Livestock Marketing through Cooperative Initiative in Ethiopia: Theoretical & Empirical: A Review

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ABSTRACT

This review highlights how livestock cooperative marketing can enhance market performance in Ethiopia's leather and leather product industry (ELLPI). Livestock supplies vital raw materials for leather production, making it critical to address bottlenecks in its marketing. Drawing on both published and unpublished sources, the review synthesizes systematic, technical, economic, social, and environmental data from various secondary materials and organizational reports. Despite holding Africa's largest livestock population with 65.35 million cattle, 51 million goats, 40 million sheep, 8.6 million equines, 1 million camels, and 55.4 million chickens only 3.7 million cattle hides, 8.4 million sheep skins, and 7.7 million goat skins are collected annually. In addition to, the Oromia and Amahara regional states are leading with 43 and 25 percentages to total respectively, and considering that cattle play a significant role in the economic life of rural community of Ethiopia. Consequently, the untapped potential for skins and hides remains considerable. Livestock cooperative marketing emerges as a strategic solution, involving collective action by producers, consumers, governments, and communities to harness shared resources. This approach can tackle core challenges undermining Ethiopia's export competitiveness: limited market-oriented production, fragmented coordination, weak market information, and inadequate facilities. Countries like Botswana, Somalia, South Sudan, Sudan, Kenya have set an example in effective livestock marketing structures in East Africa regional market.. Empirical evidence indicates that cooperative marketing can significantly improve efficiency, sustainability, equity, and user satisfaction. It is also culturally and socially more accepted in Ethiopia compared to alternative organizational models. Therefore, adopting an integrated, cooperative framework for livestock marketing could optimize the country's vast livestock resources, fostering greater domestic and export market performance in the ELLPI.

Keywords: Competition, Cooperative Principle, Ethiopia, Livestock Marketing, Leather & Product, Industry

1. INTRODUCTION

Cooperation among people has existed since history has been record and as many of the scholars believed that cooperation as old as human civilization. The people of Ethiopia have got a very long social history of working together to fulfill their socio-economic needs. Many social events are still taking place in rural Ethiopia through collective effort. These informal associations continue to operate in Ethiopia (Sebhatu et al., 2020).

According to the (CSA, 2020), Ethiopia possess of the largest population in Africa, with 65.35 million cattle, 51 million goats, 40 million sheep, 8.6 million equines, 1 million camels, and 55.4 million chickens only 3.7 million cattle hides, 8.4 million sheep skins, and 7.7 million goat skins are collected annually only in the highlands (1,500 metre above sea level, masl) and mixed farming systems, home and 75–80 percent of cattle and sheep and 30 percent of goat population in the country (CSA 1999). In addition to, the Oromia and Amahara regional states are leading with 43 and 25 percentages to total respectively, and considering that cattle play a significant role in the economic life of rural community of Ethiopia. Consequently, the untapped potential for skins and hides remains considerable.

Livestock perform multiple functions in the Ethiopian economy by providing food, input for crop production and soil fertility management, raw material for industry, cash income as well as in promoting saving, fuel, social functions, and employment. Various estimates show that the livestock sub-sector contributes 12–16 percent of the total and 30–35 percent of agricultural GDP, respectively (MEDaC 1998; AAPBMDA 1999). Contributing 12–15 percent of total export earnings, the sub-sector is the second major source of foreign currency through export of live animals, hides and skins (MEDaC 1998; FAO 1999). The sector also employs about one-third of the country's rural population (EARO 2000). Therefore, livestock can serve as a vehicle for improving food security and better livelihood, and contribute significantly to agricultural and rural development. Cooperative serves as a bridge for rural development.

2. METHODOLOGY

This review paper used both published and unpublished documents from secondary sources including research studies, scientific journals, peer-reviewed articles, books, thesis or dissertations, websites, and various secondary sources was undertaken to address the objective. This article is prepared on the basis of information collected from various secondary sources of national and international organizations reports and research articles of the area. The results obtained from the secondary data sources are adapted, organized and analyzed. Even though, Ethiopia given emphases to Leather & Product manufacturing and the sector industry development a decade ago, the sector industry still not yet significantly contributing to economic development of the country. In spite of a great potential of the country for the sector industry development, is not as fast as expected. The review approach also applied using searches in Google, and Google Scholar. The literature was performed using key words like "Livestock Population & Marketing", "Competition and cooperation Principle", "Leather & Product, Industry),", " Domestic & Export Livestock Marketing", " Opportunity and Challenges assessment", " Global Leather & Product industry", "indicators" and " International Cooperative Principles (ICP)", a conscious, joint, and iterative decision to consider an article as relevant. The approach focuses on some key studies to summarize a particular issue and present the description of the findings from the studies reviewed. It is "largely based on a knowledgeable selection of current, high quality articles on the topic of interest"

3. LITERATURE REVIEW

3.1. Theoretical Review

The theoretical literature review is a systematic examination of the existing research on a particular topic to guide one's arguments in academic studies. Cooperative marketing, a collaborative marketing employed by member-owned businesses (cooperatives), presents a unique approach to achieving these goals. This review examines the theoretical underpinnings of cooperative marketing in relation to livestock marketing and explores its potential contribution to utilize the resources. **Theoretically;** cooperative marketing is grounded in principles of collaboration, mutual benefit, and shared responsibility. By working together towards common goals, organizations can maximize their impact and create more sustainable outcomes for both the environment and society. Cooperative marketing strategies such as co-branding, joint promotions, and shared distribution channels can help organizations achieve economies of scale, reduce costs, and reach new markets more efficiently *(Lee, 2024)*.

The Triple Bottom line Theory: John Elkington wrote "Cannibals with Forks: The Triple Bottom Line of 21st Century Business," which contains the Triple Bottom Line theory (TBL).TBL can be viewed as a CSR framework that takes into account the three performance factors of economic, social, and environmental. John Elkington elaborated that the three dimensions of TBL must produce benefits that are long-lasting. The TBL concept's fundamental goal is sustainability. To accomplish ongoing earnings and long-term social and environmental projects, businesses must use TBL. The TBL sustainability framework has been used by numerous businesses and charity institutions to carry out CSR (Tjahjadi et al., 2021). According to (Gazzola 2020), sustainable development is an organizing principle that aims to meet human development goals while also enabling natural systems to provide necessary natural resource and ecosystem serves to humans. The desired result is a society where living conditions and resources meet human needs without undermining the planetary integrity and stability of the natural system. The triple bottom line (TBL), which is refer to sustainability, as having three dimensions social, economic, and environmental, is a popular term sustainable growth. The triple bottom line (TBL) theory emphasizes the need for businesses to consider their social, environmental, and economic impacts, while the Dominant Social Paradigm (DSP) views social and ecological issues as constraints to economic growth, several academics assert that achieving social, environmental and economic progress can be realized simultaneously via the "triple bottom line" approach (Anwar and El-Bassiouny 2020).

Cooperative Advantage theory and Resource Mobilization: One key theoretical lens is **cooperative advantage theory**. This theory emphasizes the benefits of collaboration in marketing for organizations (Chen et al., 2012). Cooperatives can pool resources like expertise, finances, and distribution networks, allowing them to create impactful marketing campaigns that promote sustainable practices and products to a wider audience. This collaborative approach overcomes limitations faced by individual small-scale producers, particularly in developing countries. Ethical considerations permeate the discourse on marketing ethics, corporate social responsibility, and stakeholder engagement. Scholars have interrogated the ethical dimensions of marketing decisions, from the sourcing of raw materials and supply chain management to the portrayal of brands and the communication of corporate values.

Cooperative marketing aligns with this theory by promoting collaborations that integrate sustainability principles into marketing efforts, contributing to sustainable development *(Ovharhe, Chukwuemeka et al. 2023)*. Nowadays, for a firm to survive and thrive in the competitive business environment, it has to relentlessly pursue sustainability excellence in addition to the traditional motive of providing value to customers via the production of quality goods and services (Henao & Sarache, 2023). (Ruiz-Benitez, López, & Real) state that, the integration of environmental and social aspects with economic considerations, known as the triple-bottom-line (TBL) has gained relevance for managerial decision-making. In an overly competitive market, shareholders push for economic results, practices are the leading managerial methods to handle manufacturing process (Iranmanesh, Zailani, Hyun, Ali, & Kim, 2019). Cooperative marketing recognizes the importance of engaging and satisfying various stakeholders, creating shared value, and addressing their concern. By pooling resources and knowledge, cooperative marketing enables organizations to overcome resource constraints and implement sustainable practices, in line with the resource dependence theory *(Lei, Yu et al. 2024)*. The social exchange theory suggests that organizations engage in mutually beneficial relationships *(Lei, Yu et al. 2024)*. By engaging stakeholders and understanding their needs and concerns, businesses can build stronger relationships, enhance their reputation, and create shared value. According to different studies related to theory of stake holder *(Bridoux and Stoelhorst, 2022, Kortetmäki et al.2023, McGahan, 2023)*, there are some ways in which marketing can engage stakeholders and promote stakeholder theory:. Through cooperative marketing, companies exchange resources, expertise, and marketing efforts to promote and generate positive outcomes for all involved parties.

