

## Good Practice Brief

# Making Modern Poultry Markets Work for the Poor

*An example of Cooperative Development from Madhya Pradesh, India<sup>1</sup>*

### SUMMARY

Formation of the Kesla Poultry Cooperative Society links small-holders to fast growing Broiler markets by building a collective, filling skill gaps, addressing production efficiency, providing support services and inputs and marketing of live broilers. These efforts effectively removed rigid entry barriers and allowed the poor to access market opportunities.

This Cooperative today comprises 459 women members (from tribal and dalit families) across 18 villages. Each member owns backyard production units of a minimum of 300-400 broiler birds and sells under the 'Sukhtawa Chicken' Brand and through wholesalers.

### The Good Practice shows:

- The success of a cooperative model (federated at the State level into a producer company) wherein quality inputs, risk mitigation and access to market is guaranteed to minimise producer risks and retain equity.
- The importance of a collective wherein the Kesla Cooperative produces 125,000 birds every month. It supplied 7.15 lakh birds and sold 1,360 tons of live broilers worth Rs. 5.84 crores in 2008, thereby making it one of the largest poultry production house in Madhya Pradesh.
- An increase in the monthly supply of broiler chicks from 2,500 in 1998 to over 7.14 lakh chicks in 2008, resulting in an average income of Rs 9,000 – 15,000 per year to each member.
- Notwithstanding the Bird Flu scare (Dec. '05 – June '06) which whipped out many small poultry producers in the State, the Cooperative members could stay in business, among others, due to the Cooperative's mitigation fund.



<sup>1</sup> This brief illustrates the work undertaken by PRADAN, a voluntary organisation working since 1988 to enhance rural livelihoods through broiler farming in Madhya Pradesh. It is based on the Good Practice Note, SAPPLPP (2009), Code: SAGP03, Delhi, India.

## What was the problem and Where?

Turning subsistence poultry production into income-generating enterprises thereby opening doors for the poor to join bustling poultry markets is easier said than done. This is because the most fundamental aspect of the livestock revolution<sup>2</sup> is that it is driven by demand, where small producers find themselves pitched against big commercial houses and private traders catering to complicated and long supply chains. Poultry, for example, is the fastest growing agricultural enterprise in India today. It has grown remarkably, at 6% during the 1980s, accelerating to 11% in 1990s and nearly 19% during 1997-2002. About 1.8 million tons of poultry was consumed in 2007 and the commercial poultry industry is pegged at a 1,500 million broiler capacity. However, despite studies confirming that poultry could create 35,000 primary and another 50,000 subsidiary rural livelihoods<sup>3</sup>, the contribution of small-producers to this sector is just 8% of the total share. Rigid entry barriers like supply chain demands, competition, lack of extension, marketing services and access to appropriate technology serve as major impediments.

A case in point was the far-flung block of Kesla in Madhya Pradesh. Marked by poor road connectivity, irrigation facilities and agricultural outputs; annual household income was low at Rs. 12,000-15,000, with most households living in deficit leading to poor food consumption and rising debts. Families had to mortgage their agriculture outputs at low rates much before harvest time to fulfil immediate household requirements. To address this situation, PRADAN, in 1997, initiated a home-based broiler farming pilot project, based on the hypothesis that it was possible for a larger conglomerate of small-producers to surmount commercial poultry entry barriers provided their production efficiency, quality orientation and veterinary inputs were entwined into a cost effective system that could withstand the volatile nature of the poultry market.

## How did the Good Practice Work?

Encouraging communities to enhance the size and efficiency of their poultry enterprises started by first building on backyard poultry systems through introduction of improved breeds like cockerels<sup>4</sup> and Kuroiler<sup>5</sup> and marketing support services by PRADAN. However, as indicated in Box 1, the results were mixed and the economics of poultry rearing were re-addressed.

### Box 1. Why augmenting traditional poultry rearing was abandoned

PRADAN aims at livelihood activities which can provide a substantial income to poor rural households and perceive a supplementary income of 5-15% too meager. Experiences with introducing improved breeds (e.g. cockerels—cheap male birds of commercial layer lines—; the dual purpose (egg & meat) birds were mixed.

