



POLICY ISSUES IN LIVESTOCK DEVELOPMENT AND POVERTY REDUCTION

Globally, agriculture provides a livelihood for more people than any other industry. Agriculture has a key role in reducing poverty since most of the world's poor live in rural areas and are largely dependent on agriculture, while food prices determine the cost-of-living for both rural and urban poor. The global objective of halving poverty levels by 2015 is unlikely to be reached at current levels of assistance to agriculture.

Livestock provide over half of the value of global agricultural output and one third in developing countries. Livestock contribute to rural livelihoods, employment and poverty relief. They integrate with and complement crop-production, embody savings and provide a reserve against risks. Rapid growth in demand for livestock products, in the developing countries, is viewed as a "food revolution". Growth in consumption of livestock products in developing countries is at the expense of increasing net imports.

The case for promoting increased livestock production is pressing given the rapidly growing demand for animal products vis-a-vis the global aim to halve, by 2015, the proportion of the world population living in abject poverty, most of whom are dependent, at least in part, on food and income derived from livestock. The landless and rural women are important sub-groups of the rural poor likely to benefit from livestock development. Meeting these needs for promoting livestock production "while, at the same time sustaining the natural resource base (soil, water, air and bio-diversity), is one of the major challenges facing world agriculture today" (Bruinsma 2003).

● What Policies to Pursue?

Policy instruments fall into three main groups: (a) price policies, (b) institutional policies, and (c) policies promoting technological change. Price policies are

the responsibility of national governments, although they may be influenced by international agencies, such as customs unions, the World Bank or the WTO. However, institutional and technological changes are introduced not only by national and local governments but also by private individuals or associations, development agencies and Non-Government Organisations.

Price policies fall into four main categories of (i) trade policy, (ii) exchange rate policy, (iii) tax and subsidy policy, (iv) direct interventions such as floor and fixed prices. Trade policy, for the developing countries, should include continued pressure, through international fora such as the WTO, on developed countries to reduce tariffs and other barriers aimed at supporting their own producers. However, greater benefits might be achieved by reducing levels of protection for industrial sectors within the developing countries, as such protection raises input costs and effectively taxes agricultural producers. Taxes, subsidies and direct market interventions by government have usually failed to bring lasting benefits. There remains a case for limited use of subsidies for disaster relief and to promote the use of new inputs, such as vaccines or drugs. Alternatively moderate taxes on livestock producers might be used to recover costs of providing public goods such as disease control or eradication programmes.

Policies for the promotion of appropriate institutions have a major impact on livestock development. The authors of a review of about 800 livestock development projects found that most had failed to bring about significant sustainable improvements in livelihoods of the poor. They conclude that "The key lesson to emerge from our review... is the importance of institutions in defining the success of pro-poor measures." (LID 1999). Benefits would accrue to livestock producers, as to all members of society, if along with improvements to the physical infrastructure the institutional



infrastructure of law and order, respect for property rights and contractual agreements were strengthened.

Institutional development is also needed for the provision of credit, animal health services and genetic material. The introduction of new technology must be accompanied by the strengthening of the institutional framework required for its implementation. The other key area, where institutional change is essential for the success of livestock development, is that of marketing, including transport, processing and selling. As there are economies of scale in these marketing activities, large commercial operations are most likely to be cost-effective. However, in negotiating contracts with such companies, small-scale producers are in a weak position, lacking market power and information on patterns of supply, demand and prices. Thus in promoting institutional development, there is a need for dissemination of market information, and encouragement of co-operative group action and participation by small-scale producers to strengthen their bargaining position.

Technological change may be promoted by supporting research and development and the dissemination of information to farmers. Public funding for agricultural research, and particularly that for livestock research, has declined over recent decades. Since much research output provides public goods the decline in public sector funding must be reversed. An appropriate institutional framework must be developed to integrate a farmer participatory systems approach with science-based adaptive and applied research, necessitating collaboration between producers, and natural and social scientists. The national research organisation must take responsibility for research prioritisation, ensuring that it is appropriate for relative resource availability, taking account of the needs of the poor, and co-ordinating donor assistance.

Areas of research deserving attention include animal and veterinary public health measures, improvements in forage crops and utilisation of crop by-products, and improvements in husbandry and management of production systems. Local breed improvement is a long-slow process and increases in production are generally more readily achieved by cross-breeding with, or adopting, exotic breeds. Equally

important is the need for socio-economic research into the institutional framework for the allocation of natural resources, credit, and labour hire, the delivery of inputs and the processing and marketing of livestock products. Research is needed to describe and analyse the strengths and weaknesses of existing institutions and to propose and test alternatives for improvement where necessary. In addition, socio-economists are needed to contribute to the research prioritisation process, by assessing likely costs and benefits of proposed research projects.

• What Could the Benefits Be?

The primary benefit from increases in livestock productivity is a sustainable improvement in the livelihoods of livestock producers, many of whom are resource poor, many of these being women and some of whom are landless. Some of the benefits will be reflected in improved levels of nutrition, while increases in market sales will provide income for other uses.

Increases in domestic production and supply of livestock products may result in falling prices. This will benefit consumers and accelerate the growth in demand. However, the fall in price is unlikely to be large enough to cancel out the benefits to producers of the increases in productivity. The main effect for most developing countries will be the substitution of domestic products for imports. This effect will bring additional benefits by saving scarce foreign exchange.

Improvements in animal and veterinary public health not only save farm costs and increase productivity and incomes, but also reduce risks of losses and of human disease and, for those countries producing more than enough for home consumption, also improve access to world markets.

Policy Brief based on:

The Role of Livestock in Economic Development, PPLPI Working Paper 10, Martin Upton

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http://www.fao.org/ag/againfo/projects/en/pplpi/project_docs.html