

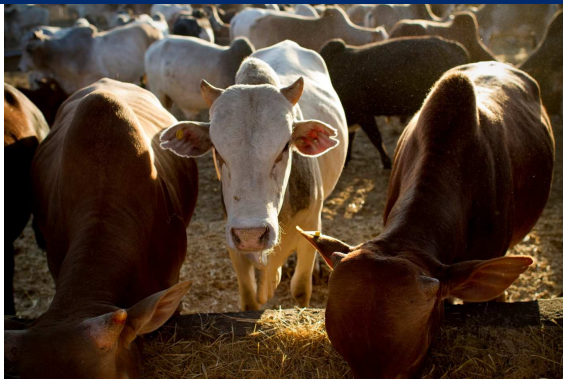


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Agricultural Growth Project - Livestock Market Development

End-Market and Value Chain Analyses

Summary



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DISCLAIMER

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Introduction

The Agricultural Growth Program - Livestock Market Development Program (AGP-LMD) improves the incomes and nutritional status of Ethiopian farmers and other stakeholders along the livestock value chain. It upgrades and catalyzes sustainable development of the sector, by addressing systematic bottlenecks and facilitating value chain participants' engagement and investment. Key goals include increasing productivity and competitiveness of selected value chains, and spurring investment and innovation in environmentally and economically sustainable ways. The project supports Ethiopia as it strives to achieve targets established in the Government of Ethiopia's Growth and Transformation Program (GTP).

The export component of the end market analysis explores market opportunities, Ethiopian competitiveness, and recommendations for Ethiopian export development in selected export markets for live animals and livestock products including meat, leather and leather products. The domestic end market analysis briefly describes the markets for these same products, plus dairy products. It also examines market characteristics of three cross-border land corridors.

LMD researched and prepared value chain analyses (VCAs) to examine and understand three livestock value chains: meat and live animals; hides, skins and leather; and dairy products. While each of the analyses describes the value chain's underperformance and the causes for this, each analysis also identifies opportunities and courses of action to address constraints and performance issues. Elements of sound, market-driven strategies become apparent.

The primary purpose of these value chain analyses was to inform the LMD project's strategy. LMD emphasized field research as an important contributing element, to ground the VCAs in a deep understanding of the value chain's actors, dynamics, opportunities, and issues at the regional, woreda, and enterprise levels.

Reflecting LMD's market-based perspective, the VCAs are in particular focused on understanding factors that determine market success, and how that information is transmitted between actors in the value chain to provide market/price incentive to supply the market and invest in meeting standards, improving quality and expanding productivity. In a profitable market with growing volumes, there should be opportunity to deepen the value chain through new, specialized service providers (e.g. collectors and transporters, operators of collection/chilling centers, providers of A/I and veterinary services, auctions, feed producers, feedlots, and much more). There should also be incentive to increase vertical collaboration and deliver embedded services provided by lead firms (e.g. tanneries, abattoirs, milk processors) to actors in their supply chains. These business-to-business (B2B) actions are inherently win-win in nature, and will build trust in the buyer-seller relationships.

Goals of the LMDP End Market Research and Analysis Study Tours

- Inform the development of the LMDP strategy
- Market Ethiopia as a potential supplier of intermediate and finished goods

Main Dimensions of the VCA

- Overview of value chain performance
- Demand and supply
- Product flow through the value chain
- Core value chain actors
- Inputs and services (e.g. as appropriate: feed, breeding, animal health, extension access to finance)
- Quality management
- Supporting (Meso and macro) actors
- Gender and women's participation
- ICT and mobile applications

Methodology

LMD prepared an initial desk study in November 2012, which collected and summarized information from currently available reports and studies. The collection of data for the end-market analysis was largely through intensive one-on-one interviews, focus group discussions, surveys and market observations in selected end markets based on designed interview questionnaires as well as a desk review. In addition to exploring the domestic market covering Addis Ababa and major towns in the four AGP-LMDP regions, team members traveled to end-market destinations between 9 February and 1 March, 2013, including Egypt, United Arab Emirates, Angola, Democratic Republic of Congo, Kenya, Turkey and Italy. Each country visit lasted from four to six days.

