

# Livestock Trade in North-Somalia: Its Organization, Implementation and Problems

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## 1. Introduction

Since ancient times the region of North-Somalia has been known for its frankincense and myrrh export to Arabia and India. The last century brought a change in the staple from these gums to livestock. From the middle and end of the 19th century, livestock exports from various small ports of the northern Somali coast have been frequently stressed by travellers to this part of Africa. It is assumed that such exports already had been undertaken for many years previously. After the short time of Egyptian rule on the NW-coast of Somalia (1870-1884), the British Empire took over the main part of North-Somalia as a protectorate. Until this time, the exports from that region had been orientated to Arabia and the Indian westcoast. Then the direction was changed towards the British Crown-colony of Aden. Contrary to the Italian aim to use Somaliland as a colony for settlement, «British-Somaliland» was from the beginning a supply colony for the strategic more important Aden.

The function as a supply area gave the Somali inhabitants the chance to participate in the thriving trade to Aden. Thereby, the provision of the population there with livestock was the foundation of today's export business. In the late 60's of this century, there was a real boom of livestock exports: The British rule in South-Yemen ended and the land worked itself into an isolated position among the Arabian countries, which also involved external trade. At the same time Saudi Arabia developed into the main market for Somalia's small ruminants.<sup>1</sup>

There are mainly two reasons for the rapid increase in exported animals to Jeddah which have to be mentioned:

1. The constant growing number of pilgrims to Mecca and their demand for slaughter animals. Therefore, about 50% of the total amount of exports to Saudi Arabia are used.
2. The permanently increasing revenues from the crude oil export of the Saudi

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<sup>1</sup> The following part only deals with small livestock, namely sheep and goat since large livestock, like camel and oxen, play merely a subordinate role at the moment, for various reasons.

Government which caused a higher standard of living and the high number of foreign workers employed in this country.

Beside Saudi Arabia, the smaller states of the Persian/Arabian Gulf and North-Yemen are the other important outlets for livestock, especially for the central and eastern parts of North-Somalia. This possibility for an immense export to the sale markets in Arabia, which has increased in the last two decades, has created a commercialization of the livestock production. This caused an extreme long-ranging development that influenced the nomadic living sphere immediately and in the medium term.

It would be outside the scope of the article to point out all the problems related to the livestock export, therefore the following part will be focused on three topics:

1. The organization and implementation of the export;
2. the participating persons;
3. the consequences of the export business.

