

AIRGRAM

DEPARTMENT OF STATE

Proj No 5110364.2
5110364-4

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CLASSIFICATION

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SUBJECT - Noncapital Project Paper (PROP) Sheep, Llama, Alpaca
Production and Marketing Project, 511-11-130-364.2

REFERENCE - M.O. 1025.1

Country: BOLIVIA

Project N° 511-11-130-364.2

Submission Date: May 9, 1969

Original X

Revision N°

Project Title: SHEEP, LLAMA, ALPACA PRODUCTION AND MARKETING

U.S. Obligation Span: FY 1959 through FY 1974

Physical Implementation Span: FY 1959 through FY 1974

Gross life-of-project financial requirements:

U.S. dollars	\$ 2,706,000
U.S. owned local currency	-
Cooperating country cash contribution	1,922,000
Other donor	<u>3,011,000</u>
Total	\$ 7,639,000 =====

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DRAFTED BY LClyburn:ee	OFFICE RDD	PHONE NO 22381	DATE 5/2/69	APPROVED BY: Edward W. Coy, Director
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AID AND OTHER CLEARANCES FR, FKolar: RDD, JMorris: (draft) FR, GMcCloskey:	ADO, WMalven: AID, WBrister:	DD, RDeLuca: AADO, WBrister:
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A. SUMMARY DESCRIPTION

Twenty percent of the Bolivian population are primarily subsistence farmers who raise sheep, llama or alpaca as a means of accumulating and guarding convertible savings for emergency cash purchases. Their animals use 40 to 50 percent of the nation's agricultural land, producing an estimated annual cash return of as little as 3 cents per acre or some \$15 per flock owner.

It is a Mission goal to integrate the sheep, llama and alpaca sector into the national market. This will require a change in the attitude of flock owners toward their animals from that of regarding them as a form of savings to that of using them as an annual cash crop. It will require the development of markets for the selling of animals and their products.

It is expected that this project will increase the income to the flock owners by at least 50 percent by the end of CY 1978. The project should inject nearly \$4 million into the rural sector in CY 1978, with the value of the final products estimated at \$23 million.

The minimum levels of improvement are a 5% per year increase in cotton marketing, and a 2% per year increase in wool and hair marketing.

Although it is anticipated that the Ministry of Agriculture (MINAG) will pursue this project for 20 years or more, no major U.S. inputs are foreseen beyond FY 1974.

This is a vertically integrated project that commands priority status in all MINAG services. The Bank of Agriculture (BAB) and the National Federation of Savings and Credit Cooperatives are also participating in connection with their directed agricultural credit programs. The participating aid donors include USAID, the Peace Corps, the British Tropical Agricultural Mission, the Federal Republic of Germany, BID and UN.

The project comprises three major activities. One is to develop and expand the wool and hair market. This is the responsibility of COMBOFLA (Comité Boliviano de Fomento Lanero), a publicly owned corporation financed by a \$1 million capital development loan.

COMBOFLA, which was organized in 1962, will continue to buy, sort, and supply wool to the domestic mills, and improve the wool's quality in order to claim more of the wool market. It will also continue to expand the domestic and export market for rugs and alpaca products.

Another activity consists of developing the marketing mechanism for a uniform, volume market for carcass mutton, processed meat and pelts.

A third activity consists of providing flock owners with reliable means of cash savings and multipurpose credit. This will be done by the National Federation of Credit Unions.

NONCAPITAL PROJECT FUNDING (OBLIGATIONS IN \$000)

Table 1
Page 1 of 2
COUNTRY: BOLIVIA

SHEEP, LLAMA, ALPACA PRODUCTION
Project Title: AND MARKETING

Mo/Day/Yr
PROP DATE 4/30/69
Original X
Rev. N° _____
Project N° 511-11-130-364.2

IA PAZ

Fiscal Years	Ap	L/G	Total	Cont ^{1/}	Personnel Serv.		Participants		Commodities		Other Costs	
					AID	FASA	CONF	US	CONF	Dir	CONF	DIR &
							US		US Ag		US Ag	
Prior through Act. FY <u>68</u>	AG	G	1,283	1,142	31		1,142	43		7		10
Oper. FY <u>69</u>	AG	G	360	360	-		360					
Budg. FY <u>70</u>	AG	G	332	332	-		332					
B + 1 FY <u>71</u>	AG	G	262	262	-		262					
B + 2 FY <u>72</u>	AG	G	200	200	-		200					
B + 3 FY <u>73</u>	AG	G	169	169	-		169					
All Subs.	<u>AG</u>	<u>G</u>	<u>100</u>	<u>100</u>	<u>-</u>		<u>100</u>	<u>-</u>		<u>-</u>		<u>-</u>
Total Life	AG	G	2,706	2,565	31		2,565	43		7		10

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^{1/} Memorandum (nonadd) column