Information for the **Value Chain Analyses** was obtained from extensive interviews and other research in the LMD regions and the LMD-target woredas. LMD technical teams¹ visited 46 woredas in eleven woreda clusters,² in four Regions (Amhara, Oromia, SNNPR and Tigray) and in Addis Ababa. The meetings in Addis Ababa were of particular importance given its prominence as a market for milk and meat, a major center for value added activities, enterprise headquarters, and public sector ministries and agencies. The bulk of the field work took place in January and February 2013. More than 200 interviews and meetings were held with producers, service providers, inputs providers, cooperatives and cooperative unions, traders, processors (e.g. slaughterhouses, abattoirs, dairy processors, tanneries, and producers of leather products), exporters, retailers, financial services providers, representatives of public sector organizations, NGOs, and development partners, amongst others. These interviews were complemented by a few short price and product usage surveys.

LMD facilitated two-day Multi-stakeholder Platform workshops (MSPs) in the four regions during March 6-9, 2013. Participants in these MSPs discussed, commented upon, and validated the preliminary findings of the VCAs as well as their regional aspects. Participants then identified and prioritized key issues facing each value chain and suggested a possible course of action.

Main Findings of the End-Market Analysis

The domestic and international end markets identified several pervasive marketing issues, including:

Prices and Inflation

Price increases have been and continue to be important issues that dramatically impact the price competitiveness of a number of Ethiopian industries tied to the livestock value chain. These include meat for the export and domestic markets, and live animals for export. Price increases have had such an impact that major Egyptian importers have recently stopped all imports of Ethiopian meat. The VCAs identified many opportunities to control costs and improve productivity and efficiency within the value chains. Actions that reduce costs, and hence prices, will be key in enabling Ethiopia's price competitiveness.

¹ The End Market and Value Chain analyses were led by LMD partner J.E. Austin Associates. Teams included experts from the core LMD team, supplemented by consultants from Precise and BCaD – Consulting Management

² The LMD clusters consist of 2 – 4 woredas that comprise a milkshed area, production or marketing grouping.

Identification and Tracing

Countries worldwide have placed increasing emphasis on ensuring the quality and safety of meat and meat products sold within their markets, placing pressure on their supply chains to comply with standards and practices to guarantee safety. Traceability requirements are part of this evolution.

In January 2013, horse and other meat traces were discovered in European products claiming to be 100% beef. A similar scandal affected the South African market in April 2013. Several Ethiopian export markets have demonstrated concerns about the safety and Halal protections built into the Ethiopian animal and meat value chains processes. With examples such as these, it is very likely that traceability requirements worldwide, already important, will become even more strict. The Ethiopian livestock industry will as a consequence need to comply with even more severe traceability requirements in order to enter and remain a player world markets.

The most commonly used method of identification in Ethiopia is the use of plastic ear tags, however, there are currently no standard or widespread traceability record keeping systems in use in Ethiopia to track the origination of live animals and trace them through the production process (raising, fattening, veterinary, slaughter, packaging, storing and transport). Most pastoralist and small scale highland farmers do not use any form of identification or traceability systems, even though their animals will often end up in the export value chain. There is draft regulation under development in regards to animal identification and traceability.

