
**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
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**Session 2 Paper: Innovative approaches to improve dairy development in Vietnam
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Introduction (Slide 1 to 8)

The aim of the BTC¹ project “Development and extension of dairy farming activities around Hanoi, second phase”² is to increase the income of dairy farmers in Vietnam. When the project started in 2005, the situation of dairy production in Vietnam was not optimistic. The production levels were disappointing, the quality of milk was poor and the milk price was low. In contrast, the total number of dairy cattle and the total production had increased at an amazing rate of about 20% yearly, since the start of the National Dairy Development Plan (2001-2010). Due to the strong support of various national and international initiatives, the demand for cattle stayed high and so did the price of cattle. Many farmers raised dairy cattle with the purpose of selling the off spring at a high price, rather than making considerable profit with the milk production itself. Most farmers did not focus on increasing the milk production by improving the farming techniques.

The project chose to put its focus on the improvement of the quality of farming (dairy farming techniques) as well as on the quality of the milk. Most importantly, it has set up a brand new quality control and payment system, which ensures that each farmer is rewarded for the quality of the milk. Furthermore, farmers and technicians get professional advice on how to improve the quality. It’s obvious that these improvements on farm level also have a positive effect on the productivity.

This paper and the accompanying PowerPoint presentation (annex 1) are prepared for the Asia-Pacific Regional Smallholder Dairy Strategy Workshop held in Chiang Mai, Thailand from 25 to 29 February 2008. Two innovative initiatives to improve the dairy

¹ Belgian Technical Cooperation. This is the Belgian Development Cooperation Agency that executes the bilateral project funded by the Belgian Government.

² The project is implemented by the Ministry of Agriculture and Rural Development of Vietnam, with technical assistance of the Belgian Technical Cooperation. It is funded by the Belgian and Vietnamese Government.

development in Vietnam are discussed: The set up of an incentive milk payment system for smallholders and the creation of a professional multi-stakeholder dairy organization.

Incentive milk payment system

Quality of production (Slide 9 & 10)

In Vietnam, farmers do not raise cows to produce milk for home consumption. The only aim of producing milk is to generate income. Therefore, the project encourages professional dairy farming. It is our belief that dairy farming should be considered as a business and only if you give your cows what they need (appropriate housing, feeding & management), the economics of dairy farming are positive. Poor quality farming not only reduces milk yields but also causes poor health, prolonged calving intervals and infertility, which will most likely lead to economical losses!

Quality of milk (Slide 11 & 12)

Milk quality can only improve if the quality is tested at farm level and if a higher quality is rewarded with a premium price. Therefore, the goal of our system is to pay each farmer an individual milk price, based on the quality of the milk (Slide 13).

Before the intervention (Slide 13 to 23)

In Vietnam, the collection of the milk goes through milk collection points. The milk of the farmers is gathered in a cooling tank at the milk collection point, before it is transported to the processing plants. In the milk factory, the quality of the milk is tested on irregular basis. If the milk doesn't meet the factory's quality standards, the whole bulk tank is fined. This means that all farmers are punished, even if the majority of the farmers delivered milk of an acceptable quality. Even though the milk collectors play an important role in the storage of the milk, their contribution to reduced milk quality was never questioned. Furthermore, in the old system the milk collectors had too much power, since they were in control of the payment to the farmers. Farmers complained that payments were based on suspicions and personal connections rather than on facts. Two additional problems were that plastic containers were common and that milk was often passed from one collector to another before reaching the factory. In conclusion, the old system was complicated, unfair and not transparent, which resulted in poor quality milk.

A Win – Win spirit (Slide 24 & 25)

The intervention is based on the belief that a monopolized, unfair and unreliable milk payment system heavily undermines sustainable dairy development! The challenge was to transform this negative environment into a Win – Win situation. Three key aspects of the new system are the collaboration with the processing companies, the installation of testing equipment and the involvement of an independent laboratory.

The new quality control system (Slide 26 –36)

To fill in the lack of data at farmers level, ten sets of testing equipment were installed in milk collection points. The equipment, consisting of a smart card reader, an electronic scale, a milk analyzer and a microprocessor, are user friendly, accurate, fast and reliable. They have been designed to meet the requirements of the field. The fat- and dry matter content as well as the possible presence of added water in the milk is tested for each farmer. The results of the analyses are directly visible for the farmers and they receive a print out. All of this increases the transparency and fairness of the system. In addition to these basic analyses, extra milk samples are taken regularly for further analysis in an independent laboratory. There, the bacterial count, antibiotic residue and somatic cell count is determined.

