

# *Value Chain Analysis for Broiler Production*

**Demet Çiftçi**

Yapı Kredi Bank

Agricultural Banking Marketing & Sales Manager

Istanbul / Turkey

[demet.ciftci@yapikredi.com.tr](mailto:demet.ciftci@yapikredi.com.tr)

+90-212-3397810

# Agenda

- Agriculture in Turkey & Statistics
- Agriculture in Yapı Kredi
  - Agri Banking Main Structures
  - Integrated Value Chain Approach
  - Analysing Value Chain Model
- Study Case: Broiler Production Value Chain Model
- Q&A

## Yapi Kredi is the 4th biggest private bank in Turkey



- 71 years' history
- 10,6 million customers
- Over 1.000 Branches (250 of which in rural areas)
- Almost 19 K employees
- Over 3.600 ATMs
- Market leader in credit cards, leasing & factoring
- 250K farmer customers
- 1.5 billion outstanding agri loans volume (directly to farmers)

# *Agriculture In Turkey*

# Agriculture in Turkey

Share in GDP

9%

Share in Labor Force

20%

Share in Export

12%

Share in Land

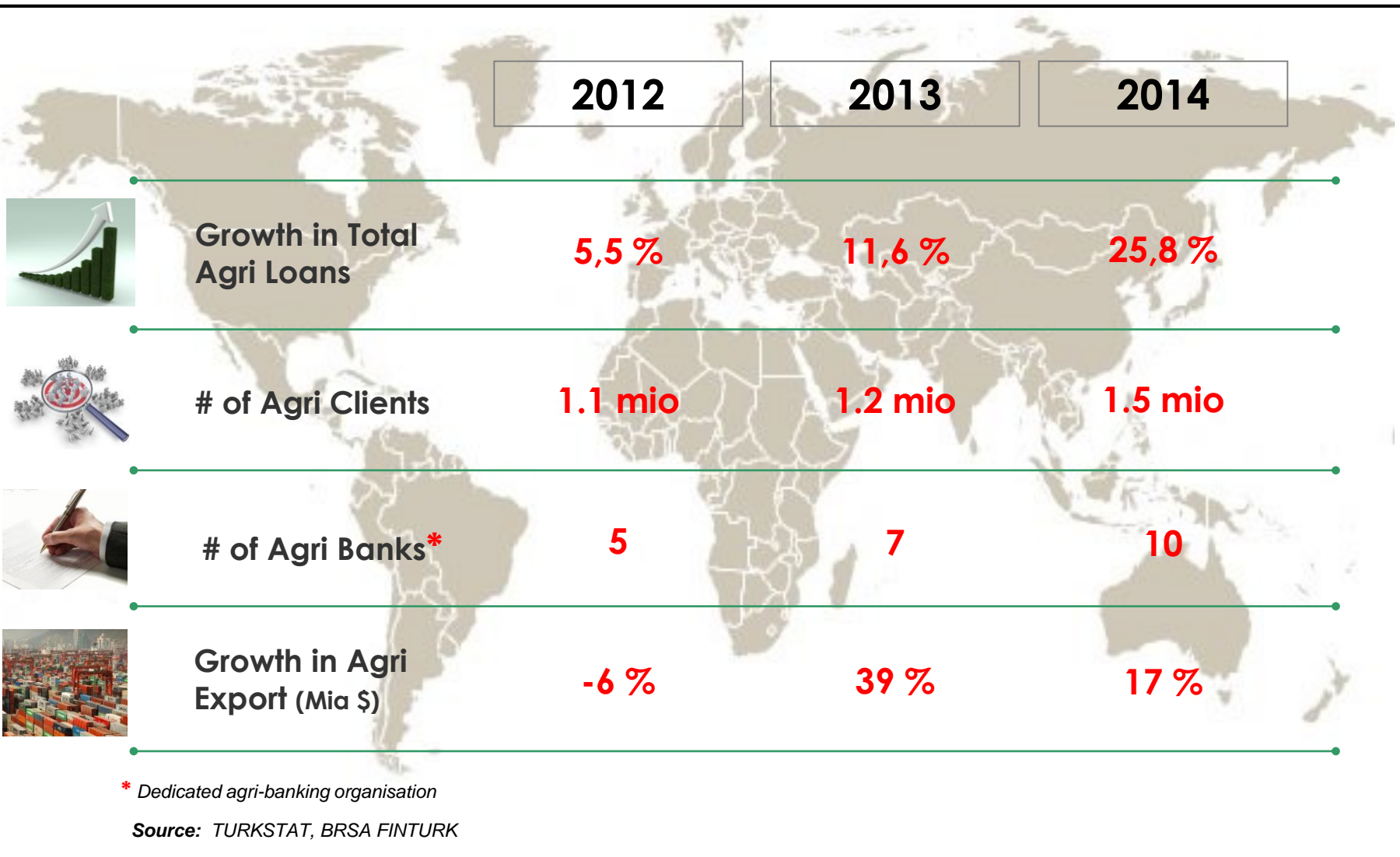
9%

Advantages

- Productive & Good Quality Agri Lands
- Longest Sunshine Hours (7.2 hrs/day)
- Legal Arrangements favor quality, productivity and modernization
- High Percentage of Arable Land
- Major Exporter of Many Agri Products

Source: Turkish Statistical Institute 2013

# Main Statistics



# Agri Production Pyramid for Turkey

## Characteristics

- Complicated banking services

