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Critical challenges and necessary strategic shifts in livestock market development in Ethiopia

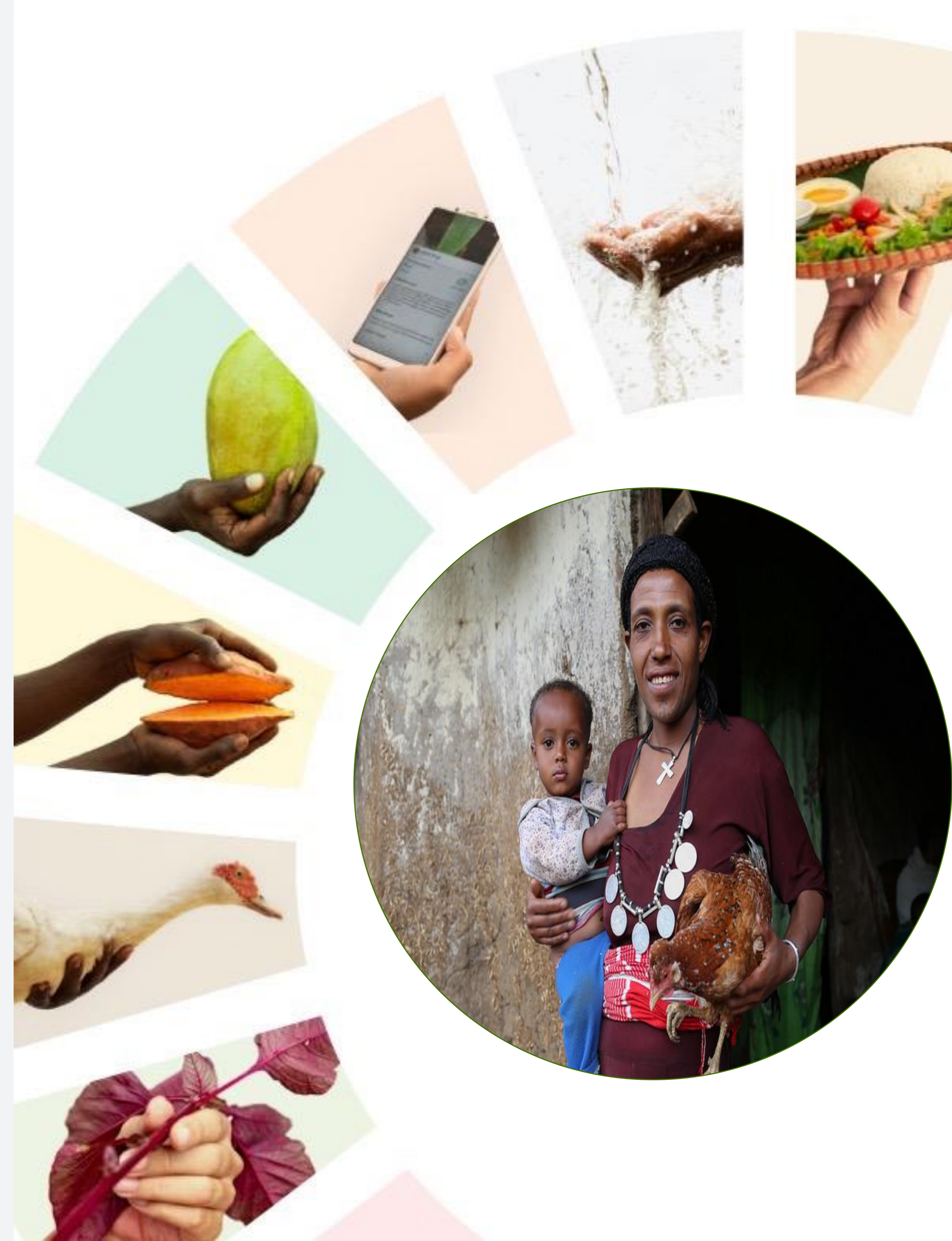
G.T. Kassie, Y. Desalegn, W. Asnake, A. Haile, K. Hussien, Y. Mekasha, G. Legesse, A. Tera, and B. Rischkowsky

The 30th ESAP Annual Conference

“Contribution of Livestock to the Food Systems Transformation in Ethiopia”

15 – 17 September 2022

Hawassa University, Ethiopia



Outline

- Small ruminants
- Challenges of livestock marketing in Ethiopia
- Some empirical evidence
- What shall be done?



