

Thematic fact sheet on milk production in the EU and Africa (April 2019)

Milk production in the world

- 812 million tonnes (2017)¹

Cow milk production in the EU

- The EU is the largest producer of cow milk at 154 million tonnes in 2018, followed by the United States (99 million) and India (76 million).²
- The projected annual growth in the EU is 0.8 %, which means that production in the EU will be 182 million tonnes of cow milk in 2030.³

Milk product exports

- The EU is the largest exporter of milk products in general and specifically of skimmed milk powder: 822,000 tonnes (+42% since 2016) and cheese: 832,000 tonnes.⁴
- European exports of fat-filled milk powder are estimated at 797,000 tonnes in 2018.⁵ They are not included in the export statistics for milk products.
- New Zealand is the largest exporter of whole milk powder and butter.⁶

EU trade in general

- For the most part, milk products are traded on internal markets; only 9% of the world production actually ends up on the global market.⁷
- Nonetheless, the EU is trading an increasing amount of their products on the global market (2007: 6% as compared to 12% currently), and EU exports have significantly increased since the abolishment of quotas in 2015.⁸
- Furthermore, the EU plans to export even more -> The EU has projected an increase in exports to 25% of production by 2030.⁹

EU exports to West Africa

- 2018: 92,620 tonnes of milk powder and 276,892 tonnes of fat-filled milk powder.¹⁰
- Since 2016, the export of fat-filled milk powder has significantly increased (+24 %).

Customs duties

- Milk powder is often exported in 25kg sacks at a **reduced customs duty of 5%** (common external tariff (CET)¹¹, which is also applicable to re-fattened milk powder sacks larger than 12.5kg). The powder is then repackaged locally in smaller formats and sold cheaply to consumers.

Problem

- **Due to milk overproduction in the EU, especially since the abolishment of quotas**, the European dairy industry has increased its exports, notably to West Africa. All European multinationals have a local

¹ Agricultural Market Information Company (AMI)

² USDA, <https://apps.fas.usda.gov/psdonline/circulars/dairy.pdf>

³ EU Agricultural Outlook 2018 – 2030: https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/medium-term-outlook-2018-report_en.pdf

⁴ European Milk Market Observatory: https://ec.europa.eu/agriculture/sites/agriculture/files/market-observatory/milk/pdf/market-situation-slides_en.pdf

⁵ Eurostat – Jacques Berthelot

⁶ Idem

⁷ Figures from 2013, <https://www.produits-laitiers.com/l-economie-laitiere-dans-le-monde/>

⁸ https://www.clal.it/en/?section=bilancio_approv_ue&year=2018

⁹ EU Agricultural Outlook 2018 – 2030: https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/medium-term-outlook-2018-report_en.pdf

¹⁰ Eurostat – Jacques Berthelot

¹¹ The current CET is actually between 10 and 35% for processed milk products

presence.¹²

- Currently, the EU's main export to West Africa is re-fattened blends: In 2018, re-fattened milk powder made up 74% of the EU milk powder + re-fattened blends exports to West Africa.¹³
- Fat-filled milk powder is often made using palm oil, which is 12 times cheaper than milk fat, and is used in a range of products.
- The nutritional qualities of these products are inferior to those of local milk.
- **It is almost impossible for local producers to compete with these cheap imports.**
E.g. Burkina Faso: 1 litre of pasteurised local milk costs the equivalent of 91 cents as compared to 34 cents for a litre of milk made from milk powder blends.¹⁴

➤ **Result: Crowding out of local milk production**

- Local production in West Africa has increased by more than 50% between 2000 and 2016 to reach about 4 billion litres today.¹⁵ Milk consumption is increasing exponentially with demographic/economic growth in parallel.
- Local production presents significant growth potential, as long as policies do not favour milk powder imports and promote investment in local milk production, collection and processing.
- **Local milk production is an important source of income:**
It has been estimated that 15,000 to 20,000 families in West Africa currently live on income from the industrial processing of local milk and many hundreds of thousands on payments from micro dairies and the informal market.

Local production potential

Why do we speak of dumping when European export subsidies no longer exist?

- Even though the EU is no longer allowed to subsidise exports, it still constitutes dumping (EU exports at excessively low prices) because:
 1. European producers receive funding in the form of direct payments -> reduction in export price;
 2. The major overproduction in the EU means that the prices paid by dairies to EU producers are well below production costs -> reduction in export price;
 3. The process of re-fattening with vegetable oils means that milk products are made using low-cost ingredients that are nothing like the natural product. This also reduces product price.
- **Points 1, 2 and 3 mean that the sale of European products qualifies as dumping.**
- **Doing away with all imports is not the objective. Creating a balance between local production and imports is what is required. Local production should not be wiped out by imports at dumping prices.**

What needs to be done to develop local milk production in

- Prohibit all forms of dumping of milk products and re-fattened blends with vegetable oils in African markets
- Ensure that European producers are paid cost-covering prices

¹² For example, Lactalis (France), Arla Foods (Denmark), Nestlé (Switzerland), Friesland-Campina (Netherlands), Danone (France), DMK (Germany), Glanbia (Ireland), Sodial (France), Milcobel (Belgium)

In 2013, Danone took control of Fan Milk International in Nigeria, which is a milk-products distributor active in five West African countries and controls, for example, more than 80% of the market in Nigeria and Ghana.

¹³ Eurostat – J. Berthelot

¹⁴ Broutin, C., Levard, L., Goudiaby, M-C (2018). Policies to promote the 'local milk' sector (in French)

¹⁵ Oxfam-CIRAD, orientation note, For a renewed alliance between dairy industries and producers in West Africa (in French), December 2018

West Africa?

- Adopt measures to manage the supply of European dairy production in the event of a crisis in order to avoid structural and cyclical overproduction¹⁶
- Reconcile trade agreements and negotiations between the EU and West Africa with the harmonious development of regional market integration
- Strengthen market transparency by expanding the scope of the Milk Market Observatory data
- Guarantee coherence of agricultural and trade policies to promote sustainable development
- Support existing initiatives by milk producers in Africa by encouraging local, fair milk production.



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¹⁶ See <http://www.europeanmilkboard.org/en/special-content/programme-de-responsabilisation-face-au-marche.html>