3.2. EMPERICAL REVIEW

Empirical evidence suggests that cooperative marketing can lead to positive outcomes for development. For instance, a study *(Coggins et al., 2022)*, found that cooperative marketing efforts among smallholder farmers in developing countries resulted in increased access to markets, higher profits, and improved livelihoods. Similarly, a study by *(Odunaiya et al., 2024)* demonstrated that cooperative marketing activities in the renewable energy sector led to the adoption of cleaner technologies and reduced carbon emissions. (Smith et al., 2022) aimed to investigate the role of cooperative marketing in promoting the growth and sustainability of SMEs, which contribute significantly to economic development and poverty alleviation. A Study by (Brown & Nguyen, 2019) aimed to assess the effectiveness of cooperative marketing in promoting sustainable agricultural practices and enhancing food security. The review identified that cooperative marketing encouraged the adoption of sustainable agricultural practices, contributing to poverty reduction and (responsible consumption and production). Additionally, cooperative marketing facilitated better access to markets and resources for smallholder farmers, thus positively impacting food security and rural livelihoods. The limitation of the systematic review is it relied on published literature, which may not capture the full scope of cooperative marketing initiatives in the agriculture sector. (Gupta & Sharma, 2020) also explored how cooperative marketing can contribute to women's empowerment and gender equality.

The cooperative model is based on several key principles, which are outlined by the ICA. These principles include voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among cooperatives, and concern for community (CLUSA, 2023a). All cooperatives subscribe to a set of values and principles that support the social and people-focused nature of their activities (Scanlan 2021). Cooperatives are a powerful economic and social force, present in most countries of the world and in most sectors of the economy. According to (Reau, 2012), a cooperative is a unique business structure in that the major focus of the business is to serve the needs of the people who use it. In addition to, the cooperative principles create guidelines for co-ops to follow and allow co-ops to put their values into action (Ncbaclusa, 2020). These are, therefore, the DNA or the identity uniqueness) of cooperative throughout the world. According to (Survival, 2023), Cooperative practices such as community outreach, environmental sustainability, and ethical business practices are all integral to this focus. According to (Union, 2023), cooperative values are a set of ethical and moral principles that guide the behavior and decision-making of cooperative members. These values are the foundation of the cooperative movement, and they are essential for ensuring its success. In this case, the cooperative values that are necessary for implementing and applying the principles of cooperation. According to (Co-op, 2022), the first cooperative value is self-help and emphasizes the importance of members working together to meet their own needs. By working together, members can achieve more than they could on their own. Self-help is the foundation of cooperation. According to, (Union, 2023), the second cooperative value is self-responsibility and emphasizes the importance of members taking responsibility for their own actions and decisions. Members must be accountable for their own behavior and must take responsibility for the success or failure of the cooperative. The third cooperative value is democracy and emphasizes the importance of members having an equal say in the decision-making process. Members must have the opportunity to participate in the decision-making process and to have their voices heard (Union, 2023).The fourth cooperative value is equality and emphasizes the importance of treating all members equally. Members must be treated with respect and dignity, regardless of their background or status (Union, 2023).

Principle #1: Voluntary and Open Membership: According to (Rajguru, 2022), the first principle of the cooperative model is voluntary and open membership. This means that cooperatives are open to anyone who wants to join, regardless of their background or financial status. Members join because they see the value in the cooperative and want to be a part of it. The voluntary nature of membership also means that members can leave if they choose to. This ensures that the cooperative is composed of individuals who are committed to the organization and its goals. In addition to member control, these principles also stress voluntary and open membership no discrimination and concern for community. Cooperatives must aid not only their members but the broader society (Schneider, 2020). The central shared value of cooperative is humanity and as a result, many of the researcher said to be cooperative is social and environmental enterprise and that is why focused of this research due to the very relevance and significance of cooperative in promoting SDGs.

Principle #2: Democratic Member Control: According to (ICA, 2023a), the second principle of the cooperative model is democratic member control. This means that members have an equal say in the decisions made by the organization, regardless of their financial stake. Each member has one vote, which ensures that decisions are made in the best interest of the membership as a whole, rather than a select few. Democratic member control also means that members are elected to leadership positions within the organization. This ensures that the organization is led by individuals who are committed to the cooperative's values and goals (SBBC, 2023).

Principle #3: Member Economic Participation: The third principle of the cooperative model is member economic participation. This means that members contribute financially to the cooperative and share in the profits. Members may also be required to contribute their time and labor to the organization (CLUSA, 2023a). (ICA, 2023a) claimed, Member economic participation ensures that the members are invested in the success of the cooperative. It also means that profits are shared more equitably among the membership, rather than going to a select few individuals.

Principle #4: Autonomy and Independence: According to (Association, 2023), the fourth principle of the cooperative model is autonomy and independence. This means that cooperatives are self-governing and operate independently of outside interests. This ensures that the organization is able to make decisions that are in the best interest of its members, rather than being influenced by outside forces. Autonomy and independence also means that cooperatives are able to respond to the needs of their members more effectively. They can adapt to changing circumstances and make decisions more quickly than traditional organizations.

Principle Education, Training, and Information: The fifth principle of the cooperative model is education, training, and information. This means that cooperatives prioritize the education and training of their members, as well as providing them with information about the organization and its operations (Association, 2023). Education, training, and information ensure that members are able to make informed decisions about the organization and its operations. It also means that members are better equipped to participate in the decision-making process and contribute effectively to the success of the cooperative (ILO, 2020). One study estimated that a 12 percent reduction in global poverty could be achieved merely by ensuring that all children in low-income countries leave school with basic reading skills – this is the equivalent of lifting 171 million people out of poverty. The OECD projected that lower- and middle-income countries could enjoy a 28 percent higher GDP per year over the next 80 years by achieving basic education and basic skill levels for all youth by 2030 (Winthrop and Matsui, 2013). Others study by (de Andrade et al., 2015), education for women boosts agricultural productivity; and in Sub-Saharan Africa if all women attained a primary education, agricultural yields could increase by 25 percent.

Principle #6: Cooperation among Cooperatives: The sixth principle of the cooperative model is cooperation among cooperatives. This means that cooperatives work together to achieve common goals and share resources. This ensures that cooperatives are able to leverage their collective strength to achieve outcomes that would be difficult or impossible for individual organizations (ICA, 2023a). Cooperation among cooperatives also means that cooperatives are able to share best practices and learn from one another. This ensures that each organization is able to improve and grow over time (Association, 2023).According to (Chaves-Avila and Gallego-Bono 2020), cooperatives have established several collaboration within the cooperative movement by putting this idea into practice. "Cooperation among cooperatives" is the sixth of the seven cooperative principles (Chaves-Avila and Gallego-Bono 2020).

Principle #7: Concern for Community: Concern for community, the seventh cooperative principle, motivates cooperatives to work for the long-term growth of their communities through member-approved initiatives. According to, (ILO, 2020), the seventh principle of the cooperative model is concern for community. This means that cooperatives are committed to improving the communities in which they operate. They prioritize the needs and interests of their members, but also seek to contribute to the greater good. Concern for community also means that cooperatives are committed to operating in an environmentally sustainable way. They seek to minimize their impact on the environment and contribute to the overall health and well-being of the communities in which they operate(ICA, 2023a.Threfore, the overall principles and values of cooperative business model is a powerful steppingstone/tool for reducing inequalities, mitigating climate change and promoting quality education Cooperatives play a number of roles in the sustainable management of natural resources, including preventing resource depletion. By defining their property and user rights, managing natural resources, and diversifying their economic activities to include green economic endeavors, cooperatives have paved the way for local people to develop answers to environmental change. For instance, forestry cooperative in Indonesia encourage the responsible use of tropical hardwood and have been certified by the Forest Stewardship Council (FSC) for the global furniture industry. This has allowed them to break the monopoly of wood purchasers and support themselves sustainably (stories.coop, 2013). Sustainable agricultural cooperatives diversify their activities to include water management, tourism, production of quality regional foods and organic farming.

