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SOME POLICY ISSUES OF LIVESTOCK MARKETING IN AFRICA

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Introduction

1. Livestock production in sub-Saharan Africa is unevenly distributed in relation to the effective demand for meat. The bulk of the slaughter stock is produced in the arid and semi-arid zones which contain about 60% of the ruminant biomass (Jahnke, 1982). These zones are far from major population centres which have a high effective demand for meat. Consequently, slaughter stock have to be moved over great distances to centres of consumption or ports of export (e.g. over 2000 km from northern Mali to Abidjan in Ivory Coast). Figure 1 shows the flow of livestock from areas of production to areas of consumption and/or export.

2. The livestock marketing system plays an important role in enabling livestock to move from areas of surplus to those of deficit. Its efficiency determines (a) the income of livestock producers and hence the level of offtake, and (b) the consumer price of meat and hence the level of consumption. The more efficient the marketing system is in minimising the costs of moving animals, the better it can stimulate both consumption and production.

1/ Most of these issues are dealt with in an expanded paper presented at the Conference on Advancing Agricultural Production in Africa, held at Arusha, Tanzania, 12-18 February 1984 (Bekure and McDonald, 1984).

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3. This paper examines a number of areas where appropriate government policies would increase the efficiency of livestock marketing systems in Africa.

Transport

4. For most African countries the cheapest method of transporting livestock is trekking, and consequently it remains the method which is most widely used. Moving of livestock by rail and truck is limited by both the availability of adequate infrastructure and the high relative costs. Many African countries do not have a clear trek route policy. Trek routes have by and large been established by custom, not by law; nor are they sufficiently marked. Conflicts over rights of way arise between drovers and agriculturalists during the growing season when trek cattle damage crops (Ariza-Nino et al, 1980). The ensuing controversy and litigation cause considerable delays which increase the cost of marketing. An exception to this is Togo where the traditional trek routes were officially confirmed by a decree in 1937 which is still in force (Sullivan and Josserand, 1979). In Botswana trek routes are not gazetted. However, there is a deliberate policy at both district and central planning levels to leave a corridor of at least 1 km wide along the trek routes within which no permanent settlement is allowed. Where trek routes have to pass through densely populated and cultivated areas before reaching the Botswana Meat Commission (BMC) abattoirs, the policy has been to provide holding grounds with facilities for moving cattle by trucks.

5. A clear government policy establishing well defined and demarcated trek routes, within which livestock have the right of way, will facilitate and hence increase the efficiency of moving livestock to markets.

6. Another problem of moving livestock on the hoof is the inadequate provision of grazing and water along established trek routes. These can be severely limiting during dry seasons and result in severe loss of condition by the time animals reach their destination. The problem is being gradually relaxed via development projects, particularly those financed by the World Bank (e.g. in Botswana, Kenya, Mali etc.) in the 1970s. However, there is still considerable room for improvement, especially in West

Figure I: Main livestock movements in Africa

Africa, in providing holding grounds at the end of trek routes (Ariza-Nino et al, 1980).

Market regulation

7. As livestock move from areas of production to centres of consumption over long distances, they change hands several times. The traders and intermediaries engaged in livestock marketing appear unnecessarily numerous. There is therefore a tendency for some governments to try to limit their numbers through licensing. However a number of studies -- Abdalla (1974) in the Sudan; Mariam and Hillman (1975) in Ethiopia; Staatz (1979) in Ivory Coast; ArizaNino et al (1980) in West Africa; and Reusse (1982) in Somalia -- have shown that these intermediaries and traders perform essential tasks, such as providing market information, concluding sales, guaranteeing credit transactions, and that the livestock marketing systems move animals through the market chain from producers to consumers with remarkable efficiency.

8. While licensing is required for taxation and other purposes, a policy of using this instrument to control the number of traders in the marketing system should be avoided. As Ansell (1971) observed for Botswana and Mariam and Hillman (1975) for Ethiopia, this tendency can introduce monopsonistic practices in the system. For example in 1968/69, Ghana denied trading licences to non-Ghanian livestock traders, and this had disastrous effects on the supply of meat to consumers.

Price controls

9. Many African governments attempt to control live animal and meat prices by (a) fixing minimum prices per unit of liveweight which slaughterhouses and butchers can pay, and/or (b) fixing wholesale and retail meat prices which they can receive. The presumed intention of these price controls is to limit the margins of traders and butchers and thus protect both producers and consumers from exploitation.

10. Although there are legal provisions for the frequent review of these prices, this is seldom done. Few governments in Africa have the

analytical and administrative resources or the political will to alter the gazetted prices as market conditions change. As a result, the prices remain fixed despite radical shifts in market conditions arising from seasonal changes in supply and demand, changes in transport costs etc. A good example of this is provided by Zaire. Maximum producer, wholesale and retail prices for livestock and meat were fixed by the government in February 1973. They remained unchanged until May 1976. Meanwhile, actual producer prices had risen by 40% and retail prices by 100%. The only price which remained fixed at the official controlled level was that paid by traders for animals they bought from government ranches.

11. In most African countries the controlled prices are totally or partially ignored by all parties; examples are Sudan (Abdalla, 1974) and Kenya (Matthes, 1979). In countries where price controls are enforced the result is often a shortage of meat which leads to black market operations, and in the end consumers pay higher prices than would otherwise be the case, e.g. in Tanzania (Farris and Stokes, 1976) and Uganda (FAO, 1980).

