

Determinants of **output prices** **in local sheep markets-** a case study of Joe Xabi & Amathole Eastern Cape

Author: Robert Dzivakwi
UWC, Economics

Presenter: Dr. Peter Jacobs
UMB-Noragric Seminar
29 April 2011



Introduction

- Official agricultural marketing policies support the direct participation of smallholder farmers in agricultural markets
- Policy assumes that small-scale sheep farmers, for example, face virtually zero barriers to participate in perfectly competitive markets for sheep and wool.
- However, livestock output prices transacted by smaller farmers diverge substantially from prevailing market prices, even in cases where their livestock quality is not lower.
- Field survey carried out in Ukhahlamba and Amathole, municipal districts in Eastern Cape (September 2009 and May 2010)



Research questions & purpose

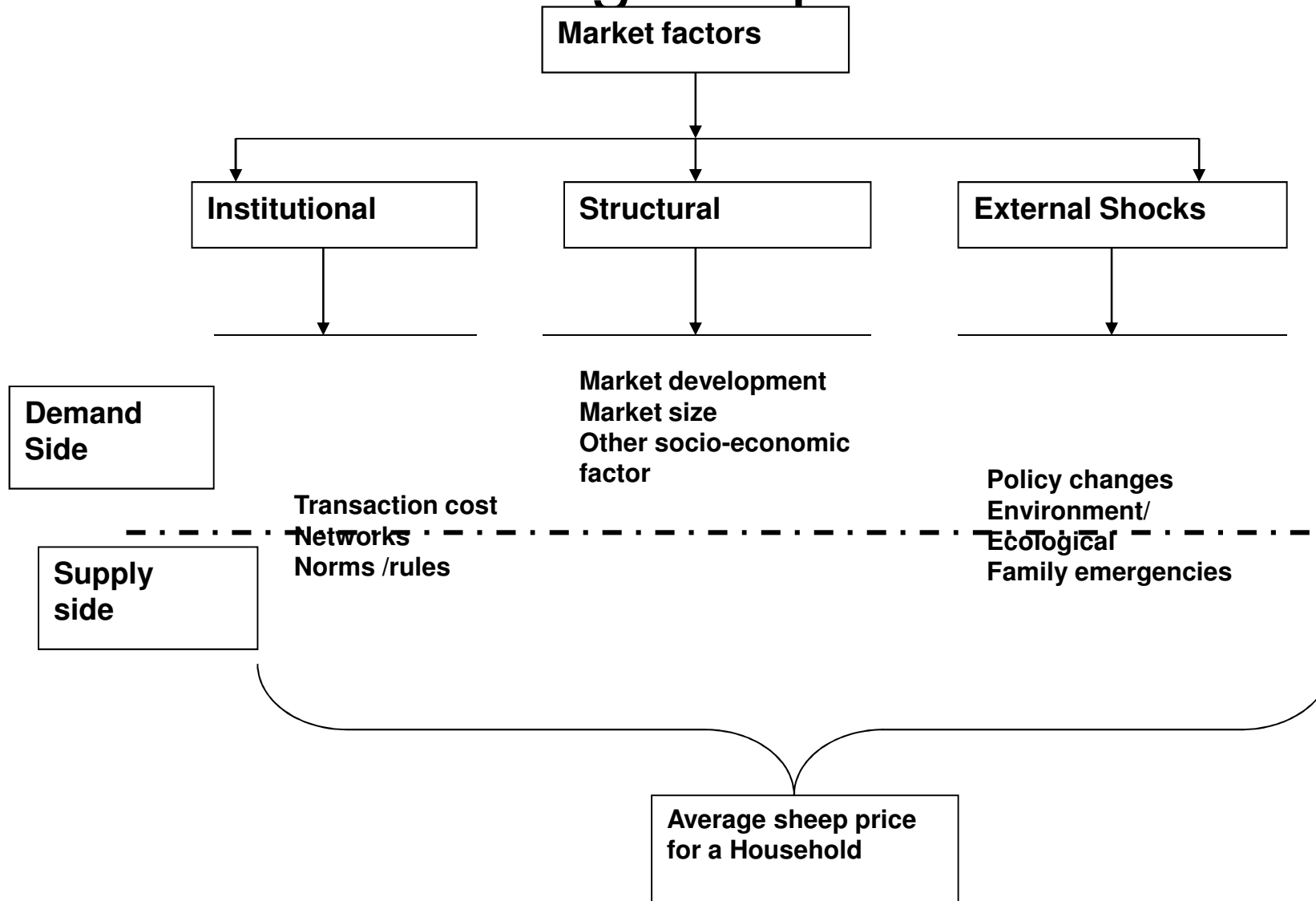
Guiding Questions:

- What are the main factors determining the average price of livestock for smallholder farm households in Eastern Cape Province?
- How and to what extent do these factors affect these prices?
- What policy measure can be recommended to improve smallholder farmer income from livestock sales?

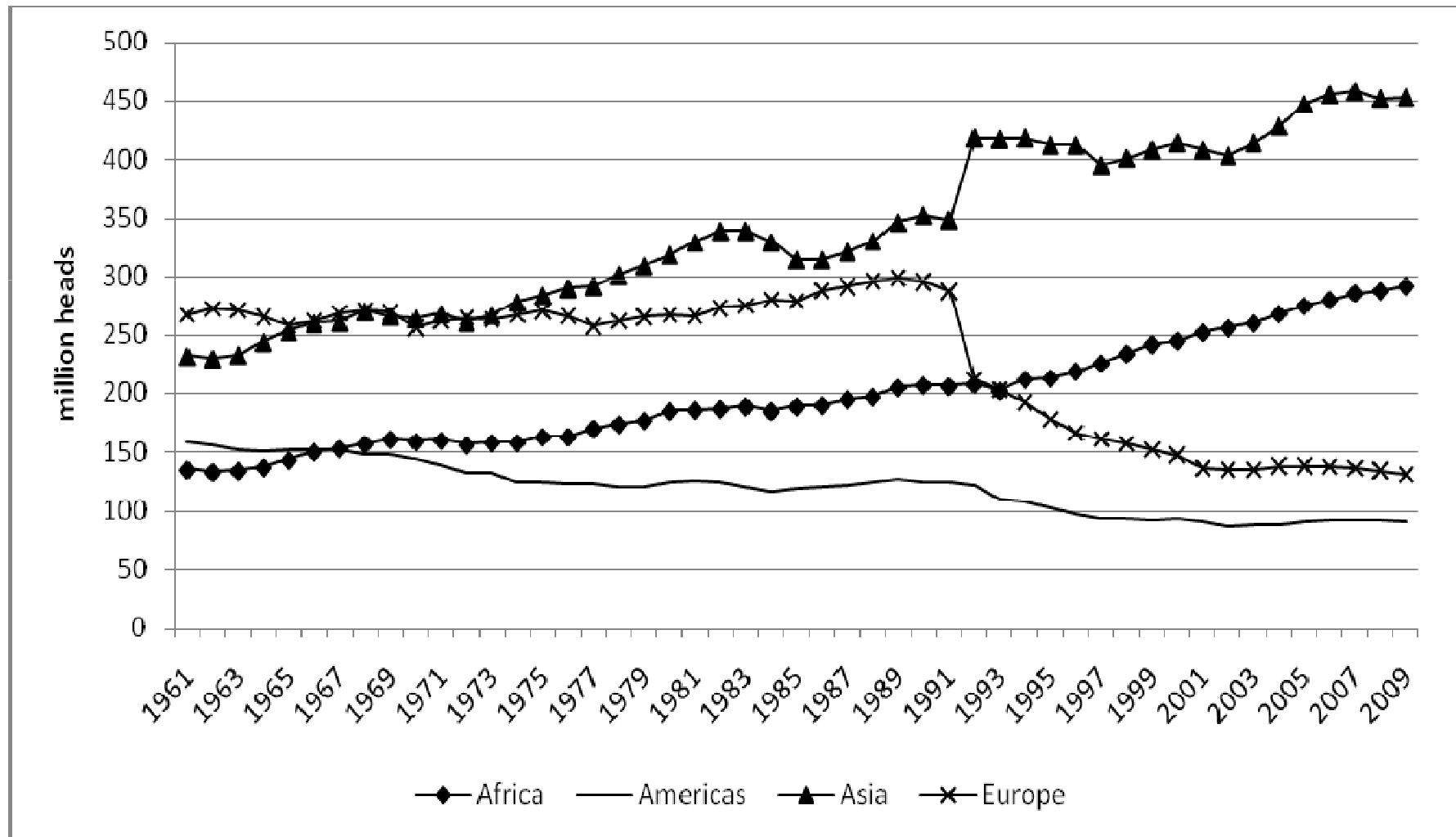
Purpose:

