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COVID-19 and Options for Poultry Sector of Pakistan

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Foreword:

Outbreak of COVID-19 is a strong message that such kind of threats to our industrial food production system can put life of millions and billions of people at stake. It stresses on the requirements to find innovative combats to combat such crises and take precautionary measures to ensure food security and avoid economic crises. Though Pakistan poultry sector is most progressing sector of the economy, but it is strong enough to combat such pandemics. This paper discusses the various short term and long term policy measures to minimize the losses, increase productivity and growth, enhance exports and ensure food security in future. CAS-SP has taken the initiative to start a series of efficiency and productivity series of policy perspective in different sectors of the economy (especially focussing agriculture sector and rural economy) under the emerging “new normal”. CAS-SP has already taken initiative over mango and locust,

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Executive Summary

The outburst of COVID-19 has occurred in almost every country of the world adversely affecting the global economy. Pakistan has also been affected severely by this pandemic, reporting 0.235 million confirmed cases of coronavirus and 4839 casualties till July 07, 2020. This crisis has not been just a human health issue but as the crises deepened, almost every sector of the economy faced severe challenges. However, few sectors those are related to health and food security require rapid preparedness to respond such crises. Agriculture sector including cropping, livestock and poultry farming are related to food security and rural development. In the times of COVID-19, agriculture sector has faced severe challenges like supply chain issues, fall of prices, labour availability, access to inputs, extension services, and access to credit.

Pakistan's economy which was already struggling with multiple crises, spread of COVID-19 made it worse. Pakistan's poultry sector is the second largest sector after textile has also been badly affected by the lockdown due to COVID-19. Poultry sector with the current investment of Rs. 700 billion with around 34000 poultry farms has been growing at 8 to 10 percent per year making the county 11th largest producer of the poultry. The annual production of broilers is 1163 million and layers if 55.91 million in the country. It provides employment to over 1.5 million people of the country (Government of Pakistan, 2019). Similarly, poultry meat contributes 34 percent of the total meat production (4478 thousand tonnes) with poultry meat production increasing at 9.1 percent per annum while beef and mutton production is increasing by 3.0 percent per annum. Whereas egg production increased by 5.6 percent in 2018-19.

Due to halt of economic activities across the country, according to Pakistan Poultry Association, sales are decline more than 50. Similar, the data shows that usually broiler prices go up in March and April goes up by 15 to 20 percent but this year the prices went down in market by 30 to 35 percent. Resulting in severe challenges for poultry farmers, hatcheries, feed mills and labour and supply chain markets. Similarly, exports of poultry products are decreased sharply. Similarly, unavailability of inputs due to the logistic restrictions and depressed demand for poultry has manifested adverse impacts on poultry sector which has been put to further stress by low recoveries and higher cost of labour. Similarly, due to lockdown situation in the country, harvesting of important crops may be under threat especially in the current Kharif season if the disease infection continues to spread at faster rate. Such delays can lead to low yields and supply of corn and maize which are major grains resource for poultry feed formulation. This situation will affect the production of meat and eggs. Food processing may also be disturbed due to unavailability of manpower and logistical blockade which will cause another cut in the farm income.

To keep poultry sector thriving, agriculture labour engaged, and ensure food security in future, this paper has focused on various short-term and long-term measures to boot poultry sector. These include improving working conditions, supply chains, extension services and credit facilities. There is dire need to invest in poultry and improve laws and regulations to modernize it and improve its sub sectors to ensure food security and enhance exports. Therefore, serious efforts are needed at government level for sustainable development of poultry sector and food security.

Introduction

A novel coronavirus outbreak was first documented in Wuhan, Hubei Province of China in December 2019. As of this writing (June 01, 2020), it has spread on six continents and in more than 212 countries and territories of the globe effecting 6.2 million people and 0.37 million people have been died of this acute respiratory illness (Worldometer, 2020). As the humanity is fighting this pandemic, resources have been funnelled to learn, treat and prevent this deadly disease. Up till now, health

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officials, doctors, scientists and governments of the world have advised citizens to practice social distancing resulting in lockdown of cities and rural areas. Subsequently, almost all kind of social and economic activities are ceased in many countries of the world.

