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COVID-19 AND LIVESTOCK MARKET SYSTEMS

The impact of COVID-19 on livestock-based economies in the Horn of Africa

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Overview

Global attention has been given to COVID-19 as a public health crisis. Discussion of the economic impacts is largely focused on the loss of jobs or incomes due to the global shutdown of nonessential businesses, but less attention has been given to the impact of travel restrictions and market closures on subsistence-level farmers, including livestock producers, and their ability to meet their household needs while protecting their livelihoods.

From mid-April through June 2020, Mercy Corps monitored livestock systems in Somalia, Ethiopia, Kenya, Uganda and South Sudan to understand the interplay of diverse market forces as influenced by COVID-19 mitigation measures, as well as seasonality, locusts and Rift Valley Fever (RVF). This study focused on live animal, meat and milk value chains originating in the arid and semi-arid lands (ASAL) regions and extending on to major domestic and export consumer markets. Information was collected through existing programs and augmented with key informant interviews. This report, developed from that research, aims to fill knowledge gaps and offer recommendations to support coping and recovery.

Opportunities to Build Upon

- › Market actors that adapted quickly have fared the best. From producer to retailer, market actors that found ways to adapt their business models protected their livelihoods or, at minimum, improved their ability to recover. Households and businesses employed adaptations including identifying alternative input and output markets, such as livestock, veterinary drugs and milk; increasing use of mobile phones, using data, SMS and voice services to take orders, communicate availability of supplies and negotiate prices; offering delivery services for products like milk, veterinary inputs and meat; using personal protective equipment to reassure customers of safety; and temporarily leaving livestock-related business for other viable businesses. Scaling these solutions and identifying new adaptations for market actors will improve market function, even during times of public health crisis.
- › Good seasonal pastures are strengthening livestock holdings. Pastoralists and agropastoralists have struggled to recover herds lost to severe drought in 2017. However, above average rainfall has improved pasture availability and quality, and livestock body condition and general herd sizes are good. As countries reopen and economic activity resumes, providing short-term social protection and strengthening alternative income earning opportunities for small herd owners will protect livestock gains, prevent oversupply of animals and decreased livestock prices, assist household recovery and reduce future vulnerability.

Challenges to Consider

- › Loss of consumer income, plus the closure of institutions, restaurants, bars and street-food vendors, have eliminated a large segment of meat and milk value chains and devastated livestock markets across the region. Market closures and movement restrictions disrupted supply chains, but in many cases producers and traders could work around these challenges. However, the sudden loss of end markets quickly stopped the need to supply milk and live animals for meat. Unlike other foods, meat and milk sales are highly price and income sensitive. Consumption of meat and milk decrease when retail prices increase or when household incomes decrease or become less reliable. Meat and processed milk are consumed primarily within urban and peri-urban markets, so the strength and growth of the livestock sector are directly tied to the strength and growth of these consumer markets.

Regional Livestock Systems

Livestock serve as the primary form of savings, income and nonmonetary wealth — as well as an important food source — for millions of households across the region. Within ASAL areas, livestock production and marketing are the major livelihood and economic bases, forming 75-90 percent of local economies. Livestock create on- and off-farm livelihoods for roughly 43 million people across the Horn of Africa. In the fragile arid and semi-arid lands of South Sudan, Uganda, Kenya, Somalia and Ethiopia, livestock-based livelihoods are carried out by 85 percent of the population.¹

¹ Aklilu, Y., Little, P.D., Mahmoud, H., and McPeak, J. 2013. Market access and trade issues affecting the drylands in the Horn of Africa. Brief prepared by a Technical Consortium hosted by CGIAR in partnership with the FAO Investment Centre. Technical Consortium Brief 2. Nairobi: International Livestock Research Institute.

Revitalizing COVID-19 affected livestock markets requires stimulating consumer demand or identifying alternative markets where demand remains high.

- › Movement restrictions and widespread loss of wages have severely limited pastoral and agropastoral households' ability to earn income. Agropastoralists and pastoralists earn income through diverse activities both on and off farm. Many of these income-earning opportunities have been inaccessible during COVID-19 lockdowns. Combined with reduced demand for livestock in local markets, this has forced smallholder households to tap into meager savings and food reserves, or borrow against current assets or future earnings. Going forward, households will struggle to recoup losses and prevent further economic backsliding.

COVID-19 Mitigation Measures and Livestock Market Systems

In March 2020, governments across the Horn of Africa established mitigation measures to prevent the spread of COVID-19. Initial measures included suspending international flights, closing international borders and limiting gatherings of large groups of people. Closure of international borders along with suspension of night-time travel has resulted in bottlenecks and delays in the movement of goods including animal health inputs, raw ingredients for animal feed (maize, soya, imported supplements), and live animals; resulting in higher operating costs for traders and increased prices for retailers and processors.² The sequencing and timing of more stringent mitigation measures varied by country, but the closure of markets and localized movement restrictions, and the subsequent loss of jobs and income caused by these restrictions, created severe economic impacts across all countries. Ethiopia is projected to lose close to 10 million jobs in the private sector, inclusive of the self-employed and employees of small and medium-sized enterprises (SMEs). Additionally, household and business spending in Kenya has reduced by 50 percent due to lost income and revenues.³



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Historically, when market closures have occurred — during an outbreak of a transboundary or zoonotic disease, for example — the reduced supply of livestock has resulted in higher meat prices for end consumers. This is why the impact of COVID-19 on livestock market systems is unique: the pandemic radically reduced market demand for meat and milk. As mentioned above, consumption of meat and milk often decrease when retail prices increase or when household incomes decrease or become less reliable. The sudden loss of income for thousands of urban residents, coupled with the closure of bars, restaurants, institutions and street-food vendors, gutted demand for meat and milk in urban and peri-urban communities.

