



## **The Dairy Mart**

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## The Dairy Mart

### SUMMARY

The modernization of the dairy industry of the Philippines must first focus on putting its existing components together. However, there must be a facility that is going to serve as the anchor component. The Dairy Mart to be established as a public-private partnership corporation is the anchor component. Dairy Mart creates awareness on the real richness and diversity of dairy products through the visibility of stores in the busy city streets, highway intersections, expressway rest areas, university belts, and shopping malls. The business model is going to create a demand for dairy products. It is capable of stirring the dynamism within the predominantly import-dependent dairy industry. However, the Dairy Mart intensifies the food service component of the dairy industry, which is expected to result in improving the domestic dairy production and processing as well.

The goal of the Dairy Mart is to introduce a functionally integrated system of sustainable components, which include dairy product store, processing plant, marketing and franchising support, store facilities and equipment rental, and milk production and processing outsourcing system.

As the anchor business organization, Dairy Mart promotes collaboration for the principal purpose of holding together the interests of the different stakeholders by initiating the building of the Philippine dairy consortium as a public-private-partnership business model. It focuses on the Dairy Mart brand development and outlet expansion and building and maintaining a support infrastructure and management system. This integrated system forms a dairy foodservice brand with store outlets in strategic places all over the country. The products for display and sale include milk, consisting of white milk, flavored milk, condensed milk, milk powder; ice cream of different flavors; chilled dairy consisting of drinking yogurt and dairy desserts; cream, which includes whipping cream, other liquid cream, sour cream, custard, cheese consisting of hard cheese, soft cheese, white cheese, blue cheese, processed cheese; and butterfat butter, dairy spreads, and butter ghee.

As a foodservice brand that focuses on the country's dairy industry development, the business operates within the umbrella of the Philippine Dairy Consortium, which is organized as a Public-Private-Partnership organization. The consortium covers the different fronts of the dairy industry development. The umbrella organization comprises specific consortium of research and development and training institutions, dairy processing enterprises, dairy cooperatives and smallholder dairy processing enterprises, and financing and business support services institutions. As the anchor, the Dairy Mart Holding is established with semi-autonomous subsidiaries for Dairy Mart store, property management, equipment management, and product development.

The implementation schedule is divided into three phases. Phase 1 is the organizational stage of putting every piece together. Phase 2 is the initial implementation stage, which is to experiment on the different store models, arrangements, and products. Phase 3 is the expansion stage.

The indicative cost for the project's three phases is estimated to be 100,250,000 USD. The cost is going to be adjusted as the project progresses. Adequate funding is really necessary to move the dairy industry of the Philippines to a level that is highly beneficial to the national economy particularly in



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reducing import dependency, generating employment opportunities, and prudent use of the country's agricultural resources.

After decades of stagnation of the growth of the dairy industry of the Philippines, new approaches must be tried. By jumping into the foodservice business model to promote dairy product consumption, the dynamic dairy industry is eventually created.

## INTRODUCTION

### Putting the Pieces Together for the National Dairy Industry Modernization

Self-sufficiency in milk and other dairy products has been an elusive goal of the Government of the Philippines. The self-sufficiency level is still at one percent of the consumption while the target by the year 2022 is to reach 10 percent. The dairy industry is only growing at 5 percent. This growth rate implies that the 10 percent self-sufficiency target is far from being achievable. Without enough dairy animals on the ground to support the dairy industry program that remains unchanged for decades, there are no clear indications that the country can fairly get out of the one percent self-sufficiency level. However, there is a positive side of the existing situation. Since 99 percent of the milk and other dairy requirements being imported, there is adequate room for taking the risk by experimenting with new business models. Compared with the national rice self-sufficiency program, which has only a very slim margin for error even if the rice deficit is just 10 percent, the dairy industry situation receives much less political pressure. In fact, the 99 percent gap is acceptable since dairy is not a primary agriculture industry in the Philippines.

What is realistic for the dairy industry under the existing situation is to focus on putting the existing pieces together as one whole national unit. This strategy involves building a strong organizational foundation through a harmonious collaborative undertaking by all the stakeholders in the industry. By taking into account the dairy cattle on the ground including the dairy buffalos, and the capacity of the existing breeding programs, institutions, and land areas for dairy, an alternative program can be crafted to try new business models. Furthermore, the capabilities developed by dairy processing plants that are university-based and a few privately owned must be replicated by the private sector and the cooperatives. The inclusive dairy program, therefore, carries out a synchronized approach to importation, training and employment generation, local dairy product outsourcing, and promotion of the consumption of more diversified dairy products to satisfy the tastes and preferences of a changing population in the Philippines.

