

The great milk robbery

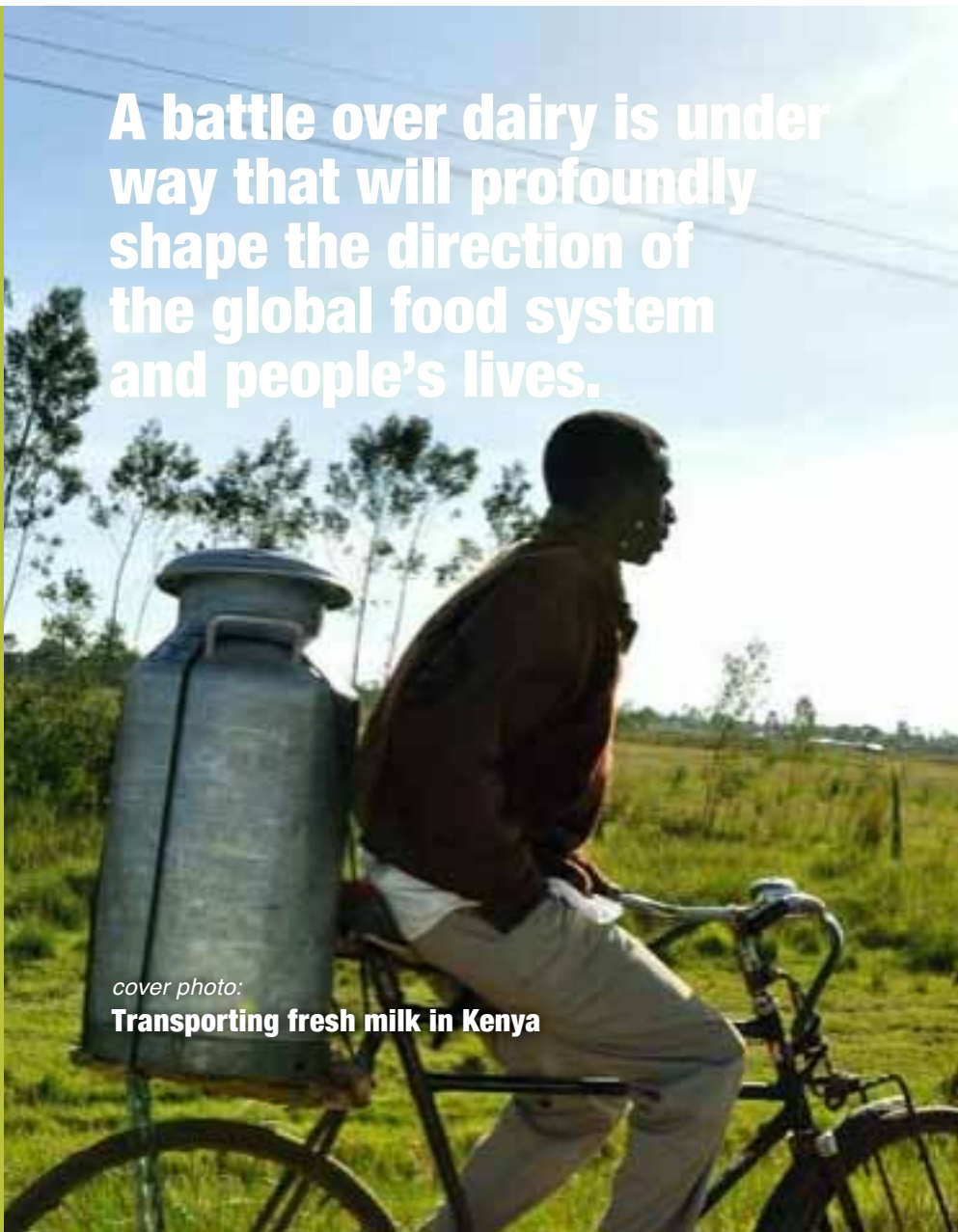
How corporations are stealing livelihoods and a vital source of nutrition from the poor



Dec 2011

In most of the world, dairy is in the hands of poor people. Most dairy markets that serve the poor are supplied by small-scale vendors who collect milk from farmers who own just a few dairy animals. But such systems of “people’s milk” are threatened by the ambitions of big dairy companies, such as Nestlé, and a growing number of other wealthy players that want to take over the entire dairy chain in the South, from the farms to the markets.

A battle over dairy is under way that will profoundly shape the direction of the global food system and people’s lives.



cover photo:
Transporting fresh milk in Kenya



GRAIN is a small international non-profit organisation that works to support small farmers and social movements in their struggles for community-controlled and biodiversity-based food systems. GRAIN produces several reports each year. They are substantial research documents, providing indepth background information and analysis on a give topic.

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Part 1: People's milk

Delivering dignity

In the early morning hours of any given day,

before most people in Colombia are out of their beds, around 50,000 milk vendors stream into the country's cities. These *jarreadores*, as they are called, travel by motorbike carrying large canisters of milk that they collect from two million or so small dairy farms in the Colombian countryside.

Each day they will deliver 40 million litres of fresh milk at an affordable price to around 20 million Colombians, who will boil it briefly at home to ensure its safety. There is perhaps no more important source of livelihood, nutrition and dignity in Colombia than what is commonly known as *leche popular* or people's milk.

The *jarreadores* have been gathering in the streets recently for another reason. They, along with farmers, small-scale dairy processors and consumers, have been protesting against repeated moves by the Colombian government to destroy their *leche popular*. The problem began in 2006, when the government of President Uribe issued Decree 616 prohibiting the consumption, sale and transport of unpasteurised milk, effectively making *leche popular* illegal.

The decree triggered huge protests across the country, forcing the government to postpone adoption of the regulation. Popular opposition did not die down and, two years later, with over 15,000 people marching in the streets of Bogotá, the government was yet again forced to push things back another two years.

But Decree 616 was not the only threat to *leche popular*. Colombia had begun negotiations

for several bilateral free trade agreements (FTA) with dairy exporters. While Colombia is self-sufficient in milk, the FTAs would remove key protections from the sector, leaving it vulnerable to imports of cheap powdered milk, particularly from the EU, where dairy production is heavily subsidised. In the words of Aurelio Suárez, Executive Director of the National Association for the Preservation of the Agricultural Economy (*Salvación Agropecuaria*), an FTA with the EU would be a "veritable hecatomb" for Colombia's dairy sector.

By 2010, when legislation to prohibit *leche popular* was once again up for implementation, opposition had merged with anger at the proposed FTAs. Massive mobilisations ensued, leaving the government with little choice but to postpone the legislation to March 2011, when, greeted by a fresh wave of demonstrations, the government had to concede defeat. In May 2011, Decree 1880 was passed, which recognises *leche popular* as both legal and essential.

It was an impressive series of victories for the people of Colombia's dairy sector, one that should inspire the many similar struggles that small-scale dairy farmers and vendors are waging in other parts of the world.¹ Of course, the battle is not over; an FTA with the US has been passed, and the negotiations for an FTA with the EU have just been concluded. But the dairy sector is now at the heart of the popular

1 The situation in Colombia is extensively documented in Aurelio Suárez Montoya, "Colombia, una pieza más en la conquista de un 'nuevo mundo' lácteo", November 2010: <http://www.recalca.org.co/Colombia-una-pieza-mas-en-la.html>



Colombia's jarreadores
Photo: Aurelio Suárez Montoya

resistance to these deals, and, whatever happens, it is clear that *leche popular* will be at the forefront if and when the Colombian people succeed in breaking with their government's policies, to chart a new path of social transformation.²

2 Movimiento Obrero Independiente y Revolucionario (MOIR), "Triunfo de la cadena láctea popular y la seguridad alimentaria," 7 June 2011: <http://www.nasaacin.org/component/content/article/1-ultimas-noticias/2180-triunfo-de-la-cadena-lactea-popular-y-la-seguridad-alimentaria>

People's milk

The people of Colombia are

resisting a strong global trend. Dairy, like other food and agriculture sectors, has been going through severe consolidation over recent decades. Today, a few multinationals, like Nestle and Danone, sell their dairy products in every corner of the planet. Consolidation is happening on the farm too. Dairy herds are getting bigger, and new technologies are squeezing more and more milk out of each cow. And new money, mainly from the financial sector, is now streaming into agriculture, looking for a share of the profits in this move to bigger dairy farms.

But this is far from the whole story. In most of the world, dairy is still very much in the hands of poor people. The milk corporations are growing, but in many places milk markets are still the domain of what government and industry like to call the "informal sector" – farmers who sell their milk directly, or local vendors who go deep into the countryside to purchase milk from small farmers and bring it directly to consumers. The available data suggests that more than 80% of milk marketed in developing countries, and 47% of the global total, is people's milk.

In India, the world's largest producer of milk, the people's milk sector still accounts for 85% of the national milk market. Although much is said of the significance of Indian's dairy cooperatives in building up the country's milk production, the real story behind the country's "white revolution", which saw a tripling of milk production between 1980 and 2006, lies with the people's milk sector. It was India's small-scale farmers and local markets that led the massive expansion in the country's dairy production over those years, and, as a result, the benefits of this boom in production have been widely spread out. Today, 70 million rural households in India – well over half of the country's total rural families – keep dairy animals, and over half of the milk they produce, which is mainly buffalo milk, goes to feed people in the communities they live in, while a quarter of it is processed into cheese, yoghurts and other dairy products by the local "unorganised sector".³

The contributions of people's milk to the lives of the poor around the world are many. It is a key source of nutrition – a subsistence food for those with dairy animals and affordable to

3 Animesh Banerjee, "Lessons Learned Studies: India", FAO: <http://www.aphca.org/reference/dairy/dairy.html>

Table 1.
Percentages of national milk markets not handled by the formal milk sector in certain countries

Country	Percentage of national milk market handled by the people's milk sector
All developing countries*	80
Argentina	15
Bangladesh	97
Brazil	40
Colombia	83
India	85
Kenya	86
Mexico	41
Pakistan	96
Paraguay	70
Rwanda	96
Sri Lanka	53
Uganda	70
Uruguay	60**
Zambia	78

* 85.4% of the world's population lives in developing countries according to the Human development index,

** Figure is for cheese only

Source: GRAIN

those without. Fresh people's milk tends to be much cheaper than the processed packaged milk sold by companies. In Colombia it costs less than half the price of the pasteurized, packaged milk sold in supermarkets.⁴ It is the same in Pakistan, where the *gawalas* (street vendors) sell to urban consumers fresh milk that they collect from rural farms for about half the price of packaged, processed milk.⁵

For small farmers, people's milk offers one of the few sources of regular, consistent income. Because milk is perishable, it is also a major source of revenue for small-scale vendors and processors who can source it daily from farmers and bring it to the consumers who purchase fresh milk, cheese, yoghurt and other dairy products on a near daily basis. Common customs of heating or fermenting the milk ensure that it is safe for consumption. In Pakistan, for instance, many leave their milk to simmer for hours on special stoves called *karrhni*, which burn dung on a low heat. In northern Nigeria, milk is often consumed as a fermented drink called *nono*.

The "informal sector" is treated with disdain by the elites. Produce is called "unhygienic" or of "poor quality", and the system is labelled "inefficient". Some decry it for not contributing taxes. But the truth is that people's milk thrives in many countries. Small farmers, pastoralists and landless peasants are showing that they can produce enough milk to satisfy people's needs, and small vendors and processors have little trouble getting the milk and other dairy products safely to markets. The "unorganised sector" can do things just fine without the big players when they are not undercut by dumped surplus milk from elsewhere or persecuted by unfair regulations (see Box 1: *Milk on wheels in Kenya* page 7).

