



Enhancing the structure and performance of value chains:

A case study of the Lesotho wool and mohair sector

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Structure of the presentation

- Background
- Description of the intervention
- Results and impact
- Main lessons learnt



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Background: ComMark

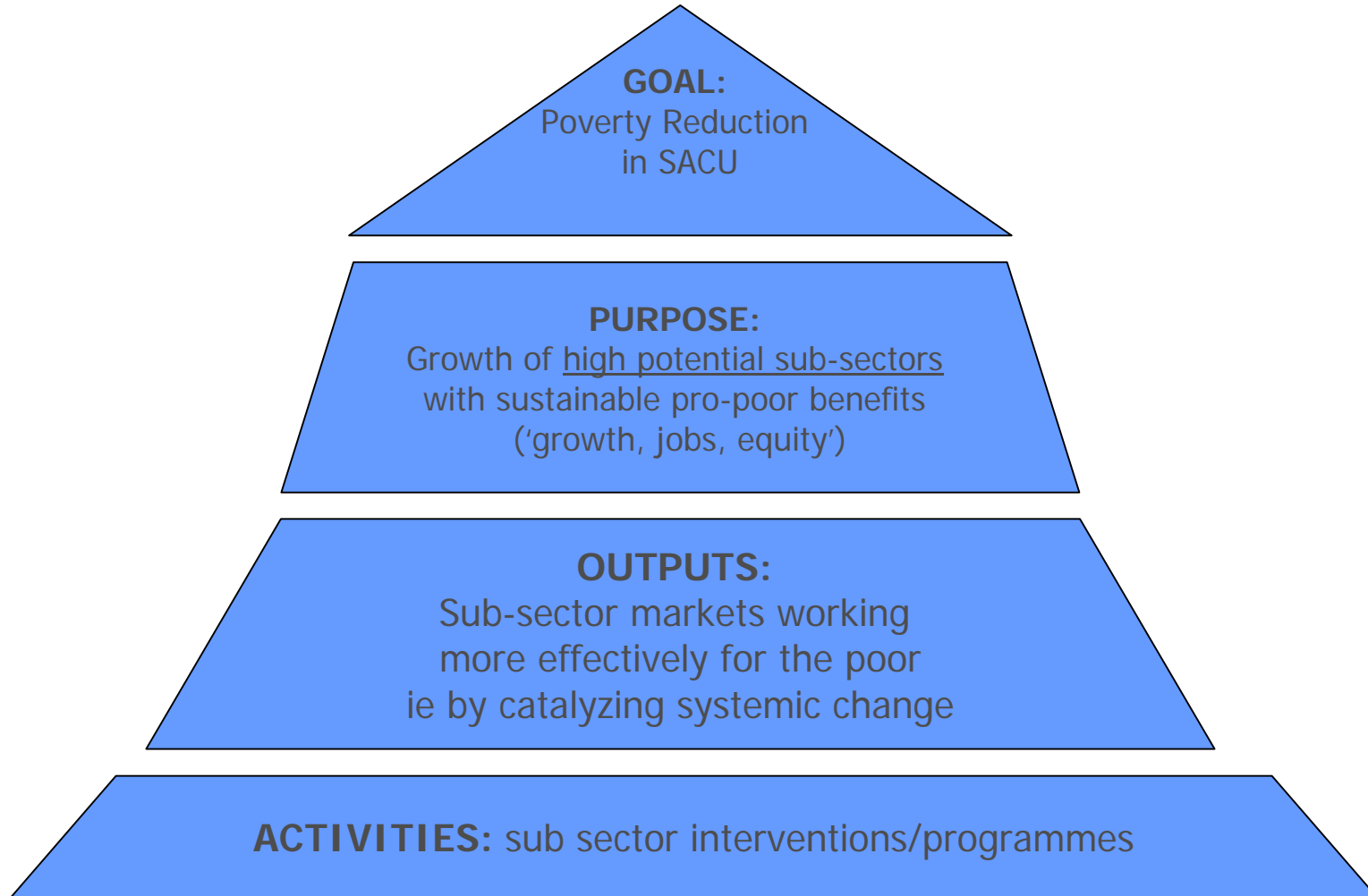
- Independent trust established by Dfid in 2003 to demonstrate how markets can be made to work for the benefit of poor
- ComMark intervention logic.....



