

18. Rural marketing in Tigray: the case of Hagere Selam market

Abebe E. Alemu^{1,2}, Mathijs, E.¹, Maertens, M¹, Kidanemariam G.^{1,2}, Nyssen, J.³, Deckers, J.¹, Bauer, H.⁴, Kassa Amare⁴

¹*Department of Earth and Environmental Sciences, Catholic University of Leuven, Leuven, Belgium (abebejigu@yahoo.com)*

²*College of Business and Economics, Mekelle University, Mekelle, Ethiopia*

³*Department of Geography, Ghent University, Ghent, Belgium*

⁴*Research Coordinators, VLIR-MUIUC, Mekelle University, Ethiopia*

Introduction

Based on the 2007 census conducted by the Central Statistical Agency of Ethiopia (CSA, 2008), the Tigray Region has an estimated total population of 4,314,456; among which 19.5% are urban inhabitants. The region is primarily agricultural and the majority of the population is employed in this sector. Agriculture is dependent on unreliable rainfall. Livestock play an important role in the rural economy of Tigray. They are sources of draft power for tillage and transportation, cash income from sale of livestock and livestock products, food such as milk for household consumption and manure to maintain soil fertility. Tigray has 47 districts (woredas) and among them, Degua Temben is one, which has a relatively cool temperature. Hagere Selam is the capital of the Degua Temben District, where all the district offices are located.

Rural marketing

Marketing can be defined as the performance of business activities that direct the flow of goods and services from producers to consumers. In broader terms marketing is defined as a system of business activities designed to plan, price, distribute and promote want satisfying products (goods and services) to present and potential customers (Berman and Barry, 1982; Kotler, 2001; Stanton et al., 1985).

Rural marketing incorporates the marketing of agricultural products, rural industrial products and services of many kinds. The trade channels for different types of commodities available in rural areas are private, cooperatives, processors and state agencies. A village economy can't be developed without effective and efficient rural marketing. Thus production and marketing are the two facets of a coin. Rural marketing constitutes the nerve centre of rural development activities. Rural marketing is a two way marketing process that encompasses marketing of products which flow to rural areas and products which flow to urban areas from rural areas. So rural marketing broadly defined is concerned with the flow of goods and services from urban to rural and vice-versa.

The rural marketing system contains the buyer, the seller and the mechanism that helps to transfer the goods from producers to consumers. Products in the rural marketing system can be agricultural products, industrial products, services, livestock and live stock products, etc. In the rural marketing system, producers can be farmers, manufacturers, query industries and assembly industries. Buyers in the rural market include the consumers, wholesalers, retailers, the farming community and cooperatives. Operators in between are: retailers, wholesalers and cooperatives (Abebe et al., 2010).

Products in rural markets of Tigray

Products available in the rural marketing system of Tigray are mainly agricultural products consisting of staple crops such as barley, wheat, sorghum, beans and teff; vegetables including tomato, potato, cabbage (Fig. 1), lettuce, swisschard and onion; fruits like orange, banana, cactus, apple (emerging fruit); livestock and livestock products such as milk, butter, yoghurt, cheese, egg, chicken, goat and sheep; apiculture products, mainly honey (white, yellow and red honey); firewood, charcoal and poles; and home-made hardware, such as pottery, oven covers or farm implements.



Fig 1. Cabbage and salad in open market at Hagere Selam

Market institutions and linkages

Large parts of these agricultural products are exchanged mainly in open markets, through cooperatives and in a few of the producers sell through contracts. Transaction costs and resource constraints are claimed to be pushing farmers to adopt any of these mechanisms of coordination (Williamson, 1979). Open markets are located mainly in the district towns and some major satellite villages and perform once in a week where buyers and sellers from various areas meet in these open markets. In open markets, different measurement units are used and generally comprise unstandardized cups that are conventionally accepted by the agents in the market (Abebe et al, 2010; Fredu et al, 2006).



Fig.2. Units of measurement for crops at Hagere Selam market

These cups are made from tin that is used to measure grains in the market and they are also used to measure milk and honey in open markets. Standardized balance as unit of measurement is employed by retailers who buy different types of vegetables and fruits from smallholder producers and supply it to other buyers in the market. However, balances as are used only for a few products.



