· SUMMARY ·

Overproduction of milk: Here and there,
dairy farmers are being milked dry.

LET'S NOT EXPORT OUR PROBLEMS

SUPPORTING A LOCAL AND FAIR DAIRY SECTOR IN WEST AFRICA REQUIRES A REVIEW OF EU POLICIES

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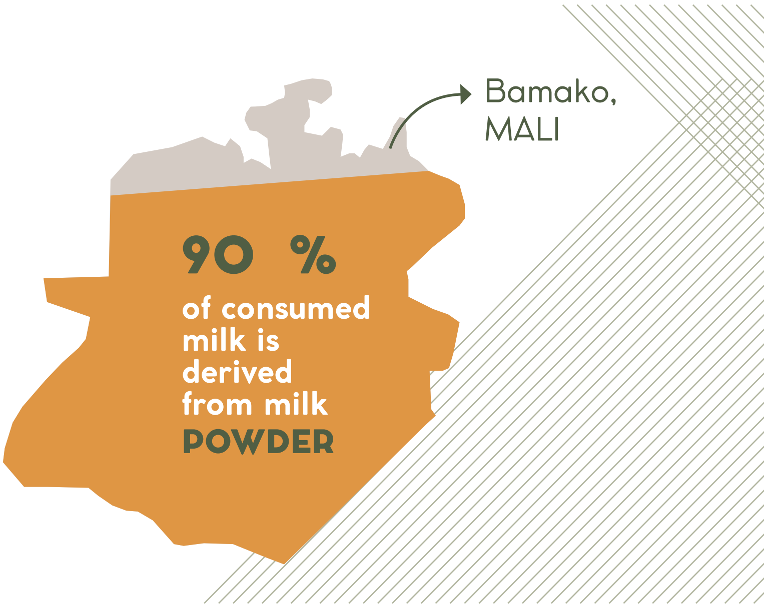
Actors in the West African local dairy sector (ECOWAS[1] + Mauritania) are facing increasing imports of European milk powder, sold cheaper than local milk on the markets. A new mixture of fat-filled powder - skimmed milk powder mixed with palm oil - is taking an increasingly important part in these imports. This fat-filled powder is sold on local markets at an even lower price than “regular” milk powder. Contrary to what one might think, most European dairy farmers do not benefit from this export growth. European Union agriculture and trade policies promote this development by encouraging the overproduction of milk and the export of subsidised dairy surpluses.

1 West Africa's local dairy sector: strengths and constraints



In the city of Bamako, for example, 90% of consumed milk is derived from milk powder.

Production and consumption

In West Africa, livestock keeping and agriculture play a key role and provide a livelihood for over 60% of the active population. Local marketing of milk is an important source of income for livestock keepers. Production of local milk increased by more than 50% between 2000 and 2016 and now covers 50% of local consumption. The other half is imported through milk powder and a mixture of skimmed milk powder fattened with vegetable fats (fat-filled powder). The small portion of local milk that is neither consumed, nor sold directly, is processed in over 100 mini-dairies, which mainly use imported milk powder to make their products.

Consumption of dairy products remains low but is growing steadily and will continue doing so over the next few years. Moreover, in 30 years from now, West Africa will have to feed 800 million inhabitants, mainly living in cities and sub-urban areas.

Strengths of the sector

Currently, local production is insufficient to meet local demand. However, market perspectives for local dairy are promising. Nevertheless, its full potential depends on policies in both the global North and South that should encourage the production, collection and processing of local milk, rather than dairy imports.

In addition to its role in food and nutrition security, local dairy production can meet the challenges related to the economic development of pastoral and agro-pastoral areas. It can create rural jobs; reduce poverty and therefore the rural exodus; reduce food dependency and assure the social stabilization of the West-African region.

1 Economic Community of West African States includes the countries of Benin, Burkina Faso, Cabo Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea Bissao, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

Constraints

"The biggest challenge is increasing collection capacity. (...) it is necessary to have adequate equipment to take the milk in a suitable way to the dairy".

Rachid Ouedraogo, head of a dairy in Burkina Faso.

In addition to the competition with imported milk, the local dairy sector faces other constraints:

- Dairy productivity of the livestock remains low, particularly because of the difficulties in feeding the livestock correctly all year round.
- Isolation of pastoral and agro-pastoral areas: a fragile product such as milk requires adequate infrastructure and equipment for its transport.
- Insufficient capacity of farmers to increase their capital.
- Climate change aggravating the effect of prolonged droughts, especially in the Sahel.
- Soil poverty, reducing the potential for diversified feed production for livestock, hence the importance of mixed farming.

To overcome all these constraints, a real dairy policy is required, which prioritizes local production.

2 European dairy exports to West Africa

Strong growth of EU exports to West Africa

The EU is the world's biggest milk producer with 145 million tons of milk produced in 2018. The export share of this production has doubled in 12 years going from 6% in 2007 to 12% in 2019, including mainly cheese, butter and milk powder. Domestic demand on the other hand, is stagnating and the EU is increasingly turning to the world market to sell its products.

In West-Africa, milk powder is imported mostly in 25kg sacks. These sacks benefit a low tax regime, the Common External Tariff (CET) being fixed at 5% at the ECOWAS level.

Presence of European dairies in West Africa

The European dairy industry understand the significant potential of dairy in West Africa due to its demographic boom and changing consumer habits. They have been interested in the West African market for about 30 years and have been actively involved in the last decade.

All the European dairy multinationals are currently active in the region: Lactalis (France), Nestlé (Switzerland), Milcobel (Belgium), etc. Most of their investments go towards the repackaging of milk powder from European factories. These investments do not necessarily improve the economic and social well-being of local populations. Arla (Denmark) for instance, opened a factory in Ghana, creating no more than 8 jobs.

However, due to the pressure by African states and because companies are increasingly concerned about their image, companies partner with local producers to process local milk. Nonetheless, this concerns only 20% of the involved companies and only a very small share of their processing capacities (between 0.4% and 20% of local milk, the rest being imported powder).

3

The boom of European exports of fat-filled powder

In most cases, skimmed milk powder is fattened with palm oil, which is 12 times cheaper than milk fat used to make butter. The resulting mixture is sold 30% cheaper than whole milk powder in African markets. It thus provides a significant margin for companies importing fat-filled milk powder, since from 2016-2018, they imported it from the EU at an average price 58% lower than the price of whole milk powder.

In 2018, 74.9% of European exports of milk powder to West Africa were fat-filled mixtures, which represent 276 892 tons, an increase of 234% since 2008. This increase goes together with a significant decrease in imports of whole milk powder, which is now much more expensive than the fat-filled mixtures.

Why so much fat-filled mixtures?

This boom can be explained through three factors: the EU dairy policy, rising world prices and the strategy of European dairy companies.

- The end of milk quotas in 2015 has led to an increase in production and therefore bigger stocks of milk powder (domestic demand being lower than supply).
- The global demand for milk fats (cream, butter) has increased significantly and so did their price. In 2017, the price of butter has quadrupled compared to 2003 to reach $ 6500 per ton. However, the by-product of cream and butter is skimmed milk powder, which manufacturers are seeking to sell as well.
- At the same time, the price of vegetable oils has fallen sharply since 2011.

The African consumer is often deceived, with severe risks to his/her health as a consequence

Packaging does not always clarify the true content of dairy products, especially concerning fat-filled powders. Some products such as small transparent bags or yoghurt do not always have a label indicating what type of milk was used. Hence the possibility of confusion, which reinforces the images conveyed by advertising. However, re-fattened powders do not have the same nutritional qualities (fatty acids, minerals, vitamins) as whole milk.

