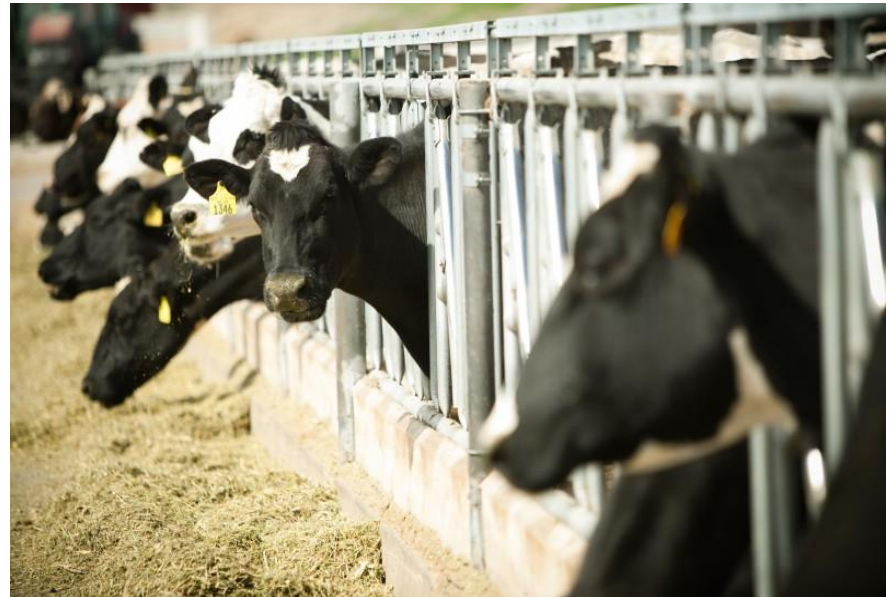


Creation of family farm as a factor of milk quality improvement

March, 2016,
Kukhtina Iryna





About me

Kukhtina Iryna

**Current position: Purchasing Director of Danone
Ukraine**

Education: Executive MBA

Experience in work with cooperatives:

- **Project leadership of creation from zero of production strawberry cooperative (2011-2015)**
- **Supervision of milk service coops in Ukraine in partnership with international organizations**

Experience in work with farmers:

- **Fruits farming in Ukraine, Poland, Serbia, Poland, Spain (2011-2014)**
- **Milk farmers in Ukraine (from 2014)**





Danone Ukraine Activities in Ukraine



Danone Ukraine #1 Dairy
23,1% of market share
152 000 tons of milk per year
2 600 mUAH (93mEUR)
2 000 people



DANONE Mission

**“BRINGING HEALTH
THROUGH FOOD TO
AS MANY PEOPLE
AS POSSIBLE”**





WHY do we do our projects?

- For better quality of life of rural people
- For better quality of milk for our consumer
- Because we can do this