### Manufacturing the Demand for Dairy Products

The demand for dairy products must be manufactured. Selling dairy products through mainstream foodservice is another strategic direction. Creating awareness through the visibility of stores that offer dairy products in the busy city streets, highway intersections, expressway rest areas, university belts, and shopping malls is going to create demand and may stir dynamism in the configuration of the import-dependent dairy industry. Diversity in products such as flavored milk drinks, ice cream, yogurt, cheese, and meals enhanced by dairy products is one way of creating awareness. The store offers the services available in a convenience store with the comfort of a fast-food restaurant. If this business model multiplies across the country, it creates a demand that may inspire the local dairy industry as there is a local market created with the new business model. In effect, this approach is a reverse process of industrial development, which is an option to embrace because the traditional approach of meeting a numerical target first is just not moving the dairy industry of the Philippines forward.



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In fact, the lack of supply of the milk is still the main factor that hinders the development of the dairy foodservice business model. Milk processing has significantly improved as shown by the availability of quality products, but this enterprise is only localized. However, if there is a demand, it must be satisfied and therefore there is a market opportunity. The hamburger chains, for instance, are still dependent on imported beef, egg, processed potato chips, and even lettuce. In spite of the high demand for the said products for the major hamburger food chains, preference for importing the required products is still the norm because of the reliability and consistency of the imported products. There are negative lessons from the hamburger chain business models that prevailed in the Philippines that must be taken into account for the development of the same import-dependent dairy industry. While the needed beef, potato, and even lettuce could not be produced locally in spite of the requirements created by the food chains, the reasons for this continuous importation must be studied and must not be repeated for the dairy industry. Nevertheless, once the positioning of the dairy products in the mainstream foodservice and retail outlet stores starts, increasing milk production is already a vital part of the agenda and there must not be room for complacency.

## **Local and International Collaboration Within the Philippine Dairy Industry Development**

The local production through the national dairy industry program and the importation of dairy products must also follow a business model consistent with an inclusive national dairy industry program. The dairy industry development is not only about production and processing. Nutrition, training, and marketing are parts of the dairy industry. Therefore, it requires an inclusive business model that may serve as the anchor program of the national dairy industry collaboration with foreign suppliers. The collaboration framework must remove the fear that the foreign suppliers will be out of the business in the Philippines in case the country attains dairy self-sufficiency. On the other hand, the Philippine side must be aware also that whatever is the status of the industry, improving the technical and organizational capabilities of the local parties must be sustained. Furthermore, the carabao milk may have different products that complement the dairy cattle and both the dairy cow and the carabao must mutually exist in the industry. Consequently, opening up for collaboration between the foreign suppliers and the local industry participants has positive effects. Collaboration is a way also of improving the organizational and technological capabilities of the Philippines in the development of the dairy industry.

## **Development of the Anchor Business Model**

One way to promote the consumption of dairy products in the Philippine market is by following the popular fast-food model. In the Philippines, the Philippine Carabao Center at UPLB has even decided to place its Milka Krem store brand in a place more accessible to students and visitors. The Central Luzon State University also has its own accessible dairy product outlet that sells fresh carabao milk and other processed products.

An anchor business that is supposed to hold together the various interest of the different stakeholders is the rallying point in the development of the dairy industry. The anchor business, however, is not going to interfere in the identity of individual collaborators. More important, it is going to take the lead in the industry by bringing order. Furthermore, the anchor brand sets the product standard and acts as a vital marketing arm.



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The anchor business promotes product diversity. The reason why Nestle remains the leader in the dairy products sales in the Philippines is due to its product diversity. Nestlé Philippines continued to lead drinking milk products in 2018. Contributing to its success is its wide product line, which gives it a presence in different categories such as powder milk, shelf-stable milk, and dairy only flavored milk drinks.

## GOAL AND OBJECTIVES

The goal of the Dairy Mart is to contribute to the development of the dairy industry in the Philippines by the introduction of an integrated system of dairy product store, processing plant, marketing and franchising support, store facilities and equipment rental, and milk production and processing outsourcing system to become a national dairy foodservice brand with store outlets in strategic places all over the Philippines.

- To organize the Dairy Mart Corporation as management and holding corporation that will register the brand name Dairy Mart in the Philippines,
- To establish subsidiary corporations that will be responsible for dairy product importation, collaboration with the national dairy consortium for research and product development, manpower training, business franchise development and management, store building construction and rental, facilities and equipment management, product outsourcing, and financing,
- To establish a collaboration with the US Dairy Council and other foreign dairy groups for the supply of the dairy and milk products with a technology transfer component,
- To establish support facilities for dairy importation and processing,
- To establish a dairy product outsourcing system with private entrepreneurs and cooperatives for local dairy product sourcing, and
- To establish funding facilities for the financing needs of the different parties that are involved in the food chain.

