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Hidden Value on the Hoof: Cross-Border Livestock Trade in Eastern Africa

Cross-border livestock trade represents one of the most significant growth areas of regional trade in eastern Africa. Since 1990 it has grown from a relatively minor informal activity to a dynamic enterprise that contributes to local and regional food security, meat consumption in large urban centers, and poverty alleviation among vulnerable populations, such as pastoralists. Indeed, in terms of volume it represents one of the few success stories in the region's livestock sector and in contrast to common perceptions it is not strictly an unofficial, clandestine activity.

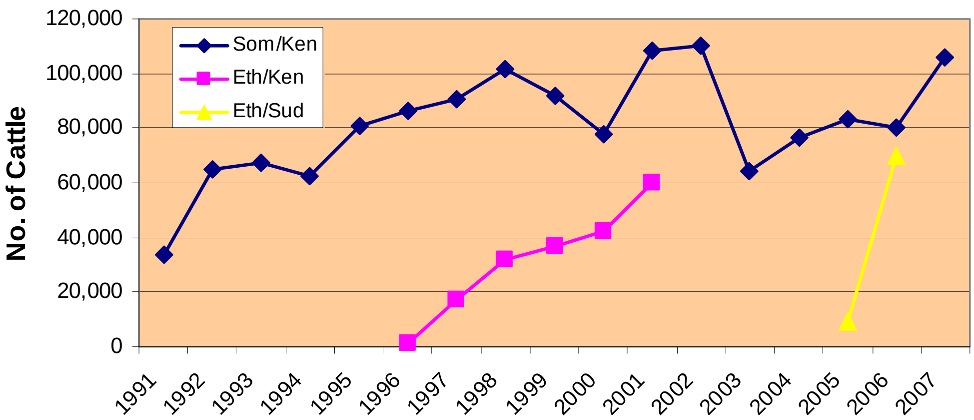
The livestock market at Garissa, Kenya is the largest cattle market in eastern Africa and a key outlet for the Somalia/Kenya cross-border trade (photo: Peter D. Little)

brief discusses the current narratives, realities, and points of contention about cross border animal trade.

Annual value of trade exceeds US$60 million

Most intra-regional trade in livestock in the region is unrecorded, but estimates are that its value exceeds $60 million per annum. As the graph below shows, there have been very large increases in trade volumes within a relatively short period of time. In just five border areas, including eastern Ethiopia/Somaliland, southern Somalia/northeastern Kenya, western Ethiopia/eastern Sudan, southern Ethiopia/northern Kenya, northern Tanzania/southern Kenya, the commerce accounts for an estimated $61 million per annum[1]. About 10 percent of this commerce passes through official trade channels and most of this is along the western Ethiopia/eastern Sudan border. The aggregate figures do not include cross-border trade in camels or trade through the Ethiopia/Djibouti (for re-export), southern Sudan/northwestern Kenya/northern Uganda, and eastern Uganda/western Kenya borders trades, which collectively accounts for at least another $5 million in value per year (Little 2005). In short, intra-regional cross-border trade is a major and growing commerce that exceeds live animal exports from the region by a factor of at least 10 times.

Cross-border cattle trade in three border zones, 1991-2007



Despite its importance, however, the trade remains poorly understand and is plagued by ambiguous policies and administrative actions, occasional border closures, and a range of informal (illegal) taxes that can amount to a major percentage of marketing transaction costs. In an effort to clarify misunderstandings about cross-border livestock trade and to identify potential policy discussion points, this research

[1] Estimates are based on average price of $150/cattle and annual cross-border exports to Kenya of approximately US $34.5 million, of which $9 million (60,000 cattle) are from southern Ethiopia (see Mahmoud 2003), $13.5 million (90,000 cattle) are from southern Somalia (Elmi et al 2008), and $15 million (100,000 cattle) are from northern Tanzania, (Zaal et al. 2006); to the Sudan of $10.5 million (70,000 cattle) from western Ethiopia (Mulugeta et al. 2007); and to Somaliland (for re-export to the Middle East) of $16 million (800,000 small stock) from eastern Ethiopia (Little 2005).

