



Towards a Euro-Mediterranean dairy strategy that reconciles food sovereignty and climate change

Matthieu Brun (FARM Foundation) et Stéven Le Faou (Jokkoo Conseil) Policy brief – October 9, 2024

ISBN number : 978-2-9595955-1-6



INTRODUCTION

The dairy sector in North Africa has been plagued by inflation and recurrent drought since the beginning of this decade.

The region's dairy systems will continue to be vulnerable to these shocks in the future since dairy consumption is expected to grow faster than production.¹

In this regard, the European Union, as a major trading partner, can play a decisive role in meeting the dairy needs of its Mediterranean neighbours. Of those neighbours, Algeria, Morocco and Egypt are the top three importers of dairy products on the African continent.

With this in mind, the FARM Foundation² felt that an analysis of the links between the dairy sectors of the EU and these three countries was particularly relevant at a time when European agricultural policy is evolving in the light of Green Deal commitments and debates on strategic food sovereignty.

The challenges facing dairy production in North Africa, coupled with the new European agricultural objectives, make it imperative for the EU, along with its economic stakeholders and development organizations, to reconsider and revitalize dairy cooperation with this region.

TWO-PRONGED DAIRY SECTORS IN SEARCH OF AUTONOMY

TOP CHALLENGES COMMON TO THE DAIRY SECTORS IN ALGERIA, EGYPT AND MOROCCO

In 2022-23, inflation hit 17.7% in Algeria, Egypt and Morocco.³

As rising prices impacted key factors of milk production, the escalating cost of importing animal feed, such as soybean and corn, placed a significant burden on domestic production.

This recent bout of inflation, combined with recurrent droughts, has highlighted the fragility of the dairy sector in all three countries, which depend on the international market for production inputs and whose increased autonomy is severely constrained by climate change.

Algeria, Egypt and Morocco in particular have some of the highest water stress levels in the world. Despite proactive public policies on access to drinking water (seawater desalination), the rationalization of agricultural consumption remains a major determinant of the degree of food self-sufficiency, as the sector uses 70% of the water resources in Algeria⁴, 80% in Egypt⁵ and 89% in Morocco.

Given recurrent droughts and volatility in the prices of agricultural raw materials, food and dairy autonomy is at risk of experiencing a "scissor effect" that would force the three countries to raise prices further, while being unable to boost animal feed and milk production. Despite these constraints, Algeria, Egypt and Morocco are seeking solutions to strengthen their food self-sufficiency.



> PROACTIVE DAIRY STRATEGIES

Although Algeria, Egypt and Morocco have adopted significantly different strategies for developing their dairy value chains, they all have one thing in common: they have made dairy supply a political priority. Supplying the urban market and the middle classes is highly strategic.

All three countries have “two-pronged” sectors, where informal and industrial channels coexist. In response to this challenge, Algeria has opted to open its dairy market, previously controlled by public authorities, while providing subsidies across the entire value chain, from production to consumption.

Egypt has liberalized imports and launched a large-scale investment strategy, whereas Morocco, through the 2008 Green Morocco Plan, has subsidized the restructuring of its dairy sector and regulated dairy product imports.

Despite these different strategies, the sectors in all three countries have been impacted by rising inflation and successive droughts, leading to a decline in livestock and production. For example, dairy production in Morocco declined by 20% between 2020 and 2022.⁶

In light of this situation, a number of strategic options are being considered to strengthen their dairy value chains.

EVOLVING LIVESTOCK PRODUCTION SYSTEMS IN THE FACE OF SEVERE CONSTRAINTS

Alongside the dairy subsidy plans adopted in response to cyclical shocks, in particular in Algeria and Morocco, post-COVID inflation seems to be rekindling longer-term political and scientific thinking.

The governments of Algeria and Egypt are moving forward with major production projects in steppe and desert areas. In 2023, the Baladna corporation (Qatar) signed an agreement with Egypt to invest \$1.5 billion in the country’s southwest dairy sector.

Algeria and Baladna also signed an agreement in 2024 to build an agricultural facility capable of breeding 270,000 cattle and producing 200,000 tonnes of milk powder per year, nearly 50% of national consumption levels.

