

Dobley Cross-border Market Profile Report

1. Description of the market

Location of market: Dobley is located along the Kenya-Somalia border, 245 km from the port town of Kismayo, 90 km from the Dadaab refugee camp and 198 km from the Garissa livestock market. The Kenyan side of the market is called Liboi. Dobley is situated in the south inland pastoral livelihood zone (camel, sheep and goats). It is an active market transacting both formal and informal trade for livestock, food and other general commodities.

Days and hours of operation: The livestock market opens for business daily between 10 am and 5 pm, while the food and general commodities market operate between 6 am and 9 pm.

Market infrastructure: The livestock market comprises of fenced camps where animals are traded and those that have not been sold are kept overnight. The market is managed by the Dobley town committee that regulates access and use of the market facilities. The general commodities market includes an enclosed area with stalls and an open space for hawkers which are privately owned by traders. New traders lease space from the owners at about 100,000 SoSh per month for an area of approximately one square meter.

Importance of market to food security: Cross border trade is important for food security on both sides of the border. Pastoralists sell livestock, and use the proceeds to purchase cereals, sugar and other household budgets. Livestock trade and related activities is also provides incomes to traders, livestock trekkers and transporters. The market is also an important transit point for food import from Kismayo to the Dadaab refugee camp. The transportation of this food is a source of livelihoods to laborers (loaders/unloaders at the border), transporters, money exchangers, hotels and restaurants.

Market infrastructure: The roads linking Dobley to neighboring towns are in poor state. The market becomes inaccessible during rainy seasons. The market has no banks but there are money transfer agencies (*Hawala*) offering financial services. The market is well served with mobile telephone communication both from Kenya and Somalia. FM Radio services are also available and offer cheaper form of communication. The town has access to internet.

Figure 1. Dobley market catchment area

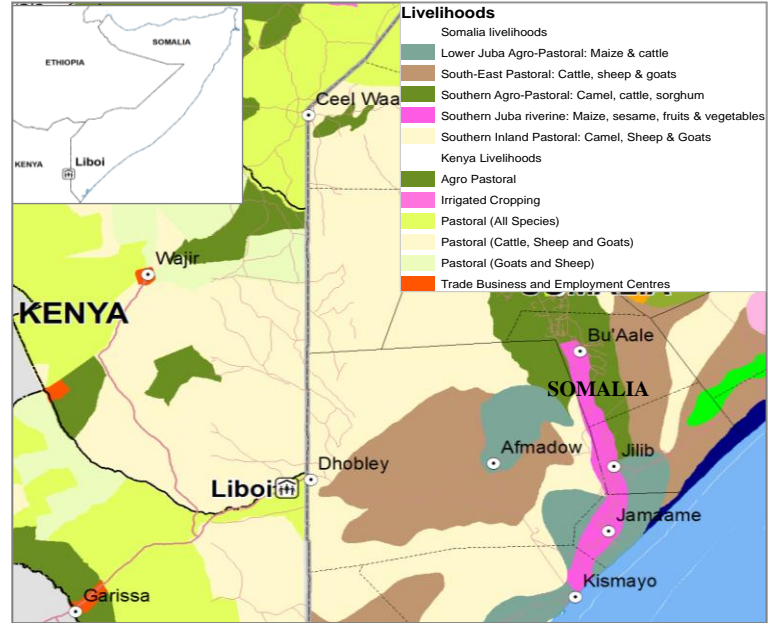


Table 1. Number of livestock traders in the Dobley market

Livestock	Type of trader			
	Cross-border traders	Agents of cross-border traders	Brokers	Local traders
Cattle	30	10	90	50
Sheep & Goats	30	5	75	50

Table 2. Number of commodities traders in the Dobley market

Imported commodities	Type of trader			
	Wholesalers	Cross-border traders	Local retailers (shops)	Retailers (Hawkers)
Red rice, vegetable oil, wheat flour, sugar	2	20	100	200

There are six large warehouses (from 20x22 to 16x16 M²), several medium warehouses (10x10 M²) and small stores (4x4 M²) located in the market area. The large stores are owned by importers while the medium and small stores are used by the informal cross-border and local retail traders.