## THE MARKET SITUATION

### Distribution Channel

Currently, there are three main modes of distributing dairy products, which are as follows:

- Retail

The retail consists of the stores in the public market, groceries, and the neighborhood stores. The big corporations maintain their delivery route agents who arrange for the delivery of the goods.

- Foodservice

These are the different foodservice enterprises that offer dairy products such as ice cream, yogurt, and milk drinks and use cheese and cream for their product.

- Industrial applications



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This channel refers to the non-food applications of the major individual components of milk, which include proteins (casein; soluble proteins), lactose, milk fat and whey, a co-product of cheese and casein manufacture. New applications of milk proteins on a laboratory scale are focused on the manufacture of protein-based films and biomaterials.

## **Dairy Product Market**

Drinking milk, processed cheese, yogurt and sour milk, and other dairy products such as condensed milk and cream are the main products.

- Drinking Milk

The drinking milk status in the Philippines is described as follows:

### a) Drinking Milk Products Benefits From The Dynamism Within Soy Drinks

Drinking milk products posted a slightly slower current value growth in 2018 compared to in 2017, as some categories such as soy drinks recorded an extremely robust performance in 2017. Despite the slowdown in the performance of soy drinks in 2018, it still posted the fastest current value growth.

### b) Nestlé Philippines Leads Drinking Milk Products

Nestlé Philippines continued to lead drinking milk products in 2018. Contributing to its success is its wide product line, which gives it a presence in different categories such as powder milk, shelf-stable milk and dairy only flavored milk drinks.

### c) Ab Nutribev Ranks First In Milk Alternatives

Nestlé Philippines is the leader of various categories within drinking milk products, except in milk alternatives, where AB Nutribev takes the lion's share of sales. AB Nutribev derives its share solely from soy drinks where its brand, Vitamilk, continued to rank first in 2018.

### d) Other Companies Enter Soy Drinks

AB Nutribev's success seems to have attracted other local companies, such as Zest-O Corp and Universal Robina Corp, to expand into soy drinks. Despite the increase in its competition, AB Nutribev has good prospects to remain as the leader in soy drinks since it has a wide distribution network, which includes sari-sari stores (traditional neighborhood stores). PROSPECTS

### e) Dairy-Based Options Continue To Grow

Options for dairy-based drinking milk products are growing alongside the expansion of soy milk brands. In 2017, new brands within shelf stable milk included Dana (Dana Dairy Group), Meadow Fresh (Goodman Fielder) and Milk Magic Fresh Milk (Consolidated Dairy and Frozen Food Corp).

- Processed Cheese

Processing of locally produced milk into cheese is not yet an option because the supply of fresh milk is still lacking. As far as cheese products are concerned, the situation is described as follows:



## a) Reconstituted Cheese Drives The Overall Improvement In Performance

Cheese recorded slightly higher growth in both value and volume terms in 2018 compared within the previous year, likely benefiting from the expansion of the middle class. An improvement in the buying capacities of consumers helped drive more purchases of more-expensive unprocessed cheese.

## b) Appreciation For Unprocessed Cheese Remains Limited To A Niche Group

Filipinos typically consume cheese as a spread or as an ingredient for cooking. Only food enthusiasts typically appreciate and eat unprocessed cheese on its own.

## c) Cheese On Its Own Does Not Meet Local Preferences

Over the forecast period, cheese is likely to continue to be used either for food preparation or as a spread. Only a very small proportion of the population is expected to be open to eating cheese on its own.

## d) Competitive Landscape Kraft Foods (Philippines) Remains The Leader In Cheese

Kraft Foods (Philippines) continued to dominate cheese in 2018. This was because its brands, Cheez Whiz and Kraft Eden, continued to rank first in spreadable processed cheese and other processed cheese respectively.

## e) Unprocessed Cheese Remains Highly Fragmented

Unprocessed cheese remained highly fragmented in 2018, given that packaged hard cheese was the smallest category in cheese while value sales of soft cheese were negligible. In addition to these players, there are also a few local artisanal cheese makers, such as Malagos Food.

## f) No Major Changes Expected In The Competitive Landscape

The competitive landscape in unprocessed cheese is not expected to undergo significant shifts over the forecast period, as value sales of soft cheese are expected to remain negligible while packaged hard cheese will remain as the smallest category within the cheese. This is because any improvement in consumer appreciation of unprocessed cheese is expected to be gradual.

- Yogurt and sour milk products

In the yogurt and sour milk products category, there is no much growth recorded for the year 2018. However, Yakult and Nestle are competing. Furthermore, new products and larger packaging sizes are being introduced. This is an indication that there is a changing marketing trend. The situation in this category is described as follows:

## a) Probiotic Variants Drive The Robust Performance Of Yoghurt And Sour Milk Products

Yogurt and sour milk products recorded slower volume growth in 2018 compared within 2017. Drinking yogurt, which is the biggest category in yogurt and sour milk products, recorded the fastest current value growth in 2018, driven primarily by probiotic variants such as Yakult (Yakult Philippines), which is widely known for its benefits to digestive health.



