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権利	-
journal or publication title	Nilo-Ethiopian Studies
volume	8-9
page range	61-75
year	2003
出版者	Japan Association for Nilo-Ethiopian Studies
URL	<a href="http://hdl.handle.net/2344/524">http://hdl.handle.net/2344/524</a>

**THE SHEEPSKIN MARKETING CHANNEL IN ETHIOPIA AFTER LIBERALIZATION:  
The Survival Strategies of the Participants**

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*Abstract:* The sheepskin market in Ethiopia seems to have enjoyed the benefits of the economic liberalization policy since 1991, such as price deregulation and liberalization of economic activities. Close observation of the profiles and activities of the participants in the marketing channel, however, demonstrates that they have tried to complement a lack of appropriate infrastructure and legal protection, which should be provided by the government, by utilizing their social and blood ties. While these ties have implemented the role of the government, there are risks that the marketing channel might be developed on the basis of a coalition with social networks, and that the poor outside the networks would be excluded.

*Keywords:* Sheepskins, Marketing, Liberalization, Social Ties, Amhara, Ethiopia

**INTRODUCTION**

The Ethiopian People's Revolutionary Democratic Front (EPRDF) took political power from the socialist regime (1974–91) in 1991 and has pursued an economic liberalization policy since then.<sup>1</sup> While previous research has responded positively to the effects of liberalization of various agricultural product markets in terms of producer price, market efficiency and the development of private traders, some studies have pointed out that the lack of appropriate infrastructure and an imperfect market have caused inefficiencies in the marketing of agricultural products (Alemayehu 1994; Bekele and Mulat 1995; Kuma and Mekonnen 1995).

The marketing of sheepskins has also been liberalized in tandem with other agricultural commodities. Although skins and hides are Ethiopia's second largest export item after coffee, they have not been given much attention by academic researchers, probably owing to their relatively small export value share at 7 to 21 percent, compared with the dominant share of coffee at 44 to 76 percent (1979–98 figures: see Customs Authority 1990, 1996, 1998), and their unique character as the by-product of meat slaughter and an item of supplementary income for farmers. Therefore, while several studies on the technical improvements in skins and hides have been conducted, the

function and efficiency of their marketing channel have not been explored in detail.

This paper has two objectives: first, to outline the contemporary situation of the Ethiopian skins and hides market, especially focusing on sheepskin, which has accounted for 64 to 85 percent of skins and hides export value (1994–8 figures: see Customs Authority 1998). The second objective is to analyse the effects of the economic liberalization policy on the market and the strategies developed by the participants in the marketing channel.

The paper consists of three parts: (1) research methods and area descriptions; (2) overview of the sheepskin marketing channel; and (3) analysis of the effects of the liberalization policy and the strategies developed by the participants.

## **1. RESEARCH METHOD AND AREA PROFILE**

### *Research method*

The research was conducted basically through face-to-face and date-to-date interviews in the period 1997–2000.<sup>2</sup> The research in the first year of 1997 focused on tannery plant visits and interviews with skins and hides merchants in the Amhara Region, where the biggest volume of sheepskins is produced, and in the Gedeo Zone of the Southern Nations, Nationalities and Peoples Region, where the biggest volume of cowhides by zone is produced.<sup>3</sup> The Gedeo Zone was selected for the purpose of comparison between cowhides and sheepskins.<sup>4</sup> The author interviewed 15 tanneries, which included all the tanneries in operation during the research period, and around 75 skin and hide merchants<sup>5</sup> (see details in Tables 1 and 2).

### **Tables 1 and 2 near here**

In the second and third year of 1998–9 the research activities were mainly conducted in an area as outlined below for gathering time series data and more detailed information. The final research on sheepskin marketing was conducted for one month in April–May 2000 to gather additional information and complete missing data.

### *The research area in 1998–9*

### **Fig. 1 near here**

The research was conducted mainly in the South Gondar Zone, Amhara Region. The researched *woreda*, called Estie, is located 110 km east of Bahir Dar, the capital of the Amhara Region, and 50 km south of Debre Tabor, the capital of the South Gondar Zone

(Fig. 1). The altitude is about 2300 m above sea level, equal to that of Addis Ababa. The specific research locations were the *woreda* town (Estie) and a small *qebele* town called Jib Asra, 15 km distant.

As mentioned above, the Amhara Region produces the biggest volume of sheepskins and also some of the highest-quality skins. The shipment of sheepskins to Addis Ababa from the South Gondar Zone accounts for approximately 8 percent of the total of the Amhara Region, and the research area of the Estie *woreda* provides about 20 percent of the total Zone shipment.<sup>6</sup> The criteria for the selection of a research area included level of infrastructure for communication and transportation, with a preference for an area with poor infrastructure in order to measure the effects of the economic liberalization policy on the rural poor.

Although the Estie *woreda* is regarded as a 'rich' crop surplus area, its infrastructure remains rudimentary. There used to be an electric power generator, but it has been broken for a long time; there is a telecommunications branch office, but the equipment has often not worked. There are usually three buses per day to Bahir Dar, a journey of four hours, but during the rainy season the road becomes very muddy and the number decreases to one bus per day, or none.

The populations of the *woreda* total, the *woreda* town and the *qebele* town were 312,294, 11,565, and 1,026 respectively.<sup>7</sup> The society in the *woreda* is homogeneous since: (1) the mother tongue of 99.9 percent of residents is the Amhara language; (2) 96.5 percent are Ethiopian Orthodox Church Christians and only 3.5 percent are Muslim;<sup>8</sup> and (3) 96.4 percent are living in the rural area (CSA 1995b, c). The other feature of this area is its highly sedentary residents.

