

BUSINESS

SCHOOL MILK

UHT MILK WON'T TACKLE ROOT OF THE PROBLEM

FDA backs change but worries grow about dairy farmers' huge surplus

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THE NATION

The Cabinet will decide tomorrow whether to raise the proportion of UHT milk supplied to the school-milk project, which entails Bt8 billion per annum of taxpayers' money, as well as whether to scrap the zoning supply system.

This may end the spoiled-milk problem, but it will not abolish the corruption problems believed to be at the root of the problem.

Deputy Prime Minister Korbsak Sabhavasus is expected to push hard for the proposal to have UHT milk account for 70 per cent of milk served to students through the project. Currently, the ratio of UHT to pasteurised milk is 30:70.

The proposed ratio change came up last Wednesday when six ministers met to discuss how best to solve the problems with the project, which aims to provide free milk to students.

The school-milk programme has come under intense scrutiny lately after schools complained of poor-quality

milk, with spoiled products found at more than 40 schools.

With UHT milk, spoiling is almost out of the question because its shelf life is usually no less than six months. Also, UHT milk does not require any complicated storage procedures.

Although the Food and Drug Administration (FDA) says pasteurised milk is more nutritious, it agrees that UHT milk is a good alternative for the school-milk project now that it has no effective cold-storage supply chain in place to keep pasteurised milk in suitable condition for drinking.

"Pasteurised milk requires cold temperatures during transportation and storage," FDA secretary-general Dr Pipat Yingseri said. "Some schools do not have proper storage systems, and milk suppliers usually deliver milk twice a week, not every day."

While the increased ratio of UHT milk is a good answer to the quality problem, it is of no help to local dairy farmers. These days, farmers face a daily surplus supply of cow's milk of about 300 or 400 tonnes.

Local farmers produce 2,500 tonnes of cow's milk each day, but some milk is imported in the form of powdered milk. Of the locally made milk, about 1,500 tonnes goes to milk-manufacturing facilities each day.

Oversupply is particularly high during school breaks, when milk is not sent to schools.

When talking about oversupply, many point their fingers at the imports of powdered milk. But Trade Negotiations Department director-general Chutima Bunyapraphasara insisted that the imports had not contributed to the decline in domestic milk prices. Annually, the imports reach no more than 55,000 tonnes and are used mostly to produce export-oriented goods like yoghurt, bread and sweetened condensed milk. She said the quota for imports from New Zealand and Australia could even be raised, due to higher industrial demand. It would be revised on an annual basis, however.

To ease the oversupply, the Cabinet recently agreed that the school-milk project would be extended to cover two million students in Prathom 5 and Prathom 6 in fiscal year 2010. Dairy Farming Promotion Organisation of

Thailand (DPO) board of committees chairman Amnat Teerawanit agreed that the extension should help solve the oversupply problem.

This would require funding of Bt3 billion a year, however.

When the government of then prime minister Chuan Leekpai launched the school-milk project in 1992, it clearly hoped to help local dairy farmers, too. One of the key conditions of the project is that the milk must be locally made.

The pasteurised milk is made solely from cow's milk.

The UHT milk, meanwhile, can be made from cow's milk or a mixture of milk powder, water and other ingredients. Therefore, if UHT milk accounts for 70 per cent of milk served through the project, dairy farmers will suffer.

Nor will a change in the supply ratio mean the end of corruption in the milk project's management.

The Office of the Public Sector Anti-Corruption Commission recently revealed that there are many levels of corruption in the Bt11-billion milk supply chain.

When bidding takes place, there are usually only two bidders: one offering a price of Bt6.57 per bag of milk and the other offering Bt6.58. The reference price set by the school-milk project is Bt6.57.

A key player in the dairy industry compiled a list of just 68 eligible milk suppliers for the project.

Generally, each of these milk producers is entitled to supply just one of three available school zones. However, some big suppliers have gained access to two zones. But the key player who compiled the list of suppliers allegedly received between Bt0.01 and Bt0.02 per bag delivered by suppliers.

Small-scale suppliers not on the list have paid between Bt0.20 and Bt0.30 per milk bag to successful bidders.

The pay structure is made possible by the zoning system, under which a province is given a list of suppliers allowed to join the bidding. They cannot buy milk from suppliers whose plants are within a 100-km radius. There is no system to check if the bid-winners are the actual suppliers.

Last week, the meeting of the six ministers, chaired by Korbsak, concluded that ending the zoning system should end corruption.