## b) New Flavors And Bigger Pack Sizes Are Introduced Within Yoghurt

Value sales of flavored yogurt and plain yogurt are low compared to those of drinking yogurt since Filipinos are partial to rice meals or bread for their main meals. As a result, spoonable yogurt is not typically served during breakfast.

Although Filipinos are partial to small pack sizes, there is a growing presence of bigger pack sizes in yogurt. Nestlé Philippines, for instance, launched 500g packs for its spoonable yogurt in 2017.

## c) Competitive Landscape

Yakult Philippines continued to account for the majority value share of yogurt and sour milk products in 2018, even though it solely derives its share from drinking yogurt. Having been operating in the country since 1978, Yakult Philippines enjoys a first-mover advantage in probiotic drinking yogurt. On the other hand, Nestlé Philippines dominated both flavored yogurt and plain yogurt in 2018. One of its main advantages is its ability to tailor its flavor offerings to local taste preferences.

## d) Good Prospects For Creamy Delight

The shelf stable brand, Creamy Delight (ABI Pascual Foods), which was launched in 2013, has the potential to gain prominence over the forecast period and challenge Nestlé's leadership of spoonable yogurt. Although Creamy Delight may be aiming for a different consumer base than Nestlé with its competitive price point and availability through sari-sari stores, it holds the possibility of success since it has a wider potential customer base that includes the low end of sales.

## Competition

- Growth of Other Dairy Slows Slightly Due To Erratic Demand And The Presence Of Substitutes

Other dairy posted marginally slower current value growth in 2018 compared to in 2017, partly due to erratic demand for condensed milk and cream. Coffee whiteners, meanwhile, posted the fastest current value growth in 2018, partly driven by innovations in flavor and format by the dominant player, Nestlé Philippines.

- Product Options in Other Dairy Widen

Coffee-mate (Nestlé Philippines) expanded its product line in 2017 with the launch of two new flavors, salted caramel and double chocolate. It also introduced a liquid coffee whitener in 2017, which is available in four flavors of Original, French Vanilla, Hazelnut and Caramel Macchiato.

- Flavored Coffee Whiteners Could Prove Popular

The launch of flavored coffee whiteners by Coffee-mate (Nestlé Philippines) can be seen as its way of attracting young adults, who are more experimental in their food choices, away from 3-in-1 coffee mixes. This is expected to help protect its share from being eaten by competing brands that do not offer variety in flavor.





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- Alaska Milk Corp Takes The Top Spot In Other Dairy

Alaska Milk Corp continued to rank first in other dairies in 2018. Although it has a presence in cream and coffee whiteners, it derives its highest value sales from plain condensed milk since it owns all the key brands in the category, thereby allowing it to serve consumers of different buying capacities.

- Nestlé Philippines Dominates Cream And Coffee Whiteners

Nestlé Philippines ranked second in other dairies in 2018, continuing to dominate both cream and coffee whiteners. Its products in cream are popular due to their nature of being all-purpose, and Coffee-mate within coffee whiteners is supported by a large consumer following as a result of its long-standing presence, characterized by several years of dominance with little competition.

- Nestlé Philippines To Continue Leading Coffee Whiteners And Cream

Over the forecast period, Nestlé Philippines is expected to continue leading its respective categories, with high brand awareness and habitual usage of its products; however, the entry of disruptive brands in cream that caters to the changing preferences of consumers, eg non-dairy whipping cream, could slowly narrow the lead that Nestlé Philippines enjoys.

## Government Support For Milk Production

Although milk alternatives are seemingly getting the attention of health-conscious individuals, dairy-based options are expected to continue to thrive over the forecast period. This is because the focus of the Department of Agriculture is still on sourcing milk from cattle, and it aims to increase local milk production to meet at least 10% of the annual demand by 2022.

## Dairy Market Potential

The changing demographics and the initiatives by the Philippine Carabao Center are worthy for further expansion. With increase in volume of production, improvement in production and processing efficiency, and better quality product packaging, the locally produced and processed dairy products can be competitive. However, there are still many improvements in the dairy carabao sector of the dairy industry.



One institutional market that can be explored to create interest on milk and milk are the private and public schools. The dairy products produced locally can be introduced through the schools.

