

Challenges and Opportunities of Rural Agribusiness in Drylands: Experiences from Aloe Vera Producers' Cooperatives in Southern Ethiopia, Borana Zone, Ethiopia

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Abstract

In Ethiopia, the modern use of Aloe Vera plant has an infant history though conventionally it has been used for its medicinal value such as wound healing, snakebite and during cultural ceremony. Recently, with the support from non-profit NGOs the practices of Aloe Vera as an alternative livelihood practices were recognized in Borana zone. However, the cooperative based aloe Vera soap production were suffering from recurrent climatic though the product has high demands. Their marketing system was also tempting where cooperatives members and local community remains the major market outlets of the product particularly due to lack of business skill and its occurrences besides their economy of scale. This demands addressing the business risk efficiently that takes into account the production cost boom (Input Price) and demand failure. Consumer based market development is important where the cooperatives should expand their market based on consumers' interest rather than limiting market expansion.

Introduction

The livelihood situation was become worsening in southern Ethiopia dominantly due to climate change. As a result, the normal livelihood of the pastoralists become a bit struggling that need another opportunity. Though there are different opportunities of livelihood diversification, pastoralists were at the edge of abject poverty due to lack of skill and awareness. With this regard, with the help of different non-profit organizations the practices of using Aloe Vera for income generation was started (Teshome Daga, 2014). With the benefit from the non-profit organizations, different Aloe Vera soap producer's cooperatives were established for Aloe Soap production. The cooperatives were established with motives of improving and diversification of their livelihood (Teshome and Bayissa, 2014). With these motives, all vital infrastructure, skill developments and seed money was provided by the project to enhance successful startup of the cooperatives.

Besides linkage with other actors, moreover, different skill development such as business skill, financial management and basic skill in cooperatives management was undertaken to improve the sustainability of the cooperatives. Most recently, however, the cooperatives were harassed by different factors such as drought shocks, input price inflation, uneven assembly and falling demand of the product. Particularly, the market situation was very bad with a limited market segmentation. Moreover, though local communities were willing to use the product, the higher price of the product (soap) trials their purchasing capacity as a market outlet. As a result, the cooperatives members and few elites are a few consumers of the product.

Yet, though it is possible to improve the production by sophisticated demand driven technology (e.g. mold), the cooperatives have no financial capacity. However, they were fear to take the credit due to anxiety of the business failure due to the current market situation. As a result, their production was decreasing from time to time. Moreover, some members of the cooperatives were quitting due to the reward of their cooperatives business. Generally, the cooperatives were struggling to continue even though it experiences less promising marketing system.

However, it is important to improve the value chain of the product, Aloe Vera Soap, that demands sustainable linkage of the chain of product flow from its conception to the end of final users. Otherwise, it is difficult to identify where intervention is the most important. Value chain entails the complex interconnected activities undertaken from the product conception to the final consumers where different actors plays different roles. Where some actors, core actors, directly involved in the product flow, other, supporting actors, on the other hand facilitates the linkage to smooth the product flow to reach the more diversified consumers. However, the failure of this linkage, it results in business failure. Hence, multi stakeholder workshop was arranged to overcome challenges faced across the Aloe Vera Soap value chain. Accordingly, the multidisciplinary-based multi-stakeholder workshop participants were provided a concise solution to improve the value chain of the product.

Objectives

The major objective of the workshop is to improve the Aloe Vera Soap Value chain. Specifically, the workshop was targeted

- i. To analysis Aloe Vera soap marketing system

- ii. To identify challenges and opportunities along Aloe Vera soap value chain
- iii. To evaluate the future dilemma of aloe Vera soap producer's cooperatives

Methodology

This article was prepared as part of the Aloe Vera Soap stakeholder's workshop on Aloe Vera soap value chain development in southern Ethiopia initiated in December 2016. To extract the required data, different checklists were used. Accordingly, field visit of the two Aloe Vera soap producers' cooperatives was conducted. Additionally, discussion with cooperatives' members and local consumers were undertaken to recognize the current situation of the cooperatives, views of the members, and local consumers.

Moreover, to validate the field result, the stakeholders workshop was executed using different tools to facilitate active participation including group works on different tools such as stakeholder analysis tools, SWOT analysis tools and value chain analysis.

