



# A review of the bones and tallow value chains in Somaliland

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## Background

Export of livestock and livestock products is the main source of foreign currency earning in Somaliland. However, in the recent past, the growth in earnings from livestock sales has been declining against a background of increasing human population growth. Adding value to livestock and livestock products provides an avenue for reversing declining growth in incomes.

*Figure 1. Sample jewellery made out of bones and bars of soap produced from tallow*



This study was conducted by the International Livestock Research Institute (ILRI), Terra Nuova and IGAD Sheikh Technical Veterinary School (ISTVS) to map and characterise the bones and tallow value chains in Somaliland, as well as to delineate the main constraints that have hindered the growth of this sector.

The two value chains are promising and were initially developed with support from the Somaliland Meat and Development Association (SOMDA) in 2011. SOMDA is a non-profit and non-governmental local humanitarian organization registered with the Ministry of National Planning and Development and the Ministry of Livestock to support entrepreneurship and micro-businesses that add value to livestock byproducts in Somaliland.

## Methods

The research used the case study approach focusing on SOMDA and encompassing three steps. The first step entailed collecting secondary information about SOMDA and reviewing literature on the value of the bones and tallow value chain in the horn of Africa. The focus was to gather information on the content of technical training

offered to value chain actors prior to the establishment of the value chains. The second step involved contacting and interviewing trainers to obtain their perspective on the potential viability of these value chains. The third step comprised focus group discussions with value chain actors and physical inspection visits to their premises. It was envisaged this would provide a good understanding of the current state of the value chain and promote understanding of the constraints and opportunities within the chain. A SWOT (Strengths Weaknesses Opportunities Threats) analysis was also carried out to identify the strengths and weaknesses of the soap processing and bone crafting ventures, as well as the threats and opportunities they face. This will help outline key bottlenecks that should be addressed to revitalise the businesses.

## Results

### Mapping of the bones and tallow value chains

Results revealed that the bones and tallow value chains in Somaliland are relatively short (Figure 2) and are operated by self-help groups involved in cottage processing of bones and tallow. The main players are Bilan Soap Company, involved in the processing of soap from tallow; and Future Way Enterprise, involved in crafting of trinkets and ornaments from livestock bones. The activities of the two groups are coordinated by SOMDA.

It is important to note that the bones and tallow value chains serve a unique niche in the livestock sector where marginalised communities, women and youth work. In this regard, the value chains play a role in employment creation and income generation. In addition, they contribute to create cleaner environments by making use of livestock byproducts that often pile up as landfill.

### Challenges and opportunities of the bones and tallow value chains

The SWOT analysis highlighted a number of strengths and weaknesses for both enterprises. Potential opportunities that could significantly contribute to strengthening of the businesses were also identified.

