The Experience of Lesotho on Commodities and Development

By

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"The views expressed are those of the author and do not necessarily reflect the views of UNCTAD"
Lesotho Paper on Commodities

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Country Characteristics

Lesotho is a small mountainous, land-locked country with a population of about 1.8 million people, according to the 2006 Population Census. The country is entirely surrounded by South Africa and its economic development is highly influenced by that of its neighbour. It has a land area of about 3 million hectares, only about a quarter of a million of which are arable. Effectively all the arable land in the country, about 9%, is under cultivation. Much of the rest of the land area is utilized for extensive animal production.

Most of the population of Lesotho is rural. 80% reside outside the main towns and of those 55% rely on agriculture for a major part of their livelihoods. Agriculture is, therefore, fundamental not only for the availability of food supplies to the country as a whole, but to the achievement of food security in individual households as well as to the national economy. In the longer term an increase in the efficiency of the agricultural sector has the potential to make a much larger contribution to national income than is presently the case.

The National Vision for Lesotho, Vision 2020, makes food security and poverty reduction, along with sustainable natural resource management, the main country priorities. This places agriculture at the forefront of all other sectors in championing the way forward to achieving the objectives of food security and poverty reduction.

It is worth noting that agriculture output is erratic over time and has been declining as a share of national output due to various factors. Thus, between the period 2003 and 2008 the share of agriculture to Gross Domestic Product fell from 9.3% to 7.1% (Bureau of Statistics 2008). Both crops and livestock sub-sectors’ contribution influenced the decline as crops moved from 2.9% to 1.6% while livestock changed from 5.1% to 4.3% in the same period.

Wool and Mohair Production in Lesotho

Wool and mohair are the main agricultural exports in Lesotho. Livestock keeping has historically been the most traditional of all Basotho occupations. Small stock (sheep and goats) is kept mainly for its wool and mohair. It is based on favourable ecological conditions in the country, particularly, the highland area which is comprised of foothills and mountains. A high percentage of land in this area is best suited for extensive small stock production. About 82% and 76% of sheep and goats are found in the highland areas while about 18% and 24%, respectively, are found in the lowlands.

It is generally understood that in international trade, the adherence to health and quality control measures is very important. In terms of animal health and disease, sheep scab eradication is a major concern in Lesotho. After an absence of forty years, the disease was reported in Lesotho in 1975 and has since become endemic.
in the country. The losses attributable to the disease, both to the country and the individual farmer are worrying. This situation has led to more stringent control measures being instituted before the disease destroys the wool industry.

From 1975 until 2006 sheep scab was controlled by dipping sheep and goats twice within 30 days. This was done annually between January and March as a nationwide campaign. Beginning from 2007 a long-acting drug has been used instead of dipping with the short and medium term objective to control sheep scab to the level where complete eradication is an achievable goal. All sheep in the country are injected with a suitable and effective long-acting drug that will be able to cure sheep scab in affected animals and give temporary protection from infection/re-infection. It is through the vaccination campaigns that sheep scab is controlled so that in the end the quality and quantity of wool produced in the country are improved. Good quality wool and mohair bring higher income to the farmers or producers and eventually the economy.

It is estimated that about 66,000 households depend almost entirely either directly or indirectly on the wool and mohair industry in this country. Wool production has improved between the period 2002/03 and 2008/09 as shown below.

**Wool Production and Sales: 2002/03 – 2008/09**

<table>
<thead>
<tr>
<th>Season</th>
<th>Mass (in KGs)</th>
<th>No. of Sheep</th>
<th>Total Sales (Maloti)</th>
<th>Average price (M/kg)</th>
<th>Avg prod/sheep</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/2003</td>
<td>1456786</td>
<td>576346</td>
<td>37,979,158.00</td>
<td>29.34</td>
<td>2.53</td>
</tr>
<tr>
<td>2003/2004</td>
<td>1755718</td>
<td>649733</td>
<td>35,441,656.64</td>
<td>20.18</td>
<td>2.70</td>
</tr>
<tr>
<td>2004/2005</td>
<td>2012428</td>
<td>703970</td>
<td>33,842,070.10</td>
<td>16.80</td>
<td>2.86</td>
</tr>
<tr>
<td>2005/2006</td>
<td>2222858</td>
<td>777425</td>
<td>34,948,608.87</td>
<td>15.70</td>
<td>2.86</td>
</tr>
<tr>
<td>2006/2007</td>
<td>2193966</td>
<td>820694</td>
<td>61,706,694.46</td>
<td>28.13</td>
<td>2.67</td>
</tr>
<tr>
<td>2007/2008</td>
<td>2573451</td>
<td>957457</td>
<td>84,131,837.63</td>
<td>32.69</td>
<td>2.69</td>
</tr>
<tr>
<td>2008/2009</td>
<td>3080304</td>
<td>1084718</td>
<td>61,342,177.00</td>
<td>19.92</td>
<td>2.84</td>
</tr>
</tbody>
</table>

Source: Ministry of Trade, Industry, Cooperatives and Marketing

The average price per kg of wool fluctuated between M29.34 in 2002/03 and M32.69 in 2007/08, based on international wool prices. In 2008/09, the low price was due to the outbreak of anthrax in Lesotho which led to reluctance by buyers to buy our produce.

