

Improved Market Access and Smallholder Dairy Farmer Participation for Sustainable  
Dairy Development  
APHCA/CFC/FAO project CFC/FIGMDP/16FT  
Asia Pacific Smallholder Dairy Strategy Workshop  
Chiang Mai, Thailand, 25 -29 February 2008

Opening Speech by  
Hans-Gerhard Wagner  
Senior Animal Production and Health Officer  
Secretary of APHCA

Dr. Sakchai Sribonsue, Director General of the Department of Livestock  
Development (DLD)  
Francesco Gibbi, Representative of the Common Fund for Commodities (CFC)  
Ladies and Gentlemen

It is a great pleasure and honour for me to welcome you to this workshop on smallholder dairy development here in Chiang Mai on behalf of the Chairperson of APHCA, Dr Mike Nunn and on behalf of Mr He Changchui, Assistant Director General and FAO Regional Representative for Asia and the Pacific.

This workshop brings together a wide and impressive range of distinguished experts, decision makers and representatives from the private sector mirroring the whole spectrum of the dairy sector. Commercial and small scale producers are represented by active dairy farmers who will voice the issues related to feeding, breeding, cost of production, subsidies and farm gate price for milk. The processors will raise the problems which they are facing in obtaining the raw material and in processing and marketing. Research and development partners will share their experience in finding the right solutions. Representatives from the NGO and donor communities will inform on successful and less successful projects and what were the reasons why a project succeeded or failed. Finally we have invited representatives from the policy level which are asked to provide insight in the necessary policy and institutional framework for successful dairy development. You all have been brought together with the ambitious objective to explore and hopefully advise the future development of the dairy sector in Asia with a particular focus on small scale dairy development. The expected outcome has been summarized by Nancy in three points

- 1) *develop a strategy document which is recognized and endorsed by donors/policy makers as a regional and “actionable roadmap” to action on smallholder dairy development;*
- 2) *build a regional network on smallholder dairy development which provides best practices, guidance to regional stakeholders;*
- 3) *generate commitment by governments/industries to work within the network to prepare national action plans on dairy development*

The dramatic increase in price for milk and dairy products, the reasons have been analyzed and summarized in the APHCA brief on small holder dairy development. The document is part of the workshop documents so no need to repeat the details here again. But what I wish to stress is the enormous potential we see for small scale dairy farmers to participate in this boom and to get a piece of the cake. That this does not go

without changes is also quite obvious. Which are the key factors and challenges are they economic, institutional, commercial, legal, technological or social. Finally we should not forget in our considerations environmental aspects as ruminants are now in the lime light as one of the major producers of greenhouse gas in the agriculture sector. Hopefully we will find some answers which will help the many small dairy farmers in the Region.

In closing I wish to thank

- the Common Fund for Commodities represented by Francesco Gibbi for supporting APHCA in this joint venture and I am sure that we can demonstrate that the funds have been well spent.
- Dr Sakchai the Director General of DLD I wish to thank for giving this workshop the honour of his presence and for addressing the audience and for the support which DLD has given over the last years to APHCA. Thailand is good example where dairy development picked up after a Government decision to support the school milk programme where only locally produced milk can be used. Thank you very much.

Dear participants

I wish you stimulating, challenging, constructive, productive and innovative - but also enjoyable deliberations and discussions. Let us try to turn this workshop not into just another meeting but into a real opportunity to advise and guide this important agricultural sector that has such potential to benefit many small scale farmers in the Region.

Opening Speech  
Of Dr Sakchai Sriboonsue  
Director General, Department of Livestock Development  
For FAO-APHCA/CFC Regional Workshop on Small Holder Dairy Development  
26 Feb, 2008, Chiang Mai Thailand

.....  
Dr. Hans-Gerhard Wagner, Senior Animal Product and Health officer  
Mr. Brian Dugdill,  
Ms. Nancy Morgan,  
Honourable Participants,  
Distinguished Guests,  
Ladies and Gentlemen,  
Good Morning,

It is my great pleasure to have a chance to be here today for the FAO- APHCA/CFC Regional Workshop on Small Holder Dairy Development in Chiang Mai which will be held during 26-29 February 2008. First of all, may I welcome you all and guess that all of you had the nice flights during your trip to Thailand.

Come back to this workshop; let me inform you prior that dairy cow farming was introduced to Thailand since 1910 from India. After that, farming operations were scattered around the urban of Bangkok and milk yields per dairy cow were low. After that, more than 40 years ago, The Thai-Danish Farm was inaugurated by Their Majesties the King of Thailand and the late King Frederik IX Denmark. The government launched the project under Denmark's assistance with the grant of 23.5 million Baht and technical supervisor to train farmers on dairy farming techniques, feed management, diseases of dairy animals, produce cross-bred dairy cows, and produce dairy products from raw milk.

