

# **Enquiry Report**

In the matter of Cartelization in the Poultry Industry

## **Background**

1. The Competition Commission of Pakistan (the ‘Commission’) received a number of e-mails, and reviewed newspaper reports, regarding high prices of day old chicks and exorbitant increase in the prices of poultry feed. The news reports and e-mails claimed that the increases were the result of cartelization among the poultry hatcheries owners and the poultry feed millers.
2. Upon examining the information provided by these emails and newspaper reports, the Commission decided to initiate a formal enquiry under Section 37(1) of the Competition Ordinance 2010 (the ‘Ordinance’). Pursuant to the powers contained in Section 28(2) of the Ordinance, the Commission appointed Ms. Shaista Bano Gilani, Director and Mr. Syed Umair Javed, Assistant Director as Enquiry Officers (hereinafter collectively the ‘Enquiry Committee’) to conduct an enquiry as to (i) whether any dominant undertaking in the poultry sector had abused its dominant position, and (ii) whether there is any collusion/cartelization in the poultry sector, thereby violating Section 3 or Section 4 of the Ordinance, and (iii) to prepare a detailed Enquiry Report under Section 37 of the Ordinance.
3. The Enquiry Committee, during the course of its investigation observed that information relating to rates of various poultry products, such as chicken meat, eggs, feed etc, was being displayed on the official website<sup>1</sup> of Pakistan Poultry Association (PPA). It was further noticed that these rates were being updated on the website on regular basis, at times even daily. The website also contained a few circulars relating to price of poultry feed and minutes of meeting relating to increase in prices of day old chicks.

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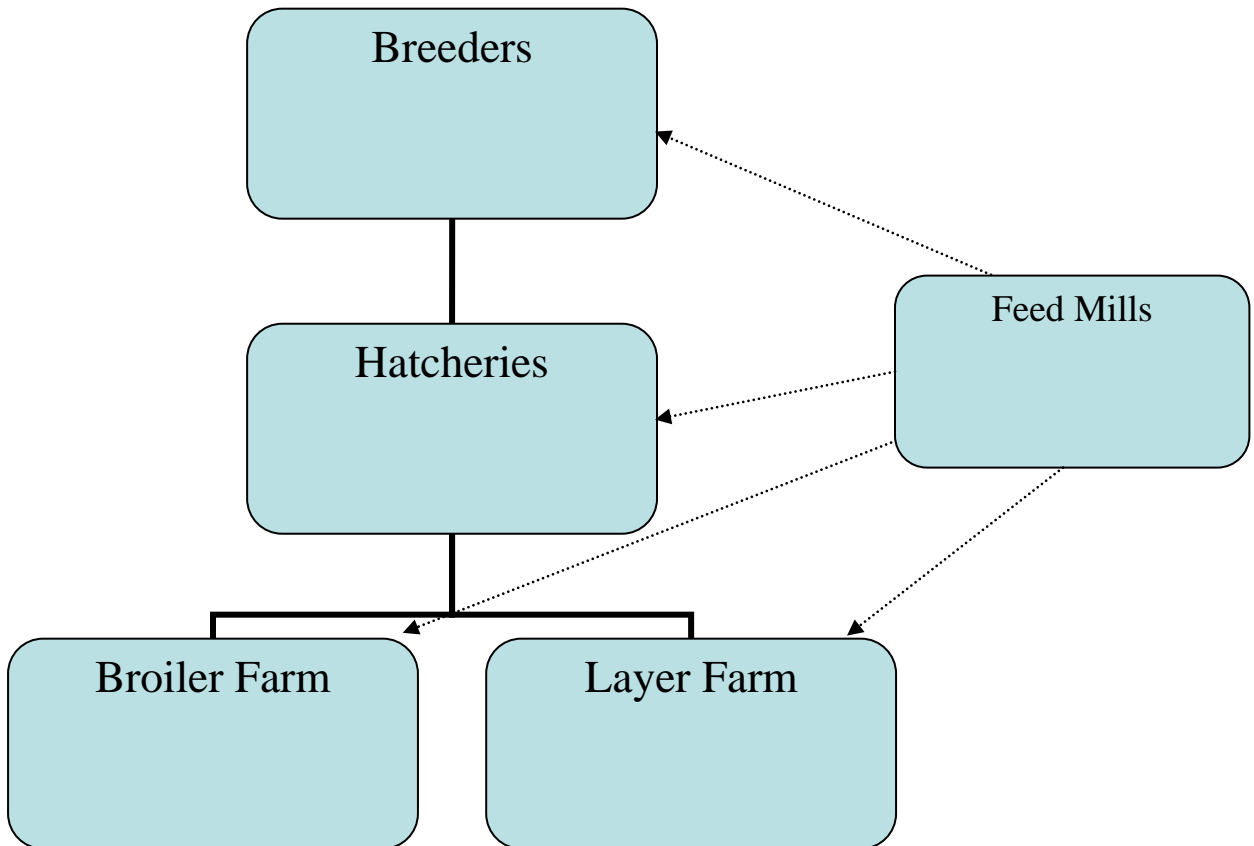
<sup>1</sup> See PPA’s website available at <http://www.ppakistan.com>

4. The display of pricing information and its regular updating on the website of PPA indicated an arrangement to fix the prices of poultry products using the platform of PPA. Such an arrangement for collective/collusive price fixing, if it exists, has the object and effect of preventing, restricting or reducing competition in the relevant market which is a violation of Section 4 of the Ordinance.
5. On the recommendation of the Enquiry Committee, the Commission deemed it appropriate to search and inspect the offices of PPA located in Islamabad, Lahore and Karachi under the power granted to it by Section 34 of the Ordinance in order to collect any evidence regarding the suspected violations of section 4 of the Ordinance.
6. Accordingly, three teams of officers were authorized by the Commission to search and inspect the offices of PPA in Islamabad, Lahore and Karachi. The officers conducted the search on 24 and 25 May 2010 and impounded valuable materials and documents from the offices of PPA.
7. To finalize this report the Enquiry Committee took into consideration, *inter alia*, the materials and documents impounded during the search and inspection of PPA's offices, the information available on PPA's website, and the documents and information received from PPA, Poultry Research Institute and the undertakings involved in poultry business.

### **Overview of the Poultry Industry**

8. The poultry industry can be thought of as a consolidation of many industries that are interconnected and have a stake in each other. Generally, a poultry industry would comprise the following sectors:
  - a) Feed Manufacturers: This sector uses agricultural, poultry and fishing produce and by-products to produce various feeds which are fed as diet to both chicken breeds by farmers.

- b) Breeders: This sector uses grandparent stock strains that come from a pure line to produce parent stock strains which in turn produces eggs for day old chicks.
- c) Hatcheries: This sector uses eggs supplied by breeders to produces day old chicks of different chicken strains that are then used by chicken meat and egg farmers.
- d) Broiler Farms: These farms raise a breed of chicken known as the broiler which is meant for chicken meat production. Generally both male and female breeds are farmed.
- e) Layer Farms: These farms raise a breed of chicken known as the layer which is meant for laying eggs for dietary consumption. Only female breeds are farmed.



9. The main end user products of the poultry sector are broiler chicken meat and layer eggs. Commercial broiler chickens are generally reared in an intensive indoor manner with control over feed and environment. In this intensive farming method the chicken

litter has access to unrestricted high protein diet and water as well as artificial day time conditions to ensure faster growth. Broiler chickens have a low feed (to weight) conversion ratio. The ratio measure how much feed is required by the chicken to gain a unit of weight. Broilers generally achieve their desired weight within four to eight weeks and are then sold for the meat.

10. Layer farming follows an annual cycle. Female layer chicken are kept in controlled conditions for around a year at which point they loose their egg producing ability are culled for the meat. The chickens are given, *inter alia*, high calcium diets and kept in day like conditions to boost egg production.

### **Poultry Industry in Pakistan**

11. Commercial poultry farming in Pakistan saw rapid growth in the 70's and later decades due to liberalization of credit, government technical support and tax holidays. In 2004, there were around 100 feed mills with an annual output of 2-3 Million tons of feed, 44 breeder (4 grandparent and 40 parent flock) companies producing around 5 million parent stock annually, and 250 hatcheries producing 350 million day old chicks (both layer and broiler) per year.<sup>2</sup>
12. However, according to data available on PPA's website, the number of broiler grand parent and parent stock decreased from 200,000 to 135,000 and 8 million to 5.5 million respectively from 2006-07 to 2008-2009. Similarly layer grand parent and parent stock decreased from 4000 to zero and 428,000 to 290,000 respectively from 2006-07 to 2008-09. The effect on broiler and layers farming was evident. Broiler and layer chicken decreased from 800 million to 550 million and 35.5 million to 30 million respectively from 2006-07 to 2008-09. The output of feed decreased million tons in 2006-07 to 3.8 Million tons in 2008-09.

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<sup>2</sup> Sadiq, Dr. Muhammad. *Pakistan Poultry Sector Still on an Upward Swing*. World Poultry, Volume 20, Number 8. 2004.

