

Livestock as a Pathway out of Poverty in Latin America: A Policy Perspective

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A Living from Livestock

Pro-Poor Livestock Policy Initiative



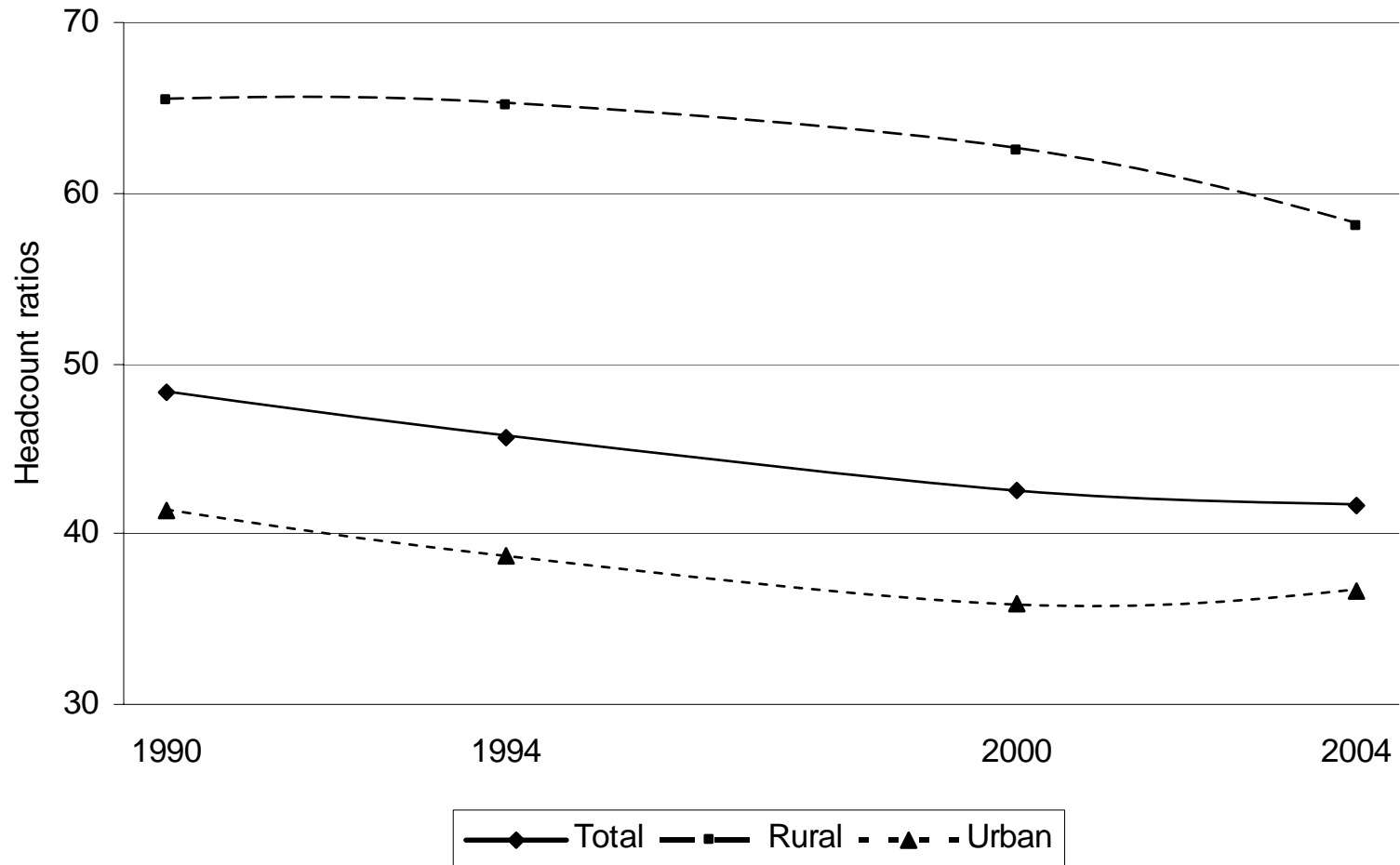
Outline

1. Livestock & poverty reduction in Latin America
2. Policy issues in smallholder livestock production
3. Policy issues in smallholder livestock marketing



Poverty Rates in LAC (1994-2004)

