Livestock contribute 40 percent of the global value of agricultural output and support the livelihoods and food security of almost a billion people. Rapidly rising incomes and urbanization, combined with underlying population growth, are driving demand for meat and other animal products in many developing countries. Supply-side factors, such as the globalization of supply chains for feed, genetic stock and other technologies, are further transforming the structure of the sector.

The rapid growth and transformation of the livestock sector have been taking place in an institutional void. The speed of change has often significantly outpaced the capacity of governments and societies to provide the necessary policy and regulatory framework to ensure an appropriate balance between the provision of private and public goods. The result has been systemic failures, apparent in social exclusion, widespread environmental damage and threats to human health.

A growing divide is emerging: large-scale industrial producers serve dynamic growing markets, whereas traditional pastoralists and smallholders, while often continuing to support local livelihoods and provide food security, risk marginalization. In many parts of the world, the transformation of the livestock sector, in the absence of strong governance, is resulting in market failures related to natural-resource use and public health. Interventions to correct market failures have been largely absent; in some cases, government actions have created market distortions.

There is an urgent need for strengthened governance of the livestock sector, supported by adequate levels of public and private investment. Three major areas require the attention of all stakeholders: harnessing the potential for growing livestock demand to contribute to poverty alleviation and improved food security;
increasing the sustainability of natural-resource use; and improving efforts to manage animal diseases.

The livestock sector makes important contributions to food security and poverty reduction. However, it could do more given judicious policy and institutional reforms and significant public and private investments aimed at: (i) enhancing the ability of smallholders to take advantage of the opportunities offered by growth in the sector; (ii) protecting the poorest households for whom livestock serve as a crucial safety net; and (iii) enacting broader rural development policies to ease the transition of many livestock keepers out of the sector.

Livestock production is placing increasing pressures on natural resources – land, air, water and biodiversity. Corrective action is needed to encourage the provision of public goods such as valuable ecosystem services and environmental protection. This will involve addressing policy and market failures and developing and applying appropriate incentives and penalties. Livestock contribute to and are victims of climate change. The sector can play a key role in mitigating climate change. For example, adoption of improved technologies, encouraged by appropriate economic incentives, can lead to reduced emissions of greenhouse gases by livestock.

Some animal-health services are public goods in that they protect human and animal public health and thus benefit society as a whole. Animal diseases reduce production and productivity, disrupt local and national economies, threaten human health and exacerbate poverty. Animal-health systems have been neglected in many parts of the world, leading to institutional weaknesses and information gaps as well as inadequate investments in animal-health-related public goods. Producers at every level, including poor livestock keepers, must be engaged in the development of animal-disease and food-safety programmes.

To address the issues confronting the sector, action is required at all levels, from the local level, through the regional and national levels to the international level. Developing an agenda for action supported by governments, international institutions, multilateral and bilateral donors and civil-society stakeholders is a crucial first step towards a livestock sector characterized by: better governance; a more inclusive development process; levels of investment commensurate with the importance of the sector and the challenges it faces; and improved international cooperation.