

# MB Decena - from hauler to integrator

FEATURE

*MB Decena's feedmill currently produces 1800 bags daily, but will expand to 3200 bags daily once broiler operations reach 2 million heads.*



*Miguel Decena*



**What began as a chicken hauling business has turned into a contract growing operation. GEMMA DELMO writes about how MB Decena Jr Livestock Co (MB Decena) has transitioned into one of the most successful poultry integrators in Cagayan province.**

In 1992, Miguel Decena started as chicken hauler for Swift Food, then one of the biggest poultry integrators in the Philippines. After a day's work as a jeepney driver, he would collect chicken from the company's contract growers and sell them to the neighbouring province.

He would remit the money to Swift and the company would pay him in return. In 1995, because of his good performance, Swift officially appointed him as their subcontract hauler, bringing chickens as far as the provinces of Pangasinan and Ilocos.

He also became interested in poultry farming and approached Swift to become a contract grower. Swift

agreed and even helped him start with 5000 heads. He eventually became the second best performing grower in the region, and still continued hauling chickens.

"When I started hauling, I drove my truck myself because I wanted to be solely responsible for all my trips, which was also Swift's gauge if I was doing my job properly. Some haulers would cheat on the birds' weight or volume, and some would side with growers. I would never take sides, so my honesty earned the trust of Swift and the growers," he said.

His integrity paid off, with Swift eventually assigning him as its sole

official contract hauler, first for the entire Cagayan province and then the entire region.

## **Expansion**

When a crisis hit the Philippine poultry industry in the late 1990s, many integrators, including Swift, were hit hard and eventually closed operations in Cagayan. As a budding contract grower, but unable to apply with another integrator which already had existing distributors, Mr Decena thought of ways to save not only his farm but other contract growers whose farms were hit.

"I already had an established market, so I thought of ways to save ▷



Inside MB Decena's processing plant.



“not only my farm but also other farms,” he said.

In 2007, Mr Decena put in place a contract growing scheme, engaging growers in a ‘win-win situation’ despite obstacles. Interestingly, his production costs were cheaper than the remaining integrators at the time. For this reason, he said he became the ‘target’ of these integrators but was unfazed by the ‘imminent threat’.

“[The integrators] were dependent on distributors so I took advantage of my familiarity with the local market. For six months, I talked to growers and came up with a computation by using commercial feeds and buying day-old chicks (DOC). I also found out that our local poultry trade can absorb additional chickens, so I would need more growers. In 2008, after only one year, we were able to achieve a 140% growth.”

He also built a feedmill to manufacture and supply feeds for his farm as well as for his contract growers.

“I was okay with the feed suppliers’ 30 to 60-day-terms. But when I studied the costs, I realised it would be more practical and cost-efficient for me to buy the raw materials in cash. That way, I was able to expand my feedmill to cater to my increasing number of contract growers,” he said.

Mr Decena now has 40 contract growers under his wing.

### Facilities

Currently, MB Decena has about 1.3 million birds, half of which are grown internally and the other half are

raised by contract growers. He targets to have 2 million birds in a few years’ time, most of which will be offered to small operators.

Mr Decena now has 18 automated and tunnel-ventilated poultry houses. Six are in Angadanan town, 11 in Tumauni town, and one in Namabalan, Tuguegarao. He plans to have a total of 30 houses in the near future.

He will also put up his hatchery operations on a 165-hectare site. The equipment, supplied by a Canadian manufacturer, have already arrived. Bounty Agro-Ventures Inc will supply the DOC as well as hatching eggs and will also provide PS in Q2 2018 to complete the breeding cycle program by 2019. He is currently using Cobb 500 also from Bounty.

He is grateful to Bounty executive Kenneth Cheng for supplying the DOC and hatching eggs for his hatchery instead of considering him a competitor.

“He understands the situation here like encountering transit mortality because of the road conditions in our area, so I am thankful that he is supporting me even though I am integrator like them,” he said.

