CURRENT PRACTICES FOR THE SALE AND DISTRIBUTION
OF VETERINARY DRUGS IN AFRICA TO FARMERS

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Session 1: Current situation and specificity of veterinary products distribution and use in Africa
Current practices for the sale and distribution of veterinary drugs in Africa to farmers

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Abstract

The current practices for the distribution of veterinary drugs in Africa to commercial as well as pastoral or communal farmers are made. A conclusion is made that the availability as well as the distribution of pharmaceutical products is fair to excellent to commercial farmers but that the availability, quality and distribution to communal and pastoral farmers is far from the ideal.

Extension services in the continent of Africa have declined over the past decade or two and needs to be addressed. Veterinarians can play an important role in this but they will require extra training on business skills and acumen. Various reasons could be attributed to the fact that veterinarians failed to capture a larger share of the market, including inadequate training (especially business training) to service rural farmers on a cost-benefit principle, poor partnerships/relationships with the pharmaceutical industry, inability to charge for expert knowledge, expense of reaching remote areas, competition from government veterinarians, pharmacists, industry veterinarians and paraprofessionals (Animal Health Technicians).

Industry representatives will play an ever increasing role in bringing knowledge and quality products to the end user. Incorporated in this endeavour will be the training of private and government officials (state veterinarians and animal health technicians), as well as so called paravets and community animal health workers to establish a distribution network to not only distribute veterinary pharmaceuticals, but also for the dissemination of knowledge to the end user.
I. Introduction

The livestock sector is of fundamental importance to present and future food security in Africa. In much of the continent productivity is low and current national needs for milk and meat are not met. It has been estimated that on the continent of Africa as a whole, losses due to preventable livestock diseases amount to US$ 4 billion per year - this is about a quarter of the total annual productive value of livestock in Africa. [1]

In certain countries we have highly developed commercial livestock sectors with extensive and intensive beef, pig, sheep, goat and poultry enterprises as well as dairy sectors and feedlot industries that are on par with most of the developed countries in the world. The animal health industry in these countries is supported by extensive veterinary systems as well as being serviced by numerous animal health companies, thus creating a very successful infrastructure for distributing veterinary products and services to commercial farmers.

There is however a large number of communal or pastoral farmers in Africa, farming in most cases as subsistence farmers with only a few cattle. These farmers are facing the same problems especially when it comes to the supply and distribution of veterinary pharmaceuticals to themselves.

The objective of this paper is to give an overview of the current practices for the sale and distribution of veterinary pharmaceutical drugs to both the commercial and communal or pastoral livestock farmers in Africa. The constraints as well as critical requirements for effective sales/marketing and distribution to farmers will also be addressed.

II. The Marketing Perspective

When analyzing the current practices for the sale and distribution of veterinary drugs to farmers in Africa, the inclination is to immediately focus only on sales and distribution but other marketing factors should also be considered and, before we analyze the current practices, I would like to refer to some very basic marketing concepts, as these concepts will be used to analyze the current practices in place to sell and distribute veterinary drugs to farmers in Africa.

Many people define marketing as selling, which of course it is not. Selling is just one aspect of marketing. A South African definition [2] of marketing read as follows: Marketing consists of management tasks and decisions directed at successfully meeting opportunities and threats in a dynamic environment by effectively developing and transferring a need-satisfying market offering to consumers, in such a way that the objectives of the enterprise, the consumer and society will be achieved.

This definition, in its compressed nature does not necessarily make it fully understandable. To grasp the full meaning of the definition each of the italicized words in the definition should be fully explored. For the
purpose of the analysis, the focus will be on marketing decisions which are classically known in marketing as the four P's: Product, Place, Price and Promotion. Some of the other italicized words will however be addressed in the discussion to follow.

III. Product (Customer Solution)

1/ Product and packaging variety

In countries with commercial livestock sectors large numbers of products are sold under several major product groups (MPG's) i.e. antimicrobials including mastitis remedies, ectoparasiticides, endoparasiticides, endectocides, anti-inflammatory (steroid and non-steroid), reproductive hormones and biologicals. These will include many line items with various sizes and packaging available.

In the countries with communal or pastoral farmers the only MPG's sold are in most instances only ectoparasiticides and endoparasiticides as well as a small number of antibiotics and vaccines with a restricted number of pack sizes available.

