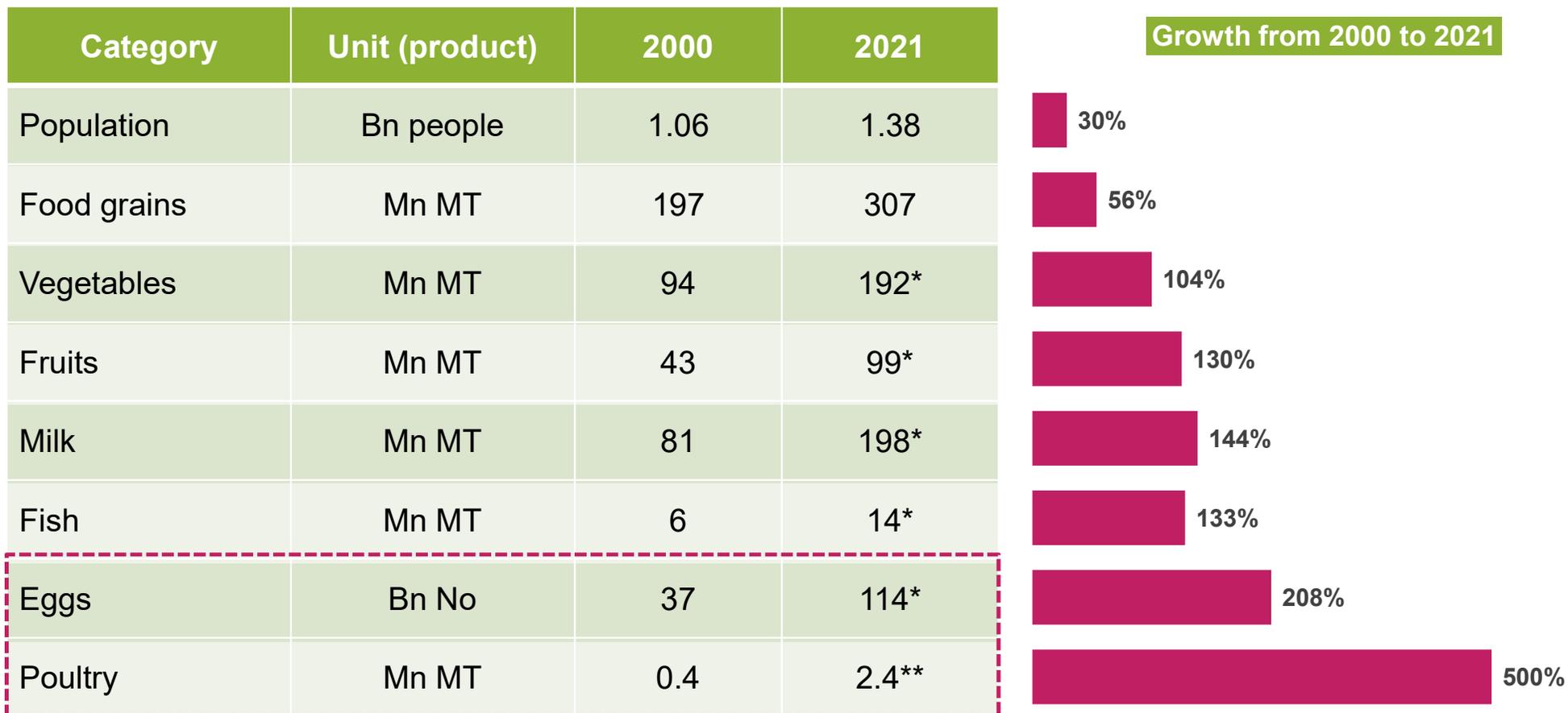


# Sustainability and Future of Online Sales of Poultry Products

25 September, 2021

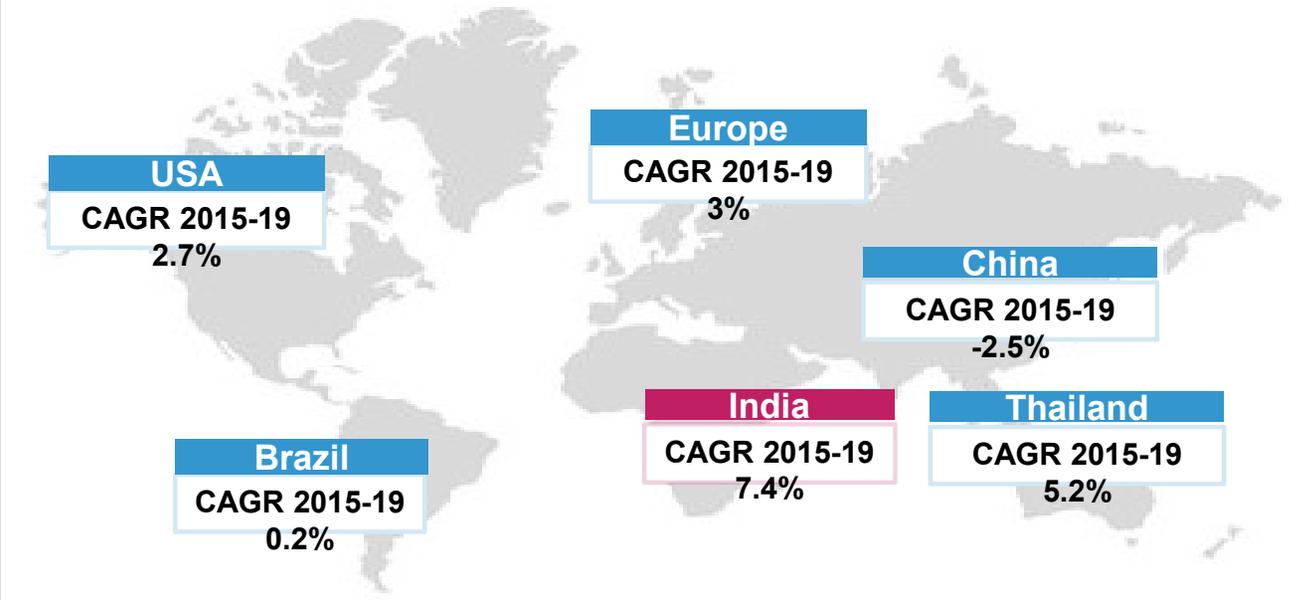


# INDIAN POULTRY HAS SHOWN THE HIGHEST GROWTH IN AGRICULTURE BASKET IN LAST TWO DECADES

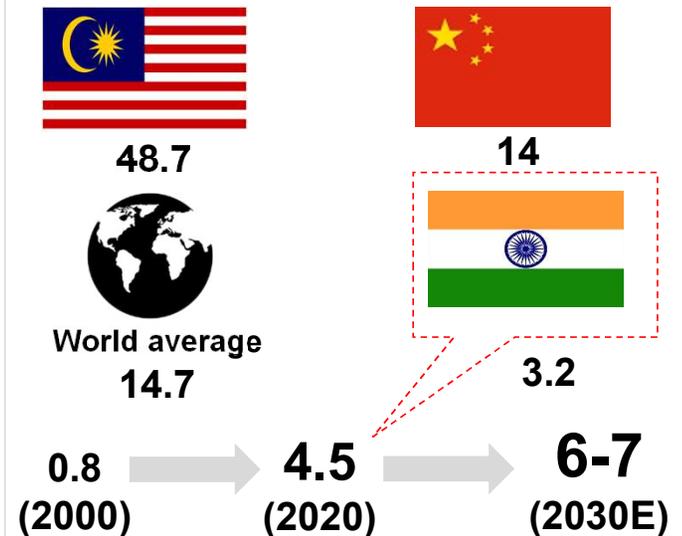


# INDIA IS ONE OF THE FASTEST – GROWING POULTRY MARKETS GLOBALLY

In production terms (MMT)

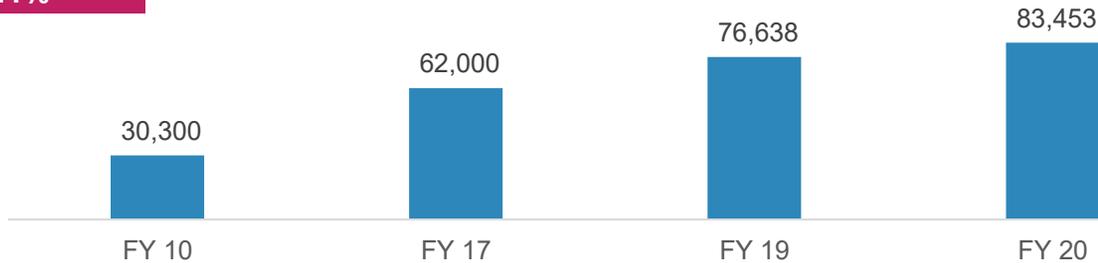


Global per capita poultry meat consumption in kg / person, 2020



10 yr. CAGR: 11%

Poultry Industry Value (in Rs. Cr.)



Poultry market consolidation

Market share of top 7 players

FY 10

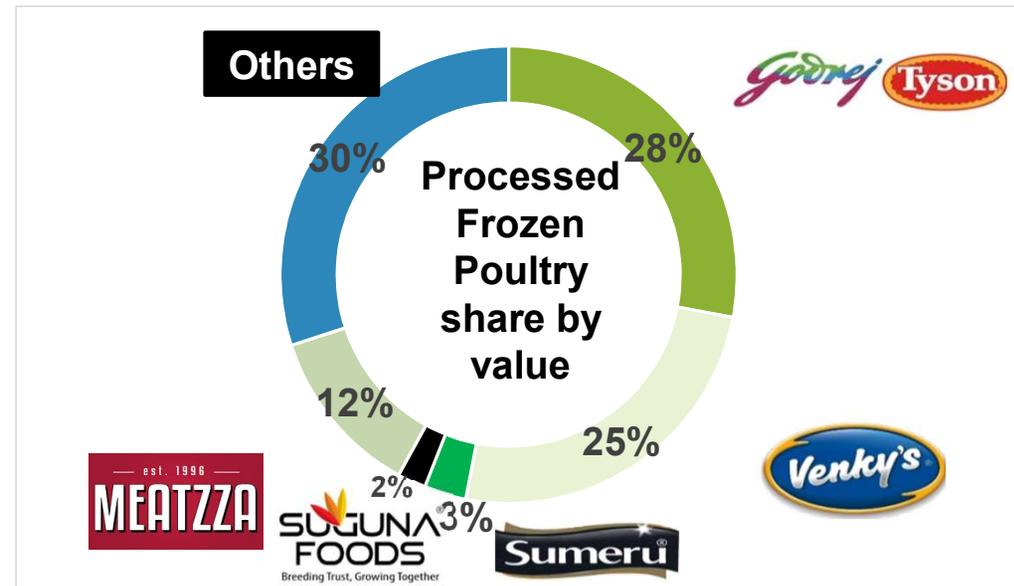
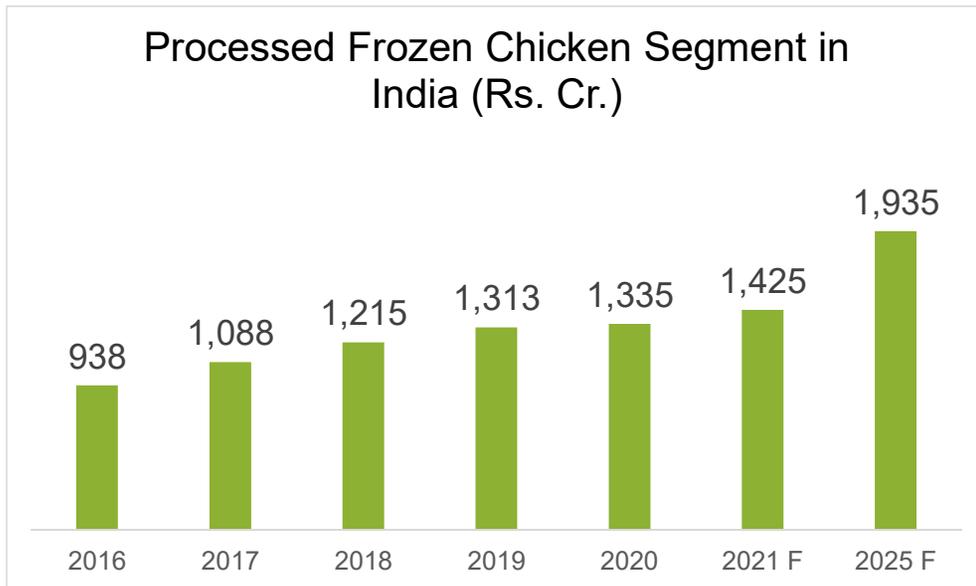
15%

