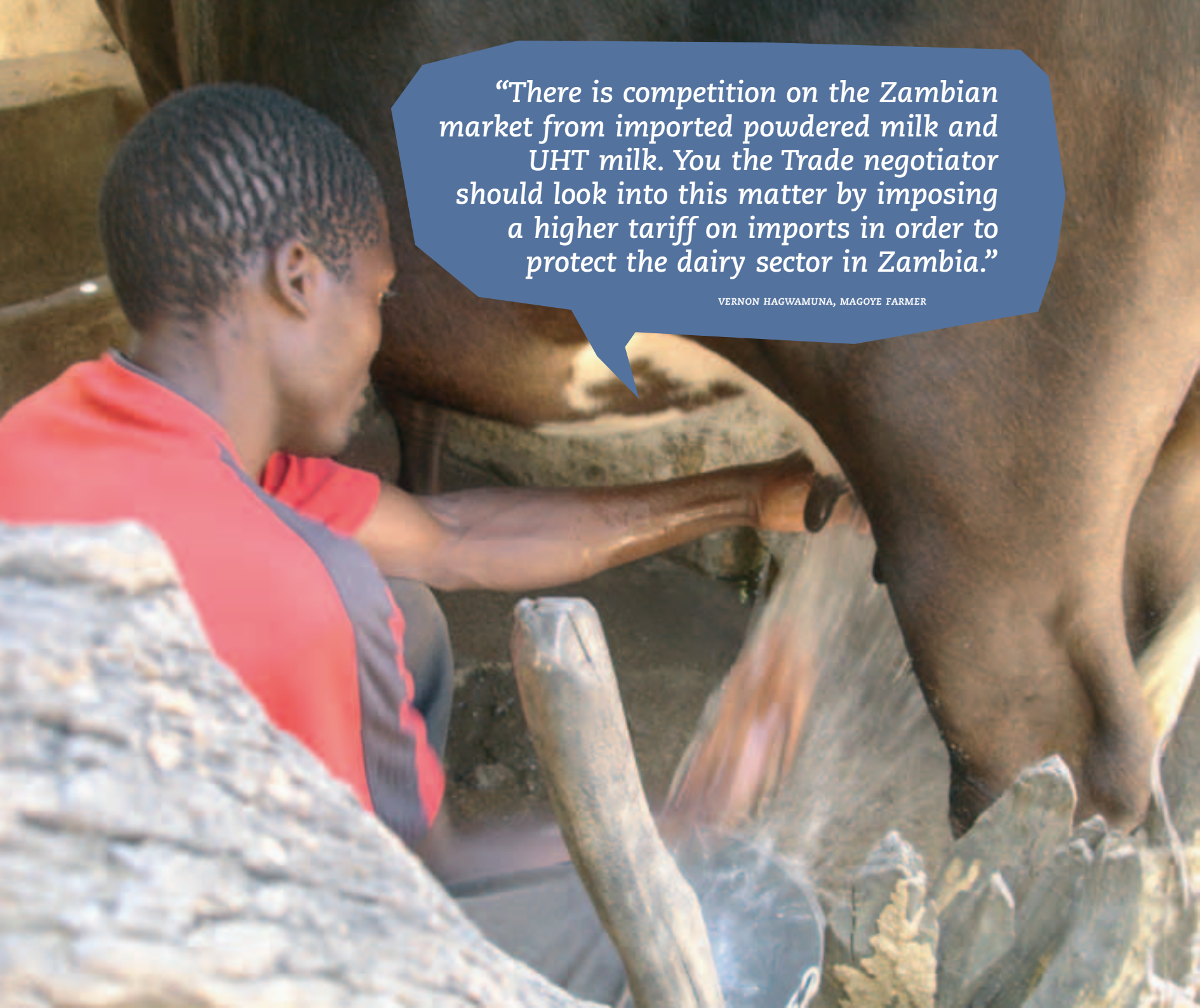


The background of the slide is a close-up photograph of a metallic surface. On the left side, a portion of a bolt or screw is visible, partially cut off by the edge of the frame. The main surface is characterized by several prominent, parallel horizontal ridges or grooves, suggesting a textured or reinforced metal. The lighting is somewhat uneven, with brighter areas on the ridges and darker shadows in the grooves, giving the image a three-dimensional appearance. The overall color palette is monochromatic, consisting of various shades of grey and blue.

