****

**DEBRE MARKOSE UNIVERSITY**

**COLLEGE OF AGRICULTURE AND NATURAL RESOURCE**

**DEPARTMENT OF AGRICULTURAL ECONOMICS**

**A seminar on Assessment of challenge and opportunities of Livestock production and marketing in Ethiopia**

**Submitted to the Department of Agricultural Economics in partial fulfillment of the requirement for the course seminar in Agricultural Economics**

**Prepared by; Gemechu Mara ID No 3373/10**

**Advisor; Tewabe. H (M.Sc.)**

**January, 2020**

**Debre Markos, Ethiopia**

TABLE OF CONTENTS

ABBREVIATIONS [iii](#_Toc410788440)

[1. INTRODUCTION 1](#_Toc410788441)

[1.1. Background 1](#_Toc410788442)

[1.2. Objectives 2](#_Toc410788443)

[2. REVIEW OF THE LITERATURE 3](#_Toc410788444)

[2.1. Concepts of Livestock Marketing 3](#_Toc410788445)

[2.1.1. Assessment on the resource potentials and opportunities 4](#_Toc410788446)

[2.1.2. Livestock marketing system in the low land areas 6](#_Toc410788447)

[2.2. Review of Empirical Evidences 9](#_Toc410788448)

[3. CONCLUSION AND RECOMMENDATION 10](#_Toc410788449)

[3.1. Conclusion 10](#_Toc410788450)

[3.2. Recommendation 11](#_Toc410788451)

[4. REFERENCES 12](#_Toc410788452)

# 

# ABBREVIATIONS

ADLI Agricultural Development- Led Industrialization

CSA Central Statistical Agency

ESAP Ethiopian Society of Animal Production

FAO Food and Agricultural Organization

GDP Growth Domestic Production

ILRI International Livestock Research Institute

MOA Ministry of Agriculture

SNNP Southern Nation Nationalities and Peoples

WB World Bank

# 1. INTRODUCTION

## 1.1. Background

Ethiopia is predominantly an agricultural country and agriculture plays a major role in the country’s economy. The agriculture sector in Ethiopia contributes about 43 percent of the country’s gross domestic product (GDP) and 82 percent of the country’s export earnings, and for the past 5 years, the sector has been growing on average by 8 percent (CSA 2012).

The Agricultural Development–Led Industrialization (ADLI) strategy, the main economic strategy of the country, gives high emphasis to the development of the agricultural sector growth of which is expected to encourage industrial development, and thus transform the country’s economy. The sector receives about 12 percent of the total country’s budget (CSA 2011). Nevertheless, the agriculture sector is struggling with multifaceted challenges; the major ones include erratic rainfall, drought, soil degradation, poor access and use of modern technologies, etc., which have contributed to low agricultural productivity and food insecurity (Hassen et al. 2011).

The country's agro-ecological zone is roughly divided into two major parts. The highlands with and altitude of over 1,500 meters above sea level and the lowlands with an altitude of less than 1,500 meters above sea level. The lowland pastoral areas are situated in the Eastern, South Eastern and Southern parts of the country. These are the Afar and the Somali regions and Borena and Omo zones in Oromiya and SNNP regions respectively (Belachew and Jembaru, 2003).

In the lowlands, where pastoral management system is practiced, livestock is the principal source of subsistence providing milk and cash income to cover family expenses for food grains and other essential consumer goods. Further, these lowland pastoral areas have been the traditional source of export animals due to surplus output and preferablity of the breeds in the Middle East Countries (Belachew and Jembaru, 2003).

Ethiopia is known for its high livestock population, being the first in Africa and tenth in the world (Gebrecherkos *et al*., 2012). The recent livestock population estimates that the country has about 52.1 million heads of cattle, 24.2 million sheep, 22.6 million goats and 44.9 million poultry (MOA, 2013). Around three fourth of the world’s poor live in rural areas and nearly 600 million of these rural poor rely on livestock to produce food, generate cash income, manage risks and build up assets (FAO, 2010).