4. RESULTS AND DISICUSSION

The structure and performance of the live animal market both for domestic consumption and for export, is generally perceived to be poor. Underdevelopment and lack of market-oriented production, lack of adequate information on livestock resources, inadequate permanent animal route and other facilities like water and holding grounds, lack or non-provision of transport, ineffective and inadequate infrastructural and institutional set-ups, prevalence of diseases, illegal trade and inadequate market information (internal and external) are generally mentioned as some of the major reasons for the poor performance of this sector (Belachew and Jemberu 2002; Yacob 2002).

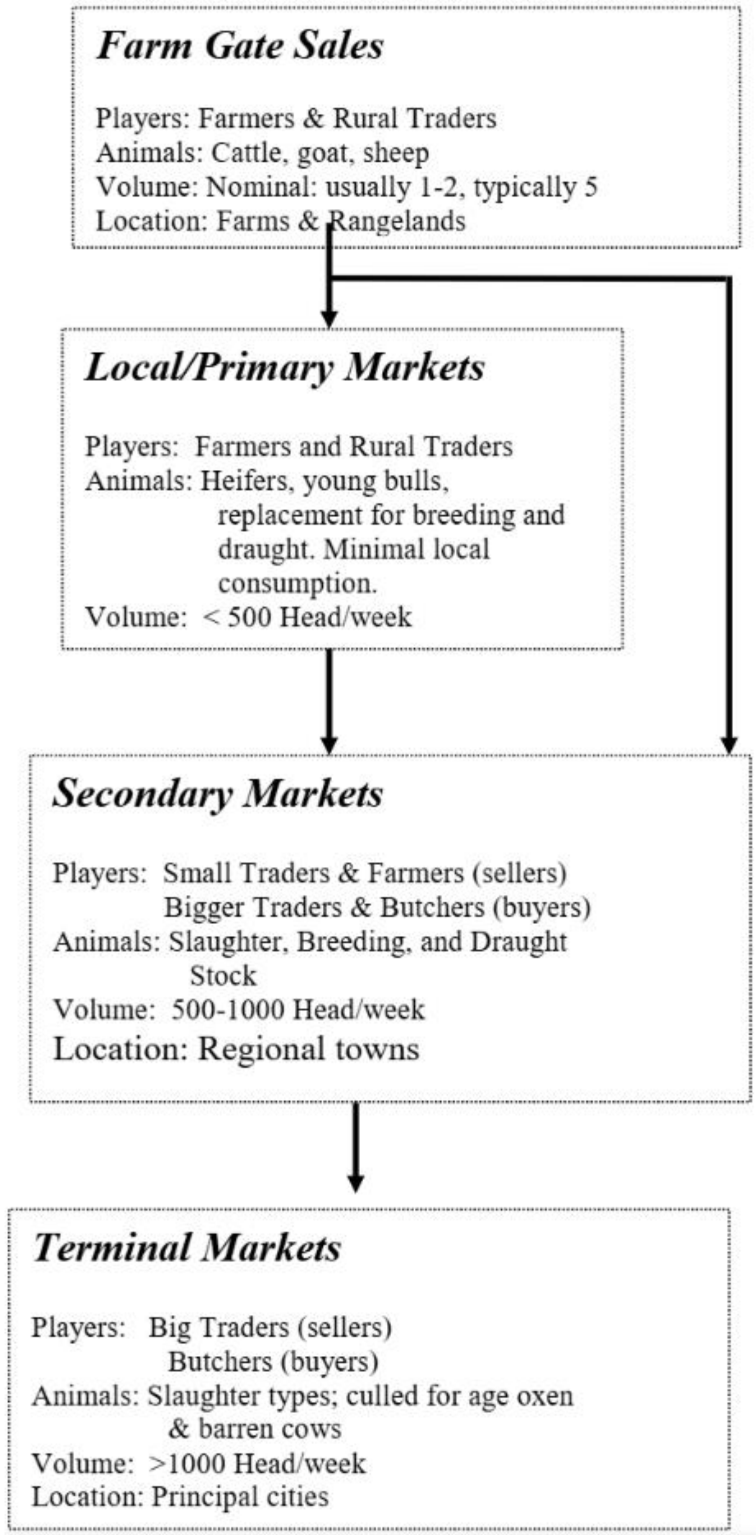
4.1. DOMESTIC LIVESTOCK MARKETING

Field studies in different parts of the highland of Ethiopia show that livestock account for 37–87 percent of total farm cash income of farmers, indicating the importance of livestock in rural livelihood (Gryseels 1988; ILRI 1995). Despite the contribution of livestock to the economy and to smallholders' livelihood, the production system is not adequately market-oriented.

4. 1, 1. Market structure and price formation

There is little evidence of strategic production of livestock for marketing except some sales targeted to traditional Ethiopian festivals. The primary reason for selling livestock is to generate income to meet unforeseen expenses. Sales of live animals 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 whereas prestige and social security are the predominant factors in the lowland pastoral areas. Generally, the livestock marketing structure follows a four-tier system (Figure 1). The main actors of the 1st tier are local farmers and rural traders who transact at farm level with very minimal volume, 1–2 animals per transaction irrespective of species involved. Some traders may specialize in either small or large animals. Those small traders from different corners bring their livestock to the local market (2nd tire). Traders purchase a few large animals or a fairly large number of small animals for selling to the secondary markets. In the secondary market (3rd tier), both smaller and larger traders operate and traders and butchers from terminal markets come to buy animals. In the terminal market (4th tire), big traders and butchers transact larger number of mainly slaughter type animals. From the terminal markets and slaughterhouses and slabs, meat reaches consumers through a different channel and a different set of traders/businesses.

Livestock markets are generally under the control of local authorities. Livestock market locations in primary and secondary markets are typically not fenced; there are no permanent animal routes and no feed and watering infrastructures. Yet buyers and sellers are subjected to various service charges by the local authority as well as other bodies. Markets are dispersed with remote markets lacking price information. Generally, the number of animals offered in a market is usually greater than the number demanded, so there is excess supply. This effectively suppresses producer prices since the more mobile trader is better informed on market prices, while better information combined with excess supply place the trader in a better position during price negotiation. Livestock are generally traded by 'eye-ball' pricing, and weighing livestock is uncommon though auctions were used to be practiced in some of the southern (Borana) markets where weighing was also practiced (MOA 1976). This has been abandoned in recent years. Prices are usually fixed by individual bargaining. Prices depend mainly on supply and demand, which is heavily influenced by the season of the year and the occurrence of religious and cultural festivals. Northern Ethiopia's livestock supply is heavily influenced by the severity of the dry season; supply peaks after the October– January rainy season then drops rapidly. In the South, low sales volume characterizes the July–September main rainy season, and fasting period.



Source: Beyene and Lambourne (1985), Zewdu et al. (1988)
Figure 1. *Typical Ethiopian livestock market structure.*

4. 1, 2. Ranches and Feedlots

The feedlots play a critical role in supplying livestock to the terminal markets during the lean season (March to June) when prices go up. Feedlots that proliferated around Nazareth and Mojo towns of Ethiopia have been forced out of business due to increasing costs and unavailability of concentrate feeds and butchers' preferences for pasture-fed cattle. At the same time, the development of private ranches in Ethiopia has been constrained due to the land tenure policy that prohibited private ownership of land. Still, land can only be leased and not purchased. The domestic markets have been increasingly supply driven mainly as a result of Ethiopia having no access to external markets to offload the exportable surplus. Both top and low quality cattle compete for the domestic markets that remain static due to the stagnation of the economy. Parastatal and cooperative ranches have been beset by mismanagement and lack of credit for infrastructure and working capital. In Ethiopia 109,000 hectares demarcated as ranches are underutilized. With proper management, vision, enabling political and economic environment, these ranches could have produced healthy and quality livestock and supplied the export markets in a reliable manner. Instead they are either dormant or operate under losses in many case. It is time that the government takes some action to redress the problems. Appointing a task force could be a starting point to look into the problems faced by ranchers and feedlot operators to come up with pragmatic solutions. The decline feedlot in Ethiopia proves that nationalization is not the answer to economic and management equations. In this regard the government of Ethiopia may need to consider **privatizing** such parastatal ranches to make them more productive. **Support to livestock feed industries** in Ethiopia (through the reduction of taxes, etc) is also critical to the reactivation of the feedlots that are already closed or to increase the profitability of those still in operation. Government should take some measures than letting vast tracts of potential land to waste despite the possibilities to turn them productive and profitable consumers.