At present, the Thai government supported the budget 7,000 million Baht to develop school milk programme for over six million school children. During September 2002 to October 2004, FAO under TCP project implemented the Training programme for the small scale dairy sector in joint cooperation with the Department to develop the short course training for dairy farmers and milk processing person. Bann Patung Hauymoa Cooperatives in this province was selected to the pilot site. The Cooperatives can produce ice cream and drinking yogurt, all safe and hygienic, responding to the diverse demand of consumers.

Chiang Mai province was selected again to be venue of this workshop. I would like to say that after finishing the event, we may get the big plan and strategy directed to succeed as aims.

Hope you all enjoy and have a happy time during your stay in Chiang Mai and Thailand.

Now, It is the right time, may I declare open the FAO-APHCA/CFC Regional Workshop on Smallholder Dairy Development. Thank you.

**Dr Sakchai Sriboonsue**

---

## THE COMMON FUND FOR COMMODITIES

- COOPERATION FOR DEVELOPMENT -

### Opening Statement

on the occasion of the CFC/FIGMDP regional workshop on “**IMPROVED MARKET ACCESS AND SMALLHOLDER DAIRY FARMER PARTICIPATION FOR SUSTAINABLE DAIRY DEVELOPMENT in Asia** (CFC/FIGMDP/16/FT)”

26 February 2008 Chiang Mai, Thailand

---

*Your Excellency Sakchai Sriboonsue, Director General of the Department of Livestock Development, Ministry of Agriculture and Co-operatives of the Kingdom of Thailand,*

*Dear Colleagues of FAO InterGovernmental Group on Meat and Dairy Product*

*Dear Colleagues of the Animal Production and Health Commission for Asia and the Pacific (APHCA),*

*Distinguished delegates of the participating countries*

*Distinguished Representatives of the Dairy Industry in Asia,*

*Distinguished Guest,*

*Ladies and Gentlemen,*

It is my great pleasure to attend today in the beautiful city of Chiang Mai the the “Regional Workshop on Smallholder Dairy Development in Asia”.

First of all, on behalf of the Managing Director of the Common Fund for Commodities, Amb. Ali Mchumo, I would like to thank all of you (present here today) for expressing your interest in CFC mandate for poverty alleviation and income generation through commodity development. I would like also to express my sincere gratitude to the Ministry of Agriculture *and Co-operatives* of Thailand and to the *Animal Production and Health Commission for Asia and the Pacific* for hosting the meeting here in Chiang Mai. I would like to thank the *FAO regional office for Asia Pacific* and the APHCA for all the assistance provided in the organisation of this workshop and the support granted to the realization of the project up to now, as well as in future.

I am particularly grateful to Mr *Sakchai Sriboonsue, Director General of the Department of Livestock Development, Ministry of Agriculture and Co-operatives of Thailand*, for his presence to grace the official opening of this workshop.

*Your Excellencies,  
Ladies and Gentlemen,*

This workshop is taking place at a moment when the issue of commodities is re-emerging in the international development debate. It is well known that many developing countries and most of the Least Developed Countries (LDCs) rely on a few commodities for income, government revenues, foreign exchange earnings and employment.

Considering that the population of the developing world, particularly those of the poorest countries, still depend to a very large extent on the production, processing and trade of a narrow range of commodities, it is imperative that we, as Common Fund assist developing countries and countries in transition in building their capacity to diversify their economies and to strengthen the efficiency and competitiveness of their core commodity sectors for the optimal utilisation of national commodity resources, as an effective way to achieve income generation and poverty alleviation in the rural areas.

Commodity dependence per se is not the major cause for the lack of progress in development. It is rather the form of dependence characterized by low productivity, low-value-added, low product quality and competitiveness, which undermine the achievement of the required level of economic growth. If these development obstacles are effectively removed, the commodity sectors can be an effective engine for growth and poverty reduction in the developing world.

*Your Excellencies,  
Ladies and Gentlemen,*

At the Common Fund we believe that one of the critical factors to improve earnings of commodity producers is to strengthen the system of value of the commodity chain, keeping in mind that value chain development must be linked with efforts to improve productivity, quality and reliability of supply. The activities financed from the Fund's Second Account, as stated in the Agreement Establishing the Common Fund for Commodities "...shall be commodities development measures, aimed at improving the structural conditions in markets and at enhancing the long-term competitiveness and prospects of particular commodities".

Such measures include applied research, transfer of technologies & best practices, value chain optimization for productivity and quality improvement, market access, and measures designed to assist the diversification of exports of developing countries.

