



# **Feed Industry of Bangladesh: An Overview**



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## Abstract

This study analyzed the feed mill industry of Bangladesh. Using the secondary data collected from the Bangladesh Bureau of Statistics, Department of Livestock, and USDA along with information from other external studies, the study discusses the production, consumption, and demand of different feed with ingredients in Bangladesh. Livestock contributes 1.90% and the Fisheries sector contributes 3.57% of the country's total GDP. However, the supply and price of feed had been fluctuating due to changes in the international political economy. The recent crisis has created challenges for the industry to struggle to earn revenue and profit. This study mainly brings out the recent scenario of the feed industry and its risks.

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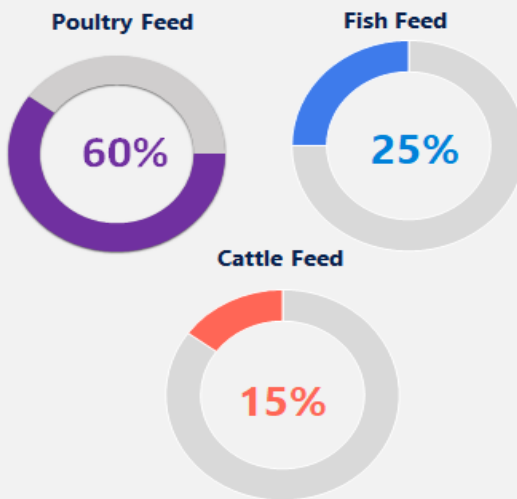
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## Introduction

The agro-business plays an essential role in maintaining food security in the economy and comprises 11.52% of the total GDP in FY2022 (Bangladesh Bureau of Statistics, 2022). Due to the demand for staple and daily essential food items, the agro-business is growing rapidly over the years in line with population growth, especially in the poultry, cattle, and fish sectors. All feed mill businesses have contributed to the strong overall expansion of the livestock and fishing industries which have given millions of rural residents good possibilities to engage in income-generating activities. According to FAO, Bangladesh is the 5<sup>th</sup> largest feed producer, holding only 1.50% of the global market. The top producer of the global feed market accounts for 40% of the market held by China and India (Kamal & Jashim, 2019).

**Figure 01. Feed Consumption**



The feed industry supplies three major sub-sectors of poultry, cattle, and fish, which saw significant growth over the year, witnessing a 161% jump in production over the last seven years, with a 12-15% growth rate before the pandemic. The annual demand for animal feed here is around 6.4 million tonnes according to the Feed Industries Association of Bangladesh (FIAB). Local feed millers now produce almost 99% of the total demand. The poultry sector consumes 60% of feed, cattle 15%, and fish 25% (Wardad, 2022).

After the pandemic hit the economy, it caused a decline in feed sales as farm demands took a plunge. The sector further had been affected after the Russia-Ukraine War. The prices have soared, affecting the production costs of poultry, cattle, and fish products while the sectors already had been weakened by the pandemic. Feed producers use about 35-36 lakh tonnes

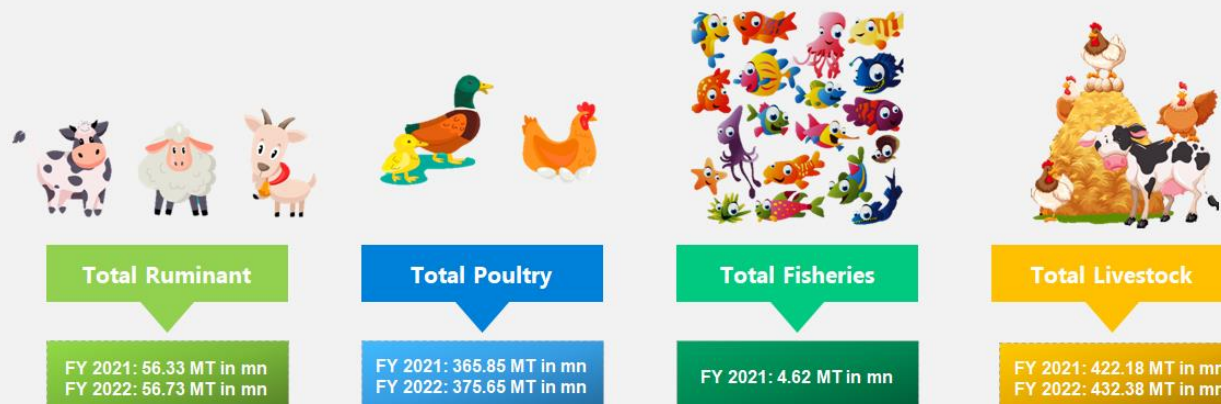
of maize and produce 60-65 lakh tonnes of animal feed every year, of which 40% is collected from the local market, and the remaining 60% is brought in from the international market (Ali, 2022). This will create a food security challenge in the coming year as disruptions in the key staple products of wheat, vegetable oils, and rice.