# **The Capacity of Small-scale Farmers to Influence the Economic Partnership Agreement Negotiations**

**The Case of the Magoye Smallholder Dairy Farmers Cooperative Society in Zambia**

A man in a red shirt is shown from the side, milking a cow. He is using a traditional wooden milking stool and a plastic bucket. The cow is dark brown and is standing in a dirt area. The background is slightly blurred, showing a simple structure, possibly a barn or a shed.

*“There is competition on the Zambian market from imported powdered milk and UHT milk. You the Trade negotiator should look into this matter by imposing a higher tariff on imports in order to protect the dairy sector in Zambia.”*

VERNON HAGWAMUNA, MAGOYE FARMER

## Foreword by the Deputy Minister of Commerce, Trade and Industry

This report reveals the experiences of a pilot project undertaken on small-scale dairy producers in the Southern Province of Zambia, with particular focus on the Magoye Small-scale Dairy Farming Cooperative and implications of EPAs in the industry. The pilot project was undertaken by One World Action under the auspices of the Voices, Influence and Access Project and the Civil Society Trade Network of Zambia who worked closely with the Ministry of Commerce, Trade and Industry and the Magoye Small-scale Dairy Farmers Cooperative.

The pilot project specifically targeted small-scale producers in order to assess their vulnerability to emerging global challenges and to engage them with the Zambian trade negotiators. There are currently several negotiations taking place at regional and the multilateral levels, which pose major challenges for businesses in weak and vulnerable economies such as Zambia. In particular, the negotiations under the Doha development agenda of the World Trade Organisation and the Cotonou Agreement (EPA negotiations) no doubt have far reaching implications for countries worldwide. It is therefore imperative for individual countries to safeguard their national interests by ensuring that they actively participate in the negotiating process. These trade negotiations also mean that the private sector including small-scale producers such as the Magoye Small-scale Dairy Farmers Cooperative must be well informed and prepared for any adjustments. The government also has a responsibility to ensure that the poor and most vulnerable are protected.

Therefore, projects such as Magoye, are a useful tool to identifying the needs and sensitivities of different segments of society and guiding policy makers. There is no doubt that well targeted policy intervention would assist small producers to gain access not only to local markets, but the international markets as well. It is therefore important to ensure that the

current efforts by these producers are not eroded by indiscriminate imports. As Government we are determined to safeguard the interests of our people at the EPA negotiations and we are going to do everything possible to push for developmental issues that are important in poverty reduction. This is part of our position as Government.

Domestically, the policy of government is not to stifle the growth of any sector including the dairy industry; therefore challenges in the dairy industry also need to be addressed such as, concerns on agriculture products being zero-rated, which need to be resolved in consultations with the relevant sectors. With regard to the concern about intermediate products for the manufacture of stock-feed, there is a need to streamline the policy so that there is a balance between the demands of the local market and the export market. There is also need for improvement in the capacity of re-enforcing import and export regulations at the borders so that illegal imports are minimized if not stopped altogether. Quality of our products, in this case, dairy products, also need to be addressed by ourselves as producers for we have to maintain high standards for the consumers both at national and international level.

I believe that the report on the capacity of small scale farmers to influence the Economic Partnership Agreements negotiations is as a result of strong, vibrant and involving collaboration with the Magoye community, Civil Society Trade Network of Zambia, One World Action as well as the Ministry of Commerce, Trade and Industry.

I am hopeful that the report will be used as a very important tool for information dissemination and policy guidance in that its contents have been taken note of and will be a useful input in the current EPA negotiations.

**The Honourable Dora Siliya MP**  
**Deputy Minister of Commerce, Trade and Industry**  
**Lusaka, ZAMBIA**



## Acknowledgement

This report was written by the Civil Society Trade Network of Zambia (CSTNZ) with contributions from Angela Mulenga and Jennipher Sakala-Uwishaka, with assistance from Ivin Lombardt, the Regional Coordinator of the Voices, Influence and Access Project (VIA Project).

The report reveals the experiences of the Magoye Smallholder Dairy Farmers Cooperative (MSHDFC), from their daily struggles with making a living from the milk they produce to their attempts at influencing the Government of Zambia for favorable policies to help the community make more of their milk production. In the end they hope to convince the Government that the Economic Partnership Agreements (EPAs), in their currently proposed format, do not seriously address their core needs.

We wish to thank One World Action through the VIA Project for providing the financial and technical resources needed to carry out this project.

We would also like to thank the Board and Management of the Civil Society Trade Network of Zambia for being the frontrunners and facilitators of this project. Without the CSTNZ as the interlocutor, the project would simply not have been possible.