4

Unfair pricing differences with respect to local milk

Whilst imports of dairy products, subsidized through the EU Common Agricultural Policy (CAP) were already generating unfair competition for West African dairy farmers, fat-filled powder is making matters worse. The price gap between whole milk powder and fat-filled powder has increased in recent years. In Senegal for instance, one litre of milk reconstituted from milk powder, is sold at a consumer price between 800 and 1100 FCFA, whilst local milk is sold at 1500 FCFA per litre, depending on the production zones[2].

These price differences push the poorest people to buy the cheapest products. However, since dairy consumption accounts for only a small share of household expenditure, the food security argument justifying low prices for milk powders and fat-filled mixtures, cannot be upheld.

5 Disastrous consequences for West African and European producers

Contrary to what one might think, exports to West Africa do not benefit European producers who usually sell their milk at prices lower than the production costs. From 1983 to 2013, the number of dairy farms in the top 10 EU Member States decreased by 81%. If we are to continue on the current path of intensifying and industrializing dairy farms; 15 000 milk factories of 1000 cows each producing 10 000 litres of milk per year, would be sufficient to achieve current European production levels.

According to the European Commission, the ending of the quota system in 2015 aimed to push dairy producers to produce for a growing global market. However, as production costs rise, milk prices fluctuate increasingly on the world market and dairy farmers are being milked dry.

6 Responsibilities

The responsibility of European Union (EU) policies

- **Dairy policy:** From 1984 to 2015, the EU regulated its production through milk quotas. They were set at 10% above European consumption, in order to maintain exports and to put pressure on the prices that were paid to farmers. In 2003, it was decided to progressively deregulate the market with a gradual increase in quotas from 2008 onwards and their abolition in 2015, resulting into a massive rise in production. Today, despite a stabilization in production, milk prices remain insufficient to cover production costs for many farms in the European Union.
- **Unfair competition from the CAP on external markets :** Since 1992, EU and USA have been facing dumping[3] accusations regarding their dairy sectors. To respond to these accusations and to continue subsidizing its' dairy exports, the EU has found a solution by replacing export subsidies with direct aid to farms. For West African producers, this means that the price of imported EU milk remains artificially low. Is the European taxpayer aware that he is in fact financing Lactalis, Carrefour, Arla and Tesco, as well as cheap exports to West Africa?

Fat-filled powder is sold at a price 30% lower than whole milk powder on African markets[4]

2 Broutin, C., Levard, L., Goudiaby, M-C, Quelles politiques pour la promotion de la filière «lait local», 2018, Mali, Niger, Nigeria, Sénégal, Sierra Leone, Togo.
3 Exportation d'un produit à un prix inférieur au prix du marché domestique, selon la définition de l'OMC.
4 J. Berthelot

- **European Trade Policy:** the Economic Partnership Agreements (EPAs). With the EPAs, the EU seemed to impose on West African states a liberalization of their trade before they could consolidate their economy. Today, the EPA with ECOWAS that was finalized in 2014 is still not signed by Nigeria, preventing its entry into force. In addition, there are the ongoing negotiations on a new 2020 agreement following the current Cotonou agreement between the EU and the 79 ACP countries (Africa, Caribbean and Pacific). The EU must seize this opportunity to review the foundations of its trade relations with Africa, so that these can truly benefit sustainable economic and social development.

Responsibilities of West African policies: the ECOWAS countries have set a CET of only 5% on imported milk powder, while this tariff is at 60% in the Eastern African Community (EAC). In addition, there is no binding framework to push foreign dairy companies to invest in processing local milk. Also, the creation of the African Continental Free Trade Area (CFTA) – which foresees opening markets of African member states up to 90% – would aggravate the situation of the dairy sector by further opening markets of member states to imports coming from outside.

The responsibility of European dairy companies.

European dairy policies influence European dairy companies, particularly following the abolition of the milk quota system. Secondly, European dairy companies seem to take advantage of an inadequate or non-existing West African legislation to spread misleading advertising and to avoid properly labelling certain products containing palm oil.

7 Initiatives to promote West African local dairy development

European and West African dairy producers find a common ground.