Introducing the fast growing broilers, PRADAN reasoned as follows:

- niche market for improved birds such as 'Kuroiler' were limited;
- growth of cockerels (layer variety) too slow;
- production cycle remains rather long and poor families require quicker returns;
- risk reduction such as protecting birds against predators would necessitate creation of 'confined' space. This would imply investing in housing of the birds;
- the scavenging area per homestead and household waste would provide feed for 20-25 birds. Increasing the number of birds would imply buying feed from outside.

When feed needs to be bought, poultry housing to be provided, it is logical to search for a bird which can provide the maximum return to investments made. The broiler has the ability to convert a maximum amount of feed into meat; i.e. high feed conversion rate (FCR).

<sup>2</sup> According to IFPRI (1999), a livestock revolution is underway wherein accelerated market growth, increase in incomes, population and rapid urbanization is changing food consumption patterns in favour of high-value commodities like milk, meat and eggs.

<sup>3</sup> Poultry Vision 2010, Ministry of Agriculture, Government of India.

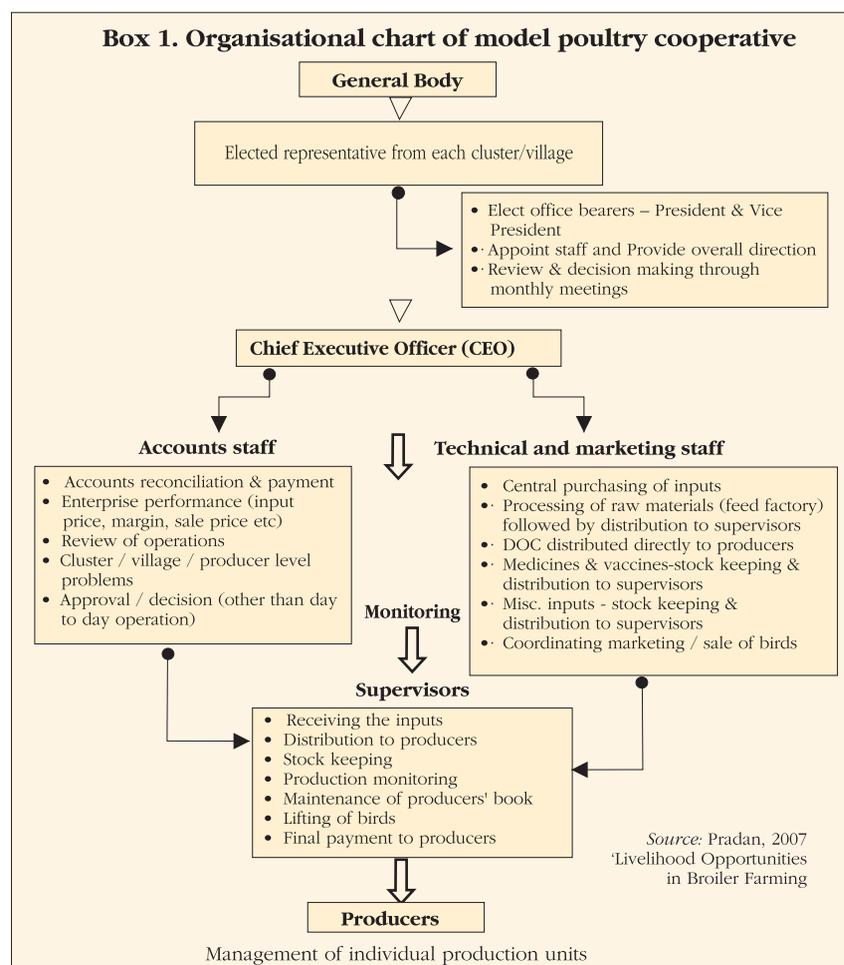
<sup>4</sup> Male species of layer birds.

<sup>5</sup> Kuroiler is a dual purpose village hardy scavenging bird.

