

Livestock Sector Overview: 2014-2015

Submission to the 2015 Mid-Term Fiscal Review Discussion

Contents

1.0	Introduction	3
2.0	Stockfeeds Sector.....	3
2.1	Raw material supply	3
2.2	Industry Capacity Utilisation	6
2.0	Broiler Meat Value Chain	10
3.0	Table Egg Value Chain	12
4.0	Beef Value Chain	14
4.1	Key trends.....	14
4.2	Key constraints	15
5.0	Dairy Value Chain.....	16
5.1	Key Trends	16
5.2	Key Constraints.....	17
6.0	Pork Value Chain	18
7.0	Small Ruminants	19
8.0	Aquaculture.....	19
9.0	Meat Processing Industry	22
10.0	Summary of Policy Recommendations	23

1.0 Introduction

The Zimbabwe livestock industry is a significant contributor to the growth and development of the national economy. The sector supports all the pillars of the Zimbabwe Agenda for Sustainable Socio-economic Transformation (ZimASSET). Animal proteins are an essential to a well-balanced diet, supporting the food and nutrition security goal. Cattle and goats are major sources of income for agro-ecologically fragile regions of the country including Matabeleland, Masvingo, Midlands and the northern parts of the Mashonaland provinces where rural poverty tends to be concentrated. Through its linkages to veterinary input suppliers, stockfeed manufacturers and meat and milk processors, the sector contributes to the income generation, employment creation and value addition pillars of ZimASSET.

Though the livestock sector continues to record steady growth led by the poultry sector, there are a number of challenges limiting its contribution to the national economy. Below, a brief review provides the trends in the livestock sector and the key challenges it is facing.

2.0 Stockfeeds Sector

The health of the whole livestock sector is very dependent on the developments in the feeds producing industry. The growth of the feeds sector also mirrors growth in the livestock sector.

2.1 Raw material supply

Maize

Maize constitutes the largest ingredient in stockfeeds. The good maize harvest in 2014 meant that the feeds sector had most of its requirements met from local production. As local production began to dwindle around December 2014, and during the first quarter of 2015, the feeds sector was partly dependent on imports from Zambia which enjoyed a surplus harvest in 2014. However, prices of local maize during the second half of 2014 and the first quarter of 2015 were set at \$390 per metric tonne (mt) through Statutory Instrument 122 of 2014. This was despite

the fact that imports from Zambia landed in the country at between \$310 - \$330/mt during the period. The high maize prices helped maintain high feed prices.

The second half of 2015 will likely prove very trying for the feed sector due to the poor 2014-15 rainy season. The latest national crop estimates indicate that only 742,000mt of maize was produced in 2015, leaving a cereal supply gap of approximately 650,000mt for human consumption (2nd Round Crop and Livestock Assessment, 2015). The feed industry used 204,000mt of maize during 2014 (see Table 1) and the industry estimates that an extra 150,000mt is used by on-farm feed mixers for a total of 354,000mt in requirements for the livestock feed sector. Thus, the country needs to import approximately one million tonnes of maize. Indications are that South Africa is likely to incur a grain deficit and will not be able to supply Zimbabwe. Malawian maize production also suffered due to floods. The Zambian 2015 maize harvest is estimated to be 2.618 million mt which, if added to the carryover stocks of 1.345 million mt, means that a total of 3.964 million mt is available. Given an estimated local demand of 3.087 million mt inclusive of strategic reserves, Zambia will likely have an exportable surplus of 0.877 million mt. This is not enough to cover Zimbabwe's needs, especially since it is not the only country seeking imports from Zambia with competition likely to come from Tanzania and Malawi. Thus Zimbabwe has to plan for the possibility of having to import from overseas markets. This would involve complicated logistics and delays.

Soyabeans

The other key ingredient in feeds is soya beans. In 2014, Zimbabwe had a good harvest and feed companies were largely dependent on locally crushed soya bean meal. Compared to 2012 and 2013, prices of soya beans and soya meals have been low (see table 2). However, the current harvest has been estimated at 58,000mt which is 32% lower than last year's due to low plantings as well as the poor rains. Despite the expected low crop, the large surplus in Zambia is expected to keep prices stable in the \$520 to \$530/mt range.

Maize and wheat bran

Maize and wheat brans are key inputs in the manufacture of poultry, pig and ruminant feeds. They are by-products of the milling industry and are dependent on the performance of millers. Though maize bran was largely available in the 2014 production year, the looming lean 2015 season is of concern to the feed manufacturing sector. If government encourages the importation of processed maize and wheat products for human consumption, this will lead to local shortages of brans which will necessitate importation at high prices. Also of concern to the feed industry is the VAT of 15% currently being levied on purchases of these brans from milling companies which, in turn, leads to high prices.

