

# Horn of Africa Livestock Market Systems Strategy

Strategy Brief  
(2022-2032)

*Investing in a climate resilient and food  
secure future for pastoralists*

 Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra  
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## Purpose and Introduction

This strategy brief presents the state of the livestock sector in the drylands of Ethiopia, Kenya and Somalia and proposes a **strategy to strengthen livestock market systems** and the live animal, meat and camel milk value chains nested within **for the improved food security and resilience of millions of pastoralists and agro-pastoralists** that rely on the livestock sector for their livelihoods. This strategy was developed by Mercy Corps, working in close partnership with the Swiss Development Cooperation (SDC), based on a thorough assessment of regional livestock markets, including domestic and international end-markets, and consultations with diverse stakeholders from the private sector, government, civil society, international research and development institutions and livestock producers themselves. The strategy also includes a deeper analysis of particular thematic areas, including opportunities for women's economic empowerment.

Across the Horn of Africa (HOA) – Kenya, Somalia, Ethiopia – the livestock sector has the potential to spur growth in the region, lifting millions of pastoralists and agro-pastoralists out of poverty and leading to increased food security, improved nutrition, decreased conflict, and greater stability. Livestock is one of the largest and most important economic sectors in the drylands, generating nearly \$1.5 billion annually and representing between 10-30% of GDP for countries in the HOA. Due to high rainfall variability, livestock production and sale remains the most productive rural livelihood across the region. Almost 20 million men and women are fully or partially involved in the industry, including producers and extensive networks of traders and brokers, covering a wide range of economic activities including live animal sales, meat processing, tanneries, milk trade and processing, and animal health and nutrition. The breadth of the livestock sector has a **defining and evolving impact on social, cultural, and economic life in the drylands**.

Historically an industry dominated by men, important entry points are emerging that are more inclusive and beneficial for women within the sector.

**A stable and inclusive livestock economy that increases food security for pastoralists and households exiting pastoralism is possible.** To achieve this, a big picture, holistic and long-term approach is required to elevate the industry to its full potential, driving inclusive growth that delivers real economic opportunities for smallholder producers and micro, small and medium scale enterprises (MSMEs). For these efforts to be sustainable and equitable, and to realize the potential for pro-poor growth and enhanced resilience of pastoralist households, investments and interventions must optimize the balance between i) promoting inclusive, pro-poor growth that delivers economic benefits for smallholder producers; ii) driving overall sector growth and upgrading in order to increase competitiveness and unlock new

market opportunities, including solutions to overcome chronic market failures and to drive innovation in the sector; and iii) actively integrating strategies and partnerships that protect, rehabilitate and improve basic rangeland resources and ensure effective natural resource governance, contributing to improved livestock productivity and reduced impacts of climate change.



