



Chapter 2

Egg Industry

Outlook

India is ranked fifth in egg production in the world. Despite a vibrant and well managed industry, the compound annual growth rate for eggs has hovered around the 5% mark. The per capita consumption is around 41 eggs per annum. This indicates a low consumer propensity to make eggs a part of their daily diet. Another factor of course is the purchasing power of the middle and lower income segments which need nutrition from eggs the most.

In a few states, government intervention by way of inclusion of eggs in the school midday meal has helped boost consumption. However, unlike the developed world where eggs are an item of daily use, Indians have not completely adapted to egg consumption. The debate still rages on about whether eggs are a vegetarian or non-vegetarian food item.

The adverse publicity eggs have received as being contributors to high cholesterol levels has also resulted in hesitancy by high-income consumers to consume eggs. But, children and middle-income families are being encouraged to complete their daily nutritional requirement with an egg a day.

Growth Drivers

Low Cost of Production

India is said to be the lowest cost egg producer in the world. An estimated production cost of Rs 1.11 per egg (2.55 US cents) makes it much lower than all the other major producers.



It is this low cost of production that has enabled farmers weather many a stormy market situation. Over the past year, wholesale prices have stabilised to a great extent. This has helped producers tide over the volatile financial situation experienced a few years ago.

High Productivity

With the experience of three decades, layer farms have developed high levels of productivity. Good farm management, access to the latest inputs in animal health and good feed inputs; have all contributed to this. Indian egg productivity ranging from 310 - 320 per year on hen house basis, is on par with the best in the world.

Growth Inhibitors

Market Forces

Like all other agricultural producers, the layer farmer is at the mercy of the middleman. Wholesale markets decide the farm-gate price based on the supply situation. Prices are also influenced by seasonal demand as periods of religious fast affect prices negatively. Efforts have been made in recent times by producers to set a benchmark price. However, the system has not yet succeeded in controlling the markets. Volatile prices inhibit producers from increasing production by expanding operations, thus impeding growth.

Distribution

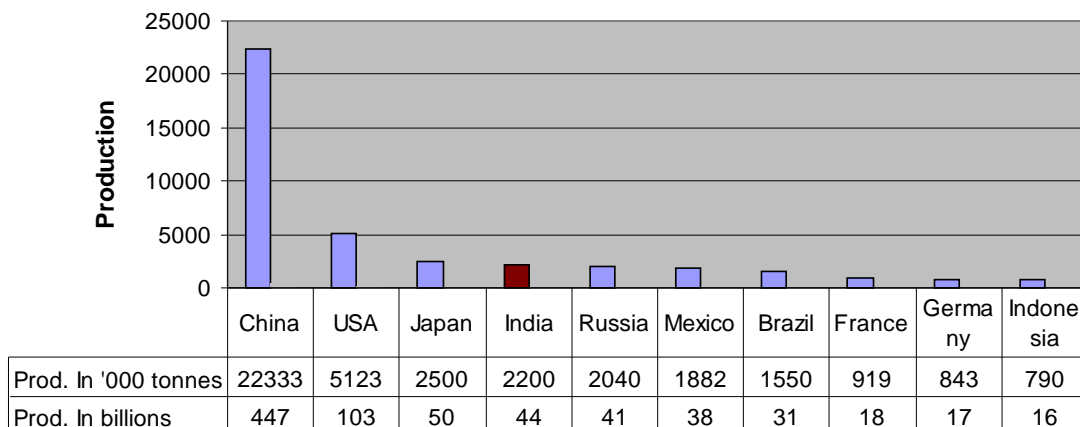
Distribution networks have evolved through the wholesale market. Producers have absolutely no control over these networks and hence cannot reach remote rural markets which are sometimes starved of supplies. This has led to a high price variance in different parts of the country.



