



THE POLITICS OF LIVESTOCK SECTOR POLICY AND THE RURAL POOR IN PERU

This brief outlines opportunities to improve rural livelihoods in Peru through policy and institutional changes in the dairy and camelid fiber sectors, both of which include large numbers of small producers.

• Strategic Entry Points for Pro-Poor Development

Despite problems which limit the prospects for successful pro-poor development policies, there are a number of strategic entry points to improve opportunities for smallholder producers to benefit from expansion in the livestock sector. The six most important entry points are:

- Support to smallholder producers associations.

Since smallholders must ultimately be protagonists in the processes that lead to the adoption of pro-poor development policies, strengthening associations that represent them is critical. The international community could further this goal by providing financial support and / or technical assistance.

- Assistance to small-scale fiber-processing industries.

Promotion of small-scale fiber-processing operations would help to create more jobs and opportunities in artisan garment production, generating more value-added within Peru in the camelid fiber sector. The establishment and consolidation of small-scale fiber-processing industries could also reduce the herders' dependence on the three major processing companies, and improve producer prices. International organizations and donors should thus consider providing technical training and / or loans for entrepreneurs interested in fiber processing.

- Institutionalization and professionalization of state agencies.

Rapid turnover of officials in public sector agencies related to agriculture and livestock is a widespread and persistent problem. CONACS, an agency of special importance for the alpaca sector, has made important strides toward professionalization in recent years. Its leadership and personnel must be protected from politically motivated replacement, should pressures arise with the change of government in 2006.

- Funding of livestock sector agencies.

Key public livestock sector organizations, including CONACS and the Ministry of Agriculture's *Dirección de Crianzas*, need greater financial resources if they are to more effectively promote pro-poor sector development. International actors could help through direct funding of these entities and / or by pressuring the new administration that will take office in 2006 to prioritize these agencies and their programs.

- Coordination among and between donor projects and state agencies.

Increased coordination among international and national organizations that manage or fund livestock sector development projects in Peru would prevent the duplication of efforts, and the creation of organizations parallel to state agencies involved in similar activities.

- Support for decentralization.

The importance of central state support to the new regional and local governments, increased resource transfers (contingent on the development of capacity at these levels), and the need to clarify the functions of the new regional participatory institutions through the



correction of flaws in the legal framework need to be reinforced and supported by local and international development actors.

- **Specific Public Policies in Favour of Poor Livestock Keepers**

Given the neo-liberal orientation of the Peruvian state and the absence of a strong regulatory capacity, the range of public policies that could be implemented to foster pro-poor livestock sector development is limited. With those realities in mind, four specific public policies that could promote pro-poor development are recommended:

- Securing protection from subsidized imported dairy products in free trade treaties.

The dairy sector faces the potential threat of cheap subsidized milk imports from the US as a result of the free trade treaty which was under negotiation at the time this research was conducted. It would be reasonable for the Peruvian government to demand a clause in the US free trade treaty that would prevent the dumping of subsidized US dairy products at prices below those charged for imports from other countries. The milk producers themselves suggest fixed quotas. Two factors limit the feasibility of this policy option: first, US intransigence regarding its own subsidies for milk producers and its insistence on eliminating Peru's variable tariffs, and second, the Peruvian government's eagerness to finalize the treaty.

- Promoting direct marketing of alpaca fiber from producers to the industries.

Most alpaca herders are extremely poor, insufficiently organized, and geographically diffuse. Intermediaries buy fiber from herders and then sell in bulk to the three major processing industries. Reducing dependence on the intermediaries is in the long-term interest of both producers and the processing industries. The specialized state agency that focuses on the camelid sector, CONACS, is currently working towards this goal through the National System for

Collection and Commercialization of Alpaca Fiber initiative, which promotes producer-managed collection centers to offer larger volumes of fiber directly to the processing industries.

- Implementing national standards for quality grading of alpaca fiber.

A uniform standard could make it possible for alpaca herders to gain value-added by sorting fiber before sale to the industries. At present, this option is less feasible because each industry uses its own classification system. A uniform standard would also provide incentives to producers to improve quality. Lingering resistance from the three industries, which seem to value autonomy in classification, and the weak regulatory capacity of the state are two possible impediments to the implementation of this policy.

- Exempting dried alpaca meat from value-added tax.

The state agency Pronaa purchases dried alpaca meat, known as *charqui*, along with other food products, for distribution in its national nutritional subsidy program. *Charqui* is produced exclusively by poor alpaca herders and as such generates little tax revenue. Charging value-added tax on *charqui* also runs counter to the principle of equity in taxation. Small improvements in welfare of herders would result if *charqui* were exempted from the tax and if Pronaa used the money thus saved to purchase additional dried meat for distribution to the urban poor.

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