



Cross-border Cattle Trade Along the Somalia/Kenya and Ethiopia/Kenya Borderlands

Peter D. Little, University of Kentucky;
Hussein A. Mahmoud, Egerton University
Pastoral Risk Management Project

Research Brief O5-O3-PARIMA

December 2005

Cross-border livestock trade in the Horn of Africa has grown significantly in recent years and has met increased urban demands for meat and provided benefits for a range of actors, including herders, traders, and transporters. Most of the animals in the trade are procured from pastoral areas and are moved to terminal markets through complex market arrangements and channels that involve numerous actors.

Despite the positive benefits of this commerce, governments rarely acknowledge its importance and the activity remains subject to inconsistent policies, random order closures, and livestock confiscation. This paper addresses cross-border cattle trade in two of the region's most significant cross-border markets: the Ethiopia/Kenya (E/K) and the Somalia/Kenya (S/K) trade. We show that while there are important similarities between the two markets, there also are significant differences that relate to risk and institutional and social factors. In the face of significant security and market risks, the paper shows how cattle traders have developed innovative institutional responses to mitigate them.

Background

Trans-border cattle trade from pastoral areas has a long history in the Horn of Africa, but its scale and complexity have grown significantly in recent years, especially as the region's urban populations and meat consumption have grown. Currently the commerce accounts for approximately 26 percent of total beef consumption in Kenya (Aklilu, 2002). Unofficial imports from pastoral areas of Somalia and Ethiopia make up the bulk of this trade, with cattle imports from Tanzania also playing an important role. Little (2003) estimates that the cross-border trade with Somalia alone encompasses an estimated 16 percent of beef consumed in Nairobi, Kenya, the region's major urban market.

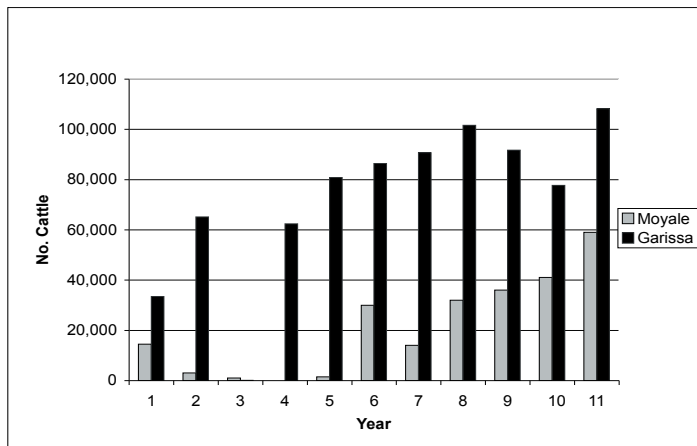
This research brief addresses cross-border cattle trade in the Ethiopia/Kenya (E/K) and the Somalia/Kenya (S/K) borderlands. It will be shown that while there are important similarities in the two markets and their inherent risks, there are significant differences that relate to institutional, production, and social variables. The paper also argues that trans-border trade and its significance remain poorly understood by policy makers, which results in ambivalent public actions and attitudes. The materials draw on research by the authors in northeastern Kenya during 1996-2002 (Little, 2003) and northern Kenya/southern Ethiopia during 2001-2002 (Mahmoud, 2003).

Major Findings

Unofficial cattle imports from Ethiopia and Somalia to Kenya rapidly rose in the 1990s and 2000s. The impetus for this growth stemmed from several factors, including the collapse of the Somalia state and political volatility in Ethiopia, cessation of overseas exports from southern Somalia, urban population growth, and a widening discrepancy between market prices in Kenya and in neighboring countries. Figure 1 shows increases in cattle sales/exports at two of Kenya's key border markets, Moyale (for the E/K trade) and Garissa (for the S/K trade). It should be noted that the Moyale market was closed for most of 1993-5 due to quarantine caused by Foot and Mouth Disease, which accounts for the minimal sales in those years. Nairobi is the destination for more than 75 percent of combined exports at the two markets.