## 1.2 General objectives

## The general objectives of the seminar is to asses challenge and opportunity of livestock production and marketing in Ethiopia

## 1.3. Objectives

* to assess the constraints and opportunity of livestock production in Ethiopia,
* to review the challenges of livestock marketing at the country level

**2. REVIEW OF THE LITERATURE**

## 2.1. Concepts of Livestock Marketing

**Market:** A market is traditionally defined as a specific geographical area where buyers and sellers meet for exchange of goods and services. The most common way we obtain goods and services we do not produce ourselves is to buy them from others who specialize in producing them. To make such purchases, buyers seek out sellers in markets. Markets are ways in which buyers and sellers can conduct transactions resulting in mutual net gains that otherwise would not be possible (Hyman, 1989).

It may be defined as a particular group of people, an institution, and a mechanism for facilitating exchange. The market concept has also been linked to the degree of communication among buyers and sellers and degree of sustainability among goods (John and Saharan,2008.)

**Marketing:** Marketing is also an important aspect of any livestock system. It provides the mechanism whereby farmer’s producers/pastorals exchange their livestock products for cash. The cash is used for acquiring goods and services, which they do not produce themselves, in order to satisfy a variety of needs including food clothing, medication, schooling, the purchase of breeding stock and other production inputs and supplies (Solomon and Nigussie, 1983).

Is the performance of all business activities involved in the flow of goods and services from the point of initial production until they are in hands of ultimate consumers? Marketing system: Is a connection of channels, middlemen, and business activities, which facilitate the physical distribution and economic exchange of good and services (*Kohls and Uhl,* 2006).

The livestock market is structured in such way that the marketable livestock from the major producing areas reaches to the final consumer or end-user passing through complex channels along the supply chains. This involving various factors such as: producers, middlemen, livestock trading cooperatives, traders, live animal exporters and meat exporters (***Hailemariam et al***, 2008).

According to (*Ayale et al,* 2003), the structure of livestock markets involves four different tiers based on the volume of animal supply and the nature of market participants, bush/farm gate, primary, secondary and tertiary markets.

Livestock marketing understood as the process through which live animals change ownership, is increasingly perceived as critical for improving pastoral household income. However, there is relatively little analysis of the structure and performance of livestock marketing system, or of the various market actors involved. The increasingly vibrant regional cross-border livestock trade in particular is poorly understood (*Little*, 2009).

**Marketing systems**

A marketing system is a collection of channels, intermediaries, and business activities, which facilitate the physical distribution and economic exchange of goods (Kohls and Uhl, 1985). A channel of distribution may be defined as a path traced in the direct or indirect transfer of the title to a product as it moves from a producer to consumer or industrial users. Every channel of distribution contains one or more of “transfer points” at each of which there is always either an institution or a final buyer of the product. In the process of marketing, legal title to the product always changes hands at least once.

## 2.1.1. Assessment on the resource potentials and opportunities

Livestock production is an important component of agricultural activities in Ethiopia. The production systems are generally subsistence oriented and productivity is very low (*Belachew and Jemberu* 2003; ILRI, 2008). Livestock production is dominated by pastoralists, agro-pastoralists and small-scale mixed crop-livestock farmers. In the highland mixed farming systems, livestock and crop production complements each other where crop productions heavily rely on animal draught power.

Livestock production also varies across the different agro- ecological zones in the country, where farmers in the highland areas predominantly rear cattle and sheep and farmers in the lowland area mostly produce camel and goats. It is estimated that the highland crop-livestock mixed farming constitutes about 80percent of cattle, 75percent of sheep while the pastoral and agro-pastoral farmers (such as Afar, Somali, Borena and others) contribute about 75percent of goats of the total national livestock holdings (NEPAD-CAADP, 2005).

Ethiopia is known for its high livestock population, being the first in Africa and tenth in the world (Gebrecherkos *et al*., 2012). The recent livestock population estimates that the country has about 52.1 million heads of cattle, 24.2 million sheep, 22.6 million goats and 44.9 million poultry (MOA, 2013).

