

**FOOD-MEAT PROCESSING INDUSTRY IN ONE BARANGAY (A)
IN KALIBO, AKLAN: A CASE ANALYSIS**



**A Special Paper
Presented to
The Faculty of the School of Graduate Studies
Central Philippine University
Iloilo City**

**In Partial Fulfillment
of the Requirements for the Degree
MASTER IN BUSINESS ADMINISTRATION**

**NIMROD Q. LAUNIO
JULLE WILLE R. QUINDOR**

March 2007

**FOOD-MEAT PROCESSING INDUSTRY IN ONE BARANGAY (A)
IN KALIBO, AKLAN: A CASE ANALYSIS**

by

Nimrod Q. Launio
Julle Wille R. Quindor

ABSTRACT

This study was conducted to determine the company profile of the three food-meat processing establishments in one Barangay (A) in Kalibo, Aklan; to describe their financial operation market and marketing activities or strategies, production, and human resources; and lastly, to determine and analyze the problems encountered and suggest solutions to these problems.

A case method was used in the study. Self-administered questionnaires were utilized to obtain data needed in the study which are composed of two sets to be answered by the employers and the regular worker

Findings

1. Profile of business organization

a. Form of business organization

Of the three companies, only Company C is a corporation while the two others, Company A and Company B, were both owned by single proprietors.

b. Years of operation

Company A, Company B, and Company C had been in operation for 15 years, 25 years, and 10 years, respectively.

c. Source of capital

Both the Company A and Company B sourced their start-up capital from personal savings of the sole proprietors. On the other hand, Company C sourced its capital from contributions of its corporators and from credit obtained from banks.

d. Number of workers

At the start of their operation, Company A had only one worker, Company B had ten workers, while, Company C had five workers. At the time of study, Company A had three regular workers, Company B had five regular workers and Company C had 17 workers, 5 of whom are on regular status, 12 are having contractual status, and it has 4 on-job-training workers.

e. Main goal of business

The proprietor of Company A stated that they opened their business to generate employment, while the respondent for Company B stated that their business is for profit. The respondent for the Company C stated that their business is both for employment generation and for profit.

2. Financial aspect

a. Costs determination and price set-up

The product costs of the three establishments consist of materials, labor, and overhead and R-VAT amount for Company C. To arrive at the selling prices varying mark-up amounts/percentages were added to the computed product costs of products. Since Company C is subject to R-VAT regulation, R-VAT will be

added to its products final selling prices. In addition, all of them grant varying discount rates for wholesale buyers.

b. Bookkeeping and financial reports generation

All of the three establishments have been maintaining accounting books in the form of cash disbursement, cash receipt, sales, and purchases as well as ledger for Company C. All of the three establishments prepare financial reports namely, balance sheet, income statement and capital statement/Changes in Equity, except that Company B does not prepare capital statement/Changes in Equity.

c. Financial performance

As a result of their operations during peak and lean seasons, the corporate company, Company C, was more profitable compared to the single proprietorship establishments, Company A and Company B.

3. Marketing Aspect

a. Distribution of products as to location

Most of the products produced by the three business establishments were sold within Panay Island including the island of Boracay. However in the case of Company C, being a company, had a wider market coverage compare to that of Company B and Company A who were both engage in single or sole proprietorship. Company C was able to establish linkages to other areas because of its resources priparily its bigger capital compare to that of Company B and Company A. Thus, its product would reach not only within the panay island but also as far as Metro Manila in the north and Zamboanga in the south.

b. Distribution Outlets

The three business organizations would normally display their products in their respective stalls located in their respective areas. Since these businesses could be considered as small scale to medium scale, small stalls are being established in front of their respective production areas, or part of their house is converted into a small show room. But there are also other means of distributing products such as consignment basis and exhibiting their products in trade fairs sponsored by government and private organizations which is considered to be the most effective way of distributing products in the market.

4. Production Aspect

a. Meat processing equipment

There is a commonality in the meat processing equipment being used by the three businesses. Equipment such as mixer, grinder and slicer are the equipments that are commonly used in food processing.

b. Raw materials in meat processing industry

Pork, beef and chicken are the common raw materials used by these three organizations being studied in their meat processing business.

c. Monthly raw material requirements

A minimum of 50 kgs for each of the major raw materials such as beef, pork and chicken are needed in the production of their products.

d. Sources of raw materials

Respondents in the study normally purchase their raw materials outside the municipality of Kalibo. This is because of the shortage of raw materials with

the locality of Barangay (A) due to the increasing demand of processed meat products in the market.

e. Manner of procuring raw materials

Based on the data taken from the respondents through questionnaires one of the primary problems is in terms of their financial needs. They have the difficulty of raising sufficient amount to cover-up the expenses that they incurred thus they result to credit.

5. Human Resources Aspect

a. Skills

All of the three establishments hired only skilled workers. According to Company A its workers are skilled in the areas of slicing, tying, smoking, packaging, and stuffing. For Company B, its workers are skilled in all areas. Company C's workers, on the other hand, are skilled in the areas of slicing, stuffing, tying, and smoking.

b. Salary

The estimated monthly income of workers of the establishments varied. Company A and Company C were paying from P2,001.00 to P 3,000.00, while Company B was paying from P1,000.00 to 2,000.00.

The manner of payment to hired and family members' workers also varied. Company A was paying monthly to its hired workers and every week to its family members workers. Company B was paying every week to its hired workers and every day to its family members workers. Company C was paying every week to its hired and family members workers.

6. Problems encountered

All of the three establishments mentioned financial aspect as most pressing problem encountered, followed by marketing aspect. Company B and Company C ranked production aspect and the management aspect as the 3rd and 4th problems, while Company A ranked management and production problems as 3rd and 4th problems, respectively

a. Financial Aspect

Company A has difficulty primarily in high interests on credits, secondarily in insufficiency of working capital, and lastly, lack of financial reports as well as difficulty in paying back loans. Company B, on the other hand, has difficulty primarily in insufficient working capital, and secondarily in lack of financial reports. Company C primarily has difficulty in insufficiency of working capital, secondarily in high interests on credits, and lastly, on few sources of credit.

b. Marketing Aspect

Problems encountered in marketing are existence of stiff competition, there is no specific price setting scheme and costs vary often, unpredictable demand situation, weak distribution channel, and poor access to vital market information.

c. Production Aspect

Problems encountered in production includes insufficient supply of raw materials needed for production of processed meat in Kalibo specifically beef and pork, high cost of raw materials which is a very serious problem to be

considered, problems in terms of quality control among the products, and inadequate production machineries in production areas.

d. Human resource aspect

Company A had difficulty primarily in absence without leave (AWOL), secondarily in low salary scale of laborers, thirdly poor skills and training practices, and lastly is low productivity. The respondents of Company B, on the other hand, argued that the company has no problem with regards to its workers. Company C has difficulty primarily on poor skills and training practice, secondarily, low productivity, and lastly, low salary scale of laborers.