While We Wait for Equal Trade

HOW THE EU CAN SUPPORT RATHER THAN UNDERMINE LOCAL DAIRY PRODUCERS IN NIGER

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Producer organisation and employees at the collection centre (commune of Hamdallaye)
Producers in Toka Bine Kani (Peul)

Front page: Foulani woman milking cow in Nguel Hanagambajo, Diffa, Niger.
Photo: Klavs Bo Christensen 2009
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Executive Summary

The EU is to implement a further round of reform of the Common Agricultural policy (CAP) by 2013. An important event in this process is the ACP-EU Joint Parliamentary Assembly held in May 2012 during Denmark's EU presidency. This offers an opportunity to address the negative effects of the CAP on the developing countries and encourage the EU to meet its Lisbon Treaty obligations in regard to promoting Policy Coherence for Development (PCD) across all EU policies.

Niger, the second poorest country in the world, suffers from successive food crises and chronic food insufficiency. Yet with a national herd of 36 million livestock[1], considerable scope exists for milk production to meet both food security and poverty alleviation objectives. However, currently locally produced milk cannot compete with cheap imported milk powder supplying dairy processors and other imported dairy products. Major challenges are faced in strengthening the functioning of local supply chains, and overcoming the serious production and logistical constraints which inhibit competitive production.

The serious internal constraints on dairy sector development faced in Niger are compounded by the operation of EU dairy sector policies. These policies not only provide high levels of direct support to EU milk producers (an estimated €5 billion in annual direct aid payments to EU dairy farmers in 2009 according to the then EU Agriculture Commissioner Marianne Fischer Boel), but also established a system of 'safety net' measures in response to the down-turn in global dairy prices, designed to insulate EU milk producers from the worst effects of global price volatility. These 'safety net' measures appear to be resulting in a process of 'adjustment displacement', where the burden of adjustment to declining global dairy prices are shifted to non-EU milk producers, including those in Africa.

Most recently, in May 2012 in response to declining global and EU dairy prices, the European Milk Board expressed the believe that the only way to shift the increased volume of milk, which was accumulating on the EU market, was *'to dispose it of on the world market in the form of butter and milk powder[2]'*.

While currently the production of dairy products in Niger is dependent largely on imported milk powder, considerably more scope exists for developing local milk supply chains. However, the government finds itself on the horns of a dilemma since cheap imported milk powder allows the government to keep prices of dairy products low, benefitting urban consumers and averting potential political unrest.

As a consequence 80 per cent of milk consumed in the capital of Niamey comes from imported milk powder. In 2010, Niger's largest dairy company used 95 per cent imported milk powder in its production and only 5 per cent local raw milk. In 2010 EU milk powder exports grew a staggering 64%, with exports to West Africa growing at an even faster rate (between 69 and 72%). This growth in EU skimmed milk powder (SMP) exports, which continued into 2011 and 2012 was initially driven by the disposal of intervention stocks accumulated in 2009, as part of EU 'safety net' measures, implemented in response to declining global dairy prices. This saw the EU remove the ceiling on intervention buying of SMP, with intervention stock levels reaching 282,587 tons, compared to a nominal ceiling of 109,000 tons (some 159% above the nominal intervention ceiling). It was the disposal of these stocks which initially drove the expansion of EU skimmed milk powder exports in 2010, including the expanded trade with West Africa. In the medium-term it was the success of the EU emergency measures that sustained more EU milk producers in business than would otherwise have been the case. This allowed EU dairy processors to take advantage of the recovery in global dairy markets once the price cycle entered its upward turn. This sustained the expansion of EU SMP exports through 2011 and into 2012. Indeed, by 2012 EU SMP exports were fully 124% above the level prevailing in 2009. While falling back slightly these elevated levels of exports are projected to continue to 2020. The problem of the EU trade in SMP is thus not going away.

EU SMP exports 2009-2012

	2009	2010	2011	2012
SMP	231	379	518	518

Source: EC, 'Short term outlook for arable crop, meat and dairy markets', February 2012 http://ec.europa.eu/agriculture/analysis/markets/sto-crop-meat-dairy/2012-02_en.pdf

This trade acts as a major disincentive to investment in the development of local milk supply chains, undermining the food security and poverty alleviation potential of the milk sector in Niger.

On this basis it can be argued the current utilisation of reformed CAP policy instruments in the dairy sector is not consistent with obligations under article 208 of the Lisbon Treaty to ensure policy coherence for development[3]. In this context it can be argued that EU should review how it deploys its dairy sector policy tools to make them more coherent with national and regional aspirations for the development of milk supply chains in Niger and the wider West African region.

This will need to extend to targeted development assistance support to the government of Niger in getting to grips with the serious problems faced in developing and strengthening milk supply chains, including getting to grips with the serious problems facing existing small scale milk producers in Niger.

[1] This number includes 7,3 million cattle 9,1 million sheep 11,2 million goats and 1,5 million camels (INS, 2011).
[2] See Thedairysite.com, 'Crisis in EU Dairy Markets', 4 May 2012 http://www.thedairysite.com/news/38396/crisis-in-eu-dairy-markets
[3] For further discussion see CONCORD 2011

Young pastoralist with calve.
Photo: © CARE

Policy Recommendations

Equal trade regulated by a global trade agreement is not around the corner. This is not an excuse for inaction. There are concrete steps the EU can take while we wait for equal trade. Firstly, support the development of a national strategy or policy for dairy sector development in Niger, secondly 'pump up' the investments in its implementation and lastly aid with import regulation. Three concrete steps to start supporting rather than undermining local milk production.

