

# Linking Dairy Farmers to Koufuko: A Case of a Successful Dairy Value Chain and Marketing in the East

Norbu<sup>1</sup>

Dr. Tshering Dorjee<sup>2</sup>

## Dairy Processor and the product

Koufuko International Ltd. is a pioneering dairy plant established in 2013 at Trashigang under FDI joint venture between DHI and SNBL, Japan with shareholding of 30% and 70 % respectively. Until recently, the SNBL exited ownership of KIL company on goodwill with free transfer of shares to DHI. Now the Company is 100 % owned by DHI.

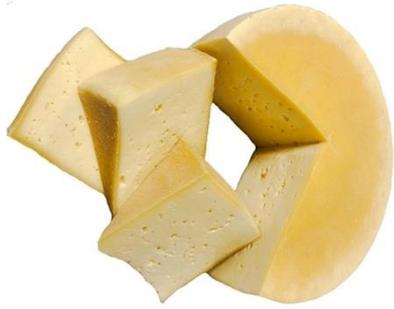


The Dairy Plant came to an operation starting 2015 with collection of 400-500 liters milk every day from few dairy farmers' groups in Trashigang and processed Gouda cheese and yoghurts. The company initially produced only Gouda cheese for export market to Japan while yoghurt market was targeted to schools. Today, the Company produces processed cheese under the brand name "Druk Zambala Cheese", salted and non-salted butter, stirred yoghurt, set yoghurt, gouda cheese and cottage cheese.



<sup>1</sup> Livestock Component Manager, Office of the Programme management, CARLEP, Wengkhar

<sup>2</sup> Chief Executive Officer, Koufuko International Ltd, Chenari, Trashigang



According to Dr. Tshering Dorjee, CEO of Koufuko International Ltd., the Company produces 8000 kgs of Druk Zambala cheese in a month from which only 36 % of the existing market demand is being fulfilled at the moment. If the Company receives the milk to run the desired capacity (4000 litres milk) then the Company is confident to fulfil 70-80 % of the existing market demand.

There is currently 64 % demand supply gap mainly because of insufficient milk supplied by the farmer groups linked with Koufuko.

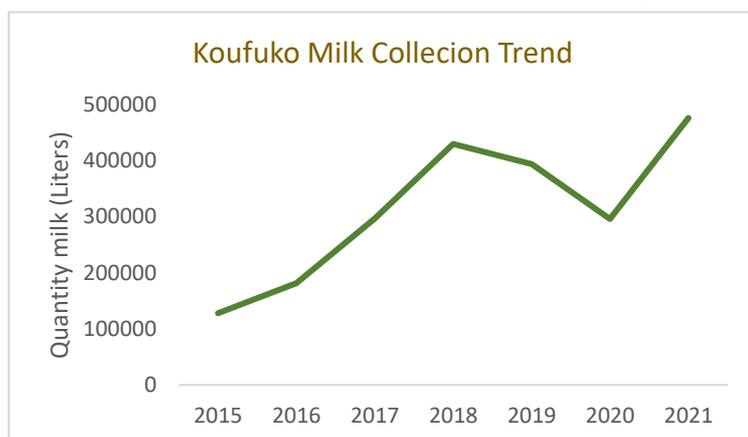
The Company has a plan to plough back the profit earned by the Company in the form of share divestment to the milk suppliers or farmer groups as and when the Company enters into profiting mode. “Moreover, the dairy cooperative or federation has the liberty to own the Company fully with enhanced capacity of the cooperatives or federation in the near future”, said Dr. Tshering, CEO, KIL.



### **Milk production and marketing**

The record maintained by KIL shows that the Company has collected 475611.19 litres of milk from the dairy farmer groups for the accounting period January to September 2021. The KIL collects milk from 11 milk collection centres at Trashigang and Monggar using two milk transport tankers supported by CARLEP and a milk transport van owned by the Company. On an average, the smallholder dairy farmers have supplied 52845.68 Litres of milk monthly to KIL with milk payment of Nu. 1.90 million to smallholder dairy farmers belonging to 21 Dairy Groups.