Livestock & Poverty Reduction

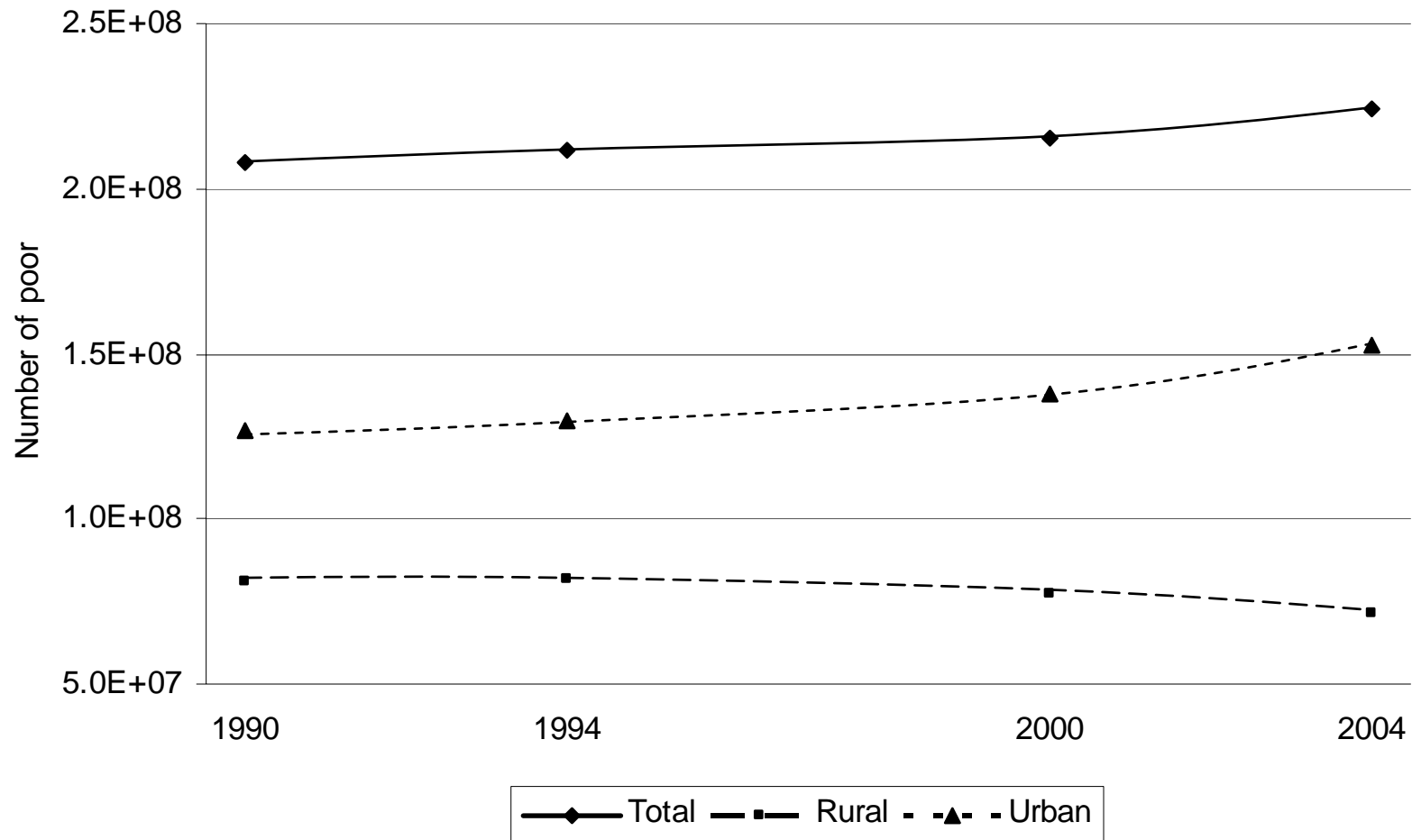


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Number of Poor in LAC (1994-2004)

Livestock & Poverty Reduction



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Pro-poor Rural Development Paths

