

MASTER PLAN FOR THE BROILER INDUSTRY

MASTER PLAN HIGHLIGHTS

1. The development of this master plan is trail blazing. It entailed extensive participation by the industry stakeholders in Manila and in key cities (Iligan, Malolos, Lipa, Iloilo, Cebu and Davao) from late November 2001 to early May 2002. This is to generate support to a plan that is truly *industry-crafted, industry-implemented and industry-monitored*. The government and other sectors, however, must have supportive roles in order that the industry attains a globally competitive posture on or before 2012.

2. The various workshops were participated by the producers, the DA officials, the local government units and other sectors. Frankness and sincerity characterized the discussions. It also cited the many years of neglect in terms of support and policy making have sometimes led to skepticism by industry players. There was citation of the AFMA's implementation. There was a sense of urgency. The industry recognizes its strengths and weaknesses as well as the opportunities and threats it faces. In this light, goals, strategies, key result areas and performance indicators and targets were formulated.

3. The main industry strategy is developing a cost advantage vis-a-vis Asian competitors. By 2012, the industry target will be a wholesale price of dressed chicken of \$1.25 per kilogram (P63.70) Manila from \$1.49/kg (P76.00) in 2001. The industry noted that while there are increases in efficiency and productivity, there are also potential increases in labor and power costs. Knowing regional resource endowment and cost differences, the plan allows flexibility for possible variations at the regional levels.

4. The industry developed the following targets:

Technical Targets

| PARAMETERS | BASELINE (2001) | | TARGET | | |
|---------------------------------|-----------------|----------------|-----------|-----------|-----------|
| | Integrator | Non-integrator | 2004 | 2007 | 2012 |
| 1. Feed Conversion Ratio | 1.9 - 2.1 | 2.0 - 2.1 | 1.9 - 2.0 | 1.8 - 1.9 | 1.7 - 1.8 |
| 2. Average Liveweight/Bird (kg) | 1.5 - 1.6 | 1.7 - 2.0 | 1.6 - 1.7 | 1.7 - 1.8 | 1.8 - 1.9 |
| 3. Livability (%) | 90 - 95 | 90 - 93 | 92 - 93 | 93 - 94 | 94 - 95 |
| 4. Average Growing Cycle (days) | 36 - 39 | 37 - 45 | 37 - 40 | 38 - 41 | 39 - 42 |

Note: The figures represent the high and low levels given in the consultations as deliberated by the industry at the national level.

5. The technical targets are expected to increase the production efficiency at the farm level. The baseline and targets are the revised ranges deliberated and agreed upon by industry players at the national level. Only four areas provided preliminary inputs. Some data in the other areas were also incomplete.
6. Based on the consultations, the industry sees improvement in the technical parameters particularly for feed conversion ratio and average weight per bird. According to some players, there is a constraint in feed efficiency since slaughtering is done during the period of peak feed efficiency. This limits feed efficiency but growers have no option because of the market preference for dressed chicken weighing 1.0-1.2 kg (1.4-1.7 kg live). As a strategy at the national level, there will be a conscious effort to increase liveweight to 1.9 kg per bird to enhance feed efficiency.
7. Other players added that the attainment of the targets would also depend on the prevention of diseases through proper medication, better farm management, and addressing farm deterioration through investments in repairs and improvements.

Financial Targets

| ITEM | Cost (P/kg) | | | |
|--|-------------|-------------|-------------|-------------|
| | 2001 | 2004 | 2007 | 2012 |
| A. Liveweight | | | | |
| Day-old Chick | 8.75 | 7.91 | 7.17 | 6.32 |
| + Feeds | 26.91 | 25.80 | 23.16 | 20.92 |
| + Grower Fees, Medicines and Others | 7.00 | 7.27 | 7.55 | 8.00 |
| + Profit margin | 4.00 | 4.14 | 4.27 | 4.50 |
| = Total Cost per kg | 46.66 | 45.13 | 42.14 | 39.73 |
| B. Dressed Weight | | | | |
| Broiler Cost | 64.80 | 62.44 | 58.09 | 54.43 |
| + Dressing Cost | 5.21 | 4.88 | 4.59 | 4.33 |
| less: Value of By products | (3.50) | (3.36) | (3.23) | (3.00) |
| + Selling & Admin Costs and Profit | 9.55 | 8.95 | 8.42 | 7.93 |
| = Wholesale Price per kg | 76.06 | 72.91 | 67.88 | 63.69 |
| Memo Item: | | | | |
| In \$/kg @ P51/\$ | 1.49 | 1.43 | 1.33 | 1.25 |

Note: The figures are derived estimates from extensive deliberations with industry players at the national level. The figures for 2004-2007 were interpolated.

