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Vietnamese Company Invests USD 1.2 Billion into Mega-Dairy

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Report Highlights:

Construction is underway in Vietnam on what might be one of the world's largest dairy facilities. TH Milk Joint Stock Company launched a plan to invest USD \$1.2 billion into the project to meet Vietnam's rapidly increasing dairy demand. The company expects to complete the dairy by 2017 and the facility will house over 137,000 cows on 12 "cluster" farms located in central Vietnam's Nghe An province. TH Milk's long-term goal is to produce upwards of 50 percent of the domestic fresh milk consumed in Vietnam.

General Information:

TH Milk Joint Stock Company (TH Milk) is known throughout Vietnam for their marketing slogan “TH True Milk.” Capitalizing on Vietnam’s growing demand for dairy products, TH Milk is investing USD \$1.2 billion into a closed cycle dairy operation that is expected to be completed and at full capacity in 2017. The company predicts this operation will eventually provide half of the domestic demand of fresh milk in Vietnam. TH Milk is simultaneously expanding their operations and starting milk production. The dairy is currently under foreign management with the goal of training the local Vietnamese team to operate and maintain the farms without outside oversight by 2017.

As of Post’s May 2011 visit to the Nghia Dan District of the Nghe An Province, TH Milk was milking 2,500 cows and producing 300 metric tons of milk daily. This level of production makes it the single largest dairy operation in Vietnam. The sheer scale of the dairy dwarfs United States counterparts, although the design of the farms draws many parallels to U.S. dairy production. This is a drastic move away from house-hold milk production where farms typically have 3-5 cows in northern Vietnam and 5-7 cows in southern Vietnam.

Surrounding the farms, TH Milk leases 15,000 hectares (37,000 acres) of cropland to grow various crops for feed. Despite the significant amount of cropland, TH Milk still imports a portion of its ration components. Most of the cropland is dry-land farmed, but TH Milk has expressed interest in using irrigation systems to improve productivity. The main water source is the Sao River which was converted into a large reservoir prior to TH Milk’s arrival in the area. TH Milk has water treatment in two separate areas; one for cows’ drinking water and another for waste water. Water pumped directly from the reservoir is treated before being distributed to water troughs in the pens. Waste water is separated into solid matter, which is composted, and liquid waste, which is treated before it is reintroduced into the reservoir.

The company’s goal is to have 137,000 total cows on the 12 “cluster” farms by 2017. Those 12 farms will be supplied and managed by three logistical support centers. When the project is complete, TH Milk will provide around 500 million metric tons of fresh milk annually to the Vietnamese market. Cattle are currently imported from New Zealand because Vietnam lacks the proper dairy genetics domestically. TH Milk is looking to source cattle from different countries, including the United States. The live breeding cattle protocol between the Governments of Vietnam (GOV) and the United States Government (USG) received final approval on July 1, 2011. Note: for more info on this, go to: http://www.aphis.usda.gov/regulations/vs/iregs/animals/animal_united_vietnam.shtml

TH Milk has the tools necessary to become a successful, large scale commercial dairy. Product acceptance is spreading throughout Vietnam and per capita rates of milk consumption are growing as incomes increase. TH Milk products already available in stores are contributing to an active advertising campaign that should steadily increase market share as boosted production increases supply. Although massive production is expected, officials within TH Milk emphasized that the milk will only be used to supply the domestic Vietnamese market. TH Milk emphasizes that it is the only supplier of fresh milk (no non-fat/full-fat dry milk added) in Vietnam to market its products.

The main challenges TH Milk faces are shipping logistics and overcoming the enormous initial investment. Basing the operation in central Vietnam consolidates resources and improves economies of scale, but its location is far from the concentrated customer bases of Ho Chi Minh City and Hanoi. TH

Milk is currently leasing a processing facility in northern Vietnam's Hung Yen Province, which is around 70 kilometers (44 miles) from Hanoi. New processing facilities will be built near the Nghe An farms, but until then milk is transported daily to the Hung Yen plant for processing. The other major obstacle is repaying the USD \$1.2 billion start up investment. In a country where annual inflation is in double digits, TH Milk may face economic difficulties unrelated to their milk production capabilities.

TH Milk Joint Stock Company has greatly expanded the size of the Vietnamese dairy industry. Their operations are designed to eventually become self-sufficient in many areas and capture a large portion of the Vietnamese fresh milk market. Initial growth is meeting the company's expectations in accordance with its long-term goals.