



Towards unlocking the potential of the hides and skins value chain in Somaliland

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Background

Livestock is the main source of livelihood and national income in Somaliland. However, it is increasingly being recognized that Somaliland needs to diversify its export portfolio and range of export markets in response to the declining rate of growth of live animal exports.

Enhanced trade in hides and skins and general development of the leather sub-sector provides one approach to diversify Somaliland's exports.

An analysis conducted in collaboration with International Livestock Research Institute, Terra Nuova and IGAD Sheikh Technical Veterinary School reveals policy gaps in the hides and skins sector in Somaliland that are currently hindering the performance of the value chain.

The value chain analysis was conducted with the following objectives:

- (i) map hides and skins value chain actors and inputs and service providers, and understand the connections between them;
- (ii) generate an understanding of the constraints hindering the performance of the value chain; and,
- (iii) identify potential opportunities for value chain upgrading.

The data used during this study included both primary and secondary data. The secondary data was obtained from

documents, including livestock industry and market reports and previous studies by other researchers and research organizations. The primary data was obtained through focus group discussions (FGD) with various types of value chain actors including hides and skins collectors, wholesalers, exporters, tannery operators, government officials and other interested parties. In addition, individual interviews were conducted with a total of 90 value chain operators using a semi-structured questionnaire.

Sites for interviews with individual value chain actors were identified in advance with the assistance of participants in the FGD. These sites were mainly market centres where hides and skins activities were prevalent and included Hargeisa, Burao, Borama, Gabiley and Berbera regional towns.

Information generated from this study is hoped to assist in the formulation of strategies to unlock the inherent growth potential within the hides and skins subsector and contribute to generate more foreign exchange earnings in Somaliland.

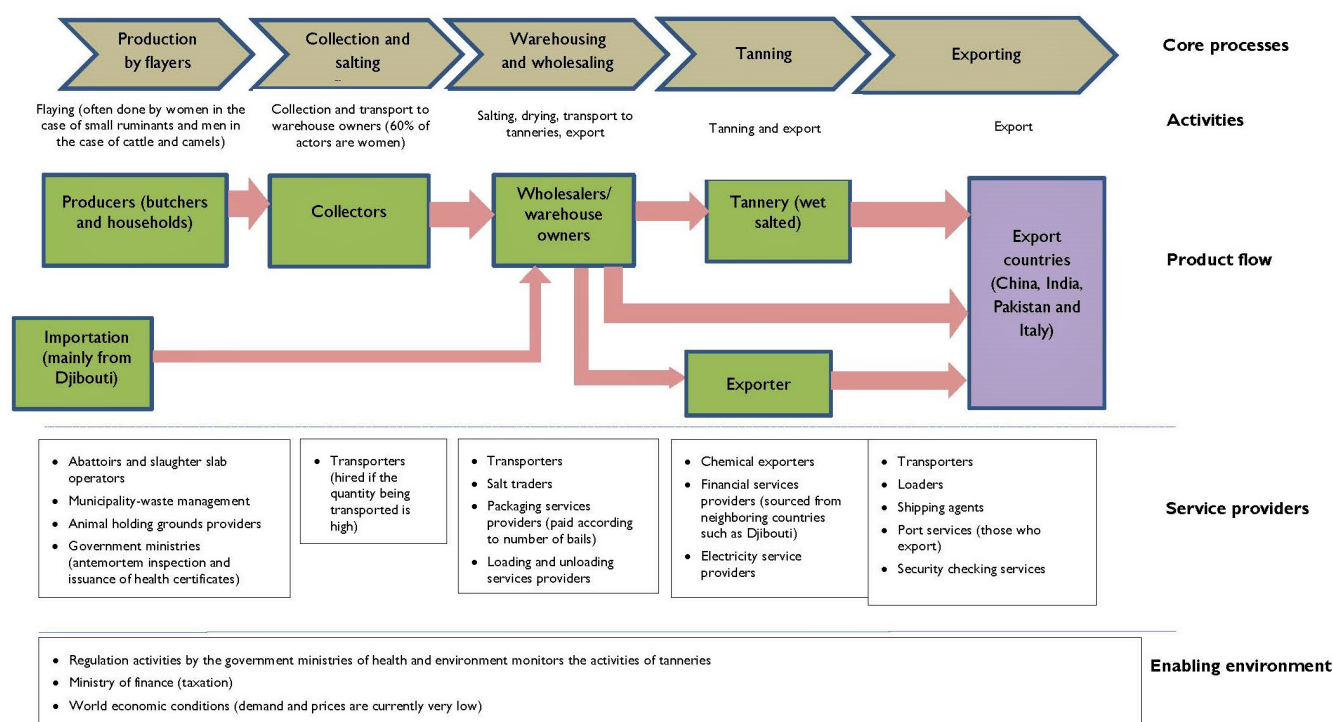
Challenges of the hides and skins sector in Somaliland

The challenges facing the sector include the low quality of hides and skins due to defects accumulated before, during and after the slaughtering of animals and the lack of harmonized policy and coordination among government agencies involved in the regulation of the sub-sector.