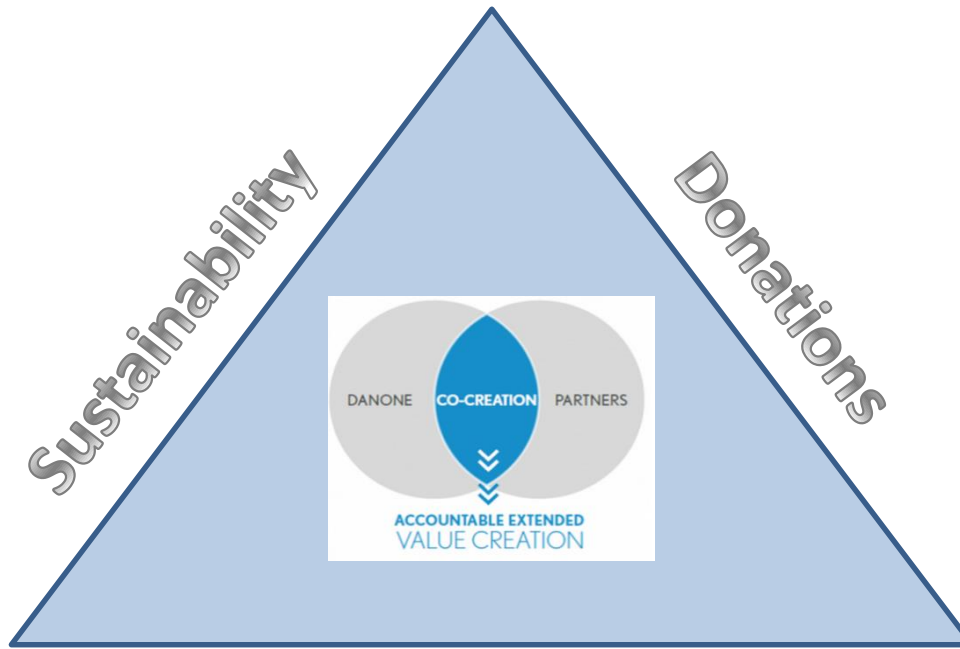




HOW? Co-creation with Partners



Danone Ecosystem Fund



Danone Operational Unit

Project Management



NGO Partners



RESULT: Business and Social KPIs

➤ Business

- Development of local markets
- Motivation of DANONE people
- Reputation and local accessibility

➤ Social

- New jobs and increase of income for rural people
- Development of infrastructure
- Change of quality of life





Projects in Ukraine

Project	Investments	Social Impact
Milk Communities, 2010-2017	6 417kEUR	<ul style="list-style-type: none"> - 300 new jobs - 3500 people benefits from the project - Cold chain for milk
DemoFarm, 2012-2016	2 300kEUR	<ul style="list-style-type: none"> - 21 new jobs - Training center for small and medium farmers - 1 306 people benefits from the project
Strawberry Ukraine 2011-2015	1 944kEUR	<ul style="list-style-type: none"> - 482 new jobs - 2 600 people benefits from the project - Modern cultivation technology introduced





