

A Review of Challenges and Opportunity of Livestock Marketing in Southern Part of Ethiopia

Sintayehu Shibru

College of Agriculture, Department of Agricultural Economics, Wolaita Sodo University, P.O. Box 138, Wolaita Sodo, Ethiopia

Abstract

The livestock sector in Ethiopia contributes about 16.5% of the national Gross Domestic Product (GDP) and 35.6% of the agricultural GDP. It also contributes 15% of export earnings and 30% of agricultural employment, provides significant importance to the economies of Ethiopia and to local livelihood systems. However, in recent years official export has been declining while illegal export has been increasing. The Middle Eastern countries have been a traditional export market for Ethiopian animals but increasingly stringent health and quality control regulations restricted exports to these countries in recent years. Of the total household cash income from crop and livestock, livestock account the lion share in terms of revenue in different parts of the country, and the higher the cash income the higher is the share of livestock, indicating that increased cash income come primarily from livestock, particularly in the pastoral areas. However, current knowledge on livestock marketing, constraints, performance, opportunities, and prices is poor and inadequate for designing policies and institutions to overcome perceived problems in the marketing system. Knowledge on how marketing routes and systems could contribute to the spread of diseases and the implications of these for national and international trade in livestock is also highly inadequate to design any policy or institutional innovation to improve marketing for the benefit of the poor. Further, regaining the export market will require an understanding of the market potential in the importing countries including growth in demand, sanitary and phytosanitary (SPS) and other quality requirements, rules and regulations governing the market, Ethiopia's competitiveness in the market in relation to alternative suppliers and ability of the domestic market to respond to the export market opportunities. Since the livelihood of smallholders is highly dependent on the cash income from livestock and livestock products, alleviating challenges to the export market and domestic trade and marketing structure, improving market information, and upgrading marketing infrastructures including health and sanitary conditions will increase the welfare of smallholder producers, urban consumers and improve the national balance of payments.

Keywords: Challenges, export, marketing, performance, phytosanitary

1. Introduction

Ethiopia is a home for many livestock species and suitable for livestock production. Livestock productions are of significant importance to the economies of Ethiopia and to local livelihood systems. According to the national accounts estimates of Ethiopia, the livestock sub-sector contributes a significant proportion to value added of agriculture and allied activities. Next to coffee, though smaller compared to the potential, livestock exports constitute a major source of foreign exchange earnings (Million Tadese, 2003). It is believed to have as the country with the largest livestock population in Africa (CSA 2013; Solomon et al. 2003; Tilahun and Schmidt 2012). An estimate indicates that the country is a home for about 54 million cattle, 25.5 million sheep and 24.06 million goats. Livestock plays vital roles in generating income to farmers, creating job opportunities, ensuring food security, providing services, contributing to asset, social, cultural and environmental values, and sustain livelihoods. The subsector has an enormous contribution to Ethiopia's national economy and livelihoods of many Ethiopians, and still promising to rally round the economic development of the country. The subsector in Ethiopia is mainly of smallholder farming system with an animal having multipurpose use and contributes about 16.5% of the national Gross Domestic Product (GDP) and 35.6% of the agricultural GDP (Metaferia et al. 2011). It also contributes 15% of export earnings and 30% of agricultural employment (Behnke, 2010).

The Southern Nations, Nationalities and Peoples Region (SNNPR) has a huge number of livestock population with the current estimate of about 7.5 million cattle, 2.4 million sheep, 2.2 million goats, 6.9 million equines and 5 million chicken. According to Bureau of Planning and Economic Development (BOPED) report trends in cattle population in the region slightly increasing starting from 1997 while it was relatively constant for sheep and goats (BOPED, 2002). Livestock have various social and economic functions in both highlands and lowlands/pastoral farming systems. In the highland and mid altitude areas of the region, livestock are part of the mixed farming complex providing integrated inputs for crop production (i.e. traction, threshing, transport and manure) and outputs such as milk, meat, eggs, wool, hides and skins. Of the total household cash income from crop and livestock, livestock account for 37 to 87% in different parts of the country (Ayele *et al.*, 2003), and the higher the cash income, the higher is the share of livestock, indicating that increased cash income comes primarily from livestock, particularly in the pastoral areas.