Quality, Certification and Reputation

In 2005, Ethiopia lagged far behind competitors such as Brazil, Australia, India and Namibia, which had already met international Sanitary-Phytosanitary (SPS) requirements for meat and live animal exports. However, through the work of targeted government policy, development projects and investment by private industry, Ethiopia has improved its reputation for producing higher quality goods. For instance:

- The Sanitary and Phytosanitary and Livestock and Meat Marketing Program final report concluded that Ethiopia was improving all its systems to meet international standards, and rated Ethiopia as a country with an “improving animal health system.”³
- Beginning in 2008/2009, the government established a 150% tax on the export of semi-finished leather, prompting the Ethiopian tanneries to invest in new technology designed to produce higher quality leather.
- Ethiopian shoe companies are becoming known for producing a globally competitive ‘men’s black classic dress shoe’. Recently a major Italian shoe consortium, Consortio Toscana, announced its intention to buy as much as USD 5 million in women’s shoes for the European fashion market.
- All of the operating export abattoirs in Ethiopia are certified as Halal. Most are HACCP certified and those that are not are in the process of obtaining the certificate.
- Four new dairy processing investments are being developed by private investors.

There are still many areas where Ethiopia needs to address quality and introduce standards and certifications, including animal health, husbandry and off-take, slaughtering and flaying processes, logistics and much more. They are essential for Ethiopia to succeed in increasing domestic consumption, and to succeed in export markets.

³ Norman Borlaug Institute for International Agriculture, and The Ministry of Agriculture, 2011

Branding Ethiopia

There are clear preferences in both the domestic and export markets for various products originating from the Ethiopian livestock value chain. For instance certain meats from Ethiopia are favored by Egyptian consumers; domestic cattle breeds and some breeds of sheep are considered superior by Middle Eastern buyers; and the leather from sheep indigenous to Ethiopia is prized by high-end consumers in Europe and the United States. This points to the potential for branding certain products derived from the livestock value chain as sourced from Ethiopia.

Trade Fairs

Attending and exhibiting at the right trade fairs is one of the best ways for companies in developing and transitional economies to establish contacts and gain access to new markets. Ethiopian companies working in leather, meat and dairy have a number of opportunities to actively promote Ethiopian goods at industry trade shows in targeted end-market destinations such as Turkey, Italy, UAE and Kenya as well as in Ethiopia. For instance the All-African Leather Fair, which was held in Addis Ababa between 20 February and 22 February, 2013, was not only a good venue for Ethiopian and other Africa producers to display their products, but important buyers from Europe, Asia and the Middle East were also in Addis to meet with potential new suppliers and identify market opportunities. This trade fair generated one deal with an Italian buyer worth USD 5 million for two Ethiopian leather products manufacturers.

Developing Buyer-Seller Relationships

Several international importers, particularly in the live animal and meat value chains, complained about the difficulties they encountered when conducting business with their Ethiopian counterparts. Complaints included spotty relationships driven by marginal price differences and not responding to basic business communications, particularly when addressing complaints. The industry should consider approaches to improving buyer-seller relationships, including holding reverse trade fairs in Ethiopia that would involve inviting interested and potential buyers to the country to meet with and begin developing productive business relationships.

International Market Opportunities for Highland Livestock

Export opportunities for highland livestock and animal products have been somewhat restricted. In addition to the quality, health, size, age and price concerns already described, Ethiopia's current markets largely prefer the taste and color of lowland beef and shoats. A problem of meat darkening is associated with sheep and goats from Highland areas. Importers are more familiar with lowland animals. Leather from Highland sheep can be of outstanding quality, highly desired in the marketplace – but hide and skin size is small and the vast majority of skins are spoiled because of *eket* and other factors.

Recently, however, in response to increasing demand for Ethiopian meat in general in selected export markets in the Middle East, more Highland sheep and goats are being slaughtered for export, mainly to fill gaps in supply necessary to meet demand. This suggests a high potential for increasing the export of meat from highland sheep and goats in particular. There are indications in some markets that meat from competing countries, of similar taste and color profile to Ethiopian products, is being sold successfully.

These preferences and limitations require further understanding, on a market-specific basis. Many of the apparent limitations will have sound value chain-based solutions. Effective market development and marketing may be able to shift preferences in Ethiopia's favor. If parasite issues can be effectively addressed, Ethiopia's high quality sheepskin could be produced in much higher volumes and Ethiopia could become a more significant supplier of top-quality leather and leather products.

