



**Livestock & Meat Advisory Council**

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# Livestock Sector Review - 2013-2014

by

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## Contents

1.0	Livestock Products Production Statistics .....	3
1.1	Beef .....	3
1.2	Poultry.....	3
1.3	Pork .....	5
1.4	Dairy .....	5
1.5	Stock feeds Sector .....	6
2.0	Challenges .....	7
2.1	Declining Demand .....	7
2.2	Lack of Finance for Production and Processing .....	7
2.3	Rising cost of Feeds .....	8
2.4	Rising Cost of Compliance for livestock farmers.....	8
2.5	VAT on Sheep and Goat Meat.....	8
2.6	Amendment to the Value Added Act [Chapter 23:12] regards ‘collection of tax on exportation of unbeneficiated hides’ .....	9
2.7	Unregulated imports of Milk Products .....	9
3.0	Opportunities and Policy proposals.....	10

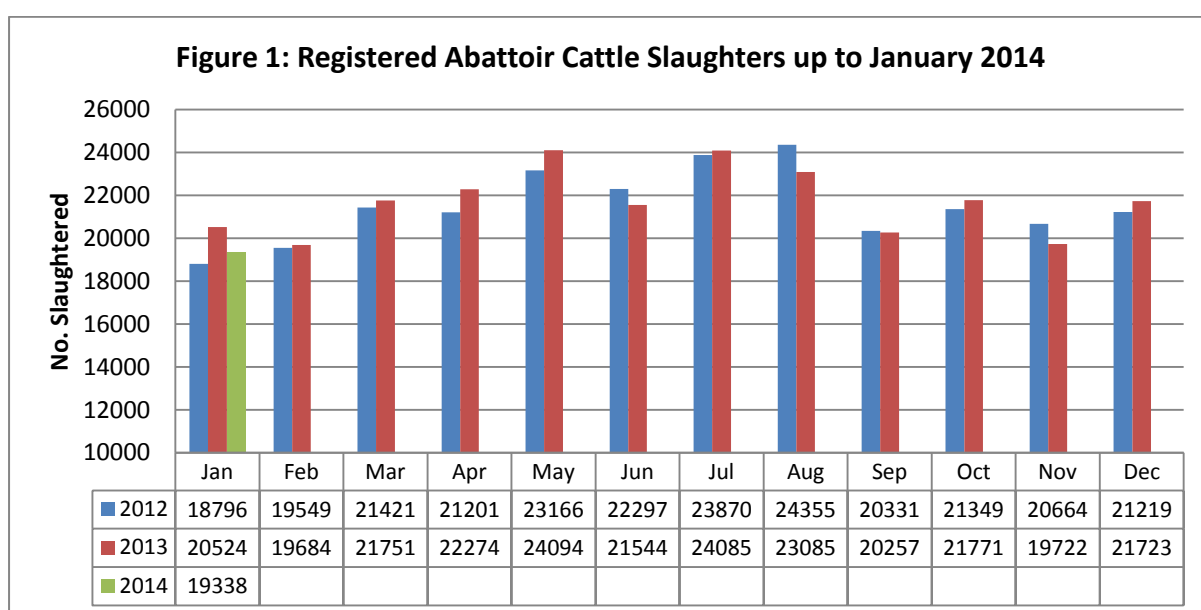
## 1.0 Livestock Products Production Statistics

### 1.1 Beef

Since 2011 the annual beef slaughter through officially monitored abattoirs has remained relatively static around 260,000 animals (see Table 1) with monthly slaughters between 18,000 and 24,000 animals (see Figure 1).