2 IGAD Centre for Pastoral Areas and Livestock Development. (2020, May). Effects of Covid19 on livestock sector in the IGAD region and proposed policy /operational interventions. Nairobi, Kenya

3 Deloitte Consulting Limited. (2020, May). Economic impact of the COVID-19 pandemic on East African economies: Summary of government intervention measures and Deloitte insights. Nairobi, Kenya.

Key Findings

Mercy Corps studied livestock market systems in the countries of reference to investigate similarities and differences within and between countries. Several themes emerged across most countries.

- › **Smallholder agropastoral and pastoral households have struggled to engage in alternative livelihoods, limiting their ability to earn income.** For much of the region, the emergence of COVID-19 corresponded with the rain, a time when livestock keepers limit livestock sales to maximize milk production and animal and herd growth. Instead, they engage in alternative livelihoods, such as milk trading, agricultural labor or trade in local materials. Market closures and movement restrictions related to COVID-19, as well as fear of contracting the disease, have limited households' ability to earn income from these alternative sources. Livestock-keeping households lost an estimated 20-40 percent of their income between March and May. To cope, they are limiting their expenditures, using savings or taking credit when possible. Households will continue to struggle if they cannot engage in alternative income earning or food production activities.
- › **Continued decrease in demand for and price of livestock in pastoral areas, where livestock represent the main source of income, will seriously limit pastoral households' capacity to meet their food and basic needs now and in the future.** As countries lift pandemic-related restrictions, stressed agropastoral and pastoral households will send high numbers of animals to market, creating rapid drops in live animal prices. Social protection schemes — household food security, livestock care — or interventions to absorb surplus animals are required to prevent the further decline of livestock-based economies.
- › **Local governments are unable to collect revenue during livestock market closures,** jeopardizing their ability to offer services or maintain infrastructure. Local governments collect \$3-20 per animal sold at market or slaughtered in government abattoirs. A reduced number of animals sold and slaughtered at municipal facilities reduces the revenues collected by local governments, further limiting their ability to invest in public services. Budgets — especially those of local governments — need to be evaluated, and shortfalls in service provisions, such as market management and maintenance, extension services and drought monitoring, must be addressed.
- › **Limited analysis of livestock market closures versus loss of consumer demand prevents informed and responsive programming.** The closure of livestock markets to limit the spread of COVID-19 is commonly cited to be harming the livestock sector. However, despite market closures and movement restrictions, end-market prices for meat and milk have remained relatively stable, except in South Sudan and Uganda. Instead of following common trends, meat and milk prices have varied based on product and market orientation. For example, the price of beef per kilo has dropped as much as 20 percent in some communities in Nairobi, while the price of goat and sheep meat remained stable or increased slightly. Even with reduced offtake of animals, increased transport costs and reduced market activity, the limited fluctuation in meat prices indicates supply that matches consumer demand. Efforts to increase offtake and send animals to market without equivalent demand creation or market expansion will lead to an oversupply of animals and a drop in live animal prices.
- › **Livestock traders are resilient, but overextended themselves to survive pandemic lockdowns.** To survive the impacts of COVID-19, livestock traders have adapted their businesses or temporarily left livestock trade to engage in trade of other goods. Common adaptations include reducing the frequency and volume of weekly transactions and relying exclusively on networks of brokers and smaller traders to aggregate animals. The cost of doing business increased, while end-market prices have largely remained stable or decreased, reducing the likelihood of traders earning a profit. As informal and formal financial systems became inaccessible, traders have used personal savings or borrowed funds from other business activities to survive. They will have less working capital to invest in the coming months, potentially slowing market recovery. Deeper analysis of the health of formal and informal finance is needed to inform recovery efforts.

The Stigma of COVID-19

In Kenya, Garissa and Wajir county governments closed secondary markets in early May when positive cases of COVID-19 were reported in livestock traders moving between Kenya and Somalia. Some of the first cases of COVID-19 in the region were diagnosed in traders, and stigma was quickly attached to traders and transporters working along the area's major commodity trade routes.

› *“Those businesses that did not adapt quickly are struggling during the pandemic. Those that continued to offer credit or did not move to mobile communication and trading systems either are overextended or have reduced sales. We are seeing increased sales because we quickly switched to more mobile communication systems between wholesaler and retailer and retailer to customer. We added delivery services. Even though we do not offer credit to customers, we are seeing higher sales.”*