Partners in Ukraine Projects



Foreign Affairs, Trade and
Development Canada

Affaires étrangères, Commerce
et Développement Canada



USAID
FROM THE AMERICAN PEOPLE

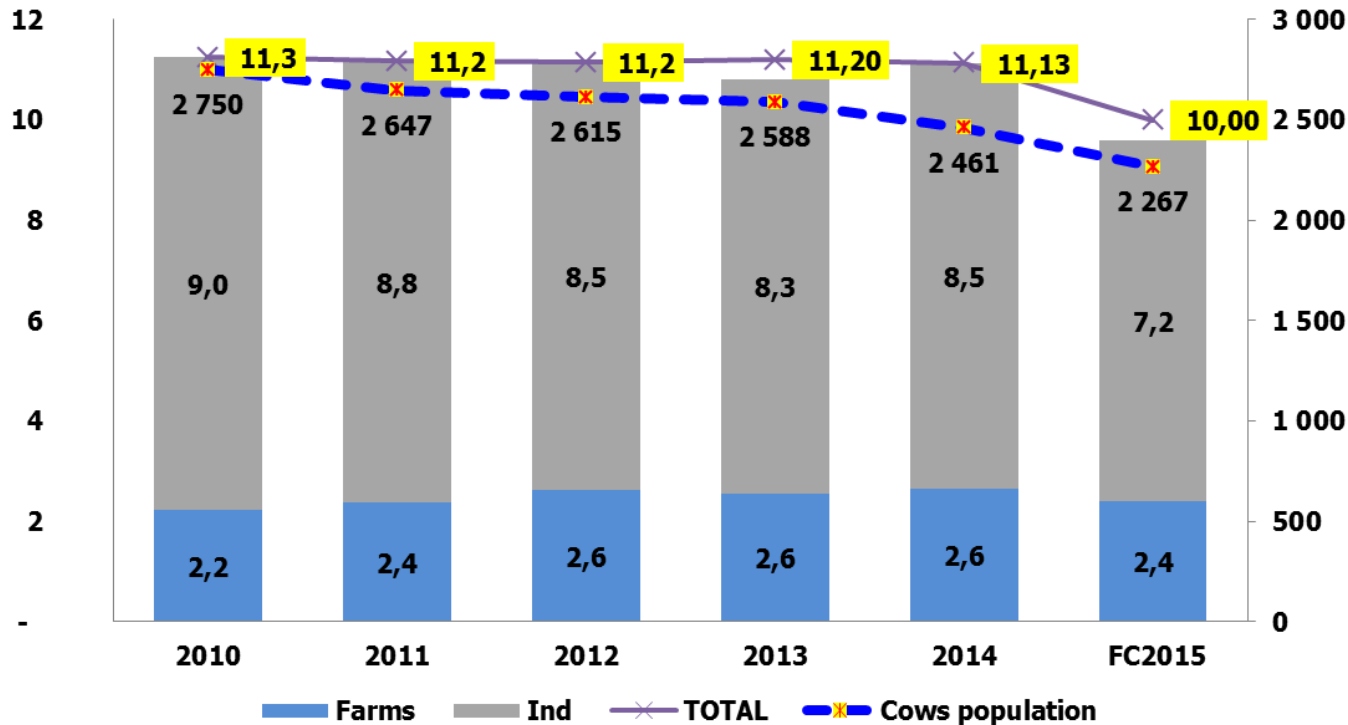




MILK QUALITY IN UKRAINE



Milk Market Structure – 72% milk from households (less than 5 cows)



- 72% of milk produced by individuals – less than 5 cows in average
- Decline in cows population in households
- Milk in households is not main income for families – no focus on quality end efficiency



Quality Standards UA vs EU

	EU	GOST			
	Basic	Extra	Premium	I Class	II Class
Total Bacteria Count, thnd/sm ³	<100	<100	<300	<500	<3000
Somatic cells, thnd/sm ³	<400	<400	<400	<600	<800



Equal



Acceptable
for processing



NOT acceptable

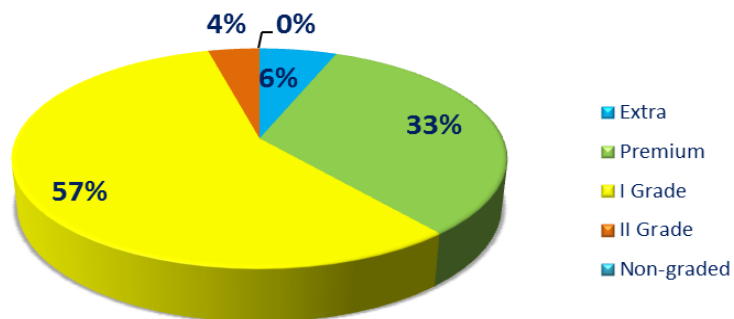
Less than 30% of Ukrainian milk is acceptable by EU standards.

NO acceptable milk in individuals sector by EU standards.

