

Briefing

**Drylands and pastoralism,
sustainable markets**

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economic value



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Policy pointers

International development agencies must recognise the need and opportunity for thorough global evaluation of the comparative social and environmental advantages of extensive pastoral systems.

More support from national governments should be channelled to integrating local statistical capacities in the pastoral livestock and associated environment sectors with national and international economic development planning.

National governments should ensure that in-depth investigative research becomes an integral part of development policies for pastoral areas, to help make the true value of pastoral production visible in national reporting.

National and local governments should consider reinvesting income from pastoralism to reduce the risks and barriers hindering production, processing and marketing of livestock products; this can ensure even greater benefits for pastoral households and wider society.

Pastoralism pays: new evidence from the Horn of Africa

As competition for land and water resources intensifies, there is a growing need to re-evaluate the comparative social and environmental advantages of extensive pastoral production systems. Nine studies of hard-to-reach pastoral areas in Ethiopia and Kenya reaffirm that the true value of pastoral systems is largely overlooked. Camel milk, goat meat, draught power and other goods and services provide subsistence products and household income; they also create employment, income opportunities and access to credit along their 'value chains'. Pastoral products contribute significant revenues to public authorities and support the provision of basic services in rural towns; with support, this productivity could grow.

A series of influential studies on the economics of pastoralism in the mid-2000s pointed to insufficient and poorly targeted investments by national governments, caused by limited understanding of the sector's value.¹ Yet demand for high quality meat and milk already outstrips supply in urban areas situated near pastoral systems, and it is likely to grow.² At the same time, intensive livestock production systems are increasingly posing health and environmental problems.³

While some producers and consumers are intuitively recognising the comparative advantages of the pastoral production model,⁴ national development policies will continue seeking to 'modernise' and replace these systems until a clearer evidence-based evaluation is provided to convince them that a different approach is needed.

The African Union's policy framework on pastoralism recognises the economic potential of the sector and the need for further research.⁵ However, a recent study suggests that institutionalised data collection systems in

Ethiopia and Kenya still do not capture the full value of pastoralism,⁶ meaning benefits and development potential remain obscure, and so are frequently obstructed. There are few in-depth studies — or indeed opportunities for first-hand observation — that might help city-based decision-makers understand the dynamism, ecological soundness and innovative potential of pastoral systems.

To help fill these knowledge gaps, IIED and its partners supported nine students from universities in Kenya and Ethiopia to conduct original field studies in pastoral regions of both countries in 2015 (Figure 1). In Ethiopia, with support from Tufts University, IIED worked with the universities of Mekelle, Haramaya and Hawassa. In Kenya, IIED worked directly with the department of Land Resource Management and Agricultural Technology at the University of Nairobi.

The studies (which are published in full elsewhere)⁷⁻¹⁵ sought evidence of the value of pastoralism that statisticians generally overlook. This briefing summarises their findings and

The 'use values' of pastoralism are not routinely recorded by authorities, providing a limited picture

discusses what more needs to be done to address the emerging challenges posed by growing demand for high quality meat and milk products; increasing recognition of the health and environmental implications of intensive livestock production; and the gradual realisation of the comparative advantages of the pastoral production model among discerning producers and consumers.

Field studies: location and approach

Four field study locations were selected in Kenya, four in Ethiopia, while a fifth was located on the border between the two countries (Figure 1). In Ethiopia, the sites were distributed across six districts ('*woredas*') in three regional states: Afar, Somali and Oromia. In Afar, one study focused on the market chain for live goats in zone 1, another on the use of camels for transporting salt in zone 2. In Somali, a single study investigated camel milk production in two *woredas* of Fanfan zone. In Oromia, two studies focused on Borana zone: one investigated camel milk production, the other traced the trade routes for cattle from Moyale.