FY 20

38%

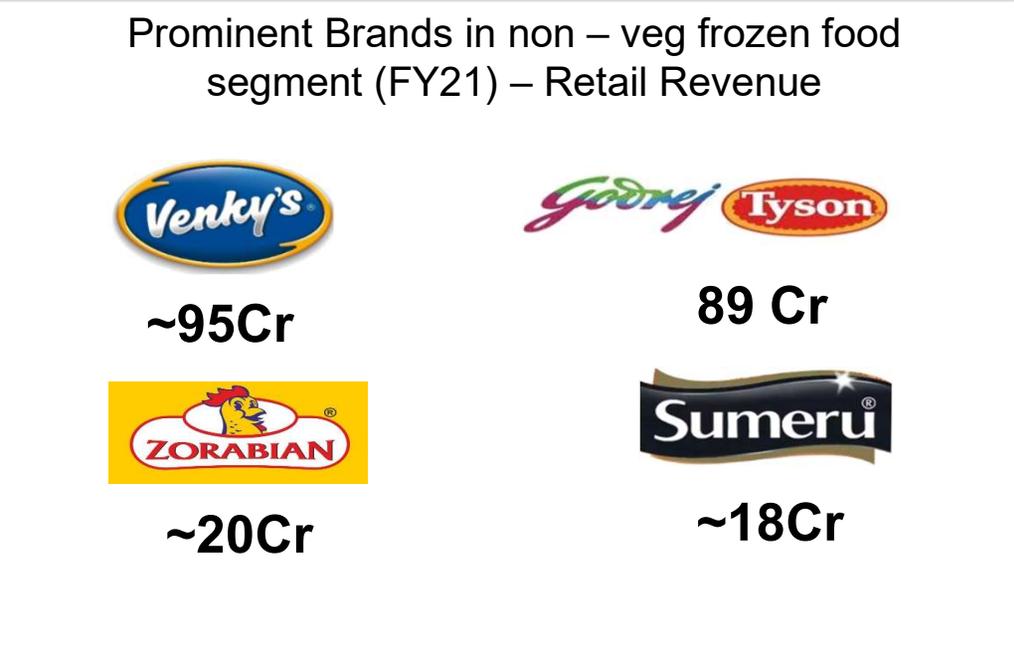
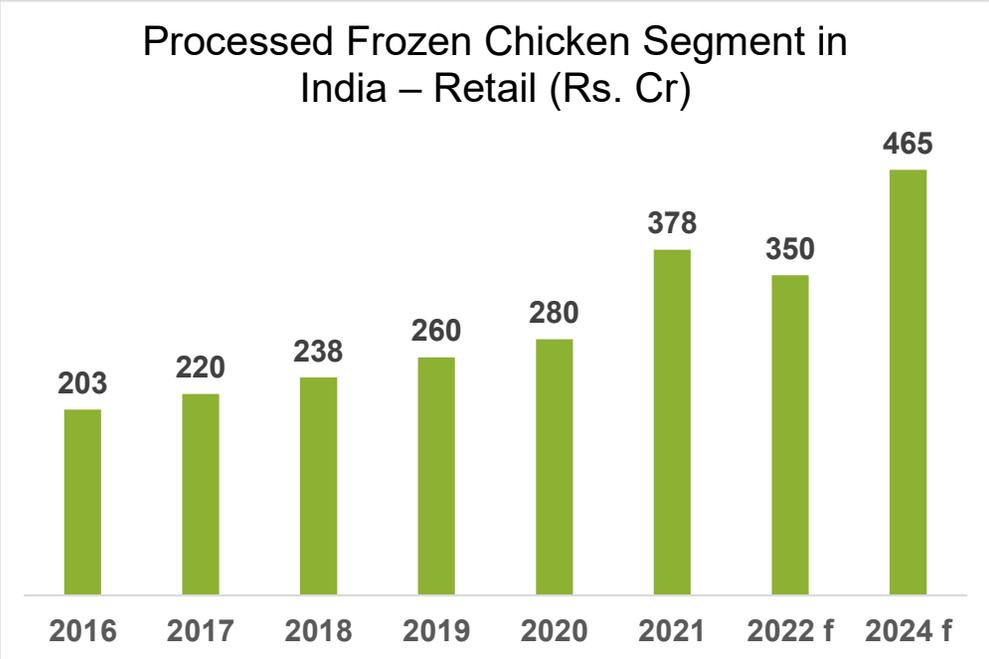
Source: Rabo bank and internal estimates

# IN RECENT YEARS, THE DEMAND FOR PROCESSED FOODS HAS SHOT UP IN INDIA, FOLLOWING THE RAPID INCREASE IN THE NUMBER OF SUPERMARKETS, RETAIL STORES AND QSR'S



GROWTH IN FOODSERVICE (ESPECIALLY QSR), DRIVEN BY CHANGING SPENDING PATTERNS

# PROCESSED FROZEN CHICKEN SEGMENT | RETAIL IS GROWING AT A RATE OF ~10%, EXPECTED TO REACH ~465 CR BY 2024

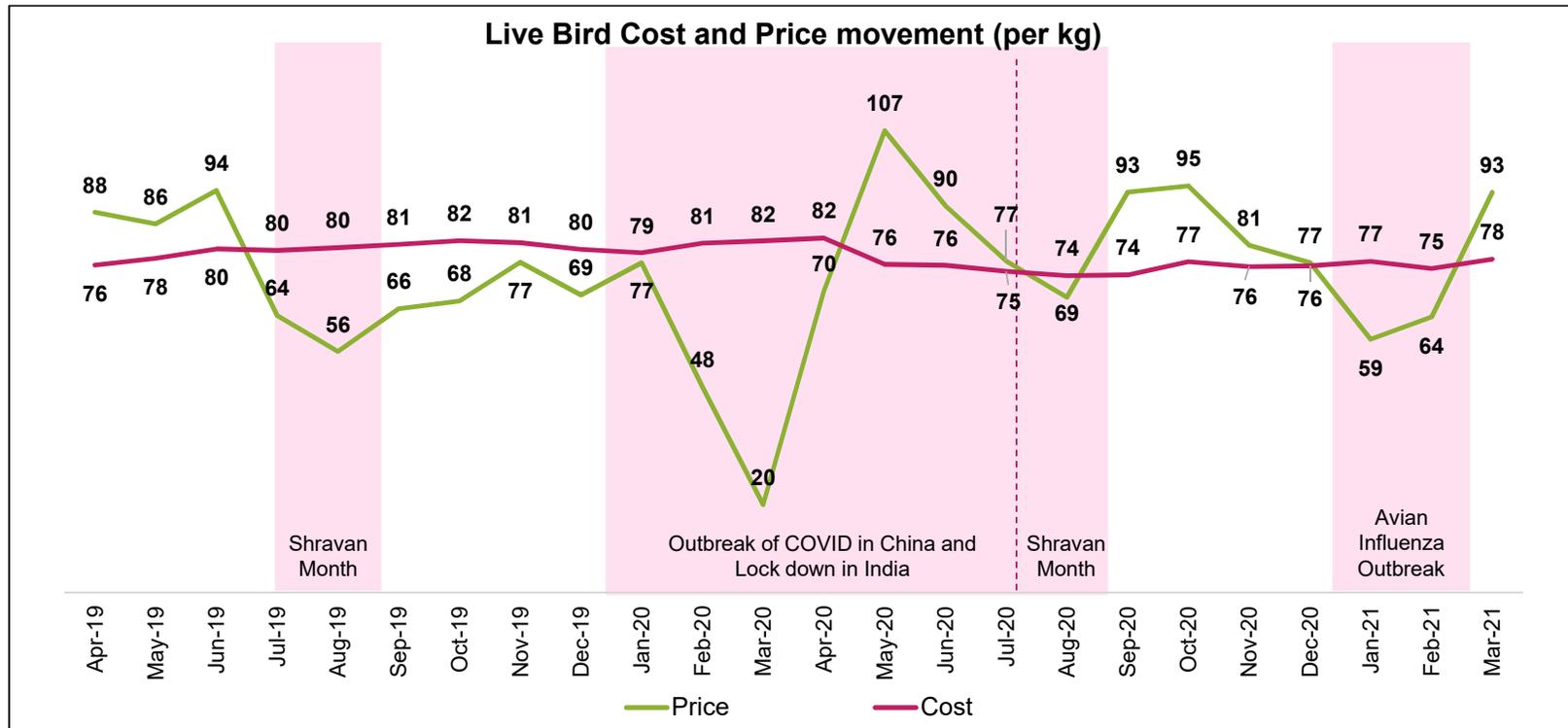


Source: Internal estimates

**HAS ITS OWN “FOREVER” CHALLENGES**

# 1. INDUSTRY PROFITABILITY – A GAME OF AVERAGES! QUARTERLY TO ANNUALLY AND NOW BIANNUAL

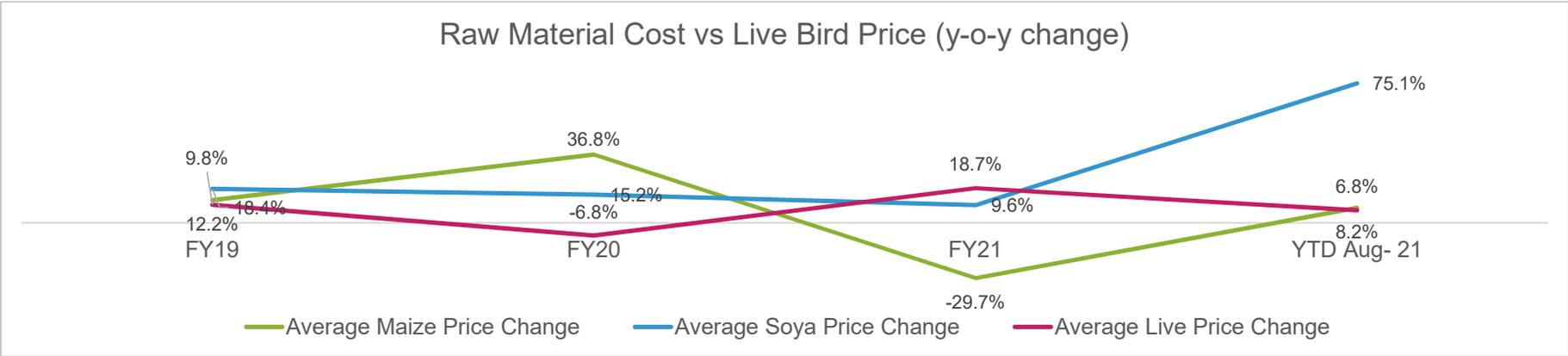
*DUE TO SUPPLY – DEMAND MISMATCH CERTAIN PART OF THE YEARS PRODUCERS ARE FORCED TO SELL BELOW COST OF PRODUCTION*