**Table 1: Annual Beef Cattle Slaughters in Monitored Abattoirs**

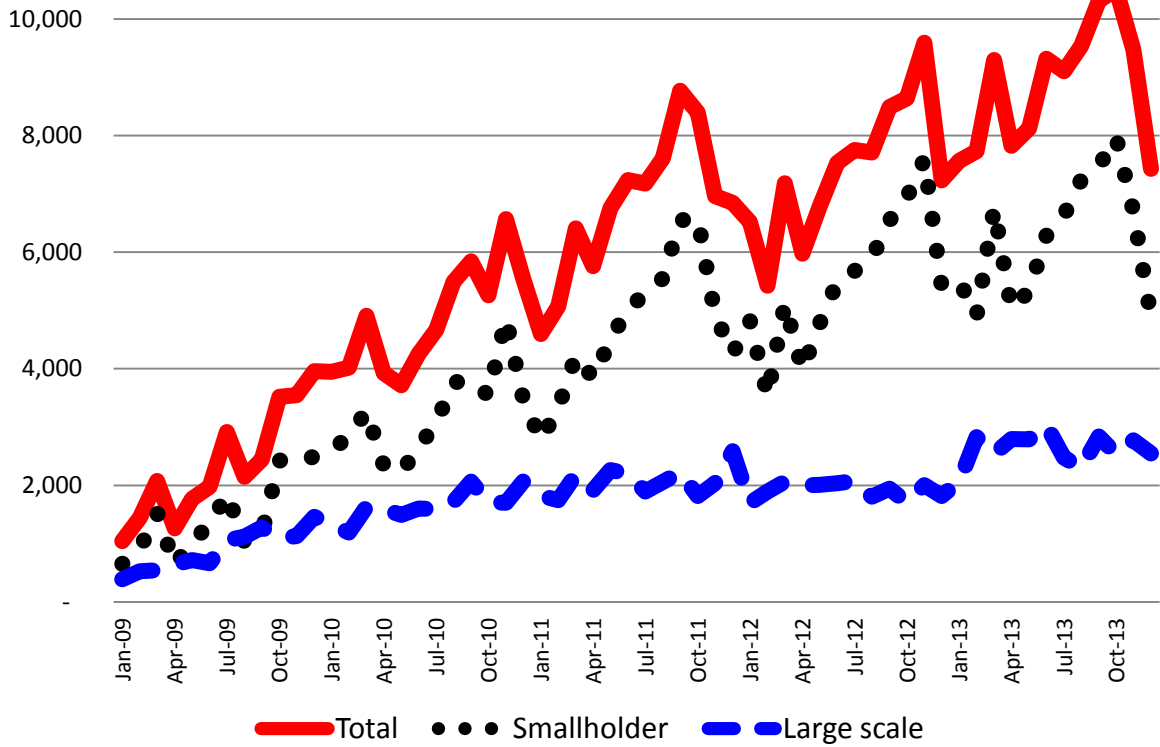
Year	2010	2011	2012	2013
Monitored Abattoir Slaughters	229,686	261,424	258,218	260,514



