

Lê Thọ (LT): *As we know, many local companies met with great difficulties in 1998, and the Government had to adjust certain targets in order to ensure that the economy would develop at a more reasonable rate. Could you tell us in such a situation what difficulties faced Vinamilk and what measures you took to deal with them and achieve your targets?*

Mai Kiều Liên (MKL): Vinamilk was established by merging three milk factories taken over from foreign owners. Although production lines there were modern but they could only produce condensed milk

and imports into Vietnam cheaper. This means that locally-made products met with strong foreign competition while the spending power decreased by 10% last year. In such a situation one more burden to our company is the fact that we had to buy foreign exchange at high prices to import necessary raw materials. We know that to realize the Resolution 4 of the VCP Central Committee, we should increase our export earnings and develop our internal strength by making use of local raw materials and opening new outlets in other provinces; especially in depressed

the national independence, expand international cooperation and diversify foreign relations" adopted by the Government. At present, although many foreign companies want to form a joint venture with us, we see it's a difficult decision to make because all of them failed to meet our requirements, so we think more negotiations are needed to find a solution ensuring benefit for both parties before a decision could be made.

To develop the internal strength of the economy, that is, to make the best use of local raw materials, we have bought fresh milk from

VIETNAM MILK COMPANY THE MOST REMARKABLE SUCCESS STORY IN 1998

By the end of 1998, the Vietnam Milk Company (Vinamilk) completed its production plan and made a year-on-year increase of 27% while a lot of other companies met with great difficulties caused by the Asian financial crisis. Lê Thọ, an EDR reporter, has interviewed Mrs. Mai Kiều Liên, member of VCP Central Committee and Director of Vinamilk, about the company's success. The following are main contents.

In 1992, the Company was renamed 'Vinamilk' with a capacity to produce 270 million cans of condensed milk, 20,000 tonnes of powdered milk, 65 million liters of sterilized milk, 48 million liters of yogurt, fresh milk and soya milk, 12 million liters of fruit juice and 6 million liters of cream sold under 60 brands.

Because our products are sold in large quantities on both domestic and foreign markets, so our company has been affected greatly by the Asian financial crisis, especially when the dollar fluctuated widely making Vietnam's exports dearer

areas; in order to make our products available to all consumers.

We have tried our best to increase our exports to foreign countries, and as a result, our export earnings increased from some US\$100,000 in 1997 to US\$26 million in 1998. The earnings came mainly from 10,500 tonnes of powdered milk and nourishing powder exported to Middle East and 12,000 cartons of condensed milk exported to the U.S. At the same time, we managed to enter neighboring markets such as Cambodia, Laos and China according to the policy to "protect



Mrs. Mai Kiều Liên, member of VCP Central Committee, Director of Vinamilk

dairy cow farms in HCMC: in 1998 we bought from them 33 million liters of milk worth VND113.4 billion (compared with 27 million liters in 1997). We also helped to develop more dairy cow farms in HCMC and many other localities (Bình Dương, Đồng Nai, Sơn Tây, Hà Nội, etc.) by supplying materials needed for freezing up the fresh milk and forming an army of 50 purchasing agents equipped with refrigerated container trucks.

To compete against foreign milk that are flooding the market, besides ensuring low production cost, high

quality, attractive designs and diversified product lines, we have organized a broad network of outlets and selling agencies in order to distribute our products to all localities. At present, our network includes some 1,500 selling agencies in 63 cities and provinces. This network helps us prevent high mark-up caused by transport cost and save consumers from suffering a temporary shortage of milk products.

LT: We know that Vinamilk products ranked first in the list of Vietnamese consumer goods' top ten, Vinamilk also came first in the list of the five most trustworthy companies in the years 1995- 97 and its products were ranked first in the list of Vietnamese high-quality products in 1997-98, so we want to know what have made Vinamilk a success story. By the way, please tell us about the your achievements in business field and in the task of training the next generation of skilled workers in the past few years.