Animal health input wholesaler in Nairobi, Kenya

- › **Above average seasonal rains are enabling pastoralists to rebuild herds.** Pastoralists in the region lost an estimated 50 percent of their animals during the 2017 drought in East Africa⁴ and have since struggled to rebuild their herds. However, livestock producers currently report above average pasture conditions. Additionally, between March and April 2020, livestock sales reduced 40-50 percent compared to the months immediately preceding COVID-19 lockdowns. This combination of reduced sales and good pasture will result in higher-than-average livestock holdings entering the dry season, beginning in August or October across most of the region. Still, larger herds will be beneficial only if market function resumes — consumer outlets reopen, traders have working capital and movement restrictions are removed — and if climatic conditions through the dry season and subsequent rainy seasons in late 2020 and early 2021 are favorable. Monitoring range quality and availability via remote sensing and ground data, including animal body condition, mortality and morbidity rates, is necessary through the end of the calendar year to prevent further degradation of pastures and identify potential hotspots for natural resource-based conflict.
- › **Producers specializing in livestock fattening have lost the most economically.** Growth in urban demand for meat and milk over the last decade has created opportunities for small-scale livestock fattening and semi-intensive milk production in ASAL areas.⁵ These sedentary microenterprises have allowed women to diversify their livelihoods and earn income for additional investments and household needs. The sudden closure of livestock markets in March and April left commercially-oriented livestock producers with market-ready animals and no buyers. Producers with additional herding animals could integrate finished animals into the larger herd for future sale, but specialized producers with no other herd holdings were forced to either sell finished animals at a lower than anticipated price, or keep them and incur additional expenses for care, including labor and fees for fodder, mineral supplements, water and water delivery.
- › **Livestock disease outbreaks are a growing threat.** Government budgets are being reallocated to Ministries of Health and other social service functions. With reduced budgets, government veterinary officials are further limited to respond to disease outbreaks such as Rift Valley Fever. Additionally, poorly organized private animal health networks have struggled to adapt to the COVID-19 operating environment. Many are unable to identify new supply chains, pay higher transportation costs, reach clients, or switch to cash or mobile money-based purchasing and sales. Short-term credit is traditionally a common incentive to increase sales, with input wholesalers extending credit to retail shops and input retailers extending credit to community animal health workers, but many businesses have stopped offering credit under COVID-19 conditions. While cash-poor rural community animal health workers may currently be able to travel to and between herds, they have been unable to procure veterinary drugs due to liquidity problems and movement restrictions between towns. As such, livestock producers have suffered from a lack of access to goods and services to support animal health. Future programming should include analysis of threats to animal health and productivity from the producer to regional levels to prevent further market closures and loss of livestock productivity due to disease.

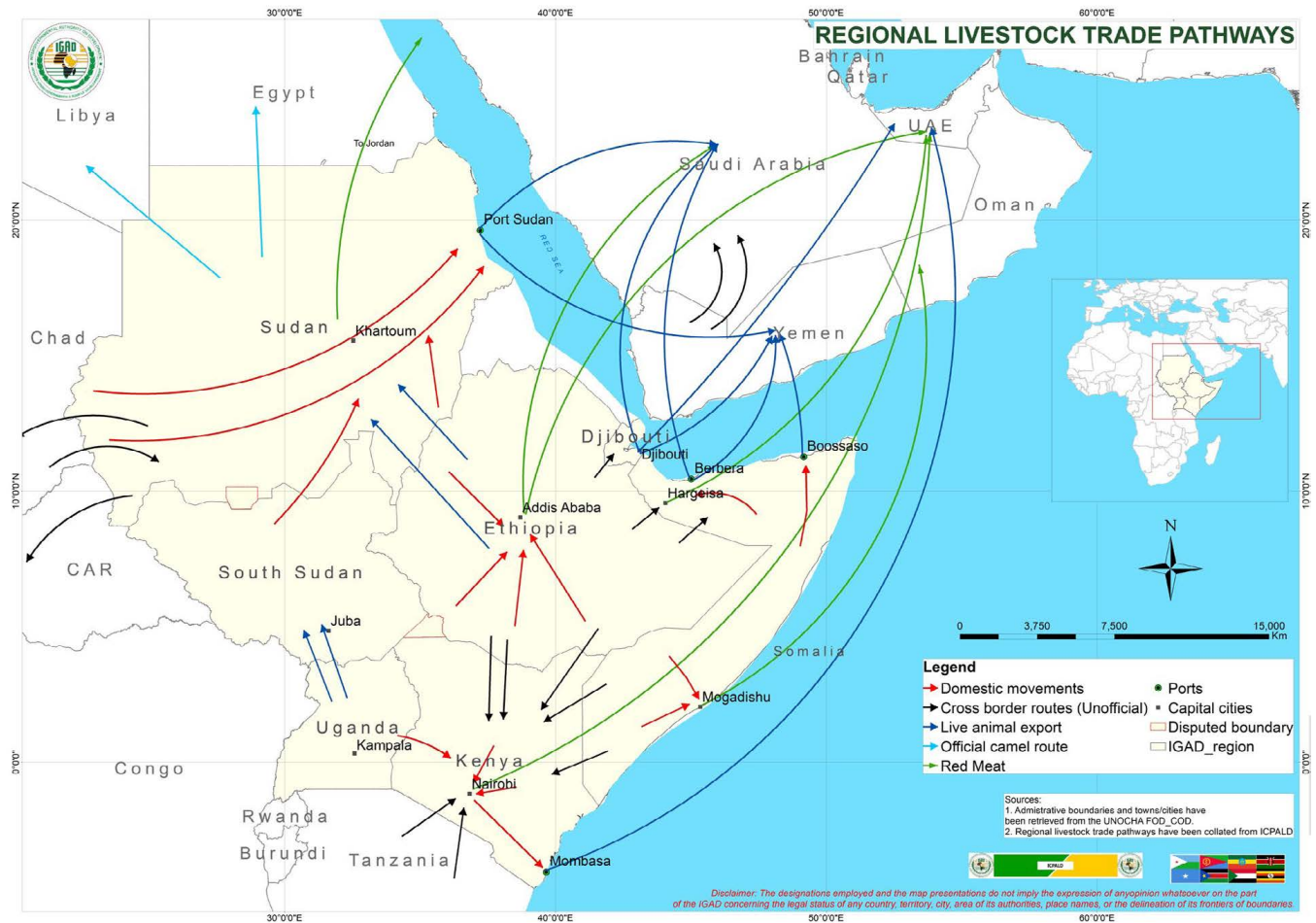
4 <https://fews.net/east-africa/kenya/food-security-outlook/june-2017>