In the short-term, **institutional mechanisms** to support the sector need to be strengthened:

- **Develop a national strategy on dairy sector development:** In line with the Paris declaration for aid effectiveness, a national strategy for improving the dairy sector by enhancing local production needs to be developed and followed by political and economic commitment. The strategy should ensure poverty alleviation by targeting small-scale producers and efforts to improve food security. It should also look at the regulatory framework required to strengthen the functioning of local milk supply chains

- **Facilitate a national platform for dialogue:** The EU should assist facilitate a platform for dialogue between all actors in the milk supply chain including government, to ensure ownership and the protection of small scale-producers' interests in the national dairy sector policies. This could draw on some of the lessons arising from the EU's own efforts to strengthen the functioning of dairy supply chains in the EU.

- **Support the weakest link in the milk supply chain:** In the light of increasing global dairy price volatility, the vulnerability of small-scale producers to abuse of unequal power relationships along dairy supply chains has become increasingly apparent (including in the EU) with public policy being seen as potentially playing a role in rebalancing these unequal power relationships in order to prevent abuses. This requires targeted support to building up milk producers organisations in Niger.

- **Establishing the necessary administrative arrangements for monitoring export licence applications and managing the export of dairy products** (primarily SMP) in ways which minimise any adverse effects on dairy sector development in African countries, committed to promoting their own dairy sector development, and ensuring this trade makes a supportive contribution to the strengthening of local milk supply chains.

In the medium-term, the EU and its member's states should increase **donor support:**

- Investments in **long-term development aid** to improve food security and fight poverty through bilateral development aid, hopefully to replace the need for costly emergency aid delivery that tends to disrupt local market prices.

- **Massive donor investments in milk supply chains:** Channel aid via the national strategy to strengthen the chain by linking local producers to urban consumers via improved collection systems, cooling infrastructure and transportation.

In the long-term, when the right mechanisms are in place and the local milk production increases, the EU should assist Niger develop **trade policy tools** to strengthen the development of local milk supply chains and prevent their disruption by large scale imports of milk powder. This could include:

- support to the establishment of local procurement requirements linked to the rolling out of dairy sector development programmes;

- support to the regulation of SMP trade flows, so as to facilitate the development of local milk supply chains (through the supportive use of import and export licensing arrangements in West Africa and the EU respectively and exchange of information between the two systems);

- support to the Government of Niger in implementing a managed trade regime for dairy products vis a vis all its trading partners (including emerging developing country dairy exporters such as Argentina and Kenya).

ALMOST HALF THE POPULATION IS AT
RISK OF HUNGER
IN 2012. THEY HAVE NO MONEY TO BUY FOOD.
NIGER HAS 36 MILLION LIVESTOCK.
ONE LITER OF MILK
CAN GIVE AN INCOME OF 0.5 EURO PER LITER,
ENOUGH TO BUY FOOD

Cows in industralised production.
Photo: Istockphoto

EU's Common Agricultural Policies Harm some of the Poorest Producers in the World

The EU is to reform its Common Agricultural Policies (CAP) by 2013. An important event in this process is the ACP-EU Joint Parliamentary Assembly held in May 2012 during Denmark's EU presidency. This offers an opportunity to address the negative effects of the CAP on the developing countries and encourage the EU to meet its Lisbon Treaty obligations on Policy Coherence for Development (PCD) to be adhered to by all EU policies.

The objective of the report is to make a list of recommendations to the EU in relation to the CAP reform on how the EU can take a leading role in supporting governments in Africa to strengthen local dairy industry development. This includes establishing a commitment to the managed export of critical dairy products such as SMP, so that EU policy measures to insulate EU milk producers from the worst effects of global price volatility do not lead to forms of 'adjustment displacement', which undermines developing countries efforts to promote their own dairy sectors. This can be seen as an essential complement to any development assistance support extended to dairy sector development in African countries.

The report takes the case of milk production in Niger's capital Niamey to illustrate the long-term negative effects of EU subsidies in one of the poorest countries in the world. Here unregulated import of subsidized milk powder from the EU undermines local milk production and incentives to invest in the dairy sector. Evidence is emerging of EU efforts to minimise adverse effects of global dairy price volatility on EU milk producers, fuelling exports of SMP, which then disrupt or undermine efforts to develop local milk supply chains.

The report identifies the major constraints to local milk production in terms of weak institutional environments, a broken milk supply chain and unequal competition from imported subsidized milk powder. Together these factors maintain a non-performing dairy sector, which nevertheless holds the potential to improve food security, raising nutrition levels and improving incomes in poor households (FAO, 2010). Following this analysis the report presents recommendations on how the EU can assist Niger develop its local dairy sector in the short, medium and long-term to reach objectives of food security and poverty reduction.

EU Common Agricultural Policies (CAP)

The EU Common Agricultural Policies (CAP) was created in the 1950s to ensure food self-sufficiency in Europe. Today the CAP aims to protect Europe's agricultural sector by enhancing its competitiveness, ensuring sufficient and secure food supply, protecting the environment and ensuring a fair standard of living for the European agricultural community. This is achieved through a number of policy tools including:

The EU spends around 55 billion euros on farmer subsidies a year corresponding to around 40 per cent of EUs annual budget. Of this support it was estimated in 2009 that some €5 billion per annum goes to EU milk producers, this public support covers part of EU milk producers production costs and means not all of their costs of production need to be recovered through the market price at which milk is sold.