- **Identify** factors that affect output (sheep) price,
- **Understand** how output price determinants influence farm incomes of smallholder farmers.
- **Highlight implications** for agro-food market policies aimed at improving the well-being of smallholder farming households

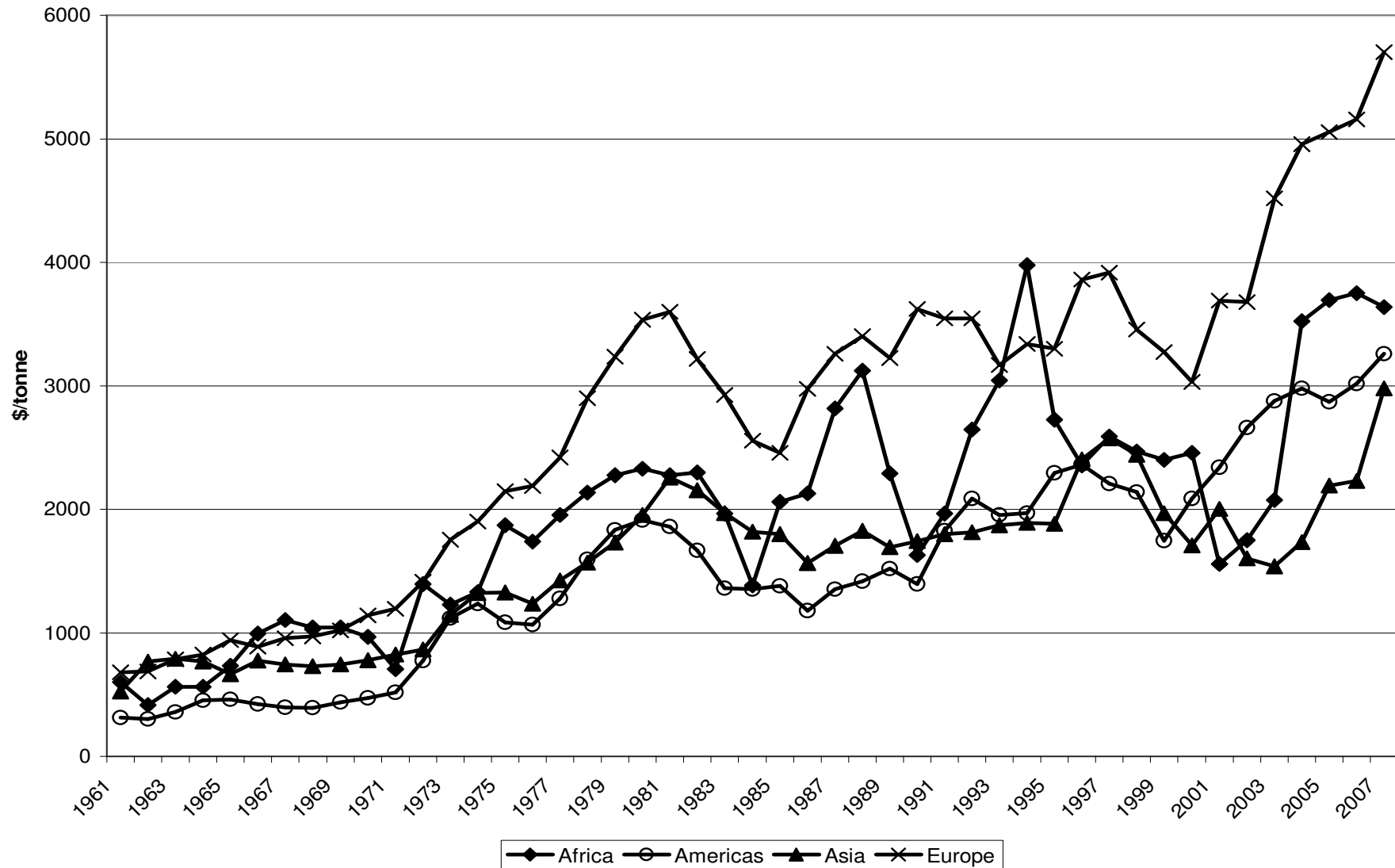
Conceptual framework: determinants of avg. LS price



