

# Developing marketing models for fattened and breeding small ruminants

## Report of a Scoping study report

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## **1 Introduction**

The International Center for Agricultural Research in the Dry Areas (ICARDA) has been leading the small ruminant development component of the CGIAR Research Program (CRP) Livestock in Ethiopia since June 2012. Among the key interventions developed based on comprehensive initial assessments are selecting and improving local genetic resources through community-based breeding, increasing the marketability of the animals through fattening and veterinary interventions.

The time has come to work out plans for identifying and developing markets and marketing of the key products of the efforts. Focusing on four sites; i.e., Abergelle, Bonga, Doyogena, and Menz, marketing models are to be prepared for breeding rams and fattened sheep. This report presents the observations made in a scoping study meant for understanding the characteristics of the CBBP and fattening activities as business and the marketability of the products.

We conducted a focus group discussion in November 2019 in three of the selected sites; i.e., Abergelle, Bonga, and Doyogena as we have rich data and information on the activities and farmers in Menz.

The group discussions involved both men and women small ruminant keepers - almost all of them part of the CBBPs. We started the discussion in Serara Boqata village in Doyogena with 25 participants. Then followed the discussion in Boqa Shuta village in Bonga with 11 participants and finally in Sazba village in Abergelle with 10 participants. The discussions were semi-structured guided by a checklist (see Annex 1) but open enough to let farmers share all relevant wisdom that they were willing to. This report documents the information shared by farmers and follows the checklist's outline.

## **2 Business characteristics**

The interventions considered for the marketing plan are breeding rams and fattened sheep in Doyogena and Bonga sites and only breeding bucks in Abergelle. The farmers indicated that they are in these businesses both for short term and for long terms objectives. The short-term objectives are cash income generation and filling food gap of the household through food purchases. The long-term objectives are changing livelihoods of the sheep/goat keepers and transforming our rural area into a vibrant town.

Management of the production of the breeding rams and bucks and the fattened sheep is the responsibility of the entire family where adults and children involve at all stages. In Doyogena and Bonga where breeding rams and fattened sheep are the products, all family members engage in all decisions related to the marketing of the animals. In Abergelle, where breeding bucks are the main product, only men involve in the marketing decision-making.

The CBBPs are intended, addition to maintaining and improving the indigenous genetic resources, to nurture the sense of ownership of the genetic resources and their development among the livestock keeping community. Therefore, collective action is one outcome of this

intervention. Members of the CBBPs share the breeding rams/bucks and control the mating of the does/ewes. The breeding programs have all executive committees that ensure the proper implementation of the programs. Otherwise, farmers indicate no any other collaborations related to any other aspects of small ruminant husbandry. Production and marketing decisions are mainly done based on individual household's interest resulting in not benefitting from economies of scale.

The farmers indicated that the products they supply to the market are breeding rams/bucks, fattened sheep, adult does and ewes, and lambs and kids. They know that their products are more competitive in the markets for the following reasons:

- The animals are much healthier than the rest of the population
- The animals are carefully fed
- The animals are usually younger than the rest of the population
- The animals are good looking and clean
- The animals are from a uniform population
- The animals have known pedigree
- The animals have always been monitored by researchers
- The animals are well documented and, hence, traceable.

### **3 Marketing activities**

The selling decisions of the households are mainly driven by short-term cash need. Farmers admitted that they could hardly make decision based on market demand pattern. Targeted selling during festivals is the only deliberate effort by the farmers to maximize revenue from their small ruminant breeding and fattening. Otherwise, only cash needs dictate the supply of the sheep and the goats.

We learned that farmers do not have any partnership or collective action that aims at increasing their competitiveness and/or bargaining power in the markets. They usually decide and act at individual level and face few and powerful traders, individual consumers [this is rare in Abergelle], and hotel/restaurant owners. Despite the qualities farmers believe their animals possess, it is rare that they receive the prices they expect in the markets simply because of the small number of animals they take to the markets.