Cotton

Cotton meal, cake and hulls are important ingredients in cattle and sheep feeds. Despite the reduced levels of production of cotton in the past two years due to low international prices, current production has been adequate to meet local feed company demands and local oilseed expressors have been supported by feed companies to export surplus production. The 114,700mt of raw cotton produced in 2013-14 was enough to produce approximately 39,000mt of cotton cake. About 16,000mt was exported, 7,000mt was used by stockfeed manufacturers, implying that 16,000mt was used by on-farm mixers (dairy farmers, feedlot operators and supplementary beef feeders). Of current concern however, is the recently announced Crop and Livestock Assessment estimates which put 2014-15 cotton production at 67,650mt. This is enough to produce only 16,000mt of cotton cake which is 7,000mt short of the 23,000mt used by feed manufacturers and on-farm mixers in the 2014 season. Thus there will likely be need to import cotton cake to bridge the demand gap.

Molasses

Zimbabwe's sugar industry has enough capacity to supply all the molasses needed by the local feed companies. However, over the years there have been seasonal shortages during annual maintenance shut-downs between January and mid-May. In the first quarter of 2015, molasses suppliers experienced delays in importing

from Zambia to fill in the seasonal deficit due to stringent import permit requirements currently being faced. For example, authorities now require importers to obtain a Genetically Modified Organism - free (GMO) certificate, despite the fact that there is no known GMO sugar production in the region.

Other Ingredients

In addition to the above macro ingredients, feed manufacture also requires a variety of micronutrients that are essential to make quality feeds. These include amino acids, minerals and vitamins. Most of these are not manufactured in Zimbabwe and have to be imported. Industry has raised concern about the length of time taken to process import permits. Manufacturers are now required to apply for a permit for each of these small parcels of essential micronutrients instead of one permit for a shipment of assorted nutrients. At a cost per permit of \$70, this increases the cost of compliance with import regulations and are reflected in high the cost of production which, unfortunately, have to be passed on to farmers.

2.2 Industry Capacity Utilisation

The feed industry continues to grow (see Figure 1) largely on the back of the poultry industry which accounts for 70% of the quantity of feeds produced. In 2014, 449,000mt of feed was produced compared with 401,000mt in 2013 and 335,000mt in 2012. However, capacity utilisation of 29% is still very low, leading to high fixed costs per unit of feed produced.

Table 1: Raw Material Procured by Feed Companies

Tonnages of Raw Material Procured - January 2012 to December 2014							
Feed Raw Materials	Monthly Averages						Jul-Dec '14 compared to
	2012		2013		2014		
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jul-Dec '13
Maize	13,620	15,085	14,951	16,917	15,029	18,944	12%
Soya beans	1,393	1,854	1,262	973	300	212	-78%
Soya meal - FF	217	274	1,178	1,425	1,579	2,030	42%
Soya meal - ME	3,988	4,542	1,831	2,182	2,076	2,012	-8%
Soya meal - SE	1,392	1,725	3,845	3,727	3,425	5,351	44%
Total Soya (bean equivalent)	8,475	10,135	9,986	10,253	9,215	12,117	18%
Wheat Bran	2,433	3,414	3,107	5,041	4,297	4,820	-4%
Maize Bran	1,565	2,205	1,922	2,630	2,952	3,486	33%
Cotton cake < 30% CP	229	562	410	323	297	305	-6%
Cotton meal >30% CP	348	382	419	679	278	309	-54%
Cotton seed - Whole	61	164	93	197	94	212	8%
Sunflower cake/meal	283	145	232	641	547	520	-19%
Molasses	190	783	641	1,213	808	1,181	-3%
Urea	22	79	61	73	63	93	27%
Salt	118	161	181	146	117	143	-2%
Cotton hulls	297	669	456	744	401	602	-19%
Hay	12	62	18	73	74	162	122%
MCP	208	274	187	150	143	213	42%
Fine Limestone Flour	-	-	905	926	558	796	-14%
Coarse Limestone Flour	-	-	68	57	249	123	116%
Methionine	30	37	37	26	34	42	60%
Lysine	20	79	22	17	26	25	42%
Meat and Bone Meal	351	461	494	739	703	877	19%
Fish Meal	195	167	93	84	97	102	21%
Totals	167,592	205,283	194,464	233,900	204,877	255,353	9%

Source: SMA returns

Table 2: Feeds Produced

Tonnes of Feeds Manufactured - January 2012 to December 2014							
<u>Production/Sales</u>	Monthly Averages						Jul-Dec '14 compared to Jul-Dec '13
	2012		2013		2014		
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	
Poultry							
Broiler Starter	2,438	3,233	3,021	3,683	3,663	4,631	31%
Broiler Grower	1,277	1,965	3,245	3,948	4,068	5,054	28%
Broiler Finisher	4,619	5,669	6,668	9,164	7,783	9,701	13%
Layer Rearing Feed	928	1,103	757	989	789	998	11%
Layer Production Feeds	4,463	5,486	5,269	5,604	5,318	4,855	-10%
Poultry Breeder feeds	2,779	2,977	2,944	3,387	3,030	3,111	-8%
Poultry Concentrates	809	1,108	869	1,224	908	1,861	42%
Dairy							
Dairy meals	1,417	1,368	1,184	1,486	1,854	2,024	33%
Beef							
Beef Pen Fattening	1,571	3,395	1,971	4,591	3,270	5,670	86%
Beef Maintenance Feeds	235	1,028	283	928	820	701	-23%
Beef Concentrates	371	267	68	234	35	119	-64%
Pig							
Juvenile Feeds	358	458	435	343	315	287	-16%
Growing and Fattening feeds	1,324	1,515	1,336	1,391	1,683	1,554	10%
Pig Breeder Feeds	394	413	483	496	593	512	7%
Pig Concentrates	279	199	332	661	68	130	-82%
Fish							
Aqua Feeds	1,024	1,354	1,030	1,170	1,276	1,310	18%
Sundry Feeds							
All Other species feeds	509	519	414	632	816	674	5%
Totals	145,722	189,231	179,371	221,536	235,780	212,823	15%
Poultry feeds as % of total	71%	68%	76%	71%	72%	71%	

