

AGROFOOD PRODUCTIVE: CHALLENGES IN THE MALAYSIAN POULTRY INDUSTRY

| 12 DECEMBER 2020 | 11.00AM – 1.00PM | ZOOM WEBINAR |


Safura Abdul Malek
Pengurus AFPN/PGD



**AGROFOOD PRODUCTIVE:
CHALLENGES
IN THE MALAYSIAN POULTRY INDUSTRY**

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**12 December 2020 (Saturday)
11.00am - 1.00pm**

zoom

Moderator
Datuk Jeffrey Ng
Sr. Advisor and
Former President of
FLFAM

Speaker
Dr Yap Teow Chong
Technical Consultant
FLFAM

Speaker
Dr Subramaniam Perumal
General Manager Processing
Farm's Best Food Industries Sdn. Bhd.

Speaker
Mr Terry Tan
President
FLFAM

Speaker
En. Mohamad Sukri bin Yusop
Agrobank Regional Director
Region Perak

Objectives:
To explore the various strategies and avenues for the poultry industry to diversify both in nature and in scope, and to stay sustainable.

CPD Code/s: VAMCPD-2020.310 VAM CPD Points: 1

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Moderator: **Datuk Jeffrey Ng, Sr. Advisor and Former President, FLFAM**

Panel 1: **Mr Dr Yap Teow Chong, Technical Consultant, FLFAM**

Panel 2: **Dr Subramaniam Perumal, General Manager, Farm's Best Food Industries Sdn Bhd**

Panel 3: **Mr Terry Tan, President, FLFAM**

Panel 4: **Mr Mohamad Sukri Yusop, Agrobank Regional Director, Region Perak**

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Executive Summary

- This session focuses on ways to navigate saturated demand from consumers and potential to be explored at downstream sector of poultry supply chain.
- Panelist examine approaches to improve productivity and minimizing waste sustainably through recycling and conversion activities of poultry by-products.
- Panelist also shares on funding available for poultry farmers and producers and eligibility criteria in expanding their producing capacity.

A. **OPENING REMARKS**

- 4 panelists will be discussing on the topic.
- The objective of this session is to explore various strategies and avenues for the poultry industry to diversify both in nature and scope while staying sustainable.
- The objectives are:
 - To explore the various avenues and strategies for the poultry industry to stay sustainable in providing a nutritious and affordable protein for consumers

B. **PAPER PRESENTATION**

Panel 1: Mr Dr Yap Teow Chong, Technical Consultant, FLFAM

Highlights from the Presentation

- There are 3 different type of poultry processing namely:
 - Primary poultry processing involves slaughtering, bleeding, defeathering, and removal of intestinal pack, lungs and kidney. This processing requires basic skill and minimal training. Small poultry slaughterhouse produces standard dressed chicken and VHM slaughterhouse produces super dressed chicken. Super dressed chicken is a basic dressed chicken that has had the neck, head and feet removed.
 - Secondary poultry processing is done in a bigger plant where birds processing are done with the help of cutting edge equipment. Dressed whole chicken are processed and cut into various parts as per industry standards. Workers are trained and skilled; more investment are required for the processing plants.
 - Tertiary poultry processing is also known as further poultry processing (FPP). The facilities which are typically located next to slaughterhouses is either a part of the same company or from independent producer. This is value- adding processing activities that involves highly skilled workers from operators to the management team. Consistent R&D

activities are done to regularly introduce new product into the market. FPP products mostly are ready to cook or ready to eat products.

- Processes in FPP consists of:
 - Marination; where manufacturers use machine like vacuum tumblers and injection marinators for better result and productivity.
 - Formed products are blended meat are mixed and formed into various shapes or stuffing raw mixtures into casings or molds.
 - Restructured meat is a modification of meat into desired size and shape that may look similar to the original parts.
 - Ready to Eat (RTE) meal are processed meat that have been cooked and prepared ready to be consumed upon purchase at QSR.

