

# ***DAIRY MARKETS IN AFRICA***

***THE REGION OF OPPORTUNITIES IN THE FUTURE***



PM FOOD & DAIRY CONSULTING  
JULY 2014

## **New report about the African Dairy Market – Subscribe now!**

**PM FOOD & DAIRY CONSULTING** is publishing a new report: **Dairy Markets in Africa – the Region of Opportunities in the Future.**

The new report contains 280 pages of useful information about the less developed dairy region in the world. However, the dairy sector in the region has showed remarkable growth in the last decade and it has continued in the 2010s.

The report outlines and analyses the general dairy situation in Africa until now and outlines the future prospects for milk production, consumption, dairy markets, trade and the dairy industry.

The report also provides in debt analysis of the 15 major dairy countries in Africa that account for more than 90% of the milk production.

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## **Part II: Country analysis**

**Countries covered:**

**Egypt, Algeria, Tunisia, Morocco, Ethiopia, Sudan, Uganda, Nigeria, Ghana, Cameroon, Tanzania, Zimbabwe, Zambia, Kenya, and South Africa**

**The country analysis includes: Production, consumption, dairy markets, trade, dairy industry and future prospects for the 15 countries.**

## ***Extracts from the report:***

### **1. Introduction**

Africa is no longer the black continent where nothing succeeds. According to figures from UN Africa in general has performed with an average economic growth of 5% annually in the last decade and this dynamic development has continued in the 2010s. Several prognoses estimate that total GNP in Africa will double from 2010 to 2030 and sevenfold in 2050.

In 2050, UN expects the world population to grow with 2 billion of which one will be in Africa. The continent also has the world's youngest population – today 200 million people aged between 15 and 24 years – live in Africa and this is expected to be doubled in 2045.

Combined with the positive growth in the economy it will stimulate the demand for food including milk and dairy products. 50% of the world's unused arable land is in Africa equalizing 450 million hectare and this potential can be released if the continent can attract the necessary investments in technology and know-how and not only rely on developing aid schemes.

#### **1.1. Background**

Today, Africa is the less developed dairy market in the world with only 5% of the world milk production and the consumption level per capita is also very low. However, the dairy sector including milk production and the dairy market have developed dynamically in the last decade. The economic growth in the region in general has facilitated a growing demand for added value food including milk and dairy products.

The aim of this report is to analyze the development on the African dairy market until now and outline the future prospects. The report focuses on the whole value chain from the milk production to the sales of the final dairy products and this includes analysis of the milk production structure, logistics, dairy processing industry, the dairy market and the trade with dairy products

The analysis will answer the essential questions about the African dairy market until now and in the future:

- How the African dairy sector has developed in the last decade and what is the status for facing the future challenges?

- What is potential for the African milk production to meet the future demand for milk and dairy products?
- What is the structure of the dairy markets in the countries in Africa and how will they develop in the future?
- Which dairy products are consumed on the dairy markets and what will be the future successes?
- How is the logistically situation in relation to milk collecting and distribution of the dairy products to the final consumers and what is needed in the future to ensure a dynamic development?
- What is the current stage of the African dairy industry and is it capable to meet the future challenges with increasing demand for high quality milk and dairy products?
- The import of dairy products has grown steadily in the last decade – will this expand in the future to fulfil the growing demand?
- The engagement of the international dairy companies is initializing – will the future bring increased investments?
- What are the investment climate and future possibilities on the African dairy market?
- The report identifies the major dairy producing countries in Africa and the fastest growing dairy markets where the demand has to be supplied by foreign engagement or expanding import.
- What are the opportunities for the international dairy companies and suppliers to the dairy industry on the African dairy market in the future?
- The report provides analysis of 13 of the major dairy countries in Africa in relation to the current situation and the future prospects.

## **1.2. Content of the report**

The report aim to give the overall picture of the African dairy sector combined with analysis of the 13 major dairy countries on the continent.