5 Pozzi, F. & Robinson, T.P. (2011). Mapping supply and demand for animal-source foods to 2030. Animal production and health working paper. no. 2. Food and Agriculture Organization of the United Nations (FAO). Rome, Italy.

Country Focus

Export of live animals and meat is growing in the region, stimulating numerous discussions on national strategies to grow rural economies and increase collection of foreign currency. In reality, for all referenced countries except Somalia, export constitutes less than 15 percent of all livestock-related trade,⁶ with domestic trade remaining the major income earner for producers in ASAL regions. Figure 1 provides a general overview of regional trade routes and offers a frame of reference for the detailed country-level analysis below.

FIGURE 1: IGAD CENTRE FOR PASTORAL AREAS AND LIVESTOCK DEVELOPMENT MAP OF GENERAL LIVESTOCK TRADE FLOWS IN THE HORN OF AFRICA (2015)⁷



Ethiopia

Analysis of the Ethiopia context is limited due to strict enforcement of movement restrictions within the country, as well as the July 2020 suspension of voice and data services in certain areas. The information below was collected in May 2020 and may not reflect recent changes to the situation. Mercy Corps released the *Economic Impact of COVID-19 in the Somali Region of Ethiopia*⁸ report in June 2020, prior to the communications shutdown. This report outlines the larger economic and food security impacts of COVID-19 in the region.

6 Aklilu, Y., Little, P.D., Mahmoud, H. & McPeak, J. (2013). Market access and trade issues affecting the drylands in the Horn of Africa. Brief prepared by a technical consortium hosted by CGIAR in partnership with the FAO Investment Centre. Technical Consortium Brief 2. International Livestock Research Institute. Nairobi, Kenya.
 7 <http://geonode.igad.int/documents/131#more>
 8 <https://www.mercycorps.org/research-resources/economic-impact-covid-19-somali-region>

Mercy Corps’ assessment found livestock prices for cattle, sheep, goats and camels have declined in feeder and secondary markets since March 2020, as a result of restrictions on exports and transportation challenges. Survey respondents engaged in livestock trade in Somali Region report livestock prices have decreased as demand from traders has gone down with market closures, increased livestock transportation costs and reduced consumer demand for other livestock products, such as meat. Livestock prices in terminal markets in Addis Ababa, especially for sheep and goats, have increased. This is an opportunity for traders from Somali Region to reach new markets. Traders in Somali Region do not have the necessary knowledge and relationships in alternative markets to quickly adapt their businesses and cope with shifting demand and operations limitations. Livestock trade in Somali Region is oriented toward internal markets like Jijiga and those in Kenya and Somalia, and due to movement restrictions between regions and countries — for example, crossing from Somali Region into Oromia Region on to the Djibouti trade route is prohibited — pastoralists and agropastoralists have had limited options to sell their animals.



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Movement restrictions and limited business relationships are also disrupting drug and input supply chains, in terms of both consistency and quantity of supply, for private veterinary service providers and community animal health workers (CAHWs). Information determining change in demand is inconclusive, though the situation is complicated by loss of producer income and decreased demand caused by movement restrictions that prevent buyers from physically accessing input supply shops to purchase animal health goods and services.

Desert locusts in some areas are affecting pasture and crop production. A report⁹ on the impact of desert locusts on livelihoods and food security revealed there was an increase in the proportion of households using emergency livelihoods coping strategies from 22 percent in August 2019 to 49 percent in February 2020, particularly in Oromia, Somali and Afar regions. According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA),¹⁰ the price of cereal has increased by an estimated 50 percent as of February 2020, compared to the same time last year. Meanwhile, the price of livestock — both camels and shoats — has dropped by slightly more than 30 percent during the same period, thus deteriorating the terms of trade, especially in Afar, Somali and Oromia regions.

”Desert locust also affected my business. Since people are moving from one place to another looking for healthy pasture, when I reach the planned village riding my motorcycle, I can’t find them there.”

Private veterinary service provider discussing additional challenges caused by the desert locust situation, Somali Region Ethiopia

The two peak periods for livestock sales for Ethiopian pastoralists are Orthodox Easter and Ramadan. This year, these holidays corresponded with pandemic-related market closures and reduced consumer demand. In addition to causing the loss of important annual income for pastoralists, the situation potentially has negative secondary effects on the environment, as livestock producers are keeping larger herds when entering the dry season (October to March in Somali region) and running the risk of straining scarce water and pasture resources. The milk trade has also been badly impacted, adversely and particularly affecting female microentrepreneurs who make up the majority of producers. The cost of transportation has more than doubled, undermining the profitability of businesses with already small margins, and the irregularity of transportation services to urban centers has caused delays and milk spoilage. These increased costs have had repercussions on consumer prices, resulting in decreased demand for milk.

