

*Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

## **Poultry as a Livelihood Opportunity – Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers**



**Dr Sankar Datta**

**Independent Development Researcher**

May 2021

**Rajiv Gandhi Institute for Contemporary Studies**

**Rajiv Gandhi Foundation**

Jawahar Bhawan

New Delhi 110 001

## **Abstract**

Suguna Foods Pvt. Ltd, led by its Founder Chairman, B Soundararajan, and his brother G.B. Sundararajan is one of the leading poultry producing firms in India, is working with about 40 thousand poultry producers in 19 states, controlling 15% of the national market, with an annual turnover crossing Rs. 9,000 crore in the year 2019-20. They have more than 260 branches and 8,000+ employees working for them, producing about 517 million chickens per annum with 80 plus hatcheries and 60 plus feed mills supported by them.

This case study illustrates how with different conditions of the industry, the entrepreneurs have moulded risks into opportunities and have managed to design business models that are profitable, sustainable, and expandable. They tapped various opportunities to improve upon their business model and have expanded their business in India and abroad.

They have developed various grower-friendly systems, integrating the various elements of the Value Chain starting from an assessment of the market demand, planning necessary production of chicks, with supply of appropriate feed and health care products, all the way to managing the parent stock. This could be a useful read for the people who are/ intend to engage with poultry production, especially ranging from small to large farmers.



# *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

## Contents

<b>Foreword.....</b>	<b>0</b>
<b>Poultry for Enhancing Livelihoods of the Poor &amp; Increasing Farmer Incomes.....</b>	<b>1</b>
<b>Expanding Market.....</b>	<b>1</b>
<b>Ease of Starting Poultry Business.....</b>	<b>1</b>
<b>Types of Poultry Farmers in India .....</b>	<b>2</b>
<b>Origin and Initial Period.....</b>	<b>3</b>
Step 1: Their Own Poultry Farm:.....	3
Step 2: Store to Sell Poultry Inputs .....	3
Step 3: Started Marketing Poultry from the Store .....	3
Step 4: Input Supply in Credit .....	4
Learn and Put it into Practice.....	4
Going Global:.....	6
<b>The Business Model .....</b>	<b>7</b>
<b>Grower Profile .....</b>	<b>9</b>
<b>Case Writers' Analysis .....</b>	<b>10</b>
Entrepreneurial Function: .....	10
Quick Decision Making.....	11
Nature of Grower Segment.....	11
System Based Operation:.....	11
Human Resources and Succession Planning: .....	12
The Context of Production:.....	13
Backward and Forward Linkages:.....	14
<b>Concluding Remarks.....</b>	<b>14</b>

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

### **Foreword**

The Rajiv Gandhi Institute for Contemporary Studies (RGICS), a knowledge affiliate of the Rajiv Gandhi Foundation has five focal themes, one of which is Growth with Employment. Under that themes, agriculture including allied activities is one of the sub-themes, since this sector was the largest source of livelihoods but most of those were not adequately remunerative. In order to increase farmers' incomes, it is necessary not only to help them increase their productivity, but also to help them diversify into crops and allied activities which help generate more income. Poultry is one of those allied activities. The demand for poultry products – eggs and meat – has been growing faster than that for cereals and pulses and with some precaution, it can be quite remunerative for producers.

In light of this, the RGICS requested Dr Sankar Datta, former faculty member at the Institute of Rural Management, Anand (IRMA) and also the Azim Premjee University, Bangalore to study this sector and carry out two case studies - one of Suguna Foods, a well-known company that promotes poultry production by small and medium farmers, and the second of the set of Poultry Cooperatives under the Madhya Pradesh Women's Poultry Cooperative Ltd (MPWPCL) which is now the largest such intervention in central India.

Dr Datta is not an armchair academic, having spent more than two-third of his 40 year career in development action. Indeed he was the person who initiated the poultry project of PRADAN NGO in Kesla, Dt Hoshangabad in 1986, which became the Rs 500 crore conglomerate that MPWPCL is today. Dr Sankar Datta and the undersigned visited Kesla and surrounding in mid-March 2021 to study the project. We are thankful to the team there led by Dr Hare Krishna Deka and Dr Mridul Pawan Hazarika, for sharing their experiences with us and also arranging for field visits and meetings with the women members of the Kesla Poultry Cooperative Society.

We are thankful Dr Deepankar Roy who introduced us to Mr Sounderarajan, the elder of the two brothers who set up Suguna in 1984, which has now become a Rs 9000 crore enterprise, working in several states of India as well many countries outside India. Suguna not only hosted a visit by Dr Sankar Datta to their head office in Coimbatore to share their experiences and information, but also arranged visits to various poultry growers. We thank Me Sounderarajan, his brother Mr Sunderarajan and their team for this support.