Sector-Specific Findings

Ethiopia has many livestock value chain market opportunities that, if realized, will power the growth of the livestock industry and its value chains, contributing to the overall economy. Some examples of these opportunities and challenges include:

Live Animals

Live animal exports, formal and especially informal, are a mainstay of the economy. Ethiopia earned USD207 million⁴ from live animal exports in 2011, and exports of live animals have been increasing by 15-25% per year in recent years. Informal exports may exceed USD200 million, and may account for more than 80% of live animal exports⁵.

As discussed in the value chain analysis, the age, weight and quality of live animal exports diminish the value of Ethiopia's live animal exports. Dramatically increased value could be obtained through better husbandry, feeding, fattening, animal health care and marketing practices. Such improvements will also benefit the meat value chain.

The size and contribution of live animal exports to the economy creates a conundrum for Ethiopia. Unless the total number of animals marketed each year - through slaughtering or live - is increased dramatically, the value chains will be competing for animals, and Ethiopia will achieve export and value added results that are well below its potential. To the extent that they compete for the same animals, the export of live animals reduces the supply of animals available to be processed into value added products such as meat, leather and leather products.

The meat production and export value chain operates well below capacity and potential, and does not attract the level of investment that could be sustained within a thriving value chain. These value added products should be a primary objective, as generators of even greater export earnings, global market share, jobs and competitiveness.

The Government and value chain actors will need to address the balance between the opportunities for export of live animals with value added opportunities, and unleash market forces that encourage value added investment - to reach supply arrangements that maximize returns to the economy while meeting the demand in all livestock value chains.

Meat

Ethiopia has potential to increase the volumes and values of domestic and export sales of meat and meat products. This could be achieved by:

- Increasing Borena beef exports,
- Expanding commercialization of production and marketing of livestock,
- Diversifying into other products, such as the processing of sausages and other similar types of meat, and boosting domestic consumption.

However, in order to achieve greater sales and exports, a number of challenges must be met including:

⁴ EMDTI

⁵ Author's estimation based on Ministry of Agriculture and LMD data, during the MLA VCA analysis.

- Poor product quality, which is the most pronounced concern to be addressed.
- Improving price competitiveness and strengthening business relationships,
- Improving traceability systems,
- Moving toward specialization in cattle-raising,
- Improving feed, breeding and vaccination practices and upgrading the transparency of livestock trading systems.

Leather and Leather Products

The Ethiopian leather industry has significant potential to become a world class supplier of high quality finished leather and leather products, including shoes, garments, gloves and accessories.

- Foreign investors have been increasingly discovering Ethiopia's potential.
- The government of Ethiopia has made the leather and leather products value chain among the top four priority industries - due to its strong backward linkages to the rural economy, and its potential for increasing exports and earning foreign currency.
- Ethiopian brand of leather production has potential for growth in the coming decade if challenges of raw material quality and supply are addressed.

Dairy

The opportunity for the dairy industry is to increase the currently low domestic demand by:

- Promoting the nutritional benefits of milk, coupled with
- Improving the product's quality and reputation,
- Reducing prices,
- Increasing availability through improvements in value chain productivity and logistics, and
- Introducing new products and packaging that cater to the consumption patterns of different consumer segments, that extend shelf life, and that meet the price points of middle and low income customers.

The 3 Value Chains: Main Findings of the Analysis

Each of the three VCs faces challenges in production, marketing, processing, and export/sales – which contribute to their underperformance versus their market potential. Livestock are not raised to maximize productivity for meat, and there are few market incentives to encourage improved practices and supply. At the same time, live animals are exported to undiscerning buyers at low prices (although total volumes are impressive). For hides and skins there is failure in translating market information (grades, standards) into price incentives to manage quality and furnish more supply through price information. In the case of dairy, the issue is more basic – lack of consumption to pull more investment (in productivity and logistics) into the supply chain. There is indication of unmet demand if price and confidence in quality can be improved.