Pakistan, a neighbouring country of China, and hard-hit Iran was vulnerable for coronavirus. Despite all preventive measures, COVID 19 spread in the country, up till July 07, 2020 Pakistan has reported 0.235 million confirmed cases of coronavirus and 4839 casualties due to COVID-19. Spread of this disease result in massive impacts on health and livelihoods of masses. Pakistan has imposed lockdown on March 22, 2020 in Gilgit Baltistan and on March 24 in other areas and provinces of the country and extended it to April 21 while smart lock down is still in place in various across the country.

POUTRY SECTOR IS AMONG THE SEVERLY AFFECTED SECTOR OF THE ECONOMY SINCE THE OUTBREAK OF THE PENDING

Pakistan with population of 220 million people, mainly attached to agriculture sector, having precarious livelihood, challenges of food security are now more severe. Government of Pakistan has started system of transfer payments to needy

persons under Ehsas programme. Testing facilities are increased and use of technology has been enhanced to identify hotspots of coronaviruses to better compete it and beat it at earliest.

These activates may help to overcome health crisis, but shutdown of economic activities has generated massive economic challenges: increase in misery of the poor, joblessness and food insecurity. This shock will have severe implications for the economy of Pakistan. First, before COVID-19, Pakistan economy was already struggling with hardships of higher inflation, especially food inflation, higher interest rates, burden of debts, loan repayments, unemployment, higher cost of production, and widespread inequality and malnutrition. Second, Pakistan's informal sector is very large and vulnerable, employing 73 percent of labour force, but lacking regular salaries. This pandemic has increased the miseries of these workers. Resulting in severe implications for agriculture, industry and services sectors, putting both lives and livelihoods at risks

Poultry Industry and COVID 19

Poultry sector is the second largest sector after textile with the current investment exceeding Rs. 700 billion with around 34000 poultry farms (Table 1). Over the last few years poultry industry is growing at 8 to 10 percent per year making the county 11th largest producer of the poultry with annual production of 1163 million broilers and 55.91 million layers (Table 2). It provides employment to over 1.5 million people of the country (Government of Pakistan, 2019).

Poultry meat contributes 34 percent of the total meat production (4478 thousand tonnes) with poultry meat production increasing at 9.1 percent per annum while beef and mutton production is increasing by 3.0 percent per annum. Whereas egg production increased by 5.6 percent (19.0 billion) in 2018-19.

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Table 1: Pakistan Poultry Sector at a Glance

Name	Number
Poultry Farms	34000
Poultry feed Raw materials	16
Poultry Feeds Mills	100
Poultry Hatchery & Breeders	> 360
Poultry Medicines Companies	98
Poultry Processing Companies	26

Source: Pakistan Poultry Association

Poultry meat contributes 34 percent (1,518 thousand tons) of the total meat production (4,478 thousand tons) in the country (Table 2).

Table 2: Domestic and Commercial Poultry Production

Type	FY16 (Mln)	FY17 (Mln)	FY18 (Mln)	FY19 (Mln)	Growth
Domestic Poultry					
Cocks	11	12	12	12.3	3%
Hens	41	42	42	43	2%
Day Old Chicks	32	33	33.6	33.9	1%
Table Eggs	4090	4164	4239	4315	2%
Poultry Meat	115	118	120	122	2%
Commercial Poultry					
Layers	46	49	52	56	8%
Broilers	874	962	1058	1163	10%
Breeding Stock	11	12	12	13	8%
Day Old Chicks	913	1004	1105	1215	10%
Table Eggs	12077	12900	13779	14719	7%
Poultry Meat	1054	1158	1271	1395	10%
Total Poultry					
Poultry Birds	1011	1118	1210	1321	9%
Day Old Chicks	945	1037	1138	1248	10%
Table Eggs	16167	17064	18018	19051	6%
Poultry Meat	1170	1276	1391	1518	9%

Source: Pakistan Economic Survey 2018-19

Poultry meat production showed a growth rate of 9.1 percent whereas egg production showed a growth of 5.6 percent (19.0 billion.) during 2018-19. Transformation of poultry production in controlled shed system is making a tremendous difference of quantity and quality of poultry production. There are now over 6,500 controlled environment poultry sheds in the country which indicates that our poultry sector is moving in the direction of adopting modern technologies. Pakistan's poultry has the highest growth rate as compared to rest of the sub-sectors of agriculture. There is huge potential for its expansion as per capita meat and egg consumption in Pakistan is much less as compared to developed world (Table 3).

