THE MARKETING OF LIVESTOCK IN SOUTH AFRICA'S DEVELOPING AREAS: A CASE STUDY OF THE ROLE OF SPECULATORS, AUCTIONEERS, BUTCHERS AND PRIVATE BUYERS IN LEBOWA.

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Abstract

The importance of livestock in rural households is well known and their role in the households well documented. Despite the important social and cultural value of livestock, especially cattle, there is a growing tendency amongst rural households to sell livestock. This paper is based on research into livestock marketing in developing areas. The research investigates the reasons for selling and marketing channels used by rural households. This paper specifically considers the role of speculators, auctioneers and butchers in the marketing of livestock in developing areas. The increasing popularity of private sales is discussed and analyzed. These different outlets serve as the major marketing channels for livestock producers in developing areas. In marketing their livestock through the different channels, farmers experience a range of problems and constraints. The paper analyses these constraints and complaints and also shows how these affect the farmers' choice of a particular marketing outlet. The paper emphasizes that farmers do not have access to market information, i.e. current prices, supply, etc., while auctioneers, the limited buyers at auctions and the speculators do have access to market information. It is therefore concluded that the marketing of livestock in developing areas can be improved through addressing the various problems in the different marketing channels as well as through providing farmers with sufficient market information. This will enable farmers to make informed choices in the marketing of their livestock.

Uittreksel

Die belangrikste rol wat lewende hawe in landelike huishoudings vervul is welbekend en wyd gedokumenteer. Ondanks hierdie funksies toon onlangse navorsing aan dat veboere in die minder-ontwikkelde gebiede toenemend vee vir kommersiële redes, dit wil sê vir uiteindelike bemarking, aanhou. Hierdie referaat is gebaseer op navorsing wat gedoen is oor die bemarking van lewende hawe in die minder-ontwikkelde gebiede van Suid-Afrika en onderzoek die redes vir verkoop van hawe sowel as die bemarkingskanale wat gebruik word. Die referaat gee spesifieke aandag aan die rol van veboere, veëvelders en slagers in die bemarking van lewende hawe. Die toenemende gewildheid van privaat uit-die-hand verkoop word ook ondersoek. Begaanende dien as die belangrikste bemarkingskanale vir veboere in die minder-ontwikkelde gebiede. Die referaat ontleed verder 'n heile reeks van probleme wat hierdie boere ondervind in die bemarking van hulle hawe. Die struktuur en beperking van bemarking in die minder-ontwikkelde gebiede van Suid-Afrika word ondersoek. Kiem is geplaas op die rol en belangrikheid van elk van die verskillende bemarkingskanale, die probleme wat ondervind word asook maniere om die funksionering van die kanale te verbeter. Die referaat beklemtroon dat veboere nie toegang tot marklingtiging, soos byvoorbeeld, heersende pryse, aanbod, vraag, en sowel. Die kopers by veëvelders, spekulante en slagers daarenteen beskik wel oor hierdie inligting. Die bemarking van lewende hawe in die minder-ontwikkelde gebiede kan verbeter word indien daar meer aandag gegee word aan die probleme verbonden aan die bemarking van lewende hawe soos dit verderes in die referaat gedokumenteer word en deur veboere van voldoende en gepaste marklingtiging te voorstel. Dit sal veroor- kant dat veboere in hierdie gebiede meer ingeligde keuses in die bemarking van hul lewende hawe sal kan neem.

1. Introduction

Livestock performs a number of important roles or functions in the lives of rural communities in developing areas. These functions can be categorised into social, economic and cultural roles. Apart from the social and cultural objectives of keeping livestock recent research (Steyn and Tapson, 1992; Fnsrer, 1991) has shown that stock owners in developing areas have changed their objectives of keeping livestock, with commercial objectives becoming increasingly more important. Stock owners are beginning to see the economic value of keeping and selling livestock. Five channels are used by stock owners to market livestock in developing areas, i.e. auctions, speculators, butchers, direct marketing (abattoirs) and private buyers. The extent to which each of the channels is being used differs.

