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Policy Brief

“Pro-Poor Policy Analysis on Cattle Productivity and Links to Industry in Lao PDR”

National Consultation Workshop

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“Pro-Poor Policy Approaches to Address Risk and Vulnerability at the Country Level”

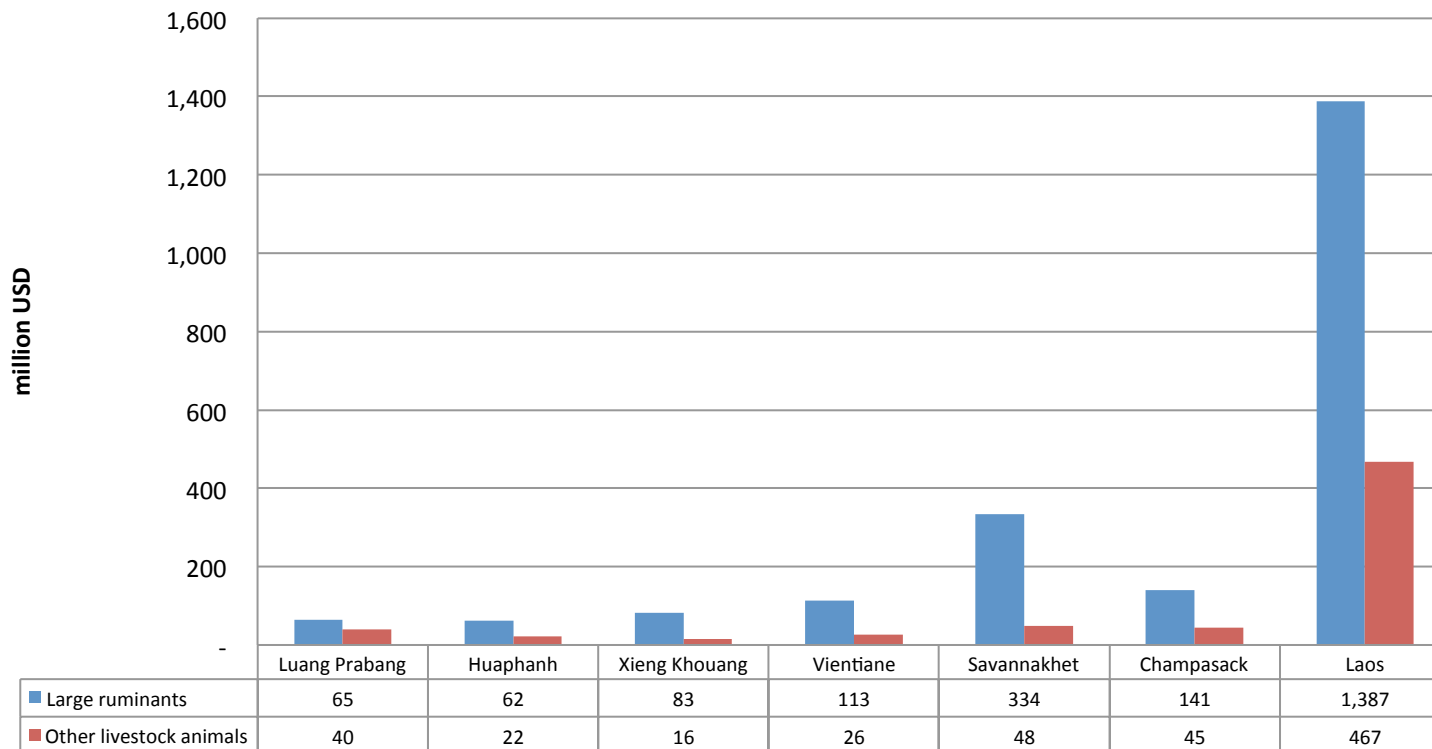
Policy content

- Executive summary
- Introduction
- Research findings and evidences
- Policy Recommendations

Rationale

- Importance of cattle and buffalo to Lao economy
 - 1.4 billion USD of the total stock of large ruminants

Figure 1 Valuation of livestock production in US dollars in selected provinces and Laos



Rationale (Cont.)