Both the S/K and E/K markets entail long-distance transport of cattle and involve a combination of trekking on foot and trucking. In the case of the E/K border trade, the length of trekking routes range up to 150-200 km and take on average about four to five days to cover. Once cattle are sold at Moyale, they are moved on trucks along very poor roads approximately 730 km to Nairobi, which takes another two days. By contrast, in the S/K trade treks to the border market (Garissa) can be as long as 400-600 km with an average period of nine to 10 days. The motorized segment of the route from Garissa to Nairobi traverses 420 km on a paved road and requires only about six hours. Because trekking animals "on foot" is relatively

Figure 1. Cattle Exports from Moyale and Garissa, Kenya, 1991-2001



Source: Unpublished reports and data, Department of Livestock Production and District Veterinary Office Moyale and Garissa Districts, 1991-2002.

inexpensive, transport costs assume a higher percentage of total marketing costs in the E/K trade because of its reliance on motorized transport. Trucking can account for as much as 58 to 76 percent of marketing costs in the E/K trade, but only 34 percent in the S/K business.

Important differences occur in the institutional, social, and procurement arrangements of the two markets. Both businesses involve dyadic (buyer-to-seller) markets—often with the use of brokers as intermediaries—rather than open auctions. However, unlike the E/K commerce where there is considerable ethnic and social heterogeneity, actors at all levels of the S/K market chain are predominantly Somali. Consequently, the institutional arrangements and risks associated with the markets vary notably. Table 1 compares the ethnicity of traders in the two markets and reveals wide discrepancies in the social composition of the trade. While Somali traders dominate the S/K market, the E/K trade entails several different groups with the Burji representing the largest percentage of traders. National politics in the region have sharpened ethnic divisions in social and economic life, and exclusionary practices keep members of certain groups from assuming key roles in the cross-border trade.

Examination of suppliers and other actors in the two border markets also reveal critical differences. Virtually all of the suppliers, trekkers, and brokers in the S/K trade are Somalis, while the majority of the suppliers in the E/K trade are Boran and trekkers can be Gabra, Boran, or Garre. Market brokers are usually Burji or Boran in the E/K borderlands and Somali in the S/K area. Although the Boran only represent 22 percent of traders who sell to Nairobi in the E/K market chain, they comprise more than 80 percent of those who sell to Moyale itself. Contrary to this, the Burji occupy minimal roles as suppliers to the Moyale market but are dominant in buying at Moyale and supplying the Nairobi market.

What do these social differences imply for the cross-border trade? As would be expected, Kenyan-based Somali traders are buying from Somali herders or middlemen in the S/K cross-border commerce and can draw heavily on social relations based on kinship, marriage, and clan affiliation to enforce market contracts. Kenyan-based Burji and other traders in the E/K market, however, are mainly buying from Boran or, in some cases, Gabra or Garre herders and traders with whom they have minimal social ties. Unlike the S/K commerce, there is a strong ethnic division between producers and traders in the E/K trade and buyers rarely have partnerships with neighboring suppliers/producers. In fact, because of local politics there often are strained relationships between the different groups in the E/K commerce and the dominant Kenyan-based trading group, the Burji, are especially vulnerable to political pressures because of their minority status in the area. They deal with their Ethiopian-based counterparts (often Boran) who supply the Moyale market on a strictly cash basis. By contrast, the majority of Kenyan-based traders in the S/K business have strong market relationships with middlemen and herders on the other side of the border and use these ties to procure animals for the Kenyan market. Thus, the supply chain in the S/K trade tends to involve more complex buyer/seller relationships than the Ethiopian commerce, and these are reinforced by trust relationships based on common ethnicity and clan affiliations (Little 2003).

The market risks associated with the S/K and E/K trade also reveal important and surprising differences (Table 2). When traders were asked to identify their major problems with the cross-border trade, insecurity showed up as a major concern in both markets, but for different reasons. It was identified as more of a problem in the E/K than the S/K commerce. In the S/K trade most risks occur between supply areas and the border market (Garissa), while in the E/K exchange they are concentrated between the border venue (Moyale) and terminal market (Nairobi) and not in the supply catchments. These risks include violence and theft along the Moyale/

Table 1. Ethnicity of traders¹ at the Moyale and Garissa border markets, Kenya

ETHNICITY	MOYALE (%)	GARISSA (%)
Somali (including Garre)	8	92
Burji	50	--
Boran	22	--
Gabra	17	--
Other	3	8
Total	100	100