## **2. OVERVIEW OF THE MARKETING CHANNEL FOR SHEEPSKINS**

### ***Changes in the sheepskin marketing channel after liberalization***

The basis of the sheepskin marketing channel has not changed drastically from the previous socialist regime to the current EPRDF regime except in the numerical increase of the participants. In both regimes, private merchants have been the main participants (Fig. 2). The main changes in the sheepskin marketing channel are: (1) price deregulation; (2) the liberalized marketing policy in terms of traders; and (3) the liberalized industrial policy in terms of tannery plants.

### **Fig. 2 near here**

Price liberalization since 1990 has made the skins and hides business attractive for merchants since the domestic prices have increased more than the inflation rate, mainly

owing to the devaluation of Ethiopian birr against the US dollar,<sup>9</sup> and the upward trend in international prices in 1993–6. The unit value of sheepskin exports in 1996 rose to more than twice the pre-liberalization value of 1990, while the inflation rate increased only by 29 per cent in the same period (Customs Authority 1990, 1996; NBE 1998). The period has been characterized by fierce competition between merchants as the supply of skins has not increased, since sheepskins are still produced only after slaughter for meat (see Fig. 3).

**Fig. 3 near here**

Salt has long been used as a guarantee of contracts between tannery and wholesaler, and between wholesaler and collector. Once one party receives salt from the other, he/she must provide his/her products to the person who gave the salt, although it is easy to change business partner after completing the contract. While salt is used as the symbolic contract fulfilment, it also helps in practical terms of quality improvement through encouraging appropriate preservation of sheepskins, since salt is critical for the process and salt-takers can use as much salt as they need.<sup>10</sup> In real terms, salt-takers can save money on salt, which usually costs 70 birr/100 kg.<sup>11</sup>

*The characteristics of sheepskins as a product and a commodity*

Sheepskin has unique characteristics as a commodity when compared to other agricultural products. The first is that sheepskin is a by-product of meat. The volume of skins and hides is determined by meat consumption. A meat diet is, however, not common among the peasants, especially the Orthodox Christians whose religious precepts ordain about 180 days of no-meat fasting in a year if strictly followed (Aymro and Joachim 1970: 63–4). Therefore the supply of sheepskins is concentrated on periods of festivities. In the Amhara region, where more than 80 per cent of the population are Ethiopian Orthodox Christians (CSA 1995a), the supply of sheepskins comes in three major waves: (1) Easter (April or May), (2) the Ethiopian New Year and Mesqal (September), and (3) Christmas and Timqat (January).

The second characteristic is that suppliers, who are mostly farmers, cannot preserve the skins themselves. Suppliers can keep sheepskins for at most two or three days, while merchants and tanneries can preserve skins for three months using salt.<sup>12</sup> Suppliers therefore cannot stockpile skins until the price increases.

The third characteristic follows on from the nature of sheepskins as an export commodity. It is difficult for suppliers and even merchants to forecast the future price trend of sheepskins since the domestic price has been basically determined by the

international price and therefore lacks a relationship with domestic supply and demand. Ethiopian sheepskin is a 'price taker' owing to its small share at less than 1 percent of the world market (UNCTAD 1995: 220–1) and the low local consumption at less than 30 percent.<sup>13</sup>

It is assumed that these characteristics magnify the defects of infrastructure of transportation and information-sharing, from which markets in Ethiopia are suffering. The following sections analyse how each participant in the sheepskin marketing channel has developed a survival strategy under the liberalization policy.

### **3. THE SURVIVAL STRATEGIES OF PARTICIPANTS IN SHEEPSKIN MARKETING<sup>14</sup>**

#### *Private tannery plants<sup>15</sup> and their relationship with wholesale merchants*

The abolition of the upper limit on private capital in 1990 (Special Decree No. 17/90) and the international price increase in sheepskins in the early 1990s encouraged the new entry of private tanneries. While only six government-owned tanneries and two private tanneries had been operated during the previous regime, as of 2000, there were four government-owned tanneries, two privatized and nine private tanneries, and a further 30 tanneries which were awaiting the issuing of licences<sup>16</sup> (*Ethiopian Herald*, 25.12.1998).

Despite the increasing number, the scale of private tanneries was much smaller than that of the government-owned tanneries. The value share of private tanneries was only 23 percent of the total gross value of production in the 1996/97 Ethiopian fiscal year.<sup>17</sup> The value added per plant of private tanneries was also less than 60 percent of the government-owned figure, and the capital investment and number of employees per plant were also very small, at half and 20 percent of the government plant figures, respectively (CSA 1998b) (see Table 3).

#### **Table 3 near here**

The small scale and short history of private tanneries caused them difficulties in gaining customers. Interviews with skins and hides merchants indicated that they were reluctant to start business with private tanneries. Although 17 out of 43 wholesale merchants interviewed had some business with private tanneries, four out of the 17 kept up their relationship with the government or privatized plants as well, and the other nine out of the 17 were close family relatives of the owner of a private tannery. Only four out of 43 decided to restrict their business to private tanneries. This revealed a scepticism of merchants about private tanneries.<sup>18</sup> The government-owned tanneries have major advantages over private tanneries in that they are guaranteed by the government and

their stability has been proven over time.

Some of the merchants commented on the difficulties in relying on private tanners who suddenly approached them to sell their sheepskins. One of the merchants even mentioned the possibility of changing his customer from a privatized tannery to other government-owned tanneries since this plant was owned by an Arab enterprise and he felt uneasy about relying on it. Others commented that they preferred government plants since they were not so strict on demanding quality in sheepskins as the private tanneries although the price was lower than that offered by the latter.