Mr Decena will open the hatchery and breeder farm into a research and training site for students. His feedmill is currently producing 1800 bags daily but will expand to at least 3200 bags once his broiler operations reaches 2 million heads.

Meanwhile, his dressing plant, which is equipped with systems from France, can process 3000 chickens

per hour.

Overall, his operation ships out 30,000 chickens a day, 40% of which are dressed and 60% live. He does not deal with middlemen, directly delivering live birds, even if the order is only for 10 heads.

### ‘In times like this’

Climate conditions in Cagayan Valley in the northeastern part of the Philippines, where MB Decena is located, can be extreme. It can be the hottest spot in the country during the dry season but is also one of the hardest hit during the typhoon season. In fact, in 1995, a powerful storm nearly wiped out Mr Decena’s then 5000-bird farm.

“My houses were still the conventional type, so they were easily destroyed. I learned from that, but more just building strong structures, I learned that I should have a back-up fund for times like these.”

Knowing the precarious situation he and his growers are in, Mr Decena developed what he calls ‘In times like this’ contingency plan. Serving as a sort of insurance plan, he charges his growers PHP 0.40/DOC which serves as premium and matches this with PHP 0.40/DOC from the company—a total of 80 centavos—to cover any casualties from diseases to natural disasters.

“I learned that we are on our own when we are hit by a storm, heat stroke, outbreaks, fire or anything. The PHP 0.80 will cover in the event of these disasters. Just like in 2016, when we were hit by supertyphoon

Haima with winds running at 270 km/hr. We could've lost nearly USD 670,000, but we were able to cover it with the scheme. So in times like this, instead of sulking and agonising over farm casualties, a grower can start right away or continue paying for any loans because he is covered."

As a sample computation for the contingency fund, 12 million heads multiplied by PHP 0.80 guarantees a PHP 9.6 million (USD 183,830) for losses. If no claims are made, the fund will continue to grow and could cover a bigger loss.

Mr Decena has also added PHP 1/kg for marketing insurance for sudden emergencies like low prices, fraud or a customer's death. "The one peso will go a long way during a sudden crisis," he said.

When the country was hit by bird flu in August 2017, many breeders stopped loading, fearing that consumers would shy away from buying chicken in the next few months. Mr Decena, however, took the opposite step and encouraged his growers to continue their operations because he knew the

situation is "artificial" and there are emergency funds to cover the situation. Though they incurred losses, they survived by supplying chicken in nearby provinces. They also immediately recovered with the help from the 'in times like this' funds.

This contingency program, along with his other initiatives, have earned Mr Decena the Most Outstanding Agricultural Entrepreneur award by the Department of Agriculture from 2012-2013.

### Outlook

Today, Mr Decena is a well-known throughout Cagayan Valley. His credibility cuts across industries, particularly among banks which will grant loans if he is a guarantor. It is a risk he takes, but the trust he has built with his growers has greatly benefited small raisers in getting bank loans. Admittedly, there were times when he had to pay the loans himself so as not to tarnish his reputation with banks, he emphasised that the trust he has with his contract growers is what makes his business buoyant.

"There are times when growers would be 'abusive' and would not load unless they wanted to. I don't expel them from my group immediately, but I talk to them first. I also motivate small growers. If they want to expand, I help them with the banks. I think that's my open trade secret: building relationships with the growers and colleagues in the industry."

Mr Decena's goal is to see the poultry industry become a force in global trade. As such, he frequently visits international poultry shows and exhibitions to learn more about new technologies.

He also hopes the local poultry sector would be able to fill the 30% currently supplied by imports.

"My mission is to build more and efficient breeder farms and hatcheries. If I can reach 2 million broilers in one cycle, then I can say I have reached my goal. If I go beyond, that would be a bonus for me. I do not aim for the impossible because if you fail, you will be demoralised. My goal is taxing but I hope to accomplish it." **Ap**



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