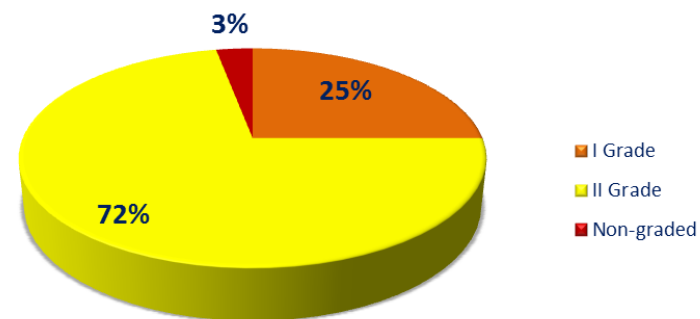


Milk Quality Reality of Ukraine

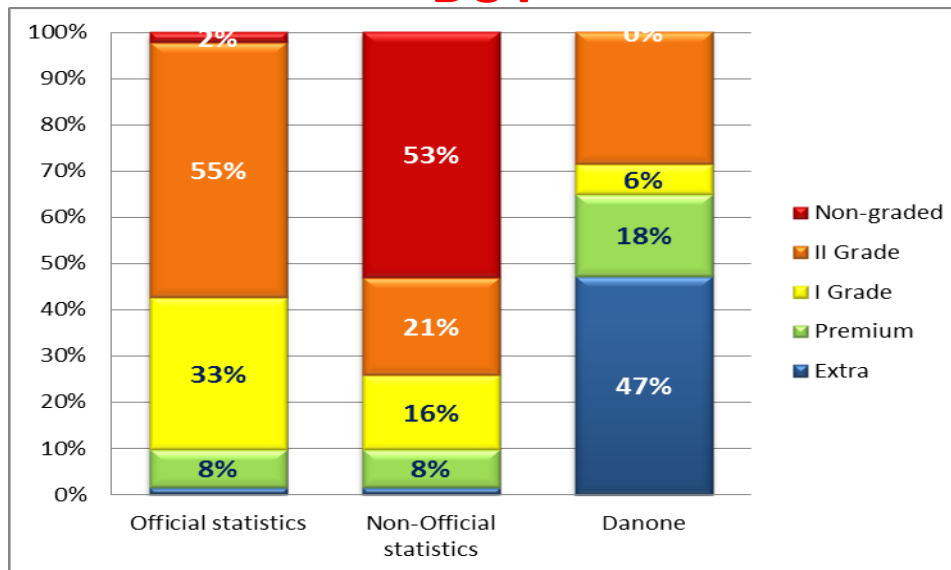
Farms



Individuals



BUT





Roots of Poor Milk Quality in Households

- No cooling at place and during transportation
- Hand milking
- Low quantity of milk on winter
- No interest to invest in quality and hygiene - milk from 1-2 cows is not main income of family
- Deficit market of milk – any milk quality will be purchased by local processors



