

# A Menu of Livestock Sector Policies

Ugo Pica-Ciamarra

FAO Pro-Poor Livestock Policy Initiative (PPLPI)

Background document for the FAO Informal Expert Meeting on  
'Designing Effective Country Specific Strategies for Dairy Development'  
Bangkok, Thailand, 17-20 November, 2008

Poverty reduction is the prevailing imperative of present-day development policies. Cutting by half the proportion of people living on less than a dollar a day and halving the proportion of people suffering from hunger are among the UN Millennium Development Goals (MDGs). Growth in agriculture can significantly contribute to the overall objective of poverty reduction, essentially as three of every four people in the developing world live in rural areas – 2.1 billion living on less than \$2 a day and 880 million on less than \$1 a day – and most depend on agriculture for their livelihoods.

Within agriculture, the livestock sector can be an important engine of growth and poverty reduction. First, increased population, gains in real per capita income and urbanization are sustaining the demand for high-value agricultural products – including fruits, vegetables, fishery, meat and dairy products. Second, a large share of the poor holds livestock: preliminary ILRI estimates indicate that around 555 million of the world's extremely poor depend on livestock for their livelihoods, which are source of income, manure, draft power and hauling services, social status, a buffer to risk and a form of savings. Third, livestock development generates labour demand, supports backward and forward linkages (e.g. in the feed and processing industry), sustains the trade balance and contributes to food security through increased supply (and possibly lower price) of animal food. It might also produce negative externalities: animal wastes can pollute soils and water sources; expansion of livestock production is frequently associated with deforestation; zoonoses may have severe effects on human population; the incremental demand for feed grains may lead to unsustainable use of scarce natural resources.

The poverty reduction potentials of the livestock sector have remained untapped so far, so much that is hard to pinpoint at even one developing country where growth in the sector has been unambiguously pro-poor. On the contrary, there is unequivocal evidence that the performance of the sector has been unsatisfactory in most developing regions over the last twenty years and that current national and supra-national policies often disregard the livestock dependent-poor, who are disadvantaged both in the national and international policy arenas. Decision makers are thus expected to reform old, formulate new, and implement policies and institutional reforms that tap into and unleash the poverty reduction potentials offered by the livestock sector.

Formulating and implementing pro-poor livestock sector policies is daunting, because it involves significant changes and innovations in the role of the public sector. To begin with, the prevailing economic development paradigm –which suggests that policy makers only supply livestock-related public goods and correct market failures, with all other economic activities being left to the private sector– requires a redefinition of the role of the public sector in animal health, breeding and

related services for the poor. As an example, the government is no longer expected to be directly responsible for artificial insemination, which is a nearly pure private good, but to provide the private sector with the right incentives to take up artificial insemination programmes and expand them countrywide; the government should not necessarily produce animal drugs, which are a private good, but has to ensure that good quality drugs are available on the market at an affordable price. How these policies have to be designed and implemented is something new for many developing country governments.

In addition, the development of the livestock sector depends also, and often in a critical manner, on non-livestock sector policies at the macro and agricultural sector level, which have been traditionally beyond the reach of livestock departments. The emerging development paradigm, however, provides livestock policy makers, possibly for the first time ever, with the opportunity to formulate and implement policies which go beyond the strict domain of the livestock sector. As far as the market mechanisms are respected, in fact, there are no a-priori boundaries to the interventions of livestock policy makers. For instance, whilst the latter will never be responsible for regulating micro-credit in rural areas, they could help financial institutions to explore ways to accept livestock as collateral for small loans; whilst livestock policy makers will be never responsible for the national research policy, they could set up competitive research funds to promote pro-poor livestock-related research in a given area. In most cases, these are unexplored areas of intervention for livestock policy makers.

This Policy Menu, given the new challenges and opportunities which have to be taken care of to promote the development of the livestock sector, intends to be a practical guide for decision makers and development practitioners willing to identify and implement policies and institutional reforms which have a positive impact on the livelihoods of the livestock dependent poor, including policies within and beyond the livestock policy domain.

The Policy Menu is structured according to a simple policy objective – policy instrument framework. The underlying assumption is that the overall goal of policy makers is to enhance the contribution of the livestock sector to poverty reduction, namely to allow the rural poor to make better use of their livestock assets. To achieve such objective, policy makers are expected to identify some practical livestock-related policy objectives, which will fall in three broad policy domains:

1. Reducing livestock sector vulnerability: the livestock dependent poor need secure access to land (forage, feed, and water) and to effective risk coping mechanisms to start making productive use of their farm animals. The associated policy objectives would be:
  - Securing access to land, water and feed for poor livestock keepers (land policies).
  - Providing livestock keepers with risk coping mechanisms for natural disasters and price shocks (risk-coping policies).
2. Enhancing livestock productivity: the livestock dependent poor need access to animal health and productive services, credit and output markets to produce beyond survival level and make a profit out of their farm animals. Three policy objectives can be identified under this policy domain:
  - Providing livestock keepers with secure access to livestock services (animal health policies).

- Providing livestock keepers with secure access to credit and secondary inputs, such as compound feeds (credit policies).
  - Providing livestock keepers with secure access to domestic output markets (marketing policies).
3. Sustaining livestock productivity: the livestock dependent poor need that research be tailored to their needs, to make use of environmental friendly technologies, and to stand in increasingly competitive international markets. Three policy sub-objectives are subsumed under three areas of intervention:
- Promoting research in animal health, feeding and breeding (research policies).
  - Ensuring the environmental sustainability of livestock production systems (environmental policies).
  - Enhancing the capacity of smallholder livestock keepers to compete in international markets (trade policies).

Each of the identified policy objectives can be served by one or more policy instruments, which can either be complementary or substitutes. Chapters two to nine review and detail various policy instruments, including description of instrument; (ii) implementation mechanisms; (iii) implementation issues; (iv) country experience(s), and differentiating between those instruments which can be directly implemented by livestock sector policy makers and others that call for actions by other government ministries / departments.

**Figure 1. Structure of the Livestock Policy Menu**