Result and Discussion

Marketing system of the Soap

Market is a key solution of a business success where the upgrading is the issue. With this regard, the total return and total cost of the actors are important which determine the marketing efficiency a product (Maganga *et al.*, 2016). With helps of these parameters, it is possible to calculate marketing efficiency of the product over a period though it need the exploitation of total cost including the total fixed cost per unit.

Remarkably, these variables are very important to improve the profit (margin) of the business. Typically, margin is a per unit return of product whereas the marketing contribution is the total earning at a specific period. Hence, the total variable cost per unit was estimated as 10.40 ETB and selling price was currently about 13.00 ETB in the local market. Accordingly, the market margin is about 2.60 ETB per unit of the Aloe soap even though the variable cost was highly increased regardless of a stationary product price, which may deteriorate the margin of the business. The success warning is that the cooperatives could not sold what they produce daily. From the vested cooperatives, kayo-siku cooperatives was producing only 25% of its predetermined production capacity and generate generates only 15 ETB per day per man, which is far less small than the payment for labor per day in local labor market. Thus, failing of the market is an alarming warning of the future of the rural Aloe Soap producers' cooperatives business

Table 1. Cooperatives margin and contribution evaluation

Cooperatives' Name	Production capacity per day	Margin	Number of people participated	Contribution	Average Return per person per day
Badhadha	100 Soap	2.6 ETB	6	260	43ETB
Kayo-siku	40 soap	2.6 ETB	7	104	15 ETB
Average	70		6	182	28 ETB

Challenges of Aloe Vera Value chain

Various NGOs have been undertaking various livelihood supporting development projects in Borana zone. Aloe Vera soap producers' cooperatives were among these projects of NGO with the target of alternative livelihood of the pastoralists suffering for impacts of climate change. However, these cooperatives were hardly ongoing on smooth manner as it was supposed to from its conception. During the stakeholders' workshops, numerous challenges and opportunities were identified to improve the Aloe Vera soap value chain. However, due to most of the challenge and opportunities were interlinked, the summary of challenges and opportunities were presented as follow.

Poor supply of input: the cooperatives were started their operation with simple material that can be operated manually which could no requires special skill that provided by NGO at the beginning with all the required skill. Though the cooperative were also linked with other input suppliers, such as Union, the linkage was at the edge of logjam due to some specification. Though the cooperative were eager to improve its design as of its customer, they have no capacity to purchase the new mold of production due to fear of business risk.

