



Republic of Korea

31 Livestock Feedmills Construction Project

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The objective was, by constructing and improving livestock feed mills managed by National Livestock Cooperative Federation in order to deal with an expected increase in the demand for formula feed and supply formula feed on a stable basis, thereby contribute to improve the management of small and medium scale livestock farmers.

Loan Amount/Disbursed Amount: 5,414 million yen / 2,215 million yen

Loan Agreement: October 1990

Terms and Conditions: Interest rate, 4.0%; Repayment period, 25 years (grace period, 7 years); General untied

Final Disbursement Date: January 1996

External Evaluator: Takeshi Yamashita (KRI International Corp.)

Field Survey: August 2003



Evaluation Result

In this project, construction and improvement of livestock feed mills were implemented. The planned number of constructed mills was reduced from 4 to 3, and that of improved mills was reduced from 12 to 7 because the number of domestic livestock farmers and the demand estimate of livestock feed began to decline following import liberalization of livestock products, and that competition among domestic feed producers was expected to intensify after the revision of the Feed Control Law in 1994. The project period took much longer than planned due to the changes in the output and the shortage of local currency funds of the executing agency. The project cost was lower than the estimate because the local currency was depreciated at a higher rate than the inflation rate and so on. The total livestock production of 3 mills constructed under the project in 2002 was approximately 959,000 tons, 30% larger than the planned 742,000 tons. The market share of the public sector, although the target 30% has not been achieved yet, has steadily increased from 25% in 1995 to 27% in 2002. Livestock feed mills of the public sector, including those covered by the project, support small and medium scale livestock farmers with weak management bases. When some private feed mills went under

or suspended production affected by the Asian currency crisis, there was a particular effect on stabilizing the supply of formula feed. Although the number of small and medium scale livestock farming households has been declining as the expansion of the scale of farm management has accelerated since import liberalization of livestock products, approximately 460,000 households had engaged in small and medium scale livestock farming as of 2001. As part of the structural reform in the agricultural sector, agricultural cooperatives including the executing agency were reorganized. However, there is no problem with the technical capacity, operation and maintenance system, or financial condition of each mill.

Third-Party Evaluator's Opinion

The project supports the small and medium scale livestock farmers through providing livestock feed at the lower price. Despite import liberalization and the mad cow disease, the domestic meat market will be stabilized.

Third-Party Evaluator: Mr. Joon-Mo Yang

Obtained a doctorate in economics from University of California. Presently holds the post of Associate Professor of Economics, Yonsei University, specializing in overall economy.

Beneficiary Survey for Users of Formula Feed

In the interview survey, a medium-scale livestock farmer using the formula feed produced by the mills covered by this project said "Sometimes salespersons of private mills visit here and offer purchasing their products. Still, I use the products of these mills because they are stable in price and supply."



Inside the farm



Farm manager



Formula feed used on the farm