



ST. MARY'S UNIVERSITY
SCHOOL OF BUSINESS

**ASSESSMENT ON THE CHALLENGES OF MEAT EXPORT IN
ETHIOPIA**

BY:

TADESSE ALEMAYEHU (ID No. SGS/0172/2006)

DECEMBER, 2015

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF
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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Tariku Jebena. All sources of materials used for the thesis have been dully acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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December 2015

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

Advisor

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December 2015

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Abbreviations

1. AFD	Action For Development
2. AGP	Agricultural Growth Program
3. CBPP	Contagious Bovine Pleuropneumonia
4. CNFA	Name of the organization
5. CSA	Central Statistical Authority
6. EMDTI	Ethiopian Meat and Dairy Technology Institute
7. ESGPIP	Ethiopia, Sheep and Goat Productivity Improvement Program
8. ETB	Ethiopian Birr
9. FMD	Foot and Mouth Disease
10. GTP	Growth and Transformation Plan
11. GCC	Gulf Cooperative Council
12. ISP	Innovation System Perspective
13. LMA	Livestock Market Authority
14. MARD	Ministry of Agriculture and Rural Development
15. NGOs	Non-Governmental Organization
16. SNNPR	South Nations and Nationalities People Regional State
17. Shoats	Sheep and Goats
18. UAE	United Arab Emirates
19. VCA	Value Chain Analysis

Abstract

This study was conducted to assess and identify the factors that hinder the development of the meat export industry and come up with plausible interventions that could help to improve the system. The study had three objectives 1. Examining the value chain of the meat market in Amhara, Oromia, Southern Nations, Nationalities, People's Region (SNNPR), Tigray and Addis Ababa regions of Ethiopia 2. Examining the challenges of the meat export industry from the inputs, process and end market 3. Identifying the possible interventions that could help actors in the meat values chain improve the system and enhance the return from the business. Descriptive type of study that involved both quantitative and qualitative methods was applied to meet the objectives of the study. Semi structured questionnaire and interview was administered to get the views and perspectives of traders, staffs of abattoirs and experts in the government structure and NGOs. In connection to this, one to three suppliers per abattoirs/slaughter house-traders and staffs of abattoirs were selected purposively. In addition 11 government and NGOs staffs were involved. The findings of the study revealed that the major constrains of the meat export industry are the booming formal and (particularly) informal trade of live animals, low value and quality of meat, presence of many unlicensed middlemen and traders within the value chain, absence of market oriented animal husbandry, insufficient vet service, feed problem, limited end market, illegal trade, insufficient government support, competition for domestic consumption and poor infrastructure including cargo service. Based on the findings of the study, recommendations are given to improve the performance of the sector. These are promoting market oriented commercial animal raising, developing the feedlot sector to stimulate commercialization of live animal raising, improving the quality standard of packers, labeling and branding, standardization of quality of meat, expanding the end market, improving the livestock supply, improving the veterinary service, improving the airport cargo administration, and animal traceability. Besides the need to take aggressive steps to decrease the formal and informal export of live animals and strengthening back ward linkages within the value chain are recommended.

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CHAPTER I- INTRODUCTION

1.1 Background of the Study

Ethiopia is home to 63.3 million small ruminants (CSA, 2009). However, the livestock sub-sector's contribution to the economy and foreign currency earnings in particular, is very low. Some of the major factors contributing to the poor performance of the livestock sub-sector include widely scattered and non-market oriented livestock production systems, lack of an efficient and effective livestock marketing system, poor market infrastructure, lack of proper transport services, and limited knowledge of and capacity to meet international standards by producers and marketers.

Middle Eastern countries (Saudi Arabia, UAE, Kuwait, Yemen, Bahrain, Oman and Qatar) and Egypt imported, 10.7 million live small ruminants and nearly 0.27 million metric tons of meat, mainly from small ruminants, in 2007. This clearly shows that there is a large potential market for small ruminants. However, in 2009/10, Ethiopia exported only 333,271 live animals, 45% of which were small ruminants and only 9,192 tons of sheep and goat meat (EMDTI, 2010). This is extremely low considering the country's animal resource base, the proximity to the market and the adaptation of the importers to the taste of our animals.

The international market for live animals and meat is becoming increasingly competitive and relevant actors must adopt improved practices in production, transportation, processing and packaging of products to maintain and increase market share. It is imperative that the challenges of the meat export market should be closely examined and the competitiveness of the sector in the international market be enhanced by tackling the challenges of the industry to maximize the benefits from the growing meat export trade. This will benefit the pastoralists, the different business firms and cooperatives engaged in the meat export chain and the nation at macro level.

This study explored the challenges that affect the meat export business and attempted to show as how the challenges could be dealt with so as to improve the gains from the business both for those investing in the sector and to the country.

1.2 Statement of the problem

One of the major economic objectives of the Government of Ethiopia is pursuing a policy of maximizing revenue from live animal and meat exports (AGP, 2013). The government'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 2011 but the numbers are not nearly as high as anticipated or needed to meet the aggressive targets laid out in the GTP.

Meat export industry is one of the sectors that have been given development priorities by the Ethiopian government to increasing meat exports, especially beef in order to capture value of hides and offal's and to create job opportunities and market outlet to producers, particularly the pastoralists (MARD, 2007). Despite the efforts of the government, the organization's engaged in the meat export business, the sector contribution to the country economy and the return to the investors and pastoralists is not yet rewarding given the potential the country has. Abattoirs in Ethiopia are also striving to be profitable. Contrary to the approach taken by abattoirs elsewhere, the abattoirs in Ethiopia try to sell as much of the by-product as they can because it is by selling the by-product of the animals – hides, skins, blood, intestines, organs, etc – that they make enough money to break even. Consistently selling the meat into the market is the road to profitability for the abattoirs in Ethiopia (AGP, 2013).

Though different researches had been undertaken in the area, most of the literature focuses on the issues of inefficiencies in purchasing, poor animal handling and inadequate facilities at the abattoir and export level. The factors that result in such problems and hold the system stuck in where it is not that much explored.

1.3 Basic research questions

The basic research questions for study were

- What does the value chain of the meat export industry look like
- What are the challenges of the meat export industry of Ethiopia?
- How could be the productivity and profitability of the meat export industry be improved?

1.4 Objective of the Study

1.4.1 General Objectives

The general objective of the study was to identify the factors that hinder the development of the meat export industry and come up with plausible interventions that could help to improve the system

1.4.2 Specific objectives

- To examine the value chain of the meat market in Amhara, Oromia, Southern Nations, Nationalities, People's Region(SNNPR), Tigray and Addis Ababa regions of Ethiopia
- To examine the challenges of the meat export industry from the inputs, process and end market
- To identify the possible interventions that could help actors in the meat values chain improve the system and enhance the return from the business

1.5 Significance of the Study

The findings of the study have an invaluable significance in adding value to the understanding of the challenges of the meat export industry by key policy makers and investors in the industry. As a result it helps investors in the sector to see the ways as how they could improve the returns from the business. In addition, policy makers and other development partners of Ethiopia that are working to improve the benefit from the industry may refine their interventions based on the insights that resulted from the study. Moreover, as the livestock market is an integral part of the meat export value chain, pastoralists and other members of the society who are engaged in animal husbandry and sales benefit from such improvements indirectly.

1.6 Scope of the Study

The assessment was limited to five regions of Ethiopia in terms of geographic coverage: Amhara, Oromia, Southern Nations, Nationalities, People's Region (SNNPR), Tigray and Addis Ababa regions of Ethiopia. The inclusion of Addis Ababa have a special importance in the

assessment as it is the center of enterprise headquarters, public sector ministries and agencies. Moreover, most of the value adding activities in relation to the export of meat was undertaken in and around Mojo. The assessment scope also covered the forward and backward key actors in the meat export value chain in the formal market except producers. Review of the policies, strategies and operational plans of the government of Ethiopia in relation to the meat export market industry was covered in the assessment. The analysis was also limited to describing the prevailing facts as perceived by the study participants and reported in the different literatures reviewed.

CHAPTER II- LITERATURE REVIEW

Agriculture in Ethiopia accounts for 41% of GDP and over 80% of total employment with livestock accounting for as much as 40-50% of agricultural GDP. Live animal and meat exports are an important and growing sector of international trade for Ethiopia. Meat production offers opportunity to serve a vast export market. It also drives much of the rest of the livestock value chain in Ethiopia, particularly hides, skins and leather.(AGP, 2013).

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 is chilled sheep and goat carcasses. 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 by-pass 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. Other possible reasons for the meat darkening is poor handling and inadequate cold chain in the highlands as well as improper conditioning of the animals just prior to slaughter.

Nevertheless, just over a decade ago, Ethiopia was exporting close to no meat at all, but 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(AGP, 2013). Ethiopia has some important comparative advantages in the Middle Eastern livestock and meat markets. The meat characteristics of Ethiopia's lowland breeds—particularly Borana bulls and Somali Blackhead sheep—are prized by consumers. Geographical proximity to Egypt and the Gulf makes both live animal exports and chilled meat exports possible (Farmer, 2010). Middle Eastern countries (Saudi Arabia, UAE, Kuwait, Yemen, Bahrain, Oman and Qatar) and Egypt imported, 10.7 million live small ruminants and nearly 0.27 million metric tons of meat, mainly from small

ruminants, in 2007. This clearly shows that there is a large potential market for small ruminants very close to Ethiopia. However, in 2009/10, Ethiopia exported only 333,271 live animals, 45% of which were small ruminants and only 9,192 tons of sheep and goat meat (EMDTI, 2010). This is extremely low considering the country's animal resource base, the proximity to the market and the adaptation of the importers to the taste of our animals(ESGPIP, 2011). Based on cattle, sheep, goats and camel population and respective off take rates of 10, 35, 38 and 6.5 percent nationally; and estimated carcass weight of 130 kg for cattle, 10 kg for shoats and 200 kg for camels; the annual meat production of Ethiopia is estimated at 0.79 million tones (MARD, 2007).

Despite the substantial demand for live animals from Gulf States, export to those markets often face impediments as a result of stringent animal health requirements and repeated bans on import of livestock (Wondwosen, 2003). Livestock exports from Ethiopia are jeopardized by repeated bans, in particular from the countries in the Arabian Peninsula, as they are perceived as carrying the risk of introducing a number of trans-boundary livestock diseases that include Foot and mouth disease, Rinderpest, Contagious bovine pleuropneumonia and Rift valley fever (LMA, 2001). The widely prevalent livestock diseases are major challangesto Ethiopian livestock export. Livestock diseases continue to limit Ethiopia's access to attractive markets. Increasingly stringent sanitary and phytosanitary standards (SPS) are being set for access to major markets, when the country still has a very low capacity for meeting these standards at least in major sources of meat animals (TEWODROS, 2008)

There is also very few well-developed backward-linked relationship from processors to traders and producers. An example would be where the Abergelle meat processing plant facilitated the acquisition of credit for animal collectors, yet even that arrangement did not last long because of Abergelle ceasing operation in 2012. Ashraf and Abergelle export abattoirs also established their own animal feed processing plants as a way of developing their own backward linkages, however, neither of these two export abattoirs are currently operating, suggesting that the current business model for export abattoirs in Ethiopia needs significant restructuring

Ethiopian SPS regulations state that cattle for export must be quarantined for 30 days and vaccinated against CBPP, anthrax, black-leg and FMD (Mulugeta et al 2007). The Gulf

Cooperation Council (GCC) countries, however, do not recognize Ethiopian quarantine regulations. Exporters shipping animals to GCC countries must re-quarantine them at the port of export. For animals that go through the Djibouti quarantine, an Ethiopian certificate is neither required nor seen by the final recipient, as exporters must re-certify all their animals as Djibouti origin. (Legese, Teklewold, Alemu, & Negassa, 2008)

Of the total meat exported in 2006/7, over 97 percent was shoats meat and the remaining 3 percent is accounted for by the export of beef and offal. From this scenario, it can be observed that the Ethiopian meat export industry is fully depends on export of chilled shoats carcasses to only few countries which is too risky business (MARD, 2007). Moreover, almost all export abattoirs are complaining about shortage of shoat¹ supply for export market currently. Some of them were even unable to meet the already requested quantity by their customers, let alone searching new market for shoat meat.