This paper reports on the results of a survey of livestock owners in three districts of Lebowa. The survey was done towards the end of 1992 and a total of 100 households were interviewed. The paper investigates the reasons why rural households sell livestock as well as how and why different marketing channels are selected. The paper furthermore considers the role played by auctioneers, speculators, butchers and private buyers in the marketing of livestock in rural areas. The activities of these middlemen and the farmers complaints and problems experienced in each of the channels are discussed.
2. Brief overview of livestock production in developing areas

In developing areas, livestock production is the major component of agricultural production. Livestock production accounts for approximately 59 per cent of the gross value of agricultural production in South Africa's developing areas. Amongst the various livestock species, cattle are undoubtedly the most prized possessions of rural households. They provide important functions in the life of rural households. These functions include the provision of primary needs like food production (milk, meat, etc.), draught power for ploughing, manure for crop production, social needs, means of securing ancestral goodwill and the provision of financial security to households (Steyn, 1988; Tapson, 1990).

In developing areas livestock is mainly kept under the communal tenure system on communal grazing land (Vink, 1986, Vink & Kassier, 1988; Lyne & Nieuwoudt, 1996). It was earlier indicated that livestock is kept for a number of reasons. Table 1 indicates the major reasons for keeping livestock as indicated by the respondents.

According to Table 1, the majority of stock owners are keeping livestock for commercial purposes. The term "commercial" in this case refers to households keeping livestock with the idea of selling a number of animals in the future when cash is needed. It does, however, not refer to selling for the sole purpose of making a profit. There are only a few farmers whose sole purpose is pure commercial production. Wealth is the second important reason for keeping livestock. Stock owners secure and use livestock as a source of wealth. The wealth status is often confused with the old-age phenomenon whereby old livestock, and cattle in particular, was amongst Africans regarded as a source of status, or as Kuper (1961) as quoted by Steyn (1988) describes: "...in African society a man without cattle is poor and insignificant and is like an orphan without kinsmen". Keeping livestock for prestige is dwindling amongst rural communities. It is only tenable in some sectors of the rural communities, especially the elderly and in some isolated communities.

3. The tendency to sell livestock

Within rural communities, stock owners do not sell very often. Most households sell only when they are in need of immediate cash. This is especially the case during certain seasons of the year, mainly the festive seasons, and at the beginning of the school year. Farmers also have a tendency to sell older animals. This is in contrast with what commercial buyers (buyers appointed to buy livestock in the area) in the developing areas require. This aspect causes friction between buyers and stock owners. Stock owners prefer to sell older animals because young animals (females) are used for breeding purposes. To understand the selling behaviour of developing farmers it is of importance to clearly understand the reasons why farmers sell, and also why they prefer certain marketing channels.

Although it is often argued that small-scale farmers are incapable of responding rationally to markets (Fraser, 1992), there are small-scale livestock producers who actively participate in livestock marketing. The reasons for selling differ between farmers and between regions and are also determined by the institutions responsible for enhancing, and promoting livestock marketing.

The principal reason for institutions to promote livestock marketing is to curb stock growth which aggravates overstocking problems in developing areas (Nghatsane, 1992). Tapson (1992) indicated that Ministers of Agriculture usually emphasise the reduction of stock numbers. This contention tends to receive overwhelming support amongst institutions responsible for livestock development, but it is less favourable to cattle owners' objectives of keeping cattle (Steyn & Tapson, 1992). This makes farmers to reject most of such policies. This has been aggravated by compulsory selling that was implemented to force farmers to market their stocks.

Farmers in turn have their own reasons for marketing which differs from those of the institutions. The most apparent reason for selling cattle amongst farmers is emergency sales. In describing the marketing behaviour of traditional African farmers, Abdullahi and Jahnke (1996) identified emergencies as the most important reason for livestock sales. This is observable in situations where farmers sell a certain proportion of their animals and deliberately holding some saleable stock to generate income whenever circumstances warrant so. Cattle sales in developing countries emerge from economic circumstances, that compels owners to sell in order to obtain sufficient funds to purchase pressing needs (Colvin, 1985). Groenewald and Du Toit (1985) also found that the major reason compelling cattle owners to sell their animals is the need for money.

Numerous channels for the marketing of livestock exist. These are discussed next.

4. Channels for livestock marketing in developing areas

Households and/or farmers in developing areas use a number of channels to market or sell their livestock. Channels mostly used are auctions, speculators, direct marketing, butchers and private sales (Fraser, 1992; Fénycs, 1982; Groenewald and Du Toit, 1985; Steyn, 1988). Each marketing channel has its own advantages but also its problems and constraints. This section of the paper briefly describes and analyses each of the channels.

