The Contribution of Livestock to the Ugandan Economy

This briefing paper assesses the contribution of livestock to Uganda’s national economy. Conventional GDP accounting may ignore some of the benefits that people derive from livestock in subsistence-oriented economies, where households directly provision themselves, whose economic exchanges are not calculated in monetary terms or when these exchanges go unrecorded. The present study assigns monetary values to the non-marketed goods and services provided by livestock, and estimates the contribution of livestock to the wider national economy - as exports, as inputs into manufacturing industries, and as a component of household consumption.

Aside from work done since the 1990s on dairy, little recent field research has been conducted on the performance of Ugandan livestock production systems, probably as a result of decades of insecurity and civil war. The analysis of the national economic importance of livestock summarized in this briefing paper is, therefore, highly dependent on data produced by government monitoring and statistical services. The results of this reassessment nonetheless conflict with official figures, estimating an increase of 87% above official estimates of the contribution of livestock to agricultural GDP in 2009, the year selected to make this comparison.

According to previous official estimates, livestock contributed 1.7% to total national GDP in 2009; our revised estimates would now place this contribution at about 3.2% of the national total. To put the revised livestock contribution into perspective, it is larger than the GDP derived from either cash crops or fishing, marginally smaller than the contribution from forestry, but still only about a quarter of the value of food crop production. While livestock are vital to household welfare and in certain regions of the country, Uganda is not a pastoral nation on the scale of IGAD member states such as Sudan, Ethiopia or Kenya.

The informal financial services provided by livestock - as a source of credit and insurance protection, and as a means of spreading risk - are usually invaluable in Uganda because formal sector financial services are unavailable or expensive in rural areas. At nearly half of total livestock output, the imputed value of the financial services provided by livestock in Uganda is a larger component of overall livestock output than in any of the other countries reviewed in this series of briefing papers. According to international conventions, the value of this self-creating is not separately itemized in national accounts and therefore cannot be identified as part of the economic benefits that livestock provide, which compromises the usefulness of these accounts for understanding the actual contribution of livestock to the economy. In particular, conventional definitions of value added exclude from national accounts a large proportion of the economic benefits that motivate many rural people to own livestock.

Because they provide a source of affordable credit and insurance, rural Ugandans may choose to keep animals that are durable and likely to retain their value, but are relatively unproductive in other, more conventional ways. By overlooking the financial motives for keeping livestock, conventional GDP accounting may promote a misapprehension of the factors that motivate rural people to retain certain kinds of animals and obscure the circumstances that will induce them to engage in new kinds of livestock production.

The estimation of agricultural GDP in Uganda

The study summarized in this briefing paper employed a production approach to estimating the livestock contribution to GDP. This approach involved four stages. First, national livestock populations were estimated. Second, production coefficients were applied to the livestock acquisition estimates to generate estimates of the total output of goods such as meat, milk, butter, dung for fuel etc. Third, based on market surveys, a monetary value expressed in Uganda shillings - the gross value of output - was ascribed to the total output of each kind of livestock product. Finally, input costs (intermediate costs) were deducted from the gross value of output to derive value added, the measure of GDP. Using this approach, no distinction needs to be made between production destined for commercial sale, for immediate consumption by producers, or for export. This

Note: Data sources that substantiate the calculations in this briefing paper are given in the original report: The Contribution of Livestock to the Ugandan Economy (IGAD LPI Working Paper No. 02 – 12/2012), by Roy Behike and Margaret Nakinya.