Rather than shortage of supply of shoats for export abattoirs, matching exporters' demand with market supply is a major observed problem. Most export abattoirs lack information about the expected production levels and potential availability of shoat supplies in the major livestock markets, clearly indicating the need for concerned agencies in Ethiopia to make such information timely available to the exporters. Lack of this information makes it very difficult for exporters to tap market opportunities by entering into future contracts and hence forcing them to delay contractual commitments until the animal reaches at their disposal. The orders from export abattoirs could not get timely responses due to problems of poor road infrastructure in Bale and some Borena areas, clan conflicts which sometimes disrupt markets in Borena and other pastoral areas, poor market information in all supply areas, and the time lag needed to inform and collect animals from remote pastoralist areas (Legese et al., 2008).

In order to overcome these challenges and increase in-country value addition, the Ethiopian Government is committed to supporting meat exports. It had developed a comprehensive plan to support the meat export industry in 2007 and had been investing accordingly (MARD, 2007). Yet

¹ The operational abattoirs, which focus on exporting shoats' carcasses to 2 to 3 Middle Eastern markets, are seven in number and owned by four enterprises (MARD, 2007),(AGP, 2013).

such exports remain small in volume, constrained by inefficiencies in purchasing, poor animal handling and inadequate facilities at the abattoir and export level. These factors all contribute to low meat quality and unreliable supply—which are the major complaints of Gulf importers regarding Ethiopian meat (Farmer, 2010)

A value chain analysis on the meat market conducted by CNFA as part of the AGP LMD program covered the value chain of the meat market. The market structure of the industry was also covered by the study. The findings of the analysis are presented hereunder to give a highlight of the value chain and the market structure (AGP, 2013)

2.1 Live animal and meat value chains

The Ethiopian meat and live animal value chains have developed over the years into a series of complex constituents involving various actors that include producers, collectors, small private and cooperative fatteners/feedlots, various (and in some places, numerous) middlemen, livestock trading cooperatives, individual traders and exporters.

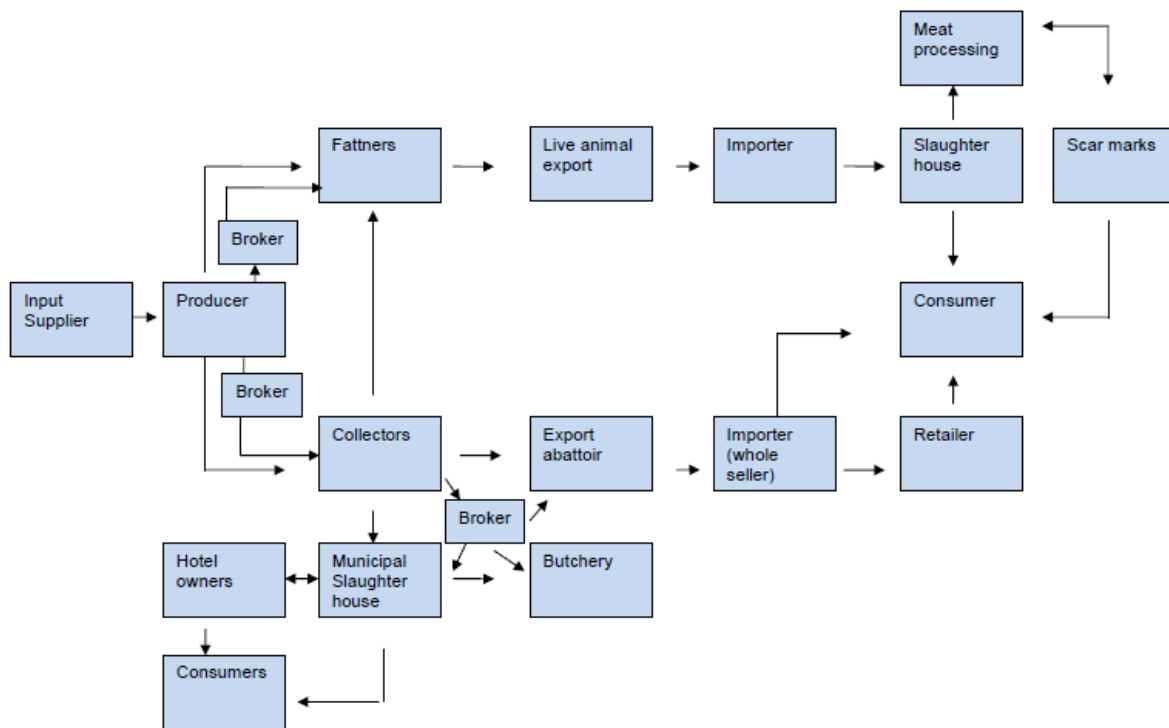
Some of the meat and live animal exporters collect animals through their own purchasing agents assigned to major livestock markets and other small and large scale traders. Two of the export abattoirs that are currently in operation buy more than 90% of their animals at the factory gate, whereas the other three operating export abattoirs use a number of different mechanisms for collection including their own agents, and through livestock trading cooperatives. For live animal trade, purchase agents of exporters in turn collect animals either from collectors, small traders, livestock trading cooperatives, farmer groups, or directly from producers; who then have the option of selling their animals to the collectors in their village, small traders, and livestock trading cooperatives. Some farmers also form groups and supply animals to the market. Other than the domestic channel, foreign national live animal exporters-importers collect animals directly from the collectors in most of the livestock markets using licensed Ethiopian traders.

The general value chain for meat and live animals trading and exporting is depicted in Figure 1. In general there has historically not been a reliable, sustained relationship among actors

within this value chain. Most relationships are casual and change often to suit the situation and the actors. Although value chain relationships work best when they are on a strict business basis, such relationships in the highlands can be characterized as ‘clanish’. Although these relationships are not all clan-based, trust is built through such relationships and being native to an area gives one a significant advantage.

There is very few well-developed backward-linked relationship from processors to traders and producers. An example would be where the Abergelle meat processing plant facilitated the acquisition of credit for animal collectors, yet even that arrangement did not last long because of Abergelle ceasing operation in 2012. Ashraf and Abergelle export abattoirs also established their own animal feed processing plants as a way of developing their own backward linkages, however, neither of these two export abattoirs are currently operating, suggesting that the current business model for export abattoirs in Ethiopia needs significant restructuring.

Figure 1. Value Chain Map for Meat and Live Animals



Source: (AGP, 2013)

2.2 Meat value chain actors

Abattoirs/Butchers

Among the existing nine export abattoirs, only 5 are currently functional. All of the existing abattoirs have facilities for sheep and goats, but facilities for cattle are limited in all of the abattoirs and none of the export abattoirs are currently exporting beef. These abattoirs get their animals supplied by traders or through their agents. When the demand is high and the supplies are limited from their usual sources, some of them buy animals from big traders at their factory gate. Upon arrival animals undergo physical examination and are rested for two to three days in a holding area where they receive feed and water. Before slaughtering, they are held in lairage for 12 to 24 hours with access to water but not feed. During their stay in the lairage, animals undergo ante mortem or pre-slaughter examination. Animals that pass the examination are slaughtered using the Halal procedure. Afterward the carcass is chilled at -2 to 2 degrees Celsius for 24 hours. In most cases slaughtering is done when abattoirs receive orders from their customers. The only processing that local abattoirs do is put the carcass in stocknet for shipping. (AGP, 2013)

Depending on demand and availability of freight, carcasses are loaded onto trucks fitted with coolers and transported to the airport. All of the export abattoirs have their own trucks which they use for transporting. Upon arrival at the airport, the chilled carcasses are transferred to cold stores and held there until loaded onto the airplane shortly before the flight time.

The export abattoirs all have networks in destination markets through which they sell their product. Mojo Modern even has a retail outlet in each of Riyadh and Dubai from which they sell meat directly to consumers as well as being an outlet for their wholesale business in Saudi Arabia and the UAE, respectively.

Abattoirs in Ethiopia sell both meat and meat by-products. Contrary to the approach taken by abattoirs elsewhere, the abattoirs in Ethiopia try to sell as much of the by-product as they can because it is by selling the by-product of the animals – hides, skins, blood, intestines, organs, etc

– that they make enough money to break even. Consistently selling the meat into the market is the road to profitability for the abattoirs in Ethiopia.

In Ethiopia, some of the by-products are being exported; however, there is an active domestic market for by-products as well. These include rumen gastro intestinal tract (GIT), liver, kidney and lung. Of these products the lung is usually sold as a pet food (dog) and other products are used in some dishes preferred by consumers in the market. Some export abattoirs have recently started exporting by-products like kidneys, brain and intestines. There seems to be a prospect for expanding the export of by-products as new markets for these products are appearing. Two by-product processing plants which are located in Dukem (Turkish company) and Debre Zeit (Chinese Company) process intestines and other GIT products and export to various countries including Vietnam, China, Turkey and the Gulf states. It is notable that the cost of these by-products have increased to 10 ETB per kg, up from just 2 ETB/kg only two years ago (AGP 2013).

2.3 Trade Routes

The map below shows that there are four primary points for the informal cross-border trade of livestock from Ethiopia. They include the following:

1. **Metema – Sudan route** end market where an average of 100,000 to 190,000 heads of oxen cross through Metema customs into Sudan annually. According to officials interviewed for this project, it is estimated that as many as 1000 heads of cattle are smuggled daily or as many as 365,000 a year. This includes cattle of all ages and categories from calves to heifers and cows. A total of 1,200 heads of cattle were caught by the Revenue and Customs station of Metema while trying to be smuggled during the last six months of the current fiscal year.

2. **Dire Dawa – Djibouti route** end market where in 2011, a total of 16,304 shoats, 8,203 camels and 1,390 oxen were legally exported through this customs route. In the last six months 26,400 shoats, 7,122 camels and 170 oxen were exported legally via this route. Estimated numbers of informal trade was not available. On the other hand, 400 heads of shoats and 155 heads of cattle

were caught by the customs officials while trying to be smuggled across into Djibouti during the last six months.

3. Jijiga/Togochale -Somaliland route end market through which the main export animals are shoats, camels and oxen, which is the primary legally exported animal of which on average 1,700 heads are exported per day in the peak periods at USD 500/head. A total of 103,725 heads of oxen, 8,713 camels, and 34,931 shoats were exported legally in the previous fiscal year. Similarly, 55,655 heads of oxen, 1,568 camels, and 31,748 shoats were exported legally in the first half of the current fiscal year. Although officials informed the research teams that “huge numbers of animals are also smuggled illegally” through this frontier, total numbers were unavailable.