Key challenges

- Malaysian poultry market has reached saturation point. Product innovation through FPP are required to create more market locally or internationally.
- Competition from imported chicken meat hampers opportunity and investment for secondary poultry processing. Consistent and supportive policy that ban meat import would provide more interest on investment in downstream processing facilities.
- Reliance on foreign workforce at processing facilities makes the industry susceptible to instability of labour supply.
- Lack of development and promotion on export trade particularly on FPP. Government could provide incentive to encourage partnership between local player and multi-nationals company to spur export opportunity.

Recommendation

- n/a

Panel 2: Dr Subramaniam Perumal, General Manager, Farm's Best Food Industries Sdn Bhd

Highlights from the presentation

- Agrofood as part of food industry, are among few industries that produces large amount of waste. This puts pressure on the industry to reduce waste and improve by-products recovery. This also helps in production and land field cost optimisation.

- Resource recovery refers to turning waste into feedstock to create valuable output. Reduce in this context is to decrease the amount of waste generated. Recycle denotes recovery activities of converting waste into valuable products.
- Recovery/ recycle in poultry industry may save or consume energy. However, product produced from this activity are profits to the company and environmentally friendly.
- Poultry processing produce waste such as feather, blood, inedible chicken parts, solid waste, water and heat.
- Management of Waste:
 - Solid waste. Composting and biogas producing are typically done at the upstream phase of poultry supply chain. Introducing manure to processing plant poses biosecurity issues. Rendering plant is used to convert waste into value- adding material efficiently.
 - Feathers are hydrolyzed in rendering plant to be converted into digestible protein as feed ingredients for birds. this is done through rendering plant where feathers are heated and pressurised to break down the protein bond for better digestibility.
 - Inedible offal/ chicken parts are heated to high temperature and separated between solid and oil. Offal is decontaminated for usage as feed ingredients.
 - Sludge water. Sludge is pressed to separate water from sludge before being cooked and dried in rendering plant. Cooked and dried sludge are used as fertilisers.
 - Liquid waste (water). Used water is high in organic matter protein, fat and microorganism. Majority of soluble and particulate matter must be removed before being discharge from plant as per EQA 974 requirement. Water treatment at plant uses ultrafiltration technology which employs pressure- driven materials separation based on molecules size. Ultraviolet disinfection is also used subject to dosage identified.
 - Rendering plant generate large amount of heat from various equipment needed to process poutries. Heat generated by this equipment could be recovered for sanitation usage among other few. This in turn save energy consumption to generate heat.

Key Challenges

- n/a

Recommendation

- n/a

Panel 3: Mr Terry Tan, President, FLFAM

Highlights from the presentation

- In 2017, chicken meat consumption reached 52kg/ person.
- Kampung chicken forms a niche market within poultry consumers, accounting for 8% of consumption. Kampung chicken is chosen due to overall nutritional value and taste. This segment is growing along with higher standard of living.
- The majority of kampung chicken will be sold to local consumers through retailers, food operators (HORECA), hypermarket and processing into readymade food.
- Due to limited supply of kampung chicken, competitions are reduced with easy access to market. This could potentially contribute to better profit margin.

Key challenges

- There are limited numbers of breeders selling DOC of kampung chicks making supply of kampung chicken to the consumers limited.
- There are limited growth opportunity causes by limited market.
- Similar facilities are needed to grow and process Kampung Chicken. Investment is considered high due to higher feed cost.
- It is very hard to access performance chart of Kampung Chicken. The only information available are those provided by supplier from European countries on coloured-birds. There are limited information on small- scale farming of Kampung and vaccination information for this breed.
- Kampung chicken breed are mixed breed. There are no registered kampung breed to- date but DVS is working on registering this breed.
- With limited market size and economies of scale through small- scale farming, business sustainability is challenging.
- Technology advancement may increase or reduce demand for kampung chicken e.g. discovery on new gene for broiler chicken that has similar taste and nutritional value.