MKL: Important factors ensuring high-quality products are modern production lines and an army of skilled workers who are capable of operating these production lines. At present, Vinamilk runs four factories:

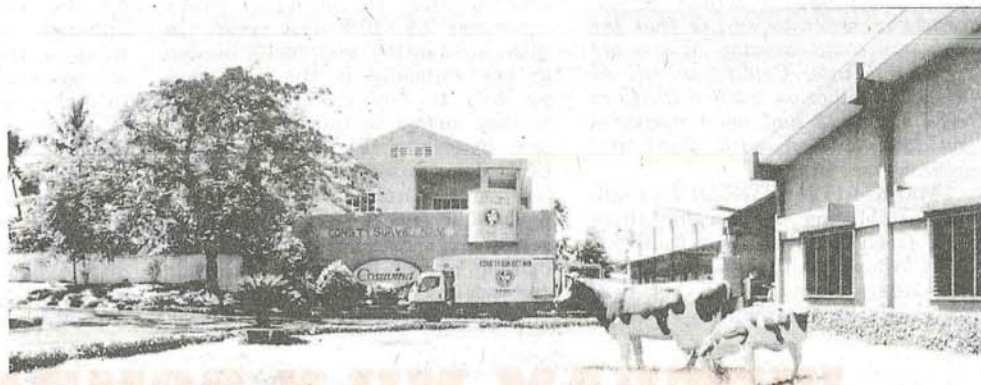
- + Thống Nhất Milk Factory (Thủ Đức - HCMC) producing condensed milk, sterilized milk, yogurt, cream and fruit juice.

- + Trường Thọ Milk Factory (Thủ Đức - HCMC) producing condensed milk, sterilized milk and yogurt.

- + Dielac Milk Factory (Biên Hoà - Đồng Nai) producing powdered milk and nourishing powder.

- + Hà Nội Milk Factory (Gia Lâm - Hà Nội) producing the same products as the Thống Nhất Milk Factory.

These factories are equipped with modern production lines imported from Italy, Sweden and France. These production lines play a decisive role in producing high-quality products and help Vinamilk control from 70 to 80 per cent of the local milk market. In the past six years, the Company spent some US\$35



million (15 million of which was spent in 1998) on buying new production lines and other equipment. That is why product quality, capacity and labor productivity in Vinamilk are improved incessantly.

To enhance the product quality, we have paid a lot of attention to the task of training workers in new techniques and technical knowledge. At present, the Company employs 1,500 laborers. All technicians are engineers and workers are high-school graduates. This army is capable of learning and employing new production techniques and processes. Any worker, after working for three years and proving to be of high labor productivity, will be sent abroad to make studies or excursion to foreign milk factories. Many children and brothers of workers and officers are recruited and sent by the Company to make studies in Russia and Poland. As for laborers sent by the Company to make studies abroad, the Company will award a 100% scholarship to those who get an excellent record, a 50% scholarship for a good one and 30% for a passable one. These learners constitute an army of understudies to existing labor force in the future.

In 1998, our sales reached VND1,867 billion, increasing by 28% as compared with 1997; our total payment to the national budget was VND210 billion. The company's financial situation and books of account was kept in order as required by the state regulations while our subsidiaries still enjoy full autonomy.

LT: What is the Company's business strategy for 1999 and what are your petitions if any?

MKL: In many countries, milk production is considered as an important business because milk products help improve the public health and ensure normal development for children. In Vietnam, the Government and Party have paid full attention to the milk production. This will be an important dynamic to the development of our industry in the coming years.

As for 1999, the last year of the century, we plan to raise our sales to VND2,200 billion, including from US\$50 to 100 million worth of exports. Our strategy is to develop all by ourselves. We want to turn our retained profit into intensive investment needed for making new, high-quality and cheap products beneficial to the public.

As a state company, we should observe all the Government policies and start to pay VAT. In my opinion, this is an advanced tax applied by many countries to remove multiple taxation. However, because the consumer should pay this tax so I think the Government had better charge a 5%, instead of 10%, tax rate in VAT in order to encourage the milk production- an industry which is of great benefit to the public health, especially to poor laborers.

By the way, on the threshold of new lunar year and on behalf of Vinamilk, we want to wish the EDR and your readers a new year full of health and prosperity.