Milk Dumping in Cameroon

Milk powder from the EU is affecting sales and endangering the livelihoods of dairy farmers in Cameroon.

European subsidies ruin local markets

The demand for dairy products is increasing globally. This also applies in developing countries where milk consumption has been minimal until now. In Cameroon, “Brot für die Welt” has been supporting the development of milk production for over 10 years to enable smallholders to supply the local market. However, the local milk markets are being threatened by cheap milk powder from Europe and the USA, and farmers’ livelihoods are being affected.

“Brot für die Welt” has been supporting a very successful project to develop a local dairy business in the north-west region of Cameroon since 1997. The principle is simple: the partner organisation, Heifer Project International, distributes pregnant heifers (young cows) to poor smallholder families. They in turn promise to give the first female calf to another needy family, while keeping the remaining calves. This process is repeated each time, thus gradually extending the number of families keeping dairy cows.

Project goal: to improve nutrition and increase income

The goal of the Heifer Project is to improve families’ self-sufficiency in milk and increase income through selling beef cattle and milk. The project includes agricultural consultancy and veterinary medical care for the animals. It has a positive effect particularly on the status of female farmers. They become more economically independent, and their reputation in the village community is enhanced. Until now, the project has been very successful in increasing self-sufficiency, selling beef cattle and dung, and in direct marketing, although there were difficulties in selling fresh milk profitably.

In 1993, a Cameroon business set up a private dairy with the intention of buying a proportion of dairy farmers’ milk in the region. This was a brave endeavour, which was beset with many difficulties at the beginning. The SOTRAMILK dairy only came on stream in 1995, first producing yoghurt in pots and later hard cheese (Gouda) and ice cream.

The dairy had to contend with two problems right from the start: the poor infrastructure made it difficult to transport milk to the dairy thereby increasing costs. In addition, the local dairy farmers could never supply enough milk to satisfy the dairy’s daily production capacity of 10,000 litres.

Consequently, SOTRAMILK could only sell its products on the market at a higher sales price, paying the farmers only a low price. In order to improve profitability, therefore, milk powder for the yoghurt and cheese production was bought in right from the start.

SOTRAMILK’s profitability calculation was based on a mixed calculation of imported milk powder, the sale of local fresh milk and the sale of dairy products for the region around the regional capital of Bamenda.

“We assumed that we would have a large market. We wanted to supply the whole north-west region with dairy products. The only large-scale dairy in the country, CAMLAIT in Douala, is 400 km away,”
Milk Dumping

Instead of the original 20%, the proportion of fresh milk in the production process actually dropped to just 5–10% maximum (approx. 500-800 litres daily). In addition, there was no investment in an efficient milk collection service, supply or processing of fresh milk.

In competition with EU imports

The farmers were then faced with more competition in their market. More and more small supermarkets were opened in rural communities, offering EU milk powder in 450g tins. Then came sweetened condensed milk in small tins, which can now be bought at all kiosks. For those involved in the Heifer Project, this led to increasing difficulties in direct selling of fresh milk.

“It became increasingly clear to us in our project that there was no real chance of creating a large-scale dairy business under these conditions of unfair import prices from Europe,” explained Henry Njakoi. “However, this didn’t mean that we were going to give up dairy farming. It has many other advantages for agriculture. We advised dairy farmers on how they could produce dairy products themselves to supply village demand. But we also knew that sooner or later the cheap, imported milk powder would find its way even to outlying villages.”

Dairy must close

In addition to its sales difficulties, SOTRAMILK also experienced poor management and the dairy had to close in 2008.

“The final closure is a catastrophe for us dairy farmers. But we couldn’t sell our milk any cheaper to SOTRAMILK. We have to feed our cows, we invested in stalls, we have to supply the milk in perfect condition to the dairy. That costs us an enormous amount of money. We cannot sell a litre for less than 0.60 euros unless we subsidise it out of our own pockets,” according to dairy farmer, Wajiri Ndanerie from Sabga.

The dairy farmers were furious about SOTRAMILK’s bankruptcy. The company still owed them quite a lot of money for fresh milk supplied. Even worse - the farmers

explained Henry Njakoi, Director of Heifer Projects in Cameroon. “We thought that SOTRAMILK could sell dairy products at similar prices to CAMLAIT.”

Despite selling yoghurt at higher prices, SOTRAMILK was able to maintain its market share of 20 to 30% in the region between 1995-2007. However, this was not sufficient to meet the dairy’s full capacity. It never reached more than 50% of its capacity.

However, SOTRAMILK came under real pressure when CAMLAIT expanded its regional distribution centre in the nearby town of Bafoussam in 2004. There, CAMLAIT penetrated SOTRAMILK’s regional market with cheap yoghurt products made exclusively from cheap European milk powder. In the face of imported EU milk powder, the marketing of products made from locally produced milk had virtually no chance of economic success.

In order to concentrate on offering yoghurt at a competitive price, SOTRAMILK refrained from increasing the proportion of local milk in its yoghurt production. In-
had lost a market for their milk. The decisive factor in the dairy’s failure was that yoghurt cannot be produced from local milk for less than 200 CFA (0.30 euros) per pot. Ultimately, SOTRAMILK went bankrupt as a consequence of the EU’s marketing of its milk surpluses.