Small ruminants

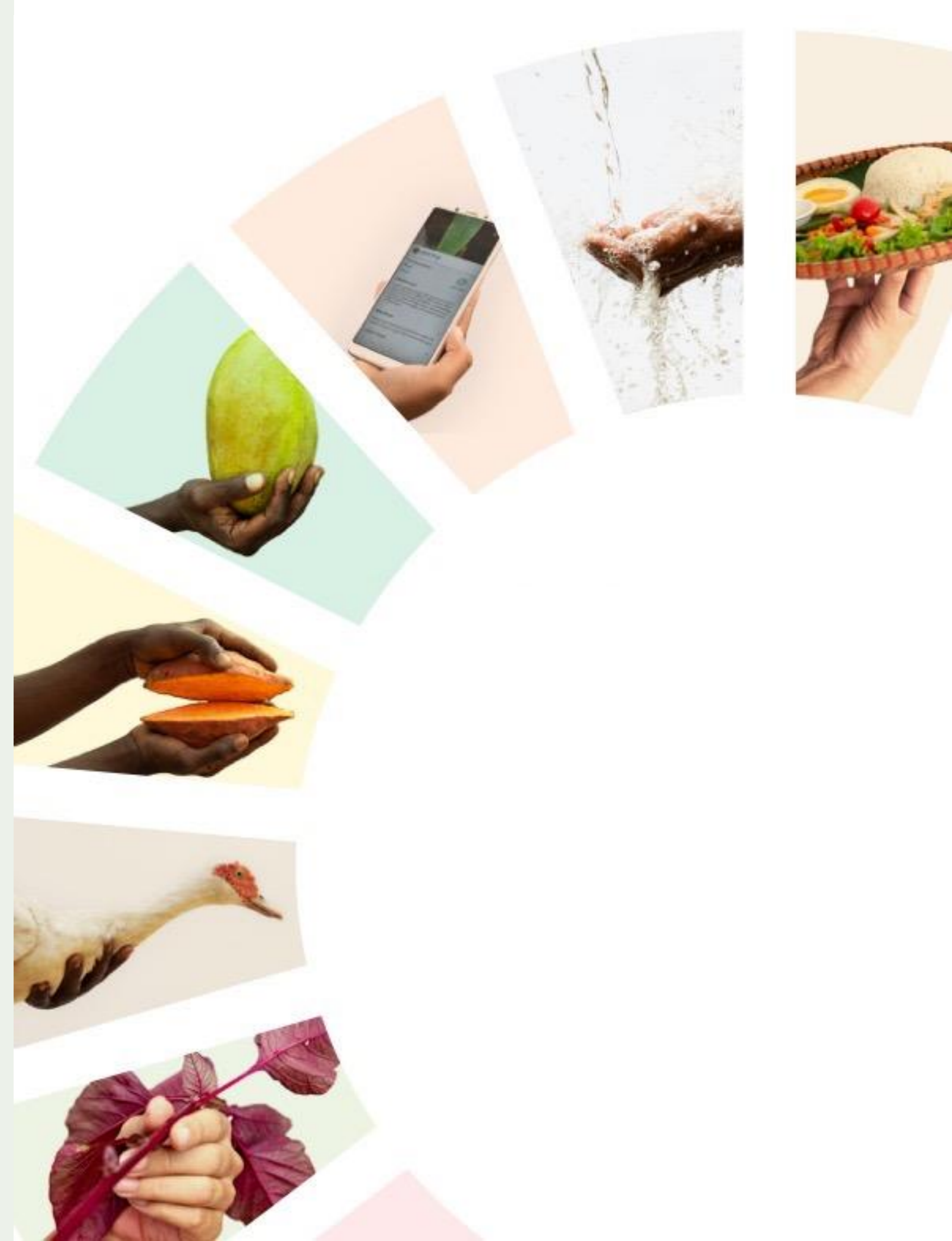
- Key means of livelihoods in rural Ethiopia.
 - Among livestock keepers surveyed in 2013/14, 47.4% and 34.9% of them owned sheep and goats, respectively (CSA and WB, 2015).
- In 2012, the proportion of total sheep and goats sold was 23.5% and 16.7%, while the proportion of slaughtered was 12% and 7.3%, respectively (CSA, 2013).
- We are talking about an enormous wealth – which is underexploited.
- **Why?**
 - **Inter alia, we are not paying attention to livestock marketing!!!**

Small ruminants

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- **Why?**
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Challenges of livestock marketing in Ethiopia?



Challenges of livestock marketing



Erratic supply

- Quantity and [to a limited extent] productivity oriented livestock production system.
- Farmers are not well informed about market signals and hence their supply decisions are not necessarily based on market pulling forces [demand].
- They are market price takers and rarely ponder about profit, let alone maximizing it.

Limited access to road

- Road development efforts barely take into consideration livestock marketing.
- Farmers have to trek their animals for hours to get to the primary markets.
- The primary markets are dominated by few brave traders and well informed intermediaries.

Challenges of livestock marketing



Poorly equipped markets and marketing system

- Markets are marginal plots of land at the peripheries of the village/towns
- No fences, water troughs, feedlots, veterinary clinics, and sheds for animals and marketers in almost all of the livestock markets.
- Market are inconvenient and hence farmers are rushed to sell/buy and leave.
- Lack of grades and standards – guess based measurement of attributes

Lack of market information system

- Farmers don't have access to any timely and reliable livestock market information.
 - No information on price, demand, supply, any shocks etc.
- Farmers end up submitting to the demands of the traders/brokers who are much more informed about the marketing systems.
- The effort is commendable but we need to work harder to bring about market linkage and market integration.

