

The Dairy Sector in Burkina Faso

The capacity of the sector and impact
of European milk powder exports

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ABSTRACT

In the last decades, European milk powder exports to developing countries have increased. Therefore, many civil society organizations are concerned about possible adverse consequences for local production systems, using Burkina Faso as a showcase for allegedly negative impact of European agricultural exports in general.

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), GIZ conducted a study of the Burkinabe dairy sector in 2017¹. These are the main results:

1. Burkina Faso's dairy sector has a long-term potential for growth. However, for the potential to be realised, it will be essential to create conducive framework conditions. Climate change, urbanization and changes in land use as well as the practice of nomadic livestock husbandry pose great challenges to the expansion of the dairy production in the country.
2. Currently, Burkinabe dairy farms are not capable of meeting the rising domestic demand for milk.
3. At this point, there is no sign of imported milk powder directly competing with locally produced milk. Imported milk powder is primarily used for supplying urban populations.
4. Imported milk powder is a vital production factor for many of the mini-dairies.

Key facts about milk production in Burkina Faso

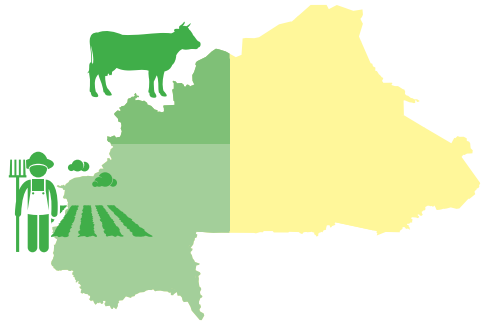
- Livestock farming is widespread, primarily to produce meat. Milk is considered more of a by-product.
- The annual per capita milk consumption of 20-30 litres is low compared to the West African average.
- Milk supply is limited due to production conditions being difficult; prices for locally produced milk are relatively high in urban areas besides the rainy season.
- Only 2-4 million litres, i.e. 0.8 % of the total Burkinabe production, is marketed through formal channels. Most of the milk is consumed by the producers themselves.
- Each year, Burkina Faso imports milk powder to the equivalent of 70 million litres of milk, mainly to supply urban areas.

¹ GIZ (2017), Die Situation und das Potenzial der Milchwirtschaft in Burkina Faso, Deutsche Gesellschaft für Internationale Zusammenarbeit, Bonn

BACKGROUND

GDP contribution of agriculture and livestock

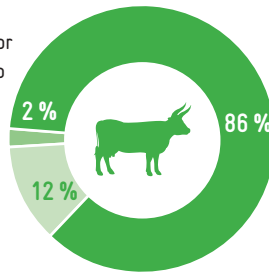
Agriculture makes up 40 % of Burkina Faso's gross domestic product. Livestock farming accounts for 15 % of agriculture



The most common livestock keeping systems

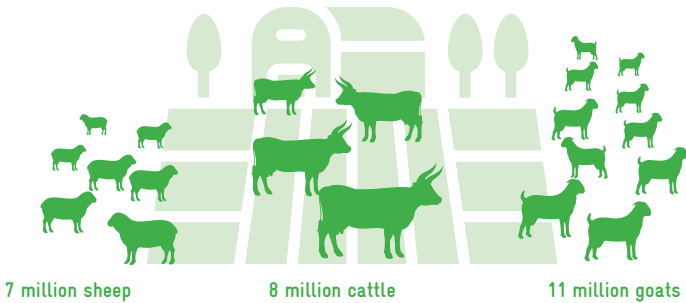
Intensive livestock farming, mainly for milk production, in close proximity to the cities Ouagadougou and Bobo-Dioulasso

Semi-intensive husbandry for meat and intensive milk production, especially in peri-urban areas



