

ANALYSIS OF HOUSEHOLD SPECIFIC TRANSACTION COST FACTORS IN LIVESTOCK OUTPUT MARKETS IN ETHIOPIA

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ABSTRACT

This paper assesses institutional characteristics of first-level livestock and livestock product markets using a household level survey data collected in 2009 from 1192 sample smallholder farmers in 10 districts of Ethiopia. Both descriptive analyses and econometric model estimation methods are used in examining the institutional characteristics of these markets. Results show that almost all sample households (99%) own some type of live animals including poultry with more than 65% of them keeping at least two types of live animals. Close to 80% of the sample households participate in live animals market either as buyer, seller or both. Similarly, about 63% of the sample farmers sell different dairy products among which fluid milk and butter are the major ones. Comparing the possible market outlets (farmers, traders, urban consumers, cooperatives, processors) reported by sample farmers, the problem of hidden action by buyers on prices and measurement units in live animals and dairy products marketing are lower when transactions are farmer-to-consumer and farmer-to-cooperatives. Similarly, when there are contracts in live animals and dairy products markets, they are more respected when the arrangement is farmer-to-consumer and farmer-to-cooperatives than with other possible market actors. This is reinforced by the relatively short time requirement in price negotiations and better contract enforcement mechanisms in these two arrangements. Finally, factors explaining the performance of different institutional issues as perceived by sellers in live animals and dairy products markets are estimated using econometric models. Conclusions and implications are drawn from these results for the improvement of first-level livestock and livestock products markets.

Keywords: *institutions; livestock; livestock outputs; first-level markets; smallholders*

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