ALSO, SINCE 2006, ALMOST EVERY YEAR IN WINTERS, AVIAN INFLUENZA, A COMMON COLD DISEASE FOUND IN BIRDS HAS BEEN FOUND SOMEWHERE OR THE OTHER, WHICH RESULTS IN SUBSEQUENT FALL IN DEMAND

## 2. LIMITED OPPORTUNITY FOR PRICE INFLATION, WHILE RAW MATERIAL COST INFLATION IS UNCONTROLLABLE

In Rs. Per kg.	FY18	FY19	FY20	FY21	YTD Aug-21
Average Maize Price	14.30	16.04	21.95	15.43	16.69
Average Soya Price	27.71	32.80	37.79	41.40	72.48
Average Live Price	66.51	73.00	68.00	80.70	86.17



Source: GAVL internal estimates

### 3. POULTRY INDUSTRY IS MARRED BY MISINFORMATION AND LACK OF AWARENESS

Chicken infected from corona virus found in bangalore today. Kindly circulate this message and avoid consumption of chicken . Spread to your dear ones

See Translation

**FAKE**

#### MUMBAI NEWS

Poultry industry suffers Rs 13,000 crore loss due to Covid-19 pandemic

Bird Flu outbreak brings down chicken sales by 40% across India

Forwarded

BOILER CHICKEN ME KORONA VIRUS KO PAYA GAYA HAI. TAMAM LOGO SE APPEAL KI JATI HAI KE BOILER KE GOSHT KA ISTEMAL NA KARE.... MUSLIM COMMUNITY MUMBAI. KHAR. DUA KA KI Appeal

12:01 PM

#### COVID

- **22,500 Crore** Poultry sector losses due to COVID-19 in India
- **40-45%** demand decline from HoReCa.



#### BIRD FLU

- Only **one death** due to bird flu human infection detected since February 2017



“EVEN DURING AN OUTBREAK OF **CHIKUNGUNYA** IN **2016**, SOME **ASSOCIATED THE MOSQUITO-BORNE DISEASE WITH CHICKEN** DUE TO ASSUMED PHONETIC SIMILARITIES AND GAVE UP MEAT”

## 4. OTHER CHALLENGES FACED BY THE INDUSTRY



**Loss of Rs. 15,000 Crore per annum**

No vaccine for Avian Influenza

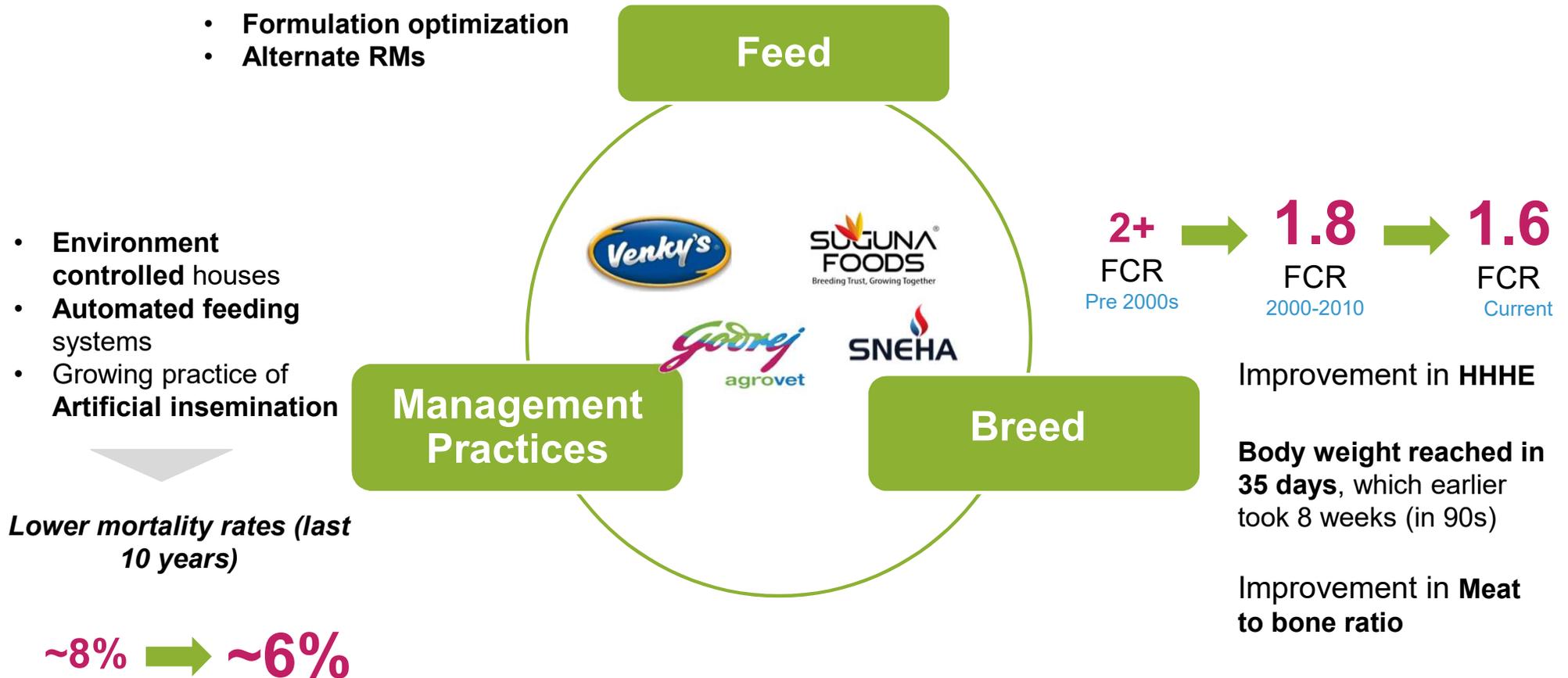


Dumping of chicken legs



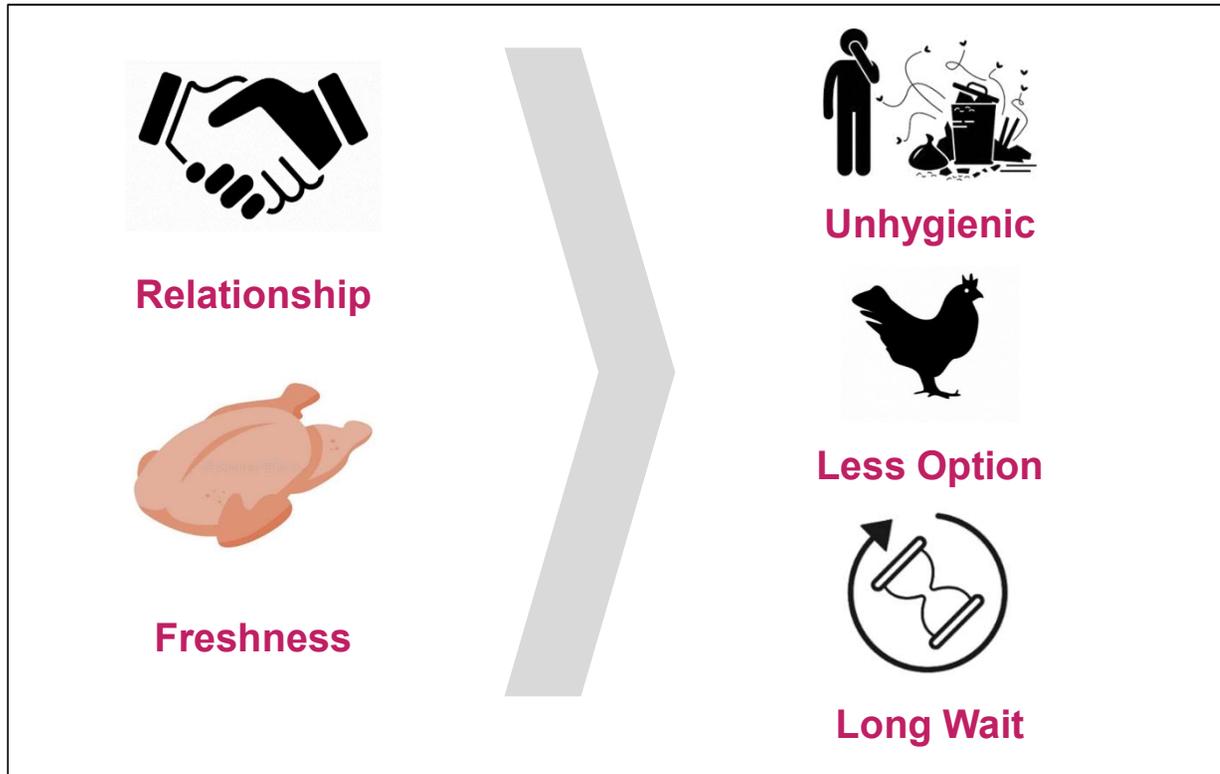
Exports Only Rs. **Rs. 435**  
**Crore (only 11% of processed)**  
**In FY20-21**