**Part I** of the report focus on the general picture of the African dairy sector from 2000 – 2013 and the future prospects from 2013 to 2020 and this includes:

1. Economic situation in Africa
2. Milk production structure
3. Consumption of dairy products
4. Analysis of the specific dairy commodity markets
5. Trade with dairy products
6. Analysis of the dairy industry including the international engagement
7. Dairy policies in Africa
8. Ranking of the African dairy countries
9. Conclusions and recommendations

**Part II** includes the specific analysis of the major dairy countries in Africa which account for 92% of the milk production. The countries are: Egypt, Algeria, Tunisia, Morocco, Sudan, Ethiopia, Cameroon, Ghana, Nigeria, Uganda, Tanzania, Zambia, Zimbabwe, Kenya, and South Africa. The country analysis includes the following areas:

- General country information
- Dairy sector in general
- Milk production
- Dairy market
- Consumption of dairy products
- Trade with dairy products
- The dairy industry
- Future prospects

The country analysis illustrates the huge differences between the specific dairy markets in Africa in relation to milk production structure, developing stage of the dairy industry and the dairy markets including consumption level and eating habits.

The remaining 36 countries in Africa account only for 8% of the milk production and approximately 15% of the dairy consumption in Africa. These countries are not analyzed individually due to the little weight of the countries in dairy terms combined with lack of reliable dairy statistic.

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### **3. The dairy sector in general**

The dairy sector in Africa has in the recent 10-15 years made significant progress but poverty, lack of infrastructure and climatic problems create hard conditions for the development

The dairy sector has gained from the general economic growth in the region with growing demand for milk and dairy products in many countries. However, there has been an asymmetric development between the growth in milk supply and the demand for dairy products with growing import as a consequence.

Expanding intra-African trade and creating larger regional markets will be one key to the future growth of these economies. Spending patterns will shift as more households gain discretionary spending power.

Food and beverage consumption is projected to increase more in absolute terms than any other category over the next decade, rising by \$175 billion to reach \$544 billion in 2020

In the last 5 decades the global dairy sector has seen major expansions in small scale dairy production in some developing countries bringing prosperity to millions – while in some other countries it has stagnated

For every 1000 liters of milk produced daily, dairy activities are estimated to generate – about 77 farm jobs and 13 jobs in the processing sector

Dairy's role in some African economies is in contribution to the livelihoods and nutritional wellbeing of its rural population

Dairy is one of the most important agricultural sectors in Sub-Saharan Africa with a huge potential for alleviation of poverty and improving food security and nutrition

Raw milk production is primarily by smallholder farmers hence it's a major source of employment for the rural population. Milk production in Sub-Saharan Africa is highly dependent on rain grown fodder hence the industry experiences sharp fluctuation in milk production throughout the year

Productivity is extremely low with some countries in Africa recording as low as 174 kg per year per cow compared to over 12000 kg per cow per year in some countries.

#### **4. Milk production in Africa**

Traditional systems have dominated milk production in Africa for several years and still supply considerable amounts of milk today and also account for above 90% of dairy ruminant population in Sub-Saharan Africa. Indigenous groups like the Maasai, Borani, Fulani and Tuareg have a strong historic dairy tradition. They share many customs and regard milk as a product of harmony that is offered free to relatives, friends and visitors. Due to population growth, land shortage and increasing interest in production and consumption, market-oriented dairy systems are now evolving, with the use of high performing graded animals and/or higher inputs. Several international bodies (Heifer Project International, Land O'Lakes, Send a Cow, etc.) have developed strategies to promote milk production in African countries. These bodies usually have two main objectives: Improving on milk consumption especially by poor families (nutrition improvement) and increasing on farm returns from dairy farming (income generation and poverty alleviation). Therefore it is important to see how dairying has evolved in Africa as a whole and in individual African countries as well.