- Modern and productive farms
- High demand for investment loans
- Reasonable spread with lower NPL rate

- High demand for Working Capital Loans
- High spread but requires close attention for NPL

- Not suitable for banking services

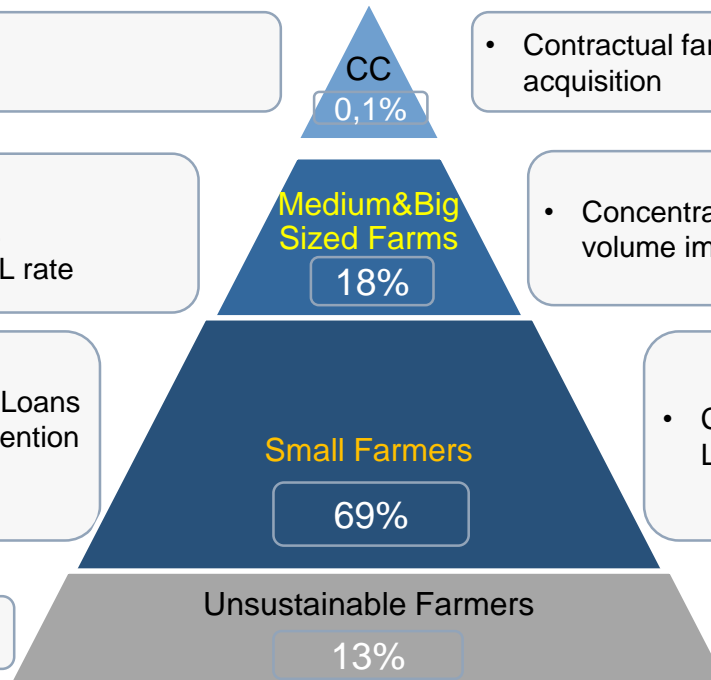
## Opportunities

- Contractual farming opportunities for Agri client acquisition

- Concentration on investment loans with high volume impact

- Concentration on Working Capital Loans and Agri Card with pre approvals

- Eliminated by min. capacity policy



Out of 3 million registered farmers, 2.6 millions are bankable.  
Total banked farmer size is around 1.5 million



# *Agriculture In YapıKredi*



# Agri Banking Main Structures



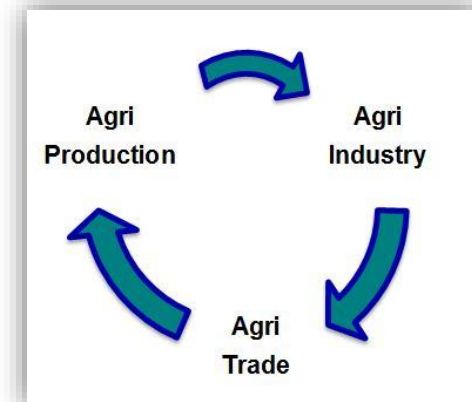
## Family Farming

- Micro clients
- Automation required
- Located in rural areas & villages



## Value Chain Integration

- Cross business penetration
- Bulk acquisition
- Payback guarantee



# An Integrated Value Chain Approach

- finance models based on transaction streams
- off-take contract and tri-partite agreement
- bank involvement to quality based payment system
- automated & fast decision making process and credit SLA's
- monitoring and communication with corporate buyer is one of the key roles
- main risk is the performance risk for both processor & the buyer