As part of the EU's expanding 'safety net' policy, 'intervention buying' is now being exclusively used as a means of dealing with exceptional market volatility and is designed to insulate EU farmers from the worst effects of price down-turns, while allowing EU dairy processors to capitalise on the longer term trends towards expanding global demand for dairy products and overall rising prices.

The EU makes extensive use of tariffs and a managed trade regime (carefully controlled TRQs) to sustain and promote EU milk production and dairy processing. For dairy products the EU applies a highly disaggregated system of fixed duties per 100 kg of imports. These specific duties vary considerably from product to product from a low of €13.1/ton to a high of €1,837/ton (cream and milk in packages below 2 litres), with a wide range of levels in between.

The EU also uses an import licensing allocation system for the structured marketing of dairy products imported from third countries. This has traditionally meant that only EU dairy companies are allowed to place dairy products for sale on the EU market.

In addition, where necessary the EU uses export refunds (export subsidies) to help clear EU markets or develop overseas markets. As a consequence where market conditions require it, export refund levels are increased, despite a nominal EU commitment to the abolition of this form of agricultural support from 2013 as part of any Doha deal.

Dairy Sector Export refunds (*outrun and °appropriations) 2005 to 2011 (€'000)

	2011°	2010*	2009*	2008*	2007*	2006*	2005*
Export refunds (05021201)	10,000	186,444	*181,100	28,832	513,378	724,935	1,140,778

Pastoralist with herd in Diffa, Niger.
Photo: Klavs Bo Christensen 2009

"In spite of all the resources invested in agriculture since independence, Niger still has a reputation of being a country of successive food crisis and permanent malnutrition. Faced with chronic food production deficiency, food security is becoming more and more worrying and poverty spreads every day in the rural areas, where 80 per cent of the poor live. It is a curse created by an inacceptable food security situation; it is possible to break the curse, this is the ambition of the 3N initiative"

(Republic of Niger 2012a:1).

Trade Policies

- Encouraged in the 1970s, imports of milk powder have increased the past 30 years, increasing fourfold from 1996 to 2006.
- Following the structural adjustment policies in the 1980s Niger's government was encouraged by the Bretton Woods institutions to liberalize their markets through deregulation and reducing trade barriers.
- Since the 2000 the import tariff on milk in West African Monetary Union (WAMEAU) has declined significantly: The common external tariff on milk powder is now only 5 per cent and other dairy products 20 per cent.[5]
- In the economic partnership agreement with the EU milk has been classified as a sensitive product with no reductions in tariffs being scheduled.

(Sources: Berthelot, 2009; GRET, 2010; Vias and Renault, 2009)

36 Million Livestock, Yet Not Enough Milk

The climate in Niger is extremely dry limiting the agricultural production to 12 per cent of Niger's vast territory. Niger is a country of livestock. 87 per cent of the rural population is engaged in livestock production and 20 per cent are pastoralists having livestock herding as their primary economic activity (Republic of Niger, 2012b). The livestock is one of the most dynamic sectors in the national economy, with livestock production constituting 11% of GNP and livestock products accounting for the second most important export item after uranium.

At the household level, livestock has an important impact in fighting poverty:

- Livestock constitutes an important source of protein to improve food security and child malnutrition in the most vulnerable households
- Livestock represents a source of revenue from the selling of animals and animal products, including milk (FAO, 2010; Vias Franck and Banzhaf, 2008:15)

Despite the important numbers of livestock, Niger suffers from repeating food crises and food deficits. Furthermore, national milk production cannot meet the demand of its fast growing population. Although, the annual milk consumption in Niger has decreased from 168 kg per person a year in the beginning of the 1960s to only 27 kg per person a year in 2008 (Vias Franck and Banzhaf, 2008), the absolute consumption of milk has increased due to the high population growth and rapid urbanisation. As such the milk production in Niger only covers 50 per cent of the demand for milk and in the urban areas this percentage is as low as 7 per cent. In order to even out the supply deficit in milk, Niger imports massive amounts of subsidized milk powder.

> "The brutal, unpalatable reality is that a pervasive, on-going, structural food crisis exists in the Sahel"
> *(Gubbels, 2011:7)*

In order to meet its objective of increasing food security, stated in among others the national strategy on food security the "3N",[4] the government wishes to develop production of livestock based products to replace imported products, including milk.

This opening remark of the new food security policy of Niger indicates a shift from a focus on food security to food sovereignty referring to the claimed "right" of peoples to define their own food in contrast to having food largely subject to international market forces.

The Laughing and the Crying Cow

With even fewer livestock than Niger, Kenya has managed to turn the situation around going from importing to exporting dairy products in less than ten years. Kenya's milk production increased by 84 per cent between 2000 and 2007. The right mix of import tariffs, public policies and high levels of investments, generated this remarkable achievement in production expansion. However there are differences between the two countries: Niger is ranked significantly lower on the UNDP human development index and has a weaker administrative capacity and overall tax base than in Kenya. To protect its own markets, Kenya introduced taxation on imported milk powder increasing from 25 per cent in 1999 to 60 per cent in 2004. Niger's tax level on milk powder is 5 per cent, due to concerns about chronic food deficiency. In the case of Niger, development cooperation therefore needs to supplement national resources to assist turn the situation around.
(Source: Berthelot, 2009)

Poverty Indicators

- Niger has the second lowest ranking on the UNDPs Human development index (place 186 of 187)
- Niger has 16 million inhabitants, 17 per cent of which live in urban areas
- 43 per cent of the population lives for less than 1,25 USD per day
- In 2011, 5 million people were at risk of high food insecurity. 12 per cent of Niger's children under five suffer from acute malnutrition.
- In the rural areas it takes 32.000 FCFA (49 euro) to feed a family of seven for a month so that each family member gets the necessary 2.100 calories a day (approximately 1.100 FCFA (1,7 euro) a day).
- Milk can provide 300 FCFA per litre (0,5 euro), thus selling 4 litres of milk a day can feed a family of seven people.