## STRATEGIES

### Building the Philippine Dairy Consortium as a Public-Private-Partnership Business Model

The consortium covers the different facets of the dairy industry development. As a whole, it is a business model composed of different institutions engaged in various enterprises for the Dairy Mart stores. Every participant is an autonomous unit that is financially sustainable even those with mandates from



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government institutions and state universities. Within the consortium there exist dynamic relationships between two of its members and among its members. The consortia are for research and development and training, dairy processing, dairy cooperatives and smallholder dairy processing enterprises, and financing and business support services

## Research and Development and Training

At present, there are two main groups that undertake research and development for dairy. They are divided by the type of be dairy stock. The first group is engaged in the dairy cattle while the second group is engaged in the dairy



buffalo. While the Philippine Carabao Center is both engaged in the research for dairy and beef, the Philippine Dairy Research Consortium specifically deals with dairy cattle. However, there are institutions that work for both groups.

The Philippine Dairy Research Consortium is composed of UPLB, Cagayan State University, Central Luzon State University, Bohol Island State University, Central Mindanao University, and the University of Southeastern Philippines.

On the other hand, the Philippine Carabao Center (PCC) CC has 13 network centers at various host universities including the following:

### Luzon

- a) Mariano Marcos State University (MMSU) at Batac City of Ilocos Norte. PCC was established in 1994.
- b) Cagayan State University (CSU) at Piat city of Cagayan. PCC was established in 1992.
- c) Don Mariano Marcos Memorial State University (DMMMSU) at Rosario city of La Union. PCC established in 1994. PCC was established in 1994.
- d) Central Luzon State University (CLSU) at Science City of Muñoz of Nueva Ecija. PCC was established in 1992.
- e) University of the Philippines Los Baños (UPLB) at Los Baños city of Laguna. PCC was established in 1992.

### Visayas

- a) Visayas State University (VSU) at Baybay city of Leyte. PCC was established in 1994.
- b) West Visayas State University (WVSU) at Calinog of Iloilo City. PCC was established in 1994.
- c) La Carlota Stock Farm (LCSF) at La Granja of La Carlota, Negros Occidental. PCC was established in 1992.
- d) Ubay Stock Farm (USF) at Ubay city of Bohol. PCC was established in 1992.

### Mindanao

- a) Mindanao Livestock Production Center (MLPC) at Kalawit of Zamboanga del Norte. PCC was established in 1994.



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- b) Central Mindanao University (CMU) at University Town, Musuan city of Bukidnon. PCC was established in 1992.
- c) Mindanao State University (MSU) at Marawi City. PCC was established in 1994.
- d) University of Southern Mindanao (USM) at Kabacan of North Cotabato. PCC was established in 1994.

- Dairy Processor

The suppliers of the dairy products to the foodservice and the retail sector are also partners of the Dairy Mart. There is therefore a dynamic environment created. Even suppliers of substitute like soymilk are also part.

- Dairy Cooperatives and Smallholder Dairy Processing Enterprises

The National Dairy Authority supports the financial, training, and marketing needs of dairy cooperatives in the Philippines. As a vital part of the consortium, they must be consolidated to attain efficiency in production and dairy processing and to receive support from research and development programs of the National Dairy Consortium.

- Financing and Business Support Services

The financing need of the Dairy Mart requires also the participation of different parties that may need different financing assistance. The Philippine Dairy Investment Fund is established through the initiative of an anchor investor, a development bank that provides the initial capital as the foundation as well as the catalyst of the investment fund. An international fund may also assume the role of the anchor investor. The fund is also a structure that recruits new sources of private capital to support infrastructure and other development projects. The fund also serves as a co-leader for borrowers financing projects where the government's program limits or resource constraints warrant the fund's involvement. The fund can also be used as a private lending facility in support of projects that are capable of meeting market terms. Target investments supported by the fund include dairy processing, breeding farms, production loan, and research and development.

The fund is managed by a Fund Manager, which is a financial services company that has a proven track record. The Fund Manager is responsible for addressing the fund management and the legal compliance of the fund. The Fund Manager is also responsible for recruiting investors. Furthermore, the operations must be transparent and closely regulated, not only by the government but the parties involved.

- International Partners

One of the largest suppliers of dairy product in the Philippines is the US. The US Dairy Council assists the US dairy industry in this undertaking. USDEC's mission is to enhance demand for U.S. dairy products and ingredients by securing access and assisting suppliers to meet market needs that facilitate sales. USDEC accomplishes this through research and collaboration with members, government, academia and numerous related organizations whose common goal is to ensure the health and vitality of the U.S. dairy industry.



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USDEC trade policy professionals work to achieve the best possible outcome for U.S. dairy products in trade negotiations and resolve ongoing trade disputes and threats to U.S. dairy export growth. The global marketing team develops programs and tactics that promote the use of U.S. dairy products, emphasizing the core principles of collaboration, consistency, quality and commitment to customer needs.

The strategy and insights team seeks out market opportunities for U.S. dairy products and, through research, collaboration and an adept grasp of market dynamics, develops specific strategies for U.S. suppliers to capitalize on those opportunities.