## Livestock, Fisheries, and Feed Mills in Bangladesh

Livestock contributes 1.90% of Bangladesh's GDP whereas the fisheries sector contributes 3.57% of the country's total GDP. The livestock sector comprises 16.52% of the Agricultural GDP and the GDP growth rate of livestock is 3.10% (DLS, 2022). Similarly, the fisheries sector contributes 26.50% of the agricultural GDP and 1.24% of the total export earnings employing more than 12% of the total population (Department of Fisheries, 2021). The growth of the livestock and fisheries sector will have a resulting impact on the growth of the feed mill sector.

Domestic feed industries meet 70% of the local demand followed by imported feed which meets 5% of the demand and homemade mix meeting 25% demand. The fully automated feed mills and other small and medium feed mills produce 7.5 MMT of feed for the livestock sector, including poultry (3.61 MMT), cattle (2.22 MMT), and aquaculture or fisheries (1.67 MMT) (Ahmed, 2022).

**Figure 02. Livestock and Fisheries Consumption at a Glance (DLS, 2022).**



### Raw Materials for Feed: Import and Production

The primary raw materials of feed mills are Maize and Soybean. Corn or maize accounts for 60% of the feed ingredients, as per the Feed Industries Association of Bangladesh (FIAB). On the other hand, soybean meal and broken rice account for 30% and 10%, respectively. Raw materials generally used for poultry feed production include maize, soybean meal, rice bran, and mustard oil cake which accounts for 10-25%.

Local production of these grains is insufficient to meet the domestic demand and has to rely on imports. Although the production procedure is the same for all livestock feeds, the formula varies. Other feed ingredients also include:

- Wheat offal
- Noodle wastes
- Oyster shells
- Minerals
- Common salt etc.