Livestock largely contribute to the sustainable livelihoods and security of the rural poor by providing natural capital (meat, milk, hide, wool, water, rangeland and pasture), source of financial capital (cash, saving, credit, insurance, gifts, and remittance), social capital (traditions, wealth, prestige, identity, respect, festivity, marriage dowry). Small-scale livestock sector development can also be considered as a vehicle for broader economic growth especially in poor countries (Ciamarra and Otte, 2008).

According to the World Bank report, livestock accounts more than half of rural households’ wealth in Burkina Faso and Ethiopia (WB, 2008). It is with this logic that many developing countries have liberalized their agricultural markets since the 1990s with the intention to facilitate access to market for rural poor farmers. Despite this measure, however, development of efficient livestock marketing in most African countries including Ethiopia has remained a major challenge due to the prevailing high transaction costs, lack of access to credit, poor market infrastructure.

Hosting one of the largest livestock populations in the world, this opportunity is particularly vital for Ethiopia to be exploited if appropriate strategies are designed to meet the demand of the changing global markets for high quality livestock products with consistent supply. In Ethiopia, livestock are extremely important in promoting economic development and poverty reduction. This is because, Ethiopia has the largest livestock population in Africa; a large proportion of the poor (60-70 percent) rely on livestock for their livelihood; and also livestock constitutes the second share of the agricultural GDP next to crop production (Michael Haldenman, 2008).

### 2.1.2. Livestock marketing system in the low land areas

According to ( Belachew *et.a l*, 2002 ), In pastoral areas, livestock are usually sold to meet family needs for cash income, which is used to buy food grains and industrial products such as clothing. Occasionally, seasonal shortage of rainfall through its impact on feed availability forces higher supply to market. The pastoralists’ forced supply is constrained by their inability to plan sales in accordance with market need (time and quality). The market outlets in these areas can be grouped into five depending on their destinations and the recipients; household consumption, local areas consumption, highland consumptions, contraband trade, and legal exports ( Belachew and Jemberu, 2003).

2.1.3. Assessment of the existing livestock marketing challenges

Although Ethiopia has ample potential to export its livestock and livestock products to the Middle East and make further improvement to enter other markets, there are challenges that should be dealt with in order to realize these benefits (Belachew and Jemberu, 2003)

Previous studies show that although Ethiopia has large livestock population, the contribution of the sector to the national economy is very limited. The livestock market is characterized by high transaction costs which can be explained by high inefficiency of input and output markets, poor marketing infrastructure, and lack of marketing support services and lack of market information (ILRI, 2009). This implies that improving the efficiency of livestock marketing through reducing transaction costs can facilitate producers’ access to relatively profitable market outlets that can generate better incomes for the poor households.

The major challenge for the competitiveness of the export sector is shortage of live animals in the domestic market due to illegal exports and high demand for household consumption (Asfaw, 2007). Evidence shows that small-scale livestock farmers in Ethiopia have limited access to market participation. Livestock production is mostly for household consumption rather than focusing on a strategic production for marketing. According to CSA data, a huge proportion of livestock products have gone for household consumption with milk (85.3percent), butter (60.8percent), beef (46.6percent), and mutton (87percent) (CSA, 2010).

Farmers lack strategic and market-oriented production system hence livestock failed to assist the effort of transforming subsistence farming system in to a commercial production system. Farmers take a very small proportion of their non-homogeneous livestock to the market in order to secure some finance to cover unforeseen expenses. It is observed that many smallholder farmers and pastoralists do not participate in the livestock market.

Furthermore, for those smallholder farmers and pastoralists who participate in the market, the size of transaction (sale or purchase of cattle or shoats) is found to be very small (ILRI, 2008). Farmers also failed to meet the quality required by the different markets for their live animals. This is associated with the absence of critical support services that can ensure strong link between producers and the various participants along the marketing chain. These missed support services include lack of commercial animal health service, non-existence of appropriate trucking equipment, lack of sufficient air-cargo capacity, underdeveloped feed industry, lack of commercial fattening and holding facilities (Adina and Elizabeth, 2006).

2.2. Review of Empirical Evidences

Different researchers have been studied the challenges and opportunity of livestock production and marketing in Ethiopia in general and in different regions of the country in particular.

