



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 1/28/2002

GAIN Report #RP2007

Philippines

Poultry and Products

Philippine Broiler Industry 2002 Prospects

2002

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Report Highlights:

The United Broiler Raiser's Association (UBRA), an association of commercial broiler raisers, have raised concern over increasing production costs and the slowdown in chicken meat demand. It laments the lack of coordination and support by the Department of Agriculture (DA) and has called for a review of the country's commitments to the WTO and AFTA.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1], RP

The Philippine broiler industry is composed of 3 major segments: the large integrators belonging to the Philippine Association of Broiler Integrators (PABI), the United Broiler Raiser's Association (UBRA), and the third group composed of commercial and backyard raisers which are loosely organized. The UBRA is composed mainly of commercial broiler raisers which sell their broilers to PABI members where UBRA procures most of its Day-Old-Chicks (DOC's).

According to a recent industry report from the UBRA, CY 2002 started unfavorably for the broiler industry. According to the report the start of the year was characterized by: (1) a glut of DOC's resulting in an oversupply of broilers, (2) high retail prices of chicken, (3) a decline in demand as a result of the economic slowdown, (4) higher production costs, (5) threats from cheaper imported chicken meat.

The high DOC production, according to the report, coupled with the weakening demand has resulted in losses for breeders. The report estimates a loss of about P8 per DOC sold and P14 per unsold DOC. It assumes that as broiler demand declines and production is decreased, DOC supply will remain high and losses will increase as more chicks are sold. To minimize losses an industry contact has noted that some breeders have resorted to killing their DOC's.

Increased costs of imported production inputs have resulted in higher retail prices of chicken. Since January 2001 the Peso has weakened by at least 15 percent according to the report. Local costs such as labor and power have likewise increased. The report estimates current production cost at around P48 (\$0.94) per kilo and farm gate prices at about P40 (\$0.78) per kilo. Production costs were estimated at P38 (\$0.75) in 2000.

The UBRA document reports that the industry is threatened from cheaper imported broiler meat. It expresses the need for urgent assistance from the Department of Agriculture (DA).

The report lays out five main issues, problems or constraints of the industry:

1. Unstable industry environment - The report claims the industry lacks development direction and that there is no system of monitoring and reporting which result in a "boom and bust" environment. This environment frightens lending institutions and potential investors. It advocates some form of control over the excessive "cutthroat" competition among industry players.
2. Unstable and uncompetitive quality and cost of inputs - Lack of post-harvest facilities for local inputs such as corn results in losses and poor quality, not to mention increased corn prices. Imported inputs are mostly handled by traders which raises the costs to end-users.
3. Globally uncompetitive - The UBRA report considers the country's commitment to the WTO unrealistic and detrimental to the development of the domestic poultry industry. It does not think the industry can abide by its commitments.

4. Insufficient coordination/cooperation between industry and the DA and within the DA itself. The report believes the DA's planning and decision making is compromised by its lack of current information and statistical data on the actual industry situation. At the same time, the DA's plans and directions, according to the UBRA report, do not adequately incorporate industry views and comments and do not filter down to industry players.

5. The UBRA sees the DA as not being guided by specific and definite developmental directions. As a result, departmental subdivisions at all levels appear to have their own directions, or their own interpretation of directions, which in many instances, are contrary to the DA's position.

The UBRA offers four recommendations which seek to address the issues confronting the industry:

1. UBRA believes that sustainable development in the industry cannot be expected without first (a) reviewing and defining the GOP's long term development policies, and (b) defining the realistic fundamental structures necessary for addressing such development initiatives. Specifically, UBRA suggests the creation of a poultry industry committee under the Livestock Development Council (LDC) to monitor pertinent developments in the industry.

2. The UBRA suggests that efforts in improving the corn industry be concentrated. Efforts should encourage research partnerships between the DA, the industry, and other research institutions. A committee with industry stakeholders as members is proposed similar to that of the recommended poultry committee of the LDC.

3. Regarding the country's commitments to the WTO, UBRA supports a review and reconsideration of the country's implementation of its commitments and terms of its inclusion. It specifically calls "redefinition of some particulars of our commitment which encourages or promotes product dumping and predatory pricing. For example, because leg quarters are 'by product' of most developed countries due to their population's health and dietary habits, they are costed and sold so low when they reach the Philippines that there is no way domestic production can compete regardless of efficiency. UBRA suggests the exclusion of such product from the WTO and ASEAN Free Trade Area (AFTA) coverage.

4. The document also calls for an established linkage and better cooperation and coordination between the industry and the DA.