12. When fixed retail prices are maintained below market prices, an income transfer from the farmer to the urban consumer takes place. It also discourages the farmer from improving productivity or expanding production. Furthermore, it encourages illegal exports in countries which share a 'cattle-shed' with their neighbours. Livestock movements across the borders of Tanzania, Kenya, Somalia and Ethiopia in response to price differentials often take place in large numbers and their existence is well known.

State participation

13. In many African countries parastatal organisations are actively engaged in the livestock marketing system. These parastatals are normally abattoirs with a monopoly over the export of meat or in the wholesale sector of the meat trade (e.g. BMC in Botswana, KMC in Kenya and SOMBEPEC in Mali). Other parastatals have also been established to stimulate livestock trade and promote the stratification of the industry

(e.g. the Livestock Marketing Division in Kenya), or to regulate the livestock marketing systems by offering competition to private traders.

14. The experience of parastatals in Africa has been mixed. Firstly, there are well managed parastatals which have fulfilled their objectives. Examples are the Zimbabwe Cold Storage Commission, the Malawi Cold Storage Company and the Botswana Meat Commission. Almost invariably such parastatals have held monopoly powers in some part of the marketing chain and, while they may not incur financial losses, the extent to which a lack of competition allows them to operate at higher costs than they otherwise could represents an additional cost to the system. They encounter enormous financial difficulties when their monopoly powers are withdrawn.

15. Secondly, there are parastatals which have accomplished their objectives but with colossal inefficiency and cost. Examples are the Tanzania Meat and Livestock Company, and the Livestock Marketing Division and KMC in Kenya. The intervention of KMC in Kenya ameliorates the depressing effects on farmers' incomes, which result from the seasonality of offtake or when large numbers of livestock in poor condition are offered for sale during drought. The supply of cattle to KMC is at present very seasonal and many of the cattle it buys are in such poor condition that they can only be processed into canned beef. Within the marketing system KMC provides a floor price for the lowest grades of animals, and is in fact the only outlet available for many animals which are in such poor physical condition that they would be very difficult to sell elsewhere. However, KMC would be unable to provide this service without government subsidy. Finally, there are those parastatals which have failed to achieve their objectives and have in addition incurred substantial losses. A classic example of this is the Meat Marketing Board of Ghana which managed to completely destroy the livestock marketing system in the country (Sullivan and Josserand, 1979).

16. The major reasons for the failure of parastatal agencies in general are (a) poor management, (b) undue political interference and (c) counter-productive price control measures. In the area of livestock marketing price controls have had very undesirable effects. In countries where

live animal and meat prices are controlled at unrealistic levels, it is only the parastatals which are effectively made to comply with the controlled prices. Invariably, this forces them to buy dear and sell cheap with disastrous financial results.

17. On balance, the potential damage caused by failures far outweighs the good achieved by the successes. If states feel the need to directly participate in livestock marketing systems for one reason or another, an appropriate policy would be that parastatals are run under commercial conditions and that they are subsidized only for non-business-like transactions specifically requested by the state, such as the purchasing of livestock during drought periods.

Conclusion

18. In the past governments in Africa have intervened in various ways in order to regulate and increase the efficiency of the marketing system. These interventions have ranged from the control of livestock and meat prices to the outright purchase and sale of animals and meat. Experience however shows that the scope for increasing efficiency lies neither in attempts to regulate and control the market participants, nor in efforts to control prices, nor in the creation of parastatals but rather in facilitating the operations of the market participants and instituting measures which reduce their costs.

19. The effect of government policy instruments in the form of (a) taxes, licences, and cesses, (b) procedures required for the movement and export of livestock, (c) controlled prices, and (d) direct state interventions through parastatals in livestock and meat marketing, need to be assessed periodically. Policies adversely affecting the efficiency of the marketing system need to be reviewed and streamlined with the view of reducing market costs and stimulating the livestock industry.

20. Using licences as an instrument to control the number of participants in the market should be avoided. It tends only to decrease the level of competition and hence to increase traders' margins. Care should be taken that taxes and cesses imposed on marketed livestock do not

unduly increase prices at terminal markets.

21. In some countries the procedures required for obtaining permits for the movement and export of livestock are cumbersome and costly. Streamlining these in order to reduce the time that traders have to spend chasing permits will reduce marketing costs. Efforts to stamp out unofficial levies will also help improve the efficiency of the marketing system.

22. Controlled prices for live animals and meat do not seem to be effective instruments for protecting the interest of producers and consumers. Most commonly they have only succeeded in introducing distortions into the market. These interventions have often resulted in the spawning of black markets and the redirection of the flow of livestock away from established markets and in bringing financial losses on government organisations which tend to be the only enterprises to observe the controls fully.

23. When parastatals or other government agencies engaged in livestock and meat marketing are run efficiently, they can increase competition and stimulate the marketing system. Unfortunately, success stories are the exception rather than the rule. As stated above, livestock marketing systems in Africa are fairly efficient, except under certain circumstances such as drought or when there are large seasonal fluctuations in supply. The evidence also indicates that the inefficiencies are most severe in situations where governments have directly intervened. This implies that governments should refrain from direct interventions in livestock marketing systems, and that they should concentrate on policies that direct efforts and resources into effecting measures which will relax constraints that participants in the system cannot remove. These include (1) improving the infrastructure of livestock marketing; (2) streamlining procedures for the movement and export of livestock; (3) the provision of market information through the mass media e.g. on volume of livestock traded at major markets and, if possible, average prices by sex, age, and species; (4) regulating the standards of products and services; — and for those countries exporting livestock and livestock products — (6) negotiating favourable trade agreements in export markets; and (7) the proper alignment of taxes and foreign exchange rates to promote exports.

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