For the most part, our thanks goes to the Magoye Smallholder Farmers Cooperative and the community they represent for making their time and energy available in formulating and articulating their needs through this initiative, however small it may have been.



**“More milk,  
more money,  
reduce poverty”**

MAGOYE FARMERS COOP CHAIRMAN

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## Executive Summary

This report reveals the experiences of a pilot project undertaken with small-scale dairy producers in the Southern Province of Zambia, with particular focus on the Magoye Small-scale Dairy Farming Cooperative. The main objective of the pilot project was to enable a selected small-scale farming community to understand and engage with the Cotonou Partnership Agreement (CPA) process especially on the Economic Partnership Agreement (EPA) negotiations and related processes. The dairy sector was chosen in preference to other sectors because other agriculture products such as cotton, flowers, coffee, tea, spices, tobacco, which export to the EU, pose no real competition to the EU producers.

The Magoye Pilot Project was initiated as part of One World Action's VIA Project with the objective of enabling a small farming community to engage in the CPA processes and particularly in the EPA negotiations and exert influence over the EPA negotiations. The need for the project emanated from consultations with the VIA Project partners who wanted to find ways of grounding the policy advocacy work in issues that affected people directly. Because of previous work done with local communities, the Civil Society Trade Network of Zambia (CSTNZ) was selected to serve as the agency to assist with the implementation. The duration of the project was from April 2006 to March 2007.

The project included both men and women who are producers of milk on a small scale. At present, the Magoye Cooperative has a membership of 200 small-scale farmers who contribute 2,000 litres of milk per day.

The pilot project created awareness on the Cotonou Partnership Agreement with the community through workshops and printed material. Some of the workshops and contact sessions were held in the Magoye community and others in Lusaka with officials from the Ministry of Commerce,

Trade and Industry. There were at least two meetings held between the community and Zambia's Deputy Chief Trade Negotiator, who is also the Chief Economist in the Ministry.

The community members were able to communicate the issues, that are of concern, that came to light as a result of the awareness raised since the start of the project.

Zambia's dairy sector is characterized by three categories of milk producers, commercial farmers, small-scale farmers and traditional farmers. Together these farmers produce approximately 190 million litres of milk per year but the country requires a total of 253 million litres of milk. The gap in production is mainly due to the many challenges both at national and international level. But the potential for these farmers, especially the small-scale farmers to close the shortfall exists; however, they need real assistance from Government and other sectors.

*“We have issues with the EU but also with our local governments”*

TEMWA GONDWE, MEJN



## 1. Introduction

The Magoye Pilot Project was initiated as part of One World Action's VIA Project with the objective of enabling a small farming community to engage in the CPA processes and particularly in the EPA negotiations and exert influence over the EPA negotiations. The need for the pilot project emanated from consultations with the VIA Project partners who wanted to find ways of grounding the policy advocacy work in issues that affected people directly. Because of previous work done with local communities CSTNZ was selected to implement the pilot project from April 2006 to March 2007.

The main objective of the pilot project was to enable a selected small scale dairy farming community in the south of Zambia to understand and engage with the Cotonou Partnership Agreement (CPA) processes, particularly the EPA process.

### The EPA Process

The Cotonou Agreement provides for the negotiation of Economic Partnership Agreements between the European Union (EU) and the African, Caribbean and Pacific (ACP) regions. These negotiations are currently underway and must be concluded by December, 2007. The outcome of the negotiations could have serious implications for the development of the ACP countries.

There are six ACP regional trading blocs, namely, the Southern African Development Community (SADC), East and Southern Africa (ESA), Central Africa (CEMAC), the Economic Community of West African States (ECOWAS), Caribbean and Pacific regions taking part in these negotiations. Zambia is part of the ESA configuration.

The above-mentioned ACP regional blocs are of the broad mutual expectation that EPAs will be the cooperative framework under the CPA that will "aim at fostering the smooth and gradual integration of the ACP States into the

world economy, with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries”.

But will this be the case? The Magoye Pilot Project amongst other things sought to answer this question.

### **Project Design, Activities and Process**

The project identified a rural community which is composed predominantly of small-scale dairy farmers, in a sector likely to be affected by increased imports from the EU under EPAs.

The project included both men and women who are small-scale milk producers. The project created awareness on the Cotonou Agreement with the community through workshops and printed material. Some of the workshops and contact sessions were held in the Magoye community and others in Lusaka, the capital city, with officials from the Ministry of Commerce, Trade and Industry.

Two meetings were held between the community and Zambia’s Deputy Chief Trade negotiator. The community members were able to communicate the issues that are of concern to them that came to light as a result of awareness raised since the start of the project.