Livestock & Poverty Reduction



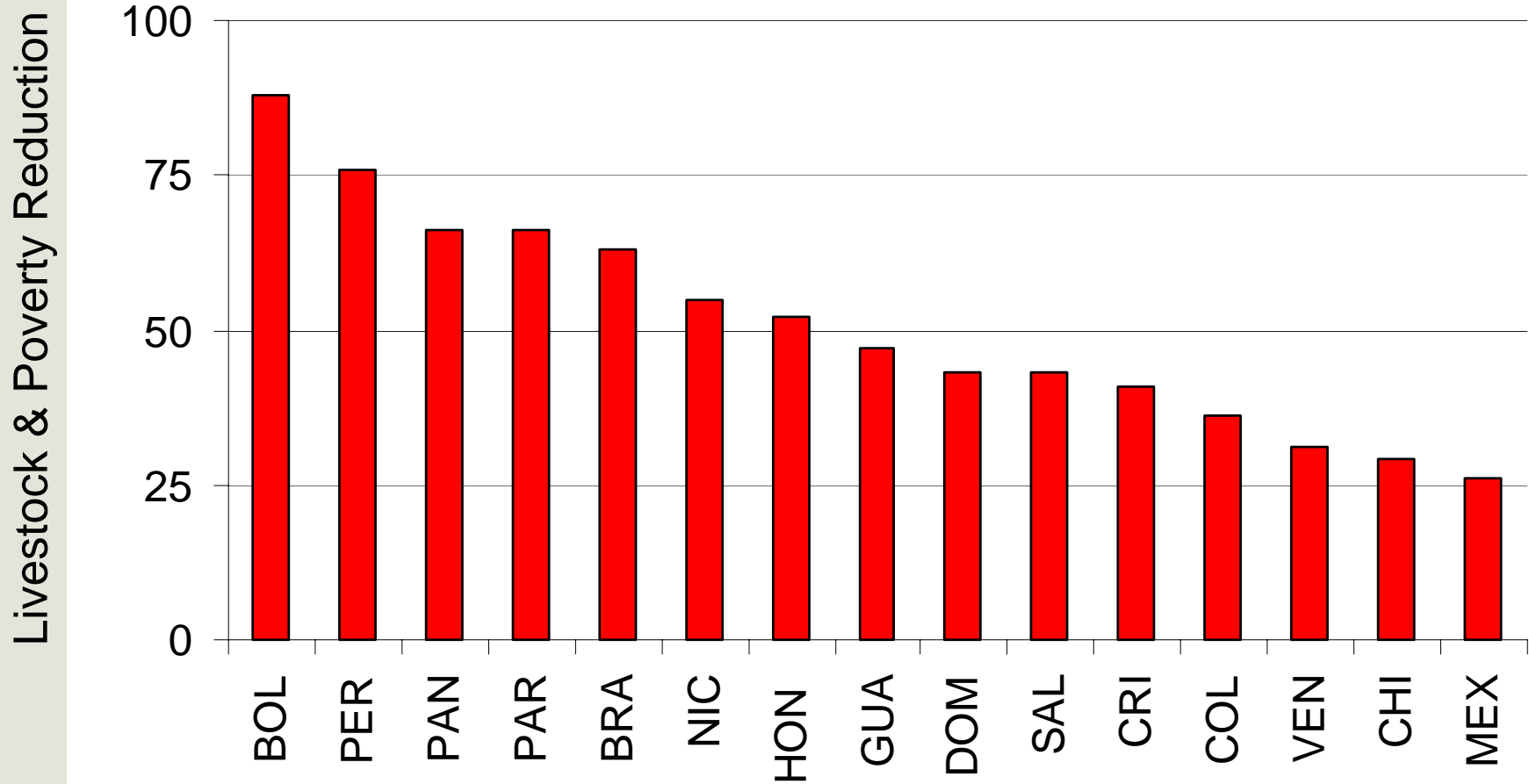
- Increasing assets
- Increasing returns to assets
- Increasing rural employment



