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

Ugo Pica-Ciamarrà & Joachim Otte
New Opportunities for Dairy & Dual Purpose Ruminant Systems in Latin America Workshop
Ixtapan de la Sal, Mexico, 28-30 June 2006
Outline

1. Livestock & poverty reduction in Latin America

2. Policy issues in smallholder livestock production

3. Policy issues in smallholder livestock marketing

Livestock & Poverty Reduction

Headcount ratios

- Total
- Rural
- Urban

Years: 1990, 1994, 2000, 2004

A Living from Livestock
Pro-Poor Livestock Policy Initiative
Number of Poor in LAC (1994-2004)

Livestock & Poverty Reduction

- Total
- Rural
- Urban

Number of poor

Pro-poor Rural Development Paths

- Increasing assets
- Increasing returns to assets
- Increasing rural employment
Rural Poor Holding Livestock (%)
Trends in Livestock Demand (mt)

- **IFPRI**
  - MEAT: 1997, 2020
  - MILK: 2000, 2030

- **FAO**
  - MEAT: 2000, 2030
  - MILK: 2000, 2030
“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

Livestock / poverty

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

Macroeconomic policies
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
Objectives: research / SPS standards

Traditional Instruments: government research / limited food safety - quality

Market compatible instruments: privatization, government regulations

Transitional policies: competitive funds; regional standards?
Can Smallholders Produce Efficiently?

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

- 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. Berdegu J.A. 2002

For more information please visit the PPLPI website:
