

Chapter 7

Animal Health Product Industry



Outlook

India's flourishing animal husbandry has given rise to a dynamic Animal Health Product (AHP) industry. With a market size of approximately Rs. 13,500 million in 2004, it is growing at an estimated 8-10% per annum.

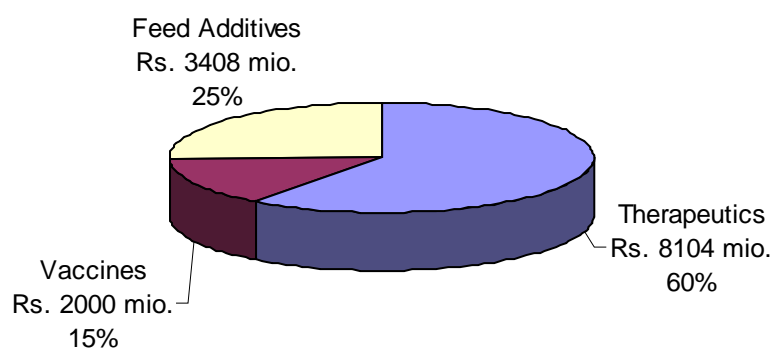
The dominant sectors served by the Animal Health Product industry are cattle, poultry, aquaculture and small ruminants. Pets, equine and others are comparatively insignificant contributors.

The robust growth pattern displayed by the poultry segment and the sheer size of the cattle population have contributed largely to the growth of the AHP segment.

Today, over 250 companies market a wide range of feed additives, tonics, vitamin supplements, antibacterials, anthelmintics, biologicals, enzymes, herbals, antibiotics, probiotics and others.

However, almost 70% of this market is controlled by 15 companies who have leveraged their marketing and distribution strengths to tap the market potential. They are bullish about the growth in consumption considering the growth trends in the poultry and dairy segments.

Figure 7.1 **AHP Market Composition**



Source: OPPI

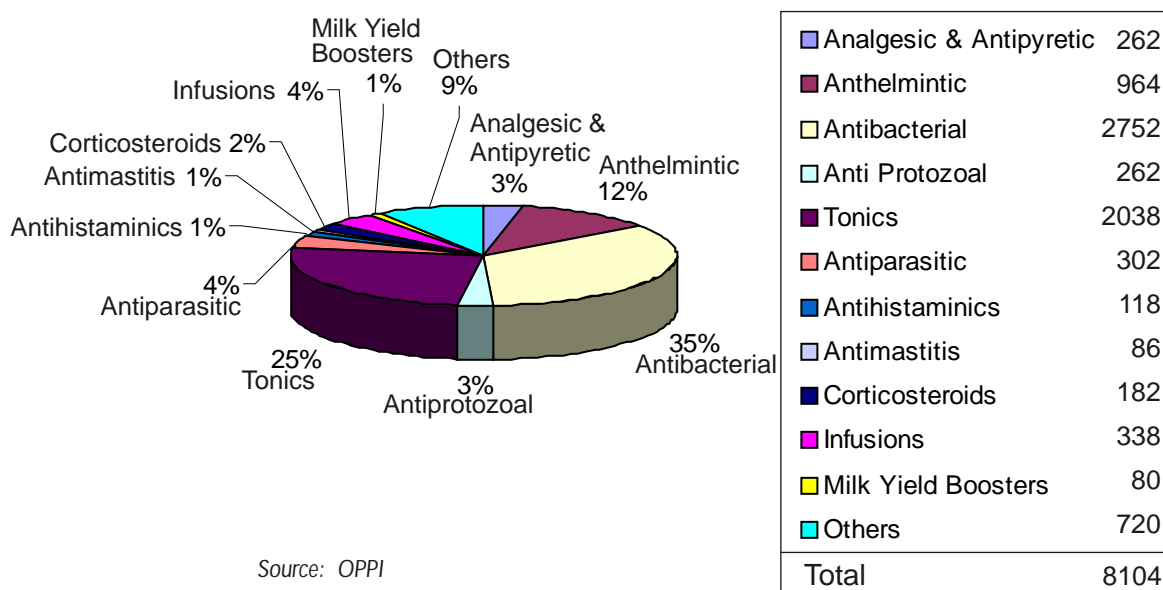


One of the key factors that impacted growth in 2004 was the bird flu scare. The import of poultry vaccines was banned during its aftermath leading to a steep drop in sales. The other major factor was the ban on the import of grandparent stock and specific pathogen free eggs into the country. The uncertainty over the implementation of the new VAT regime was yet another factor.