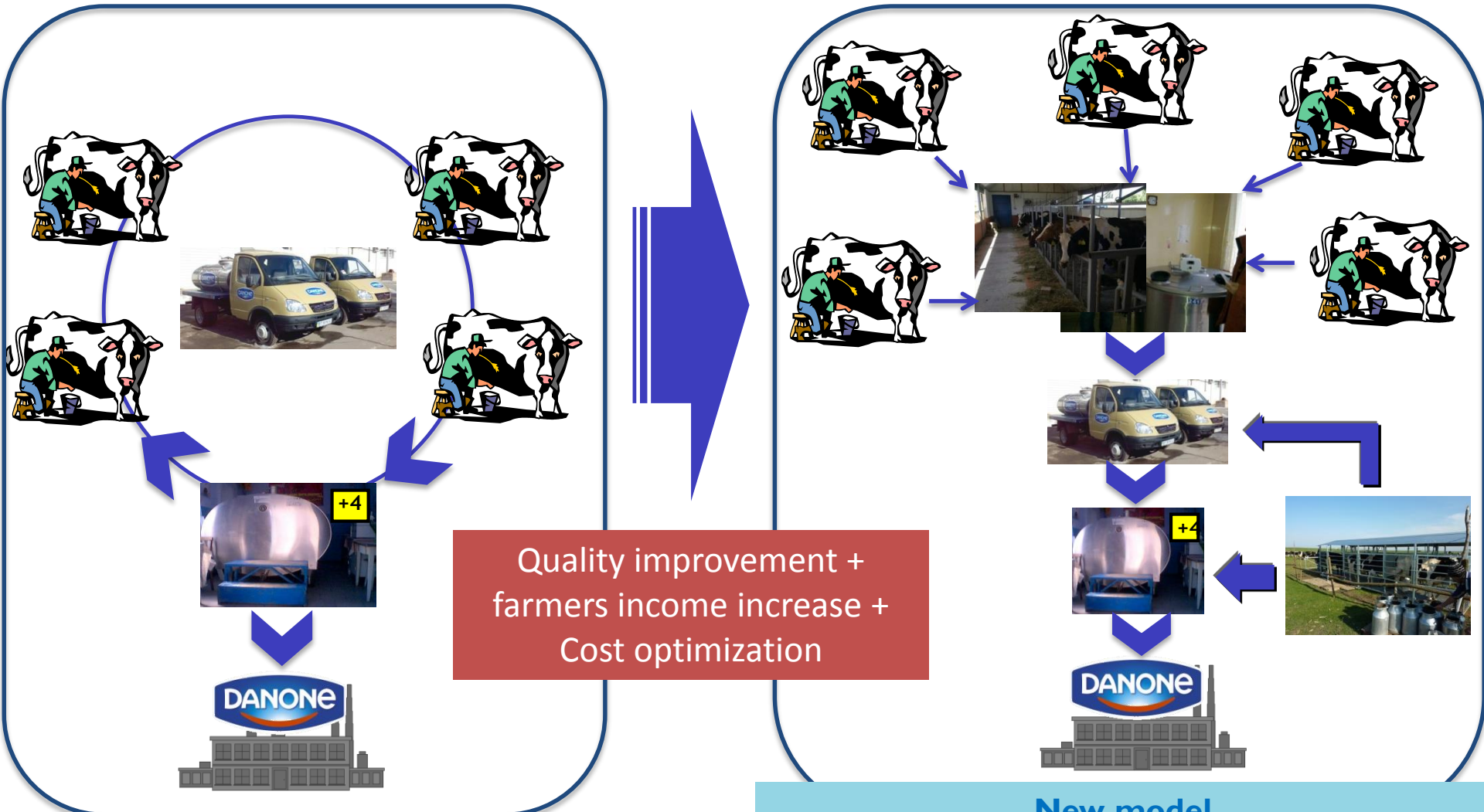


DANONE results in milk quality improvement

Historical graph of individuals



Change of milk collection via Family Farms



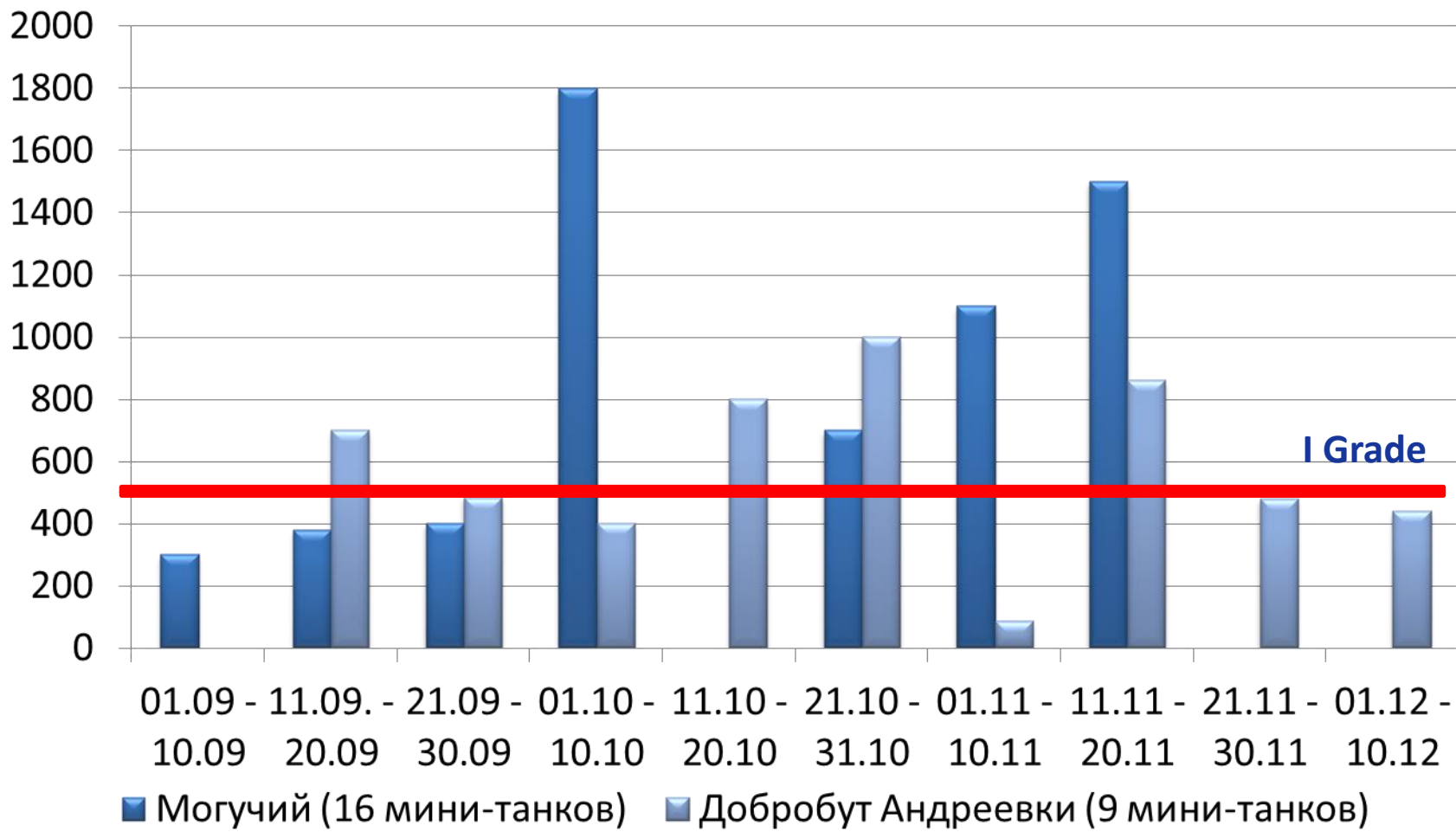
Quality improvement +
farmers income increase +
Cost optimization

Current model
1-2 cows per household

New model
family farm as centralized collection +
centralized milking for small individuals