Even in markets where dairy was industrialised long ago, people's milk is making a comeback. From the US to New Zealand, the markets for direct purchase of milk from the farm or for organic and raw milk are booming, as people look for higher-quality foods produced outside the industrial system. In these countries, farmers too are increasingly fed up with the dominant model. Intensive production has saddled them with high costs and debt, while the price of milk rarely meets the cost of its production. And the rural

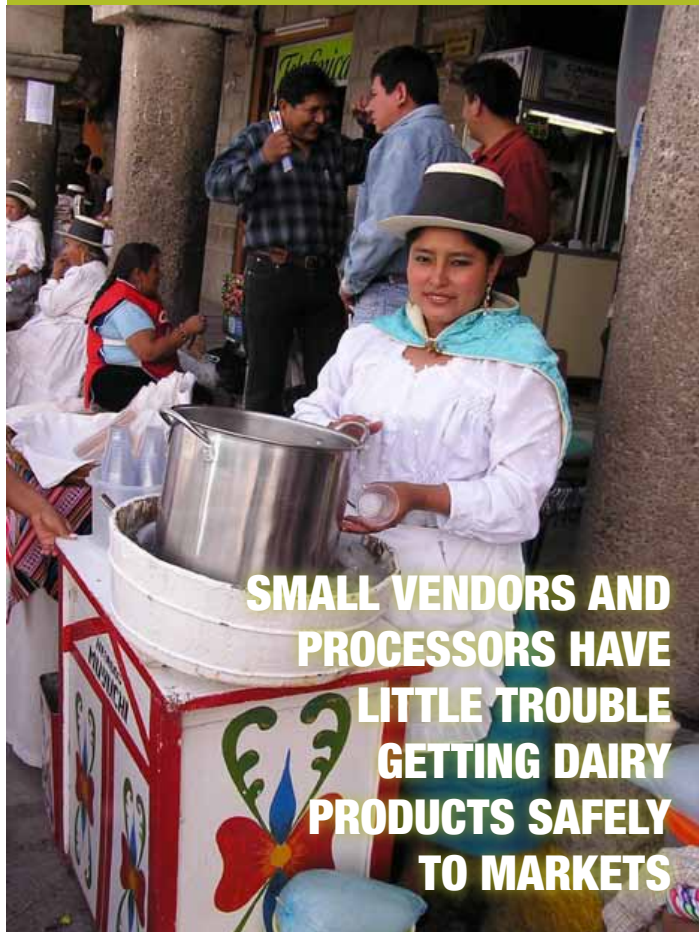
4 Personal communication with Aurelio Suárez, 6 July 2011.

5 Tanvir Ali, "A case study of milk production and marketing by small- and medium-scale contract farmers of Haleeb Foods Ltd, Pakistan": <http://www.regoverningmarkets.org/en/filemanager/active?fid=30>



Above: **Cheese at a market in Ayacucho, Peru**
 Below: **Woman selling home-made ice-cream in Peru.**

(Photos: Tomandbecky).



SMALL VENDORS AND PROCESSORS HAVE LITTLE TROUBLE GETTING DAIRY PRODUCTS SAFELY TO MARKETS

continued on page 7

Table 2.
Differences between milk production in the global North and the global South

	Total milk production (2009)	Percentage of the milk market handled by the people's milk sector	Number of cows per farm	Rural jobs per million litres of milk/year	Milk consumption per person (2007)	Cost of milk production (US\$/100kg)
North	362 million tonnes	<10%	US = >100 Australia = >100 France = >30 Japan = >30	5	248 litres	Canada = >60 New Zealand = >30 Italy = >60
South	337 million tonnes	80%	Brazil= <30 India= <10 Kenya= <10 Turkey= <10	200	68 litres	Uganda = <20 Pakistan = <30 Argentina = <30

Source: IFCN; Aurelio Suárez Montoya, "Colombia, una pieza más en la conquista de un 'nuevo mundo' lácteo", November 2010: <http://www.recalca.org.co/Colombia-una-pieza-mas-en-la.html>



Wagashi cheese produced by Fulani women in Benin. In Fulani culture, men look after the cattle and women look after the milk. Wagashi cheese is processed in a unique way that allows it to withstand the hot temperatures of West Africa.

(Photo: Pulaku Project).

more than 80% of milk marketed in developing countries is people's milk

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communities where the farmers live tire of the pollution generated by the growing presence of mega dairy farms. There is pressure for new models of production and distribution to protect farmers' livelihoods and provide consumers with quality foods. The fight over the future of dairy in Europe is particularly fierce (see Box 2: *Bad milk in the EU, set to get worse*, page 8).

The movement for people's milk, however, runs head first into the ambitions of the corporations that seek

to control the global dairy industry, which can be collectively called "Big Dairy". With dairy markets in the North already saturated, Big Dairy is targeting for its growth the very markets served by people's milk. As these dairy corporations invade the South, they are flanked by a number of other companies and wealthy elites (see Tables 4 & 5, page 11), who, together, are trying to reorganise the entire supply chain, from farms to markets.

Box 1

Milk on wheels in Kenya



Until the 1990s, the collection and marketing of milk in Kenya was controlled entirely by a state monopoly, with regulations preventing the commercial sale of people's milk and dairy produce. In the early part 1990s, the monopoly was removed and the state company privatised as part of the structural adjustment programme imposed on the country by multilateral lenders. The privatised state company soon collapsed, and none of the other private processors that came into the market was willing to fill the void, turning instead to importing powdered milk.

In 2001, imports of powdered milk surged massively, triggering public outrage and government action to raise tariffs from 25% to 60%. Yet even these new tariffs were not enough to move the dairy companies to rebuild the country's supply chains. Instead, the people's milk sector stepped in, taking over the collection and supply of local milk in the country.

Today, a nationwide chain of small farmers and vendors on bicycles provide 80–86% of the milk marketed in the country (45% of national milk production is for subsistence).⁶ Around 800,000 Kenyan small farmer households depend on the people's milk sector for their livelihoods, with an additional 350,000 people employed in milk collection, transportation, processing and sales.⁷ Farmers and consumers benefit from the system. Farmers get a price for their milk that is on average 22% higher than that paid by the large dairy

processors, and consumers pay half as much for a litre of people's milk than for milk sold by the dairy companies.⁸

The foreign and national dairy companies do not like this competition from people's milk. Kenya is a significant dairy market, with the potential to be an exporter to other African countries. The people's milk sector is thus under constant threat, not only from trade agreements that could open the country to cheap imports of powdered milk, but also from industry-led measures to attack its milk as unsafe.

Most recently Nestlé and some other companies have started working with NGO projects backed by the Gates Foundation and Heifer International to build up local supplies. These projects have encouraged Kenyan farmers to increase their milk production through the introduction of costly exotic breeds and technologies suited to the standards of commercial processors. Kenya's largest national company, Brookside, which is owned by the powerful Kenyatta family, took over many of the private processing companies that tried to make a go of it after the collapse of the state monopoly, and is now establishing its own farms.

In 2010, however, in the midst of a national food crisis, there was a milk glut. Supply outpaced the demand from the processors, who continued to import powdered milk at record low prices. The prices for milk paid by the processors plummeted, and the farmers that supply them began dumping their milk and slashing their herds in desperation. Many went bankrupt, unable to make their loan payments. Throughout this period, prices in the people's milk sector remained stable.

6 Videos produced by ActionAid Kenya about Kenya's small-scale milk vendors can be viewed here: <http://www.smallholderdairy.org/unheard%20voices.htm>

7 ILRI, "Changes in Kenya's dairy policy give wide-ranging benefits to milk industry players, new study shows", 5 October 2010: <http://www.ilri.org/ilrinews/index.php/archives/3318>

8 Andrew M. Karanja, "The dairy industry in Kenya: The post-liberalization agenda": www.aec.msu.edu/fs2/kenya/papers/dairy_sector_color.pdf

Bad milk in the EU, set to get worse



Nothing is more important to food and farming in the EU than dairy. It makes up about a fifth of the EU's total agricultural production, and about a fifth of the global milk supply is consumed in the EU. But European dairy farming is in profound crisis.

The number of dairy farms in the EU has declined by 80% since 1984, and the last few years have been particularly tough. The Autonomous Community of País Vasco (the Basque country) in Spain, for instance, lost 60% of its dairy farms between 2002 and 2010.⁹ Farmers point the finger at EU policies that depress the prices they are paid for milk below the cost of production.

Dairy policy in the EU revolves around a system of high tariffs, production quotas and subsidies. There are also price-support measures, but these have largely been replaced with direct payments to producers. Export subsidies were supposed to be phased out too, but the EU can and will reinstate them to deal with excess supply problems, as it did in 2009. These subsidies go primarily to the big processors.¹⁰

Farmer organisations, such as Via Campesina Europe, maintain that the EU and its member states have systematically managed the quotas so that supply exceeds demand. This has allowed the processors to push down farm-gate prices to below the cost of production, and

⁹ EHNE, "Sector vacuno de leche en Euskal Herria", 2011.

¹⁰ Chris Mercer, "Top dairy firms guzzling EU subsidies", *Dairy Reporter*, 23 May 2006.

made it possible for them to sell European dairy products on the international market at competitive prices. Farmers survive the low prices only because of the direct support payments they receive from the government, but these are skewed towards the larger farms. Three-quarters of the total direct support payments go to a quarter of the farms in the EU.¹¹

Dairy exports from the EU already account for around a quarter of the international dairy market, and looming reforms to the EU's Common Agricultural Policy (CAP) is likely to increase that share.¹² The EU is committed to withdrawing quotas by 2015 but, when it comes to tariffs or subsidies, the EU will not touch these without a conclusion of the Doha Round of negotiations at the World Trade Organisation. With those talks at a standstill, and the EU getting the access it wants for dairy anyway through the various bilateral free trade agreements it is pursuing around the world, EU subsidies and tariffs will remain in place for the foreseeable future. The likely result, then, will be greater exports from the EU, as low milk prices are

¹¹ European Coordination of Via Campesina, "La réforme de la Politique Agricole Commune n'aura pas de légitimité sans plafonnement des paiements directs !", 21 March 2011; plus other reports on dairy in the EU and the CAP produced by the European Coordination of Via Campesina: <http://www.eurovia.org/>

¹² Policy Coherence, "Exploring links between EU agricultural policy and world poverty", Trinity College, Dublin, 25 August 2010: <http://www.tcd.ie/iiis/policycoherence/eu-agricultural-policy-reform/dairy-case-study.php>

maintained through subsidies, limits are lifted on production, and impediments to exports are removed by bilateral FTAs.

Foreign investment in the European dairy industry can also be expected to rise. In the first half of 2011 alone, the French dairy giant Yoplait was taken over by General Mills of the US, Chinese infant-formula makers (Synutra and Ausnutria) announced plans to open a powdered-milk factory in France and take over a Dutch dairy company, and Fonterra confirmed that it was in talks to establish European processing joint ventures with two major European dairy companies.¹³

Dairy farmers in Europe are fighting hard against these developments. In the major dairy-producing countries and at EU level, various farmers' organisations have united behind a demand for policies that align supply to demand. They are calling for a supply management system, governed by all players in the dairy chain, oriented to the internal market and with prices based on the costs of production.¹⁴

¹³ Michelle Russell, "Fonterra eyes European joint ventures", *Just-Food*, 21 June 2011.

¹⁴ For more information, see the website of the European Milk Board (<http://www.europeanmilkboard.eu/>), Confédération Paysanne (<http://www.confederationpaysanne.fr/>), and the European Coordination of Via Campesina (<http://www.eurovia.org/>).

Dairy farmers in Belgium in 2009 spraying milk in fields to demand better prices. That year, prices paid to farmers for milk plunged to €0.20–0.24 a litre, half the cost of production (Photo: ANP).

PART 2: BIG DAIRY

Milking it

Corporate control over the world's milk supply has been accelerating in recent years alongside the globalisation of the industry. The twenty largest dairy companies now control over half the global ("organised") dairy market and process about a quarter of global milk production.¹⁵ Just one company, Nestlé, controls an estimated 5% of that global market, with sales of US\$25.9 billion in 2009.