#### **Why the Dairy Sector was selected For the Pilot Project**

The dairy sector was chosen in preference to other sectors because other agriculture products such as cotton, flowers, coffee, tea mate & spices, tobacco, etc. exported to the EU provide no real competition to the EU producers.

Zambia’s dairy sector is characterized by three categories of milk producers, commercial farmers, small-scale farmers and traditional farmers. Together these farmers produce

approximately 190 million litres of milk per year but the country requires a total of 253 million litres. The gap in production is mainly due to the many challenges both at national and international level. But the potential for these farmers, especially the small-scale farmers to close the shortfall exists; however, they need real assistance from Government and other sectors. They do not need unfair competition from EU producers.

#### **Potential Impact of an EPA on Locally Produced Milk**

The reduction or removal of tariffs on milk and dairy products imported from the EU could displace the locally-produced milk of small-scale farmers such as the Magoye Cooperative in the local market. Removal of tariffs would also deprive the Government of revenue essential for investment in the country’s socio-economic development. Hence, funds available for key social sectors like education and health.

*“We now understand that, we must negotiate for our own issues”*

MBEWA, MAGOYE FARMERS COOP CHAIRMAN



## 2. The Magoye Smallholder Farmers Cooperative Society

The Magoye Smallholder Dairy Farmers Cooperative Society was established on the 2nd August 1995 with the mission to be a major producer of milk and reduce poverty through income generation from the sale of milk. The Magoye Cooperative is based in the Mazabuka district, in the Southern Province of Zambia about 180 km from the capital Lusaka. The communities in the Magoye area are predominantly small-scale farmers engaged in crop cultivation and cattle rearing. Most of the products produced are for household consumption and a source of income.

In 1995, the membership of the cooperative was 25 and they collected only about 90 litres of milk per day. By 2000, the membership rose to 88 members with a volume of 500 litres of milk per day. At present, the membership is at 200 and they contribute over 2000 litres of milk per day. The milk is tested on a daily basis for both water and bacteria content.

The increase in membership and therefore the rise in milk volumes are attributed to the fact that most farmers appreciate the viability of dairy farming which is seen as a business that could alleviate a number of problems in the community.

### **The objectives of the cooperative are to:**

- Produce milk of nutritional and commercial value
- Encourage smallholder farmers to participate in dairy farming
- Improve the quality of dairy animals and thereby increase milk production
- Integrate crop conservation farming with livestock farming
- Build capacity of members to manage and practice good animal husbandry through training
- Venture into profitable and sustainable agribusiness as may be identified by members

At the moment the Magoye Cooperative sell their milk to Parmalat, a European company with a milk collection point located in the Mazabuka district. Despite initial challenges, they are now able to rent a building with electricity and potable water, which serves as a collection point, office and training centre. They also own a large cooler tank and a truck for transporting the milk to the Mazabuka milk collection point owned by Parmalat.

The income earned from the sale of milk by the members is used to sustain livelihoods, for example, to pay for education, health and the purchase of household goods and groceries. This has certainly contributed to uplifting the standard of living of most households in the Magoye area.

The Magoye Cooperative is now determined to ensure that EPAs do not affect them negatively.

**“We want to be able to produce enough milk for Zambia”**

MAGOYE FARMERS COOP CHAIRMAN



### 3. Magoye Pilot Project Activities

#### **Sensitization and Capacity Building on the CPA with the Community Members in Magoye**

The first activity after the identification of the Magoye community for the project was to engage them in awareness raising and capacity building exercises around the Cotonou Agreement. The objective of this process was to sensitize the smallholder dairy farmers on the agreement in preparation for activities that were to follow, including their discussions with Zambia's trade negotiator. The first workshop, which took place in Magoye, in May, 2006, saw the active participation of about 20 Magoye members of which 6 were women. During the workshop, a simplified manual on the Cotonou Partnership Agreement was distributed and discussed with the farmers. This was the first time the farmers had heard about or seen the CPA.

#### **Magoye Cooperative Workshop with Trade Negotiator**

In July 2006, the Magoye farmers met with the Zambia's Deputy Chief Trade negotiator, Ms. Lillian Bwalya, who is also the Chief Economist in the Ministry of Commerce, Trade and Industry. The cooperative members were afforded the opportunity to present their issues directly to government. The meeting was held in Lusaka and attended by 10 representatives of the Cooperative. Also present were the CSTNZ and the VIA Project Coordinators.