Given the poor infrastructure in communications and the lack of an effective legal system to enforce payment to merchants by tanneries and preventing cheating and collusion, it is critical for tanneries to build up trust with merchants. As a first step, they utilized their local connections to compensate for a lack of credibility. Based on interviews in various areas in the Amhara Region, three private tanneries, which had customers there, had some connection with the area. All of the owners were Amhara by ethnic group, and two of three had their plants in the Amhara region (tanneries J and M in Table 1). The location was important not only for the saving on transportation costs since it was on the route to the export port in Djibouti, but also to absorb the sheepskin supply from the area surrounding the plants.

In addition, a high transportation cost also counts against switching to a new tannery. Merchants living in an area tend to prefer the same tannery, not only for the local connection, but also for the pragmatic reason of minimizing their transport costs. Often small-scale merchants without their own truck, lacking the capital to purchase skins for one truckload (6000–8000 skins per truck), share a rental truck for shipping sheepskins. That means they must ship their skins to the same tannery, and consequently all the merchants chose the same tanneries. It is thus not practicable for one merchant to make new arrangements. This trend was observed in the most areas visited.

In the Estie *woreda*, the marketing channel of sheepskins has developed through the links offered by social and blood ties between wholesale merchants and a tannery (tannery H in Table 1).<sup>19</sup> Tannery H has business with all the wholesale merchants in Estie *woreda*. The tannery is located in Addis Ababa but the owner is Amhara and originally from Estie *woreda*. Five out of ten wholesalers are related by marriage with the plant owner's sisters.<sup>20</sup> The relatives started their business when the plant owner began to export raw skins. After the export ban,<sup>21</sup> they did business with government-owned tanneries. They changed to tannery H when its owner started up his plant in 1990.

This kind of relationship has advantages both for the tannery plant and the wholesale merchants. For tanneries, it guarantees a stable source of supply and quality control of

sheepskins through the ascertained marketing channel. For wholesalers the marketing channel certifies the payment and stable purchasing from the tannery without fear of plant closure.

Furthermore wholesalers can receive reliable market information from the tannery on future price trends. This is critical since wholesalers lack any sources of information on the international price and the tannery does not guarantee a fixed purchasing price. It buys sheepskins based on the international price at the time of wholesalers' 'delivery', not at the time of wholesalers' purchase. There is usually a time lag of around two to three months for delivery from merchants to the plant since wholesale merchants have to keep the skins stored in salt until a large enough number has accumulated for truck transportation. It means the risks of international price changes are shared between a tannery plant and the merchants. This is another reason why the merchants are very careful in choosing the plant to do business with. The tannery plant frequently gave purchasing price information to the wholesale merchants, and the wholesaler purchased sheepskins from suppliers and collectors using this information.

### **The relationship of wholesale merchants and collectors<sup>22</sup>**

The increase in numbers of merchants since liberalization has led to fierce competition among wholesalers and collectors alike. For example, in the research area, three out of ten merchants in Estie town and six out of eight in the Jib Asra *qebele* were new participants in the sheepskin market after 1991 (see Tables 4 and 5). In addition to the registered merchants, during times of increasing prices, short-term illegal merchants added to the competition.

### **Tables 4 and 5 near here**

#### The differences between wholesalers and collectors

There is no difference in legal restriction on the activities of wholesalers and collectors. Wholesale merchants can purchase sheepskins directly from suppliers. Government regulation of wholesalers and collectors differs only by the issuing of a licence for the purpose of taxation. A collector is categorized as a retailer. Qualification as a retailer or a wholesale merchant is determined with reference to a capital floor of 5000 birr at the time of initial application for the registration. Tax rates differ: when collectors expand their business to ship sheepskins to a tannery plant, the *woreda* office would warn them to change their status from retailer to wholesaler. Usually both wholesalers and collectors have other jobs, such as milling, gasoline selling and running small shops. This is because: (1) these other jobs are necessary to minimize the risks arising from the

sheepskin trade, and (2) only persons who are successful in other jobs can afford to participate in the risky sheepskin trade.

#### The relationship between wholesalers and collectors

Wholesalers and collectors do not have to build close relationships, compared to those between plants and wholesalers. Collectors have good access to several merchants in a *woreda* town and it is easy to compare prices offered. Collectors are mostly living in rural areas but within two to seven hours' walk,<sup>23</sup> while the distance between plants and merchants might be a two-day trip by truck, and the tanneries often require a large quantity of skins, and at least one truckload.

Collectors have received salt for skin preservation beforehand from wholesalers, who received it in turn from tanneries. The salt becomes the guarantee of a contract. Collectors claim that they have no problems in switching customers if they have not yet received any salt. It is, however, difficult to discern the truth, since wholesalers in the *woreda* town usually offer the same price as a result of the competition between them. Although four out of eight collectors in Jib Asra *qebele* are relatives of a wholesaler in Estie *woreda*, in the majority of collectors in other *qebeles* visited (Jaragado and Qoma Fasiladas *qebele*) there are few relatives of the wholesalers.

#### Payment from wholesalers to collectors

The wholesale merchants do not fix the purchasing price for collectors. Instead, they pay a commission fee of 1 to 2 birr per skin to collectors and the 'present' supplier's price, which means the price at the time of the 'delivery', not at the time of the collector's purchase. The risks from the international price fluctuation are considerable: during the research period between January 1998 and May 1999, the suppliers' price fluctuated by more than six times, between 4 and 26 birr in the Estie *woreda*. This payment system shared the risks between them.

In consequence the commission fee is somewhat tricky considering the price fluctuation. It, however, still works since it would be a big incentive in the case of a price increase and some compensation for collectors in case of a price decrease. In case of no price change, it would be indispensable for the collectors to purchase skins from suppliers in competition not only with other collectors, but also with wholesalers. In any event wholesalers have to offer collectors a commission to encourage collectors to work for them.