8. The industry players at the national level arrived at the financial parameters after extensive deliberations. In the provincial consultations, only Isabela, Batangas, and Cebu provided baseline financial parameters while only Isabela set targets.

9. The industry players at the national level reconciled integrator and non-integrator parameters to come up with a single baseline figure in 2001 and the target by 2012. The reductions in the cost of feeds, DOC, dressing, and selling & administration by the year 2012 came from improvements in the feed conversion ratio, average weight per bird, and dressing recovery.
10. The increase in grower fees resulted from the estimated higher cost to provide for reinvestments by growers.
11. At the provincial level, the baseline parameters for integrator and non-integrator were almost the same except for the non-integrator's more expensive DOC cost in Isabela and higher overhead cost in Cebu.
12. For the broiler sub-sector to attain their short, medium and long term cost of production targets, it is imperative that the corn sector be given a friendly policy environment to deliver corn at the price of P6.00-7.00 per kilogram, wholesale. In this regard, two major policy imperatives need to be addressed: rationalization of the tariff policies on feeds and feed ingredients and technology policy on *Bt* corn.
13. In addition to the policy imperatives needed to achieve the targets, among the supports the industry requires include:
 - Research on grains and alternative feed ingredients.
 - Support for local manufacturers of vaccines and medicines.
 - Development of value added/further processed products.
 - Feasibility studies on a grains port handling facility in Mindanao and North-Central Luzon bulk handling transport system.
 - Development of a cold chain system from Mindanao to Luzon/Visayas.
 - Competitive shipping costs.
 - A stop to illegal imports/smuggling.
 - Restriction on chicken parts' imports to processors and the 100% conversion of the MAV to whole chicken and mechanically deboned meat.
 - Review/reconcile the tariff lines and application guidelines between the Bureau of Customs and the DA.
 - Designation of a private entity to monitor and consolidate industry data.
14. The main elements of the action programs include:
 - Rationalization of DOC production
 - Feed development
 - Local vaccine development
 - Housing and facilities improvement
 - Benchmarking and best practices dissemination.

- Cold chain development, port handling and bulk transport
 - Chicken consumption campaign
 - Broiler forecast model
 - Competitiveness studies
 - Policy advocacy on financing, importation, tariff, and local regulations
15. In order to achieve effective implementation of targets and actions, the players agreed to the following:
- (a) Broad-based agreement on the master plan's goals, strategies, targets and actions; and
 - (b) Conduct of high level annual implementation monitoring meeting of the industry with the government to keep track of
 - (1) the actions made and the target level achieved by the industry;
 - (2) the actions made by the DA and related agencies to date;
 - (3) the commitments of both parties for the next year; and
 - (4) any adjustments to the plan targets in the face of changing realities in the domestic and global market place.
16. The government must commit to the plan by providing a favorable environment conducive to attaining the targets set by the industry. A key issue would be the availability and affordability of corn at the price and quality required. Another pressing concern is the entry of cheap imported chicken parts.
17. The implementation of the Master Plan will be guided by a Plan Steering Committee. It will comprise three members: the Philippine Association of Broiler Integrators, the United Broiler Raisers Association (one private sector member will be Chair) and the Livestock Development Council.
18. The Steering Committee will meet at least quarterly. The secretariat and several Action officers will assist it. Each of the latter will be responsible for (a) Input supply and Farm production; (b) Logistics and marketing; and (c) Policy and legislation. The Steering Committee will evaluate the function of the Action officers when necessary.
19. *Funding.* In order to sustain the plan implementation, a levy and contributions from the industry association members will fund the Plan Steering Committee. The levy will be collected on poultry imports at the rate of P0.50 per kg as soon as possible.
20. The Committee on Poultry, Livestock, and Feed Crops of the National Agricultural and Fishery Council (NAFC) will monitor the Plan's achievements and targets at frequencies that will be mutually agreed with the industry's Plan Steering Committee.