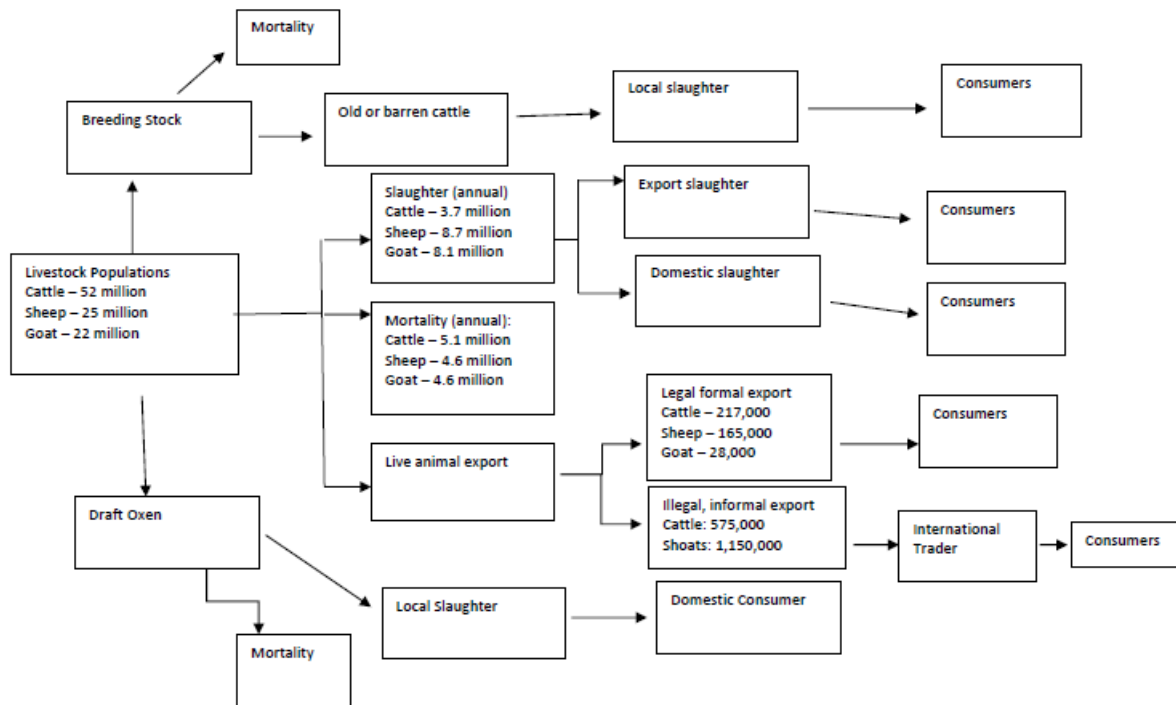
4. Southern Ethiopia into north and northeastern Kenya. The project’s field teams did not visit this border and were unable to obtain detailed formal and informal export figures for this specific post, (own survey)

2.4 Market Structures and Governance

Most livestock markets in the study areas are administered by the respective towns’ municipalities. Most woredas have just one livestock market and it is usually in the capital of the woreda. These are known as secondary markets and feed into the terminal markets which are located in the large, regional cities. Some secondary market places are fenced but do not have any infrastructure. Others have not even fencing; merely a designated area from which market activities are conducted (e.g. Yetnora, in Dejen woreda of Amhara region). In some cases, the same fenced area is used for both large and small ruminants (such as in Fiche). In others, separate enclosures are used for the different species (such as in Kuyu). Two security personnel are assigned at each gate along with a tax collector. The trucks which transport the animals to the Addis Ababa market for instance, pay ETB 40 to get access into the enclosure for loading. On average, there are about six to ten trucks that get access to different markets per day.

Decisions for selling animals are made by herders for different reasons. The major reasons herders sell animals include commercial, cash needs, restocking, lack of feed, drought and fear of cattle raid.

Figure 2. Market segment, products, and trends for meat market



Source: (Legese et al., 2008)

2.5 Conceptual Framework

The ‘value chain’ describes the full range of value-adding activities required to bring a product or service through the different phases of production, including procurement of raw materials and other inputs, assembly, physical transformation, acquisition of required services such as transport or cooling, and ultimately to consumers (Kaplinsky and Morris 2002). They include all of the vertically linked, interdependent processes that generate value for the consumer, as well as horizontal linkages to other value chains that provide intermediate goods and services. Value chains focus on value creation—typically via innovation in products or processes, as well as marketing—and also on the allocation of the incremental value (Webber and Labaste 2010).

A value system contains value chain actors, value chain service providers and the institutional environment. Value chain actors exercise ownership of the product or its value addition, thus bearing the risk in handling a commodity. Value chain service providers provide service to value chain actors, either at cost or for free (e.g. a public extension service). In some cases, a value chain actor may provide service to its own operation (e.g. a value chain actor may use its own transport service or processing facility). In such cases, the service becomes part of the value chain actor activities. Both value chain actors and value chain service providers operate under given institutional environments comprising formal institutions (written laws and regulations) and informal institutions (Gereffi 1995).

The key in the concept is the idea of value addition. This is what distinguishes the value chain from ‘market chains’ or ‘supply chains’ which focus on the logistical aspects of a commodity’s transfer (Webber and Labaste 2010). Value chain analysis normally identifies many potential upgrading strategies. The key, however, is to identify a few points (nodes) of intervention which, in the literature, are called ‘leverage nodes’ or ‘leverage points’. These are nodes which, if addressed, will have the highest impact in upgrading the value chain. Value chain development is about implementation of upgrading interventions (Anandajayasekaram and Gebremedhin 2009).

Value chain analysis (VCA) is reasonably flexible and a value chain can be analysed from the point of view of any one of the actors in the chain (Purcell et al. 2008). The desired development outcome in this set of assessments is increased access by poor rural households to more meat and milk through development of small ruminant value chains. This could either be direct consumption of milk and meat or through better income that affords purchase of meat and milk from other sources.

Kaplinisky and Morris (2002) argue that there is no ‘correct’ way to conduct a value chain analysis, rather, the approach taken fundamentally depends on the particular question. In this study, we adopted the approach suggested by Purcell et al. (2008) in analysing agricultural commodities. This comprises four aspects of value chain analysis:

- i. A VCA systematically maps the actors participating in the whole value chain and assesses their characteristics. This set of assessments identified, mapped and

described the basic functions in Ethiopian small ruminant value chains in selected intervention sites. Major activities of each actor, product flows, end markets, and other relevant details were assessed based on data collected.

- ii. Value chain analysis identifies the distribution of benefits to actors in the chain. This set of assessments used analysis of margins to show who benefits and by how much, and who will benefit from any additional support to be provided.
- iii. VCA can examine the role of upgrading within the chain. In this set of assessments, best bet intervention options to improve the productivity of animals and their quality (according to consumer's requirement) were identified as upgrading strategies.
- iv. VCA also highlights the role of governance in the value chain. Analysis of vertical and horizontal linkage of smallholder sheep and goat producers with each other and with other actors were given due emphasis in the assessments.

CHAPTER III- RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design

Research design is a blue print for selecting the sources and types of data relevant to the research questions. It basically, provides answers for such questions like: what techniques to be used to gather data? and what kind of sampling to be applied? (Zikgmund et al., 2003). To achieve the objective of the proposed study the researcher adopted descriptive type of study in conducting the study in the most feasible manner. Exploratory type of study is appropriate to portray accurately the characteristics of a particular individual, situation or a group. The major purpose of descriptive research is description of the state of affairs as it exists at present(Kothari, 2004).Thus, descriptive type of study design was appropriate for the study given the purpose of the research.

3.2 Sampling Design

3.2.1 Population of the study

The populations of the study were formal meat exporters and traders in the country (abattoirs); traders who are engaged in supplying goat and sheep to the abattoirs, and governmental and non-governmental offices working to enhance the performance of the meat export market. The total number of export abattoirs in the country is 7 currently. The number of formally registered traders-suppliers- in the value chain was estimated to be 70 based on the preliminary review of the data from the abattoirs.

3.2.2. Sampling

Given the purpose and scope of the assessment, the study covered the regions working with CNFA as part of the Livestock Market Development Project. This was intended to minimize the cost of the data collection while making sure the sample is representative enough to give answer to the research questions. The regions were Amhara, Oromia, Southern Nations, Nationalities, People's Region (SNNPR), Tigray and Addis Ababa. The sampling technique followed a multi-stage sampling including selection of Zones, and Woredas in the target regions, followed by

selection of sample business men/women/body and cooperatives engaged in the livestock and meat market. In connection to this, all active abattoirs with export orientation were included in the study i.e. Abyssinia Slaughter house, Halal Food Industries, Organic Abattoir, Luna Slaughter House, Mojo Modern meat Export and Allana Slaughter House

The sample Zones and woredas were representative of the regions based on different socioeconomic and cultural variability. Based on the nature of variability in and among the woredas in the region, stratification of the woredas was made, after which representative woredas were selected. As our ultimate sampling units of the assessment are the business actors along the chain, the list of all the business firms/cooperatives in the markets was obtained from the relevant offices to be used as a sampling frame. Then, after categorizing the firms based on certain factors of variability random selection of the sample firms was made.

All abattoirs in the country were included in the study except Abergelle due to the location of the firm which made the accessibility difficult to the researcher. From each abattoir one to three key informant/s were selected on the basis of his/her position and knowledge of the business operation. Non random sampling technique, convenience sampling technique, was used to select traders who supply sheep and goat to the abattoirs. 11 traders, suppliers of goat and sheep to the abattoirs, who were available at the abattoirs at the time of data collection from the abattoirs were taken as sample. . The traders were from Adama, SNNP, Mojo, Debrezeit, Addis Ababa, Dukem and Lume. The number of traders per abattoirs was decided based on expert opinion and time factor. The rationale to use sample for the traders was justified by the dispersion of the traders rather than minimizing the non-sampling errors. Though the total number of the traders is small in terms of size, due to the time and space factors reaching all the traders would have been expensive. Yet, given the purpose of the study, which is identifying the challenges of the meat export market which requires the expertise of the traders engaged in the study rather than a representative number of traders, the sample size could be taken as adequate.

In the qualitative assessment of the markets, other parties that involve directly or indirectly in promoting and supporting the businesses through provision of different services such as market information, credit, business skill development trainings, etc. were considered in the study. Moreover, representative experts and officials in the respective woredas were considered for an

in-depth discussion and focus group discussions to help scan their perception on the challenges in the value chain.

These groups as a key informants, members of focus group discussions and experts interview, purposive selection of the members were made from the groups including the business owners, cooperatives management, NGOs working in the area, service providers and experts from different government offices that work directly or indirectly on the meat export industry and livestock market. 10 experts from government and NGOs offices working on the area were interviewed. The use of multiple sources of data was desired for the benefit of having a comprehensive picture on the issue and triangulation of the data.

3.3 Data Collection

The study was based on both the primary and secondary data collections through interview and document review, and the qualitative system analysis. The qualitative data sources include the key informant interviews, focus group discussions. Interviews were held with, service providers, inputs providers, cooperatives and cooperative unions, traders, processors (slaughterhouses and abattoirs), exporters, retailers, financial services providers, representatives of public sector organizations and NGOs working on the sector with the Ethiopian government. The NGOs included were CNFA and AFD. These interviews were complemented by document review of product usage surveys. Prior to the field work desktop review was undertaken to collect and summarize information from currently available reports and studies. The findings from the review were used as guidance to issues that needed to be the focus of the field research. Secondary data from different documents including government strategy and policy, project documents from NGOs working in the area and other bodies with related activities were reviewed.

As it was difficult to collect primary data on the end market, review of related literature was undertaken on the end market actors. This was principally focused on meat. In the analysis process key characteristics of the end-markets along three cross-border corridors for live animal exports – Metema-Sudan, Jijiga/Togochae-Somalia and Dire Dawa-Djibouti were taken in to account.

