



**PROJECT «NETWORK FOR AGRICULTURE AND RURAL DEVELOPMENT
THINK-TAKS FOR COUNTRIES IN MEKONG SUB-REGION (NARDT)»**



Regional research

Agricultural innovations review in Sub-Mekong region countries

Contract farming model in Moc Chau Milk Company in Son La province

1. General information

Moc Chau Dairy Cow Breeding Joint Stock Company (Moc Chau Milk) is headquartered in Moc Chau Farm Town (Moc Chau District, Son La Province), 194 km northwest of Hanoi. Moc Chau Milk is a joint stock company established based on foundation of Moc Chau Military Farm formed in 1958 and officially became a joint stock company in 2005. The company's production and business activities are quite diverse, including: raising dairy cows, supplying dairy cows, producing animal feed and processing dairy products.

The company also built a feed processing factory, a milk processing factory, a dairy breeding center, a technology transfer center, branches and distribution agents. in provinces and cities. And, the most important point in the company's operation organization is that nearly 600 farming households, who are contracted to raise dairy cows, provide milk materials for processing finished products for business, bringing benefits to customers. profit for the company.

Products of Moc Chau Milk's are pasteurized fresh milk, pasteurized fresh milk, yogurt and some other products such as cheese, butter, milk cake, cream, sweetened condensed milk... The company has two big branches in Ha Noi and Da Nang and many other distributors, agents and establishments in 42 provinces and cities in Vietnam.

2. Model development

Moc Chau Milk, formerly known as Moc Chau Military Farm, was established in 1958 with the initial task assigned by the state to do the economy, expand and develop in the Northwest. The main fields of the farm during this time were food crops and dairy farming. The farm was assigned to take care of 100 dairy cows.

In the period 1961-1982, Moc Chau Military Farm was transformed into Moc Chau State Farm.

In 1966, the farm received 117 black and white guinea cows imported from China from Ba Vi, at this time the dairy herd of the farm increased to 400 cows, milk production reached 24 tons / year, the animal feed processing workshop was established, the milk processing workshop was expanded, canned milk and butter products branded Thao Nguyen are sold in many places.

In 1982, the farm was assigned by the Ministry of Agriculture and Rural Development to manage and use nearly 4000 hectares of agricultural land. From 1983 to 1986, the farm flourished with many large-scale production and business activities including:

dairy farming and milk production, growing grass and corn as forage for cows, breeding and selling dairy breeds, ... Right from this time, the infrastructure of the farm was initially built synchronously with a system of 16 dairy farms, 4 machine milking farms, 1 calf breeding center, 1 cow hospital ...

In the period 1987-1991, the model of concentrated dairy farming according to the old mechanism was no longer suitable, at that time the farm faced many difficulties, there was no capital to invest in production, the products made could not be sold, so the head of the animal was reduced from over 3000 heads to 1300 heads. Milk production was only 1,800 tons per year. In 1989-1990, after a successful trial phase, 1,300 dairy cows were delivered to 165 households, some of which received 20 cows. As a result of successful subsistence work, dairy herds, dairy products, revenue are constantly increasing. This is an important highlight in the history of transformation and development of Moc Chau Milk, the cohesive model between businesses and farmer households began to be formed from this time.

In 1993, Moc Chau State-owned Farm was renamed Moc Chau Dairy Farm, at this time the farm began to officially receive a new task of producing dairy breeds. In 1995, the farm was renamed Moc Chau Dairy Breed Company, becoming a state-owned enterprise with the right to open representative branches at home and abroad.

After establishment, Moc Chau Dairy Breed Company has many new developments in production and business activities, the company has invested in UHT milk processing factory, yogurt. Many high-quality dairy breeds are imported from the US and Australia. In 2003, the company's total herd grew to 3,345 head. Fresh milk production of 6,332 tons, revenue of over VND 31 billion and also from here over 3,000 high-quality breeding cows have been supplied to all regions of the country in the national dairy cow breeding development program. The income of dairy farmers (recipients) and employees in the company improved significantly.

In order to improve the autonomy and promote the efficiency of the Company's operation, on 28/9/2004, the Ministry of Agriculture and Rural Development decided to change the state-owned enterprise Moc Chau Dairy Breed Company into Moc Chau Dairy Breed Joint Stock Company (with the trading name of Moc Chau Milk). From 1/2005, Moc Chau Milk officially came into operation.

In 2014, the company was granted VietGAP certification in dairy farming, became the first evaluated dairy farming enterprise and granted VietGAP Certificate in Vietnam.