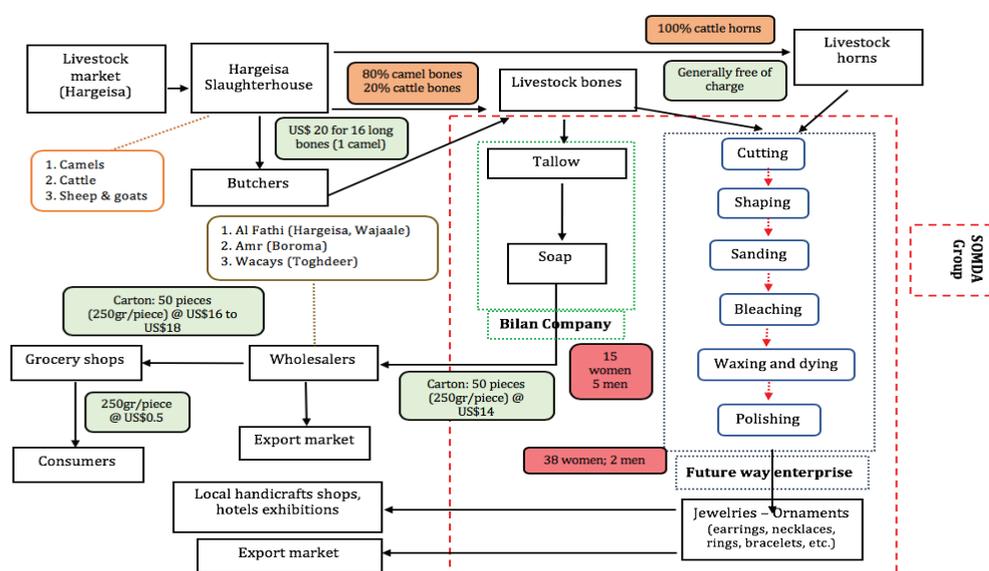
#### 1. Business strengths

- The soap production process largely relies on natural inputs, such as camel tallow and natural fragrance and colorants. This is preferred by consumers and has the potential to attract more buyers if final products are standardised and certified.
- Sufficient supplies of raw materials (livestock bones and tallow) are available in the local market and at a short distance. The development of export slaughterhouses currently taking place will also increase the availability of these materials.
- There is good-will from other value chain actors within the market. The soap business has reliable wholesalers who collect and deliver products to retail outlets located all over Somaliland. More often than not, the wholesalers pay upfront, thus relieving the business from cash flow problems. This marketing model also reduces overall marketing costs.
- The vertical integration between the soap processing and bone crafting businesses is designed to reduce the overall operational costs of the two ventures. The bones, which are waste from soap processing, are an input for the handicraft businesses.

#### 2. Weaknesses

- The business plans for the two enterprises are not well formulated. The business plan for soap processing (Bilan business plan) is not well developed and does not include all required information about production costs, need of cash-flow and marketing strategy. On the other hand, the bone crafting venture (Future Way) does not have a business plan at all.

Figure 2. Bone and tallow value chains mapping in Hargeisa (Somaliland)



- There was lack of growth oriented marketing strategy for the bone crafting business; while the soap business relied on only three wholesale outlets, which poses a potential risk.
- There is lack of trained human resource which has an impact on the quality of products, affecting their value on international markets.
- The businesses had limited options to finance growth, particularly in the acquisition of equipment and machinery. This curtailed their capacity to produce outputs that are of consistent standard and quality. Most importantly, the soap business was unable to respond to occasional upsurge in demand due to constraints in production.
- Production workshops are located in a residential area with increasing pressure from residents to have them relocated due to pollution.

### 3. Opportunities

- Somali consumers generally prefer buying local products when available with good quality. There is also encouragement from the government to promote local production and decrease imports, thus relieving pressure on the demand for foreign currency.
- There is demand in import countries—mainly the United Kingdom and United States of America—for hand-made and environmental friendly/organic jewellery made from livestock bones. Previous export experiences from Somalia and Kenya have shown that demand exists, but there is need for consistency in quality.
- The businesses exhibit positive environmental impact by turning bones and horns, which would have otherwise ended up as waste in landfills, into value added products. This has increased buyers' interest and attracted support from the government and other development partners.
- Both value chains are short (few actors are involved). This offers opportunities for timely delivery of raw materials and lower transaction costs, often translating into lower prices of final products.
- There is growth in trade of processed meat products, both for local use and exports, which ensures raw material availability.
- Mobile phone and social media usage is growing fast. This facilitates communication and information sharing, as well as quicker modes of payment.
- Increasing demand for animal feed provides an option for further diversification of the business by inclusion of bone meal as part of the product portfolio.
- The establishment of the national standards body—the Somaliland Quality Control Commission (SQCC)—provides an opportunity to develop and promote product and process standards that will lead to production of better quality, standardised products, contributing to increased market opportunities.

### 4. Threats

- More often than not, the main input used in soap processing (tallow) becomes a key source of food for majority of the low income households in the Somali ecosystem during periods of stress (drought). The competing use of tallow for soap production leads to reduction in supplies and increase in price, and in the process exposes the company to cyclic shocks. Due to ongoing changes in climate and the increasing frequency of extreme climatic events (like droughts), such supply shocks will most likely increase in frequency and intensity.
- There is high competition from imported products (soap and jewels), particularly from Asia, China and India.
- The ease of entry into the bone crafting and soap processing businesses due to low entry barriers provides a potential risk of rapid change in market structure and loss of market share.

## Conclusions

The bone and tallow value chains in Somaliland are short, use low value inputs, produce relatively low valued products and involve participants from minority pastoralist groups (women and youth). These value chains offer an opportunity for inclusive economic growth that encompasses the most vulnerable groups in Somaliland and directly and/or indirectly generate additional revenues for the pastoralists. The value chains have directly employed more than 150 people in the past, sustaining around 1000 people (average of six per household). The tallow/soap value chain is worth USD 150,000 of income to severely disadvantaged groups living in both urban and pastoral areas.

However, the two value chains have failed to exploit the various opportunities for growth due to a number of constraints that include low quality of final products, lack of access to working and investment capital and inconsistent supply of raw materials.

Strengthening of these promising value chains will require the following interventions:

- i. Capacity development of value chain actors to improve their skills and allow development of quality products.
- ii. Enhancing access to working and investment capital through financial institutions or donors to allow acquisition of necessary equipment to upgrade the quality and quantity of products.
- iii. Review and/or develop new business plans that include a clear strategy for sustainable growth of existing businesses.

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## Disclaimer

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Page 1: SOMDA/Said I. Farah

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