

## **Third Party Evaluator's Opinion on Livestock Feed Mills Construction Project**

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The main objective of livestock feed mills construction project was to support the small and medium scale livestock farmers who had to pay the high price for the capital intensive facilities such as livestock feed mills. At the time of the previous appraisal, it was essential to construct and to improve the capacity of livestock feed mills of the National Livestock Cooperative Federation (NLCF), which was merged into the National Agricultural Cooperative Federation (NACF). The capacity utilization rate and the profitability of feed mills under the project exceeded the expected target rate. Even though the foreign trade policy changed to import liberalization and the mad cow disease hit the market, the domestic livestock market will be stabilized. Therefore the project can be evaluated very successful.

### **Impacts**

The project increased the public sector's supply capacity in order to meet the demand of the small and medium scale livestock farmers and to improve the competitiveness of these farmers against the larger scale livestock farmers and foreign livestock farmers. The construction of 3 livestock feed mills and the improvement of 7 livestock feed mills were tremendous achievements. The three constructed feed mills under the project produced 28.8% of the total in 1998, and the feed mills under the project affected the nationwide supply of feed.

The quality of formula feed also sharply improved, considering the fact that the public sector feed mills did not have the machines and equipment for the special feed production before the project was completed.

The large scale livestock farmers tend to be better educated than small and medium scale livestock farmers and their management situation has been known relatively better. The project has helped the small and medium scale farmers by reducing their costs, even though these benefits cannot overcome the other external negative factors. The project benefited the Korean farmers directly or indirectly by providing good facilities at the lower price.

### **Sustainability**

The governance of the feed mills under the project has changed from NLCF to NACF and then partially to Korea Agricultural Feed Inc. (KAFI). This change is due to the changed environment of the financial conditions of the three major cooperative federations, followed by the amended Agricultural Cooperative Law. Regardless of this change, the governance will be better because KAFI is believed to manage more efficiently. Therefore the facilities under the project will continue to provide better service under the better management.

The import liberalization of livestock products overshadowed the future prospects. The demand for beef cattle feed is expected to decline, but considering the price difference between the domestic meat products and the imported ones and the government efforts of improving the competitiveness of the domestic farmers, the decline will not be sharp.

The improvement of 7 mills finished in 1993. The trial operation of the newly constructed feed mills began from in 1995 to in 1996. From then, those mills successfully provided much better services almost for ten years. Therefore, the project can be evaluated as sustainable, even though the external factors may hinder the expansion of its operation, and they cause the public sector to crowd out the private sector.