Dr Datta has very kindly written a piece after the two case studies, comparing the two models and how they suit different segments of India' population. The Kesla model is highly suitable for poor households who may need a lot of handholding and for whom an incremental income of Rs 35,000 to Rs 50,000 a year is major boost of their total income. On the other hand, the Suguna model is more suitable to middle level farmers, who are accustomed to growing commercial crops and their younger generation who are looking for opportunities to diversify. A Suguna farmer can make Rs 1 to 3 lakh a year. Thus both models fulfil the Growth with Employment objective.

**Vijay Mahajan**

**Director, Rajiv Gandhi Institute for Contemporary Studies**

## **Poultry for Enhancing Livelihoods of the Poor & Increasing Farmer Incomes**

### **Expanding Market**

Poultry as an industry has started playing an important role in generating and supporting livelihoods of a large number of people. The Indian poultry market, consisting of broilers and eggs, was worth INR 1,750 Billion in 2018. Consumption of poultry in India is reported at 3.5 kg per capita in 2020, while it was only 0.5 kg per capita per annum in 2001, growing at compounded growth rate higher than 15% per annum<sup>1</sup>. As this is way below the World Average of 31.7 kg per capita per annum, a large scope of growth of the market exists in coming years. The market is further projected to reach INR 4,340 Billion by 2024, growing at a CAGR of 16.2% during 2019-2024.<sup>2</sup>

Expansion of the middle class in India is helping to boost the demand for more plentiful and less costly proteins namely, chicken meat. Because of its huge population of 1.3 billion, even a small rise in average uptake will translate into a large increase in the total volume of chicken eaten. Other factors favouring chicken consumption are increasing employment levels and incomes, increase in urban population, a growing demand for ready-to-eat products, a rise in the number of quick-service establishments and a general preference for poultry over other meats on a price basis, with declining real price of chicken-protein and in some instances cultural and religious reasons.

### **Ease of Starting Poultry Business**

Poultry business can be started with a small capital investment, usually less than Rs 500,000 and rarely exceeding Rs 5 crore. Small-Holder poultry does not require large land plots. Getting bank loans for small-holder poultry under various schemes is not very difficult. Poultry also starts giving returns in short time period and it is simple to maintain, with processes that can be picked up by those engaged in farming easily. Poultry does not require licences, making statutory compliance easier. Key inputs like day old chicks, feed, vaccines, medicines, and equipment are widely available.

The Government of India in its National Action Plan for Egg and Poultry - For Doubling Farmers' Income by 2022<sup>3</sup> has identified poultry as a potential area of intervention for doubling farmers' income by 2022. Several state governments have programs for supporting poultry. For example, West Bengal gives capital subsidy up to Rs 80 lakh.<sup>4</sup> ICAR poultry research institutions, Agricultural Universities, Krishi Vigyan Kendras, government development agencies and several NGOs, offer training, inputs and advisory support to

---

<sup>1</sup> (<https://data.oecd.org/agroutput/meat-consumption.htm>)

<sup>2</sup> (<https://www.pashudhanpraharee.com/status-of-poultry-production-in-india/>)

<sup>3</sup> <http://www.dahd.nic.in/sites/default/files/Seeking%20Comments%20on%20National%20Action%20Plan-%20Poultry-%202022%20by%2012-12-2017.pdf>)

<sup>4</sup> <http://www.wbpoultryfederation.org/Admin/UploadDocument/News/YYYY05190246.pdf>

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

producers, usually for free. Thus poultry is an ideal activity for promoting livelihoods for the poor and rural diversification enterprises for the middle farmers.

### Types of Poultry Farmers in India

However, it needs to be recognized that poultry farmers in India have a significant variation in their ability to make initial capital investment and in terms of personal time they can devote for poultry activities. As the two cases illustrate, the steps required for two different groups of farmers are very different. It will be unwise to poultry growers into one category. We need to classify poultry growers into five categories, namely – Landless households and Marginal and Small Farmers without homestead land (badi), Marginal and Small farmers with badis, Commercial/Large farmers, Standalone farms, and Corporates. The absence of homestead land means that the spare time, particularly of women, cannot be used and explains why the dense UP-Bihar belt has little backyard poultry as most poor households do not have homestead land. West Bengal is also dense but it long ago adopted the cage system which is economical in terms of space.

For such households, there have been several efforts to promote and support backyard poultry, with 5 to 10 birds in the homestead land. At the least it increases their nutrition; and helps augment their cashflow and income. Several breeds like Kadaknath have been developed for backyard poultry.

	Farmer Category	Ability to Invest		Some Significant Services Provided
		Financial	Own Time	
1	Landless households and Marginal & Small Farmers without homestead land (badi)	Negligible		Supply of DoC, Feed, Medicine, Collective Marketing Markets that can be tapped
2	Marginal & Small Farmers with homestead land (badi)	Up to Rs. 50,000 and homestead land (badi)	1-2 hrs-a-day dovetailing with other activities	Supply of DoC, Feed, Medicine, Centralized Marketing, Aligning production system to projected demand in market. Kesla type of "foster entrepreneurship" required.
3	Commercial/Large Farmers	Up to Rs. 50 lakh and land	Supervision of hired labour	Tie up with commercial hatcheries, Feed and Medicine suppliers, Internal veterinarian, and tie up with Wholesalers. Access to bank loans. Contract farming preferred like Suguna as it de-risks the producers.
4	Large stand-alone poultry farms	Up to Rs. 50 crore	Professionals run these with hired labour	Same as above except at a much larger scale.