Belachew and Jemberu in 2003 were studied the challenges and opportunity of livestock marketing in Ethiopia. They analyzed that livestock are usually sold to meet family needs for cash income which is used to buy food grains and industrial products such as clothing. They identified both the internal and external challenges of livestock marketing in Ethiopia. According to them, internal challenges include; supply problems, prevalence of disease, traditional production system, illegal export trade, inadequate infrastructures, and absence of marketing information. On the other hand, external challenges include; competition, repeated bans and inadequate port facilities.

Birhanu et *al ,.* (2013) identified the production system and major constraints of livestock, giving emphasis to cattle, sheep, goats and poultry in Ganta Afeshum district, Eastern Zone of Ethiopia from March 2013 to June 2013. The practice of livestock holding in the district is quite high and they keep livestock for different purposes such as cash income, meat for home consumption, manure for farm use and as draft power, insurance against emergency, skin for home use and sale, different gifts and ceremonies or celebrations. The study also revealed that the livestock production system of the area was mixed crop livestock type which livestock herd is dominated by poultry and sheep.

Belay et *al ,.* (3013) studied small holder livestock production and marketing system in the Haramaya district, Eastern Ethiopia. His study shows that smallholder mixed farming system is the dominant mode of production of the farmers in the area.Livestock productivity is poor for all classes of animals because of inadequate nutrition particularly during the dry season, low genetic potential and poor management system they receive.

Generally, the review of the empirical evidence shows that livestock is mainly kept for consumption by households, and sold to meet for financial requirements for clothing, educating their children and the likes.

## 3. Summary

To sum up, the country has a huge amount of livestock resource. These huge resource potential is still untapped. The country still did not get a comparable benefit from this resource due to different factors. The major impeding factors in the production of high quality livestock products are: -Prevalence of contagious and killer animal diseases, recurrent drought and low nutritional standard, inadequate infrastructure, lack of adequate marketing information system poor product quality, inadequate skilled human power, and etc.).

Livestock production is dominated by pastoralists, agro-pastoralists and small-scale mixed crop-livestock farmers. ), In this area, livestock are usually sold to meet family needs for cash income, which is used to buy food grains and industrial products such as clothing. Occasionally, seasonal shortage of rainfall through its impact on feed availability forces higher supply to market. The pastoralists’ forced supply is constrained by their inability to plan sales in accordance with market need (time and quality).

The livestock market is characterized by high transaction costs which can be explained by high inefficiency of input and output markets, poor marketing infrastructure, lack of marketing support services and lack of market information. The major challenge for the competitiveness of the export sector is shortage of live animals in the domestic market due to illegal exports and high demand for household consumption. In general the country’s household consumption of livestock and livestock products and its export has a great difference.

# 4. REFERENCES

Adina S. and Elizabeth F. 2006. Livestock value chain report for Afar and Northern Somali Region of Ethiopia. ACDI/VOCA. April. 2006.

Asfaw Negassa and Mohammed Jabbar (2007). Commercial Off take of Cattle under Smallholder Mixed Crop-Livestock Production System in Ethiopia, its Determinants and Implications for Improving Live Animal Supply for Export Abattoirs**.** Paper to be presented at the 4th International Conference on Ethiopian Development Studies. August 2-4, 2007 Western Michigan University Kalamazoo, Michigan, USA

Ayele Solomon, Assegid Workalemahu, Belachew Hurrisa, M. A. Jabbar and M. M. Ahmed, 2003. Livestock marketing in Ethiopia: A review of structure, performance and development initiatives. Socio-economics and Policy Research Working Paper 52. ILRI (International Livestock Research Institute), Nairobi, Kenya. 35pp.

Belachew Hurissa and Jemberu Eshetu. 2002. Challenges and opportunities of livestock trade in Ethiopia. Paper presented at the 10th annual conference of Ethiopian Society of Animal Production (ESAP), Addis Ababa, Ethiopia, and 22–24 August 2002. ESAP, Addis Ababa, Ethiopia. 33 pp.