Challenges of livestock marketing

Lack of collective action

- It is easier for traders if they purchase in bulk.
 - Standing in the market with one or two animals in the market is not going to get any respect for the farmer.
- The transaction cost per animal is higher for farmers.

Erratic taxation of livestock

- There is little economic logic in taxing the farmer for his/her animal.
- Taxing them repeatedly for an animal is simply an exploitation.
- Farmers are being forced unwillingly to avoid this erratic taxation.

Challenges of livestock marketing

Lack of financial services

- Livestock serve as store of wealth – not b/c there is no risk in that.
 - Hence, the higher the number, the better (for farmers).
- The cash-need driven sales can hardly be postponed and are usually unrewarding.
 - Access to rural financing could have helped.
- This again makes the farmer market price taker.
- We need a new Ethiopian Development Bank.

Limited supply for the export market

- Related to the erratic supply above.
- 12 abattoirs, capacity of 200K MT, currently operating at 10% of their capacity
- Distortions in domestic markets undermining competitiveness in export markets.

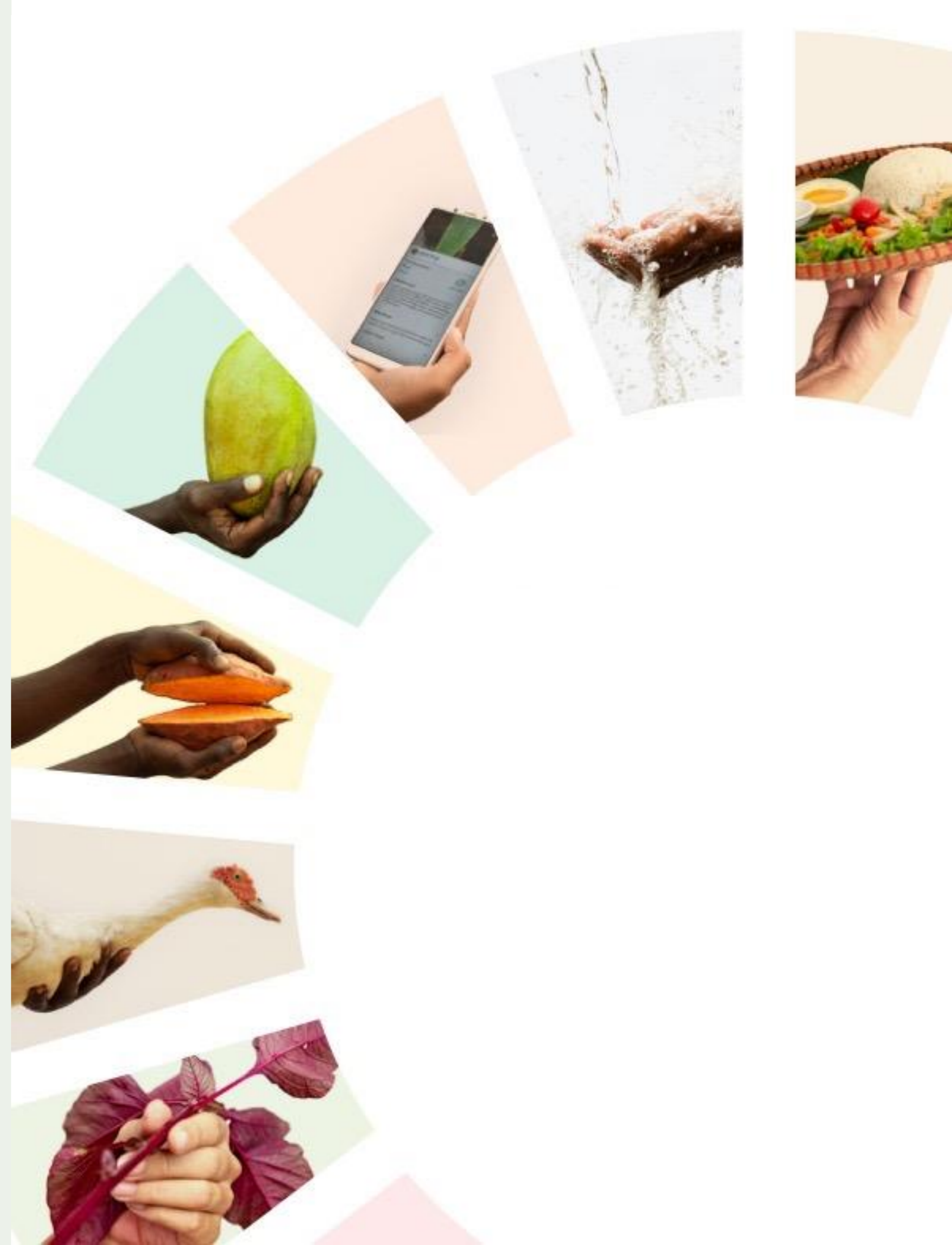
Challenges of livestock marketing

- **Unhealthy macro-economy**

- High and increasing inflation
- Distorted foreign currency market
 - Fueling informal/illegal cross-border livestock trade.
- There is a big gap between price at the border and local prices.