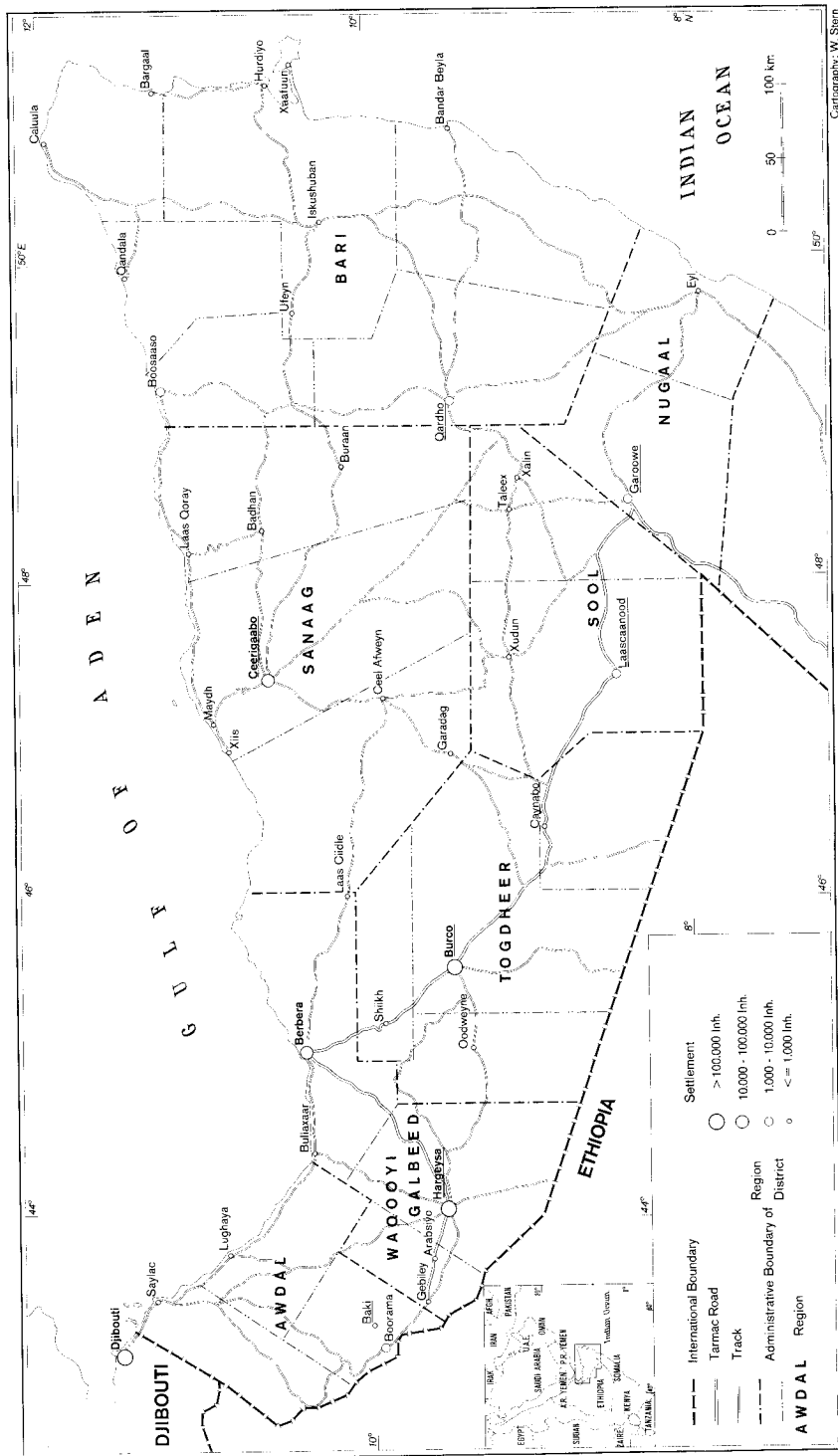
Thereby the thesis of this article will be proved, that with the livestock trade, a well functioning market circulation was developed, largely independent from government influence and restrictions. Contrary to the almost entirely nationalized economy, this sector of the economy is quite privately organized. It gives a series of persons the opportunity to get employment and an adequate salary in a region, where normally underemployment and underpayment is found.

## **2. Organisation and Implementation of Livestock Trade**

Since the independence of Somalia in 1960 the marketing and export of animals from North-Somalia has been completely done by Somali traders. Only in the beginning of this century, the purchase in the coastal towns was in the power of Arabian and Indian merchants. Today the Somali livestock exporters have established good commercial relations with Arabian dealers, or, at least, to their agents. From time to time the contact to the customer is established by Somali foreign workers in these countries.

The Arabian client opens a so called «letter of credit» (LC) in an Arabian bank about the demanded number of animals. Then the Somali trader appoints his agents who work as middlemen, to buy a certain number of animals. The middlemen, operating during the purchase at their own discretion, have the authority of the exporters, in whose name they are doing the transaction. The traders have a lot of these agents from the different regions of the north, in order to buy animals in many different places and to get them cheaper. The middlemen are local people with a personal relationship to their sellers in the rural areas. In terms of their reputation or that of the exporter, the livestock is often sold without getting the cash immediately. In doing so, only the «gentleman agreement» counts. And that guarantees that the buyer will pay as soon as he gets the money from the Somali bank. This kind of credit to the exporter is granted on the regional markets, as well as on local markets.

The traders pursue to some extent different strategies for the acquisition of animals. One party buys them exclusively on the regional markets (e.g. Hargeysa, Burco etc.; see overview map). They are not rooted in the nomadic society and



Overview-Map North-Somalia

they have no relations to the rural people. Another group of exporters buys directly in the rural areas, nearly without exception. There, those are normally well known by their occupation or by their origin. The bigger merchants do their business at both places: on local markets in rural places and on the important regional markets. Beside them, a lot of people are engaged as intermediaries, who acquire the livestock in the rural areas and sell it on the regional markets to the middlemen of the exporter.