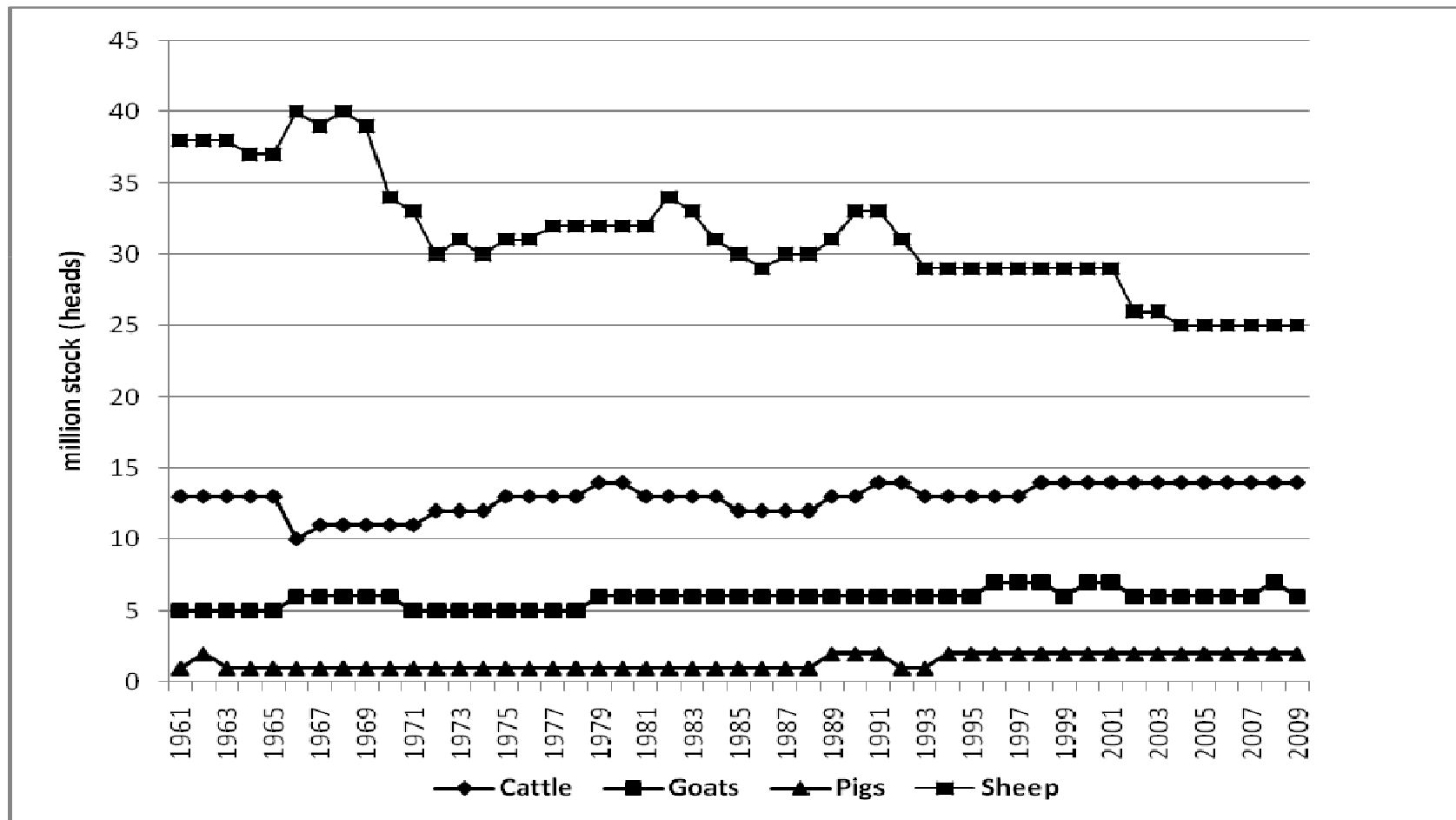
Total number of sheep stock in Africa has expanded from 1961-2009; it has become the second largest 'sheep producer' in 2009



