

# FINANCIAL PERFORMANCE OF POULTRY INDUSTRY IN ANDHRA PRADESH: WITH SPECIAL REFERENCES TO CHITTOOR DISTRICT

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## Abstract

*The financial performance of poultry manufacturing and wholesaling industries. Profitability levels are similar for poultry industries, although the poultry firms show a higher level of variability across the period. It appears that poultry industries leveraged themselves relatively. Finance is the most important functional area of the working of the poultry units. The financial requirements of layer poultry units may be of two types viz., fixed capital. Fixed capital is required for meeting the cost of constituents of poultry house, purchase of poultry equipment and fixed portion of working capital. The financial structure of the layer poultry industrial units in Chittoor district consists of owned fund and borrowed funds. Owned fund means capital contribution by proprietor himself. Borrowed fund means loans and advances from banks and credit from friends/relatives of money lenders. The sources of finance to sample layer poultry units in Chittoor division, The financial structure, investment analysis, revenue from the layer poultry farming, cost composition, profitability of poultry investment in different sample size groups of poultry units engaged in rearing of Financial performance of poultry industry in Andhra Pradesh with special references to chittoor district.*

**Key Words:** Poultry Finance, performance, equipment, investment, profitability,

## INTRODUCTION

The economy of India is primarily agrarian in nature. In the early stages of economic development of the country, agriculture played a crucial role in providing employment to a majority of people and was a major contributor to the national income. With the rapid growth in population, the pressure on agriculture for providing income and employment has increased enormously. Agriculture being backward in most parts of the country is not in a position to meet this ever increasing pressure. Moreover, the demand for agricultural labour is largely seasonal. In view of this situation, the Government of India has been making several efforts for providing alternative sources of income and employment through the promotion of rural industries on the one hand and animal husbandry on the other hand.<sup>1</sup>

The contribution of livestock sector to the national income has indeed been great. In view of the complimentary relationship between agricultural and allied activities and in view of the familiarity of a majority of the people with the various activities connected with the livestock sector, this sector has been recognized as an important source of providing gainful employment and income. Within livestock sector, poultry farming has been considered as an important means not only to provide supplementary income and gainful employment to a large number of people but also to obtain good quality nourishing food. For instance, the employment potential from poultry is estimated at three persons for 1,000 layers or for every 200 broilers per week. Further, the average Indian vegetarian dish is particularly deficient in proteins, vitamins and minerals, and eggs and broiler meat can be a good source to Balance their diet.

## OBJECTIVE

The main objective to study Performance of Poultry industry in Andhra Pradesh: with special reference to Chittoor district.

## METHODOLOGY

The present research investigation is limited to the poultry farms existing and operating in the Chittoor District. The poultry farms are spread in the three revenue divisions of the district which are termed as Chittoor, Madanapalle and Tirupati. In making the sample for the study, poultry farms have been categorized into two size groups, viz Small Scale Farms (SSF) and Large Scale Farms (LSF) in three revenue divisions. A 20 per cent sample of the two different size groups belonging to three revenue divisions are selected on the basis of simple random sampling without replacement. Table-1 is given to show the sample details.

**Table-1**  
**Sample Design**

Sl. No	Name of the Division	SSF	LSF	Total
		Layer	Layer	
1	Chittoor	45 (56.25)	35 (43.75)	80 (100)
2	Madanapalle	15 (51.72)	14 (48.27)	29 (100)
3	Tirupati	14 (58.33)	10 (41.66)	24 (100)
	<b>Total</b>	<b>74</b> <b>(55.63)</b>	<b>59</b> <b>(44.36)</b>	<b>133</b> <b>(100.00)</b>

**Note:** Figures in parenthesis represent the number of poultry units selected for the study.

## POULTRY INDUSTRY IN ANDHRA PRADESH

The Andhra Pradesh On the other hand, even though 80 Per cent of the people are non vegetarians, the per capita availability of poultry products in India is very low. The per capita availability of eggs is estimated at less than 30 eggs in our country as against the average of 60-70 eggs for the developing countries as a whole and 300 eggs for the developed countries. The per capita poultry meat consumption in India is only 400gms per annum as compared to 2.5kgs for developing countries and 15.6kgs for developed countries. Moreover, per capita availability of the poultry products in India is very low as against the recommended minimum intake of 180 eggs and 10.8kgs of broiler meat per annum. Though India ranks as the world's fifth largest egg producing country, in terms of per capita availability, it would rank among the lowest.<sup>3</sup>