**A win-win-win situation for the farmer,  
processor & the bank**



# Analysing the Value Chain Model

*A tailor-made analysis by Marketing Department for each and every Agri Value Chain agreements*

1. Gathering the possible Value Chain request via «**VC Project Form**»
2. Industry Analysis
3. Statistics
4. Expectations and market perception
5. Entry points for the Bank
6. Products/services to be presented for the VC
7. Requirements to build the model and meet the off-takers' expectations (product developments, IT & infrastructure requirements, changes for policies, etc. If necessary)
8. Forecasting
9. Project Plan & Actions / Strategies & Proposal

# Value Chain Project Form

## VALUE CHAIN PROJECT REQUEST FORM

Name of the Sectors / Products within VC	
Hinterland of the VC	
Name of the Related Regions / Branches	
<b>DETAILS OF VC</b>	
Name of the Manufacturer(s)	
Is the Manufacturer(s) existing customer of our Bank? <i>(if so, please give the Customer ID no)</i>	<input type="checkbox"/> Yes    ID: <input type="text"/> <input type="checkbox"/> No
Number of Farmers	
Other Parties within the VC	
Total & Per Farmer Production Size (ha/quantity/volume)	
Is There An Official Contract Between the Parties?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Flow of the VC <i>(please give as much detail as you know, together with harvest periods, numerical info such as prices)</i>	1-
	2-
	3-
	4-
	5-
	6-
	7-
	8-
<b>Suitable Services/Products for Parties of the VC:</b>	
Loan Types	For Farmers: For Manufacturers: For Other Parties:
Other Services to be Proposed for the VC	
Estimated Loan Amount per Farmer	
Proposed Collaterals <i>(indicate other collaterals as well, if there is no possibility to get assignment of claims)</i>	
Your Request for Pricing of Loan and Other Services	
<b>Do you need promotion budget?</b> <i>(If yes, indicate the amount)</i>	11

- Regional Agri Supervisor prepares the Project Form, sends to Agri Marketing Dept. in Head Office, as an email attachment
- The form is a free-format document. Regional Supervisor may write additional areas & info
- Hinterland, customer info, expected model & workflow is explained
- Estimations and pricing necessities are defined

