



Her Excellency Chandrika Bandaranayake Kumarathunga,
President's House,
Colombo 01.

Leaders of all political parties

You're Excellency,

An appeal for Immediate steps to reduce Milk Powder Prices and to take measures to prevent the crisis of malnutrition

The People's Campaign to Reduce Milk Prices (PCRMP) submits this appeal to you in an attempt to draw your attention to a grave crisis that is affecting millions of children in our country today.

The PCRMP is a coalition representing a wide range of sectors and regions of the country. We have come together because of our concern regarding the very real and possible impact of the high cost of milk powder on the nutritional status of Sri Lankan children. We are most concerned about this situation among low-income families, and in particular among children in the regions of the island that have been most affected by the war and by the recent drought.

Milk is an essential nutrient particularly for infants, and for pregnant and lactating mothers. Due to the low production of milk in Sri Lanka, there is a great dependence on powdered milk, even among the poor.

The policy of market liberalization in recent decades has resulted in a few companies controlling the entire dairy sector including domestic collection of milk, import and marketing. In recent months the price of a 400 gm. packet of milk has gone up to Rs. 119/-. Estimates show that an infant needs to consume that amount of milk for 3 days. If this were so, an infant would require ten 400 gm. packets of milk per month. According to available figures, over 2 million families in Sri Lanka receive the Samurdhi grant, which means that they are all receiving an

income of less than Rs. 1000/- per month. Thus, we could deduce that infants in these families would not be receiving the amount of milk required to maintain a normal standard of health.

Further heightening our concern are studies by UNICEF and various other agencies that show that there is a high level of under-nutrition in children up to the age of 5, and high levels of anemia in pregnant women and lactating mothers. Other records show that the status of nutrition in vulnerable categories such as infants, under 5s and women of childbearing age in the areas of the island affected by the conflict is extremely low. Thus, we argue that the prohibitive cost of milk powder will lead to the irreparable retardation of the mental and physical growth of hundreds of thousands of Sri Lankan children.

Our coalition has made the following proposals to the government as well as to the milk-importing companies regarding possible ways for the reduction of milk powder prices:

In the immediate term:

- reduce advertising and packaging expenses;
- remove government taxes and levies on imports of milk powder;

In the medium term:

- state intervention in importing and distributing milk powder from less expensive sources;

In the long-term:

- put in place policies and programmes to revive and improve domestic milk production and distribution of fresh milk.

At a discussion we had with Mr. Nandasena Herath, then Deputy Minister and member of the Cabinet Sub-Committee for Reducing Prices of Essential Food Items, we understood that all the above proposals had met with the approval of the Sub-Committee. In early July 2001, your Excellency made a statement to the effect that government taxes on imports of milk powder would be reduced, thereby enabling the companies to pass on this reduction of costs to the consumer. However, we regret that this commitment regarding the tax rebate has not yet been honored. In the meanwhile, milk-importing companies have mounted a campaign to declare that they are already selling milk powder at a loss and that they could not consider any reduction in prices. In fact, some of them have argued for a further increase in prices. Among the facts they put forward in support of such a position is that they are themselves victims of rising prices elsewhere. Yet we are well aware that most of the milk-importing companies in Sri Lanka are linked to multinational corporations and import directly from their own 'mother' companies. Thus, we argue that they have a possibility of negotiating prices with their own owning corporations.

The following break-down of the costs of milk powder were given in a newspaper release dated September 12, 2001:

CIF	100.00
Duty	10.00
NSL	10.32
Stamp duty	2.00
Banking and Clearing charges	5.00
Cost of unjacketed milk powder	117.00
1% normal loss in packaging	1.18
Packing materials and labour charges	14.18
Landed cost	132.30
NSL on sale of milk	12.81
margin of 15%	25.62
selling price	170.79

According to this breakdown, we see that the most advantageous step would be an immediate reduction of the Defense Levy (NSL), which would take almost Rs. 13/- off the selling price. If the duty were reduced as well, the reduction would be almost Rs. 23/-.

In terms of our proposals for cutting down the costs of packaging and advertising, too, we do not have a positive response from the companies. They argue that reducing the packaging would affect the protection and quality of the milk. However, we in turn feel that the outer packaging of cardboard is not necessary in terms of protection and that eliminating this cost would make a reasonable difference in the final price of the product.