With the current product variety in the countries with commercial farmers most if not all conditions and syndromes one can expect in livestock, can either be prevented (vaccines) or treated. This is however not true of the rest of Africa. The main products which companies are focusing on and selling in these countries are the ecto- and endoparasiticides, with no or very low focus on prophylactic products such as vaccines. If health in the African livestock industry need to be improved, a total herd health approach must be considered.

2/ Quality

Although many innovator products are sold by the major pharmaceutical companies in Africa, it is also true that for the majority of veterinary products currently on sale in African countries, patent protection has expired, making generic drugs an available alternative.

Fortunately high quality generic drugs are available but it is also true that many low quality products are almost 'dumped' on the African market. Not only animals, but also the consumer of animal products (meat and milk) will be affected by low quality products - resistance to products (man and animal), residues in milk and meat, chronic disease and death are but some that need to be mentioned. The risk of using generic products not only on an individual (as in human medicine) but on the whole herd/flock need to be considered. It is also true that some generics disappear overnight from the market if they are not selling well, compared to innovator products where huge investments in product information, support and continued research will more likely ensure that these products will always be available.

The future of the industry and involvement of multinational corporations in Africa should be considered. Poor enforcement of intellectual property rights is one of the main disincentives for companies to develop
new products (or to market existing ones) for developing nations. Pharmaceutical companies risk losing market share through the sale of copies, counterfeits and parallel traded products from lower priced products. Under such conditions there is no incentive for multinationals to invest in R&D targeted at strictly regional problems. [3]

3/ Features

Before an innovator product goes to market there is a stringent process to evaluate the market to ensure that it is indeed a product required by the market. Financial implications of launching a new product do play a role in the final decision but the determination of the real needs and wants of the end user plays more of a role.

With reference to the product variety in countries with commercial herds it is clear that most of the needs and wants have been addressed. Compared to this, only a small number of product groups in the countries with communal or pastoral farmers exist - if productivity in these countries need to be improved, sub-clinical and in most cases erosive diseases should be addressed by as an example the introduction of biologicals, even in the more nomadic extensive herds. Preventing and treating for external and internal parasites only will not improve productivity.

4/ Brand name

Certain brand names are well established in Africa. Farmers tend to be relatively brand loyal but price does play a role in the decision to buy, opening up the market for low quality products sold at a very low price.

5/ Services

Sustained interdependent promotion of health, social well-being and economic development in all communities (commercial as well as communal farmers and companion animal owners) should be of paramount importance to all role players in the animal health industry. In Southern Africa these extension services were all either rendered by the state extension services or by co-operatives. The state extension service still exists, but not at the level it used to be. Co-operatives, which sold drugs at their outlets, have mostly become Proprietary (Pty) companies (Agribusinesses), with shareholders and the main objective is to be a financial success. They are not involved (or have very low key involvement) in extension services. Extension services as it was known in South Africa as an example is now mainly done by certain animal health companies as part of their total service of rendering technical support to their customers based on collaboration, community participation and appropriate technology transfer. Improved health education and extension to, and personal involvement with veterinarians, farmers, consumers and pet owners, addressing the specific needs of communities, are of the utmost importance in this approach.
From an industry point of view the professional expertise of the veterinarians in Eastern Africa as an example give them a competitive advantage as distributors. This is however not applied and used to the extent to which it can be – veterinarians and other extension officers tend to become so involved in the commercial business that they do not focus on their strength i.e. the transfer of knowledge.

IV. Price (Customer Cost)

In Southern Africa pricing by pharmaceutical companies or distributors is normally done from standardised price lists, with bulk discounts and sliding scales on OTC products. According to law no discounts are allowed on POM (Act 101) products but these products are also sold from a standardised price list.

In the rest of Africa, it is usually agents that import products into a country. From this importing agent products are distributed to a main distributor, then to a distributor and finally to an outlet. There is no or little regulation on the mark up or margins the people in this supply chain ask and because of this, those lower down in the supply chain tend to favour the lower priced generic drugs, enabling themselves to generate profits higher than those compared to higher priced products. In practice, this could mean that a product is delivered to the end user at up to 100% more than what it was imported for. The smaller pastoral type of farmer will be especially affected by this pricing structure as large scale commercial farmers usually buy direct from the main distributor.