¹ N = 84 traders for Garissa and N = 62 traders for Moyale

Table 2. Occurrence (%) of major problems associated with cross-border cattle trade¹

PROBLEM	SOMALIA/KENYA BORDER TRADERS	ETHIOPIA/ KENYA BORDER TRADERS
Insecurity	20.0	32.5
Transport-related	12.0	25.0
Pasture/water	17.0	13.5
Market-related (low prices, excessive competition, etc.)	24.0	7.0
Animal Disease	6.0	0.0
Loan/credit problems	7.0	12.5
Fees/taxes (incl. bribes)	4.0	9.5
Other	10.0	0.0
Total	100.0	100.0

¹ N = 84 for S/K traders; 71 for E/K traders

Isiolo road, cash losses at the Nairobi market, and insecurity on the trekking routes between the E/K border and Kenya's interior markets. Few traders in the S/K commerce identified either thefts or Nairobi-based credit fraud or violence en route to Nairobi as major problems.

Other important risk differences in the two markets center on transport, price/market issues, and credit. Not surprisingly, with the poorly maintained and lengthy road between Moyale and Nairobi, transport was more of a concern for E/K than S/K merchants. As for the market itself, S/K traders voiced greater concerns than their counterparts over excessive supply, low prices, and 'cut throat' competition. With the collapse of Somalia's state in 1991 and the subsequent loss of export and domestic markets in southern Somalia, there are few market opportunities other than Kenya for Somalia-based traders. As a result, there are numerous Somali traders seeking opportunities in the cross-border business, resulting in a competitive and occasionally 'oversupplied' market. Trade possibilities, in turn, are better in southern Ethiopia, where there is the option of selling on the Addis Ababa market or to a small, but growing, export trade.

Credit/loan problems are issues in both market chains, but assume greater magnitude in the E/K than S/K trade. Virtually all traders from northern and northeastern Kenya sell their animals on credit/consignment to the large meat wholesalers in Nairobi. Most of these meat businesses are owned by members of other ethnic groups, although there are a few owned by wealthy, urban-based Somali. While less than 5 percent of S/K traders experienced losses of cash to wholesalers through loan default, more than 25 percent of E/K traders had this happen to them. In a survey of 35 E/K traders in 2001-2002, the average amount of credit owed to them from Nairobi wholesalers was US \$2,992, an exorbitant amount for the scale of their operations (Mahmoud 2003: 201). Unlike S/K traders who have many personal and business contacts in Nairobi because of its sizable Somali population, E/K traders are from groups who are poorly represented in Nairobi and can draw on few enforcement

mechanisms, including the legal system. Consequently, northern Kenyan merchants are easily exploited in Nairobi.

The institutional response to these risks in the E/K commerce has been the emergence of partnerships to facilitate the collection of Nairobi debts, the flow of market information between Nairobi and Moyale, and theft reduction along the Moyale-Nairobi road. Currently more than 90 percent of E/K traders are in partnerships with another trader, who is usually

from the same ethnic group. One of the merchants stays in Moyale to buy Ethiopian animals and the other is based in Nairobi to sell and collect on payments. The Nairobi-based associate sells animals and relays market information back to Moyale via land-line telecommunications and, recently (2005) cell phones, as well as to collect on consigned animals. Without a person based in Nairobi, it is very difficult and expensive for a Moyale trader to wait around Nairobi to collect on debts. Mahmoud (2003:201) shows that E/K traders with a partner in Nairobi have about a 60 percent lesser chance of experiencing credit/payment defaults than those without partners.

Importantly, the Nairobi partner also arranges for the cash to be transported back to Moyale, usually by selling it to a Moyale businessman who may be in Nairobi buying supplies to transport back to Moyale. A quick phone call to Moyale confirms the transaction and the Moyale-based partner collects the cash from the wholesaler's business at the border town. This financial innovation minimizes the risk of having cash stolen to/from Moyale and Nairobi (Mahmoud 2003). Both the cattle trader and the Moyale-based wholesaler benefit from this arrangement, since the latter also does not have to travel with large amounts of money on the Moyale-Nairobi road.