Moreover, based on the premise that the growth of dairy farming is constrained by water resources and relies on imported production inputs (soybean, corn, cattle, etc.), many researchers believe that imports help to circumvent the problem of access to water.

They believe that taking the “water trade balance” into account would mean prioritizing the export of products that consume little water, and importing those that require large quantities.

This would, however, require an in-depth review of sector policies.

Finally, the sustainable farming models promoted by international organizations could guide the changes needed in view of the constraints experienced by the Algerian, Egyptian and Moroccan dairy farming sectors.

These context-specific models aim to increase productivity while using fewer resources and promote a balanced territorial distribution of livestock farming. In Algeria, Egypt and Morocco, over-reliance on the international market hinders the potential for synergies between crop and livestock production, which could be achieved through more balanced territorial development of dairy farming.

As a result, maintaining a sustainable balance between local production and imports is a critical issue that must be addressed to ensure both agricultural and environmental sustainability.

DAIRY CO-DEVELOPMENT, THE MISSING LINK IN THE NORTH AFRICA–EU PARTNERSHIP

PARTNERSHIP AGREEMENTS BETWEEN THE EU AND NORTH AFRICAN COUNTRIES

Over the last three decades, relations between North Africa and Europe were characterized by a number of political initiatives:

The Barcelona Process, the European Neighbourhood Policy, the Union for the Mediterranean and the complete and in-depth negotiation of Free Trade Agreements.

In the farming sector, Algeria, Egypt and Morocco signed European Union Association Agreements between 2010 and 2012. These agreements call for the elimination of customs duties on most agricultural products and have resulted in customs duties on European dairy products of 0% in Egypt, between 0% and 5% in Algeria⁷, and between 0% for cheeses and 30% on milk powders in Morocco.

In 2021, the European Commission announced a “new Agenda for the Mediterranean.” This strategic document, which shapes the EU’s policy toward the region, paves the way for increased European cooperation and investment aid in exchange for stricter border controls on emigration.

Despite these new commitments, the agricultural aspects of the partnerships are primarily focused on market liberalization, with very little support for rural development and the resilience of agricultural sectors in the face of climate change.

Yet the European Union has major assets to offer North Africa as a strategic partner in this sector, particularly as regards the dairy industry.

DAIRY TRADE AND INVESTMENT: FERTILE GROUND FOR COOPERATION

Links between the European Union and Algeria, Egypt and Morocco in the dairy sector are important in terms of both trade and investment.

The EU is a major supplier of dairy products to all three countries, mainly exporting skimmed milk powder and cheese. It provided between 42% (Algeria) and 74% (Morocco) of national imports in 2023, and has multiplied its market share by 1.6 since 2014. With overall milk powder import volumes for the three countries trending upwards since 2021, access to dairy products is increasingly dependent on this commodity.

In terms of investment, French industrial groups Danone, Bel and Lactalis are major players in dairy processing in Algeria, Egypt and Morocco. Danone has been in Algeria since 2001, Bel since 2002 and Lactalis since 2007. In Morocco, between 2013 and 2014, Danone acquired a 99% stake in Centrale Laitière, a leading manufacturer of dairy products.

Bel also has a presence in Morocco, with a plant in Tangiers. In Egypt, Danone owns a dairy plant coupled with a farm with 5,000 dairy cows, Lactalis has three cheese-producing plants and Bel produces processed cheeses. Arla (Denmark) has also been present on the Egyptian market since 2015, as has the Dutch cooperative Friesland Campina, since 2021.

Of these companies, Danone and Bel have implemented Corporate Social Responsibility (CSR) initiatives. Only Danone has developed a CSR strategy that takes into account the need to improve dairy farmers’ incomes, a key issue for rural development.

PROMOTING COMPLEMENTARITY BETWEEN THE TWO SHORES THROUGH THE DEVELOPMENT OF SUSTAINABLE DAIRY SYSTEMS

MILK—A KEY INGREDIENT IN THE NEW AGENDA FOR THE MEDITERRANEAN

Given that the European Union is promoting an agricultural development approach based on its Green Deal as part of the “New Agenda for the Mediterranean,”^{8,9} dairy cooperation with Algeria, Egypt and Morocco could be reviewed through the lens of these political guidelines.