Table 2 gives an indication of livestock marketing and the number of animals marketed through the different channels in Lebowa during the past few years. It gives an indication of which of the channels is of more importance to smallholder/farmer households. Cattle marketed through private sales are not indicated as they are not accounted for in official statistics. Cattle marketed through direct marketing represent a negligible proportion and is therefore also not included.

Marketing through different channels is dictated by certain factors. There are no direct factors, only indirect factors. The principal indirect factor is the approach of the Department of Agriculture and the Marketing Board to livestock marketing. Emphasis is being put on the promotion and encouragement of farmers to make use of certain channels, in this case auctions. Different methods are used to lure farmers to market through auctions. This is often achieved through the scheduling of auctions.

4.1 Auctions

Auctions play an important role in livestock marketing. They provide a popular market outlet for cattle in the periphery of livestock producers (McPherson, 1956). In developing areas they are also regarded as the most important institutional forms of livestock marketing (Pynes, 1982).
Table 1: Reasons for keeping livestock (Lebowa, 1992)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Number of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Wealth</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Ploughing</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Rituals</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Lobola</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Prestige</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 2: Total number of cattle marketed through the three main marketing channels in Lebowa (1982/3 - 1991/92)

<table>
<thead>
<tr>
<th>Channels</th>
<th>Auctions</th>
<th>Butcheries</th>
<th>Speculators</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982/83</td>
<td>7738</td>
<td>7828</td>
<td>3936</td>
<td>19502</td>
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<tr>
<td>1983/84</td>
<td>7715</td>
<td>5289</td>
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<td>1984/85</td>
<td>71</td>
<td>5765</td>
<td>1376</td>
<td>7312</td>
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<tr>
<td>1985/86</td>
<td>5469</td>
<td>6693</td>
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<td>1986/87</td>
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<td>1218</td>
<td>13128</td>
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<td>6947</td>
<td>4829</td>
<td>1376</td>
<td>11718</td>
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<tr>
<td>1988/89</td>
<td>5023</td>
<td>1611</td>
<td>354</td>
<td>8156</td>
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<td>1989/90</td>
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<td>5517</td>
<td>833</td>
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<td>5001</td>
<td>4072</td>
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<td>8165</td>
</tr>
<tr>
<td>1991/92</td>
<td>4433</td>
<td>6899</td>
<td>1566</td>
<td>11808</td>
</tr>
</tbody>
</table>

(Source: DBSA, 1991; Lebowa Department of Agriculture and Environmental Conservation, 1992)

4.1.1 Operations of auctions

Auctions are normally performed by either the respective Department of Agriculture and auctioneering firms (Nghatsane, 1992). Auditions run by the department are often referred to as "dep tank sales". The prime reason for holding these auctions is to dispose of marketable surpluses of livestock, when scheduled auctions run by auctioneering companies are only held on a date too far in the future. In most of the developing areas, auctions by auctioneering companies are held whenever there are sufficient surpluses of animals available for sale.

Auctioneering companies are appointed by the homeland Government to run and administer auctions on its behalf. To be able to run auctions, such firms will have to make an application to the Lebowa Marketing Board. Upon approval, the auctioneer enters into agreement with the Department of Agriculture or the Lebowa Marketing Board. In the case of Lebowa, such an agreement is being authorised by the Lebowa Government in terms of Government resolution 21/84. The following requirements are stipulated in the agreement:

- The auctioneer undertakes to hold sales at the sales pens on the dates agreed between the auctioneer and the Secretary for Agriculture and Environmental Conservation.
- At the end of each month after the stock sales the auctioneer is required to pay one percent of the gross turnover of the auctions and the kraal levy in respect to the stock sold (the kraal levy is collected from the sellers). The kraal levy amounts to R0.50 per head of cattle and R0.10 for small stock.
- The auctioneer is entitled to 7% (seven percent) commission of the sale proceeds.
- The contract is valid for a period of three years.
- The agreement outlines the main duties that are supposed to be carried out by the auctioneer. The basic functions are:
  - to advise buyers of auctions and advertise his/her auction.
  - to promote the attendance of buyers at respective auction points.
  - to duly mark the animals that were sold.
  - to see to the herding and loading of stock.
  - to organise labourers to help with the selecting and heading off of cattle.