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

	Farmer Category	Ability to Invest		Some Significant Services Provided
		Financial	Own Time	
5	Corporates	Up to Rs. 500 crore	Professionally managed	Often do not do bird rearing but are into inputs or outputs

### **Origin and Initial Period**

Mr. B Soundararajan, son of school-teacher parents in a village Ganapathi Palaya near Udumalaipettai (or Udumalpet) in Coimbatore district of Tamil Nadu finally decided not to pursue his formal education after completing his school education, as he did not want to become one-more Government Employee. He decided to take charge of the farming in the family owned 16 acres of land, primarily growing cotton at that time. However, in a short while, he realized that though their land was very fertile, giving very good productivity, farmers like him could not get good returns due to large fluctuations in the market prices. In two years' time, he lost substantial sums of money in farming.

**Step 1: Their Own Poultry Farm:** He decided to start working for a factory owned by his brother-in-law at Coimbatore and gained cross-professional experience other than farming. By 1980-81 he moved to Hyderabad in the sales branch of another brother-in-law. While managing the Branch he learnt a lot of accounting and tax related matters along with sales. In 1984 he decided to come back to Udumalpet, where his younger brother had started poultry business. With his new exposure to commercial business at Hyderabad, he joined his brother, Mr. Sundararajan's poultry business, and resumed managing the family farm.

**Step 2: Store to Sell Poultry Inputs:** By 1986, Soundararajan and Sundararajan observed that many other poultry farms were also coming up in the area. But very much like their own poultry farm, most of them also faced serious shortage of supply of Day-old-Chicks (DoC), poultry feed and medicines. They therefore recognized that there could be a significant business for feed and medicine, while catering to several new poultry farms as well their own requirements. They proposed this idea in the family, which was accepted and decided to support their initiatives. Their mother gave her ornaments to pledge and to raise their working capital. With the support, the two brothers started a small store from where they sold inputs for poultry farming and to the poultry farmers in the area.

**Step 3: Started Marketing Poultry from the Store:** Once the store started functioning, the Brothers got another idea of diversification. They started selling eggs and poultry meat in their Store. They not only sold their own poultry meat, but also produce from other poultry growers who came to buy their inputs from the store. They conceived this as a 'one-stop-solution' for all poultry growers in the area. Farmers could buy their DoC and other inputs from there and sell their grown chicken as well. As Sundararajan had already gained the reputation, the Farmers also got his advice on Farm Management.

Initially they kept their operations limited within a radius of about 30 to 40 km from Udumalpet. As they did not have Capital support from formal banks, they had to borrow from private moneylenders at the interest rate of 36% per annum. However, both the brothers

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

recognized the shortage of Working Capital as a major bottleneck with most of the small growers.

**Step 4: Input Supply in Credit:** With their business getting recognised, they started borrowing from the private moneylenders, with whom they had built very good credibility, and supplied the inputs to growers in credit.

In 1989 however, the poultry prices collapsed due to an oversupply of birds in the local market. As economy of the farmers started crashing, due to demand and supply gap for the products, farmers were unable to survive, and in a stranded mesh to get rid of from it. Many of the growers expressed their inability to pay for the inputs. But the two brothers, by then who had come to be known as the Suguna Poultry, continued repayment to the lenders, pushing themselves into a serious liquidity crisis. They observed that approximately 60% of the outstanding were from three or four major growers. The two brothers engaged in extensive discussion with a handful of growers. In their judgment, they were reasonably good producers and wanted to pay for the inputs but were unable to pay because they could not realize the price that paid for their cost of rearing. This led to the emergence of their Contract Farming model.

In this process, the two Founders, initiated-nurtured-and-developed a new idea of sharing various essential elements necessary for rearing poultry birds, such as: chicks, feed medicines, technical supervision, with the farmers, who had infrastructure facilities to rear and returned fully grown birds to Suguna. The farmers received a growing charge based on the quality and quantity of the birds grown.

This model, which came to be popularized as the contract farming model of Suguna, reached several thousand farmers and their families across India. Since the concept had been fetching fruitful results to both the integrator and the farmers; Founders had taken efforts to standardize the successful formula, thereby the inventive system in poultry had emerged in India, and the concept was named as **“Poultry Integration”**. With this new model, the Poultry Growers were protected against any market related risks. By 1997 their business had grown quite well. They were servicing 100 poultry farmers. They had recruited about 40 staff. They reached a turnover of Rs. 7 Crore.

**Learn and Put it into Practice:** That was a time when Soundararajan realized the need for enhancing business management skills. As stated by him, he actively started attending programs in many B-Schools. He consciously chose to attend several short duration courses, so that he could put to practice what he had learnt. He has put into practice all the important part of his learning processes. He departmentalized specific functions and started designing adept work-flow alignments.