# HISTORICALLY, INDUSTRY HAS ONLY FOCUSED ON THE HOLY TRINITY OF FEED-BREED-MANAGEMENT...

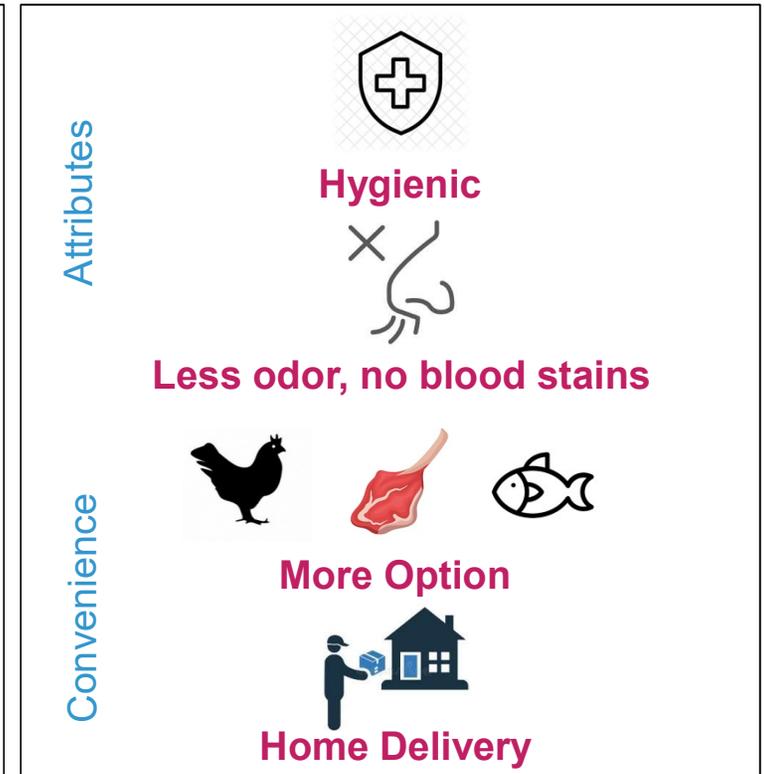


# ...EFFORTS BY INDUSTRY IN CREATING AWARENESS ABOUT CHICKEN HAS BEEN VERY FEEBLE

## WHAT TRADITIONAL CHANNEL OFFERED



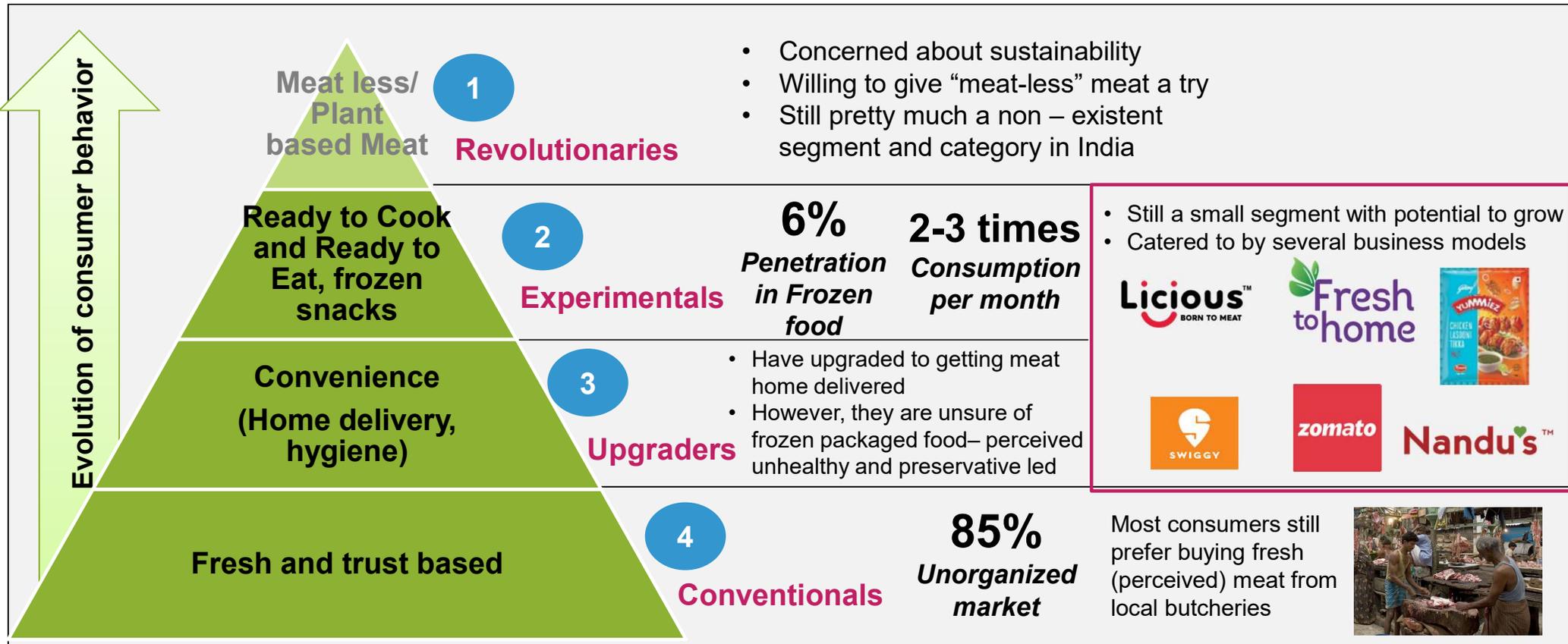
## VALUE PROPOSITION OFFERED BY DIRECT TO CONSUMER



**SIMILAR VALUE PROPOSITION CAN BE CREATED BY THE HYPER LOCAL RETAIL MODEL**

**STARTUPS HAVE CRAFTED THEIR BUSINESS MODEL AROUND  
THE LATENT CONSUMER NEEDS**

# CONSUMER AND BUYING BEHAVIOR PROGRESSION IN CHICKEN CONSUMPTION



# THE WHITE SPACE CREATED BY THE INDUSTRY IS FILLED BY DISRUPTORS

ACCORDING TO A SURVEY CONDUCTED BY REDSEER CONSULTING ON A RESPONDENT BASE OF ~800 PEOPLE:

## Top 3 Reasons to buy from butchers

**72%**  
*Relationship and trust*

**68%**  
*Freshness assurance*

**65%**  
*Bulk Product*

## Top 3 pain points – Local butchers

**41%**  
*Unhygienic*

**38%**  
*Less options*

**37%**  
*Long wait times*

## Peoples' view on online meat providers solving key points of butchers

**67%**  
*Hygiene*

**63%**  
*Wide offering*

**65%**  
*Less odor/ stains*

**57%**  
*Convenience*

*“Increasingly people are warming up to the idea of ordering through online meat start ups”*

# COVID PROVIDED THE IMPETUS TO THE NEW BUSINESS MODELS (FOOD SERVICES/ DELIVERY)

“CHANGING THE RETAIL EXPERIENCE OF MEAT BUYING AND CONSUMPTION”

## 1. Direct to consumer models (D2C)



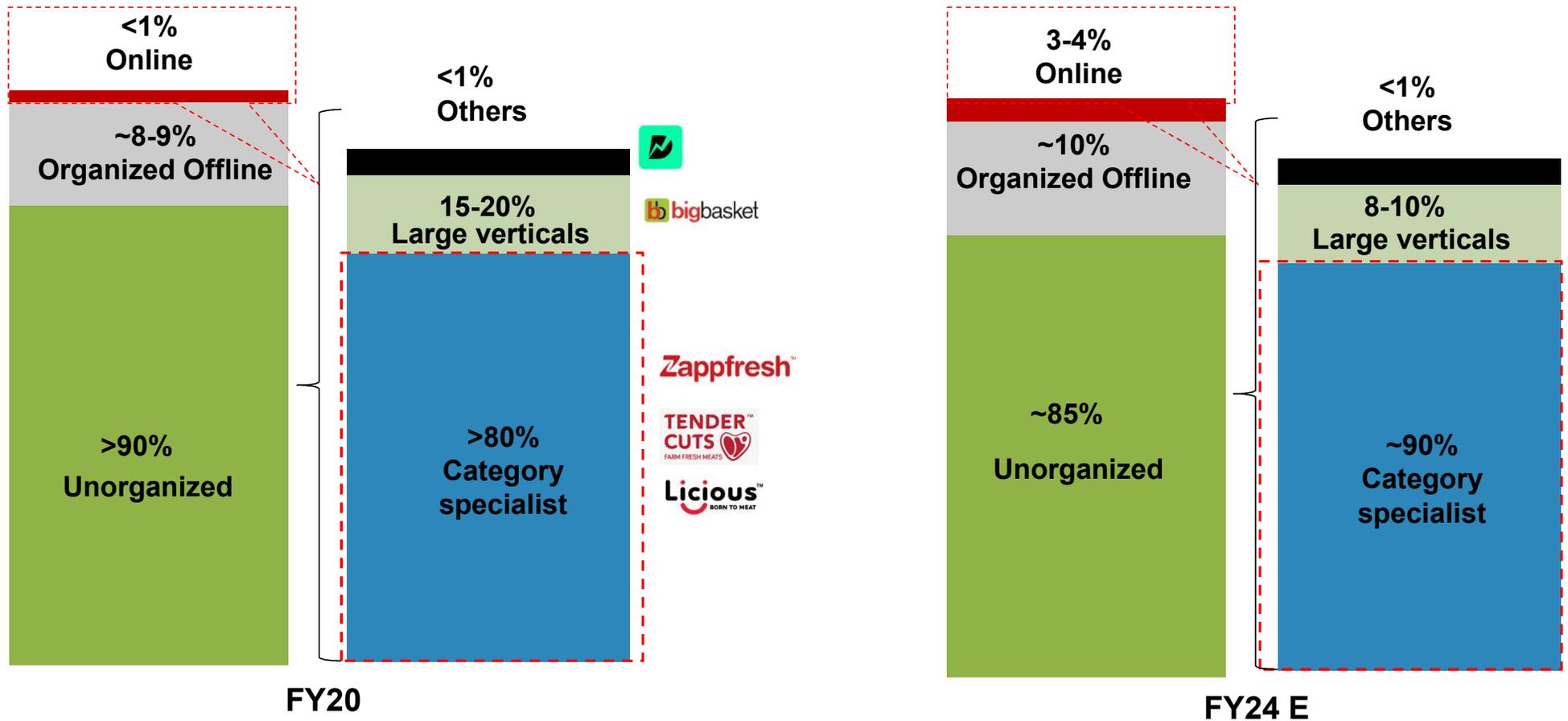
## 2. Food service models or Cloud kitchens