When the animals are bought they will be sent on foot to the regional markets, if the trader is in a hurry, lorries will be used. The wealthy exporters sometimes have their own lorries at their disposal; but normally these vehicles are hired. Nearby the regional markets, the animals are brought to «holding grounds». These are reserved areas, established by the «National Range Agency», prevented against the nomads, in order to have a grazing area. Here, the livestock is kept, on the one hand to meet the government's demand for quarantine and on the other hand to fatten the animals, before they are transported to foreign markets. Some traders have established their own small holding grounds; the needed hay is bought from special merchants.

If the time of quarantine is finished, the animals are delivered to the regional markets, where they are marked with the sign of merchant. After all duties are paid to the government, the small cattle are stamped by the personnel of the ministry. The next step is the loading on lorries, which take them to the port of shipment. Once arrived there, they are driven again in «holding areas» until the loading begins.

Wooden shelters are used to protect the animals against the enormous heat in the coastal area. During the peak of export there is a deficit of shelter and even of drinking water, sometimes. Then, heat-stroke is not rare among the waiting animals. Due to the high temperatures, the animals are loaded at night times. The ships have to be filled until day-break, in order to leave the harbour shortly after dawn. The passage to Jeddah takes approx. 60 hours. The vessels are sent by Arabian dealers directly or they are hired by the «Somali Shipping Agency». Beside liners, which are permanently serving the route Berbera-Jeddah, also charterships are used in the Hadj-time. The capacity of the ships differs, in average they load 20.000, the biggest has a storage facility for 60.000 heads.

The moment the ship has left the port, the traders can get their money from the bank. With this transaction, the two existing exchange rates are used. From the official selling proceeds one is forced to exchange 40% at a rate of 40 Sh.So. per US-\$ (1985). The rest can be kept as «hard currency amount» with the bank. It could be converted at a rate of 83 Sh.So. per US-\$ at that time. If wanted, the bank draws up a \$-check for those who want to buy goods in foreign countries. In 1984, the traders were constrained to exchange the whole amount of revenues at the low rate.

Since there are currency restrictions in Somalia, the real price agreement in the buying country is very interesting for the exporter, because only the minimum price of 36 \$ (c.i.f.) has to be placed on account with the Somali bank. Every agreement with the Arabian buyers above this price is the real profit of the Somali merchants, as they can keep it in any other bank abroad, out of access of the Somali Government.

North-Somalia can be divided into two areas for livestock buying-up:

1. All animals, bought for export to Saudi Arabia, are from the Awdal-, Wa-

qooyi Galbeed-, Togdheer- and Sool-Region (see Map) and from Central Somalia. They are only shipped via Berbera-Port, which is the largest animal exporting harbour.

2. Small animals from the Sanaaq-, Bari-, Sool- and Nugaal-Region are sent to Norh-Yemen and the small Gulf states, namely U.A.E. It is assumed that illicit trade is also made with Oman and South-Yemen.

For the export to all these countries, various smaller ports of the regions are utilized. These are: Xiis, Maydh, Laas Qoray, Ceelayo, Boosaaso, Qandala, Caluula, Bandar Beyla and Eyl. In all these small ports, the illicit trade is as common as ever, since it offers a much higher profit to the participants.

The procedure of buying and selling in the north-eastern regions is similar to this one mentioned above. It is only on a much smaller level. The higher profit for the traders of these regions and the higher price level in the smaller Arabian states have lead to an elevated price standard in the north-eastern regions. Therefore, merchants from the other regions avoid to buy here. The sufficient traffic connections in the north-east are a further reason.

The unsatisfactory infrastructure in these regions has lead to a continuous food shortage in the last years. Due to this fact, the Somali Government allowed, in October 1984, the livestock export from these regions on the so called «collection base»: different from the usual procedure, the exporter does not need a LC, but he announces at the bank the number of animals he wants to ship abroad. In the countermove he is obliged to bargain half of his revenues into basic food-stuffs, he will take to the Sanaaq - or Bari-Region. The remaining 50% he has to exchange at the bank. This kind of export was interrupted for time the being in November 1985.

