

**Samunnati**<sup>®</sup>

Invested in Your Growth



**Changing Feed Universe**

**CLFMA OF INDIA**

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# Samunnati - Introduction



**\$1.5 Bn+**

\*Gross Transaction Value since inception

**\$500+ Mn**

Gross Merchandise Value since inception

**70+ Agri Value Chains**

Presence in Value Chains

**~\$200Mn**

Asset Under Management

**1600+ Farmer Collectives**

6mn farmer base

**22 States**

Presence across the Nation

**\$61 Mn**

Net worth

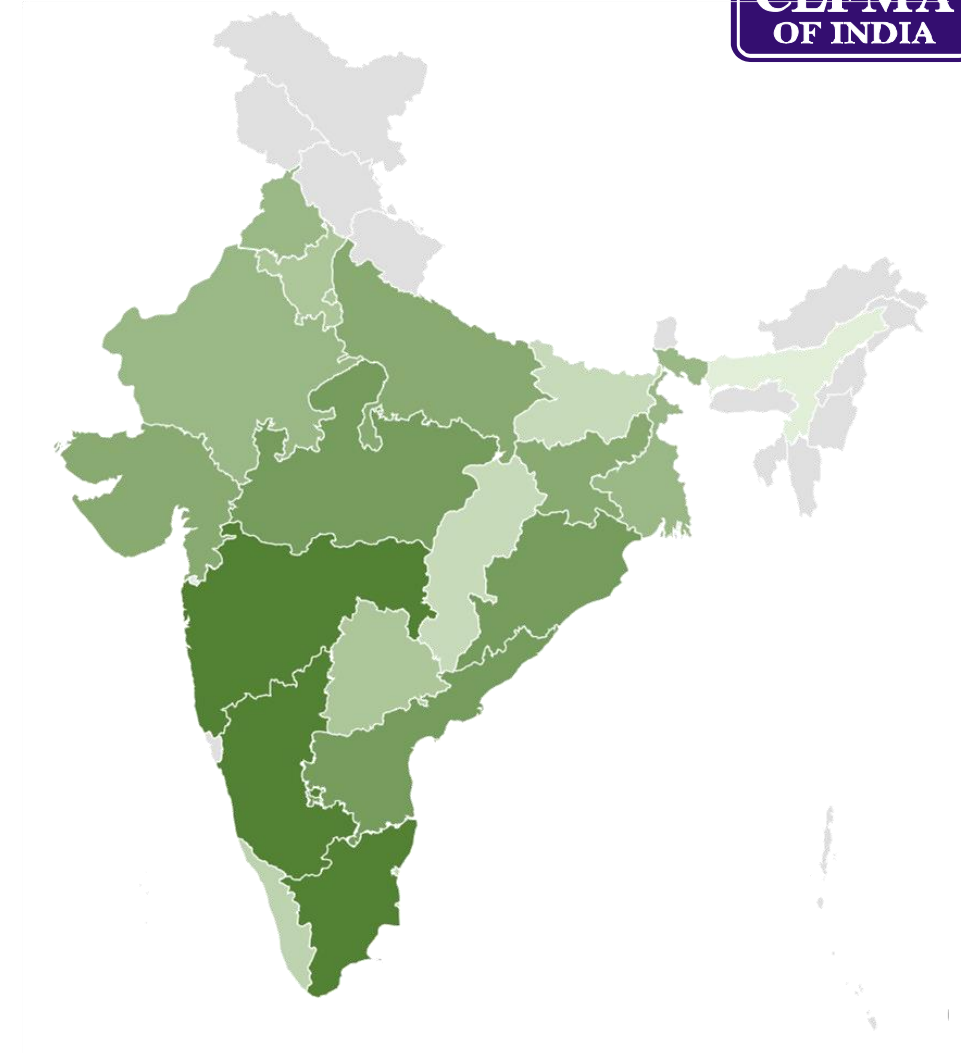
**2900+**

Agri Enterprises on demand side

**700+**

Years of team banking experience

\*Includes Trading & Market Linkages  
As of August 2022

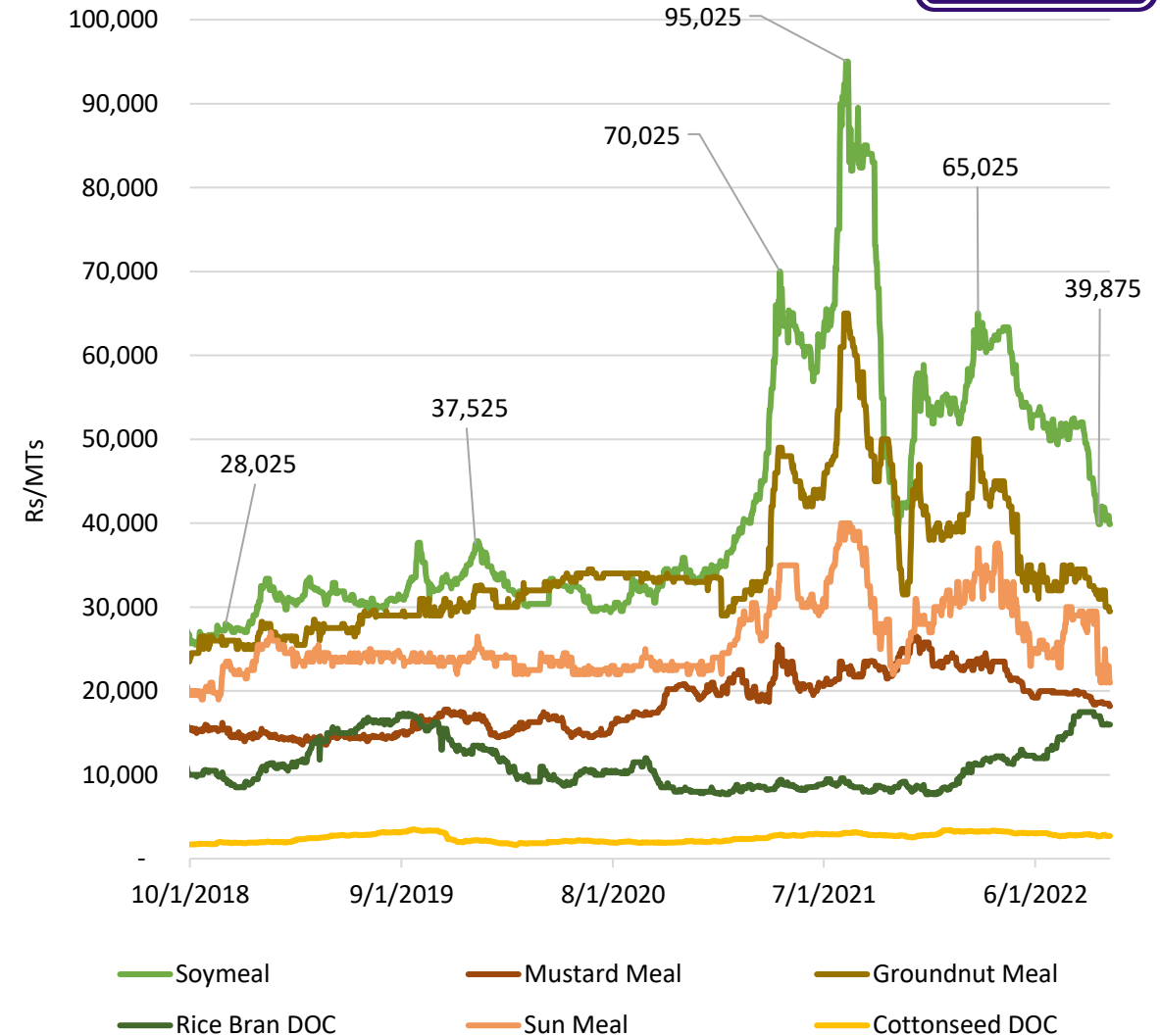


# Recent experiments with feed substitution



- Soymeal started rallying in March-Apr 2021, imports were allowed in August 2021 and arrived in India in September month. During this six month period, the availability of Soymeal shrunk rapidly and people were aggressively looking for alternatives.
- Sector started using cheaper alternatives which were locally available.
- In 20-21 all the players were forced to look for alternatives. Whereas in 21-22 higher soymeal prices prompted players to continue with the trend of substitution.
- In MY21-22, soymeal substitution was widely observed in Commercial broiler and layer farms though not in breeder farms.
- For Broiler, Soymeal percentage in feed was reduced to 18% (Average) from 22% - 24% norm.
- For Layers Soymeal percentage in feed was reduced to 8% (Average) from the norm of 18%.
- The substitution was very prominent in case of Unorganized players.

Price Movement of various protein source



Source: NCDEX, SEA, Reuters

# Recent experiments with feed substitution



- The most widely used replacements were Groundnut DOC, Rapeseed meal, Sun meal, DORB, Bone Meat Meal, Maize Gluten, Rice DDGS, synthetic proteins etc..
- In case of Country birds soymeal was completely replaced.