The Kenyan field studies took place within Isiolo County, long established as a major livestock marketing hub for the region.¹⁶ Livestock are trekked to markets in Isiolo from both surrounding counties and neighbouring countries. Two of the studies focused on livestock meat and camel milk marketing in the county capital, Isiolo Town. A third study explored goat meat markets in two smaller

towns (Oldonyiro and Garba Tula), and a fourth traced camel milk production from peri-urban and rural production clusters in Isiolo Central and Kulamawe.

The studies took a 'total economic value' (TEV) approach (see Box 1). They focused on the 'use values' of pastoral production for the local and national economies, including direct benefits (eg from consumption and sale), indirect benefits (such as support for veterinary services or financial institutions) and induced benefits (goods and services and purchased with income earned through pastoralism).¹⁷ These values are not routinely recorded by the public authorities.

The students used surveys and interviewed key people along the value chains to explore who benefits most from the pastoral production systems, who controls the marketing channels and price-setting, who takes the most risks, and what options pastoral households have to improve their access to and control over markets and prices. Interviewees were also asked how to improve development policies for pastoral producers, for state revenue generation, and for economic and social development overall.

Many of the studies focused on quantifying the income generated by producing and trading pastoral products, and how heavily households depend on this. Some detailed a particular part of a pastoral value chain, while others examined the entire length of one or several chains from the producers to a range of consumers.

New evidence, emerging themes

Looking across the studies, four key findings related to the economic value of pastoralism emerged:

Contributions to livelihoods are multi-dimensional. The studied households differed in the ways that they used the livestock products for food security, income, income substitution for reduced expenditures, insurance for disaster, capital for investment in other sectors, insurance, social heritage and others. One of the studies assessed the financial services provided through camel ownership in the Afar region and found multi-dimensional contributions:⁸ camel ownership offered both a form of investment for the owners, and a means to provide credit to renters until they could afford their own camels. The different uses were often determined by the economic status of the households, or the gender of individuals involved. For example, in the camel-milk producing areas that were studied in both Ethiopia and Kenya, while the producers were male, the traders were female and had very few other livelihood options.

Box 1. Total economic value

The total economic value (TEV) approach to valuation of pastoral production systemsⁱ builds on the work of environmental economists during the 1990's.ⁱⁱ It highlights the economic value of livestock, not only for their many direct uses — including for formal commercial meat and milk production — but also for a wide range of informally traded and subsistence products and services, such as draught power and transport.

In addition to market prices for direct sale of pastoral goods and services, other dimensions of value may include option values, to be accessed like a savings account or insurance policy in times of need,ⁱⁱⁱ and also effects on the function of ecosystems,^{iv} as well as less tangible values associated with social and cultural functions fulfilled through the existence or bequest value of pastoral production.

ⁱ Hesse, C and Macgregor, J (2006). Pastoralism: drylands' invisible asset? . London, IIED; Davies, J (2007). Total Economic Valuation of Kenyan Pastoralism. Nairobi, World Initiative for Sustainable Pastoralism (WISP) / ⁱⁱ Pearce, D W and Turner, R K (1990). Economics of Natural Resources and the Environment, Baltimore, USA, Johns Hopkins University Press / ⁱⁱⁱ Behnke, R and Muthami, D (2011). The contribution of livestock to the Kenyan economy. IGAD LPI Working Paper 03-11. Addis Ababa, IGAD Livestock Policy Initiative / ^{iv} Unai Pascual and Muradian, R (2010). Chapter 5: The economics of valuing ecosystem services and biodiversity. *The Economics of Ecosystems and Biodiversity: The Ecological and Economic Foundations*.