Through the initiative of the US Dairy Council and the University of the Philippines Los Banos, the plan is to ensure the technical support for product development will be asked, preferably through the Cornell University College of Agriculture and Life Sciences. The “Cornell Dairy Bar” is a snack bar inside the campus. The dairy products are supplied by the Cornell Dairy, which is about a 25-minute drive from Cornell University's Ithaca, New York campus and is home to over 900 milk-producing cows. The dairy is used as a training facility for students in both the College of Agriculture and Life Sciences and the College of Veterinary Medicine. The milk is used to make various signature products, including ice cream, cheese, and yogurt, which are sold on campus. The products are also served in Cornell Dining facilities for students and faculty consumption. Flavors include the common strawberry, vanilla, and chocolate, and the more esoteric Dean's Berry Swirl, Clocktower Pumpkin and Banana Berry Skorton. A newly remodeled Bar reopened in Fall 2013.

After years of existence and many years of research and product and development, the Cornell Dairy Bar is appropriate for the existing demographics in the Philippines.



The Cornell Dairy Bar

## Dairy Mart Brand Development and Outlet Expansion

The “Dairy Mart” brand will be developed as a store that sells its own brand as well as other international branded and local brand.

- Store design

The store design will consider important factors such as visibility, ease of movement, and price of construction materials.



- Product Categories

The products available in the Dairy Mart store are as follows:

- a) Milk (White Milk, Flavored Milk, Condensed Milk, Milk Powder)
- b) Chilled Dairy (Spoonable and Drinking Yogurt, Dairy Desserts)
- c) Cream (Whipping Cream, Other Liquid Cream, Sour Cream, Custard)
- d) Cheese (Hard Cheese, Soft Cheese, White Cheese, Blue Cheese, Processed Cheese)
  - Hard Cheese - Cheddar, Edam, Emmental, Gouda, Havarti, Italian Hard Cheese and Other Hard Cheese
  - White Cheese - Mozzarella, Cream Cheese, Feta, Mascarpone, Cottage Cheese and Other White Cheese
  - Blue Cheese - Italian Blue Cheese, Roquefort, Other Blue Cheese
  - Processed Cheese - Portions, Slices, Blocks/Cans, Grated, Spreads and Other Processed Cheese
- e) Butter Fat (Butter, Dairy Spreads, Butter Ghee)

### Support Infrastructure and Management Systems

- Dairy Mart Dairy Processing Plant
  - a) Milk processing plants
  - b) Curd , yogurt, ice cream plants
  - c) Plant & machinery for mozzarella cheese
  - d) Cream separators & bacto-fuges
  - e) High pressure homogenizers & Piston Pumps
  - f) UHT plants for milk & beverage
  - g) Aseptic sterilizer & filling machines
  - h) Pasteurizing, homogenizing, blending, filling and other processing steps for dairy foods and dairy processing equipment including homogenizers, pasteurizers, blenders and fillers.
  - i) Refrigerated van
  - j) Freezers and chillers
- Dairy Mart Real Estate Management
  - a) Store design and construction
  - b) Store rental
- Facilities and Equipment Management
  - a) Refrigerated vans
  - b) Freezers and chillers
  - c) Dairy processing equipment