At the meeting, the farmers informed the trade negotiator that their engagement in milk production was vital as far as income generation. The farmers urged the official to get Government involved, develop and protect the sector from unfair competition. They further called on the Government to assist the small producers to overcome the many challenges they face, for example, the provision of water, animal feed, more productive dairy cows and cooling facilities with more capacity for the milk. These challenges, according to them, if resolved

*“Our understanding of the Cooperative is that it's a business”*

MBEWA, MAGOYE FARMERS COOP CHAIRMAN

through relevant policy interventions, could increase milk production and supply for both the local and regional markets.

Ms. Bwalya's comments during the meeting were very encouraging to the farmers as she made clear that Zambia would only negotiate an EPA that has a serious development component and based on rules that safeguard the small producers. She further pointed out that Zambia was looking for an EPA agreement that would also help farmers obtain access for their products to the EU market. However she acknowledged the difficulties with penetrating such markets because of the high standard requirements.

The farmers emerged from the meeting with a better understanding of EPAs and the role of Government in the negotiations. Ms. Bwalya stated that the formalization of the relationship with the EU was critical for building mutual relationships, which meant that the Least Developed Countries (LDCs) like Zambia could supply Europe with raw materials and other value added goods. The uniqueness of EPAs is that it advocates for reciprocal trade arrangements but the developing countries are entitled to protect sectors and products that are of importance to their economies. The trade negotiator also expressed happiness about being brought in direct contact with the producers whom the Ministry does not interact with regularly, due to lack of provincial and grassroots structures.

### **Trade Negotiator's visit to Magoye**

The Deputy Chief Trade Negotiator, Ms. Lillian Bwalya agreed to reciprocate the visit by the farmers to Lusaka with her own trip to the Magoye community. This visit took place in January 2007. The purpose of her visit to Magoye was to meet with the farmers at their location and exchange views on EPAs and the dairy sector. The trip was to build on the project's objectives of continuous engagement of the Trade Negotiator with the community. Additionally, the visit enabled her to witness the milk production process at the local level and observe the constraints faced by the farmers. She was also able to better understand the significance of dairy farming as a source for income generation and food security for the community. The trip included visit to several farms, the milk collection point and office of the Magoye Cooperative. During site visits, the farmers and the trade negotiator discussed various concerns regarding small-scale dairy farming.

Mr. Vernon Hagwamuna's dairy farm was selected for the team's visit to observe the milking procedures. Mr. Hangwamuna's farm is not different from any other farmer in Magoye and the concerns he expressed were similar to those of other farmers.

***"We want our own processing facilities!"***

**MBEWA, MAGOYE FARMERS COOP CHAIRMAN**

#### ***Some of the major concerns discussed during the visit included:***

- The need for improved dairy technology, particularly with regard to the structure of the milking parlor and the milk testing equipment
- The need to meet the international standards in the quality of milk. Currently much of the milk produced is below Parmalat's A-grade standard, thereby yielding lower price
- The need to improve road infrastructure for the purpose of easy accessibility
- Improved means of transportation of milk to the collection point. Currently most farmers use bicycles
- Lack of adequate capital by the farmers to improve quality and quantity of milk production

The Trade Negotiator acknowledged the need for improved dairy technology since the EU dairy farmers had better structures and advanced dairy technology. She further expressed gratitude for being part of the CSTNZ process of linking the farmers with the Ministry and in particular the Magoye dairy producers and acknowledged that meeting and seeing for herself the milk production processing in Magoye would enable her put forward the concerns of the farmers effectively.

Ms. Bwalya has since presented the dairy sector to the Capacity Building Programme in the Ministry of Commerce, Trade and Industry. This programme is a new initiative in the Ministry which provides funds to develop and improve sectors of significance to the economy.

At the conclusion of the meeting, the Cooperative board chair pleaded with the negotiator to come up with pro-poor EPAs.

#### **Project Monitoring**

For the duration of the project, especially in contact sessions with the community, questionnaires were handed out to assess the farmers' understanding of the CPA and related processes as well as the possible impact of EPAs on dairy farming.