Some empirical evidence



Policy induced distortions

Motivation

- To support development and protect local markets, governments often intervene with **trade policies or price supports for particular agricultural commodities.**
- These policies impact all economic agents along the value chain of that commodity, including farmers.
- It is necessary to understand and measure **how trade and agricultural policies affect producer incentives and price transmission** along the complete value chain of a commodity.



Journal of Agribusiness in Developing and Emerging Economies

Policy-Induced Price Distortions along the Small Ruminant Value Chains in Ethiopia

Girma T. Kassie, Rahel Solomon Wubie, Simla Tokgoz, Fahd Majeed, Mulugeta Yitayih, Barbara Rischkowsky,

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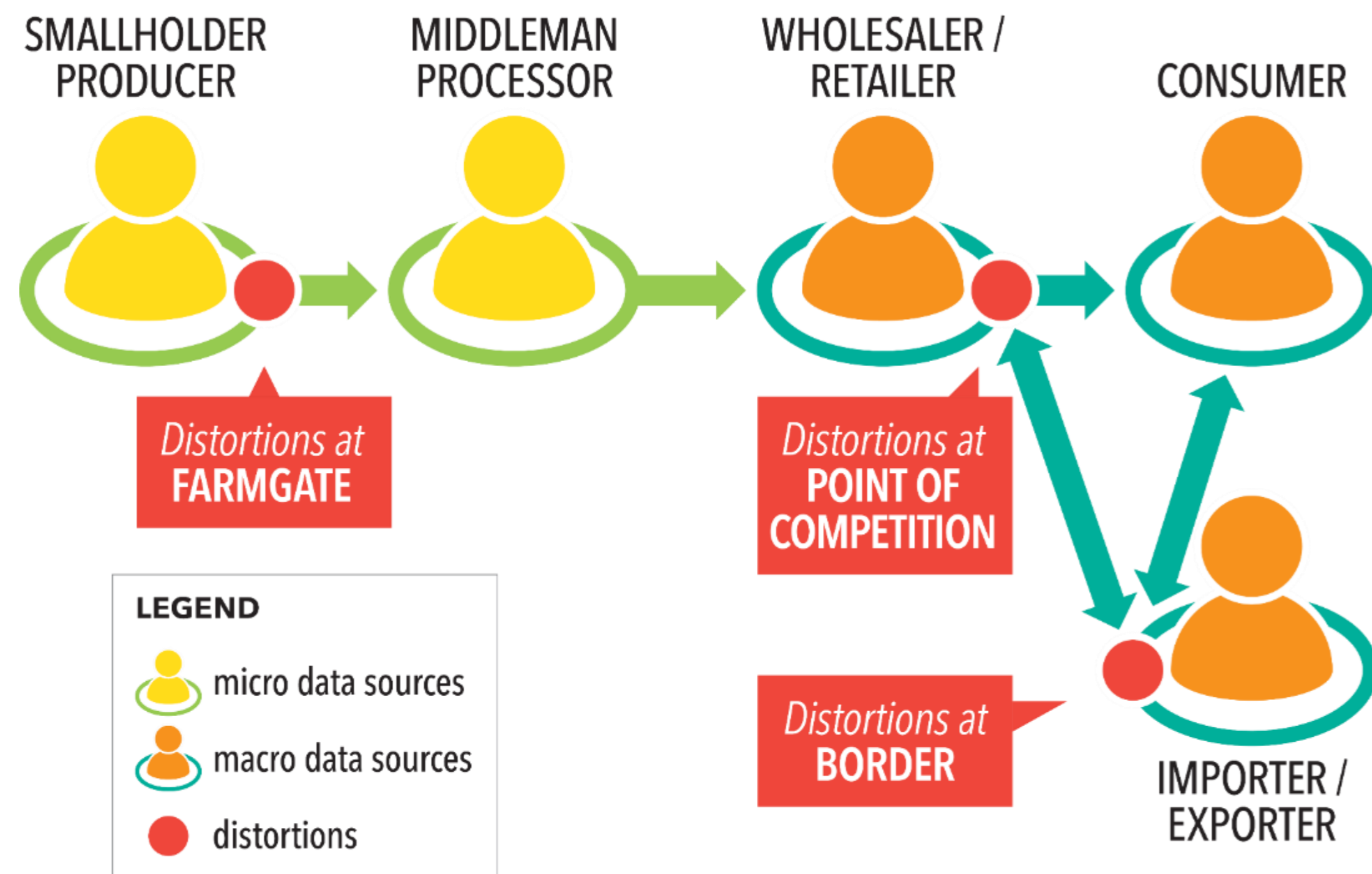
<https://doi.org/10.1108/JADEE-02-2018-0024>