The discussants have preferred buyers for their products based on prices they offer and their reliability as buyers – in terms of presence in the markets. For farmers in Doyogena, the public institutions and NGOs that purchase the breeding rams on regular basis, albeit with very strict requirements, and restaurant owners and individual buyers for fattened sheep are the most preferred buyers. For farmers in Bonga, traders were identified as the most preferred buyers, whereas in Abergelle, farmers preferred traders when the traders buy in bulk and others when the animals are sold individually as the price offered is usually higher than what traders offer. The price satisfaction measured by the difference between the expected price and the received price per animal was another discussion point. Generally, farmers were very unsatisfied with

the prices they receive for all types of animals they sell. This is expected given the behavioral attachment of human beings with money and yet farmers have every reason to be disappointed with the prices they receive. Farmers in Doyogena indicated that they receive prices much lower than they expect for their sheep in the markets. They emphasized that they have been receiving constant price per kg live weight for the breeding rams for the last few years and hoped that they would be helped in changing this fixed pricing. Farmers in Bonga similarly indicated that the prices they receive for their animals are unsatisfactory. They mentioned that the price per kg live weight for breeding rams has been slightly adjusted but underlined that it is not good enough. Farmers in Abergelle simply said that the prices they are receiving for their animals are not good enough. Abergelle is a very remote area where there are many sellers and few buyers resulting in an oligopsonic type of market where the buyers dictate the prices and the sellers are simply price takers.

The discussants were found to be very conversant in the different aspects of the marketing of their sheep and goat products. In all sites, farmers rightly identified other farmers to be their market competitors. In expanding the market or widening their buyer base, farmers in Abergelle and Doyogena simply asked for encouraging all kinds of other buyers to come to the market. Similarly, those in Bonga wanted to have more traders in the market for them to choose from or traders to compete for their products.

A common feature of agricultural markets in Ethiopia is information asymmetry that creates a vacuum to be filled by brokers and other forms of intermediaries within the same market or location. In Doyogena, farmers revealed that brokers are very powerful and charge very high intermediation fee. Moreover, in many cases, traders and brokers collide and sabotage price negotiations. The lack of information on price, demand and supply of sheep in the markets is one of the reasons why brokers are so powerful and traders in their interest to pay less would rather collaborate with brokers. In Bonga, however, there are no intermediaries in the small ruminant markets.

Abergelle's case is quite different from the other two sites. Brokers are there but they play the role of facilitating negotiations so that the transaction is done in a short period. The mediators are usually farmers from the same locality and are usually paid in kind in the form of shared drinks with the seller and the buyer. Rather important is the role of the mediators as witnesses of the transaction.

An ordinary practice in businesses is market intelligence. We discussed with farmers in the three sites whether they conduct any kind of market intelligence in their sheep and goat production and marketing activities. We learned that farmers do not do anything to assess consumers' preferences, as they are clearly production oriented. Farmers do not do any promotion of their products either. They do not let potential buyers know about the type and quantity of their products. This shows that there a lot to be done in reorienting sheep and goat production in the intervention sites.

## 4 SWOT Analysis of the Production and Marketing of Small Ruminants

Identifying the strengths, weaknesses, opportunities, and threats (SWOT) the business faces is an important component of market plan development. The SWOT presented here is entirely based on farmers' own understanding of their business. The SWOT analysis separate the production and marketing activities for detailed description.

### 4.1 SWOT Analysis of Production

Strengths identified by farmers about their sheep/goat production

- Doyogena
  - Well experienced in improved management of sheep.
  - High skill in sheep production under serious constraints.
- Bonga
  - Solid skill in information communication and use.
  - Well trained in improved sheep production.
- Abergelle
  - Well skilled in handling male kids.
  - Well experienced in improved goat production.

Weaknesses identified by farmers about their sheep/goat production

- Doyogena
  - Carelessness in following recommended feeding regime.
- Bonga
  - Some farmers are poor in information management.
  - Some farmers do not follow the advices and suggestions of experts.
- Abergelle
  - Poor management of the goats [e.g., irregular feeding and vaccination].