Nestlé is not a milk producer. It owns few cows, and buys milk directly from farmers or suppliers and processes it into all kinds of products. Most of the other top 20 companies are also processors, even though, as with Nestlé, some have started to operate their own farms.¹⁶ The exceptions are the dairy cooperatives, of which there are five in the top 20 (six if Mexico's Grupo Lala is included).¹⁷

These five cooperatives are owned by around 70,000 farmer members in the US, Europe and New Zealand.¹⁸ While they each produce their own dairy products, much of the milk their farmers produce goes to supply the multinational processors. In this, the interests of the big cooperatives and the processors are often closely aligned. Indeed, the big cooperatives are multinationals in their own right, most having established or taken over dairy companies overseas, and their policies can clash with the interests of the farmers that supply them, particular the smaller-scale dairy farmers (see Box 3: *From cooperatives to corporations* page 10).

¹⁵ Figures are from Kevin Bellamy of Zenith International, cited in Shaun Weston, "How global dairy markets are developing and competing," FoodBev.com, 23 Aug 2011.

¹⁶ Nestlé established a "demonstration farm" with 120 cows in Pakistan in 2009.

¹⁷ The 5 cooperatives are FrieslandCampina, Fonterra, Arla, Dairy Farmers of America, and Land O'Lakes.

¹⁸ In addition to its 3,200 direct producer members, Land O'Lakes is owned by 1,000 member-cooperatives that comprise more than 300,000 dairy farmers in the US.

Table 3.
Top 20 global dairy corporations

Rank	Name	Country	Dairy sales in US\$ billions, 2009
1	Nestlé	Switzerland	25.9
2	Danone	France	14.79
3	Lactalis*	France	12.68
4	FrieslandCampina	Netherlands	11.17
5	Fonterra	New Zealand	10.2
6	Dean Foods	USA	9.74
7	Arla Foods	Denmark/ Sweden	8.64
8	Dairy Farmers of America**	USA	8.1
9	Kraft Foods	USA	6.79
10	Unilever	Netherlands/ UK	6.38
11	Meiji Dairies	Japan	5.13
12	Saputo	Canada	4.97
13	Parmalat*	Italy	4.93
14	Morinaga Milk Industry	Japan	4.81
15	Bongrain	France	4.57
16	Mengniu	China	3.77
17	Yili	China	3.54
18	Land O'Lakes	USA	3.21
19	Bel	France	3.1
20	Tine	Norway	3.02

*On July 7, 2011, Lactalis boosted its ownership of Parmalat to over 50%, making Lactalis the world's second-largest dairy company.

**After the sale of National Dairy to the Grupo Lala (Mexico) in 2009, Dairy Farmers of America's ranking would certainly drop, while Grupo Lala would enter the top 20, with sales of around US\$ 5 billion.

Source: Rabobank

All of the big dairy players have, in recent years, been pushing aggressively to expand beyond the saturated dairy markets of the North and conquer the growing markets in the South. They have been on a spending spree, buying up major national players or investing in their own production units. Nestlé says that about 36% of its total sales now come from emerging markets. By 2020, it expects that portion to rise to 45%; it plans to double its turnover in

Africa every three years.

The expansion into the South is being driven not only by the large dairy companies. A number of corporations from other sectors of the food industry, such as PepsiCo and General Mills, have recently made significant moves into dairy. Financial players such as Kohlberg Kravis Roberts & Co and Citadel Capital (see Table 4, page 11), are also getting directly involved, as are new dairy companies based in

the South, some of whom have begun expanding into markets in the North (see Table 5, page 11). In addition, there is a host of corporations not involved in dairy processing or production that have direct interests in the expansion of the transnational dairy industry, in sales of animal genetics and veterinary drugs or in packaging and equipment.

From co-operatives to corporations

Of all agricultural commodities, dairy products are the most “fragile” in the sense that they have a short storage life and require careful handling. Raw milk is very much alive with a rich assortment of living organisms that can do amazing tricks – ask any cheese maker – but which can also attract some rather nasty companions.

The “delicacy” of milk puts dairy farmers in a difficult position in countries where the processing sector is becoming consolidated. Individual dairy farmers could not withhold their milk from the market to get a better price, and had little choice but to organise into co-operatives if they hoped to make a decent living from their vital enterprise. The first dairy co-operatives were organised in the 19th century, and spread thereafter, soon coming to dominate milk collection for industrial processors in most major dairy-producing countries.

But if the movement for dairy co-operatives was born out of a challenge to corporate control, many co-ops today have become large dairy companies in their own right. Mexico’s Grupo Lala, for instance, was established in the 1940s as a co-operative of small independent family producers in La Laguna region. The co-operative grew by way of the introduction

of federal legislation prohibiting the sale of non-pasteurised milk and a government programme to build up specialised dairy districts. But small farmers were largely shut out of this growth. Today the cooperative is controlled by just 150 very large dairy farms, whose water-intensive model of production is leading to all kinds of problems for neighbouring peasant communities.¹⁹ Grupo Lala is now rapidly expanding overseas. In 2009 it bought the US dairy processor National Dairy, making it the second largest dairy company in the US and the fifth largest in the world.²⁰

As the business of the large co-ops have gone transnational, their co-operative structures have not. Membership in Friesland Campina is not open to the

Vietnamese farmers that now supply it, nor is membership in Fonterra open to its suppliers in Chile.

In certain “emerging” dairy markets of the South, it is actually the big dairy processors who are working to organise co-operatives, as a way to ease raw milk collection and develop groups of larger farms.

“There are two ways to develop a raw milk market”, says Danone Director Jean Christophe Laugée. “Invest into large farms or help individual producers develop and get larger by uniting them into cooperatives.” Laugée points to Ukraine as an example where the company is doing both. They are investing in the construction of their own 1,000-cow farms, and working directly with co-operatives to build their numbers and the size of the farms that supply them. Danone recently launched a project with Heifer International in Ukraine to build a 100-cow demo farm that will “demonstrate to a small farmer the benefits of large farms and encourage him to increase the number of cows”.²¹

19 For more information, see the investigative reports by Luis Hernández Navarro published in *La Jornada*: “La Laguna: la nueva guerra por el agua” (12 November 2004: <http://www.jornada.unam.mx/2004/11/12/048n1soc.php?origen=soc-jus.php&fly=1>), and “El deterioro ecológico en La Laguna se acelerará al construir las presas” (11 November 2004: <http://www.jornada.unam.mx/2004/11/11/054n1soc.php?origen=index.html&fly=1>).

20 Manuel Poitras, “The concentration of capital and the introduction of biotechnology in La Laguna dairy farming”, *Sociedades Rurales, Produccion y Medio Ambiente*, 1 (1), 2000.

21 Alla Silivonchik, “Interview with Jean Christophe Laugée”, *Integration and Sustainable Development Director, Ecosystem Fund Danone, Business Magazine*: http://danone.ua/en/press_center/view/press/view/8

Table 4.
Some financial players investing in the dairy industry

Financial company	Investments
Actis (UK)	Invested US\$65 million in Nilgiri Dairy Farm (India) in 2006.
Black River/ Cargill (US)	Established \$300 million fund to invest in dairy farms in India and China.
Carlyle Group (US)	Purchase of minority stake in Tirumala Milk Products in 2010 (India)
Citadel Capital (Egypt)	Owner of Dina Farms, the largest dairy farm in Egypt.
Hopu Fund (China), with Temasek (Singapore) and Goldman Sachs (US) as limited partners	Teamed up with COFCO, China's largest agribusiness company, to acquire China Mengniu Dairy in 2009, one of China's largest dairy companies.
Kohlberg Kravis Roberts & Co (US)	Investment in 2009 in Ma Anshan Modern Farming Co. one of the largest operators of mega dairy farms in China. With KKR's investment, Modern Dairy plans to construct another 20 to 30 mega-farms in China
LEAP Investments (Brazil)	Private equity fund that took over Parmalat's Brazilian subsidiary.
Penxin (China)	In April 2011, it made a bid to acquire Crafar Farms, one of New Zealand's largest dairy farms. The bid is awaiting approval of New Zealand's Overseas Investment Office.
Soros Fund Management (US)	Owner of dairy farms and processing plant in Argentina through its \$295 million holding in Adecoagro.

PepsiCo CEO Indra Nooyi calls dairy **“the next frontier in food and beverage convenience”**. Her company has been on the rampage lately, buying up dairy processors and taking over a number of mega dairy farms in the process. It bought Russian dairy giant Wimm–Bill–Dann for US\$5.4bn in 2010, giving it a 34% share of the national market and ownership of five large mega-farms in Russia. Through a joint venture with Saudi dairy giant Almarai, it established a major presence in the dairy markets of the Middle East, with a view to expanding further into Africa and Asia. That joint venture also gives it control of two more mega dairy farms, one in Egypt and another in Jordan.

At right below: **A Pepsi plant in Romania.**
(Photo: Reuters/Bogdan Cristel).



Table 5.
Some dairy corporations based in the South with an overseas presence

Company	Home country	Overseas expansions
Al Marai/ PepsiCo.	Saudi Arabia/US	Egypt, Jordan, Gulf Cooperation Council
Ausnutria	China	Netherlands
Bom Gosto	Brazil	Uruguay
Bright Dairy	China	New Zealand
Grupo Lala	Mexico	Guatemala, US
Marfrig	Brazil	Uruguay
Olam	Singapore	Netherlands, New Zealand, Poland, Uruguay
RJ Corp (Jaipura Group)	India	Kenya, Uganda

Taking from the poor

Corporate hopes for emerging markets rest in large part upon projections for a growing middle class in the South

that will consume more dairy, and will purchase that dairy from the rapidly expanding supermarket chains. Supermarkets like Walmart and Carrefour are closed to people's milk, as are restaurant chains like McDonald's and Starbucks. It is simply impossible for the people's milk system to comply with the private standards and procurement policies set by these companies. In Chile, for instance, supermarkets insist that their cheese suppliers allow them to delay payment for up to 4–5 months, which few small-scale cheese makers can afford.²² So, as more dairy is consumed through these outlets, less is consumed through the people's milk markets, and more is supplied by the dairy corporations able to meet the standards and procurement policies set by the retailers.

Not that Big Dairy is uninterested in the poor. Margins may be slim, but the overall market can be quite significant, and transnational dairy companies are putting great effort into developing products and marketing strategies that target low-income consumers (see Box 4: Milk products for the "sub-groups", page 13; Box 5: Selling "health and wellness", page 14). Since these people currently tend to consume people's milk, fresh from the farm, part of the companies' strategy is to damn that milk as "unsafe".

In Kenya, for instance, in 2003, the big dairy processors launched a "Safe Milk" campaign, accusing the people's milk sector of selling adulterated milk.²³ A coalition of farmers, vendors, researchers and concerned citizens came together successfully to fight back. With the support of a Kenyan University, they carried out their own study, which demonstrated that the accusations were completely false.

"The most plausible explanation of the goings-on in the industry is the big players are scheming to shut out the small traders and small-holder producers so that they can have the market to themselves", said Dr Wilson Nguyo, a senior researcher at Egerton University's Tegemeo Institute of Agricultural Policy and Development.²⁴

There is much more reason to be concerned about adulteration in the industrial chain than in the people's milk sector, as the recent melamine scandal in China so amply demonstrates. In that case, milk

22 Personal communication with Max Thomet, Director of CET-SUR, 20 July 2011.

23 The campaign was led by the Kenyan Dairy Board and the Kenyan Dairy Processors' Association, which is composed of corporate members such as Nestlé and Tetra Pak. The US dairy cooperative Land O'Lakes was also involved.

24 Juma Kwayera, "Clean vs 'Dirty' Milk or Big Business vs Small Farmers", The East African, 22 December 2003.

continued on page 14



"Dairy Hub"

The Swedish corporation **Tetra Pak dominates the global market for pasteurised milk packaging, and encourages the consumption of packaged and processed milk by sponsoring school milk programmes** such as this one in Thailand.