#### The social and religious background of merchants

In Estie *woreda*, all the merchants, both wholesalers and collectors, are originally from

the surrounding areas of Estie town.<sup>24</sup> All are Orthodox Christians, who make up the majority of the residents. There were no Muslim sheepskin merchants in the Estie *woreda*, although there were some in other areas, such as Dessie in South Wollo and Woldiya in North Wollo, where Muslims in these zones constitute 70 percent and 17 percent of the total population, respectively (CSA 1995a). The lack of Muslim sheepskin merchants in Estie *woreda* probably derives from the segregated daily lives of Orthodox Christians and Muslims,<sup>25</sup> and it is only so in the case of sheepskins. There are Muslim merchants for other commodities, such as crops and honey. Interviews with the Muslim residents revealed that they were reluctant to enter the sheepskin market owing to a lack of knowledge both of the techniques and marketing. Muslim merchants and the plant owner, who is an Orthodox Christian, might have difficulties in building a close partnership between them. As mentioned in the following section, the weak social ties between the Muslims and suppliers, who are mostly Orthodox Christians, might also deter them from trying to enter the sheepskin market.

*Farmers as suppliers: The relationship with merchants*

The effects of the liberalization policy on the suppliers' price of sheepskins<sup>26</sup>

The price liberalization, together with the devaluation of the Ethiopian birr, has raised the standard price of sheepskins and brought the flexible price fluctuation in line with international prices. In the research area, the suppliers' price at Easter in the three consecutive years from 1998 to 2000 showed a big fluctuation that closely traced the international price change (see Figs 4 and 5).

**Figs 4 and 5 near here**

But price movement assuming a market functioning as a 'perfect market' is contradictory to the market conditions in Ethiopia's poor infrastructure and the weaker position of sheepskin suppliers than merchants, as explained above. Specifically, the price in 1999 caught up with the level of 1997, even after a depressed price in 1998. It implies fair competition without collusion among wholesalers of whom more than half are closely related.<sup>27</sup> The next section investigates some possibilities of the function of social ties, which have brought some negotiating power to suppliers over merchants in sheepskin market.

The profile of suppliers

Peasants supply most of the sheepskins in the Amhara region, where 93 percent of the population are engaged in the agricultural sector (CSA 1995b). The suppliers sell skins

to local collectors immediately after the slaughter owing to the short preservation period and the fact that sheepskins are by-products of slaughter for meat, as mentioned previously. Compared to other agricultural commodities with significant input costs already committed, sheepskin farmers are relatively insensitive to price. It became apparent in interviews with merchants, and officials of the Ministry of Agriculture agreed, that farmers would sell their sheepskins to merchants at any price since there was no other way to get cash for the sheepskins,<sup>28</sup> although they naturally try to find a merchant who offers the highest price.

#### Competition through utilizing social ties

Despite this situation, the supplier's price is closely matched to the international price. The question arises why the merchants are still competing with each other even though they have overwhelming superiority in negotiations with suppliers given the above conditions. One explanation is that the liberalization policy has brought enhanced competition between merchants. The negotiating style between merchants and suppliers, however, indicated a closely observed performance on both sides. Trading of sheepskins was specifically executed as follows. First, suppliers with sheepskins visit merchants one by one, asking their price. Then they withdraw, and in the place where merchants are buying will observe the negotiations of the merchants with other suppliers. Merchants would increase the price gradually and the suppliers sell skins when they thought the price reasonable.

Given that they are keenly watched by their peers and competitors, it is difficult for merchants to collude among themselves. Apart from such straightforward negotiations, there are others, including informal contacts, such as *woreda* meetings, the bar and random meetings in the town. The author observed that merchants were often asked by local residents, who were suppliers as well, to explain why they bought at such a low price at a time of declining prices.<sup>29</sup>

The hypothesis of social ties also explains why there are no Muslim sheepskin merchants in the Estie *woreda*. The majority of suppliers there, who are almost wholly Orthodox Christians (97 percent), may prefer dealing with Christian merchants for selling a product of which the price is unpredictable, rather than Muslim merchants who have weak social ties with them. This situation contrasts with that for other commodities where Muslim merchants are active, such as crops and honey, of which the prices are more predictable even for suppliers since the price basically fluctuates in line with seasonality and domestic supply and demand.

## **4. CONCLUSION**

If we focus only on the price trend in the sheepskin marketing channel in Ethiopia, there would appear to be the benefit of an efficient market. The research, however, revealed that participants in the channel tried to compensate for the inefficiency of the existing market by utilizing their social ties.

Private tannery plants sought to utilize their social ties to build a relationship of mutual trust with wholesalers. The participants in this trade have utilized social ties under circumstances in which the liberalization of private economic activities has been executed without legal enforcement, which would guarantee the fulfilment of a contract and forbid illegal collusion. State-owned plants can attract customers without social ties since they have already built up a solid relationship with wholesalers through time and through the security provided by government ownership. Private tanneries, on the other hand, have to rely on their social ties to compete with government-owned plants that are in a superior position to them. Suppliers in the rural areas also put some pressure on merchants to recognize social ties with the suppliers, other than in market terms.

The function of social ties, however, is not always affirmative. In the research area, Muslims are excluded from the sheepskin marketing channel, probably because of their lack of social ties with the plant and the majority of the residents. Economic liberalization without appropriate support from the government might lead the Ethiopian economy to be developed on the basis of coalitions with social networks, and consequently the poor from outside the networks would be excluded.

While the priority is to provide the appropriate infrastructure for communication and transportation, the reform of legal institutions to support the liberalization policy is also critical for further development. The World Bank has already conducted several projects to reform the law and legal institutions to underwrite the change from a state-command economy to a liberalized economy in various developing countries (Shihata 1997). An analysis of the role of laws in the 'East Asian Miracle' in East Asia has been also attempted (Pistor and Wellons 1998). Such lessons might be applicable to the Ethiopian legal system to build effective legal institutions.