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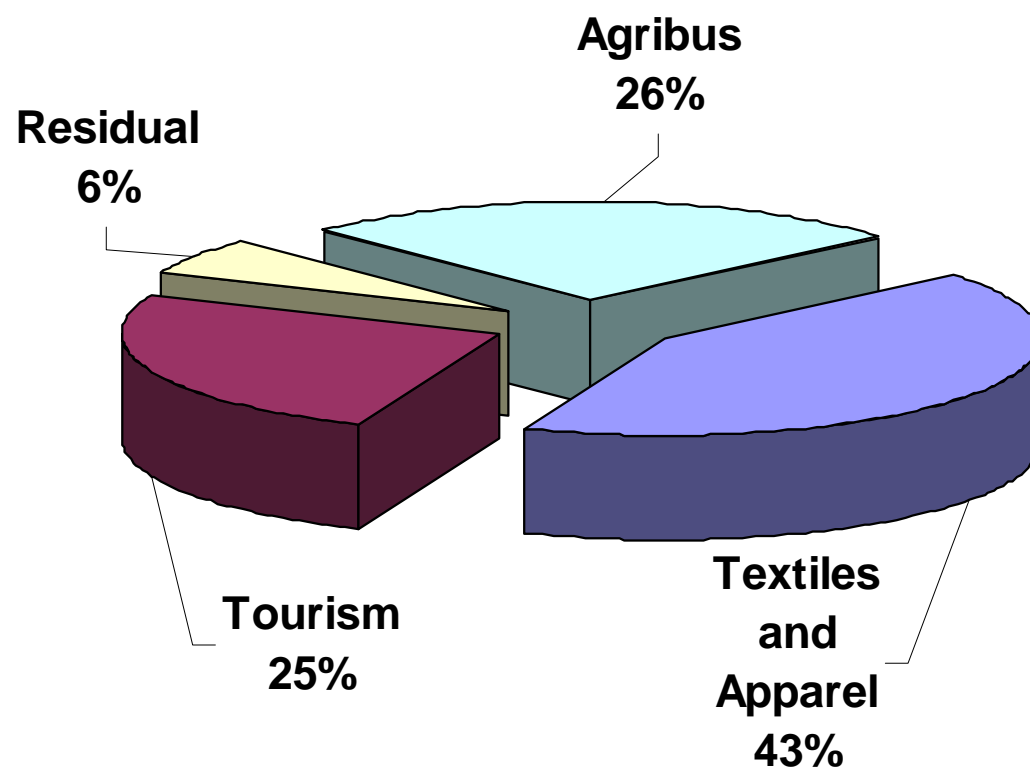
What do we want to achieve?



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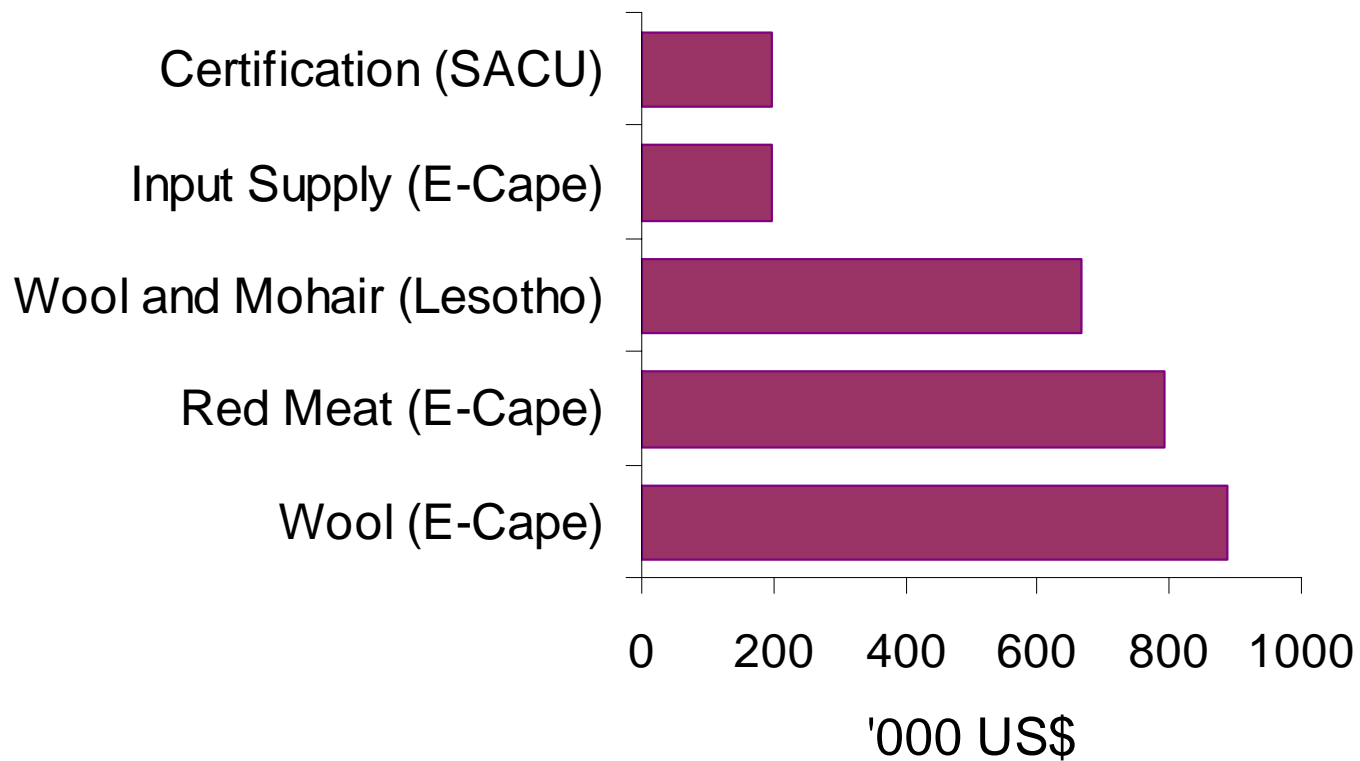
ComMark's Portfolio