It also has a large corporate division, known as DeLaval, that "develops, manufactures and markets equipment and complete systems for milk production and animal husbandry" in more than 100 countries. In Pakistan, DeLaval is implementing a "Dairy Hub" programme in collaboration with the government and several dairy processors to develop larger-scale, modern, commercial dairy farms. Its "Dairy Hub" promotional video maintains: "The traditional approach of the farmer and his lack of knowledge about modern dairy farming is the single most important barrier impeding milk from achieving its true potential."²⁵

25 Engro and Tetra Pak DeLaval, "Dairy Hub Kassowal," video, <http://www.youtube.com/watch?v=J7baPAjdZGg>



In Indonesia, Danone sells 2 million bottles a day of its Milkkuat product priced at circa US\$ 0.13 per bottle, with sales rising by 70% in 2006.

Milk products for the “sub-groups”

Nestlé had a problem in Pakistan: children in the cities were drinking fresh whole milk, instead of Nestlé's NIDO powdered milk product. "Only 4% of the 21 million children in urban Pakistan were consuming NIDO milk products, mostly in the higher income families", complained a company report. So Nestlé did some market research. With iron deficiency rates high among urban children in Pakistan (30%), the company realised that by fortifying their NIDO powdered milk with iron and investing heavily in TV advertising and education campaigns, they could convince poor Pakistani mothers that NIDO was a better choice for their children's health. Sales took off, increasing fivefold in 2009, when the new marketing programme was launched.

NIDO, which Nestlé markets as "nutritious milk for growing kids", is one of the company's "popularly positioned products" (PPPs). These are products that Nestlé makes for the half of the world's population it classifies as "poor" or "low food spenders". "PPPs target the biggest and fastest growing consumer base in emerging markets as well as important sub-groups in developed markets", says Nestlé.²⁶ The company is

²⁶ http://www.nestle.com/Common/NestleDocuments/Documents/R_and_D/News/Popularly%20Positioned%20Products.pdf

not alone. Danone, Kraft, General Mills – all the biggest dairy corporations have a range of cheap products targeted at the poor.

The companies keep these products cheap by using cheap ingredients. They are designed to entice people away from locally sourced fresh milk (and breastmilk) and fresh milk products, like cheese and yoghurt, into buying processed milk products, made with industrial ingredients sourced from around the world. One of the commonest practices is to use imported skimmed milk powder instead of fresh milk, and then to reconstitute it with palm oil or another cheap vegetable oil. In Mexico, where imported skimmed milk powder from the US dominates the dairy market, this process is called "filling", and up to 80% of milk fat is replaced in some products.²⁷ Developing countries account for nearly all imports of skimmed milk powder.²⁸

Fonterra, which leans heavily on New Zealand's global reputation for high-quality milk, regularly blends its powdered milk with vegetable oil in its products for poor consumers. "If you can make

²⁷ B. Kris Schulthies and Robert B. Schwart, "The US-Mexico Free Trade Agreement: Issues and implications for the US and Texas dairy industry", TAMRC, August 1991.

²⁸ Pro-poor Livestock Policy Institute, "Developing Countries and the Global Dairy Sector, Part I: Global Overview", 2005.

a product that has a substantive part of the nutrition of a full cream milkpowder – but it's just a different cost base and a lower unit price – there is a market for that", says Mark Wilson, Fonterra's managing director of the multinational's Asia-Middle East arm. "While we are a dairy, we also need to be cognisant of satisfying consumer demands."

The big companies spend vast amounts of money to create demand for their processed products. In the poor north-east of Brazil, Nestlé and Danone have hired PR firms to help them to build local strategies to attract poor consumers. Nestlé has a programme called "até voce" ("reaching you") where salespeople go from door to door selling packs of cookies, dairy products, yoghurt and desserts. According to the advertising magazine Adage, "the vendors are trained to act as nutrition consultants, helping consumers understand healthful eating".²⁹

²⁹ <http://adage.com/article/global-news/brazil-s-northeast-land-laziness-china/228070/>

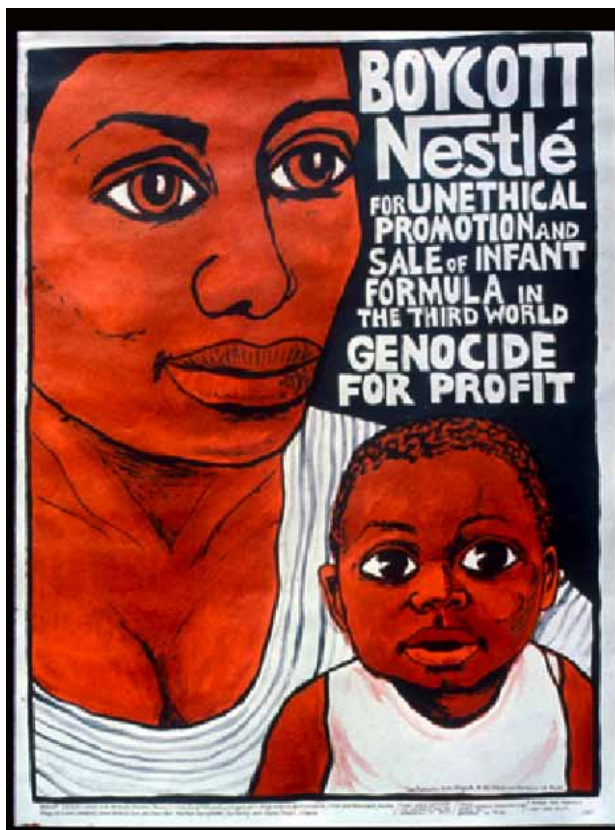
was being adulterated at the collection centres serving several of China's largest dairy companies. The global dairy corporations were also implicated. New Zealand-based Fonterra owned 43% of Sanlu, the Chinese dairy company at the centre of the scandal, and it appears that the contaminated milk from China got into its global supplies as well as those of Nestlé and other multinationals.

The big dairy corporations responded by trying to distance themselves from the scandal. When tests carried out at Dhaka University in Bangladesh found Nestlé's Nido Fortified Instant milk product, made with powdered milk supplied by Fonterra, to be contaminated with melamine, the two companies publicly questioned the findings and the competence of the university lab. But, at around the same time, similar results came back concerning Nestlé products in Taiwan and Saudi Arabia. Saudi Arabian authorities called the levels of melamine they uncovered "highly harmful".³⁰ A Freedom of Information Act request by Associated Press revealed that the US Food and Drug Administration had found melamine in tests it conducted on infant formula and nutritional supplement products sold in the US by Nestlé and other corporations.³¹

What was Nestlé's response? Low levels

30 "Saudi Arabia finds traces of melamine in Nestlé milk powder", Zawya Dow Jones, 3 December 2008. <http://www.marketwatch.com/story/saudi-arabia-finds-traces-of-melamine-in-nestle-milk-powder>

31 Jordan Lite, "Melamine traces found in samples of U.S. infant formula", Scientific American, 26 November 2008.



of melamine are not dangerous and can be found in most food products, it said. "Minute traces exist in the natural food cycle", said the company, while urging governments to adopt minimum-residue levels instead of zero tolerance.³²

32 Jenny Wiggins, "Nestlé in melamine dispute with Taiwan", *Financial Times*, 2 October 2008.

Global activism has had considerable success in forcing Nestlé and other trans-nationals to tone down their aggressive, deceitful promotion of infant formula as a replacement for breastmilk. But what these companies are doing today to vilify people's milk – one of the most important sources of nutrition and livelihoods available to poor people in poor countries – is equally sinister and deadly.

Selling "health and wellness"

The association with nutrition is of immense importance to Big Dairy companies. One-third of the US\$300-billion global dairy market is classified as "health and wellness", according to Euromonitor International. Danone controls US\$5.8 billion of this sub-market, followed by Japan's Yakult (which is 20% owned by Danone) with sales of US\$3.2 billion, and Nestlé with sales of US\$2.8 billion.

Among these "health" products, the most important are the probiotic yoghurts, which first took off in Japan, where they are marketed as a product that can be consumed by people with lactose intolerance. Today probiotic yoghurts are marketed for all kinds of health benefits, from boosting children's immunity to lowering cholesterol in adults. Danone has a drinkable yoghurt that is supposed to "nourish" the skin. The value

of the global probiotic market is expected to reach US\$32 billion by 2014, with Asia accounting for nearly a third of it.³³

Danone in particular has seized upon probiotics as a means to raise profits in Asia and the stagnant markets of Europe and North America. The company has the largest lactic bacteria bank in the world, with 3,600 strands, and it devotes about half of its annual US\$ 220 million R&D budget to probiotics. Any bacterial strands identified by its scientists to be of interest are quickly patented and branded.

A sizeable chunk of Danone's R&D budget also goes

33 <http://www.marketsandmarkets.com/PressReleases/global-probiotics-market-worth-US-32-billion-by-2014.asp>

into producing the science to back up its marketing claims, and there are reasons to believe that the company regularly stretches the truth. UK authorities forced Danone to withdraw an advertisement for its top seller, Actimel, saying that the company's claim that this probiotic yoghurt was "scientifically proven to help support your kids' defences" was misleading, despite the mountains of clinical data that Danone provided. Not long after, the European Food Safety Authority (EFSA) refused to confirm claims by Danone that Actimel could reinforce the body's protection against disease or that its other probiotic blockbuster, Activia, could ease people's digestion.³⁴

34 www.france24.com/en/20100416-danone-advertising-claims-yoghurts-health-benefits-efsa#

Small farmers not welcome

The cruelest hoax about the expansion of Big Dairy into the South is the claim that it will bring more opportunities for dairy farmers. Nestlé and Danone may have a few programmes in poor countries to create supply chains with small farmers, and there are numerous NGO pilot projects trying to help small farmers meet the "quality" criteria set by these corporations. But this represents just a small drop in the bucket. While Big Dairy needs to develop some local supply chains as it expands into the South, the reality is that little of this will ever be formed by the overwhelming majority of the South's dairy farmers, who hold on average just a few dairy animals.³⁵

Unlike the small vendors who head deep into the countryside on motorcycles and bicycles, the big processors are unwilling to venture out to hundreds of small farms to collect milk. In the rare places where they are developing local supply chains in the South, they demand that farmers bring their milk to centralised collection centres, called milk sheds or hubs, in which the costs of refrigeration are often borne by the farmers.³⁶ Typically, the companies will purchase milk in the programme area only from farmers who have signed exclusive contracts, and, at the end of the day, the company holds complete control when it comes to setting the price and determining whether the milk supplied by the farmer meets the company's standards, which it often does not. In the 1990s in Brazil, for instance, when the dairy market shifted dramatically towards supermarkets and ultra-high temperature treated, vacuum-packed milk, 60,000 small scale dairy farmers were delisted by the 12 largest processors.³⁷

Nestlé refuses even to purchase milk from Kenya's traditional dairy farmers, despite the centuries of experience they have in producing high-quality milk. The company says that the milk produced and processed in Kenya does not meet its standards, so it relies instead on imported powdered milk, mainly from New Zealand. Recently the company launched a pilot project to start developing local milk collection, but participating farmers have to adopt the exotic animal breeds and high-cost, high-production and, ultimately,

35 For an example of how seriously Big Dairy takes its pilot projects to build local dairy supplies in the South, see the case study of Nestlé's contract farming project in Ha Tay Province, Vietnam. Nguyen Anh Phong, "Viet Nam: The emergence of a rapidly growing industry", in *Smallholder dairy development: Lessons learned in Asia*, FAO, Bangkok, January 2009.

36 Manuel Poitras, "The concentration of capital and the introduction of biotechnology in La Laguna dairy farming", *Sociedades Rurales, Produccion y Medio Ambiente*, 1 (1), 2000.

