



MARKETING CHANNEL OF DAIRY PRODUCTS IN CAGAYAN

ALVIN T. DULIN, PhD Faculty Member, College of Criminal Justice Administration Cagayan State University, Piat Campus Piat, Cagayan, Philippines

DR. MAITA LP. GUADAMOR Dean, College of Criminal Justice Education Cagayan State University Piat Campus, Cagayan, Philippines

JIM E. EUSEBIO, MSCrim Faculty Member, College of Criminal Justice Education Cagayan State University, Piat Campus Piat, Cagayan, Philippines

JOEY R. PASCUA, LLB., MSC Faculty Member, College of Criminal Justice Administration Cagayan State University, Piat Campus Piat, Cagayan, Philippines

ABSTRACT: *This study aimed to identify the marketing channels of dairy products in Cagayan. It utilized the descriptive qualitative method of research. The respondents were the producers, processors, and middlemen in the milk production. It was found majority of the sources of milk are those that come from the raised carabaos, milk in cooperatives and associations. The most sellable dairy products are milk candy and pasteurized milk. Moreover, women have higher participation in the marketing channel most especially in the product processing and development. The marketing channel in the province of Cagayan is 'producer-processor-retailer-consumer.' It is recommended that the concerned agencies in the province should conduct a program which gives seed money or provide milk-producing livestock to the interested participants to increase livelihood opportunities and the production of carabao milk. It is further recommended that there should be a support in patenting procedures and processes in the dairy products industry.*

KEYWORDS: *milk products, marketing channel, milk processing*

INTRODUCTION

In spite of plentiful opportunities such as Government Dairy Institutional Farms and Dairy Industry Zones installed in strategic areas and ideal developmental potentials such as the big demand for milk products, the Cagayan dairy industry still has pressing problems. One of these is weak marketing and distribution systems reported in the Cagayan Valley Regional Dairy Industry Plan in 2006, which states that most of the dairy cooperatives have no established collection system. Also, in terms of marketing system for processed milk, only the Integrated Farmers Cooperative has established a marketing linkage with groceries



while some processed milk are sold through order basis or in display centers. In 2010, a report by the Board of Investors also shows that local production is less than one percent of the total consumption or 14.3 thousand MT as against total consumption of 1,752.6 thousand MT.

In view of these, one major phase in dairy marketing prevails to be the solution – an established, organized, effective and highly operational marketing channel. Businessdictionary.com defines marketing channel as a set of practices or activities necessary to transfer the ownership of goods from the point of production to the point of consumption. It is the way products and services get to the end-user or the consumer and it is also known as a distribution channel. This is necessary so that emerging product developments will be able to project the expenses involved in the distribution of goods especially in the course of travel. This could also identify the necessary equipment needed to preserve the products' quality of marketability. Furthermore, this may also cause changes in the procedure involved in the product development just so to suit the standard quality upon arriving the drop-off place. Lastly, it becomes the benchmark on pricing and linkages.

There are several benefits that can result from a research on marketing channel on dairy products. A marketing report on www.anythingresearch.com provides that research on the distinct channels in which goods are sold can enable companies or producers to increase sales by developing specific products or marketing campaign tailored to industry needs, controlling channel conflict in which different channels are competing to sell dairy products and related foods, including milk, cheese, and butter to the same set of customers, finding resellers or distributors that can make it easier for companies to do business with their product, and identifying types of competitors in adjacent industries.

The Cagayan State University at Piat is soon to launch into the market its dairy products and this requires inquiry on the marketing channel in the province which is a useful tool for management and in creating an effective and well-planned marketing strategy. Moreover,



determining the distribution channels will help the dairy industry, in general, to increase productivity, sustainability and market flow of dairy commodities, hence this study.

STATEMENT OF THE PROBLEM

Generally, the study aimed to determine the marketing channel of dairy products in the Province of Cagayan. Specifically, it answered the following questions:

1. What are the sources of dairy products in the market?
2. What dairy products are marketable and their volume of distribution?
3. What types of marketing channels exist in the province?
4. How does the marketing channel affect the following factors?
 - a. Accessibility
 - b. Cost Accounting and Maintenance
 - c. Product Quality
 - d. Supply and Demand
5. What are the factors that affect preference in the choice of channel?
6. What are the problems that arise in every step of the channel?
7. What is the extent of participation of women in the marketing channel of dairy products?

