

Graduation with Resilience to Achieve Sustainable Development

GRAD was a five-year USAID-funded project designed to help the Government of Ethiopia find sustainable solutions to chronic food insecurity. The project supported households enrolled in the government's Productive Safety Net Program (PSNP) so that they could access microfinance, improve on- and off-farm productivity, and establish links to markets. In addition, GRAD improved household and community resilience by increasing women's empowerment, improving nutritional practices, and introducing climate change adaptation mechanisms. CARE Ethiopia led a consortium that included REST, ORDA, Catholic Relief Services, Agri Service Ethiopia, and SNV. The project worked in 16 districts in Amhara, Tigray, Oromia and SNNPR.

GRAD Innovation Brief #5

Livestock Marketing Collectives

Background/Rationale

The livestock sector in Ethiopia remains under-developed, characterized by inefficient traditional practices and poor market integration. In agro-pastoral highland districts, people perceive of livestock as an asset to acquire and keep, selling only as needed to cover acute cash needs. Market challenges include middlemen who add to transaction costs at the disadvantage of producers, few and distant marketing opportunities, unpredictable market prices, costly and unreliable transport facilities, and product quality that does not meet market standards. For these reasons, PSNP households have been unable to take advantage of the high demand for meat in external markets. GRAD identified livestock/meat as a value chain of reasonably high potential for PSNP communities. Livestock fattening is seen as a more profitable approach but a big challenge, and the topic of this brief, was to put in place systems for collective marketing, specifically the establishment of livestock marketing cooperatives making use of collection centers. Despite the importance of the livestock sector in Ethiopia, similar initiatives for aggregating small-holder production for external markets have been rare.

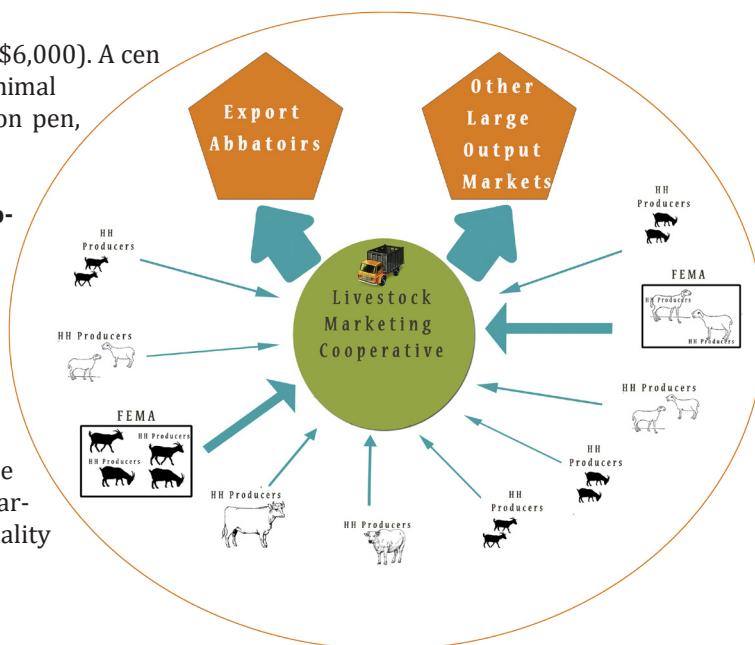
The Process

GRAD, led by technical advisors from SNV, implemented the following process for setting-up and supporting new livestock marketing cooperatives and enterprises. This process proved to be a successful and cost-effective approach to linking PSNP households to external markets.

- 1. Build awareness on the benefits of collective livestock marketing** – The first step was awareness raising among key stakeholders and potential value chain actors, often done during multi-stakeholder platform meetings, on the need and potential for livestock marketing cooperatives. Staff from relevant government offices were briefed on the approach and asked to lend their support.
- 2. Improve the quality of household production:** Exporters and other major buyers have strict quality requirements (e.g. only male animals with a live weight of 14 to 28 kg, aged 1-2 years, breed, body condition, etc.). GRAD facilitated technical training for project households, in close collaboration with the government extension service. Participants were trained to keep animals in enclosures to avoid further degrading communal pastures, supplement diets with commercial feed, and provide adequate veterinary care.
- 3. Establish small-holder collectives** – Small producers in remote rural communities must work together and aggregate their products to have any chance of attracting big buyers. GRAD helped create informal pre-cooperatives (called Farmers Economic Marketing Associations or FEMAs) bringing together beneficiary households active in the livestock value chain. FEMAs could then offer animals for sale in bulk to a range of potential output markets.
- 4. Create/support livestock marketing cooperatives** - The project worked with the woreda cooperative promotion offices to formalize well-established FEMAs as livestock marketing cooperatives or support existing cooperatives. In some cases, the FEMAs remain informal and maintained market linkages with marketing cooperatives or other buyers. The cooperatives were helped to establish by-laws and elect officers in order to function legally and successfully.
- 5. Establishing collection centers** – Once established as legal business entities, livestock marketing cooperatives were assisted to obtain land and construct collection centers. A detailed guide on collection center construction was developed by SNV-GRAD. In all, GRAD established seven collection centres: six for new cooperatives and one for a private live animal trader.

Each collection center cost approximately 120,000 birr (\$6,000). A center can house 480 shoats at one time and has facilities for animal feeding, night accommodation, a feed store, an isolation pen, and a guard room.

6. Building the capacity of the livestock marketing co-operatives – GRAD engaged private sector partners to provide business skill training to all newly established cooperatives. The project also took key cooperative members on exposure visits to larger private collection centers to help them understand the entire animal management process. GRAD also facilitated participation of cooperative members in trade fairs including those for international buyers. All of this served to expand the skills and aspirations of the producer groups around market potential while further exposing them to product quality expectations.



Project Achievements

- The live weight selling price of shoats is now 36-42 birr (about US\$2) per kg. This compares favourably to what was previously offered by traders (31birr/kg).
- GRAD households engaged in the shoat fattening value chain increased their annual incomes by 2,394 birr or about US\$106
- The average livestock marketing cooperative would accumulate up to \$24,000 in equity over the course of four years.



Photos: GRAD livestock value chain production and marketing

GRAD Learning

Based on the practical experiences outlined above and feedback from numerous stakeholders in the sector, GRAD strongly believes that collective livestock marketing using collection centers is an appropriate and sustainable approach that improves household income and builds market networks. Specific lessons include:

- **Financial Constraints** - A shortage of working capital at the beginning limited commercial growth. To cope, cooperatives collected shoats on credit from their members and repaid them later after sales to output markets. Access to credit for cooperatives (currently very difficult) would mitigate risks for household producers.
- **Profitability and Cost-effectiveness:** GRAD's livestock marketing model has a clear and cogent business proposition. It generates income for cash-poor families and creates significant economic benefits in the community. GRAD's investment produced substantial direct and indirect benefits and yielded a significant return on investment. Households involved in the shoat fattening value chain, for instance, improved their income from sale of the livestock throughout the year instead of waiting for specific market days. By skipping the "middleman", transaction costs are reduced and revenues for producers and cooperatives are increased.
- **Scale-up:** The model described here can easily be established throughout chronically food insecure parts of Ethiopia. An external investment of about 120,000 birr (or about 5,200USD) is enough to put a structure in place with a holding capacity of 480 shoats. Ethiopia's government is modernizing and expanding the commercial livestock sector. This approach will be important for assuring that benefits also flow to the poorest rural households.