37 Thomas Reardon and Julio A. Berdegué, "The Rapid Rise of Supermarkets in Latin America: Challenges and Opportunities for Development", *Development Policy Review*, 20 (4), 2002.



Top: Farmers delivering milk to a yogurt factory in the village of Bogru, Bangladesh. The factory is owned by a joint venture between Danone and the micro-credit bank Grameen. (Photo: Haley/SIPA).

Centre: Muhammad Yunus, Founder of Grameen Bank, and Emmanuel Faber, Danone's Chief Operating Officer at the Danone Communities' 2011 General Community Meeting at the Carrousel du Louvre in Paris, 28 April 2011.

Bottom: Danone representatives at the World Social Forum in Dakar, Senegal, 6 February 2011.

Danone is perhaps more aggressive than any other trans-national dairy corporation in marketing itself as a socially responsible corporation.

high-risk model that the company wants.³⁸

Farmers in Kenya can turn to the people's milk sector to avoid such corporate tactics. In other countries, where the dairy market is fully controlled by the big processors, farmers are in a much more vulnerable position. Milk is a highly perishable product, leaving farmers with few options but to sell immediately whatever they produce in excess of their families' needs, at whatever price is offered. In many countries of the North and several countries of the South, farmers acted to address this inherent power imbalance between them and the dairy processors by establishing co-operatives to strengthen their bargaining power. The globalisation of the dairy industry has, however, fundamentally distorted the founding visions of some co-operative movements,

³⁸ "Nestlé to add factories in Africa, cut imports", Reuters, 15 April 2011.



A milk bar in Kenya, serving fresh, locally produced milk.

(Photo: ILRI/ Elsworth).

and made it much more difficult to counterbalance the power of the large dairy companies.

In a closed national market, co-operatives, especially if armed with supply controls, can exercise some influence over price, and even ensure that other

considerations are taken on board, such as protections for small farms and the environment. But the moment that national markets are opened up to imports, there is little hope for ensuring fair prices.

Secret of success in resisting Big Dairy in Colombia

Big Dairy's frontal attack on people's milk is always veiled in positive terms by its promoters. Typically it is described as modernisation: a path towards more productive farms and safer dairy products. The slogans are repeated by government officials and even embraced by some NGOs and donors pursuing "poverty alleviation" opportunities in a sea of livelihood destruction. The rhetoric can create confusion and complicate people's resistance if it is not carefully deconstructed. Key to the success of the movement for people's milk in Colombia, for example, has been a clear confrontation with the myths put forward by the industry.

Aurelio Suárez Montoya, Executive Director of the Asociación Nacional por la Salvación Agropecuaria, says that the struggle for people's milk in Colombia focused on three main

arguments to confront directly the government and Big Dairy's claims that free trade and a shift to the "formal sector" would increase dairy production, generate jobs and provide cheaper and safer milk:

1. Realismo. The system of people's milk supplies 83% of the milk in the country, making Colombia self-sufficient in dairy. The big milk companies do not and will not have the capacity to collect and process the majority of this milk supply, and thus will rely on imports. If the system of people's milk is displaced, national milk production will decline and the country will no longer be self-sufficient.

2. Practica. The system of people's milk provides livelihoods to millions of Colombians, from farmers to vendors to small-scale dairy processors. Such livelihoods cannot be replaced by the big processors. People's

milk also provides fresh milk at an affordable price to millions of poor Colombians who do not purchase the more expensive milk processed by the big dairy companies. People's milk sells for US\$0.55 per litre; the pasteurised milk in supermarkets sells for US\$1.40 per litre.

3. No mala. The system of people's milk provides nutritious, fresh, safe milk. The trust that is built into the system, and the popular custom of cooking it at high heat for around 10 minutes before consumption, ensure its safety. There is no evidence that the system of people's milk facilitates disease outbreaks or encourages milk adulteration.

The power of powder

The basic problem is that international prices for dairy are far below the costs of production

for nearly all countries. The price is artificial, based on heavily subsidised surplus production in Europe and the US, and a low-cost model of export production in New Zealand and Australia, which farmers in many other countries cannot compete with.

Although the international trade in dairy is quite small as a proportion of the overall global dairy market, its impacts are huge. Access to imports of cheap powdered milk and other milk "products" (see photo, page 18) allows processors and retailers to exert downward pressure on local milk prices, often forcing farmers to accept prices below the costs of production.

In Vietnam, for example, where the dairy market is dominated by a few large processors, and powdered milk imports make up 80% of the national market, the processors set their local procurement prices according to international powdered-milk prices. Those prices are at or below the costs of production for the average Vietnamese farmer.³⁹ The national representative for Dutch-based Friesland Campina, one of the biggest dairy processors in Vietnam, said that Vietnamese farmers should stop complaining, as they are getting a price that would make Dutch farmers "jealous".⁴⁰ He didn't mention that the price his company pays to Dutch farmers is even further below the costs of production, and that the only reason Dutch farms can survive such prices is through heavy subsidies, to which Vietnamese farmers have no access.

There is little hope that the dynamics of the global dairy market are going to change. The looming reform of EU dairy policies are likely to increase exports, while doing nothing to address artificially low prices (see Box 2: *Bad milk in the EU, set to get worse*, page 8). And several other countries, such as Uruguay, Chile, India and Kenya, are emerging as new zones for low-cost export production to supplement the cheap exports coming out of the US, New Zealand and Australia.

39 Nguyen Anh Phong, "Viet Nam: The emergence of a rapidly growing industry", in *Smallholder dairy development: Lessons learned in Asia*, FAO, Bangkok, January 2009.

40 "High dairy prices explained", *LookAtVietnam*, 19 October 2009.



Efforts to develop local supply chains for domestic dairy processors in Cameroon have failed because of competition from cheap imports of powdered milk from the EU. A national company, Sotramilk, began operations in the north-west of Cameroon in 1995, with hopes of producing yoghurt from local milk. Competition from other companies relying on imported powdered milk, however, forced the company to increase its use of imported powdered milk as well, and to reduce the local procurement price to the point where it was no longer possible for farmers to sell their milk to the company. In 2008, the company closed down. According to Tilder Kumichii of the Association Citoyenne de Défense des Intérêts Collectifs, "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."⁴¹

41 Brot für die Welt, "Milk Dumping in Cameroon", October 2010.

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Say “Cheez”!

Milk protein concentrates (MPCs) are created by putting milk through an ultra-filtration process that removes the liquid and small molecules, including certain nutritional minerals. Not only does it sell cheaply on the international market, it can also fall outside dairy tariffs. That’s why the big dairy companies are using more and more of it. In the US, where imports of MPCs have skyrocketed in recent years, companies like Kraft and Nestlé use MPC to make cheap processed cheese products, like cheese slices (left) that they export to Mexico and other countries. In Canada, the dairy companies import a product called butteroil-sugar blend as a substitute for butterfat in making ice-cream. Since the blend is 51% sugar, it is viewed as a confectionary product and not subjected to Canadian import tariffs on dairy.

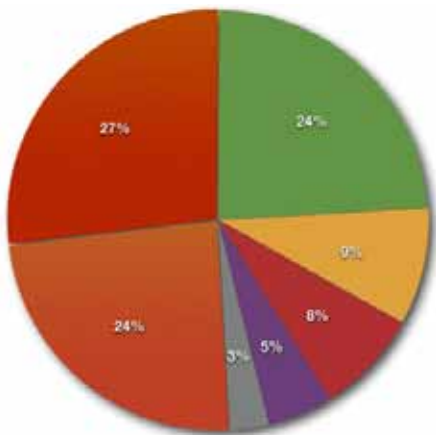


Chart 1. Share of global dairy exports

- New Zealand
- EU
- Australia
- USA
- Belarus
- Argentina
- Rest of world

Although the international trade in dairy is quite small as a proportion of the overall global dairy market, its impacts are huge. Access to imports of cheap powdered milk and other milk “products” allows processors and retailers to exert downward pressure on local milk prices, often forcing farmers to accept prices below the costs of production

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At present, the only thing holding back the growth of global trade are national tariffs on dairy and other protective measures, which remain significant and widespread. The average tariff protection level for dairy products is 80%, compared with an overall average for agricultural commodities of 62%. Such tariffs have been crucial to the growth of people's milk in Southern countries like India, Colombia and Kenya. Where there are no significant tariff and trade protections, such as in Sri Lanka or Cameroon, local dairy production has suffered.

The potential for countries of the South to maintain or implement tariffs or other trade protections on dairy are under threat from the multitude of bilateral and regional trade agreements being implemented and negotiated around the world. In negotiations for such trade deals, the EU, Australia, New Zealand, the US, Argentina and other exporters insist that importing countries open their markets to their dairy products and comply with other demands that protect exporters' interests (see photo on page 20). Not that the EU or the US will subject their own domestic dairy industries to the same foreign competition (see Box 2: Bad milk in the EU, set to get worse, page 8).⁴² Many governments in the South, however, have proved

42 Talks are currently under way for a deal to expand the Trans-Pacific Partnership trade agreement between New Zealand, Brunei, Chile and Singapore to include the US, Australia, Peru and Vietnam. The US dairy industry says that New Zealand engages in anti-competitive practices in dairy farming that could potentially cost US producers billions of dollars if dairy is included in the deal. The New Zealand government and Fonterra flatly deny the accusations. But given the US sugar industry's success in keeping sugar out of the trade deal with Australia, it is quite possible that the US dairy industry will similarly get its way. For more information see: Dustin Ensinger, "TPP Could Cost U.S. Dairy Farmers Billions", *Economy in Crisis*, 23 March 2010; "NZ rejects US senators' claims on dairy trade", *Associated Press*, 22 March 2010: <http://www.bilaterals.org/spip.php?article17028>



Millions of kilos of government-owned milk powder stored in a warehouse in Fowler, California, US. Skimmed and whole milk powder is the primary form through which milk is traded globally, as fresh milk is too perishable for international trade.

Photo: Peter DaSilva/NYT

all too willing to sacrifice local dairy production in trade negotiations for other perceived benefits.

Colombian Agriculture Minister Andrés Fernández admits that the FTA that his government has initiated with the EU will adversely affect more than 400,000 farming families across Colombia. But he says that it should be viewed as a sacrifice, since other industries such as tobacco and coffee stand to gain from the FTA. "The dairy industry itself is exposed, we cannot lie to the country, but we can't stop signing trade agreements with other

countries just because one sector is severely affected", said Fernández.⁴³

Similarly, the Thai government, fully aware of the impacts that free trade in dairy with Australia would have on local production, accepted a substantial reduction in tariffs on imports of Australian dairy produce as part of an FTA that the two countries signed in 2005. The impacts were swift.

43 Brett Borkan, "Dairy industry to protest Colombia-EU FTA signing", *Colombia Reports*, 18 May 2010: <http://bilaterals.org/spip.php?article17393>

According to Witoon Lianchamroon of BIOTHAI: "Within one year of the signing of the FTA, the Thai dairy farmers' association issued a report that said that one-third of the members' dairy farms collapsed because of this FTA. They had to change their livelihoods to look for another job."⁴⁴

The Chilean government, prompted by the trade deals that it sought with major dairy exporters, was one of the first to liberalise its dairy sector. From the mid-1980s to the early 2000s, Chile reduced its tariffs on dairy products from 20% to 6%. The national price for milk at the farm gate plummeted as a result, falling below the cost of production. While farmers protested, the government argued that its actions would force a modernisation of the sector, and that farmers would soon benefit from the development of export markets. In the ensuing years, Chile has indeed become an exporter of milk, but imports have also grown. More importantly, the entire sector has been dramatically transformed.