Extensive husbandry and transhumance

Livestock in Burkina Faso

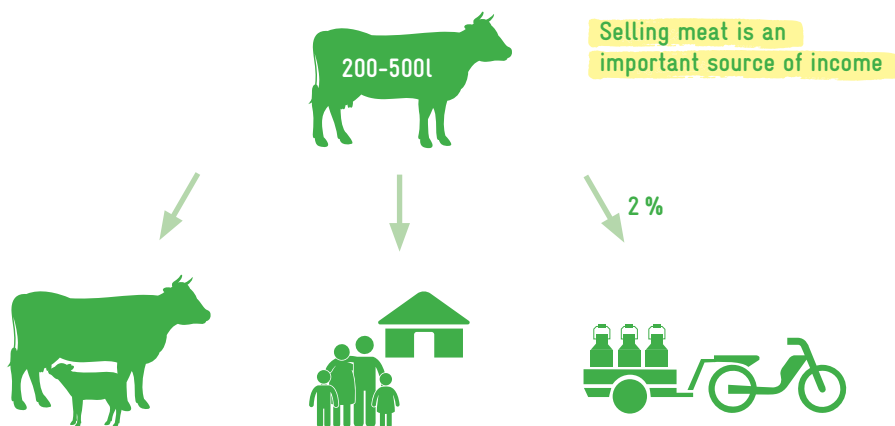


This policy brief focuses on milk production.

Milk is typically more of a by-product

Burkinabe farmers keep cattle mainly for meat production. The dry season lasts for nine months, making water intensive milk production considerably difficult. In addition, concentrated feed needed for dairy cows is hard to come by in rural areas. Still though, the milk production and processing has increased steadily in recent years. The processed amount remains relatively low and value addition is limited due to low productivity. In Burkina Faso, fresh milk is relatively expensive with a production price of €0.41 and a consumer price of €1.83. High quality flavoured yogurt or cheese are rarely produced using local milk.

Annual milk yield of cows



The annual milk yield of local cattle breeds varies between 200 to 500 litres², with most of the milk being used to rear calves. 80 % of the remainder is consumed by the producers themselves or marketed informally in the vicinity. Only 2 % of Burkinabe milk reaches the central collecting points of the dairies, the equivalent of approximately 2-4 million litres of milk.

² In comparison, the average annual milk yield per cow in Germany figures at about 7,000 litres.



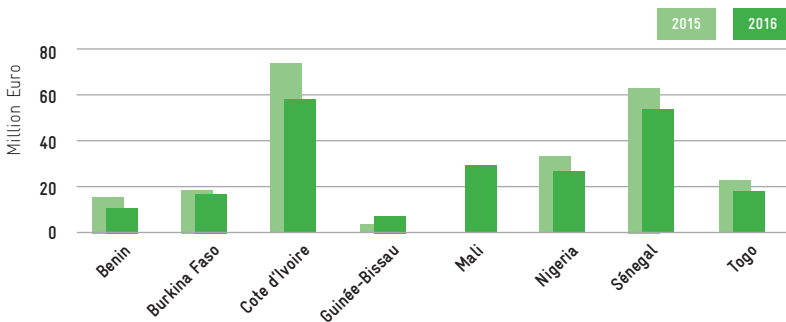
Mini-dairies

In the 1990s, the so-called mini-dairies have started to become key players in the dairy sector, each processing a volume of up to 10,000 litres per day. Currently, there are about 200 production sites in the country.

A typical mini-dairy

- Employs 8-9 people on average.
- Processes 70 litres of milk in a day, with great seasonal variations.
- Mostly produces pasteurized milk or yoghurt.
- In general operates with imported milk powder, i.e. either no or only small amounts of locally produced milk is used.

Import value of dairy products from worldwide partners to West Africa in 2015 and 2016



ANALYSIS

Burkina Faso's milk market has capacity for development

A wide variety of dairy products is available in the West African country, ranging from raw milk, pasteurized milk, yoghurt and cheese to cream and butter – especially in the larger towns. Compared with the other countries in the region, Burkina Faso's annual milk consumption of 20-30 litres per capita is a rather low³. A reason for this might be rooted in culture; traditionally most Burkinabes consume very little milk. Besides, relatively high retail costs could be a reason as well. In urban centres, pasteurized local milk sells for CFA700-1,200 (€1.06-1.83) per litre, which many people cannot afford. In comparison, one litre of milk made from milk powder ranges at CFA350-800 (€0.53-1.20).