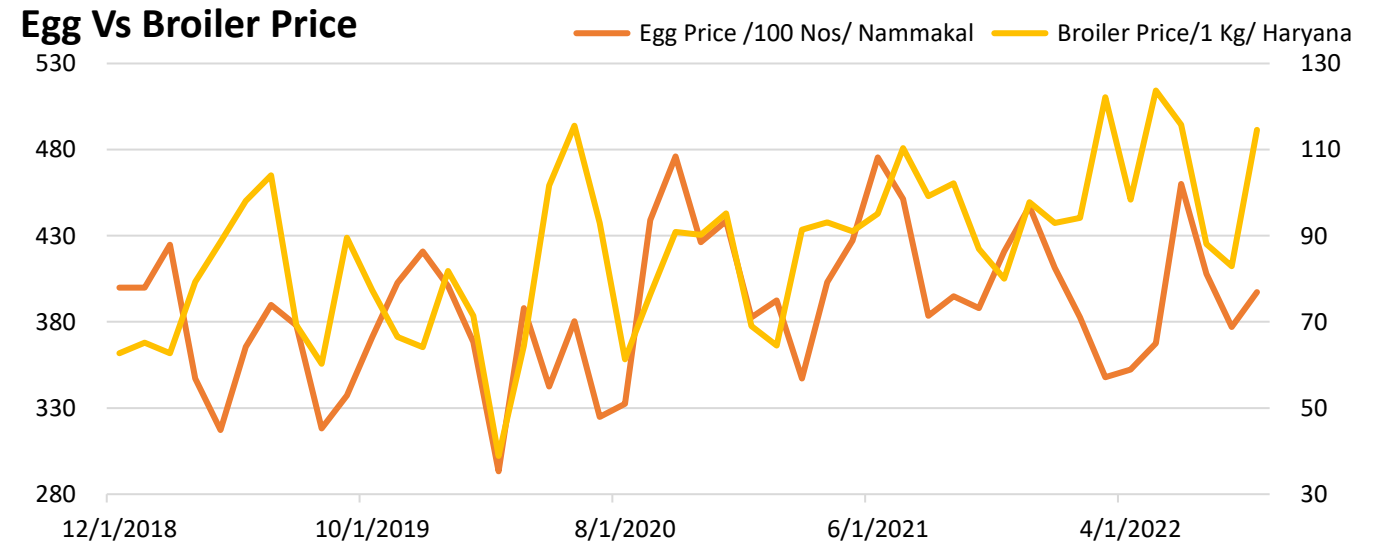
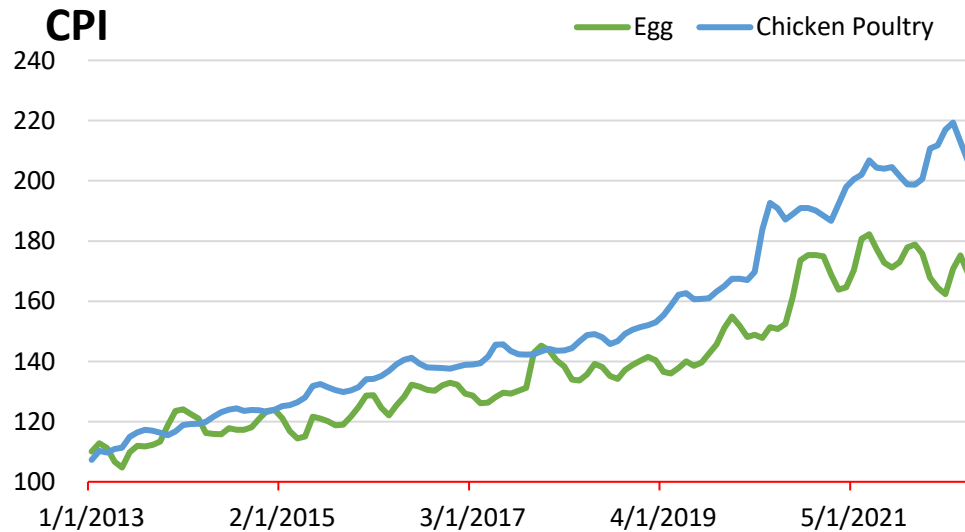
## Observations

- Occasional presence of aflatoxin in groundnut meal limited its use in feed.
- Higher usage of DDGS resulted in lower shelf life of eggs.
- Lysine had no effect in layers but worked well for broilers.
- The bird excreta turned liquid if rapeseed meal is used in higher quantities.
- Higher bone meal usage in layers resulted in infertility whereas in broilers it turned out to be a good alternative.
- Higher usage of Methionine resulted in increased egg size and also worked well for broilers.
- If the content of maize is less than 200 kgs per ton, then yolk is diffused into albumen with pale colour.
- If it is less than 300 kgs per ton, then colour of the yolk is faded.