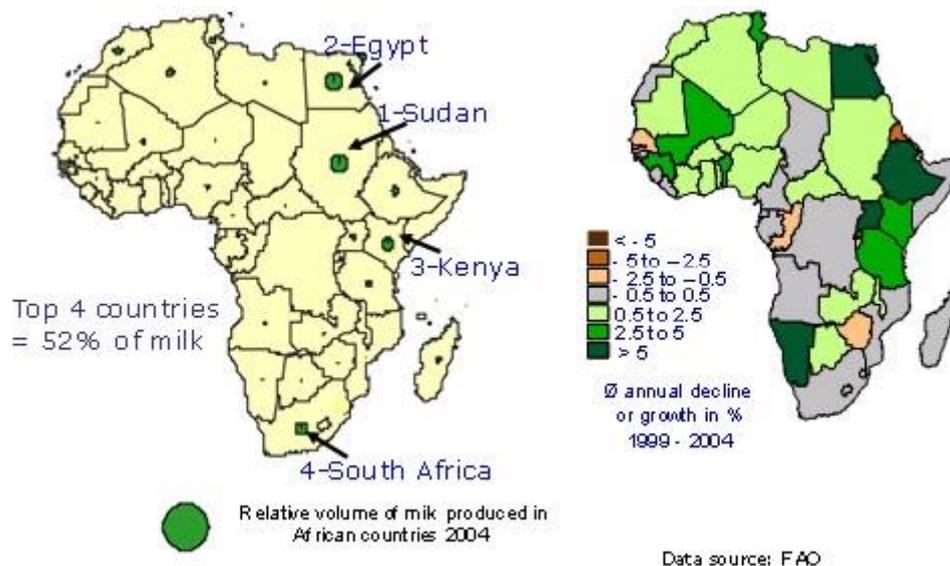
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## Milk production status and trends

In 2013, total cow milk production in Africa was 39 million tons produced from a total of 46 million dairy cows giving an average milk yield of 461 Kg milk per cow over the year, which is only one fifth of world average yield.

The top five African milk producing countries in terms of milk volume are Sudan, Egypt, Kenya, South Africa and Algeria. Meanwhile, the first four countries alone produce 52% of total African milk.

Milk production structure in Africa



Source: FAOSTAT, IFCN

The milk production in Africa accounts only for 5% of the world milk production and it is not foreseen to be able to cover the demand in the coming decades. The milk production has doubled from 1996 to 2013 reaching 40 million MT and in volume terms the major growth has been in the countries in North Africa and in Kenya and South Africa. The other countries in Sub-Saharan Africa have all experienced high relatively growth but from an extremely low level.

Milk production in Africa 1996-2020 (1,000 MT) – all types of milk

Country	1996	2000	2006	2010	2013 <sup>1</sup>	2020 <sup>2</sup>	96/13 %
<b>Egypt</b>	4,007	4,590	6,800	6,300	6,200	7,000	+54%
<b>Algeria</b>	870	1,130	1,500	1,550	1,700	1,900	+95%
<b>Tunisia</b>	610	880	900	1,080	1,200	1,500	+96%
<b>Morocco</b>	870	1,180	1,610	2,150	2,400	3,100	+275%
<b>Sudan<sup>3</sup></b>	3,560	4,000	5,480	5,373	5,400	6,000	+51%
<b>Ethiopia</b>	960	1,340	2,400	3,040	4,500	6,300	+468%
<b>Cameroon</b>	130	140	160	160	170	190	+31%
<b>Nigeria</b>	380	390	460	490	500	590	+32%
<b>Uganda</b>	620	740	990	1,230	1,300	2,100	+109%
<b>Tanzania</b>	650	1,386	1,650	1,739	1,853	2,200	+185%
<b>Kenya</b>	1,910	2,220	3,500	3,910	4,200	4,900	+119%
<b>Zimbabwe</b>	210	182	47	51	56	100	-275%
<b>South Africa</b>	2,170	2,070	2,570	2,890	3,000	3,200	+47%
<b>Other</b>	1,500	1,750	2,050	2,700	3,200	4,000	+115%
<b>Total</b>	<b>19,989</b>	<b>21,921</b>	<b>30,577</b>	<b>33,163</b>	<b>39,179</b>	<b>43,080</b>	<b>+98%</b>

1: estimates, 2: prognosis; 3: excl. camel milk

Source: FAO, IFCN, PM FOOD & DAIRY CONSULTING

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## Example of the country analysis