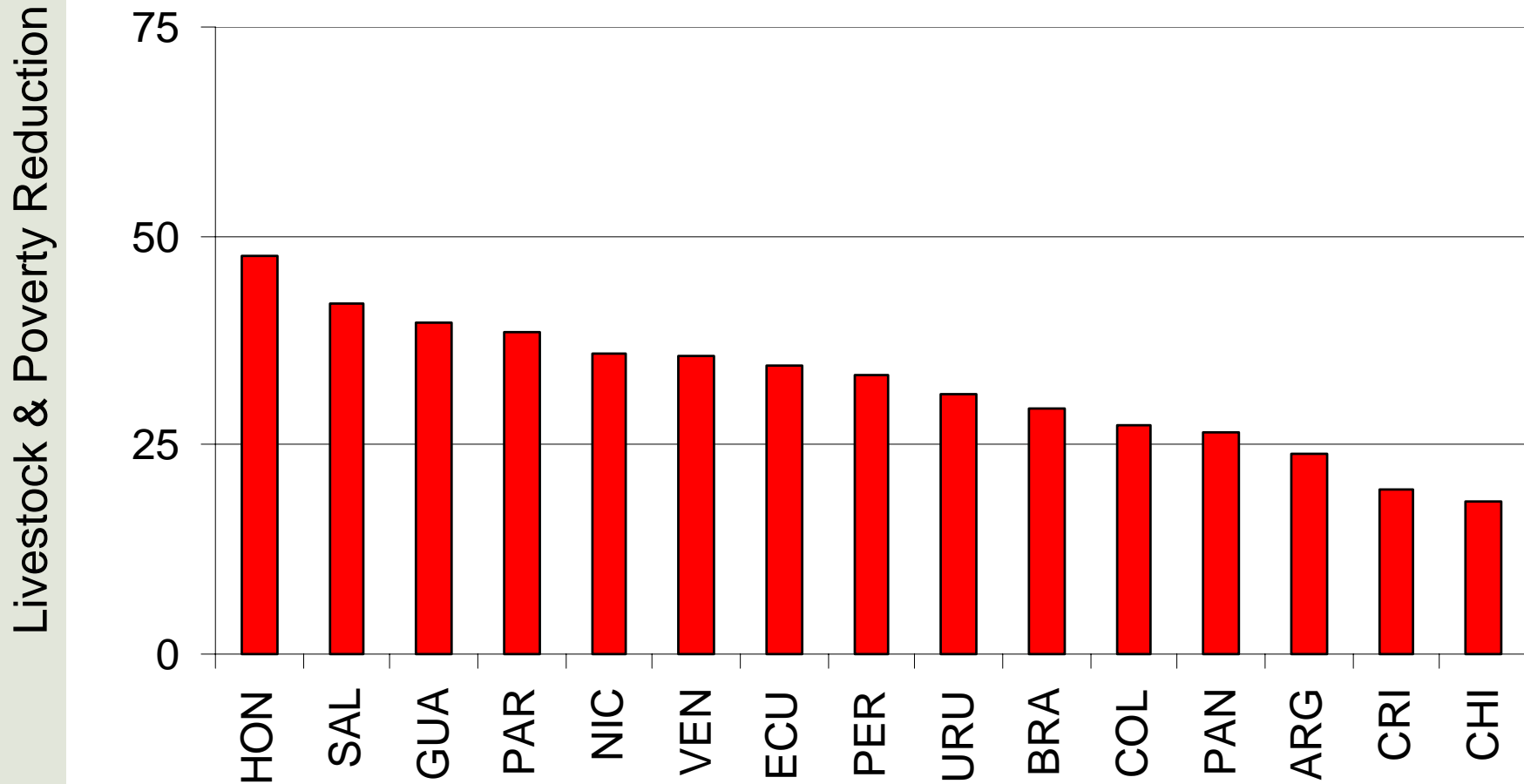
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Smallholders as % of Rural Poor