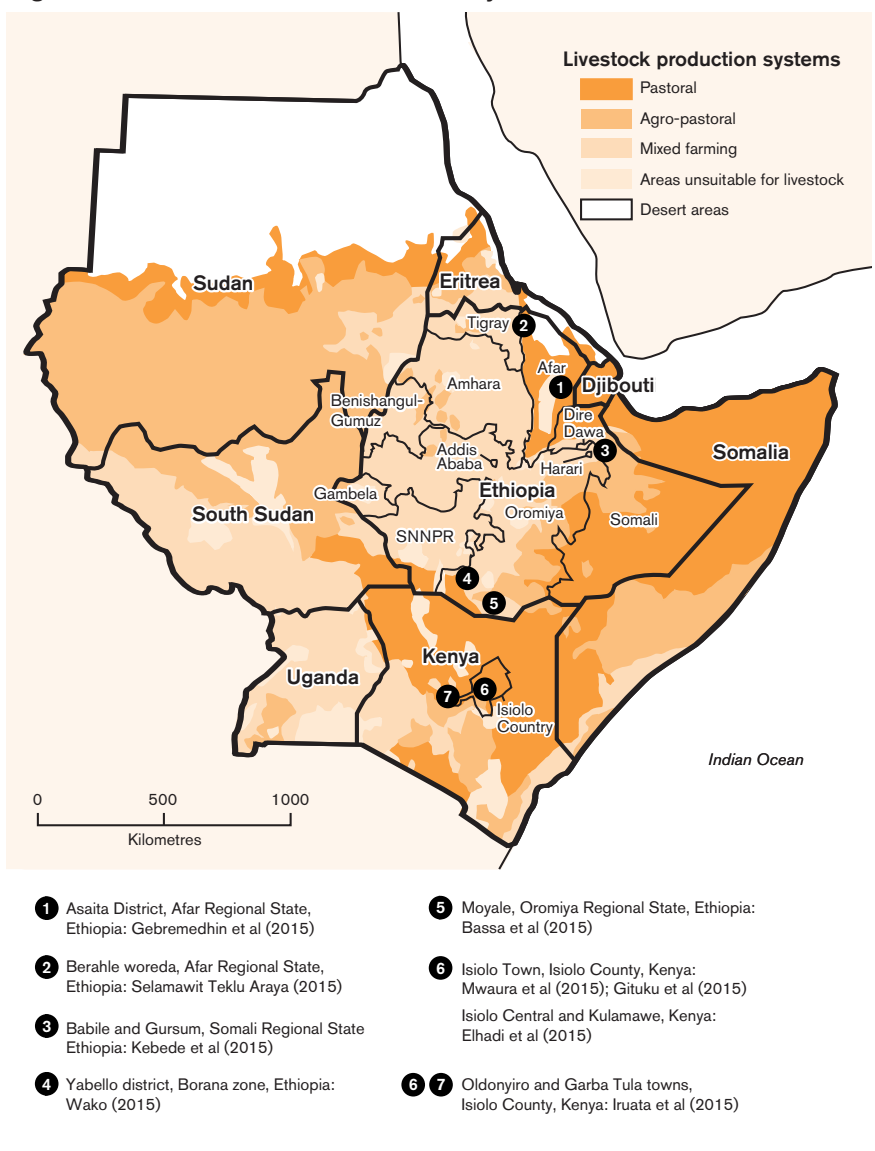
Numbers dependent on pastoral livelihoods revealed. The studies revealed a more accurate than usual picture of the numbers of people who rely on pastoralism for their living, including those employed through the livestock production and service systems and the associated trade and transportation activities. The camel milk trade through Isiolo Town was estimated to generate a gross monthly turnover of up to 10.58 million Kenyan shillings (KSh), supporting 1,046 people, including traders and labourers as well as their spouses, children and relatives.¹² Meanwhile, in the production areas of Isiolo Central and Kulamawe, 10,532 people were benefiting directly and indirectly from camel-milk production.¹⁴ In the rural towns of Isiolo County, well over half of the population was supported either directly or indirectly by the local trade in goats.¹⁵

Contribution to public revenues are significant. Contributions to local and national economies through taxes and other fees paid to public institutions were revealed to be significant. For example, in Isiolo County, the livestock and meat trade generates more than 17 million KSh per year for the local authorities through medical certificates, business permits and other fees and licences from meat shops, butcheries and offal dealers.¹⁵ However, the revenues collected by the local and national governments are often a small fraction of the potential contributions from pastoral livestock production, due to the informal nature of the trade in many of the pastoral products, or the unregulated channels through which they must pass. One study found that more than half of the cattle produced in Ethiopia's Moyale district passed through informal channels across the border with Kenya, bypassing formal channels where they would contribute taxes to the Ethiopian economy.¹¹