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ComMark: Agribusiness



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Background: Lesotho

- Small land-locked LDC with a population of just over 2 million, and high rate of poverty – 58% of population below poverty line, GDP p/c = US\$ 423, HDI = 132
- Economy: Based on subsistence agriculture, livestock, remittances from miners employed in South Africa and an apparel-assembly sector. Stagnating economy- average growth 1990-2003 below CPI
- Agriculture: 80% of the population resides in rural areas where more than 50% derive their livelihood from crop and livestock production. While agriculture employs roughly 60% of the country's labour force its share of GDP has declined from 26.8% in 1981 to 16.3% in 2001.



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Background: Wool and mohair

- Long history, detailed statistics on the industry available from 1940s
- Size:
 - Small-stock numbers = 2 mn in 2001
 - ±25,000 wool and mohair growers in Lesotho concentrated in the four mountain districts of Quthing, Qacha's Nek, Mokhotlong and Thaba Tseka.
 - ± 39% of all Lesotho households own some small-stock and are primarily small-scale operators (avg flock size in the mountain areas is 50 animals but 50% of producers have flocks smaller than 40)
- Production: 2 mn kgs of wool and 1 mn kgs of mohair – considered high quality but declining industry



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Wool and mohair cont.

- ComMark Design Phase: Sub-sector analysis of the industry identified problems

Problems/Issues	Cause
Ltd investment in stock improvement	Increasing rates of livestock theft and consequent high risks to investment
Overgrazing/ Pressure on pastures	Encroachment of human settlement, disintegration of RMAs
Low reproduction rates	Poor flock management
Productivity losses (high mortality rates)	Low animal health std exacerbated by government's animal health service Poor feeding, breeding controls
Poor marketing structure	Private sector having ltd success, low levels of value-added at producer level, uncertain policy environment