**Recent wool and mohair market development**

In terms of commodities for export in Lesotho, wool and mohair are two major livestock products that are exported to earn the country much needed income. Over the years, Lesotho has been exporting most of its wool to China. Mohair is absorbed by the local South African market. The trend of production and export of wool is positive for the period 2000 and 2007, while that of mohair is negative. The positive trend of wool can be attributed to the improved numbers of sheep; training of farmers in improved shearing methods; improved breeding stock; supplementary feeding and proper control of sheep scab and other production diseases such as parasite infestation.
Recently, the outbreak of anthrax in February 2008 led to reduced wool and mohair sales. Anthrax outbreak was confirmed in some areas of two, out of ten, districts. With the assistance of FAO, the disease was contained through a vaccination campaign. The outbreak did, however, have a negative impact on wool and mohair sales as shown by 2008/09 sales. The buyers indicated reluctance to buy from us due to fear of the disease, in case our produce was contaminated. The wool and mohair which had already been delivered to the auction floors in Port Elizabeth, South Africa, before and around February 2008 was scientifically confirmed as being free from disease contamination.

As mentioned earlier, animal health is key in the wool and mohair marketing process. The sanitary measures have to be observed at all times. The anthrax scare at the marketing floor influenced one major buyer, China, to demand that Lesotho should show evidence of being free from foot-and-mouth disease (FMD). Historically, there have been no reports of FMD outbreaks in Lesotho.

The country is surrounded by an FMD-free zone of the neighbouring South Africa. All livestock and its products come into Lesotho through South Africa and have to comply with the Lesotho’s sanitary requirements for their importation. Lesotho and South Africa have their mutual Sanitary and Phytosanitary Agreement (SPS). Active surveillance is being conducted because China wanted to know the status of FMD in Lesotho. Lesotho has put in place FMD surveillance and monitoring system that complies with OIE regulations so that Lesotho can be declared free from FMD and regain lost trading markets for wool and mohair.

The country is determined to prove that it is free from diseases like anthrax and FMD which are a threat in wool and mohair marketing. The sales from the exports of these commodities bring income to the farmers and sustain their well being. Stringent measures have therefore been taken to reverse the current situation where we have lost markets, with the consequence being reduced income to rural farmers and hence increased vulnerability to poverty. It is for this reason that we have embarked on active surveillance for FMD in all the 10 districts.

The FMD surveillance campaign began in September 2009 with representative blood samples being taken from cattle in each district. The results of the first 200 samples came back negative for FMD from the World Organization for Animal Health (OIE) reference laboratory in Onderstepoort, South Africa. These were sent to OIE headquarters in France together with the application forms, for FMD clearance, in October 2009. The surveillance schedule is from early October 2009 up to end of February 2010 and will run annually. Awareness campaigns are continuing and they include reminders about the laws which govern disease control. The Government is determined to ensure effective control of diseases in the country so that livestock and its products bring substantial benefits to the farmers.

Some implications of the recent developments in the commodity sector

i) The international trading system

As has been indicated, Lesotho has been exporting wool and mohair over time. Indeed, a number of market distortions and market access barriers still prevail. The cited case of China’s requirements for importing Lesotho’s commodity bears testimony to this. However, sanitary and phytosanitary (SPS) measures for international trade facilitation are very important and have to be complied with in accordance with the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. Wool and mohair export promotion is one of the priorities in the current Economic Growth Strategy. The Strategy is, however, under funded with the result being slow implementation which hinders the effectiveness of potentially good initiatives. In
light of the above, capacity building and additional resources for poor economies, like Lesotho, will go a long way towards commodity improvement for trade and trade related activities within the framework of Aid for Trade.

   ii) Climate change

Climate change is already having serious impact on water resources and agriculture in Lesotho. Recurrent droughts have led to a steep decline in production of cereal and other staple crops. Today, most rainfall is received during spring and summer months, but is extremely variable in quantity and timing. Very intense storms occur especially in the lowlands. This shift in the precipitation patterns is likely to have serious implications for the agro-ecological conditions in the country, as there are signs that the growing season is being pushed forward and shortened.

Extreme temperatures, particularly those leading to drought, affect disease incidence and require good veterinary services. Additional measures to address animal health and diseases have been planned, but, implementation is slow due to Lesotho’s meagre resources.

In the livestock sub-sector, the country is now forced to go into supplementary feeding in a big way. The depletion of rangelands is being worsened by climate change amongst other factors, which include weak land management practices. Communal grazing has contributed to the extinction of palatable species and degradation of natural pastures. In order to redress the current situation concerted efforts are being made to combat erosion and land degradation. Thus, the rangelands are being reseeded, gullies are being controlled and rangelands management strategies are being implemented. If the rain pattern does not continue to change drastically the current efforts will bear fruit.

Conclusion

While it is understood that the current commodity boom has improved the situation of primary commodities in world trade, the Lesotho’s experience up to 2007 bears testimony to this fact. Had it not been for the outbreak of anthrax, the non-tariff barriers through the sanitary measures, could not have changed the good trend in 2008 for wool and mohair export. With additional support, both financially and technically, to address the country’s constraints in production upscaling and marketing of wool and mohair, Lesotho has a potential to benefit from price booms for wool and mohair.