4. 1, 3. Market information

The available research results for livestock marketing in Ethiopia are outdated. Current knowledge on livestock market structure, performance and prices is poor and inadequate for designing policies and institutions to overcome perceived problems in the domestic and export marketing systems. An interventionist research approach to increase the level of marketing efficiency requires current information on how markets operate. In particular, information is required on the incentive structure, spatial and temporal bottlenecks and price and information structure throughout the marketing chain including the export market. From existing data and research there is some knowledge on the number of livestock; number of livestock markets, locations and concentrations; and the number of livestock being traded? Recent information on location specific marketing constraints, livestock sources, prices, margins, stock marketing routes and market information endowments are unknown. How prices and margin volatility are affected by other variables (e.g. season, climate variation, crop prices) is also unknown for any tier of the livestock marketing chain. Available time series (livestock number and price) data are valuable because they can be useful to relate and model the effects of external shocks (e.g. policy changes, livestock development projects, climatic variations, regulations and taxes) to the marketing system. For example, temporally varied analysis could relate weather data to understand how climate affects margins for every level of the four tier marketing chain. The change in incentives from seasonal variations in demand and supply could also be modeled in this type of analysis. Similarly, livestock price that is spatially conditional could be analyzed to relate market characteristics with geographically varying physical and information infrastructure for all levels of the marketing chain including the export market. The formulation of future livestock marketing policy that aims to improve the current system can benefit from historical data, but will also require current market information. If Ethiopia's livestock is to compete successfully in the export market, particularly in its traditional outlets, e.g. the Arabian Peninsula, minimizing inefficiency in the domestic market and understanding the opportunities in the export market will be critical.

4. 1, 4. Market yard facilities

Facilities should exist and run down in the country. These include feed and water troughs, livestock scales, loading rumps, crushes etc. Many of the secondary, primary and in some cases terminal markets have been operating without such facilities all along. Some of these markets may not even be fenced at all. (1) local governments should come up with minimum standard market facilities for primary, secondary and terminal market yards that should be provided by the local councils; In doing so, they should limit their roles to providing technical advice on the layout, design and construction of market yards and the selection of equipment (Such as scales). (2) One of the tasks of the Livestock Traders Associations should be pressuring local councils to provide such facilities in the market yards for the taxes their members pay. The provision of scales alone, for example, may bring pastoralists a step closer to produce for the market;

4. 1, 5. *Taxation*

It suffices to say that livestock are the most repeatedly (and perhaps the most highly) taxed agricultural commodity group Ethiopia. For example, traders are subjected to paying transit and sales taxes of widely varying nature within the country. Taxes and fees are applied heavily and in manners that don't equate with the services provided; the taxes and fees collected serve only in enriching the coffers of the local councils while critically affecting the efficiency of the domestic markets and the competitiveness of exporters in the regional markets. Ironically, taxes are not used for improving market facilities. A great deal of work is required to change the attitudes of those institutions (councils, customs etc) with regard to bringing down the level of taxes and fees commensurate with the services provided and to rescind the application of unnecessary transit fees.

4. 1, 6. *Transport Costs*

Transport constitutes a major cost factor in livestock trade in Ethiopia. Transport costs constitute between 25 and 40 percent of the total price of a head of cattle. In addition, truck owners regard livestock transportation as a captive market. Transport remains a critical factor for the profitability of livestock trading. However, the issue has to be resolved by Livestock Traders Associations, as governments or donors are not likely to subsidize livestock transport costs. In time, Traders Associations should plan to buy their own trucks and provide transport services to members at reasonable costs. This would be a great deal of service to members and a means of generating additional revenue for the Associations.

4. 1, 7. *Intermediate Costs*

Too many middlemen affect the efficiency of the livestock markets. The final transaction in the terminal markets is also carried out through middlemen on commission basis. Terminal livestock prices, as a result, end up 3 or 4 times higher than the producer's price. Intermediate costs, are unaffordable for most of the population. The off-take level of livestock is, therefore, restricted by the cartels price control rather than by the demand and supply factors. This control of the market, in turn, deprives pastoralists from selling more livestock and an increasing number of the population from affording (accessing) meat.

4. 1, 8. Diversification

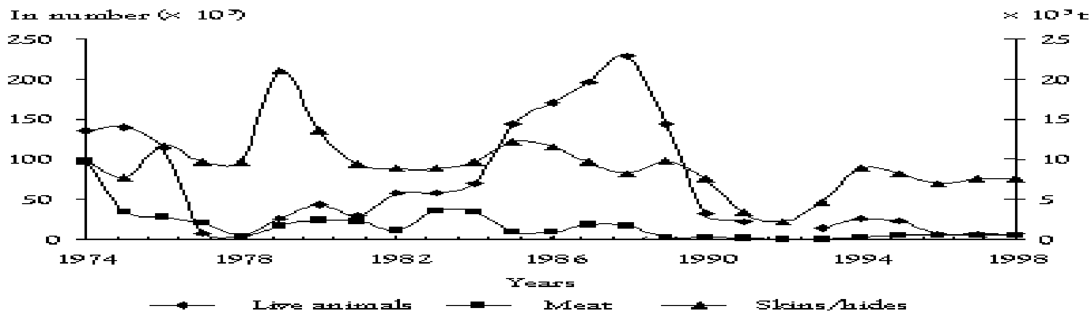
As stated above, the current off-take volume of livestock is determined by price control at the sharp end of the market. At the same time, potential increases in meat consumptions have been affected by the lack of diversified value added meat products at affordable prices. The proportion of value added meat products sold in these countries when compared to the volume of raw meat available in the market is minimal. Value added meat products could be expensive due to low economies of scale, psychological attributes of marketing strategies (packaging etc) and technological / management constraints. As a result, only a small proportion of the population affords to buy such products. Neighboring country Sudan already produces value added beef and chicken products such as sausages, burgers, ground meat, pastrami, kufta and mortadella, which are distributed along towns connected by tarmac road. In Ethiopia, such products are mainly imported though its small-scale smoked beef is becoming popular. Basically, the market potential is there, if more of these products are processed from cattle, shoats and poultry and sold at affordable prices. Investments should be encouraged in this sector. (1) To diversify into value added meat products including the coverage of Muslim areas according to Halal specifications and, to process such products with economies of scale so as to make them affordable to a significant proportion of the population. (2) The availability of capital on loan along with the training of women groups on meat processing, preservation and business management techniques would be necessary to launch such businesses in the provinces.

4. 1, 9. *Producing for the Market*

One common perception about pastoralists is that they are not keen to sell their animals (even in times of hardship) for reasons of security against future losses, wealth status in the community, non-integration into cash economy. Some also say that access to 'free' pasture and water is what keeps pastoralists from selling their livestock readily in the markets. The volume of the national meet demand is determined by the price of meat at butchery outlets rather than by the supply level of livestock. In short, the butchery outlets control the supply level. As a result, in as far as there is no increase in the national demand for red meat (or for the export market), pastoralists have nowhere to sell their livestock even if they want to since the domestic markets are conveniently 'saturated'. Secondly, due to their transhumant nature they are mostly far away from places where they can buy their 'wants' – such as sugar, tea, veterinary drugs. In other words, their physical location determines on how much they would spend on their 'wants'. If not, they have to forego without satisfying their wants for which they don't need to raise cash, as there is no motive. Pastoralists in general have limited 'wants' in comparison to other sectors of the population. They, therefore, require limited amount of cash even if they have the capacity to raise more by selling more animals. Trying to sort out the cartel's control in the terminal markets is a contentious issue that requires the involvement of all concerned parties under the auspices of higher authorities. Admittedly, this is a long-term process, the success of which will depend on disentangling a number of intricate issues. One way of carving the power of the cartel group (without raising any alarm) is initiating and succeeding in exporting large number of live animals (or its equivalent in meat) to increase demand in the domestic markets. Meanwhile, the following measures may help to induce pastoralists to sell more livestock than they currently do. Supplying 'wants' close to where they live and move about during migrations to raise their continuous need for cash and thereby induce them to sell more livestock. Many of these items could be basic consumer commodities. This approach also gives an opportunity to improve on the productivity and health of livestock since they would manage fewer animals than before. In addition, basic veterinary drugs and services could be administered and distributed through CAHWs (Community-Based Animal Health Workers) or veterinary professionals of higher qualifications. Livestock traders could finance both the basic commodity shops and the village-level veterinary health services (the latter through CAHWs or other trained professionals) since they have a vested interest in both the business venture and the well-being of pastoralists and the livestock population. Diversifying and increasing the 'wants of pastoralists' in order to raise their monetary needs. This, in other words, means the creation of new 'wants'. A survey will be required to identify the types of commodities or services pastoralists are likely to spend their money on given the chance (Products or commodities that are harmful to the society should be avoided.. With increasing needs for cash, pastoralists will be persuaded to produce for the market than is the case currently. (A) Smaller villages that do not warrant a permanent commodity shop could be served with mobile shops. Shopping dates could be agreed upon with village communities. (B) One apparent problem is the lack of butcheries in rural areas, particularly in villages due to lack of capital. This deprives pastoralists and other families from buying small quantity of meat when they require as most families are not keen to slaughter a goat or sheep when what they need is just a kilogram or two of meat. The provision of loans to women groups will help to alleviate this problem. (C) Training of shopkeepers, butchers etc on basic bookkeeping and other related topics would be a vital component of this initiative.