Pastoralism contributes to trade and economic activity. The pastoral production systems and associated trades were found to be providing a steady stream of income to support both public and private provision of essential public services, including transportation, water and energy supplies. They also established trade channels that support the flow of other essential goods.¹⁵

The studies observed not only the current total economic value and contributions of pastoral production systems but also their future potential. Urban areas showed increasing demand for pastoral products, and exports to other regions — particularly the Middle East — were also growing. The studies highlighted

Figure 1. Locations of each student study¹⁹



opportunities for increased support to connect pastoralist producers to these markets, and to enable them to overcome constraints and risks that reduce productivity. These range from security problems to lack of roads and infrastructure for marketing, as well as information constraints that force pastoralists to rely on 'middlemen' when doing business.

Case for further research

As global livestock production systems increasingly intensify and face competition for resources from other sectors, there is a need to reevaluate the advantages of the remaining extensive production systems in pastoral areas. In regions outside Kenya and Ethiopia, extensive systems have been replaced by intensive alternatives and allowed to decline. Recognition of the comparative benefits and performance of pastoral systems, both from a socioeconomic and environmental perspective, can provide a

powerful justification for conserving and increasing the viability of extensive systems.

The budget of the Agriculture and Livestock Sector in Isiolo County for the year 2013/2014 was 13,081,000 KSh.¹⁸ This is less than half the value of camel milk consumed by households in just the two rural production clusters that were researched in Study 6 (estimated at 35,305,200 KSh). None of this value is captured in conventional agricultural production statistics. When compared to the full value of the camel milk produced across the county as a whole, plus all of the other products generated from the pastoral production systems, the public investment represents a tiny fraction of the return.

A wider, evidence-based review of the value of the pastoral production systems is clearly needed to make the case for more intelligent investment. This will require not only filling data 'blind spots', but also training a new generation of decision-makers so they can: reach the remote areas where action is needed; direct the necessary data collection and analysis; and effectively read the signs that these will uncover. National governments should give greater attention and support to the integration of local statistical capacities in the pastoral livestock and associated environment sectors with national and international economic development planning.

The nine studies discussed here generated new evidence of the value of pastoral production, and revealed issues requiring further investigation. One such area concerns the value of the ecological benefits generated by pastoral

production systems. In water catchments that are characterised by climatic variability, periodic droughts and complex processes affecting vegetation responses to climate and other stresses, these benefits are essential for a healthy ecosystem.

Many such catchments are undergoing technological transitions, in which water conservation may be achieved through trade-offs with increased use of energy, for example through the introduction of diesel or solar-powered systems for pumping, treatment and more precise control of volumes and timing of water discharge. The balance of energy sources, and potential social and environmental implications of these trade-offs remain poorly understood in both extensive and intensive livestock production systems.

In conclusion, the total economic value of pastoralism remains a complex and elusive question, but the evidence amassed through these nine studies reaffirms that it has been widely underestimated. The studies have provided quantitative evidence of some of the key missing statistics that must inform decision-makers as they design policies and programmes for the pastoral sector.

Caroline King-Okumu, Oliver Vivian Wasonga and Eshetu Yimer

Caroline King-Okumu is senior researcher of dryland ecosystems and economic assessment in IIED's Climate Change Group. Oliver Vivian Wasonga is a lecturer at the Department of Land Resource Management and Agricultural Technology Range Management Section, University of Nairobi. Eshetu Yimer is a consultant, based at Tufts University.

Notes

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Contact

Caroline King-Okumu
caroline.king-okumu@iied.org

80–86 Gray's Inn Road
London, WC1X 8NH
United Kingdom

Tel: +44 (0)20 3463 7399
Fax: +44 (0)20 3514 9055
www.iied.org

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