Opportunities identified by farmers about their sheep/goat production

- Doyogena
  - Growing interest in expert advices.
  - Growing interest in improved feeds and forages.
- Bonga
  - High and growing interest in sheep fattening.
  - High demand for Bonga sheep [might force what research is paying us per kg].
- Abergelle
  - Farmers could not identify any opportunities for their goat production.

Threats identified by farmers about their sheep/goat production

- Doyogena
  - Land scarcity.
  - Sheep diseases in especially in February and March.

- Bonga
  - Lack of veterinary services in the area.
  - Limited access to market.
- Abergelle
  - Coenurosis is a serious disease killing our goats.
  - Drought.
  - Lack of market for kids that did not qualify for the breeding ram program as farmers are forced to remove them from the flock.

## **4.2 SWOT Analysis of Marketing**

### Strengths identified by farmers about their sheep/goat marketing

- Doyogena
  - Supplying high quality sheep.
  - Commitment to supply continuously.
- Bonga
  - Supplying high quality sheep.
  - We know what we are selling.
- Abergelle
  - The fact that we are organized as a cooperative.
  - Our culture of respecting rules and regulations.

### Weaknesses identified by farmers about their sheep/goat marketing

- Doyogena
  - Limited market intelligence (e.g., no assessment of what our buyers want).
- Bonga
  - Lack of patience in the market.
  - Lack of market intelligence
- Abergelle
  - We expect others to solve our marketing problems – don't take the initiative.
  - We do not collect market information in a systematic way.

### Opportunities identified by farmers about their sheep/goat marketing

- Doyogena
  - Growing interest to expand the sheep enterprise.
- Bonga
  - The quality of the sheep we raise.
  - The accessibility of our location to attract in more traders.
- Abergelle
  - Special and recognized goat breed.
  - The interest in having our own market.

### Threats identified by farmers about their sheep/goat marketing



- Doyogena
  - Irregular schedule of ICARDA and Areka Agricultural Research Center [for purchasing breeding rams].
  - Land scarcity.
- Bonga
  - Lack of information on price, demand and supply
  - The power and cartel type arrangement of the few traders (~6) in the market
- Abergelle
  - Lack of accessible market.
  - Lack of market for the rejected kids.

## 5 Summary of challenges and suggested marketing interventions

### 5.1 Main challenges

- *CBBP and fattening are happening at a very small scale. They are like islands in a desert.* Farmers made very simple and yet empirical comparison of the benefits of costs of the community-based breeding programs and fattening activities and strongly argued that the activities are very rewarding even under the current market situation. It is imperative, therefore, that such activities need to be popularized and scaled out. Farmers rightly believe that if the awareness is there among consumers of the different products, their market will grow and hence their income from the activities.
- *Small ruminant keeping is still in production orientation and needs to move to market orientation.* It is clear that farmers are not fattening the sheep and rearing the breeding rams entirely for the purpose of maximizing income. Alike their ordinary livestock production activities, they practice opportunistic marketing and rarely receive prices close to their expectations.
- *Lack of collective action in animal husbandry [apart from the introduced community-based breeding] and marketing.* Farmers in the sites, like those in other areas, hardly bring their animals together or take their animals in bulk. Obviously, the weight attached to a seller with one animal and another with more [say 5 or 10] can hardly be the same. Traders can easily sense the desperate cash need of the seller with one animal and his/her struggle to postpone the selling decision resulting in a lower bargaining power. Therefore, the farmers usually receive less than they expect because they are acting individually. It is not only the marketing activities that farmers act in isolation, many of the production activities are done at individual household level resulting very heterogeneous products [animals] for the market.
- *Lack of ideas on what to do with the rejected male lambs/kids.* The program farmers are expected to remove the young sheep/goat that failed the criteria to be part of the breeding ram/buck development program. However, farmers struggle to find market outlets for the rejected lambs/kids. Because of the risk of mating within the herd, the

farmers are not allowed to keep the rejected lambs/kids and yet it is clear that they can hardly consume the lambs/kids. The farmers need to be advised on potential outlets for the rejected lambs/kids that could be rewarding.