13. In Pakistan both eggs and chicken meat pass through middlemen, wholesalers and then retailers to reach the end consumer. Chicken meat is generally sold in form of live birds on basis of a rate set in terms of weight. Eggs are similarly sold on rates set in terms of quantity. Limited amount of value added products of chicken meat are available in the wholesale and retail markets.
14. Some of the poultry companies in Pakistan are fully vertically integrated, having businesses that encompass all aspects of the poultry sector, starting from feed production and going down till the retail of value added product. Other undertakings are partially vertically integrated.
15. During the years 2008-2009 and 2009-2010 sharp fluctuations occurred in the prices of day old chicks. The data made available by Poultry Research Institute shows that the price of day old broiler and layer chick was Rs.11 and Rs.35.5 respectively in January 2008. The lowest price during the period for broiler and layer day old chick was Rs.6 and Rs.28 respectively and the highest price was Rs.71.9 and Rs.39 in October 2009. On the basis of information provided by Poultry Research Institute and by leading companies of poultry industry, in response to the letters by the Commission, the cost of production of day old broiler chick is around Rs.18 per chick. It is interesting to note that the chick was being sold below cost during almost all months of the year 2008 and since January 2009 the prices rapidly increased and touched the figure of Rs.71.9, leading towards proportional increase in the prices of poultry meat, since the price of day old broiler chick are directly related to price of poultry meat.
16. The prices of poultry feed showed a consistent increase during the years 2008.2009 and 2010. The price of bag of 50 Kg poultry feed had an average price of Rs.955 during year 2008, which rose to Rs.1343 in year 2010. One of the factors of increase in the prices of day old chicks and poultry meat is the increase in prices of feed that is one of the basic inputs in poultry industry.

## **Pakistan Poultry Association**

17. PPA is a representative of all sectors of the poultry industry in Pakistan and is registered under the Trade Organizations Ordinance 2007. PPA has its registered central office in Islamabad with offices in Lahore and Karachi for its northern and southern zones respectively. There is a central chairman and secretary general for the central office and zonal chairmen and zonal secretaries for the zones. The northern zone covers Punjab, Khyber-Pakhtunkhwa and Islamabad Capital Territory while the southern zone covers Sindh and Balochistan.

18. The various sectors of the poultry industry are referred to as wings within the industry and PPA. To oversee various issues relating to different wings, PPA has formed sub-committees under the executive committees at both central and zonal level. There are sub-committees for layer marketing, broiler farming, broiler marketing, feed liason etc. The sub-committees receive their mandate and composition every year once the annual elections are complete and are headed by conveners who are generally representative or owners of important companies.

19. PPA is an undertaking by virtue of being an association of undertakings as per the definition given in Section 2(1)(p) of the Ordinance.

## **Relevant Market**

20. Although a definition of a relevant market is not required in cases regarding alleged collusion and cartelization a brief description of the markets that will be the focus of this case follows for clarification and reference.

21. As the description of the poultry industry above indicates, there is more than one relevant product in the case at hand. We feel that it is best to list those relevant product markets and discuss the role of individuals, companies and PPA for each of the former separately.

22. There is a product market for each of the following: poultry feed, grandparent stock, parent stock, day old chick, broiler chicken, and eggs. There may be further sub markets in grand parent, parent and day old categories, if differentiation is done on basis of breeds (broiler and layer).
23. Poultry feed is made from products and by products of primary and secondary economic activity relating to agriculture including grains, fish and poultry. Commercially made poultry feed is extensively used in other sectors of the poultry business including layer and broiler farming. Commercial feeds are prepared for various stages of growth in every sector of poultry farming. Feed for broiler chicken for example may be high in protein while that of layer farming may contain high levels of calcium. Generally all the feed mills produce all types of feed. Commercially produced feed has no known substitute. Home made feed cannot be used for the commercially farmed broilers and layers.
24. Although organic chicken and red meat (mutton and beef) are occasionally considered as substitutable products, the extremely large difference of price between broiler chicken meat and the red meat makes this comparison irrelevant. In addition, health concerns regarding red meat have placed commercially farmed broiler chicken in a league of its own, a fact which is augmented by its pleasant mild taste. Moreover, organic chickens are not farmed commercially and are not available widely. In other words, a hypothetical reasonable increase in price of broiler chicken meat would not increase the demand for other meats due to the high price, unavailability and health concerns of other meats.
25. There are no known commercial substitutes for commercially bred grandparent and parents stock. While limited non-commercial breeding, and eventual chicken farming, is possible without grand parent and parent stock, it is not a substitute for its commercial counterparts. As far as eggs are concerned, organic eggs are not extensively farmed, and are much more expensive, and are not readily available like

their layer counterparts and therefore do not constitute a substitutable product for the latter.

26. The conditions of competition in the poultry sector are constant throughout Pakistan. The poultry industry is subject to a governmental policy regarding taxation, credit terms and leasing of farm land etc. Imports and exports are generally limited. In the case of grand parent and parent stock, imports take place but are extremely limited and cannot provide supply side substitutability for the locally produced products. Similarly, import of feed did occur for a limited period of time but was stopped due to concerns relating to use of non-halal ingredients. Therefore, the relevant geographical market for all the relevant product markets mentioned above is the whole of Pakistan.

### **Collusion in Farming and Sale of Day Old Chicks**

27. The following evidence in form of extracts from PPA's website and materials impounded from the search of PPA's offices indicates that, *prima facie*, poultry breeders, poultry farmers, PPA members and other stakeholders regularly discuss matters relating to price levels of day old chicks under the auspices of PPA and that the latter regularly publishes rates of day old chicks as decided by the association, its relevant wing or sub-committee. Discussions at the PPA forum include deliberation on measures to increase or decrease prices by controlling the production levels. It is also important to note that PPA, its office holders, and members generally represent price fixing as a function of supply and demand.

a) **Letter dated 6 January 2010 from Secretary General PPA Central Office to Internal Auditor Pakistan Poultry Farms. Annex A(i)**

*"2. The requisite information is as under:-  
Grade A broiler chicks*

*21-12-2009 - Rs 36.50*

*14-12-2009 - Rs 48.50*

*28-12-2009 - Rs 42.50*



3. It is further added that in future rates of poultry products may be checked by visiting our website as [www.ppakistan.com](http://www.ppakistan.com)”

**b) Undated Minutes of Emergent Meeting of Pakistan Poultry Association, Central Office. Annex B**

*“Mr. Raza Mahmood Khursand, while analyzing the factors of decrease of rate of day old chick and broiler rate, informed the house that it is due to over all national crises. There is panic amongst the masses and buying capacity of a common man is also deteriorated, Thereafter Mr. Chairman invited the house to discuss the give proposals for revival and to come out the prevailing situation. Dr Muhammad Sadiq, Dr Muhammad Aslam, Dr Abdul Kareem Bhatti, Ch. Muhammad Nusrat, Rana Sajjad Haider, Mr. Tahir Bashir, Dr. Muhammad Arshad, Dr. Muhammad Anwer Randhawa, Dr Mustafa Kamal, Dr. F.M Sabir, Mian Humayun Monnoo, Ch. Muhammad Azmat and Rai Mansab Ali Khairi, discussed the matter in detail and finally following decision were made unanimously by the house:*

1. *A proposal should be submitted to government of Pakistan /FBR immediately to increase import duty on parent stock and broiler also, to discourage import of poultry product in Pakistan.*
2. *Culling of birds at early age, i.e.55 weeks instead of 64 weeks should be carried out to support the industry. Starter eggs should not be set in hatcheries and these eggs would be marketed as table eggs.*
3. *Farmers should be educated to focus on 1.600 grams weight of broiler birds and it should be marketed at this weight to avoid disturbance in demand of the market.”*

**c) Minutes of Emergent Meeting of Important Hatchery Owners from all over the country held at the office of Pakistan Poultry Association, Northern Zone on 16 November 2009. Annex C(i)**

*“He called up the participants to propose measures how to handle rising price of day old broiler chicks. Consequent to threadbare discussion the following measures were unanimously agreed:-*

- i. *It was discussed that prices of day old chicks, chickens & Egg are purely controlled by demand & supply mechanism; however, it was decided to keep the prices of poultry Products at reasonable rates.*
- ii. *The Hatchery Owners in particulars and Stakeholders in general agreed that 30 to 40% hatcheries were closed down affecting supply of day old chicks. There was 40% reduction in day old chick production in the country. However, after discussion it was concluded that now the production of day old chicks & broilers is being increased which is reflected by decrease of prices of day old chicks & chicken in the Market.*

- iii. *In view of increasing price of day old chicks more Parent Stock are being housed. Moulting of Parent stock has also been undertaken and hopefully by November and December about 30 to 40% losses of Production will be made up which would decrease price of day old chicks as usual.*
- iv. *The price of day old chicks on the day of meeting was Rs. 65.00 which showed downward trend and participants desired that this trend may be communicated to Secretary, Livestock Punjab, Lahore.*

*The participants also proposed to increase import of duty on import of Grand Parent Stock, Hatching Eggs and day old broiler chicks. The Chairman assured to hold a separate meeting of Central Executive Committee to discuss the issue in detail.”*

d) *Minutes of 1<sup>st</sup> Meeting of Zonal Executive Committee of Pakistan Poultry Association, Northern Zone held on 3 October 2009. Annex C(ii)*

*“First of all Mr. Chairman invited Haji Muhammad Bashir to have his point of view. Haji Muhammad Bashir informed the house that all prominent leaders of the both sides are here. We must discuss and resolve the issue in our own house in stead of involving the media or government in our internal matters, which will be proved very harmful for us in the long run. After that Dr. Muneer Ahmed Sahi, Mr. Aamer Razaq and Dr. Sajid Nazir from farmer’s side, Dr. Mustafa Kamal, Dr. F.M. Sabir and Raja Attiqur Rehman Abbasi from Breeding companies side were nominated to participate in the discussion. They discussed the matter highlighted their proposals which may be acceptable to the both sides. After the detailed in house discussion, 10 minutes to each group were given by the chair to discuss the matter within their own groups and decide what to do. Breeding companies suggested following working proposal:-*