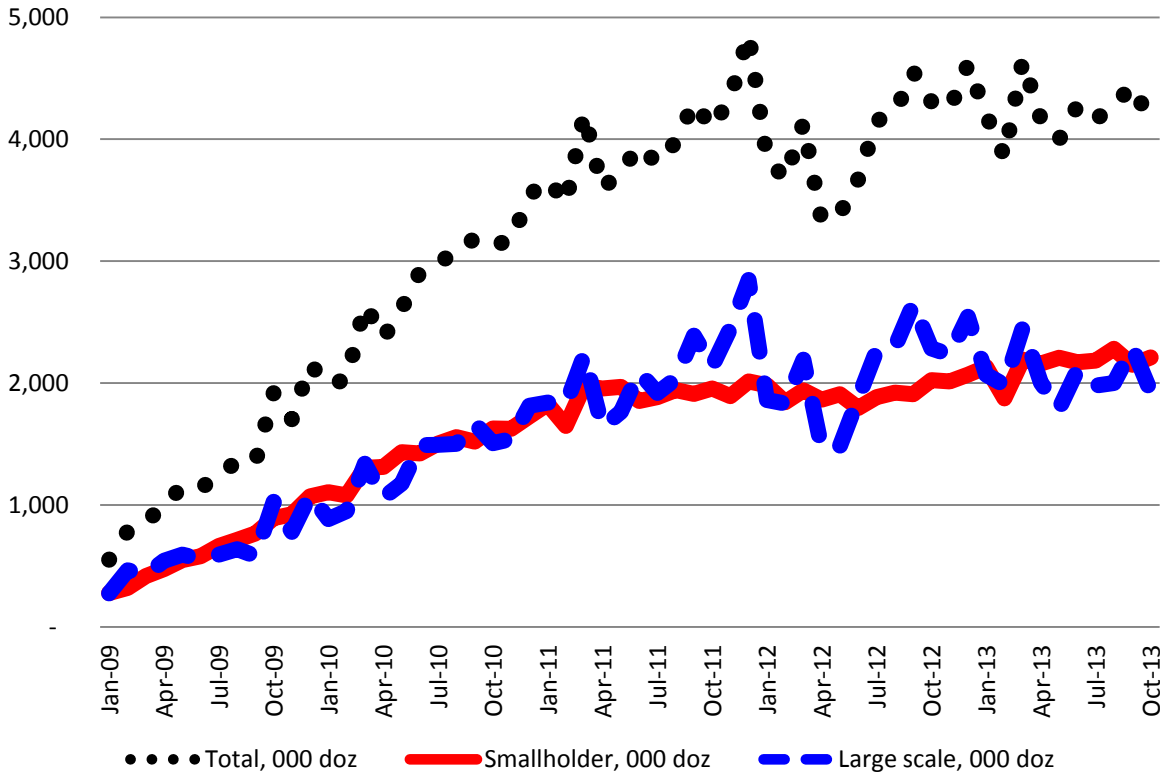
### 1.2 Poultry

ZPA Breeder returns for 2013 show that there was a 17% increase in Broiler Day Old Chick production from 57 million to 64 million. There was a 37% increase in meat processed through abattoirs and egg production was relatively flat. Most of the increase is accounted for by small to medium scale producers who now account for close to two-thirds of broiler production and half of egg production (see Figures 2 and 3). In October 2013 broiler meat production is estimated to have broken the 10,000 MT per month level for the first time in the nation's history. Since 2011, egg production has been averaging 4.5 million dozen eggs per month.