The problem of malnutrition has also added to the need for promoting poultry farming. Over 60-70 Per cent of the population consume less than the minimum requirement of protein and calories. Almost 75-80 Per cent of eggs and poultry meat is consumed by only one fourth of the country's population residing in urban areas. Thus, poultry farming has a major role to play in the coming years in making available animal protein in terms of eggs and meat for our vast populated country<sup>4</sup>

## FINANCIAL PERFORMANCE OF POULTRY INDUSTRY IN CHITTOOR DISTRICT

Finance is the life-blood of any industry. The efficient management of finance is one of the basic and indispensable functions of any industrial concern. Availability of timely and cheap credit may greatly enhance the production and productivity of any industrial undertaking. Thus, not only the quantum of financial resources, but also the resource of finance is a factor that must be taken into account in analyzing the performance of any unit

The financial structure of the poultry industrial units in Chittoor district consists of both owned fund and borrowed funds. Owned fund means capital contribution by proprietor himself. Borrowed fund means loans and advances from banks and credit from friends/relatives of money lenders. The sources of finance to sample layer poultry units in Chittoor division, clearly reveals that there are noticeable variations between the two size groups in the sources of capital during the period under study. While major part of capital of SSF and LSF layer units was from self-source, only a small proportion of capital originated from borrowed sources. It is also observed that the share of borrowed capital has significantly decreased when compared to the owned capital in both the size groups during the study period. Source of capital for the layer Poultry units in chittoor district division are presented table 2

**Table 2**  
**Sources of Capital for the Layer Poultry Units in Chittoor Division**

(Rs.in Thousands)

Year	Small scale farm			Large scale farm		
	Owned	Borrowed	Total	Owned	Borrowed	Total
2001-2002	9350	5920	15270	11560	4830	16390
2002-2003	10825	6264	17089	12770	5354	18124
2003-2004	11200	6745	17945	13263	5920	19183
2004-2005	11970	7300	19270	14500	6365	20865
2005-2006	12550	7890	20440	15225	6785	22010
2006-2007	13125	8250	21375	15964	7475	23439
2007-2008	13842	9355	23197	16475	7683	24158
2008-2009	14598	10421	25019	17130	8645	25775
LGR (%)	5.68	7.98	6.58	5.41	7.80	6.15
t-Value (%)	18.78**	12.60**	24.28**	21.01**	23.72**	33.66**
C.V (%)	14.04	19.91	16.20	13.33	19.20	15.11

Source: Field survey

It could be seen from the Table 2 that the total capital in Chittoor division rise from Rs.153 lakhs to Rs.250 lakhs in SSF units and the same rise from Rs.164 lakhs to Rs.258 lakhs in LSF units in the study period. The linear growth rate of owned capital was 5.68 per cent in SSF and about 5.41 per cent in LSF units as against linear growth rate of borrowed capital of 7.98 per cent in SSF and 7.80 per cent in LSF units. Source of capital for the layer Poultry units in Tirupathi division are presented table 3

**Table 3**  
**Sources of Capital for the Layer Poultry Units in Tirupathi Division**

(Rs.in Thousands)

Year	Small scale farm			Large scale farm		
	Owned	Borrowed	Total	Owned	Borrowed	Total
2001-2002	3225	2075	5300	3421	2565	5986
2002-2003	3526	2154	5680	3754	2735	6489
2003-2004	3964	2365	6329	4100	2944	7044
2004-2005	4088	2500	6588	4325	3113	7438
2005-2006	4320	2770	7090	4850	3354	8204

2006-2007	4586	3125	7711	5025	3632	8657
2007-2008	4750	3482	8232	5780	4218	9998
2008-2009	5825	4132	9957	6650	4682	11332
LGR (%)	7.34	9.94	8.37	9.05	8.58	8.85
t-Value (%)	8.24**	8.90**	9.25**	10.93**	10.03**	10.76**
C.V (%)	18.75	25.25	21.21	22.73	21.63	22.25