Meat and Live Animals

Meat production offers opportunity to serve a vast export market as well as Ethiopia's domestic market. It also drives much of the rest of the livestock value chain in Ethiopia, particularly hides, skins and leather. Ethiopia's challenge has been and continues to be that the booming formal and (particularly) informal trade of live animals to buyers in neighboring states keeps significant numbers of animals from

reaching domestic abattoirs. This means that there is less meat processed (and thereby limiting the number of hides and skins that reach the tanneries). Partly because of this, a thriving industry to produce packaged meats for export to Middle Eastern and African markets is unable to get launched.

In Ethiopia, many producers only sell their livestock when they need the money or when a drought hits. As a result, most farmers do not consider the livestock trade as a profitable endeavor and ignore husbandry practices that could increase their livestock's market value, such as providing adequate and proper nourishment during the years of growth and development, preventing scarring, and timing the sale of animals to maximize sales price. Large numbers of animals are held for five to seven years or more to supply draught power and milk for the family in the highland areas. Animals this old do not produce the best meat and their hides are usually so worn that they have limited value.

Nonetheless, live animal and meat exports are an important and growing sector of international trade for Ethiopia. For instance, earnings from the export of live animals in 2008 was USD 40 million, and jumped to USD 207 million in 2011⁶. Such trade has contributed to increased rural incomes and reduced rural poverty in Ethiopia. The economic contribution of domestic market consumption to the Ethiopian economy by the meat and live animal sectors has also been important. Livestock is also an important contributor to export earnings, responsible for nearly 8% (or USD 211 million⁷) of the USD 2.75 billion in export earnings achieved in 2011⁸. Although informal trade is difficult to quantify, the value of the informal trade in live animals may be over \$200 million.

One of Ethiopia's major economic objectives is to maximize revenue from live animal and meat exports. Ethiopia's Growth and Transformation Program (GTP), launched in 2010-2011, has established annual export goals of 111,000 metric tons of meat and 2,000,000 live animals by 2015, increases of nearly four-fold on 2011 numbers. Ethiopia has seen some progress in the volumes exported, increasing from 5880 MT in 2007 to 17,666 metric ton in 2011⁹ but the numbers are not nearly as high as anticipated or needed to meet the aggressive targets laid out in the GTP.

Ethiopia has the tenth largest livestock inventory in the world, yet the country's current share in the global export market for meat is quite small. In 2011, the volume of global meat exports was estimated at USD 105 billion, and Ethiopia accounted for less than one percent of this total (0.75 percent or USD 79 million), of which most was low-value, chilled sheep and goat carcasses.¹⁰ This ranked Ethiopia as the 43rd largest meat exporter. The many reasons for this include very low off-take rates; large numbers of animals that bypass abattoirs and are exported live, producers who are not commercially oriented and sell only in need of cash or when draught animals get too old, and lack of certifications and acceptable international standards by meat processors. Still, just over a decade ago Ethiopia was exporting close to no meat at all; since that time the country has built markets in several African and Middle Eastern countries, including United Arab Emirates, Saudi Arabia, Angola, Egypt, and Bahrain.

Even with this abundance of livestock and meat, Ethiopia still has one of the lowest per capita consumptions of red meat in Africa. Reasons for this low consumption include low per capita incomes,

⁶ EMDTI

⁷ SPS-LMM Quarterly Bulletin July 2011

⁸ Ethiopia Economy Profile 2012, IndexMundi

⁹ EMDTI

¹⁰ ComTrade, Global Trade Statistics

high domestic meat prices, and the numerous fasting days by Orthodox Christians (which means that 43% of the population does not consume meat products for over 200 days per year, and reduces aggregate demand by 20-35%).¹¹

At the household level, 70% of all Ethiopians rely on livestock in some form to contribute to their family's livelihood. In Ethiopia cattle, goats, sheep, camel and poultry, are used as resource base for meat production; cattle, goats and sheep are the focus of the LMD project. The regions with the largest livestock populations in Ethiopian are Oromia, Amhara and SNNP, with Tigray a distant fourth.

