

First the chicken, then the egg

Shalini S. Dagar June 23, 2010

For Vinod Kapur, the chicken came first, not the egg. But he never fancied the white, farmbred broilers. His passion is the Kuroiler NFG and FFG breeds, multicoloured birds like the country hen that are hardier, grow bigger, lay more eggs—and are a source of cheap protein for poor villagers. Branded eggs came later, in 2006, after he had built a name for Keggfarms Ltd. by breeding and selling Kuroiler chicks. Having given up the country manager's job at a multinational to expand his father's poultry hobby at Gurgaon in 1971, Kapur was cruising along with the usual hatch-and-sell-chicks business till India's liberalisation prompted him to hatch his first big idea, the Kuroiler.

Now, Kapur, 76, is out to capture urban India's table-egg market with his next big idea, the near-organic, almost-free-range, "Keggs". Kapur's base is his unique model of supplying Kuroiler chicks to village households across seven states. There are two kinds of Kuroiler chicken—the Kuroiler NFG is a prolific egg-layer in open conditions, while the Kuroiler FFG is good for its meat as it grows bigger than the country cousin without any special feed.

Although Keggfarms sold 1.6 crore Kuroiler chicks in the year gone by and hopes to cross two crore this year, three disastrous years preceded 2009-10. The bird flu pandemic of 2007-08 almost devastated Kapur's business as states like West Bengal had to cull the entire backyard poultry stock. He realised that rearing chicks makes for very unstable income. Could eggs give a cushion and help him continue his social initiative? Not the usual poultry egg, but premium eggs? Enter the Keystone Golden, a layer developed by Keggfarms.

"The poultry business is very volatile. We needed a stable revenue channel. So, four years ago, we decided to get into high value eggs, demand for which is relatively stable," says Kapur. Keggfarms, which reported a turnover of Rs 32 crore from its eggs and chicken business in 2009-10, has become an accepted egg brand in the Delhi and NCR market and plans to enter Mumbai this year. Kapur is trying to lay claim to the polar ends of the market—on the one end, the poor who value his Kuroiler chicks for the extra rupee they yield, at the other, the urban rich who are ready to pay Rs 90 for a dozen Keggs instead of just Rs 36 for the unbranded eggs. Can he do it?

The Kuroiler Wins Rural Hearts...

At the heart of Keggfarms' rural success is its understanding of what the poor villager

HELPING SMALL FARMERS

13 lakh Kuroiler chicks are sold to 1,500 mother units each month

Mother units shelter chicks for five weeks

1,500 vendors then peddle the chicks in villages

Around one million village households buy the chicks

No need for special feed, yet chickens are bigger than broiler

Kuroilers lay more eggs. 150 a year than ordinary hens

wanted from the poultry he or she would like to keep as an extra income source. Kapur found that poultry breeding in rural areas is usually done by landless farmers, the poorest of the poor, who are often of lower castes as well, and women. No fancy feed for these birds: they have to scavenge off the land.

"These were the absolutely phenomenal realities that we faced. Rural poultry did not make much money because the birds were small, low yielding, laid very few eggs," Kapur recalls. Was it possible to give these people a bird that could live in the same surroundings, lay more eggs, survive better and give more meat, Kapur asked himself. The genetics of such a bird was the first challenge.

The second was delivering it to far-flung villages, a few at a time. But selling day-old chicks—Kapur's business then— would not do: they would be easy prey for cats, dogs, kites and snakes. First, Keggfarms developed two strains of what it called the Kuroiler. Then, it co-opted small rural farms as "staging points" which would accept day-old chicks from Keggfarms and shelter them for three weeks, after which—by now sturdier—they could be sold at nearby villages to poultry rearers. Kapur chose the pheriwalas or traditional vendors who go from village to village selling everything from blankets to medicines and lanterns.

The Kuroilers were very efficient at converting waste into high-quality protein for the rural population. "We created a completely original network for distribution," says Kapur. Along the way, Kapur set up Indovax to make poultry vaccines. The turnover of the Keggfarms Group is now around Rs 100 crore, which includes Indovax as well as Evitech, which deals with micronutrition.

... And Keggs Aims for Urban Tables

So, what is this Kegg? Well, Kapur prefers to call it "near-organic", not organic, and stops short of calling it "free range" where the hens that lay the eggs are kept in large open enclosures that have their own shelters and perches, with no cages. But then he goes overboard: it's the "best egg in the world". "The yolk is deep yellow to light orange. The taste is as close to the free range as possible. We feed the birds a lot of greens to get the taste of the organic feed in the egg," says Kapur.

Kapur supplies direct to the retailers and in such quantities that they will sell within the next three days. Hence, there is no storage of eggs. The delivery costs are high but the customers are willing to pay Rs 45 for six eggs. At present, he sells around six lakh Keggs a month. Kapur admits that the size of the market for the Keggs is limited, though no numbers are available.

But he adds: "Kegg is meant for people who value quality and who have an ability to pay for them. Once they have tasted this egg they cannot go back to any other egg. These eggs have a highly loyal customer base." So is Kapur—whose model for helping the village poor has become a case study at premier B-schools—shifting his goalposts away from social innovation to market-driven innovation? No way. He still gets upset if you compare Keggfarms with other poultry majors. His is a poultry-centric business, but not a poultry business, he says. "It is more a social enterprise".

With his rural business secure from big players ("They may have the money, but do they have the right mindset?") and Keggs thriving, he now wants to do for small entrepreneurs what he did for farmers. Why not, for example, help a bakery expand its market?

Funding? Kapur says he is content to grow with internal accruals. Private Equity is a strict no-no. "I am not interested in taking high jumps," Kapur says.

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