9 FAO, Government of Ethiopia & others. (2020, April). Impact of desert locust infestation on household livelihoods and food security in Ethiopia.

10 OCHA. (2020, March 11). Ethiopia Humanitarian Bulletin Issue #4, 24 Feb-08 Mar. 2020.

South Sudan

To understand the current context in South Sudan, Mercy Corps interviewed livestock producers, traders and butchers in Unity State in the Greater Upper Nile region, and livestock and milk traders, butchers and the slaughterhouse owner in Juba, Central Equatoria State.

Markets in Unity State are stocked with food, livestock inputs and other goods sourced from larger markets in Sudan. Livestock from this region are sold into markets within the state, south to Juba markets via Bor in Jonglei State, and north into Sudan. Herding of sheep, goats and cattle is the primary livelihood in the region, although many livestock-owning households engage in petty trade,¹¹ charcoal production and milk sales to avoid selling animals. Households also rely on food or cash assistance during the flood season. Crop-based agriculture is limited due to insecurity and people's migration with their animals.

Movement restrictions and border closures between South Sudan, Uganda and Sudan have negatively affected communities across South Sudan. All producers interviewed report livestock and milk sales to be their primary source of income during the COVID-19 lockdown. In Unity State, producers report a dramatic decline in live animal prices driven by the absence of livestock traders coming from Sudan. "Prices have drastically reduced, as traders from Anet, Sudan border town that come to buy animals are no longer coming," shared one survey respondent. "Hence, I received little [less] money than what I was initially expecting." Additionally, movement restrictions and border closures have made petty trade costly and time consuming.

Livestock producers in Unity State are also intensely concerned about a limited availability of veterinary drugs, which are usually imported from Sudan. All respondents expressed concern about the health of their animals in the upcoming rainy season. "My concerns are tsetse flies that bite our animals, and snails during the flooding period, which will later cause diseases for our animals and eventually death," said one respondent. Continued closure of the Sudan border and ongoing movement restrictions will prevent traders and livestock keepers from sourcing animal health products from Sudan.

”Yes, COVID-19 has affected my ability to care for my animals as there is no free mobility, including accessing drugs for my livestock as the drugs are not in the market. And since we could not move from place to place our animals are at great risk of being raided.”

Livestock producer in Rubkona County, Unity State, South Sudan

Border closures have affected butcheries and slaughterhouses differently based on local economies and livestock supply chains. In Unity State, butchers are selling 50 percent less meat than before COVID-19, reporting fewer customers and remaining patrons buying less meat per transaction or making fewer purchases in a week. Change in customer income through job or business loss and reduced purchasing power are the primary reasons customers are buying less meat. Butchers in Unity State purchase animals from the local market or directly from producers but, due to decreased demand, producers have lost both local and regional (Sudanese) buyers for their animals.

Meat supply in Juba follows a different pattern and, due to a higher proportion of customers having salaried employment, including humanitarian and development workers and government officials, demand has not dropped as dramatically as in Unity State. Still, a reduced supply of animals imported from Uganda has caused livestock prices in Juba to increase and deter some buyers. Water and transport costs in Juba have also increased. Prior to the COVID-19 pandemic, the Juba slaughterhouse processed 1,500 to 1,800 animals per week, including cattle, goats and sheep. From April through June 2020, an average of 1,000 animals per week were slaughtered. With fewer animals being processed each day and the need to maintain social distancing, the slaughterhouse has reduced the number of daily workers from 200 to 140. Because operating costs have increased and revenues reduced, the slaughterhouse has increased the processing and inspection fees charged to the butcher.¹² With higher

11 Petty trade is the buying and selling of small volumes of goods. Commonly, items such as cooking oil, sugar, soap, tea or dry foods like maize, maize flour, beans and sorghum are purchased wholesale in large towns and resold with a price increase in rural communities.

12 Many slaughterhouses in the region offer slaughter services; they do not own the animals or sell the meat. Meat traders pay processing and animal inspection fees, plus transport fees if necessary, and the animal and subsequent carcass belong to the meat trader.

operating costs, butchers have increased meat prices 50 percent, further discouraging already price-sensitive buyers. It should be noted the reduction of animal supply from Uganda has created opportunities for livestock producers in Eastern Equatoria and Bahr el Ghazal, to the east and northwest of Juba respectively, to enter the market. All Juba butchers and traders interviewed for this study report most animals are now sourced from these two local regions.

Movement restrictions and health concerns have also reduced the supply of milk to Juba markets. Fear of contracting COVID-19 has caused livestock producers to move away from Juba, reducing the number of households milk traders can collect from, and supply of milk from Uganda diminished due to bottlenecks at border crossings. Although milk supply has reduced, Juba's largest milk trader has not changed sale prices, preferring to absorb added costs and adapt his business model to maintain customer loyalty. His shifts in business operations include requiring immediate cash payments and offering expanded milk delivery service to homes and offices to reduce exposure.