The quantitative and the qualitative research approaches were based on the frameworks of the VCA and the ISP. The complementary approaches of the value chain and the innovation system perspective superimposed in the process of collecting the data. The value chain approach was practically considered while scanning the physical and value adding activities and identification of the required improvements in the levels and types of interlink ages among the different parties in the market chain.

The innovation systems perspective was practically considered, among other things, to scan the more feasible areas in the interest of enhancing the gains from the business across the chain, the reasons behind and the challenges against the positive developments or the innovation, and to scan the behaviors of the participants, the institutional and policy aspects that deter or promote the innovation in terms of improving the meat export business.

3.4 Data Collection Tools

To undertake the data collection, the necessary instruments (semi-structured questionnaire for the quantitative study which were adapted from previous studies after exhaustive review of relevant materials was administered in the target regions working with CNFA LMD Project

Special focus was given to the qualitative data collection using the different modern techniques of the value chain and innovation systems perspective. This was helpful to scan the business system, required services and associated gaps, feasibility and potential areas of developing the economic profitability of the businesses, competencies, capacities and problems of the businessmen/women, opportunities for new entrants in the system, the structural barriers to enter and exit in the business, the conduct of the market against a perfect market to realize appropriate values for products and services produced. Besides, it facilitated the scanning of the level of different marketing costs and calculations of marketing margins, alternative marketing channels and comparative shares of the different market participants, market intelligence and market promotional strategies, etc.

As marketing functions involve temporal, spatial and form or product processing interactions, data on market or business opportunities due to the spatial or location dimensions,

product developments through the processing dimensions etc. was considered in the study, as a vertical and horizontal linkage. (DFID, 2008).

3.5 Data Analysis

3.6.1 Qualitative data analysis

The qualitative data analysis involved thematic coding of transcribed and translated interviews recordings and observations. Data was analyzed and compiled using a thematic approach by conducting an ongoing content analysis of the transcripts (Patton, 1990). Data analysis based on various strategic options was utilized. These include categorization via chronology, key events, settings, relationships, people, processes, and issues (Patton, 1990). Emerging themes were developed and expanded as a result of the interviews. The constant-comparison method as developed by Glaser and Strauss (1967) was used to create categories of relationship between data units. The qualitative data analysis on the data collected using document review was analyzed using a narrative approach.

3.6.2 Quantitative data analysis

Once all the data are collected, errors related to inconsistency of data were identified and corrected. Descriptive analysis method was used to present data obtained from quantitative interview. These were percentages and frequency with appropriate graphic presentations that were used to describe different variables, and to clarify the presentation of data

CHAPTER IV: DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Macroeconomic situation and the economic structure of Ethiopia

Data from World Bank and the national bank of Ethiopia on the growth of the GDP of the country shows that the growth is stable in relative terms, with an average real GDP of 10.4 for the last 10 years (2005-2014). Likewise, the African economic outlook report of 2015 indicates that in 2013/14, Ethiopia's economy grew by 10.3%, making the country one of Africa's top performing economies. It also further predicts as the growth is expected to continue in 2015 and 2016.

The real GDP has been consistently high for the last decade as review of the real GDP growth indicate. As can be seen from the graph below the real growth rate was also above the average of sub Saharan African from 2005- 2013. The projection for 2016 and 2015 also shows as the growth rate will continue being higher than the average for sub Saharan Africa.

According to UNDP(2014), the huge public investments which focused on infrastructure and pro-poor sectors explain much of the economic performance from the expenditure side while from the production side, the growth appear to be robust and broad based as all sectors registered positive and significant growth.

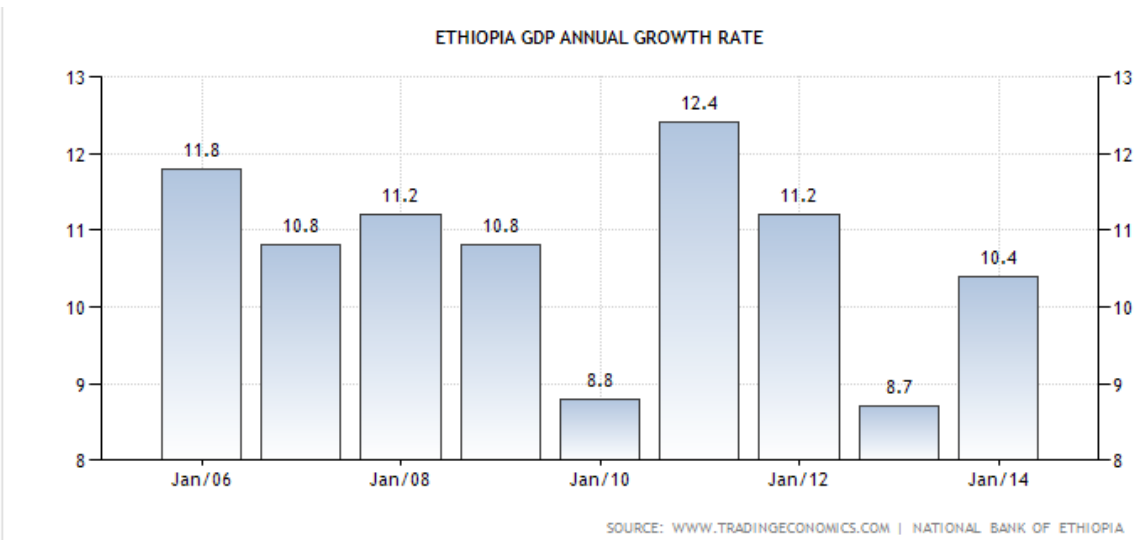
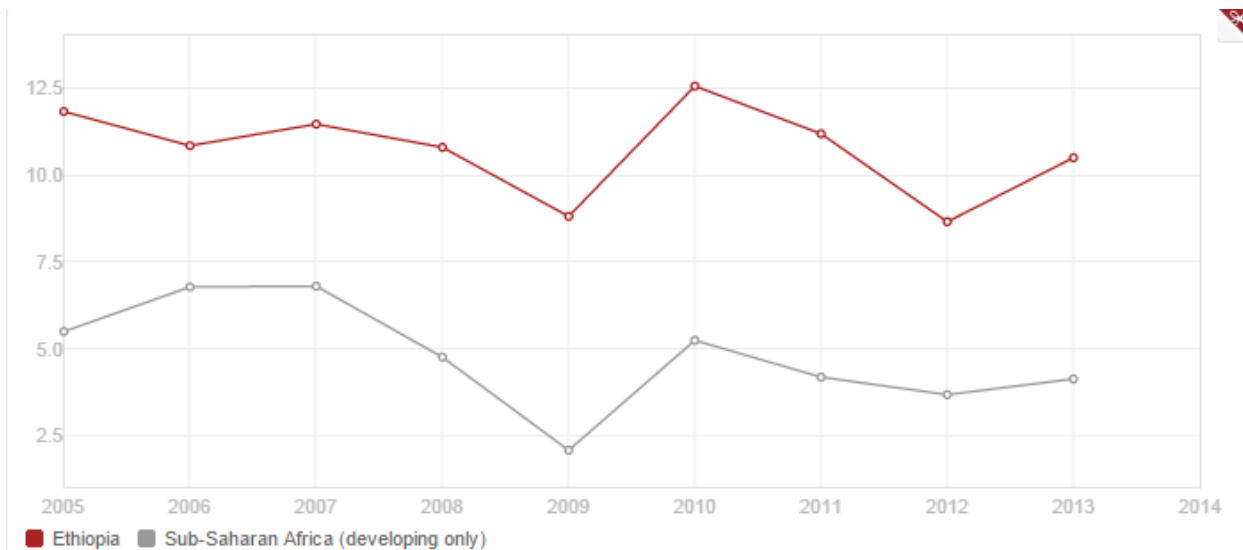


Figure 3. Ethiopia GDP annual growth rate

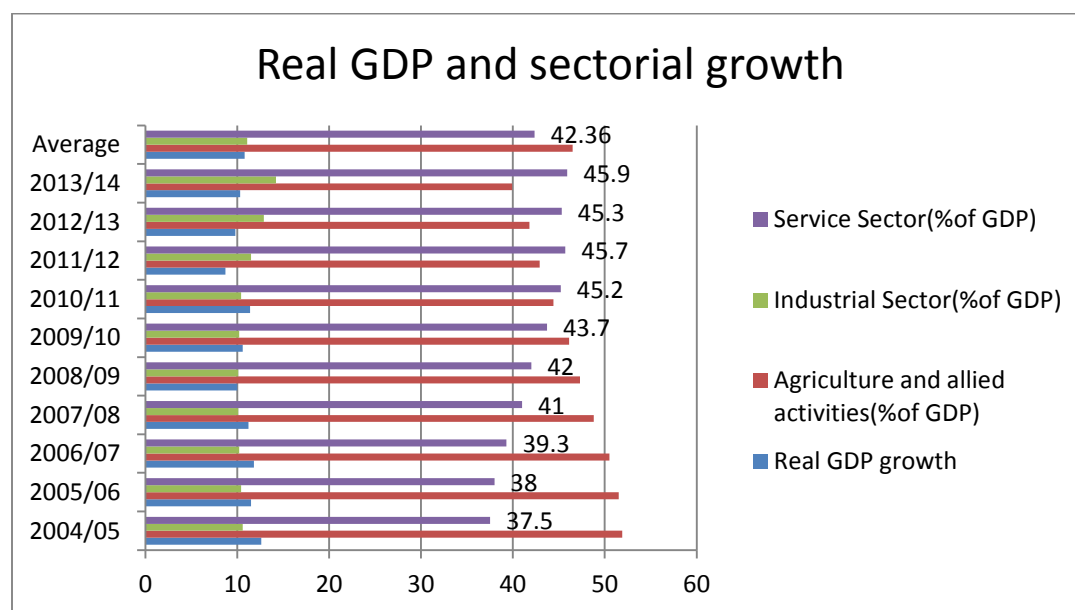


Source:(World Bank, 2015)

The percentage share of the three major sectors of the economy shows that agriculture and allied activities are the major contributor for the growth. As can be seen from table 1 below service contribution is growing very sluggishly over the last 10 years. The share of the service sector to GDP increased from 38% to 45% in the past 10 years while the share of agricultural declined from 52% to 43% in the same period. However, agriculture has continued to be the main source of employment as the service sector has not been able to generate much employment. This implies though that the productivity of the much fewer service sector workers

far outweighs labor. In this context, measures to raise productivity in the smallholder agriculture as well as to boost private investments in commercial agriculture is imperative to the growth and transformation of the whole economy through diversification and linkages with other sectors, improving the quality of employment and reducing rural poverty.

Table 1. Real GDP and sectorial growth



Source: (NBE, 2015)

4.2 The role and place of meat export market in Ethiopia

4. 2.1. National livestock population

Naturally endowed with different agro-ecological zones and suitable environmental conditions, Ethiopia is a home for many livestock species and suitable for livestock production. Ethiopia is believed to have the largest livestock population in Africa (CSA, 2013). An estimate indicates that the country is a home for about 54 million cattle, 25.5 million sheep and 24.06 million goats. From the total cattle population 98.95% are local breeds and the remaining are hybrid and exotic breeds. 99.8 % of the sheep and nearly all goat population of the country are local breeds (CSA, 2013).