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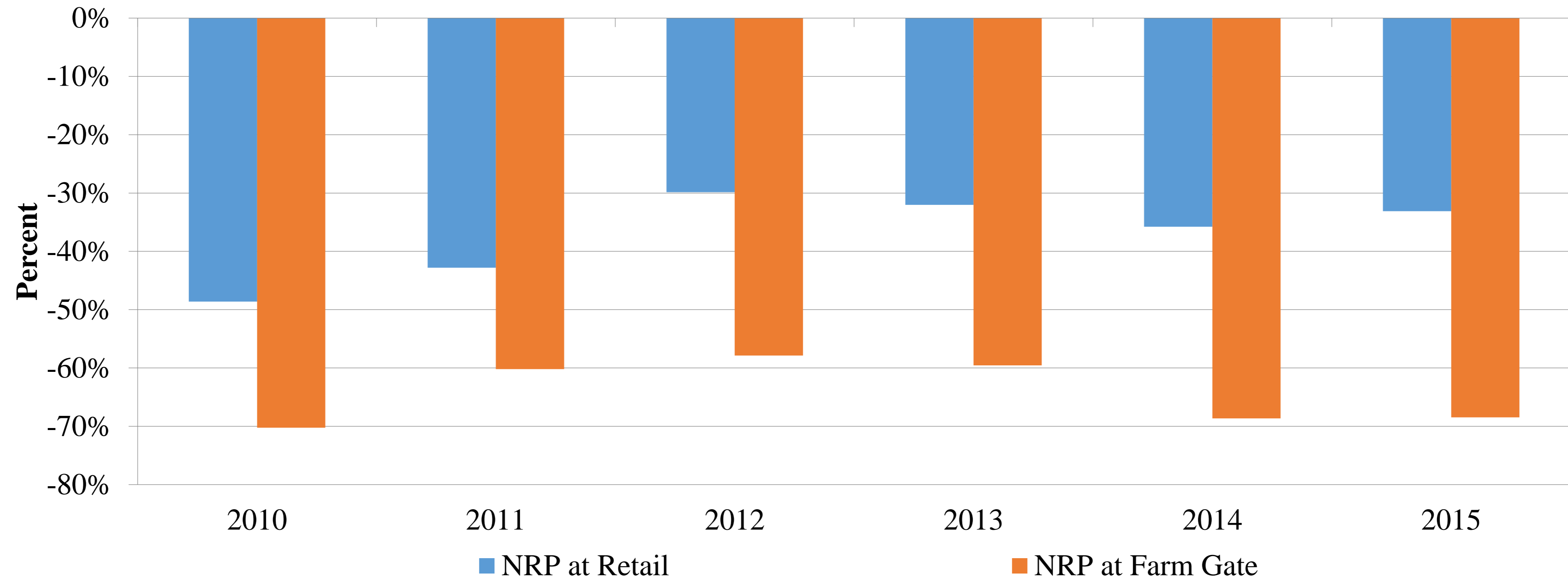
How do Policy Distortions Impact Value Chains?



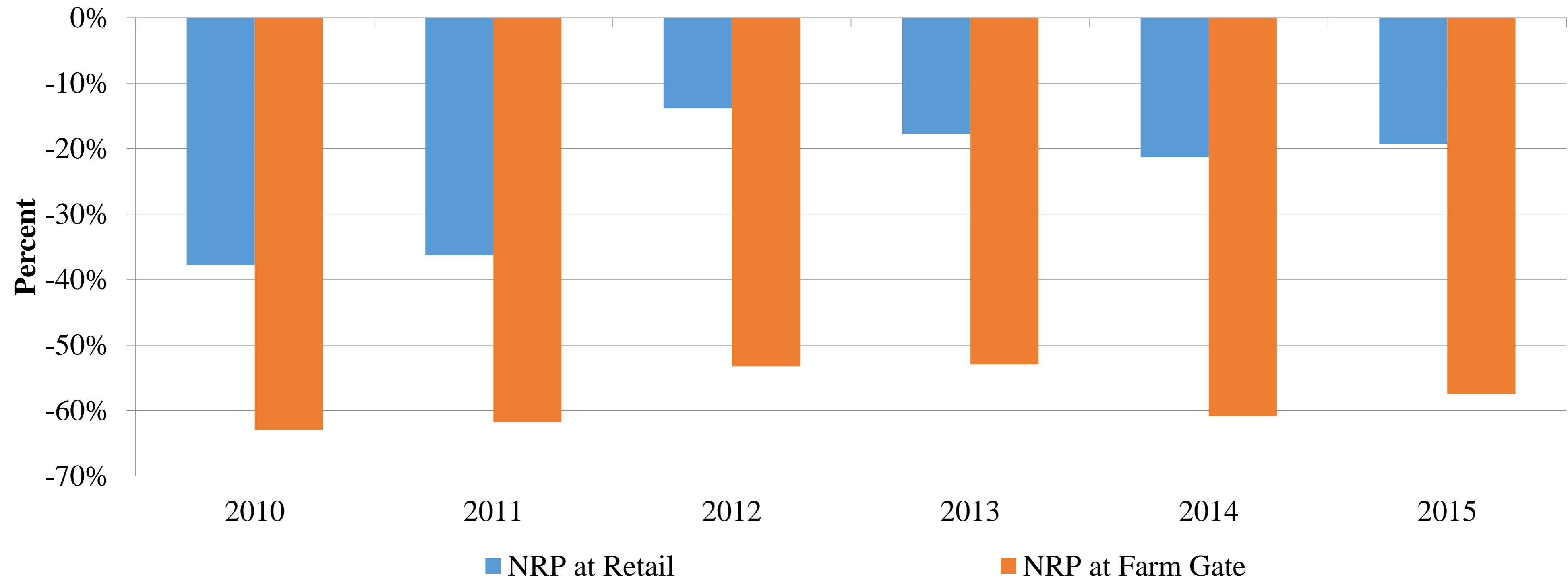
Positive nominal rate of protection (NRP): Producers receive higher prices than what is prevailing in international markets, i.e., policies have **subsidized** the producers.