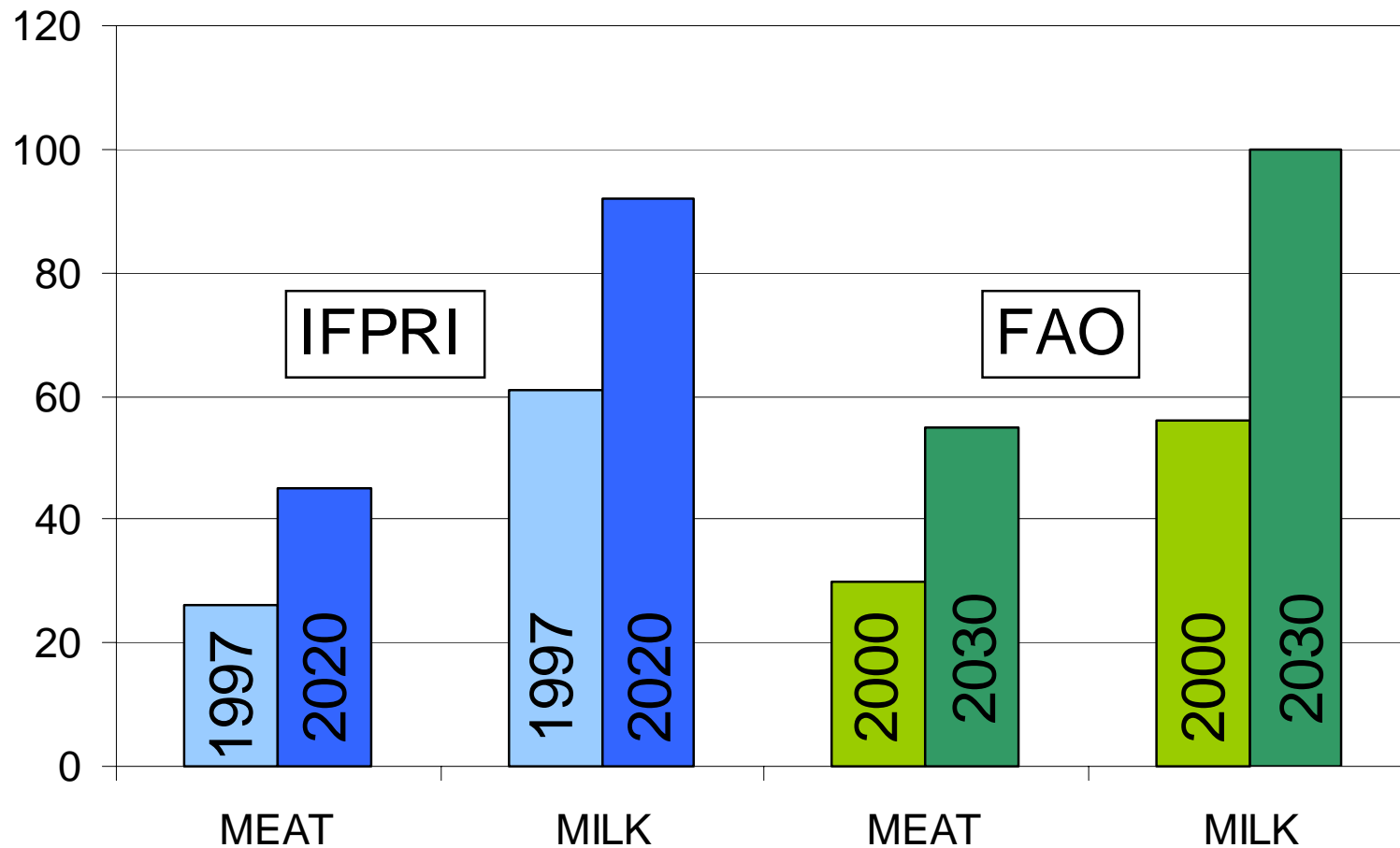


Rural Poor Holding Livestock (%)



Trends in Livestock Demand (mt)

Livestock & Poverty Reduction



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“Small is Beautiful?”

- Small farms are more productive than large ones per unit of land
- Livestock-driven rural industrialization
 - livestock production labour intensive
 - livestock products are of high-value
 - livestock generate production / consumption linkages



Towards Pro-poor Livestock Policies

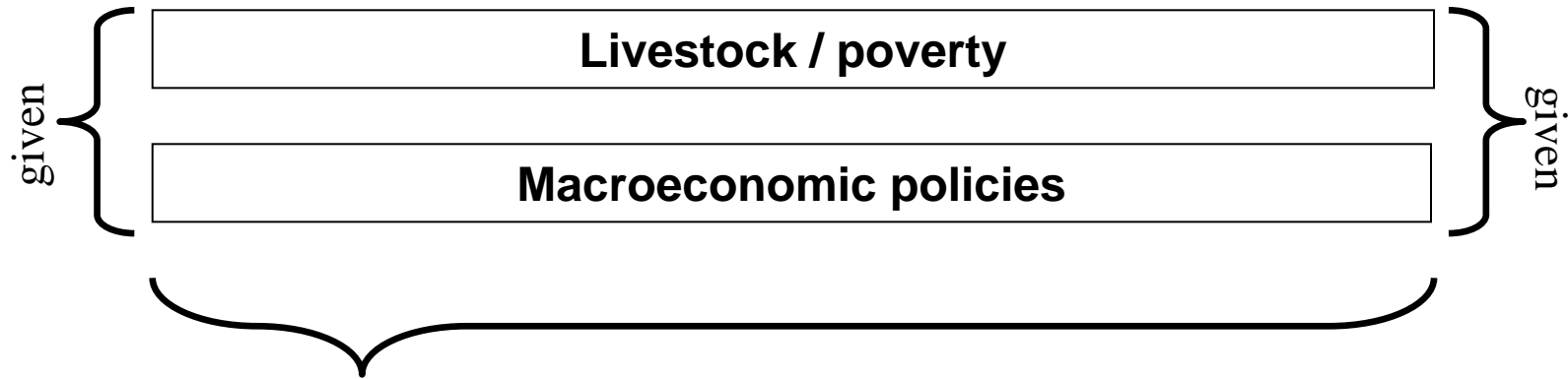
Policy objectives:

1. Smallholders produce efficiently
2. Smallholders commercialize efficiently



Policy Issues in Smallholder Liv. Production

Policy issues in smallholder liv. prod.