Somalia

Somalia faces one of the most complex and severe crises in the region. In addition to persistent security concerns, Somalia is experiencing pandemic-related border closures and reduced demand from overseas buyers, destruction of cropland by locusts, heavy rains that are causing flooding and damage to crops and roads, as well as a potential outbreak of RVF¹³ that could lead to future trade bans. These natural and economic shocks have affected the lives and livelihoods of millions of Somalia residents. Compounding this is a dramatic reduction of remittances from the Somali global diaspora, which are usually estimated at \$1.5-2 billion per year — or 24 percent of Somalia's gross domestic product (GDP). With 40 percent of households receiving money from friends and family members abroad,¹⁴ remittance funds smooth household income deficits, are reinvested into herds and support investments in expanded livelihoods. However, OCHA estimates a 50 percent decline in the value of remittances sent during global COVID-19 lockdowns.¹⁵ Mercy Corps' Somalia country team reports program participants are concerned the loss of remittances coupled with limited livestock trade is jeopardizing food security now and in the coming seasons.

Livestock production and trade is the primary source of food and income for 60 percent of Somalia's population. Export of live animals and animal products, primarily animal carcasses, remains a large segment of the broader livestock market system, with goats and sheep making up the greatest market share when measured in number of animals.

Approximately 80 percent of all live animals exported annually are traded to the Arabian Peninsula for hajj, the traditional Islamic pilgrimage to Mecca, Saudi Arabia, which coincides with the Eid al-Adha holiday — or the festival of sacrifice — during which animals are slaughtered in offering.¹⁶ In June 2020, the Kingdom of Saudi Arabia (KSA) closed the country to international travelers seeking to participate in the hajj, reducing demand for sheep, goats and cattle by 50 percent.¹⁷ For producers and traders who plan their sales around this time of year, the loss of market leaves them with thousands of animals, especially young castrated male sheep, with no alternative market. This acute loss of demand comes right after the April reopening of livestock trade after a six-month trade ban of animals from Somalia, Djibouti and Sudan to KSA due to reports of Rift Valley Fever. Kenya is another important end market for Somalia's livestock. Livestock trade into Kenya has all but stopped due to the closure of the

Food Availability and the Backhaul

Livestock is not the only business for many Somali livestock traders and producers. When animals are collected or delivered, other goods are transported on the "backhaul," meaning livestock sellers who have taken animals to secondary or terminal markets immediately use the income to buy staple foods and other goods to return with and resell in their home communities. With livestock trade reduced, it is unclear whether this side business continues. Reduced trade of basic goods can exacerbate the food insecurity situation in rural communities.

13 Rift Valley Fever (RVF) is an endemic viral zoonotic disease associated with heavy rainfall. Heavy rains and subsequent standing water cause an increase in mosquitos and biting flies that carry the disease between animals and potentially to people. The impacts of RVF include low production in sheep and cattle, including loss of body weight, general fatigue, abortions, high mortality in calves and lambs, as well as the potential suspension of livestock exports as importing countries try to protect their own livestock and people.

14 Abdurahman, K., Hassan, S. & Majid, N. (2017). Remittances and vulnerability in Somalia: Assessing sources, uses and delivery mechanisms. Rift Valley Institute. Nairobi, Kenya.

15 (2020, April). Somalia country preparedness and response plan (CPRP): COVID-19.

16 FAO. Somalia livestock sector overview. <http://www.fao.org/somalia/programmes-and-projects/livestock/en/>

17 Famine Early Warning Systems Network (FEWS NET). (2020, June). Food security situation report. Estimate figure.

livestock market in Garissa as well as the large-scale loss of consumer demand caused by the loss of income and closure of restaurants, bars, street vendors and institutions primarily in Nairobi and Mombasa.

Reduced demand from KSA and Kenya, due to reductions in Hajj has caused medium and large livestock traders to temporarily leave livestock trade for other businesses, mainly dry goods like staple foods, housewares, sugar, salt, cooking oil and construction supplies. Despite the decreased number of livestock traders, loss of domestic and international demand, and a low willingness to sell animals due to the good production season, live animal prices have not deviated greatly from the five-year average.¹⁸ Prices for goats and sheep remain at or slightly below 2019 and five-year averages, while cattle prices remain above average. Camel milk prices, however, have suffered the greatest impact of COVID-19 mitigation measures. Seasonal milk production is high across the region due to quality and quantity of pasture and less offtake of lactating animals. However, movement restrictions, loss of consumer income and demand, and market closures have made selling milk difficult, and prices across most of the country have dropped 5-50 percent below the five-year average. As the money earned from camel milk sales is typically controlled by women and is critical to meeting immediate household needs, we can expect an impact on food insecurity in the short to medium term. More information is required to understand the full impact of reduced livestock trade and camel milk sales on food security, especially for livestock-rearing households and small-scale traders.

Kenya

Kenya's livestock sector supports livelihoods and jobs for approximately 10 million people. In ASAL areas, livestock production is the primary livelihood of almost 90 percent of households, accounting for nearly 95 percent of family income.¹⁹ Kenya's livestock market systems are complex and diverse, ranging from highly formalized export of chilled meat and milk products to short value chains, such as direct producer to consumer sale with little value added. Consumer markets in Nairobi and Mombasa absorb 75-90 percent of the meat and milk produced primarily through extensive smallholder production systems, with the northern ASAL regions supplying 80–90 percent of meat consumed in the country.²⁰

”We saw an immediate shift in the livestock fattening businesses we work with. Many were preparing for the coming Ramadan season and had prepared animals for market. Some sold these as quickly as possible, taking what they could get. Others returned these animals to the main herd and quickly adapted to begin trade in household essentials such as staple foods, sugar, soap and cooking oil.”