*They are ready to sell chick @ Rs.50.00 per chick from now onward, if an agreement is made for the whole year and if advance payment is made to them or Bank Guarantee is given. Or let it be natural, it’s a matter of demand and supply, as and when demand is reduced rate of chick will automatically be reduced.*

*The proposal no.2 was agreed upon with the decision that quality of chick will not be compromised and complaints of the farmers would also be honored promptly as and when registered.”*

e) *Minutes of a Meeting of Layer Wing of Pakistan Poultry Association, Northern Zone held on 2 January 2009. Annex C(iv)*

*“Mr. Chairman invited Dr.Arshad Hanfi to inform the house about the present status of Layer Wing. Dr. Arshad Hanif Informed the house that current year is definitely golden year for the layer farmers. He said that he is trying to remove the variation in layer day old chick rate, it should be sold on announced rate. A detailed discussion on the subject was made by Rana Ghulam Mustafa, Mr. Khalid Hussain, Ch. Niaz Rasool, Mir Tahir Zaidi, Mr. Khalid Saleem Malik and Mr. Chairman and all aspects of layer farming were considered minutely. After detailed discussion it was decided that there should not be any cap on the rate of chicks because its matter of demand and supply like other poultry products. Mir Tahir Zaidi very rightly said that today’s chick rate of layer is not an average, its rate it is peak season rate and after a few months it will automatically come down.”*

**f) Minutes of 1<sup>st</sup> Meeting of the Zonal Executive Committee Punjab Zone held on 16 January 2008. Annex D (i)**

*“While replying a question of Mr. Mehta about the phenomena of stability of GP rates, Dr. Mustafa Kamal said that in unfavorable conditions they do not sell the bird and they have to maintain an average price and always work on it.”*

**g) Poultry Product Rates on PPA’s Website<sup>3</sup>. Annex E(i)**

Poultry Products Rates  
Rawalpindi/Islamabad

24 May 2010

Live Broiler per 40 kg	Rs 4200/-
Retail Live Broiler per kg	Rs105/-
Poultry Meat per kg	Rs175/-
Eggs per 30 dozen	Rs1650/-
Eggs per dozen	Rs 55/-
Day old Broiler chick	Rs 46/-

PPA NORTHERN ZONE (Lahore,and other cities of Punjab,khyber  
Pakhtunkhwa)  
ON 24 May 2010

RATE OF DAY OLD BROILER CHICK - Rs 46/- PER CHICK

WHOLESALE RATE-BROILER - Rs 100/- PER KG LIVE  
RETAIL RATE OF BROILER - Rs 106/-.- PER KG LIVE  
RATE OF CHICKEN MEAT - Rs154/- PER KG

RATE OF EGGS PER BOX - 1650/-

<sup>3</sup> See webpage available at [http://ppapakistan.com/index.php?page\\_id=3](http://ppapakistan.com/index.php?page_id=3)

RATE OF EGGS PER DZN - 57/-  
PPA SOUTHERN ZONE (Sindh-Karachi,Balochistan)  
ON 21 May 2010

Wholesale Rate per kg	Rs 120/-
Retail Rate Broiler per kg	Rs 122/-
Poultry Meat per kg	Rs 208/--
Layer Cull per kg	Rs 62/-
Table Eggs per crate of 30 dozen	Rs 1710/-
Table Eggs per dozen	Rs 60/-
Price of day old Broiler chick	Rs 46/-

(Source: A. Maroof Siddiqui)

(Source on Eggs:Khalid S.Malik)

28. The extracts in the paragraph above are, *prima facie*, indicative of a wide range of anti competitive behavior in the day old chick market. Sub paragraphs (a), (e), and (g) clearly indicate that PPA decides and publishes rates of day old chicks. The extracts in sub paragraphs (b), (d), and (f) clearly indicates that the PPA members and important farmers take collective decisions to fix prices and production of day old chicks. For example, in paragraph (b) decisions have been taken to reduce day old chick production to increase its price. Interestingly, although prices and production quantities are discussed and fixed collectively by competitors, they are referred to as a function of ‘demand and supply’ by PPA and farmers, which is extremely misleading.

### **Collusion in Manufacturing and Sale of Poultry Feed**

29. The following evidence in form of extracts from PPA’s website and materials impounded from the search of PPA’s offices indicates that, *prima facie*, poultry feed millers, PPA members and other stakeholders regularly discuss matters relating to price levels of poultry feed under the auspices of PPA and that the latter regularly publishes rates of poultry feed as decided by the association, its relevant wing or sub-committee. It is also important to note that PPA, its office holders, and members generally base their pricing decisions on feed ingredient rates.

**a) Minutes of Emergent Meeting of Stakeholders of Poultry Sector held under the auspices of Pakistan Poultry Association on 5 August 2008 in Lahore. Annex C(vii)**

*“In the meeting prominent representative from difficult Wings were invited to make presentations of their respective Wings. Those who made presentations were Mr. Saqib-ur-Reham from Pharmaceutical Wing, Dr. Arshad Hanif from Layer Wing, Dr. Sajid from Broiler Wing, Dr. Mustafa Kamal from Breeder Wing, and Dr. F.M Sabir from Feed Mills Wing.*

*Layer population is likely to be reduced to 50% by end of this year. Maintenance of layer stock has been regionalized. There’s need to provide export incentives to Layer farmers to sustain in the business.*

*To reduce cost of production of eggs, concept of control houses need to be popularized and given wider awareness to farmers and feasibility highlighted. Modernization of layer farming is the need of time. Farmer’s education programme needs to be introduced throughout breadth and width of the country.*

*There’s need to improve quality of poultry feed in the face of its increasing prices. A tag containing details of contents be attached with the feed of bag.*

*Poultry feed prices were presented to be justified in the light of increase in prices of raw material such as, Soyabean Meal, Canola Meal, Poultry byproducts, Rapeseed Meal, Sunflower Meal and maize / grains. It may be emphasized on Govt to immediately impose ban on export of maize and traffic of Soyabean Meal from India through trucks be allowed as has been allowed in case of maize grains.*

*In feed manufacturing, Cost of production be reduced through reduction in dealers commission, reductions in feed millers margin and proper feed density and most important being adoption of improved feed technology.”*

**b) Minutes of 3<sup>rd</sup> Zonal Executive Committee’s Meeting of Pakistan Poultry Association Northern Zone held on 24 June 2008. Annex D(ii)**

*“He said that no support has yet been extended to broiler and layer producers even in atrocious crises. Before 15 days a positive message by Mr. Abdul Basit, Mr. Abdul Heye Mehta, Dr. FM. Sabir and Haji Muhammad Bashir was circulated that rates of feed would be reduced. He said that rates of Corn, Broken Rice and Sun Flower meal have also been reduced but rate of feed has not been increased. He demanded that at least Rs.100.00 per 50 KG be reduced, FCR should be 1.8/1.9 = 1.75 KG weight and a Card / Tag having details of ingredients and nutrient values of the feed should be placed inside the feed bag.*

*Dr.Sajid Nazir requested the feed millers to help the farmers and save them from the adverse conditions of the industry, by giving some relief in feed prices. He emphasized that feed should be sell on cash, which would ultimately help to streamline the poultry farming.*

*Dr. Abdul Kareem Bhatti said that prevailing problems are very complicated in the entire world. Grains are very high rated at USA also and cost of production is increased in all over the world. Presently our production is normal but purchase power of general public decreased. It is very difficult phase to get money from the consumers. No would believe that we are selling our products below the cost of production. He said that Broiler Wing is the major earning sector, who runs the whole industry having 88% volume.*

*He said that because of some unpleasant incidents in the meetings previously, most of the feed millers normally avoid to attend the meetings. He congratulated the house to proving so maturity, which would lead the feed millers to attract to attend the meetings of PPA in future. He said that Feed Millers should be educating the farmers through a press release, whenever any change in prices of grains is occurred. He suggested that all Feed Mill Owners must contribute for consumer education without wasting any time.*

*Dr. F.M Sabir said that he is involved in this business for the last 30 years and in the last three decades; it is first time that rates of feed have been increased so much. Poultry industry is still growing 10% annually and after every 7 years it always doubled its volume, because it is a profitable business. There are 60% small and 40% large companies, who are producing day old chicks. From 2004-05 onwards when breeder got huge amount of profit, demand of breeder chick was abundantly increased. Therefore, to fulfill the demand, hatching eggs were also imported and ultimately we suffered from over production. Broiler farmer undergo heavy losses and it is passed on to all segments of the industry equally. Feed mill Owners considered the present disaster of the industry, especially caused used due to hide in grains prices and ultimately adversely effected the feed prices. All feed millers intended to decrease the feed rate but unfortunately prices of soybean meal suddenly went so high that is it not possible now to reduce the prices of feeds.*

*Dr. F.M Sabir while talking about shortage of the grains since 15<sup>th</sup> April 2008, i.e. wheat, broken rice, and corn, said that feed millers imported corn from India @ Rs.750 per 40 KG by road and Rs.800.00 per 40 KG by Ship. Now locally it is available @ Rs.600.00 per 40 KG, therefore its difference is obviously Rs.250.00 per 40 KG. But he said that on the other hand, rates of Soyabean Meal and Sun Flower Meal have been increased so much that now we are getting loss of Rs.118.00 per feed bag of 50 KG. He assured the house that it is hoped that now there would be no increase in the feed prices and it will remain stable in near future.*