Negative NRPs: Producers receive lower prices than what is prevailing in international markets, i.e., policies have **taxed** the producers.

NRPs at Retail and Farm Gate for Sheep



NRPs at Retail and Farm Gate for Goats



Lessons

Policies of the government are taxing value chain participants rather than protecting them.

Policy induced distortions were separated from market inefficiencies through use of data on access costs throughout the value chain.

These access costs are positive and high, showing high market inefficiencies.

Demand for & and impact of market facilities

The key argument

- Lack of market infrastructure **significantly undermines the market margins farmers generate and elevates the prices they pay** for agricultural products when involved as buyers.

This studies aimed at **eliciting preferences for livestock market facilities and at quantifying the added monetary advantage for livestock keepers** due to accessing market sheds.



Journal of International Food & Agribusiness Marketing



ISSN: (Print) (Online) Journal homepage: <https://www.tandfonline.com/loi/wifa20>

Preference and Willingness to Pay for Small Ruminant Market Facilities in the Central Highlands of Ethiopia

Fresenbet Zeleke , Girma T. Kassie , Jema Haji & Belayneh Legesse

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Reminder Nudge, Attribute Nonattendance, and Willingness to Pay in a Discrete Choice Experiment [Share](#)

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Willingness to pay

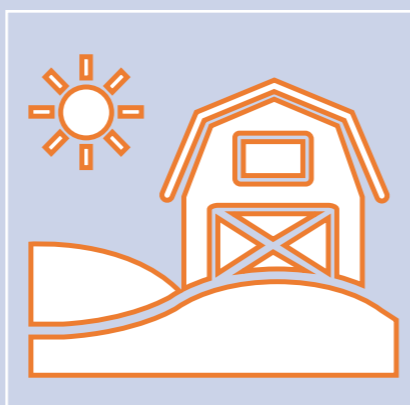
Choice Set 1 Card 1		
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Nationally, veterinary clinics, fenced market sheds and watering troughs are the most preferred facilities (Kassie et al. 2020).



A site level study in Menz Gische showed that temporary holding barns, toilets, veterinary clinics, watering troughs, feed shops, and market sheds are the facilities livestock keepers are most interested in (Zelege et al. 2020).



Farmers have clear and contextual preferences for market facilities.

In addition to esthetical value added of course.

The mother [bigger] study has also revealed similar results across locations.



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RESEARCH ARTICLE

Would a simple attention-reminder in discrete choice experiments affect heuristics, preferences, and willingness to pay for livestock market facilities?

Girma T. Kassie , Fresenbet Zeleke, Mulugeta Yitayih Birhanu, Riccardo Scarpa

Published: July 8, 2022 • <https://doi.org/10.1371/journal.pone.0270917>

Impact of market facilities

- Experimental market sheds were constructed in nine randomly selected livestock markets in central Ethiopia.
- A comparison was made on **market participation** and **income generated from livestock** over time between markets with sheds and without sheds [control markets].
- **The models estimated show that market sheds have improved farmers' income from small ruminants by 40%.**
- **Similarly, the sheds have significantly increased farmers' market participation by 14% (Zelege et al., 2021).**



Original Article | [Free Access](#)

Would Market Sheds Improve Market Participation and Earnings of Small Ruminant Keepers? Evidence from Ethiopia