It is up to the Cabinet to make a decision. But whatever move it makes, the Cabinet should bear in mind that without proper screening, any project, no matter how beneficial, is in danger of becoming a waste of taxpayers' money.

SPECIAL REPORT



THE SCHOOL-MILK programme has come under intense scrutiny lately after schools complained of the poor quality. Spoiled milk was found at over 40 schools.

Chronology

1992 – The Chuan Leekpai government launches a school-milk project. All students from Grades 1 to 4 receive free milk for 170 days a year. The project comes with a key condition that school milk must be made from milk produced by local dairy farmers.

2003 – The oversupply of locally made cow's milk becomes a big problem after many milk-manufacturers, in a bid to cut costs, import milk powder. The government steps in to help local dairy farmers by expanding the project. The expansion means students receive free milk 200 days a year. (The students get 30 cartons of UHT milk for consumption during school break.)

2005 – The Thaksin Shinawatra government declares a zone system for school milk to prevent it spoiling during transportation. Zone 1 comprises 17 northern provinces, Zone 2 comprises 22 western and southern provinces, and Zone 3 comprises 37 provinces in other regions.

2009 – Local dairy farmers protest over the oversupply of milk in the market just as schools complain of the poor quality of the milk. The Abhisit Vejjajiva government prepares to remove the zoning regime and to raise the ratio of UHT milk to pasteurised milk to 70:30.

SUPPLIERS WILL BE HIT BY DECISION

SUCHEERA PINIJPARAKARN
THE NATION

Most of the firms supplying to the school-milk programme will be affected if the Cabinet decides this week to increase the proportion of UHT milk in the programme, as they only produce pasteurised milk, industry figures said.

An increase in the UHT ratio to 70 per cent from 30 per cent would have a major impact on more than 50 of the country's 71 pasteurised-milk suppliers, Dairy Farming Promotion Organisation of Thailand (DPO) board of committees chairman Amnat Teerawanit said.

Major dairy suppliers would have to adjust their production capacities, including the DPO, which is running at full capacity, he said.

"DPO does not see this as an opportunity, though. The government should end the bidding system to choose milk suppliers, as the system is causing all the problems," he said.

As suppliers collude to keep bid prices low, they tend to use low-quality milk, Amnat said. Then, given the poor state of the country's supply chain, the product does not last long and is spoiled by the time it reaches students, he said.

Last week, in an effort to solve the spoiled-milk problem, which has affected more than 40 schools nationwide, relevant ministries agreed to reverse the ratio of UHT to pasteurised milk from 30:70 to 70:30.

Amnat admitted that pasteurised

milk producers would lose revenue under the new ratio.

"The government should cancel the bidding system to prevent the collusion problem. Seeking the lowest bid price opens the door to poor-quality milk," he said.

Moreover, he proposed that state agencies impose a system to monitor the dairy manufacturing and logistics

Though UHT milk is easier to store and distribute, it is more expensive than its pasteurised cousin, because it is packaged in boxes, rather than bags, so the government's school-milk budget will increase.

system to prevent spoiled milk from reaching schools.

A dairy farmer at Muak Lek Dairy Cooperative, a school-milk supplier, said only 12 of 71 suppliers selected by the National Dairy Committee and the Interior Ministry's Local Administration Department would

gain an advantage from the new ratio because they have UHT production lines.

UHT manufacturers include the DPO, Nongpho Dairy Cooperative, Ratchaburi (under the patronage of His Majesty the King), Wangnamyen Dairy Cooperative, Thai Dairy Industry and Country Fresh Dairy.

Though UHT milk is easier to store and distribute, it is more expensive than its pasteurised cousin, the farmer said, because it is packaged in boxes, rather than bags, so the government's school-milk budget would increase.

The government budget for the free school-milk programme is currently Bt8 billion a year.

The Muak Lek dairy farmer said it would be wiser for the government to focus on revamping the transportation and storage process. Pasteurised milk tends to spoil quickly, and must be stored at below 2 degrees Celsius.

"The problems stem from the transportation and storage process, not the manufacturing process," he said.

An officer at Nongpho Dairy, one of the suppliers with a UHT production line, said UHT also had a lower nutritional value than pasteurised milk, as it was processed at a higher temperature.

"Yes, UHT's manufacturing costs are higher than pasteurised milk, and this also entails pricier packaging. According to our calculations, the government may need to increase the per-head school-milk budget from Bt6 to Bt7 [a year]," the officer said.

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