Broiler Production, Primary Processing, and Marketing

| STRATEGY | KEY RESULT AREA | PERFORMANCE INDICATORS | ACTION PROGRAM | TIME FRAME | WORKING GROUP |
|---|---|--|--|---|--|
| INPUTS | | | | | |
| <ul style="list-style-type: none"> Reduction of input costs | <ul style="list-style-type: none"> DOC cost | <ul style="list-style-type: none"> DOC cost from P14.00 to P12.00 | <ul style="list-style-type: none"> Optimization of breeding and hatchery operations to attain international standards for specific breeds | <ul style="list-style-type: none"> On-going | <ul style="list-style-type: none"> Individual company initiative |
| | | | <ul style="list-style-type: none"> Rationalization of DOC production | <ul style="list-style-type: none"> Immediate and sustained | <ul style="list-style-type: none"> PABI UBRA BAI |
| | <ul style="list-style-type: none"> Feed cost | <ul style="list-style-type: none"> Reduce feed cost by at least 15% from P13.45/kg to P11.43/kg | <ul style="list-style-type: none"> Feed development program -- Development of local feed substitutes - Increase local feed productivity | <ul style="list-style-type: none"> Immediate and sustained | <ul style="list-style-type: none"> LDC DA-Poultry, Livestock & Corn Programs PABI UBRA |
| | <ul style="list-style-type: none"> Veterinary medicine cost | <ul style="list-style-type: none"> Reduce cost by at least 15% from P2.50/bird to P2.13/bird | <ul style="list-style-type: none"> Local vaccine and drugs development program (e.g. incentives for local manufacturers) | <ul style="list-style-type: none"> On-going | <ul style="list-style-type: none"> BAI BOI |
| FARM PRODUCTION | | | | | |
| <ul style="list-style-type: none"> Farm efficiency enhancement | <ul style="list-style-type: none"> FCR Livability Average wt Average growing days | <ul style="list-style-type: none"> See table on technical parameters | <ul style="list-style-type: none"> Housing and facilities improvement program | <ul style="list-style-type: none"> Immediate and sustained | <ul style="list-style-type: none"> LDC BAI PABI UBRA |
| | | | <ul style="list-style-type: none"> Management and technical skills development program | <ul style="list-style-type: none"> Immediate and sustained | <ul style="list-style-type: none"> Individual company/group initiative DA Poultry and Livestock Program |
| | | | <ul style="list-style-type: none"> Benchmarking and best practices dissemination | <ul style="list-style-type: none"> Immediate and sustained | <ul style="list-style-type: none"> Individual company initiative DA Poultry and Livestock Program |