Source: Field survey

Table 3 sets out the sources of capital of the selected layer units in the Tirupati division into two size groups. The share of owned capital constituted about 61 per cent in SSF during 2001-2002 and this has come down to about 58.50 per cent during 2008-2009. On the other hand, the owned capital constituted about 57.15 per cent in LSF units during 2001-2002 and this has increased to 58.68 per cent during the 2008-2009. The linear growth rate of total capital in SSF units was 8.37 per cent but the same was 8.85 per cent in LSF units. The linear growth rate of owned capital was 7.34 per cent in SSF and about 9.05 per cent in LSF units as against linear growth rate of borrowed capital of 9.94 per cent in SSF and about 8.58 per cent in LSF units. Source of capital for the layer Poultry units in Madanapalle division are presented table 4

**Table 4**  
**Sources of Capital for the Layer Poultry Units in Madanapalle Division**

(Rs.in Thousands)

Year	Small scale farm			Large scale farm		
	Owned	Borrowed	Total	Owned	Borrowed	Total
2001-2002	3124	2164	5288	3524	2471	5995
2002-2003	3632	2345	5977	3977	2682	6659
2003-2004	3847	2592	6439	4215	3163	7378
2004-2005	4654	2836	7490	4938	3465	8403
2005-2006	4963	3010	7973	5212	3820	9032
2006-2007	5200	3118	8318	5814	4312	10126
2007-2008	5525	3482	9007	6280	4862	11142
2008-2009	5981	4318	10299	6730	5318	12048
LGR (%)	8.72	8.98	8.83	9.13	10.96	9.91
t-Value (%)	18.09**	7.97**	17.76**	30.65**	23.38**	34.34**
C.V (%)	21.57	23.02	21.83	22.45	26.99	24.34

Source: Field survey

The information on sources of capital of the selected layer units in Madanapalle division in two sizes is incorporated in Table 4 the total capital in SSF units increased from Rs.52.88 lakhs to Rs.102.99 lakhs during 2001-2002 to 2008-2009 showing a linear growth of 8.83 per cent. Though the total increased in absolute terms

from Rs.59.95 lakhs to Rs.120.48 lakhs in LSF units the linear growth of the owned capital was about 8.72 per cent and 9.13 per cent respectively in the SSF and LSF units as against 8.98 per cent 10.96 per cent in the case of borrowed capital during the 2001-2002 to 2008-2009.

### **COST OF PRODUCTION IN POULTRY INDUSTRY**

Cost of production of eggs and culled birds in layer units was computed by adding the variable cost of chicks, feed, medicine, labour and fixed cost including interest and depreciation cost of production of the layer units in chittoor division are presented table 5