With these efforts the business started growing substantially. By 2000 Suguna had spread all across Tamil Nadu. Suguna Poultry at that time was working with almost 3,000 poultry farmers with this Poultry Integration model.

At this stage, the two brothers anticipated product saturation in their mother state -Tamil Nadu. They were bracing up to manage the possible risk of price stagnation with the idea of expansion. When Mr. Chandrababu Naidu, the then Chief Minister of Andhra Pradesh visited

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

Coimbatore, The brothers met him. The CM was aware of the successful growth of Suguna Poultry and extended an invitation to start operations in Kuppam, area from his own constituency.

And the expansion began. By 2010, Suguna Poultry had expanded to 10 States, working with close to 5,000 poultry growers and crossed a turnover of Rs. 3,000 crore.

Succession Planning: By this time, Mr. Soundararajan had crossed the age of 50. He initiated the steps for the company's succession by sending his son S. Vignesh to pursue management studies in Spain. Suguna augmented with poultry relative products like Feeds, Medicines, and Feed Supplements for its poultry. Later these businesses grew into independent registered companies, which were managed by Professionals. Suguna Poultry was re-established as “Suguna Foods” in 2012 managing the farm, feed and the Process Food division. Suguna understood the need of Poultry education and started Suguna Institute of Poultry Management which is affiliated with Alagappa University offering Diploma and Degree courses.

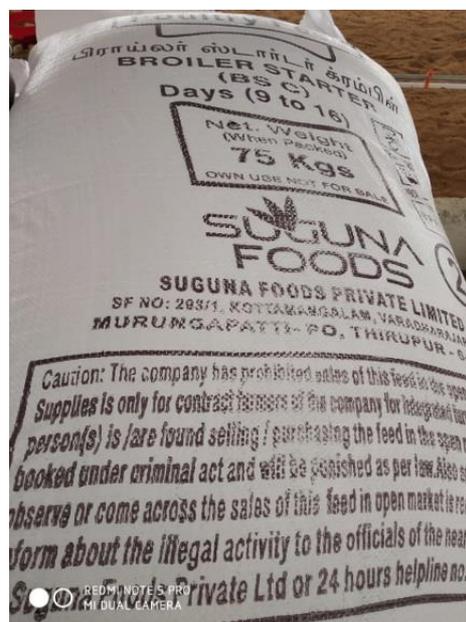
Backward and Forward Linkages:

Raison d'être of Suguna Poultry was to fill one of the major gaps in supply of feed and other support materials needed for poultry production. By 2006, when Suguna Poultry's business model had started stabilizing, they recognized the value of vaccination in any animal production. In their view, people even in the remotest parts were getting conscious about food security and food safety against the limiting factors of global warming and diminishing agricultural land across the globe.

Thus, they set up the Globion Pvt. Ltd, a vaccine manufacturing company in Genome Valley, Hyderabad – a city of strategic importance for Poultry and Biotechnology and started producing high quality vaccines under the brand “GlobiVac”.

The other support material that started troubling them were the poultry feed which was a major component, comprising about two-third of the production cost. Amidst various ingredients of poultry feed, Maize comprised of 60% and 20% was constituted by Soymeal. All other ingredients including de-oiled rice bran, maize gluten, de-oiled cake of rapeseed, sunflower or ground nut, along with mineral supplements like di-calcium phosphate and various vitamins together constituted not more than 20% of the feed. Average Prices of Maize, which were Rs. 1,700-1,800 per ton in February 1987 shot up to Rs. 3,800 to 4,000 per ton by June 1988.

To bring in some stability in the poultry feed prices, Suguna Foods set up their own Feed Plant near Udumalpet area in 1991, with 5 Ton-per-Hour capacity and in 1998 installed 20 Tons per hour unit. Later on, they have also set up 3 other feed mills. All these feed mills produce



## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

enough feed to meet their internal requirements. They align their production to match the expected market demand of chicks and nutritional requirement and market prices of various ingredients. This is coordinated through a Nutrition Team in their corporate office.

Presently, they manufacture five different types of feed: (i) Starter Feed 0 to 8 days, (ii) 9 to 15 days, (iii) 15 to 21 days, (iv) Grower feed 21 to 31 days and (v) 31 days and above. These feeds differ in terms of granule size to make it comfortable for the chicks to eat them and their content, based on the need of the chick in different stages of growth. They are all marked with date of expiry, so that the unconsumed feed is not carried over to feed in different stages of life.

Suguna Foods markets most of its products through a chain of 7,000+ wholesalers, who in turn supply to the retailers.

### *Going Global:*

While integrating for backward linkage Suguna Foods observed that there were several minerals and vitamins that were imported from Sri Lanka. In 2010, they set up Aminovit Pvt. Ltd. in Sri Lanka, Amino Acid supplements and vitamin started getting supplied to all the feed mills that Suguna has set up by then.