### **3. Involved Groups**

#### **3.1 The Traders**

The traders, who are active in the export business with Arabia, are mostly from «traditional» trading-families, approx. 150 in number. They are almost all from the northern regions of Somalia and for at least two generations have been engaged in livestock trade. Some of the merchants are real newcomers. They were almost exceptionally former agents for other traders. On the basis of the formed relationship of personal trust, the principal will grant him the possibility to export some animals in the principal's name but on his own account. In many cases that was the entrance into livestock trade.

The profit of the merchants is to a main part invested as cash for buying-up in the following year. Other usual investments are the erection of private homes and hotels. Shops are opened as well. One can presume that all the exporting livestock traders dispose of considerable amounts of hard currency in foreign bank accounts, taken from the extra profit they got there.

It has to be mentioned, that the export business is on one hand one of the rare possibilities for private investments, but on the other hand also a financial risk. Yearly numerous persons are joining the business, where they normally fail, due to the lack of experience and necessary connections.

### 3.2 Assistants for the Export Arrangements

The settlement of the trade is not possible without the use of numerous aids. First of all and most important for the trader is the middleman or agent. The traditional system of taking middlemen, is also used by the nomad, who offers his animals on the local or regional market. Never is there a direct contact between buyer and seller. The middlemen are mostly from the nomadic society and are doing it as an avocation. The salary differs by region and depends on the kind of animals (10 to 40 Sh.So. per small ruminant and 100 Sh.So. per camel or oxen).

Another kind of employment for the townspeople or a part time job for the rural population is the occupation as *harras* or *siwaaqi*. The first is a livestock attendant on lorries or ships, the last drives the animals on foot to the regional market. The *raaca* is the herdsman at the holding ground. He is either constantly engaged by one merchant, or he is hired at an office in town. The paying off is 300 Sh.So. per day resp. 5 to 8 Sh.So. per animal in Berbera. The *raaca* is often from the nomadic living sphere, normally he is engaged during the peak of export, only. Others are from the bigger towns like Hargeysa and Burco.

### 3.3. The Nomads

The continuous growing livestock export to Arabia (especially Saudi Arabia) since the 1970's, have established a new source of money for the nomads. Thus livestock was bread above the need for subsistence. In order to participate in the livestock business, the nomads are paying more attention to their animals, e.g. the weight and healthiness. At the same time the main foodstuff meat, after milk, was superceeded by rice, pasta etc.

The final gain, aquired through the sale of livestock, is used for different purposes by the nomads: first it is needed to meet the constantly climbing prices for basic foodstuff. Wealthy nomads are able to invest money in various kinds of buildings. In areas with unsufficient or no groundwater, the target will be to erect a so called *berkeed*. In 1985 the cost for such water-catchment were at up to 500,000 Sh.So. The erection of dwelling houses or shops/tea-shops are other possibilities to invest the money.

The sale of animals for export duties opened an income to the nomads, which was not possible to get only by internal trade. Countless ongoing developments in the nomadic area are backed up on the newly opened finance source. Certainly, the financial profits out of the livestock trade differs a lot and the «big business» is made by a few wealthy nomads. For the mass of the rural population, the revenues just cover the expenditure for basic needs or small goods as torches and radio-recorders.

Since the family ties of the Somali population are still very strong, the financial profit of the individual is frequently wide-spread among the relatives. Thus one can talk about the improvement of the standard of living through the livestock trade.

## 4. Conclusion

By the prefaced analysis it is intended go give a short insight into the organiza-

tion and implementation of livestock export from North-Somalia. The thesis, which was set up in the beginning, should have been demonstrated. This said: with the livestock trade an independent, thriving economy circular course has been developed, contrary to the often called «hidden economy» of Somalia.

However, it must be admitted, that the livestock trade and the herewith connected different profit rates, furthermore establishes a new rich upper class of livestock traders and will therefore intensify the social differentiation of the population in North-Somalia.