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Marketing Systems for Small Livestock in the Philippines: The Case of Western Leyte

Maria Fay Rola-Rubzen, Fe Gabunada and Ria Mesorado

**46th Annual Conference of the Australian Agricultural and Resource
Economics Society**

**Canberra, ACT
12 – 15 February 2002**

Abstract

(Keywords: smallholder livestock marketing, supply chain, developing countries)

This paper examines the marketing systems for pigs and chicken in Western Leyte, Philippines. The aim is to provide a clear understanding of the existing marketing systems to smallholder livestock farmers and to formulate recommendations for improving marketing of livestock produce. Using reconnaissance surveys and focus group discussions, this study determined the supply chain for livestock and identified opportunities for improving marketing of pigs and chicken in Western Leyte.

Author contact details:

Dr Fay Rola-Rubzen
Muresk Institute of Agriculture
Curtin University of Technology
Northam, WA 6401
Australia
Email: F.Rola-Rubzen@curtin.edu.au

Dr Fe Gabunada
FARMI
Leyte State University
VISCA
Baybay, Leyte, Philippines
Email: farmi@philwebinc.com

Ria Mesorado
ACIAR Livestock Project, DVSM
Leyte State University
VISCA
Baybay, Leyte, Philippines
Email: ria_mesorado@yahoo.com

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This paper examines the marketing systems for pigs and chicken in Western Leyte, Philippines. The aim is to provide a clear understanding of the existing marketing systems to smallholder livestock farmers and to formulate recommendations for improving marketing of livestock produce. Using reconnaissance surveys and focus group discussions, this study determined the supply chain for livestock and identified opportunities for improving marketing of pigs and chicken in Western Leyte.

1. Background

Markets can be a powerful vehicle for rural development. In most developing countries, however, markets are usually poorly developed or are missing (Dixon et al. 2001; Rola-Rubzen, Hardaker and Dillon 2001). Rural markets in LDCs, in particular, are fraught with weaknesses. Rural infrastructure such as roads and bridges are poorly developed; communication facilities are lacking, if at all present. Because of the inherent problematic conditions in many rural areas, transaction costs are often high. It is not surprising therefore that the terms of trade of farmers are unfavourable.

Rural markets in the Philippines are no exception to the above condition. Input costs are generally high. Transport, handling and communication costs are also high. The poor terms of trade of farmers at times act as a disincentive to increase production.

For years, increasing agricultural production, particularly crop production, has been an underlying goal of the government. More recently however, the government has also pushed for improving livestock productivity and increasing livestock production. Several government programs to enhance livestock production have been introduced. This include dispersal programs, livestock vaccination programs and other production-enhancing programs. For these programs to be successful, however, developments in the production side must be accompanied by parallel developments in the marketing side. Currently, there is a range of marketing systems in place for livestock produce marketing and associated input delivery in the country. It is likely that there is scope for the efficiency of these systems to be improved.

In light of this, it is important to examine existing marketing systems and investigate the problems and impediments to the efficient operation of these systems. This research aims to identify constraints and opportunities for improving the current systems and enable the formulation of recommendations for action by the relevant agents. In particular, emphasis will be placed on the roles of government agencies in promoting the development of improved marketing systems.

2. The Study Area

This study is part of a larger project on enhancing the contribution of livestock to smallholder farming systems funded by the Australian Centre for International Agricultural Research (ACIAR). The study was conducted in the municipalities of Hindang and Baybay in Western Leyte, Philippines. Livestock is a main commodity

in Leyte, where 72 per cent and 74 per cent of the region's livestock and poultry are raised (Alcober and Dagoy 1998).

3. Approach

The study involved conducting a marketing systems research (Malhotra 1996) for pigs and chickens in Western Leyte. Marketing systems are important support systems that can boost the livelihood opportunities of smallholder farmers (Kotler 1998, Dixon 2001). They provide incentives for more efficient production of livestock among smallholder farmers that may lead to an improvement in their socioeconomic well-being.

A reconnaissance survey was conducted to examine existing marketing systems for pigs and chickens. Main marketing systems, practices and general characteristics for pig and chicken marketing were identified. Supply chains were mapped and opportunities for improving the marketing of pigs and chickens were identified.

4. Findings

Smallholder farmers in Leyte are generally engaged in pig marketing rather than chicken marketing. At present, chicken are raised mostly for home consumption as they are not currently raised in commercial scale levels. Generally, chickens are sold only when the household is in dire need for cash.