## **ACKNOWLEDGEMENTS**

I would like to take this opportunity to thank the Institute of Development Research (Addis Ababa University) for the great assistance. I was a visiting researcher of the IDR from April 1997 through September 1999 under the Research Fellow Programme by the Institute of Developing Economies.

It is not possible to mention all those to whom I indebted. I am particularly grateful, however, Dr. Tegegne Gebre-Egziabhel and Dr. Abdulhamid Bedri-Kello(IDR), Mr. Almayehu, Ms. Haregwoin Kebede, Mr. Tegegne Firdawake, the managers of tannery

plants, skins and hides merchants, and the people in the Estie *woreda*.

## NOTES

1 The previous regime had also planned economic liberalization and announced its 1990 Economic Reform Programme in March 1990. The programme, however, did not show clear results by the time of the collapse of the government in May 1991.

2 The author was a visiting researcher of the Institute of Development Research (Addis Ababa University) from April 1997 through September 1999 under the Research Fellow Programme of the Institute of Developing Economies.

3 The information regarding the volume is as of the 1988 Ethiopian fiscal year, based on unpublished information from the Ministries of Agriculture in Amhara Region, Oromia Region and the Southern Nations, Nationalities, and Peoples Region. The administrative divisions have four levels, namely Region, Zone, *Woreda* and *Qebele*, in order of decreasing size. The Ethiopian fiscal year starts from 8 July. The plant visits followed personal appointments made by the author, and most of the merchants were introduced through the skins and hides expert of the Ministry of Agriculture in each *woreda*.

4 See Kodama (1998) for cowhide marketing in Ethiopia.

5 The number of interviewed wholesale merchants (31) accounts for 4% of the Amhara Region (883 wholesalers) based on unpublished data from the Ministry of Agriculture of the Amhara Region.

6 Based on unpublished data from the Ministry of Agriculture of the Amhara Region and the South Gondar Zone.

7 Estimated data in 1999/2000 for the *woreda* total and the *woreda* town based on unpublished information in the *woreda* office, and 1998–9 for the *qebele* town based on author's research.

8 Based on unpublished data from the Agricultural Bureau of Estie *woreda*.

9 The exchange rate had been fixed at \$1 = 2.07 birr for 1973–91. From 1992, the exchange rate has been determined by auction. At August 2000, the exchange rate was \$1 = 8.00 birr.

10 The amount of salt for the contract is not strictly measured and is usually more than the necessary amount for a one-off delivery.

11 Salt used to be a good incentive since the price of salt was once 300 birr/100 kg. Now it has become a supplementary incentive. The more important criteria for plant selection are quick payment and a reasonable purchasing price (author's interview with a public tannery in August 1997). The system of salt payments is unlikely to disappear since all of the tannery plants currently give salt to wholesalers.

12 The Ministry of Agriculture conducts training for wholesalers and collectors in

preservation techniques for skins and hides.

13 Author's estimate based on CSA (1999d: 156, 159). The data include sheep and goat skins.

14 The relationship between international buyers and tannery plants is not analysed in this paper, although it is one of the most important factors of price formation. It is a function of international economics and goes beyond the scope of this paper, which focuses on domestic aspects.

15 In this paper, privatized tannery plants are not categorized with private tanneries. The situation of the privatized tanneries had not changed drastically from those of government-owned tanneries during the research period since privatisation was of relatively recent date.

16 Few of these tanneries on the waiting list actually launched a tannery business, probably owing to the sharp decline in the international price. As of 2002, only two tanneries had newly opened tanneries, besides the listed plants in Table 1 (author's research).

17 Data from the 1996/97 Ethiopian fiscal year (CSA 1998b) are used in this paper instead of the more recent data of 1997/98 (CSA 1999d). This is because the data of 1997/98 include privatized plants.

18 Most of the merchants interviewed were introduced by the Ministry of Agriculture in each area. This implies a biased selection. It seems, however, that the selection was biased towards long-established, successful merchants rather than newcomers. Therefore, the results of the interviews indicate that private tanneries have difficulties in competing with established merchants and they have to attract newcomers as their customers.

19 There is no published research on the function of social ties in agricultural marketing, at least in the post-1991 period. In terms of utilizing social ties in the manufacturing sector, the research on informal leather shoe-making enterprises in Addis Ababa by Tebarek (1997) analyses in detail the relationship between an ethnic group (Gurage) and apprenticeship.

20 The plant also has other 'non-relative' customers outside the *woreda*, although these customers are living around the owner's home town. One of them claimed the reason why he chose the plant is that the owner was from the neighbouring area and he belonged to the Amhara ethnic group.

21 The ban on exports of raw skins and hides in the late 1980s led to changes in the marketing structure since most skin and hide merchants had chosen to export directly rather than sell to domestic tannery plants before the ban (Befekadu and Tesfaye 1990: 113). Merchants had exported raw skins and hides since this was much more profitable

than sales to domestic tannery plants, which only offered fixed lower prices. With the export ban, the merchants were forced to sell their products to tannery plants. This contributed to keeping raw skins and hides for domestic processing. The value share of raw skins and hides in total skin and hide exports dropped from 40% in 1986 to 16% in 1993. Although the effect of the ban is evident, the statistics are somewhat contradictory since the export data for 1993 still indicated the existence of raw skin and hide exports (Customs Authority 1994).

22 In general most of the sheepskin merchants are male. There is a large capital requirement for entry into the sheepskin market and few women have sufficient capital. Female merchants interviewed were not financially independent from their father or husband.

23 Some collectors also reside in big towns where vehicle transportation is available. The reason why they choose the status of collectors is that they do not have enough capital.

