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China Australia Sheep Research Project

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China Australia Sheep Research Project

Case study presentation

JOHN WURCKER

You will recall that in 1997 the Australian Government accepted the fundamental recommendation of the Simons Report¹⁹ – that aid should have **one clear objective: sustainable poverty reduction in developing countries**. I was very proud at the time that Hassall & Associates' submission was quoted in the Report in support of this principle.

Notwithstanding this objective, economic and commercial benefits do flow to Australia from aid. My task today is to present a case study of an aid project which targeted both poverty reduction for rural poor and specific economic benefit to Australia and Australian business.

The selected case study is the China Australia Sheep Research Project, which ran over five years from 1991 to 1996.

At any one time Hassall & Associates International manages aid contracts worth over \$100 million. Why did we choose this project - which was conceived around 15 years ago, and has been finished for over five years?

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John has qualifications in economics, business management and accounting. His career includes finance and tax consulting with Price Waterhouse, Australian Volunteers Abroad and 14 years working in Australia and overseas for Hassall & Associates, the last five years as CEO leading the Company through a major growth phase.

There are a number of reasons:

1. First, there has been enough time since the completion of the project to monitor and **reflect on the sustainable outcomes** in terms of both poverty reduction and the benefits to Australia.
2. Secondly, the project was conceived and designed in the 1980s when Australia's aid program was acting under the triple mandate extolled by the 1984 Jackson Report²⁰. Under this mandate, as well as a **humanitarian** goal, the aid program was designated with **foreign policy** and **commercial** goals. As mentioned earlier, the 1997 Simons Report changed all this by putting forward the single and unambiguous mandate of sustainable poverty reduction. Therefore since 1997 you will not find aid projects which include the goal or justification of benefiting Australian commercial interests. It should be noted, however, that Australian business still

¹⁹ *One Clear Objective: Poverty reduction through sustainable development*. Committee to Review the Australian Overseas Aid Program (Chairman H.J. Simons). 1997. Australian Agency for International Development, Canberra. 350 pp.

²⁰ *Report of the Committee to Review the Australian Overseas Aid Program*. Committee to Review the Australian Overseas Aid Program. (Chairman R. Gordon Jackson). 1984. AGPS, Canberra. 276 pp.

continues to benefit directly through the supply of goods and services and indirectly by being able to operate in a more secure and prosperous global economy.

3. Thirdly, the project **involved agricultural research** and arose from interaction between the sheep industries in China and Australia. Importantly the potential advantages (and disadvantages) to Australian business of the project were openly discussed at the time. China is the largest importer of Australian wool. The project was partly justified on the basis that it had the potential to enhance Chinese import of Australian wool by improving the viability of Chinese wool mills and reducing the threat of mills switching to synthetics and cotton. There was concern from some quarters, however, that helping the Chinese sheep industry put Australian wool exports at risk.
4. Fourthly, **aid projects are now far less frequent in the agricultural sector** than they were in the 80s and early 90s. Agriculture was then a cornerstone of the aid program, whereas it is now only part of one of the five sectoral priorities of Australian aid.

The project location is the Xinjiang Uygur Autonomous Region in the far north-west of China (see map), which is one of the major sheep and wool producing areas in China²¹. The climate is very severe, with winter temperatures regularly below minus 15°C. The sheep industry is based on herder production and seasonal migration, largely involving the minority Kazak ethnic group. The incomes of these communities faced a number of impediments:

- Overgrazing and low productivity of pastures;
- Low wool quality, including a high level of contaminants; and
- Poor clip preparation and marketing system.



All this led to limited usefulness of herder wool in the local mills. Many of these mills had quite sophisticated and up-to-date machinery, and openly stated that they accepted local wools only because of pressure from local authorities.

The project had three components:

- Establish and strengthen a sheep research centre;
- Facilitate adoption of improvements to benefit sheep-raising households; and
- Strengthen capacity to undertake research and extension.

Outcomes

Achieving sustainable outcomes from aid is risky, challenging hard work and often elusive, but success brings great rewards and satisfaction.

We believe there was successful implementation of all three components. Importantly, the research centre is still very much functioning. It has accredited national status and has also expanded its quality testing to other industries.

²¹ See *Partners* 6, 2-9, 1993 (ACIAR, Canberra) for more information on the region and the industry

Reduced herder poverty?

Helping the sheep enterprises of the Kazak herders clearly had the potential to reduce poverty amongst one of the most disadvantaged people in China.

Although a formal post-project evaluation has not yet been undertaken, we believe the following initiatives of the project have had a positive and sustainable impact on herder income:

- Introduction of reliable objective wool measurement;
- Improvement in wool quality;
- Better pasture and fodder projection/conservation practices;
- Improved management and husbandry practices;
- Development of alternative production systems such as lamb fattening to take advantage of increased demand for meat; and
- More participatory approach to research and development.

An important development has been the establishment of a local cooperative, involving herders and the research centre, for the testing and marketing of wool. Better wool quality, together with the grading, presentation and centralised marketing facilitated by the cooperative has resulted in improved prices to herders, with a recent report from the region stating that demand is outstripping supply – a reversal of the previous situation where mills only grudgingly accepted the wool.

Benefited Australian wool industry?

The project achieved the following:

- As one aspect of a portfolio of interactions with China, the Project helped build relationships that have resulted in more favourable Chinese policy towards wool imports from Australia. Agriculture, Fisheries and Forestry Australia (AFFA) considers that the Sheep Research Project, along with a number of other Australian-sponsored sheep projects in China, have been an important factor in major reductions in VAT and tariff quotas on wool imported by China. Australia's market share has also increased.
- The initiatives to improve local wool quality have supported demand for local wool. We will need to wait on the results of any post evaluation, however, to test the project assumption that this has translated into increased opportunities for Australian wool.
- Successfully demonstrated a long-term sustainable approach to R&D based on involvement and responsiveness to industry that may well have contributed to reinforcing the application of the same principles back in Australia.

Conclusion

The China Australia Sheep Research Project was a success in terms of installing a number of prerequisites for improving the income of one of the poorest peoples of China. The project also set in place the conditions that were expected to trigger the planned benefits for the Australian wool industry.

With the introduction of the one clear objective of sustainable poverty reduction in 1997, Australian aid projects no longer have specific planned benefits to Australian business. By achieving the humanitarian objective, however, the aid program still has major direct and indirect benefits to Australian businesses.