A growing population and changing diets are likely to drive an increasing demand for dairy products by 4 % per year. This has to be juxtaposed with forecasts of local production to grow by only 3%. A continued need for importation should be anticipated.

The most important dairy products of the rural areas

- Raw and soured milk (lait callé): Both have the largest market share in rural areas
- Galal: A traditional drink made from millet and soured milk or yoghurt
- Savon Peul: Traditional soap made from butter oil

These products are made exclusively from Burkinabe fresh milk because milk powder is unsuitable for technical reasons.

Imported milk powder fills the supply gap

Supply of domestic dairy products is insufficient to meet demand. Imported milk powder fills supply gaps and serves the growing demand in the urban centres. During dry season, when local milk is scarce and expensive, yoghurt is made from imported milk powder only. Thus ensuring that the mini-dairies are able to maintain their production year round.

³ In comparison: Senegal, Mali or Niger have an annual milk consumption of 50-60 litres per capita.

The 5 % common external tariff of the West African Economic Community (ECOWAS) on milk powder sets the market entry barriers comparatively low. Besides skimmed milk and whole milk powder, the so-called fat-filled milk powder enters Burkina Faso's market — in particular recently. This is a whole milk powder skimmed of its cream and then enriched with vegetable fats, mainly palm oil. Prices range well below that of whole milk powder.