# Current Scenario



- As the feed raw material prices have cooled down to 2018-19 levels, the farmers have gone back to previous norms of feed ratios.
- Yet if soymeal rallies above the Rs.41,000 /MT – Rs.45,000/MT range, farmers may again switch to alternatives.
- While the raw material prices have cooled the sectoral difficulties may not have. The same is reflected in the stagnant Egg and Broiler prices since 2018. General inflation and rising interest will increase the cost of doing business.



Source: RBI, Poultry Bazaar

# Competition from ethanol on cards



- About 98% of the fuel requirement in the road transportation sector is currently met by fossil fuels and the remaining 2% by biofuel. Currently, Ethanol makes up 10% of the petrol we use in our vehicles.
- The National Policy on Biofuels 2018, provides an indicative target of 20% ethanol blending under the Ethanol Blended Petrol (EBP) Programme by 2025.
- India intends to produce 350 Cr Litres of ethanol in 2022-23 up by around 17%. For this 17 million tons of grains is required
- Wheat balance sheet is tight
- Paddy acreage is lower, and it will impact the total production, which is expected to be lower
- Bajra acreage very high, but adverse weather may impact the productivity
- Maize Kharif acreage is steady, but the production could be marginally lower

| Year     | Blending level | Capacity requirement (Crore liter) |          |       |
|----------|----------------|------------------------------------|----------|-------|
|          |                | Grain                              | Molasses | Total |
| 2019-20  | 5%             | 258                                | 426      | 684   |
| 2020-21  | 9%             | 260                                | 450      | 710   |
| 2021-22  | 10%            | 300                                | 519      | 819   |
| 2022-23* | 12%            | 350                                | 625      | 975   |
| 2023-24* | 15%            | 450                                | 725      | 1175  |
| 2024-25* | 20%            | 700                                | 730      | 1430  |

# Grain Based Distilleries In India:



- Maharashtra, Uttar Pradesh and Chhattisgarh have emerged as the top three destinations for grain-based ethanol plants attracting over 40 per cent of the total projects approved in the past year after the government announced a scheme for the sector.
- So far, 196 projects with a combined capacity to produce 859 crore liters of ethanol per annum have been approved by Union Food Ministry since January 2021.
- Current actual Installed capacity: ~270 crore liter

| No | State         | No of projects approved till date | Production capacity (crore liter) |
|----|---------------|-----------------------------------|-----------------------------------|
| 1  | Maharashtra   | 35                                | 107                               |
| 2  | Uttar Pradesh | 29                                | 109                               |
| 3  | Chhattisgarh  | 20                                | 102                               |
| 4  | Bihar         | 9                                 | 59                                |
| 5  | Odisa         | 9                                 | 59                                |
| 6  | West Bengal   | 8                                 | 67                                |
| 7  | Others        | 86                                | 356                               |
|    | <b>Total</b>  | <b>196</b>                        | <b>859</b>                        |

# Competition from ethanol on cards



## Profitability of ethanol produced from various grains

| Grain       | Cost  | Revenue | Net Profit | Profitability |
|-------------|-------|---------|------------|---------------|
| Broken Rice | 10.70 | 12.53   | 1.82       | 17%           |
| Wheat       | 10.13 | 10.53   | 0.39       | 4%            |
| Jowar       | 15.20 | 10.06   | -5.19      | -34%          |
| Bajra       | 10.25 | 10.06   | -0.19      | -2%           |
| Maize       | 11.61 | 11.82   | 0.21       | 2%            |

*Note: Amount In Millions | Source: SamAgr Research*

- As we can see in the table above, at current prices, the ethanol players have good profitability when they use broken rice, wheat and maize as raw material.
- In years to come poultry sector might have to compete with ethanol industry to get their share of maize.



# Current Global Economic Trends



- Interest rate hikes by central banks around the world. The trend could last for next 2-4 years
- Russia – Ukraine War
- Energy crisis in Europe.
- Slowing Chinese economy.
- High inflation, central banks are trying demand destruction to counter the same. Climate crisis could derail the process
- While uncertain supply scenario is price positive, certain demand destruction is price negative.
- Good Crop prospects from the ongoing season in northern hemisphere and higher projected crop in South America.
- World Meteorological Organization has predicted the continuation of the current La Nina over the next 6 months. There is a 70% chance in September-November 2022 but gradually decreasing to 55% in December-February 2022/2023. It started in September 2020.