Recommendation

- Gene bank that identify and register Kampung Chicken breed could help Malaysians to identify and choose the breed sought after and improve support provided to the farmers.

Panel 4: Mr Mohamad Sukri Yusop, Agrobank Regional Director, Region Perak

Highlights from the presentation

- Agrobank provides financing to industry players at every phase of the value chain.
- Type of funding by Agrobank:
 - Commercial Fund is funding derived from the public deposits. This funding provides up to 100% invoice value financing, short term financing without any commitment and profit charged on actual financing period.
 - Government Fund is funding allocated by government agencies, disburse through Agrobank. A budget of RM1Billion is allocated for this purpose through Agrobank to increase Malaysian food production for domestic and export market. There are various categories of financing with respective budget allocated per categories for different purposes with different payment terms.
- Application is open to any individual of at least 18 years of age, sole proprietor or registered company. For registered company eligibility, majority shares should be owned by Malaysian with business operating in Malaysia.
- Applicants are required to complete the required documentation and comply to the terms and conditions to be eligible for application. Business proposal must contain key information about their business and project.

Key challenges

- n/a

Recommendation

- n/a

C. PANEL DISCUSSION

- Panel 1 says that we need to look at utilising the whole chicken. The edible should be sold as food to consumers. Inedible by- product could be monetised through livestock industry e.g. aquaculture and swine. Other countries optimise yield from produced poultry by selling more parts such as gizzards and chicken feet. A closer look needs to be given to produced poutries to determine the best way to maximise yield.
- Panel 2 mentions that average usage of 26 liter/ chicken are accounting for plants of various size for processing whole chicken. Plants processing poutries into parts or FPP may use more water. Water reduction are not possible at chicken processing phase due to compliance to

standards and regulations; water savings should not be compromising food safety. Water saving is possible at non- processing areas. Producers are aware that reusing water that have been treated is more costly however, this is not relevant in cases where there are water supply disruptions. These treated waters are used on areas that is not susceptible to poultry contamination.

- Panel 3 remarks that kampung chicken consumes the same feed with slight variant in the nutrition value. Feed Conversion Rate (FCR) for kampung chicken is slightly higher than broiler chicken. This makes a difference in production cost for kampung chicken. Price of kampung chicken at the market is higher due to involvement of wholesaler in supplying the chicken. However, consumer could obtain supply of kampung chicken at directly from the farms for a cheaper price. Dato' Jeffry Ng adds that feed for poultries are governed by law to protect consumers from any health hazards. Consumer should not worry about feed supplied to poultries.
- Panel 4 mentions that 3F and AF are 2 different fundings. Farmers that has hit the maximum limit for one fund can apply for funding in the other fund. It usually takes one month for the whole process to be completed.
- Panel 3 advise that in free range farming good vaccination programme are required for birds. Birds need to be kept in proper enclosure at night with wire mesh to prevent contact with wild birds. Feed should be stored in proper facilities to prevent wild birds scavenging for food. Regular disinfectant at farms area lowers risk of infection.

D. SUMMARY OF THE SESSION

- Panelist presents on the type of processing for poultries that could be categorised into 3 categories; primary, secondary and tertiary processing. Participants are encouraged to explore further processing of poultries to create niche demand and bigger market in both domestic and export market. Government is also urged to support producers by opening bigger opportunity abroad to sell Malaysian poultry products apart from protection mechanism for Malaysian farmers and producers.
- Optimising poultry by-product can be profitable activities that improves waste management and conversion of by-products into feed materials for birds or fertilisers.
- Kampung chicken makes up a fraction of total poultry consumption in the country. While it has potential for growth, a lot of works are required to improve knowledge on kampung chicken and develop bigger market for this segment.
- Government has put up substantial amount of fund for Agrofood sector to assist select farmers and producers in expanding their production capacity in various phase of the supply chain.