This paper reviews current knowledge on livestock marketing, constraints, performance, opportunities,

marketing development efforts and outcomes, and related issues. The paper also identifies information gaps and recommends research that may help to reduce inefficiencies in the domestic market and identify opportunities in the domestic as well as export market.

2. Materials and Methods

Structured recent scientific findings and journals were assessed critically to examine the current trends for the challenges and opportunity of livestock marketing in southern part of Ethiopia.

3. Opportunities for livestock production and marketing

Ethiopia's lowland breeds of cattle, sheep, goats and camels are highly demanded by neighboring countries as well as the strategic livestock markets of the Middle East (Belachew and Jemberu, 2003). According to the same authors, the relatively huge number of livestock resources, proximity to the export markets, conducive investment policies, the liberalization of the economy, the supports and attentions given by the government to export trade gives the country comparative advantages in livestock trade. These conditions have been the driving forces for the establishment of several abattoirs.

During the last ten years in Ethiopia, the private sector has been active in setting up export abattoirs and also in the exporting of live animals. Government support to this sector was provided through the Livestock Marketing Authority (LMA) 1, under the Ministry of Agriculture

And Rural Development (MoARD) at the time, forming exporter's associations, identifying potential export markets, facilitating export procedures and so on. Bilateral programs specifically

Designed to address sanitary issues are also on the fore.

According to Aklilu (2008), an increasing number of donors (USAID and EU in particular), FAO and NGOs are also engaged in supporting livestock marketing from pastoral and other potential areas either through national, regional, cross - border or area - based programs. Some of these programs have been or are being implemented through regional organizations such as the Africa Union/Inter-African Bureau for Animal Resources (AU/IBAR), Common Market for Eastern and Southern Africa (COMESA) and the Intergovernmental Authority for Development (IGAD), and some through National based institutions or as stand - alone projects. Many of the NGOs operate at the local level with a few exceptions that operate at the national level.

4. Challenges of livestock marketing

The major animal sources for the export abattoirs are smallholders in the lowlands of the country, the production systems of which have not been properly characterized. However, measurable stride towards that end has not been made. Constraints to and sustainability of the meat export marketing system and potential expansions in relation to sustainable resource utilization and degree of competition with domestic demand have not been investigated (Daniel Tewodros, 2008).

Illicit trade seriously affects Ethiopia. A large number of livestock and livestock products valued at 917 billion Birr annually are lost via the flow into the neighboring countries. Data from Livestock Marketing Authority (LMA) (2001) revealed that an estimated 325,800 cattle, 1,150,000 sheep and goats, 300,000 skins and 150,000 hides go through illicit cross- border trade from Ethiopia.

According to Daniel (2008) enhancing the ability of poor smallholder farmers and pastoralists to reach markets, and actively engaging them is one of the most pressing development challenges. Remoteness results in reduced farm-gate prices, returns to labor and capital, and increased input costs. This, in turn, reduces incentives to participate in economic transactions and results in subsistence rather than market-oriented production systems. Sparsely populated rural areas, remoteness from towns and high transport costs are physical barriers in accessing markets (Holloway and Ehui, 2002). For market development, dynamic relationship between demand and supply is a prerequisite, but the smallholder and pastoral livestock production is not market oriented.

According to Solomon (2004), the livestock sector in Ethiopia plays a vital role in the overall development of the country's economy. Yet, the existing income generating capacity of livestock as compared to its immense potentials in the country is not encouraging. Under these conditions, farmers have no incentives to improve the quality of their animals through appropriate management practices.