The livestock subsector has an enormous contribution to Ethiopia’s national economy and livelihoods of many Ethiopians, and still promising to rally round the economic development of the country. Livestock plays vital roles in generating income to farmers, creating job opportunities, ensuring food security, providing services, contributing to asset, social, cultural and environmental values, and sustain livelihoods. The sub sector contributes about 16.5% of the national Gross Domestic Product (GDP) and 35.6% of the agricultural GDP (Metaferiaetal.2011). It also contributes 15% of export earnings and 30% of agricultural employment (Behnke2010). The livestock subsector currently support and sustain livelihoods for 80 % of all rural population. The GDP of livestock related activities valued at birr 59 billion (Metaferiaetal.2011).

According to Metaferiaetal. (2011), cattle, sheep and goats are the three most important livestock species that have a considerable important to the GDP of the country. Trends of the Ethiopian sheep and goat population over the period from 2001 to 2013 are presented in Figure 5 below. As can be seen from the table, the population of both sheep and goat was growing from 2000-2007, growing very sluggishly. In the period after 2008 the growth in the number of goats and sheep has almost stagnated.

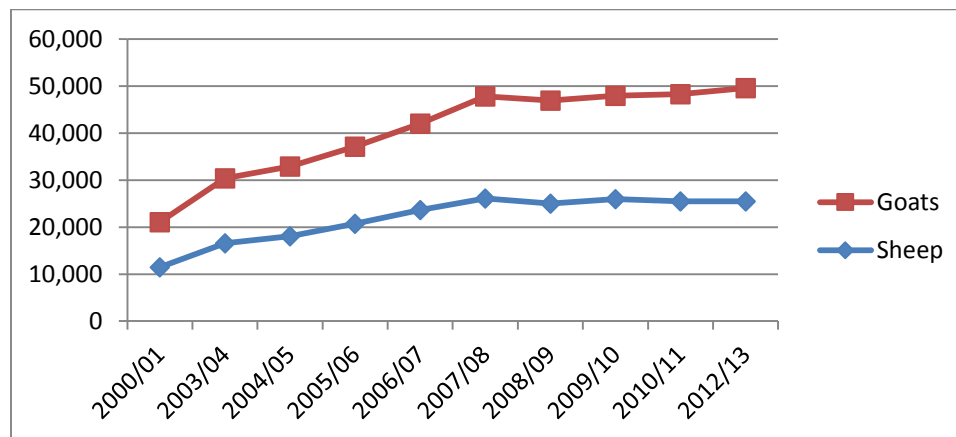


Figure 4. Sheep and goat population growth trend

	2000	2003	2004	2005	2006	2007	2008	2009	2010	2012
Year	/01	/04	/05	/06	/07	/08	/09	/10	/11	/13
Sheep	11438	16575	18075	20734	23617	26117	25017	25980	25509	25489

Goat 9621 13835 14859 16364 18423 21709 21884 21961 22787 24061

The analysis of the export volume and value of the meat industry reveal mixed results. Though the volume is showing some increment, the share and contribution in GDP has declined significantly.

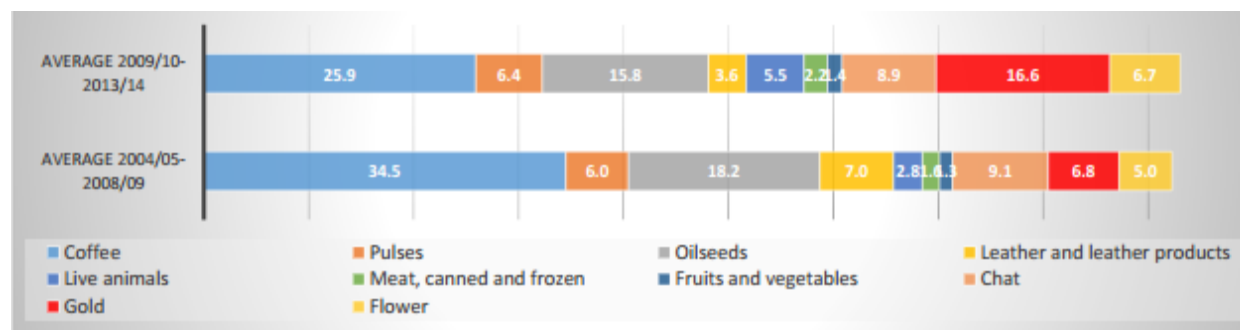
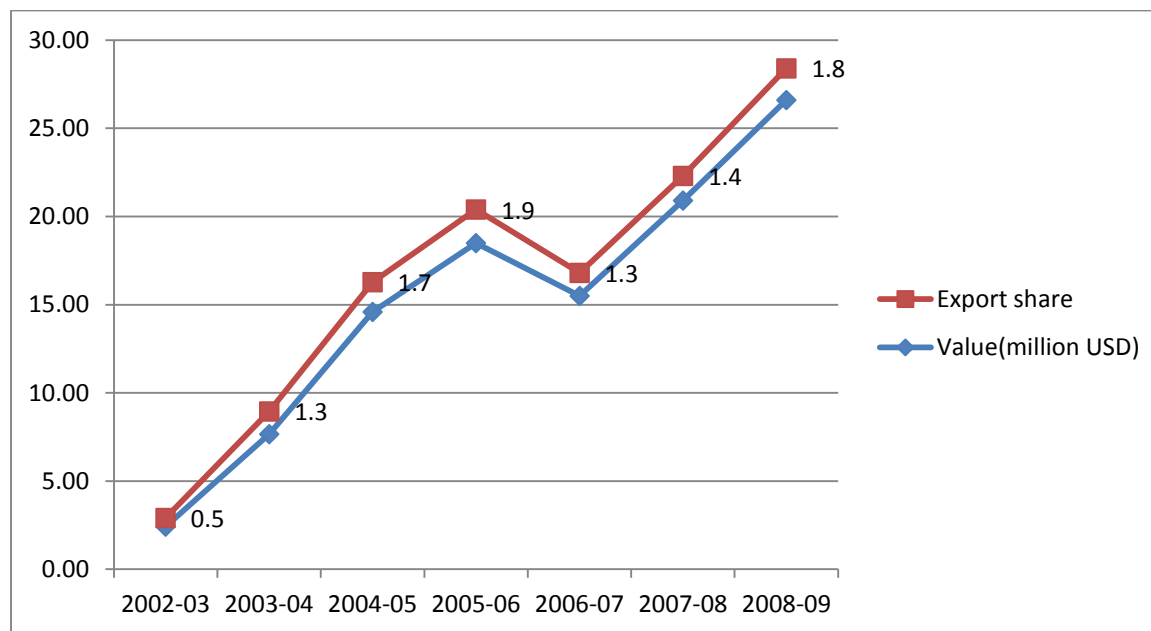


Figure 5. Composition of the agricultural sector

Comparing the average for the periods between 2004/05-2008/09 and 2009/10-2013/14, there is no significant change in terms of the structure of the main export items. The average for meat was 1.6 in the period from 2004/5 to 2008/09 while in the period 2009/10-2013/14 it appeared to be 2.2 showing slight improvement.

4.2.2 Value chain of the meat export market

4.2.2.1 Marketing sheep and goats in the value chains

The performance of a market is influenced by its structural characteristics and the competitive behavior of actors in the market chain. Dealing with these two key factors provides the basis for the formulation of interventions (Williams et al. 2006). Structural characteristics refer to the marketing channels, volume, concentration and entry barriers. Competitive behavior refers to the strategies of actors in market transactions. This section presents an analysis of end markets, major marketing routes, channels, actors along the chain, and relationships among the different actors. Analysis of major production and marketing costs as well as marketing margins is also presented.

End markets determine the characteristics—including price, quality, quantity and timing—of a product or service. End market buyers have a powerful voice and generate change. They are important sources of demand information, transmit learning and in some cases are willing to invest in firms further down the chain. End markets for sheep and goats can be broadly classified as domestic and export. The domestic market comprises individual consumers, butchers, hotels and supermarkets. In this paper, we will focus on the export end markets.

Producers (based on the data gathered from traders, Abattoirs and related works)

Sheep and goat producers are smallholder farmers and pastoralists living in different parts of the country. Pastoralists and farmers typically buy animals for breeding purposes. Their preferred assets of animals are farmers/pastoralists from recognized places due to the fact that they want to ensure whether the animal will adapt to their situation. They also buy from creditors and small traders. In cases of restocking applications after drought seasons, the latter are important assets for NGOs and GOs in view that it's far tough to get the desired variety of breeding stock in a quick time frame. Farmers and pastoralists can buy either within the marketplace or in their villages/bush markets depending on their convenience. In some areas along with Sekota Abergelle, farmers do not need to sell their breeding inventory to neighboring

farmers. Hence, a farmer has to go to the market so as to get breeding stock. In the pastoral regions, however, a pastoralist does no longer want to visit the marketplace to get breeding inventory. They generally change breeding inventory within the village. In Yabello people contribute breeding inventory to rehabilitate households which have lost their animals because of drought.

Regarding the time of purchases, farmers usually purchase animals after crop harvesting. This is in particular because of two important motives. The primary is that they get coins through promoting grains and can effortlessly buy sheep and goats at this time. The opposite crucial motive is availability of grazing pasture and crop aftermath on this time of the 12 months. Since the crop land could be loose until the subsequent rainy season, farmers want to make use of the available herbal pasture. Then again, pastoralists buy animals on the stop of the dry seasons while it begins raining. They hardly ever promote their animals through this time since it provides value by way of grazing the available herbal pasture and browses. The price of sheep and goats rises at this moment of the year.

Producers normally sell their animals to any consumer in the market. However, the kind of favored buyer varies from region to place. In Yabello and Shinelle, where export abattoirs and live animal exporters accumulate male yearlings, pastoralists opt for selling their animals to traders. In Horro, Menz, Atsbi and Abergelle, producers need to promote their animals to person customers, inns and farmers who purchase animals for breeding functions. In Abergelle and Atsbi, the Abergelle export abattoir is also a vital client of animals for slaughter, but Producers expressed dissatisfaction with the price it offers.

Sheep and goat producers promote animals mainly in the market locations. about 70% of marketed sheep and goats in all the have a look at regions have been sold in market locations, while the rest are offered both in the villages or on the street to the marketplace. As indicated above, each pastoralists and sheep and goat producers in highland areas promote their animals for coins, and do no longer plan while to achieve this. Of the two pastoral districts, Yabello is the most important dealer of sheep and goat to meat and stay animal exporters whilst Shinelle substances to live animal exporters. Demand for animals in these areas follows the call for in the export market. Because fundamental vacation spot markets for Ethiopian sheep and goats are

Middle East markets, demand for sheep and goats rises all through Muslim fairs. Unlike highland cattle markets, pastoral markets are not laid low with Christian vacations.

The main component influencing supply of animals in the pastoral regions is rainfall. The undertaking exporters face in these markets is whilst the Ramadan season (while the demand inside the export market rises) overlaps with the wet season. Pastoralists come to be reluctant to sell their animals in the course of the wet seasons in which as there may be very excessive call for from end markets. As a result, the price of animals will increase, attracting pastoralists to bring their animals to the marketplace.

In pastoral regions (Yabello and Shinelle), the two Abergelles and Atsbi, sheep and goat are vital sources of milk. Families in these areas use sheep and goat milk especially for family intake. In Shinelle vicinity, pastoralists consume sheep milk and sell goat milk promoting sheep milk is not common within the vicinity. In other areas, sheep and goat milk aren't bought. As an alternative, they churn the milk and sell butter. This means household individuals eat the skimmed milk and promote butter. Consumption of sheep and goat milk is not unusual in highland areas along with Doyogena, Horro and Menz. In such areas, there may be no market for sheep and goat milk. Households within the distinctive study sites reported that they slaughter sheep and goats simplest throughout spiritual festivals.