Nevertheless, the migration issue remains at the heart of European foreign policy. As a result, the EU’s Neighbourhood Policy is regularly criticized for failing to take the interests of

North African countries into account. In response to these observations and to European sustainability objectives, the desire of Algeria, Egypt and Morocco to strengthen their food sovereignty needs to be taken into account.¹⁰

Considering that the EU has stated that “strengthening socio-economic resilience should remain a key cooperation priority,” it is crucial to factor in the ability of national farms to withstand economic and climatic shocks when designing cooperation initiatives.

In light of current efforts, it would be prudent for the European strategy to support sustainable livestock farming by partnering with companies that have deep-rooted histories in Algeria, Egypt and Morocco, while also promoting projects focused on social responsibility.

This would align with the EU's aim of "modernising [their] trade and investment relations" and incorporate its objectives of promoting sustainable development.

SYNERGIES CONDUCTIVE TO "OPEN STRATEGIC AUTONOMY"

The problems experienced in Algeria, Egypt and Morocco also call into question the sustainability of dairy systems throughout the Mediterranean region.

Since 2021, the EU has been promoting enhanced cooperation with a view to the transition to sustainable food systems, with an emphasis on open strategic autonomy likely to further the integration of industrial supply chains

between the EU and its partners in the southern neighbourhood. From this perspective, the dairy sector can be a vector for greater synergy between the two shores of the Mediterranean.

This is borne out by a number of major challenges facing the dairy sector, such as the strong trade interdependence between the two shores of the Mediterranean, the shared dependence on soybean imports, and the growing pressure on water resources throughout the Mediterranean basin.¹¹

A Euro-Mediterranean dairy strategy based on a logic of "open strategic autonomy", could primarily focus on commercial interests—given that the EU is a key exporter of skimmed milk powder, while North Africa is a major importer.

At the same time, the strategy could support economic development programs for the one million dairy farms, predominantly family-run, in the three countries studied.

It could also be technical, given that the EU states that it will support its partners "to strengthen their resilience in the face of climate change," and foster exchange between North African and European

CONCLUSION

The COVID-19 pandemic and the associated global inflationary shock have highlighted the vulnerability of farming systems in Algeria, Egypt and Morocco to international price volatility and the climate crisis.

The European Union, guided by its Green Deal, can offer these countries specific cooperation in the dairy sector, in line with its sustainability goals. To achieve this, it could focus its partnership

with North Africa on climate change adaptation through the development of sustainable farming, trade complementarity and the promotion of responsible investment. However, the dairy sector remains a marginal area in European strategies for the Mediterranean.

Pilot initiatives in this sector could fuel thinking on innovative agricultural partnerships capable of strengthening sustainable food systems on an international scale.

¹OECD/FAO. 2024. OECD-FAO Agricultural Outlook 2024-2033.

²On this subject, read the full study *L'élevage durable, levier potentiel du partenariat entre l'Union européenne et l'Afrique du Nord*, Fondation FARM, 2024. (French only)

³19.1% in Algeria, 213% in Egypt, and 12.7% in Morocco in 2022/2023 (the highest level in these countries in the last three decades) (World Bank).

⁴Ministère des ressources en eau. 2018.

⁵Radio France. 2022. En Egypte, les ressources en eau s'amenuisent. Broadcast on November 17, 2022.

⁶M.T. Srari, M.T. Benyoucef and K. Kraien. 2013. The dairy chains in North Africa: from self-sufficiency options to food dependency. Springerplus, vol. 2.

⁷The Green Deal aims to develop agro-ecological agriculture (lever 1), reduce food

loss and waste (lever 2) and encourage healthier, more sustainable diets (lever 3).
⁸Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. 2021. Renewed partnership with the Southern Neighbourhood – A new Agenda for the Mediterranean.

⁹"The new agenda aims to generate a green, digital, resilient and just recovery, guided by the 2030 Agenda for Sustainable Development, the Paris Agreement and the Green Pact for Europe." [translated from French]

¹⁰Mariam Diallo. 2023. La dimension migratoire des relations euro-méditerranéennes : La perception du Maroc. College of Europe.

¹¹Stéphanie Leyronas, Frédéric Maurel and Dominique Rojat. 2015. Faire face à la pénurie d'eau en Méditerranée. Questions de développement, n°23, AFD.