## 3. Hyperlocal and omni channel meat retailing

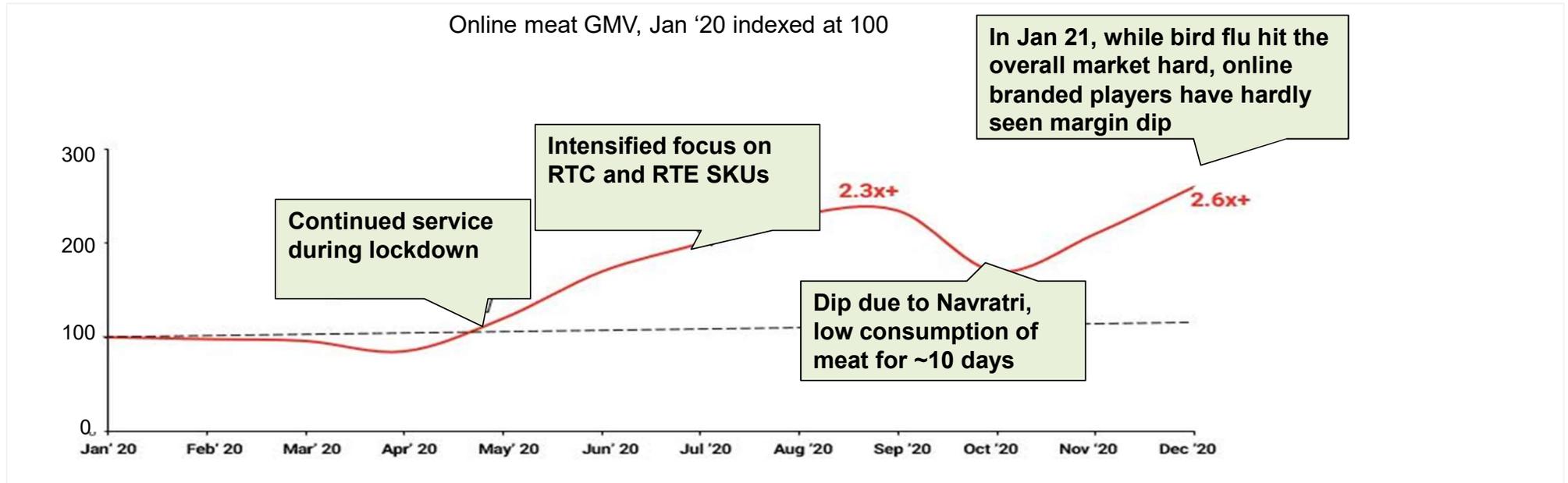


# ONLINE MEAT MARKET THOUGH CURRENTLY AT <1% OF OVERALL CHANNEL IS SET TO GROW EXPONENTIALLY IN COMING YEARS LED BY CATEGORY SPECIALISTS



Source: Redseer report, internal estimates

# 1. DIRECT TO CONSUMER (D2C) MEAT DELIVERY START UPS GREW ~3X GMV SINCE COVID FIRST WAVE



**ARPU**  
10-15% ↑

**AOV**  
15-20% ↑

**Customer Retention**  
10-15% ↑

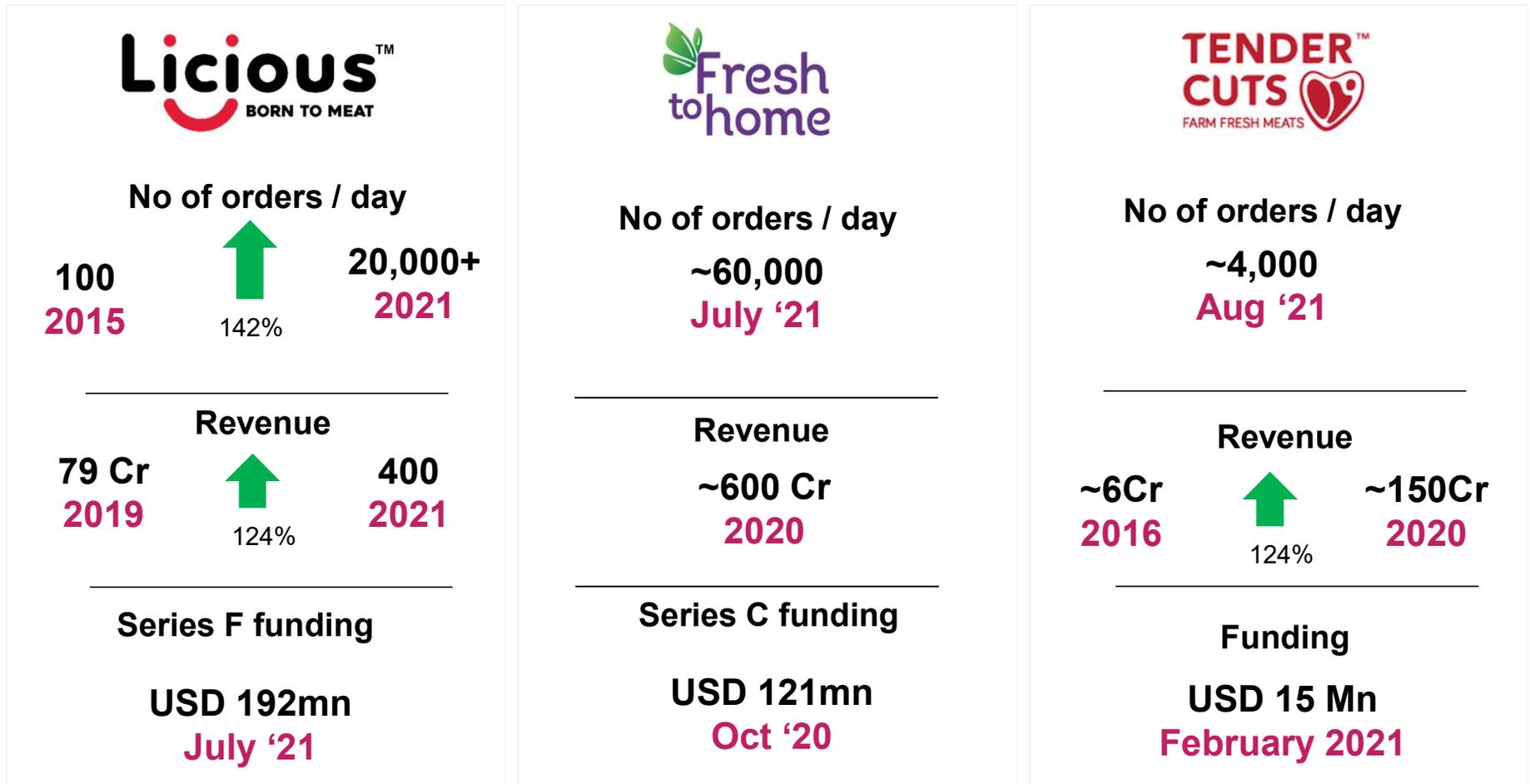
- This was driven by Covid-related apprehensions while purchasing from offline/local butchers.
- The D2C players **effectively communicated their superior quality and hygiene practices** boosting consumer confidence with a width of offerings including RTC and RTE options

**INDUSTRY LEADER CLAIMS GROWTH OF OVER 500% IN THE LAST ONE YEAR WITH DELIVERY TO MORE THAN TWO MILLION UNIQUE CUSTOMERS**

Source: Redseer Report – 'A New Silver Lining To India's Meat Market'

GMV – Gross Market Value, ARPU- Average Revenue Per User, AOV- Average Order Value, RTC- Ready to Cook, RTE- Ready to Eat

# 1. ONLINE MEAT DELIVERY (D2C) SAW A HUGE SURGE TRIGGERED BY COVID INDUCED LOCKDOWN...



\*70% orders constitute meat and fish, it also entered F&V category in 2019, D2C- Direct to Consumer

# 1. ...WHICH THEY WILL FURTHER CAPITALIZE BY **EXPANDING RTC AND RTE CATEGORIES**



Licious **expanded its RTE offering** by introducing a prawn-based spread in an attempt to gain **better margins** of 10-15% as compared to fresh meat products ~5-7%.



Fresh to home has **doubled its SKUs in the RTC category** from **60 to 120** in the past few months. This category now contributes 6-7% to its monthly revenue of **Rs 50 crore**, up from 1.5% in the pre-Covid times.



TenderCuts grew to **80-90 SKUs in the RTC category**, compared to 45-50 in the pre-pandemic period. It has seen sales from this category increase to **14%**, compared to 4% earlier.



Zappfresh launched **RTE products like meatballs and chicken momos**.

## 2. PANDEMIC ALSO PROMPTED THE RISE OF ONLINE FOOD AGGREGATORS



**Valuation**

**USD 5.5  
billion**

**USD 13  
billion**

**GMV\***

**Rs. 22,500 Crore**

**No. of orders  
per day\***

**30,00,000**

**Order  
Frequency\***

**5.5 per annum**

**Order size\***

**~Rs. 300**

**Delivery  
Partner\***

**~4,00,000**

**Accumulated  
Losses\***

**Rs. 11,000 Crore**

\* Total Industry

## 2. IN SEARCH OF PROFIT FOOD AGGREGATORS TO TRANSFORM INTO FOOD SERVICES PLAYER - FOCUS ON “CLOUD KITCHENS” AND “SOURCING & SUPPLY BUSINESS”

THE ANNUAL AVERAGE COST TO OPEN A RESTAURANT IN INDIA IS 3X THAT OF A CLOUD KITCHEN



**1000+ Kitchens**  
**500+ cities**



**10+ Brands**  
**300+ kitchens (India)**  
**20 cities**  
**65K orders / day**



**40+ kitchens**  
**70+ SKUs**  
**12 cities**  
**1L+ customers / month**



**FreshMenu**

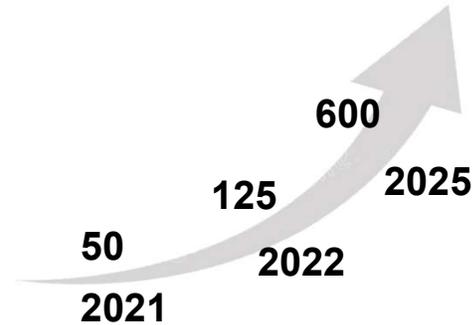
**25+ kitchens**  
**12K+ orders / day**  
**150Cr Revenue (2020)**

### 3. RISING CONSUMER AWARENESS AND QUALITY CONSCIOUSNESS HAVE GIVEN UPSWING TO BRANDED HYPER-LOCAL RETAILING

**Nandu's**™



Number of stores



Business model

- Omni channel
- Retail stores
- App
- Ecom website

Way ahead

- Entering RTC
- Sea Food Retailing
- Becoming a pan-India brand

Number of stores

38+ Retail outlets in Karnataka – “Life Line’s Tender Chicken”

Business model

Offline channel

- 1000+ Employee
- ~ Rs 350Cr Annual Turnover



**GLOBAL MARKETS HAVE WITNESSED THE SAME TRENDS**

# GLOBAL FOOD DELIVERY/ CLOUD KITCHEN SPACE IS DOMINATED BY 3-4 KEY PLAYERS IN EVERY REGION



# FOOD DELIVERY SPACE- CHINA

TWO PLAYERS ARE CONTROLLING THE 90% OF THE MARKET, BACKED UP BY ALIBABA AND TENCENT



 美团点评  
Meituan Dianping

  
Ele.me



Valuation\*

*~USD 340 bn*

Delivery as% of  
food market\*  
*12%*

GMV

*~USD 90 bn*

No. of orders  
per day

*5,00,00,000*

Order per user

*25*

\* Total of all industry players

# FOOD DELIVERY SPACE- INDONESIA

INDONESIAN MARKET IS QUASI REPRESENTATION OF INDIAN MARKET



Valuation\*

*~USD 50 bn*

Delivery as% of  
food market\*

*1.3%*

 gojek

  
Food

GMV

*~USD 2 bn*

No. of orders  
per day

*~25,00,000*

User Penetration

*6.5%*

\* Total of all industry players

<https://www.linkedin.com/pulse/food-delivery-market-indonesia-shifting-dynamics-natakusumah/>