Figure 1: Feed Sales Trends

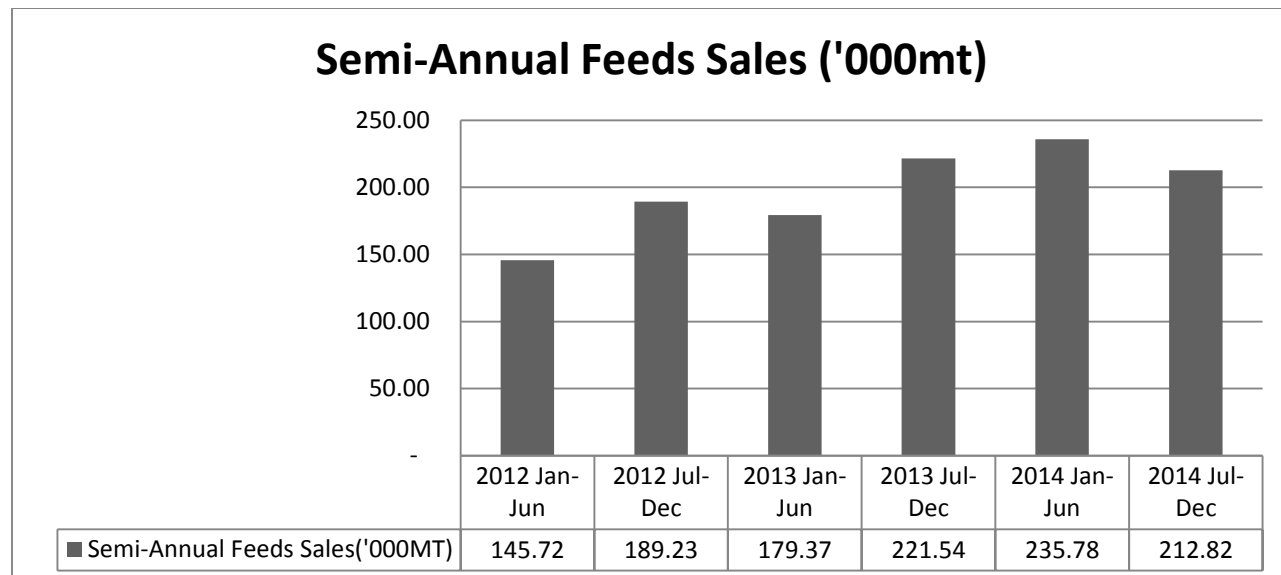


Table 3: Prices of key raw materials

Prices of Raws Procured - January 2012 to December 2014							
Feed Raw Materials	6-Month Averages						Oct-Dec '14 compared to Jul-Sep '14
	2012		2013		2014		
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	
Maize	259	288	346	353	373	355	1%
Soya beans	549	621	643	610	597	555	3%
Soya meal - SE	688	747	805	778	744	650	0%
Wheat Bran	170	190	197	187	183	184	-4%
Maize Bran	172	191	197	200	180	183	7%
Cotton meal >30% CP	347	382	364	349	330	369	39%

Table 4: Feed Prices

Prices of Feeds Manufactured - January 2012 to December 2014							
Production/Sales	6-Month Averages						Oct-Dec '14 compared to Jul-Sep '14
	2012		2013		2014		
Poultry	Jan- Jun	Jul- Dec	Jan- Jun	Jul- Dec	Jan- Jun	Jul- Sep	
Broiler Starter	547	566	678	678	673	662	2%
Broiler Grower	541	565	669	670	668	643	2%
Broiler Finisher	526	535	637	639	645	629	0%
Layer Rearing Feed	459	498	544	575	543	509	0%
Layer Production Feeds	471	490	557	555	541	512	-2%
Poultry Breeder feeds	481	496	547	562	543	470	0%
Poultry Concentrates	839	830	931	952	844	865	-2%
Dairy							
Dairy meals	307	292	323	335	279	328	31%
Beef							
Beef Pen Fattening	209	208	267	262	257	256	4%
Beef Maintenance Feeds	289	264	241	259	262	272	-3%
Beef Concentrates	290	290	360	317		332	7%
Pig							
Juvenile Feeds	573	630	647	629	611	604	8%
Growing and Fattening feeds	478	512	498	485	500	482	5%
Pig Breeder Feeds	419	454	486	486	477	418	-6%
Pig Concentrates	645	662	684	676	712	696	-2%
Fish							
Aqua Feeds	615	733			712	717	0%
Sundry Feeds							
All Other species feeds	445	394	484	505	426	460	10%

2.0 Broiler Meat Value Chain

The broiler industry continues to grow from strength to strength and set new monthly and yearly records. Day old chick production peaked at 8.4 million in September 2014 compared with the previous peak of 6.2 million in October 2013 and total chick production in 2014 was 78.4 million, a 22% increase over the record of 64.4 million achieved in 2013.