# Maize Supply and Demand

| Indian Maize Balance Sheet-Lakh MT     |               |              |              |                |              |
|--|---------------|--------------|--------------|----------------|--------------|
|  | 20-21         | 21-22 E      | 2022-23(F)   | Change 2021-22 | Change 22-23 |
| Beginning Stocks                       | 40.7          | 26.7         | 11.8         | -34%           | -56%         |
| Production                             | 240.7         | 245.8        | 240.7        | 2%             | -2%          |
| Marketable Surplus                     | 201.7         | 206.3        | 201.2        | 2%             | -0.0         |
| <b>Total Supply</b>                    | <b>242.4</b>  | <b>233.7</b> | <b>213.0</b> | <b>-4%</b>     | <b>-9%</b>   |
| <b>Total Domestic Demand</b>           | <b>179.4</b>  | <b>186.9</b> | <b>190.4</b> | <b>4%</b>      | <b>2%</b>    |
| EXPORT                                 | 36.3          | 35.0         | 11.0         | -4%            | -69%         |
| <b>Total Demand</b>                    | <b>215.7</b>  | <b>221.9</b> | <b>201.4</b> | <b>3%</b>      | <b>-9%</b>   |
| <b>C/O Free Market</b>                 | 26.7          | 11.8         | 11.6         | -56%           | -2%          |
| Total C/O                              | 26.7          | 11.8         | 11.6         | -56%           | -2%          |
| <b>Total Stocks to Use Ratio (SUR)</b> | <b>12.39%</b> | <b>5.31%</b> | <b>5.75%</b> |                |              |

Source: SAR & Govt Estimates, E-Estimated, F-Forecasted

## Key deviation from previous year

- Q1 balance sheet is second tightest in 15 years, Q1 of 2018-19 was tighter
- SamAgr has the balance sheets since 2004-05, The Kharif balance sheet is the third tightest ever. Tighter than 2022-23 was record in 2015-16 (draught year) and 2018-19 (lower production).
- Full impact of Limpy disease is yet to be fully factored in the Maize demand

- Season 2022-23 will open with a carry forward that is smallest in three years.
- Erratic monsoon has impacted the new season crop. SamAgr is of the view that the government acreage is not reflecting a true scenario that has seen acreage losses due to excess rainfall as well as a migration to better remunerative crops.
- The base case scenario is that of marginally lower crop y/y.
- Total supply as a result will decline by 9% y/y.
- Poultry sector demand is expected to revive in next year due to the very high prices of the competing feed materials. Wheat prices are at all time high and the prices of broken rice will also remain alleviated due to the lower Kharif paddy crop.

# Outlook



| Commodity           | Market    | CMP (Rs/Q) | Outlook   |
|---------------------|-----------|------------|---|
| Soymeal             | Indore    | 3887       | Soybean is expected to trade weak during the month. The prices are expected to move towards Rs.4,800/Quintal. If breached the prices could decline towards Rs.4,500/Quintal which was last seen in January 2021.  |
| Mustard Cake        | Jaipur    | 24,000     | Mustard cake is trading at Rs.24,000/MT. Higher mustard seed availability coupled with projections of record production in the upcoming rabi season is also expected to put pressure on prices. Higher oil availability within the system will result in lower crushing in the near term which will in turn support the prices. Given the above, the prices are expected to move firm to rangebound in the near term. SamAgr expects the prices to move in the range of Rs.23,000/MT to Rs.26,000/MT. |
| Cottonseed Oil Cake | Akola     | 2695       | Cottonseed crop is expected to be 9% higher Y/y. Higher availability coupled with fall in other oil cake prices will put pressure on cotton seed oil cake prices as well. SamAgr expects the prices to move towards Rs.23,500/MT in the next few months.  |
| Wheat               | Delhi     | 2510       | Wheat prices in Delhi is currently trading at ₹2550/Quintal and prices have sustained at this level over the month. As the stocks with the Government is lower, FCI will not be able to sell in the open market and the consuming industries will need to purchase from the stockiest. At the same time stocks in the free markets are at highest as of now and this will cap any sharp rally in prices.  |
| Bajra               | Delhi     | 1850       | Bajra prices in Jaipur are trading at INR 1850/qtl. Prices are expected to trade lower because of higher acreage and demand destruction from cattle feed industry due to recent effect of lumpy disease. SamAgr expects Bajra to trade at ₹1500/quintal in the near term as the new crop arrival pick up.   |
| Maize               | Nizamabad | 2350       | Maize prices in Nizamabad market is currently trading at ₹2350/Quintal. SamAgr expects maize to trade at ₹2000/Quintal over the next couple of month as the new crop arrival picks up. However, downside is limited considering the higher prices of other feed ingredients.  |



# SamAgR समग्र

## Samunnati Agri Research

Linking all the Stake holders

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