European and West African livestock keepers share common interests, which regularly lead to common positions aimed at influencing policy makers. In recent years, with reoccurring crises in Europe and increasing dairy exports to West Africa, relationships between European and West-African livestock keepers have intensified and new projects begin to emerge. For instance, the Belgian brand of local and fair milk Fairebel, has allowed to create the "advocacy brand" Fairefaso, connected to the National Union of Mini-Dairies and Local Milk Producers in Burkina Faso.

Institutional initiatives

In West Africa, governments suggest to change policies towards the promotion of the local dairy sector. Due to increasing pressure of local dairy producer organizations[5], ECOWAS has launched a Regional Offensive for the Promotion of Local Milk. This initiative aims to increase the production and collection of fresh milk, and to promote an environment conducive to its development. This will entail a review of taxes and customs duties.

In Europe, people are also speaking up. The European Parliament's Development Committee for instance, is calling for greater policy coherence in the forthcoming reform of the CAP. In addition, the European Committee of the Regions is calling for market regulations.

Initiatives in West-Africa

In June 2018, six West African national coalitions launched the "My milk is local" initiative, to demand priority over local milk through partnerships with dairies, public institutions, European producers and urban and local consumers.

5 APESS, ROPPA, RBM, CORET

8 Recommendations

- **Prohibit all forms of dumping of dairy products[6] and fat-filled milk powder on African markets,** including by avoiding all forms of export support to comply with the interests of European dairy exporters in overcoming European overproduction; stop funding the promotion of dairy products and fat-filled powder mixture exports that endanger the development of the local milk sector in Africa.

- **Allow European producers to benefit from prices covering their production costs.** At this point, European producers do not receive prices that cover their costs entirely, causing them to remain dependent on direct payments.

- **Adopt measures to manage the supply of European dairy production in the event of a crisis** in order to avoid structural and cyclical overproduction that could have adverse effects for milk producers in Europe and Africa, notably through the Market Responsibility Program . This program makes it possible to monitor and anticipate imminent crises and to respond to them by a system of reducing the milk production to guarantee the stability of the market[7].

- **Review the trade agreements and negotiations between the European Union and West Africa,** avoiding any pressure for the conclusion of the Economic Partnership Agreements and agree to revise them so that they support the integration of the regional market. In doing so, respecting the sovereignty of West African countries to protect and develop the potential of the local dairy sector (including the West African regional milk policy, which is under preparation, entitled the "milk offensive") and to review their common external tariffs in 2020, without reciprocal concessions.

- **Strengthen the transparency of the markets by extending the mandate of the European Milk Market Observatory,** by collecting and analysing data related to the production costs in the Member States, the costs and margins of processing and distributing different dairy products and fat-filled powders, and the volumes and prices of different types of products exported to developing countries, including fat-filled powder blends, and data on intra-European exchanges between dairy companies to their affiliated companies in Africa.

- **Ensure the coherence of European agricultural and commercial policies for sustainable development** by ensuring effective analyses of their impact on the sustainable development objectives, on human rights and on the rights of peasants and other people working in rural areas. This coherence would be reinforced by the creation of a mechanism bringing together all the European institutions and policies (agriculture, trade, environment, health, cooperation, international relations, migration) and stakeholders to develop approaches and tools to promote rights and the attainment of the sustainable development goals in a coherent and inclusive way.

- **Support existing initiatives in Africa by milk producers,** including through financial support for local and equitable dairy sector development projects that help to increase producers' incomes, enhance cooperation between stakeholders, including by promoting local dairy products to West African consumers, and by supporting the ECOWAS "milk offensive".

« IN FULLANI, MILK IS CALLED KOSSAM, MEANING THERE IS NOTHING BETTER [8] »

6 The exporting price cannot be lower than the "national average total production cost without subsidies"

7 Consult the initiative online through the following link http://www.europeanmilkboard.org/en/special-content/market-responsibility-programme.html

8 Sur les sentiers du lait au Mali, http://jagros.be/ressources/SentierLaitMali-BAT.pdf

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