*Conclusion: In his concluding remarks Mr. Abdul Haye Mehta appreciated the keenness of the house and such a productive discussion held on all the agenda items, especially on rates of feed which is very sensitive issue in these days. Mr. Mehta appreciated the house for observing an exemplary discipline, tolerance and patience to listen each other on debatable issues. Finally, Mr. Mehta thanked*

*all the participants especially Dr. F.M. Sabir who educated the house by clarifying a lot of doubts about feed prices and rates of grains. Mr. Chairman paid gratitude to the participants for coming and sharing their valuable views in a much disciplined manner reflective of the unity in our poultry industry.”*

**c) Minutes of 8<sup>th</sup> Zonal Executive Committee of Pakistan Poultry Association, Punjab Zone held on 27 November 2007. Annex D(vi)**

*“Increase in poultry feed rates*

*Rai Mansab Ali invited Mr. Raza Mahmood Khursand, to analyze the factors of increase in poultry feed price. Mr. Raza Mahmood Khursand informed the house that we accept that situation of grains in the market is awful in comparison to last year and rates of grains of all kind of cereals have been definitely increased. But increase of Rs.295.00 i.e. 43.45 % per bag within just one year is not justifiable. Cost of production has risen up to Rs.66.00 per KG, where as consumer is not going to pay even that rate and small farmers are adversely effected due to the recent increase in poultry feed rate. Therefore in present situation broiler / breeder farmers cannot continue any more and they have to close down their business.*

*Recent increase of Rs.40.00 per bag in poultry feed should be taken back before 5<sup>th</sup> December 2007 otherwise there would be a very strong protest against recent hike in feed prices and a farmers convention would be called in which 10 thousands farmers would participate.*

*There should be no pooling and monopoly of feed millers throughout the country. The rate of feed should be open in the every district keeping in view the market rates.*

*If at times there are reasons to increase the feed prices, then there should be decrease also like last year, when grains prices are decreased. Feed prices should be fixed for 3 months and there should be only four quarterly meetings in one year for that purpose to keep day old chicks and the broiler market stable.”*

**d) Minutes of Meeting of Pakistan Poultry Association (Feed Mills Wing) held on 27 October, 2007, in the Committee room of National Group at 171 Shadman II, Lahore. Annex F**

*“Haji Muhammad Bashir, CEO of National Feeds Ltd chaired the meeting.*

*Detailed discussions were held regarding the price and availability of poultry feed ingredients prevailing in the market. The prices of all grains and meals have increased rapidly. The price of Maize is Rs.585, wheat is Rs.6000, and rice polish is Rs 435 per 40 Kg respectively. The prices of Soya bean meal, canola meal and rape seed meal have increased drastically. The price of Soya bean meal is*

Rs.72000 per ton in the local market, and 370 dollars per ton in the international market. The price of canola meal has increased up to Rs.17.5 per Kg and rape seed meal has increased up to Rs.12.5 per kg ex-mill. The current rate of ingredients will continue to prevail in the market or might even increase in the near future. The continuous increase in the price of feed ingredients has also pushed the overhead costs. The overhead cost per bag is now Rs.181 per bag, which mainly includes commission, freight, marketing and factory overheads. It was calculated that at the prevailing market rate of ingredients the ingredient cost of Rs 760 and overheads of Rs.181 yield a same price of 961, thus sale price of the feedbag needs an increase of Rs.67 per bag. Participants recommended increase ranging from Rs.40 to Rs 56 per bag. The chairman finalized an increase of Rs.40 per bag that was agreed by all the participants. All the feed millers will absorb loss for sometime by consuming their previously maintained stocks. The price of the poultry feed would be increased by Rs.40 per bag with effect from 29.10.2007.

Detailed discussions were also held regarding the price of Layer Feed. There is a difference of Rs.35 between the price of Layer feed and Broiler Feeds. The participants agreed to gradually eliminate this difference. It was decided to increase the price of layer feed by Rs.55 instead of Rs.40 to gradually eliminate the price differential.

Detailed discussions were held regarding the fixation of commission and selling the feed on ex-mill basis. The participants agreed that the implementation of this idea is not currently possible and it might lead to an even worse situation in future”.

**e) Minutes of Meeting of Pakistan Poultry Association (Feed Mills Wing) was held 20 August 2007 in the Committee room of National Group at 171 Shadman II, Lahore. Annex F(i)**

*“ Muhammad Bashir, CEO of National Feeds Ltd chaired the meeting.*

*The chairman told the participants that many feed millers approached him for the last 2 to 3 weeks regarding the increase in the prices of feed. The rates of the ingredients had increased and an increase in the prices of feed was due far before. The chairman told the participants that due to lower farm rate and a very low price of 1-day-old chick he did not call a meeting and the feed millers had to absorb loss for some time.*

*Detailed discussions were held regarding the price of poultry feed ingredients prevailing in the market. The prices of all grains and meal have increased rapidly. Rice Tips and Rice polish are not available in the market. The prices of Vitamins to be added in the feed have also increased rapidly. The increase in the price of vitamin B2 alone has increased the cost of production by 5 Rs. This increasing trend in the prices of feed ingredients will continue to prevail in the*



*near future. It was calculated that at the prevailing market rate of ingredients the sale price of the feedbag needs an increase of Rs. 41 per bag. The prices of the poultry feeds would be increased by Rs.25 per bag with effect from 21.08.2007.*

*The chairman showed his concern regarding the increasing trend of commissions given to feed distributors and dealers. Since the communication is given on a percentage basis, every time an increase in the price of feed automatically increase the commission of distributors. The increasing price of gasoline has increased the freight of feed. The actual amount received by the manufacturer is more than 100 Rs less then the gross rate of feed after deduction of commission and freight. Even at the given rate of Rs. 859 per bag, the manufacturer actually receives less than 750 Rs.*

*Detailed discussions were held regarding implementation of the feed rate. The participants agreed that the new rate of the feed should be implemented immediately and no manufacturer should deliver feed at the old rate once an increase has been decided. This issue will be further discussed in the next meeting and its implementation will be finalized.”*

**f) Table of Poultry Feed Rates as on PPA’s Website<sup>4</sup>. Annex E(ii)**

**POULTRY FEEDS RATE W.E.F 10<sup>th</sup> Feb, 2010 IN PAKISTAN 50KG BAG For PUNJAB AND NWFP AND AJK (-Rs.30.00)**

1 Chick Starter Layer Mash	Rs.1315
2 Grower Layer Mash	Rs.1372
3 Layer Mash	Rs.1287
4 Broiler Starter Mash	Rs.1317
5 Broiler Finisher Mash	RS.1307
6A Broiler Breeder Starter Mash	Rs.1333
6B Broiler Breeder Grower Mash	Rs.1284
8A PRE Breeder Mash	Rs. 1319
8B Broiler Breeder Mash	Rs.1329
8C Broiler Breeder Mash	Rs.1317
20 Layer Breeder Mash	Rs.1329

30. The extracts shown in the last paragraph, *prima facie*, indicate collusive behavior in the poultry feed sector. The table in sub paragraph f clearly shows PPA’s announcement of feed prices. The use of ‘w.e.f’ in sub paragraph (f) clearly shows that the prices are being fixed and not merely reported. The extracts in sub paragraphs (b) and (d) are very strong evidence that feed manufactures discuss and deliberate on prices of poultry feeds. Similarly, PPA members routinely discuss prices and suggest measures to collectively reduce prices.

<sup>4</sup> See the webpage at [http://ppapakistan.com/index.php?page\\_id=3](http://ppapakistan.com/index.php?page_id=3)

## Collusion in Broiler Farming & Marketing

31. The following evidence in the form of extracts from PPA's website and materials impounded from the search of PPA's offices indicates that, *prima facie*, broiler farmers regularly discuss matters relating to price levels of broiler meat under the auspices of PPA and that the latter regularly publishes rates of broiler meat as decided by the association, its relevant wing or sub-committee. PPA, its office holders, and members stress on collective sales and pricing decisions.

### a) Press Release by PPA, Southern Zone dated 25 May 2010. Annex E(iii)

Poultry Rate

According to the announcement of PPA, the poultry rates in Karachi market today i.e. 25-5-2010 are as follows:

	Wholesale Rate	Retail Rate
Egg (farm)	1470-1475 (Per Crate)	52 (Per Dozen)
Broiler (Alive)		108
Layer 86		88

Ref. No PPA/111-M (V)/  
Dated 25-5-2010

The Editor/Commerce Reporter

For Favor of Publication.

### b) Activity Report by Standing Committee Broiler Farming from 1 October 2008 to 31 Oct 2009. Annex F(ii)

“Paragraph 3

Moreover throughout the year strict vigilance was exercised on demand and supply of broiler so that farmers may not suffer any kind of loss. During the year, as and when it was felt that demand of poultry products is being affected, immediately meeting were called and preventive measures were adopted

Paragraph 4

During the year following major problems were identified by the farmers which were immediately discussed in a meeting of broiler farmers and the following decisions were made and implemented there and then

a. There was difference of rate announced by PPA rate committee and traders therefore after discussion it was decided mutually that Same Rate will be announced by the traders and PPA representatives by SMS and text will be the same. No name will be written at the end of the message. Following decisions were also made, which worked in true letter and spirit:

1. Rate will be declared at 01.00 PM daily by both parties
2. Final rate will be announced at 08.15 PM
3. Variation of rate can only be Rs. 01 to 02 at a time.
4. If there is any change in the mutually agreed broiler collection between the farmers of supply vehicle, both are ethically bound to inform each other regarding the change before 0900 PM
5. if any farmer violates the announced rate he will be liable to pay fine which maybe Rs. 10,000 per farm.
6. The above decisions will remain effective upto 28 February 2009, which can continue for ever after analyzing its affects on both parties.
7. Since rate committee members are providing their services and working for the whole community, there should be no criticism on their activities whatsoever.
13. A committee of three brokers be convened to get following documents from the defaulters/suppliers:-
  - a. Cheque or pro note will be obtained from suppliers
  - b. List of all clients should be prepared
  - c. List of defaulters should be shared with other brokers and will not be entertained by all brokers and any defaulters should be entertained by any broker.