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Table 1
Page 2 of 2

Exchg rate \$1 = \$b 12.00

Project N° 511-11-13)-364.2

Fiscal Years	AID-controlled		Other Cash* Contribution Cooperating Country	Other* Donor Funds (\$equiv.)	Food for Freedom Commodities		
	Local Currency US owned (\$000)	Country- owned			Metric Tons (000)	CCC Value & Freight (\$000)	World Market Price (\$000)
Prior through Act. FY <u>68</u>		66	500	(93)			
Oper. FY <u>69</u>		50	237	(71)			
Budg. FY <u>70</u>			237	(93)			
B + 1 FY <u>71</u>			237	(93)			
B + 2 FY <u>72</u>			237	32			
B + 3 FY <u>73</u>			237	32			
All Subs.			<u>237</u>	<u>32</u>			
Total Life		\$116	\$1,922	\$3,011			

* Estimated

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B. SETTLING

Approximately 30 percent of Bolivia's rural population, or some 160,000 families (20 percent of the total) consists of primarily subsistence farmers who keep sheep, llama or alpaca as a means of accumulating and guarding convertible savings for emergency cash purchases.

These 160,000 families have by far the lowest per capita income in Bolivia, the lowest in all South America. Their estimated annual cash income from their animals is \$15 per family as compared to an estimated gross return of \$185 per family engaged in crops and dairying and \$1,430 per family engaged in beef cattle production.

These people own a total of approximately six million sheep, 2.5 million llamas and some 500,000 alpacas, grazing 96,400 square miles. This land produced an annual cash return of an estimated 3 cents per acre.

The sheep flocks were built up from strays of those brought from Spain by the Conquistadores. They obviously have suffered severe degeneration over the centuries.

Unabated natural selection has accentuated characteristics that are undesirable in the animals. The percentage of black and spotted animals is high, although the market value of their fleeces is only 25 percent of those of white animals. A large percentage of sheep fleeces are contaminated with kemp, or coarse hair, because this genetic characteristic has not been selected out. Severe overgrazing has favored the survival of shy breeders. A dry ewe has a much better chance of surviving a harsh winter than one with a lamb at her side.

The llama range is above ^{13,000}~~10,000~~ feet, a higher altitude than that on which sheep can thrive. Alpacas are raised at still higher elevations. Their hair is of a better quality than that of llamas.

The Altiplano has been so severely overgrazed that desirable species of forage plants are extinct. This is a result of the tradition of free access to unfenced communal grazing lands.

However, there exists an active demand for mutton, wool and hair domestically and abroad. In 1967, Bolivia imported \$1 million worth of raw wool in addition ~~to~~ even larger value of finished woolsens. There is a seasonal shortage of red meat in La Paz and at the mines. The world market for processed meat is strong, and the same is true for pelts.

It is a Mission goal to ^{help} integrate the sheep, llama and alpaca sector into the monetary economy. As pointed out earlier, this will necessitate changing the flock owners' attitude toward his animals. This means improvements of the productive quality of the animals to achieve market acceptability as

market pressure increases. This will in turn increase the productive value of the animals and of the range they graze.

It is expected that with the assistance of this project \$4 million will be returned to the rural sector in 1978, double that of 1963. This could mean an annual increase in income of 50 per cent to families engaged in the raising of sheep, llama and alpaca.

C. STRATEGY

It is ^{the} general strategy for this project to develop and expand markets for existing products, while at the same time developing product processing. Simultaneously this project seeks to improve the quality and productivity of animals and ranges to meet market requirements. The long range aim in production is to achieve an ecological balance between animals and ranges.

Listed below are more specific steps by which it is hoped to implement the general strategy set for this project.

I. Develop and Expand the Woolen Industry

COMBOFLA was organized in 1962 as a publicly owned, autonomous marketing facility for llama wool and alpaca hair. In 1966 it began buying sheep wool and supplying domestic mills. COMBOFLA's activities in buying, sorting and supplying raw wool will be stepped up as the market is expanded.

II. Develop and Expand the Mutton Market

Bolivia's annual mutton consumption is estimated to be 4 Kg. per person, compared to 15 Kg. per person in the heavy meat consuming countries. Investigations have shown that this low consumption rate is due largely to an inadequate marketing system for mutton. It appears that butchers offer what is most convenient for them to buy and shoppers buy what is offered without objection. A pilot effort with a group of La Paz butchers offering mutton resulted in sustained customer demand. The effort to arrange reliable supplies of quality mutton for the trade will be continued.

III. Develop a Processed Meat and Pelt Market

The real hope for reducing the number of inferior animals on the range is to develop a ready market for processed meat and pelts. By this means, barren ewes and criolla bucks may be sold, providing for a realistic culling program and reducing the pressure on the range.

IV. Organization of Areas and People for the Project

Eighteen provinces have already been selected for operations in 1969.

Participating flock owners will be organized into associations or cooperatives, with the areas covered by this project to be expanded each year.

V. Concentration of Inputs

All development inputs--range management, flock improvement, animal health improvement, supplemental feeding, animal marketing and wool marketing--will be offered as a package in the project areas of concentration.