Respondent from a Kenya-based nongovernmental organization

The government of Kenya enacted the earliest COVID-19 mitigation measures in the region, with international land borders closed mid-March and internal movement restrictions implemented closely thereafter. A nationwide dusk-to-dawn curfew was also established late March.²¹ In addition to border closures and movement restrictions, the government's pandemic response included closing businesses and markets, with allowances for essential businesses. Initially livestock and veterinary goods and services were listed as nonessential, but after immediate political and private sector backlash, livestock was reclassified as an essential commodity. County governments were left to decide whether to open livestock markets or keep them closed. Although many markets reopened, trade in live animals and other essential goods remained slow. The volume of livestock sold in April is estimated to be 60 percent of February figures.²² Movement of goods and live animals via road has become costly for traders and transporters, and many have temporarily left the business or significantly reduced their frequency and volume of trade. The curfew slows travel and forces traders to hold animals 2-3 days longer on the way to terminal markets in peri-urban Nairobi, incurring additional expenses for hired trucks, drivers and livestock handlers and extra animal feed and water. In addition to these legitimate costs, traders pay informal tariffs to police and security officials at checkpoints along the route. As profit margins

18 FEWS NET. (2020, June). Somalia livestock price bulletin. <https://fewsn.net/east-africa/somalia/price-bulletin/june-2020-0>

19 Government of Kenya. (2010). Agriculture sector development strategy 2010-2020. Nairobi, Kenya.

20 Behnke, R. H. & Muthami, D. (2011). The contribution of livestock to the Kenyan economy. IGAD LPI Working Paper 03-11. Addis Ababa, Ethiopia: IGAD Livestock Policy Initiative.

21 <https://www.standardmedia.co.ke/article/2001365670/COVID-19-list-of-people-exempted-from-10-hour-curfew>

22 Early reporting of the USAID Agriculture Value Chains Development (AVCD) project's livestock market assessment, conducted by ILRI in May and June 2020.

per animal are small, these additional costs consume trader profits and discourage traders from continuing the business. Despite these challenges, live animal prices remain high mostly because of limited offtake rates, a result of movement restrictions, closure of feeder markets, fear of contracting COVID-19, seasonality and good pastures. Better analysis of pasture availability and quality and close monitoring of alternative economic opportunities available to pastoralists are necessary while urban consumer markets recover. Food-insecure pastoralists with limited options to earn an income will likely undertake need-based sales, potentially oversupplying and reducing prices.

Uganda

Livestock producers and traders in Karamoja have been under stress since early 2019, when secondary livestock markets were closed due to an outbreak of foot and mouth disease (FMD) across the country.²³ Although officially closed, livestock trade in the region continued through remaining marketplaces and the emergence of informal bush markets. However, the government of Uganda implemented more nationwide closures in April 2020 to prevent the spread of COVID-19, further reducing producers' access to markets.²⁴

To work around market closures, some traders are purchasing animals directly from kraals (local pens where livestock are kept overnight) and desperate livestock producers are selling animals at low prices. For example, sheep prices in Kaabong District are 60 percent below normal seasonal averages. Conversely, meat prices in Kampala have increased, indicating a severe undersupply of livestock. In the Karamoja region, movement restrictions, border closures with Kenya, roads damaged by seasonal flooding and consumer hoarding of staple foods have led to price spikes and weeklong shortages of some foods, such as maize flour. This has further reduced the terms of trade for pastoralists in the region, creating a growing food security crisis.

The closure of livestock markets also stimulated, in part, the resurgence of cattle raiding in the region. Animals are stolen from kraals during the night and either slaughtered for sale in local towns or sold to traders and illegally transported to slaughterhouses in Uganda and Kenya. Increased livestock theft has caused herders to split their animals into smaller herds to reduce losses if animals are stolen. Splitting the herd increases household labor needs because male youth and elders must protect kraals across a larger area. An additional unexpected outcome of cattle raiding is households putting less land into crop production or delaying planting. Male members of families typically clear land and complete the first tilling of the soil in preparation for planting. Because of the cattle rustling, women and female children are left to clear land, plant and weed crops while male family members are pulled away to protect livestock.

The July/August harvest is expected to be below average due to reduced planting, limited access to quality seeds and destruction by fall armyworm and locusts.²⁵ Reopening livestock markets in Karamoja will alleviate some of this pressure by removing the opportunity to steal livestock. In the short term, social protection efforts are needed to prevent high volumes of livestock sales that are shortsighted and reduce the ability of smallholder households to cope with future shocks.

Urban Exodus

When the government of Kenya restricted movement within the country and required nonessential businesses to close, many low- and middle-income urban residents returned to rural areas to reduce costs, protect themselves from COVID-19 and, for some, expand the space in which their kids could spend the day. Many of these migrants took up agricultural farming or trade to earn additional income or reduce food costs. Urban-rural migration is an opportunity for better-networked urbanites to link rural production and informal urban markets. To increase revenue coming into rural areas, organizations can trial development of "safe corridors" for contactless transport and supply of agriculture products for urban markets. Linked to urban cash-transfer programs and inclusive of health protection measures, fresh produce and meat can be picked up in rural areas and delivered to urban depots with minimized risk of spreading COVID-19.