Ethiopia has the potential to make a deep impact in the regional and global markets for meat (and leather) in the next five to ten years if the public and private sectors can create a partnership and work closely to achieve a number of breakthroughs together.

The promise and potential of the Ethiopian livestock (meat and live animal, and hides, skins and leather) value chain is to become a thriving industry that can produce packaged meats destined for Middle Eastern, European and East African markets, or fashion gloves and shoes that sell in volume on the high streets and boutiques of Europe. To reach this level of growth and development, operators and investors along the value chain will have to improve the quality and value of meat exports by establishing a standardized grading system for meat and live animals; encouraging more supply into the abattoirs to increase capacity utilization thereby lowering costs, improving cost competitiveness and providing more raw material for leather producers; and introducing proper and improved feeding, fattening, animal health care and other services while encouraging foreign and domestic investment at all points along the value chain.

Hides, Skins and Leather

Hides, skin and leather is a critical strategic sector for the economic and industrial development of Ethiopia. It has an abundant and renewable resource base in Ethiopia's large population of cattle, sheep and goats. It is labor-intensive with the potential to be a major source of employment all along its value chain. To date, over 10,000 formal jobs have been created in the sector as have thousands of informal handicraft and trading activities. The country has 25 commercial tanneries of which 23 are operational, 17 footwear and 8 leather goods producing factories.¹² Out of the 17 large shoe factories, 14 are engaged in exporting. About 1,000 small and microenterprises are also engaged in the production of footwear. Today the sector consists of over 850 legal hides and skins traders, 6,515 workers in tanning, 5,400 workers in foot wear and leather goods factories.

The Ethiopian leather industry is one of the leading generators of foreign currency in the country. Until 2006/07 exports of pickled sheepskins and wet-blue goatskins ranked second only to coffee as a source of foreign exchange. However, with the advent of the law that applied a tax on the export of semi-finished leather, the exports of these products declined in 2008/09, and in 2009/10, as no semi-finished leather was exported from Ethiopia - which coincided with the lowest level of leather and leather product exports from Ethiopia in nearly a decade. However, as the global economy recovered and the tanneries in Ethiopia began to invest more in finishing capability, the level of leather exports recovered and in 2011/12, reached a record of USD 112 million. Despite this rebound in the export levels of finished leather, tannery capacity is still significantly underutilized with most tanneries producing at well below 50% of their installed capacities.

¹¹ Mariam, Amare, et. al. 2010

¹² LIDI, 2011

The global market for leather and leather products is huge, yet Ethiopia has but a small fraction of that market. In 2010 world imports of leather were valued at USD 19.9 billion, with USD 6.3 billion worth going to China (including Hong Kong), USD 2.3 billion to Italy and USD 1 billion to Vietnam.¹³ Ethiopia has direct and (in some cases) long-term links to many of these markets, including Italy, China, United Kingdom, Russia and Hong Kong, which collectively account for about 75% of all leather exported from Ethiopia.¹⁴

Meat consumption drives the supply of hides and skins to the market in Ethiopia and throughout the world. Maintaining ever larger herds of animals is a traditional sign of prosperity in Ethiopia, heightening the social status of the owner while contributing to a continual shortage of hides and skins in the leather supply chain. In addition to a shortage of supply, the quality of sheepskin in Ethiopia is generally low due to poor flaying habits as well as the proliferation of ectoparasites (known as “ekek”). Nearly 80% of all sheepskin from the highland areas is affected by ekek; most of the rejected sheepskin is due to defects as a result of ekek.