Large-scale broiler sector meat production in 2014 was similar to 2013 at 2,690mt per month (Figure 2). However, estimated total meat production from day old chick production in 2014 is estimated to have increased by 24% to 11,000mt per month (Figure 2) and all the increase is attributable to increased participation by the smallholder sector which accounted for more than 70% of total chick sales (Figure 2).

The broiler industry also supports value creation in downstream feed and breeding industries. The broiler sector has now become the main user of stockfeeds accounting for 225,000mt of the 448,000mt of feeds produced in 2014 (Table 5). 150,000mt of maize and 75,000mt of soya bean used by the feeds industry is in the production of broiler feeds. Breeding and hatchery operations dependent on locally produced and imported fertilised eggs to produce day-old chicks have also increased to support the growth of the broiler sector. Table 6 shows that the breeding sector - though growing - has not kept pace with demand for day old chicks which has necessitated dependence on imported fertilised eggs to ensure that growth is maintained in the sector. Thus, as local breeding capacity gears up for the increased demand for day-old chicks, it is necessary that the importation of fertilised eggs be allowed to occur without the current tedious system for obtaining import permits.

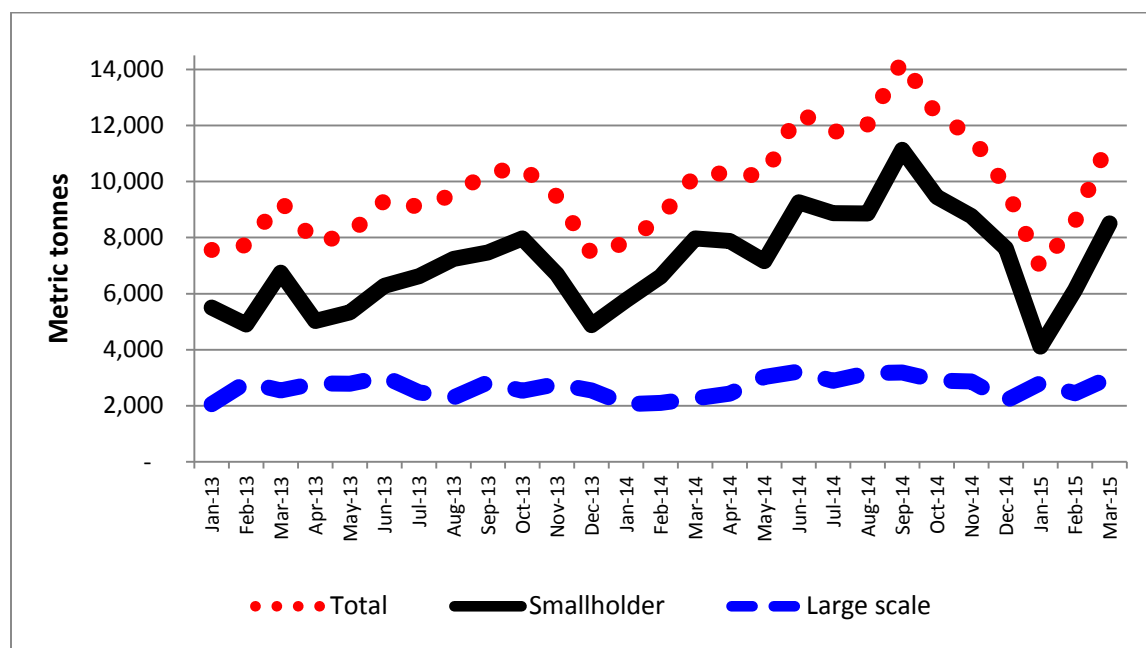
Table 5: Feed Used by the Broiler Sector

Broilers	per month	per annum
Feed requirements, mt	18,788	225,454
Maize requirements, mt	12,525	150,302
Soya requirements, mt	6,263	75,151

Table 6: Comparison of First Quarter Monthly Hatchery Production: 2013-2015

	2013	2014	2015	% Growth (2014-15)
Hatching eggs produced, ea	17,008,544	17,712,106	18,811,559	6%
Hatching eggs imported, ea	1,500,998	5,024,360	6,579,265	31%

Figure 2. Broiler meat production trends, 2013 to Mar 2015



3.0 Table Egg Value Chain

Eggs are the cheapest source of animal protein available in the country. However, trends in egg production have showed a slight decline over the past three years. Day old sexed layer pullet (layer chicks) production in 2014 was 3% down on 2013. Large scale table egg production declined by 16% to 2 million dozen eggs per month (Figure 3). However, total egg production, estimated from pullet sales, is estimated to have declined by 6% to 4 million dozen eggs per month, the decline being partly offset by an increase in smallholder egg production (Figure 3). First quarter 2015 estimates that point of lay (POL) pullet production has increased by 136% over the same period in 2014 (Table 7). This reflects growth in POL induced by removal of

VAT on live poultry sales implemented in the 2012-13 budget. Small holder egg farmers are the main market for POL pullets.