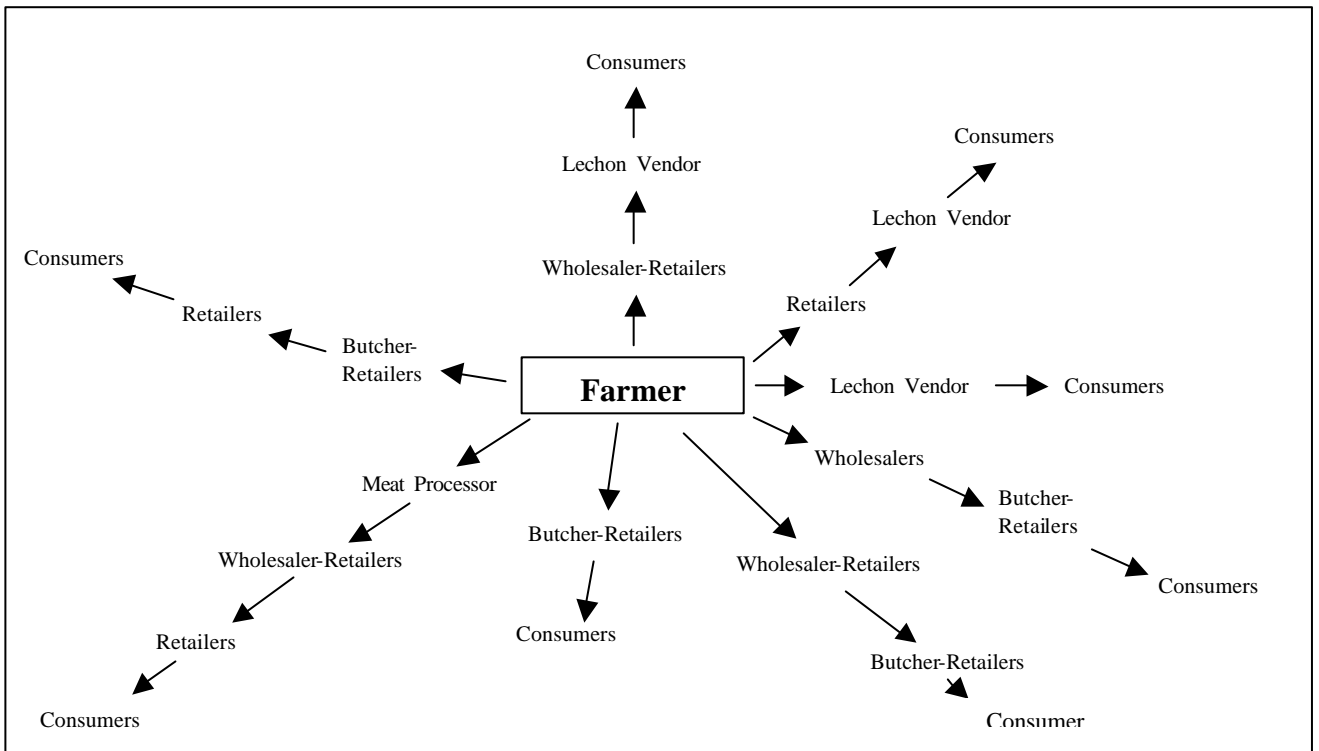
Several systems were observed in pig and chicken marketing (Table 1). In pig marketing, the traders or middlemen pick-up the animals at the farmers' place. This system enables the farmers to save on transportation costs and avoid transport losses due to stress. However, prices they receive are lower as pick-up prices are generally low. In chicken marketing, the farmers deliver the animals to the buyers' place. Both animals are sold either on per kilo or per head basis. Pigs are sold either on cash or on credit basis, while chicken is generally sold on a cash basis.

Table 1: Marketing systems in Western Leyte

Item/Variable	Information
Pig Marketing	<ul style="list-style-type: none"> • Picked-up by middlemen • Per kilo or per head basis • Cash or credit
Chicken Marketing	<ul style="list-style-type: none"> • Delivered by farmers • Per kilo or per head basis • Cash • Live (farmers and wholesalers); live or dressed (retailers)