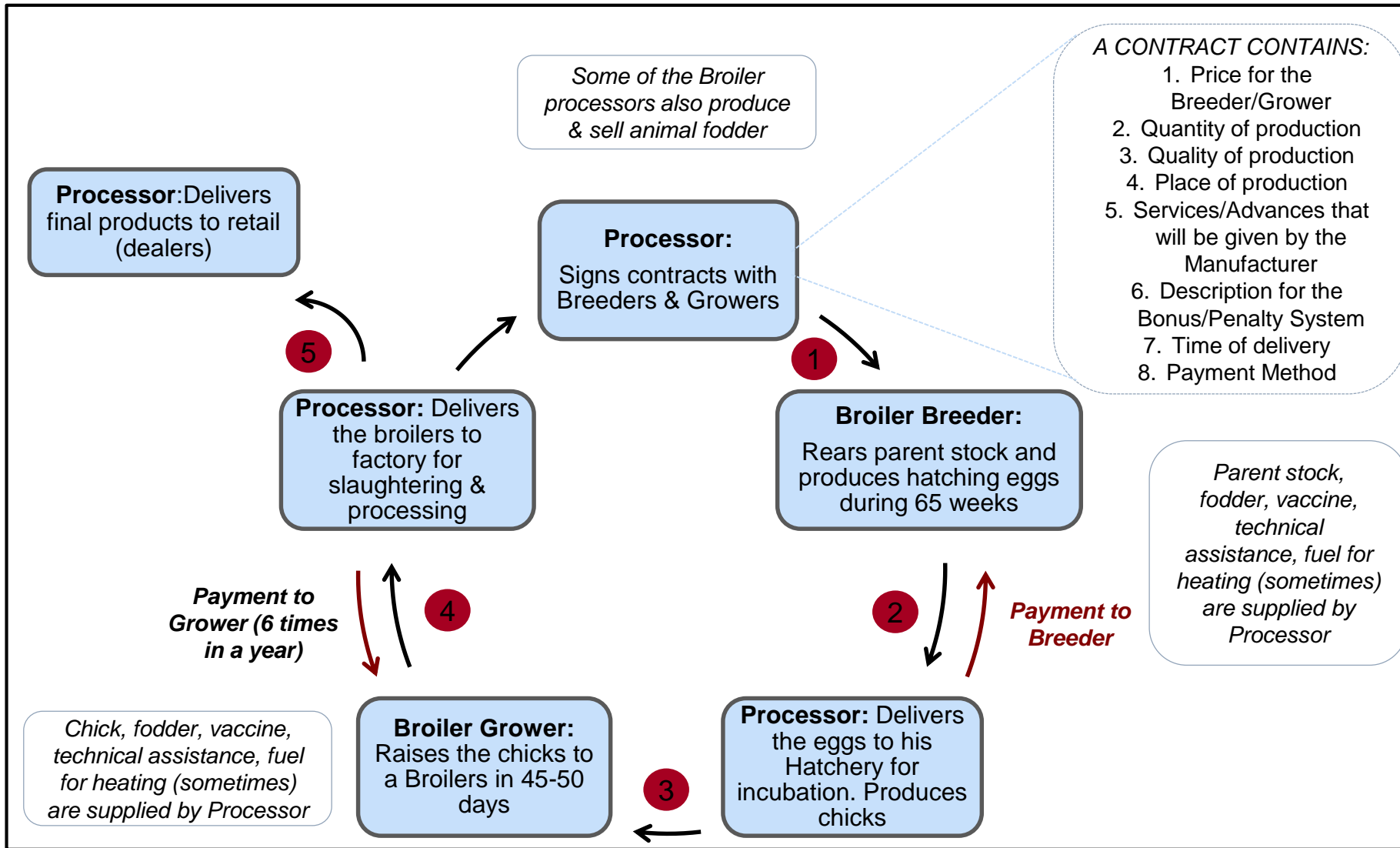
# Analysing the Value Chain Model

*A tailor-made analysis by Marketing Department for each and every Agri Value Chain agreements*

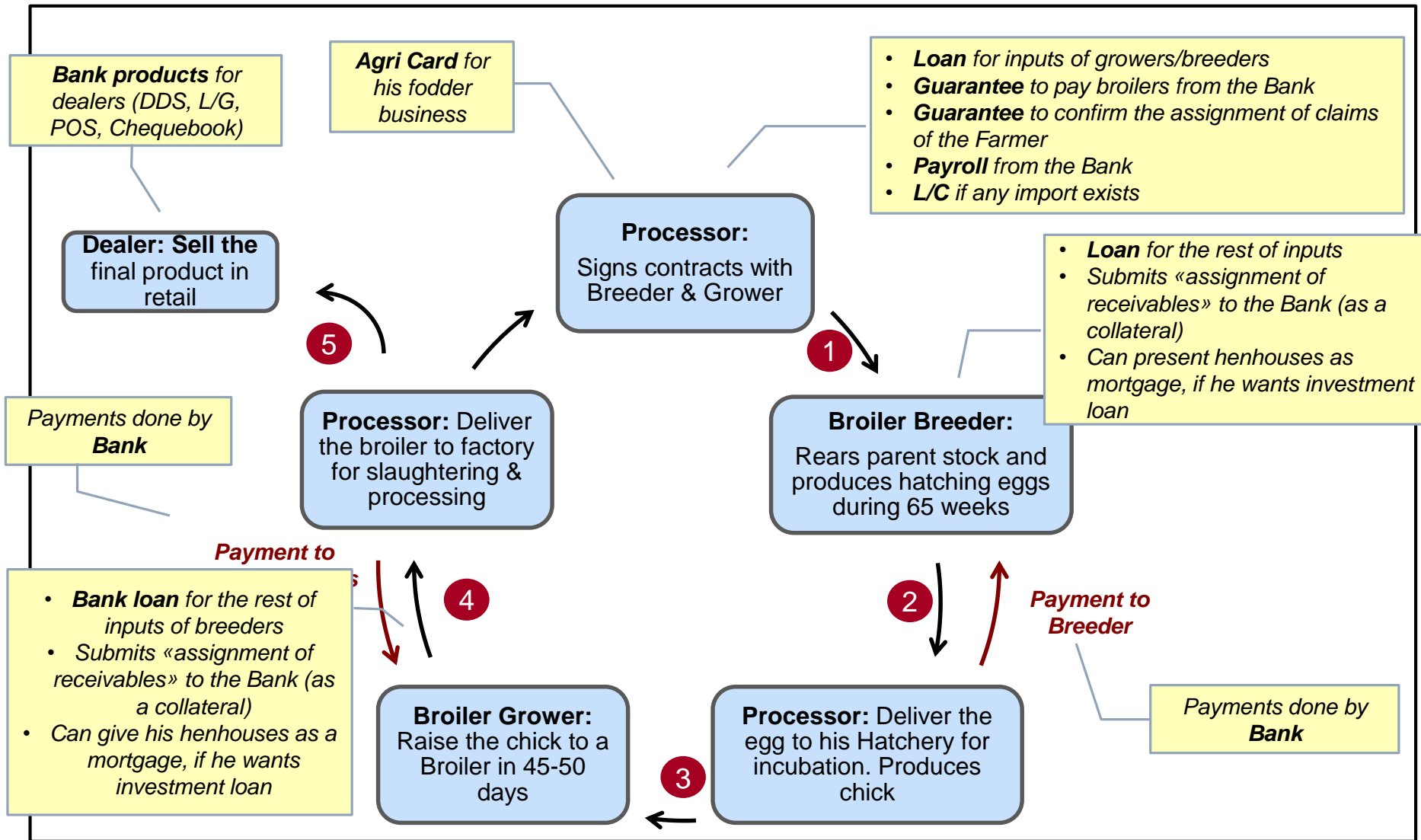
1. Gathering the possible Value Chain request via «**VC Project Form**»
2. Industry Analysis
3. Statistics
4. Expectations and market perception
5. Entry points for the Bank
6. Products/services to be presented for the VC
7. Requirements to build the model and meet the off-takers' expectations (product developments, IT & infrastructure requirements, changes for policies, etc. If necessary)
8. Forecasting
9. Project Plan & Actions / Strategies & Proposal