(Sources: ECHO, 2012; OPHI, 2011; Republic of Niger, 2012b; UNDP, 2011)

[4] The policy is called "les Nigériens Nourrissent les Nigériens » (the nigeriens feed the nigeriens), hence the name 3N.
[5] Other dairy products are taxed 20 per cent.

The Broken Milk Chain

A small sample from a local shop in Niamey in April 2012 illustrates how the milk supply chain is broken: it is not local milk producers but Asian, Latin American and European producers who supply milk to the urban consumers. New brands emerge every year and there is high variability in which country the milk powder comes from (INS, 2012; Vias Franck and Banzhaf, 2008). Local milk processing companies are interested in low cost inputs to maximise profits, which leads to favouring cheap imported milk powder over locally produced raw milk. Thus, the negative effects of imported milk powder are mediated through the purchasing decisions of local dairy-processing companies, who process imported milk powder into other value-added dairy products for local consumption. According to agritrade, "Increased milk powder imports can reduce both demand for and prices of locally produced milk, disrupting the development of local supply chains" (agritrade 2011a).

DEMAND FOR MILK IN NIAMEY
70.000-100.000 LITRES PER DAY
7.000-20.000 LITRES A DAY (7-25 PER CENT) ARE COVERED BY
LOCALLY PRODUCED MILK
(Source: numbers are from 2006 based on Corniaux et al. 2012:19)

While local dairies express a willingness to use locally produced milk, the locally produced milk is seen as being an insufficient supply. With a capacity to produce 55.000 litres of milk a day, the largest dairy factory in Niamey, Niger Lait, therefore uses 95 per cent imported milk powder for its production.

This reflects the serious constraints faced by milk producers in Niger. These include problems of insufficient animal fodder, serious problems of animal disease control and major logistical constraints on the storage, collection and transportation of fresh milk given the large distances between production areas and processing facilities in urban areas.

To further illustrate the broken milk supply chain, in the rainy season, due to the availability of water and pastures, the milk production peaks. Yet the absence of collection, refrigeration, storage and transportation infrastructure in the rural areas force herders to poor the milk into the rivers (interview, 2012). This is in a country where over 40 per cent of the population lives under the official poverty line of 1.25 dollars a day but where selling 2 litres of milk a day would lift that person above the line.

Given the production and logistical constraints faced, locally produced milk cannot currently compete with imported milk powder, which is cheap, abundant, quality controlled and easy to use. However, in 2007, the price on milk increased on the world market leading to an increase in demand for locally produced milk, and provided a small window of opportunity to increase the local milk supply (Vias Franck and Banzhaf, 2008).[6] However, with heightened global dairy market price volatility, this stimulus proved short lived, with price downturns sucking in cheap milk powder imports and undermining the development of local milk supply chains.

A major policy challenge is thus how to manage global price volatility within what is a longer term trends towards growing global demand for dairy products and favourable long-term price trends. This is a challenge which the EU also faces. The irony is that EU efforts to address this challenge through its enhanced 'safety net' policy, which appears to be making it more difficult for countries such as Niger to meet this self-same challenge.

Against this background, with little incentive to invest in the development of local milk supply chains, the supply chains between milk producers and dairy processors in countries like Niger remain broken. Due to lack of infrastructure, collection point and cooling measurement, local raw milk never reach the urban centres. For example efforts by small-scale producers to transport milk to Niamey by bike limited the collection area, since under these conditions the milk rapidly turns sour. These logistical constraints seriously compound the problems arising from the limited bargaining power of small scale milk producers vis a vis large dairy processors, which have access to imported milk powder as an alternative input in the manufacturing of dairy products.

A study from Mali and Senegal (Corniaux, et al., 2012) shows that the dairy industries benefit from a mixed-model where a certain percentage of the production is based on local milk, as the value added on commodities based on raw milk (e.g. sour cream, cheese) is higher than powder based products. This could be an incentive for the industry to use local milk. The same study showed that in Senegal the milk factories had invested in collection and water infrastructure in the milk producing communities in order to build trust and keep a steady supply of milk. By contrast in Mali, the factory did not offer any other services than the 200 FCFA (0,3 euro) per litre of milk making the producers more likely to try to sell their milk though informal channels. In Niamey the peri-urban producers could get as much as 500 FCFA (0,76 euro) through informal channels. But this is only a possibility for a limited number of producers close to Niamey who can bring in the milk on bike in the morning before the milk turns sour.

Selling directly to the urban consumers at a favourable price is not an option for most of the 87 per cent of the livestock keepers in the rural areas. Learning from these experiences, if the local industries wish to increase the local supply of milk, the relationships of trust between processors and producers have to be improved through clear contracts, as well as investments in infrastructure to address storage and transportation constraints faced by small-scale milk producers.

The regulatory framework for the importation of SMP could potentially play an important role in encouraging a new basis for the development of supply relationships between milk producers and processing companies. For example, in the horticulture sector in Namibia, linking import licences for specific horticulture products to progressively expanded local procurement requirements for the same prod-

ucts, saw local production for the national market expand from 5% to 30% in just seven years. More significantly it has changed the nature of the relationship between producers, traders and retailers, with secure contracts from traders and retailers, allowing farmers to raise bank financing for the expansion of production. However, it should be stressed that this forms just one part of an integrated programme for the development of the sector, with strong institutional and regulatory underpinnings.