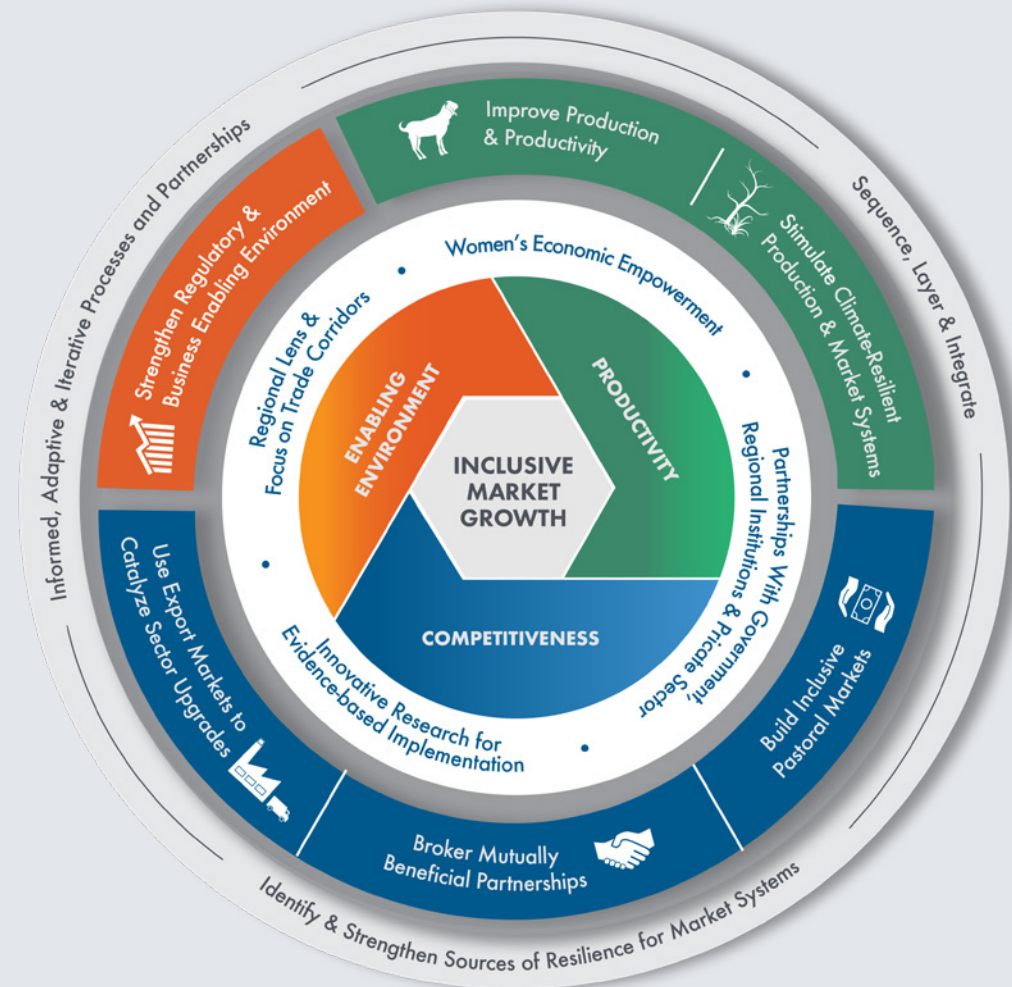
### TRIPLE BOTTOM LINE

Achieving sustainable and equitable growth through a strong enabling environment and investments that meet the needs and improve the well-being of pastoralists, the private sector and the environment



# Conceptual Framework for the HOA Livestock Market Systems Strategy

This **10-year Horn of Africa Livestock Market Systems Strategy** presents a broad, all-encompassing road map to achieving this vision for the evolution and strengthening of the industry in order to drive food security and resilience of pastoralist households. It reflects the complexity of livestock market systems and how smallholders and other vulnerable members of the drylands experience and impact livestock markets. This strategy integrates an intimate understanding of the current context, opportunities, and challenges, and looks ahead to the medium- and long-term development of the industry, promoting a coordinated vision to be owned by the public, private, civil sectors, and donors together. Recommended interventions require a **risk-informed, market-based approach** to address systemic challenges in a sustainable fashion; place women at the center through the **Women's Empowerment and Market Systems (WEAMS)** framework; emphasize **adaptation and iteration** to address the need for innovative, context-specific approaches and evidence-based learning; and weave throughout a focus on **Partnerships and Sequencing, Layering and Integration (SLI)** to take advantage of the many important current initiatives and learnings in the livestock sector and further ensure a harmonized, collaborative, and non-duplicative approach.



# Livestock Sector Challenges

The Horn of Africa livestock sector faces multiple challenges that drive the vulnerability of producer households and prevent the sector from reaching its full economic potential. These can be summarized into the following categories.