Market statistics is scarce among pastoralists and farmers. Thus, at least one individual either from the family or a neighbor has to go to a market to get market data. Though it isn't dependable, producers also try to get facts from creditors who are individuals in their community.

Collectors

Collectors perform on by themselves or paintings on fee for investors of all sizes. The fee for creditors running for different investors relies upon on getting a great fee from producers in villages or far off farm animals markets. This may be as much as ETB 20 a head. Those collectors who use their personal money collect up to 20 animals at a time and sell to any consumer, getting a margin of up to ETB one hundred. They get better margins in the event that they buy animals from far off areas that do not have right of entry to markets. For collectors in pastoral regions, Ramadan and Arafa seasons are the fine seasons due to excessive meat call for

from the center East. For the ones working within the highlands, the fine time is non secular festivals whilst consumers need slaughter animals. Collecting is mostly a sideline for those who also are producers and have higher social ties with producers.

Agents

Agents mediate transaction between customers and sellers. Brokering in sheep and goat markets relies upon on the mode of transaction. In weight based totally transactions of male yearling sheep and goats where fee in step with live weight kg of animals is known to everybody, their assignment is to channel greater sellers to a buyer. In such cases they do not influence the fee of stay weights of animals for man or woman sellers. Alternatively, they assist charge placing while animals are sold primarily based on visual estimation and negotiation. In this situation, there are records asymmetry where brokers can employ their expertise approximately prices, quality and amount of animals demanded to steer sellers. They definitely provide either too low or too excessive costs to sellers so they may use this charge as a reference and could now not come to a know-how with other shoppers. Brokers do not compete with each different and no other broker mediates the animal that every other broking started. On the cease of the day, the vendor will no longer get any client and will come again to the individual that set the rate at the start of the day. In doing so, brokers get a commission from consumers and dealers.

The function of brokers additionally varies with area. In Somali vicinity for example, brokerage is a clan-primarily based activity. Producers promote their animals most effective through a dealer who is a member in their clan. Producers bring the animal to the market and hand it over to the dealer. The dealer has full obligation to sell the animal on the prevailing marketplace price. Although the recognized commission consistent with bought animal, the broker can trust the client now not to disclose the actual charge and inform the producer that his animal is bought at a lower rate than what it become virtually sold.

Small traders

Small traders supply masses of animals every week to huge buyers or export abattoirs, in addition to motels, butchers and stay animal outlets in Addis Ababa, Mekelle, Hawasa, Dire Dawa, Adama and different city centers. They have their very own network of collectors. There are fewer small buyers than collectors but extra than large traders. They typically operate using

their own capital and on occasion acquire strengthen bills from shoppers (massive scale investors). Most small investors do sheep and goat buying and selling as a sideline and are concerned in livestock trading or other agencies. They go to primary and secondary cattle markets and purchase from producers and creditors.

Big traders

Big traders supply hundreds of sheep and goats to export abattoirs each week, in some instances at a top class (to ensure ongoing supply), the use of their very own capital. This limits the range of suppliers abattoirs ought to cope with and simplifies management. Massive traders set up a supply community with many small investors and percentage the top rate—a win-win for all worried. Big traders in such instances really stay in a primary vicinity, communicate with small scale traders, transfer cash to their providers, obtain animals from all around the country, allow them to relaxation for two to a few days, and hand them over to the abattoirs.

Big buyers have their own community of collectors that attain producers in primary markets, farm gate or bush markets in pastoral regions. These buyers have sheep and goat series networks in all corners of the country. They visit secondary markets a good way to coordinate the activity in their suppliers. They provide records approximately the winning marketplace fee, type of animals and number required to their respective suppliers.

Big scale sheep and goat traders also exchange cattle and camels however usually persist with sheep and goats due to continuous demand from export abattoirs, although a few pay overdue.

The information from traders who supply to Abyssinia Slaughter house, Halal Food Industries, Organic Abattoir, Luna Slaughter House, Mojo Modern Meat Export, and Allana Slaughter House shoed that around 55 percent of the respondents buy the animals both from the lowland and highland areas (see table 2 below). In addition to this, around 45 percent of the respondents indicated as they only buy from pastoral areas, which is clearly lowland area in Ethiopia context. Moreover, the percentage of the animals composition reported by the respondents who said they buy from both the highland and low land areas indicated as the lowland is the major area from where the respondents buy the animals. This implies that most of the animals are from the lowland areas.

Table 2: Source of animal supply

		Frequency	Percent
From where do buy animals?	both 30% high land 90% lowland	3	27.3
	both 90% lowland and 10% highland	3	27.3
	From pastoral areas only	5	45.5
From whom do you purchase animals?	Producers	1	9.1
	producer and small trader	5	45.5
	Small trader only	5	45.5

Regarding as to the actors from whom the traders and abattoirs buy the animals from, around 9 percent of the respondents said from producers, around 46 percent said both from the producers and small holders and the remaining 46 percent reported small traders. From this we can say that small most the study participants small traders are the major suppliers of animals to the big traders and processors. As can be seen from graph 8 below lowland animals are the most preferred ones by the buyers of the traders.

To triangulate this, the abattoirs staffs were asked about their preferred source of animal for slaughter in terms of area. In connection to this, around 67 percent of the respondents reported as they use both highland and lowland having underlined that they prefer the lowland. Besides, around 33 percent of the respondents reported as they prefer lowland animals as a sole source of supply. In light of this, the study participants were asked if they had faced preference for meat on the basis on their area of source. All of the respondents indicated as there is market preference based on origin of animal and reported as the buyers prefer the lowland ones.

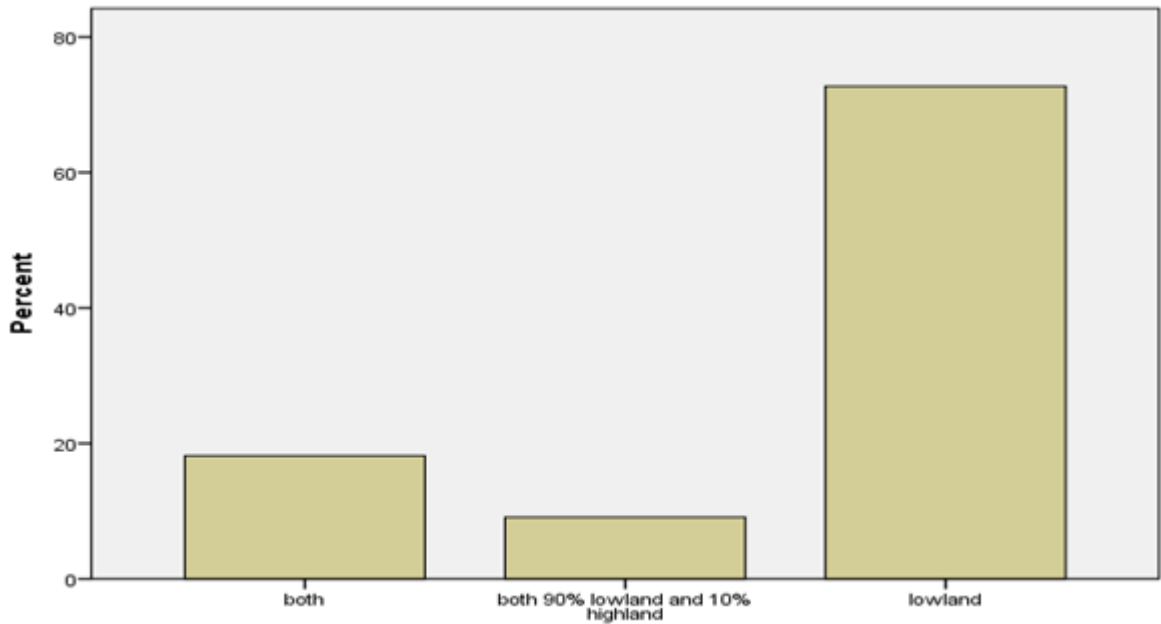


Figure 9 below shows the actors in the chain to whom the big traders sell their animals to. As can be seen from the figure it is only 27.3 percent of the traders who sell animals to only abattoirs. Around 73 percent of the respondents indicated as they sell their products (animals) both for the export abattoirs and live animal exporters. This indicates as the primary buyers of the animal traders are abattoirs and live animal exporters. These also indicate as the export of meat is challenged by live animal exports despite the value that will be added by exporting meat rather than live animals. As to the responses of the traders, all of their buyers prefer the products (animals) sold by them².

² This might be because of the selection of traders i.e the traders were interviewed at the time of animal sales to the abattoirs and slaughter houses which implies most have already established business relationship with the firms

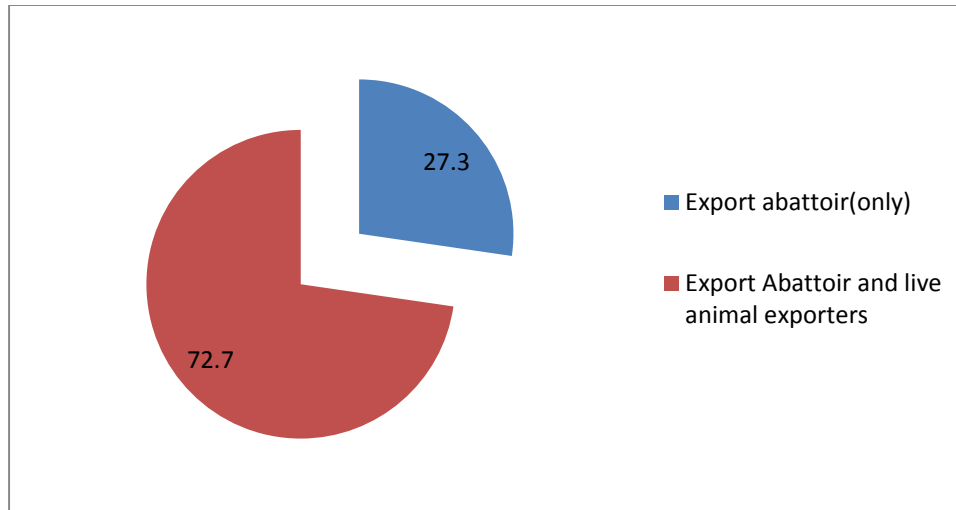


Figure 6. To whom do you sell animals?

The traders determine their price mainly based on negotiation in dealing with their suppliers as well as while selling to their buyers. Only 18 percent of the respondents indicated as they set their price in advance based the cost of the animal and adding mark up. On the other hand, 73 percent of the study participants indicated as they determine their prices through negotiation while around percent indicated as their price determination is based on the price of the animals on the market at the time of sales.

Table 3: How do you set price with your buyer and seller?

	Frequency	Percent
Cost of animal + markup	2	18
Market price	1	9
Negotiation	8	73
Total	11	100.0

Export abattoirs

Maximum of the observe areas are foremost providers of live sheep and goats to export abattoirs at Bishoftu, Mojo and Mekelle town. 5 out of the seven export abattoirs observed in the study are placed in Bishoftu and Mojo towns. Yabello, Doyogena, Horro and Menz deliver sheep and goats to Bishoftu and Mojo export abattoirs, even as the 2 Abergelles and Atsbi are suppliers to the export abattoir in Mekelle metropolis (Abergelle Export Abattoir).