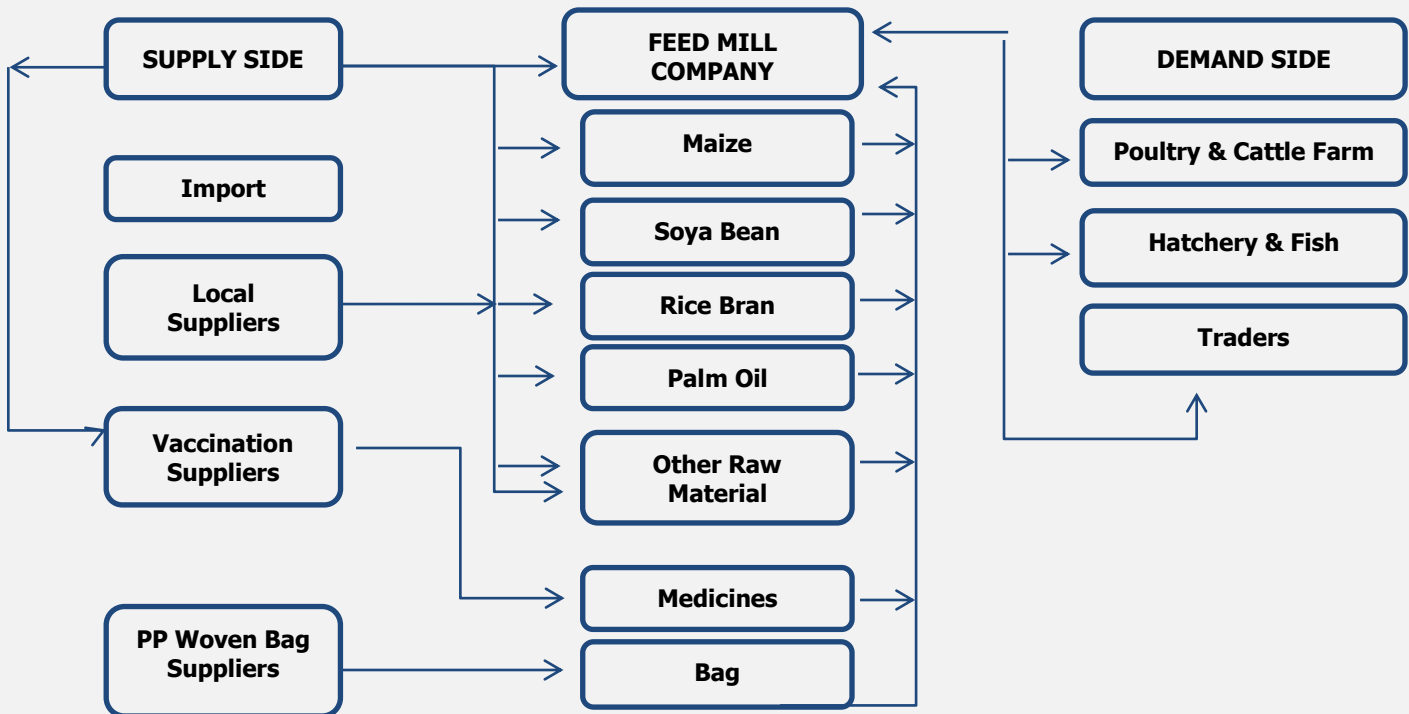
As raw materials prices have increased in the international market, making imports costlier for corn, broken rice and bran will be used in place of corn (MILLER, 2022). The corn import has declined in FY2022 compared to FY2021 and the production remains the same. However, rice import has declined, whereas production increased. On the other hand, wheat imports increased, and production declined.

Table 01. Production, Consumption, and Import data (MT)

Particulars	Rice		Corn		Wheat		Soybean Meal	
	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22
<b>Production</b>	34,600	35,850	4,700	4,700	1,180	1,130	2,090	2,170
<b>Consumption</b>	36,100	36,500	6,900	7,000	8,000	8,500	2,454	2,520
<b>Import</b>	1,400	1,300	2,434	1,945	7,200	7,500	410	380

Source: USDA (MILLER, 2022)

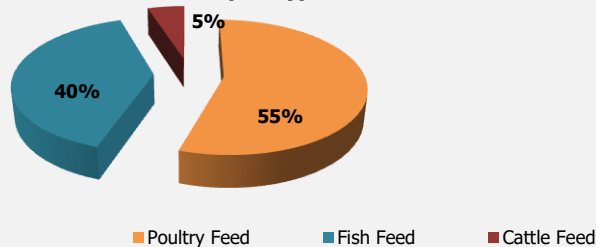
**Figure 03. Value Chain of the Feed Industry (LightCastle, 2017)**



### Market Share and Challenges

The market share of the feed industry can be broken down according to the types of feed. Figure 04 shows the percentage of feed for poultry, fish, and cattle (Kamal & Jashim, 2019).

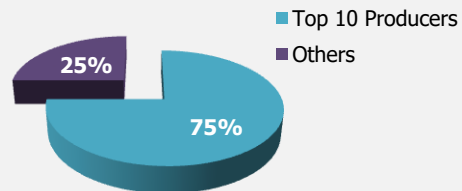
**Figure 04. Market Share as per Type of Feed**



Source: Policy Insights; PRI Estimates

There are 261 registered feed mills and more than 275 unregistered mills in the country. Around 135-140 companies renewed licenses from the Department of Livestock Services. In terms of manufacturing companies, market share can be further segregated. The major players in the feed industry include Paragon, Nourish, ACI Godrej, Kazi Farms, CP Bangladesh, Aftab Feed, Quality Feeds, Provita Feed, etc. Figure 05 shows the top 10 manufacturing companies in comparison to others.