V. Place (Customer Convenience)

1/ Distribution channels

The principal retail distributors of OTC products in Southern Africa are co-operatives or Agribusinesses (more than 60% of national sales). The rest being distributed by wholesalers (25% of national sales) and veterinarians (15% of national sales). Some of the OTC products are registered as veterinarian-only and may only be sold by or used under the supervision of a veterinarian. This was and still is a controversial point, sometimes as it is reducing the accessibility of poor and/or rural communities to some of these products as these communities are seldom served by a veterinarian. Some distributors targeting the rural subsistence farmers embarked on educating local pharmacists, but in general their knowledge of animal diseases is low and their prices are high - therefore the farmers will only use the pharmacists if absolutely necessary.

Co-operatives/Agribusinesses are not allowed to distribute POM products in Southern Africa. Wholesalers will distribute POM products to veterinarians and they will then again sell it to the end-user. Legally there must be a valid veterinarian-patient-client relationship before products can be sold to farmers.

Apart from the various commercial outlets, a number of NGO's distribute veterinary drugs for welfare purposes. In South Africa as an example drugs supplied to organisations such as the SPCA and Community Vet Clinics run by the South African Veterinary Association are generally free, but are also
more focused on the companion animal population in poor and/or rural communities. Very few of these organisations work in extensive livestock systems. South Africa has a very good state animal health service where stock inspectors would have been responsible for the management and maintenance of communal dip tanks. Company representatives are now becoming more and more involved in re-establishing dipping and basic herd health extension work.

Many countries in the rest of Africa suffer from a number of distribution problems. Insecurity, large geographical areas with scattered populations, poor transport, lack of reliable outlets, low value livestock, poor local cash flow and low levels of consumer education with a lack of effective demand are some of the underlying reasons for the lack of veterinary services and poor pharmaceutical distribution in rural Africa. [3]

The largest clients of the main distributors in Africa are pharmacies and shops known as agrovets, followed by private vets and large scale farmers. According to local laws veterinarians in most countries in Africa are only to provide products in response to clinical need, but despite of the laws, many veterinarians profit from retail sales. From an industry point the professional expertise of the veterinarians gives them a competitive advantage as distributors, but in most cases due their lack of commercial skills they are disadvantaged when it comes to selling and distributing veterinary drugs.

Regardless of the nature of the outlet, more than 60% of profits come from veterinary pharmaceuticals, with 40-70% from ectoparasiticides, which are by far the most important products.

The often neglected, more remote pastoral areas have been identified as areas of great potential by several companies and is addressed in various ways, including marketing small packs for the pastoral (often nomadic) farmer with only a few animals.

The most efficient distribution to these remote areas is via “vans” (payload vehicles) at local livestock markets with a regional distributor to coordinate sales. These van based sales are in most cases only legal for ecto- and endoparasiticides. The quality of the products sold in remote areas, maintenance of the cold chain for vaccines as well as advice on dosing and rational use is lacking and questionable in most instances. [3]

Veterinary inputs in remote areas are relatively low and this most definitely needs to be addressed as the most important way to improve animal health is to improve consumer education regarding quality products and services.

2/ Transport

Although a large number of products are manufactured in Africa many animal health products are imported as finished goods, usually to a central company distribution point. Products imported are then
distributed via air, sea or by land to the various countries. Ectoparasiticides are in most cases highly flammable and airlines are hesitant to transport these products - this could lead to a delay in supply of the livestock dips.

VI. Promotion (Customer Communication)

1/ Advertising

Extensive advertising and sales promotions are made on a regular basis of all OTC products in Southern African magazines, on television as well as on radio. Radio programs focusing on animal health are currently presented via several local and national radio stations in South Africa targeting the commercial as well as the communal farmers. National television in South Africa also screens programs for commercial as well as communal farmers on a weekly basis. Compared to this in the rest of Africa advertising over regional radio in the language or dialect of the region is done.

2/ Sales force

All the major animal health companies in Southern Africa currently have sales forces either operating on a salary basis or as commission agents. In general the companies with salaried representatives are more inclined to render a value added service by becoming involved in the day to day management decisions on the farms, compared to the commission agents whom are in some instances solely driven by sales.

