Livestock are the highest valued agricultural commodity in intra-regional trade in West Africa. Historically, they have linked the Sahelian countries (e.g., Burkina Faso, Mali and Niger), which are livestock exporters, to the humid coastal countries of Côte d’Ivoire, Ghana and Nigeria, which are net importers. Intra-regional trade in live animals, including cattle, sheep and goats, increased in real value terms from US$ 17 million in 1970 to US$ 211 million in 2000, with cattle accounting for roughly 70% of trade. Livestock provide livelihood opportunities for millions of resource poor smallholder producers and, if properly promoted, livestock trade has the potential to contribute significantly to foreign exchange earnings.

As part of the Common Fund for Commodities (CFC) funded project on “Improvement of Livestock Marketing and Regional Trade in West Africa”, the International Livestock Research Institute (ILRI) conducted a study in 1999 to identify the major economic, institutional and policy barriers to achieving the full benefits and possibilities of livestock trade. Major findings of the study are presented in this brief.

Livestock marketing channels: Competition and market performance

Beef produced under the pastoral systems in the Sahel in 2001 at an average price of US$ 1500/t is competitive compared with the global price of US$ 1900 and US$ 2500 and US$ 3100/t in the United States and the European Union, respectively (Boutonnet et al. 2000; World Bank 2001).

Figure 1. Marketing margins of domestic and cross-border traders in Sikasso (Mali), Bittou and Niangoloko (Burkina Faso).
ever, marketing problems in the region lower this competitive advantage and partly prevent Sahelian livestock producing countries from participating in the lucrative global market for red meat. Competitiveness remains a matter of concern for various reasons presented in this brief.

The domestic segment of the livestock marketing channel starts at the farm gates and village collection markets and ends at frontier markets—markets which are located at the border of neighbouring countries with the aim of facilitating cross-border trade. This segment is operated by small to medium scale traders with a capital base ranging from 0.5 to 2.5 million FCFA and was found to be very competitive with marketing margins ranging from 2.7 to 5.5% of final market prices for cattle. The main distinguishing factor between big livestock (export) traders and domestic traders was the capital outlay required to export a truckload of cattle—about 4.4 million FCFA.

The number of traders operating in the cross-border segment have remained limited due to the higher capital outlay required, lowering the necessity to adopt competitive behaviour. This is partly reflected in the size of the marketing margins of export traders which is two to five times higher than in the domestic segment (Figure 1). In total, this can represent as much as 6.52 billion FCFA per year for cattle exports from Burkina Faso and Mali alone. The higher margins partly compensate for the higher risks and transactions costs (including loss of animal and illicit taxation) involved in cross-border trade. Nevertheless, the results suggest that improved market performance in the entire livestock marketing chain can be achieved by making credit readily available to livestock traders to increase the number of participants and competition in the cross-border segment, and also by reducing the risks associated with cross-border livestock trade.

Premium on high-grade cattle and advancing production towards exportable surplus

Analyses of factors that determine livestock prices showed that buyers paid a premium for large, castrated, zebu cattle in excellent body condition (see Brief 2). All traded cattle were graded by body condition, with only 14% of weighed cattle proving to be in excellent body condition (Table 1). The price per kg liveweight of cattle varied from 289 FCFA for very lean cattle to 413 FCFA for cattle in excellent body condition. Improving the body condition of cattle presented for sale to an excellent rating would result in a 34% increase in beef production, or a 39% increase in value. In real terms, the value of intra-regional cattle trade in 2000 could have been worth US$ 208 million instead of the US$ 150 million it achieved if farmers had consistently produced zebu cattle in excellent body condition.

<table>
<thead>
<tr>
<th>Body condition score</th>
<th>Very lean</th>
<th>Lean</th>
<th>Good</th>
<th>Very good</th>
<th>Excellent</th>
<th>All cattle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion (%)</td>
<td>1</td>
<td>11</td>
<td>47</td>
<td>26</td>
<td>14</td>
<td>100</td>
</tr>
<tr>
<td>Average weight (kg)</td>
<td>197</td>
<td>210</td>
<td>223</td>
<td>284</td>
<td>340</td>
<td>253</td>
</tr>
<tr>
<td>Price/kg liveweight (FCFA)</td>
<td>289</td>
<td>313</td>
<td>349</td>
<td>394</td>
<td>413</td>
<td>365</td>
</tr>
</tbody>
</table>

Tests for equality of means show that prices differed at 0.01 level of significance between grades

The purchase price of cattle at an average of 105,850 FCFA in the exporting countries represents 83% of all costs incurred in cross-border cattle marketing. Livestock trade in West Africa is based on live animals and, as such, transportation and handling go together in the process of transferring animals from one location/owner to another. Transportation and handling alone account for almost half of the other associated marketing costs (Figure 2). Cross-border transportation and handling expenses remain high due to a shortage of trucks, high fuel taxes, activities of sociétés de convoyage (see livestock market institutions below), handling costs and inadequate or deteriorating transport infrastructure (see Brief 3).