The contract also indicates the various duties performed by the Lebowa Marketing Board. In terms of the agreement, the Lebowa Marketing Board is responsible for the erection and maintenance of sale pens required for the executions of auctions.

Auctions in Lebowa are in the hands of four auctioneering companies. The primary duties of the auctioneering firms are outlined in the contract. Dates for conducting stock auctions are normally fixed. Even though the dates are fixed, the Lebowa Marketing Board has the powers to cancel an auction. The Board only engage in such activity if it has been forwarded with information about the number of animals to be auctioned and cancellation is only done if not enough animals are available. This information is not known to the farmers, and it is nowhere indicated what number of livestock is necessary to ensure that the auction proceeds. Despite the fixed dates for auctions, the Board in conjunction with the Department of Agriculture must fix dates for auctions in a particular area, and thereafter inform the auctioneer in charge of that area.

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4.1.2 Participation of farmers at auctions

The popularity of auctions amongst African farmers is gradually diminishing. From official statistics (DBSA, 1991, Lebowa Department of Agriculture and Environmental Conservation, 1992) it is evident that the number of cattle that were marketed through auctions in Lebowa is declining. This decline can be attributed to the dissatisfaction of farmers with auctions as indicated in Table 3. Table 3 indicates that only 9% of the respondents are satisfied with the operations and results of auctions. It further indicates that the majority (40%) of farmers are not satisfied with livestock auctions. This dissatisfaction can be attributed to problems encountered by farmers at livestock auctions as indicated in Table 4. The most important problem indicated by farmers is the low prices livestock fetches at these auctions. An important reason responsible for the low prices are that there are not enough buyers at these auctions (Nghatsane, 1992) and the fact that there are so many auction points, most situated at uneconomic venues.

4.1.3 Categories of buyers at local auctions

The success of auctions depends on the number of buyers. Buyers can be grouped into three groups, namely individuals buying for household use (different customary celebrations), butchers and speculators. These buyers can further be grouped into two main categories, ie. "principal" buyers and "secondary" buyers. "Principal" buyers are mostly speculators, while "secondary" buyers are mostly butchers and individuals. "Principal" buyers buy the majority of the animals offered for sale, while "secondary" buyers buy only few animals. "Principal" buyers dominate the auctions. They determine, whom of the other buyers are eligible to buy a particular animal. It therefore becomes difficult for some buyers to obtain livestock and most of the time they are at the mercy of the "principal" buyers. Whenever buyers want an animal, permission is often asked from the principal buyer. Alternatively the "principal" buyer bids on behalf of "secondary" buyers. This attitude makes "secondary" buyers to be subervient to these "principal" buyers. Their freedom of operation is to large extent being curtailed. To strengthen their dominance, "principal" buyers also register some people as buyers. The purpose of these buyers is to assist him/her in bidding. What is prevalent from this approach is that "principal" buyers use other buyers to depress the price to the level where they want it.

The other strategy employed by principal buyers is that, at the initial stage of an auction (depending on the number of animals at auctions, particularly when there are many) they keep a low profile. They buy occasionally. This behaviour is being promoted by the knowledge of the financial ability of the competitors. During the course of an auction when his competitors have depleted their financial resources, he intensifies his participation.

4.1.4 Activities of auctioneers

Auctioneers ensures that an auction takes place, and run smoothly. They facilitate the auctioneering process. The basic principles governing the operations of auctioneers are outlined in their contract. In addition to this, before the start of an auction, the auctioneer outlines additional principles that will govern the auction. Whenever making important announcements the auctioneer always uses terminology and a language (Afrikaans) which most of the farmers do not understand. Auctioneers, tend to be biased against farmers, especially in situations where farmers and bidders disagree on prices.

4.1.5 Commission payable on livestock sales

In livestock marketing, commission performs four important functions, namely, to serve as a payment to the auctioneer for the services rendered; to serve as a payment to agents who perform a variety of marketing functions; to serve as a payment by the producer for using the auction facilities; and finally, as one of the instruments through which the Government taxes the agricultural sector. The administration of a commission differs between countries and regions. In some areas it is being paid by the farmer, while in other areas it is being paid by buyers. In developing areas the payment of commission charges often result in an unpleasant relationship between sellers and auctioneers. Farmers believe that they are being unfairly treated. This resulted in a change of arrangement in Lebowa, with buyers rather
than sellers now responsible for the payment of the commission (Toerien, 1993). In Lebowa, the commission is 7% of the price of an animal. The commission is allocated as follows: 5% to the auctioneer, and 2% to the Marketing Board.