*Study Case:  
Broiler Production  
Value Chain Model*

# Flows of Value Chain Model & Entry Points for Bank



# Flows of Value Chain Model & Entry Points for Bank

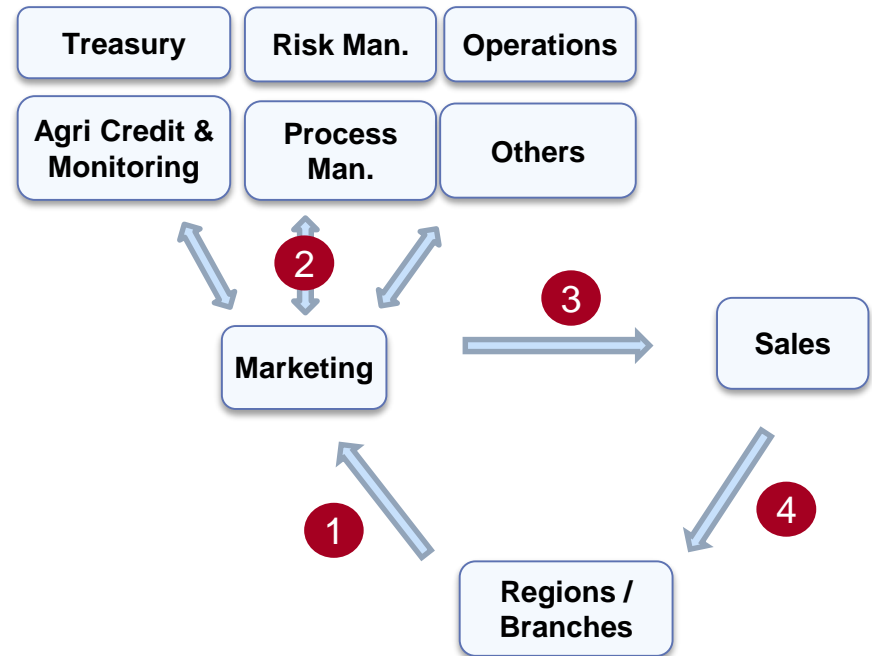




# Value Chain for Broiler Production

## VALUE CHAIN MODEL STUDY

1. Demand and Information flow for a specific Value Chain Finance from Branches & Regions or Marketing Dpt
2. Agri Marketing Dept.:
  - Defines
  - Measures, Analysis
  - Produce Project Report
  - Develop Product & Sales Strategy for VC with the help of other parties within Bank
3. Agri Sales Dept.:
  - Prepares an Action Plan
  - Implement strategies
  - Design Campaigns
  - Monitor the results for the VC



