

**A VALUE CHAIN ANALYSIS OF THE ANIMAL FEED INDUSTRY
IN THE PROVINCE OF ILOILO**

A Special Paper

**Presented to
the Faculty of the School of Graduate Studies
CENTRAL PHILIPPINE UNIVERSITY**

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

**MA. TERESA ABULENCIA-MARTINEZ
April 2012**

THE VALUE CHAIN ANALYSIS OF THE ANIMAL FEED INDUSTRY IN THE PROVINCE OF ILOILO

by

MA. TERESA ABULENCIA-MARTINEZ

ABSTRACT

The study was conducted to analyze the value chain of animal feed industry in the province of Iloilo and to identify the barriers to its growth and competitiveness. The respondents were the seven registered feed manufacturers in Iloilo and its stakeholders.

The descriptive research design with the aid of one-shot survey was used. A self-administered questionnaire was prepared and given to the respondents. Data was gathered and analyzed manually using statistical analysis such as percentages, mean scores and time series analysis.

It was found that the feed manufacturers of Iloilo consist of main producers with their own feed brands. It is a capital intensive industry and dominated by large-scale feed millers. It produces all type of feeds in different forms which undergoes thorough quality control measures, distinct technology applications and good manufacturing and management practices. The volume of feeds produced is below market demand. This means that increasing demand is due to the growth in the livestock and poultry industry. The quality of feeds applied to issues on feed safety in feed supply chain. A joint effort of the Bureau of Animal Industry and the feed manufacturers in Iloilo on regulating feed quality control measures is evident through regulatory functions imposed by BAI and self-regulation done by the feed manufacturers. The price trends of feeds are increasing

every year especially in the months of February to March where local corn supply is very limited. Feed prices can be stabilized with availability of raw materials despite its seasonality. Therefore, other sources must be identified to meet and satisfy the requirements of the market. On market price, trends are also increasing due to price volatility of raw ingredients. However, buying capacity of market reflected lower market prices than the prices offered by the feed producers. The quality remains an integrative part of the animal feed value chain. Competition among the national and local players continues and will escalate and so expansion of large scale feed millers is evident to satisfy the growing market demand. Iloilo is also an oligopolistic type of market.

Therefore, in view of this, it was also concluded that the level of knowledge and access on market has the highest mean score. This shows that feed industry consumer structure becomes important in knowing how to deal with the consumer who wants cheaper but high quality feeds. It was also found that the role of government intervention and support services is vital in the growth and success of the feed industry. The regulatory body controlling and promoting feed safety issues is a global trend that an organization could not sustain without the participation of the government. In relation to industry characteristics on structures and processes, economic patterns and trends, competition and market share affects the volume, price and quality of feeds. The innovative ways in different levels of chain is important in the efficient production of feeds. The economic trend such as investments on expansion is evident and beneficial to meet the growing demand. The competition and market share relates with the industry leaders as price dictators. Animal feed industry in Iloilo based on the findings is a growing industry. It plays a vital role in the overall food production industry. It is a very

active business and its players are always in dynamic interaction. The livestock and poultry sector contribute to the success and growth of the feed industry in this province. The identified barriers include issues on infrastructure, high capital requirements, relevant experience and track records, the significance of research and biotechnology in the provision of raw materials and economies of scale. These barriers hinder the productivity of the existing feed mills in Iloilo. To date, the number of feed mills in Iloilo is limited as a handful of investors could only sustain this thriving industry. The competition among big players is a major consideration. The vertical integration schemes are also a strategy for existing players to maintain captured market.

The study presented the strengths, weaknesses, opportunities and threats of animal feed value chain with emphasis on poultry and livestock sector. It is noted that the key success factor of the feed industry are producing feeds with acceptable standards set by the regulating body. Innovation is an added value activity. Among the barriers, the significance of research and biotechnology in the provision of raw material is critical. One crucial challenge is on the procurement side where price volatility of raw materials is one main problem. In order to solve this dilemma, a focus on research must be seriously considered. Knowing the proper information is very important in the production of feeds. In Iloilo, high cost of power is singled out as one major constraint. Other issues of feed manufacturers are raw material and production related challenges. One main issue is the limited supply of good quality raw materials. Price volatility of raw materials can be minimized by producing sufficient supply of raw materials before next harvest season. The future of the animal feed industry in Iloilo relies on the interdependence of the different actors identified in the value chain analysis. The better interdependence of

chain actors on the optimal goal to produce quality feeds considering the trends on food safety and security, the better chance it will succeed in its market. There will always be barriers to growth and competitiveness but these are challenges that the feed manufacturers have to face and eventually overcome. The areas of sustainability on people, profit and environment will always be an appropriate design of the supply chain. It should also emphasize dependence upon economic, market and competitive conditions in the market place.