The revision of the payment of the commission is aimed at easing the misunderstanding that prevails between auctioneers and the farmers and to induce farmers to sell proportionate number of their animals. Instead of inducing farmers to bring more animals, it encourages buyers to deliberately bid for low prices, using commission as a scapegoat.

4.1.6 Auctioneers’ problems with auctions

Auctioneers in developing areas experience a number of problems of which the lack of cattle is the main problem. The lack of enough stock at auctions is a factor that discourages auctioneers to actively involve themselves in auctions. Some auction pens are poorly maintained. This makes it impossible for auctioneers to effectively pursue their auctioneering process. Auctioneers are concerned about the farmers’ lack of knowledge of basic marketing activities, including the modus operandi of auctions.

This result in farmers having perceived cattle prices which according to auctioneers are not necessarily an indication of the market value of cattle. Often these prices are above the auction price. The common question raised is whether the auction prices are the true reflection of the market value of cattle. From recent evidence it is clear that auction prices are not the true reflection of market prices. At an auction held at Apiesboom in Schoonbok district on the 25 November 1992, there were twenty cattle offered for sale of which 14 were withdrawn and taken to the auction at nearby Belfast. At Belfast the highest price received was R1500.00 per animal while at Apiesboom the highest price on the same day was only R750.00 (Chuenne, 1993).

At local auctions the difference between perceived and bid prices result in a higher rate of withdrawals from auctions. The rate of withdrawn had different interpretations. Groenewald and Du Toit (1985) indicated that the high rate of withdrawal from auctions can also be attributed to the fact that farmers also use the auctions to determine the value of their cattle so as to know what to expect whenever selling in future. In the survey a different situation was observed. The extent at which farmers withdraw their saleable stock at auctions is also an indication of their dissatisfaction with the way auctions are run and the low prices obtained at the auctions.

4.2 Speculation

Farmers also sell their livestock to speculators. Speculators buy livestock directly from farmers, and are also the principal buyers at auctions. In some regions speculation is regulated in Lebowa, speculation is regulated according to regulations prescribed in the Government Gazette, 1991. No one is allowed to speculate without a proper permit issued by the Lebowa Marketing Board. Entry into speculation is not easy. Speculators have to go through a tedious procedure. If one has been appointed as a speculator, he/she is obliged to observe and abide by the rules as stated in the Government Gazette (No. R 31) (1991). The important rules or conditions are:

- No one is liable to bring in or take out livestock without a permit authorising him to do so.

- No one is liable to speculate unless registered with the Lebowa Marketing Board.

Such a person is supposed to submit returns to the Lebowa Marketing Board specifying the number and type of livestock purchased and price fetched.

Such a person is supposed to pay a levy of 2% of the total purchase price.

The permit issued to the speculator indicates the area which the speculator is supposed to cover. If the speculator fails to observe the above stipulated rules, his permit is withdrawn.

4.2.1 Venue for transactions

In the process of looking for marketable stock, speculators travel between and within villages covered by their permits. Speculators contact farmers directly. It is rare to find farmers contacting speculators.

All marketing transactions performed by speculators do not take place at fixed places. It either take place at the farmer’s house, local government offices or at the extension officer’s office. Marketing animals through speculators, farmers do not incur marketing costs. Transportation costs, which are the major costs involved in livestock marketing are incurred by the speculator. The advantage enjoyed by speculators in this case is that there is no commission payment involved. Prices are often reached through private negotiation between the speculator and the farmer. Farmers have the advantage that they could dictate the price they want for their animals. As speculators buy livestock and re-sell for profit, not all prices demanded by farmers will be acceptable to the speculator. In most cases speculators want their prices to be the prices which concludes the deal.