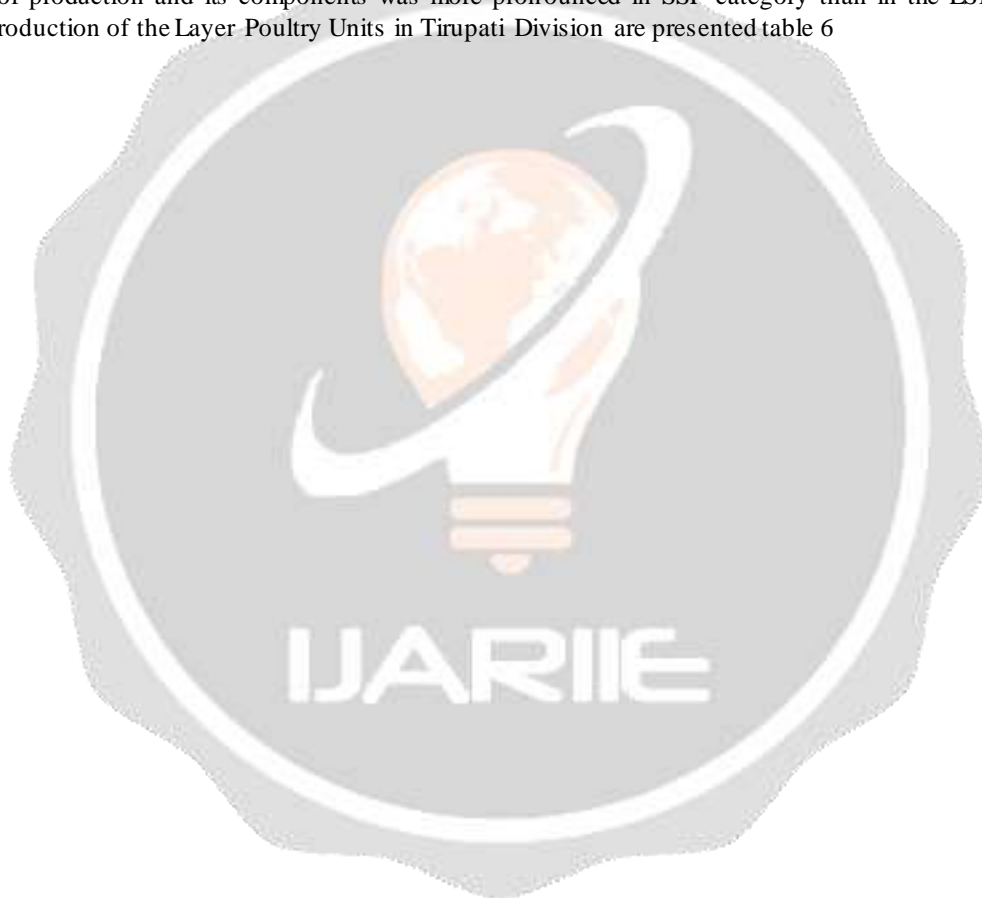
**Table 5**  
**Cost of Production of the Layer Poultry Units in Chittoor Division**

Year	Small scale farm							Large scale farm						
	Chicks	Feed	Medicine	Labour	Interest	Others	Total	Chicks	Feed	Medicine	Labour	Interest	Others	Total
2001-2002	355.5	1753	160	265	260	407	3200.5	268	2291.3	215	574	532	620	4500.3
2002-2003	418	1895	172	294	300	421	3500	354	2493	236	676	676	858	5293
2003-2004	483.2	3105	198	367	345	452	4950.2	398	3283.5	285	820	704	910	6400.5
2004-2005	525.5	4236	294	412	395	573	6435.5	424	4458	318	874	764	962	7800
2005-2006	632.3	6454	328.3	424	555	807	9200.6	568	8139.3	456	933	819	985	11900.3
2006-2007	725	8092	428	532	595	878	11250	611	10127	532	994	936	1100	14300
2007-2008	742	8175	518	632	667	631	11365	686	10368	555	1005	900	1068	14582
2008-2009	780	8218	534	648	689	700	11569	718	10532	583	985	918	1089	14825
LGR (%)	18.35	13.00	14.38	9.02	18.52	13.23	22.33	15.12	7.08	6.97	6.18	17.53	18.35	13.00
t-Value (%)	16.56**	9.35**	12.38**	13.17**	13.04**	2.82NS	9.91**	16.52**	8.21**	11.18**	6.45*	7.53**	5.23*	9.35**
C.V (%)	45.82	32.39	35.85	29.29	46.74	32.75	57.11	37.93	18.56	17.95	16.71	44.39	45.82	32.39

Source: Field Survey

Cost of production of sample layer units in SSF and LSF units during 2001 to 02 2008-09 in Chittoor division is furnished in Table 5 the total cost of production of sample units increased from Rs.32 lakhs of Rs.116 lakhs registering LGR of 22.33 percent in SSF units. In the total cost of production, feed cost accounted for a lion's share followed by cost of chicks, labour, medicine, interest and other costs. Out of the total cost, feed cost accounted for Rs.17.53 lakhs followed by other cost, Rs.4.07 lakhs, chicks Rs.3.55 lakhs, labour Rs.60 lakhs, interest Rs.2.60 lakhs and medicine Rs.2.65 lakhs respectively.