- *The fattened sheep are not as rewarding as they should be because of limited market.* The quality of the fattened sheep [and some goat in Abergelle] was reported to be very good by farmers and researchers working in the sites. The problem lies in lack of market promotion of the products and competition from other farmers who are not taking part in the interventions by ICARDA and its partners. They compete for the same market that is very small in terms of the proportion of buyers to sellers. The few traders who claim most of the market power always and expectedly intend to pay less for the sheep they purchase. Given their lack of coordination and poor bargaining power, farmers always at the receiving end of the unfavorable prices.
- *Breeding rams in Doyo Gena and Bonga are not being absorbed timely by the market. The market looks like an oligopsony [i.e., of ICARDA and the local research centers].* Although ICARDA is not in any way purchasing the breeding rams, farmers believe that it plays a decisive role in identifying buyers and hence takes part of the responsibility for the problem thereof.
- *There are very few and powerful traders and very few high peak demand periods.* This is a common characteristic of rural agricultural markets in Ethiopia. Yet, these intervention sites, apart from Abergelle, can easily be linked to bigger markets with simple market development interventions. However, the number of traders can hardly be increased without associated developments in road and communication infrastructure.

## 5.2 Suggested interventions

This is a tentative list of potential interventions considered based on the discussion we had in the three sites. They will be further developed and prioritized following the baseline survey.

- Capacity building on
  - Collective action.
  - Market intelligence.
  - Market oriented production.
  - Informed market decision making.
- Promotion
  - Identification of unique features of the products and branding.
- Short term
  - ICARDA and partners need to have a strict schedule to select the breeding rams/bucks.
  - We need to map out the potential buyers and estimate the annual demand.
  - Focus on specialized consumers for fattened sheep/goats and breeding rams.
- Long term
  - Market segmentation.
  - Future marketing.
  - Digital marketing.

## **6 Annex 1. Checklist for the scoping study related to developing marketing models for fattened sheep and breeding rams**

**Note:** This marketing model development exercise considers farmers only as sellers and would not address optimization of small ruminant purchases as a separate enterprise!

1. Unique features of the production process [fattening and breeding rams]
  - a. Who are the producers?
  - b. Why are they producing?
  - c. What are they producing?
  - d. How are they producing?
2. Unique features of the marketing process [fattening and breeding rams]
  - a. Why do they sell?
  - b. When do they sell?
  - c. To whom do they sell?
  - d. How do they sell?
3. Collaborations and/or partnership:
  - a. In the production process [fattening and breeding rams]
  - b. In the marketing process [fattening and breeding rams]
4. Who are the preferred customers or buyers of:
  - a. The fattened animals
  - b. The breeding rams
5. Who are the market competitors for
  - a. The fattened animals
  - b. The breeding rams
6. Value proposition
  - a. What makes your:
    - i. Fattened sheep special
    - ii. Breeding ram special
  - b. How satisfied are you with the price for your:
    - i. Fattened sheep
    - ii. Breeding ram
7. What additional buyer do you want to see in the market for your:
  - a. Fattened sheep
  - b. Breeding ram
8. How do you assess the interest of the buyers of your:
  - a. Fattened sheep
  - b. Breeding rams

9. How do you let know your potential buyers of your:
  - a. Fattened sheep
  - b. Breeding rams
10. Are there people that come between you and the actual buyers of your:
  - a. Fattened sheep
  - b. Breeding ram
11. SWOT Analysis
  - a. Producers' SWOT Analysis of the production process [fattening and breeding rams]
  - b. Producers' SWOT Analysis of the marketing process [fattening and breeding rams]
12. Goals
  - a. Short run [< 5 years] production goals
  - b. Long run [ > 5 years] production goals
  - c. Short run [< 5 years] marketing goals
  - d. Long run [ > 5 years] marketing goals
13. Briefing on the next activities of the study.