Figure 3: Egg Production Trends

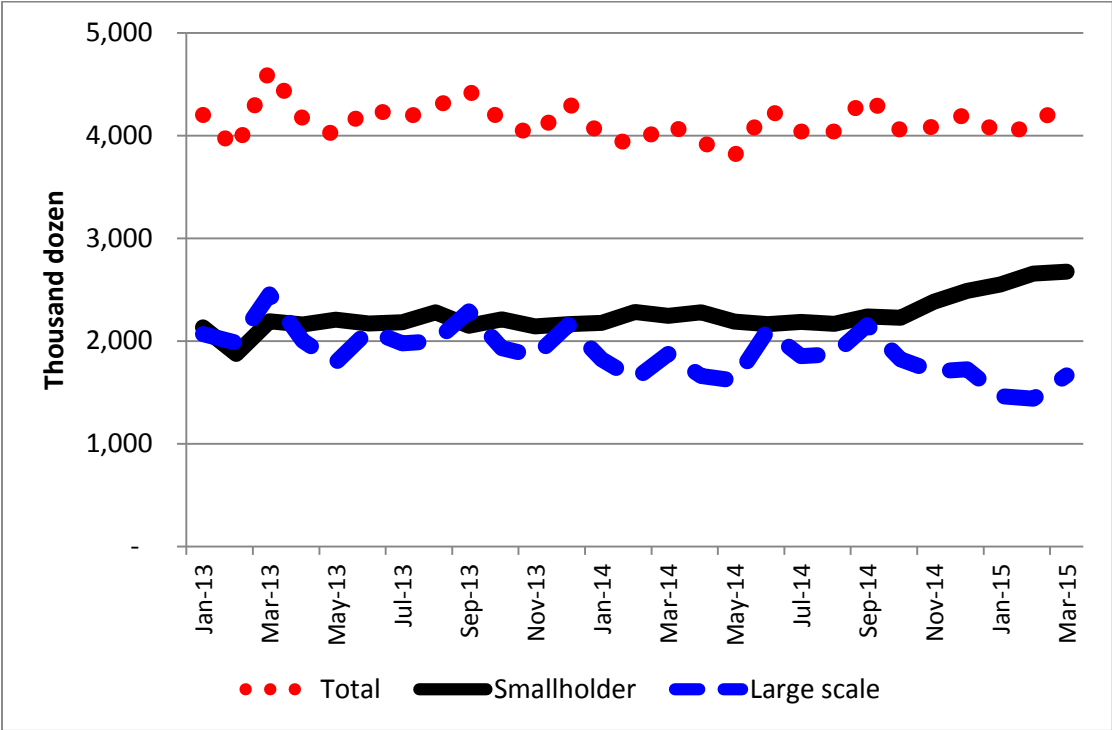


Table 7: Comparison of First Quarter Layer Pullets Production: 2013-2015

	2013	2014	2015	% Growth (2014-15)
Layer Day Old Chicks produced	606,940	459,781	727,984	58%
Point of Lay pullets sold	38,745	27,702	65,284	136%

4.0 Beef Value Chain

4.1 Key trends

The national beef cattle population has increased from 5.4 to 5.5 million head with more than 90% of cattle in the smallholder farming areas. However, slaughters in abattoirs that are monitored by the Meat Graders Section of the Department of Livestock Production and Development (DLPD) show that the number of cattle slaughtered has been declining (see Table 8 below). It is believed that the reason for the slowdown in beef demand is because of low disposable income as well as competition from lower priced chicken in household diets.

A challenging second half year for the beef sector is forecast. The drought currently being experienced will reduce dry season natural grass resources in the main beef producing areas of Matabeleland, Masvingo, Midlands and northern parts of Mashonaland provinces. This, together with the shortage of human food resources, will lead to massive destocking of the beef herds. Shortages of natural feed will also likely lead to increases in mortalities. It is expected that slaughters will increase but future slaughters (2016) will decrease as farmers increase their herds.

Table 8: Trends in Cattle Slaughters in DLPD Monitored Abattoirs

	2011	2012	2013	2014	2015	% Change 2014 vs 2015
Jan	17,988	18,796	20,524	19,338	19,614	1.4%
Feb	19,162	19,549	19,684	18,313	19,830	8.3%
Mar	22,133	21,421	21,751	19,773	21,272	7.6%
Apr	20,304	21,201	22,274	21,044		
May	21,473	23,166	24,094	21,676		
Jun	22,332	22,297	21,544	21,182		
Jul	23,957	23,870	24,085	22,398		
Aug	25,335	24,355	23,085	20,727		
Sep	30,461	20,331	20,257	20,596		
Oct	18,977	21,349	21,771	21,037		
Nov	20,319	20,664	19,722	18,185		
Dec	18,983	21,219	21,723	22,253		
Annual Total	261,424	258,218	260,514	246,522		
Monthly Ave	21,785	21,518	21,710	20,544		
Q1 Total	59,283	59,766	61,959	57,424	60,716	5.7%

4.2 Key constraints

A number of constraints have been affecting the beef industry. The primary one is the current drought which requires mobilisation of resources to preserve core breeding herds in the worst affected areas. The second constraint is the high levels of Rural District Council cattle marketing levies which reduce farmer viability. At 10.5% of the sale price of cattle, this amounts to nearly \$70 per animal.