While entering the Bangladesh market, they found the growers in Bangladesh also suffered from serious shortage of feed. By enhancing the capacity utilization of the existing feed mills, Suguna was in a position to produce adequate for their internal requirements and have some surplus. That is when they decided to enter Bangladesh market. In their view entering a new market with feed supply was better as it also gave them time to establish their credibility. Slowly Suguna started their hatcheries in Bangladesh to supply DoC in the market. They then moved in some parent stock from India there and initiated the contract poultry rearing.

While working in Bangladesh they recognized that this model suited in such areas because it required smaller investments from the growers (discussed later in section on grower profile) and de-risked the producers. They observed that though the European and American producers have moved to a much higher capital-intensive production processes, African poultry farmers could still benefit from this kind of a model. Of the various African countries they explored, they found Kenya to be most suitable for their work. Not only the Agro-climatic suitability, it offered also a more stable political condition to start working. They have already opened branch offices in Southeast Asia and Middle-east, which had to slow down due to the Coronavirus Pandemic, affecting the poultry business dearly in 2020-21. However, they are quite clear that stepping up their international business is a way of (i) Scaling Up, while (ii) diversifying the nature of business and (iii) de-risking their portfolio.

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*



### **The Business Model**

The main Business Model being followed by Suguna Poultry is what has been referred to as the Poultry Integration model above. Under this model, contract farmers are selected who agree to (i) contribute their land; (ii) on which they construct the shed; (iii) with adequate supply of water and electricity and (iv) their labor. B Soundararajan clearly thinks that individuals should personally involve themselves in the poultry farming process, as livestock management process is subjective and works best with personal care and supervision.

The contracted farmers are provided with DoC, Feed and Medication for an 8 day period. These chicks are grown in an enclosed deep litter system rather than in cages to ensure healthy muscle development. The number of chicks delivered to a farmer is dependent upon the floor area of the cage available (around 1.1 sq. ft. per bird). In other words, if a grower has 10,000 sft as shed space, they can get about 9,100 DoCs. They do not have to pay anything for this supply. One of the Executives Technical Service (ETS) visit the growers every day or on alternate days depending upon the conditions of the birds.

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

As soon as the birds are dispatched from the hatchery, a SMS is sent to the grower. On receipt of the chicks and the feed is acknowledged by the grower data gets recorded in the MIS. On the daily visits the ETS report any abnormal growth conditions. In his judgment, when the birds are ready to be culled, intimation is sent to the Live Bird Division, who arranges to pick up the stock.

At this stage a Production Cost is estimated at the farm gate, based on cost of feed and medicines consumed and a transfer cost of chicks. Based on the average cost of production in the area of a branch, a benchmark Production Cost is determined (*for example Rs. 72 per kg of birds*). Based on the actual production cost of the grower a Growing Charge is determined. There is a floor price of Growing Charge declared (*for example Rs. 7.00/kg*). If the Production Cost of a particular grower is same as the average cost in the area, he is paid the floor price of Growing Charge (*for example if for Farmer A, cost of production has been Rs. 72/kg he would be paid Rs. 7.00 as Grower Charge*). But in case his production cost is lower than average in the area (*for example Rs. 70 per kg*) he gets an incentivized Grower Charge of Rs. 7.20 per kg. But if his Production Cost is higher than the benchmark Production Cost, he gets a Grower Charge of less than floor price (*for example of Rs. 6.75/kg if Production Cost has been Rs. 75 per Kg against the benchmark of Rs. 72/Kg in the area*). In other words lowering production cost by better feed conversion ratio, lesser consumption of medicine or lesser mortality is incentivized.

As soon as the birds are lifted, with live-weight ranging between 1.5 kg to 2.0 kg per bird, this is confirmed by an SMS to the Grower and the ETS Based on these numbers the actual Grower Charge is credited to the bank account of the grower, within a period of 2-3 days. This

### **S. Raghupathy:** Vill: Kanakkampalayam

One of the very old growers. From a family of farming background. Family owns 56 Acres. Father sent for engineering education. After completing BE (Civil) started taking contracts. Loved to continue farming.

Continued farming while taking up civil contracts, managed by his Overseers.

Knew Soundararajan and family and their work with poultry. Joined poultry activity in 1987. Set up a poultry-shed for 9,500 birds. Estimated @ 10,000 sft. but was provided as 9,500 birds as per space requirement estimations by experts. Invested Rs. 5.0 lakhs in 1987. Adopted deep litter system. DoC and feed supplied by Suguna.

As the old poultry-shed got older, built another shed for 5,000 birds, with an investment of Rs. 5.0 lakhs in 2003.

Very happy with the support services from Suguna. He gets his grower charges based on the weight of birds picked up. Gets an SMS confirming data, which he needs to acknowledge by SMS.

He was especially appreciative of the present arrangement during the recent Coronavirus Pandemic and an earlier glut in the poultry industry in 2018, which did not affect his cashflow.

He is planning to invest another Rs. 9.0 lakh in building a new poultry shed of 10,000 birds and discontinue the old one.

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

was irrespective of the price at which Suguna Poultry managed to sell the chicken.