2. Commodities traded across the border

Commodities traded and traders involved: Livestock traded within Dobley market include cattle, sheep and goats, camels and donkeys. However, cattle, sheep and goats are the main livestock species traded across the border from Dobley into the Kenyan market of Garissa. Table 1 summarizes the structure of the livestock market.

The important food commodities traded across the border include imported rice, wheat flour, sugar, vegetable oil, tea and pasta that are also moved from Somalia into Kenya, mainly targeting the Dadaab refugee camp. Table 2 summarizes the market structure for these commodities. In addition, locally produced cowpeas, white maize and sesame oil are also traded from Somalia into Kenya. Other commodities include non-food items (cloths, electronics, shoes, petrol and kerosene, bottled drinking water and soap). There is limited movement of tea, bottled water, kerosene and soap from Kenya into Somalia.

Transactional arrangement between livestock traders: Livestock (particularly cattle, sheep and goats) is trekked from different parts of southern Somalia including Mogadishu, Warmahan, Jawhar, Baidaba, Dinsor, Afmadow, Dif, Tabdo, Qoqani and Dobley area and brought to Dobley market by Somali small scale traders (*Gadisley*). Cross-border traders or their agents purchase livestock from the *Gadisley* or livestock producers in the market and employ the services of trekkers who move the livestock to Kenya, mainly targeting Garissa market. Brokers (*dillaal*) facilitate exchange between buyer and seller and also verify whether the sellers are the actual owners of the livestock being sold. Usually a person who knows the seller acts as a guarantor. There is one broker each for the buyer and the seller, and the two negotiate on their behalf to arrive at a price. Currently, all the traders in the Dobley livestock market are men, since trading is considered inappropriate for women by the current local government.

Transactional arrangements along the food commodities market chains:

There are two main wholesalers involved in the importation of food commodities (rice, wheat flour, sugar and vegetable oil) from abroad through Mogadishu and Kismayo ports¹. The wholesalers then transport the imported commodities from the ports to Dobley and store them in their warehouses, from where they move them across the border into Kenya. Most of the trade is informal. These wholesalers also sell part of the commodities to cross border traders (mainly informal) and local retailers. There are two types of retailers – those who operate from permanent structures (shops) and the open air retailers (Hawkers). Wholesalers transport their commodities to Kenya using large trucks with a capacity between 12,000 and 24,000 metric tons while informal traders use smaller one to two ton pick-up vehicles.

There are about 20 cross-border traders who trade in both food and non-food commodities (i.e. imported cereals, vegetable oil, locally produced cowpeas and sesame oil and non food items such as cloths, electronics, cosmetics, bags and shoes). They buy the commodities from wholesalers and transport them to Kenya using 4-wheel drive pick-up vehicles, camels and donkeys. More often than not they repackage the commodities to conceal them before crossing into Kenya, mainly at night through two crossing points - one joining the Liboi Road and the other linking to Dajabula. These roads are rough and inaccessible during the rainy season.

3. Commodity trade flow

Trade flows of food commodities and other imported products: Figure 2 summarizes the trade flows of the key commodities traded across the border. It is estimated that about 950 MT (i.e. 19000 50 kg bags) of red rice, 500 MT of sugar, 500 MT of wheat flour and 7200 liters of vegetable oil are traded every month across the border from Somalia into Kenya. The main destination is the Dadaab refugee camp and Garissa town. Some volumes are also transported to Mombasa and Nairobi.

Besides the imported commodities, small quantities of Sesame oil and white maize originating from southern Somalia are also traded across the border from Somalia into Kenya. Similarly, the main destinations of these commodities are the refugee camps in Northeastern Kenya, Garissa and Nairobi markets. Other commodities are textiles, fabrics and electronics that are imported through Mogadishu and Kismayo ports and transported to Kenya through Dobley. They are sold in the refugee camps, Garissa, Nairobi and Mombasa. Limited volumes of food commodities such as cow

