



Developing Countries and the Global Dairy Sector Part II: Country Case Studies

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EXECUTIVE SUMMARY

Introduction

This is the second part of a study on the global dairy sector and developing countries. The first part provided an overview of the global dairy sector, its development trends over the past twenty years and the main international dairy trade flows as background information and overall context. This part aims to address the question of whether and to what extent dairy sectors in developing countries have been harmed by the practice of some OECD countries to dispose of surplus milk powder by 'dumping' it on the world market. The paper adopts a case-study approach and six countries (Thailand, Bangladesh, Tanzania, Senegal, Peru and Jamaica) have been selected for a detailed analysis of their dairy sector. These six case study countries were chosen because either (a) concerns about damage to the domestic dairy sector through milk powder imports from OECD countries had been raised (Jamaica and Tanzania), (b) they have a high import dependency for dairy products while with at the same time having a reasonable domestic capacity or potential for milk production (Bangladesh and Peru) or (c) to provide a wider geographic representation (Thailand and Senegal).

The Country Studies

In the first section of each country study a general background of the country is presented including climatic, geographic and economic information as well as some information on the importance of the dairy sector within agriculture and the national economy.

The second section portrays dairy production trends and consumption patterns for each country together with the development of dairy product imports and exports and the level of self-sufficiency in dairy production.

The third section on dairy marketing and processing gives an overview of the various dairy marketing channels operating in the single countries, the importance of formal versus informal markets, market power and concentration of processors, and the degree of price setting power as well as profitability of milk processing.

The fourth section provides an overview of dairy policies in place in the different countries, dividing policies into measures affecting production and marketing, consumption and trade. In the final section an attempt is made to gauge the likely impacts of milk powder imports on the domestic dairy sector based on the analysis of the preceding sections.

Conclusion

Arguments that speak against a significant negative effect of cheap milk powder imports are the fact that there often is no countrywide distribution of imported milk powder, the latter being primarily sold in the major cities so that rural dairy producers selling in rural areas are in fact not experiencing competition. Furthermore, of the countries studied, those with the highest proportion of dairy imports, Jamaica, Senegal and Thailand offer the highest producer prices, suggesting that imports are a result of supply shortages rather than their cause. In the case of Senegal, milk powder imports even sustain a vibrant small-scale repacking industry and lead to employment creation.

Thailand and Peru are effectively protecting their dairy market through tariff barriers from lower price milk powder imports. However, this strategy has an uncertain future as increasing trade liberalisation and bilateral trade agreements make it more and more difficult for developing countries to keep up high levels of tariff protection.

While subsidised milk powder imports in some cases are likely to have contributed to difficulties of dairy sector development in the case study countries, in none of them do they appear to have been the major constraint. As in developing countries climatic conditions for dairy production are often unfavourable for high-yielding breeds, production volumes are low and long-distance distribution costs high while demand for dairy products, particularly from urban centres substantially exceeds domestic production, dairy product imports mainly serve to bridge the gap between domestic demand and production, particularly in the lean season.

It seems that often the claim of dumping is used as an opportune explanation for slow development and lack in competitiveness of domestic dairy sectors that frees policy makers from the necessity to address home made obstacles for development. A forward looking strategy for national dairy production would therefore focus on improving competitiveness of production and processing as well as limit concentration of a few large companies that control the whole sector.