# Project Report for Broiler Industry Definitions

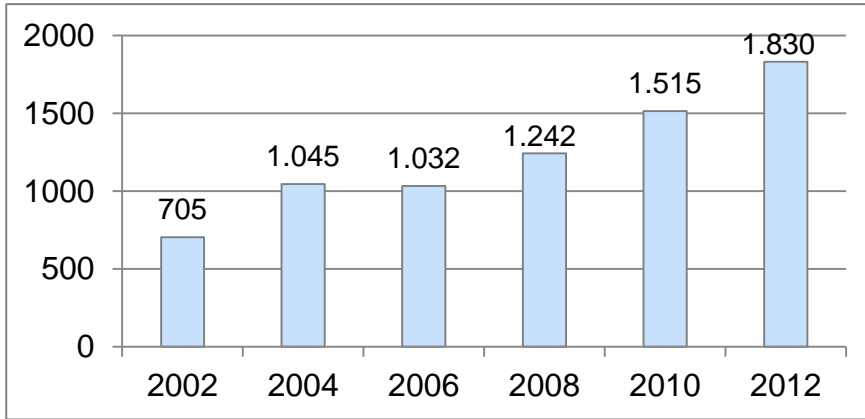


- **Poultry:** Domesticated birds (chickens, turkeys, ducks) produced for eggs, meat or feathers
- **Broiler:** A variety of chicken specially developed for meat production
- **Inputs for producing broiler meat:** Broiler chicks, fodder, water, electricity, oil/coal, wood shavings (for underlay), vaccine, pesticides, antibiotics, labor
- **Processor (sometimes called Integrator / Contractor ):** Manufacturer who buy mature broilers from the farmer (grower), process them for the final product. Also called «integrator/contractor» if he supplies inputs for broiler farming and use contracted farmers to grow broilers
- **Breeder Broilers (Parent Stock) Farm:** A farm to rear parents of broilers under technically controlled conditions, generally 40x400 feet in dimension, uses black-out system and has 10-15K parents capacity
- **Broiler Growing Farm:** Broiler houses, owned by a farmer, using using intensive methods of growing, generally 500 x 50 feet in dimension, and has 20-25K broiler capacity

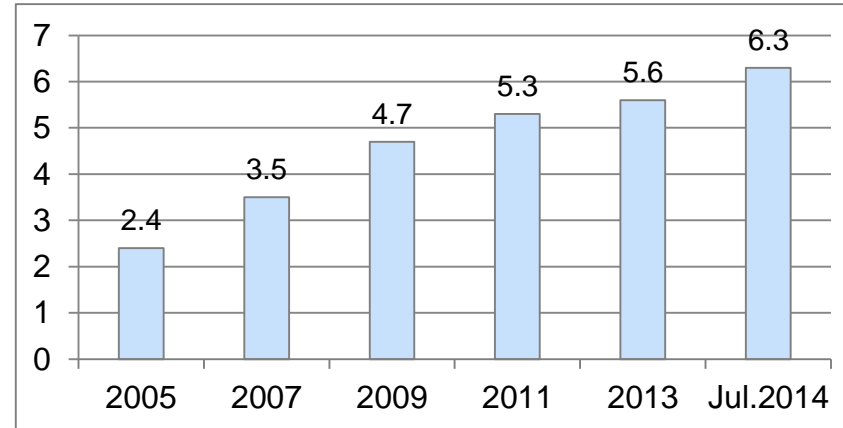


# Statistics – Production & Consumption & Prices in Turkey

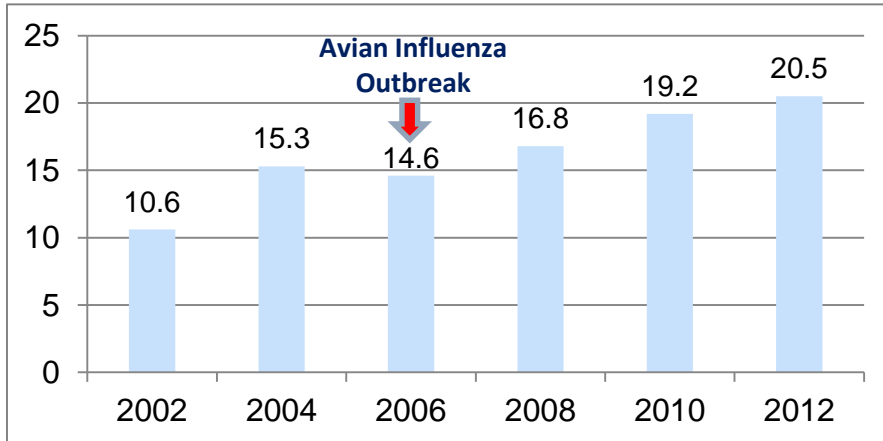
(MT) **Broiler Meat Production in Turkey**