4.2. EXPORT LIVESTOCK MARKETING

Livestock and livestock products are the major foreign exchange earners, only second to coffee, with hides and skins contributing the most. For example, in 1995/1996 livestock exports accounted for close to 14 percent of the value of agricultural exports, of which 96 percent came from hides and skins. Exports dropped from 5 percent of the total value of exports in 1987/88 to 0.02 percent in 1995/96 due to decreased live animal exports, and an overall increase in the value of all exports (Zewdu 1995; MEDaC 1998). The share of live animal exports in total livestock and livestock products export earnings have declined in recent years (Figure 5). Skins and hides exports increased during this period while meat exports remained relatively constant.



Source: Assegid (2000).

Figure 2 *Export of animals and animal products.*

Increased domestic demand due to population growth and stagnant or declining production in the early 1990s might led to major decrease in exports. It was predicted that because of a 2.9 percent population growth rate, official exports were absorbed by domestic consumption, and an increase in productivity was recommended to prevent the decline in export levels (FAO 1993). This was based on the premise that Increased population growth coupled with increased urbanization and income would significantly increase demand for meat while, in the absence of productivity growth, increased domestic demand would be met by reducing export. However, the main reason for decline in export was not increased domestic demand but an import ban by some importing countries.

The Horn of Africa countries used to export up to 3 million sheep and goats, 100 thousand cattle and 50 thousand camels per year to the Arabian Peninsula (Stockton 2001). In recent years, however, increasingly stringent health and quality control regulations in the importing countries restricted exports to these countries. In September 2000, Middle East countries banned imports of live animals from six countries in the Horn of Africa and Nigeria due to an outbreak of Rift Valley fever. Although the outbreak of Rift Valley fever triggered the recent ban on imports of animals from Ethiopia (and other Horn of Africa countries), most likely the ban has been prompted by a number of other factors. First, the rapid economic growth in the importing countries has enabled their consumers to look for high quality products with adequate guarantees of food safety. The governments of these countries have also most likely responded by formulating and implementing the necessary regulations in line with global sanitary and phytosanitary (SPS) requirements in food trade. On the other hand, supply conditions in Ethiopia remained virtually unchanged to meet the rapidly changing market conditions in the importing countries. A major problem for exporters from Ethiopia, as elsewhere in the region, is that they have little knowledge about the market structure, rules and regulations, as well as consumer tastes and preferences in importing countries. Apart from diseases, the apparent poor state of health of the animals caused by long rough journeys may also reduce their marketability. Second, alternative suppliers who were better prepared and able to meet the market demand and conditions entered the market gradually replacing Ethiopia as a supplier. The recent outbreak of foot-and-mouth disease in Europe hampered Europe's exports of processed meat to the Middle Eastern countries. This indicates the importance of disease-free export products from Ethiopia. However, adequate understanding of these changing market conditions are not available among the export market stakeholders in Ethiopia and, without such an understanding, it may be difficult to develop proper strategies to re-enter the lost market.

4.2.1, Unofficial exports

A number of studies have tried to estimate losses from illegal export and generated widely variable estimates. In a 1976 World Bank development loan application, the Ethiopian Government estimated that ETB 50–250 million equivalents in foreign exchange was lost due to contraband trade in cattle, sheep, goat and camels. In 1983, an estimate by 'concerned ministries' indicated losses of 1.1 million animals excluding camels valued at US$ 136 million (CIF) or US$ 120 million (FOB). Similarly, AACMC (1984a) estimated 225,450 cattle and 758,200 sheep and/or goats were illegally exported in 1983/84 causing the country to lose ETB 94,959,540 (US$ 51 million CIF or US$ 44 million FOB) in revenue. Table shows some of the estimates of the extent of unofficial exports. The basis of these estimates is not very clear. Table . Estimates of number of unofficial livestock exports

Source of data	Reference period	Cattle (head)	Sheep and/or goat (head)	Camel (head)
Concerned ministries 1983[a]	1981/82	225,450	758,200	na
AACMC 1984	1983/84	55,000	330,000	na
Ministry of Foreign Trade 1987[b]	1985/86	260,000	1,200,000	na
FAO 1993	1987/88	150,000	300,000	na
World Bank 1987	1987	225,000	750,000	100,000
MEDaC 1998	1998	260,000	1,200,000	na
Belachew and Jemberu 2002	2001	325,000	1,150,000	16,000

Source a. Ethiopian Government Committee of Concerned Ministries, unpublished data, 1983.
b. Ministry of Foreign Trade, unpublished data.

A recent study (Tegegne et al. 1999), jointly undertaken by the Organization for Social Science Research in Eastern and Southern Africa (OSSREA) and BASIS–CRSP[5] covered areas between the Omo to Wabi Shebelle rivers in the Borana zone of Oromiya region, Liben and Afder zones in the Somali region and Konso *woreda* and lower Omo in the Southern Nations, Nationalities and Peoples State (SNNPS). The study created a typology of the players involved in cross-border livestock trade, examined the role of brokers and market information, studied diversification by traders and constraints to cross-border trade. Data was collected on volume and price of livestock traded, and input costs such as marketing, feed, water, veterinary and service costs. The main findings of the study are as follows: (A) Illegal Ethiopian exports are agricultural products mainly livestock (on-the-hoof) while illegal imports are a wide range of manufactured consumer items mainly foodstuffs and clothing items. (B) The Borana and Somali inhabitants of southern and South-East Ethiopia are the main players in the illegal trade of livestock, implying that entry barriers to ‘outsiders’ are high. (C) The average trader sells below 200 heads of cattle per annum and is engaged in farming and retailing of manufactured items. (D) Market information is private and non-standardized; thus, brokers facilitate the market transactions for a fixed fee. (E) Seasonal production and consumption patterns, the availability of inputs (i.e. feed, water, transportation and veterinary service), market fees and market information determine livestock prices. In another report, Little (2001) suggested that 50–60 percent of the 1.4 million small-stock exported out of Berbera port in Somalia originate from eastern Ethiopia. Maize, sorghum, cattle, camels, charcoal and kerosene cross into Somalia. In return, kerosene, pasta, wheat flour and sugar are imported to Ethiopia. The benefit to eastern Ethiopia is US$ 12.6 to 15 million as a result of this trade (Little 2001), while Tegegne et al. (1999) put the average benefit for eastern Ethiopia at US$ 25 million. In another report, Tegegne and Alemayehu (2001) documented the illegal livestock trade (through the eastern border to Djibouti) along with coffee, perishables and Ethiopia’s second largest export, chat. Expectedly, all illegal and legal livestock exports have fallen sharply as a result of the import ban (due to Rift Valley fever) in the secondary Middle Eastern markets. The other border areas where illegal trade is occurring are the South-Western Somalia/North-Eastern Kenya/South-Eastern Ethiopia triangle, and the Central Somalia/Ethiopia border. For example, out of the total meat production in Kenya in 1997, an estimated 22 percent came from animals entering the country through cross-border import (unofficial import). This share increased to 26 percent in 2000. A large share of these unofficial imports comes from Ethiopia

In general, in different cross-border trade outlets, prices do not move in the same direction, indicating some sort of market failure. Thus, there are no established spatial price differences (price ratios) that can be linked to this trade pattern. And there is no market integration, making it difficult to prescribe policy interventions to combat this trade (Tegegne et al. 1999). Excessive regulation may be a reason why exporters resort to unofficial channels. The only government measure to mitigate livestock export losses has been temporary increases in inspections by 'finance police'. According to the Livestock Marketing Authority (LMA), the following charges apply to livestock or meat exports: a meat inspection fee of ETB 10 per certificate payable to the MOA veterinary service; foreign embassies charged ETB 90 for each of three certificates for importing to their respective countries; the chamber of commerce charges ETB 40 for a 'certificate of origination'; ETB 162 for each of three certificates that goes to the Ministry of Foreign Affairs, ETB 35 to the Maritime and Transit services for declaration, and if meat is exported by plane, ETB 20 per tonne is due to the Ministry of Health (LMA, unpublished data). Tegegne and Alemayehu (2001) found that illegal coffee exports dropped dramatically when the government reduced or eliminated exporting costs including export taxes. Therefore, opportunities exist to reduce the number of tax points and the amount of tax in order to potentially encourage more official livestock and livestock products exports.