**Figure 2: Broiler Meat Production(MT)**

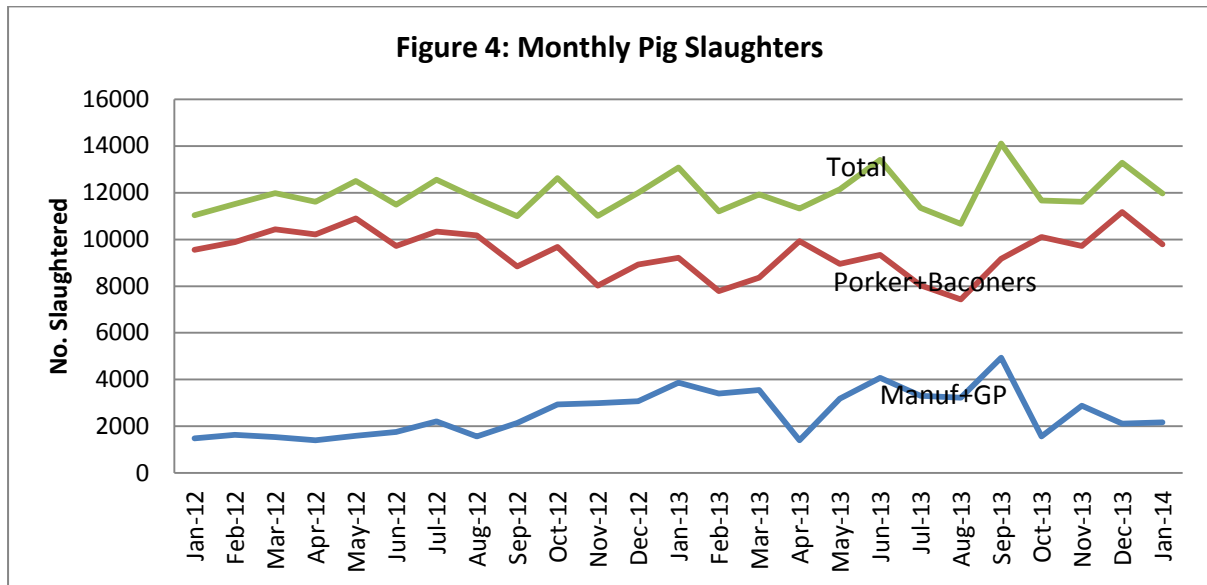


**Figure 3: Monthly Table Egg Production**



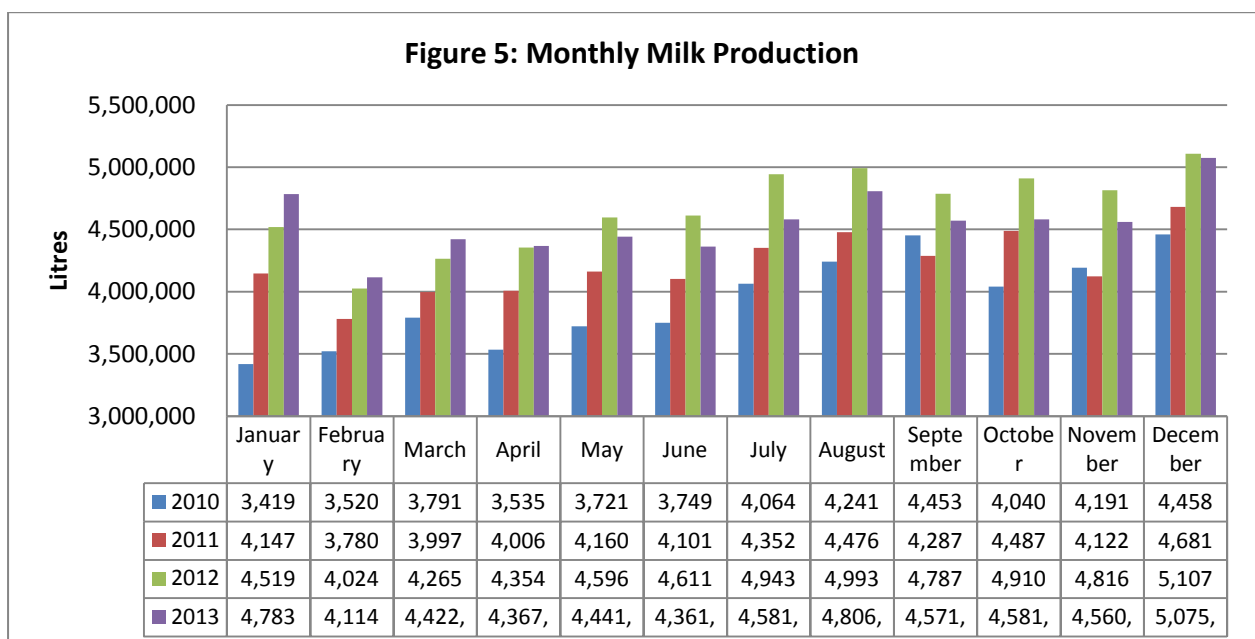
### 1.3 Pork

Total number of pig slaughters has remained fairly constant at 12,000 head per month since beginning of 2012. However, between June 2012 and July 2013 the market witnessed declines in porkers and baconers, and an increase in general purpose and manufacturing grade animals. This signifies that the industry was destocking during this period. Since then, however, these trends have been reversed pointing to some recovery in the pork industry.



### 1.4 Dairy

Between 2010 and 2012 annual milk production has been on the increase. However, from the second quarter of 2013 onwards, monthly milk production figures have been lower than in 2012 (see Figure 5 below).