The composition cost continued over the years even though in absolute terms the cost of production increased. For instance, in 2008-09 the feed cost constituted a high of Rs.82.18 lakhs followed by chicks, Rs.7.80 lakhs, others Rs.7 lakhs, interest Rs.6.89 lakhs, Labour, Rs.6.48 lakhs and medicine, Rs.5.34 lakhs respectively. It is interesting to note that the total cost of production steadily increased from Rs.45.00 lakhs to Rs.148.25 lakhs during the 2001-02 to 2008-09 in the LSF units with the LGR of 13 percent. In the total cost of production, the feed cost constituted a major share of Rs.22.91 lakhs followed by other Rs.6.20 lakhs, labour Rs.5.74 lakhs, interest Rs.5.32 lakhs, chicks Rs.2.68 lakhs and medicine Rs.2.15 lakhs in 2001-02. A similar trend is noticed in the cost composition throughout the study period. Feed cost constituted Rs.105.32 lakhs followed by other cost Rs.10.89 lakhs and labour Rs.9.85 lakhs. The whole analysis reveals that the growth of the cost of production and its components was more pronounced in SSF category than in the LSF category. Cost of Production of the Layer Poultry Units in Tirupati Division are presented table 6



**Table 6**  
**Cost of Production of the Layer Poultry Units in Tirupati Division**

(Rs. In thousands)

Year	Small scale farm							Large scale farm						
	Chicks	Feed	Medicine	Labour	Interest	Others	Total	Chicks	Feed	Medicine	Labour	Interest	Others	Total
2001-2002	100.5	1200	184	215	165	236	2100.5	118	1620	192	222	186	212	2550
2002-2003	167	1714	212	291	254	364.4	3002.4	172.5	1834	225	312	268	289	3100.5
2003-2004	187	1800	215	321	268	409.2	3200.2	194.9	1972	232	325	287	367	3377.9
2004-2005	214	1950	240	365	321	460	3550	221	2350	248	387	332	503	4041
2005-2006	355	2345	300	402	332	486.5	4220.5	361	3300	324	418	350	540	5293
2006-2007	365	2387	315	412	312	509	4300	382	4220	333	445	372	701	6453
2007-2008	372	2418	321	425	332	652	4520	416	4353	360	458	384	703	6675
2008-2009	384	2535	348	447	368	756	4838	423	4418	372	467	412	660	6752
LGR (%)	16.36	8.75	9.16	8.62	7.91	13.29	9.84	16.87	15.78	9.64	8.90	8.95	14.96	14.38
t-Value (%)	7.70**	7.70**	11.55**	8.66**	4.93*	9.74**	10.67**	9.63**	9.02**	11.04**	8.37**	8.95**	8.00**	10.99**
C.V (%)	42.06	22.49	22.93	21.94	21.64	33.56	24.73	42.64	40.05	24.19	22.72	22.73	38.33	36.10

Source: Field Survey



Table 6 contains the information relating to the cost of production and its components in layer units of Tirupati division. The total cost rose to Rs.21 lakhs to Rs.48.38 lakhs showing a linear growth rate of 9.84 percent in SLF between 2001-02 to 2008-09. In the total cost of production, feed cost constituted more than the other cost elements during the entire period. The Chicks cost increased at a faster rate of 16.36 percent when compared to other cost elements.

In the case of LSF, the cost of production rose from Rs.25.50 lakhs to Rs.67.52 lakhs during the same period registering a growth rate of 14.38 percent per annum. The feed cost constituted 63.53 percent in 2001-02 and it went up to 65.43 percent in 2008-2009. A similar situation is noticed in all the cost components in this category also. Among the two size groups of poultry farms, the growth of cost component was more in LSF rather than in SSF. Cost of Production of the Layer Poultry Units in Madanapalle Division are presented, table 7