Payment to farmers and collectors! (Slide 37 & 38)

The payment system was optimized and renewed. The project works together with the processing industry to pay the farmers according to the individual quality of their milk. Now every farmer gets the milk price he deserves. A specialized software is used to calculate the payment for each farmer. Electronic smart cards are used to identify the farmers in the collection points and to transfer field data to the central computer. Farmers receive their payment directly in their individual bank accounts. This has the extra advantage that the threshold to the bank is reduced, and that the bank gets information about the creditability of these farmers. Milk collectors are no longer involved in the payment of the farmers. They are only paid a commission and can receive penalty if the quality of the milk is reduced due to their fault.

Customized advice for each farmer (Slide 39 to 49)

An important aspect of the payment system includes a bonus for farmers who apply good dairy farming practices. Farmers are evaluated every two months by a team of experts. Besides the evaluation, the experts also give advice on how to improve the farm. Furthermore, farmers have opportunities to follow practical training courses on all the different aspects of the “Good Dairy Farming Practices”. Therefore, the evaluation actually links the different project activities, such as training for farmers, introducing new technologies (for high quality forage production, avoiding heat stress, and drink water supply) and the improvement of the animal health services, back to the milk payment.

Impact and sustainability (Slides 50-53)

The new milk payment system is highly appreciated and receives the support of all the parties involved. Since the quality control started a few months ago, the quality of the milk has already improved significantly. However, a problem is that not all processing companies care about the quality and offer a too high price for poor quality milk delivered to collection point outside our system. Therefore, some farmers and collectors prefer not to join our system yet.

Currently the project act as a service provider to the farmers and the processors. The project is preparing to hand over the management of the system to a new service

providing company, of which dairy farmers will be the only shareholders. This new company should employ full time staff for daily management, maintenance and accountancy. The operational cost could easily be recovered from a small fee on the milk price.

Repeatability (Slide 54)

Our intervention should be considered as example which could be followed by farmer organizations, processing companies or other projects. However, the equipment itself is only a tool. The intention to reward quality on individual basis is the most important issue.

Finally, one of our objectives is to use our system to sensitize the Government and the processing industry about the need for a transparent quality control system and the need for national regulations.

Dairy Vietnam: a professional multi-stakeholder organization

Mission statement (Slide 55 – 58)

The public and private dairy sector in Vietnam recognized the need for national coordination and multi-stakeholder information sharing. Therefore, in early 2007, a group of representatives of dairy stakeholders agreed to work together and formed the Founding Steering Committee of a new organization, called *Dairy Vietnam*. The mission of *Dairy Vietnam* is to exchange information related to the dairy sector in Vietnam, in order to promote sustainable dairy development. The three main channels of communication are a daily updated website, a weekly e – newsletter, and a quarterly printed newsletter. Furthermore, *Dairy Vietnam* creates real opportunities for collaboration and it increases the national and international visibility of the Vietnamese dairy sector.

Success story (Slide 60 –66)

In one year time, the organization has developed into a highly professional organization with several committed full time staff. Four months after being launched, the hit counter on the Vietnamese website³ has reached 160.000, in average more than 1300 hits per day! The English website⁴ has reached 45.000 hits. Also, *Dairy Vietnam* is applauded by the private and public sector. So, what made *Dairy Vietnam* a success story? Probably, all started with the positive attitude of the organization! This is clearly reflected in the logo. The logo is composed of three milk drops, representing the different stakeholders. Together they form a dynamic and strong structure! The logo is also tri-dimensional and in a powerful orange color. Indeed, *Dairy Vietnam* is multi-dimensional and strong organization that builds on mutual respect and understanding for each other. The slogan of *Dairy Vietnam* is: Discover, Understand, Innovate! The features of our website and newsletter are discussed on Slide 65 and 66.

³ www.nganhsuavn.org.vn

⁴ www.dairyvietnam.org.vn

For the funding of the organization, *Dairy Vietnam* needs sponsors. However, we are not just looking for companies to advertise but we are looking for partners! A very efficient way of a partnership is by acting as an event organizer. Our staff already proved to be professional and always aims for the best quality.

Impact (Slide 67)

We believe that *Dairy Vietnam* truly contributes to the dairy development by making interesting information available for specified target groups and the improved communication between private and public actors results in positive actions. *Dairy Vietnam* is an excellent tool to link the Vietnamese dairy sector and its development with the rest of the world!