### 1.5 Stock feeds Sector

Feed production and usage increased by 27 percent between 2012 and 2013. Most increases were recorded in poultry feeds (46%), pig feeds (40%) and beef feeds (30%) (see Table 2). These are explained by increases in broiler production in the smallholder sector, recovery of pig sector post July 2013 and increased demand for beef feed driven by drought mitigation programmes that were being run in Masvingo and the Matabeleland Provinces. Poultry feeds constituted 70% of all feeds produced in 2013.

**Table 2: Stock Feeds Produced and Used in 2012 & 2013 in Zimbabwe**

Feed Type	2012 Annual Tonnage (MT)	% of Total	2013 Annual Tonnage (MT)	% of Total	Tonnage Growth 2012 to 2013
Poultry – Broilers	126 898	37%	184 644	43%	46%
Poultry – Layers	71 922	21%	81 984	19%	14%
Poultry- Breeders	34 534	10%	37 992	9%	10%
Pig	31 088	9%	43 596	10%	40%
Dairy	16 711	5%	16 020	4%	-4%
Beef	37 373	11%	48 444	11%	30%
Sundry Feeds	20 435	6%	19 476	5%	-5%
<b>TOTALS</b>	<b>338 961</b>	<b>100%</b>	<b>432 156</b>	<b>100%</b>	<b>27%</b>

*Stockfeed Manufacturers Association of Zimbabwe, January 2014*

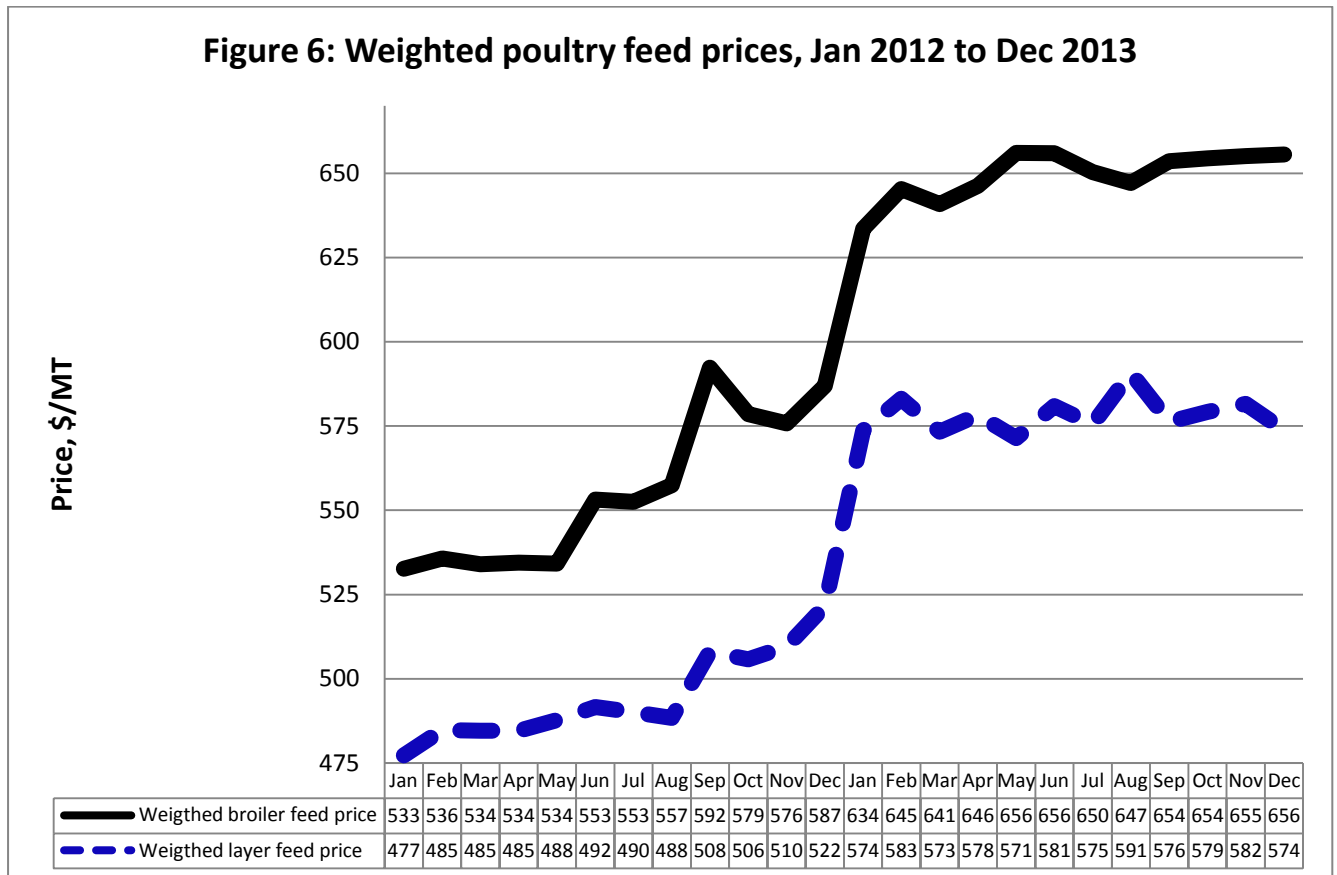
However, capacity utilisation in the feeds industry remains depressed. As table 3 shows Zimbabwe currently has capacity to process more than 1.5 million MT of feeds but in 2013 only 432,000 metric tonnes were processed and sold. This implies the industry is operating at only 27% capacity utilisation. This leads to high fixed cost per unit of feed produced leading to high feed costs.