4.2.2, Taxation

Exporters have to pay a myriad of taxes and fees at the national level for exporting live animals or chilled/frozen meat. This is in addition to what they pay in fees and taxes for local councils. Many of the Government institutions traders have to deal with charge some kind of fees and taxes from exporters. Though taxes and fees are necessary their application should equate with the services provided in this particular case since exporters can't keep on exporting if they don't make profits. Secondly, the amount of time spent alone in processing and effecting such payments in different ministries and institutions only contributes to the inefficiency of the exporters. The designation of a central unit where all payments could be effected at one go will effectively improves efficiency since time is of essence in livestock export business. Thirdly, and more importantly, there is a need to review the level of taxes by making comparative studies with other livestock exporting countries such as Australia, New Zealand or Eastern European countries. If livestock exporters from Europe and Australia are subsidized by their respective governments then the least the Horn countries can do is to remove all taxes on the domestic movement of livestock destined for export.

4.2.3. Inadequate Financial and Technical Services

Financial services are not easily available. There are no specialized livestock banking services in Ethiopia and exporters have to get such services from high street commercial banks in general. Banks, obviously, need collaterals to advance loans. Unfortunately, exporting livestock is a highly capital intensive business for which raising collaterals is beyond the means of most traders. Rural credit services, where they exist, are usually limited to Grameen type banks lending small amount of money to women groups for petty trading. Many livestock traders therefore rely on the 'trust system' to overcome this problem. Even if loans are available, traders would opt to forego them because of the high interest rate. Assistance should be provided to livestock and meat traders/exporters in the preparation and submission of loan applications (feasibility studies, cash flow forecasts etc) to access trade finance/capital investment loans from regional banks as PTA and East African Development Bank where the interest rate is comparatively lower than the local banks. Such applications could also be prepared and submitted to local banks when the interest rate is favorable to borrowers. Capital can also be raised by selling shares to livestock traders, pastoralists and the general public. If need be, would be investors could be provided with technical assistance on how to form share companies. In any case, traders have to pay for the technical services provided either at the time of loan application or at the end of their business transaction (in cases of trade finances) or at an agreed upon date (in cases of capital investments) in the future.

4.2.4, Letter of Credit

Ethiopia requires Letter (s) of Credit (LC) to authorize livestock exports. European, New Zealand and Australian exporters extend credit lines of up to 2 months when exporting livestock to the Gulf countries. Somali exporters also extend credit lines to importers when they take animals to the Gulf without receiving orders. LC is a standard bank guarantee document that the buyer will effect payments upon receiving the consignment(s). In normal international trading practices, LCs has to be irrevocable. In the 'buyers' markets of the Gulf, however, livestock are transacted without the need to open LCs. This is because suppliers compete on 'extending credit lines' to importers. In addition, Gulf importers prefer to pay cash to their suppliers upon receiving the livestock consignment than going through the process of opening LCs. Obviously, exporters of those countries that insist on LCs are at a disadvantage. The problem is that authorities of the respective national banks are not familiar with how the livestock market functions in the Gulf. They are also probably unaware that the exportation of livestock from this side doesn't necessarily guarantee importation on the other side. The whole shipment can be rejected on health grounds, in which case, the LC becomes meaningless. The solution is to expose the national bank and other relevant authorities (including customs) to the livestock markets of the Gulf. This requires undertaking a fact finding mission to the Gulf so that they can see for themselves how livestock are transacted without LCs, the highly competitive nature of the business and how other suppliers use different marketing tools to increase their market share. Such a mission may hopefully persuade the authorities to come up with flexible arrangements in lieu of the standard LCs for live animal exports

4.2.5. Access to Foreign Exchange Earnings

The success of Somali livestock exporters in running the country's economy is because of their access to foreign exchange earnings allowing them to import essential commodities into the country. The new liberal policy in Sudan also allows exporters to access their foreign exchange earnings and dispose them as they want either for importing goods, sell it to the bank or to third parties. In Ethiopia, exporters (or for that matter importers) can only access foreign exchange through the bi-weekly auctions at the National Bank. If need be, exporters should be allowed to access at least a portion of their foreign exchange earnings either for importing commodities or for other needs. Such gestures will encourage them to export more. It should also be noted that the repatriation of capital and profit in foreign exchange is a pre-requisite for attracting foreign investments

4.2.6, Technical Constraints

At times, investments are made without any or based on poor feasibility studies. In either case, the 'barriers of entry' don't warrant such kinds of investments. In this regard, the purchase of five industrial abattoirs by Elfora Co. in Ethiopia is an example. The abattoirs use nearly obsolete machinery. Elfora's initial success in supplying canned beef and vegetable to the Ministry of Defense couldn't continue when the Ministry stopped making orders. The company should have explored and secured alternative markets while supplying the Ministry of Defense. In addition, a proper feasibility study should have taken place before the purchase of the plants if canned meat could be exported profitably from Ethiopia. Because the more processed the meat is the less profitable it is in international markets (live animals followed by chilled / frozen meat are more profitable than canned meat). The fate of the industrial abattoirs is not certain at the moment. All the above cases signify the lack of critical information at the level of the investors and the authorities that approve such projects. It also underlines the lack of information exchange (or lack of coordination) between those who have the right information on supply levels, markets etc (Ministry of Agriculture / veterinary departments / abattoirs etc) and those approving such projects (Ministry of Industry, Investment Authorities etc). Put simply, information collected by the former is not used by the latter. This requires: (A) Determining what data to collect, defining the purpose and identifying the responsible agencies to undertake such operation; (B) Establishing linkages for exchange of data between those who collect the primary data (Ministry of Agriculture, Veterinary Departments etc) and those who could make further use of the same data (Investment authorities, tannery owners etc). This will help the latter determine the viability of proposed investment projects; (C) Provision of technical expertise for appropriate feasibility studies on new investment projects.

4.2.6, Shortage of cold chain facilities and cargo space

Shortages of cold chain facilities at Addis Ababa airport limits the amount of chilled/frozen meat to be exported at any given time. Moreover, chilled/frozen meat exports take place using the available cargo space on scheduled passenger flights. When cargo space is not available, exporters are forced to take back the consignments to their own cold chain facilities. Exporters complain that scheduled airlines freight costs are high. Chartered flights are even more expensive since exporters are charged for the round trip. Somali exporters, however, use chartered planes in both directions bringing in merchandise in the inbound trip. As a result, the cost of chartered flights is less expensive in Somalia than in Et This should be resolved through negotiations between the exporters, the respective airlines and civil aviation authorities. First, the exporters should convince the authorities to put up additional cold stores since the available space is not enough. If this fails, the exporters should try to get the consents of the authorities to put up their own cold storages at the airports by renting space. The negotiations should also explore all possibilities to alleviate cargo space problems.

4.2.7. Conditioning live animals for export

Gulf Importers complain that livestock from the Greater Horn countries arrive in poor physical shape despite the proximity of the two regions. This happens due to a variety of reasons: Livestock are transported in dhows and boats that are not specifically designed for this purpose; overcrowding and suffocation; lack of feed and water during the voyage including lack of attention and the immediate transfer of livestock from land to sea without any acclimatization etc. On the other hand, despite a sea voyage involving some 17-21 days, livestock from Australia and New Zealand arrive in good physical shape. Exporters from these countries use large vessels specifically designed for this purpose (with capacities to carry up to 140,000 sheep at a time). Ample feed and water are provided during the voyage. Livestock are checked regularly for any kind of disease symptoms, bruising or physical injury and those that are not deemed fit for the markets are disposed into the sea. More importantly, livestock are conditioned for about five days close to or at the port of embarkation before they are transferred aboard the vessels. This involves mainly acclimatizing them with the feed (while still on land) they are to be served on board. Australian and New Zealand exporters emphasize that conditioning the livestock at or close to the port of embarkation is key to the arrival of livestock in good physical shape at destinations.