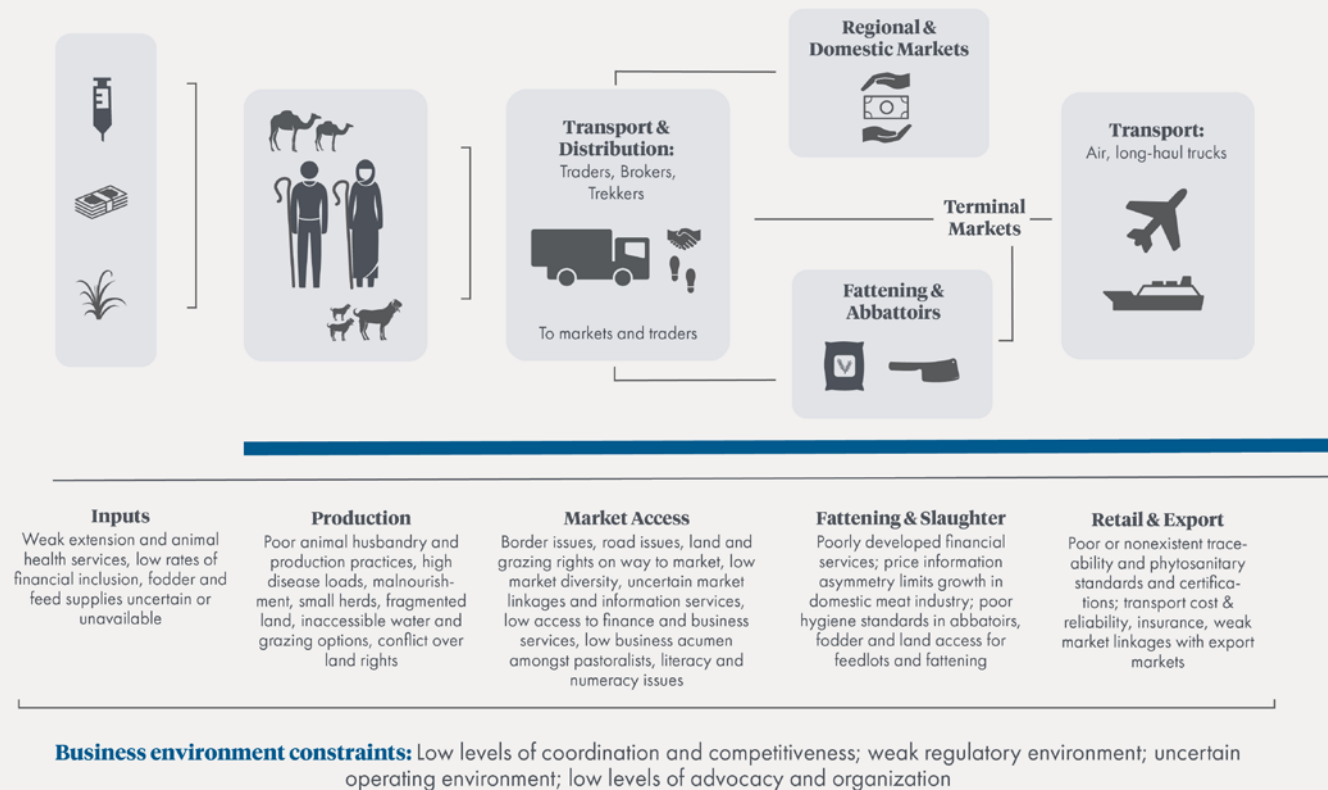
**Production:** Low livestock productivity (per animal and at herd level) - driven largely by poor nutrition and high disease burden - plagues the sector, limiting producers' ability to consistently engage with markets for profit and food security benefits, while also reducing buyer confidence in the quality and reliability of supply of livestock products. Year-round, low availability of forage and conserved fodder, coupled with seasonal shortages in forage availability, frequently trigger emergency destocking and constrain producers' ability to manage herds for future wealth. Animal health is further compromised by poor disease surveillance systems, weak extension and unreliable private animal health services and poor and inconsistent supplies of veterinary drugs. Significant and growing environmental and land management challenges in the drylands are a key constraint to production and productivity for households and the industry. Weak land governance, poor herd and rangeland management practices plus increasing land fragmentation are driving down the carrying capacity of the drylands. Climate change is causing increasingly frequent cycles of flooding and drought triggering conflict over water points and grazing rights. As a result, poverty and vulnerability of pastoralist and agro-pastoralist households is increasing, and households continue to exit pastoralism as they struggle to manage livestock holdings at viable numbers even for basic subsistence.

**Trade:** Asymmetrical market information and opaque pricing practices skew negotiation power to the hands of the buyer, disincentivizing producer investments in quality or loyalty to traders. Traders themselves operate in the wider and often hostile business environment with limited large-scale or public investments that reduce transaction costs and smooth functioning of livestock markets. The lack of industry trade promotion and largely informal business contracting across the region results in financial institutions consistently grading livestock trade as a higher risk investment.

**Policy & Regulation:** The policy and regulatory environment for livestock movement, trade and sale is vitally important yet uncoordinated and weak, adding financial burdens to producers and traders both regionally and internationally and driving many actors to unregulated and informal trade practices. While informality may maximize returns for producers and other market actors in the short run by eliminating fees and regulatory burdens, informality also constrains end market choice, prices and the future evolution of the industry, and prevents the emergence of good production, disease management, trade policies and access to financing. The overall sale price of HOA livestock products is often substantially discounted by overseas buyers who do not trust the traceability or efficacy of sanitary and phytosanitary standards and livestock health services.