Before liberalisation, the Chilean dairy industry was characterised by small farms and a thriving local dairy processing industry, composed of small units producing almost entirely for local markets. The Pinochet dictatorship had destroyed many of the country's co-operatives, but co-operatives and non-profit producer groups still had a significant presence in the national market, and the presence of multinationals was quite small. When the market was opened up, however, the small-scale processors, reliant on local milk production, could not compete with the bigger players, who were able to use imported powdered milk to keep their prices down. Corresponding changes to foreign investment laws also allowed international players, such as Fonterra, to swoop in and pick up the leading national dairy

44 "Behind every FTA lie the TNCs: examples from Thailand", interview with Witoon Lianchamroon of BIOTHAI, conducted by Aziz Choudry of *bilaterals.org*, for *Fighting FTAs*, November 2007.



A vault stacked with aging Parmesan cheese in Montecavolo, near Reggio Emilia, Italy, 2009.

Photo: AP

The potential for countries of the South to maintain or implement tariffs or other trade protections on dairy are under threat from a multitude of bilateral and regional trade agreements

Under the EU's system of geographic indicators (GI), cheese sold as Parmigiano-Reggiano can be produced only in Parma, Reggio Emilia, Modena, Bologna or Matua. In 2008, however, the EU ruled that the same applied to all cheese produced under the name "Parmesan", a generic term widely used for cheeses produced around the world. The EU issued a similar ruling for Feta, claiming that it could be produced only within Greece, despite the name "Feta" having become generic or customary in many non-EU countries where cheeses sold as "Feta" are also produced. This **repatriation of generic terms has become a major part of the EU's international trade negotiations.** In the agreement negotiated with South Korea, for instance, the EU insisted on repatriation of a long list of cheese names, including Provolone, Parmesan, Romano, Roquefort, Feta, Asiago, Gorgonzola, Grana and Fontina. US cheese producers

have rightly signalled that such a deal threatens their exports of these products to Korea, the US's second-largest cheese export market, and, in June 2011, they got Ron Kirk, the US Trade Representative, to get a written guarantee from Kim Jung-hoon, Korea's trade minister, that Korea will not stop importing certain cheeses from the US because of European GIs under the EU-Korea FTA. Kim declared in writing that Korea considers names such as Brie, Camembert, Cheddar, Mozzarella, Gorgonzola, and Parmesan as generic and not the exclusive property of European cheese makers. How will the EU react? It is too early to tell. But with other products, the EU's repatriation efforts have extended even to local translations and variations of generic terms. For instance, the EU is insisting in its free trade negotiations with the Ukraine that Ukrainian winemakers stop labelling the sparkling white wines made in the Ukraine as "shampanskoye", even though this local variant on the name "champagne" has been in common use for decades.

processors.⁴⁵ In just a few short years, Fonterra and Nestlé, who have a formal collaboration for their dairy operations throughout most of Latin America, had taken over 45% of the national milk supply.⁴⁶ Both companies have made efforts to merge their Chilean operations, but this has so far been blocked by the national competition tribunal. Still, Chilean dairy farmers are convinced that the two companies collude to set prices, and regularly engage in other uncompetitive practices to keep prices down. Today the price of retail milk in Chile is six times what farmers receive at the farm gate.⁴⁷

45 Elinor Chisholm, "Fonterra in Latin America: a Case Study of a New Zealand Company Abroad", *Political Science* 61 (19), 2009: <http://pnz.sagepub.com/cgi/content/abstract/61/1/19>

46 CORFO, "Oportunidades de Inversion en Sector Lácteo y Quesos en Chile – 2007", 2007. By July 2010, the two companies controlled 48% of the national milk supply (Fedeleche).

47 Personal communication with Max Thomet, a director of CET-SUR, July 2011.

The low prices and trade flows that are so toxic to small farmers have been a tonic for foreign companies and local business elites



Top: The Ancali dairy farm, owned by Carlos Heller, heir of the Falabella family fortune – one of Chile's wealthiest dynasties, with major holdings in retail, real estate and transportation. The farm has 6,500 cows, and produces 7.5 million litres of milk per month. (Photo: El Mercurio).

Bottom: When fast-food chains like McDonald's move into new markets in the South, so do their global suppliers. McDonald's main global suppliers of dairy products, Schreiber Foods and Eerie Foods, entered India in the late 1990s to develop a regional supply base for the restaurant. At the behest of McDonald's, the companies partnered with the wealthy Goenka family to establish a large dairy-processing company in Maharashtra, now called Schreiber-Dynamix. The company began by setting up contract farming and collection centres to collect milk from local farmers, but then began building its own large-scale farm to supply its needs. In November 2010, the company inaugurated a "future ready" 6,000-cow dairy farm on 300 acres in Pune District, with backing from the State Bank of India. Dynamix also supplies Danone, Nestlé, Yum! and KFC. (Photo: USC).

Around the world, in the North and in the South, corporations and big financial players are moving to set up mega-farms and capture the global milk supply



Fazenda Leite Verde in Bahia, the largest pastoral-based dairy farm in Brazil.

The farm, which now covers 5,500 ha and holds 3,500 cows, was established in 2008 by former Fonterra executive Simon Wallace, with more than US\$10 million in funding from one of New Zealand's richest internet entrepreneurs, Sam Morgan. In 2010, the New Zealand-owned company opened a milk processing plant, which sells milk under the brand name Leitissimo. The company is in the process of a farm expansion that will triple the size of its farming

operations. Wallace sees no conflict between what his company is doing and his home country's dairy export ambitions. "The value of Fonterra is not that milk is produced in New Zealand; it is that milk is produced in a lot of places and then traded around the world. New Zealand dairy farmers have a massive investment in a global business, not just a few dairy farms in New Zealand. We have done this since the start; it's just that sometimes in the semantics and discussion that goes on we get a little bit protective or focused on the land holding."

Make way for mega-farms

It goes without saying

that the liberalisation of Chile's dairy market has led to the disappearance of many small dairy farms in the country. What is perhaps more surprising is what has taken their place. The low prices and trade flows that are so toxic to small farmers have been a tonic for the foreign companies and local business elites that have started to build up corporate farming in the country.

"Along the five kilometres of road from my mother's dairy farm to the nearest town there used to be eight families with small dairy farms", says Max Thomet, a director of the Chilean organisation CET-SUR.⁴⁸ "Now one big farm has taken over these lands and it is controlled by a Chilean business magnate who made his fortune in life insurance."

Over the past few years, the country's richest families, with holdings in retail, media and telecommunications, have been rapidly taking over dairy farms in Chile's most important dairy zones. So too have foreign investors, especially from New Zealand. In 2005, former Fonterra chairman Henry van der Heyden and 14 other large dairy-farming families from New Zealand established a fund, called Manuka, to purchase dairy farms in the Osorno region of Chile. The fund began by buying 13 farms of 150–500 ha, and then took over Chile's largest dairy operation, Hacienda Rupanco. Today, the fund's farming operations cover more than 22,000 ha, producing 82 million litres of milk per year, most of which is sold to Fonterra's subsidiary Soprole. Now Manuka's

48 Centro de Educación y Tecnología para el Desarrollo del Sur.

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Fonterra goes "behind borders"

Fonterra calls its overseas expansion strategy "going behind borders". The company knows that New Zealand can supply only so much of the world's milk, so, to keep growing, Fonterra is building up production in major markets and new potential centres of export production, such as Chile. The entry point for Fonterra's expansion strategy was China, the company's largest market for its powdered-milk exports.

Fonterra expects China's dairy market to grow from US\$25 billion to more than US\$70 billion by 2020, and it knows that only a small fraction of that increase in consumption can be supplied from New Zealand. So the company has been investing aggressively in the local dairy supply. Its first major foray was a US\$200 million investment in China's San Lu dairy, which gave Fonterra 43% ownership and three seats on its board. In 2008, however, San Lu was implicated in the melamine scandal that killed six babies and made another 300,000 horribly sick. The company went bankrupt, and Fonterra had to scramble to distance itself from any responsibility.

Since then, imports of New Zealand powdered milk into China have, ironically, skyrocketed, and Fonterra, as keen as ever to get its hands on local production, has used the scandal to justify fast-tracking the construction of its own farms in the country. But Fonterra was already planning to build its own farms in China before the scandal. "The plan we were rolling out in China, before the melamine crisis, was to build up numerous farms, so in the end we would control the whole farm chain", said Fonterra's CEO, Andrew Ferrier. "We see China as a market which will be served by Fonterra both

with safe Chinese milk, that will be our value proposition, and New Zealand milk."

Fonterra's first farm, the Tangshan farm, is located in Hebei province, to the north-east of Beijing. It houses 7,200 Holstein Friesian cows, imported from New Zealand, on a mere 35 ha of land. The company now has a second farm in operation, not far from the first and based on the same model, which houses another 3,200 cows. Construction will start on a third in November 2011. Eventually the company is planning to have six factory farms in Hebei and a second cluster of farms in another region of China.

The farms that Fonterra is building in China are nothing like those that its farmer owners operate in New Zealand. The Chinese farms are massive "free stall" barns, with a stocking rate of 94 cows per hectare. In New Zealand, the average stocking rate is 2.77 cows per hectare, and there is intense local opposition to any attempts to establish factory farms in the country, even at densities and sizes much smaller than Fonterra's Chinese farms.⁴⁹

China is just the beginning for Fonterra. The company is also pursuing the construction of similar mega-farms in Brazil and India. Fonterra's Brazilian operations are conducted through its joint venture with Nestlé, Dairy Partners of the Americas (DPA), which also handles the two companies' dairy operations in Argentina, Colombia and Ecuador.⁵⁰ DPA is the largest

49 "Due diligence urged over Fonterra's Chinese operations", *Federated Farmers*, 4 February 2010, <http://www.fedfarm.org.nz/chineseoperations>

50 Fonterra and Nestlé's efforts to merge their Chilean operations have so far been thwarted by the country's competition tribunal.

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Fonterra “behind borders”

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dairy company in Brazil, and it sources its milk from around 6,500 producers, with many thousands more supplying the company through co-operatives. But Fonterra is now taking steps to set up its own farms to supply DPA. In 2011, the company purchased 850 ha of crop land in Goiás state, on which it will build a massive “pilot” dairy farm to investigate whether “in-country supplies of liquid milk are commercially viable”.⁵¹ According to Kevin Murray, commercial director for Fonterra’s Latin American operations, this first farm will supply about 1% of the 2 billion litres of milk that DPA collects each year within Brazil.⁵² Fonterra’s dairy farm will be one of several large-scale dairy farms that New Zealand investors, some of them farmers with Fonterra, have recently set up in Brazil (see photo).

In India, Fonterra is teaming up with the Indian Farmers’ Fertiliser Co-operative and a new company called Global Dairy Health (GDH) to build a 13,000-cow pilot farm on 65 ha of land in a Special Economic Zone near Nellore, Andhra Pradesh. The companies are currently conducting a feasibility study, with plans to begin operations by March 2012. If the deal goes through, the companies will then seek to develop more farms in India.

GDH epitomises the new breed of corporate dairy-farm owner. Backed by one of India’s

largest tea-plantation companies, the Apeejay Group, and managed by former executives of Rabobank, the Dutch-based agricultural bank, the company has an ambitious agenda to take over a large chunk of India’s milk production, the largest in the world. The company’s plan is to build 100 large-scale dairy farms of 3,000 cows each across India within 10–15 years. It will start with eight of these factory farms, “to prove large-scale dairy farms work in India”, and then it will “franchise the formula”.⁵³ The Fonterra–Iffco dairy farm will be the company’s first, but two others are also nearing implementation.