Sales people are trained to communicate the cost-benefit value of products to the end user. This is important as it then becomes not only a case of selling a product but also what the cost-benefit would be as well as the effect on the health of individual animals as well as on the herd. This is very important when prophylactic as well as treatment regimes (for example deworming, dipping, vaccination etcetera) are considered.

In the rest of the Africa this is not always the case. In many situations a case of "sell and go" with minimal or no input from the sellers side as well as no or minimal after sales support if for example adverse drug reactions or lack of efficacy is experienced.

3/ Community Animal Health Services

Various attempts by NGO's and development agencies to improve rural animal health care systems by recruiting members of local communities and training them as community animal health workers (CAHW's) have been reported in Africa. There are numerous examples of failed CAHW programs but some have been very successful [4].Unfortunately, perhaps because they had poor training and skills in diagnosis and drug dosing, most of the CAHW's had the same tendency as veterinarians to turn into traders rather than using and expanding their limited expertise. In spite of these concerns CAHW’s proved to be one of the best ways in providing veterinary services in much marginalized areas where veterinarians cannot survive. Contrary to this, highly trained pharmaceutical company representatives are
not only rendering an extension service, but can also supply high quality products after taking all possible factors into consideration. Where a CAHW actually operates under the direct "control"/ influence of such a representative it is usually a win-win situation.

4. Training

All major companies in Southern Africa are members of the South African Animal Association (SAAHA) [5] whose mission it is to promote ethical marketing practices, client and environmental care of high standing quality at all times, supported by knowledgeable, experienced sales personnel who have completed accredited courses.

All representatives of the said companies need to do 2 compulsory modules on the Industry and Anatomy/Physiology and then 3 modules of choice from the following: ectoparasites, endoparasites, biologicals, mastitis, antimicrobials, nutrition and growth stimulants, within the first two years of employment in the industry. This approach ensures a uniform knowledge base across the industry. In-house company training then focuses more on product related training - most companies however train their employees not to be only a vendor, but to operate as a consultant, addressing all aspects of animal husbandry. By this approach they are in most instances filling the gap left by the demise of the state and co-operative extension services and by virtue of their training they are more than capable of assisting the end user to make the correct decision on where, when and how to use the correct product for a specific animal health related problem.

Veterinarians from the rest of Africa are generally well trained and are well versed in diseases and problems in their regions or countries, but as with veterinarians almost world-wide they are not well trained in business skills. This needs to be addressed as it is in almost all cases being identified as the reason for veterinarians not being successful in the commercial world.

VII. Conclusion

The availability of the correct product, in the correct packaging at the correct time and place is usually good to excellent for commercial farmers in Africa. In rural Africa however, the availability, quality and distribution to communal farmers and pastoralists is far from the ideal and needs attention.

Extension services on the continent of Africa have declined over the past decade or two and needs to be addressed. Veterinarians can play an important role in this, but they will require extra training in business skills and acumen. From evaluations of many projects it is clear that [4] farmers are prepared to pay market prices for reliable drugs, treatments as well as transfer of information to support the health of their animals/herds.
Various reasons could be attributed to the fact that veterinarians have failed to capture a larger share of the market: This includes inadequate training (especially business training) in servicing rural farmers on a cost-benefit principle, poor partnerships/relationships with the pharmaceutical industry, inability to charge for their expert knowledge, expense of reaching remote areas, competition from government veterinarians, pharmacists, industry veterinarians and paraprofessionals (Animal Health Technicians).[5]

A possible strategy to overcome the shortage of veterinarians in Africa [3] (in 56% of the countries of Africa) would be for veterinarians to specialize and tailor their services to individual needs per area/country. This could also start at pre-graduate training level where the focus should not only be on companion animals but even more so on food producing animals.

Industry representatives will play an ever increasing role in bringing knowledge and quality products to the end user. Incorporated in this endeavour will be the training of private and government officials (state veterinarians and animal health technicians), as well as so called paravets and community animal health workers to establish a distribution network that not only distributes veterinary pharmaceuticals, but that also helps to ensure the dissemination of knowledge to the end user.

References


5. SAAHA Website: http://www.saaha.co.za