[6] In 2009 the milk prices dropped again, but only to increase to the same level again, and the direct causes of price volatility is not fully understood (GRET, 2010:25).
[7] In addition various types of sweetened canned milk, UHT, yoghurt, cheese and butter exist on the marked primarily from France, The Netherlands, Germany, Argentine and Malaysia.
[8] ActionAid, 2011; New Zealand Dairy Research Institute, 2012
[9] 1 euro =656 FCFA.

> My dream was to make yoghurt of raw milk. Everybody knows it is not the same taste; only we cannot get a secure quantity. Since 2007, I shifted to only using milk powder. I have to pay my loans to the bank and ensure my production. But if the quantity were available I would use raw milk"
>
> *Mme Diori M. Male, General Director, La Laitiere du Sahel.*

Informal Market

Small-scale producer

Collection centre

Dairy procesing companies

Retail shops

Traditional dairies

Source: Vias Franck and Banzhaf, 2008: 22)
Photos: © CARE

The milk supply chain

The milk industry in Niger's capital Niamey consists of multiple actors at various levels of the milk supply chain: the producers, the collectors, the processors (modern and traditional), dairy processing companies and the consumers.

The drawing shows the various flows of milk in the supply chain. The producers sell the milk either directly to the consumer through informal channels, or to the dairy processing companies directly or through milk collectors.

Dairy Products in Niamey

While local raw milk is not available in retail (shops), but only through informal channels, the range of imported products is vast. A quick sample in two local supermarkets was made to identify milk prizes – April 2012:[7] (400gr milk powder makes 3,1 litres of milk.[8]

410g Regilait 1.480 FCFA = 2,3 euro (France)
500g Francelait 2.250 FCFA = 3,4 euro (France)
900g Nido 5.400 FCFA = 8,2 euro[9] (Netherland)
400g Peak 2.250 FCFA = 3,4 euro (Netherlands)
500g Lactoland 1.700 FCFA = 2,6 euro (Germany)
500g Lacstar 1.750 FCFA = 2,7 euro (Argentine)
500g Lahada 1.700 FCFA = 2,6 euro (Argentine)

Most Important Constraint for Niger's Small-scale Producers

In general Niger's dairy production is characterized by low productivity due to difficulties in accessing water and pastures (fodder), problems in collection and transformation of local milk, and absence of quality control. Furthermore, despite various vaccination campaigns, animal health remains a constraint to local producers. Finally, many producers complained that they did not receive help from the government.

Given these constraints, and the negative effects of imported subsidized milk on local milk producers in Niger, how can the EU assist Niger develop and strengthen sustainable milk supply chains?

Milk Prices

The milk industries pay approximately 300 FCFA (0,46 euro) a litre for local milk. This price is highly influenced by the presence of imported milk powder. However, the producers often have to pay for transportation and often only gain 200 FCFA (0,3 euro) per litre.

In April 2012, the price of milk powder imported from Ireland was 310 FCFA (0,47 euro) per litre (corresponding to 62.000 FCFA (94,5 euro) for 25 kg powdered milk, which gives 200 litres of milk).

Local producers can gain 500 FCFA (0,76 euro) at the informal market, which is only an option for the few who are situated close to the urban centres. But here space for the animals are limited and access to pastures a major constraint.

Most Important Constraints to Local Dairy Production

- Access to fodder and water in the dry season
- Lack of storage, conservation and transportation
- Absence of milk collection system
- Price competition with milk powder
- Weak producer organisations and no contracts between producers and dairy industry
- Poor quality control
- Absence of state support

Collection Centre

In order to organize the producers, so that the commercial industry can buy large quantities of milk, the collection centre in the commune of Hamdallaye 30 kilometres from Niamey[10] buy milk from the producers and offers a quality control system. However, it does not meet its capacity of 1.600 litres a day. At the moment, only 300-400 litres come in during the dry season and up to 500 in the rainy season. There are several problems encountered in trying to organize producers, including among others: the low prices which producers receive for the milk from dairy processors (250 FCFA per litre) compared to the price they can get through the informal marketing channels.

A Small-Scale Producer

Hassan Sanda, 49 years old, has two wives and nine children to feed. He owns five cows out of which two provide milk for his family production. His two cows can provide 3 litres of milk a day for him to sell in the dry season and 6 litres in the rainy season. Hassan sells the milk to the local collection centre for 250 FCFA (0,4 euro) per litre but he has to pay 50 FCFA (0,08 euro) to the local collector who comes to his camp by bike to deliver the milk at the collection centre ten kilometres from Hassan's camp. "Our biggest problem is to feed the family and the animals," he says.

[10] The collection center is part of the Projet de Sécurisation de l'Elevage et Agriculture péri-Urbains (PSEAU) (2004-2008) co-funded by AFD and UNIDO (IRAM, 2007, see annexe).

Imported milk powder in a shop in Niamey, April 2012. Photo: © CARE

Milk Dumping – a Major Constraint

In 2011, Niger imported 11.000 tons milk powder from all over the world to a value of 25 million euros (16,5 billion FCFA) and 50 per cent originated from the EU (INS, 2012).