The main destination markets for hides and skins from Somaliland include China, India and Pakistan. Most of the hides and skins (77%) are exported in raw cured form, with the remaining processed to wet-blue stage. Essentially, the core value chain processes that take place within Somaliland include production of the hides and skins (through animal rearing and slaughter), collection of the hides and skins, warehousing and wholesaling, tanning, and export marketing (Figure 1).

two of the slaughterhouses (Borama and Burao) can be termed as modern slaughterhouses, while the rest often lack adequate and appropriate equipment leading to poor quality of hides and skins due to slaughter defects such as fly cuts. Slaughter practices in some of the abattoirs, such as bleeding animals on the ground as opposed to when the carcass is hanging, and extensive use of knives as opposed to fisting during skinning also undermine the quality of hides and skins produced. In some cases, flaying is done by people who have never received any skill enhancing training on hides and skins and their knowledge on factors

Figure 1. A schematic representation of the hides and skins value chain in Somaliland



Collectively, it was estimated that the industry supports a total of over 1,190 persons across the country—1,050 men and 140 women. Hides and skins collectors account for most of the value chain actors (77%) compared to wholesalers (17%), tanners (5%) and dry hides and skins exporters (4%). The two tanning factories have a combined workforce of 54 demonstrating the potential for downstream value addition activities in the sector to generate employment. However, it was noted that the hides and skins sector has declined in recent years with the total number of pieces exported falling by 30% between 2014 and 2016, coupled with the closure of two tanning factories. Value chain actors attribute the situation to difficult conditions in the international market leading to reduced level of activity by marketing agents in the value chain in Somaliland. The financial loss to Somaliland due to reduced volume of hides and skins export in 2016 was estimated to be more than USD1.9 million worth of sheep and goat skins and USD1.12 million worth of camel hides.

There are six main slaughterhouses in Somaliland located in the main regions of the country—Borama, Gabiley, Hargeisa, Berbera, Burao and Togo Wajalle—which act as the main initial sources of the hides and skins marketed for export. These are supplemented by 36 slaughter slabs often located in the country’s administrative districts. Only

influencing quality is limited. However, the factors and practices that undermine the quality of hides and skins in Somaliland go beyond animal slaughter. The most cited pre-slaughter factors include diseases and parasites that afflict animals, bruises and injuries on animal coats often caused by thorny bushes in rangelands where animals graze and the husbandry practice of branding animals. Putrefaction due to poor preservation of the hides and skins after slaughter and retained fat were the most frequently cited post-slaughter defects that undermined quality.

While grading is practiced during procurement at the wholesale stage of the value chain and beyond, suppliers of hides and skins exported in dry salted form receive the same prices for the three different export quality grades identified—fresh, wet salted and air dried. A possible reason for this is that defects in hides and skins from animals reared in extensive systems are not highly visible before tanning. This premise was rendered some credence by operators of tanning factories who lamented that despite accepting only the best quality skins from the local market, 40% of these were downgraded and sold at a lower price after processing. It was also found that the tanning factories in Somaliland are engaged in importation of raw skins from neighbouring Djibouti and Ethiopia and these were said to be of better quality than the local skins due to

better animal slaughter facilities and techniques used in the two countries.

On value chain governance, industry concentration was found to be low at both wholesale and export stages pointing to a high level of competitiveness. Nevertheless, tanneries generated the higher amount of value added per goat skin (USD0.56) compared to other value chain actors besides butchers (USD0.08–0.15). In addition, wholesalers, exporters and tannery operators complained about the way activities in the sector are regulated by the government. Of major concern were the frequent changes in the government ministries involved which affected the consistency of policies. The pervasive changes in the government ministries were also blamed for frequent issuance of conflicting directives regarding the suitability of the location of warehouses and tanning factories. In addition, actors complained about high costs and/or the occasional unavailability of important inputs such as salt and chemicals used in leather tanning.



Fresh hides and skins assembled by a collector for delivery to a wholesaler

Policy recommendations

Numerous recommendations arose from the analysis, which can be used to enhance the performance of the hides, skins and leather sector in Somaliland. These recommendations include:

1. Results demonstrate the importance of hides and skins as a source of livelihood and an export commodity for Somaliland. This calls for efforts by the government and other development agencies to support the sub-sector to unlock its potential in the fight against unemployment and poverty. Development of a hides, skins and leather sector development policy and strategy could be a good starting point. This should serve to guide the activities of investors and regulatory decision makers. The prevailing situation is not conducive for good performance of the sector as it only serves to increase uncertainties among private investors.
2. Efforts should be made to improve the quality of hides and skins in Somaliland which is lower than that of neighboring countries. Such efforts may include upgrading of the existing animal slaughter facilities and equipments, building the capacity of relevant personnel on appropriate practices, sensitization of producers

on how to do cattle branding without causing much damage to the hides and skins and enhancing availability of animal health inputs and services.

3. There is need for formulation and adherence to quality standards based on international guidelines, which is one of the missing links to securing better prices of finished products.
4. There is need to address the problems in procurement and unavailability of inputs in the hides and skin industry especially salt. Possible intervention would be regulation of packaging to ensure that buyers always get a fair deal of what they purchase. To address the problem of shortage in supply, investors and development agencies should explore the possibility of introducing salt recovery technologies such as those being used in tanneries in Ethiopia. Recovery and recycling of salt also renders the hides and skins industry more environmentally friendly.
5. Policy should encourage more value addition through tanning of hides and skins into finished leather and leather products such as footwear. As data on market margins from value chain actors shows, such downstream processing activities would generate more employment and add more value that translates into more benefit to actors within the local economy. To access the technology needed for this type of upgrading, policy could facilitate local-international partnerships to set up value addition activities. In the case of tanning, it is important to note that processing of raw hides and skins into wet blue is costlier in terms of pollution than the subsequent processes of processing wet blue to crud leather and finished leather.

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Disclaimer

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