**c) Activity Report by Standing Committee Poultry Marketing from 1 October 2008 to 31 Oct 2009. Annex F(iii)**

*Paragraph 2*

*During the current year Standing committee stressed upon the need that there should be no problems as far as poultry market is concerned. As and when problems were highlighted by some farmers efforts were made to rectify the issues as soon as possible. During the month of January, 2009 problems of fixation of rate and commission @Rs. 0.25 per kg to traders was a hot issue which was discussed in detail in a meeting and following decisions were made unanimously by the house:-*

- a. *Commissions maybe approved to pay them @ Rs. 0.25 per kg if traders are ready to make the payment in advance on daily basis.*
- b. *Daily rate would be fixed by the Pakistan Poultry Association and not by the traders.*

- c. *Next meeting will be held after a weeks time and a delegation of prominent traders would also be invited to discuss the above proposals.*
- d. *Centralize broilers sale system would be activated and maximum sale would be made though central office of control houses.*

### *Paragraph 3*

*In pursuance to the above problems another meeting was held and matters were discussed in detail. Following were the recommendations/focused points on which almost all the house was united:-*

- a. *Regional offices to control the rates of broilers should be opened at Kot Radha Kishan, Raiwind. Kasur, Sheikhpura, like Okara so that 30-50 persons could control the sale/purchase of broiler consolidated within their regions through the regional offices.*
- b. *Sale of broilers should be controlled centrally by the standing committee for broiler marketing.*

### *Paragraph 5*

*Keeping the above mentioned measure market rates remained under control and farmers remained satisfied with their farming and marketing activities.*

*d) Minutes of 1<sup>st</sup> Meeting of Zonal Executive Committee of Pakistan Poultry Association, Northern Zone held on 3 October 2009. Annex C(ii)*

*Mr. Khalid Salim Malik said that layer farmers are very upset due to the increased feed prices in these days and they are not getting the proper price of their product in the market. He recommended that Grand Parent Stock and Breeder Should be reduced. He said that hoarders are unbalancing the prices of grains. While talking about consumer education he said in 1999 he introduced the consumer education programme with Rs.8.5 Million and after 8 years it will be again started. Rana Sajjad Haider said that production should be immediately controlled and artificial shortage is the only solution to the problem. Dr. Abdul Karim Bhatti said that the actual pay master of our product is consumer and we have failed to capture him. He proposed that we should make the Videos, presentations that our product is still No.1 so that consumer should not hesitate while purchasing.*

*Dr. Mustafa Kamal said that presently production is less as compare to the last year. Talking about the grains he said grains are short all over the world and next year grains would be available in large quantity at the affordable rates. He added that rate of our end product: chicken would definitely be increased along with mutton and beef. Our product is still superior one and its rate has to be accepted by the consumer but consumer education is mandatory now. He said that we cannot decide to create shortage of chicken in the market as it's the market forces*

which are playing their roll. He said that we must concentrate on consumer education and feed millers can help PPA to launch consumer education campaign He hoped that future situation of our industry is not gloomy and all sectors would get due profit in the business. Mr. Tahir Bashir said that if we purchase grains from India, the rate would also rise up. He said that all sectors are suffering equally and feed millers are not comfortable.

Mr. Raza Mahmood Khursnad said that today's discussion was very healthy and Mr. Mehta's action plan carries challenge. In his opinion major factors like Assassination of Miss Bhutto and hike in wheat prices has also played a vital role in low rates of product. He assured the house that many farmers have closed down their farms and coming days are very bright for the breeder and broiler."

**e) Minutes of the 4<sup>th</sup> Meeting of the Zonal Executive Committee of PPA, Southern Zone held on 22 May 2009. Annex F(iv)**

*"Paragraph 3*

*(iv) Mr. Lal Bux Kolachi, Convener informed that at present broiler is being lifted from the farms on the rate determined by the broiler committee of PPA. However, on the retail shops, broiler is being sold on the rate determined by Sindh Poultry Wholesalers and Retailers Association. He further informed that efforts are being made to give farm gate rate and supply rate in the newspapers with a margin of Rs. 6 per kg on supply of broiler to retailer by wholesaler. In this regard cooperation on wholesalers is being sought."*

**f) Minutes of the 2<sup>nd</sup> Meeting of the Zonal Executive Committee of PPA, Southern Zone held on 6 March 2009. Annex C(v)**

*"Paragraph 2*

*(ii) Mr. Lal Bux Kolachi, Convener informed that broiler marketing sub-committee has since been formed and its meetings are held daily outside PPA for determining the broiler rate keeping in view the demand and supply position. The broiler rate so determined is intimated to PPA for reporting in the press."*

**g) Minutes of the 1<sup>st</sup> Meeting of the Zonal Executive Committee of PPA, Southern Zone held on 10 January 2009. Annex C(iii)**

*"Paragraph 7*

*Mr. Abdul Maroof Siddiqui said that broiler marketing sub committee is very important. He, however, observed that broiler is not available in the market on the rate reported by this committee. In the market, broiler rate reported by Sindh Poultry and Wholesalers & retailers association is prevailing which is often*

*higher than PPA rate. Mr. Muhammad Jawed Aslam suggested that broiler rate be monitored closely.”*

**h) Letter dated 31 December 2008 from Secretary General of PPA Central Office to Chief Commissioner Islamabad. Annex G(i)**

*“It is submitted that Pakistan Poultry Association intends to set up poultry stalls for the sale of poultry and poultry products to the general public during the month of ramazan so that public is able to avail the opportunity of cheaper poultry and poultry products during the sacred month. The poultry and poultry products such as live birds and table eggs will be sold at whole sale rates.”*

**i) Minutes of the 10<sup>th</sup> Meeting of the Zonal Executive Committee of PPA, Southern Zone held on 14 October 2008. Annex D(iii)**

*‘Paragraph 9*

*Mr. Abdul Maroof Siddiqui informed the genuine broiler rates are not being reported Broiler rate released by PPA is less than that of KWPA which creates confusion amongst the consumers and media. Many times media personnel have approached him to clarify the position. He requested the chairman to take notice of the situation.*

*Dr. Zafar-ul-Islam Siddiqui said that if broiler is not available in the market on PPA rates, it is of no use to release PPA rates in the press.*

*Chairman said that he will discuss the matter with Mr. LAL Bux Kolachi, Convener, Broiler Marketing Sub-Committee.”*

**j) Minutes of the 7<sup>th</sup> and 8<sup>th</sup> Meeting of the Zonal Executive Committee of PPA held on 18 July 2008. Annex D(iv)**

*“Paragraph 6*

*Major (r) Ahmed Waseem informed the House that Mr. Rahim Bux has agreed to contribute Rs. 3000 per month w.e.f July, 2008 for publication of poultry rates in newspapers. He further informed that in case MR. Rahim Bux does not contribute the above amount, he himself will arrange for it.”*

**k) Letter dated 9 July 2008 from Secretary General of PPA Central Office to Chief Commissioner Islamabad. Annex G(v)**

*“Paragraph 3*

*In the letter under reference it was requested that in the interest of provision of poultry products on cheaper rates to the public 2 shops may be got allocated from*

*Capital Development Authority to poultry producers through Pakistan Poultry Association so that these shops are operated in the Sunday Bazar Islamabad. You were kind to appreciate the proposal for the reason that at such shops live broiler will be sold at costs of lesser by Rs 10 to 15 per Kg and eggs lesser by Rs. 5 per dozen. Obviously this is an attractive incentive for the public. It is disappointing that no action has so far been taken which may kindly be expedited in the public interest.”*

**l) Minutes of the 6<sup>th</sup> Meeting of the Zonal Executive Committee of PPA held on 21 May 2008. Annex D(vi)**

Paragraph 3

*“Mr. Muhannad Husain Patel said that in view of present market position, it is absolutely necessary to convene a joint meeting of layer and broiler marketing sub-committees to discuss the prevailing condition with reference to rates of eggs and chicken.”*

*Mr. Abdul Maroof Siddiqui said that there is a vast difference in the rate of broiler being published in the newspapers and sold in the market. Consumers have been paying Rs. 10-12 per kg more than the actual rates. Resultantly wholesalers have been getting huge profit due to manipulated rates.”*

**m) Minutes of the 4<sup>th</sup> and 5<sup>th</sup> Meeting of the Zonal Executive Committee of PPA held on 25 April 2008. Annex F(v)**

“Paragraph 5

*(i) Mr Lal Bux Kolachi said that there is a considerable difference in the broiler rates being released by PPA and KWPA. Generally the rates released by KWPA are Rs. 8-10 per kg more than that of PPA. He further said that he at his own has been trying to pressurize KWPA by telling them that we are going to City Government to bring to their notice the high rates of broiler being released by KWPA. We have also told them that we are pursuing the case filed by them in High Court of Sindh on which they have obtained stay order. They have now become alert and reduced the broiler rates.*

*Dr Zafar-ul-Islam Siddiqui expressing his views said that MR. Lal Bux Kolachi being the Convener of Broiler Marketing Sub-Committee may take any steps in the matter and revive case in the High Court. It will fully pressurize KWPA.”*

**n) Price Agreement Table dated 28 February 2008. Annex E(vi)**

“Today, the following members met and after substantial deliberations the rate of Rs. 76 for broiler chicken was agreed upon.”