**Table 3: Supply Capacity and Capacity Utilisation**

AVAILABLE AND ACTIVE CAPACITY TO PRODUCE - ANNUAL	1 545 600 METRIC TONNES OF FEED
2013 ANNUAL DEMAND OF STOCKFEED -	432 156 METRIC TONNES OF FEED
2013 CAPACITY UTILISATION	28 PERCENT

In general feed costs rose dramatically in 2013. Taking poultry feeds as an example (see Figure 6) average broiler feed costs rose from \$533 to \$656 per MT between January 2012 and December 2013. In the same period layer feed costs rose from \$477 to \$574 per MT.

Given the low levels of demand for livestock products, farmers had to absorb the impact of these costs through reduced profits.



## 2.0 Challenges

Below we outline some of the major challenges facing the livestock sector.

### 2.1 Declining Demand

All livestock products are suffering reduced demand which has seen producers discounting their products to the detriment of viability. We attribute this to the declining purchasing power of our population.

### 2.2 Lack of Finance for Production and Processing

As is the case in other sectors of the economy, participants in the livestock sector are suffering from the high cost and non-availability of credit due to liquidity problems. Livestock production is a medium to long-term process. The lack of medium to long-term credit is therefore more severe for this sector.

### 2.3 Rising cost of Feeds

Feeds are major cost drivers in the livestock value chains. Low domestic production of key raw materials has necessitated importation while tax policies are further adding to the rising costs.

**Import constraints:** Import of stock feeds raw materials are subject to a multitude of regulations and fees that add to the cost of the landed products. These include a number of permits and fees, requirements to sponsor regulatory staff to travel to import source countries to ensure raw materials are GMO-free as well as border inspections and delays. These result in increases in costs of final compound feeds produced which unfortunately are passed on to livestock farmers.

**Clarity on VAT on Brans and Molasses:** We are getting conflicting views from the ZIMRA regarding VAT on maize and wheat bran which are key ingredients in the manufacture of all classes of livestock feeds (including poultry, pigs and beef and dairy cattle). Some officials advised that bran is zero rated while others advise otherwise. Molasses is also a key ingredient in ruminant (beef and dairy cattle, sheep and goats) feeds. Currently it is subject to VAT which adds to the cost of production and makes our livestock products non-competitive relative to countries in the region. As a key ingredient in the manufacture of ruminant feeds, applying VAT on molasses greatly increases the cost preserving the national cattle herd especially in the drought prone areas of Masvingo, Matabeleland North and Matabeleland South provinces.

