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AN APPRAISAL OF POULTRY FEED POLICY IN EGYPT

by

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Background:

Poultry feed production reached more than a half million tons in 1980, i.e. more than 1.7 times the production in 1978. This big jump went hand in hand with the great expansion in poultry production. The private sector played an important role in this. Production of the private sector increased from less than 5,000 tons in 1978 to about 138,000 tons in 1980. Most of this jump in private sector production was due to projects under the food security program special investment laws. The share of the private sector in total poultry feed production reached about 25 percent in 1980, while it had been only about 2 percent in 1978 (Table 1). While poultry feeds for broilers were almost doubled between 1978 and 1980, feeds for egg production reached more than 11 times the level in 1978 (Table 2). Most poultry feed ingredients are imported.

In spite of this great expansion in poultry feed production, there are some serious obstacles facing poultry operators with respect to feed supply. According to a survey of 32 producers in the Sharkia Governorate, the major obstacles are: (1) irregular delivery of feeds (60% of the sample farms), (2) the quantity (quota) supply from the General Company is not enough (81% of the sample farms). These obstacles and others caused producers to seek feed from other sources. The sample survey showed 13 percent of the sample farms obtain their total feed requirements from sources other than the General Company." 25 percent of the farms purchase some feeds from private companies to increase their number of lots per year. Most of the farms have to purchase additional quantities of feeds or some ingredients to be added to the General Company quota. Transportation is a big problem: 60 percent of the producers prefer that the feed processing companies provide transportation of feeds from the plant to the farm, even at extra cost. Surprisingly, 12 percent of the producers reported problems with feed composition and quality.

From all the above, the three major obstacles are considered to be: (1) the deficit in feed supply, either totally or seasonally, and inconsistency between the supply

of feeds from the plant and the demand for it at the farm, (2) the quality of feeds, and (3) transportation of feeds.

Poultry Feed Price Policy:

The General Company for Poultry Production and other public sector companies are required to sell broiler feed at L.E 81.50 per ton (its cost is L.E 79.525), and layer feed at L.E 76 per ton (its cost is L.E 72.99). However, they enjoy a subsidy in the prices they pay for yellow corn, soybean meal, fish meal, Meat meal and lard. Also, they purchase the feed ingredients at the official exchange rate, which is lower than the competitive exchange rate for Egyptian currency in the world market. The shadow price per ton of feed produced by the General Company and other public sector companies is presented in Table 3. The total subsidy for poultry feeds produced by this sector reached about 53.15 million Egyptian Pounds in 1980. At a shadow exchange rate, the total subsidy for poultry feeds production by the public sector would have been 59.61 million Egyptian Pounds in the same year. The public sector produced approximately 154, 215 tons of feed for layers and 252,115 tons of feed for broilers in 1980.

The private sector does not receive any subsidy for feed ingredients, except for yellow corn. Also, the private sector does not enjoy the benefit of the low official exchange rate provided to the public sector. The private sector uses yellow corn in the poultry feeds which it produces at a ratio between 55% to 75%, Averaging about 70%. The international price of yellow corn in 1980 was L.E. 104 per ton, while its local price is L.E. 60 per ton. Therefore, the estimated subsidy per ton of poultry feed produced by the private sector was L.E 30.80, in 1980. Accordingly, the total subsidy received by private sector poultry feed industry was only 4.24 million Egyptian Pounds in 1980.

On the other hand, from a 1980 - 81 sample survey of 32 farms for broiler production in Sharkia Governorate, covering some 150 lots of birds, a very surprising result was observed. Table 4 shows the average prices of broiler feeds recorded in the survey. These levels of prices (L.E. 175 to L.E. 216.60 for various mixes) are much higher than those for the public sector (L.E 81.58 per ton) which produces 75 per cent of poultry feeds.

It seems that the public sector poultry production units consume most of their own feed production. Therefore, the private farms have to deal mainly with private processing plants for feed supply. It appears also that the private sector processing plants produce expensive feeds under different names, such as starter mix and finisher mix, to raise their profit. The average feed ingredient costs of mixes produced by the private sector would not exceed L.E 134 per ton. The

other types of broiler general ma x) feeds (except the have market prices which reach almost double the value of the ingredients.

Though the government raised the yellow corn price from L.E 33 to L.E 60 per ton in 1980, the total subsidy in poultry feed reached between 57.39 to 63.39 million Egyptian Pounds that year.

Opportunity Costs of Broiler Feeds:

As shown earlier, most of feed ingredients for poultry feeds a-e imported. The total subsidy reached about 60 million Egyptian Pounds in 1980. The average world market cost per ton as about L.E 177 in 1980/81. A critical question is raised. Is it feasible for Egypt to import more feeds for domestic broiler production? This answer to this question requires an estimate of the average incremental return per ton of feed for broiler production, using shadow prices for inputs and outputs.

A partial analysis for an average break even budget of all sample farms was done at international prices of other inputs (feed costs were omitted) and at the shadow price of broilers (Table 5). This analysis shows that the net average economic return per ton of broiler feed was lower than the shadow price or economic cost of the feed for all farms in the sample. For large scale farms (50,000 bird per lot), there was a positive return, however.