# GLOBALLY, FOOD SERVICES COMMAND MAJOR MARKET SHARE IN CHICKEN DEMAND, INDIA LACKS AN ORGANIZED STRUCTURE, WHICH DISRUPTORS ARE LIKELY TO SET UP

Chicken demand from Food Services (in %)



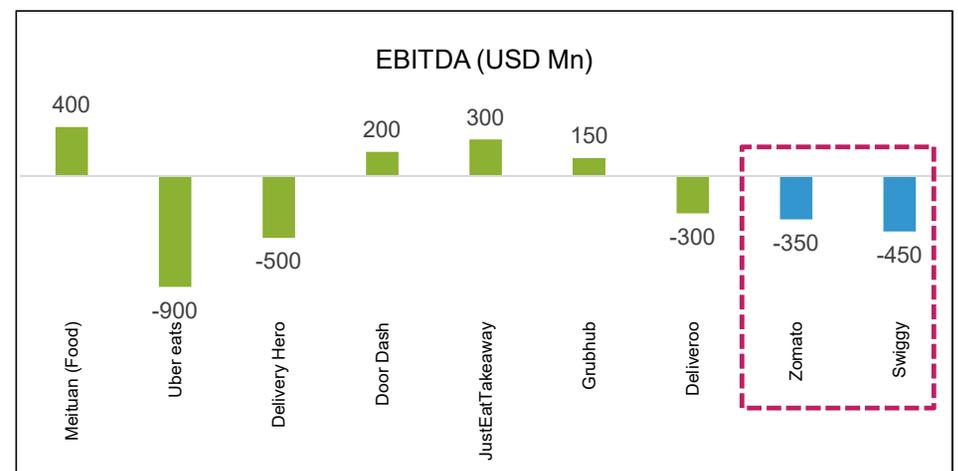
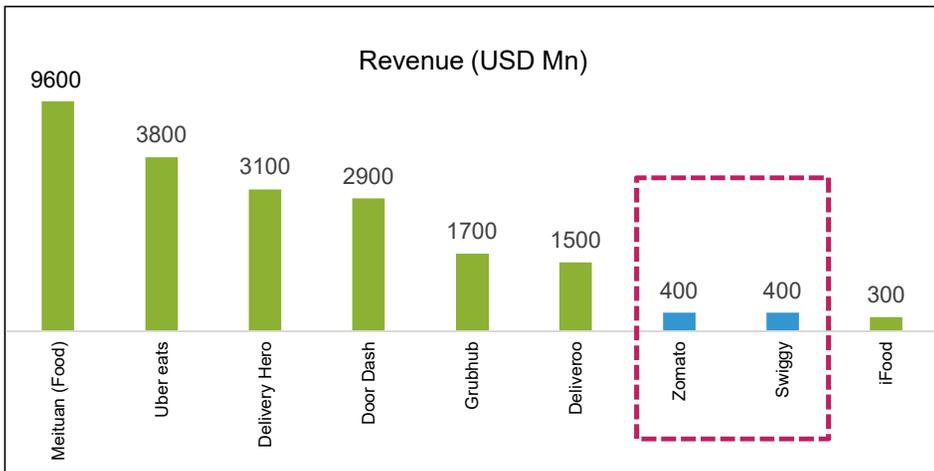
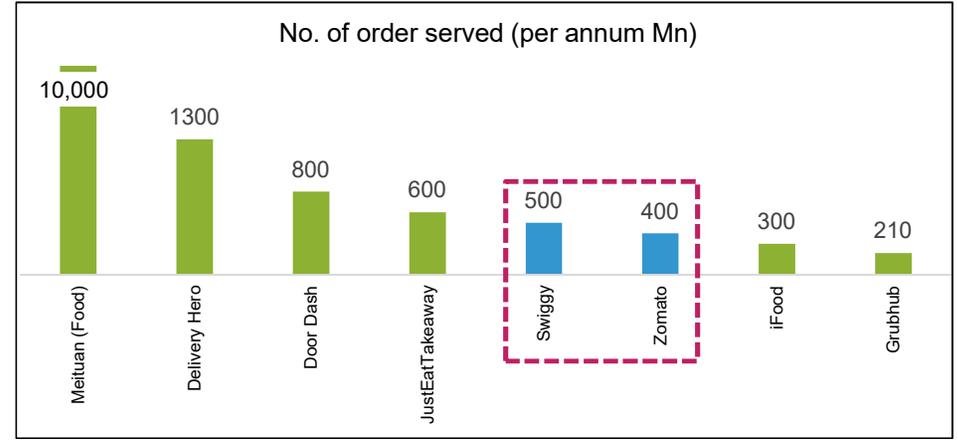
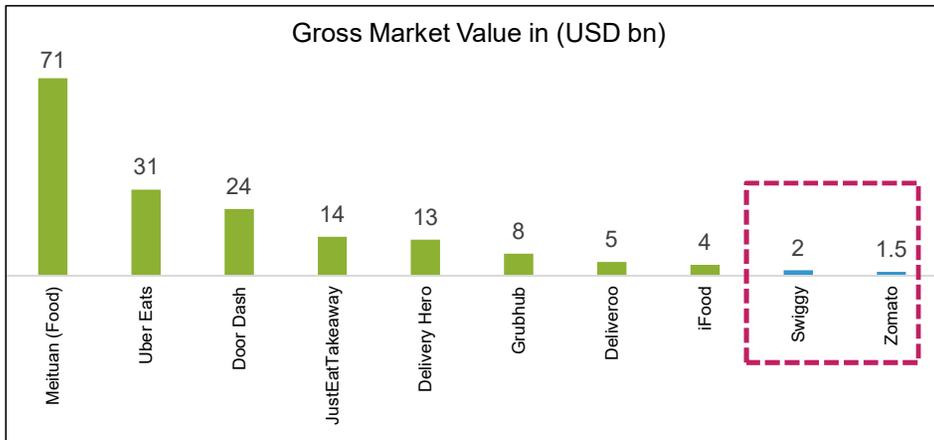
Source: WattagNet

# GLOBAL COMPANIES HAVE ADDRESSED THESE CHANGES BY LAUNCHING FOOD SERVICES FOCUSED BRANDS AND PRODUCTS

Vertically Integrated Business Model		JAPFA		Cargill		新希望六和 NEW HOPE LIUHE		Tyson	
		Presence	Indonesia   Vietnam Myanmar   India	70 Countries	15 countries (Hong Kong, Laos, India, Turkey, South Africa etc)	APAC   USA   Europe			
Upstream	Animal Feed Production	✓	✓	✓	✓	✓	✓	✓	✓
	Breeding Farms	✓	✓	✓	✓	✓	✓	✓	✓
	Fattening Farms	✓	✓	✓	✓	✓	✓	✓	✓
Downstream	Processing & Distribution	  	Food Makers, Food Service Companies and Food Retailers	Food Service Companies	  <b>Minuteman</b>				

# WHERE DOES INDIA STAND – SIGNIFICANT HEADROOM FOR GROWTH

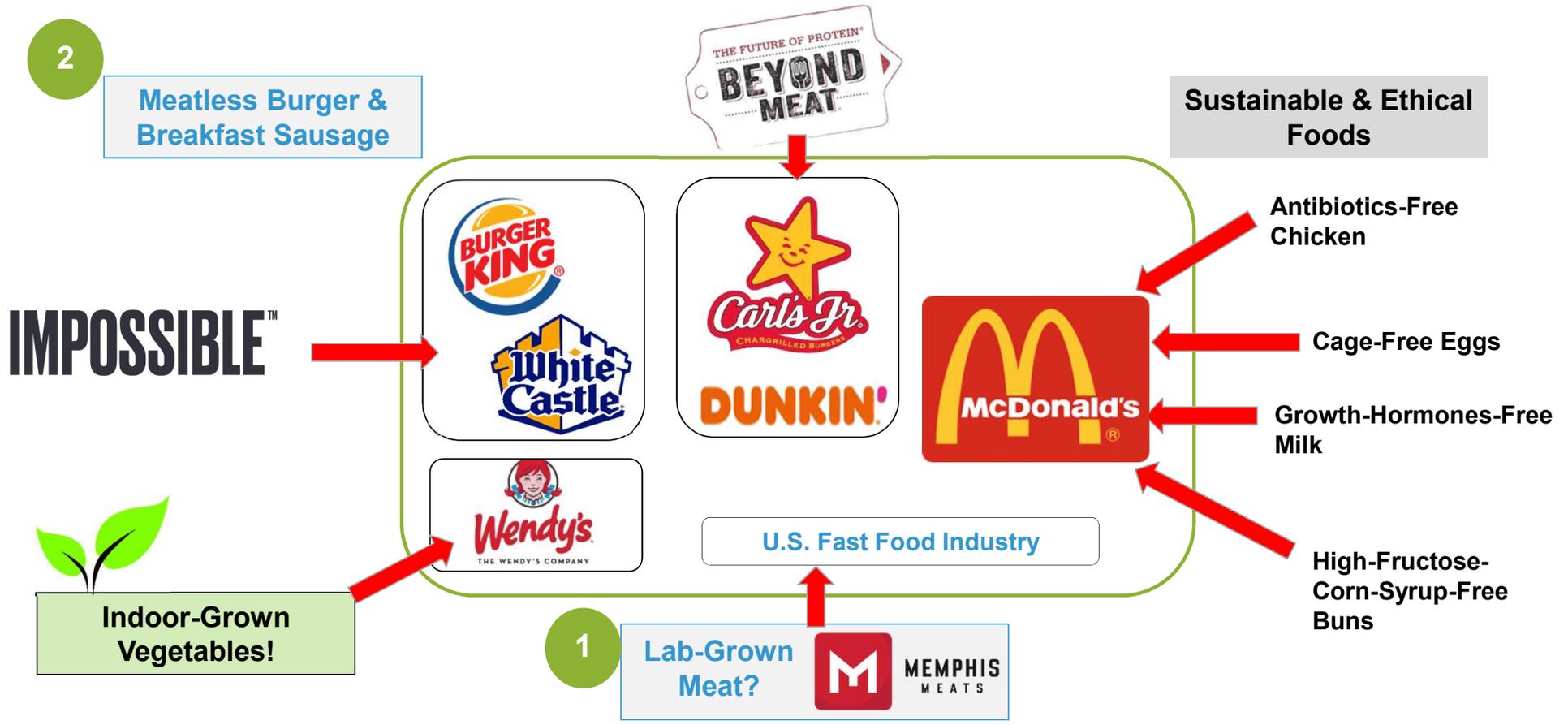
## INDIAN FOOD PLAYERS HAVE JUST STARTED THEIR JOURNEY



Source: Business Standard

## **SOME OTHER ~~TRENDS~~ UTOPIA**

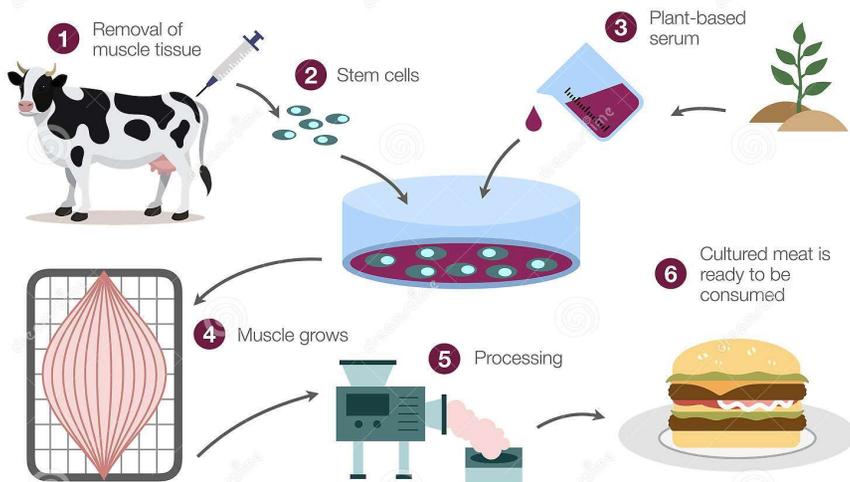
# THE RISING CONVERGENCE OF AGTECH INNOVATIONS IN THE U.S. FAST FOOD INDUSTRY



# 1. THE MEAT OF THE FUTURE | LAB GROWN

USD 400 - 2000  
a kilogram  
**Cost**

## How cultured meat is made



- Demand for alternatives to regular meat has surged due to consumer concerns about health, animal welfare and the environment.
- **Singapore has given regulatory approval for the world's first "clean meat" that does not come from slaughtered animals.**
- The decision paves the way for San Francisco-based startup Eat Just to sell lab-grown chicken meat.