- o) Minutes of the 3rd Meeting of the Zonal Executive Committee of PPA held on 26 February 2008. Annex D(v)**

“Paragraph 7

*Mr. Abdul Maroof Siddiqui said that there is a great slump in broiler and eggs markets due to bird flue scar. Resultantly the rates of eggs and chicken have come down considerably. The situation has been sustaining huge losses to poultry farmers. He suggested that PPA Central Office, Islamabad be requested to arrange for launching consumer education programmes for sale promotion of eggs and chicken through print and electronic media.”*

- p) Price Agreement Table dated 21 February 2008. Annex E(v)**

“Today, the following members met and after substantial deliberations the rate of Rs. 74 for broiler chicken was agreed upon.”

- q) Price Agreement Table dated 14 February 2008. Annex E(vi)**

“Today, the following members met and after substantial deliberations the rate of Rs. 60 for broiler chicken was agreed upon.”

- r) Letter dated 5 January 2008 from Chairman Sindh Zone to District Officer Price Control Karachi. Annex G(ii)**

*“While submitting the information we would like to emphasize and caution that any price fixation of a generic product shall have an extremely negative impact on the growth and future of poultry production. It may be stated that prices are purely determined by demand and supply which is simply evident from the last five year data on prices. We would further state that the business of poultry production leaves bare bones for the producers, which is further evident from the cost of production and selling price.*

*Currently farmers are loosing money and the slightest inclination of price control would affect closure of poultry farms.*

*Our sincere advice once again is to leave the prices to truly function on the principle of demand and supply.”*

- s) Minutes of Meeting held on 12 December 2007 which was conducted by District Officer Price Control and attended among other by representatives of PPA, Sindh Zone and KWPA. Annex F(vii)**



*“Paragraph 2*

*The chair inquired from the representatives of both the associations what are the basis/criteria for evaluation and fixation of the price of chicken meat and eggs? It was also noted from the rates are being published in the local newspapers and that too are different from each other.*

*Paragraph 3*

*It was informed by the representatives of the above association that presently two poultry associations are working. The rates are evaluated twice a week separately by both the associations and are published in prominent newspapers from both the associations. For this purpose the meetings are held in the office of the Associations in the presence of some prominent owners of poultry farms. The rates are evaluated on the basis of the basic principal of demand and supply prevailing in the market as such price fixation is made with the consent of the poultry farmers only.”*

**t) Minutes of Meeting between City District Government Lahore and PPA, Punjab Zone held on 26 October 2007. Annex F(vi)**

*“A meeting between a delegation of District Government of Punjab and Pakistan poultry Association headed by Mr. Raza Mahmood Khursand Ex-Chairman, Pakistan Poultry Association was held on Friday 26<sup>th</sup> October, 2007 at 1000 hours in the Conference room of Pakistan Poultry Association, at 17-C, Chaurjri Centre, Multan Road Lahore.*

*Dr. Irshad Ahmed expressed his views that District Government has only concern over the dissimilar rates announced by the different organization and displayed on the poultry shops. He emphasized that it should be uniform rate throughout the city and that too announced by Pakistan Poultry Association. Dr. Muhammad Nawaz Malik DLO livestock, Dr. Shabnam DDLO (Poultry), Mr. Tariq Javed Rai Mansab Ali Khari, Dr. Sajid Nazir, Ch. Muhammad Nusrat and Haji Mumtaz Hussain discussed the matter in detail. All members expressed their own point of view and finally following decisions were made unanimously by the all representatives/ participants of the meeting:-*

*1. A committee consisting of following members were composed which will sit together or have telephonic contact with each other before 7.00 PM daily. Keeping in view all the factors in mind, the committee will announce Farm gate rate of broiler with mutual understanding. The committee members would convey the decided rate to Major (Retd) Syed Javiad Hussain Bhukhari, Zonal Secretary PPA for announcement:-*

- a) Rai Mansab Ali Khair - Convener Marketing committee of PPA*
- b) Dr. Munir Ahmed Sahi - Representative of Broiler Farming*

- c) *Mr. Tariq Javed* - *Representative of Traders*  
d) *Dr. Muhammad Imran* - *Representative of District Government*

2. *Secretary PPA will adopt the following method for fixation / declaration of whole sale broiler rates, retail rates and rate of chicken meat:-*

- a. *If the Farm gate rate of broiler is announced less than Rs.65.00, then Rs.4.00 would be added to fix whole sale rate and Rs.4.00 would be added to announce retail rate. If Farm gate is announced more than Rs.65 then Rs.5.00 would be added to announce whole sale rate and Rs.5.00 would be added to announce retail rate.*
- b. *Formula to announce chicken meat rate, @ 1.550 live Chicken =1.000 KG chicken meat, would be adopted. Beak/Head of chicken and Crop (Choonch & Pota) would not be included in the weight by the sale centers and it will be displayed on all sale centers for information of the consumers at prominent place.*
3. *Display Boards would be prepared of standardized size by Mr. Tariq Javed and will be displayed at all sale centers for information of the consumers mentioning daily rates significantly.*
4. *The above mentioned decisions also be applicable on direct suppliers of chicken to the sale centers. Stick actions will be taken against the defaulters and for non adherence of the above decisions.*

*Mr. Raza Mahmood Kursand stressed upon the need to check weighing gadgets being used by the sale centres. He suggested that our rate committee can accompany with your staff and scales of sales centers must be checked to save the consumers from the monetary loss.*

*At the end of Mr. Raza Mahmood Khursand, Ex-Chairman Pakistan Poultry Association thanked all participants for sparing time for the meeting and conveyed special thanks to Dr. Irshad Ahmed EDO agriculture, Dr. Muhammad Nawaz Malik DLO, and Mr. Babar Yaqoob Fateh Muhammad Secretary Livestock & Dairy Development Department for constant support to the poultry industry of Pakistan.”*

**u) Poultry Product Rates on PPA’s Website<sup>5</sup>. Annex E(i)**

Poultry Products Rates  
Rawalpindi/Islamabad

24 May 2010

Live Broiler per 40 kg	Rs 4200/-
Retail Live Broiler per kg	Rs105/-
Poultry Meat per kg	Rs175/-

<sup>5</sup> See webpage available at [http://ppapakistan.com/index.php?page\\_id=3](http://ppapakistan.com/index.php?page_id=3)

Eggs per 30 dozen	Rs1650/-
Eggs per dozen	Rs 55/-
Day old Broiler chick	Rs 46/-

PPA NORTHERN ZONE (Lahore, and other cities of Punjab, khyber Pakhtunkhwa)  
ON 24 May 2010

RATE OF DAY OLD BROILER CHICK - Rs 46/- PER CHICK

WHOLESALE RATE-BROILER	-	Rs 100/- PER KG LIVE
RETAIL RATE OF BROILER	-	Rs 106/- PER KG LIVE
RATE OF CHICKEN MEAT	-	Rs154/- PER KG

RATE OF EGGS PER BOX	-	1650/-
RATE OF EGGS PER DZN	-	57/-

PPA SOUTHERN ZONE(Sindh-Karachi, Balochistan)  
ON 21 May 2010

Wholesale Rate per kg	Rs 120/-
Retail Rate Broiler per kg	Rs 122/-
Poultry Meat per kg	Rs 208/--
Layer Cull per kg	Rs 62/-
Table Eggs per crate of 30 dozen	Rs 1710/-
Table Eggs per dozen	Rs 60/-
Price of day old Broiler chick	Rs 46/-
(Source: A. Maroof Siddiqui)	
(Source on Eggs:Khalid S.Malik)	

32. The extracts in the preceding paragraph, *prima facie*, present a picture of structured collusion in the broiler market. PPA has endeavored to create a uniform system of sale as well as a uniform price of broiler meat in the market. Under the auspices of PPA, a mechanism for determining the price and selling the broiler chicken has been developed. In this regard the decisions mentioned in sub paragraph (b) are sufficient to present a complete picture. The central standing committee and various sub committees in the zones have been tasked to determine the daily price of broiler chicken and ensure the maximum possible inclusion of broiler farmers in a centralized sale system. Rates are fixed in a number of ways; at times members meet in person, sometimes rates are exchanged over SMS, and sometimes members consult

each other over the telephone. The extracts talk about sale centers in various regions of Punjab where centralized sale of broiler chickens take place.

33. PPA, through its office bearers and members, closely controls farm gate and whole sale prices. However, PPA also has considerable leverage in the retail market where it seeks to regulate the market players and price, at times with the use of pressure tactics by using the threat of government intervention or public interest litigation.

### **Collusion in Layer Farming & Marketing**

34. The following evidence in form of extracts from PPA's website and materials impounded from the search of PPA's offices indicates that, *prima facie*, some layer farmers, PPA members and other stakeholders regularly discuss matters relating to price levels of eggs under the auspices of PPA and that the latter regularly publishes rates of eggs as decided by the association, its relevant wing or sub-committee. PPA, its office holders, and members stress on collective sales and pricing decisions.