As Table 5 shows, the economic return per ton of feed for the largest farms was L.E 190.20, compared to a cost of L.E 178.20, indicating a net return of L.E 12 per ton of feed used. The larger scale units do better than other units evidently because they are more efficient in feed formulation. Their cost per ton of feed of L.E. 178.2 is some L.E. 22 lowers than the average. This reflects the fact that they normally do a lot of their own final mixing at the farm, rather than relying totally upon the mixes as they are delivered from the feed producers. Also, because of their ability to purchase in large volume, due to better access to credit and transportation facilities, larger scale producers are often are able to procure cheaper feeds and obtain them in a more timely manner.

Final Conclusions:

The general picture that emerges here is that broiler feeding and broiler feed production are industries that can operate with relative efficiency. However, these activities currently operate in the midst of great confusion due to the multiple interventions by the government and the subsidies which are given. These subsidies are very costly to the government budget and the national economy. They appear to remove incentives for the industries to operate efficiently. There is evidently room to

improve efficiency, however. The feed conversion ratios found for all farms in the sample on average (2.456 kg. of feed per kg. liveweight of bird produced). Undoubtedly some of the problems with feed distribution and quality found in the farmer survey contribute to these high conversion ratios. If the ratios could be reduced, economic prospects for the broiler and broiler feed industries would be greatly enhanced.

Table 1: Production of Feed Concentrate Mix for Poultry in Egypt (Tons)

	<u>1978</u>	<u>1979</u>	<u>1980</u>
<u>General Company For Poultry Production</u> ⁽¹⁾	<u>191,124</u>	<u>231,456</u>	<u>394,564</u>
<u>Other Public Sector Companies:</u>	<u>5,300</u>	<u>8,542</u>	<u>11,766</u>
Alex. Company (Kafr El-Sheikh)	1,800	5,264	5,213
Alex. Company (Kabary)	500	1,588	2,343
Cairo Company (Badrasheen)	3,000	1,690	4,210
 <u>Private Sector:</u>	 <u>4,800</u>	 <u>38,225</u>	 <u>137,797</u>
United Company (Ghamra)	1,500	13,607	24,050
Morana & Oroba Co. (Imbaba)	600	534	1,115
Tanta Co.	500	208	000
Upper Egypt Co.	500	2,087	2,445
Kalioub Feed Processing plant	200	840	1,830
Sub Total (1):	<u>3,300</u>	<u>17,276</u>	<u>29,440</u>
 Food Security Project:			
Feedix Co.	1,500	1,490	11,018
MELAR Co.	000	11,210	45,413
CAIRO Co.	000	8,249	36,502
EGYPTIAN Co.	000	000	14,264
FALEEGI Co.	000	000	1,160
Sub Total (2):	<u>1,500</u>	<u>20,949</u>	<u>108,357</u>
 <u>Cooperatives: Coop. Society (Fayoum)</u>	<u>100</u>	<u>165</u>	<u>000</u>
 <u>Grand Total of Feed Produced</u>	<u>201,324</u>	<u>278,388</u>	<u>543,927</u>

(1) Known as the General Organization for Poultry Production, before 1975.

Table 2.: Poultry Feed Production According to
Purpose of Production (1978 - 1980)

<u>Year</u>	For Egg Production	For Broilers
	<u>Tons</u>	<u>Tons</u>
1978		
General Company	--	191,124
Other companies	<u>2,080</u>	<u>8,320</u>
Total	2,080	199,444
1979		
General Company	46,931	184,525
Other companies	<u>9,386</u>	<u>37,546</u>
Total	56,317	222,071
1980		
General Company	149,749	244,815
Other companies	<u>29,913</u>	<u>119,651</u>
Total	179,662	364,466

Table 3.: Current Price, International Price and Subsidy Value
Per Ton of Poultry Feed Produced by Public Sector

Year	Current Price L.E. per ton	International Price L.E./ton Bank Exchange rate	Shadow Exchange rate	Subsidy/ton L.E.	
		(A)	(B)	(A)	(B)
1977					
Layers feed	76	124.2	130.8	48.2	54.8
Broilers feed	81.5	137.6	145.2	56.1	63.7
1978					
Layers feed	76	118.9	126.2	42.9	50.2
Broilers feed	81.5	133.1	141.0	51.6	59.5
1979					
Layers feed	76	119.4	136.4	43.4	60.4
Broilers feed	81.5	134.0	152.4	52.5	70.9
1980					
Layers feed	76	124.6	136.6	48.6	60.6
Broilers feed	81.5	134.6	152.9	53.1	71.4

Table 4: Market Prices of Broilers Feeds 1980-1981
Sample Survey

<u>Type of Broilers Feed</u>	<u>Average L.E/Ton</u>	<u>S.D. L.E/Ton</u>	<u>Cooficient of Variability %</u>
Starter mix.	206.4	14.1	6.8
Grower mix.	216.6	4.7	2.2
Finisher mix.	175.0	26.5	15.2
General purpose mix.	177.5	8.89	5.6

Table 5.: Opportunity Costs and Returns to Broiler feed

	<u>Average of all farms in sample</u>	<u>Largest size farms in sample (50,000 birds/lot)</u>
Shadow price per 1 ton Liveweight	L.E. 1,009.30	L.E. 1,009.30
Adjusted Costs to produce a ton Liveweight, at International Prices Without feed costs	L.E. 538.60	L.E. 512.90
Net Economic Return to feed used (1-2)	L.E. 470.70	L.E. 496.40
Quantity of feed used per ton Liveweight (tons)	2.456	2.61
Economic Return per ton of feed used	L.E. 191.65	L.E. 190.20
International cost per ton of feed	L.E. 200.50	L.E. 178.20