<https://www.youtube.com/watch?v=RVWU9rbylhc>

## 2. THE MEAT OF THE FUTURE | MEATLESS MEAT (PLANT BASED)

USD 10 -12  
a kilogram

### Cost

*“Animal Based burger requires 220 liters of water and 3.5m.sq of land to produce ~100 grams of pound meat burger”*

*“Impossible Burger Made from plant protein uses 99% less water, 93% less land, produces 90% fewer greenhouse gases and uses 46% less energy”*

**IMPOSSIBLE™**



**IMPOSSIBLE™**

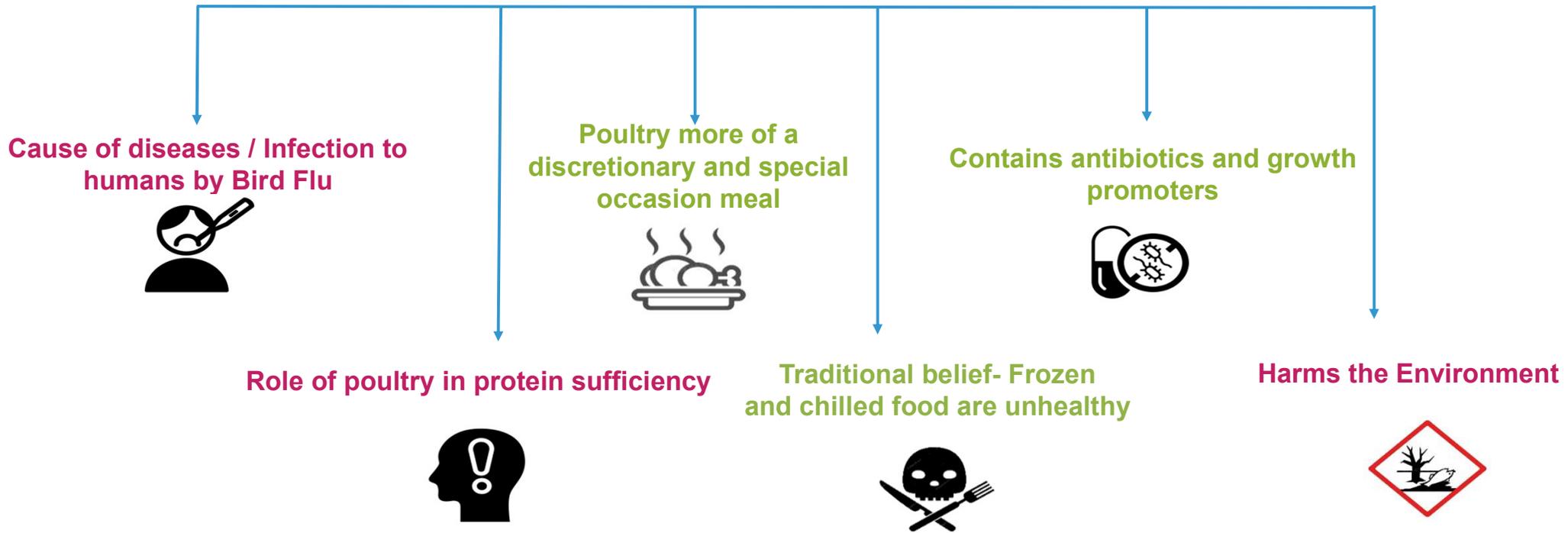
- Impossible Food Inc’s new faux-chicken nuggets (plant based) go on sale at about 150 restaurants from Sept 7, with a grocery rollout set to follow later this month
- Restaurants serving the nuggets include David Chang’s Fuku in New York City and Tal Ronnen’s Crossroads Kitchen in Los Angeles.
- Supermarkets including Walmart, Kroger, Albertsons and Safeway will sell the nuggets.
- More than 10,000 grocery stores will offer them by the end of the year



<https://www.youtube.com/watch?v=p1NraXsYMWM>

# **WAY TO GO FOR INDIAN INDUSTRY**

# THE BATTLE FOR PUBLIC PERCEPTION



# THE BATTLE FOR PUBLIC PERCEPTION CAN BE WON

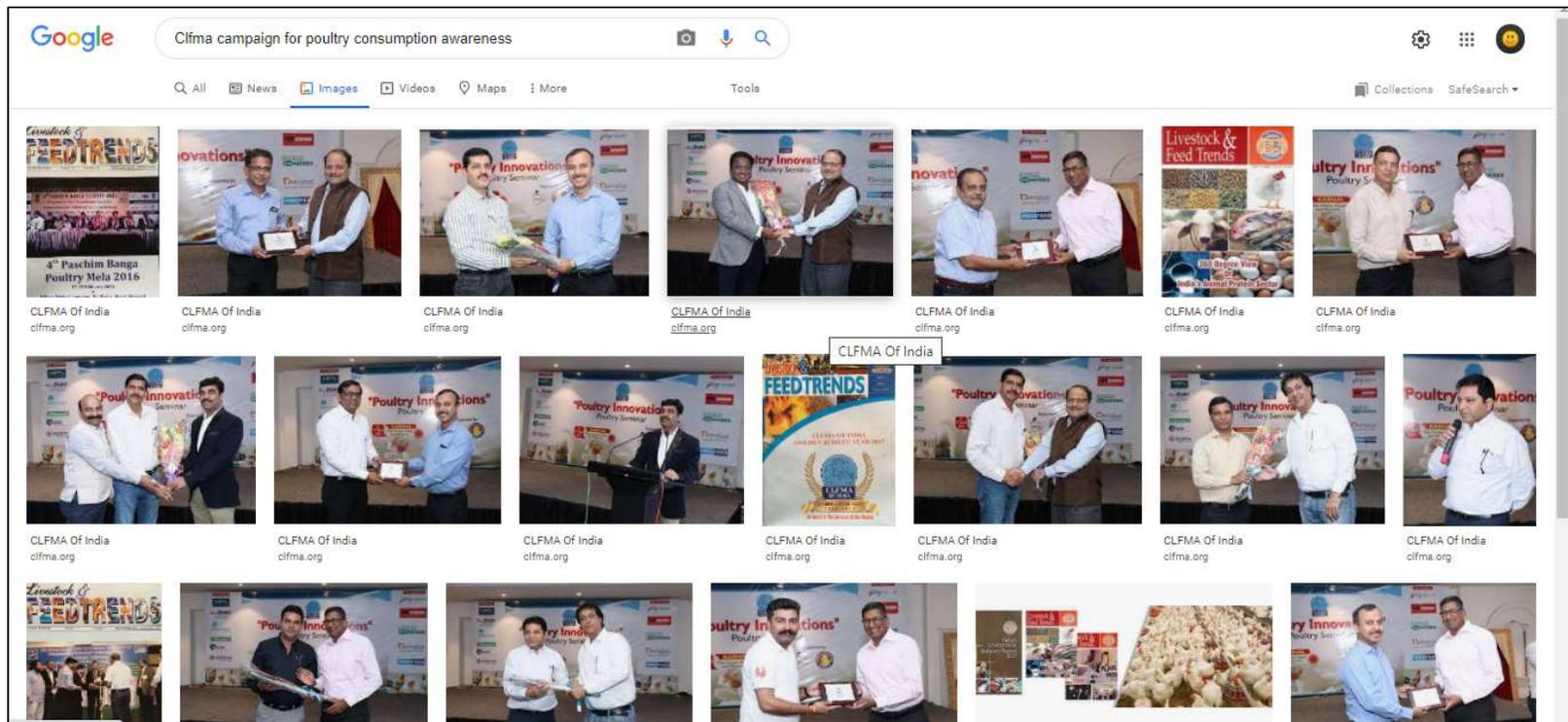
## SEARCH RESULTS FOR “NECC CAMPAIGN FOR EGG CONSUMPTION AWARENESS”

The screenshot shows a Google search page with the query "necc campaign for egg consumption awareness". The search results are displayed in a grid format, featuring various images and snippets related to the National Egg Coordination Committee (NECC) campaigns. The results include:

- Image 1:** A graphic showing the days of the week (SUN, MON, TUE, WED, THURS, FRI, SAT) with eggs, promoting "Roz khao ande".
- Image 2:** A poster titled "STRONG FOOD" with a power button symbol.
- Image 3:** A poster titled "RECYCLE" with a power button symbol.
- Image 4:** A poster titled "break the delicate get the STRONGEST" with a cracked egg.
- Image 5:** A photograph of a large crowd at a "WORLD EGG DAY" event.
- Image 6:** A poster titled "immunity booster" for poultry farmers.
- Image 7:** A poster titled "to the WORLD EGGS" with a silhouette of a person.
- Image 8:** A poster titled "World Egg Day celebrations" for October 18, 2018.
- Image 9:** A poster titled "NATIONAL EGG CO-ORDINATION COMMITTEE" with a large egg.
- Image 10:** A table titled "Production cost break-up" listing various costs for egg production.
- Image 11:** A poster titled "MORE PROTEINS. LESS PRICE." with a cracked egg.
- Image 12:** A chart titled "Global Poultry Eggs Market | Awareness" showing market trends.
- Image 13:** A poster titled "EGGS MAKE FUTURE CHAMPIONS" with children.
- Image 14:** A photograph of a man speaking.
- Image 15:** A poster titled "DELICATE OUTSIDE" with a cracked egg.
- Image 16:** A photograph of a hand holding a cracked egg.
- Image 17:** A poster titled "ON for every ON" with a power button symbol.
- Image 18:** A photograph of a large number of eggs in a tray.