The leather and leather products industry is hobbled by supply, quality, market, skilled labor and finance constraints. The leather supply chain is characteristic of a non-integrated chain in which most participants operate independently instead of interdependently across the value chain. Prices do not reflect premiums for different grades of quality. The industry is still operating with out-dated equipment as little new technology has been introduced and capacity utilization is low. Important issues facing the industry as it strives to strengthen its capabilities in the face of increasingly fierce global competition include lack of sufficient supply of hides and skins to meet demand, lack of price incentives that reflect premiums for superior quality; limited foreign and domestic investment in the value chain; lack of access to operating capital; lack of specialization necessary for accessing key niche markets in Europe and Asia; low worker productivity; and weak backward and forward linkages.

The leather value chain’s potential is to become a leading supplier of leather and leather based products to fashion houses in Europe and Asia. This is not a huge leap for Ethiopia given its 80-year history of working with European producers and the newly created supply links into China. By addressing shortcomings, including increasing the supply of animals into the abattoirs, improved collection and introducing quality standards, the promise of accessing the leading international buyers of leather products can be realized.

Dairy Products

Ethiopians produced 3.3 billion liters of milk worth \$1.2 billion in 2011/2, and imported an additional \$10.6 million of dairy products. At 19 liters per annum, per capita annual milk consumption is extremely low in Ethiopia, well below the world average of 105 liters and the African average of about 40 liters. However, Ethiopia has the largest cattle population in Africa, at 52 million, including 10.5 million dairy cattle.¹⁵ Households that produce milk typically produce such a small amount that it is consumed entirely by the household.

¹³ UN-International Merchandise Trade Statistics

¹⁴ KPMG International, 2010

¹⁵ Central Statistics Agency of Ethiopia (CSA), Livestock Sample Survey 2011-2012; FAO Stat.

Overall, Ethiopia has a complex dairy value chain, with both formal and informal channels. Less than 5% of the milk produced in Ethiopia is sold in commercial markets.¹⁶ The dairy value chain has a variety of entrepreneurial actors: smallholder and commercial producers, small and large processors, service and inputs providers, farmers' organizations, and cooperatives. The dairy sector is growing in Ethiopia and is receiving new investment, although the demand for investment exceeds the supply.

Ethiopian dairy production and market systems face severe constraints. Average milk production per cow is 1.5 liters per day, well below international benchmarks. Poor animal genetics, insufficient access to proper animal feed and poor management practices all contribute to the low productivity levels.

Similarly, dairy producers and downstream actors in the value chains face many challenges in getting milk to market. For the most part, milk collection, chilling and transport, is not well organized and there are few economies of scale. Transaction costs are high and up to 20-35% of milk is spoiled or otherwise lost¹⁷. Dairy cooperatives and some private processors seek to provide improved services and scale economies. Many cooperatives have poor records of service delivery.

There are twenty-three (23) formal sector dairy processors in Ethiopia and four new processing facilities in various stages of development. Most processors benefit from urban and peri-urban milk supply systems, and in several cases have invested in their own dairy farms to ensure adequate milk supply and quality. However, these processors only operate at 50-60% of capacity.

Consumers' ability to pay and milk market accessibility limits milk prices. Liquid milk is typically sold raw, or unpasteurized, to consumers in urban areas at 7-14 ETB (USD 0.38-0.76) per liter, while pasteurized milk that is sold at supermarkets is priced between 16-20 ETB (USD 0.87-1.08) per liter. By comparison, the average daily per capita income among Ethiopia's rural poor (approximately 80 percent of the population) is approximately 9 ETB (USD 0.50).¹⁸

Ethiopia's dairy value chain is thus constrained by low milk productivity at the farm level, inefficient logistics to link producers and processors, and low real demand – although demand does exceed supply.