Market Scenario

The Animal Health Product market consists broadly of therapeutic products, feed additives and vaccines:

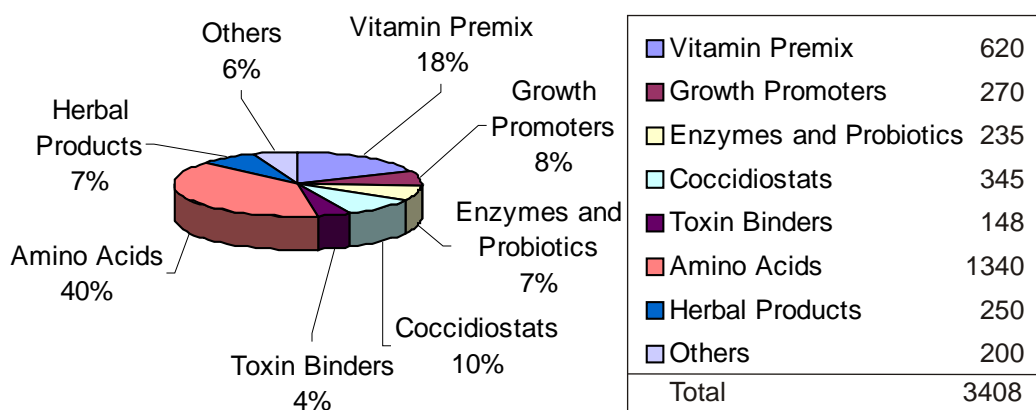
Figure 7.2 **Therapeutic Product Market 2004**
Total Market (Rs. 8,104 Million)



Source: OPPI

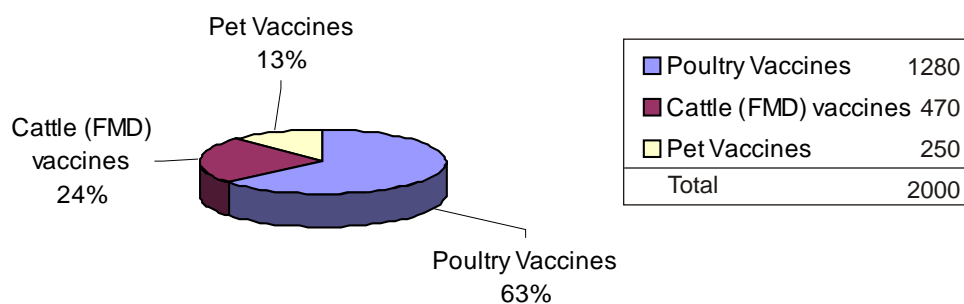


Figure 7.3 Feed Additive Market (Rs. 3408 Million)



Source: CLFMA 2004

Figure 7.4 Biological Product Market Total Market: Rs. 2000 Million



Source: OPPI 2004



Growth Drivers

Demand Generation from Poultry

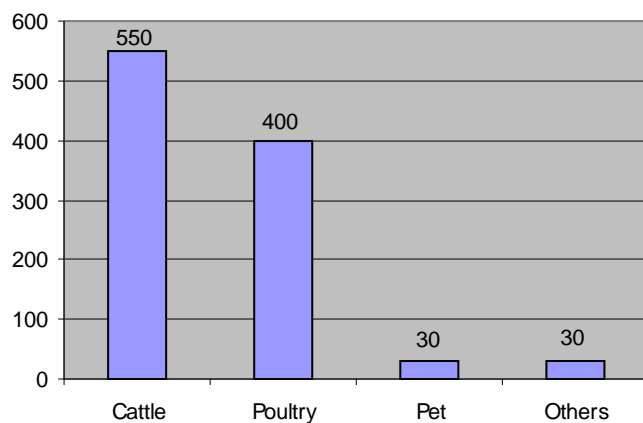
With professionalisation of the poultry industry, there is a growing demand for animal health products. The promotional effort of the leading players in the AHP business, has led to an information explosion. The poultry business has experienced many a traumatic situation in the recent past. This in turn has given rise to great caution in matters dealing with animal health.

With large flock sizes and farms located in close proximity, every farmer would like to minimise his risks and losses that could accrue from neglect of animal health.

Organised Dairy Segment

The dairy segment too is getting organised with the co-operatives playing a lead role. Spread of animal health information and field service efforts have resulted in greater farmer awareness about cattle health.

Figure 7.5 **Market Size 2004 (Rs. 1010 Million)***



Source: OPPI

* Excluding Feed Additives



Increasing Productivity

Exposure to international standards has brought about an heightened awareness of productivity and best farm practices around the globe. Indian farmers are now conscious of the need to increase profits by cutting costs and improving productivity levels. Animal health products especially nutritional supplements have become important inputs to boost productivity.

Clean Production Standards

There is a growing awareness in the livestock industry of the need for clean and healthy production. Many concepts like HACCP, clean milk production and issues like antibiotic and pesticide residues have raised levels of awareness. This has given an impetus to the growth of the AHP industry in the country.

Growth Inhibitors

Distribution Costs

The highly fragmented cattle population in the country is a marketer's distribution nightmare. Distributed over a very wide geographic area, the cattle population is extremely difficult to reach through a distribution network. Small farm-holdings tucked away in every nook and corner of the country, make it impossible for any marketer to reach a substantial proportion of the market. Besides, the cost of sales promotion and distribution raise the end price substantially.



Lack of New Molecules

High costs of research and development have led to fewer new molecules being introduced into the market. Thus the AHP industry finds it difficult to keep pace with the changing needs and demands of the livestock business.

Unprincipled Manufacturers

Capitalising on the market created by pharmaceutical majors, local unorganised manufacturers entered this segment.

There are still a large number of such unprincipled local players which makes marketing difficult for genuine manufacturers of quality products which necessarily come at a higher price.