4.2.8. Rolling Quarantine

Quarantine procedures are a must particularly for live animal exports. This period of observation lasts for 21 days before the livestock are shipped. This is an expensive (but nonetheless mandatory) procedure in terms of feed, water and other overhead costs particularly if large numbers of animals are involved. The trick is how to minimize costs. This could be done by: (A) Thorough screening at source (or terminal markets) so that animals deemed unfit could be eliminated before incurring unnecessary transport and other overhead costs in preparation for shipment (such animals could also be disposed at the local markets). (B) Incorporating the observation days while the animals are on the move to the port of embarkation. This would save a great deal of costs for exporters while fulfilling the quarantine requirements.

4.2.9. Pre-shipment Holding grounds /Quarantine Stations

This problem is more pronounced at the port of Djibouti. The present capacity of the holding ground in Djibouti may not hold more than 2,000 shots or their equivalent in cattle. Various attempts by private Ethiopian exporters to access and improve the capacities and facilities of the pre-shipment quarantine station at Djibouti have not yielded fruit for inexplicable reasons. As things are, the volume of live animal exports from Ethiopia will be limited by the capacity of the quarantine station at Djibouti among other things. A high level meeting is required between Ethiopian and Djibouti authorities to resolve the issue.

4.3. External markets information gap

One apparent area of weakness is the lack of interest and capacity to collect regular market information from livestock importing countries. The apparent indifference to collect this information comes from a misunderstanding about the dynamics of the export market and the wrong perception that the markets will always function in a similar manner. For reasons of simplicity, we suggest that regular and systematic market information be collected across four major areas (the Saudi Arabian market is used here as an example since it represents the largest livestock market in the Gulf Region). (A) Regular information on local production, market trend, attitudes, GDP, changing habits of the consumers, changes in distribution channels, substitute products, demographical changes etc. (B) Obtaining timely information on Tariffs, Rules, Regulations and Trade Restrictions imposed by importing countries and the need to comply with such requirements. Tariff levels are an important part of the export equation, which should be followed and monitored closely by exporters from the region to adjust production costs and margins accordingly. Horn countries should also take stock of the animal disease status in their respective countries from time to time; pay special attention and monitor important diseases that may affect the export of live animals and meat such as anthrax, CBPP, RVF etc. In case

4. 3,1. Knowing what the competitors are doing

The Gulf region enjoys one of the world's highest per capita incomes and population growth and provides a food market worth $35 billion. The region's population also involves a smorgasbord of nationalities. Saudi Arabia has 71 percent nationals while in UAE it is only 20 percent (with nearly 2/3rd Asians and about 15 percent from Middle Eastern countries). Bahrain's population comprises 61 percent nationals while in Kuwait it is about 1/3rd. In Oman more than two-thirds are nationals while in Qatar it is just under one-third. As competition is becoming more intense suppliers are employing a variety of marketing strategies to reach the different market segments (stratified by income, ethnic group, age, religious beliefs etc) in the Gulf. Many EU countries, Egypt, Thailand, China, India, Australia and New Zealand are active in offering different forms of promotional assistance to local importers to increase sales. These include: i) subsidies; ii) price and payment terms such as credit facilities and price discounts on bulk buys; and iii) promotional activities such as TV and magazine advertising; in store promotions; give a ways; point of sale material and other merchandising support; incentive buy programs and off-location displays. For example, France and Brazil gained ground in the frozen poultry sector through attractive subsidies38; other EC countries have offered favorable credit facilities such as 60 days payment39. In the meat area, Australia and New Zealand are active in providing point of sale material to supermarkets in order to encourage shoppers to try Australian lamb or dairy products from New Zealand. Australian meat is regularly advertised on Saudi TV. In fact, the Saudi consumer has become a discriminating consumer, looking more closely at labels and price than before. As bar coding becomes more popular, many like products are expected to be eliminated. Distributors are routinely charged rent by supermarket managers for gondola space to introduce and test market new products. The gross margins charged by supermarkets range from 10 to 35 percent, depending on the degree of sophistication and modernity of the store. It is against this background that live animals and meat exporters from the Horn wage an uphill struggle to keep themselves afloat in the Gulf market. The respective East African governments (excepting Somalia) seem to be oblivious of the facts surrounding the Gulf market. Export regulations do not allow, for example, Ethiopian exporters to offering credit facilities to Gulf importers as export transactions have to be carried out strictly on the basis of Letters of Credit. Sudanese exporters can't sale live sheep in Saudi below the minimum price ceiling set by the Government.

The success of Somali exporters before the RVF ban was partly due to their ability to provide credit facilities (perhaps as a result of having no central government) to importers in the Gulf market. It is time that the respective governments in the Horn take the initiative to support live animals and meat exporters by formulating pro-active export policies, such as: (A) Reviewing and replacing out-dated export rules and regulations and substituting them with pragmatic policies that enhance livestock and livestock products exports; (B) Allowing the export of live animals and meat without the need to produce letters of credit through other forms of guarantee; Banks should extend the repayment period of overdrafts to exporters so that exporters in turn will be able to extend credit facilities to their buyer; (C) Allowing exporters to sell live animals and / or meat at the market price of the day; (D) Market promotional supports in the importing countries. Ideally, the Horn countries should join hands to devise a regional promotional strategy rather than on unilateral basis to position/reposition their products with certain attributes that appeal to the attitude of present day consumers (for example, capitalizing on free ranging animals). Such a regional promotional approach will also help the individual countries to cut costs on advertising, enable them to use the natural diversification of the region for promotional purposes while providing them a better chance of standing against their giant competitors (such as Australia and New Zealand) than on unilateral basis.

4.3.2. Surveying new markets and diversifying products

Understandably, the Gulf is a major market for live animals and meat exports. However, total reliance on this market alone could lead to unpredictable and economically devastating situations as with the current RVF ban imposed on the region. Apart from health-related reasons, it should be borne in mind that such bans could be imposed at any time and on any country unilaterally or collectively for political, commercial and other reasons as felt necessary by the importing country /ies. Identifying and supplying other markets is therefore essential as risk minimization strategy in addition to providing an opportunity for increasing the volume of exports.

Alternative markets would provide lifelines for the domestic livestock industry to make the economic loss more bearable whenever bans are imposed by a country or a region in the future. So far, focusing on the Gulf countries alone has detracted Sudan, Ethiopia, Kenya and Somalia from entering other potential markets. For example, Australia supplied Egypt with 230,000 head of cattle in 2001, a market that could have been easily tapped by the regional countries (as COMESA members) if they were competitive enough on price and other parameters. Of the 13,000 tons of meat imported by Mauritius in 2001, Australia supplied 90% of the goat meat, some 90% of the mutton and lamb, 62% of the fresh/chilled bovine meat and 90% of the offal meat (ironically, Mauritius exports mutton to Kenya probably imported from Australia). Chilled/frozen meat supplies for West African countries also come from France and Brazil. Amongst the three Horn countries, it is only Sudan that is making a determined effort to enter other potential markets outside of the Gulf. It has so far succeeded in penetrating Jordan and exporting to Egypt and Libya from time to time. Sudan is also negotiating with Malaysia to supply cattle. Available studies indicate that the Southeast Asia region will become the largest market for livestock and livestock products in the next few years. It is time to take initiatives to focus on this market.

4.3.3. Preferences can change over time

The perception that the native Gulf population prefers livestock from the Horn than from Australia or New Zealand should not be over relied upon. To begin with, attitudes are changing with the changing demographic profile of the population. Secondly, taste preferences can be subliminally manipulated in a variety of ways over time. Otherwise, Australia and New Zealand could not have been able to sell between 6-9 million shoats (between them) every year to the Gulf countries. Markets naturally respond to what the dominating (or monopolistic) suppliers and distributors would like to sell through their outlets to the public. Understandably, suppliers and distributors are more loyal to profit than to products. The present reality is that suppliers and distributors in the Gulf countries realize more profit from livestock of Australian and New Zealand origin than from the Horn countries. In Saudi Arabia or Yemen or UAE, the meat served in restaurants is mainly of Australian or New Zealand origin. The Horn countries have nearly (or already) lost their mass market base as a result of suppliers and distributors switching to Australia and New Zealand and because of the inconsistency of their supplies. In addition, there are rumors that Australia in particular has started breeding the black head Somali sheep. This poses an unprecedented level of challenge for the regional exporters. The Horn countries particularly Ethiopia need to revise their strategies. If they decide to compete head on with Australia and New Zealand, then they have to bring down their export prices down to a level that allows them to compete. This strategy, however, requires an unprecedented level of reform in the internal markets. Domestic taxes have to be removed, efficiency and cost cutting have to be greatly improved and some sort of subsidies has to be introduced. Whether all these can be achieved is doubtful, but can be tried. The second alternative is, niche marketing in the Gulf countries. This again requires employing various promotional tools on almost continuous basis specifically directed at that segment of the population that is ready to pay more for livestock or meat originating from the Horn countries. This strategy has to be backed by efficient and consistent supplies of livestock or meat from the Horn. Promotional costs could be high but they pay in the end. Some of the promotional costs can be met, if governments are willing, by cutting unnecessary domestic livestock taxes and transit fees. Otherwise, the Horn countries can't keep on banking over the preference of their livestock for long in the Gulf countries.