- ***Cattle smallholder farmers***
 - 98% of the total cattle from smallholder farmers (DLF 2013)
 - Approximate 297,000 farm households (38% of the total farm households) had cattle
 - This signifies the importance of smallholder farmers in the Lao cattle industry

Table 1 Cattle herd sizes or percentage of cattle holdings in the whole country

	Cattle herd size (% of cattle holdings)					
	1-2 head	3-4 head	5-9 head	10-19 head	20 & over head	Average cattle per cattle holding
Whole country	32%	26%	28%	11%	3%	5.3
No. farm households ('000)	95.04	77.22	83.16	32.67	8.91	

Source: ACO (2012)

Rationale (Cont.)

- ***Land availability***
 - 654,300 ha of grazing lands and 1.14 million ha of forest areas (MAF 2014)
- Of 654,300 ha of grazing lands:
 - 7,300 ha of grazing land in lowlands (1.12% of the total grazing lands)
 - ***490,000 ha of grazing land in uplands (75% of the total grazing lands)***
 - 9,900 ha of grazing land in highlands (1.5% of the total grazing lands)
 - 147,300 ha of scattered grazing land in lowlands (each plot was no more than 300 ha) (22.5% of the total grazing lands)

Rationale (Cont.)

- ***Feed availability***

Table 2 Summary of strategic crops which can produce a large amount of by-crop products

Strategic crops	Harvested area (ha)	Production (tons)	By-crop products (tons)	Remark
Lowland rice (rainfed&irrigated)	775,465	3,174,120	- rice bran: 530,078, broken rice: 62,213, rice straw: 3,101,860	Can feed 1.69 million cattle
Cassava	45,185	1,254,188	- leaves: 74,261	Tubers and leaves can be used for 25-55% of concentrate feed ingredient
Maize	188,825	994,750	- stover: 1,740,813, cob: 870,406	Can be fed with cobs and stover with available carbohydrate
Sweet corn	23,205	219,335	- stover: 383,836, cob: 191,918	
Sugarcane	14,270	865,130	- tree top: 423,361, molasses: 128,849	Can be fed with molasses (10-20% of feed ration); use as feed block and molasses urea
Total	1,046,950	6,507,523	11,201,746	Can feed 5.1 million cattle

Source: calculated from MAF (2014)

Rationale (Cont.)

- ***Smallholder cattle production systems and productivity***
 - Free grazing systems which may present at least 60% of total cattle herd in Lao PDR (1 million head or 172,800 households)
 - Closed extensive grazing systems containing two sub-types which are:
 - (a) individual or group-fenced fallow systems, and
 - (b) institutionalized communal grazing systems.
 - 30% of total cattle herd (513,000 head or 90,000 households)
 - Cattle fattening and farm systems are intensive production systems may be up to 10% of the total cattle herd (170,000 cattle or almost 30,000 households)

Policy recommendations

- Development of cattle policy requires considering not only national economic gains, but also rural development and poverty reduction
- Aim for development of the Lao cattle industry in which cattle smallholder farmers play important roles in the supply chains.

Table 3 Recommended policies for smallholder cattle development

First stage (1-2 years)	Second stage (2-5 years)
(i) Policy for cattle land zoning	(i) Policy for animal health services and veterinary supplies
(ii) Policy for risk-coping	(ii) Cattle-related financial policy
	(iii) Cattle marketing and trade policy

(1) Policy for cattle land zoning

- Defining grazing land areas are necessary for land zoning
 - Degraded forest, fallow areas, non-agriculture land etc.
 - Protected forest areas
- Prioritize zonation in the government's strategic poorest districts (e.g. Sam Sang and Focal areas)
- Provide free tax collection of cattle in zoning areas
- Promote agribusiness of cattle feed and forages through linking forage seed producers (smallholder groups) to the cattle feed market

(1) Policy for cattle land zoning

1.1 Uplands

- Assess current availability of communal cattle grazing lands and users
- Formulate and strengthen cattle smallholder groups
- Promote smallholders' closed/fencing cattle production systems which are subjected for government intervention to improve cattle productivity
- Improve cattle productivity through feed, health, herd and breed management
- Conserve and improve indigenous breeding through selected mating with *Hmong* cattle
- Promote cow-calf production systems
- Promote farmers to grow forages in some degraded fallow areas as supplementary for pregnant and lactate cows

