

ASEAN broiler industry to find a new balance

No market in the world is so under pressure as the Southeast Asian poultry market. A quick virtual tour through the region shows that, although the industry is still suffering from occasional outbreaks of avian influenza, its belief in a prosperous future has not weakened.

TXT →
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None of the representatives of the Poultry Associations of Indonesia, Malaysia, Philippines, and Thailand could have foreseen that at the time of establishing the Federation of ASEAN Poultry Producers (FAPP) in November 2000, they would have to deal with problems related to avian influenza (AI). The Federation's founding mission and objectives were to enhance sustainable growth of poultry farming and production in the ASEAN region, promote the exchange and dissemination of knowledge and information related to the poultry industry, promote fair and free trade and to coordinate various activities, policies and strategies as deemed beneficial to the ASEAN poultry industry. The mission has not changed and the AI problems may have brought the members more closely together, since there is this common problem to attack.

Meanwhile, poultry meat production in Southeast Asia is growing quickly and takes a more important

role in total meat production, consumption and trade. This rising poultry production spurs growth in demand for feeds and other inputs and generates investment opportunities and export opportunities for poultry products to other countries.

Suffering from under demand

The commercial sector has contributed much in poultry meat and egg production—a nourishing and affordable dietary item for millions of people. On the other hand, more



Southeast Asian Poultry processors can take advantage from the AI problems because marketing live birds and killing on the spot at wet markets is to be banned.

than 80% of poultry production in the region occurs in traditional family-based production systems. These operations find various obstacles on the road to further growth and improved efficiency. Most important obstacles are, according to Anton Supit of Anwar Sierad, Indonesia, the availability of capital, a clear working area and market access. They also experience technical, regulatory and legal obstacles, as well as hindrance due to globalisation. Although every single country in

Southeast Asia has its own problems, they share the AI associated issues, as well as increasing production costs and (potential) oversupply or “under-demand.”

More promotion needed

The expression “under-demand” underlines the current situation in the region. Although over-production and under-demand have the same effect on pricing and farm income, they each have a different background and require different actions. Broiler meat production is increasing slightly in most countries since 2004 (Table 1), however, not at the pace that the predictions at the beginning of this decade had foreseen. The reason is that consumption has been under pressure since the first outbreaks of AI and in some countries it has not come back to the original level. Thanks to increasing income, consumers tend to buy more poultry meat, but amounts differ between countries (Table 2). In this respect, the poultry industry needs to have a better understanding of consumption patterns to get reliable predictions on how demand will be. Supit believes, in this respect, that the poultry industry in his country should be more transparent and have a better structure, with fewer small independent producers and better integration of the industry.

TABLE 1 - PRODUCTION OF BROILER DAY OLD CHICK IN FAPP COUNTRIES (IN MILLIONS)

Country	2004	2005	2006*
Indonesia	1,010	1,075	1,150
Malaysia	420	445	500
Philippines *	200	220	250
Thailand	930	1,000	1,075
Vietnam *	100	110	125
TOTAL	2,660	2,850	3,100

* Estimated

(Source: FAO)



Modern processing facilities better meet consumer demands as well as the standards for food safety.

Indonesia suffers

Thailand is a leader in poultry meat production and has gone through an intense period of transformation from a producer of fresh poultry meat to a prime producer of a wide variety of cooked products. This allowed them to remain active on the international market and protect a major part of their export business. Not all countries in the region have been as successful in controlling AI and restructuring the poultry industry as Thailand.

Indonesia for example, with over 220 million citizens, had in recent years to face several disasters (tsunami, hurricanes, earthquakes, floods, etc.) resulting in a weak national economy and a high level of unemployment. Earning opportu-

nities are low and poverty is having a dramatic impact on consumer behaviour and thus poultry meat consumption. It stimulates backyard farming and weakens sanitary production conditions.

The role of the poultry business in the Indonesian economy is clearly important and today absorbs 2.5 million workers and is expected to employ 3.75 million by 2010. Consequently, it supports 10 million people in terms of families, a figure that will go up to 15 million by 2010. It is for this reason that Supit believes that much should be done to stimulate poultry production in Indonesia.

Malaysia invests

The industry in Malaysia continues its transformation into a modern and efficient industry to serve the needs of the consumers. The national broiler requirement is about 600,000 mt and is almost totally supplied by local producers.

There have been significant capital investments from current producers to expand their operation, while the industry has also seen new players entering, says FAPP representative, Dr. Abdul Rahman. He adds that the

TABLE 2 - BROILER MEAT CONSUMPTION IN ASEAN COUNTRIES (KG/CAP/ANNUM)

Cambodia	less than	2.0
Vietnam	less than	3.5
Myanmar	less than	4.0
Indonesia		4.5
Philippines		8.5
Thailand		14.0
Singapore		28.0
Malaysia		38.5

(Source: FAO)

Malaysian poultry industry operates on a purely commercial basis with no subsidies from the government, except for tax incentives for modern technology investments. While the proportion of finished broilers going into processing plants is greater than 70%, broilers are still marketed through wet markets as live birds, the traditional preference of local consumers. About 12% of outputs are exported as live birds to Singapore where they are processed and sold as chilled fresh poultry meat. Broilers are subject to a ceiling price controlled by the government, which dictates that producers are not allowed to sell their output above RM4.00 (€0.883) per kg. While this is seen as a disincentive to produc-

ers in terms of investment, the limit set is still above the prices achieved in a highly competitive market.

Animal health programmes

The Southeast Asian poultry industry as a whole is facing the challenges of bird flu outbreaks. Initially, Thailand and Vietnam suffered the most, but more recently Indonesia is facing enormous problems. Interestingly, as the country is surrounded by countries that are endemic with the disease, Malaysia had only two outbreaks. Both were in backyard poultry and well away from commercial poultry operations, says Dr. Rahman. These outbreaks were effectively controlled and eradicated by the Veterinary Authorities

with minimal disruption to the commercial poultry sector. However, the risk of outbreaks remains high, so Rahman believes, since there is significant smuggling activities related to the tradition of cock fighting as a sport by the local population in the countries affected. Most FAPP countries have managed animal health programmes of vaccination and certification of freedom for significant zoonotic infections well and do their utmost to also control AI to prevent it from becoming the cause of a new pandemic. In this respect, health specialists believe that the increasing prevalence of environmentally controlled housing has significantly improved the overall bird health situation in the region. **PPM**