While the vision “the poor can be efficient poultry producers when the right investments in them are made” was encouraging, the reality was that poultry was a volatile industry with daily fluctuations in market prices. It was also very organized requiring high-end input services to produce and market live birds. To build a viable system, PRADAN motivated small-producers (i.e. women from tribal and dalit families who already had experiences as members of successful self-help groups) to organize themselves into a Cooperative. All that a small-producer needed to become a member was one cent of land (435 sq ft), either owned or leased, to setup broilers rearing sheds which could house 300-400 birds per batch. PRADAN supplied day-old chicks to members, which were ready for sale within a 32 day cycle. This allowed members to rear 7-8 batches a year and earn between Rs 9,000/- to 16,000/- that is, Rs 45-80/- a day for approximately 200 days of yearly engagement. Initial costs for shed construction were mobilized through bank loans and existing poverty reduction schemes.

The Cooperative today ensures procurement of inputs (chicks, feed, medicines and litter material) in bulk along with veterinary facilities and marketing services through local traders, city warehouses and Sukhtawa retail outlets in Bhopal. To withstand the volatile nature of the poultry market, the Cooperative ensures lifting of ready birds at pre-determined rates and dates. Each member is provided with a production card, which records all cost transactions including performance variables like mortality, weight gain, feed conversion ratio etc. Members are helped to analyse reasons of high or low profits at the end of each cycle. Each village of 25-30 producers has a trained supervisor (para-vet/animal health worker) who provides round-the-clock production support including, distribution of inputs according to the per members’ needs. The supervisor also oversees disinfection of sheds, vaccination and lifting of birds, monitors weekly bird weight, records mortality and brings information to the Cooperative office, where, jointly with the veterinary doctor production performance is analysed and corrective measures are suggested.

All members underwent training that covered all aspects like chick management, measuring feed and medicines, vaccine schedules, prevention of diseases, maintenance of sheds, usage of poultry equipment and record keeping. The training also took the members through the intricacies of an entire rearing cycle including enhanced focus on bio-security, management of major diseases, water management, litter management etc. A CEO manages the day-to-day operations of the Cooperative and is assisted by 37 paid staff



(including village supervisors) from affiliated villages. Cooperative accounts are maintained through customized software which generates regular Management Information System reports for management review and feedback. Each month a Governing Board comprising of at least 11 elected women representatives from amongst the producers, meets to discuss and take decisions on the performance of clusters, staff deployment and remuneration, input procurement, fixing of input-output prices, new appointments and marketing issues (like price and pick up dates). This information is communicated to members regularly. The system works through effective organization of production, clarity on input and output requirements, clear communication procedures and a robust financial system.

Today the net worth<sup>6</sup> of Kesla Cooperative is Rs 35 lakh in addition to a risk mitigation fund of Rs 10 lakh. The annual turnover of the Cooperative has doubled in the last three years and in 2007-2008 the total amount distributed to members was Rs. 67.2 lakh, a four fold increase since 2004-05. A significant part of the surplus at the Cooperative level is pooled together into the risk mitigation fund to deal with future price fluctuations. This also gives it resilience which individual members do not possess. For instance, during the bird-flu scare, while other small producers were selling birds at a distress price of Re. 5-10/kg, the Cooperative used innovative methods of tapping the rural markets and managed to realise a price of Rs. 15/kg.

## Key Learnings

Operational since 1997, the Kesla Cooperative model showcases that painful years of learning were needed to arrive at viable small scale broiler production systems, including forward and backward linkages. Home-based broiler value chain is at its core a scaled-down version of the modern industrial broiler value chain. Capturing the major elements necessary for setting up a 'home based broiler farming' has been possible for two major reasons; a vision – as stated before, and a strategy – making available technology and advantages related to economies of scale adaptable to the context of the poor – in place. Primary among them is the need to ensure adequate skill development of producers and generation of local capacities to respond to producer's demands. Equally relevant is the need to enhance cost effectiveness by augmenting producer's performance, ensuring a single window procurement process and establishing robust backward-forward linkages.