With a different set of market risks, S/K traders build strong market relationships with suppliers based in southern Somalia rather than forge partnerships in Nairobi (Little 2003). In most cases these are not true partnerships as in the E/K example above, but an arrangement whereby the S/K trader regularly procures animals from one or more established middlemen and pays them a per animal fee or the market price when the animal is sold. In a few cases cash advances are made by the Kenyan-based businessman to facilitate procurement from Somalia. More than 80 percent of traders in the S/K commerce work under these institutional arrangements and usually deal with no more than two or three middlemen.

Practical Implications

Cross-border trade assists Kenya in meeting its national demand for animal products, while providing incomes and livelihoods for thousands of neighboring herders and traders. As this paper has shown, the trade itself confronts a range of risks and problems and traders and herders have developed a range of institutional mechanisms to respond to these. Policies that might mitigate risks associated with the trade involve both regional and national actions. At the regional level, considerable progress has been made, especially between Ethiopia and Kenya, in forming local border committees that address critical issues like cross-border trade. Nonetheless, at national levels there is still a lack of understanding of the critical role the trade plays in meeting local and national beef demand and in raising local incomes and business activities. Additionally there is a failure by officials of member states to acknowledge cross-border trade as a form of international commerce that brings value added to exporting countries similar as happens in the overseas export trade. Because of this lack of recognition and adequate information, trans-border commerce often is still portrayed as smuggling and illegal and, consequently, remains subject to disruptive border closures and animal confiscations.

The lack of adequate public infrastructure and security limits the benefits of cross-border trade both to individual countries and to local producers and merchants. As we have shown, most of these markets entail long-distance transport across sparsely populated, dangerous areas and over poorly maintained roads. Improvements to roads and public safety and the legal prosecution of unscrupulous wholesalers and merchants would go a long way toward increasing the gains from cross-border trade.

Further Reading

Akilu, Y. 2002. An Audit of Livestock Marketing Status in Kenya, Ethiopia and Sudan. Volume I. Nairobi: CAPE/ PACE Program of the African Union/Inter-governmental Bureau for Animal Resources (AU-IBAR).

Little, P.D. 1996. "Conflictive trade, contested identity: The effects of export markets on pastoralists of southern Somalia." *African Studies Review* 39(1): 25-53.

Little, P.D. 2001. The global dimensions of cross-border trade in the Somalia borderlands. In Abdel Ghaffar M. Ahmed (ed.) *Globalisation, Democracy, and Development in Africa: Future Prospects*. Organization for Social Science Research in Eastern and Southern Africa (OSSREA). Addis Ababa, Ethiopia. 179-200.

Little, P.D. 2003. *Somalia: Economy without State*. Bloomington: Indiana University Press.

Mahmoud, H.A. 2003. "The Dynamics of Cattle Trading in Northern Kenya and Southern Ethiopia: The Role of Trust and Social Relations in Market Networks." Ph.D. Dissertation, University of Kentucky.

Teka, T., Alemayehu A. and A. Gebremariam. 1999. "Cross-Border Livestock Trade and Food Security in Southern and Southeastern Borderlands of Ethiopia." *Development Research Report Series*, no.1. Addis Ababa: Organization for Social Science Research in Eastern and Southern Africa (OSSREA).

Zaal, F. 1998. "Pastoralism in a Global Age: Livestock Marketing and Pastoral Commercial Activities in Kenya and Burkina Faso." Amsterdam: Thela Thesis.

About the authors: Dr. Peter D. Little is professor and Chair of Anthropology, University of Kentucky, and a principal investigator of the PARIMA project; e-mail: pdLitt1@uky.edu. Dr. Hussein A. Mahmoud is a lecturer in Geography at Egerton University, Kenya, and previously conducted his doctoral research with partial support from the PARIMA project; e-mail: hamahm2@yahoo.com.

The GL-CRSP Pastoral Risk Management (PARIMA) project 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. Layne Coppock, Utah State University; e-mail: 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.

This publication was made possible through support provided by the Office of Agriculture, Bureau of Economic Growth, Agriculture and Trade, under Grant No. PCE-G-00-98-00036-00 to the University of California, Davis. The opinions expressed herein are those of the authors and do not necessarily reflect the views of USAID.

Design by Susan L. Johnson