*Ladies and Gentlemen,*

The objective of this workshop is to develop, through a participatory approach, an effective regional strategy for dairy sector development, focusing on market access and productivity enhancement of smallholder dairy farmers in Asia, where the demand for milk and dairy products is increasing rapidly due to population growth, urbanization and increase in incomes, but the local smallholder dairy farmers still fail to successfully meet the growing internal demand.

This objective will be achieved through an open discussion on the past dairy development interventions in the region thanks to value chain case studies that will be presented during the upcoming days of the workshop. We will also have the opportunity to review a detailed strategic industry analysis on the SWOT that characterise the Asian dairy sector, its key success factors, the sources of national competitive advantage and the competitive forces that influence the profitability of the market and the opportunities of income generation for the smallholder farmers. On these basis, a regional strategy for the sector shall be developed.

This strategy would particularly focus on how to strengthen smallholder market access and participation, increase income for producer and processor households and their inputs suppliers.

The Common Fund for Commodities, concerning the future implementation of this regional strategy for sustainable dairy development, hopes in an active involvement of the private sector, whenever possible and suitable, both in terms of co-financing and of organizational support. Key partners shall be also the governments of the participating countries and the public entities involved in the dairy sector. Their awareness of strategy development and implementation is important to ensure the ownership and sustainable effectiveness of development interventions in the region.

*Ladies and Gentlemen,*

Allow me now to present a brief introduction on the mandate, priority fields of action and objectives of the Common Fund for Commodities. As you might know, the CFC is an autonomous intergovernmental financial institution established within the framework of the United Nations in 1989. Currently, the Fund's membership is formed by 107 Member States and 9 intergovernmental organisations, including, among others, the European Union, the African Union and the CARICOM. The GC of the CFC, during its 19<sup>th</sup> meeting in November 2007, approved the membership application of the Eurasian Economic Community, an event that will help CFC expanding its project interventions across the Eurasian continent. CFC membership is open to all members' states of the United Nations and to any other intergovernmental organisation of

regional economic integration which exercises competencies in fields of activities of the Fund. In line with its multi-country approach to commodity development, new membership applications could be considered by the Fund if submitted. A deeper presence in the region would enable CFC to expand development activities in the continent, optimizing, in this way, the effectiveness and sustainability of its project interventions.

The main objective of the Common Fund is to assist commodity-dependent countries in strengthening and diversifying their commodity sector as a major contributor to economic growth, through grants and loan financed projects.

Therefore, CFC-funded projects seek to alleviate poverty, generating income through commodity development.

We concentrate on high impact, demand-driven projects, which have the potential of becoming self-sustainable. These projects focus on pre and post-harvest interventions including production, processing, marketing and the improvement of the structural conditions in the markets, with the goal of adding value to the commodity along the different steps of the supply chain, enhancing, in this way, the long-term competitiveness of particular commodities like dairy, and enabling the producing countries maximizing their export earnings. Project interventions are always seen in the context of environmental sustainability.

The CFC operates under the unique approach of the commodity focus instead of the traditional country focus. Commodity focus means to concentrate on the more general problems of particular commodities within a multi-country, regional approach, in a way that the benefits of our projects are spread to several countries in the targeted region and disseminated across regions.

With reference to beneficiaries, CFC interventions concentrate on the poorer strata of the population, farm smallholders or entrepreneurs in small to medium sized enterprises involved in commodity production, processing and marketing in Developing and Least Developed Countries.

CFC lately concluded a process of close consultations with commodity stakeholders, particularly with the target beneficiaries and the relevant International Commodity Bodies, in order to jointly identify specific priority areas of CFC intervention for each commodity, as a basis for the 3<sup>rd</sup> *Five-Year Action Plan* that will cover the period of 2008 - 2012. These consultations ensured that CFC-financed activities are based on a clear participatory needs assessment and a review of the commodity sector as a whole, while project intervention will focus on 4 main fields of action of the Fund, namely, supply chain management, diversification, market access and market development.

Once the regional strategy for dairy sector development in Asia is identified, as main outcome of this workshop, a new project proposal, focused on Improving the marketing and productivity of smallholder dairy farmers and in line with the strategy recommendations, could be submitted to the Common Fund for consideration.

*Ladies and Gentlemen,*

The Common Fund for Commodities expects that the workshop we are attending today shall effectively contribute to the development of a sustainable and viable dairy sector in the Asian region, so as to improve the socio-economic situation of all actors involved in to the dairy processing chain, small holders in particular.

To conclude,

I would like to express again my gratitude to all of you who are present here today.

Thank you very much for your kind attention.