ACDIC, the Citizens’ Association for the Defence of Collective Interests, to which many smallholders in the region belong, asked CAMLAIT whether it could perhaps buy the milk from the north-west region.

Tilder Kumichii, who works for ACDIC Northwest, told us what the reaction was: “CAMLAIT refused point-blank. They considered the prices demanded by the dairy farmers to be far too high. They could get imported milk powder much cheaper.”

“How does Europe manage to do that?”

As Tilder Kumichii explained, “My contact at CAMLAIT could not explain why milk from Europe has become even cheaper over recent months. How does Europe manage to do that?” she wonders.

“In addition to paying for the milk, the European dairies also have to pay the costs of milk powder production, transport and packaging. And even then, they can sell it cheaper than our farmers.”

The figure below illustrates clearly how far the import price for milk powder has fallen within a period of only 14 months.

“As a politically engaged woman, it makes me especially angry - here is another brilliant project, which many...
women can benefit greatly from, being jeopardised by EU exports. We’ve already been through all that with the cheap chicken parts from Europe. Small businesses run by women were driven out of the market then as well,” explains Tilder Kumichii.

The fact is that it is definitely possible in Cameroon to earn money from dairy products; the high quantities of milk imports indicate that there is a market here.

In order to cover production costs, the dairy farmers in north-west Cameroon need at least 0.61 euros for a litre of fresh unpasteurised milk (end of 2008). If they sell directly, they would get 0.76 euros for unpasteurised and non-homogenised fresh milk; but the demand for that is too low due to the cheap milk powder, even though people prefer fresh milk.

The ruinous competition surrounding baby milk is particularly blatant: on the advice of their doctor, many mothers give their babies formula milk in addition to breast milk. This would actually constitute a huge market for the local dairies’ fresh milk. However, it is rarely possible to sell regionally produced fresh milk in the cities. SOTRAMILK was unsuccessful in doing this. Quite simply, the baby milk produced from imported milk powder is much cheaper.

CAMLAIT sells milk powder in 20kg sacks. The local retailer then repacks it in 50g packs, which can be bought at every street corner kiosk. Despite the packaging costs, the price of milk produced from it is noticeably cheaper than fresh milk: equivalent to 0.42 euros/litre.

In addition, there was a dramatic drop in the price of imported milk powder. A good quality 400g tin of milk powder from the MZO dairy in Oldenburg or the “Nido” brand from Nestlé cost 3.36 euros in Cameroon in the summer of 2008; that was equivalent to a price of 1.05 euros per litre of low-fat pasteurised milk.

### Yoghurt production from EU milk powder in Cameroon (1999 – 2007)

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In August 2009 the same quantity can be bought for 1.83 euros due to the European price drop and milk export subsidies. This means that a litre of milk can be produced from this for only 0.51 euros. It is impossible for the local dairies to build a fresh milk supply chain for this price.

The consumer can buy a pot of CAMLAIT’s yoghurt, its main product, for 0.34 euros. SOTRAMILK’s yoghurt cost 0.46 euros a pot. Yet the national market analysis shows that there could be a worthwhile market in yoghurt, as the annual rate of increase in sales of yoghurt is 24%.

**Local markets can still function without imported milk powder**

Most of Cameroon’s six million beef cattle graze in the remote villages between the north-west and the Adamaua Province. The cattle are reared primarily for their meat. Only 20% are kept as dairy cows.

The milk yield is very low, only amounting to 1.5 litres per day and for only 180 days in the year. Nevertheless, the cattle farmers receive valuable, extra income from the sale of dairy products.

The “Bororo”, as the cattle farmers in north-west Cameroon are known, belong to the Fulbe tribe, a seminomadic people who live mainly in the north of Cameroon. Some Bororos have now given up their nomadic way of life and, through small-scale projects, have learnt how to make cheese and yoghurt. Milk powder has not yet reached the outlying districts in the north-west.

A small-scale project, such as the one in Sabga, shows that selling milk locally can still work when there is no need for transport and when traditional production methods are used. Local dairy products can then be sold directly.

Adama Mohamadou from the milk project in Sabga explains, “Our project has been running quite well until now, but we have noticed in the last few months that small packets of milk powder have been selling for the equivalent of 0.15 to 0.20 euros in our villages. So we had to reduce the price of our milk to 40 cents per litre. Fortunately, most customers still prefer our fresh milk and good quality cheese.”

**The milk market: an opportunity to expand**

According to FAO, the Food and Agricultural Organization of the United Nations, 125 million litres of cow’s milk is produced in Cameroon annually. About 57 million litres of that is for personal consumption. Of the local milk produced in Cameroon, 90% is provided by the cattle herds of the Fulbe.

The population is growing, but with dairy production hardly increasing the average consumption of cow’s milk has dropped from 12 (1998) to 9 litres (2008) per head. In the densely-populated south, where climate conditions are unsuitable for keeping cattle, the maximum per head is as low as 4 to 5 litres. This puts South
Cameroon among the regions with the lowest milk consumption in the world, according to FAO figures.