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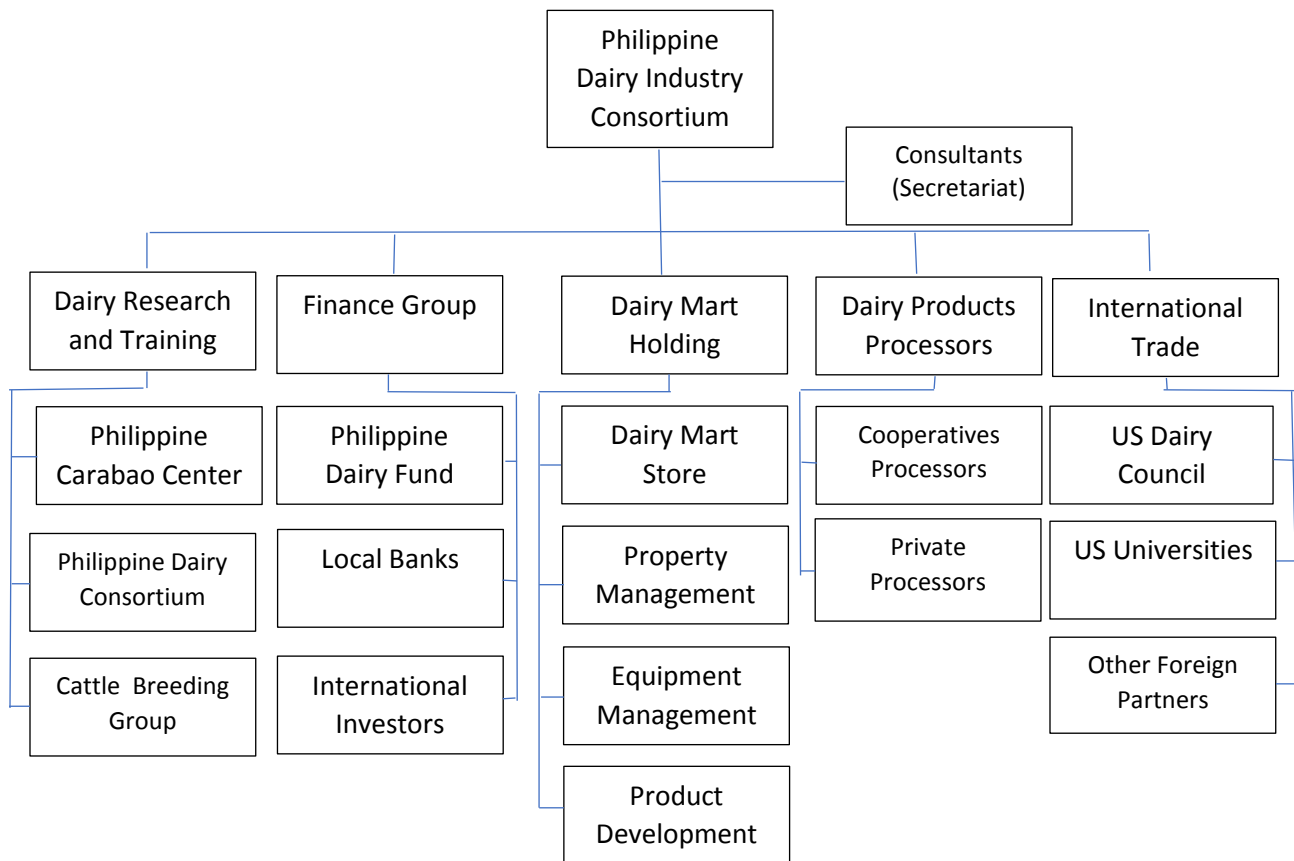
- Research and Development and Training
  - a) Dairy curriculum upgrading
  - b) Dairy training center
  - c) Research grants and funding
  
- Breeding and Herd Management
  - a) Facilities upgrading
  - b) Pasture management
  - c) Dairy Feeds and Feeding

## ORGANIZATION AND MANAGEMENT

### The Consortium

The consortium is a federation of different groups who are stakeholders in the Philippine dairy industry. It is not an organization initiated by a government agency or a government owned corporation, but by a consortium of private consulting companies that are not engaged in the business. This ensures a high level of professionalism to prevent conflict of interest. Figure 1 shows the chart of the consortium.

Figure 1. Organizational Chart, the Philippine Dairy Industry Consortium





- Delineation of Responsibilities

a) Dairy Research and Development

These are mostly government agencies, which include the National Dairy Authority and the Philippine Carabao Center. The members of this group perform their functions according to their own development plan. However, they can enter into an agreement for possible earning venture.

b) Finance Group

The finance group is a conglomeration of various financial institutions, which include foreign donors and lenders. The Dairy Investment Fund is established.

c) Dairy Mart Holding Group

This group of semi-autonomous company under the Dairy Mart Holding Group works together in putting the Dairy Mart store in operations.

d) Dairy Products Processors

This group of cooperatives, smallholder entrepreneurs, and corporations who are engaged in the dairy products processing enterprise, supply the products to the Dairy Mart stores. The products are specialty products that are distinct from those supplied by the branded suppliers.

e) International Trade

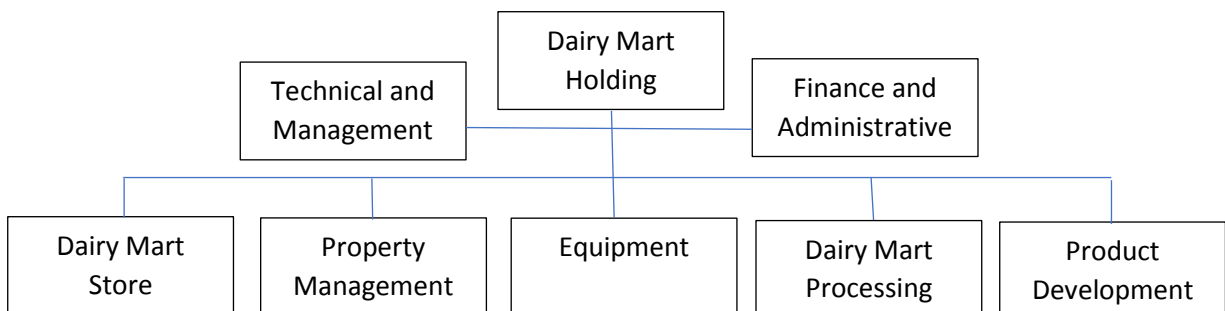
This group includes dairy trade groups of foreign countries, international development organizations with stakes in the dairy industry development, and other institutions engaged in international dairy trade. While they promote their interest for purposes of selling their products, they need also to assist the dairy industry development of the Philippines.