The company pays Nu. 35 per litre milk to those delivering to milk collection centres and Nu.33 per litre to those farmers when the milk is being collected by the Company from numerous collection points.



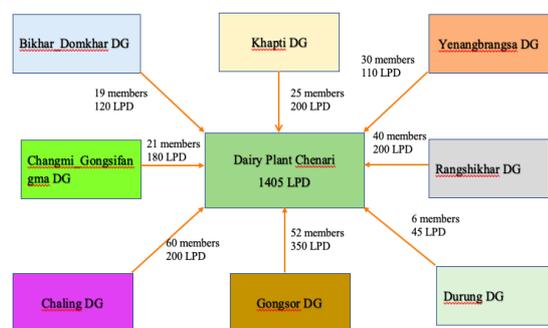
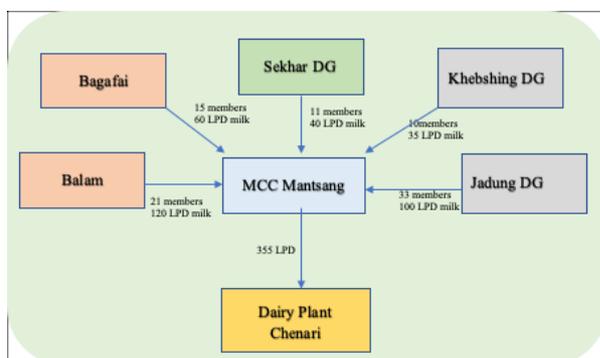
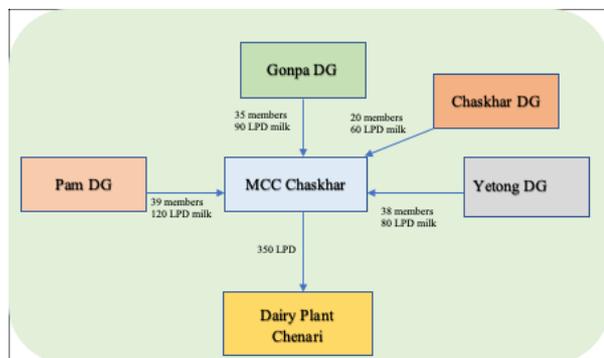
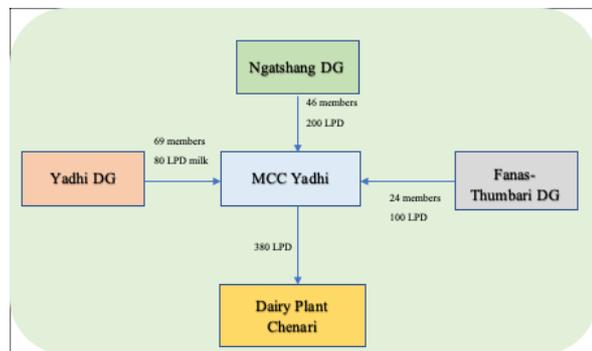
The above figure shows milk supply trend by the farmer groups to Koufuko from 2015-2021.

The Dairy Plant has a milk processing capacity of 4000 Litres per day but currently the Company is receiving only 1761.52 litres per day on an average, making the Plant to operate only at 44 % of the processing capacity. Nevertheless, the market linking program is being expanded gradually. In the next phase, Sherimung and Udzorong dairy farmers will be linked to Koufuko. They are soon expected to join the current pool of 21 dairy groups supplying milk to KIL.

### Existing market linkage between Koufuko and dairy groups

The following schematic diagram represents linkage of dairy groups to Koufuko Dairy Plant. It also shows number of members supplying milk and amount of milk production by individual group.

It is projected that the 21 groups comprising of 614 members could produce 2490 Litres of milk daily on average capable of meeting 62 % of the Plant production capacity. Going by this figure, our dairy farmers have ample of scope to enhance production as KIL serves as an assured sustainable market for fresh milk.



The Company also buys Yak Gouda cheese produced at Merak-Sakten at Nu. 420 per kg which are used as precursor for producing Druk Zambala cheese.