| STRATEGY | KEY RESULT AREA | PERFORMANCE INDICATORS | ACTION PROGRAM | TIME FRAME | WORKING GROUP |
|--|--|---|--|---|---|
| <ul style="list-style-type: none"> Animal health monitoring (domestic and imported chicken) | <ul style="list-style-type: none"> Disease occurrences/ outbreaks Antibiotic & other chemical residues | <ul style="list-style-type: none"> Quarterly animal health status report | <ul style="list-style-type: none"> National animal health surveillance program Government laboratory improvement | <ul style="list-style-type: none"> 2003 onwards | <ul style="list-style-type: none"> BAI NMIC PABI UBRA |
| PRIMARY PROCESSING (Dressing) <ul style="list-style-type: none"> Upgrading of dressing plants | <ul style="list-style-type: none"> Triple A category dressing plants | <ul style="list-style-type: none"> Number of triple A plants complying with global standards | <ul style="list-style-type: none"> Global standards compliance program | <ul style="list-style-type: none"> 2003 onwards | <ul style="list-style-type: none"> NMIC BFAD PABI UBRA |
| | | <ul style="list-style-type: none"> Halal certified dressing plants | <ul style="list-style-type: none"> Halal food development program | <ul style="list-style-type: none"> On-going | <ul style="list-style-type: none"> NMIC DA-AMAS DTI OMA SPDA PABI UBRA |
| LOGISTICS <ul style="list-style-type: none"> Shared rendering plant in strategic areas | <ul style="list-style-type: none"> Full by-product utilization & zero waste management Operational rendering plant | <ul style="list-style-type: none"> Number of rendering plants established | <ul style="list-style-type: none"> Feasibility study | <ul style="list-style-type: none"> 2003 | <ul style="list-style-type: none"> LDC DA-Poultry and Livestock PABI UBRA |
| | <ul style="list-style-type: none"> Cold chain | <ul style="list-style-type: none"> Cold chain from dressing plants to supermarkets | <ul style="list-style-type: none"> Number of refrigerated vans | <ul style="list-style-type: none"> Market-led cold chain development | <ul style="list-style-type: none"> 2004 onwards |
| MARKETING <ul style="list-style-type: none"> Increased chicken consumption campaign | <ul style="list-style-type: none"> Per capita consumption | <ul style="list-style-type: none"> Increased per capita consumption from 7.3 to 13 kg | <ul style="list-style-type: none"> Chicken consumption promotional program | <ul style="list-style-type: none"> 2003 onwards | <ul style="list-style-type: none"> PABI UBRA DA Poultry and Livestock |
| | | <ul style="list-style-type: none"> Reduced retail prices | <ul style="list-style-type: none"> Flexible marketing margins (farm to retail) – price monitoring | <ul style="list-style-type: none"> 2003 onwards | <ul style="list-style-type: none"> DA-AMAS DTI PABI UBRA BAI |

| STRATEGY | KEY RESULT AREA | PERFORMANCE INDICATORS | ACTION PROGRAM | TIME FRAME | WORKING GROUP |
|--|--|---|---|--|--|
| <ul style="list-style-type: none"> Consumer education on big birds and white meat | <ul style="list-style-type: none"> Big birds sold | <ul style="list-style-type: none"> Dressed chicken weight from 1.1 -1.2 kg to 1.3 - 1.4 kg | <ul style="list-style-type: none"> Big bird chicken campaign | <ul style="list-style-type: none"> 2005 onwards | <ul style="list-style-type: none"> DA-AMAS DTI PABI UBRA |
| | <ul style="list-style-type: none"> Consumer preference for white meat | <ul style="list-style-type: none"> Price premium of white meat over dark meat | <ul style="list-style-type: none"> White meat consumption promotional campaign | | |
| <ul style="list-style-type: none"> Market development for processed products | <ul style="list-style-type: none"> Value added products sold | <ul style="list-style-type: none"> Export volume | <ul style="list-style-type: none"> Trade missions | <ul style="list-style-type: none"> 2005 | <ul style="list-style-type: none"> DA-AMAS DTI PABI UBRA |
| | | <ul style="list-style-type: none"> Local sales | <ul style="list-style-type: none"> Trade fairs | <ul style="list-style-type: none"> On-going | <ul style="list-style-type: none"> Individual company initiative |
| | | | <ul style="list-style-type: none"> Product development program | <ul style="list-style-type: none"> 2003 | <ul style="list-style-type: none"> Individual company initiative |

BROILER: SUPPORTS AND POLICIES

| STRATEGY | KEY RESULT AREA | PERFORMANCE INDICATORS | ACTION PROGRAM | TIME FRAME | WORKING GROUP |
|---|---|---|---|--|--|
| MARKET INTELLIGENCE <ul style="list-style-type: none"> Greater data transparency/accuracy for improved industry self regulation | <ul style="list-style-type: none"> Population, production, imports & prices | <ul style="list-style-type: none"> Pooled, timely industry statistics | <ul style="list-style-type: none"> Price watch website (to be created) | <ul style="list-style-type: none"> 2002 onwards | <ul style="list-style-type: none"> BAI BAS BOC PABI UBRA |
| | | <ul style="list-style-type: none"> Private entity as depository of consolidated integrators data | <ul style="list-style-type: none"> Industry data pooling and dissemination | <ul style="list-style-type: none"> 2002 onwards | <ul style="list-style-type: none"> PABI UBRA |
| | <ul style="list-style-type: none"> Reliable and timely industry data and forecasts | <ul style="list-style-type: none"> No overly large frozen chicken inventories | <ul style="list-style-type: none"> Broiler forecast model Support fast tracking of municipal and provincial offices' access to the DA network | <ul style="list-style-type: none"> 2002 | <ul style="list-style-type: none"> BAI BAS PABI UBRA DA-AMAS LDC |