**a) Press Release by PPA, Sindh Zone dated 25 May 2010. Annex E(iii)**

Poultry Rate

According to the announcement of PPA, the poultry rates in Karachi market today i.e. 25-5-2010 are as follows:

	Wholesale Rate	Retail Rate
Egg (farm)	1470-1475 (Per Crate)	52 (Per Dozen)
Broiler (Alive)		108
Layer	86	88

Ref. No PPA/111-M (V)/  
Dated 25-5-2010

The Editor/Commerce Reporter  
For Favor of Publication

**b) Letter dated 20 May 2010 from Zonal Secretary, Sindh Zone to Eggs Commission Agent Karachi. Annex G(iii)**

We give hereunder wholesale rates of eggs per crate of 30 dozen on 18<sup>th</sup> and 19<sup>th</sup> May, 2010 to meet your requirements.

Date	Wholesale rates of eggs (per crate, per dozen)	
	Min (Rs)	Max(Rs)
18-5-2010	1710	1715
19-5-2010	1719	1715

**c) Minutes of the 30<sup>th</sup> Annual General Body Meeting of PPA 2009-2010. Annex C(iv)**

*“Paragraph 6*

*Out of the 15 Standing Committees, the Standing Committees headed by Mr. Abdul Basit, Dr. Hassan Sarosh Akram, Mr. Raza Mehmood Khusand, Mr. Khalid Saleem Malik, Dr. Abdul Ghafoor Ch, Ch. Muhammad Azmat and Rai Mansab Ali Khari submitted their reports which were placed before the House. The house appreciated performance of these 7 Standing Committees ...”*

**d) Annual Report Layer Wing 2008-2009. Annex F(viii)**

*“Paragraph 2*

*Rate committee has have close contact with zones vice versa for marketing and rates, coordination with zones was remained cordial. Daily egg rates were announced with the coordination of North Zone and South Zone*

*The rates were collected on telephone.*

*Rate committee has been holding meetings time to time in various places of North Zone, Kamalia, Faisalabad, Lahore and Rawalpindi about rates and to monitor the market situation.*

*Paragraph 3*

*In December 2008 due to penetration of breeders eggs in the market the rate had to dropped but it was absorbed making a strategy. Rate wise the situation remained very critical upto January 2009 after that the situation was controlled.*

*Paragraph 6*

*Mr. Khalid Saleem, the convener of the layers wing presided over the meeting and advised that layer farmers and layer traders are two wheels of the layer vehicle and both should work equally. He added that the object is to get maximum eggs*

*out of layer birds and the other rate committee's aim to get good profit margin for the farmers.*"

**e) Minutes of the 3<sup>rd</sup> Meeting of the Zonal Executive Council, Northern Zone held on 2 January 2010. Annex C(iv)**

*"Dr. Arshad Hanif informed the house that current year is definitely golden year for the layer farmers. He said that he is trying to remove the variation in layer day old chick rate. It should be sold on announced rate or actual rate be announced. After detailed discussion it was decided that there should not be any cap on the rate of chicks because its matter of demand and supply like other poultry products."*

**f) Minutes of Meeting of the Layer wing of Pakistan Poultry Association, Northern Zone held on 8 November 2008. Annex F(ix)**

*"Mr. Khalid Saleem Malik ... felt that there is lack of coordination and communication and increased gap amongst the layer community which is affecting the efficiency of layer wing adversely. Mr. Malik said that layer farmers and layer traders are 2 wheels of the layer vehicle and both should work evenly. He added that our object is to get maximum eggs out of layer birds and on the other hand rate committee's aim is to get good profit margin for the farmers. He felt that rate committee is working very effectively. While talking about the annual elections of PPA for the year 2008-09, Mr. Khalid Saleem Malik Informed the house that last date for submission of nomination was 22<sup>nd</sup> October, 2008 and following Nominations for ZEC/CEC members from Layer Wing were submitted for the elections."*

**g) Minutes of the 2<sup>nd</sup> Meeting of the Zonal Executive Committee of PPA held on 06 March 2009. Annex C(v)**

*"Paragraph 2*

*(ii) Mr. Lal Bux Kolachi, Convener informed that broiler marketing sub-committee has since been formed and its meetings are held daily outside PPA for determining the broiler rate keeping in view the demand and supply position. The broiler rate so determined is intimated to PPA for reporting in the press.*

*(iv) Mr. Muhammed Jawad Aslam, Convener informed that the [layer marketing] committee has been formed. The committee determined egg rates daily keeping in view the demand and supply position and communicate the same to PPA for reporting.*"

**h) Letter dated 9 January 2009 from CE, Sultanpur Farms to Secretary Livestock Department, Punjab. Annex G(iv)**

*“The extra cost to the Company of the packing etc of the ‘Good Eggs’ have been added to the market rate as announced daily by the Pakistan Poultry Association. At present the PPA rate is Rs.44.00 per dozen, which is subject to change by the Association. As such the prices of the 12-pack/Doz white classic eggs are as follows:*

*Daily rate plus Rs. 12.00 per Doz. i.e. Rs. 44.00 + Rs.12.00= Rs56.00*

*The present price of our six packs of Free Range eggs is Rs 60.00 per pack.*

*As there is a price control on sale of eggs, we shall be most obliged if you would kindly allow our company to retail our products according to our extra costs.*

*i) Minutes of Meeting of the Layer Wing of Pakistan Poultry Association, Northern Zone held on 2 January 2009. Annex C(vi)*

*Mr. Chairman invited Dr.Arshad Hanfi to inform the house about the present status of Layer Wing. Dr. Arshad Hanif Informed the house that current year is definitely golden year for the layer farmers. He said that he is trying to remove the variation in layer day old chick rate, it should be sold on announced rate. A detailed discussion on the subject was made by Rana Ghulam Mustafa, Mr. Khalid Hussain, Ch. Niaz Rasool, Mir Tahir Zaidi, Mr. Khalid Saleem Malik and Mr. Chairman and all aspects of layer farming were considered minutely. After detailed discussion it was decided that there should not be any cap on the rate of chicks because its matter of demand and supply like other poultry products. Mir Tahir Zaidi very rightly said that today’s chick rate of layer is not an average, its rate is peak season rate and after a few months it will automatically come down”.*

**j) Minutes of Meeting of the Layer wing of Pakistan Poultry Association, Northern Zone held on 8 November 2008. Annex F(ix)**

*“Mr. Khalid Saleem Malik ... felt that there is lack of coordination and communication and increased gap amongst the layer community which is affecting the efficiency of layer wing adversely. Mr. Malik said that layer farmers and layer traders are 2 wheels of the layer vehicle and both should work evenly. He added that our object is to get maximum eggs out of layer birds and on the other hand rate committee’s aim is to get good profit margin for the farmers. He felt that rate committee is working very effectively. While talking about the annual elections of PPA for the year 2008-09, Mr. Khalid Saleem Malik Informed the house that last date for submission of nomination was 22<sup>nd</sup> October, 2008 and following Nominations for ZEC/CEC members from Layer Wing were submitted for the elections.”*

**k) Letter dated 31 December 2008 from Secretary General of PPA Central Office to Chief Commissioner Islamabad. Annex G(i)**

*“It is submitted that Pakistan Poultry Association intends to set up poultry stalls for the sale of poultry and poultry products to the general public during the month of ramazan so that public is able to avail the opportunity of cheaper poultry and poultry products during the sacred month. The poultry and poultry products such as live birds and table eggs will be sold at whole sale rates”.*

**l) Minutes of Emergent Meeting of PPA Central held on 5 August 2008. Annex C(vii)**

*“In the meeting prominent representative from different Wings were invited to make presentations of their respective Wings. Those who made presentations were Mr. Saqib-ur-Reham from Pharmaceutical Wing, Dr. Arshad Hanif from Layer Wing, Dr. Sajid from Broiler Wing, Dr. Mustafa Kamal from Breeder Wing, and Dr. F.M Sabir from Feed Mills Wing.*

*Layer population is likely to be reduced to 50% by end of this year. Maintenance of layer stock has been regionalized. There’s need to provide export incentives to Layer farmers to sustain in the business.*

*To provide cost of production of eggs, concept of control houses need to be popularized and given wider awareness to farmers and feasibility highlighted. Modernization of layer farming is the need of time. Farmer’s education programme needs to be introduced throughout breadth and with of the country.”*

**m) Letter dated 9 July 2008 from Secretary General of PPA Central Office to Chief Commissioner Islamabad. Annex G(v)**

*“Paragraph 3*

*In the letter under reference it was requested that in the interest of provision of poultry products on cheaper rates to the public shops may be got allocated from Capital Development Authority to poultry producers through Pakistan Poultry Association so that these shops are operated in the Sunday Bazar Islamabad. You were kind to appreciate the proposal for the reason that at such shops live broiler will be sold at costs of lesser by Rs 10 to 15 per Kg and eggs lesser by Rs. 5 per dozen. Obviously this is an attractive incentive for the public. It is disappointing that no action has so far been taken which may kindly be expedited in the public interest.”*

**n) Letter dated 22 May 2008 from Zonal Secretary, Southern Zone to President Karachi Eggs Dealers. Annex G(vi)**

*“With reference to your letter dated 17-9-2007 on the above subject, we would like to inform you that your request for enhancement of eggs retailers’ margin was considered in the 6<sup>th</sup> meeting of the Zonal Executive Committee of Pakistan Poultry Association, Sindh Zone held on 21-5-2008.*



The Committee unanimously approved enhancement of eggs retailers' margin from Rs. 60 to Rs. 90 per crate of 30 dozen eggs w.e.f 2 June 2008."

