Global Livestock CRSP

Livestock Trading and Trader Networks in Northern Kenya and Southern Ethiopia

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Livestock trading is important for pastoral economies in the Greater Horn of Africa. To understand how one might improve livestock markets it is necessary to understand the structure and function of marketing chains. One way to do this is to study traders and trader networks. Preliminary work is described here with regards to quantifying some social and economic features of cattle traders who work the long marketing chain between the southern Ethiopian rangelands and terminal markets in Nairobi. Wealthier traders are key players because wealth promotes their ability to mitigate substantial risks of volatile prices, insecurity, poor information, and a weak infrastructure. Likewise, older traders may be more successful because of their experience and higher degree of capital accumulation to buffer themselves against marketing risks. There is evidence of ethnic clusters in cattle markets. Burji, Boran, and Gabra appear to numerically dominate this market chain. Traders in general have a high fluency in several languages, and this may help them to bridge potential barriers related to ethnicity in cattle marketing networks. A majority (81%) use informal networks to secure capital. Only a minority use the formal banking system.

Background

Livestock trading is a very important economic activity for northern Kenya and southern Ethiopia. Understanding how livestock trade operates in the region, and how efficiency could be improved, is essential for improving the livelihoods of pastoral producers. The main hypothesis for this work is that livestock traders in the region engage in different types of social networks to better confront the risks and uncertainties imposed by poor dissemination of market information, a weak market infrastructure, insecurity, and highly volatile livestock prices. It is presumed that many of these network interactions are conducted on a highly personal and individualized basis. Trader networks span the entire marketing chain from production centers in the southern Ethiopian rangelands to the main terminal markets in Nairobi. Since trade in sheep and goats does not require as much investment—and has fewer risks—compared to trade in cattle, it is suggested that the sheep and goat trade entails fewer actors and a lesser degree of personal and individualized trader network interactions than that for the cattle trade. Field research to address these questions began in January 2001 and will continue through April 2002. This work is being conducted as part of the author's doctoral program in Anthropology at the University of Kentucky.

Preliminary Findings

Work thus far has focused on cattle markets and several different categories of cattle such as bulls, cows, and immatures. The major factors that appear to have significant roles in cattle trading networks in the study area include socio-economic (wealth) status, age, and ethnicity of traders.

Wealthy cattle traders are more likely to enter into personalized trading relationships than are poorer traders. In particular, wealthy Borana traders of southern Ethiopia often have strong networks with Kenyan traders—even to the extent that informal credit is provided without collateral security. Importantly, this practice facilitates sales and movement of goods across the Ethio-Kenya border. There are social mechanisms in place to help recover cash in the case of a loan default. These mechanisms thus lower risks for lenders.

Age is especially critical for Kenyan cattle traders. Ethiopian cattle traders tend to screen Kenyan merchants based on their ages prior to establishing a trading relationship or giving credit. Ethiopian cattle traders prefer dealing with older over younger and less experienced traders. Ethiopian cattle traders have learned that there is a considerably higher default rate among younger Kenyan traders compared to that for older ones. One reason this is the case is because younger traders have not accumulated enough capital to buffer themselves against unavoidable trading circumstances and thus are more likely to renege on repayment.

Ethnicity is also an important factor in livestock trading relationships. There is some evidence that several ethnic-based clusters are engaged in trade in the study area. At the same time, however, one can see clusters and trading partnerships also occur across ethnic groups. Preliminary findings from Moyale suggest that the majority (63%) of livestock traders in northern Kenya are Burji, followed by the Boran (20% of traders) in northern Kenya and southern Ethiopia. The Gabra, Garre, and Arsi ethnic groups contribute another 13, 1, and 1%, respectively.

Traders often rely on personal and informal means to secure resources. For example, only 19% of traders interviewed thus far in northern Kenya use a formal bank account to move money. The majority tend to rely on ethnic-based social networks for cash transactions and holding savings.

The most successful traders have considerable language skills to serve as a bridge between various ethnic clusters. For example, 41% of traders interviewed thus far speak at least 4 languages, 36% speak three languages, and 23% speak two languages or less.

This language facility is indeed a strong indicator of networking potential. The more languages one understands, the easier the process of buying and selling cattle will be.

Practical Implications

The study so far indicates that several factors influence the development of trader networks in the region. At this early stage of research the possibility that cattle quality affects trader relationships cannot be ruled out—that is the higher value cattle may invoke more elaborate trader networks than other categories of marketed stock. The presence of ethnic clusters and the high language capability among the majority of traders facilitates networking. This therefore helps reduce transaction costs, but it could also promote some patterns of market exclusion and distortions. The dominance of informal forms of credit access and cash transfers has important implications for cattle trading in northern Kenya. Formal institutional options for increasing trader access to credit and cash could be explored, especially given problems with insecurity in the region.

Further Reading

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The GL-CRSP Pastoral Risk Management Project (PARIMA) was established in 1997 and conducts research, training, and outreach in an effort to improve welfare of pastoral and agro-pastoral peoples with a focus on northern Kenya and southern Ethiopia. The project is led by Dr. D. Layne Coppock, Utah State Univeristy, Email contact: lcoppock@cc.usu.edu.

The Global Livestock CRSP is comprised of multidisciplinary, collaborative projects focused on human nutrition, economic growth, environment and policy related to animal agriculture and linked by a global theme of risk in a changing environment. The program is active in East Africa, Central Asia and Latin America.

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