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Table 3: Eggs Consumption FY 18

Pakistan's Per Capita consumption	65 - 70 Eggs
Developed Countries per capita consumption	300 Eggs
World's average per capita consumption	160 Eggs
Poultry Meat Consumption FY 18	
Pakistan's Per Capita meat consumption	7 Kg
Developed Countries per capita meat consumption	40 kg
Pakistan's daily poultry meat consumption	17 grams
As per WHO, daily requirement of animal protein	27 grams

Source: OECD, 2018

However, COVID-19 has severely affected the poultry sector of Pakistan in terms of prices, exports and imports of poultry industry related products, availability of inputs, supply chain issues, labour problems and many other challenges. All the subsectors of poultry industry are combating these challenges in this time of crisis.

Likewise, due to restrictions on transport supply chain is disturbed seriously. Moreover, labor issues become severe owing to lockdown and changing working conditions. So poultry farmers, hatcheries, and poultry related feed mills and medicines companies all are struggling for survival in this crisis. Similarly, limited storage facilities are making the problem more severe for farmers and especially hatcheries. Pakistan poultry industry, which is struggling to combat increasing cost of production, heavy import duties (Table 4) and to enhance its processing capacity (6% of poultry meat is processed only) and in turn exports, COVID 19 has posed enormous threats to the sector. Similarly, Pakistan poultry sector depends heavily on imports (feed, medicine, equipment and parent stock), restrictions on imports due to COVID 19 will cause severe shortage of inputs and resultantly poultry meat in near future, which will lead to increase in prices. Resultantly, hatcheries and farmers are reluctant to produce more chicks and meat as the situation is uncertain. But as the lockdown will end and restaurants and wedding halls will reopen, poultry meat demand will suddenly increase and in turn prices are expected to increase. But in that scenario, poultry sector may not be able to meet the demand. Provision is inputs is another concern for poultry sector as availability of wheat may remain a challenge for poultry sector to meet the feeding requirements.

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Table 4: Regulatory structure/ challenges and issues of poultry industry

Regulations/ Issues	%	Stage of Imposition / Status
Customs Duty	5%	Import of Grand Parent/ Parent Stock of poultry birds
Customs Duty	3%	Import of Incubators, Brooders and other
Poultry Equipment Sales Tax	7%	Local - Poultry Sheds, Incubators, Brooders and other
Poultry Equipment Income Tax	0.50%	Minimum tax as percentage of person's turnover for the year on poultry breeding, broiler production, egg production and poultry feed production
Sales Tax	16%	Electricity used in Poultry
Withholding tax	10%	Withholding tax Exempt Poultry and its products Sales Tax Exempt Import of Poultry machinery & Equipment
Regulations to Exports poultry products		Proper regulations on slaughtering animals and hygienic conditions does not exists
Processing Facilities		Only 6 percent of meat is processed due to lack of processing facilities
Poultry equipment, grandparent stock and medicine		Heavily dependent on imports

Source: Pakistan Poultry Association

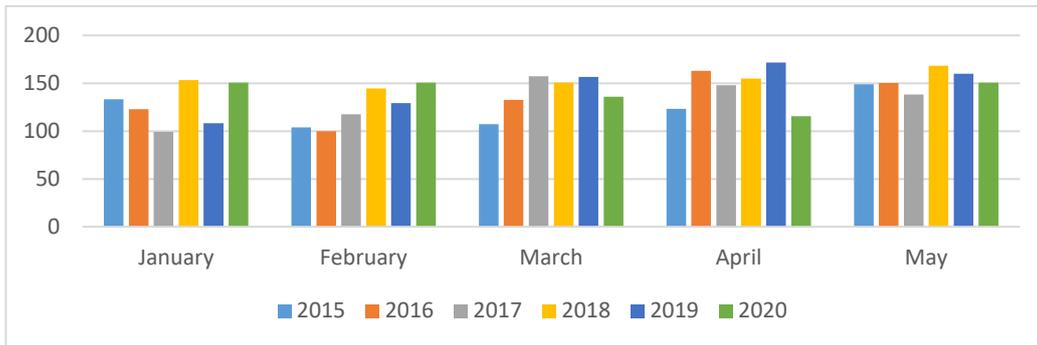
Impacts of COVID-19 on Poultry Industry

Due to pandemic of COVID-19, Poultry industry of Pakistan has faced huge loses. The peculiarity of farming is, it is not possible to halt production of the millions of birds overnight. Pakistan Poultry Association has reported loss of millions of rupees amid coronavirus lockdown across the country, denting sales and nearly halving the prices. According to officials, closure of restaurants and wedding events hit hundreds of poultry farmers as sales declined more than 50%.