In addition, as reports tell us that more and more families are compelled to buy their daily needs of milk powder on a day-to-day basis, in measures of spoons and 50 gm. packets produced by their local shop, we feel that concerns regarding protective packaging are somewhat superfluous at this juncture.

We reiterate :

1 The government of Sri Lanka has an obligation under international law and as consequence of its ratification of legally binding treaties such as the International Covenant on Economic, Social and Cultural Rights, to protect the right of its people to an adequate standard of living, including food. Other international obligations regarding food security also prevail.

The effect of high prices of milk powder on the nutrition status of Sri Lankan children should be considered to be a matter of national priority and of Emergency proportions. In particular our focus should be on preventing Sri Lanka, which has already been identified by the FAO as a

low-income food deficit country, from deteriorating into a worse situation in the future.

We are convinced that the government of Sri Lanka can play a key role in urging the private sector milk importing companies to bring about a reduction in prices, with the first step in this process being the elimination of government taxes including the defense levy.

As civil society organizations we will commit ourselves to a number of steps that aim at the long-term, including educating communities in domestic milk production, campaigning for better facilities and supplies of nutrients to pregnant women and breastfeeding mothers, including extensions of maternity leave, special facilities to permit breastfeeding mothers to avail themselves of the breastfeeding breaks allowed by law and programmes for supplementary feeding for under 5s who are suffering from malnutrition or under-nutrition.

We hope that Your Excellency will pay due attention to our appeal, and look forward to continued cooperation in the field of child and maternal nutrition and health.

Your sincerely,
Seelawathi Menike
Sarath Fernand

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Families Suffer in Milk Crisis The following appeal is to protest the increase in the price of milk products in Sri Lanka. This is a serious human rights concern about one of the most basic of all rights - the right to food.

In the last four months, the prices of all milk and milk products in Sri Lanka have increased to unbearable levels. The price of a 400 gram packet of milk powder in 1977, for instance, was about 6 rupees (US\$0.07 [all figures are based on June 2001 exchange rates]). By 1994, it had increased to about 50 rupees (US\$0.56). This was when the government changed hands, and the People's Alliance (PA) government that came to power was loudly deploring the fact that 60 percent of the children below 5 years of age were malnourished. They promised that they would improve the situation.

However, after six years of the same policies under the PA, the price of this same packet of milk has now increased to 100 rupees (US\$1.11).

Nestle recently introduced a new variety of full cream milk named "NIDO", saying that they were doing this since there was no longer any fresh, full cream milk available in Sri Lanka (thanks to Nestle and others) and that full cream milk was essential for the nutrition of children. This milk costs 119 rupees (US\$1.33) per 400 grams.

This trade is not only unfair but is totally criminal in the Sri Lankan context of poverty, hunger, and malnutrition suffered particularly by mothers and children in all parts of the country. According to figures the official Poverty Alleviation Programme ("Samurdhi"), half the population in the country, or two million families, receive less than 1,000 rupees (US\$10) per month in family income. The World Bank standard for poverty is less than US\$1 per day per person. In such a situation, a family with just one child below 5 years of age, who requires essentially to be fed with milk (only powdered milk is available, thanks to Nestle and others), will have to be provided with at least 10 packets a month. Such a family will have to spend 1,190 rupees (US\$13.25) per month for the child's milk alone. Therefore, about half the population of the country is unable to feed their children with their essential milk requirements, even if they spend their entire family income on this alone. What about their essential food, medicinal and other requirements?

BACKGROUND

Just two decades ago, Sri Lanka was a country where fresh milk was freely available and very cheap. In 1981, under the policy of liberalisation and privatisation, the government took a decision to close the National Milk Board and signed an agreement with Nestle to develop the dairy industry. After 20 years, there is no fresh milk available in the market, and the entire milk foods sector is in the hands of just two or three large companies, such as Nestle, Anchor and Maliban, which market only milk powders imported from the West.

In April 2001, the government was given a standby loan of US\$253 million by the International Monetary Fund (IMF) on the understanding that the government would introduce immediate tax increases, deregulate the rupee and take other measures to reduce government expenses and increase revenue. The government as a result has decided to raise greater tax revenues from the milk companies (presently the tax on milk powder sales is 19.5%). Thus, the government has allowed the companies to increase their prices as they wish. The government previously raised income by increasing taxes on tobacco and alcohol, but now they have begun to implement the same revenue-generating policies with milk, including infant milk - a very different commodity.