METHODOLOGY

The study utilized the descriptive research method employing survey and interview. It was conducted in the province of Cagayan and it involved the dairy product producers, either small-scale or big-scale, and their intermediaries to the consumers. The non-probability sampling, particularly purposive sampling, was employed in selecting these respondents.

The team of researchers requested updated data of dairy producers, hubs or collection areas and existing information about the channel of marketing from the Department of Agriculture R02, Department of Trade and Industries. Through this, the respondents were identified. The researchers visited each of the dairy sites to conduct interviews to identify



the distribution channel. After which, the researchers visited down-line distribution sites to identify whatever are the channels that the dairy distribution go through.

RESULTS AND DISCUSSION

Sources of Dairy Products in the Market

This study focused on cow's milk as the major commodity in dairy product processing. This is because dairy production in the province utilizes cow's milk.

The major suppliers of this milk are the cooperatives and local product developers. Among the identified processors are Vergara's Milk located at Maraburab, Alcala, Te Año's Milk Candy located at Alcala, Cagayan, Oz Turkish Organic Yogurt at San Gabriel, Tuguegarao City, Namnama Dairy, Integrated Farmers' Cooperative at Namabbalan, Tuguegarao City and Philippine Carabao Center located at Cagayan State University, Baung, Piat, Cagayan.

Except the Philippine Carabao Center and the Integrated Farmer's Cooperative, which supply milk to the dairy processors, all other entrepreneurs are dependent to either regular delivery of milk from the latter mentioned cooperatives or walk-in sellers. During the interview, most of the processors revealed that walk-in sellers are becoming rarer or none at all. This leads them to buy milk from suppliers even outside Cagayan. Te Año's Alcala Milk Candy, the original processor of milk candy in Cagayan, now largely depends on milk from Nueva Vizcaya. Mr. Bernard B. Demandal reveals that there is scarcity of milk supply in Cagayan, especially in the nearby barrios unlike the previous decades when local milk producers are their main source of milk.

A litre of milk is bought at 30 pesos if good quality and 26 pesos if Class B.

Dairy Products in the Market

Among the dairy products which are produced in the market are the following:

1. Milk Candy



2. Pasteurized Milk
3. Flavored Milk
4. Yogurt
5. Milko Jelly

Among these products, the most marketable are milk candy and pasteurized milk.

Marketing Channels

The major marketing channel in the province is 'producer-processor-retailer-consumer.' The study reveals that there is no report of middlemen in the course of dairy milk collection.

Women's Participation

Women play a big role in the marketing channel. Majority of the processors are women. Generally, the men-women ratio in the dairy industry is 4:8. Aside from this, majority of walk-in sellers are women. Most of the retailers and sales representatives are also women.

Problems Encountered

The major problem in the marketing channel is insufficient supply of local milk producers, resulting to importation from other provinces. This results from low trade support and management among local carabao's milk producers in the province. Another prevailing problem is the unhealthy competition among processors, who produce almost the same products with varied levels of quality. Demand also challenges the dairy industry due to the seasonal and fewer number of people who buy these products. Furthermore, the low supply of milk is greatly attributed to low produce by the carabao. Forage is not a problem.

CONCLUSION

Majority of the sources of milk are those that come from the raised carabao milk in cooperatives and associations. The most sellable dairy products are milk candy and pasteurized milk. Moreover, women have higher participation in the marketing channel



most especially in the product processing and development. The marketing channel in the province of Cagayan is 'producer-processor-retailer-consumer.'

RECOMMENDATIONS

In view of the findings of this study, the following are strongly recommended:

1. It is recommended that the concerned agencies in the province should conduct a program which gives seed money or provide milk-producing livestock to the interested participants to increase livelihood opportunities and the production of carabao milk in the province and in order to meet the demand.
2. The prevailing marketing channel does not provide wide opportunities for more participants in the dairy production industry.
3. There should be a support in patenting procedures and processes in the dairy products industry.
4. An experimental research on how to improve the milk produce of carabaos is recommended.

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