GDH has backing from YES Bank, an agricultural bank in India created by Rabobank, and Dutch companies and universities have been brought on board to design and manage the farms. Wageningen University is involved, as is the Dutch entrepreneur Willy van Bakel, notorious for a scheme he ran to get Dutch farmers to invest in factory dairy farms in the US, which ended

in financial disaster for many of the investors and environmental disaster for the communities where the farms were built.⁵⁴

It is this mix of money from foreign and national elites that makes the recent push into mega dairy farming so lethal for people’s milk (see photo page 22). GDH candidly explains that its goal is to capture the dairy markets in the South currently served by the “unorganized sector”. The same goes for Cargill, the world’s largest food and agribusiness company, which, through its Black River Asset Management hedge fund, intends to establish “western-style dairy farms” in Asia. Rich Gammill, Black River’s managing director, says that the farms would cost about US\$35 million each and “will operate with 5,000 to 8,000 cows in areas that have relied largely on small peasant farmers for dairy production”. According to Gammill: “We’re so used to efficient food production in the United States. But in China and India a lot of it depends on peasant farmers. It is not an optimized or efficient system and it is unsustainable to meet demand.”⁵⁵

51 Federated Farmers, “Fonterra’s Brazilian opportunity”, 12 May 2011: <http://www.fedfarm.org.nz/brazilian>

52 “Fonterra looking to milk Brazilian dairy market”, *Just Food*, 27 May 2011; New Zealand Trade and Enterprise, “Dairy Market in Brazil”, October 2010.

53 GDH says that it will establish corporate farms in eight locations identified across the country. Each GDH Corporate Farm will house up to 3,000 cows. The “GDH Corporate Farms” will later be linked to “GDH Satellite Farms” which will have a capacity of 1000 cows or more. Each GDH Corporate Farm will be linked to 2–3 GDH Satellite Farms. GDH Corporate Farms will be set up as independent projects, either as 100% GDH-owned ventures or as Joint Ventures with identified strategic partners, with GDH holding a minimum 26% equity in the JVs. GDH satellite farms will be established in partnership with identified local entrepreneurs, with GDH investing up to 26% equity. See GDH slide show: http://dairytechindia.in/seminar/GDH_Vision_and_Business_Plan.ppt

54 Some of the farms have been taken over by Rabobank’s US subsidiary in foreclosure proceedings. See Kari Lydersen, “Big Farms of Immigrants Recruited to Midwest Draw Opposition”, *Washington Post*, 29 July 2007; Kristy Foster, “Rabo AgriFinance starts foreclosure on Vreba-Hoff Dairy”, *Farm and Dairy*, 20 October 2010.

55 “Cargill’s Black River eyes food, land deals”, Reuters, 10 May 2010: <http://farmlandgrab.org/12941>

Corporate dairy farming goes global

In Vietnam, the market for dairy products is booming, but the country's dairy farmers, 90% of whom farm under contract to processors, have recently been obliged to cut back on their herds because the processors are forcing them to accept prices below their costs of production. So, to meet the growing demand, the processors are importing more powdered milk and investing in their own farms. TH Milk, a company recently established by Vietnamese businesswoman Thai Huong, director of one of the country's top private banks, is in the process of constructing the largest dairy farm in Asia in Vietnam's Nghia Dan district. Already 12,000 cows have been imported from New Zealand, and every 50 days another 1,000 cows are shipped in. By 2012 the company aims to have 45,000 cows and a plant capacity of 500 million litres of milk a year. By 2017, its objective is to

have 137,000 cows on its farm, supplying 30% of national milk consumption. The whole operation is being implemented and managed by the Israeli company Afimilk.⁵⁶

TH Milk's main domestic rival, Vinamilk, has five large-scale farms of its own, with a total of 6,000 cows. But the company expects most of its supply to continue to come from overseas. For this reason, Vinamilk has started to invest in overseas processing and production, acquiring a 19% stake in the Miraka dairy company in Taupo, northern New Zealand. Vinamilk trades on the Ho Chi Minh Stock Exchange, and is 49% controlled by foreign investors.

In Pakistan, many of the country's wealthiest families have

56 Ben Bland, "Milking it in Vietnam", *Financial Times*, 17 March 2011: <http://www.ft.com/cms/s/0/6587212e-50c8-11e0-9227-00144feab49a.html>



Inside the TH Milk farm in Vietnam, Barak Wittert, director of the farm, instructs a local worker. Wittert has worked with the Israeli company Afimilk in setting up other large-scale dairy farms in Africa and the Middle East (Photo: *Financial Times*).

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owners are seeking to expand by bringing in additional investors.

These massive new farms, owned by absentees, represent the future for the supply of milk to the transnationals that now dominate the Chilean dairy market. Already the Ancali farm (see photo, page 21) and the Manuka farms account for nearly 10% of Chile's national dairy production.⁵⁷ With their high volumes, these farms can turn a profit even when prices for milk are low, especially given that the big processors pay higher prices for farms that supply in higher volumes.⁵⁸ Chile may one day become an export power in dairy, as the government said it would, but small farmers will no longer have any place in the industry.

What is happening in Chile is not an isolated case. It is part of a global trend. Around the world, in the North and in the South, corporations and big financial players are moving to set up mega-farms and capture the global milk supply (see Box 7: *Fonterra goes "behind borders"*, page 23; Box 8: *Corporate dairy farming goes global*, page 25).

If this shift to mega-farms continues in the South, it will be brutal for small farmers. In the EU and the US, and also in Southern countries like Chile and Argentina, where there is little left of the people's milk system, the industrialisation and concentration of milk production wiped out huge numbers of small farmers. The US lost 88% of its dairy farms between 1970 and 2006, while the original nine countries of the EU lost 70% between 1975 and 1995. The pace of destruction has not slowed. In Argentina, Australia, Brazil, Europe, Japan, New Zealand, South Africa and the US, the number of farms decreased by between 2% and 10% per year in 2000–2005. Contrast this with most developing countries, where the transnational dairy processors and mega dairy farms are still hardly present. During the same years, the number of farms in these countries increased by between 0.5% and 10% per year.⁵⁹

57 National dairy production recorded by the industry in 2009 was 1,772 million litres. Source: Ministry of Agriculture 2010.

58 Fedeleche, *Informa* 4 (37), Julio 2010: www.fedeleche.cl

59 International Farm Comparison Network, *Dairy Report*, 2010.

Corporate dairy *continued from page 25*

recently begun large-scale dairy farming, with the support of the government's various corporate farming programmes and the main dairy processors, such as Nestlé, and packaging companies.⁶⁰ Foreign investors, particularly from the Gulf States, have also shown interest, such as the Emirates Investment Group.⁶¹ So too have the processors. Engro Foods, the leading packaged-milk company in Pakistan and a subsidiary of Pakistan's fertiliser giant Engro Corporation, launched its own large-scale dairy farm in Sukkur District in 2008. The farm began with 2,200 cows imported from Australia, and the company plans to increase the herd "to 150,000 over the next several years so that it can control its own supply chain".⁶² Engro, which is expanding its food operations overseas,

Some of the family holding companies investing in dairy farms include Gulistan Group, Monnoo Group, MK Sons, Muneer Din Group, and Sitara Group. One of the most active supporters of the development of large-scale dairy farming in Pakistan is DeLaval, a subsidiary of the Tetra Pak Corporation. Nestlé too has actively supported the development of larger commercial dairy farms, even setting up its own 120-cow farm as a training centre. "We see more and more dairy farms of bigger scale coming up and farmers are getting better knowledge", says Ian Donald, managing director at Nestlé Pakistan. "This is slowly beginning to close that gap on demand" (*Daily Times*, 14 August 2011).

Lesley Springall, "Dairy expertise exported in Middle East venture", *Dominion Post*, 28 January 2010: <http://farmlandgrab.org/post/view/10648>

"Agro-Industry in Pakistan finally taking off", *Express Tribune*, 17 May 2010: <http://tribune.com.pk/story/13713/agro-industry-in-pakistan-finally-taking-off/>

eventually wants to export dairy products from Pakistan.⁶³

In **Egypt**, the country's largest dairy farm is owned by Dina Farms, a dairy company set up by one of the regions top private equity firms, Citadel Capital. The farm is located in the desert off the main highway between Cairo and Alexandria. It has 7,000 dairy cows, but Citadel wants to have 12,000 by 2012. Other big-time dairy investors are also flocking to the desert. Danone is in the process of constructing a mega-farm there, its second large-scale farm operation, after building one in the desert in Saudi Arabia. "Participation in the organisation of large farms is a new direction for us", says Danone Director Jean Christophe Laugée. It's also new for PepsiCo, which started making major moves into dairy only in the last few years. PepsiCo's subsidiary, International Dairy and Juice Ltd (IDJ), bought up the Egyptian company Beyti in 2010, taking over its large-scale dairy farm. PepsiCo jointly owns IDJ with Saudi dairy giant Almarai, which operates six mega-farms in the Saudi desert, holding 100,000 cows, or two-thirds of the dairy cattle in the country, as well as a dairy farm in Jordan, which is now part of IDJ.⁶⁴

Building water-intensive dairy farms in the middle of the Egyptian desert sounds crazy. Even more so when the farms are planning to draw their future water needs from the Nile, which is already a source of tension between the various countries and communities that depend

Engro Foods PR, 24 May 2008: <http://engro.com/2010/02/06/engro-foods-holds-ground-breaking-ceremony-to-setup-dairy-farm/>

Global Investment House, "Almarai Company", March 2009: <http://www.gulfbase.com/site/interface/SpecialReport/Almarai%20March%202009.pdf>

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The shift to large-scale farms would also be an environmental and health catastrophe. Such farms guzzle enormous quantities of water, often at the expense of other farms and communities that depend on the same sources.⁶⁵ They also require a lot of land – not for their cows to live on, but to produce their feed.⁶⁶ And they produce massive amounts of waste. An average cow produces 20 times the waste of an average human: so an industrial farm with 2,000 cows produces as much waste as a small city. Most of the excrement goes untreated and ends up in big lagoons next to the farm. These attract flies and create an odour that makes it unbearable to live nearby. Much of the waste in the lagoons will eventually be sprayed on fields, but, all too often, some of it will run off into water courses, contaminating local supplies. The manure lagoons are also major sources of greenhouse gas emissions. One study found that an industrial farm using manure lagoons loses 40 times the methane – a potent greenhouse gas – emitted by an organic farm where cows are pastured.⁶⁷

The impact of industrial farming on animal health is also well-documented. As animals in these farms are pushed to produce more, through the use of high-protein feeds, frequent milking and production-enhancing hormones and drugs, they become stressed and susceptible to disease and injury. To compensate, the animals are fed high levels of antibiotics and other veterinary drugs. One result is the emergence on these farms of antibiotic-resistant superbugs that can

See the example from Mexico in Luís Hernández Navarro, "La Laguna: la nueva guerra por el agua", *La Jornada*, 12 November 2004: <http://www.jornada.unam.mx/2004/11/12/048n1soc.php?origen=soc-jus.php&fly=1>.

Data on land use is available in Charles Benbrook *et al.*, "A Dairy Farm's Footprint: Evaluating the Impacts of Conventional and Organic Farming Systems", November 2010: <http://www.organic-center.org>.