Ayele *et al.* (2003) reported that current knowledge on livestock market structure, performance and price is poor and inadequate for designing policies and institutions to overcome perceived problems in the marketing system. Knowledge on how marketing routes and systems could contribute to the spread of diseases and the implications of these for national and international trade in livestock is also highly inadequate to design any policy or institutional innovation to improve marketing for the benefit of the poor.

As large number of livestock population is obtained in the lowland area which called pastoral, many challenges are looks like similar in one or another ways for most herders. African pastoral systems are currently characterized by instability, food insecurity, decreasing income, increasing poverty, and environmental

degradation, loss of key grazing lands to cultivation, annexation by government and private interest, drought, inappropriate development policies, and population growth (Getachew *et al.*, 2005).

Despite the contribution of livestock to the economy and to smallholders' livelihood, the production system is not adequately market-oriented (Ayele *et al.*, 2003). There is little evidence of strategic production of livestock for marketing except some sales targeted to traditional Ethiopian festivals. According to the same authors, the primary reason for selling livestock is to generate income to meet unforeseen expenses. Sales of beef cattle are taken as a last resort and large ruminants are generally sold when they are old, culled, or barren. In the highlands, large numbers of cattle are kept to supply draft power for crop production.

According to the results of a base line survey report by ACIDI/VOCA (2006b), location advantage, proximity to the strategic cattle markets and sea ports; ethnic similarities, same languages, social and cultural relationships with the people across the borders and weak economic and market bondages within the country have created conducive situations for market links across the borders. According to the same source the neighboring countries bordering these areas either consume locally or re-export to other countries mainly to Middle East countries.

Belachew and Hargreaves (2005) reported that beef cattle marketing is not characterized by small-scale business with very few assets, personalized trading (mostly with known people), and trading over very short distances. The implication is that animals have to be traded several times in order to reach the large and distant terminal markets. This has the tendency of increasing handling costs, thereby raising retail and suppressing farm gate prices. Markets are dispersed with remote distances lacking price information.

According to the producers' experiences, the result of Daniel (2008) showed that the reasons for these price variations across different markets were stated as the number and kind of traders availability, proximity of the markets to urban centers, availability of roads to the markets, infrastructure at the markets and the availability of brokers and their pressure at the markets have influence on the price of beef cattle.

5. Conclusions and policy implications

Considering the size of the human population that depends on livestock production in both region as well as country wise, the development of domestic and export markets is critical to alleviating poverty, raising revenues and continuing the trend towards more market - orientation. It is keen to promote the export of live animals and meat with a growing interest in value addition by maximizing export revenues, creating jobs and offsetting the limitations arising from Sanitary and Phyto Sanitary requirements for live animal exports. By and large, these include establishing relevant government departments/ministries, policy initiatives to promote agricultural development, poverty reduction, accelerated economic growth policy frameworks and the setting up of bilateral or multilateral programs focusing specifically on livestock development.

Future policy directions regarding this subsector should include the institutionalization of emergency livestock off - take from potential but susceptible to drought as a drought mitigation measure by setting up a robust drought early warning and response system; rehabilitation of dilapidated infrastructure (roads, holding grounds and stock routes) along with protecting holding grounds from acquisition by private developers.

Shortage of grazing land, shortage and problems on water sources, cattle health problems, lack of technical supports, lack of security and conflict were raised as main constraints. It was known as production and marketing depends largely on assured supply of accompanying inputs such as feed, veterinary services and improved cattle marketing facilities. Based on these realities attention should be made on improve the available natural pasture, develop and implement over the communal rangeland management systems, organization and management of watering points, development of extension services on in terms of livestock production and marketing systems. In the same way too reduce the long chain in the marketing system and establish strong linkage between the producers and the exporters, encourage formations of marketing cooperatives in order to create transparency with export operators, to increase market awareness and sustainable market information systems.

The significance of developing the feeds industry cannot be over-emphasized in light of the recent drives to maximize returns from the livestock sector through export revenue and/or domestic marketing. Given the genetic makeup of the livestock species found in the area, noted for enduring hardship but not productivity, competing in international market without adequate feed and health provisions is not likely to pay off.

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