## Organization of a Management and Holding Company

- Organizational Structure

The organizational chart of Dairy Mart Holding Corporation is shown in Figure 2. The management and holding corporation has the support staff for finance and administrative and technical and management support.

Figure 2. The Organizational Chart, Dairy Mart Holding Corporation





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- Autonomous Strategic Business Units

## a) Dairy Mart Store

This autonomous corporation manages the operations of the Dairy Mart Store. It acts as the front in customer relations, gets feedback from customers. There are two types of stores, directly managed and franchise.

## b) Property Management

This autonomous corporation is the one responsible in the establishment of the store, negotiates lease, establishes its own store. It rents the store to Dairy Mart Store, whether owned or franchise.

## c) Equipment Management

This corporation is responsible for providing the equipment in the store. These equipment include freezers and chillers. It also provides equipment for lease to other stores allowed by the holding company.

## d) Product Development

This subsidiary engaged in product development is primarily responsible for developing the dairy products to be displayed and sold in the Dairy Mart stores. Product development also takes into account regional preferences. The group also provides services to other clients. The smallholder processors are also one of the main beneficiaries of their services. They may receive grants from the government and other international organizations.

## **IMPLEMENTATION SCHEDULE**

The Implementation is divided into three phases. Phase 1 is the organizational stage of putting every piece together. Phase 2 is the initial implementation stage, which is to experiment on the different store models, arrangements, and products. Phase 3 is the expansion stage.

### **Phase 1: Organizational Stage**

- Consultation With The Different Consortia
- Establishment of The Dairy Mart
- Establishment of The Philippine Dairy Fund
- Establishment of The Philippine Dairy Industry Umbrella Organization

### **Phase 2: Initial Implementation Stage**

- Establishment of The First 5 Dairy Mart Foodservice Stores
- Establishment of The Dairy Mart Processing Plant
- Establishment of The Three Remaining Subsidiary Corporations Of Dairy Mart

### **Phase 3: Expansion Stage**

- Feasibility Studies Expansion Plan





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- Continue Fund Generation
- Continue Support To The Other Consortium Participants

## BUDGET

The budget by stage of the project is presented in Table 1.

Table 1. Dairy Mart Budget.

Phase/Activity	Description	Cost (USD)
<b>Phase 1: Organizational Stage</b>		
a) Consultation with the different consortia	Series of consultation for the preparation of the framework for collaboration	50,000
b) Establishment of the Dairy Mart	Dairy Mart organized as a management and holding corporation	100,000
c) Establishment of the Philippine Dairy Fund	Series of consultation and planning with research works for a creative approach to pooled financing	10,000,000
d) Establishment of the Philippine Dairy Industry Umbrella Organization	Series of consultation that will end in the establishment of the charter of the umbrella organization with funding support from the Philippine Dairy Fund	100,000
<b>Sub-total</b>		10,250,000
<b>Phase 2: Initial Implementation Stage</b>		
a) Establishment of the first 15 Dairy Mart foodservice stores	Architectural design, site identification, product sourcing study, operating systems, staffing plan	30,000,000
b) Establishment of the Dairy Mart processing plant	Feasibility studies, equipment procurement, agreement with the Dairy Mart store, supply agreement with foreign supplier, supply agreement with local supplier	10,000,000
c) Establishment of the three remaining subsidiary corporations of Dairy Mart	Dairy Mart Processing, Dairy Mart Property Management, and Dairy Mart Processing subsidiaries established	50,000,000
<b>Sub-total</b>		90,000,000
<b>Phase 3: Expansion Stage</b>		
a) Feasibility studies expansion plan	Detailed feasibility studies for expansion; promoting the business and the consortium for investment	50,000
b) Continue fund generation		10,000,000
c) Continue support to the other consortium participants		5,000,000
<b>Sub-total</b>		15,050,000
<b>TOTAL</b>		115,300,000



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## FINANCIAL ANALYSIS

The financial analysis is available after further studies. The indicative cost maybe adjusted.

## CONCLUSION

After decades of stagnation of the growth of the dairy industry of the Philippines, new approaches must be tried. However, the new direction must be formulated by first putting the existing pieces together as one unit. By jumping into the foodservice business model to promote dairy products consumption, a dynamic dairy industry will be created.

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