67

See *ibid.*

Corporate dairy continued from page 26

on it for food production. "I don't worry about a shortage of Nile water", says Dr Mohamed Waeed, a manager with Dina Farms. "I know the Ethiopians want to use more Nile water. But it won't work for them. I've been there, it's such a mountainous country, there's no space for extensive agriculture ... No, the future of agriculture in Northern Africa is in the Egyptian desert. Who knows, we might become big exporters of agricultural and dairy produce to the region."⁶⁸

In **Uruguay**, foreign investment in dairy processing and dairy farms is exploding. The leading investors include Bom Gosto of Brazil, global fast-food-chain supplier Schreiber Foods of the US, Cresud of Argentina, Inlacs of Mexico, and the Grupo Maldonado of Venezuela, which is a partner of Fonterra and Nestlé. Bom Gosto and Schreiber alone now handle a quarter of Uruguay's milk production. The rise of foreign investments has turned Uruguay into a major centre for

dairy exports. Today, two-thirds of Uruguayan dairy products are exported, primarily to Brazil, Venezuela and Mexico. But if production is rising, the number of farms and the area devoted to dairy farming is declining rapidly, leading to more concentration. Farms larger than 500 hectares now represent 5% of all dairy and account for 28% of the national milk supply. Many of these bigger farms are in the hands of foreign investors, such as New Zealand Farming Systems Uruguay, which was set up by New Zealand investors until it was taken over by the Olam Group of Singapore in 2011. The company's 31 dairy farms produce around 70 million litres of milk per year, but it plans to acquire more farms and increase this to 300 million litres within the next few years – around 20% of Uruguay's total milk production!⁶⁹

68 Jeroen Kuiper, "Egypt's biggest dairy farm", *Disputed Waters*, 17 March 2011: <http://www.disputedwaters.com/blog/17/03/2011/egypts-biggest-dairy-farm>

69 For a detailed account of the foreign takeover of the Uruguayan dairy sector, see: "Agazzi: un mala leche", *El Muerto Blog*, 21 June 2009: <http://elmuertoquehabla.blogspot.com/2009/06/agazzi-un-mala-leche.html>



Dina Farms, Egypt Photo: Ronald de Hommel.

infect humans, such as MRSA.⁷⁰ But these practices also directly affect the quality of milk. A recent study from the US shows a substantial difference in the nutritional quality of milk from cows raised in factory farms and cows raised on pasture in organic systems.⁷¹ Moreover, the hormones and antibiotics used in industrial farms can end up in the milk supply, or produce nasty side effects.⁷² Recombinant bovine growth hormone (rBGH), for example, a production-enhancing drug that is widely used on industrial farms in the US, South Africa and Mexico, but banned in Australia, Canada, Europe, Japan and New Zealand, is linked to increased levels of carcinogenic and antimicrobial substances in milk that make it a risk to human health.⁷³

70 Tom Levitt, "'Routine antibiotic use' linked to new MRSA strain found in UK dairy cows", *The Ecologist*, 3 June 2011. The article points to a new study in the medical journal *The Lancet* that provides evidence of MRSA in dairy farms in the UK.

71 Charles Benbrook *et al.*, "A Dairy Farm's Footprint: Evaluating the Impacts of Conventional and Organic Farming Systems", November 2010: <http://www.organic-center.org>

72 Regulations typically require dairy processors to test for elevated levels of certain antibiotics and hormones in their milk supply. These regulations, however, may not cover many of the antibiotics, hormones and other drugs that are commonly used in industrial dairy farms and potentially dangerous to human health. High levels of drug residues found in dairy cows at the point of slaughter prompted the US Food and Drug Administration to propose tests on cows on dairy farms for about two dozen antibiotics beyond the six that are typically tested for. The testing would also look for a painkiller and anti-inflammatory drug popular on dairy farms, called flunixin, which often shows up in slaughterhouse testing. But due to fierce resistance from the dairy industry, these measures have not been implemented. See William Neuman, "F.D.A and Dairy Industry Spar Over Testing of Milk", 25 January 2011: <http://www.nytimes.com/2011/01/26/business/26milk.html>

73 EU Scientific Committee on Veterinary Measures relating to Public Health, "Report on Public Health Aspects of the Use of Bovine Somatotrophin", March 1999: http://ec.europa.eu/food/fs/sc/scv/out19_en.html

PART 3: KEEPING MILK OUT OF CORPORATE HANDS



A young herder of the Borana community tends to young camels as their mothers are milked at dawn, in Isiolo, 300 km north of Nairobi, Kenya. Camel milk is collected daily from the area by small-scale collectors and sold by vendors on the streets of Nairobi. Recurrent droughts in recent years have renewed interest in the camel and its resistance to extreme climates. (Photo: France 24).

People's milk is an engine of poverty alleviation and health. It provides livelihoods and safe, affordable, nutritious foods. The revenues earned are distributed evenly and consistently throughout the sector. Everyone wins with people's milk, except for big business, and this is why there is such pressure to destroy it.

What does Big Dairy have to offer? Instead of fresh, high-quality milk produced and supplied in the most sustainable ways, we are offered powdered and processed milk produced on highly polluting mega farms and sold in all kinds of packaging – at double the cost!

Still, every government seems hell-bent on following the New Zealand model and joining the club of exporters. What is so great about New Zealand's experience? The continuing boom in dairy production is causing severe pollution to the country's waterways. The constant push to expand export markets means

that other sectors of the economy, sensitive to liberalisation, have been sacrificed in trade and investment policy. And the majority of the benefits have been captured by the 11,000 or so dairy farm owners that control Fonterra. Nearly a third of these "farmers" are absentee investors, and a growing number are corporations, some of them foreign.⁷⁴ New Zealanders, faced with rising prices for milk at home, may well ask if there's another model that could serve them better.

New Zealand is in fact so different from any other major dairy-producing country that it is silly even to make comparisons. In other countries, millions – not thousands – of farmers are engaged

74 Personal communication with Bill Rosenberg, 16 August 2011, and James Ritchie, Secretary of the New Zealand Dairy Workers' Union, 6 September 2011; and, "Who owns farming in NZ?", Greenpeace: <http://www.greenpeace.org/new-zealand/en/campaigns/climate-change/smart-farming/agriculture-and-climate-change/nz-farming/>

in dairy production. There, milk is not a commodity, but an essential food source, which can make the difference between misery and dignity for those engaged in its production and distribution. The opportunity for most countries is not in exports, but in clearing the way for local people to serve local markets, as they have done time and again wherever those opportunities arise.

The way forward, then, requires putting the brakes on the dumping of cheap imported powdered milk and dairy products. High, comprehensive tariffs, such as those already in place in Europe, are a necessity. There is no reason why such tariffs have to lead to higher prices for consumers. What they protect against is periodic dumping, and the big processors' use of cheap, processed dairy products or non-dairy fats as a substitute for real milk. Big processing companies may suffer from such measures, but consumers and farmers will not. Such trade measures, however, are not enough.

People's milk is also under threat from food safety standards and regulations designed for the industrial processors. A people's milk system needs an appropriate system of food safety, based around trust and local knowledge. There are plenty of examples of such models of food safety around the world, each particular to its local culture. Supermarkets, however, are typically unwilling to adjust to such local cultures, and they impose their own standards. Taking action against supermarkets, whether by putting pressure on them or by supporting local markets, is thus essential to the success of people's milk.

So too is the question of investment. Money from multiple sources, both local and foreign, is currently flowing into the construction of mega-farms. Money is also flowing from donors and NGOs into programmes to bring small farmers into the supply chains of the big processors. Those dollars, rupees and shillings are deadly. There is no future for small-scale sustainable farming and local markets in this scenario, as countless examples from around the world demonstrate. It leads to the concentration of farms and processing. Industrial farming generates disease and pollution, and wipes out biodiversity. Local breeds of dairy animals that supply the people's milk system, whether cattle, goats, buffaloes or camels, have the resilience and low-input efficiency that small farmers and pastoralists need to withstand the precarious conditions created by climate change. It is their livestock systems that require support, not the "investors", who get all kinds of generous tax breaks, donor funds, and other incentives from governments.

Workers in the dairy industry are also suffering from the same trends. Greater concentration in the industry means fewer jobs. More powdered milk, which is produced by mechanised processes that require little labour, means less work with fresh milk, which is labour-intensive. And, as can



The Nestlé Indonesia Workers Union – Panjang, a member of the IUF, waged a successful two-year campaign for the right to negotiate wages, despite the company's intense pressure on union members and their families. The IUF has been campaigning against Nestlé's policy of wiping out permanent jobs and replacing them with outsourced and subcontracted work, and its refusal to accept the IUF as a valid interlocutor representing workers before the company globally. The IUF's New Zealand local, on the other hand, has developed a co-operative relationship with Fonterra, formalised in a framework agreement regulating labour relations in the company signed in 2002 between Fonterra, the IUF and the New Zealand Dairy Workers' Union (NZDWU). So what happens when Fonterra and Nestlé come together, as they have in Latin America under their Dairy Partners of America joint venture? According to NZDWU Secretary General James Ritchie, Fonterra acts like any other transnational corporation when it comes to its overseas operations, and his union has been unable to get the cooperative to move ahead with the implementation of its framework overseas. (Photo: IUF)

For more information see: the website of the IUF (www.iuf.org) or the website it created, NestleWatch (www.iuf.org/cms/).

be seen in the campaigns of the International Union of Food Workers (IUF) against Nestlé, the transnational dairy companies that are busy taking over national dairy industries in the South are some of the worst offenders against workers' rights. The IUF points out that, for all the talk about the benefits from foreign investment, corporations like Nestlé plough the profits they reap from dairy

markets into the pockets of their shareholders.

"Nestlé in 2008 spent CHF [Swiss francs] 8.7 billion buying back its own shares on the stock market in order to reduce the number of shares in circulation and boost the earnings per share ratio", says the IUF. "That's over half of what the company claims to have spent on wages and salaries, and nearly double the capital



Dairy farmers protest for higher milk prices, close to the creamery Weihenstephan on 16 April 2009 in Freising, Germany. The farmers demand prices at a level that allows them to continue producing milk. (Photo: Miguel Villagran/Getty Images Europe)

Dairy is a cornerstone in the construction of food sovereignty.

expenditure for the year! Together with the enormous dividend hike, this is money that was not invested in research, new capacity, training, improved wages and pensions or other benefits for what Nestlé calls 'our people'. What it actually represents is the growing diversion of enormous amounts of cash to shareholders, against a background of persistent violations of trade union rights."⁷⁵

The way to stop Big Dairy and strengthen people's milk will vary from country to country (see *Box 6: Secret of success in resisting Big Dairy in Colombia, page 16*). Dairy in countries like Pakistan and Uganda is almost entirely in the hands of the people's milk sector. In other countries, such as the Ukraine or Brazil, there is a mix of both. In most countries in the North, dairy is almost all handled by large industrial processors. But even in countries where industrial production dominates, there are ways to move towards a more equitable dairy system.

In these countries, dairy workers' unions struggle against concentration; rural communities fight polluting mega-farms; consumers demand safe, affordable, nutritious food; and farmers want

⁷⁵ IUF press release, 10 June 2009.

a fair price for what they produce. Supply management is being proposed as a way to address these concerns in Europe. This would be a great step forward, which would also help countries outside the EU by curtailing dumping. But, as the Canadian experience shows, if the supply management system is not articulated around the needs of small farmers and local processors and markets, it will do little to stop concentration in the sector.

Beyond these national efforts, there is a need for concerted global action against Big Dairy. The nasty tactics being used to destroy people's milk verge on the criminal. The time is ripe for campaigns against the worst offenders, such as Nestlé, Danone, and Tetra Pak. Such campaigns can build on some of those already being waged, such as those around breastmilk or workers rights. NGOs that work with the Big Dairy companies should be shamed into pulling out. There are also many opportunities for people in these corporations' home countries to apply pressure, bearing in mind that the home country is not necessarily any longer in Europe or North America, but can also be Singapore or Brazil. And the big co-operatives need to come under pressure, as they are doing as much as the big processors to destroy people's milk. Since some of these cooperatives are still ultimately controlled by farmers, there may be some scope to influence their overseas expansion plans.⁷⁶

Dairy is a cornerstone in the construction of food sovereignty. It touches so many people: estimates are that around 14% of the world's population depend directly on dairy production for their livelihoods.⁷⁷ And this is where the opportunity lies for resistance and transformation. The strong alliance between the vendors, consumers and farmers of Colombia is an inspiration. Similar alliances now need to be forged everywhere, and across borders. Milk must remain in the hands of the people.

⁷⁶ Unfortunately, many of the big co-operatives that operate internationally, such as Fonterra and Grupo Lala, are increasingly controlled by large landowners and corporate farms.

⁷⁷ International Farm Comparison Network, *Dairy Report* 2010.



Woman selling milk and millet mixture in Zinder, Niger.

Going further:

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