| STRATEGY | KEY RESULT AREA | PERFORMANCE INDICATORS | ACTION PROGRAM | TIME FRAME | WORKING GROUP |
|---|--|--|--|---|---|
| <ul style="list-style-type: none"> Competitiveness studies (Thailand, China, Malaysia, Brazil) | <ul style="list-style-type: none"> Industry Competitiveness | <ul style="list-style-type: none"> Comparative cost and returns and f.o.b./c.i.f. prices (Include comparative tariff commitments to WTO) | <ul style="list-style-type: none"> Conduct study (with cost sharing between government and private sector) and disseminate findings | <ul style="list-style-type: none"> 2003 onwards | <ul style="list-style-type: none"> PABI UBRA DA-AMAS DA Poultry and Livestock |
| TECHNOLOGY | | | | | |
| <ul style="list-style-type: none"> Access to technology | <ul style="list-style-type: none"> Farm efficiency Dressing plant efficiency | <ul style="list-style-type: none"> Refer to table on technical parameters | <ul style="list-style-type: none"> Extension dissemination program for small growers | <ul style="list-style-type: none"> On-going | <ul style="list-style-type: none"> DA Poultry and Livestock Program Individual company initiative |
| FINANCING | | | | | |
| <ul style="list-style-type: none"> Lower cost and increased access | <ul style="list-style-type: none"> Access to financing for facilities and equipment Additional poultry investments | <ul style="list-style-type: none"> Number and amount of loans granted to industry | <ul style="list-style-type: none"> Advocacy for better loan terms – lower interest rate, longer grace and repayment periods | <ul style="list-style-type: none"> Ongoing | <ul style="list-style-type: none"> PABI UBRA LBP Quedancor |
| LOGISTICS | | | | | |
| <ul style="list-style-type: none"> Efficient transport and handling system | <ul style="list-style-type: none"> Lower logistics cost | <ul style="list-style-type: none"> Competitive corn and feed costs | <ul style="list-style-type: none"> Advocacy for grains port handling facility in Mindanao Advocacy for North - Central Luzon bulk handling transport | <ul style="list-style-type: none"> 2002 | <ul style="list-style-type: none"> DA Corn, Poultry and Livestock PABI UBRA |
| | | <ul style="list-style-type: none"> Dressed chicken shipped from Mindanao to Visayas and Luzon | <ul style="list-style-type: none"> Advocacy for cold chain system from Mindanao to Visayas and Luzon | <ul style="list-style-type: none"> 2005 | <ul style="list-style-type: none"> PABI UBRA DA Poultry and Livestock Program |
| | | <ul style="list-style-type: none"> More competition | <ul style="list-style-type: none"> Competitive shipping costs | <ul style="list-style-type: none"> Encourage entry of bulk handling and other shipping companies | <ul style="list-style-type: none"> 2003 |