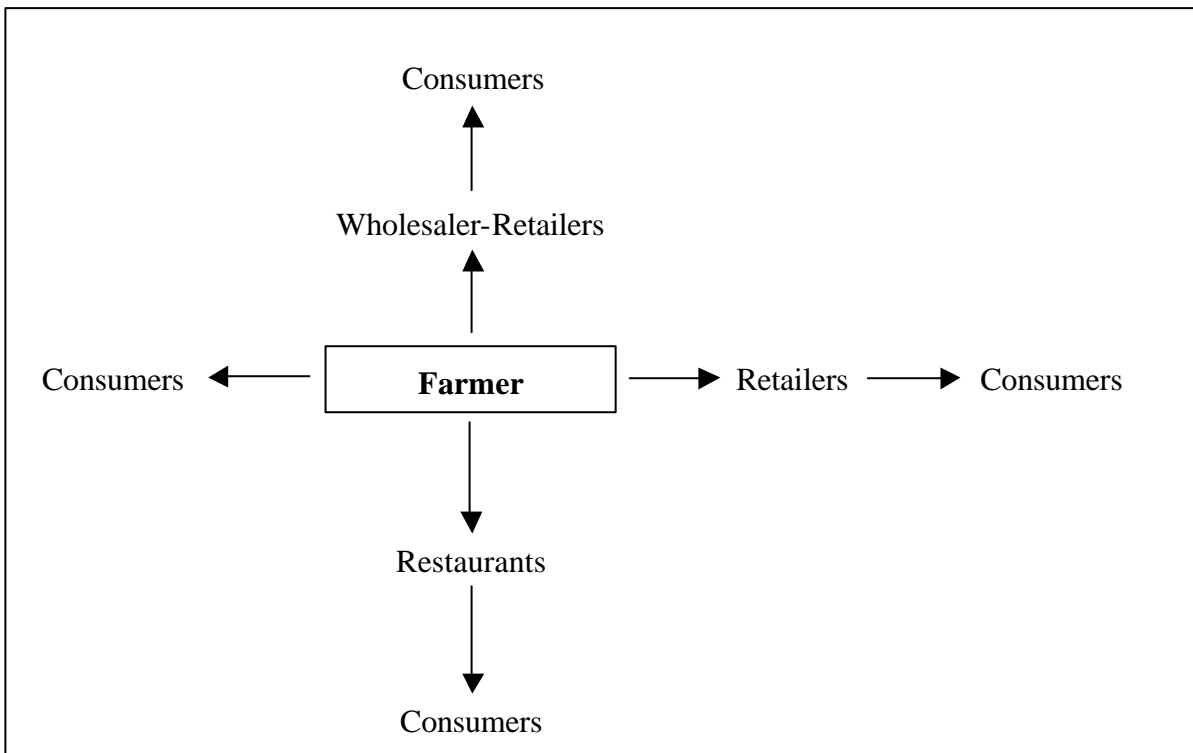
Supply chains for chickens and pigs were mapped. There are several marketing channels involved particularly in the marketing of pigs (Figure 1). From the farmers, the animals have to pass through several middlemen before reaching direct consumers. While several marketing channels exist, farmers in the area generally follow the farmer-wholesalers-butcher/retailers-consumer channel.

Figure 1: Supply chain for pigs



Supply chains for chicken are relatively simpler. There are four alternative channels available to farmers (Figure 2). Selling to merchants (wholesalers-retailers) then onwards to consumers is the most common channel.

Figure 2: Supply chain for chicken



Farmers generally sell their animals live to traders. There are cases though where they slaughter their animals and sell the meat within the village. In the market, the products available for sale include live or dressed, roasted or cooked chicken, pork or processed meat products, and cooked or roasted pig (Table 2).

Table 2: Marketing Practices

Item/Variable	Information
Age of Pig When Marketed	<ul style="list-style-type: none"> • 1 ½ months from birth - for piglets • 3 months - for <i>lechon</i> (roasted pig) • 5-7 months - for slaughter
Weight of Pig When Marketed	<ul style="list-style-type: none"> • 25-30 kilos - for <i>lechon</i> • 50-80 kilos - for slaughter
Products Sold by Farmers	<ul style="list-style-type: none"> • Live chicken • Live pigs - for <i>lechon</i> or slaughter • Slaughtered pig - sold within the village

Products Sold in the Market	<ul style="list-style-type: none"> • Live, dressed, and cooked/roasted chicken • Fresh and/or processed meat and cooked/roasted for pig
Value-Adding Activities Done by Farmers	<ul style="list-style-type: none"> • None - for chicken • Slaughtering and retailing/selling - for pig
Period of Selling by Farmers	<ul style="list-style-type: none"> • Anytime/emergency needs for chicken • During periods for enrollment, fiesta, and Christmas celebrations for pig
Period of Selling by Lechon Vendors	<ul style="list-style-type: none"> • Everyday (Ormoc)
Period of Selling by Butcher-Retailers/Middlemen	<ul style="list-style-type: none"> • Everyday

Markets in Leyte operate daily (Table 3). The supply of pigs comes from neighbouring villages, Camotes Island and Mindanao (Table 4). This implies that available supply in the area is not enough to cater for the local demand.