Policies promoting smallholder livestock production

I. 'Protecting assets / reducing vulnerability'
LAND – WATER – FEED – RISK-COPING

II. 'Creating conditions for growth'
CREDIT – ANIMAL HEALTH SERVICES

III. 'Responding to changing markets'
FOOD SAFETY – FOOD QUALITY



“Protecting Assets / Reducing Vulnerability”

Objectives: access to land/water – risk coping mechanisms

Traditional Instruments: state-led land reforms / government insurance

Market compatible instruments: liberalization

Transitional policies: market driven land reform; public-private partnerships



“Creating Conditions for Growth”

Objectives: access to credit –
animal health services

Traditional Instruments:
government provision

**Market compatible
instruments:** liberalization,
privatization, decentralization

Transitional policies:
microfinance; para-
professionals; CBAHWs



“Responding to Changing Markets”

Objectives: research / SPS standards

Traditional Instruments: government research / limited food safety - quality

Market compatible instruments: privatization, government regulations

Transitional policies: competitive funds; regional standards?

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Instituto Nacional de Investigaciones Forestales, Agrícolas y Pecuarias



Can Smallholders Produce Efficiently?

Policy issues in smallholder liv. prod.



- Macroeconomic 'dictatorship'
- Increased efforts towards market-supporting policies
- ...but limited... many questions about market/state still unanswered



Policy Issues in Smallholder Marketing

Livestock marketing is affected by:

- HH characteristics
- Infrastructure
- Institutional environment



Supply Chains as Institutions

Rules of the Game

1. Embedded institutions (e.g. social norms / customs)
2. Slow-moving institutions (e.g. government agencies / judiciary system)
3. Fast moving institutions (e.g. laws / regulations)

Play of the Game

4. **Outcome institutions** (sharecropping contracts, supply chain)
5. Households (production decision)



Livestock Supply Chains in LAC



- Traditional
- Few producers / few processors-retailers
- Vertically integrated

Increasingly dominant



Inefficient Supply Chains?

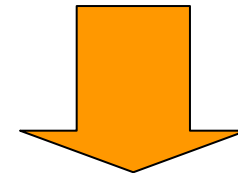
- Smallholders are as efficient as large producers
- No economies of scale in livestock production, but only in processing / marketing
- Successful contract growing schemes (external support)
- Social costs of concentration



Towards Smallholder-based Supply Chain



- Changed rules of the game
- Changed outcome institutions



- **Smallholder-based supply chain**



How to Change the Rules of the Game?

- Lessons from projects / programs
- Lessons from theory of contracts
- Reduce costs of:
 - search for clients
 - screening clients
 - negotiating contracts
 - monitoring behavior
 - enforcement in case of breaching



New Rules of the Game?

- Open lists of reliable producers / processors
- Fees and taxes increasing in quantity
- Standard contracts
- Public contracts
- Quick dispute resolution mechanisms
- Anti-trust rules



Conclusions

- Livestock can contribute to poverty reduction in LAC
- Current policies do not support smallholders adequately
 - Smallholders produce efficiently – market/state supporting policies
 - Smallholders commercialize efficiently – institutional policies



References & Further Reading

Links to PPLPI documents

Working Paper 27: Livestock Policies for Poverty Alleviation: Theory and Practical Evidence from Africa, Asia and Latin America

Policy Brief: Livestock Policies and Poverty Reduction in Africa, Asia and Latin America

Links to other documents

Agricultural and Rural Development Policies in Latin America *de Janvry A., Key N., Sadoulet E., 1997*

Increasing the Competitiveness of Market Chains for Smallholder Producers *CIAT (International Centre for Tropical Agriculture), 2004*

The Rapid Rise of Supermarkets in Latin America *Reardon T. Berdegue J.A. 2002*



For more information please visit the PPLPI website:

www.fao.org/ag/pplpi.html

www.fao.org/ag/againfo/projects/en/pplpi/publications.html



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Thank you!



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