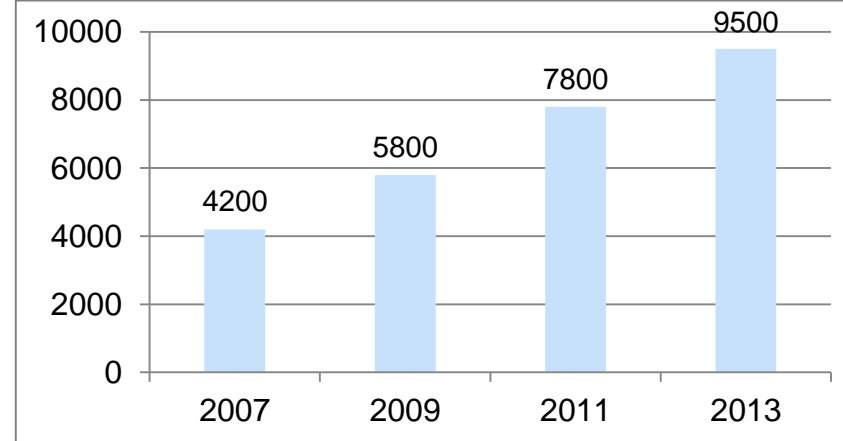
(TL/Kg) **Broiler Meat Prices in Turkey**



(Kg) **Broiler Meat Consumption – Per Capita**

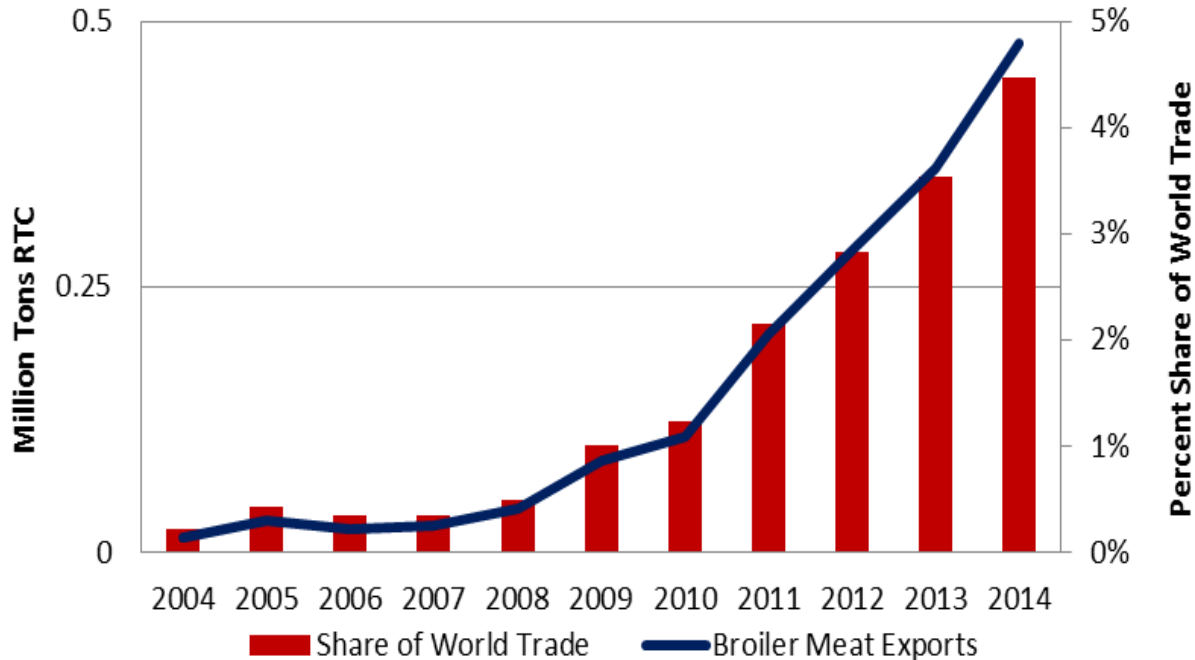


(mln TL) **Broiler Meat Production Value**



# Statistics – Turkey's Broiler Exports

## Turkey Broiler Meat Exports Rise and Achieve World Market Share



- Broiler meat exports recorded as 431,000 tons (700 Mio USD) in 2014, up from 42,000 tons in 2008.
- Although Turkey has only achieved a 4 percent share of the global market, shipments are primarily to the Middle East, a stronger growth region