### 2.4 Rising Cost of Compliance for livestock farmers

There has been a proliferation of regulations and increases in related fees and charges that are increasing the cost of livestock production. A recent study showed that regulation related costs amount to between \$60 and \$79 per milking cow for dairy farmers; \$7 to \$14 per head sold for pig farmers; \$25 per batch of 1000 broilers for chicken farmers; and \$107 per head sold for beef farmers. This is negatively affecting viability of livestock farmers as well as making our livestock products non-competitive compared to imports.

### 2.5 VAT on Sheep and Goat Meat

Sheep and goats are major livestock assets in the small scale livestock farming areas. Encouraging commercialisation of these assets is a key objective of the livestock policy of Zimbabwe. However, current VAT regulations have standard rated sheep and goat meat for VAT purposes. This, however, is unlike other meats (beef, pork and poultry) which are zero rated. This will have a marked detrimental impact on our objective of commercialising goat and sheep production.



## **2.6 Amendment to the Value Added Act [Chapter 23:12] regards 'collection of tax on exportation of unbeneficiated hides'**

The amendment to the Value Added Act [Chapter 23:12] contained in the Finance Act, 2014, regarding 'collection of tax on exportation of unbeneficiated hides' is negatively affecting viability of abattoirs. Of particular concern are:

- the quantum of the tax at 75 cents per kilogram which effectively constitutes a ban on exports of raw hides and skins of all animals;
- the amendment defines 'unbeneficiated' hides to mean "(a) raw and untanned animal hide; or (b) unbeneficiated leather". The first definition includes hides of all animals inclusive of crocodile skins which the local tanners do not have ability to tan to international standards required by our export markets, as well as hides of goats which most local tanners do not want. The second definition includes wet-blue hides, the result of the first stage of tanning, as unbeneficiated leather. The amendment therefore will lead to wastage of small ruminant hides which local tanners are unwilling to process, as well as runs counter to leather strategy which has as an objective the export of hides processed to wet blue or higher orders of beneficiation.

As a result of the implementation of the export tax, hides are stock-piling at the abattoirs representing a loss of an integral part of income generation impacting on the viability of abattoirs. A key problem is that due to lack of finance: tanners are unable to buy raw hides from abattoirs while abattoirs are unable to pay tanners for them to custom tan on their behalf.

## **2.7 Unregulated imports of Milk Products**

We have a shortage of milk and hence imports are necessary. However, the dairy industry is concerned with the dumping of milk products; the importation of cheap but substandard dairy products into the country; and lack of contribution by these imports to development of the local dairy industry.

### 3.0 Opportunities and Policy proposals

The livestock industry value chain participants are requesting relief from relevant Authorities on a number of policy issues:

- Extending zero rating to sheep and goat meat as the case with other meat products and agricultural produce;
- Clarification of VAT on milling by-products, such as maize and wheat bran, which are essential to feed production;
- Extending zero rating to molasses, a key ingredient to ruminant feeds as well as drought mitigation cattle feeds;
- Review of the Finance Act, 2014, to address the anomalies in the amendment covering collection of tax on exportation of hides and skins to ensure the country does not suffer loss in income. Specifically there is need to limit the definition of unbeneficiated hides and skins to raw cattle hides and exclude wet-blue (partially processed), crocodile and skins of small ruminants. Further, there is need for a more gradual approach in implementation which takes cognisance of the current liquidity constraints to tanning of all hides produced in the country.
- Put in place a mechanism to scrutinise dairy imports to mitigate against dumping as well as importation of substandard dairy products and the imposition of dairy development levy on dairy products imports;
- Review the quantum of fees and charges affecting livestock farmers to reduce the cost of doing business.