Currently, Moc Chau Milk owns a dairy material area of more than 4,000 hectares, with a herd of more than 24,500 cows (equivalent to 8% of the size of the dairy herd nationwide). Moc Chau Milk Factory is capable of producing 250 tons of milk / day, 100,000 tons of milk / year, contributing 11% of the country's milk production.

Moc Chau Milk's people-participation model was formed from the requirement of renovating production organization, improving production efficiency by motivating dairy farmers instead of production concentration with low labor productivity. The model of linkage between Moc Chau Milk and farmer households is implemented in the form of contracting, a form similar to other livestock enterprises in Vietnam.

However, the important difference is that the breeder must have a large capacity of capital to rent land, invest in building barns, pay labor, etc., while enterprises only provide breeding stock and livestock feed. Meanwhile, the majority of farming households in this area are poor and also ethnic minorities. Thanks to Moc Chau Milk, besides having job opportunities, hundreds of farmer households also joined the company's livestock contract mechanism and significantly improved the family's income.

Depending on the conditions of the farmer households (land, experience, technique, labor...), Moc Chau Milk has contracted more than 15,000 dairy cows and more than 1,000 hectares of land to 565 farmer households to raise dairy cows and grass for forage. The average livestock scale of contracted households is 28 heads per household, some households have up to 180 heads. In addition to the number of contracted cows or contracted households, livestock farmers can invest themselves to increase the size of the herd. Many households have invested a lot of money to build farms, buy more breeding cows, build waste and wastewater treatment systems.

Dairy cow farm in Moc Chau District



Source: Moc Chau Milk company.

In parallel with the allocation of cows and land, the company also implements preferential policies such as providing loans up to 50% of investment capital needs with preferential interest rates and payment period according to the production cycle to households, starch feed support (additional to forage that the household can control on their own), grass variety of Alfalfa (imported) support, livestock technical training, vaccination, artificial insemination, monthly milk price bonus.

“Miss Dairy Cow” Contest in Moc Chau district



Source: Moc Chau milk company.

In particular, the company has implemented livestock insurance and milk price insurance to ensure that if a farmer household has a cow to be culled, the insurance amount from the culled cow will be equal to the amount of meat sold. enough to buy a new breed cow instead. All these moves have encouraged cow owners to feel secure and confident to invest in increasing herd and developing livestock. Thanks to cow

breeding, in Moc Chau plateau appear many "billionaire farmers" with an average monthly income of about 100 million VND.

In addition to creating jobs and stable incomes for nearly 2,000 local workers, the company also actively participates in building roads, building schools, implementing the "school milk" program for nearly 3,000 children (100% free milk every day), contributes money to build houses for poor households, organizes social and cultural programs such as Miss Dairy Contest on October 14-15th annually for farmers.

Moc Chau Milk also cooperates with people in the area to produce animal feed (the company annually buys from 100,000 to 120,000 tons of corn and whole corn for silage and over 13,000 tons of corn kernels and cassava for feed concentrates, creating jobs for thousands of local laborers with relatively high income.

Every year, the company organizes the Miss Dairy Contest. This is an opportunity for cow-raising households and ethnic people around the region to gather in town center of Moc Chau, to talk together, to share their breeding experiences and to bring their best cows to find the chance to be the Miss of the contest.

3. Opportunities and challenges

The model of contract farming between dairy companies and farmers has solved the shortcomings in the transition from state farms to joint stock companies and employees have worked on former state farms. This form of contract farming has created conditions for old farm workers to have jobs and incomes and help workers' families to settle down and be able to live with previous occupations. Therefore, this model can be applied to other areas with similar conditions such as coffee farms, sugarcane plantations, etc.

However, this form of contract assignment must have an agreement on sharing benefits as well as responsibilities of the parties, especially the company must ensure favorable conditions for production and especially product consumption. The norms of contract, fee collection and sanctions for breach of contract must be discussed and agreed upon by the parties. In particular, this contract must have a long enough term for people's investment in the growth cycle of livestock and plants.

4. Conclusion

In order to improve effectiveness of land use some localities have recovered farmland to contract enterprises to improve production efficiency according to the model of "large fields", facilitating mechanization and investment in science and technology.

This job brings benefits to businesses, creates jobs for a part of local workers, but vice versa in many places, it has had a negative impact on livelihoods and lives of people in the region due to lack of jobs. Therefore, Moc Chau Milk's model of household contracting is an innovative, creative and effective form of association because the company allocates land to people to produce animal feed by themselves. Cows are left to farmers to take care of themselves, dairy products are owned by the people with a company that guarantees them all, and support and insurance mechanisms help farmers to invest in production with peace of mind. Thus, this model has harmoniously solved the interests of businesses, farmers, and socio-economic problems in the locality. This is also the model to increase effectiveness of state land.