24 It is difficult to know the reality in the other area given the short period of research. The Ministry of Agriculture in each area covers only merchants who live in the area and register with them. Most of the merchants interviewed were originally from the surrounding area. Some of them in the Southern Region, however, complained that 'outsiders' would come to their town and purchase skins and hides at higher prices than theirs.

25 For example, they should not eat meat slaughtered by the believers of the other religion, and nor do they celebrate the festivities of the other religion.

26 See Kodama (forthcoming) for a detailed analysis of the sheepskin price.

27 This is only the available instance where it was possible to trace price changes in line with fluctuating trends in international prices after liberalization. After this time, there was another drastic price fluctuation in 2001 resulting from the worldwide shortage of sheepskin following the prevalence of foot and mouth disease in the United Kingdom. They earned 40 birr per skin at the peak of the domestic market, although the author was not able to conduct detailed research into this development.

28 The other ways are home consumption or selling to a priest who specializes in tanning skins for bible-making. However, the demand for sheepskins for the former is limited to floor cushions and that for the latter is very small.

29 Merchants usually do not understand the minutiae of the international market and offered vague comments such as 'the price increased since there was a lot of rain in the world and the skins did not become dry', or 'the price decreased since the outsider [i.e. the author] brought bad luck to the sheepskins market', so on. The latter answer sought to shift the responsibility for the low price to the author rather than accusing suppliers.

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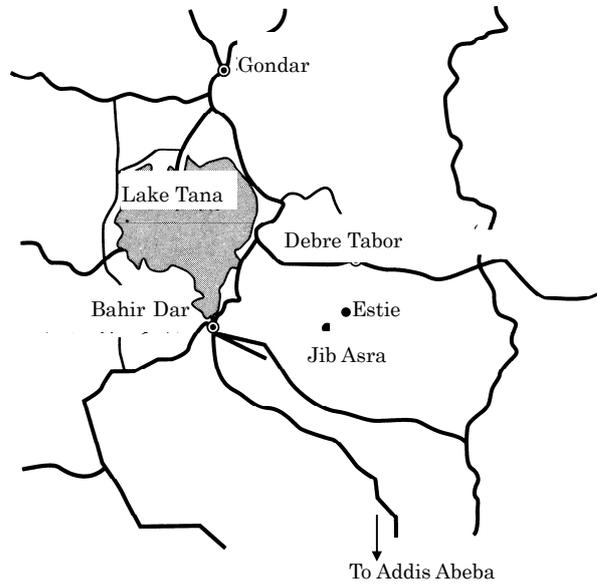
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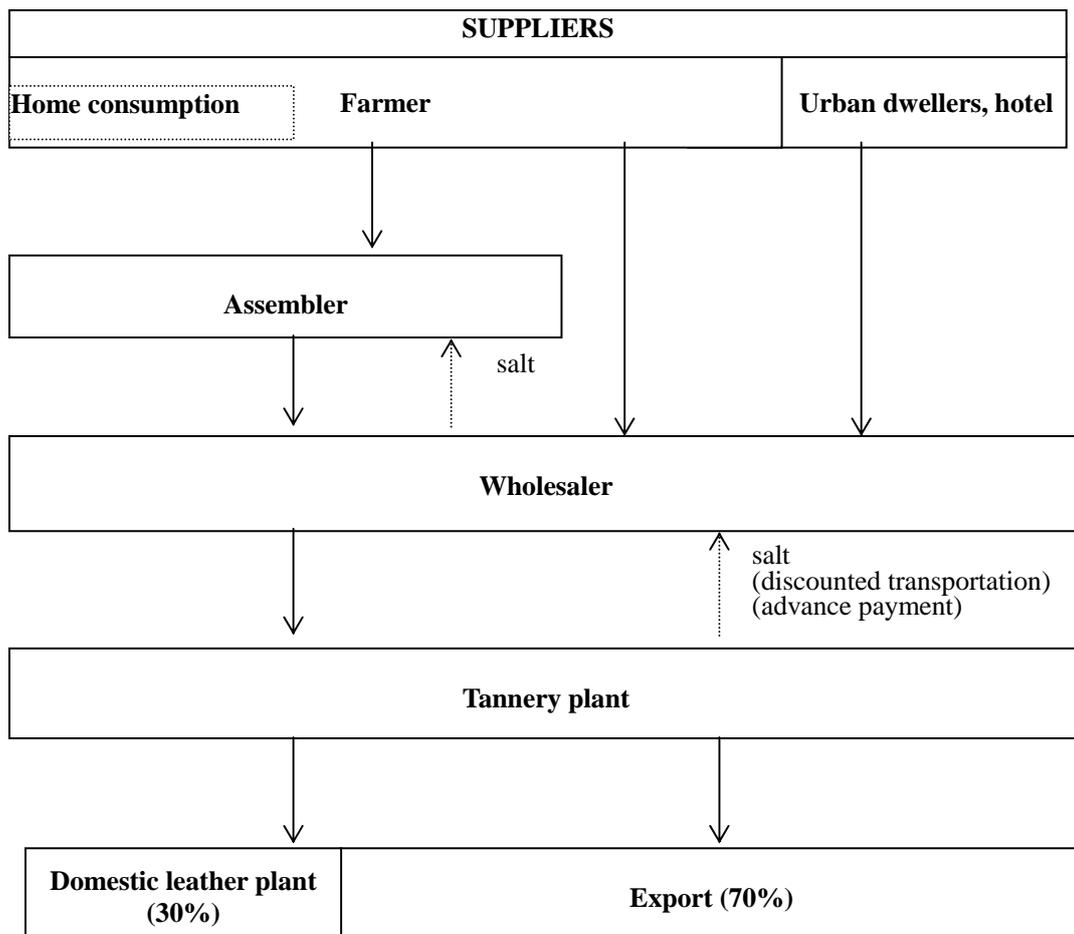
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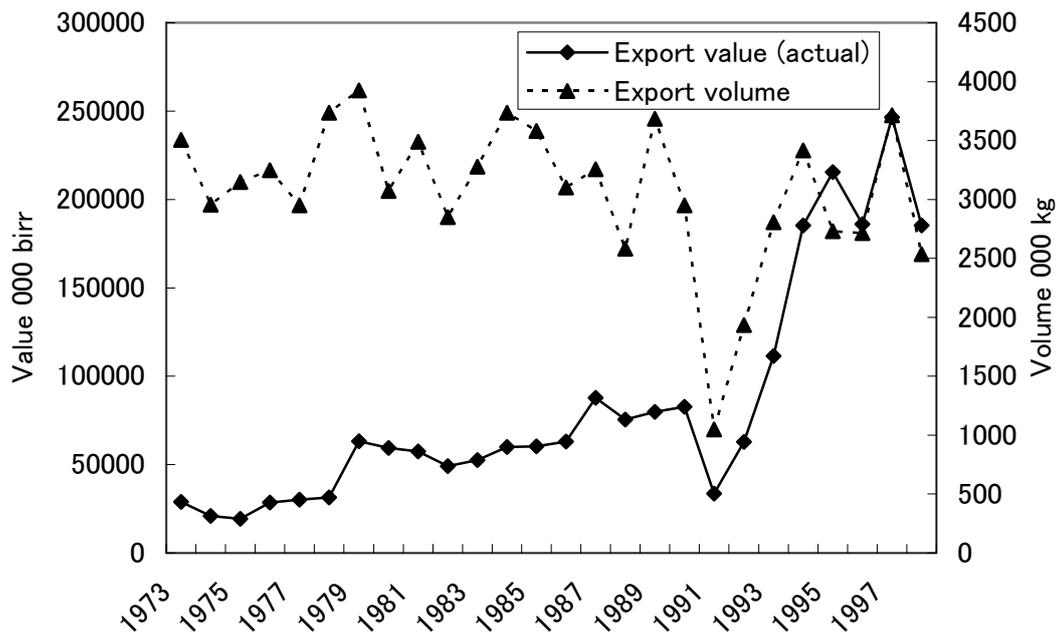