**Figure 05. Market Share of Manufacturers**

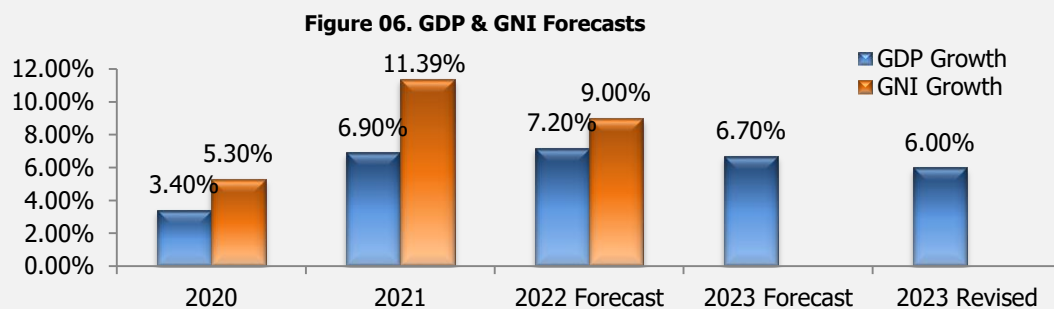


Source: Policy Insights; PRI Estimates

## Challenges of the Industry

Currently, the global economy has fallen in the swirl of economic crisis aggravated by several factors after the post-pandemic. The world had just started to recover from the grasp of Covid-19 when the Russia-Ukraine war brought a drastic change in the world economy.

- 1. Utility Crisis:** Bangladesh has been facing a power and gas crisis after the fuel price increased. This crisis has disrupted the manufacturing and production process of industries creating distress among businessmen. The industries had been facing increased production costs with lower production and decreased revenue. The recent power and gas crisis with rising utility costs has created a risk for the industries. It is a significant issue that is detrimental to manufacturing industries. It not only affects production but also has an impact on the consumption pattern of the final consumers.
- 2. Changes in GDP and GNI Forecast:** Gross Domestic Product (GDP) measures the value of goods and services produced within a country whereas Gross National Income (GNI) measures the total income earned by the people and businesses of the country. The outlook of GDP and GNI growth in FY2020-2021 has improved compared to the previous year suggesting that people have a better standard of living with improved income. However, according to the forecast, the GDP and GNI forecast show a declining growth rate in FY2023 after the growth slowed down in FY2022 (BBS, 2022). Thus it possesses the risk of declined demand and growth of the industry.



Source: IMF; BBS

Due to the recent economic fallout due to the Russia-Ukraine war, other impacts like inflation surge, energy shortage and dollar crisis, slowdown of the recovery from the pandemic, and more continuing uncertainty resulted in the slashing of the GDP growth forecast of Bangladesh by the International Monetary Fund (IMF) to 6.00% in FY2022-23 (Byron & Barua, 2022).

- 3. Soaring Inflation and Dollar Crisis:** Inflation is hurting income and declining consumers' purchasing power is making the products beyond their reach. Mounting inflation has made consumers reduce their expenditures on buying goods. Moreover, the devaluation of the taka against the foreign currency is enhancing the price hikes of materials, freight costs, and other costs of the manufacturing industries.
- 4. Fluctuation in Price:** The feed prices have increased more than 100-250% which is influenced by the raw materials price hike in the global market. This has affected the import of raw materials by the manufacturers as the prices have risen significantly.

## Conclusion

With the rising challenges in the international and local markets, the feed industry is exposed to the risk of further reduced revenue. This industry has a significant contribution to the agriculture sector and the GDP of the country. Due to the rising price of commodities in the international and domestic markets, the feed sector has been facing challenges in production and supply. The increased cost due to the utility



crisis with the rising inflation has reduced the profits of the businesses and the small firms have undergone an extreme impact on their revenue. As the raw material price soared in the international market it reduced the import and the recent international turmoil might further disrupt the supply creating a shortage. Bangladesh's agro sector should focus on increasing the domestic production of feed grains and other alternative raw materials as well to make a consistent supply.

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