VI. Provision of Cash Savings and Credit Facilities

The real hope for inducing the Campesinos to look upon their flocks as commercial operations is to provide them with a superior alternative of saving. The National Federation of Savings and Credit Cooperatives will be assisted in expanding their operations in the project areas.

D. TARGETS

Two general targets are set for this project: marketing of wool and hair; and marketing of meat. The completion of the wool and hair marketing phase will be considered complete when the value of products sold through COMBOFLA has reached \$1,000,000. It is hoped that this will be attained in 1972.

The marketing of meat is more complicated and will be considered complete when a systematic marketing system for meat is established. This will take about 5 years. The laws or active policies must change. Studies will be completed in 1970, changes should be made by 1971. The marketing and processing should be well established by 1973.

The annual project targets for marketing of meat and wool through 1973 are given in the following tables:

M E A T

Year	M.T.	Value to Producer (\$1000)	Final Value (\$000)
67	1650	1255	1570
68	1730	1300	1645
69	1800	1350	1710
70	1900	1425	1860
71	2000	1500	1910
72	2100	1575	2005
73	2200	1650	2225
74	2410	1807	2400
75	2650	1937	2503
76	2910	2134	2600
77	3200	2430	3050
78	3520	2640	3380

WOOL AND HAIR

Year	M.T.	Value to Producer (\$000)	Final Value (\$000)
67	320		3200
68	430		4300
69	750	500	7500
70	920	613	9200
71	1500	900	13500
72	1500	1000	15000
73	1575	1050	15750
74	1654	1103	16540
75	1736	1150	17380
76	1823	1206	18232
77	1914	1276	19144
78	2010	1330	20100

F COURSE OF ACTIONa. Accomplishments to Date

The project in its present form began in FY 1965 with the signing of the Utah State University contract. Before that considerable work was done by the Servicio (SIA) and other U.S. supported activities. Experiment stations for flocks were established in the 1950's as were a few private study flocks. COMBOFLA was organized in 1962, supported by an AID capital loan.

Through the use of MINAG technical advisory services, improved shearing practices have been introduced in the project areas. Through various assistance programs and the Agricultural Bank, some 600 stud bucks and 2000 ewes have been imported. Trials were made by MINAG at strategic points to find and demonstrate the use of adaptable range grasses and legumes.

b. Mobilization and Utilization of Inputs

Being one of the MINAG's priority projects its lifespan will probably be 20 years, with USAID financial assistance to be terminated in FY 1974. The chief of the Sheep, Llama and Alpaca Section of the MINAG's Livestock Service is the project leader. In this position he coordinates the planning and implementation of all production improvement inputs as well as the market development for meat and pelts. Other Bolivian agencies directly involved in this project are the Community Development and Rural Extension Service; the Livestock Service; the Technical Agricultural Service; the Economic and Commercialization Service; the Bank of Agriculture National and the Federation of Savings and Credit Cooperatives.

Funded under a contract with Utah State University, USAID is providing specialists in livestock breeding, marketing, animal health and sanitation, as well as extension.

Fifteen Peace Corps Volunteers are ~~providing valuable~~ ^{giving valuable} assistance in all phases of implementation and hopefully will do so until FY 1974.

Other donors directly or indirectly involved in this project include the UN Special Fund (animal health project); BID; the Federal Republic of Germany (market development project); ~~the~~ ^{and} the British Tropical Agriculture Mission.

The private sector will be encouraged to take the lead in slaughtering, meat processing and pelt marketing. Adequate facilities are presently available, yet not used. Implementation would amount to merely interesting a qualified entrepreneur in the activity.

The La Paz Butchers Association will be the prime group for retail market expansion. A closer, more workable relationship will be sought between this group and the La Paz City Government.

In 1963 COMBOFLA supplied 90 percent of the raw wool processed by one of the two Bolivian mills. It will also supply the other mill as soon as financing is arranged. COMBOFLA aspires to supply, from Bolivian sources the complete domestic raw wool requirement within ten years. In the meantime, quality improvement is expected to permit increased import substitution for finished wools.

COMBOFLA will also ~~continue~~ continue to expand Bolivia's wool rug and alpaca hair markets, both at home and abroad.

Emphasis of USAID assistance to COMBOFLA through FY 1974 will continue to be placed on improving management methods, quality control, and market expansion.

Intensive efforts by MINAG will continue to be directed toward establishing 12 study flocks for the purpose of multiplying breeding stock. This will include the import of breeding animals and their selection for wool quality.

Flock improvement efforts will be concentrated in the many communities where flocks are cooperatively owned. This practice grew out of the Agrarian Reform movement as a convenient means of administering communal grazing land. Communities in which flocks are individually managed will be organized into flock improvement associations to facilitate the dissemination of information and other development inputs.

Community flock improvement activities are expected to coincide with the promotional and educational efforts of the National Federation of Savings and Credit Cooperatives. Motivation will be given to flock owners to commercialize their operations and put their savings into their savings and credit cooperatives. They will thus gain access to year-round, all-purpose credit.

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