

The Philippine Dairy Industry: Situation, Competitiveness and Outlook

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BACKGROUND

- Philippines is a huge market for milk and milk products with a small dairy farming community that has been growing vigorously in the last two years.
- The dairy market generates sales amounting to US\$1.1 billion annually.
- Australia, New Zealand and the USA supply 80 per cent of milk imports.
- In 2002, Philippines imported some 215 million kg of milk and milk products at a cost of Php 17.3 billion (US\$346 million).
- Milk powder comprises 71 per cent of the imports.
- Around 8,000 dairy farming families in 223 villages are engaged in milk production. They pour milk to over 100 dairy co-operatives accounting for 23 per cent of national liquid milk supply – 11 million kg of milk from some 8,900 milk animals.
- The local dairy herd is composed primarily of cattle and buffaloes. Herd buildup has been dependent on importations of tropical crosses from Australia and New Zealand.
- The Philippine Carabao Center is active in upgrading local buffaloes through its gene pool and extension work. The Dairy Training and Research Institute assists the National Dairy Authority in upgrading of local cattle.
- In the last two years, dairy goat farms have started producing for commercial use.
- Handling and processing capacity has received more attention with the expansion of market. New suppliers of equipment have offered alternatives to processors.

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- The National Dairy Authority (NDA) is also actively upgrading dairy engineering capacity.

DOMESTIC MARKET

- There is a growing consumer preference for liquid milk. UHT milk imports have trebled since 1995, while milk powder imports have remained constant over the same period.
- There is also a surge in demand for milk from local milk producers from the leading coffee shops in Metro Manila.
- This growing market provides the economic incentive to dairy farmers to observe quality assurance procedures.

COMPUTING FOR COMPETITIVENESS

- Local raw milk is sold from Php12 - 15 per litre, or from US\$0.24 - 0.30 per litre, assuring each dairy farmer a margin of at least 40 per cent.
- A dairy farmer owning 5 animals can generate a daily cash flow of Php450 (US\$9) and from sale of 30 litres of raw milk can realise a net income of Php180 (US\$3.6).
- Every million peso (US\$20,000) invested in dairy cattle produces the following benefits over the eight-year productive life of the animals:
 - 430,950 litres of wholesome, affordable milk
 - 44 head of milch animals added to the dairy herd of the country
 - 41 new jobs created in the same or new farms receiving the new dairy animals
 - Php17.2 million (US\$344,000) in foreign exchange savings
 - Php6.60 million (US\$132,000) in revenues from sales of milk and male calves.
 - 10,774 children fed in milk feeding programs.

TABLE 1: PRODUCTION COST PER LITRE OF MILK

COUNTRY	COST RANGE (US\$/LITRE)
Japan	0.61 - 0.70
Netherlands	0.31 - 0.35
Canada	0.31 - 0.35
France	0.31 - 0.35
Germany	0.31 - 0.35
Israel	0.31 - 0.35
Unites States	0.26 - 0.30
Thailand	0.26 - 0.30
India	0.21 - 0.25
Russian Fed.	0.16 - 0.20
Philippines	0.12 - 0.21
Uruguay	0.10 - 0.15
Australia	0.10 - 0.15
New Zealand	0.10 - 0.15

Source: FAO Dairy Information Network 2001

THE DAIRY ROAD MAP

- Local producers are geared to increase their market share of liquid milk from 20 per cent to 40 per cent.
- The aim is to double national milk output from 11 million litres to 24 million litres by 2004.
- Appropriate financing packages are in place for requirement in herd build-up.
- We are looking at the tariff proposals from the sector and would like to ensure that producers enjoy fair play without unduly affecting mass consumers.
- Support for dairy enterprise enhancement is directed not only to the farms but also to the diversification of sources of milk handling, testing facilities, supplies and for upgrading of dairy engineering capacity.
- Support for local dairy from various sectors of society, particularly local government units (LGUs) and civil society has increased.
- A Milk Trust is in the process of institutionalisation as more local and national agencies opt to address the problem of mal-

nutrition through community and school milk feeding programs that procure the milk from local producers.

- The dairy road map's targeted growth for the medium term is aimed at the following results:
 - 18,260 full-time jobs
 - Php572 million (US\$11.4 million) in milk sales
 - Php891 million (US\$17.8 million) in livestock assets
 - Php450 million (US\$9 million) in foreign exchange savings
- International cooperation in terms of shared approaches to pursue dairy development is the new ground that we seek to explore.
- We recognise the leadership of the emerging dairy nations and look to forging ties with them in support of milk as a basic component of national self-reliance and self-respect rather than a commodity that spawns dependence and unfair trade relations.