Links in the Value Chain

Consumption / Export

Process / Mill

Wholesale / Auction

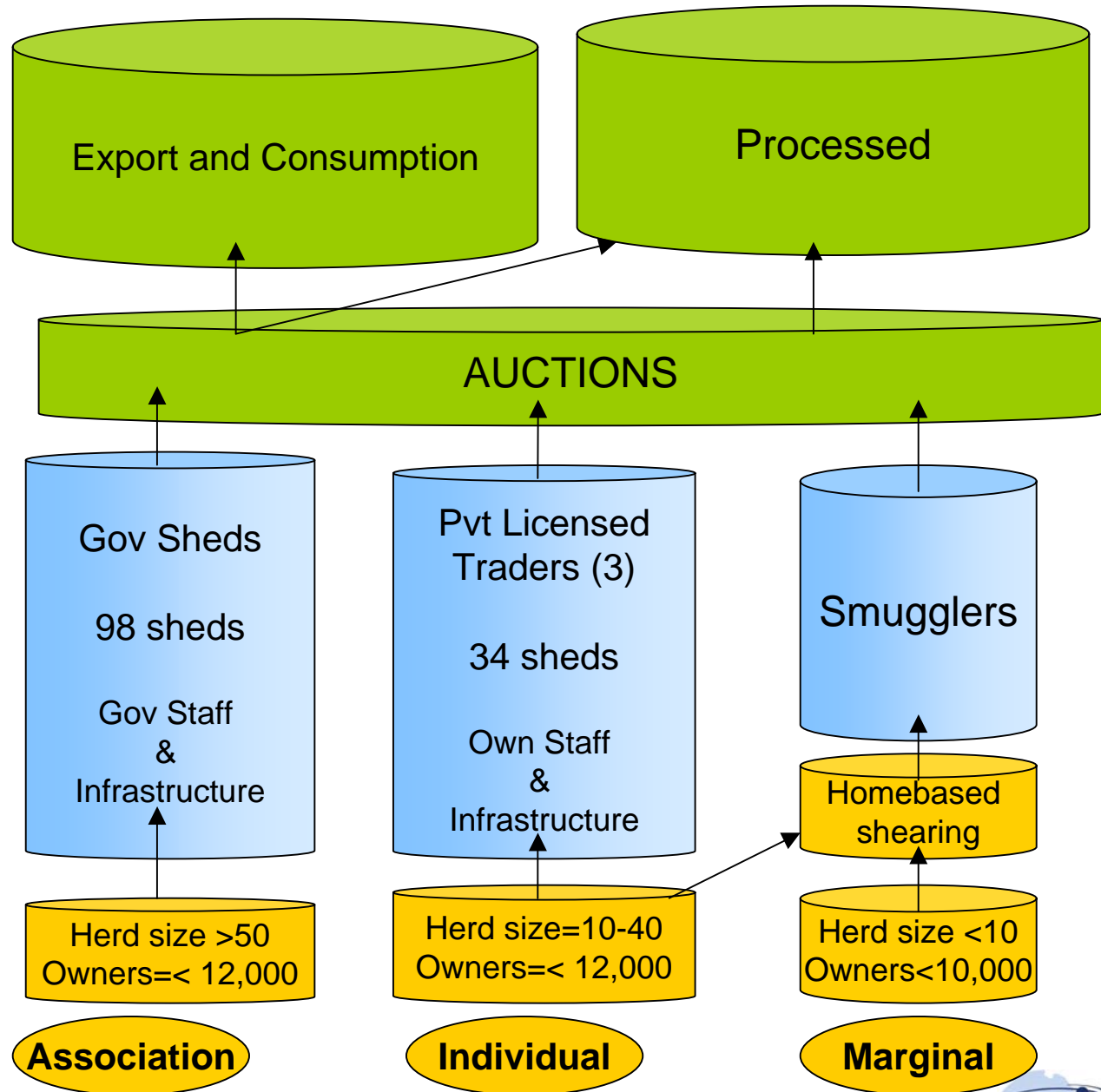
Transport

Baling

Classing

Shearing

Growing



Association

Individual

Marginal

Producer Groups within the Sector



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ComMark's Wool and Mohair Programme

- Systemic change
 - Improved regulatory framework – deregulation of the industry
 - Strengthen private-licensed traders so that they represent a proper alternative and serve as a model for the industry.



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Private Traders Project

Economics of a shearing shed

Prices pay suppliers = f (profitability)

Profitability = f (price received - costs)

Price received = f (quality product)

Costs per kg = f (total cost/kg)

Kgs = f (number of producers and yield)