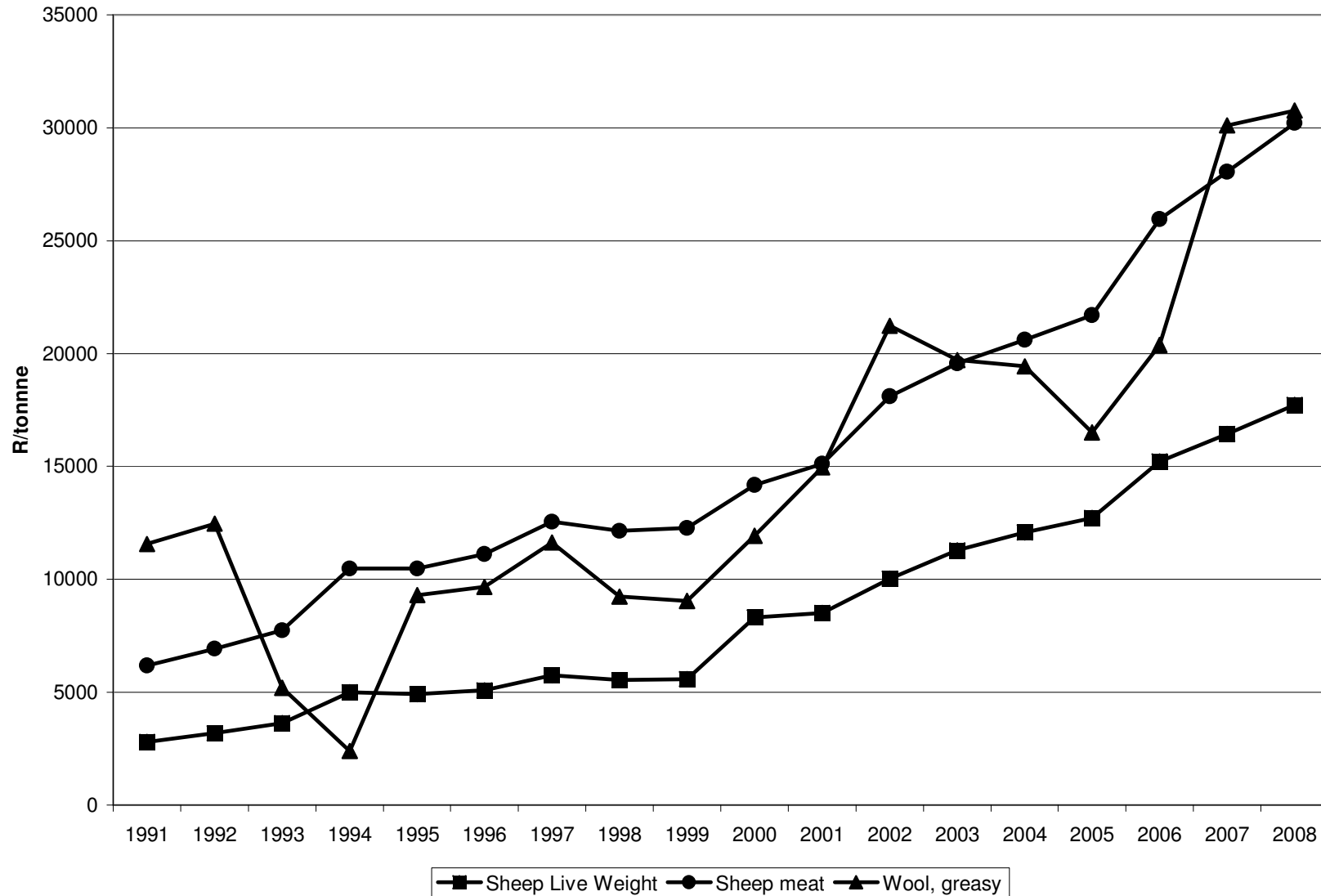
Global sheep export prices are lower for LDCs and more volatile, 1961-2007 (FAO Stat)