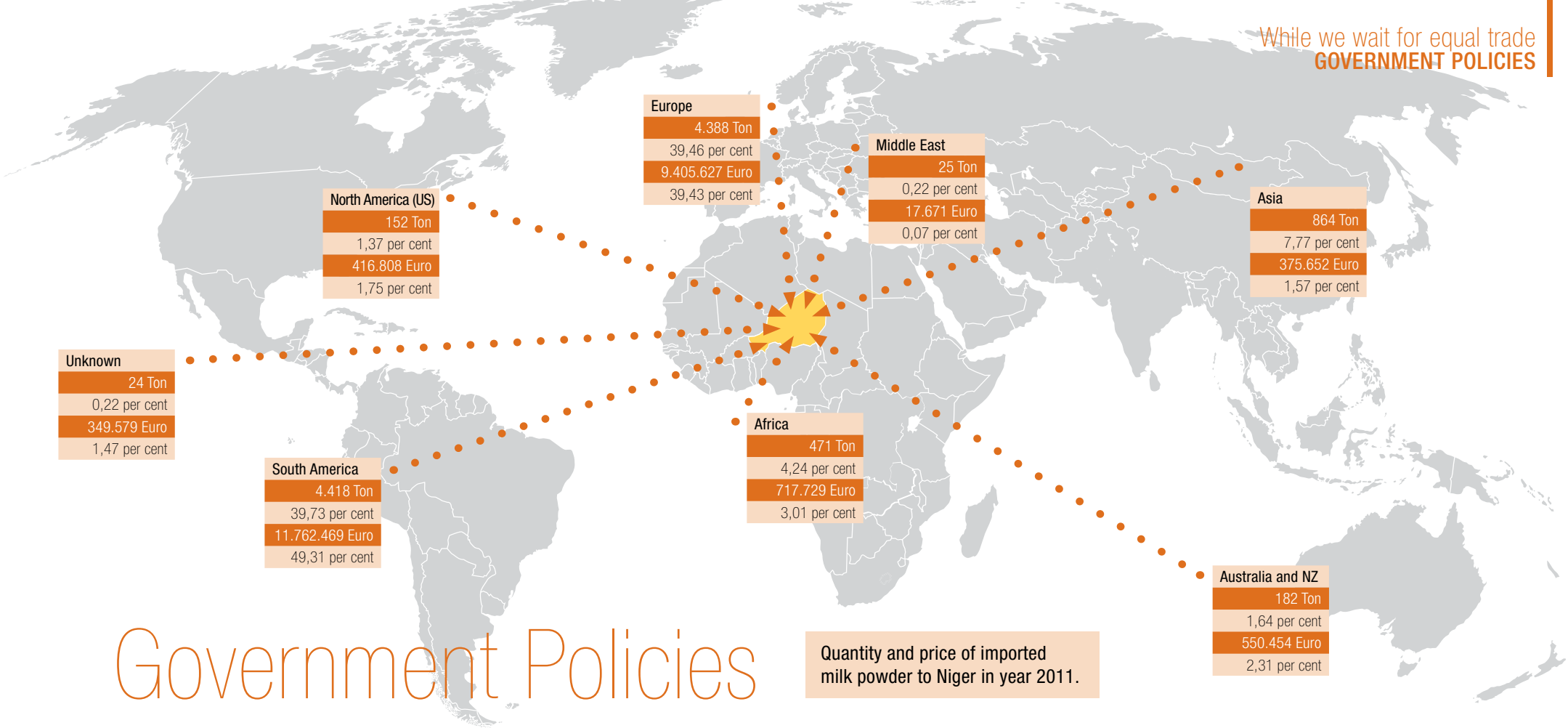
In 2003 the EU established a ceiling on intervention buying of SMP of 109,000 tons. In response to the 2009 EU milk sector crisis this ceiling was simply abandoned with a total of 282,587 tons of SMP being bought into public stocks. This 'safety net' intervention by the EU provided the basis for the 64% increase in EU SMP exports in 2010 and a further 28.6% increase in 2011, as well as a small additional increase (+1%) in 2012.This occurred in part through the physical accumulation of stocks and in part through sustaining EU milk production at levels higher than would have been the case in the absence of such public sector support programmes.

Livestock Sector Expenditures 2009-2010[11]

Year	Total annual expenditures		Annual expenditures Livestock Ministry (MEL)		Percentage of livestock sector expenditures of the total annual expenditures
	Billion FCFA	*Million* Euros	*Billion* FCFA	*Million* Euros	
2009	605,4	922,866	9,680	14,756	1,6 %
2010	583,1	888,872	12,299	18,748	2,1 %

[11] Until now, the government of Niger does not have a national strategy with a specific budget for dairy production. The following numbers stem from the expenditures of the livestock sector in general (Republic of Niger, 2011; Ministry of Livestock, 2012).
[12] The dairy industry has been supported by a number of smaller donor funded projects (see annexe).
[13] In the moment of writing, there is not yet developed a budget and the strategy has not been financed (interview, 2012).

Imported milk powder produced in Ireland, April 2012
Photo: © CARE



Quantity and price of imported milk powder to Niger in year 2011.

Government Policies

The dairy industry is part of Niger's 2003 rural development strategy (SDR) (Republic of Niger, 2003), which defines which rural sectors to prioritise. However, to date there is no specific national strategy for the dairy sector itself and it does not have its own budget allocation. The dairy industry does receive some support through the livestock sector in general under the SDR, but the exact numbers are not easy to identify.[12] The low investment in the livestock sector illustrates the low priority of the sector: In 2009-2010, the expenditures of the livestock ministry constituted 2 per cent of the annual expenditures.This number is low taking into account the economic and food security potential of the large number of livestock in Niger.

