantageous. In this system producers directly sell their produce to the consumer and get 100 percent profit, as there are no middlemen. In the picture and at the same time consumers get quality product. But this system is of little size is large. In producer to consumer via retailer channel, about 12 to 17% of consumers' price is retained by the retailer while in the system via wholesaler and retailer about 26% of total price paid by the consumer is to be added to the marketing cost as the numbers of intermediaries involved are large.

EXPORT PROSPECTS

Processing of eggs on any major scale seems to be a thing of the future in India and will not affect the results of the marketing effort to any appreciable degree unless projects are export orients. Exports, however, present unexplored vistas. In recent years, considerable efforts have been made to export table eggs, particularly to the Middle East and Far East.9 The export effort must take into consideration the following factors.

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9 SHAIK IMAM, Chairman, Kasila Farms Pvt. Ltd. Hyderabad, Indian Poultry Looks Up,.1994 p.18
1. Stringent requirements of importing countries for uniformly large eggs, cleanliness and branding.

2. Problems likely to be faced in procurement of the required quality of eggs at contracted rates over relatively long periods.

3. Seasons when eggs are available cheaply for competing countries particularly Europe.

In times of difficulty, thought of the farmer instinctively turn to the 'omnipotent' government. It should set up marketing federation to handle distribution of eggs, etc. It would be beneficial if the government were to sponsor or promote the setting up of marketing, storage and distribution organizations. Their operation is best left to cooperatives or private enterprises.

The Government sport would also be most welcome in the rationalization of the tax and tariff structure on chicks, feed, power, the import of feed ingredients etc., and extending incentives such as freight subsidies for the export of poultry products. State Governments support in introducing and expanding eggs in mid-day meal schemes for school children would not support the industry but contribute immeasurably to the health of the weaker section of society.
CONCLUSION

To ensure sound growth egg marketing suitable marketing channels and proper sales promotion activities are required. To stimulate demand are vital. Some steps are to be taken to put marketing on a sound footing. By providing more margin for the promotion of egg consumption, its demand can be stimulated both in urban and rural areas. The farmers, traders, semi-wholesale sellers, and retailers should create awareness of eggs as a health food. Poultry marketing is largely in the hands of private trader and commission agents. The Indian egg market is in a disorganized state. About 1382 small and large poultry co-operative societies have been set up in the country for marketing of eggs. The total turnover of these societies was Rs.45.3 million in 1976-77 as compared to an estimated national egg production of Rs.4000 million. NECC planning to enter the export market as a means of balancing supply and demand. The different channels through which eggs are marketed by producer to consumer, Producer via retailer to consumer and producer via co-operative agencies to consumer. The farmers should set up marketing federation should handle distribution of eggs. It would be beneficial if the government were to sponsors or promote to setting up of marketing, storage and distribution organizations.