*“Transportation to and accessibility of the collection point are problems, especially in the rainy season when roads become almost impassable. The government should invest in feeder road rehabilitation, especially in areas that contribute to the countries income.”*

VERNON HAGWAMUNA, MAGOYE FARMER

### *The Case of Vernon Hagwamuna*

*Vernon Hagwamuna owns four milk-producing cows and has been a dairy farmer for the last four years. Dairy farming has contributed significantly to his household income in that he is able to meet all his basic needs. He produces an average of 30 litres of milk per day at an average price of about K1,200.00 per litre depending on the milk grade given by Parmalat. This gives Vernon an income of above K1,000,000.00 per month. Vernon, however, bemoans the low prices offered by Parmalat who are the only buyers of the cooperative's milk. Vernon's milking parlour consists of two feeding trays, one for water and the other for stimulator feed. The milking parlour is made out of simple roofing sheets and standing poles. Accessibility to the parlour is problematic particularly during the rainy season, as the path to the shelter becomes extremely muddy.*





*"I started producing milk four years ago with two cows and since then I have realized the viability of supplying milk to Parmalat'. It is a pity that I only have two cows that are able to produce milk. Many of our cows are not good breed for milk production. What is the point of boasting that you own a thousand cows yet they are not able to produce milk and give you an income, we seriously urge the government to assist us with good breed of cows to increase production as we have seen the importance of the dairy industry." Margaret Kaluwe, Magoye farmer*

*"Already we are seeing a lot of milk from within the region especially from Kenya and South Africa. Zambia milk processors at times prefer imported powdered milk to raw milk. Opening up to EU will worsen the situation since they have better technology to process powdered milk and farmers are subsidized. It has been very difficult for me to obtain a loan from the bank so that I can purchase appropriate dairy technology and put up a better structure. The Banks ask for unrealistic collateral and at times they say we are not employed but I consider myself employed since I earn something at the month end. I am a farmer".*

***"If the EU trade negotiator visited us I would ask him to take our concerns into considerations and not put us out of business."***

**JH MWEEMBA, DEPUTY CHAIRPERSON OF THE COOPERATIVE**



*“Our animals  
need to be cared for,  
just like people”*

MAGOYE FARMERS COOP CHAIRMAN



#### 4. EPAs and the Status of the Negotiations

In June 2000, the Cotonou Partnership Agreement (CPA) was signed between the EC and 77 ACP countries as a successor to the Lome Conventions. The CPA provides a whole new agenda for trade cooperation, development cooperation and political relations. The Cotonou Agreement calls for a new era of cooperation, based on equity of partnership and the sovereignty of partners, with the aim of poverty reduction and development. The trade component of the Cotonou Agreement being negotiated as EPAs calls for a system of WTO compatible, reciprocal trade preferences which are to replace the non-reciprocal preferences provided to ACP countries under the Lome Convention that has been in existence since 1973. EPAs are Free Trade Agreements (FTAs) under which each party undertakes to abolish restrictions on substantially all imports from the other party without discriminating between members of the WTO. The EPAs negotiations commenced September 2002 and expected to be concluded by the end of December 2007.

Among other issues, market access into ACP markets for EU's agricultural, industrial goods, as well as services, is a priority for the European Commission, which conducts the negotiations on behalf of the EU. In the first phase of the EPA negotiations the EC and ESA agreed on the principles and objectives of markets access of which some of them stated that no ACP country should be left worse of than it is currently. Furthermore, that EPAs should be based on special and differential treatment, promotion of regional integration and a proper sequencing of liberalization.

In phase two of the negotiations, discussions covered product coverage, i.e. which products should be tariff-free taking into consideration level of development of ACP countries, socio-economic constraints and capacity to adapt to the liberalization process. Other issues of interest to the EU are

rules of origin and scope of safeguards. However, most ACP countries have criticized the EC's agenda on market access as the proposals on the table have serious implications for countries which primarily deal in agricultural products. Agriculture is a major source of income both at national and household level in most ACP countries. It is feared that the local products would be exposed to unfair competition from subsidized EU products. Additionally most of these sectors are in their infancy hence EPAs could undermine their growth. This would be worse for most small farmers who derive their income by supplying domestic markets and regional markets (Cuts-Arch policy brief 2004).

Zambia, which is negotiating an EPA as part of the East and Southern Africa (ESA) configuration is among those countries requesting protection of sensitive products. To this the EC has indicated to ESA countries that they are entitled to exclude products that are of significance to their economies. The most recent updates on EPA negotiations reveal that the EC has proposed to remove all remaining quota and tariff limitations on access to the EU markets for all ACP countries. The offer covers all products, including agricultural goods like beef, dairy, cereals and all fruits and vegetables. This offer will apply immediately after an EPA comes into force from 1st January 2008. The problem with this offer is that, like the Everything But Arms Initiative, it is a unilateral offer with no negotiated agreement to hold the EU accountable.