Fig 3. Kilogram as unit of measurement Fig 4. Honey sellers waiting for buyers in H/Selam

The second types of marketing institutions are production cooperatives and marketing cooperatives. Production cooperatives are composed of individual farmers who own resources and produce together. Marketing cooperatives are composed of producer members who produce agricultural products individually and bring outputs together for marketing. The cooperatives collect, store and sell products of its members. Members will share benefits and losses according to their contributions. In Hagere Selam there are two dairy processing cooperatives comprising more than 80 members. Members supply fresh milk to the cooperatives and the cooperatives sell boiled milk, yoghurt, and butter to various consumers and snacks at Hagere Selam and the nearby city Mekelle. There are also multipurpose cooperatives collecting agricultural products from farmers and supplies fertilizer, other inputs, and convenience goods to its members; and other buyers within the rural community.

There are mead houses (locally called ‘mes’ houses) which prepare honey wine (add value to honey) and supply it to various consumers. Hagere Selam is known for its best ‘mes’ quality and visitors of Hagere Selam use to take ‘mes’ while going back home.



Fig 5. Mead house at Atsibi

Moreover, contractual agreements in Tigray concern mainly the sale of milk and honey. For instance, honey producing households and cooperatives have contracts with Dimma Beekeeping and Honey processing PLC.

Industrial products

Several industrial products such as convenience goods, clothes, shoes, agricultural inputs such as fertilizer are also supplied in the rural marketing system. Cooperatives play a pivotal role in

getting fertilizer and other input distribution, as well as credit from government and other development institutions.

Market operators

The actors in the rural marketing system in Tigray are producers and village traders who produce, transport goods to and from the secondary markets, store and dispatch the produce as the market situation warrants. For instance, the actors in the honey supply chain are presented in Fig 6.

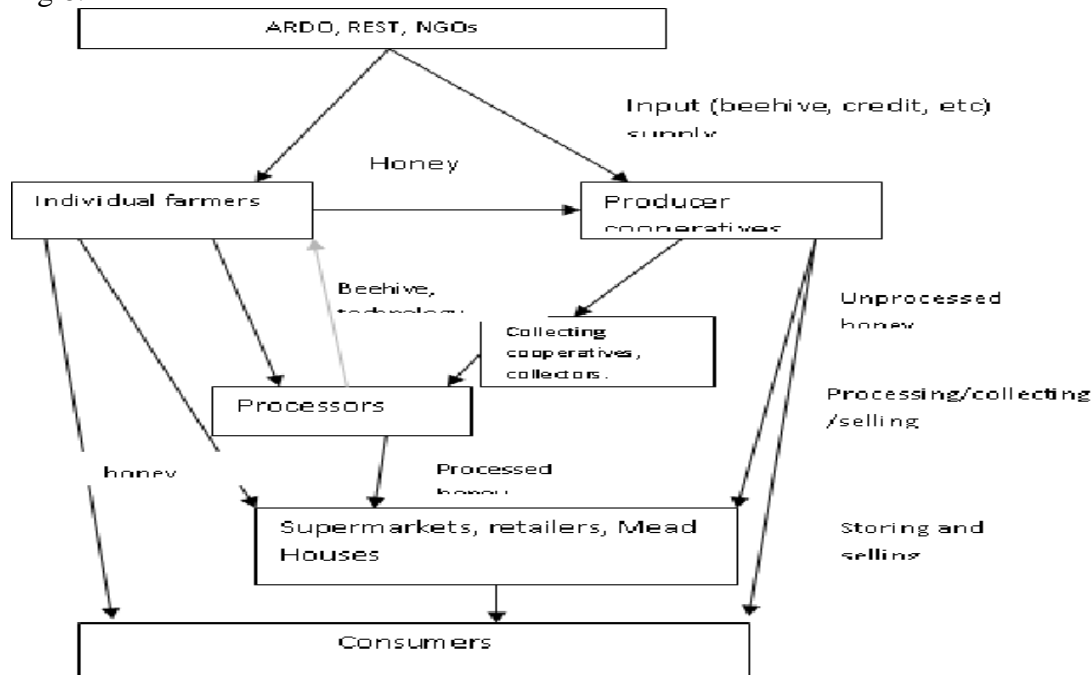


Fig. 6. Honey supply chain and operators in the chain. (Source: Abebe et al., 2010)