4.3.4. Regional approaches

The way to move forward for the Greater Horn countries is to develop a regional rather than unilateral approach while remaining competitive with each other. A regional strategy is necessary in view of the increasingly poor performance of the horn countries in the export market. For example, prior to 1973, Somalia had 90% of the Saudi market, but was unable to keep pace with its growth. Australia became the principal supplier in the mid 80's shipping out some 3.5 million sheep annually from almost nothing 20 years earlier. Similarly, Turkey was able to increase its exports to Saudi from almost nothing 10 years earlier to around 1.4 million sheep in the mid 80's In comparison, GHA countries have failed to supply consistently let alone dominating the Gulf markets as should have been the case considering their geographical proximity and cultural ties. The failure of GHA countries is attributed to their own inefficiencies – at times, leading to the imposition of bans by importing countries (which in some cases is unjustified). In the process, the Gulf and the Middle East market has been dominated by such giants as Australia, New Zealand and some

European countries with which any GHA country can't compete unilaterally. It is therefore time for GHA countries to think of regional collaboration since what can't be achieved unilaterally may be accomplished regionally. Such collaborations could be achieved through the formation of Regional Live Animals and Meat Exporters Association, Regional Tanners Association etc. These associations could work closely with the proposed African-Arabian livestock Trade Commission (of OAU-IBAR) for mutual benefit. The Associations and the Commission could play complementary roles for boosting the export potential of the region. Some of the perceived benefits of regional collaboration are listed below. (1) It provides a forum for the regional exporters and professionals to share and exchange views and experiences. (2) The GHA countries share similar problems – animal diseases, poor infrastructure and marketing system, taxation etc; however, each country has a better way of tackling a particular problem than the other. Lessons can be drawn from each other. (3) Joining hands to lobby the respective national governments to formulate similar protrude policies and guidelines – for example, enabling traders to provide credit lines to their clients for which they need to access loans; developing alternative systems to Letter of Credit and other stringent export regulations; the reduction of domestic taxes on livestock destined for export; or raising tariff and non-tariff barriers on imported leather products to protect local industries from unfair competition. (4) Lobby or negotiate as a region with the Gulf countries. Informed sources suggest that GHA countries import more in value terms from Gulf countries than what they export to them either in the form of live animals or chilled/ frozen meat and mutton. This trade imbalance could be capitalized on during negotiations. Perhaps, the RVF ban could have been lifted earlier if the lobbying was done for the region rather than on unilateral basis. (5) Pulling of resources together for market promotion in the importing countries. GHA countries can position/ reposition their products by capitalizing on the organic livestock production system of the region as opposed to livestock coming from other sources. A regional promotion program may give a better chance of competing with such giants as Australia and New Zealand than on unilateral basis. (6) Setting up standards and guidelines on animal health and livestock trade including Code of Conduct for members. (7) Commissioning periodical market research in existing or in potential new markets (Southeast Asia) including production of livestock related trade directories and sharing information among member countries. (8) Accessing the services of such regional organizations as OAU-IBAR, COMESA, IGAD and EAC. (9) Enabling regional exporters and would-be investors to access loans (for projects or trade finance) from such regional banks as the PTA or the East African Development Bank. (10) Sharing of training and other facilities in the region for common use. For example students from the region can be trained at the Meat Inspection, Hygiene and Grading Centre in Al Kadero or Leather Technology Training Institute (in Sudan) or in related other fields in Kenya or Ethiopia. (A) Facilitating the training of exporters from the region on various issues as required. (B) Providing opportunities for joint venturing as traders come to know each other well. (C) Close monitoring of the prevalence of livestock diseases in member countries for prompt action.

5. CONCLUSION AND SUGGESTION

Ethiopia has the largest livestock population in Africa, but the contribution for the economic aspect of the country is still lowest amount. Therefore it needs continuous commitment to reduce the different constraints and to boost the economic contribution of livestock sector Cooperation is as old as human civilization and played a great role in every walk of life. The people of Ethiopia have got a very long social history of working together to fulfill their socio-economic needs. Agriculture, Trade and Military Operations were carried out through cooperative efforts. Many social events are still taking place in rural Ethiopia through collective effort. The Federal Government of Ethiopia has identified Cooperative form of business organizations as an instrument of socio-economic change. Many Cooperatives have emerged in the recent past to serve the suppressed and depressed community of Ethiopia. Based on the experiences of the countries exporting agricultural produces, the following strategies for marketing meat/milk/livestock are suggested through cooperatives

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5.1. Establishing Organizational Network through cooperative

Reorganizing the existing cooperatives practices and creating network is very significant In Ethiopia we have more than 5000 agricultural cooperatives at the primary level. The objectives of the cooperatives are to provide agricultural inputs and agricultural marketing facilities. Unfortunately our primary agricultural cooperatives have not fulfilled the marketing requirements of the farming community particularly the pastorals. Since our economy is pastoral economy, existing cooperatives should undertake the marketing of livestock as a core activity. The promoters of the cooperatives viz., the Government, NGOs should take initiative in creating awareness among the cooperative members and educate the committee members to carry out the livestock marketing.

5.2. Establishing New Cooperatives

The promoters of the cooperatives can take initiative to establish new agricultural multi-purpose cooperatives. One of the main objectives of such cooperatives is to carry out the livestock marketing. The major functions of such cooperatives are to pool and transport the livestock’s to the slaughtering houses of the cooperative union. The primary cooperatives will pay to the farming community based on the weight of the livestock as per the price fixed by the union.

5,3. Promoting Federal Organization

The existing cooperative unions at woreda level should establish meat-processing units. New unions with such facilities should also be started wherever required. The meat processing units will carry out the activities of slaughtering of livestock’s, quality check, packing, branding and transporting. Federal organizations to be established either at the regional level or / and at national level should take care of export marketing functions. The federation should identify the potential export market, establish business relationship with the importers, shipment, and adhere international trade norms. The federation will schedule the livestock pooling and slaughtering based on demand and supply. The federation will also carry out dissemination of market information to the farming community through the union.

5.4. Ensuring Product/ion Quality

Producing a quality animal is only the first step in producing quality meat products. The ability to offer a safe and attractively packaged product is a basic requirement for successful marketing. Farmers would be well advised to learn as much as they can about slaughtering, cutting, aging, packaging, and so on. Learning about cuts, dressing percentages and weights is crucial. For which the authors advocates cooperative extension with the help of veterinarians. Developing a sales base depends on being able to deliver a consistent product. While there may be more tolerance for slight inconsistencies among consumers who have developed a relationship with the producer, consistency is cited over and over as a key factor in export marketing. The cooperatives should have regular quality check with the help of Quality Controllers may be hired on full time basis by the unions. All packaging should be done with airtight, high quality freezer paper. Each package should be marked with the name of the cut and the date packaged. It may be possible to provide the slaughterhouse with a stamp containing the necessary farm information. The international norms on food products need to be adhered by the cooperatives. Professionals with international marketing expertise need to be employed by the cooperatives. Despite the fact that Ethiopia has the largest livestock population and the highest draft animal population in the continent, knowledge on market structure and performance both for domestic and export market is very poor that other African countries like Botswana are taking the lead in the export market in the sector. Though the Middle Eastern countries have been a traditional export market for Ethiopian animals, increasingly stringent health and quality control regulations restricted exports to these countries in recent years. 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. Government should seek to strengthen 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 constraints 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.

The abundant livestock resources and cattle population in Ethiopia is underutilized including both for milk and for meat. Considering the topography of the country the scope for Cooperative Milk marketing Network is ample. Hence, in this paper the researcher is trying to identify the potential of Milk and meat cooperatives in the production enhancement activities. Cattle play a significant role in the economic life of rural Ethiopia. They have remained as the keystone of Ethiopian farming since time immemorial. Cattle remain as the sole motive power of agriculture and without them no cultivation is possible and no produce could be transported and no milk and milk products and meat and meat product. Since the leather industry is dependent on livestock resources, unless properly manage and utilize the available huge livestock resources in Africa and globally as well.

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