Figure 2. Food commodities and livestock trade flow

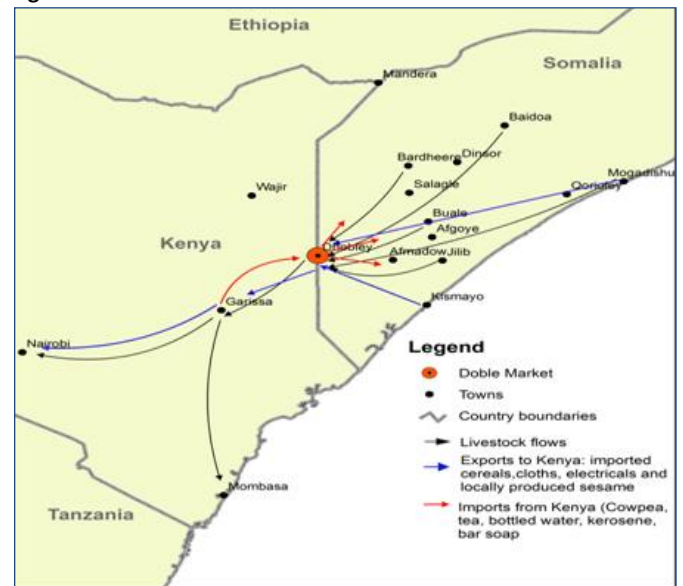


Figure 3: Small animals market in Dobley



¹ The number of wholesalers importing non-food items (such as electronics, cloths, shoes, bags, cosmetics etc) could not be established.

peas and tea, bottled (drinking) water; Kerosene and soap are traded from Kenya into Somalia. Their destinations are Dobley area, Afmadow, Kismayo, Qoqani, Hagar and Buale.

Livestock trade flow: Figure 2 also shows the main sources and destination of livestock. Most of the livestock traded across the border into Kenya are cattle originating from Baidaba, Warmahan, Jowhar, Dinsor, Afmadow, Kismayo and Dobley; and Sheep and goats from Dobley, Dif, Tabdo and Qoqani. The number of animals exported increases during wet season when water and pasture is available and reduces during the dry season since livestock are trekked for long distances. The average number of cattle and sheep and goats exported to Kenya monthly are 8000 heads and 800-1000 heads, respectively. Trekking from Dobley to Garissa takes 3 weeks for Cattle and four weeks for sheep and goats. The main destinations of the cattle, sheep and goats are Garissa, Nairobi and Mombasa markets.

Livestock marketing costs: The costs involved in cross-border trade of livestock include:

- i. Veterinary costs 8,667 SoSh (0.3 USD) per head for cattle and 3,389 SoSh (0.11 USD) per head of sheep or goat
- ii. Brokers - 100,000 SoSh per head (3.2 USD) for cattle and 20,000 SoSh (1 USD) per head of sheep or goat
- iii. Herders - 1500 SoSh (0.1 USD) per herd of livestock (for 75 heads of cattle or 100 heads of sheep and goats)
- iv. Water - 1500 SoSh (0.1 USD) per head. On the Kenyan side of the border there are 3 watering points (Dagahlay, Saredo and Hagarbul) costing 20 Kenyan Shillings per head (0.2 USD)
- v. Agents and trekkers are paid a negotiated commission.

Food commodities marketing costs: They include

- i. Transport costs - a truck load (400 bags) of rice, sugar or wheat flour costs 200,000 Kenyan Shillings (2,469 USD) (500 Kenyan Shillings per bag/6USD)
- ii. Loading costs – this applies to imported food commodities (rice, sugar and wheat flour) charged at 4000 SoSh/0.3 USD per bag.

There is no taxation on the Somali side of the border. But once traders reach the Kenyan side they pay levies (official and unofficial) at Liboi and Garissa markets.