The government of Niger is in the process of preparing a new livestock sector strategy (2012-2035) that, among other things, anticipates investing more in the dairy production through the development of 500 large-scale ranches and 50 small dairies (Republic of Niger, 2012b).[13] What is not yet clear is the degree to which this strategy will assist existing small scale milk producers. Many existing small scale milk producers fear the governments' existing dairy sector strategy will simply increase competition for small scale milk producers, compounding the existing problems arising from milk powder imports.

According to one small scale producer "If the government decides to promote large-scale ranches, we the local producers will die" (interview, 2012).

This suggests a need for a separate strategy for dairy sector development focussed on strengthening the position of existing small scale milk producers, with an appropriate level of budgetary resources being allocated to the implementation of this strategy.

The EU could provide assistance in developing a national strategy for boosting local milk production, given the current internal policy focus in the EU on the establishment of a policy framework and specific policy measures aimed at strengthening the functioning of EU milk supply chains, so as to provide a long-term basis for investment, despite high levels of global dairy price volatility.

A critical part of any such EU policy support should be assisted with the development of a regulatory framework to manage imports of SMP in a manner consistent with local dairy sector development objectives.

Policy Coherence for Development – Recommendations to the EU

Provided the current constraints for the local dairy production in meeting the fast growing demand for milk and to avoid hurting the consumers in terms of increase in prices on dairy products, one need to think in short, medium and long-term development policies.

In the short-term: The EU Should Support a National Dairy Sector Strategy:
The absence of a national strategy for local dairy sector development reflects that the issue is not high on the national agenda. As the biggest donor in Niger (OECD, 2010) the EU needs to play a leading role in supporting the government to develop and implement good dairy sector policies. In line with the Paris declaration for aid effectiveness without a national strategy for how to develop the dairy sector in a way that benefits small-scale producers, bi- and multilateral partners cannot financially support the dairy sector. Thus, in the short-term the EU should assist Niger in:

- Develop a national strategy on dairy sector development: In line with the Paris declaration for aid effectiveness, a national strategy for improving the dairy sector by enhancing local production needs to be developed and followed by political and economic commitment. The strategy should ensure poverty alleviation by targeting small-scale producers and efforts to improve food security. It should also look at the regulatory framework required to strengthen the functioning of local milk supply chains
- Facilitate a national platform for dialogue: The EU should assist facilitate a platform for dialogue between all actors in the milk supply chain including government, to ensure ownership and the protection of small scale-producers' interests in the national dairy sector policies. This could draw on some of the lessons arising from the EU's own efforts to strengthen the functioning of dairy supply chains in the EU.
- Support the weakest link in the milk supply chain: In the light of increasing global dairy price volatility, the vulnerability of small-scale producers to abuse of unequal power relationships along dairy supply chains has become increasingly apparent (including in the EU) with public policy being seen as potentially playing a role in rebalancing these unequal power relationships in order to prevent abuses. This requires targeted support to building up milk producers organisations in Niger.
- Establishing the necessary administrative arrangements for monitoring export licence applications and managing the export of dairy products (primarily SMP) in ways which minimise any adverse effects on dairy sector development in African countries, committed to promoting their own dairy sector development, and ensuring this trade makes a supportive contribution to the strengthening of local milk supply chains.[14]

In the medium-term: Increase Donor Support to the Dairy Sector
Once the institutional mechanisms are in place, the EU and its member states can start increasing **donor support:**

- It is time for the donors to realize that emergency aid is part of the problem of food security. Investments in **development aid programmes** to improve food security and fight poverty through bilateral development aid. Hopefully dairy sector can replace the need for costly emergency aid delivery that tends to disrupt local market prices[16].
- **Increase investments in milk supply chains:** Channel aid via the national strategy to strengthen the chain by linking local producers to urban consumers via improved producer organisations, development of milk transportation and cooling infrastructure as well as secure access to fodder, water points and animal health services.

Milk being poored for transport in collection center close to Niamey, april 2012. Photo: © CARE

> "Over the years, we have become very good at responding to immediate needs. We now need to become good at building bridges between emergency relief and development"
> *(Valerie Amos, Under-Secretary-General for Humanitarian Affairs for the United Nations as cited in Gubbels, 2011: 8)*

In the long-term: the EU should Assist Niger Protects its Market

When the necessary institutional mechanisms are established and there has been a slight improvement in the dairy production due to massive investments in the dairy sector, the EU can assist prevent dumping of subsidized milk by the use of import regulation e.g. import licences and the introduction of quotas.

- EU should assist Niger develop a market share scheme identifying the amount of locally produced milk to be used by processing companies. This amount should be able to increase progressively as local production improves.
- The market share scheme should be supported by use of import licenses as a traditional trade policy tool. Such licenses should be flexible and adapted with low risk of marked deficiencies. One option is to introduce an import license regulating the amount of milk powder to be imported by each company. It should, however, be possible to withhold the import license if, for good reasons, local producers do not meet procurement targets (e.g. in the dry season or during droughts).
- The EU can assist establish an easy access to daily price data based on world market prices, which provide the import parity price guideline. To avoid risk of fraud, transparency measurements need to be in place before introducing import licenses.
- The EU should support Niger in world trade Negotiations: Not only milk powder from the EU has negative effects on the local producers. Also the BRIC countries, particularly in South America, are exporting milk powder to Niger's market (see world map). Therefore the EU needs to put pressure on the other milk powder producing regions (e.g. Latin America and Asia) to follow a similar approach of assisting developing countries to strengthen import regulation, transparency and investments in local dairy sector development.