These weaknesses present opportunities, especially if per capita milk consumption can be increased. Value chain actors are already investing in milk production, collection and processing, and increased demand would likely lead to increased investment. Market opportunity would lead to value chain deepening and upgrading, more solid horizontal and vertical relationships with the value chain, and investment in core value chain operations as well as needed services and inputs. The milk value chain offers opportunity for processors to invest in upstream supply, through collection logistics and embedded services that foster strong ties with suppliers. Improved cooperative operations would offer scale economies and valued skills, market access and value added services. There are many opportunities to improve yields per cow, to improve collection, reduce transaction costs - all of which would directly improve producer incomes - and to increase processors' capacity utilization.

¹⁶ CSA, 2011/12

¹⁷ SNV Ethiopia and Target Business Consultants Plc, Inventory of Dairy Policy – Ethiopia.

¹⁸ Dana E. Hunnes. Understanding Rural-to-Urban Migration in Ethiopia: Driving Factors, Analytical Frameworks, and Recommendations [Internet]. Journal of Global Health Perspectives. 2012 Aug 1. Available from: <http://jglobalhealth.org/article/understanding-rural-to-urban-migration-in-ethiopia-driving-factors-analytical-frameworks-and-recommendations-2/>. Converted at a rate of 1 USD = 18.4733 ETB, www.xe.com, 3/20/13.

Gender Perspectives

When women own livestock, it constitutes an important component of their asset portfolio, being an asset that they can easily own and that is not bound by most of the legal and property rights issues such as land. Livestock, therefore, has a huge potential to reduce gender asset disparities commonly found in households in most developing countries such as Ethiopia. Even in cases where women do not own livestock, they are often responsible for them. This has implications for interventions in livestock production and management.

Women have important roles in managing dairy cattle, poultry, and other small ruminants. They are often involved in feeding, watering, and milking animals reared close to home, such as in intensive and mixed systems and in processing and marketing of livestock byproducts.¹⁹ They tend to have less involvement in marketing and sales away from the home. With some notable exceptions, women in rural areas are rarely involved in value-added activities away from the home. In urban areas, however, many employees of tanneries and other processing companies are women. There are very few women in leadership positions in cooperatives or cooperative unions.

Enabling Environment

Livestock value chains operate in an enabling environment which is improving over time but is not yet effective in facilitating the competitiveness that allows actors to seek and expand opportunities. In particular, there are few effective institutional coordination mechanisms amongst actors.

The industry does have some participatory institutions for collaboration. These include cooperatives, NGOs, and some private business and professional associations. These associations offer valued services in many cases. But they have not yet been strong vehicles for achieving value chain vision, consensus, or effective engagement with the public sector or other partners. There are few platforms for private-private or public-private dialogue and decision-making, and here are few collaborative platforms for the dairy value chain actors to collaborate for their mutual benefit. There is no representative industry-wide forum for the dairy industry, although recent MSP initiatives are promising, and there are ongoing efforts toward the creation of a Dairy Board/Council.

Key Government Frameworks and Project Linkages

Livestock value chain development is guided by several framework plans, initiatives and inputs:

- Growth and Transformation Plan (GTP) 2010/11-2014/15
- Agricultural Growth Program
- CAADP Policy and Investment Framework
- USAID strategy documents - i.e. FTF strategy, USAID Forward

¹⁹ IIE and TREG, for LMD, Gender Equity Strategy in AGP- LMDP, 2013

The VCAs respect these frameworks. As a key input into the formulation of LMD's strategy, the VCAs' perspective is particularly grounded in Component 1, Subcomponent 3 of the AGP. The strategy is also be linked with other elements of AGP, USAID's livelihood programs (PSNP-GRAD and PLI/PRIME Programs) that focus on "hungry" and "pastoral" Ethiopia respectively. Through LMD, USAID/Ethiopia will be absorbing and up-scaling its previous livestock-related activities under the ATEP (hides and skins component), EDDP, ESGIPP, ESPS-LMM programs. LMD will collaborate with USAID's RAIN program (in the agro-pastoral livestock areas in eastern Ethiopia) as well as on-going dairy activities in the Dutch Government supported Market-linked Innovation for Dairy Development Program (MIDD) and USAID's knowledge management project, KLPP