The second type of trader forms is the link between the village level and the secondary market level. They sell produce on a commission base, which they collect from the seller as well as from the buyer. The third types are cooperatives (Bijman, 2000) which operate on the principle of commissioning. Their role could include some sort of cleaning up the produce, processing, weighing, packing, and dispatching to centers of transportation and markets.

Obstacles in the rural marketing system

- Archaic transport system (no or bad roads): smallholder farmers' travel from villages located far from the district market. Rural marketers used to walk and use pack animals for transportation. Buyers travelling from Mekelle use bus transportation system which is relatively frequent. In recent years, where roads are present, many farmers can afford travelling and shipping their goods by bus or small lorry.
- Lack of sorting, processing, grading and labeling leads to inability to compete with imported goods: standardized units of measurement are emerging but not well utilized by the trading agents. Quality control mechanisms are still in their infant stage. To detect milk quality, cooperatives use lactometers but its availability is very limited. Therefore, poor quality frequently occur that derive personalized, relation or trust based marketing that affects free flow of goods in the marketing system.

- Warehouse shortage: though a few private warehouses exist, there are no institutions that offer warehouse or storage service. In case the producer do not find acceptable price to her/his produce, s/he has to take it back home. Therefore, they prefer to sell the product at the price they get rather than looking for better market situations.
- Absence of strong organization of producers: producer organizations are fragile and instable. Sometimes members want to free ride and want to benefit at the expense of others which weakens the cooperative societies. However, the Selam Dairy cooperative at Hagere Selam is one of the cooperatives in Tigray that is well functioning and well serving its members.
- Primary/village markets are functioning once a week and secondary markets that work day to day are very far from farming communities: the district market is the nearest market and it takes place once in a week (Saturday) – with only resale activity going on the other days of the week. Therefore, producers need to wait. If they want to travel to Mekelle, the transportation costs and other transaction costs may be unaffordable to smallholder producers.
- Lack of product diversification: farmers producing identical products which results in seasonal excess supply as well as lack of exchange among themselves.
- Information asymmetry: farmers lack market information; the dissemination of price information through the regional radio is introduced to change the situation – mobile telephone would be another option. The information asymmetry prevailing among the farmers erodes their competitive strength.
- Smallholder farm production: this limits the amount of produce to the market and affects transaction costs. Many smallholders produce at subsistence level and they lack commercial/market orientation. They also lack market driven products (cash crops are missing), though there is an improvement in this respect.
- High transaction costs such as searching buyers, negotiation and monitoring costs.
- Lack of effective institutions to enforce contract or payment; to some extent this is compensated by the existence of informal control mechanisms.

References

- Abebe E., Mathijs E., Maertens M., Deckers, J., Kidanemariam G., Bauer H. (2010). Supply Source Selection in the Downstream Dairy supply Chain in Tigray; paper presented at the 8th international conference on the Ethiopian Economy; Addis Ababa, Ethiopia, June 24-26,2010.
- Berman, B. Evans, J.R. (1982), *Marketing*, New York, Macmillan Publishing Co., Inc.,
- Bijman, J., (2002). Essays on Agricultural Cooperatives: Governance Structure in Fruit and Vegetable Chains, ERIM Ph.D Series Research in Management, Erasmus University, Rotterdam.
- Fredu N, Zaid N, Kidanemariam G., Abebe E, Mihret B, Tollens E., Deckers S., Nyssen J (2006) Participatory Rural Appraisal Report of Selected Villages in Tigray, Tigray Livelihood Paper No. 2, VLIR-MU IUC Program.
- Kotler, P., (2001) *Marketing Management*, 10th ed. (The Millennium Edition), Prentice – Hill, Inc.
- Stanton, W.J, Miller, K.E., Laton, R.A. (1985) *Fundamentals Marketing*, Sydney, McGraw- Hill Book Company.