# THE BATTLE FOR PUBLIC PERCEPTION Google DOESN'T LIE

SEARCH RESULTS FOR “CLFMA CAMPAIGN FOR POULTRY CONSUMPTION AWARENESS”



# REINDEX THE INDUSTRY

WHERE DO PEOPLE GET THEIR INFORMATION ABOUT THE POULTRY SECTOR?



SOCIAL MEDIA



RARELY FROM INDUSTRY PRESS RELEASE



RARELY FROM THE TV



RARELY FROM THE INDUSTRY



1

COMMUNICATION STRATEGY TO CREATE POSITIVE IMAGE

2

CONSUMER STRATEGY TO INCREASE THE PENETRATION AND CONSUMPTION

WHAT WE NEED TO DO?



BUT DO WE HAVE THE INTENT AND SKILLS?

# UNDERSTAND THE CONSUMER AND CONSUMPTION PATTERN- LIMIT THE SUDDEN DEMAND SLUMPS

1



“STILL A DISCRETIONARY SPEND”



TREATED AS A “SPECIAL OCCASION” MEAL

**1 in 6**  
Meal is Non-Veg

2

Chicken infected from corona virus found in bangalore today. Kindly circulate this massage and avoid consumption of chicken 🙏. Spread to your dear ones

See Translation

যত তাড়াতাড়ি সম্ভব গ্রুপে share করুন করোনার ভাইরাস পাওয়া গেছে বয়লার মুরগীতে। যে

**FAKE**



“DURING DISEASE OUTBREAK WHY TAKE CHANCE BY EATING CHICKEN”

**Rs.5 per kg.**  
Lowest Price of live bird in March 2020

3



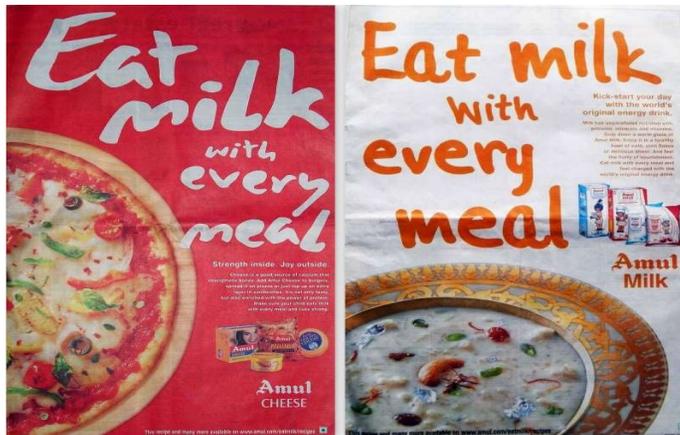
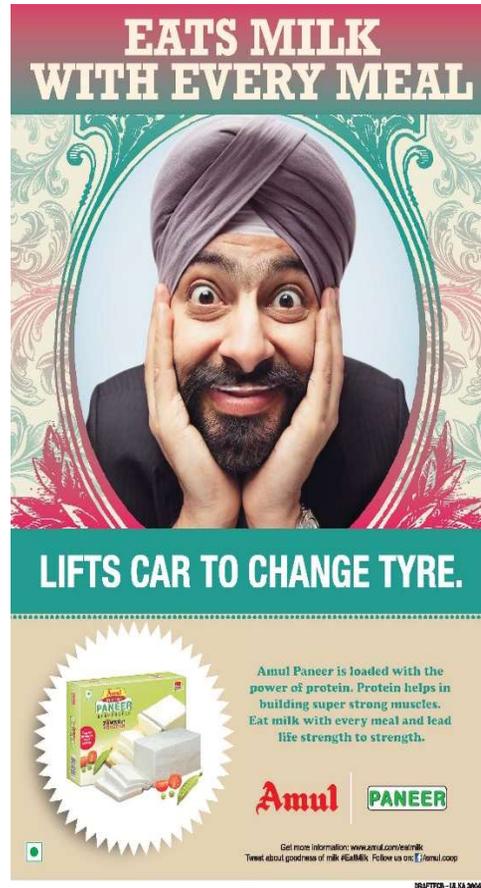
LACK OF AWARENESS ABOUT HEALTH BENEFITS OF CHICKEN

**16-25gm**  
Under consumption protein in India Vs. prescribed 48gm

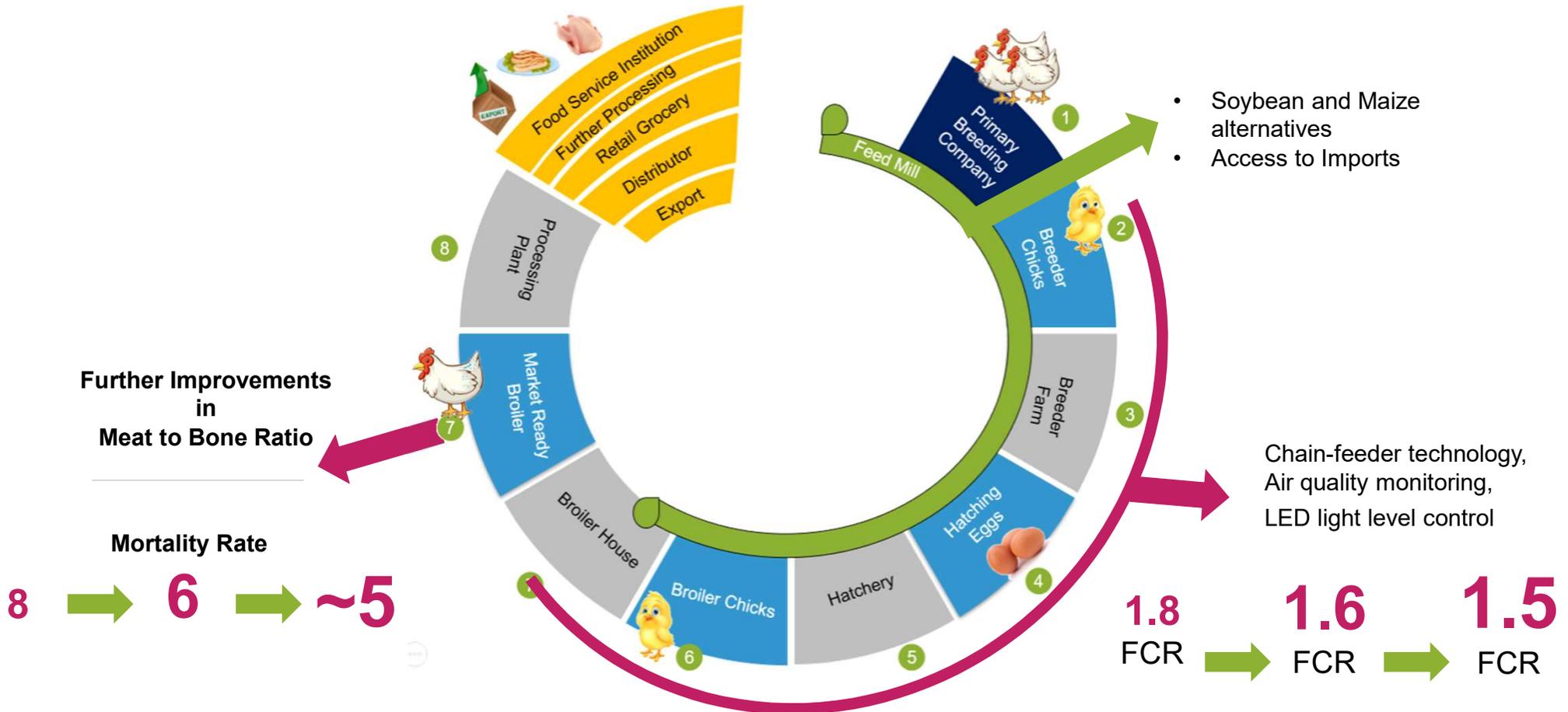
“INDUSTRY DID NOT FOCUS ON THE CONSUMER AWARENESS AND CONSUMPTION PATTERNS ”

\* According to a survey conducted by RedSeer consulting (N ~800); Source: Red Seer Consulting, GAVL internal estimates,

# DEDICATED EFFORTS TO CREATE DEMAND FOR SOME INDUSTRIES

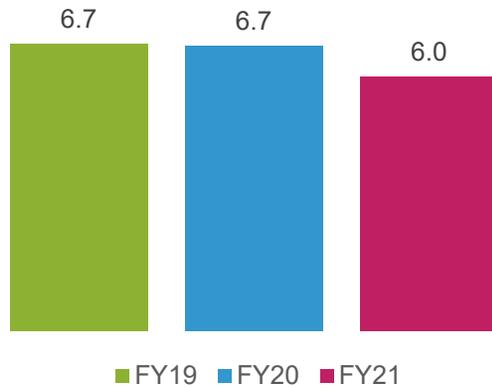


# COST EFFICIENCY AND SCALE REMAINS THE KEY FOR FUTURE



# REPLICATE THE SUCCESS STORY OF SHRIMP EXPORTS

Shrimp Exports From India (USD bn)



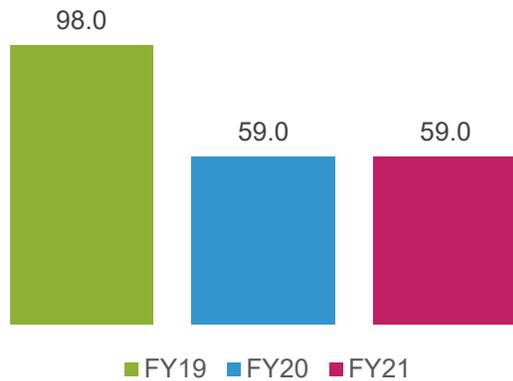
**1**

**Export Authority for Poultry**  
**Establish MPEDA equivalent organization for poultry industry in India**

**3**

**Limited use of chemical and drugs**  
**Control antimicrobial resistance**

Poultry Exports From India (USD Mn)



**2**

**New Markets**  
**Target Middle East for poultry exports**

**4**

**Control on diseases**  
**Allow vaccines in India**

Source: MPEDA and APEDA

# INCREASE THE MARGIN VALUE ADDITION AND CUSTOMER PLAY– BECOME AN EFFICIENT SUPPLIER TO NEW AGE FOOD SERVICES

THE STARTUP ECOSYSTEM IS CREATING CUSTOMER AWARENESS AND GENERATING CONSUMER DEMAND TOWARDS DIFFERENT TYPES OF PROCESSED FOOD INCLUDING RTE AND RTC

## Fortified eggs

Retail  
INR 150 to 200 per dozen



RTC  
INR 500/kg



The Future of poultry industry (cooked or semi cooked food for D2C and cloud kitchens)

## Packed Eggs

Retail  
INR 70 to 80 per dozen



Packed and cut chicken  
INR 300/kg



Retail  
INR 60 per dozen



Local Wet markets  
INR 200/kg



Producer  
INR 36 to 48 per dozen



Poultry farm  
INR 100/kg



D2C- Direct to Consumer

**Thank You**