## CHALLENGES FACED AT VARIOUS STAGES OF THE MARKET SYSTEM



Despite its **enormous potential to drive economic growth** and reduce poverty in the region, the sector is under-performing and requires coordinated investment to reach its full productive potential. The drylands in the HOA have a relatively high comparative advantage to supply consistent quantities of quality animals at competitive prices to regional markets, including the Arabian Peninsula. However a weak enabling environment and market orientation leaves the sector **largely uncompetitive** except in low-value commodity meat markets.

# Livestock Sector Opportunities

Based on the current dynamics of the livestock sector, eight opportunities which hold the potential to catalyze change within the HOA were identified:

- 1. Strong and growing demand for meat and dairy** in domestic and regional markets will drive smallholder participation in markets. Regional demand for meat and milk is skyrocketing, driven by urbanization, population growth and rising incomes. By 2030, Africa is expected to consume 125% more meat derived from cattle, goats, sheep and camels, 46% more milk and 77% more eggs than in 2010.<sup>1</sup>
- 2. Current and future export opportunities**, leveraging current activity in the Arabian Peninsula (AP) and beyond, will raise the overall quality of the industry over the long term. Demand for meat and meat products in current export markets in the AP is predicted to be stable and strong: demand for red meats is anticipated to grow at 4.3% annually over the next decade and the AP relies almost exclusively on imports to meet its food needs. To maintain the region's comparative advantage and seize this opportunity, sector upgrades in regulatory services and quality control, value addition and coordination is needed. Promoting sector-wide development of services and capacities, rather than vertically integrated into specific business, will enable uptake by firms focused on domestic markets.
- 3. Opportunities in multiple value-addition and/or processing industries** will help diversify markets for end products and has strong potential for smallholder participation, especially for women. Live animal trade remains the economic engine of the drylands, but with growing international trade relations, changing production systems and increasing year-round demand for meat and milk, we see rapid growth in sub-sector value-chains. These sub-sectors include animal feed and forage, camel milk, hides, skins and leather (HS/L), livestock fattening/finishing, and animal health and inspection services. Current and projected growth will create employment opportunities for rural and urban women, men and youth working in micro, small and medium enterprises and large firms across the region.
- 4. Growing private sector involvement and investment in the livestock sector** offers significant opportunities for partnerships between the emergent private sector, pastoralists and traders for mutual benefit. Driven by the scale of growth in demand for livestock products, there is significant and growing domestic investment and private sector participation in the livestock sector, including by powerful multinational corporations that have significant financial resources to shape the future of the industry.



<sup>1</sup> Malabo Montpellier Panel (2020). Meat, Milk and More: Policy Innovations to Shepherd Inclusive and Sustainable Livestock Systems in Africa. Dakar, Senegal: International Food Policy Research Institute/ AKADEMIYA2063

5. **Gaps in financing in the livestock sector**, for all players – from pastoralists to traders to private enterprise and exporters – creates the opportunity to offer better targeted and more socially-appropriate financing tools and services. Pastoralists and agro-pastoralists represent unmet demand for financial products and services, currently being met in mostly informal ways through business and family networks. Financing for pastoralists is key to enabling investment in improved production practices and animal health. Unlocking working capital and improving liquidity in the drylands is an opportunity to directly stimulate supply and demand. The HOA is home to a significant portion of the unbanked global population and represents a substantial emerging market for Sharia-compliant financial services.
6. **Trade Corridors** allow for organization, streamlining, and coordination of activities around the existing flows of animals and supporting businesses. Tightly linked to domestic and export-oriented end markets, well established trade corridors have the ability to cluster services and further stimulate burgeoning market sub-sectors, resulting in increased capacity, improved access to services and ultimately an enhanced quality and flow of animals along the corridors.
7. **Relatively fast changing social norms and increased market demand for smaller ruminants** that are typically owned by women offers significant potential to enable women's economic and social empowerment. Across the region, women are increasingly engaged in the market economy, finding productive ways to diversify their household income and expand culturally accepted livelihood opportunities, despite operating within deeply entrenched cultural norms that limit their travel and interaction opportunities.
8. **Appetite to innovate** - Innovation, at its core, is about doing business differently. In the drylands, innovation must create value, at scale – both social as well as commercial. Innovation is a cross-cutting theme that informs many of the opportunities outlined above. Working with the private sector, promoting gender integration in the livestock sector, addressing energy needs to enable affordable processing, promoting innovative natural resource management solutions, as well as expanding access to financial products and services, especially through digital channels, all hold the potential to dramatically accelerate positive change within the livestock sector.