The Paris Declaration on Aid Effectiveness[15]

Bi- and multilateral development aid has to be based upon recipient countries' own national policies and strategies in line with the following principles:

1. Ownership: Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
2. Alignment: Donor countries align behind these objectives and use local systems.
3. Harmonisation: Donor countries coordinate, simplify procedures and share information to avoid duplication.
4. Results: Developing countries and donors shift focus to development results and results get measured.
5. Mutual accountability: Donors and partners are accountable for development results.

(Source: OECD, 2005).

[14] At the moment each member state maintain its own website. It is difficult and time consuming to monitor 27 websites in different languages instead of one. Of the 27 member states only six have released some of the data, while a large amount has been kept secret (eutransparency, 2012).
[15] Over 100 governments, multilateral institutions and international organisations adopted the Paris declaration on aid effectiveness in 2005.
[16] For further discussion of the relationship between emergency aid and long-term development aid see Gubbels, 2011.

Conclusion

The EU fails to fulfil its obligation of Policy Coherence for Development (PCD) as enshrined in article 208 of the Lisbon Treaty, due to the negative external effects on development stemming from subsidized milk powder production. It has been established that EU agricultural and trade policies still undermine development objectives and incentives to strengthen the milk supply chain in Niger (case of safety net policies in 2009). The massive export of subsidized skimmed milk powder from the EU makes the local dairy processing companies choose to use milk powder at lower costs which further decreases the demand for locally produced milk. In the case of Niger, small-scale milk producers cannot compete with milk powder from the EU entering the country at dumping prices. Consequently, 80 per cent of the demand in the capital of Niamey is satisfied by imports depriving the poorest and most marginalised parts of the population – the pastoralists – of one of their only possible income sources, milk from their cattle.

Increasing taxation on imported dairy products could regulate this screwed competition. However, politicians in Niger are faced with a dilemma in terms of import regulations versus increase in prices. Politicians in Niger are interested in satisfying urban consumers by making sure milk is available at a low price in the market. The EU is under pressure from European farmers lobby to continue support to European dairy farmers. Given this context, the EU should assist Niger's government to support local milk production without risking increase in price levels.

The local dairy production in Niger should be a priority sector within the development efforts of the EU, due to the potential of small-scale milk production to alleviate poverty and improve food security, while preserving Niger's vulnerable natural resources. Provided the incoherence between EUs trade polices and development objectives, the EU has a particular responsibility to assist Niger developing a national dairy sector strategy and put in place the adequate institutional mechanisms for promoting local dairy production and protecting its market against inundations of subsidized milk powder.

While we wait for equal trade through the WTO system, the EU has a lead role to play in assisting Niger develop its dairy sector, as it is an important vehicle for poverty reduction in the worlds second poorest country.

Local milk collector, Niamey, Niger.
Photo: © CARE

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Annexe

IInitiatives known to support the local dairy industry in Niamey

- The project Target milk, funded by USAID and implemented by INRAN, in collaboration with SOLANI, was implemented between 2002 and 2005 in the semi-urban area of Niamey. The project was to test and disseminate technical animal health, forage production, supplementary feeding and collection, preservation and processing of milk.
- The project Securing of semi-urban Livestock and Agriculture (PSEAU), was funded by AFD funding across the gardening and milk sectors. As part of the dairy industry, the project is currently conducting a co-funded by UNIDO pilot project on the attainment of a raw milk collection centre in the commune of Hamdallaye. Apart from the design center, the PSEAU has developed a coherent strategy of support for its implementation guidance. The project is the subject of great interest to all stakeholders.
- The project Support for small milk producers in Niamey (APPLN) implemented by VSF Belgium and AGROPAST works with 26 sites in urban and suburban areas of the city of Niamey. It aims at strengthening the organizational and technical capacities of cooperative breeders in animal health proximity and cattle feed (setting up shop inputs).
- The project Healthy Milk for Niger (LSN), implemented by VSF Belgium and KARKARA works with 15 sites in urban and suburban areas of Niamey. It aims to improve the hygienic quality of milk and for a better income for the producers.

Source: IRAM, 2007.

ALMOST HALF THE POPULATION IS AT
RISK OF HUNGER
IN 2012. THEY HAVE NO MONEY TO BUY FOOD.
NIGER HAS 36 MILLION LIVESTOCK.
ONE LITER OF MILK
CAN GIVE AN INCOME OF 0.5 EURO PER LITER,
ENOUGH TO BUY FOOD

CARE Danmark
It costs one dollar to prevent malnutrition in a child – it costs 80 dollars to treat a child who is already malnourished. This is why CARE acts before hunger strikes to create long lasting solutions together with poor and vulnerable people. CARE helps people claim their rights and families to produce more food and increase their income to make them more resilient in times of crisis. CARE is one of the world's largest humanitarian organisations and operates in 84 of the world's poorest countries benefiting more than 122 million people each year.

Billital Maroobé
Billital Maroobé is a West African network of pastoralist organisations in seven countries (Niger, Mali, Benin, Burkina Faso, Nigeria, Mauritania and Senegal) and represents 400.000 pastoralists. Billital Maroobé is a regional framework fighting fort the political, social and economic rights and interests of pastoralists.

AREN
L'Association pour la Redynamisation de l'Élevage au Niger was created in 1991 and is the largest pastoral association in Niger. The vision of AREN is a world where pastoralists are respected on equal terms with other citizens, where their economic contribution to society is recognised and their livelihoods secured'. AREN represents 40.000 pastoralists throughout Niger.