4. Seasonal variation in market supply and prices

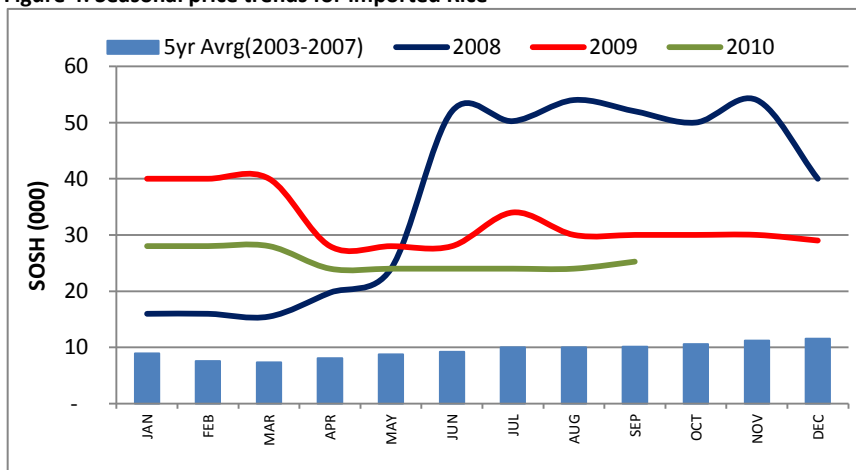
Table 3 indicates the seasonal availability of livestock and food commodities. Livestock is available in the market during the wet seasons since they can only trek across the border when water and pasture are available. Hence their supply is scarce during the dry seasons (Dec. to March and July to August). Imported food commodities are available most of the year, except in some instances when there is above average rains and roads become impassable for comparatively long periods of time.

Table 3: Seasonal variation per commodity supplied in Dobley in a normal year

Commodity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cattle	Scarce	Scarce	Scarce	Available	Available	Available	Scarce	Scarce	Available	Available	Available	Available
Goats	Scarce	Scarce	Scarce	Available	Available	Available	Scarce	Scarce	Available	Available	Available	Available
Sheep	Scarce	Scarce	Scarce	Available	Available	Available	Scarce	Scarce	Available	Available	Available	Available
Red rice	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available
Vegetable Oil	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available
Wheat flour	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available
Sugar	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available	Available