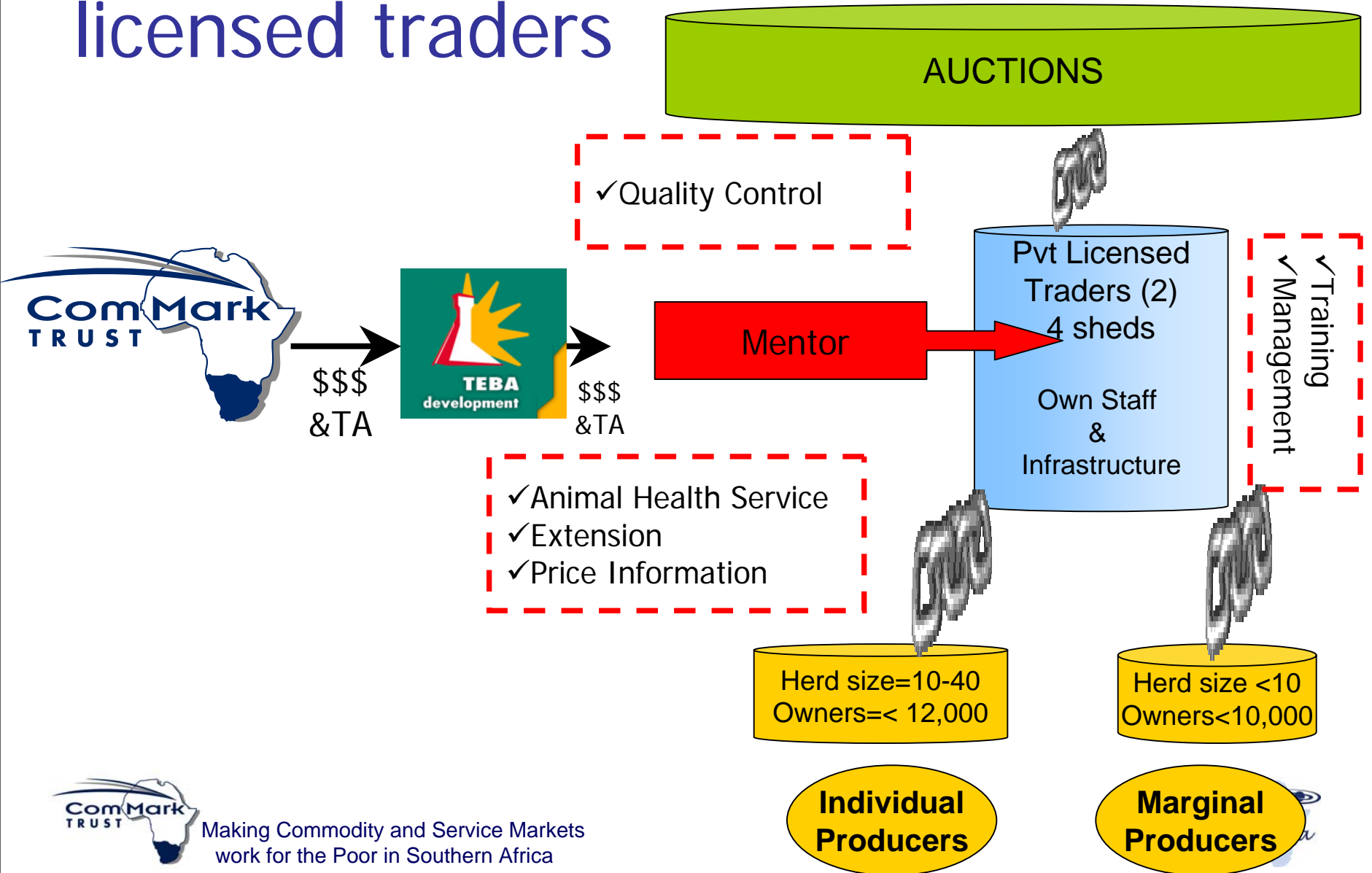
Yield = f (animal health, grazing, genetics, management)



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ComMark's project with private-licensed traders



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Private Traders Project Results and Impact

■ First year results: Animal health

	Sept 2004-May 2005	Target Year 1
Farmer Participation	1556	2000
Number of sheep	82,350	
Number of goats	10,154	
Wool yield (kg per unit)	2.41	2.38
Mohair yield (kg per unit)	0.88	1.46
Lambing %	55.5%	55%
Mortality rates	2-4.6%	<5.6%
Expenditure on animal health	US\$ 7.60	



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Private Traders Project Results and Impact Cont.

- First year results: Prices farmers received

	P-S Price	Auction Price
Wool	1.28 US\$	US\$ 2.35 (Avg) US\$ 2.1-1.9
Mohair	2.12 US\$	



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Private Traders Project Results and Impact Cont.