Given the above scenario, protection of the Zambian dairy sector becomes significant especially for small producers whose household incomes and food security may be threatened by EPAs. The level and pace of liberalization needs to be checked. Another area of divergence between the EU and the ACP in ESA/EPAs negotiations on market access issues is compensation during the transition period before an FTA comes into full force. This is very crucial especially for the dairy sector in Zambia, which is faced with a number of challenges and serious supply side constraints.

More attention must also be paid to the values and objectives of the Cotonou Agreement of development and poverty reduction in ACP countries. EPAs must in the end have a real development dimension and protect the small producers. It is also crucial that ACP countries drive their own development agenda by deciding on the extent of liberalization and determine what sectors to protect.

*“It is important to note that ‘negotiating an EPA does not mean agreeing’ with the EU”*

THOMAS DEVE, MWENGO, ZIMBABWE

*“Can we not live without EU goods?”*

VERNON, MAGOYE FARMERS COOP



## 5. Dairy Sector in Zambia and Small-scale Producers

Over the years, the dairy sector has been unable to meet the demand of the amount of milk required. There is a shortfall of about 25% in the market. It is vitally important that production is increased, by rectifying all the supply side constraints and by taking advantage of all the opportunities that exist.

The dairy sector has also seen an increase in milk production from smallholder dairy farmers due to the significant contribution it can make to the incomes of many communities, especially in the rural Southern Province of Zambia. The income earned, according to the milk producing communities, is used for health clinic visits, education, clothing and other household necessities. A number of organizations have also come to assist the small producers improve productivity such as projects sponsored by the Ministry of Agriculture, Zambia Agricultural Technical Assistance Centre (ZATAC), Plan Zambia (PZ) and Land 'O' Lakes. These organizations are assisting small-scale farmers with access to dairy animals, disease control as well as markets for their produce.

About 40% of the milk produced by the small producers is marketed through formal marketing channels while 60% is sold informally. The major processing firm and buyer of raw milk in Zambia is Parmalat (Zambia) Limited which is the largest dairy processor in Zambia with processing plants in Lusaka and Kitwe, as well as a milk collection centre in Mazabuka, near the Mazabuka Cooperative. The company has an installed collection capacity of 120,000 litres per day. The raw milk received daily is to the order of 2 million litres per month and is mainly obtained from commercial dairy farmers in Mazabuka, Kitwe and Lusaka as well as small-scale dairy farmers such as the Magoye Cooperative.

Other processing firms are Finta, Danish Dairies Ltd, Dimondale Dairies, Zamilk Dairies, Maplehurst Farm Dairy

Products and Eastern Dairies Ltd. These companies later produce the following products: pasteurized fresh milk, UHT long life milk, cultured sour milk lacto, yogurt, fresh cream and butter for both export and for internal consumption.

### The Potential of the Dairy Farming Sector in Zambia

So far the smallholder producers have only been limited to trading on the domestic market (raw milk) due to their limited capacity, sanitary and phytosanitary issues, lack of processing plants and market information. However when these issues are addressed, the smallholder farmers, such as those of the Magoye Cooperative will be able to do much better. Instead of subjecting them to competition from EU dairy products, EPAs should assist them to improve conditions and produce more and better milk.

*“No economy has developed  
by first working for the needs  
of another economy”*

MBEWE, ZAMBIA EXPORT GROWERS ASSOCIATION (ZEGA)



## 6. Constraints faced by the Dairy Sector in Zambia

As has been noted in the earlier discussions, the dairy sector is a viable industry that could contribute to poverty reduction especially in rural areas of Zambia. The Ministry of Agriculture is aware of its significance, hence the programmes and projects of assistance such as the capacity building initiative and the agricultural extension services. However, the industry's growth is being undermined by a number of factors at national and international levels.

### National Level

The cost of producing milk is going up because the VAT paid on inputs, such as animal feed cannot be reclaimed. Also, there are no export restrictions on the intermediate products, such as cottonseed cake, required for manufacture of stock feed, which leads to shortages. Additionally, imported milk poses stiff competition to local producers and the low level of border customs enforcement adds to the problem

*In addition to these problems, there are a number of other challenges:*

- Lack of appropriate milk production technology to produce large quantities of milk
- Poor breed of dairy cows
- Poor cattle stock feed sources
- Inadequate agricultural Extension Services
- Lack of credit schemes
- Unattractive milk prices and monopoly pricing set by bulk milk purchasing companies
- Subsidized milk imports from the EU
- Lack of quality testing equipment at the local level