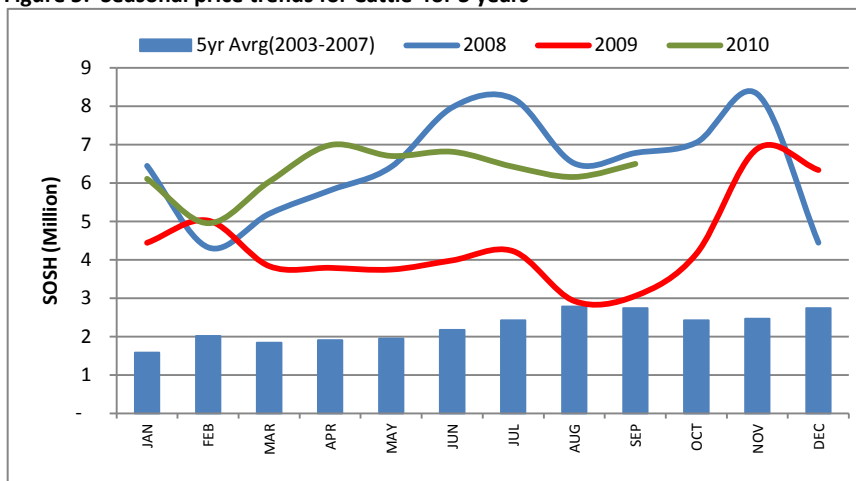
Source: Survey information

Figure 4: Seasonal price trends for imported Rice



Source: FSNAU/FEWS NET

Figure 5: Seasonal price trends for Cattle for 3 years

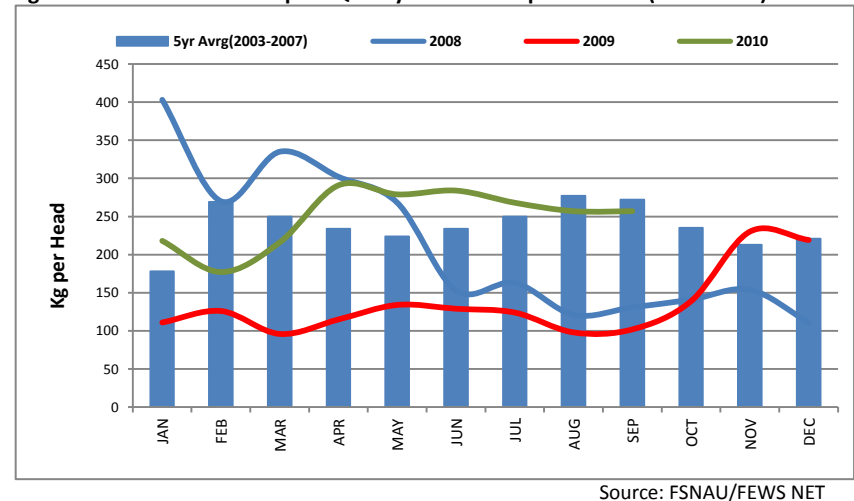


Source: FSNAU/FEWS NET

During the wet season (April, May June) and immediately thereafter, livestock prices usually increase with active trade. The trekking of livestock from Dobley to Garissa is also difficult during dry season. In 2010, livestock prices have been stable with the exception of the local quality goats which have been rising due to the increasing demand for meat in Dobley which is a transit point for refugees trying to cross the border to Kenya. In 2010, the price of export quality cattle has been stable compared to the volatile prices of 2009 and 2008 (Figure 5).

In 2010, the livestock-cereal terms of trade have stabilized compared to 2009 and 2008 (Figure 6). The purchasing power of the rural livestock owners has thus improved due to high livestock prices and low cereal prices. The lifting of the import ban by the Saudi government has partly contributed to this positive price increase as fewer livestock are left for trade in the domestic/regional markets. For example, the terms of trade between the export quality cattle and imported rice has improved from May 2010 when it surpassed that of 2009 and 2008 and it continues to stable.

Figure 6: Terms of trade: Export Quality Cattle to Imported Rice (2008-2010)



5. Shocks to the market

Supply condition in international markets: One of the problems facing the wholesalers importing food commodities through Mogadishu and Kismayo is shocks in the international markets. The rice that is imported to Somalia originates from Pakistan which recently experienced serious flooding in Pakistan that necessitated traders to alter source markets. The impact of this shift is yet to reach the markets.

Civil insecurity: Mogadishu port is important due to good infrastructure including large warehouses. However, due to conflict importers are opting for off loading their commodities from other beaches. However, this usually causes the commodities to get wet and reduce their shelf life. As a result, the main importer of sugar has moved their business to Kismayo port.

Conflict in southern Somalia as well as conflict in the Dobley area affects the cross border trade negatively. For example during January to February 2010 there was conflict in Dobley when Al Shabab forces took over Dobley from the Hisbul Islam forces which were previously holding Dobley town and the surrounding areas. This led to shortage of traded commodities and increased prices on the Kenya side of the border. Currently, there are two types of conflict taking place in Dobley and surrounding areas. One is related to the efforts by the Transitional Federal Government (TFG), with the help of AMISOM troops, aimed at taking control of strategic parts of Southern Somalia from opposing groups. The other conflict is resource based and is between people who are burning the rangelands and forest for charcoal and local pastoralists and agro-pastoralists who are trying to stop them. The impact of these conflicts is yet to be seen, but they are likely to cause disruptions in the market and trade movements and, therefore, undermine the cross border trade via Dobley with Kenya.

Traders' particularly informal traders smuggling goods to Kenya experience looting both in Dobley and in the Kenyan side of the border. The looting in Dobley area stopped with the arrival of the Al Shabab forces, however, the looting in Kenya still continues. Informal traders are also often at risk of their goods being confiscated by border security. In most cases they pay bribes to the border security and if such payments are high it may affect the price of the cross border goods flowing to Kenya.

Unstable local currency: Cross border traders often experience challenges related to fluctuations in currency exchanges as they deal in three currencies (Somali Shilling, Kenyan shilling and US Dollars). When one of these currencies is devalued in relation to the other currencies it usually affects on their trade and profit margins.

Lack of supportive infrastructure: While the lack of government in the Somali side of the border has provided opportunities (such as lack of taxation) to traders, it also means that there are no services aimed at supporting traders and no formal trade agreement between Somalia and Kenya. Similarly, The roads to and from Dobley are extremely poor and become inaccessible during rains. Hence, there are likely to be shortages of commodities caused by lack of access to markets during the rainy season.