There has been an abrupt drop in the demand for chicken and prices have dropped after the spread of coronavirus in the country especially due to closure of restaurants and wedding halls (Pakistan Poultry Association, 2020). Usually broiler prices in March and April goes up by 15 to 20 percent but this year the prices went down in market by 30 to 35 percent (Figure 1). But farm gate prices dropped by more than 50 percent. The supply chain is working hard to get eggs from farms to supermarket shelves and the demand in the processing sector has decreased.

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Figure 1: Poultry meat Prices in Pakistan

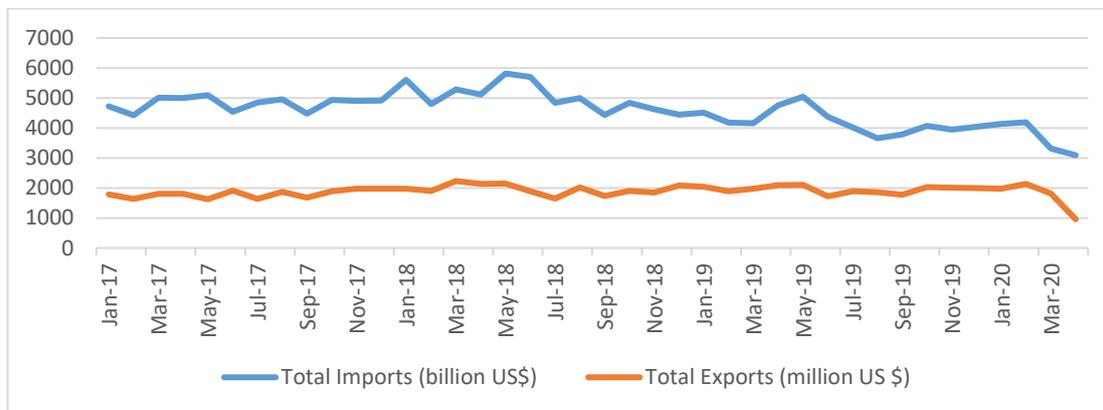


Source: agbro.com

Pakistan has experienced severe decrease in imports and exports due to worldwide restrictions. Pakistan exports from March to April dropped by 47 percent, while the exports dropped by 54 percent in April 2020 (Figure 2) as compared to April 2019 (Pakistan Bureau of Statistics, 2020). Pakistan annual poultry exports are around 23749 million dollars while imports are 50069 million dollars (Figure 3). The coronavirus outbreak has made it near to impossible to export poultry and poultry products which has led to bankruptcies in the poultry industry. Similarly, import of poultry parent stock, inputs for poultry feed and medicines is not possible which will create severe challenges in near future for poultry industry.

After initial reports of positive sales in the wholesale poultry meat markets during the current year, the markets were badly affected in March by the due to lockdown in the wake of COVID-19. The processors in wholesale markets reported more than 50% decrease in sale.