The fundamental assets of slaughter animals for these export abattoirs are smallholder farmers and pastoralists. They purchase slaughter animals at the manufacturing facility gate. A few abattoirs along with Abergelle also collect animals from distinct markets. Because they are shopping for on the factory gate, export abattoirs in Bishoftu and Mojo regions get animals mainly through investors that accumulate animals via their own networks. However, they buy from any person that may supply at the very least a hundred goats at a time. To cope with the fewest variety of providers and to encourage supply of big range of animals according to trader, a few export abattoirs pay top class costs so their customers can supply hundreds of animals a week.

Meat is exported mainly to the Middle East countries (sheeps' meat) and Congo Brazzaville (beef). Ethiopia has a comparative advantage in exporting chilled meat to the Middle East because of its geographical proximity to the region and the cheaper air transportation from Addis Ababa to these countries compared to the transportation cost from other countries like India and Australia.

4.3 Abattoirs capacity and management

The capacity of the exporters was assessed based on their facility and staff size. The capital of the firms was purposefully excluded from the analysis as it was difficult to get the data. The facility capacity was approximated by checking the certification of the firms for ISO and HCCP. As can be seen from table...below, 861 people work in the five exporting firms, out of these around 78 (192) percent of the employees are non-professional while 20 (669) percent are professional. In addition all of the facilities were HCCP and ISO certified and meet the international requirement for international transportation and packaging for foods. All products of the abattoirs that took part in the study have their own brand.

Table 4. Abattoirs capacity

	Total employee number	Professional	Non-professional	Facilities Certification for HCCP and ISO
Abyssinia Slaughter house	91	15	76	Yes
Halal Food Industries	120	17	103	Yes
Organic Abattoir	200	50	150	Yes
Luna Slaughter House	150	35	115	Yes
Mojo Modern meat Export	180	40	140	Yes
Allana Slaughter House	120	35	85	Yes

The exporters export only beef, mutton, and goat meat. The exporters noted as their meats products are primarily exported to UAE, Dubai, KSA, Oman and Qatar .The export of these meats is preferred by the exporters due the nature of demand in the end market i.e. it is demand driven. Yet, despite the demand driven nature of the business, most of the respondents indicated as there is demand problem due to absence of relevant market information, lack of promotion, poor market linkage which results in high transactional cost to reach buyers. Nevertheless, some others reported as they are not in a position to meet the high demand from their buyers; putting a paradox in the meat export market analysis. This is widely explained by the study participants as a function of poor quality of animals and shortage of animal supply. Figure 10 below shows that none of the exporters are getting enough quality of animal for export meat as well as have a continuous live animal supply throughout the year. All of the interview participants mentioned as they face serious problems to meet in relation to seasonal differences particularly during the pick times of meat demand in relation to fasting.

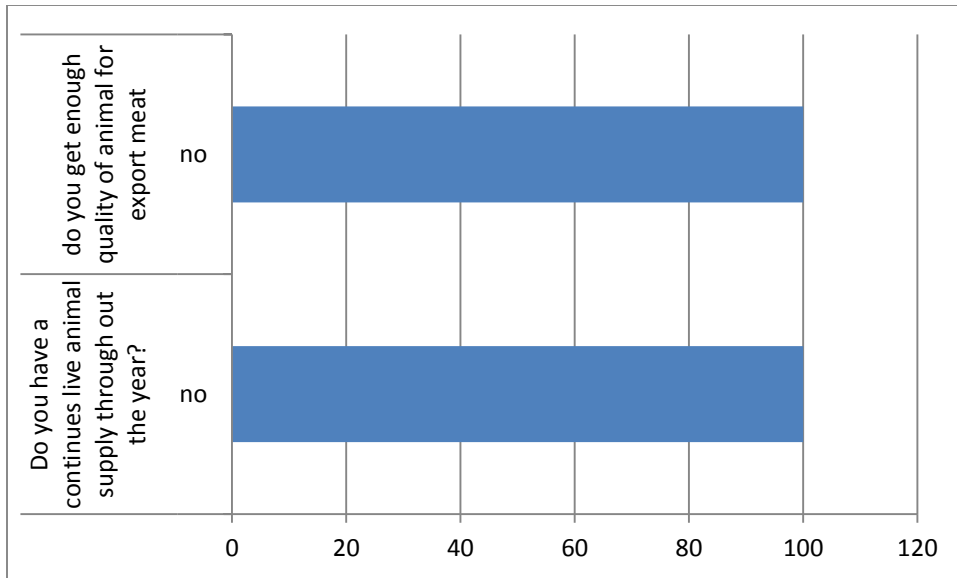


Figure 7. Animal supply

All of the exporters claimed that they have market promotion and expansion strategy. Though it was not possible to verify the presence of well-defined written market promotion and expansion strategy, all of the firms’ employees reported trade fair and advertising as their strategy. Just like that of the traders, the export firms determine their price primarily based on negotiation while buying the animals as well as selling the meet to their buyers. Yet, two of the exporters have indicated as use cost plus mark up in the price determination process.

Moreover, almost all of the exporters indicated as they are trying to export to other countries to expand their market reach though almost all do not think their effort is sufficient enough. This is mainly attributed to ineffective government support and organizational capacity as to the respondents. On top of this, some of the interview participants indicated as formal as well as illegal live animal export is a major partaker in the industry in other types of animals.

Most of the managers and experts at the visited export oriented abattoirs reported as the abattoirs are not operating at full capacity, preventing the country from earning increased foreign exchange from the sector. Meat exporters have been limited to exporting cabrito and mutton, as beef export has apparently been virtually halted due to several factors. Last year, the country earned USD 231 million from meat and livestock exports in a period of just 10 months, according to a report from the Ministry of Agriculture (MoA 2015). 71 percent of this revenue

was from the export of livestock. Meat exports during the same period accounted for only 29 percent of the total. The largest annual meat exports of the country to date amounted to only 17,000 tons, according to Tamirat Ejigu, Secretary General of the Ethiopian Meat Exporters Association (EMEA 2013).

There is an Association named Ethiopia Meat and Animal Exporters established in 2004 by five companies; - Elfora Agro Industry, Luna Expert Slaughter House Plc, Modjo Modern Export Abattoir (MMEA), and Organic Export Abattoir Slaughter, and Hashim Nuru Slaughter. Yet, it is not effective in facilitating the development of the sector according to its members as well as some of the key informants who served as committed members in the Association. One key informant who had served in the national association for long as a secretary reported that the association is not proactive and its activities are limited to solving disagreements or presenting some questions to the government. Its role in enhancing the capacity of members, creating market linkages and working with the concerned government offices to create an enabling and supportive environment is not visible in any of its activities.

Above all, in all cases of the export oriented abattoirs and the discussions held with experts and officials on the area, the failure of the abattoirs to meet the demanded quantity were reported. In connection to this, the ownership of the firms by people who are not positive to modern education and their unwillingness to delegate the job for professionals were raised as a major challenge. Nevertheless, some of the informants indicated as there is also supply shortage. Here, it should be noted as the shortage refers to sheep and goats that meet the requirement of the abattoirs.

4.4 Market Structure

Conventionally many livestock markets in Ethiopia are categorized into primary market, secondary market and terminal market. The basis of such classifications is mainly number of animals that attended the market per market day and the number of market participants in the market. In terms of number of animals, primary, secondary and terminal markets are those in which less than 500 heads, 500-1000 heads, and greater than 1000 heads of animals attend the

market per day, respectively. In terms of market participants primary markets are those in which the main sellers are producers and the main buyers local assemblers and secondary markets are those in which the main sellers are local assemblers and main buyers are big traders. In terminal market the main sellers are traders and main buyers are butcheries and restaurants.

In Ethiopia, the pastoralist and agro-pastoralist areas such as Borena, Afar and Somali are considered the traditional source of livestock, supplying 95 percent of livestock destined for export market (Belachew and Jemberu, 2003). Among these major supply areas, Borena Zone is the most important livestock supply area where almost all live animal and meat exporters are competing. Borena Zone is known for its high population of cattle, goat, camel and sheep, in their order of availability.

Table 5. Supply hinterlands of livestock for live animal and meat exports

Livestock	Locations
Sheep	Borena, Wello (Kemesse, Bati, Kombolcha), Arbaminch, Konso, Shashemene, Meki, Arsi (Kofele), Robe, Dodola, Ogaden, Elewha, Chifra, Mille, Dire Dawa, Babile, Jijiga, Metehara, Miesso, Gedamayetu, Endufo, Jimma
Goats	Borena, Ogaden, Bati, Shewa-Robi, Kemesse, Babile, Miesso, Metehara, Welayeta Sodo, Arbaminch, Konso, Shashemene, Meki, Gendeberet/Guder, Ogaden, Elewha, Chifra, Mille, Dire Dawa, Babile, Jijiga, Metehara, Miesso, Gedamayetu, Endufo, Jimma

Source: (Own Survey, 2015).

At times of shortage, traders could collect animals (especially sheep) for export abattoirs from highland areas such as Jimma, Arbaminch, Welayeta-Sodo, Kofele and Shashemene and even from the potential (inaccessible) pastoral areas. However, most of the export abattoirs complain that highland animals, particularly sheep, are not suitable for export because of discoloration of meat/mutton before reaching to their customers. At times of high demand, however, some of them export highland mutton mixed with lowland animal carcass by using special chilling management techniques. On the other hand, live animal exporters found that

highland sheep is well demanded in export markets, although they are not stress tolerant during transportation, a problem aggravated by lack of well-equipped transportation and holding facility.

4.5 Major challenges of the meat export

On the basis of the discussion held with the key informants and review of empirical evidences the major factors that appear to constrain the meat export industry are identified. These include low value and quality of processed meat exports and of low quality. This was found to be related with the poor quality standards set and enforced. Besides, most of the processed exports are limited to sheep and goat; little or no beef exported is processed. The value maximization effort is not also satisfactory. Export markets for offal, intestines, meal and other animal parts are not being fully tapped.

The nature of the market, degree of competition in the market, was the other major explanatory factor for the low performance of the sector. There is little competition within the value chains; the market and pricing power is retained by the traders. The presence of many unlicensed middlemen and traders within the value chain, each of whom takes profits from the value chain, absence of market oriented animal husbandry, vet service, feed problem, poor infrastructure including cargo service, limited end market, dual taxation, low in demand in some seasons, adulterations (water+ salt), competition for domestic consumption were also indicated to be key challenges of the sector.

Abattoirs and slaughterhouses operate well below capacity. They do not work with suppliers to maximize quality and animal value or to assure greater supply. Further, actors in the value chain have little understanding of meat quality standards that export markets are willing to higher pay for.

Assuring the quality of the meat starts at the famers and pastoralists level. One of the major challenge in the development of the sector was reported to be the poor animal management and lack of price incentive. In connection to this, most experts at the abattoirs interviewed indicated as tremendous value is lost because of non-optimum (from the perspective

of animal yield) animal management, particularly with respect to the age of the animal when sold.

On top of the above, animal management and value chain services are lacking in terms of proper feeding, fattening, animal health care and other services as reported by experts in the industry, NGOs working in the area and government officials. These weaknesses impact production and off take. Yet, most believe as there are numerous opportunities to provide specialized services along the value chain, on a collaborative or for-profit basis. As an example some of the participants of the interview indicated services like commercial feed production and provision; fattening; feed lots; animal health services, logistics and transport and mobile abattoirs. The traders reported as they see the increased number of abattoirs, government support for the sector and continuous demand by the export abattoirs as big opportunity.