Few services and border posts for official exports

Eastern Africa has vast international boundaries that span large and often poorly administered areas. These locations usually are inhabited by pastoral and agro-pastoral populations, while infrastructure and social and economic services are largely absent. Consequently, much cross-border trade in these extensive territories remains unofficial for the simple fact that customs posts, export banking services, and official border crossings are very few. Along some international borders custom posts and services are separated from each other by distances of 200 km or more. In order to sell at remote official border posts herders and/or traders need to trek animals over massive distances at considerable cost. Along the eastern Sudan and northwestern Ethiopia border, for example, there is only one official outlet where animals can be exported to the Sudan, so more than 50 percent of the estimated 70,000 cattle sold annually use unofficial transit points (Mulugeta et al 2007). It is unlikely in the near future that states and/or the private sector in eastern Africa will make the necessary investments in customs facilities, economic services and animal health infrastructure to officially capture much of the region's cross-border trade. In short, unofficial trade in livestock will be important in the region for the next several years.

A mechanism for poverty alleviation

There is considerable enthusiasm in the region for targeting livestock trade to overseas export markets, especially those in the Middle East and Asia. However, numerous studies have shown that those actors who benefit from this commerce mainly are large-scale traders with considerable capital (Mulugeta et al. 2007; Little 2003). They are able to procure animals from larger producers who have the resources to produce export-quality animals and transport them to those large markets that exporters often visit. Even those traders and producers who officially export animals in the cross-border trade tend to be considerably wealthier than other livestock traders, in part because of the large capital requirements required to attain letters of credit from banks, export licenses, and animal health certifications for export. Mulugeta et al. (2007) found that no medium or small-scale traders participated in the official export trade between western Ethiopia and eastern Sudan, but that they were dominant in the unofficial cross-border trade. Furthermore, the official export trade is considerably more selective than the unofficial trade about what types and quality of animals are sourced, a practice that further disadvantages medium and low-income producers. Thus, as a mechanism for poverty alleviation cross-border livestock trade generally fares better than large-scale export trade.

Cross-border trade contributes to government revenues

But does the lack of official exports mean that cross-border trade contributes little to public revenues, either for the exporting or importing country? The answer is "no" since for the exporting country local market taxes and other transaction fees usually are paid at least once and often twice before the animal is exported, while a series of fees and taxes from the border to the terminal market in the importing country are paid by traders and wholesalers in the importing country. In 2001 Mahmoud estimated that local authorities in Ethiopia and Kenya, respectively, earned US$ 78,296.1 and US$ 226, 884.6 from taxes and fees from the cross-border trade. Along with the numerous jobs, such as trekkers, fodder traders, market brokers, and middlemen, that are associated with cross-border trade the activity contributes significantly to employment and public revenues in the region.

Brokers are important actors in cross-border markets (photo: A. Catley)

Improved food security means reduced food aid expenditures

Many border zones in eastern Africa are grain deficient and heavily rely on revenues earned from cross-border livestock trade to finance foodstuff imports, grain trade, and local consumption. The trucks that ferry livestock from the border markets to terminal markets, such as Nairobi or Mombasa, often load up with foodstuffs on their return to sell back in the borderlands, and livestock traders also use profits to purchase grains and other foodstuffs for sale as well. Shopkeepers and foodstuff sellers in the deficit areas are dependent on these flows of commodities that are largely cross-financed via cross-border livestock trade. Thus, when there is a disruption in cross-border animal trade many food traders are forced to close their businesses for lack of supply. In some cases during the late 1990s and 2000s more than 50 percent of retail businesses in some border regions were shuttered during bans on cross-border trade. Those few merchants who might have been able to procure foodstuffs sell them at exorbitant prices, which add to the food security problems of low-income consumers in the borderlands.