Consumption Trends

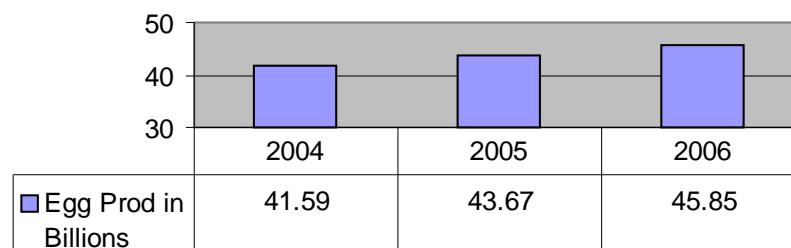
The total egg production of the world is around 61 MMT of which nearly 43% is China's share (with 26 MMT in 2003) followed by USA (8.5%), Japan (4%), Mexico (3.6%) and India (3.6%). Strong economic growth, increased supply and favorable prices have led to increased per capita consumption of eggs in China to 292 per annum. The other major countries with significant per capita consumption are Japan, Mexico (300+), Austria, Belgium, Czech Republic, Denmark, France, Germany, Hungary, Italy, New Zealand, Russia, Slovakia, Spain & USA(200+). Though India, is among the top four countries which contribute nearly 60% of the world egg production, the per capita consumption is only 41 eggs per annum presently.

Figure 2.1 **Top Ten Egg Producers 2004 ('000 tonnes)**



Source: Watt Poultry Guide 2004-05

Figure 2.2 **Egg Production in India**



Projected from industry estimates



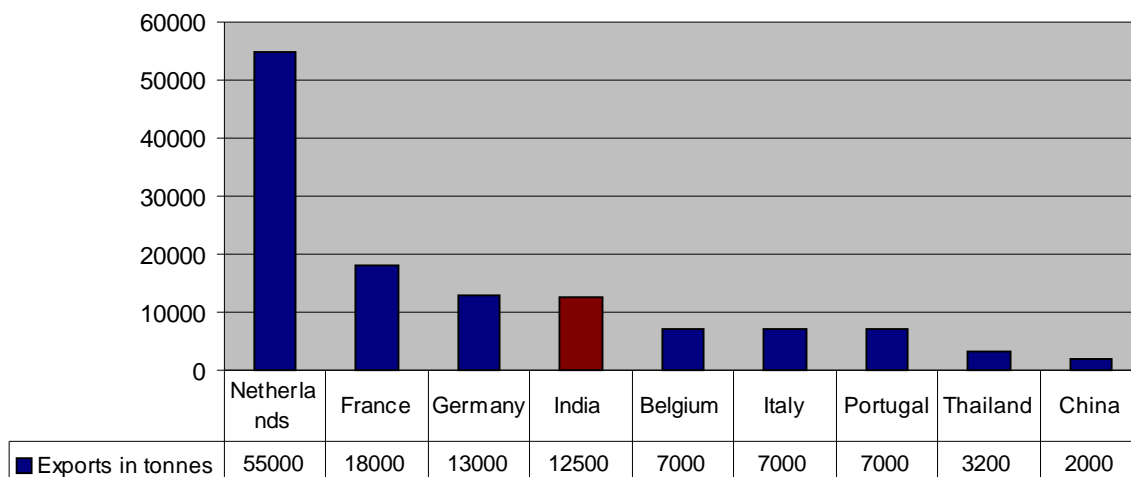
India's Export Potential

Kuwait, Oman, Saudi Arabia, UAE and Yemen have been major importers of India's table and hatching eggs. Similarly, Germany, Austria, Japan, Netherlands and Republic of Korea have been the most important markets for India's egg powder exports. India exports live poultry in the form of DOCs, mainly to the SAARC region. India is also making forays into the export of SPF eggs. India is one among just 5 SPF producing countries in the world.

In the mid 90's six Indian companies set up egg processing plants with a total estimated investment of over Rs.200 crores and a combined installed capacity of around 16,000 MT per annum. They started off on a good footing with a high capacity utilization. However, this dropped from 1,200 MT in 1996-97 to 130 MT in 1998-99.

The major reasons were the fall in price in the international market, imposition of a heavy import duty by importing countries and EU's requirement for a pesticide residue monitoring plan. Presently, the Indian egg processing sector is quite competitive and a Dutch Study maintains that Indian egg powder will be cheaper than that of any other egg powder exporting country viz. EU, USA, Ukraine and Brazil.

Figure 2.3 **Top Liquid Egg Exporters 2002 (in MT)**



Source: *Watt Poultry Guide 2004-5*