4.2.2 Problems with speculation

Farmers do not often sell to speculators. In a recent survey in Lebowa it was found that 4.7% of livestock marketed were sold to speculators. Only 10.8% of the respondents sold their livestock to speculators. It was found that most of the respondents are not satisfied with speculators. One factor leading to the dissatisfaction with speculators is that farmers in developing areas do associate speculators with stock theft. This problem forces farmers to sell their animals at auctions, even though prices are low. Other reasons responsible to the farmers’ dissatisfaction are the dishonesty of speculators and the fact that they treat farmers badly. The dishonesty of speculators is revealed in situation where they try to convince farmers to sell livestock to them. They employ a range of tricks, such that in the end farmers who are desperately in need of money will let their animals go even though not satisfied with the price they are getting for their animals. This situation prevails when there is a deadlock on prices. In this case prices are not necessarily negotiated, instead, speculators attempt to convince farmers to accept low prices using the market price which is only known to them, as their norm.

Speculators try to get animals as cheaply as possible through depressing prices at auctions, hoping that farmers will be tempted to sell their animals directly to them. This is especially the case when animals are in a good condition. In this way speculators try to capitalise on the poor socio-economic background of farmers as well as the low level of education and little exposure to the functioning of market forces (lack of knowledge of marketing activities). Speculators capitalise on this situation to earn undeserved profits. One of the other major problems associated with speculators is that most
of them have poor credibility. Farmers tend to dislike most of the speculators. This might be the reason why a small percentage of farmers market their animals through speculators.

4.3 Butchers
Livestock farmers often use butchers as market outlets for their cattle. Butchers enhance the marketability of livestock by acting as buyers in their own right and also by acting as buyers at auctions. They buy livestock directly from farmers and also from outside auctions. These auctions serve as sources of price information, which assist butchers in pricing their meat as well as in buying cattle from local farmers or commercial farmers.

As rural stock owners mainly sell cattle whenever in need of cash, butchers are of importance in this regard. Prices are also agreed upon through negotiations between butchers and the farmers. The prices offered by the butchers are usually the price at which the transaction is done. Local farmers having no access to market information have to rely on butchers for price information and trust that they will pay them market related prices. Even when bargaining for prices, they use prices outside the range of what is being offered by the market.

Stock owners marketing their animals through butchers are in general satisfied with this marketing outlet although a small number of respondents (4%) are less satisfied. Reasons advanced for the dissatisfaction are (i) in situations where farmers do not know the market value of their animals, they become victims of butchers’ prejudices; (ii) this leads to farmers obtaining low prices; and (iii) finally, a certain degree of dishonesty amongst butchers. The dishonesty of butchers is revealed in situations where they want to take advantage of farmers’ lack of information on marketing activities.

Butchers also experience some external problems which deter them from buying numerous animals from farmers. The principal factor is the lack of sufficient grazing land for cattle. Nghaisane (1992) indicated that most of the grassable land in developing areas is heavily overgrazed. Putting more stock in the overgrazed and overstocked area will result in disastrous negative effects on the environment, and will result in the butcher selling meat of poor quality which will affect entirely the performance of the butchers.

The second major problem deterring butchers from buying more stock from farmers is the high rate of stock theft.

4.4 Private sales
In developing countries, especially amongst smallholder cattle owners, private sales are important outlets for the livestock marketing (Fényes, 1982). It is difficult to determine the number of animals sold privately as these sales are all unrecorded. It takes several forms of which the most important are bartering and cash sales. Private buyers, buy animals either at auctions or directly from individuals from their homesteads. In the survey amongst households in Lebowa 52 per cent of the respondents indicate to market their animals through private sales, but it is only 43.5% who actually sold their animals through private sales.

Private sales are important to farmers as farmers are in a position to determine the prices for their livestock. A further advantage to farmers is that they do not incur any marketing costs. Thus, for farmers in developing areas who are keeping livestock, but do not have commercial intentions, private sales are the cheapest, simplest and most private market outlet.

5. Livestock marketing in Lebowa
Livestock in developing areas are marketed through five channels, i.e. auctions, speculators, butchers, private sales (private buyers) and abattoirs (municipal abattoirs). All except the latter was discussed in detail above. Marketing of animals through municipal abattoirs is negligible and was therefore not discussed. In this section the results of a recent survey of rural households in three districts of Lebowa, i.e. Bochum, Nebo and Schoonoord are presented to illustrate the extent to which the various marketing outlets are used.

From Table 5 it can be concluded that the majority of respondents (43%) make use of private sales with a total of 151 (or 42.8%) animals marketed by respondents through this particular channel. Based on information gained through the survey it was also possible to determine what percentage of the respondents’ cattle herd is marketed through the various channels. These results are also presented in Table 5. By applying these results to the official herd figures an estimation can be made of the number of animals marketed through each channel in the three districts surveyed. Using official and unofficial data on average prices it is possible to make an estimation of the value of livestock marketed in these three districts. The results of these estimations are presented in Table 5.