Based on the opportunities outlined above, the strategy prioritizes the following **value chains** and *associated sub-sectors* and their associated value chains within the larger regional livestock market system:

- **Live animals (goats, sheep, cattle and camel)**
- **Red meat**
- **Camel milk**
- **Animal nutrition sub-sector: forage, preserved fodder, concentrates & supplements, forage seed, plus water**
- **Animal health sub-sector: veterinary pharmaceuticals, cold chain (vaccines), animal health services, laboratory services**



## Livestock Corridor Focus

This HOA Livestock Market Systems Strategy treats regional livestock markets as a single, interdependent system rather than as three separate country-level market systems, and emphasizes the integration of markets and trade across countries and borders. Current interventions in the livestock industry, while important and impactful, tend to be geographically limited in scope, and do not match the scale in which regional livestock systems operate. These programs miss out on the opportunity to affect transformative change which can be gained by working at the systems level across the entire region. The strategy has identified the fluid movement of livestock across borders to be a comparative advantage for the region in the supply of livestock to diverse national, regional and international markets. A regional lens is required if we are to realize inclusive markets that reward cooperation, innovation and investment.

Nine (9) major live animal trade corridors and two (2) camel milk corridors were identified. Trade corridors are geographic routes through which most goats, sheep, cattle, camel, and camel milk are funneled – transferring ‘hoof accounts’ from the hands of mostly smallholder producers through networks of traders, transporters, feedlot operators, processors and meat sellers (wholesale and retail) before reaching predominantly urban consumers. To maximize early outcomes, this strategy prioritizes an initial **seven (7) Trade Corridors for live animals and two (2) Trade Corridors for camel milk**. These live animal trade corridors are the most interconnected and the camel milk corridors the most established, enabling quick entry and engagement with existing market actors and enabling greater returns from individual investments and interventions for accelerated pro-poor growth.

By taking a corridor approach we take advantage of the existing proven, inherent and underutilized economic development potential within the region to attract increased public and private investment. Through this strategy, concentration on specific trade corridors will integrate infrastructure development with investment in production and trade, while at the same time undertaking efforts to address social, environmental, and other potentially adverse impacts of increased commercialization. By working throughout the entire market system but concentrating on specific trade corridors, we are better able to layer end-to-end investments to drive corridor growth, working closely with governments and multilateral institutions to monitor corridor performance and identify opportunities for investment or policy development for improved corridor performance.



## Livestock Trade Corridors of the HOA



HOA LIVESTOCK TRADE CORRIDORS

Name	Source	Terminal Market	End Market	Livestock Products	Condition
1) Tog Wajaale	Eastern Ethiopia, Somaliland	Berbera, Somaliland	Export	All animals, mainly cattle	Live
2) Gaalkayo	Far Eastern Ethiopia, Puntland, South Central	Bosasso/Berbera	Export	All animals, mainly shoats	Live
3) Beletweyne	Far Eastern Ethiopia, South Central	Bosasso/Berbera	Export	All animals	Live
4) Afmadow (Western)	Southern Somalia, northeastern Kenya	Nairobi, Mombasa	Domestic	Cattle	Live
5) Afmadow (Coastal)	Southern Somalia	Kismayo	Export	Cattle	Live
6) Moyale-Nairobi	Northern Kenya, Southeastern Ethiopia	Nairobi	Domestic	Cattle	Live
7) Moyale-Addis	Northern Kenya, Southeastern Ethiopia	Adama/Addis	Domestic	Shoats, Cattle	Live
8) Moyale-Djibouti	Northern Kenya, Southeastern Ethiopia	Djibouti (via Afar)	Export	Camel, Cattle	Live, Meat
9) Degehabour	Eastern Ethiopia	Adama	Export	Goat meat	Meat

Adapted from Little, Peter D., A. Sarris, and J. Morrison. "Unofficial cross-border trade in Eastern Africa." Food security in Africa: Market and trade policy for staple foods in Eastern and Southern Africa. Cheltenham: Edward Elgar Publishing (2010): 158-181, and Nardo, A. Di et al. "Combining livestock trade patterns with phylogenetics to help understand the spread of foot and mouth disease in sub-Saharan Africa, the Middle East and Southeast Asia." *Revue scientifique et technique* 30 1 (2011): 63-85.