**o) Minutes of the 6<sup>th</sup> Meeting of the Zonal Executive Committee of PPA, Southern Zone held on 21 May 2008. Annex D(vi)**

*"Paragraph 3*

*Mr. Muhannad Husain Patel said that in view of present market position, it is absolutely necessary to convene a joint meeting of layer and broiler marketing sub-committees to discuss the prevailing condition with reference to rates of eggs and chicken.*

*Mr. Abdul Maroof Siddiqui said that there is a vast difference in the rate of broiler being published in the newspapers and sold in the market. Consumers have been paying Rs. 10-12 per kg more than the actual rates. Resultantly wholesalers have been getting huge profit due to manipulated rates.*

*Paragraph 5*

*(iii) Zonal Secretary placed before the House a letter received from Karachi Eggs Dealers requesting for enhancement of egg retailers margin from Rs. 60 to Rs. 90 per crate of 30 dozen. The House considered and approved it to be effective w.e.f 2-1-2008."*

**p) Minutes of the 3<sup>rd</sup> Meeting of the Zonal Executive Committee of PPA, Southern Zone held on 26 February 2008. Annex D(v)**

*"Paragraph 7*

*Mr. Abdul Maroof Siddiqui said that there is a great slump in broiler and eggs markets due to bird flue scar. Resultantly the rates of eggs and chicken have come down considerably. The situation has been sustaining huge losses to poultry farmers. He suggested that PPA Central Office, Islamabad be requested to arrange for launching consumer education programmes for sale promotion of eggs and chicken through print and electronic media."*

**q) Letter dated 5 January 2008 from Chairman Sindh Zone to District Officer Price Control Karachi. Annex G(ii)**

*"While submitting the information we would like to emphasize and caution that any price fixation of a generic product shall have an extremely negative impact on the growth and future of poultry production. It may be stated that prices are purely determined by demand and supply which is simply evident from the last five year data on prices. We would further state that the business of poultry*

*production leaves bare bones for the producers, which is further evident from the cost of production and selling price.*

*Currently farmers are loosing money and the slightest inclination of price control would affect closure of poultry farms.*

*Our sincere advice once again is to leave the prices to truly function on the principle of demand and supply.”*

**r) Minutes of Meeting held on 12 December 2007 which was conducted by District Officer Price Control and attended among other by representatives of PPA and KWPA. Annex F(vii)**

*“Paragraph 2*

*The chair inquired from the representatives of both the associations what are the basis/criteria for evaluation and fixation of the price of chicken meat and eggs. It was also noted from the rates are being published in the local newspapers and that too are different from each other.*

*Paragraph 3*

*It was informed by the representatives of the above association that presently two poultry associations are working. The rates are evaluated twice a week separately by both the associations and are published in prominent newspapers from both the associations. For this purpose the meetings are held in the office of the Associations in the presence of some prominent owners of poultry farms. The rates are evaluated on the basis of the basic principal of demand and supply prevailing in the market as such price fixation is made with the consent of the poultry farmers only.”*

**s) PPA activities 2006-2007. Annex H**

*“Paragraph 6*

*a. De-regulation of Poultry Prices. It was highlighted that poultry industry is unable to control the prices of poultry products as there are market forces which automatically fix the rates of poultry. DCO Lahore agreed upon the argument and it was decided that PPA office may exercise the prevailing practice of fixation and announcement of the daily rates of its products. He ensured that rate announced by also communicated to his office on daily basis by fax messages.”*

**t) Letter dated 26 October 2007 by Central Chairman, PPA to DCO Multan. Annex G(vii)**

“Prices of eggs are monitored and regulated by PPA, based on demand and supply in Punjab. Eggs are traded and supplied on benchmark fixed by PPA. If retailers are compelled to sell below cost they will be deprived of their legitimate right of earning profit.”

**u) Poultry Product Rates on PPA’s Website<sup>6</sup>. Annex E(i)**

Poultry Products Rates  
Rawalpindi/Islamabad

24 May 2010

Live Broiler per 40 kg Rs 4200/-  
Retail Live Broiler per kg Rs105/-  
Poultry Meat per kg Rs175/-  
Eggs per 30 dozen Rs1650/-  
Eggs per dozen Rs 55/-  
Day old Broiler chick Rs 46/-

PPA NORTHERN ZONE (Lahore, and other cities of Punjab, khyber  
Pakhtunkhwa)  
ON 24 May 2010

RATE OF DAY OLD BROILER CHICK - Rs 46/- PER CHICK

WHOLESALE RATE-BROILER - Rs 100/- PER KG LIVE  
RETAIL RATE OF BROILER - Rs 106/- PER KG LIVE  
RATE OF CHICKEN MEAT - Rs154/- PER KG

RATE OF EGGS PER BOX - 1650/-  
RATE OF EGGS PER DZN - 57/-

PPA SOUTHERN ZONE(Sindh-Karachi, Balochistan)  
ON 21 May 2010

Wholesale Rate per kg Rs 120/-  
Retail Rate Broiler per kg Rs 122/-  
Poultry Meat per kg Rs 208/-  
Layer Cull per kg Rs 62/-  
Table Eggs per crate of 30 dozen Rs 1710/-  
Table Eggs per dozen Rs 60/-  
Price of day old Broiler chick Rs 46/-

(Source: A. Maroof Siddiqui)  
(Source on Eggs: Khalid S. Malik)

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<sup>6</sup> Ibid

35. There is sufficient evidence in form of extracts in the previous paragraph which, *prima facie*, shows extensive collusive behavior in the layer farming and sale. Committees of PPA decide and announce prices of eggs in their respective zones. Interestingly, PPA states repeatedly that its pricing decisions are in line with the ‘supply and demand’ position of the market. Such a position is generally indicated in communications with external sources to give an impression of a free market economy.
36. Like in the case of broiler sector, PPA directly controls farm-gate and whole sale prices which in turn form the basis of retail rates. As seen in sub paragraph 31 (n), PPA also fixes margins of the traders and middlemen, ensuring that prices are fixed in a range that is determined by the former.

### **Collusion in the Grandparent Stock Breeding**

37. The following evidence in form of extracts from materials impounded from the search of PPA’s offices indicates that, *prima facie*, grandparent breeders, under the auspices of PPA regularly meet to discuss, decide and announce prices and production quantities of grandparent stock:

a) **Activity Report of Standing Committee Grand Parent Project Rawalpinid-Meeting of G.P Owners with reference to current poultry crises. Annex H (i).**

*“Keeping in view the current poultry crises three meetings of G.P owners were held in December 2007, March 2008 and October 2008, to discuss the current issue, probe the contribution of parents stock population in the exiting crises and to make some bold decisions so that there should be a significant support to the poultry industry to cope up this hard time... After a long discussion the following decisions were finalized...*

- *The G.P companies will be strict on the rates of day of P.S chicks*
- *Surplus P.S will be sold as commercial Broiler*
- *It was also agreed that the further expansion in GPs will be curtailed until and unless the market improve.*
- *Ban in import of P.S was also proposed in the meeting.”*

b) **E-mail of Mr. Usman Anwar to PPAPunjab with subject “Import of Hatching Eggs”. Annex H(ii)**

*“Through this letter of mine I want to convey you a future potential threat which is import of hatching eggs. Strong rumors are there that the perhaps some companies are in preparations. I don’t know the names and even I knew I could not just point out. But as you know it happened in the past and it proved to be a disaster in long run so I humbly suggest you bring this matter to PPA’s platform and formulate a strategy with consensus. The demand of import duty is on the agenda a of budget proposal committee but the coming budge is in June and by that time the imported eggs for broilers can over flood the broiler market.”*

### **Summary of Findings**

38. On basis of the information and documents available on record, it seems that there is, *prima facie*, cartelization in all markets of day old chicks, poultry feed, broiler chicken, eggs and grandparent stock in violation of Section 4(1) of the Ordinance.
39. PPA, by deliberating, deciding, and announcing the prices and mechanism for sale of poultry feed, broiler meat, day of chicks, eggs and grandparent stock has, *prima facie*, violated Section 4(1) read with Section 4(2) (a) and 4(2) (c) of the Ordinance.
40. The various sub-committees and wings of PPA, along with their members, related to poultry feed, broiler marketing, layer marketing, grand parent stock and day old chicks have, by deliberating, deciding, and announcing the price and mechanism for sale of their respective poultry products, *prima facie*, violated Section 4(1) read with Section 4(2) (a) and 4(2) (c) of the Ordinance.

### **Recommendation**

41. Poultry products are a very important source of healthy nutrition. Pakistan has strived hard to over many decades to develop its poultry industry. For many years now the poultry industry has been source of employment for people and a source of revenue for the government. There are serious allegations of collusion in this industry which may undo the positive developments that have taken place in the former. Cartelization destroys competition and adds an undue financial and economic cost on the consumers and the economy. It is therefore in public interest to proceed further in this matter.

42. It is recommended that, in light of the above, proceedings be initiated under Section 30 of the Ordinance against PPA, its wings and sub-committees, and their members for the *prima facie* violation of Section of Section 4(1) read with Section 4(2)(a) and 4(2) (c) of the Ordinance.

Shaista Bano Gilani  
Director

Syed Umair Javed  
Assistant Director