Figure 2: Pakistan total exports and total imports



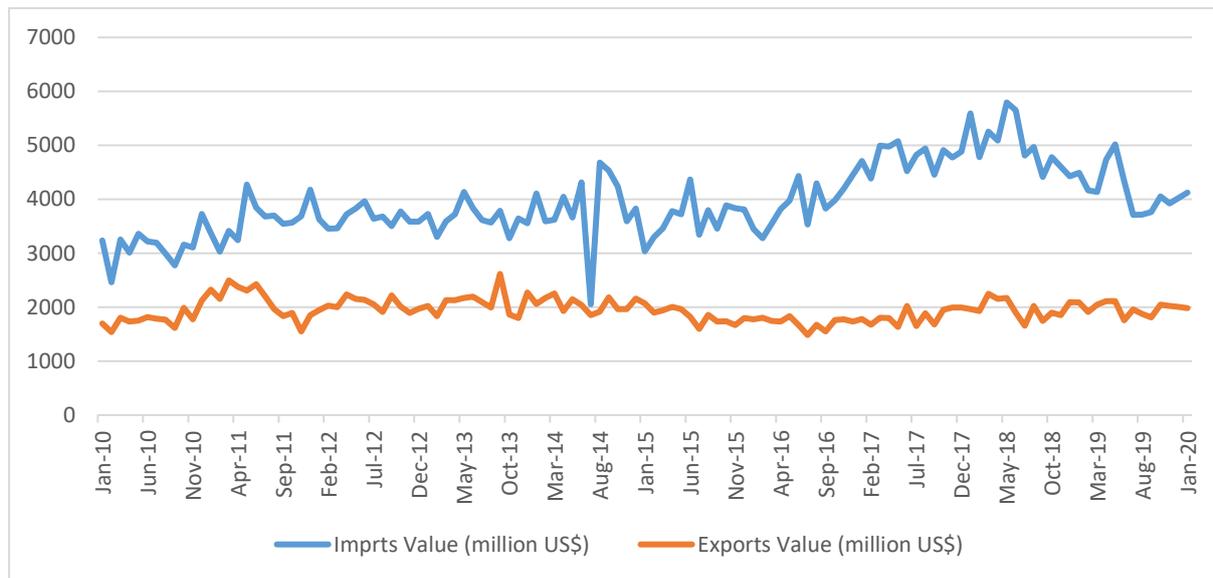
Source: Pakistan Bureau of Statistics, 2020

Similarly, outbreak of COVID-19 have significantly affected poultry hatcheries. Unavailability of timely vaccines and other medicines have adversely effected chicken production in Pakistan. According to Pakistan Poultry Association low demand of day old chicks by broiler farmers leading to uncertainty an resulting in severe losses for commercial hatcheries across the country. Moreover, due to lack of facilities to cope such situation, chicks are dying in the hatcheries. Same is the case with poultry feed mills. Another serious impact of COVID-19 is poor availability of medicines and treatment facilities at farm level and may cause spread of diseases among poultry flocks, resulting in huge mortality at farms.

Some of the largest concerns throughout the poultry sector relate to the availability of labour. Not only at farm but throughout the supply chain including hatcheries, catchers, feed mills, processing and packing centres. Contingency plans are in place in businesses where a significant concern relates to the possibility of increasing numbers of staff self-isolating

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Figure 3: Pakistan Poultry Exports and Imports



Source: Comtrade, 2020

Policy Response by Government

A relief package worth PKR 1.2 trillion has been announced by the federal government on March 24, 2020 and took several other measures including rescheduling of loans to control damages and support the economy. However, these measures are not specially for poultry sector. Poultry sector which fulfils 34 percent of total meat requirements, it is necessary to take exclusive measures support poultry industry to ensure food security during such circumstances. Project “Backyard Poultry Program” developed under Prime Minister’s Agriculture Emergency Program. Project cost is Rs.329.13 million over a period of 04 years. This Programme will be beneficial for improvement of poultry production and to overcome losses caused by COVID-19 in Pakistan.

- Increasing Food Security
- Opportunity for the landless farmer, mostly women
- Small flock sizes in traditional sheds
- Feed on household/organic waste
- Free range requiring minimal input
- Source of eggs and meat for the poor people and nutritional support
- Poverty alleviation through supplemental income from poultry products.

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Future Policy Options

Several long term and short-term policy measures are needed to support poultry sector to overcome from these crises and to ensure food security in the country. Some of the measures the needed to be taken immediate and others are required to strengthen the capacity of poultry sector to reduces its dependence on imports.

Short term policy responses:

1. Ensure proper supply of feed, medicine and extension services to the poultry sector
2. Necessary steps are required to ensure safe working conditions and remove hurdles in supply chain
3. Extend credit facilities at low interest rates upon easy conditions to poultry sector
4. Monetary support to farmers who suffered losses due to COVID 19
5. Reduce custom duties on imports and sales tax on equipment and processed products to enhance production.

Long term measures:

1. Promote investment in poultry feed, equipment, medicines, and poultry parent stock to reduce dependence on imports to avoid such challenges in future.
2. Develop regulations to slaughtering of animals/ birds and hygienic conditions of farmers and slaughter/ processing houses to meet export requirements.
3. Promote ease of doing business by reducing bureaucratic requirement to start and operate poultry business (Poultry industry require to deal with 33 different departments)
4. According to Pakistan Poultry Association (PPA) import duties on soybean meal, vaccine, medicines and poultry machinery, which is imported from other countries, be completely waived off.

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