# Strategic Investment Areas

Drawing from the eight opportunities identified within the strategy, six (6) Strategic Investment Areas (SIAs) are proposed to promote regional economic growth and increased food security in the drylands. Categorized under three primary challenges—Productivity, Competitiveness and Enabling Environment—interventions under the SIAs are integrated and are intended to occur simultaneously to advance in a mutually reinforcing, lockstep manner. There will be significant sequencing of partnerships, interventions and outcomes over the 10-year strategy period to achieve the vision of stable and inclusive livestock economies that yield resilient market systems and food secure pastoralist households.

## PRODUCTIVITY



### 1. IMPROVE PRODUCTION & PRODUCTIVITY

*Address barriers to enable male and female and small and medium livestock producers to consistently supply high quality and quantity animals year-round.*

- Small and medium-scale livestock producers practice improved herd management and animal husbandry
- Producers use quality animal health services
- Innovative models are tested and developed to support consistent supply of feed, fodder, and fodder seed to producers



### 2. STIMULATE CLIMATE RESILIENT PRODUCTION & MARKET SYSTEMS

*Improve rangeland health and forage systems helping to expand overall carrying capacity, through equitable land access and by building the resilience of natural resources and markets to climate change.*

- Agroecology and regenerative rangeland management practices are integrated into participatory rangeland planning practices
- Participatory rangeland planning is effectively operationalized and sustained through inclusive governance and transparent land tenure and water management systems
- Reduction in seasonal losses (weight, mortality, morbidity) and overall livestock productivity gains sustain good governance structures, reduce conflict and encourage use of inclusive land and water management practices

## COMPETITIVENESS



### 3. BUILD INCLUSIVE PASTORAL MARKETS

*Enable producers to capture greater value and invest in expanded economic opportunities through financial inclusion, stronger market orientation and building economies of scale.*

- Transparent information systems bring equity to actors' access to timely and reliable market intelligence
- Business models are adapted to ensure reliable and affordable services for women, youth and other marginalized populations
- The interests of women, youth and other marginalized people are effectively represented in industry associations at all levels



#### 4. BROKER MUTUALLY BENEFICIAL PARTNERSHIPS

*Promote and strengthen business to business, public-private, and other partnerships for greater social and economic benefit.*

- Innovative business models and partnerships are brokered, fostered and monitored
- Traders, processors and exporters have improved access to financing options
- Private sector-led industry associations are knowledgeable, skilled and respected to effectively represent and advocate for their members



#### 5. USE EXPORT MARKETS TO CATALYZE SECTOR UPGRADES

*Sector infrastructure upgrades spurred by export market opportunities incentivize governments, firms and producers to innovate, adapt and invest in domestic markets for greater social and economic benefit.*

- Goods and services critical to export market supply chains are accessible by domestic markets (e.g. SPS inspectors, infrastructure, laboratories)
- Distinguishing attributes of HOA livestock effectively promoted both domestically and in strategic overseas markets
- Relationships between HOA livestock industry associations, government agencies and end-market buyers (domestic & international) are established and fostered for mutual benefit

## ENABLING ENVIRONMENT



#### 6. STRENGTHEN REGULATORY & BUSINESS ENABLING ENVIRONMENT

*Norms and customs, laws, regulations, policies, trade agreements and public infrastructure are widely transparent and facilitate movement and value addition of livestock inputs and outputs through trade corridors to the benefit of small and medium size producers and firms.*

- Animal health policies and quality standards as well as animal movement policies are improved and harmonized across sub-national and regional boundaries and livestock traceability systems are improved
- Financial products and services are diversified to be inclusive of specific market actors, functions and business structures; diaspora investors are leveraged
- A long-term livestock industry vision and strategy focused on the most attractive international markets is developed and disseminated



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