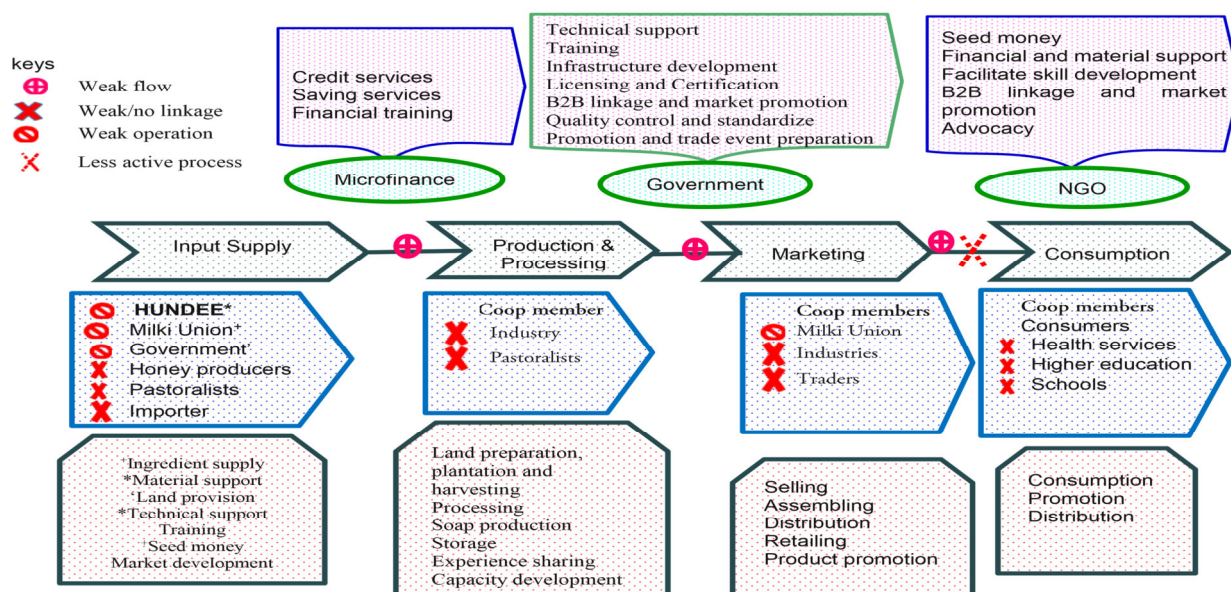


Figure 1. Aloe Vera Soap Value Chain Map

Moreover, except water and aloe sap, all ingredients were accessible on market mostly through their input suppliers. However, currently these inputs were hardly accessible due to its price inflation. As a result, the cost of production is constantly mounted while the price of the product remains static from the beginning of the cooperative establishment. Because of this, the margin of the products was very low which frustrates the members even to the level of resigning from the cooperatives' membership. Poor market linkage: the market linkage of cooperatives was very tightening with respect to the potential users of the soap and input suppliers. The cooperatives look habitually for others as input supplier product assembly and distribution. Though there are numerous routes, the cooperatives were limited to the specific routes, which increase the probability of failure or good success. Other potential traders and consumers were hardly addressed.

Fixed size and shape: though different actors such as local retailers want to join the aloe Vera soap value chain, the high price of the product limits the progress. Similarly, as compared to the industrial product in the local market, however, the Aloe Vera Soap was supplied with a limited size, design and fixed higher price which avert the consumers to use another competent product.

Lack of promising consumers: cooperatives supply their product along three market routes to the final consumers. However, currently the supply of cooperatives to its members was the only promising route that cooperatives selling their products. The other roots, was confronted with some substantial challenges. The local community were less smoothly procuring the product due to its price as compared to other industrialized soap in the local market though it has its own comparative advantage than others. As a result, it induces underproduction and member frustration to continue with business. Additionally, it reduces the contribution of the cooperatives, which digresses the future of the cooperative.

Poor devotion of members: Though the cooperatives members organized by willingness, still they consider this business as off-season rather than as livelihood alternative. Particularly, during hard climatic condition, drought, it was observed the society migrated for search of water and forage for their livestock as their normal livelihood. During this occasion, they were discontinuing the production to resume subsequently after rainfall. However, the whole family do not migrate with their livestock, the cooperatives' members pays less attention to the business particularly during bad weather condition.

Fear of Credit risk: Credit is supposed to be another opportunity when the cooperatives face financial shortage to enhance their production capacity. However, the cooperatives were hardly willing to take the credit due to the fear of credit failure because of the status of product's market. It related to the access to market where expansion of the business bear nothing if they could not sell what they produce. Due to this, the fear of business failure bears a fear of credit failure to improve the production capacity.

Inadequate business skill: The cooperatives were initially established with all required material, skill -and inputs as an alternative livelihood business. However, most of the cooperatives were believes that the business is not as worthwhile as their normal livelihood due their dependence on this NGO. Nevertheless, the cooperatives' members conceived that it is a responsibility of this NGO to improve the marketing system of the product. However, though it has responsibility the major responsibility lies for the beneficiary due to its reward. It is an indication that the beneficiaries need better skill development particularly on marketing skill.

Opportunities

Potential consumers and Market linkage: Market is the key players for the success of business entity before any other issues such as production and productivity. This requires the ability to compete in the market with the satisfaction of the consumer otherwise; the competent product could be an option. Yet, the demand of a soap is high among the local consumers even far higher than their production potential. However, the linkage of the market actors such as creates a great canyon of progress. Additionally, the link with other potential service providers such as school, health services center and higher institution are also another potential consumer. The role of these actors should not under looked due to its forward and backward effects on creating demand due to their statutory of recognition in the mindset of the society. Besides this, these institutions have larger diversified outreach than other actors do in the marketing system. Source of input supply: the cooperatives were linked with few input source, majorly their respective Union. Beyond the production mold, the cooperatives were also losses efficient input supply due to weak linkage with other input suppliers. Usually, supply of basic production input should have linked with some sustainable suppliers besides win-win linkage between a cooperatives and the Union.