Belachew Hurrissa and Jemberu Eshetu, 2003. Challenges and Opportunities of Livestock Marketing in Ethiopia. In Challenges and Opportunities of Livestock Marketing in Ethiopia.

Birhanu Mohammad, H. Teklewold, E. Mulugeta, and G. Kebede. 2006. Seasonal and Inter-Market Differences in Prices of Small Ruminants in Ethiopia. Journal of Food Products Marketing12 (4): 59-77.

Ciamaria Barret and Otte McPeak. 2006. Constraints Limiting Marketed Offtake Rates Among Pastoralists. Research Brief 04-06-PARIMA. Davis: University of California, Global Livestock Collaborative Research Support Program (GL-CRSP).

CSA (Central Statistical Agency), 2010. Agricultural Sample Survey, 2009/10 (2002EC), Report on Crop and Livestock Product Utilization, Statistical Bulletin 468. FDRE: Addis Ababa

CSA (Central Statistics Agency of Ethiopia). 2011. Ethiopian Central Statistical Agency, National Statistics (Abstract) 2011, National account. Addis Ababa.

CSA. 2012. Ethiopian Central Statistical Agency, National Statistics (Abstract) 2012, National account. Addis Ababa.

FAO 2010: Status of and Prospects for Smallholder Milk Production – A Global Perspective, by T. Hemme and J. Otte. Rome

Gebrecherkos and Berihun A, 2012. Prevalence of bovine fascilosis in municipal Abattoir of Adigrat, Tigray, Ethiopia. Mekelle University College of Veterinary Medicine, Mekelle Ethiopia.

Hailemariam Teklewold, Getachew Legesse, Dawit Alemu and Asfaw Negassa (2008). Live animal and meat export value chains for selected areas in Ethiopia: Constraints and opportunities for enhancing meat exports. Rapid Appraisal. ILRI Discussion Paper, Addis Ababa, Ethiopia. March 2008

Hassen, B., E. Bezabihe, K. Belay, and H. Jema. 2011. *Determinants of Improved Wheat Seed* Technology Adoption: The Case of Smallholder Farmers in Northern Highlands of Ethiopia. Wheat for Food Security in Africa, conference, Addis Ababa.

ILRI, 2008. Feed marketing in Ethiopia: Results of rapid market appraisal. Working Paper No. 12

ILRI, 2009. Feed marketing in Ethiopia: Results of rapid market appraisal. Working Paper No. 15

John, H. McCoy and M.E. Shahran, 2002. Livestock and Meat marketing. Third Edition, Published by Van Nostrand Reinhold Company, New York, U. S. A. 84p.

Kedija, H., Azage, T., Mohammed, Y. and Berhanu, G. (2008): Traditional cow and camel milk production and marketing in agro-pastoral and mixed crop-livestock systems: The case of Mieso District, Oromia Regional State, Ethiopia. (IPMS) Improving Productivity and Market Success of Ethiopian Farmer, Project Working Paper, 13.

ILRI (International Livestock Research Institute), Nairobi, Kenya*.* **56**:1-3.

Kohls, R, L. and J.N. Uhl, 2008. Marketing of Agricultural Product. Fifth,ed. Coiller MacMilan, USA. 624p.

Little, P. (2009) ‘Hidden Value on the Hoof: Cross- Border Livestock Trade in Eastern Africa’. Policy Brief 2 February 2009. Common Market for Eastern and Southern Africa (COMESA) Comprehensive African

Michael Halderman, 2004. The Political Economy of Pro-poor Livestock Policy- Making in Ethiopia. Pro-Poor Livestock Policy Initiative. PPLPI Working Paper No. 19.

MOA (Ministry of Agriculture).2013. Proceedings of the conference on pastoralism in Ethiopia, MOA, Addis Ababa, Ethiopia, 4–6 February 2010. MOA, Addis Ababa, Ethiopia. 99 pp.

Yilma Jobre and Getachew Gebru (Eds). Proc 10th annual conference of the Ethiopian Society of Animal Production (ESAP) held in Addis Ababa, Ethiopia. August 24-26, 2002. 207pp.

World Bank (2008). World Development Report: Agriculture for Development. Washington DC