This business model therefore, made the poultry grower (i) free from any market risk; (ii) freedom from all entrepreneurial decisions; (iii) assured supply of all raw-materials in a scientific mix; (iv) door step delivery of various advisory services, especially related to the health of the birds; (v) prompt transfer of accurate data about quality and quantity of the material traded; and (vi) assured transfer of funds to his bank account. All the growers contacted, though not as a rigorous sample, expressed their satisfaction, with this arrangement. Though in recent years some other companies have also tried to provide similar package of services, they found Suguna more stable and reliable.

### **Grower Profile**

As Suguna is a business entity, with no specific objective of making a socio-economic impact, it does not maintain a running data set of socio-economic profile of its growers. Whatever socio-economic impact it is creating in terms of generating employment in the rural areas is incidental to their primary effort.

But as mentioned earlier B Soundararajan was of the view that farmers who are not willing to involve themselves and plan to take up poultry production with hired hands were not suitable for any animal husbandry work, which does well only under personal care and supervision. In their estimate, a farmer can at best look after poultry of 10,000 to 20,000 directly. Hence, they classified the growers into three groups: (i) Small and Marginal Farmers with a batch size between 2,000 to 4,000 (ii) Medium Farmers with a batch size between 4,000 to 7,000; and (iii) all other farmers with batch size larger than 7,000 were classified as large farmers.

However, at this stage the terminology used needs a closer look. Though the terms used, such as small and marginal farmer, medium farmer are similar to the ones used by the Government of India, definitionally they are not same. Some of the essential conditions for farmers to get contracted by Suguna is that they own the land on which they constructed their poultry shed. That too of the size good enough to accommodate 5,000 birds. Roughly estimated @ 1.1 sq.ft/bird, this works out to be 5,500 sq.ft. This, at the current rate prevailing in Udumalpet of Rs. 2.20 per sq.ft, is an investment of Rs. 12 lakhs in 2020-21 prices.

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

**Karthikeyan M**, Vill: Sellamal Jakkampalyam

Karthikeyan is son of a middle farming family with landholding of 5 acres. As in judgment of his father, the two siblings will not have adequate land, he was sent for engineering education. After completion of his diploma, he also got a job in a private firm. But he preferred to return back to farming than continuing with his job.

With his little savings and some support from the family he set up a 5,000-bird poultry-shed in 2020. By this time Suguna Poultry was quite well known in the area. He met the experts there, who informed him that he needs to build a poultry-shed for at least 5,000 birds, ensure water and power supply. He would be provided with the number of DoC that can best be accommodated in the shed, given the ambient temperature, starter feed for 8 days. One Executive Technical Services (ETS) will visit him every day during this period. All necessary medicines and vaccination would be supplied by the Company.

After this period of intensive care, the frequency of ETS visit will be reduced. By 30-32 days, when the ETS finds the birds ready to be culled, it would be informed to the Live Bird Division. Karthikeyan would receive his grower charge, based on the body weight of the birds supplied.

Karthikeyan started getting a steady return, without any further investment, which was higher than he could have expected from a bank. He has recently invested to make his poultry-shed fit for 10,000 birds. Yet to reap the full benefit of this investment.

### Case Writers' Analysis

In this section, having presented the various case facts, I would like to present some of the features of this intervention that has contributed significantly in the success of this poultry intervention.

#### *Entrepreneurial Function:*

Right from the beginning we see that the two brothers, B Soundararajan and G.B.Sundararajan have played a critical entrepreneurial role of looking at opportunities and converting them into viable business action. This is both foresighted and creative. When they faced the problem of input supply, they looked at it as an opportunity to set up feed business as they conjured up that most other poultry farmers in the area must also be facing the same bottleneck.

They converted the need for aggregating produce for better marketing into providing an outlet for marketing chicken and eggs for all poultry growers, who anyway came to their store for procuring their raw material.

Foreseeing price stagnation in Tamil Nadu with increasing poultry production, they started exploring outside markets. As a part of their backward linkage efforts, they were not only willing to go to Sri Lanka, but extended their business in other nations like Bangladesh, Kenya and propagated their model there. As formal banks and investors were not willing to extend

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

financial service to them, they took a calculated risk of approaching the private Money Lenders. Even during the bad period of the industry, these informal sources not only helped them tide over financial crunch, but also build new links with poultry growers in the area, who were also facing the problem of liquidity.

Another important entrepreneurial character was that of willingness and ability change and improve the model they were working on quickly. As we can see in the case, they have changed their business models, whenever a new opportunity has surfaced, or some constraints have emerged. But not only about the business model, they have experimented with different breeds, different growing processes, different technologies and have chosen to discontinue ones that has not yielded envisaged benefits.

**Quick Decision Making:** As there were no collective decision-making process involved, they could take these decisions quickly between the two brothers.