- First year results: Sustainability issues
 - Expansion to additional sites without increasing number of mentors
 - Private-sector partners adopt approach followed at other sheds they operate



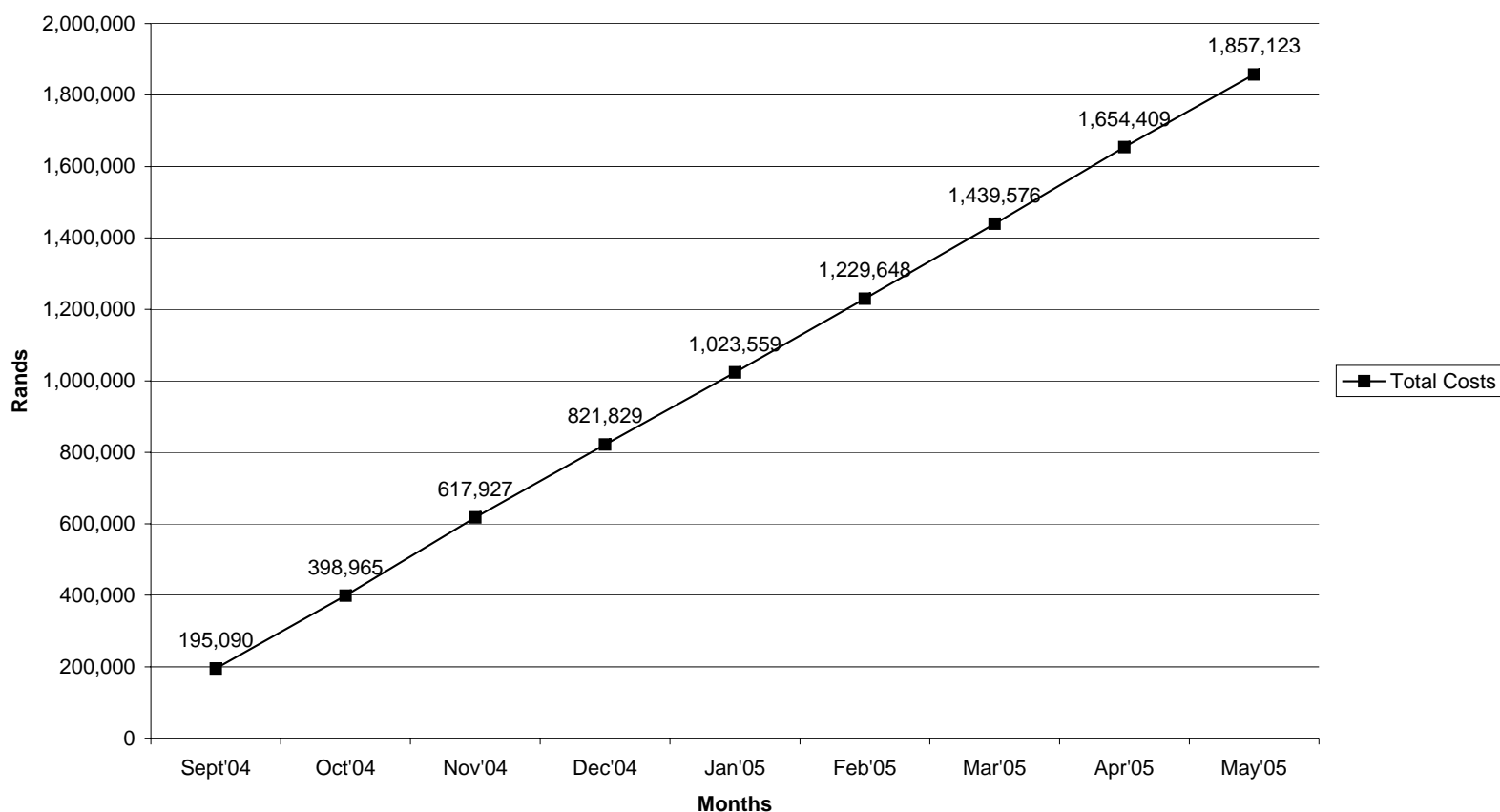
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ROI: Cost of the project

US\$ 190 per farmer

E6. Costs : Total costs



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ROI: Benefits

- 2 benefits: i) Increase in asset value of flock
ii) Increase in price x kg

Reduction in mortality and increased lambing	US\$ 143,766
Higher prices	US\$ 28,571
Total	US\$ 172,337

- ROI Project Year 1 = 0.58



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Policy and regulatory reform project

- Background
- Institutional industry capacity-building to kick-start this process.



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Lessons Learnt

Difficult to sanction the private sector	Leverage and the balance of power
Branding	Single brand
On-going involvement	Markets are by nature dynamic, things change have to be involved to be alert to this
Build your voice from within a sector/country	Impact on policy and regulation very hard, build reputation/credibility first and then try and influence policy.



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