## **Milk quality and cold chain facilities**

Milk quality plays a crucial role in the functioning of dairy value chain. The quality parameters must be maintained and it all begins from animal health, sheds, milking practices and use of appropriate milking utensils, chilling facilities and milk transport system. Development and constant improvement of milk collection logistics was facilitated since 2016 with fund support from CARLEP. Hygienic dairy sheds, construction of milk collection sheds, construction of milk chilling centres, supply of milking buckets and milk cans, supply of deep freezers, milk analyzer, digital weighing balance, milk tankers, and training of farmers on clean milk production are some of the major interventions geared towards milk quality enhancement and building an overall resilient dairy value chain in the East.



With expansion of linkages between the Processor and the dairy farmer groups, milk quality aspects are taken on board and constant quality improvement strategies are put in place through development of appropriate legislation and self-regulation of dairy sub-sector. Introduction of quality-based milk payment system will go a long way in ensuring continued supply of quality milk.

## **Management of milk collection logistics and employment**



Milk collection logistics are mainly composed of collection sheds, milk collection centre with chilling facilities, milk transport tankers and a dairy processing plant. The individual dairy farmer delivers milk to the assigned collection points from where the transporter, deployed by the group or the

processor, transport milk to the chilling centres. The chilling centres then dispatch milk to the processor which gets further transported to the dairy processing plant using milk tankers owned by the Company. Mr. Jigme Thinley has been engaged in transporting milk from different collection points to the MCC's using his Bolero truck at Ngatshang. "I earn Nu. 32000 a month for fetching milk from the dairy farmers till Milk chilling Centre and I think it is a gainful employment for me besides getting an opportunity to serve the community", Said Jigme Thinley. Similarly, Mr. Bodi Sato is another milk transporter in Chashar gewog making rounds the assigned collection points and ferrying milk to MCC located at Chaskar.

Currently, two MCC's (Ngatshang and Chaskhar) were handed over to KIL who takes the ownership for maintenance while 9 MCC's are being managed by the respective dairy groups.

Along the chain, credible employment has been created to manage MCC's, mostly women employees. One of the women employees, Ms. Chophel Dema at Bikhar-Domkhar MCC said, "my job responsibility is to receive milk, check quality, record it and then pour into the bulk chiller until it gets delivered to the Processor and also washing of the equipment." She goes on adding, "I earn Nu. 6000 a month which is fairly enough for me to sustain myself and family in the village settings."



Currently, there are 8 youths employed in the MCC with remuneration ranging from Nu. 5000-10000 monthly.

Private milk transporters are deployed for collecting milk from numerous clusters to MCC's. Till date, 19 milk transporters are engaged in milk collection and transport.

## Integration of commercial dairy farmers



To propel dairy sector growth further and strengthen dairy value chain, dairy entrepreneurs have been promoted to establish commercial dairy farms. They not only play a role in creating economies of scale in milk supply but also engages in knowledge and technology transfer.

Mr. Kencho, a dairy commercial farmer from Bikhar, Trashigang successfully runs a 20-cow level dairy farm and supply 20-30 Litres of milk daily to Koufuko Dairy Plant at Chenari. He is one of the passionate dairy farmers in the region who also helps other dairy enthusiasts from within and other Dzongkhags in terms of dairy management and feeding. He travels as far as remote villages of Lhuentse and Monggar to share his practical experience in dairy farming, fodder conservation and feeding aspects. He does it free of cost out of his passion for dairy farming. "I have no knowledge other than rearing improved cows. Other dairy farmers as far as Lhuentse come to me for advice and help which I provide them with free service. They invite me to their places and I go there and assist them without any cost", said Kencho from Bikhar with his smiling face.



## Conclusion

An inclusive approach that allows dairy processor, smallholder dairy farmers, commercial dairy farms, private or group milk transporter are key to a successful dairy value chain interventions in the Programme area. Moreover, dairy value chain infrastructure development and strengthening cold chain facilities facilitated milk collection, storage and marketing.