Another issue affecting the sector is the alarming spread of Foot and Mouth Disease (FMD) in Masvingo, Midlands and Matabeleland (see Table 9). Containing the disease requires approximately US \$10 million to acquire vaccines from Botswana and the Department of Livestock and Veterinary Services (DLVS) cannot finance this from its budgetary allocation.

Table 9: Incidences of FMD since beginning of 2014

Province	Cases	No. of dip tanks affected
Matabeleland North	7	2
Matabeleland South	52	4
Masvingo	9 029	106
Midlands	1 110	15
Total	10 198	127

Source: Department of Veterinary Services

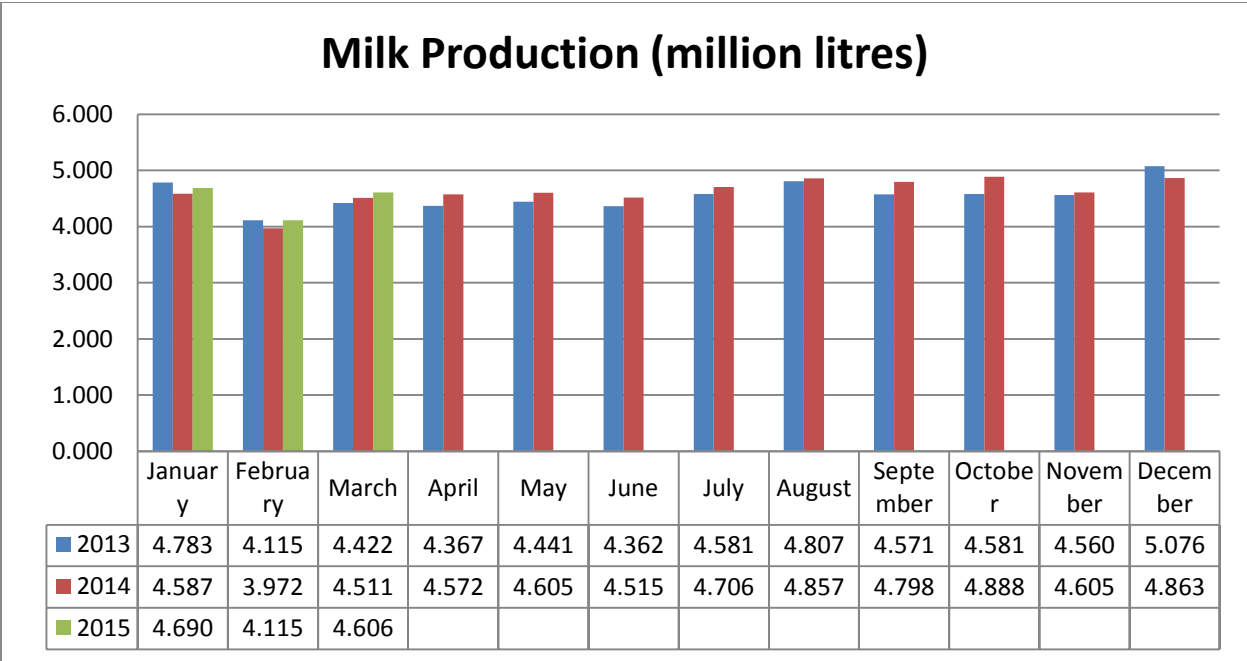
5.0 Dairy Value Chain

5.1 Key Trends

Currently Zimbabwe has a huge deficit in milk production leading to large imports and contributing to the current account deficit facing the economy. The commercial milking cow herd increased by 7% from 26,000 to 28,000 between 2014 and 2015 and it is anticipated that the herd size will increase by a further 22% by year end because of the importation of dairy heifers under the Dairy Revitalisation Programme currently being implemented by DLPD, the Zimbabwe Association of Dairy Farmers, and milk processors funded by US \$0.10 levy per litre of imported UHT milk.

A summary of monthly milk production figures since January 2011 is shown below in Figure 4. Annual milk production increased from 54.7 million litres in 2013 to 55.5 million litres in 2014. It is anticipated that milk production in 2015 will also increase, judging by the first quarter increase from 13.1 million litres in 2014 to 13.4 million litres in 2015.

Figure 4: Monthly Milk Production Trends



5.2 Key Constraints

The sector continues to face viability challenges. The average dairy farm incurs costs of US0.67 to produce one litre of milk against a producer price of US0.58 per litre. The key factors affecting viability are the high cost of feed concentrate due to low production of local maize and wheat which have necessitated the import of these key raw materials of maize and wheat bran. Poor rains in the 2014-15 season have also led to reduced yields of maize silage, an important on-farm grown dairy feed. These factors are compounded by inefficiency in farm management because of inadequate training for most new farmers in the dairy sector. It is anticipated that costs of feeds will further increase in the second half of the year due to the maize production deficit, projected to be 700,000mt for the 2015 marketing season. Further, there has been increased instability in grid electricity supplies putting further pressure on production costs.

