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Trade liberalization and control of Transnational Corporations in the dairy sector and allied sectors (fodder, seed, genetics)

To date, Pakistan's dairy and livestock sector largely remains in the hands of rural farmers; about 80% of the national milk supply is produced by small and landless farmers, most of whom are women farmers who rear small herd sizes of indigenous livestock.

Over the years, an efficient milk supply chain that provides a livelihood to millions of farmers and milk collectors has been established; milk collectors or *gawalay* carry out door-to-door collection of milk even in the remotest areas and supply it to village shops, city shops, city households, tea stalls/hotels or *dhabas* and also to middlemen or *thaikedars* working for dairy corporations.

However, this system is under imminent threat from corporations who want to cash in on the profitable sector either through (a) integrating small dairy farmers/producers into their corporate value chain or (b) maximizing supply-side efficiency by establishing their own large-scale dairy and cattle farms and generating their own milk.

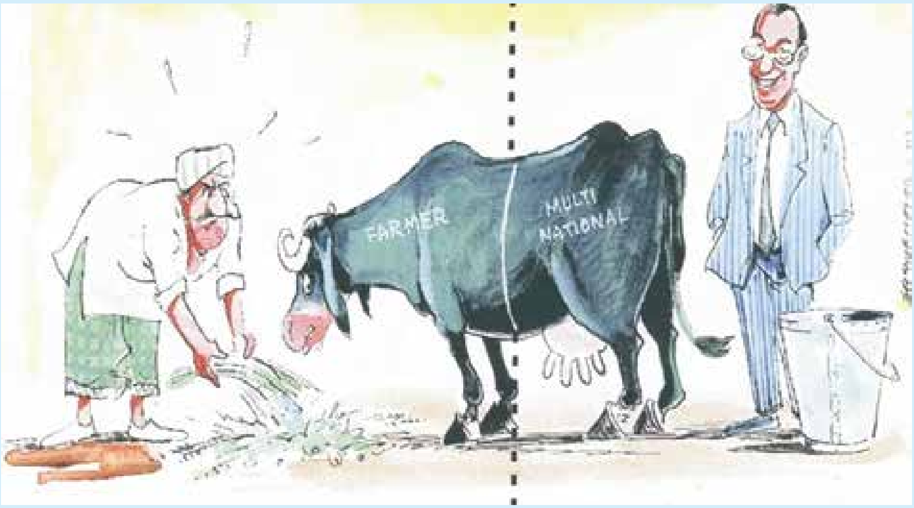
So how exactly have transnational corporations (TNCs) become powerful enough to oust small and landless farmers from their traditional livelihoods and establish a hegemony in the food and agriculture sector?

Powerful international institutions such as the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO) are dominated by capitalist countries that have played a significant role in shaping neoliberal agricultural and food policy in third world countries. Other key institutions that have pushed free trade in third world countries include aid agencies of industrialized countries.

Under the pretext of facilitating 'free trade', industrialized first-world countries have imposed protocols and regulatory mechanisms that protect the interests of powerful corporations. Key neoliberal policy instruments that strengthen market forces include bilateral and multilateral free trade agreements (FTAs) as well as the establishment of various dispute settlement mechanisms that erode the social, political and economic sovereignty of countries.

Why are TNCs looking to capture international markets?

The market for dairy products in industrialized countries is saturated and TNCs seeking further profits are tightening their hold on international markets with a high demand for dairy products. Due to the inequitable rules imbibed in WTO's Agreement on Agriculture (AoA), dairy corporations in first world countries, especially those in Europe, receive high domestic subsidies and end up producing cheap surplus products. Control over international markets allows them to conveniently dump low-priced goods in third world countries. It is clear that TNCs are responsible for the implementation of regulatory policies that expand and consolidate their market presence. At the same time, it is also apparent that these trade practices threaten the livelihoods of local farmers selling fresh produce.



JBS, Tyson, Cargill, Fonterra and Dairy Farmers of America (DFA) are the biggest meat and dairy corporations and while they are key players in global trade of meat and dairy products, they are not yet directly involved in Pakistan. The following sections of this primer will discuss some corporations that are tightening their grasp on the dairy and livestock sector in Pakistan.

How are TNCs using the tools of globalization to enter the dairy and livestock sector in Pakistan?