### International Level

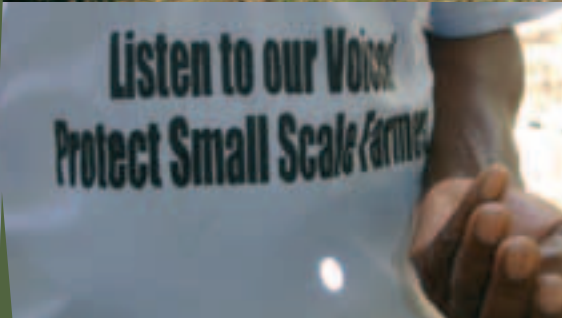
Developed countries, and especially the EU subsidize their dairy farmers who then export their surpluses to foreign markets and compete with locally produced dairy products in

developing countries such as Zambia. In the recent years exports of milk from the EU has increased due to the EU's Common Agriculture Policy (CAP) (European Commission: *Agriculture and Rural Development Report 2005*).

Local produced milk cannot compete against subsidized imports. The dairy sector in Zambia is in its infancy and finds it difficult to expand due to stiff competition from subsidized powdered milk. Hence, by enabling 'dumping' of subsidized dairy products, the CAP undermines developing countries' dairy sector's ability to grow. This situation is worsened by the fact that a country like Zambia lacks the capacity to establish anti-dumping guidelines as stipulated in Article 6 of GATTs.

**“We are good at formulating policy. We must make our governments to implement these policies”**

TEMWA GONDWE, MEJN



## 7. Recommendations

### Recommendations to the Government of Zambia to enhance small producers' trade in dairy products:

1. Zambia should develop a national dairy trade development policy which takes into consideration the challenges of small producers so that they can develop closer to the level of commercial producers. This policy should act as a guide to the decision on promoting and protection the dairy sector.
2. A deliberate policy on training of small dairy farmers on safety and quality of milk should be introduced so that they understand the role this plays in international trade in as far as consumer health is concerned. The programme should be designed in local languages as well.
3. There is need to put in place a mechanism for detecting cases of dumping and subsidies so that complaints highlighted by the Magoye community about cheap subsidized imports flooding the Zambian market can be addressed.
4. There is need to harmonize quality standards on dairy products and testing methods both at national and EU/ESA level.
5. In order to overcome the challenges of meeting sanitary and food safety standards challenges a system for sharing of information on disease and disease control systems needs to be developed as soon as an EPA is signed.

### Specific Recommendations to the European Commission and European Union:

1. The European Commission should assist the Zambian government and the small dairy farmers to develop the technical and financial capacity of the dairy sector.
2. EPAs should not undermine the Zambian government's space to protect the dairy sector from imports. The government is in process of looking into policies such as the dairy sector regulatory board, drug regulatory bodies and the private sector development initiative under which different value chain analyses including milk are being conducted. The implementation of these policies should be supported.
3. EPAs should be based on non-reciprocity especially for sensitive products such dairy products.
4. The timing of the introduction of reciprocity trade rules should take account of the level of development of ACP countries.

*“Our role is to raise the capacity and voices of the poor so as to demand accountability from policy makers”*

TEMWA GONDWE, MEJN

## 8. Conclusion

The Magoye Pilot Project facilitated linkages between the Magoye farmers and Ministry of Commerce, Trade and Industry. For the first time ever, representatives of the Ministry, which has no provincial or district level structures, were able to speak directly to small-scale farmers in a rural community and see at first hand their work and the challenges they face. Similarly, small dairy farmers learned about the Cotonou Agreement and the Economic Partnership Agreements being negotiated, and were able to put their opinions and problems directly to high level government officials and to the Deputy Minister of Commerce, Trade and Industry. The project was an eye opener for the small producers on trade policy especially EPAs. It was an eye opener for the trade negotiator too.

The project also identified another urgent issue: the need for greater coherence among key Ministries, for example, the Ministry of Agriculture and the Ministry of Commerce, Trade and Industry.

The Deputy Chief Trade Negotiator has since provided institutional linkages, for example, with the Ministry's Capacity Building Programme, to the Magoye farmers. Because of her interaction with the Magoye farmers, she and her colleagues are now better able to negotiate in an informed and evidence-based way,

The dairy sector has now been included on the list of sensitive products which will be protected in the trade agreement with the EU.

*“It’s been a very fruitful journey but there’s always a lot more to do and One World Action remains committed to the VIA Project”*


HELEN O’CONNELL, OWA

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*“It is high time that the  
Zambian Government  
prioritised the dairy sector as  
a sensitive sector which needs  
to be protected as it brings  
income to the majority of us  
small producers.”*

VERNON HAGWAMUNA, MAGOYE FARMER