Fresenbet Zelege, Girma T. Kassie ✉, Jema Haji, Belaineh Legesse,

First published: 06 November 2020 | <https://doi.org/10.1111/1477-9552.12411>



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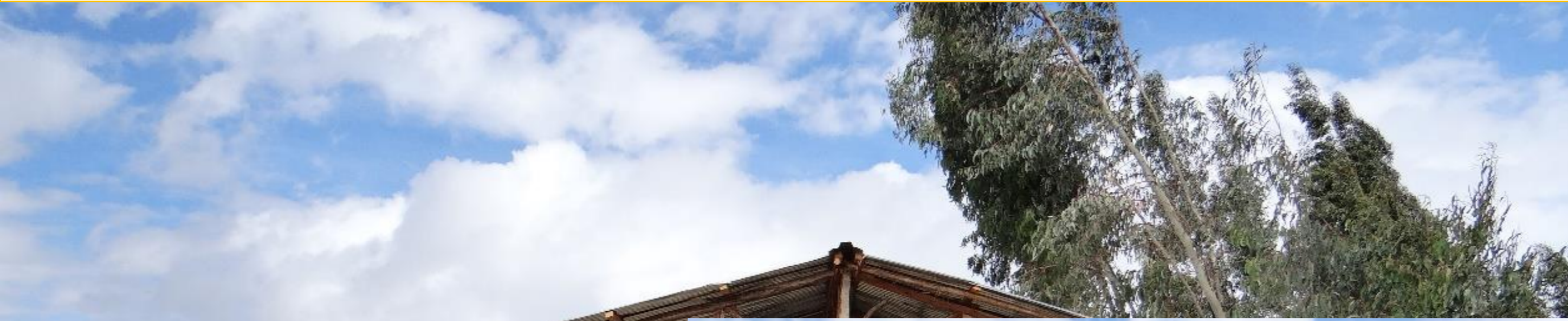


Information

The market sheds – The Girar Amba (medium market) story



The Girar Amba story



The Girar Amba story



Smart marketing in Menz, Central Ethiopia

44 weeks of market data collected.

- trait preferences, revealed and expected prices, quantity demanded, quantity supplied, availability of and access to market services, and key social [e.g., extraordinary social occasions] and environmental [e.g., profound shifts in the weather] phenomena.

22 rounds of information sent out to 400 farmers.



Reported benefits

- Farmers are sharing the information they are receiving with other farmers with high level of confidence and determination.
- They are developing a sense of empowerment due to the information received and the trainings they have attended.
- Farmers have reported that their marketing behavior has changed such that they are postponing their buying and selling decisions.
- Farmers reported to be more comfortable in going to the market.
 - They are not worried about the hustle they used to experience in the markets due to brokers and traders collision.
- Increased interest in information about bigger markets.

Health and Collective Action Interventions



Welfare Impact of Community-Based Veterinary and Breeding Services on Small Ruminant Keepers

Girma Tesfahun Kassie^{1*}, Woinishet Asnake², Aynalem Haile²,
Tesfaye Getachew Mengistu², Solomon Gizaw³ and Barbara Rischkowsky²

¹ International Center for Agricultural Research in the Dry Areas (ICARDA), Rabat, Morocco, ² International Center for Agriculture Research in the Dry Areas (ICARDA), Addis Ababa, Ethiopia, ³ International Livestock Research Institute (ILRI), Addis Ababa, Ethiopia

Small ruminant health interventions were part of the integrated approach for small ruminant value chain development [led by ICARDA and implemented with ILRI and national partners].

Community based breeding program has both production and marketing related objectives