| STRATEGY | KEY RESULT AREA | PERFORMANCE INDICATORS | ACTION PROGRAM | TIME FRAME | WORKING GROUP |
|---|---|--|--|--|---|
| POLICY ADVOCACY AND LEGISLATION <ul style="list-style-type: none"> Rationalized chicken importation <ul style="list-style-type: none"> (a) Smuggling (b) Chicken parts' importation (e.g. leg quarters, wings, etc.) (c) Tariff on chicken parts (d) Implement SSG measures where applicable | <ul style="list-style-type: none"> Goods confiscated | <ul style="list-style-type: none"> Volume of goods confiscated | <ul style="list-style-type: none"> Strengthen anti-smuggling task force | <ul style="list-style-type: none"> Ongoing | <ul style="list-style-type: none"> PABI UBRA BOC FPI PNP |
| | <ul style="list-style-type: none"> Imports limited to processors | <ul style="list-style-type: none"> No imported chicken parts in retail markets | <ul style="list-style-type: none"> EO restricting imports of chicken parts to processors | <ul style="list-style-type: none"> 2002 | <ul style="list-style-type: none"> PABI UBRA DA |
| | <ul style="list-style-type: none"> Tariff rate for chicken parts | <ul style="list-style-type: none"> Increase tariffs on chicken parts to 100% | <ul style="list-style-type: none"> Advocacy for renegotiation of bound tariff under WTO Industry representation in WTO negotiation | <ul style="list-style-type: none"> 2002 | <ul style="list-style-type: none"> PABI UBRA LDC |
| | <ul style="list-style-type: none"> Landed cost of imports | <ul style="list-style-type: none"> Imports not breaching trigger price and volume | <ul style="list-style-type: none"> Monitoring and imposition of safeguards | <ul style="list-style-type: none"> Ongoing | <ul style="list-style-type: none"> DA Policy PABI UBRA |
| <ul style="list-style-type: none"> Rationalized MAV procedures and guidelines Tariff reduction on feed ingredients | <ul style="list-style-type: none"> MAV for whole chicken and mechanically deboned meat only List of qualified importers Timing of arrival of imports | <ul style="list-style-type: none"> Imports not at dumping prices Revised guidelines acceptable to broiler industry | <ul style="list-style-type: none"> Monitoring and imposition of safeguards Reformulation of new guideline and monitoring | <ul style="list-style-type: none"> Ongoing Immediate | <ul style="list-style-type: none"> DA Policy PABI UBRA DA MAV Committee PABI UBRA |
| | <ul style="list-style-type: none"> Cost of corn | <ul style="list-style-type: none"> Reduced tariff to 10% after 2004 | <ul style="list-style-type: none"> Advocacy on tariff reduction | <ul style="list-style-type: none"> 2002 | <ul style="list-style-type: none"> PABI UBRA DA Poultry and Livestock Program |
| | <ul style="list-style-type: none"> Cost of wheat | <ul style="list-style-type: none"> All wheat to 3% | | | |
| | <ul style="list-style-type: none"> Cost of soybean or meal | <ul style="list-style-type: none"> Tariff from 0-3% | | | |
| <ul style="list-style-type: none"> Cost of all other feed ingredients | <ul style="list-style-type: none"> Tariff from 0-3% | | | | |

| STRATEGY | KEY RESULT AREA | PERFORMANCE INDICATORS | ACTION PROGRAM | TIME FRAME | WORKING GROUP |
|--|--|---|--|--|--|
| <ul style="list-style-type: none"> Tariff application on equipment | <ul style="list-style-type: none"> Clear interpretation of EO 133 re agricultural and industrial equipment | <ul style="list-style-type: none"> Zero tariff | <ul style="list-style-type: none"> DA Certification e.g. ventilators, insulation materials, refrigerated vans etc. Advocacy for AFMA extension | <ul style="list-style-type: none"> 2002 | <ul style="list-style-type: none"> PABI UBRA |
| <ul style="list-style-type: none"> Industry friendly business and environmental regulations | <ul style="list-style-type: none"> Security of tenure of farm sites in production areas | <ul style="list-style-type: none"> Continuing and expanding farm operation New investments in SAFDZ | <ul style="list-style-type: none"> Review of land use policy and zoning regulations Advocacy | <ul style="list-style-type: none"> 2002 | <ul style="list-style-type: none"> PABI UBRA DA Policy LDC |
| | <ul style="list-style-type: none"> Transfer clearances and permits to provincial/regional levels (from barangay and municipal levels) | <ul style="list-style-type: none"> Transparent system of recourse for business complaints | <ul style="list-style-type: none"> Review of Local Government Code Recommend uniform guidelines nationwide | <ul style="list-style-type: none"> 2002 | <ul style="list-style-type: none"> PABI UBRA DA |