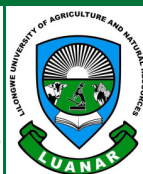


Malawi Trade in Dairy Products



Luiza Toma, Cesar Revoredo-Giha and Steven Thomson

Scotland's Rural College
West Mains Road
Edinburgh EH9 3JG, UK
E-mail: luiza.toma@sruc.ac.uk



www.sruc.ac.uk

Introduction

Imports of dairy products are an important part of the supply of dairy products in Malawi.

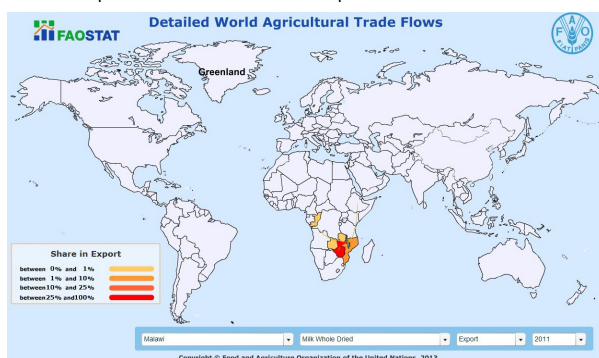
They have a complex relationship with domestic production as in the near past some domestically processed products were made from imported milk powder, which had been reconstituted, and therefore, competed directly with domestic dairy production. Whilst evidence indicates that this is not the case anymore, important quantities of processed dairy products enter into the country and compete with the local products.

To protect Malawian dairy farmers against cheap imports of milk powder, tariffs on dairy imports were increased in 2010. The purpose of this work is to analyse the trade effects of this policy measure.

Imports & Exports

Main importers of Malawi's dairy products are Zimbabwe, Mozambique, Senegal, Zambia, United Republic of Tanzania, Uganda, South Africa and Japan. Figure 1 shows Malawi exports of whole milk powder in 2011.

Figure 1. Main importers of Malawi whole milk powder in 2011



Main exporters of dairy products to Malawi are South Africa, Ireland, Zimbabwe, Singapore, Netherlands, Kenya, New Zealand, Zambia, Australia and Denmark. Figure 2 shows Malawi imports of whole milk powder in 2011.

Figure 2. Main exporters of whole milk powder to Malawi in 2011

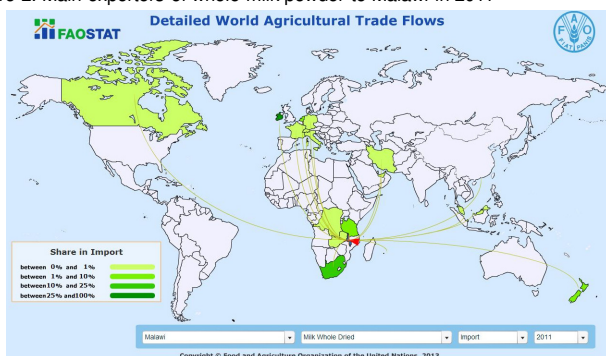


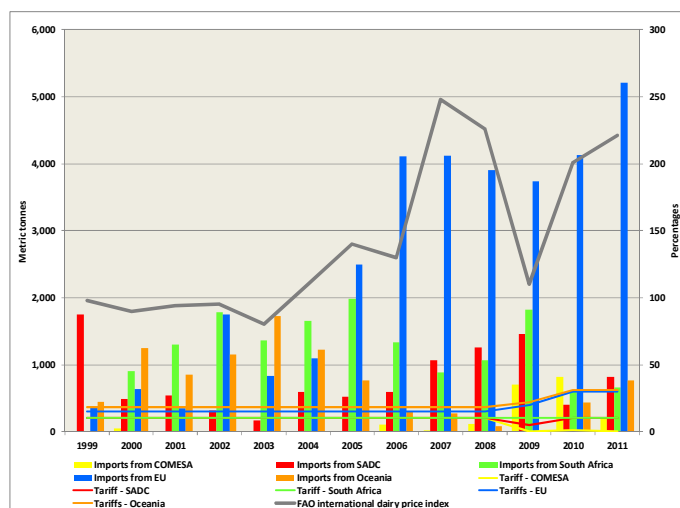
Figure 3. Irish milk powder in a Malawi supermarket (Photo taken by Steven Thomson)

Tariffs, prices and imports. Case study – Malawi milk powder

We analysed Malawi imports of the main dairy products (milk and cream, milk powder, yoghurt, whey and other milk products, butter and dairy spreads, and cheese) from the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), South Africa, European Union (EU), Oceania and the Rest of the World during 1999-2011.

The results show that the increase in tariffs and fluctuations in the international dairy price have not had a significant impact on imports from partners outside trade agreements. Figure 4 shows results for the case of milk powder.

Figure 4. Tariffs, prices and imports of milk powder during 1999-2011.



Source: Tariff data from WTO Tariff Analysis Online; International dairy price index from FAO Food Outlook, 2013; dairy imports from UN COMTRADE online database.

Some findings and further work

- Despite the increase in tariffs and international dairy price since 2010, Malawi imports of dairy products, and especially milk powder are still strong.
- There has been an increasing trend in Malawi exports of dairy products since 2005.
- Ongoing work – we analyse the changes in Malawi international trade during the past decade using constant market shares analysis (CMS) (Merckies and Van der Meer, 1988). CMS analysis separates the changes in exports to Malawi into four parts, namely the world term, the market term, the commodity term, and the competitiveness term. The first three represent the growth of exports which would result if the exporting country would have maintained constant market shares in the Malawi market, and are jointly referred to as the structural term. The competitiveness term captures the effect of changing market shares. Demand analysis involves import demand functions which specify the response of quantities/values demanded for import by Malawi to changes in expenditure and prices.

References

- FAO, 2013. FAOSTAT Database. Food and Agriculture Organization of the United Nations.
- FAO, 2013. Food Outlook. Biannual report on global food markets. ISSN: 0251-1959, FAO, Rome.
- Merckies, A. H. Q. M., van der Meer, T. 1988. A Theoretical Foundation for Constant Market Share Analysis. *Empirical Economics* 13(2), 65-80.
- UN-COMTRADE, 2013. UN Comtrade Database. United Nations.
- WTO, 2013. International Trade and Market Access Data. World Trade Organization.

Acknowledgements

This research is part of the DFID-ESRC project "Assessing the Contribution of the Dairy Sector to Economic Growth and Food Security in Malawi" (ES/J009202/1).