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# AN ANALYSIS OF THE DAIRY TRADE BETWEEN MALAWI AND THE EUROPEAN UNION

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## Abstract

To protect Malawian dairy farmers against cheap imports of milk powder, tariffs on dairy imports were increased in 2010. The purpose of this work is to analyse the effects of this policy measure on the dairy trade between Malawi and the European Union (EU). The results show that the increase in tariffs and fluctuations in the international dairy price have not had a significant impact on imports from partners outside trade agreements (e.g., EU) and imports of dairy products, and especially milk powder, are still strong. Since the increase in imports was from products with high value added, these were not destined to increase the availability of affordable products for the vast poor population and to reinforce food security.

**Keywords:** Malawian dairy trade, European Union, constant market shares analysis.

## 1. Introduction

Although dairy is a key investment sector for the Government of Malawi and donor countries due to its potential contribution to food security and poverty alleviation, it remains underdeveloped. Despite Malawi consumption of milk per capita being the lowest in Africa, the domestic supply of dairy products cannot fulfil the domestic demand and thus, until a decade ago, Malawi was almost solely an importer.

While the total value of Malawi dairy exports has increased more than a hundredfold between 2005 and 2011, imports of dairy products remain an important part of the supply of dairy products in Malawi. They have a complex relationship with domestic production as in the near past some domestically processed products were made from imported powder milk, which had been reconstituted, and therefore, competed directly with domestic dairy production. Whilst evidence indicates that this is not the case anymore, important quantities of processed dairy products enter into the country and compete with the local ones. EU countries (e.g., Ireland, Netherlands, Denmark) are amongst the main exporters of dairy products to Malawi. Figure 1 shows Malawi imports of whole milk powder in 2011.

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Figure 1. Main exporters of whole milk powder to Malawi in 2011  
Source: FAOSTAT

## 2. Method and results

We analysed Malawi imports of main dairy products (milk and cream, milk powder, yoghurt, whey and other milk products, butter and dairy spreads, and cheese) from the European Union and others (Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), South Africa, Oceania and the Rest of the World) during 1999-2011. The results show that the increase in tariffs and fluctuations in the international dairy price have not had a significant impact on imports from partners outside trade agreements (e.g., EU) and imports of dairy products, and especially milk powder, are still strong. Figure 2 shows results for the case of milk powder.

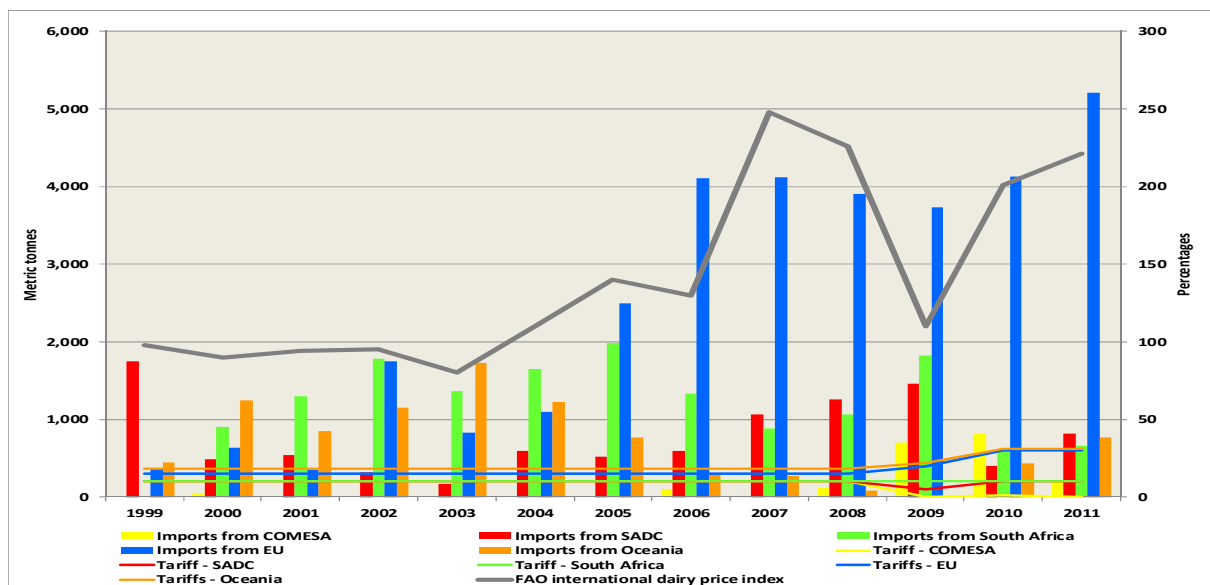


Figure 2. Tariffs, prices and imports of milk powder during 1999-2011.  
Source: Own figure based on data from UN-Comtrade database and FAO.

To analyse the changes in Malawi international trade during the past decade the constant market shares analysis was used (Merkies and Van der Meer, 1988), which separates the changes in exports to Malawi into four parts, namely the world term, the market term, the commodity term, and the competitiveness term. The first three terms represent the growth of exports which would result if the exporting country (EU) would have maintained constant market shares in the Malawi market, and are jointly referred to as the structural term. The competitiveness term captures the effect of changing market shares.

Preliminary results indicate that all the market share terms explain part of the evolution of Malawi imports from the EU; and in addition, since the increase in imports was from products with high value added, these were not destined to increase the availability of affordable products for the vast poor population and to reinforce food security.

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