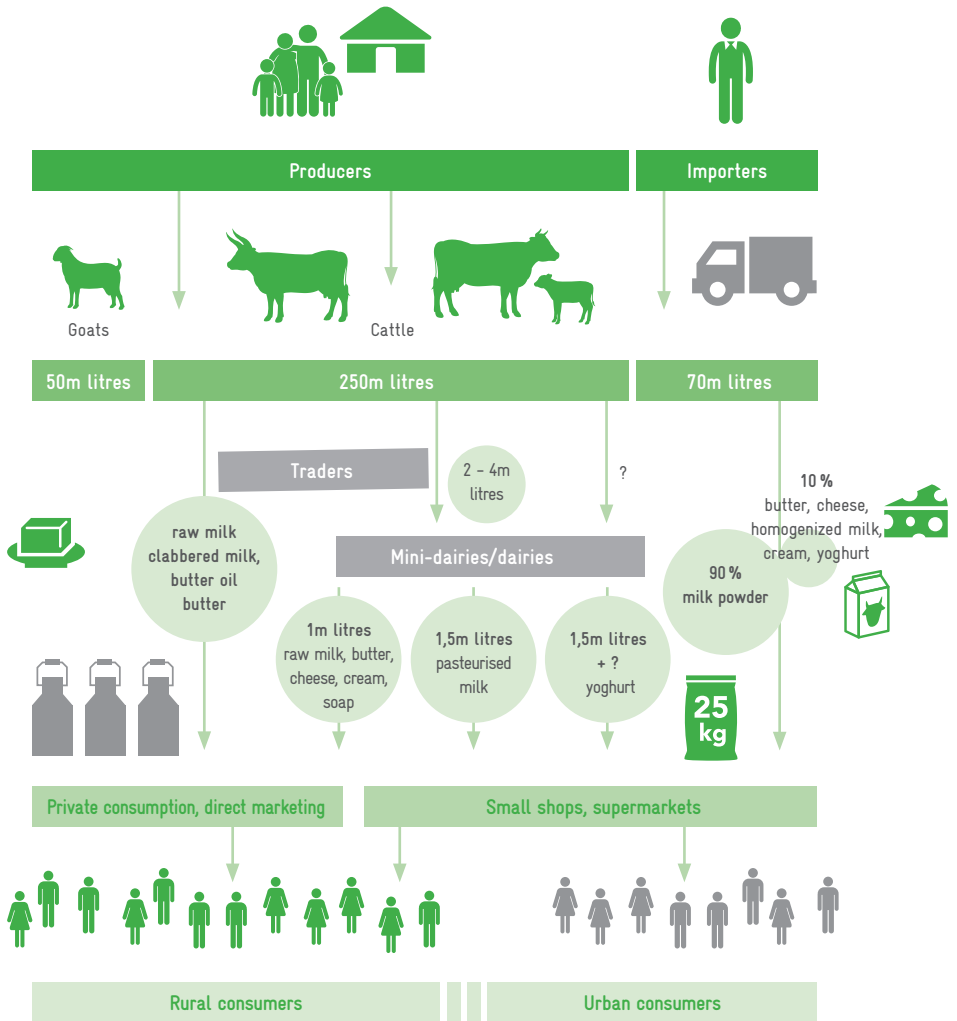
Key data on milk imports

- The imports of dairy products have increased continuously during recent years and amounted to about 70 million litres milk equivalent in 2013/14. Milk powder accounts for 90 % of imports, with an average of 50 % originating in the EU. The share of concentrated milk, yoghurt and homogenized milk is low (see fig. p. 9).
- Imported milk powder accounts for 15-20 % of locally produced milk.
- In comparison to other West African countries, Burkina Faso imports few dairy products (see fig. p. 6).

The imported milk powder hardly reaches rural areas — primarily because the milk produced there can meet the demand.

In more remote areas, production from milk powder has hardly any repercussions on the production of fresh milk, since the products made from milk powder are almost completely different from those made from fresh milk. For traditional products such as lait caillé, gapal and savon peul local milk is used almost exclusively. Milk powder, on the other hand, is mainly consumed unprocessed (e.g. in coffee drinks) or reconstituted in mixed milk drinks or yoghurt. Imported processed dairy products such as butter, cheese or homogenized milk could only compete with local dairy products in niche markets in larger towns. They are only sought after by a small wealthy group of people and rarely produced in the comparable quality in the country.

Overview of the dairy sector



The dairy sector in Burkina Faso with estimated commodity flows 2017.

The government's dairy development program

The core program to develop Burkina Faso's dairy sector had initially been designed for seven years (2010-2016) and was later extended. It had a total financial framework of CFA90 billion. In 2013, a feed factory near Ouagadougou opened. However, until the end of 2012 only the financing for the region around Ouagadougou had been secured. Political instability in the country significantly delayed funding and implementation of the program.

At the end of 2016, the Burkinabe government reactivated the program focusing on promoting the dairy sector around Ouagadougou. The current program aims at expanding the genetic potential of livestock, improving the nutrition and health of animals as well as increasing the production capacity of the farms. It has a total volume of CFA13 billion. In addition, the construction of a dairy attached to a feed plant, had been scheduled to start in 2017.

Programme components

- Increasing productivity
- Improving milk quality
- Improving local marketing
- Capacity building for farmer organizations
- Reducing ecological impacts

ASSESSMENT

Burkina Faso has the capacity to expand its dairy sector if it promotes milk collection. Especially the mini-dairies would benefit. On the one hand, locally produced milk is in demand. On the other hand, fresh milk can be used increasingly for traditional niche products. A profitable market for these products exists already.

At this point, the processing of dairy products is dependent on imported milk powder. In order to effectively stimulate the market in the long run, stakeholders should discuss practical ways to introduce innovative technology and business models that integrate small-scale livestock farms.



This requires substantial investments in the dairy value chain. The difficult production conditions and strong, seasonal fluctuations in output are currently causing for mini-dairies to only use small quantities of local fresh milk. In addition, the large distances between farms and mini-dairies pose a logistical challenge for milk collection.

To improve the prevailing production conditions and to ensure proper cooling, more infrastructure investments are required. Expanding milk production will lead to a higher demand for animal feed that will have to be imported eventually. Burkina Faso will not be able to produce the necessary amounts of feed due to climatic and ecological conditions.

An expanded local milk production and collection will entail considerable socio-economic costs. Furthermore, it will have a negative ecological impact. For this reason, the importance of imported milk powder for the local dairy sector, next to the possible expansion of the local milk production, should not be underestimated. The imported milk powder is a vital production factor for many mini-dairies and thus creates year-round employment opportunities.

Conclusion

From a development policy point of view, it is not advisable for Burkina Faso to ban milk powder imports per se. The domestic production is not capable of meeting the entire demand for milk. Better promotion of domestic production should be integrated into an overall strategy that also takes into account the benefits of importation.

On behalf of



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