# Are there any public perceptions that affect the supply/demand?

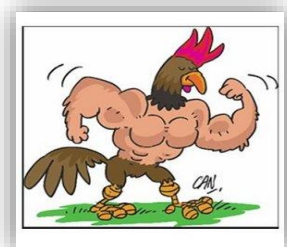
➤ Market Perception is quite vital. A positive perception and uprising trend is necessary.

- **Positive public opinions:**

- Increasing awareness about «white meat» for a healthier life (*All of the manufacturers concentrate on this issue with different methods*)
- Chicken meat requires less resources and is cheaper than red meat

- **Negative public opinions & challenges:**

- Hormones & antibiotics are used to grow broilers: Ministry and Manufacturers' Association produces media releases about misconceptions
- Animal welfare is violated: Manufacturers are increasing their capacity for free-range and organic production



# Profitability and Credibility of a Broiler Farmer

## Profit of a sample Broiler Farmer of 20K chicken capacity

REVENUES	
Weight per mature Broiler	2.5 kg
Payment for 1 kg (avg.)	0.4
Duration for 1 period of production	60 days
# of production periods within a year	6 times
<b>Sales Revenue (TL, yearly)</b>	<b>120.000</b>
COSTS	
	Unit Cost TL/Unit)
<i>Labor</i>	<i>0,07</i>
<i>Electricity, Fuel and Water</i>	<i>0,2</i>
<i>Repair and Maintenance</i>	<i>0,02</i>
<i>Underlay (wood shavings)</i>	<i>0,15</i>
<i>Others(General - Unexpected Expenses)</i>	<i>0,016</i>
Total Cost Per Unit	0.46
<b>Total Cost for 20K Broiler (x6 period)</b>	<b>55.200 TL</b>
<b>NET PROFIT</b>	<b>64.800 TL</b>

Data for VC Broiler production is embedded in the Bank's **Agri Loans Evaluation System** also, with a «Broiler Questionnaire» for efficiency and quality

The loan limits for this farmer could be:

Bank Products/Services	TL
Operating Loan (revolving/installment)	41.400
Agri Card limit	4.140
Investment Loan (5years maturity)	290.000
Create cash flow from broiler payments*	720.000
+ Products/Services to other parties of VC	(value)

\* 120K TL for 6 times in a year

# Contractual Broiler Questionnaire in Loan Appraisal System for RM

Quality scoring for Contractual Broiler Farming Loan	Unit
Total Capacity of the Farm (# of broiler)	
How many months is the farmer doing broiler production?	
How many months is the farmer doing production with the current contractor?	
What is the price of 'ready for delivery' broiler on the contract? (TL/kg)	
What is the type of «bonus» system for pricing?	FCR / Pool
Does the farm have its own veterinary?	Y/N
Does the farm have temperature & humidity control mechanism?	Y/N
Does the farm have Bio-Security Approval Certificate from the Ministry?	Y/N
Does the farm have Certificate of Operation from the Ministry?	Y/N
Does the Contractor cover any portion of heating costs?	Y/N

**Answers for above questions affects the quality scoring and loan limit of the producer**

- Agreements, protocols with Broiler Association
- Agreements with Processors
  - Mutual advertisements
  - Lower interest rate
  - Bilateral data sharing
  - Payments from our bank
  - Other products/services (esp. for dealers on retail side)
- SMS
- Field visits to farmers
- Agri Card campaigns for inputs of the growers



Hizmette  
sürekli  
yoktur.

**Yeminizi  
Verimli Kart'la alın,  
%0 faizle 5 ay sonra ödeyin!**

Verimli Kart'ınızla yem alışverişinizi  
Abaloğlu bayilerinden yapın, hasat zamanı geldiğinde  
kolayca ödeyin, rahat edin.

**ABALIOĞLU**

yapikredi.com.tr  
444 0 448

f t  
yapikredi

**YapıKredi**



# We have been mostly out of office



# THANK YOU

## Q&A