EXAMPLE Coops Quality Improvement





Premium/I Grade from mini tanks Mohuchy

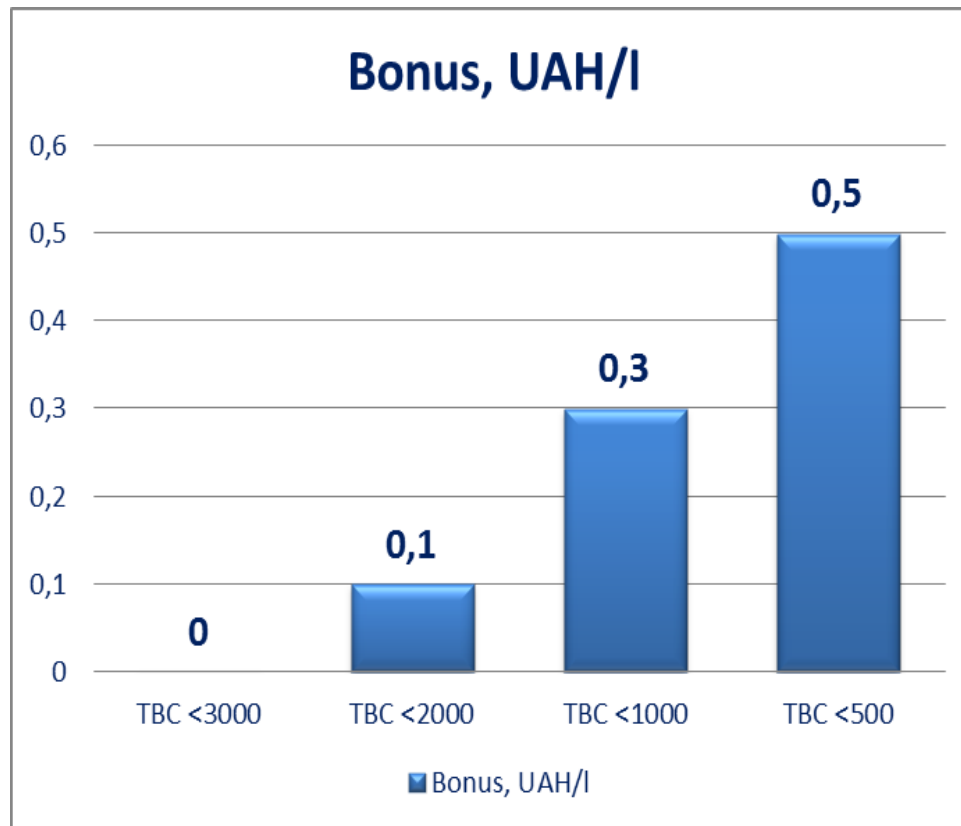
	Размещение мини-охладителя	Объем охладителя, л.	Показатели ОКБ за 28.08.2015	Объем молока, л.	Показатели ОКБ за 02.10.2015	Объем молока, л.	Показатели ОКБ за 05.12.2015
1	Максимюк Ю. с.Очаковское	750	280 тыс.	550	2,4 млн.	155	1,1 млн.
2	Якименко О. с.Садовое	500	210 тыс.	180	120 тыс.	130	2,8 млн.
3	Головко О. с.Краснознаменка	420	560 тыс.	350	1,3 млн.	354	150 тыс.
4	Рязанцев Н. с.Краснознаменка	600	160 тыс.	480	2,5 млн.	425	350 тыс.
5	Романюк		480 тыс.	100			
6	Тимофеев И. с.Ивановка	1200	130 тыс.	250	180 тыс.	127	300 тыс.
7	Гуляева Н. с.Ивановка	1200	100 тыс.	300	190 тыс.	145	170 тыс.
8	Задорожная Е. с.Ивановка	500	120 тыс.	200	100 тыс.	226	2,5 млн.
9	Цехмейструк И. с.Памятное	800	700 тыс.	280	140 тыс.	158	1,7 млн.
10	Галянт О. с.Памятное	600	180 тыс.	380	1,2 млн.	277	290 тыс.
11	Ханзадян с.Памятное	800	260 тыс.	220	240 тыс.	132	310 тыс.
12	Руденко Л. с.Памятное	1200	2,0 млн.	350	980 тыс.	222	1,0 млн.
13	Полищук В. с.Очаковское	400	200 тыс.	80	980 тыс.	85	160 тыс.
14	Соломанюк с.Памятное	400	100 тыс.	60			
15	Шигова Т.		1,5 млн.	450			
16	Егорова О. с.Ивановка	500	100 тыс.	100	1,9 млн.	76	2,1 млн.
17	Бубырь Л. с.Ивановка	530	120 тыс.	115	1,1 млн.	72	110 тыс.

Stable quality is possible for individuals

	экстар сорт (Категория А) - 0 - 100 тыс. Бакт.
	высший сорт (Категория В) - 100 - 300 тыс. Бакт.
	первый сорт (Категория С) - 300 - 500 тыс. Бакт.
	2-й сорт (Категория D) - 500 - 3000 тыс. Бакт.



Stimulation of milk quality improvement via pricing model



Payback of mini tanks from quality bonus (500l tank with cost of 36kUAH)

- <2000 thd/sm³ – **24 month**
- <1000 thd/sm³ – **8 month**
- <500 thd/sm³ – **4 month**

We motivate step by step grows to Premium grade



Factors of milk quality improvement in private sector

- Cold chain in milk collection
- Implementation of quality and hygiene requirement
- Mechanical milking
- Cows health and comfort
- Commitment of farmers to quality
- Development of market and respect of legislation by processors