Small ruminant keepers participating in veterinary interventions supplied

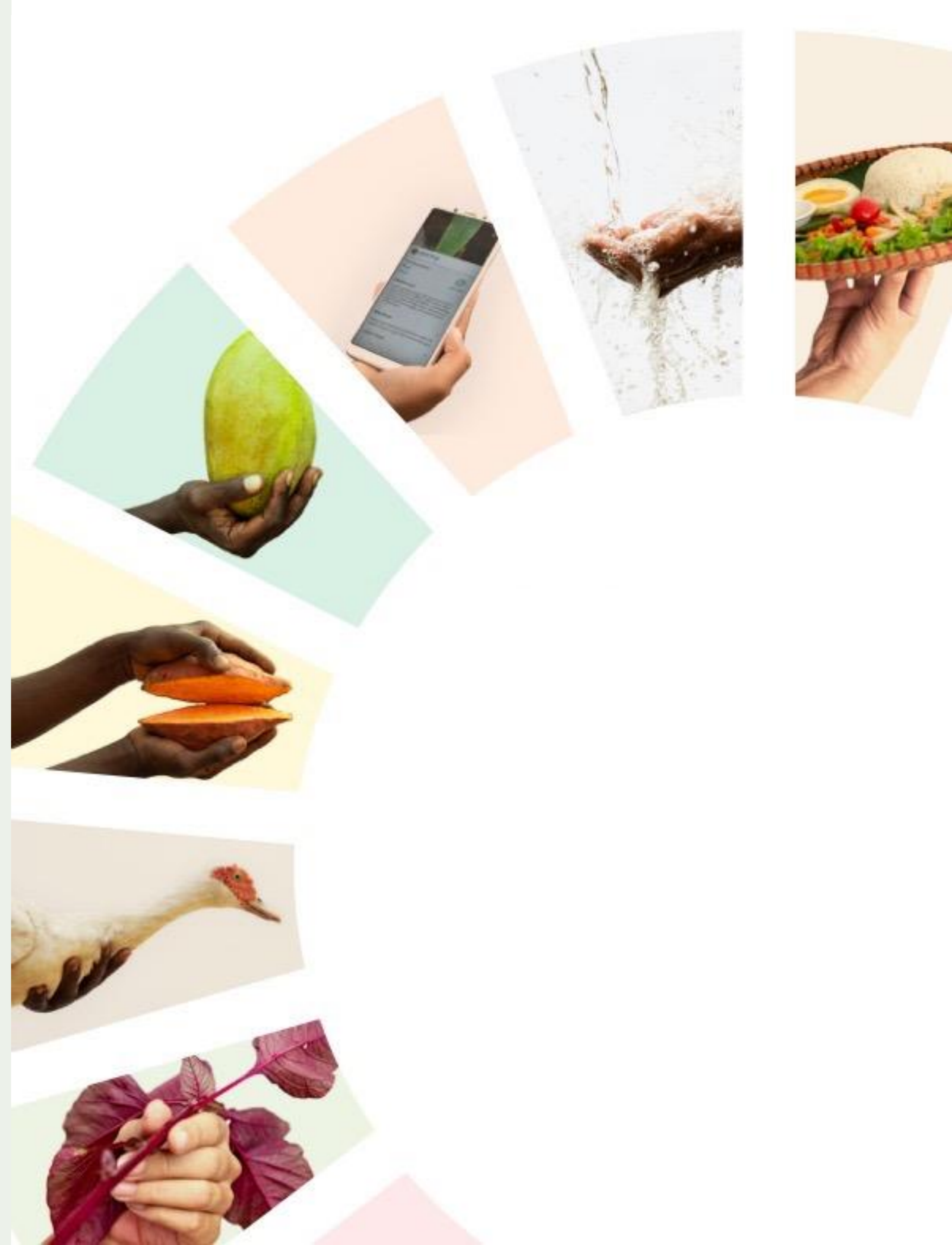
- **18 more sheep/goat per year** to the market than those who did not participate.
- **generated 80.4% higher revenue per head of sheep/goat per year**, and
- **21% more gross income/AE per year.**

Participants in CBBP

- supplied **18 more sheep/goat per year** to the market in
- earned **20.6% more gross income/AE per year** than those who did not participate.



What shall be done?



What shall be done?

- 1. Let's have the right mindset about the importance of marketing -**
 - **Marketing** – is the engine of every business or organization.
 - There is no way that we can achieve agricultural transformation without investing in markets and marketing.
- 2. Reorienting our livestock production system**
 - Increasing production and productivity
 - CBBP
 - Investing in market awareness of farmers and other actors
- 3. Creating institutional capacity in agricultural marketing extension**
 - Current focus is only on production –with limited focus on productivity
 - Train extension agents in market intelligence

What shall be done?

4. Coordinating rural road construction with livestock/agricultural market development.

- Towns are towns because of markets
- Livestock markets are institutions that need to be build and grow.

5. Investing in livestock market facilities

- Using markets as hubs and building holding barns, market sheds, vet clinics, watering troughs, feedlots, and toilets helps the animals and the marketers.

6. Revise the taxation of animals brought to the market

- This erratic taxation is a nuisance in livestock marketing
- Harmonize it across regions.

What shall be done?

7. Improving access to rural financing

- Would help farmers avoid ATM type sales.
- Would also help in postponing unfavorable transactions.

8. Encourage collective action among farmers

- Capacity building on establishing and managing collections actions
- Legislative that protect cooperatives from third parties.

9. Developing broad based market information system

- There is an interesting effort – let's build on that.
- It is not about generating the information – it is about delivering it timely.
- Information helps establishing linkages within markets and integration b/n markets.

What shall be done?

10. Formulating and implementing genuine policies and legislatives to encourage the private sector

- All healthy markets are run by the private economic firm
- Public economic firm is inherently inefficient compared to the private firm
 - in relative terms.
- Let the invisible hand rule the market.

11. Livestock markets need to be under the auspices of MoA.

- Markets are not considered important parts of the town/village
- Would not see any investment if the status quo continues.

What shall be done?

12. Incentive mechanism for the livestock export sector.

- The informal/illegal trade is more rewarding than the formal at individual level.
- With solid strategies (e.g., related to taxation, exchange rate gaps), the wealth which is draining to neighboring countries could be garnered.

13. Ensure that policies and strategies related to other sectors are in harmony with that of the ministry of agriculture.

- at least they shall not have negative effect.

14. By not “acting”, we are taxing the society

- We have a broken marketing system, it needs fixing.

Before I let you go.....



“Successful marketing is **anything that changes** brand perception or product perception that leads to **higher sales, profits or market share.**” Joah Santos, Chief Marketing Officer at Aldrin



Source: <https://www.linkedin.com/pulse/what-marketing-success-you-joah-santos/>

Acknowledgements

CRP Livestock

PIM CRP

National Partners

Livestock keepers in the study sites

Accelerating Impacts of CGIAR Climate Research in Africa (AICCRA)



Thank you so much!