In SA, sheep continues to be the dominant livestock; but numbers have been falling from 1961 to 2009 (million stock heads, DAFF Stat)



Average prices for wool and sheep meat are unstable but substantially higher than 'live sheep prices' - and this gap might widening.



Self-reported occupation of males and females by district, Amathole & Joe Xabi Ukhahlamba

	Amathole		Ukhahlamba		Total
	Male	Female	Male	Female	
Farmer	26	10	47	2	85
Farm worker	11	0	16	5	32
Other	6	1	8	2	17
Total	43	11	17	9	134

Types of livestock owned by rural households in Amathole and Joe Xabi (Eastern Cape)

	Amathole			Ukhahlamba		
	Farmer	Farm worker	other	Farmer	Farm worker	other
Cattle	11	3	6	17	2	5
Goats	16	0	17	30	4	26
Sheep	63	1	43	101	4	2
Pig	0	1	0	1	0	0
Poultry	18	7	25	7	3	2

A few major findings on determinants of sheep output prices in local markets

- **Sheep markets are not gender neutral**: men participate more in local sheep markets and receive higher prices than women-this is accounted for by higher male bargaining power bestowed through patriarchal customs & traditions (Turner and Williams 2002)
- Active sellers have a **stronger market orientation** (consume small share of livestock) and are able to offer **discounted prices**- this runs counter to the '*distress sales*' arguments.
- **Interdependencies exist in local markets**: prices and incomes from sheep interact with other local livestock product markets:
 - Average price of goats positively influences prices for sheep
 - Wool and sheep markets for small farmers interact
 - Farmers with larger numbers of other livestock (cattle, goats, etc) receive higher prices for their sheep



Conclusion, policy implications & recommendations for further research

- **Structural and institutional factors** are dominant determinants of local output prices for small sheep farmers and might reinforce the effects of ‘exogenous shocks’;
- This questions/challenges assumptions that local sheep markets are ‘perfectly competitive’

The policy lessons:

- Implementation of gender equity provisions in agricultural marketing and development policies must be fast-tracked and executed with greater vigour
- Small-scale sheep farmers rarely, if ever, specialize in either ‘sheep’ or ‘wool’ markets and *policies that pigeonhole smallholders might be counter-productive*- realities of mix livelihoods strategies must be recognized in policy

Gap for further research:

- Concrete evidence on **sheep quality** is hard to access and it continues to be informed by stereotypical perceptions, often serving as a barrier to access ‘formal markets’
- This requires rigorous investigation to distinguish the influences of ‘sheep quality’ from ‘perceptions’