**Table 7**  
**Cost of Production of the Layer Poultry Units in Madanapalle Division**  
**(Rs. In thousands)**

Year	Small scale farm							Large scale farm						
	Chicks	Feed	Medicine	Labour	Interest	Others	Total	Chicks	Feed	Medicine	Labour	Interest	Others	Total
2001-2002	98.5	1289	120	175	250	268	2200.5	122	2220	160	235	221	392	3350
2002-2003	122	1800	150	250	260	318	2900	153	2610	172	252	242	351	3780
2003-2004	155.3	2420	170	287	282	336	3650.3	204	3500	194	264	283	385	4830
2004-2005	182.5	2580	183	310	315	355	3925.5	218	4115	216	281	317	453	5600
2005-2006	197	2756	218	325	334	390	4220	235	4385	225	311	342	752	6250
2006-2007	212	3186	312	314	362	444	4830	241	4536	241	324	352	831	6525
2007-2008	225	3242	321	335	387	495	5005	250	4615	273	352	387	886	6763
2008-2009	234	3330	333	348	415	582	5248	261	4647	287	358	394	894	6841
LGR (%)	11.00	11.08	14.79	7.03	7.49	10.28	10.63	8.97	9.45	8.32	6.29	8.14	15.07	9.77
t-Value (%)	11.90**	8.57**	9.64*	4.88*	27.42**	10.40**	12.35**	6.87**	6.18*	22.93**	21.31**	15.51**	6.57*	8.76**
C.V (%)	27.52	28.23	37.39	19.29	18.42	25.88	26.54	23.33	24.90	20.49	15.52	20.17	39.41	24.86

Source:Field Survey

Cost of production of selected layer poultry units in Madanapalle division is presented in Table 6. The total cost of production increased at 10.63 percent per annum in the SSF and by 9.77 percent in LSF. In the total cost of production, in the SSF the feed cost took a high share of RS.12.89 lakhs followed by others Rs.2.68 lakhs, interest Rs.2.50 lakhs, labour Rs.1.75 lakhs and chicks Rs.98 thousands in 2001-02.

A similar trend also occurred in all the years of study period. In 2008-09 feed cost constituted Rs.33.30 lakhs followed by other cost Rs.5.82 lakhs, interests Rs.4.15 lakhs, labour Rs.3.48 lakhs, medicine Rs.3.33 lakhs and chicks Rs.2.34 lakhs. The medicine cost grew more by 14.79 percent per annum when compared to other cost elements. The total cost of production increased by 9.77 percent per annum in the LSF category during the same period. In the total cost of production of Rs.35.50 lakhs in 2001-02, feed cost accounted for Rs.22.20 lakhs followed by others Rs.3.92 lakhs, labour Rs.2.35 lakhs, interest Rs.2.21 lakhs, medicine Rs.1.60 lakhs and chicks Rs.1.22 lakhs. A similar trend was also observed in the cost composition in 2008-09. Feed cost share was Rs.46.47 lakhs, followed by others Rs.8.94 lakhs, interest Rs.3.94 lakhs, labour Rs.3.58 lakhs, medicine Rs.2.87 lakhs and chicks Rs.2.61 lakhs. Among all cost components in LSF, the cost of others, and feed registered a higher growth rate than the other cost elements. It can also be observed from the Table that the growth rates of all the cost components in SSF were greater than those of LSF units.

## CONCLUSION

The poultry is one of the important components of the farmer's economy. The Chittoor district has the largest number of poultries and hatcheries, and thousands of families depend on them. Chittoor contributed nearly ₹4,500 crore to the nation's exchequer by exporting chicks and eggs to neighbouring States. However, many problems are involved in layer production. They are high feed cost, high chick cost, non-availability of labourers, high electricity charges, lack of co-operation among producers, high rate of interest on loans, lack of organized marketing system, lack of cold storage facilities, exploitation by middle men and seasonal price fluctuations. All these problems need to be carefully studied and remedial measures provided. In this connection the present study entitled "Poultry farming (layers) in Chittoor district of Andhra Pradesh Poultry farming in Andhra Pradesh, in spite of several constraints, has progressed considerably during the last decade. The present study has been undertaken to examine various aspects related to the financial performance of layer poultry industry in the state. Poultry production in Andhra Pradesh was confined to backyards till recently. Local breed of birds were reared for the supply of eggs and meat. The increasing demand for poultry products necessitates augmenting the supply by importing improved breeds of poultry. It became one of the most specialized enterprises in many parts of the state. The supply of these items can easily be increased through increased production of livestock products. The increasing demand for poultry products has transformed poultry production activity into a full-fledged industry from a mere household/backyard activity until recently. Technological advances have revolutionized the role and the structure of layer poultry industry in Andhra Pradesh. The government and other institutions are good support to poultry industry in Chittoor district.

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