When there have been bans on cross-border cattle trade resulting in reduced incomes and food availability, governments and relief agencies have been forced to feed local populations with food aid. For governments that attempt to constrain or even halt cross-border livestock trade through strong-handed interventions, they must be prepared to bring in food aid and other relief for the affected populations. This assistance will come at considerable cost to the public and international community.

A 'do no harm' policy

There is little doubt that there are market inefficiencies and challenges in cross-border trade. These include high marketing transaction costs, especially caused by high transport fees; loss of weight by animals on long treks; lack of price transparency among certain market brokers; minimal physical market infrastructure; uneven market information, especially to producers in remote areas; and excessive rent-seeking (illegal fees and taxes) by government officials. If one talks with traders and herders about their constraints, problems usually cluster around security, high transport costs, and unfair market practices, such as defaulting on payment for consignments, at large terminal markets. Many of these issues also are associated with other types of livestock trade, but they have not effectively slowed cross-border trade in recent years. One popular market investment by governments and donors is to improve market infrastructures, including installing weigh machines, fencing off large areas of the market, and establishing holding grounds, which are all interventions that rarely are mentioned by traders and herders as high priorities. They often are not maintained and are constructed at considerable capital cost with very little actual positive impacts on cross-border trade and its actors.

So, what should governments and other parties do, if anything, to improve cross-border trade and enhance its contributions to local and national government? In general, actions should be driven by the humanitarian principle of 'do no harm' or, in other words, do not make matters worse by unnecessary interventions (Anderson 1999). This tenet is a challenge to interventionist governments and donors because cross-border trade effectively has succeeded because of the lack of strong external interventions. It has been a free market activity driven by the availability of better markets for local herders and traders across borders rather than within them. In short, governments and donors need to be wary of excessive intervention in cross-border trade, since previous actions have led to precipitous drops in the trade; pushed it further underground and away from town markets where some public revenues can be collected; and/or greatly aggravated food security problems in the area.

Areas that could assist cross-border livestock trade include:

- Improved public security and rule of law, since insecurity and illegal collections of fees strongly impact the efficiencies and costs of cross-border trade for key actors, such as traders and producers;
- Improved dissemination of market information, especially to small-scale traders and herders who often are vulnerable to large brokers and buyers with better price information. The use of cell phone technologies has reduced information constraints but more can be done in remote border areas;
- Better coordination (harmonization) of animal health requirements and vaccination programs between border countries;
- Where possible, decentralize border trade decisions to local officials and civil organizations, such as trader associations, that have better information about local trade conditions and

Market infrastructure development in pastoral areas is popular among donors and governments, but like this disused market in Ethiopia, is rarely maintained or used in the long-term.

constraints than central and regional government officials. Local border committees with representatives from neighboring countries have been formed in some border markets, but they need the flexibility to respond to local conditions and constituents without strong interventions by central government bodies.

With public resources so scarce and incomes low in eastern Africa, governments and development agencies should avoid wasting valued resources trying to control a commerce that works reasonably well, as well as invest in expensive market infrastructures and technologies that market actors rarely seek. Instead, they should create better conditions for public security, market information, and local participation in trade-related policies. Based on historical experiences of informal trade elsewhere, cross-border trade is likely to eventually merge into official trade channels as trading enterprises grow, governments streamline regulations, and transport costs decline (for example, through investments in rail systems). There already are several cases worldwide where this has taken place, including in West Africa where much of the $150 million cross-border trade in cattle now is conducted through official channels (see Williams et al. 2006). For at least the foreseeable future, however, unofficial trans-border trade in eastern Africa will continue to play a major role in meeting consumption demands in the region and providing livelihoods for tens of thousands of people.

Given the connection between cross border cereal trade and livestock trade, COMESA's Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) which is presently focusing on expanding staple cereal crop trade, may consider developing a long term initiative to facilitate expanded growth in livestock trade as well.

It is hoped that thoughts expressed in this brief will be considered by the various teams of experts and consultants now assisting countries in Eastern and Southern Africa to identify income sources and growth drivers under the CAADP agenda.

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Further information

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