Promoting effective livestock marketing and intra-regional trade will require the elimination of illegal road taxation at checkpoints, reforming conveyance companies, and lowering fuel taxes. These policy actions could potentially lower shipment costs by 37% or 5250 FCFA/head of cattle from the current 13,650 FCFA/head (see Brief 3). Value added processing, in the medium to long run, will further reduce costs in the cross-border segment by eliminating the need to pay fees to drovers who drive (conduct) herds of animals to market as trade becomes based mostly on meat rather than live animals.
Weak price transmission between markets
Comparing cattle prices over time in Bittou and Niangoloko markets, and their respective supply markets, showed that livestock prices tend to move in the same direction in the short run for pairs of frontier and supply markets. However, prices in the frontier markets do not respond to changes in farmers’ supply (Bittou) or only weakly (Niangoloko). This suggests that traders, especially in the case of Bittou where all cattle exports were purchased at the frontier market, dictate prices. In contrast, export traders in Niangoloko made 69% of their purchases from upstream collection markets and farm gates. This higher level of upstream activity assisted price transmission, which explains the higher level of price responsiveness recorded in Niangoloko.

The low level of market integration and weak livestock price transmission indicate a need to put in place effective market information systems as a policy option for improving pricing that would benefit West Africa’s livestock producers.

Livestock market institutions
Information on livestock prices and supplies of livestock and objective standards for buying and selling animals in the markets studied were not available. The absence of these resources negatively impacts trade by increasing the time required for buyers to search for animals with appealing qualities, the ensuing negotiations, payment, and transfer of ownership. At times, these transactions costs are so high that no exchange takes place. This has led to the emergence of market institutions to lower costs and promote exchange.

The most important institutions are traders’ associations and intermediaries. Intermediaries exist both as individuals (brokers) and as organised bodies, such as sociétés de convoyage (conveyance companies).

Individual intermediaries (brokers)
Individual intermediaries act ex ante and ex post to influence livestock market transactions costs (see Box 1). Their roles often lower transactions costs and increase the number of successful negotiations, though the marketing margins of sellers may be lowered in the process. For each cattle transaction, the buyer pays the intermediary a flat fee of 500 FCFA. Export traders use intermediaries (up to 97% of the time) for reselling to avoid selling on credit, and only 6% of the time for purchases, probably in order to control cash disbursement directly.

Livestock traders’ associations
The Cooperative des Marchands de Bétail de Sikasso (COBAS) of Mali and the Union Nationale des Associations de Commercants et Exportateurs de Bétail du Burkina Faso (UNACEB) are the two most important livestock traders associations en-
In line with previous work, this study shows that opportunities exist for improving livestock marketing and regional trade in West Africa. This can be done by:

- making credit readily available to livestock traders and private entrepreneurs who wish to go into value added processing of livestock. This can be achieved through the strengthening of traders’ associations
- lowering transportation and handling costs
- developing reliable livestock market information systems and
- liberalising, harmonising, and implementing regional policies on livestock trade with total commitment.

Ninety percent of the traders interviewed in Bittou and Niangoloko stated that UNACEB played an important role in obtaining credit from a bank and on-lending to its members at interest rates that are 5–10% lower than market rates (which ranged from 25–32%). Roughly, 50% of the traders joined the association to build social capital, 19% to have access to market information and 16% to be able to control or fix livestock prices.

COBAS and UNACEB have, for the most part, succeeded in arranging for transport for their members and in providing them with credit facilities. In doing so they have demonstrated sufficient knowledge and skills to manage transportation and organise finance for the benefit of their members. Organising a network of successful market associations and expanding and strengthening their capacity could, therefore, prove rewarding in solving some of the constraints to livestock trade. Ways of linking successful associations to one another and to financial institutions should be studied, thus enabling associations to mediate between livestock traders and financial institutions. The capacity of market associations to purchase and rent out trucks to their members should also be explored.

Trade policy

Trade policy, in addition to the economic and institutional issues already discussed, also affects intra-regional livestock trade. For example, key trade policy reforms such as trade liberalisation, trade facilitation, exchange and payments systems and investment facilitation are being implemented in different ways and at varying speeds by countries in the region (see Brief 1). Lack of commitment in handling these issues will raise the costs of livestock trade and continue to fuel illegal taxation to the detriment of improved regional trade.

Conclusion

In line with previous work, this study shows that opportunities exist for improving livestock marketing and regional trade in West Africa. This can be done by:

- making credit readily available to livestock traders and private entrepreneurs who wish to go into value added processing of livestock. This can be achieved through the strengthening of traders’ associations
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References