## Lessons learnt

1. Within the poultry sector, 'small owner based broiler units' can be as or more efficient than 'big employed labour based broiler units' provided that smaller units are organised/ operate as collective so as to mitigate risks and promote efficient production through backward (inputs) and forward (access to market) linkages.
2. Facilitating and supporting the development of organised/collectivised 'home based broiler farming' with disadvantaged households based in remote rural areas is complex; it can succeed when the initiating agency is given sufficient time, has the right set of expertise, commitment and perseverance to make the system conducive for the participation of the poor.
3. Bird Flu control can be pro-poor namely, collectivised 'home based broiler farming' (the all-in, all-out system is in place) can develop risk mitigation funds, put in place bio security measures at individual broiler units and ensure adherence to protocols for the maintenance of hygiene and other routine tasks at each level (handling, transportation, sales outlet etc); i.e. from farm gate to the consumer, the brand 'Sukhtawa chicken' is synonym with safe and fresh broiler meat. Branding works but consumers are not yet willing to pay more.

<sup>6</sup> Net profit (as of 2008), after equalization of input costs and distribution of margins to members.

4. Tribal women and other women of disadvantaged communities who traditionally keep poultry have an *excellent skill* base to develop as broiler rearing entrepreneurs. They manage to keep two systems alongside each other; i.e. the high tech broiler rearing and traditional backyard poultry based on indigenous birds for home consumption and cultural reasons. The broiler birds are not in contact with the indigenous poultry breeds and sold at a young age (cycle is normally 35 days).
5. For the initial stage, investing in extension [(on-the-job) training, exposure visits and exchange] is a prerequisite to develop the skill base for potential small scale broiler producers.
6. The monitoring tool 'producer cards' works as an effective mean for focused communication; to analyse performance and to provide advice (producer – supervisor), to discuss problems and seek technical assistance (supervisor – technical/ veterinary staff of cooperative), to discuss overall performance, to plan off-take schedules etc during monthly cooperative meetings. A performance linked incentive scheme stimulates prompt and high quality services (supervisor level) and producers to have a better FCR.
7. Poor rural women with interest in poultry and under the aegis of their cooperative can become entrepreneurs and manage to successfully feed a complicated and volatile poultry market. Apart from making a living from broiler production, they easily acquire confidence, greater dignity and a range of skills (communication, negotiation, record keeping etc) making them empowered community members.

## What and Where next?

This good practice of 'collectivised home-based broiler production' explores a 'mid-way' model falling between the 'industrial large scale employed labour based broiler production' and the 'traditional backyard scavenging system' wherein poor women manage to make a decent living from rearing broilers, while many others through the multitude of cooperative functions and tasks. The model has proven to be viable.

Today, PRADAN works with 5,306 women broiler farmers organised into 16 cooperatives in the states of Madhya Pradesh, Chhattisgarh, Orissa and Jharkhand with an annual turnover of 27.25 crore in 2007-08 making it the largest conglomeration of farmer led modern poultry effort in India. The Government of Madhya Pradesh has joined hands with Pradan and begun replicating the Kesla model in other districts.

However, for this model to be effectively replicated, the right frame conditions need to be in place. BRAC, the largest NGO in Bangladesh started in 1972, is renowned for its success in promoting small scale poultry farming among the poor in Bangladesh; its works all over the country and states ([www.brac.net](http://www.brac.net)) and has created 1.8 million jobs related to poultry production<sup>7</sup>. Notwithstanding pronounced differences, the key

<sup>7</sup> The BRAC as well as other poultry models promoted in Bangladesh are well documented; the FAO "International network for family poultry development" available at: <http://www.fao.org/ag/AGAInfo/themes/en/infpd/home.html> provides detailed information on the content and impact of different models and schemes.

features<sup>8</sup> of the PRADAN 'home based broiler model' and its backward and forward linkages are in line with those of BRAC namely:

- i.** high quality extension services (rigorous training of producers, intensive production support and quality orientation, on-call veterinary services, appropriate technologies);
- ii.** provision of backward (input supply) and forward (access to market) linkage; and,
- iii.** a pro-poor orientation/ commitment to poor.

Thus, only through a concerted sector vision, an applied policy framework, technically sound external actors and a commitment to bring small-producers at par to market requirements, can growth in small scale commercial poultry realise the dreams of the millions to improve their income and make a decent living in rural areas.

<sup>8</sup> BRAC runs six parent farms to support its rural poultry program and 3 commercial farms. None of them have had Avian Influenza so far. It runs one poultry processing plant with a capacity to process 1000 broilers per hour.

## SOUTH ASIA Pro Poor Livestock Policy Programme

A joint initiative of NDDB and FAO

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