### Algeria



#### General information

After more than a century of rule by France, Algerians fought through much of the 1950s to achieve independence in 1962. Algeria's primary political party, the National Liberation Front (FLN), was established in 1954 as part of the struggle for independence and has largely dominated politics since. The Government of Algeria in 1988 instituted a multi-party system in response to public unrest, but the surprising first round success of the Islamic Salvation Front (FIS) in the December 1991 balloting led the Algerian army to intervene and postpone the second round of elections to prevent what the secular elite feared would be an extremist-led government from assuming power. The army began a crackdown on the FIS that spurred FIS supporters to begin attacking government targets. Fighting escalated into an insurgency, which saw intense violence from 1992-98, resulting in over 100,000 deaths - many attributed to indiscriminate massacres of villagers by extremists. The government gained the upper hand by the late-1990s, and FIS's armed wing, the Islamic Salvation Army, disbanded in January 2000. Abdelaziz Bouteflika, with the backing of the military, won the presidency in 1999 in an election widely viewed as fraudulent. He was reelected to a second term in 2004 and overwhelmingly won a third term in 2009, after the government amended the constitution in 2008 to remove presidential term limits. Longstanding problems continue to face Bouteflika, including large-scale unemployment, a shortage of housing, unreliable electrical and water supplies, government inefficiencies and corruption, and the continuing activities of extremist militants. The Salafist Group for Preaching and Combat (GSPC) in 2006 merged with al-Qa'ida to form al-Qa'ida in the Lands of the Islamic Maghreb, which has launched an ongoing series of kidnappings and bombings targeting the Algerian Government and

Western interests. The government in 2011 introduced some political reforms in response to the Arab Spring, including lifting the 19-year-old state of emergency restrictions and increasing women's quotas for elected assemblies. Parliamentary elections in May 2012 and municipal and provincial elections in November 2012 saw continued dominance by the FLN, with Islamist opposition parties performing poorly. Political protest activity in the country remained low in 2012, but small, sometimes violent socioeconomic demonstrations by disparate groups continued to be a common occurrence. Parliament in 2013 is expected to revise the constitution.

#### Key indicators for Algeria

Subject	Information	World ranking
Area	2,381,741 km <sup>2</sup>	10
Population	38 million	35
Population growth rate	1.9%	
Capitol	Algier	
Arable land	3.15%	
Religion	99% Sunni muslims	
Urbanization	60%	
GDP	\$277 billion	49
GDP growth rate	2.5%(2012 ) 2.4%(2011)	
GDP per capita	\$7,600	137

Source: Economist, CIA, OECD, PM FOOD

Algeria's economy remains dominated by the state, a legacy of the country's socialist post-independence development model. In recent years the Algerian Government has halted the privatization of state-owned industries and imposed restrictions on imports and foreign involvement in its economy. Hydrocarbons have long been the backbone of the economy, accounting for roughly 60% of budget revenues, 30% of GDP, and over 95% of export earnings. Algeria has the 10th-largest reserves of natural gas in the world and is the sixth-largest gas exporter. It ranks 16th in oil reserves. Strong revenues from hydrocarbon exports have brought Algeria relative macroeconomic stability, with foreign currency reserves approaching \$200 billion and a large budget stabilization fund available for tapping. In addition, Algeria's external debt is extremely low at about 2% of GDP. However, Algeria has struggled to develop non-hydrocarbon industries because of heavy regulation and an emphasis on state-driven growth. The government's efforts have done little to reduce high youth unemployment rates or to address housing shortages. A wave of economic protests in February and March 2011 prompted the Algerian Government to offer more than \$23 billion in public grants and retroactive salary and benefit increases, moves which continue to weigh on public finances. Long-term economic challenges include diversifying the economy away from its reliance on hydrocarbon exports, bolstering the private sector, attracting foreign investment, and providing adequate jobs for younger Algerians.

#### The dairy sector in general

Despite a noticeable success in increasing fresh milk production in recent years, Algeria continues to rely heavily on imports to satisfy the growing needs of its dairy industry. Development of the dairy sector to reduce reliance on imports remains one of the main priorities of the Algerian government in line with its new agricultural renewal strategy. The Ministry of Agriculture has established several programs to expand herd size and milk production efficiency.

The programs in the past have helped the milk production to improve from 870,000 MT in 1996 to 1.6 million MT in 2013. About 70% of the fresh milk in Algeria comes from cows, and the remaining 30% comes from sheep, goat and camels. Only 7% of the milk production was commercially collected for the dairy processing industry but it has increased to 24% in 2013.