**Fig. 1** The research area



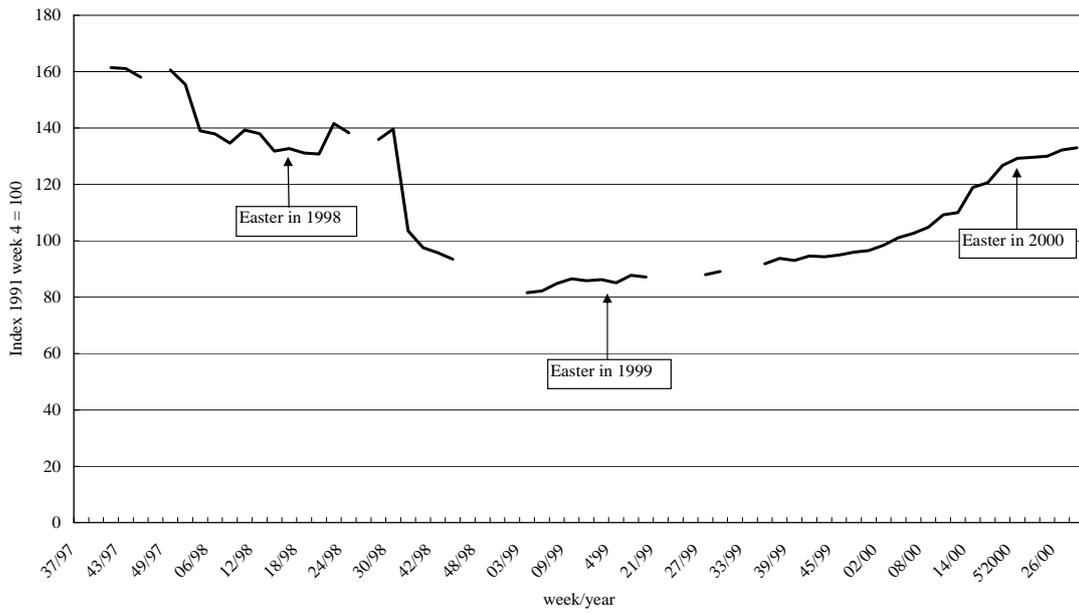
Source: field survey

**Fig.2 The marketing channel for sheepskins in Ethiopia**



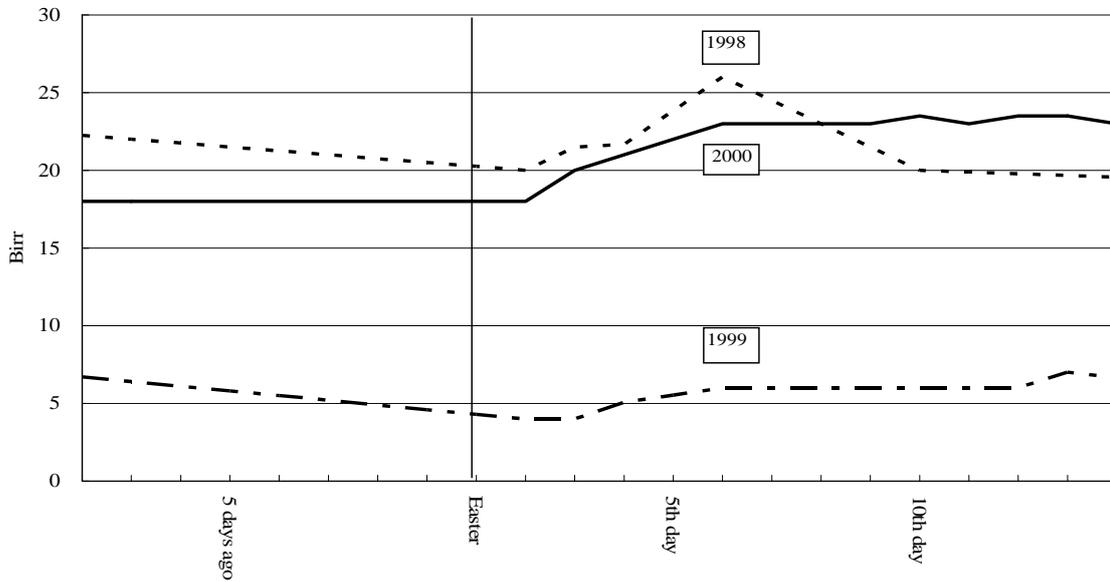
Source: Customs Authority, various years