Other constraints facing the dairy sector include the resurgence of farm disturbances despite reassurances from Ministry of Lands and Rural Resettlement that dairy farms will be spared from land acquisition. This is gravely affecting necessary investment to boost milk production. The current increase FMD in

Masvingo, Midlands and the Matabeleland provinces poses an extra threat to growth in the industry and there is need for capacitation of DLVS to procure adequate vaccines to bring the epidemic under control.

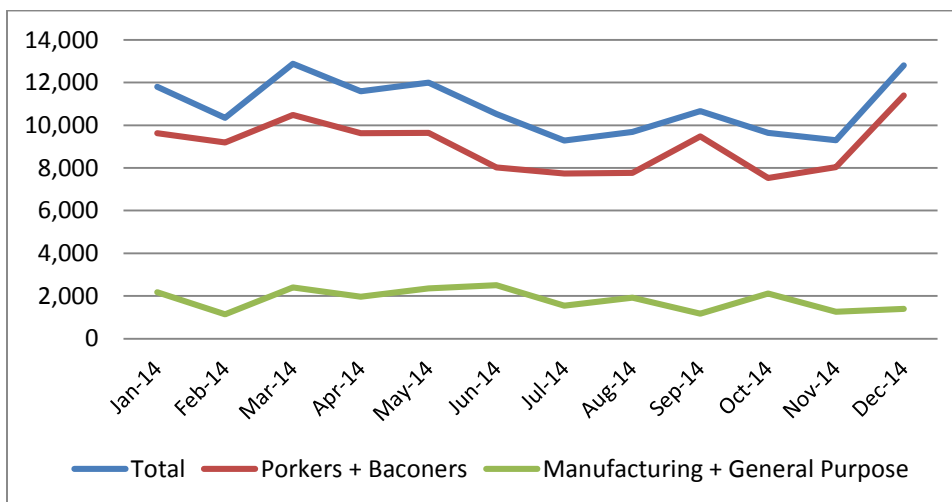
6.0 Pork Value Chain

Following massive destocking since 2013, the pig producing sector is starting to grow again on the back of firmer producer prices (see Table 10 and Figure 5). Feed costs and poor genetics of the local herd continue to be the main constraints to growth in the sector. Thus the current drought will likely lead to destocking again, especially for small pig producers who depend on their own grown maize. Also of concern for pork producers in Matabeleland, Midlands and Masvingo provinces is the spread of FMD which is fatal to pigs.

Table 10: Trends in Gross Pig Slaughters

	Pigs
2010	121 137
2011	134 800
2012	139 991
2013	145 927
2014	130 058

Figure 5: Pork Slaughters by Grade



7.0 Small Ruminants

Sheep and goats (small ruminants) are currently under-utilised resources in the country. Current estimates put the country's sheep population at about 457,000 and the goat population at about 4 million. These meat species are well suited to drier areas as well as the reduced farm sizes. Though there is renewed interest in farming with sheep and goats, these are poorly linked to formal meat markets. A key constraint to commercialisation has been VAT that continues to be applied on sales of sheep and goat meats. No VAT is charged on other meats which places these two species at a disadvantage.

8.0 Aquaculture

Fish, as part of the livestock sector, contributes significantly to food supply and nutrition and is a major source of food, particularly of high quality protein, minerals, vitamins and micronutrients for the majority of African people. It falls directly in the Food and Nutrition ZimASSET cluster. The paucity of water bodies in the country provides the country with a huge potential for the expansion of the sector with multiple benefits of increasing food security and generation of much needed Foreign Direct Income.

The development of aquaculture in Africa mirrors the trends happening on other continents. Egypt is the leading producer of farmed fish in Africa and Zimbabwe is among the top 10 producers (Table 11). Ninety percent of Zimbabwean production is generated from a single business entity, Lake Harvest Aquaculture. The potential for growth in this sector is huge if measures are put in place to promote fish farming.

Table 11: Top 10 Country aquaculture production (2012)

Top 10 - Country aquaculture production (2012) Thousand tonnes and million USD)		
Country	Quantity	Value
Egypt	1017.738	2010.815
Nigeria	253.898	711.8065
Uganda	95.906	209.1156
Ghana	27.45	61.35058
Kenya	21.488	54.82907
Zambia	12.988	42.92208
Madagascar	8.5875	47.03537
Tunisia	8.577	57.32962
Zimbabwe	8.01	42.92208
South Arica	3.99853	62.10894

Zimbabwe, represented by Lake Harvest Aquaculture, has increased tilapia fish production enormously and exports since 2009 (see table 12). Both production and exports increased by more than 500% in quantity and value and there is a forecast increase in production to break the 10,000mt barrier for the first time in history.

There is renewed interest in small scale fish production and the Zimbabwe Fish Producers Association was launched in 2014. Lake Harvest Aquaculture and Profeeds are in discussions to partner in supporting smallscale fish farming ventures through expansion of fingerling production as well as production of fish feed.