**Nature of Grower Segment:** Though Suguna Poultry works primarily with Small and Marginal Farmers, the nature of these contract poultry growers is significantly different from what is commonly referred to as small and marginal farmers. Though not explicit, all of them had to be landowners where they could build a poultry shed with a capacity of at least 5,000 birds, costing at 2020-21 prices around Rs. 6 lakhs. Most of the young persons from these families were educated. Most of them had made a choice to take up poultry production as a contract farmer. There were clear communications about the number and weight of the birds delivered, their weight, and charges payable on SMS. Most of them could read and comprehend such messages.

**System Based Operation:** Suguna over time has developed various systems. Suguna over time has developed various systems. These have further been strengthened with the development of the information technology. They have developed systemic thinking across the different divisions of the organization.

There is a Market Division, which earlier was located in the Corporate Office and have been later moved to Bengaluru. Based on their last few season's performance and expectation from the market outlook they project expected market sales, a few months in advance.

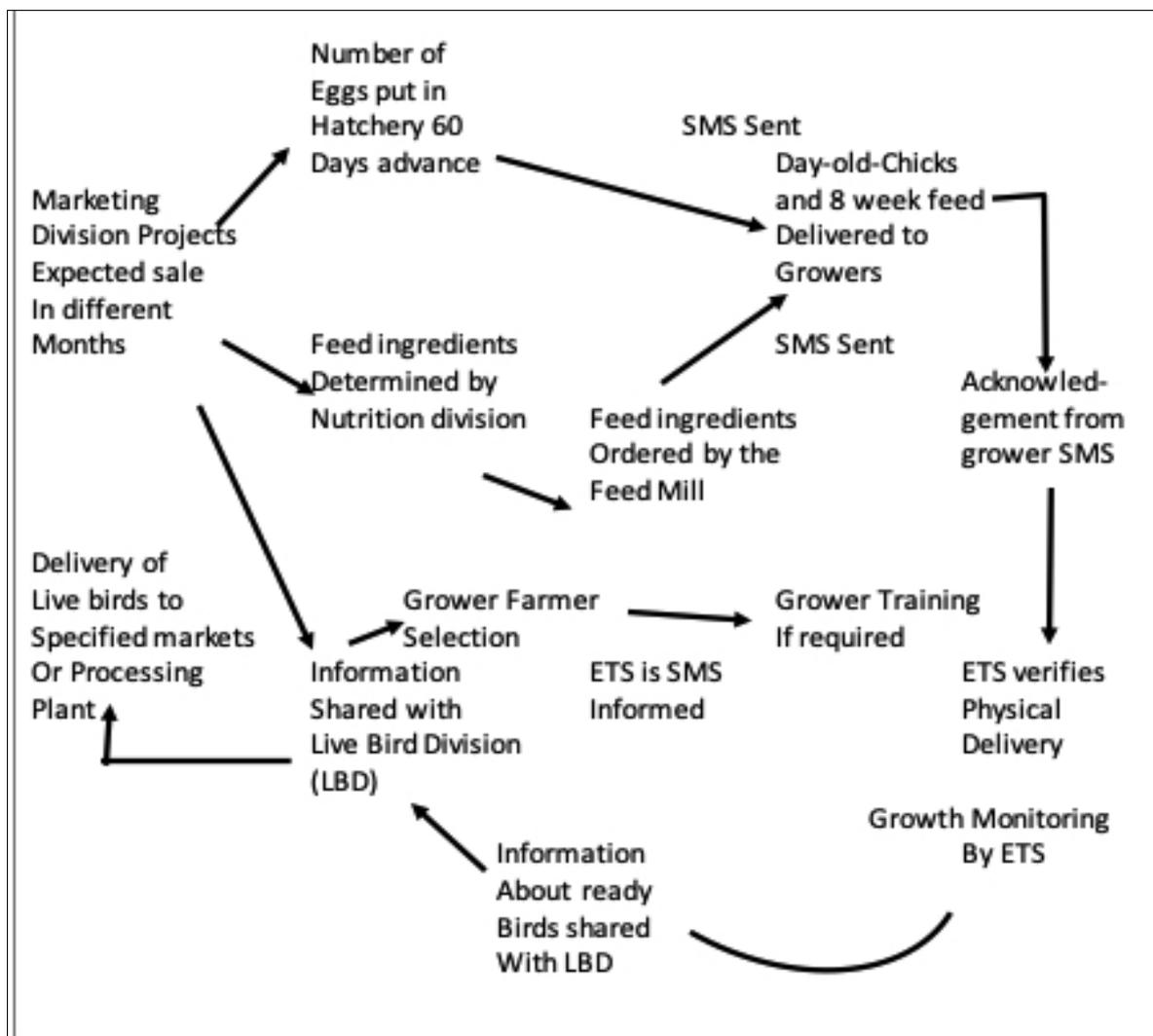
This information about the expected market is passed to the Hatcheries, Live Bird Division and the Nutrition Divisions of the Company. The hatcheries division place required number of eggs, adjusted for expected mortality in different seasons, 7 to 9 weeks in advance. These DoCs are distributed to poultry growers, as planned by the Live Bird Division, who continue to sit in the Corporate Office.