(1) Policy for cattle land zoning

1.2 Lowlands

- Determine zonation of intensive strategic crops and cattle farms
- Promote private enterprises and commercial-oriented farmer groups
- Promote intensive and peri-urban cattle farming systems by improving nutrition of by-crop product feed through use of additional ingredients and fermentation techniques
- Provide training on cattle feed formulation and use of appropriate feed technologies
- Improve cattle productivity through cross-breed with exotic breed especially red Brahman
- Promote cattle fattening systems

(2) Policy for risk-coping

- Transfer technical and management knowledge on animal health management and how to optimally use by-product crops (cassava leaves, rice straw, sweet corn trees etc.) as emergency feed in dry season and severe drought as a result of climate change
- Provide emergency feed to strategic zoning areas with no or low costs to registered smallholder farmers
- De-stock unproductive bulls and cows before feed shortage toward establishing a dry-season market at the district level that connect the de-stock owners with smallholders who adopt cattle fattening as well as traders
- Free tax collection of buying cattle from the de-stock program

(3) Policy for animal health services and veterinary supplies

- Promote small commercial animal health service providers in strategic lowland and upland zones by using e.g. tax exemption in a particular period of time or access to low-interest-rate loan (i.e. 10% in the first 2-3 years)
- Create a business association of animal health services and veterinary supplies to guarantee the quality of products and services and to have close collaboration with the relevant government departments. The association should get assistance from the government in capability building and business strengthening
- Strengthen the capacity of DLF/PAFO/DAFO in monitoring and evaluating private enterprises that provide veterinary services with low standard
- Maintain operation of DAFO and Veterinary Village Workers for veterinary services in remote uplands and lowlands where private enterprises could not operate profitably

(4) Cattle-related financial policy

- Provide loan with a lowest interest of 3% (without paying the interest rate until 4 years) to smallholder farmers who adopt free grazing systems under conditions that they have to adopt semi-intensive cow-calf production or fattening systems, and are trained by PAFO/ DAFO staff regarding appropriate techniques and technology
- Provide loan with low interest rate of 5% (without paying the interest rate until 4 years) to strategic smallholder farmer groups that adopt communal grazing systems so that they could improve cattle productivity through feed and herd management
- Provide loan with a medium interest rate of 6-8% (without paying the interest rate until 2-3 years) to market-oriented smallholder farmers and groups, and small and medium enterprises that adopt cattle fattening systems
- Provide loan with a medium interest rate of 10% (without paying the interest rate until 2-3 years with provision for extension if appropriate) to small and medium cattle feed producers, hygienic slaughter houses, and veterinary service providers
- Strict monitoring and evaluation of effective loans must be made by both government banks and cattle technical sector

(5) Cattle marketing and trade policy

- Standardize a tax collection fee of cattle sale in nationwide
- Create one stop service to collect fee and tax of cattle movement in order to facilitate and simplify of cattle movement, and to reduce transaction costs
- Formulate strategic cattle smallholder groups including gender involvement (e.g. women microcredit schemes for meat processing and other related agribusiness) to participate in the high-value beef chain through contract farming with private sectors and under supervision and support from the government
- Formulate cattle trader group or association to increase negotiating empower of cattle traders, exchange cattle trade information, and to ensure the benefit of cattle trade

(5) Cattle marketing and trade policy (cont.)

- Make a great effort to negotiate with China and Vietnam to include the live bovine animal into the list of Free Trade Agreement (FTA)
- Review and adapt some cattle trade regulations (restriction of cattle import and arrangement export quotas, SPS measurement) and harmonize the regulatory framework for cattle trade in compliance with ASEAN trade regulations
- Make a clear and concrete investment policies in livestock sectors, such as the list of livestock sectors should be opened for foreign investors, a land zones available for accession, including simplify and transparency investment approval in order to attract foreign investors in these sectors
- Establish AEC implementation unit, which is participated by MAF, MIC, private sectors and farmers to update, distribute information and estimate the possible impact of AEC implementation on smallholder cattle raising and traders

Conclusion

- Policy recommendations focus on cattle smallholder farmers, particularly the poor
- Implication for rural development and poverty alleviation
- Long term commitment from the Government to national economic gain
- Support and align with the Livestock Policy developed by Department of Livestock and Fisheries
- Optimal participation of smallholder farmers in the cattle value chain is critical for sustainable development of the Lao cattle industry