However, fish farmers face challenges. The influx of cheap fish products such as Jack Mackerel is limiting demand for local product. The import of duty free hatched fish feeds (currently not being produced in Zimbabwe) should be encouraged. This feed is required to grow hatchlings into fingerlings, ready for uptake by smallholder fish farmers.

Table 12: Lake Harvest Production and Exports: 2009-2015

Tilapia Fish Production		
Year	Tonnes	Value (\$)
2009	2,209	4,815,868
2010	2,416	5,700,639
2011	7,430	17,830,905
2012	7,981	23,463,439
2013	8,293	23,883,228
2014	8,788	25,836,340
2015 (Forecast)	10,000	29,000,000
Tilapia Fish Exports		
Year	Tonnes	Value (\$)
2009	1,482	3,230,975
2010	1,396	3,295,581
2011	4,376	10,502,931
2012	5,365	15,774,043
2013	6,056	17,440,656
2014	6,528	19,193,007
2015 (Forecast)	7,000	20,300,000

The aquaculture industry is faced with huge administrative costs emanating from a complexity of regulations that impact upon the value chain. There is need for realignment of policy and regulations so that the duplication posed by various statutory requirements is eliminated.

Further to the complexity and multiplicity of regulations which has negative financial bearing and burden on business operations, the administration of VAT has added equally to the overload by constraining cash flows. Whilst business can theoretically claim back VAT, the burden posed by the waiting period has huge financial costs to the already strained operating environment and imposes cash flow challenges. Since fish farming is a developing sector with huge economic potential, the majority of businesses are smallscale operations and have not registered for VAT and is therefore a lost revenue to this sector. Government is therefore implored to address this by reducing the VAT refund period to within the

month of submission and review the sector VAT for emerging businesses in the aquaculture sector.

Zimbabwe has potential to expand its' fish exports. However, the sector is already facing challenges with setting up and establishing markets in the regions. CD1 clearance is valid for a short period and the 90 days required by Reserve Bank is proving difficult when establishing new markets. A turnaround of 180 days is needed as product, at times, is sold on credit and also stock holding in such markets takes longer to clear. Further incentives are needed to grow the export fish market. For example, China has promoted the growth of the fish farming sector through the provision of tax incentives for farmers who are exporting fish and bringing foreign currency into the country. This explains the flooding of the African continent with fish products from China as they currently contribute 80% of fish traded in the world market.

Finally, the fish industry is suffering from the cumbersome processes currently affecting feed raw material importation as discussed under stockfeeds.

9.0 Meat Processing Industry

The meat processing industry has been growing since 2009 with a significant number of new factories dedicated to producing value-added livestock protein products from by-products of abattoir operations such as beef fats, offals and trimmings, and chicken skins and fats. The products produced include sausages, mincemeat, burgers, boerewors, polony and vienna sausages, among others. To keep costs down for low income consumers, meat processors include imported mechanically de-boned meat (MDM). MDM is an inexpensive by-product from the production of boneless chicken portions that are favoured in the EU and US chicken markets. MDM is not produced in Zimbabwe nor anywhere in Africa, markets which favour bone-in chicken portions. MDM is used solely as a raw material in processed meat production. Duty on MDM has been increased from 5% to 40% which is antagonistic to the objective of reducing the price of processed products for low income consumers. Processors are also concerned about the multiplicity of institutions that are involved in processing import permits (Agricultural

Marketing Authority, Ministry of Industry and Commerce, Ministry of Agriculture, Mechanisation and Irrigation Development) which lead to delays. Creating a one-stop-shop for acquiring import permits would greatly be welcomed by processors.

10.0 Summary of Policy Recommendations

Based on the above review, the Livestock and Meat Advisory Council therefore tables the following recommendations for considerations in the Mid-Term Fiscal Review:

- There is need to remove VAT on sheep and goat meat in line with policy for the other meats in order to encourage commercialisation of these two species;
- There is need to remove VAT on wheat and maize brans which are key raw materials in feed manufacture. These products are not consumed directly in end-markets but are used solely as raw materials for feeds. Removing VAT will lower costs of stockfeed production and Zimbabwe's livestock products will be more competitive relative to imports as a result.
- There is need to reduce cost of compliance with regulations in the livestock value chain. Specifically, there is need to;
 - reduce Rural District Council levies in livestock marketing;
 - streamline import permit applications to reduce fees and delays for imports of feed raw materials, fertilised eggs and breeder day old chicks.
- There is need to find resources for DLVS to fund FMD vaccines;
- There is need to protect dairy farms from further land acquisitions to stimulate on-farm investments;
- There is need to make adequate provision for maize imports that take into account the requirements of the stockfeed sector in addition to human food. Planning for maize imports must consider that Zambia may not have enough maize to supply all of Zimbabwe's shortfall. Thus, it may be necessary to look beyond Africa for available maize and plan for such eventuality;
- There is need to reduce the duty on MDM to support the local meat processing sector;

- There is need to shorten the VAT refund period to within the month of submission to improve cash flows for operators in the aquaculture industry; and
- There is need to extend the period of CD1 clearance to 180 days to assist fish farmers establish new regional fish export markets as product is sold on credit and also stock holding in such markets takes longer to clear.