About 68 million litres of milk sold in Cameroon in 2008 came from cows of local breeds, 36 million litres were imported and only 2 million litres came from dairy farming with productive dairy cows as in the Heifer Project.

The government sees great potential in dairy production using productive breeds. The increasing demand could easily be met by increased domestic production through investment and promotion. In the long term this would also reduce the costs.

The example of Kenya shows that a local dairy economy has real market opportunities. By promoting and protecting domestic production, they are now producing and consuming 100 litres of milk per person.

Henry Njakoi, Director of Heifer Cameroon, points out that “Dairy farming, particularly in the region of northwest Cameroon, could be a real development drive for getting rid of poverty.”

He explains, “when the dairy economy grows, the price of milk can also be gradually reduced. When food prices began to rise at the beginning of 2008, and a tin of milk cost almost 4 euros, Cameroon investors got in touch with our project.”

“One investor, for example,” continues Henry Njykoi, “wanted to set up a dairy for packaged long-life milk in Santa on the main road to Bafoussam. Another wanted to build a dairy for cheese and yoghurt production in Kumbo. Local farms would supply the fresh milk. But both investors are stalling because prices have almost halved.”

**Millions for milk imports**

Milk imports now constitute 40 to 50% of the supply in Cameroon. A study by ACDIC provides proof that, between 1996 and 2006, Cameroon paid 334 million euros in foreign currency for imported milk. These imports are primarily provided by European dairy businesses, such as Nestlé Netherlands, Nestlé France (each 21%) or Friesland (14%).

Dr. Ndambi, the Cameroon dairy expert from the dairy research centre at the University of Kiel, believes, “The milk imports are a huge problem for Cameroon. If Cameroon wanted to double its dairy production by 2020, regarded by the FAO as necessary in order to feed the urban population of almost 18 million people, there would have to be a massive increase in local dairy production.”

By crossing native breeds with European dairy breeds, the annual income of dairy farming families could then be increased from its current 200 euros per cow to almost 500 euros. Production costs could thus be reduced from 51 cents to 42 cents per litre. Yet, unfortunately, this price can still not compete with imported milk as the local milk would still have to be processed.
Dramatic collapse in milk prices

The price of milk in Cameroon has collapsed with the introduction of milk export subsidies by the EU. In January 2008 a kilogram of imported milk powder cost 3.40 euros.

In May 2009 the same quantity could be bought for only 1.60 euros, in other words, for less than half. The collapse in the price of non-subsidised fresh milk in tetrapaks was not so drastic.

In the opinion of ACDIC’s Tilder Kumichii, “The EU export subsidies are only part of the problem of ‘cheap imports’, but they send a clear message to all domestic investors to keep out of the dairy economy and let the world market profit from the huge opportunities offered by the Cameroon dairy market.”

620,000 signatures for better food security

“It is shameful that our government is joining forces with the EU, thus paying only lip service to fighting poverty and food security,” complained Bernard Njonga, president of ACDIC, the Cameroon citizens’ movement. He continued, “In 2007 we collected over 620,000 signatures for a petition so that our government would finally take seriously the interests of our smallholders and consumers, and invest in national agriculture.

But instead of raising the ridiculous tariff on milk, which currently is only 10%, the government gives into pressure from the EU and the World Bank, both of whom support free trade.”

According to Henry Njakoi, Director of the Heifer Project supported by "Brot für die Welt", “In view of the dramatic situation facing our dairy farmers, we have contacted ACDIC. This autumn, during the budget consultations in parliament, we want to demonstrate in the streets of Yaundé again until they finally listen to us. We are also demanding that the EU not only removes its milk subsidies to Africa but cuts back on milk exports to our countries so that we can develop our own dairy economy.”

The successful campaign against the import of chicken parts from the EU has shown that it is entirely possible to resist ruinous floods of imports and to protect the local markets from unfair competition. ACDIC embodies the idea of food sovereignty, i.e. poor countries should be able to control their food production themselves. The boom in Cameroon’s poultry business since the import ban vindicates this approach.
Claims of "Brot für die Welt" and EED

The church development agencies "Brot für die Welt" and EED consider the subsidising of milk powder exports to Cameroon to constitute unfair competition. Development projects for fighting poverty that were funded by German tax money and donations have slowed down. Instead of continuing to invest in the processing infrastructure for milk collection and processing, subsidies are effectively destroying the local markets.

"Brot für die Welt" and EED are therefore calling upon the German government to ensure that agricultural exports are not sold at dumping prices in developing countries, i.e. below their real production costs. This is especially relevant where domestic producers and their dairies are in direct competition. Export subsidies must stop immediately - they simply lead to further price reductions on the world market.

We support the political involvement of grass-roots organisations such as ACDIC who fight for the right of countries such as Cameroon to be allowed to protect their local smallholding production for the purpose of securing their food.

Bilateral and multilateral trade agreements, such as in the WTO or EU Economic Partnership Agreements (EPAs), must provide instruments to protect against import flooding.