It is estimated that the value of livestock marketed during 1992 in the Bochum, Nebo and Schoonoord districts amounted to R19.2 million of which R10.6 million was earned through private sales. This again confirms the importance of this marketing outlet for livestock in developing areas. Most of the transactions go unrecorded and thus by not accounting for these sales the value of livestock production in developing areas can easily be underestimated. The average prices of private sales were considerably higher than the other channels.

The prices of livestock at auctions were in all three the districts the lowest, confirming the point earlier made that this aspect is the main complaint of farmers using auctions.

Through the information provided in Table 5 it can be seen that official and other estimations of the value of livestock production were underestimating because private sales were not recorded. This therefore introduces a total new approach to livestock marketing which could have far reaching implications for policy and the development of livestock marketing in developing areas.

6. Summary and conclusions
This paper analysed and described the different channels for the marketing of livestock used by farmers in the developing areas of South Africa. The discussion highlighted the problems and constraints faced by farmers in each of these channels. It was throughout confirmed that the lack of market information, makes farmers open to abuses by especially auctioneers and principal buyers at auctions, speculators and butchers. Lack of access to market information impinge the farmer’s hope of profiting through any venture. Though there are certain aspects of information that are published through several publications it has been proved that they are of less value to farmers. This implies that the problem need to be tackled through training to equip farmers with knowledge of the operations of the different channels, so as to be able to utilize whatever information they encounter.

Results from a survey amongst rural households in three districts of Lebowa showed the importance of private sales as the major marketing channel for livestock in this region.
Table 5: Livestock marketing in three districts of Lebowa

<table>
<thead>
<tr>
<th>Item</th>
<th>Auctions</th>
<th>Speculators</th>
<th>Butchers</th>
<th>Abattoir</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of respondents who sold</td>
<td>7 (15.2%)</td>
<td>5 (10.8%)</td>
<td>6 (13%)</td>
<td>2 (4.3%)</td>
<td>26 (56.6%)</td>
<td>46 (100%)</td>
</tr>
<tr>
<td>Number of animals marketed by respondents</td>
<td>62</td>
<td>69</td>
<td>55</td>
<td>15</td>
<td>151</td>
<td>352</td>
</tr>
<tr>
<td>Percentage of total marketed animals</td>
<td>17.6%</td>
<td>19.6%</td>
<td>15.6%</td>
<td>4.26%</td>
<td>42.9%</td>
<td>100%</td>
</tr>
<tr>
<td>Animals marketed as percentage of respondents' herd</td>
<td>4.42%</td>
<td>4.7%</td>
<td>3.7%</td>
<td>1.01%</td>
<td>10.3%</td>
<td>24%</td>
</tr>
<tr>
<td>Bochum</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated number of animals marketed</td>
<td>1 533</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price</td>
<td>R544</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total value of animals sold</td>
<td>R834 672</td>
<td>R1 019 400</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nebo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated number of animals marketed</td>
<td>2 408</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average price</td>
<td>R567</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Total value of animals sold</td>
<td>R1 365 336</td>
<td>R1 334 000</td>
<td></td>
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<tr>
<td>Schoonoord</td>
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<td></td>
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</tr>
<tr>
<td>Estimated number of animals marketed</td>
<td>786</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Average price</td>
<td>R391</td>
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</tr>
<tr>
<td>Total value of animals sold</td>
<td>R307 326</td>
<td>R400 660</td>
<td></td>
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<tr>
<td>Total value of animals sold in each channel</td>
<td>R2 507 334</td>
<td>R2754060</td>
<td>R2 996 000</td>
<td>R252 804</td>
<td>R10 696 500</td>
<td>R19 206 698</td>
</tr>
</tbody>
</table>

* Not available
It was estimated that private sales in the three districts at question amounted to more than R10 million in 1992. It could, however, be argued that households were forced to sell more animals as a result of the drought during 1992 and this is probably the reason why the sales as percentage (24%) of the total herd is higher than what is normally expected. It nevertheless shows that farmers do prefer sales to private persons above auctions and sales to speculators. This preference is mainly related to higher prices for livestock in private transactions.

References