Until 2000, milk production was based in factories producing pasteurized milk. A state authority manages the dairy industry and the import of milk powder. Although efforts made by the authorities, milk production is not efficient and remains at a low level and the self-sufficiency is only 48% due to the competition from imported dairy products. The import of milk powder in packs does not favor the consumption of local pasteurized milk. The governmental subsidies favor a high consumption level but not the production which remains at a low level.

The milk production has doubled from 1996 to 2013 reaching 1.6 million MT. The yield per cow is relatively high with 1,750kg compared to most other countries in Africa.

**Key dairy figures for Algeria 1996-2020**

	1996	2000	2006	2010	2013	2020
<b>Milk production (1,000 MT)</b>	870	1,130	1,500	1,550	1,640	1,900
<b>Cows (1,000)</b>	752	900	850	882	940	1,000
<b>Yield (kg/cow/year)</b>	1,160	1,260	1,770	1,760	1,750	1,900
<b>Consumption (1,000 MT)</b>	2,000	2,930	4,080	4,150	4,770	5,200
<b>Per capita (kg)</b>	70	96	121	120	130	140

Source: IFCN, FAO, PM FOOD & DAIRY CONSULTING

Increasing agricultural production is an important government priority and the development of the dairy sector to reduce reliance on imports remains a priority. The Ministry of Agriculture has established several programs to expand herd size and productivity by expanding artificial insemination, embryo transfer, and pastures, to import pregnant heifers and dairy cattle and to establish better quality control in the dairy sector by 2014. Reportedly, the government has imported a total of 60,000 pregnant heifers in the last four years.

The milk production is only expected to increase modestly from 2013 to 2020 with 15% and Algeria will be more dependent on import of milk powder. In 2012 the country imported 96,000 MT SMP and 178,000 MT of WMP and in 2020 it will increase to 125,000 MT and 205,000 MT respectively.

## Consumption of dairy products

The per capita consumption on milk has increased from 70kg in 1996 to 130kg in 2013 and it is expected to grow with 1-1.5% annually in the foreseeable future. The self-sufficiency is only 48% so half of the milk and dairy products consumed is imported.

Algeria is the largest dairy consumer in the Maghreb. Dairy products are a staple and supply an estimated 60 percent of the animal protein in the Algerian diet. The government currently estimates consumption at about 5 million metric tons or about 110 liters or milk and 6 kilograms of dairy products per capita. According to the Studies Center, dairy and dairy products expenditures represent about 14 percent of total household food expenditures.

The milk processing industry is comprised of a mix of public and private processors. Because milk is a staple, the government controls the price of milk by importing and then reselling milk powder at highly subsidized prices. The state-owned group, Giplait, dominates the reconstituted pasteurized milk market with about a 60-percent share. Private dairy processors, who also may import on their own accounts or buy domestic fluid milk, focus on producing more profitable processed dairy products, including yogurt, cheese, butter, sour milk, and dairy desserts, whose prices are not controlled (since they may not be manufactured from subsidized milk powder).

Several types of milk are available. Reconstituted pasteurized milk, produced from subsidized milk powder—using either a blend of non-fat dry milk and anhydrous milk fat or whole milk powder—is the major type of milk available. It has a 24-hour shelf life and is sold in one-liter bags at the government controlled, subsidized price of Algerian Dinar 25 per liter (\$1 = 79 AD). The price was last revised in February 2001 and represents only about one-third of the actual cost of the product. Fresh domestic milk and locally-produced UHT milk in tetra-packs are available at much higher prices. Imported whole milk powder is also available for consumer sales.

The consumption of other dairy products has increased in recent years with increased consumers' purchasing power and the increased availability of locally-produced products (manufactured mostly from imported powdered milk). Sources estimate yogurt and cheese consumption at 640,000 metric tons and 37,000 metric tons, respectively.

The per capita consumption on milk has increased from 70kg in 1996 to 130kg in 2013 and the is expected to grow with 1-1.5% annually in the foreseeable future

The different dairy product market is analyzed below with focus on drinking milk, yoghurt, cheese, other dairy products, and baby food.

**Drinking milk products .....**