Market advocacy: the role of promotion of the product is not less than that of the efficiency production. It discloses the availability of the product, comparative advantage for the consumers and supply opportunities across the localities. Furthermore, advocacy includes media coverage, market promotion, information of production ingredients, and the comparative advantage of the product. Media coverage includes magazine, newspapers; Television and radio have a power to create high demand by disclosing its availability, location and benefits. It creates an opportunity to link with other market actors with a competitive benefit. These media can reach larger part of the consumers particularly wholesalers and retailers. Additionally, market promotion discloses the viability of the product across a larger consumer particularly during market days. Though market promotion costs at the initial phases, it has many advantages to create high demand and information of the production. The promotion can also be addressed such as discounted mini-trade fairs, bazaar and exhibition supported by panel discussion with various actors can contributes to disclose the product to all actors such as retailers, wholesalers and consumers. However, it need a collaboration of different stakeholder to realize this kind of events.

Moreover, promotion via other possible media such as posting of different banners on market days and any other populous area is another opportunity. Similar production of different brochures such users' instructions, product information, scientific proves (quality and standard information), expiry dates, ingredients and any other information can boot the demands of the product across a variety of the users. Additionally, internet based promotion (Facebook, twitters, own website etc.) have also many advantages such as attracts further investment and scientific discoveries. Committed cooperatives' members: though some members were quitting from membership due marginal gain from the business, still there are numerous committed members struggling to improve their marginal income. However, it is a good opportunity to show the benefit of these cooperatives, though win-win value chain linkage is important in value chain upgrading. Otherwise, the supremacy of one actor over the other actors demotes the success opportunities of other actors in the value chain scheme.

Utterly, the committed cooperatives have limited business skill where they tolerate the smooth failure of their business opportunity. As a result, the fragmentation of their members was clearly observed due to the gradual weakening of their business reward.

Conclusion and Recommendations

In Ethiopia, the modern use of Aloe Vera plant has an infant history. However, conventionally, it has been used for its medicinal value such as wound healing, snake bite and during cultural ceremony. Recently, with the support from non-profit NGOs the practices of Aloe Vera as an alternative livelihood practices were recognized in Borana zone. However, the cooperative based aloe Vera soap production were suffering from recurrent climatic impact. The product has high demand among the local community because of its medicinal value for skin diseases and washing effectiveness. Though the cooperatives were linked with other actor in zone for product outreach beyond local community, this linkage was gradually suppressed to the bottom level of the product value chain. As a result, the product value chain was poorly smart to enhance the livelihood of the cooperatives members starting from input supply to consumer driven marketing practice. Along the Aloe Vera soap value chain, all input such as caustic soda, wax and perfume where supplied by external actors except water and aloe sap. However, it was hardily promising which suppresses the cooperatives to produce far below their potential.

The marketing system was also tempting where cooperatives members and local community remains the major market outlets of the product. However, consumers prefer local aloe soap as compared to other manufactured soaps, the demand for further improvement beyond the contemporary dimensions of the cooperatives results in the diminishing of consumers from time to time. However, the margin of the product was decreasing overtime that reduces its ability to capacitate the livelihood of its members. On the other hand, a

genuine business have a comparative advantage particularly for small producers in different parts of the world. However, direct community support enhances dependency syndrome, which result in hardly sustainable intervention. Thus, starting the community support from their strength to fill the gap in their weakness is important.

Similarly, intensive business capacity and marketing skill development need further efforts where it could embrace the self-reliant and confidence of the cooperatives' members to run the business by their own self-interest for better profit. Particularly, market based intervention could improve the sustainability of the business whereas direct support will build a dependency syndrome. The business risk should be addressed efficiently that takes into account the production cost boom (Input Price) and demand failure. Consumer based market development is important where the cooperatives should expand their market based on consumers' interest rather than limiting market expansion.

Market advocacy is another important element that discloses the availability of the product, comparative advantage and supply opportunities across the localities. Thus, besides improvements of its appearances, promotion of the commodity is important venture to work on.

Strategic goal: the business cooperatives should have to develop with the cooperatives' members to internalized strategic goal which enhance own struggle to improve their income.

Cooperatives' member selection: It is important to take care-off during cooperatives member's selection for the future success of the business due to various characteristics of the human nature.

Diversified linkage with other actors: particularly traders, retailers, input suppliers and service center helps to enhance the demand of the product. The selling or distribution agent based actor linkage (Shop, service center, wholesaler and retailers) particularly in urban area is also important.

The robust participation of key stakeholder need urgent action, which help to build the strong base of the cooperatives to meet its mission. Additionally, further key stakeholder feedback meeting or panel discussion is important to indorse passion in to action.

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