Table 3: General Market Characteristics

Item/Variable	Information
Commodities Traded in the Market	<ul style="list-style-type: none"> • Crops include rice, rootcrops, vegetables • Livestock include pigs, chicken, carabao or cow
Periods When Market Operate	<ul style="list-style-type: none"> • Daily
Available Market Facilities	<ul style="list-style-type: none"> • Market stalls • Cold storage (capacity of as much as 50 heads of pig)
Available Market Facilities	<ul style="list-style-type: none"> • Market stalls • Cold storage (capacity of as much as 50 heads of pig)
Volume Traded	<ul style="list-style-type: none"> • Hindang Public Market – 3 heads of pig slaughtered for retail per day • Baybay Public Market – 15-20 heads during ordinary days; would double during special occasions like fiesta, All Saints' Day, Christmas, and New Year's Day celebrations • Ormoc Public Market – 90 heads (weighing about 60 kilos) of pig (70 heads for fresh meat and 20 for roasted pig) during ordinary days; would rise to 200 heads during special occasions • - 30-50 heads of chicken during ordinary days; would triple during special occasions

Grading of live pigs and meat are available in the markets. Retail prices of meat depend on cuts. Merchants operating in the markets are generally private traders. They are provided with market stalls and pay corresponding stall fee and other market fees. They also avail of storage facilities for their products (Table 4).

Table 4: General Market Characteristics

Item/Variable	Information
Volume Traded	<ul style="list-style-type: none"> • Pigs traded in Ormoc come from neighboring communities, Camotes Island, and Mindanao. The wholesalers from Mindanao deliver twice a month on the average of 80 heads per delivery while the middlemen from Camotes Island deliver twice a week with a total of 30 heads.
Services Available in the Market	<ul style="list-style-type: none"> • Grading of Live Pig – First class (above 80 kilos, with thick thigh and bought at P58-60/kg); Second class (thinner thigh and bought at P55-57/kg); and Third class (culled sow bought at P48-53/kg) • Grading of Meat Cuts– Porkchop (sold at P95/kg); Ham (sold at P110/kg); Feet (sold at P80-85/kg); and Belly (sold at P90/kg) • Inspection – done by the City/Town's Veterinary Office • Weighing
Market Fees	<ul style="list-style-type: none"> • Slaughter fee – P0.20/kg • Landing fee (weighing/yardage fee) – P10/head for 20-80 kg liveweight • Corral fee – P3/head • Ante-mortem fee – P0.25/kg • Post-mortem fee – P0.25/kg • Stall fee – P30/day
Types of Traders	<ul style="list-style-type: none"> • Private

In general, farmers do not have control over prices (Table 5). Prices are mainly dictated by the middlemen. Problems expressed by farmers include low commodity prices, unreliable weighing scale used by buyers, few buyers and lack of information on prices and alternative markets (Table 6). Farmers expressed the need for timely information on prices and potential alternative markets.

Table 5: Other Market Information

Item/Variable	Information
Market and Price Information	<ul style="list-style-type: none"> • Farmers depend on middlemen for information on prices • Farmers generally sell products to middlemen visiting their villages
Information Needs of Farmers	<ul style="list-style-type: none"> • Information on potential markets • Timely information on prices • Innovation in marketing or selling of products
Role of Government	<ul style="list-style-type: none"> • Provision of market stalls among meat vendors • Veterinarians for animal and meat inspection

Table 6: Problems in Marketing

Item/Variable	Information
Problems of Farmers	<ul style="list-style-type: none"> • Low price offered by buyers • Unreliable weighing scale used by middlemen/traders • Few buyers within the village • Lack of information on market and price/lack of access to markets
Problems of <i>Lechon</i> Vendors	<ul style="list-style-type: none"> • Quality of roasted pig preferred by customers
Problems of Middlemen	<ul style="list-style-type: none"> • Purchase of infected pigs (with <i>cysticercosis</i> or liver fluke) • Stress on animals during transport

5. Opportunities for Improvement

The study showed that there are several opportunities available to farmers in improving their marketing of pigs and chicken. Currently, the demand for pigs and chicken can not be met by local supply. This implies there are still market opportunities for pigs and chicken within Leyte.

Looking at the supply chains, niche markets can be developed. For instance, direct marketing to restaurants and local hotels is an option. Value-adding is another option, particularly for chicken. There is a market for cooked chicken (i.e., barbecue chicken). Value-adding will also increase product price (Dixon, Gulliver and Gibbon 2001). However, the viability of these options needs to be further investigated.

There are also, potential markets in other places like Cebu, Maasin, and Tacloban. Roads from Leyte to these areas are more or less accessible. Moreover, transport and storage are also available. However, marketing in these areas will involve additional transport and handling costs. Again, these are opportunities that merit further investigation.

A main problem in the area is the lack of information flows to the producers. This puts them at a disadvantage as it limits their ability to negotiate prices received. Quality and timeliness of information are important. Improving price information systems in the area is likely to have a positive effect in livestock production and marketing. This is an area where government intervention or facilitation will be useful. As communication infrastructures and setting up price information systems require considerable investments, it is likely that without proper incentives, the private sector may not provide this service. Moreover, as these infrastructures are public goods, there may be a rationale for governments to intervene in their provision.

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