Through the Agreement on Sanitory and Phytosanitory Measures

(SPS), WTO is at the very forefront of paving the way for corporate control of the dairy and livestock sector. Under the Pure Food Laws being implemented in Pakistan, a mandatory pasteurization policy for the province of Punjab is underway, followed by a ban on the sale of fresh milk. At the same time, the sale of company-processed, packaged milk is being encouraged as a safe alternative to fresh milk.

The small and landless farmers who produce most of the fresh milk in Pakistan are ill equipped to set up pasteurization plants. Consequently, corporations will capitalize on this opportunity to capture the dairy sector. In Pakistan, the largest producers of processed milk are Nestle and FrieslandCampina (formerly Engro), both of which are European companies. Another TNC set to benefit from a shift to packaged milk is Tetra Pak, a Swedish-Swiss multinational that is the primary supplier of packaging solutions for processed milk.

Companies are notorious for willfully carrying out practices that decrease farm gate prices. For instance, they purchase fluctuating amounts of fresh milk from local producers; when import duties on dry milk are low, they reduce their purchase of fresh, locally produced milk and instead, source imported dry milk at very low costs – this is done under the false pretext that farmer-produced milk does not meet quality criteria and safety requirements. In order to save on production costs, dairy corporations not only jeopardise farmers' access to reliable markets but they also fail to provide nutritious whole milk to consumers; corporations only mix a small percentage of fresh whole milk from local producers with a large percentage of cheap and imported powdered no-fat milk (skim milk).

To what extent and through what means are corporations gaining control of other allied sectors?

Corporate control that is gaining its stronghold in the dairy sector through initially controlling the production and distribution of milk is expanding to other related industries of processed fodder, fodder seed, genetic material and infrastructural equipment for large-scale factory farms.

In order to improve the quantity and quality of milk (% of fat content) produced, companies are in the process of introducing silage (green fodder preserved, branded and packaged in airtight containers) or specialized seeds for fodder (often of hybrid variety). The push for company-produced formulated feed is further fueled by a lack of government policy or initiatives to guarantee the ample availability of indigenous forms of nutritious fodder; area under fodder production reduces by 1.6 % per annum because of a shift towards cash crops and biofuel-driven agriculture.

At the same time, transnational corporations are also acquiring vast tracts of land from rich landlords in Pakistan to grow expensive hybrid fodder for export markets. For instance, Al-Dahra Holding, a global agribusiness based in Abu Dhabi with a significantly large Animal Feed Division, has set up its fodder cultivation plants to grow a wide range of forage and roughage varieties targeted towards corporate dairy and cattle farms.

Moreover, breed improvement programs, also targeted towards increasing milk yields, are encouraging the practice of artificial insemination techniques and campaigning for cross-breeding between local and foreign breeds. America's export-oriented livestock companies are eager to maximize on the profitability of Pakistan's dairy and livestock sector. One example is that of Worldwide Sires. In Pakistan, Worldwide Sires operates under the banner of Maxim Agri and is intensely involved in agriculture and related sectors, particularly in the production of formulated fodder and specialized seed for premium fodder.

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Additionally, Worldwide Sires is also notable for exporting livestock semen. The federal government allowed private companies the import of 7,200 high-yielding cows of Holstein-Friesian and Jersey breeds along with 654,500 doses of superior quality semen in 2019-20. This will undoubtedly set a precedent for further imports of foreign livestock breeds in an effort to improve national milk productivity.

However, the initial cost as well as upkeep and management of foreign breeds is expensive. They need preventive medical care, premium feed, cooling sheds all of which small farmers are unable to provide. Please note that the use of artificial semen and other animal-based genetic resources is also protected by WTO's anti-farmer TRIPs Agreement. (For further information on the TRIPs Agreement, please refer to Primer 1 in this series)

Many private companies are importing products needed for large milking establishments and corporate dairy farms; local private companies such as Bovitech (established 2017) and Solve Agri Pak (established 2010) import live cattle, bovine semen and also offer consultancy services for investors. Their businesses are fiercely importing livestock and genetic material from industrialized countries such as UK and Netherlands.

It is quite clear that TNCs in Pakistan from various sectors such as dairy and livestock as well as packaging and seeds are helping each other to capture markets and gain profits in their particular line of goods and/or services.

Small and landless farmers vehemently reject corporate control of the dairy and livestock sector and assert their right to all natural and productive resources that are critical to their life and livelihood. Dairy and livestock is a cornerstone for rural food security, nutrition and livelihood and farmers should be at the very center of all decision-making in the sector.

For more information and further analysis on the ways in which global dairy corporations are snatching away the livelihoods of small and landless farmers, please refer to the other primers in this series.

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