**Fig.3 Sheepskin export value and volume 1973-98**



Source: ITC data

**Fig.4 International price trend in sheepskins 1997-2000**



(Source) field survey

**Fig.5 Short-term price trends at Estie over Easter 1998-2000**

**Table 1 Details of tannery plants visited**

	Owners' nationality	Established year	Current status	Plant location
<b>Government-owned tanneries</b>				
A	Government	1926 by Armenian	Nationalized in 1974	Addis Abeba
B	Government	1972 by French and Ethiopia	Nationalized in 1976	Modjo, Oromia Region
C	Government	1974 by Italian	Nationalized on 1978	Combolcha, Amhara Region
D	Government	1976 by the government	No change	Addis Abeba
<b>Privatized tanneries</b>				
E	Arabian	1927 by Armenian	Nationalized in 1975, privatized in 1998	Addis Abeba
F	Arabian	1927 by unknown	Nationalized in 1975, privatized in 1997	Addis Abeba
<b>Private tanneries</b>				
G	Unknown*	1945 by Armenian	Tranferred to current owner in 1972/3	Addis Abeba
H	Ethiopian/Amhara	1990	No change	Addis Abeba
I	Ethiopian/unknown*	1994	No change	Debre Zeit, Oromia Region
J	Ethiopian/Amhara	1996	No change	Haik, Amhara Region
K	Ethiopian/Armenian Ethiopian	1996	No change	Debre Zeit, Oromia Region
L	Ethiopian/Gurage	1997	No change	Modjo, Oromia Region
M	Ethiopian/Amhara	1997	No change	Mersa, Amhara Region
N	Sudanese	1997	No change	Sebeta, Oromia Region
O	Ethiopian/Gurage	1998	No change	Addis Abeba

\* Refused to answer

Source: field survey

**Table 2 Details of merchants visited**

Region	Wholesalers	Retailers
Amhara Region	31	33
North Gondar Zone	2	3
South Gondar Zone	13	22
North Wollo Zone	3	1
South Wollo Zone	3	3
East Gojam Zone	9	2
West Gojam Zone	1	2
Southern Region	11	0
Gedeo Zone	11	0
Addis Abeba	1	0
Total	43	33

Source: field survey

**Table 3 Comparison of private and government-owned tanneries(1996/97 Ethiopian fiscal year**

	Private	Government
	N = 5	N = 6
Share of actual value of production (%)	23.1	76.8
Value added in the national account concept/plant (at market price) (000 birr)	8668	14970
# of employees/plant	122	560
Paid-up capital/plant (000birr)	5520	11261

Source: CSA 1998b

**Table 4 A profile of registered skins and hides merchants in Estie Woreda 1998**

	Age	Entry	Other activities	Notes
<b>Wholesalers</b>				
A	60s	1965/6 Licence 84/5	Salt sales	
B	55	1977/8	Transportation, crop sales, oilseeds sales, Qes*	A relative of the owner of Tannery H
C	45	1979/80	Crop sales, construction materials sales	A relative of the owner of Tannery H
D	Late 40s	1979/80	Coffee sales	
E	50	1979/80	Kerosene & motor oil sales	A relative of the owner of Tannery H
F	Mid-50s	1980/1	Kiosk, bar	A relative of the owner of Tannery H
G	26	1993/4*	Milling, kiosk, crop & spice sales, motor oil sales	A relative of the owner of Tannery H
H	18	1997/8(His father worked for skins in 1973/4-1984/5)	Father: hotel and crop & salt sales	
<b>Collectors</b>				
I	50-60s	1976/7	Unknown	Sell to W/S merchants in Bahir Dar, who is the brother of the owner of Tannery H
J	Early 30s	Unknown (at least after 1991 )	None	Sell to W/S merchants in Estie

\*Qes is usually a priest whose livelihood is supported by another job, such as farming or trading. The Qes is respected by Orthodox Christians.

Source: field survey

**Table 5 A profile of registered skins and hides Merchants in Jib Asra Town 1998**

	<b>Licence</b>	<b>Age</b>	<b>Entry</b>	<b>Other activities</b>	<b>Notes</b>
A	Registered	50	1970/1	Farmland rental	Used to be W/S, now Collectors owing to the shortage of capital
B	Registered	41	1979/80	Milling, farmland rental	
C	Registered	33	1992/3	Tailor, milling, crop & oilseeds sales	
D	Registered	57	1994/5	Farming, Qes*	A relative of W/S C
E	Registered	23	1994/5	Tailor	A relative of W/S C
F	Registered	30	1995/6	Milling	A relative of W/S C
G	Unregistered	Late 30s	1995	Tailor, tea room	
H	Unregistered	41	After 1991	Farming, Chairman of the Qebele, Qes*	A relative of W/S C

\*Qes is usually a priest whose livelihood is supported by another job, such as farming or trading. The Qes is respected by Orthodox Christians.

Source: field survey