Based on the growing floor space available with different trained growers and the ambient temperature requiring different space in different locations, they work out the number of DoCs to be distributed to different growers. The nutrition division works out the different quantities of feed required for different number of DoCs in different locations and procure the raw material. Therefore, this function is managed by the Nutrition Division, directly reporting to the Managing Director at the Corporate Office.

Similarly, systems for distribution of DoCs, week-wise requirement of their feed, medicine

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

have also been developed. While the growers are incentivized for body-weight of the birds and cost of production, the staff are incentivized for adherence to systems and cost control.



### *Human Resources and Succession Planning:*

Case facts illustrate well the learning and implementation orientation of the promoters and their foresight with pro-active action taken. After attending one training program in a B-school B Soundararajan, realized that every-one-doing-everything is not a very good thing for their growth. Though their organization was not very large, he started designing 'divisions' in the organization, with different recruitment processes.

As they were convinced that different functions in the poultry business required different sets of skills which were not available in the current University programs, they contracted the Agriculture University and the Social Science Colleges to design specific courses to train their staff. In order to improve poultry sector expertise, knowledge and to bridge gap of professionals in the sector they set up their own institution, Suguna Institute of Poultry Management which is affiliated with Alagappa University offering Diploma and Degree courses, with investments exceeding Rs. 100 lakhs. This also indicates the significance they gave to keeping their manpower trained.

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*



Suguna Institute of Poultry Management<sup>5</sup>

By this time, Soundararajan had crossed the age of 50 he started planning for succession of the company. Suguna Foods Pvt. Ltd. which handled the poultry business was managed by his brother Sundararajan. He also sent his son, Vignesh, to Spain to pursue higher education in management. After returning from abroad, Vignesh was put through the ranks and file before being elevated to the position of the Executive Director. He feels quite confident to take the company through to greater heights, even through various turmoil. This careful and meticulous planning of human resources have also contributed significantly to the growth of this institution.

### *The Context of Production:*

Tamil Nadu, where the Suguna Chicken started its operations is a leading non-vegetarian food eating State. A recent Government survey indicates that only 30% of Indians over the age of 15 are vegetarian and that 97.65% of Tamil Nadu is non-vegetarian. As a result, Tamil Nadu has had the traditional market for non-veg products. Amongst these the red-meat is the most expensive followed by the fish, followed by chicken. As a result, many people, especially the not-so-rich consume chicken regularly.

Furthermore, some of the districts in Tamil Nadu, such as Namakkal, Erode, Karur, has been traditionally been centers of egg production. As a result, many of the related and support industries for poultry were in favorable conditions for growth, though Suguna Poultry focused primarily on chicken for meat purpose only. But it can be argued that from the perspective of a domestic market and favorable production condition, Tamil Nadu was well suited for a poultry intervention.

---

<sup>5</sup> This photo and the others in this case study have all been taken from the Suguna Foods website <https://www.sugunafoods.co.in/>

## *Suguna Foods: Taking Poultry Production to Scale for Commercial Farmers*

### *Backward and Forward Linkages:*

Suguna Chicken has integrated the value chain quite effectively building various backward and forward linkages, wherever they have seen a scalable opportunity. As articulated by B Soundararajan profitability, sustainability and scalability has been some of the prime decisive factors in their integration of any activity of the value chain, in India or abroad. As a result, today Suguna Group produces parent-stock germplasm, to hatchable eggs to Day-old-Chicks to whole chicken, dressed chicken, chilled chicken, frozen chicken to several ready-to eat poultry products, supported by poultry medicine, vaccines and different types of poultry feed.

### **Concluding Remarks**

The idea of de-risking the poultry growers, thereby assuring them an income commensurate with the work and capital they put in, has helped Suguna to expand rapidly. The commercial farmers of India are very risk averse because of their experience in crops where they faced both yield risk due to weather and pests, and price risk, due to market fluctuations. In years of bumper crops, process crashed so they did not earn as much as they expected and in years of low yield anyway they did not enough to sell. Thus a de-risked model really appeals to them. There is lesson in this for many other businesses which can run on this kind of a micro-franchise basis.

Suguna Poultry, with a holding company and several subsidiaries dealing in different poultry related products and services looks like a well worked out model for better-off poultry growers in India to help attain scale. However, one of the critical elements of this design has been the promoter entrepreneurs, the two brothers Sounderarajan and Sunderarajan. They built the enterprise not on the basis of formal education like MBA, but using their business instincts and learning from their experiences. They responded with foresight to changing business contexts from time to time. This kind of entrepreneurial element is not easy to ensure in a mere replication. That is why there cannot be 100 Sugunas even if all the details of what they do and how they do it are known.

It was also very good that the two had diverse styles and emphasis - Sounderarajan was more focused on Vision, Values, Long-term Strategy and Stakeholder Relationships, while Sunderarajan was more focused on ensuring operational efficiency, keeping a check on costs and quality, business growth and team management. This brought comprehensive coverage of various aspects of the business and synergy between the short and the long-term.