Lack of conducive and enabling policy environment was also reported as a contributing factor to the challenges in the development of the meat export industry. Speaking about the situation, some indicated as policies and regulations are needed that encourage market led value chain competitiveness and growth, particularly in export markets; value adding investment and new business formation within the value chains and improved productivity. Few of the investors in the business reported as the introduction of policy or regulation are sudden and mostly issued without having discussion with the stakeholders. One key informant at Bishoftu mentioned absence of bilateral agreement with countries that are potential to Ethiopia meat products as a limiting factor. As case in light, he reported as there are exporters who were forced to get back their products after selling to buyers due to lack of such arrangement with south Sudan. Few of the key informants also indicated difficulty to access working and investment capital is their challenge to improve their effectiveness and efficiencies. Furthermore, some have indicated as they are taxed more than ones due variations among the regions.

CHAPTER V: CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Meat production and consumption drives much of the rest of the livestock value chain in Ethiopia, particularly hides, skins and leather. The exporter of meat is primarily directed to UAE, Dubai, KSA, Oman and Qatar. Ethiopia's challenge continues to be the booming formal and (particularly) informal trade of live animals across the frontiers of neighboring states. This keeps significant numbers of animals from reaching abattoirs in Ethiopia. This means there is less meat processed, thereby limiting the number of hides and skins that reach the tanneries.

Low value and quality of meat is the other major challenge for the meat export industry. This was found to be related with the poor quality standards set. Besides, most of the processed exports are limited to sheep and goat; little or no beef exported is processed. Export markets for offal, intestines, meal and other animal parts are not being fully tapped. Presence of many unlicensed middlemen and traders within the value chain, each of whom takes profits from the value chain without adding value, absence of market oriented animal husbandry, insufficient vet service, feed problem, limited end market, illegal trade, insufficient government support, competition for domestic consumption and poor infrastructure including cargo service among the key factors that constrain the performance of the sector.

Ethiopia has the potential to make impact on the regional and global markets for meat (and leather) if the public and private sectors can create a partnership and work closely to achieve a number of breakthroughs together. Realizing these market opportunities is hampered by a number of overlapping challenges that taken as a whole seem to have a paralyzing effect on the industry. Value chain actors and stakeholders need to take some steps to address these constraint including increasing the export of offal and becoming more aggressive in locating markets abroad, particularly the Gulf States. However, more needs to be done.

The promise and potential of the Ethiopian livestock 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 should consider how 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.

By addressing the many challenges discussed in this report and taking advantage of the opportunities laid out before them, the meat export value chain can make significant strides in expanding into and developing new markets.

5.2 Specific recommendations

In view of the study findings, interventions that would help to improve the performance of the sector in terms of optimizing the gains from the sector at macro level and maximizing the benefits of the actors involved in the value chain are proposed here under as recommendation:

Promoting market oriented commercial animal raising could be one of the major breakthrough to the development of the sector. To this effect, developing the feedlot sector in the highland areas to stimulate commercialization of live animal raising as well as the highland fattening sector could be a stepping stock in improving the quantity and quality of input for abattoirs and meat exporters. Improving the quality standard of packers, labeling and branding, standardization of quality of meat, expand the end market, improving the livestock market structure and supply, improve the veterinary service, improving the airport cargo administration, animal traceability and better animal management will add value to the better performance of the sector. This will actually also benefit the farmers and investors as they would be in a position to have better profit margin as a result of improved quality.

At the initial stage this may require developing demonstration for the farmers and other potential investors through the agricultural extension program or by introducing incentives to those farmers and pastoralists productivity and commercialization interventions in highland areas of Ethiopia. The incentives could include access to cheaper inputs, feedlots and transportation links to markets.

On top of the above, the government needs to take aggressive steps to decrease the formal and informal export of live animals while simultaneously taking steps to encourage and develop approaches to steer these animals into the value added channels of meat as far as improved return from the sector is desired. Here, addressing the serious problem of so many unlicensed middlemen that have become a burden on the profitability and perhaps viability of the meat and live animal value chain would also be important.

Abattoirs in Ethiopia and elsewhere make profit from their operations based on the extent that they can market and sell the by-products that come from the slaughtering process. With established markets in the Middle East and potential markets opening up in Asia – mainly China – there is potential for Ethiopian processors to sell into these markets. This should be tapped.

In addition, strengthening back ward linkages within the value chain, particularly from abattoir back to the feedlots, farmers and pastoralist, this would support increased meat production designed to meet growing market demand. This could involve the government providing tax incentives for abattoirs to directly connect with and/or invest in feedlots and commercial farming operations.

Through time, with the improvement of the quality of the meat, the government, the abattoirs association and the abattoirs could benefit by expanding their forward market by expanding the reach to European countries.

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Annex 1. Data collection tools

Questionnaire for Export Abattoir

St. Mary's University

MBA program

1. Introduction

Dear Sir/Madam,

My name is I am attending my post graduate degree in the field of business at St. Mary's University. Currently, I am conducting a study entitles "*Assessment on the challangesof meat export in Ethiopia*". The general objective of the assessment is to identify the factors that hinder the development of the meat export industry and come up with plausible interventions that could help to improve the system. This study is purely academic research. Your genuine response is highly valuable to conduct this study and then to arrive at legitimate results. I hereby request you to fill this questionnaire and give me back the earliest time possible. Therefore, all your responses will be kept confidential. I would like to thank you for your willingness, effort and precious time to fill the questionnaire.

2. General profile

2.1 Name of the enterprise: _____

2.2 Type of ownership (PLC, Cooperatives, Share Company, State Owned and other)_____

2.3 Woreda: _____Kebele/Tabia_____

2.4 Number of employees

2.5 Professional _____

2.6 Non-professional _____

3. Type of meat is exported in the past three/five years?

a. Beef (cattle meat)

b. Mutton (sheep meat)

- c. Goat Meat
- d. Pork (pig meat)

4. If one and more meat products not exported, what is the reason?

To which country your firm is exporting meat for last three years? _____

5. Did you made any promotion to export your product other than this countries? (yes/no) if yes what is your result?

6. Do you have demand problem for meat export? a) Yes b) No

6.1 If your answer is yes what is the reason? a) Luck of promotion b) quality problem
c) legal issues d) competition with other countries e) absence of market information f)
other (mention) _____

6.2 If your answer is no, do you meet the demand? a) Yes b) No

6.3 If your answer is no, what is the reason? a) Lack of capacity b) shortage of animal
supply c) quality of animal supply d) illegal live animal export e) domestic competitor
f) other _____

7. Do you have faced market problem due to seasonal difference? a) yes b) no

6. Do you have market promotion and expansion strategy? a) yes b)no if yes, what type of
promotion?_____ if no, why _____

7. Origin of animal used for slaughter? a) highland b) low land c) both

8. Is there market preference based on origin of animal? a) yes b) no

9. Do you faced market problem related to origin of animal a) yes b) no if yes what type of
problem?

10. What are the challenges in the export market a) Lack of Demand b) lack of adequate
finance c) absence of policies and regulations for export Market

11. Does government policy have impact during meat export a) yes b) no if yes which
policy?

12. Is your abattoir has HCCP and ISO certificate? a) yes b) no if your answer is NO why

13. Is your export meat has its own brand? a) yes b) no. If your answer is NO why?

14. Do you have continues live animal supply throughout the year?a) yes b) no

15. Do you get enough quality of animal for export? a) yes b) no

16. Do you meet international requirements for transportation and packaging for foods? a) yes b) no

17. Did you face any problem on market due to transportation and packaging (yes/No) If yes what type of problem

18. How do you set price with your buyer?

19. In your opinion what is the problem in export meat?

20. Your recommendations to overcome the problem

Thank You!!!

Questionnaire for Traders

St. Mary's University

MBA program

8. Introduction

Dear Sir/Madam,

My name is I am attending my post graduate degree in the field of business St. Mary's University. Currently, I am conducting a study entitles "*Assessment on the challenges of meat export in Ethiopia*". The general objective of the assessment is to identify the factors that hinder the development of the meat export industry and come up with plausible interventions that could help to improve the system. This study is purely academic research. Your genuine response is highly valuable to conduct this study and then to arrive at legitimate results. I hereby request you to fill this questionnaire and give me back the earliest time possible. Therefore, all your responses will be kept confidential. I would like to thank you for your willingness, effort and precious time to fill the questionnaire.

9. General profile

9.1 Name: _____

9.2 Address Region: _____ Town _____

9.3 Years of experience in the business _____

9.4 Current Capital _____

9.5 Do you have license for animal trading? a) yes b) no

10. Where do you buy animal?

e. From pastoral area/low land area

f. From high land area

g. For both, in what proportion? _____

11. From whom do you purchase animals?

- a) Producers b) small traders c) brokers d) cooperatives e) others

12. To whom do you sell animals?

- a) Export abattoirs b) domestic abattoirs c) live exporters d) brokers

13. What is your abattoirs /customers preferences a) low land b) high land c) both?

14. Do your customers prefer your animals? a)Yes b) No

15. If your customers do not like your animals what are the reasons they dislike?

- a) Quality problem b) weight c) breed problem d) others

16. Do you have facilities like transport truck/vehicles to transport animals from market to abattoir a)Yes b) No

17. What are the problems encountered when you supply animals to abattoirs from different areas?

- a. Market yard facility
- b. Taxation
- c. Transport cost
- d. Intermediate cost
- e. Capital /finance
- f. Illegal border trade

18. How do you set price?

19. What are the most important challenges /problems encountered on animal trade?

1 _____

2. _____

3. _____

4. _____

20. What opportunities do animal traders have?

1 _____

2. _____

3. _____

4. _____

21. What is your recommendation to improve Ethiopian meat export?

1. _____

2. _____

3. _____

Thank You!!!

Interview guide

St. Mary's University

MBA Program

Respondent profile

1. Respondent ID _____

2. Affiliation

a) NGO working on enhancing the performance of the meat export market

b) Investor in meat export

c) Government office/ MoA, AGT

d) Chamber of commerce

e) Academic institution/ expert

3. Position _____

4. Years of engagement in the sector as investor/researcher/expert/ government official _____

5. Sex a. male b. female

6. Age _____

Interview questions

7. How do you describe the meat export market of Ethiopia?
 - a. Who are the major actors in the meat export market of the country?
 - b. Which countries are the major end markets for Ethiopia meat exports?
 - c. Are the meat exporters of Ethiopia competitive in the end market?
 - d. Which countries are the major competitors of Ethiopian exporters in the export(end) market?
 - e. Compared to their competitors what are the strengths and weaknesses of the Ethiopia exporters? Probe about the competitors' strengths and weakness against the Ethiopians as well?
8. How do you evaluate the meat export market performance of Ethiopia?
9. Do you think Ethiopia is getting the benefit it is supposed to get from the meat export market? Probe/explain...how and why ³
10. If the response to the above question is no ask....What are the factors that deter the country from getting the due benefit from the sector? Probe
 - a. at policy level
 - b. corporate/business level
 - c. and input provision or supply side
11. What actions could enhance the performance of the meat export market? probe
 - a. At policy level
 - b. Corporate/business level
 - c. And input provision

³ Here we are assuming as the response for question 4 will be no. if in case the key informant thinks the country is getting the due benefit from the sector try to give empirical evidences that argue against the respondent assumption and take account of the response

Annex 2. List of Interviewees

Affiliated organization	Name
Abyssinia Slaughter house	Dr. Mengistu
	Awol Mohamed
	Demilew Asegidew
Halal Food Industries	Amare Lemma
Organic Abattoir	Kemal Hussien
	Zewde Degaga
Luna Slaughter House	Dr. Amsalu Wude
	Tariku
	Tesfaye Tolla
Mojo Modern meat Export	shimelis
Allana Slaughter House	Sisay Ibrin