Corinna Robbins / Mercy Corps

23 <https://www.pmldaily.com/news/2019/11/kaabong-cattle-markets-closed-over-foot-and-mouth-disease.html>

24 <https://www.pmldaily.com/business/2020/04/COVID-19-crisis-govt-closes-all-livestock-markets-countrywide-over-COVID-19.html>

25 FEWS NET. (2020). Uganda food security outlook: June 2020 to January 2021. Kampala, Uganda.

Recommendations

Based on the findings of this market study, Mercy Corps recommends several policy and program-level interventions to mitigate the effects of the COVID-19 pandemic, locusts and RVF in the Horn of Africa. These recommendations are framed primarily to protect food security and prevent future loss of livelihoods along livestock value chains.

- › **Compare market and income data collected during pandemic lockdown periods to the same timeframe in previous years, not just the months preceding COVID-19.** Livestock trade is highly seasonal, and live animal prices fluctuate during times of high supply and demand. COVID-19 took hold of market systems in March but, since it emerged, the region has experienced the normal drivers of change within livestock market systems. For interventions to address COVID-19 effects, changes in market prices and volumes should be compared against seasonal norms to limit unintended consequences, including expanded or increased market volatility.
- › **Protect smallholder livestock holdings as part of social protection interventions.** Integrating livestock protection activities — such as providing fodder and animal health transfers — into other social protection and livelihood strengthening efforts enables vulnerable households to benefit from any livestock gains resulting from good seasonal performance and reduced sales during COVID-19 lockdowns. If safety nets like cash or food transfers are not inclusive of livestock protection, pastoralists risk losing livestock gains through need-driven offtake, disease or limited dry season forage caused by poor climactic conditions.
- › **Monitor pasture and water quantity and quality.** Gains in livestock holdings, including quantity and quality, can only be protected and used to cope against future shocks if livestock survive and maintain their condition through the coming seasons. Locusts' destruction of pastures was highly localized. High livestock holdings and potentially uncoordinated migration patterns will stress rangelands, jeopardizing livestock health and fitness. Monitoring pasture and water availability and quality will allow for timely interventions to either increase offtake or protect livestock.
- › **Stimulate local demand for livestock products by including animal-sourced foods in social protection food baskets.** Loss of consumer demand for meat and milk during COVID-19 lockdowns was incredibly damaging to the livestock sector. Increasing market pull through safety net programs will stimulate early market recovery with minimal intervention along other parts of the value chain — in addition to addressing acute malnutrition.

Market Systems, Market Facilitation and COVID-19 Recovery

Due to strict movement restrictions and common seasonal deficits in supply, export abattoirs and livestock traders in Ethiopia's Addis Ababa market have struggled to meet demand, causing livestock prices in terminal markets to remain high. Livestock traders in the Somali Region of Ethiopia are not familiar with markets beyond their local market and those in Somalia and Kenya. Now that demand for live animals in locations is reduced and regional traders have failed to adapt, live animal prices are decreasing. The ability to identify new market opportunities and adapt business models is a critical characteristic of market systems resilience. Mercy Corps is working with small and medium livestock traders operating in Somali Region to introduce them to buyers serving export abattoirs and the Addis Ababa market.

› **Evaluate livestock businesses’ working capital and ability to resume operations at sufficient levels,** including that of agrovets, community animal health workers and butchers. It is unclear whether traders and input suppliers will have the working capital necessary to restart their businesses. Many used savings and business revenues to meet household needs or service other debts. As consumer demand recovers and movement restrictions are relaxed, SMEs and self-employed market actors may require assistance to resume trading activities. Greater analysis of financial institutions and supporting adapted lending practices to stimulate market recovery is required.

› **Consider specific needs of women-owned businesses.** Cash and assets from women-owned businesses are more likely to be used to meet household needs during times of crisis,²⁶ so women will face greater challenges restarting their businesses as they prioritize household and family needs.

› **Expand business networks and rural market actors’ knowledge of alternative markets.** Businesses that adapted quickly performed better than those that did not adapt. The ability to tap into strong or expansive business networks is a critical characteristic of adaptive businesses.

› **Seize opportunities for import substitution and growth of local industry.** COVID-19 disrupted supply chains for some goods, especially in land-locked countries or isolated locations. The animal feed sector struggled to maintain access to imported mineral supplements that could instead be produced locally with investment in production and quality-control infrastructure. The dairy industry could no longer procure packaging material normally sourced from China. In South Sudan, local livestock supply chains expanded to fill urban demand previously met through imported cattle. As East African economies grow, intentionally expanding and strengthening local industries creates jobs and minimizes the likelihood of future market disruption when regional or global economic shocks occur.



Ezra Millstein / Mercy Corps

› **Address personal health concerns that limited market participation. Appropriate personal protective equipment is needed to reduce anxieties and protect public health.** People are scared for their own health and the health of immediate family members. This concern limited people’s willingness to attend local markets or engage in market activities, unless necessary. Livestock price negotiation requires close proximity, as it is oftentimes a private conversation between buyers and sellers. While handwashing stations are currently available in many marketplaces, accessing and using masks or keeping physical distance is more difficult to accomplish. As countries resume business activities and remove movement restrictions, context appropriate personal protective equipment is necessary to limit the spread of COVID-19 in rural communities.

26 Seshie-Nasser, H.A. & Oduro, A.D. (2019). International Journal of Gender and Entrepreneurship. Women-owned businesses and household welfare.

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Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within. Now, and for the future.



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