Already, about half the population of mothers, and children of age groups 5-11 years and 11-18 years, have been found to be anaemic according to the latest figures available (last survey in 1994). The impact of these price increases would be unimaginably destructive and criminal.

The injustice of this situation goes far beyond what has just been described since the money that is extracted from the country's starving mothers and hungry children will be spent for the process of killing, for the continuation of the war. It makes the situation even more tragic since the money earned by government taxes of this type is also being spent to build more infrastructure for wealthy global investors. The budget this year includes building four superhighways at a cost of approximately 7 billion rupees (US\$77.95 million). The IMF has told the government that these capital expenses should be continued at any cost.

The government of Sri Lanka's conduct on the issue of milk is a violation of human rights. Sri Lanka has undertaken to respect, protect and fulfill the right to food by ratifying the International Covenant on Economic, Social and Cultural Rights. In 1999, the UN Committee on Economic, Social and Cultural rights adopted General Comment No.12 on the human right to adequate food, which defined the right to food as including, among other things, two key elements: (1) that food is 'sufficient for the dietary needs' of the people (2) that the food is 'accessible'. 'Accessible' is primarily defined as including a purchase price that does not prevent the satisfaction of other basic needs. The Committee states that "Violations of the Covenant occur when a State fails to ensure the satisfaction of, at the very least, the minimum essential level required to be free from hunger." (para.17).

The Sri Lankan government has not lived up to its obligation to respect, protect and fulfil the human right to adequate food. First, by adding a heavy defence levy and GST, the government actively interferes with access to milk. It starves the poor to feed its war. Second, by initially granting virtual monopoly status to companies such as Nestle, Anchor, Lanka milk foods Ltd and Maliban, the government fails to ensure an affordable price for the nation's poorest people. It thus fails to protect the human rights of the Sri Lankan people from the profit-motivated practices of private actors. Finally, by failing to adopt a plan of action to ensure that the nation's most vulnerable groups have, as a very minimum, the bare essential nutrition for a moderately healthy existence, the government fails to implement its obligation to fulfil the right to food.

[Information provided by Seelawathie Menike of the Movement of Mothers to Combat Malnutrition (MMCM) and Sarath Fernando of the Movement for National Land and Agricultural Reform (MONLAR)]

SUGGESTED ACTION

Express your concern by writing a letter to:

(1) The President of Sri Lanka:

- Demanding that priority be given to food, rather than the war and highways, in spending the national budget;

Letter from Nestlé

I refer to the letter you published from Dr Orskov ([NI 279](#)) concerning the activities of Nestlé in Sri Lanka. Your readers may be interested in the factual position:

- 1) Nestlé Sri Lanka does not now import whole milk powder for retail sale from Europe, New Zealand or Australia.
- 2) Approximately 50 per cent of the milk collected from the National Grid is used exclusively by Nestlé in Sri Lanka to manufacture Nespray Full Cream Milk Powder and Milk-maid Sweetened Condensed Milk.
- 3) The price paid to the farmers in Sri Lanka is higher than the price per litre paid in New Zealand and Australia.
- 4) Milk prices are not determined or totally controlled by Nestlé Sri Lanka. On the contrary, the price paid to the local farmers is determined by the Government of Sri Lanka. Moreover, 80 per cent of the total milk-powder market is controlled by the New Zealand Dairy Board through their Anchor brand and Lakspray from the EC countries. The local processors of fresh milk and Nestlé have just 20 per cent of the market.
- 5) Milk collection doubled between 1984 and 1995. This can be attributed to Nestlé's activities.

Ralph Clayden

Nestlé UK Ltd, Croydon, England

The price of a 400gm packet of milk powder in 1997 was about 6 rupees (1.5 cents). By 1994 it had increased to 50 rupees and by last year was 100 rupees (\$2.70). In April this year, under the pressure of loans from the International Monetary Fund (IMF) the Government decided to get a bigger tax take from the milk companies. It now gets 19.5% of the earnings from milk powder sales and it has allowed the companies to increase prices as they wish. A new full cream milk powder just introduced sells at 119 rupees (about \$3.20) per 400 gms.

According to official figures, half the Sri Lankan population receives less than 750 rupees (about \$20) per month in family income. To buy sufficient milk for just one child under five would cost a family 1,190 rupees (\$32).