



## **Livestock & Meat Advisory Council**

Exhibition Park, Samora Machel Ave West, P O Box BE 209, Belvedere, Harare

**Phone:** 756 600, 772 915, 777 391    **Fax:** 774 800    **Email:** admin@lit.co.zw

# **Livestock Market Update: December 2016<sup>1</sup>**

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## **1. Stockfeed Sector**

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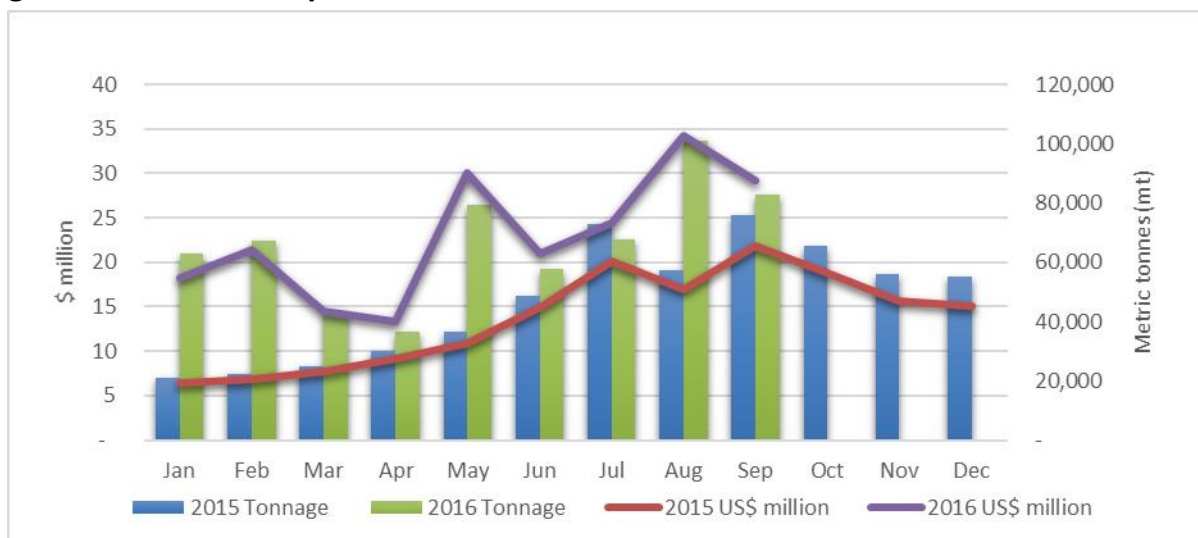
## Raw Materials Supply

### Maize

Total maize imports to September 2016 were 598,787mt, an increase of 54% over the same period in 2015. The total value also increased by 79%, from \$115m in 2015 to \$206m, reflecting an increase in the cost per tonne of non-genetically modified maize. The import prioritisation list published by the Reserve Bank of Zimbabwe(RBZ) has constrained traders in importing maize.

The Grain Marketing Board has purchased maize from producers at \$380/t and offered it for sale at \$440/t. This price is above the import parity price and is likely to have a negative effect on the cost of feedstock in the coming months. According to the Food and Agriculture Organisation (FAO), South Africa is expected to import maize for the second year in a row, with an import requirement of 3million tonnes. Zambia benefited from improved rainfall in the latter part of the season and is expected to harvest 2.87million tonnes, an increase of 10% over the previous year. Coupled with carryover stocks, Zambia is expected to have a surplus of 0.5m/mt available for export. A temporary ban on exports was put in place to ensure adequate stocks for domestic consumption and as a result, Zimbabwe had to look abroad for supplies of maize from countries such as Mexico and Ukraine with an import price ranging between \$320 – 350/t. (See Figure 1.)

**Figure 1: Maize imports**



### Soya Meal

Soya bean production has been on a general decline and a harvest of only 25,000mt was expected in 2016, a decrease from 45,000mt the previous season and a peak of 170,000mt in 2001. This is against an estimated national requirement of 200,000mt for stockfeed and production of cooking oil.

Although the area planted under soya bean continues to grow, the yield of 1.5mt/hectare is low when compared with regional neighbours such as Zambia whose yield is 2.6mt/hectare. The low domestic production of soyabeans has translated into a high dependency on imported crude oil, refined cooking oil and soyabean meal. These semi-processed imports have deprived the country of value through income and jobs, that would have been created if adequate supplies of soyabean had been grown locally.

Zimbabwe's production is enough to satisfy only 5% of the country's oil needs. Imports cost more than \$140 million each year, a figure sufficient to support local production of 550,000mt. Soyabean producer prices as at the end of November 2016 ranged from \$530 – 579/mt while the import parity price year to date average was \$636/mt.

### **Maize and wheat bran**

Wheat bran is offered at \$200/mt, bagged and collected in Harare. The commodity is in short supply and total wheat bran imports to the end of September 2016 amounted to 14,167mt at a total cost of \$1,958,207, implying an average price of \$138.00/mt.

Maize bran imports totaled 5,378mt at a cost of \$702,593 which translates to a cost of \$132.33/mt.

### **Cotton**

As at the end of October 2016, cotton seed companies reported a total intake of 28,598mt with Cottco having made the largest purchases of 10,804mt. Total intake for 2016 reflects a marked decline of 72.8% in cotton production compared with 2015 and only one ginner will process the harvested cotton seed. Cotton meal is a by-product of ginning cotton as the seeds are crushed and the oil extracted. The remaining meal is used for animal feed and acts as a rich source of protein.

Government has expanded the input supply scheme for the forthcoming season, targeting between 240,000 – 300,000 hectares.

### **Molasses**

Stocks from Hippo Valley are very limited and trading locally at \$130/mt. Imported molasses is trading at \$160/mt.

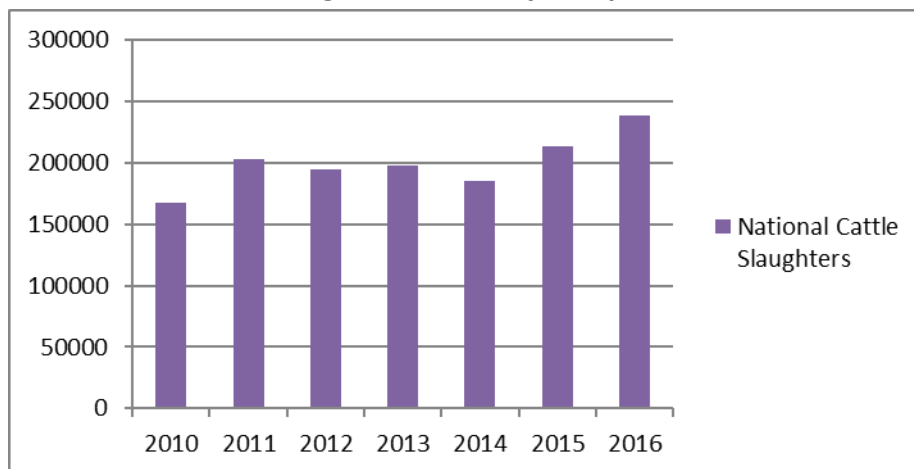
### **Premixes and Additives**

Businesses are struggling to make offshore payments to suppliers and as a result, stocks are critically low. Traditionally, manufacturers would have stocked up in anticipation of the festive season peak but this year this has proved extremely difficult in light of the priority list introduced by RBZ.

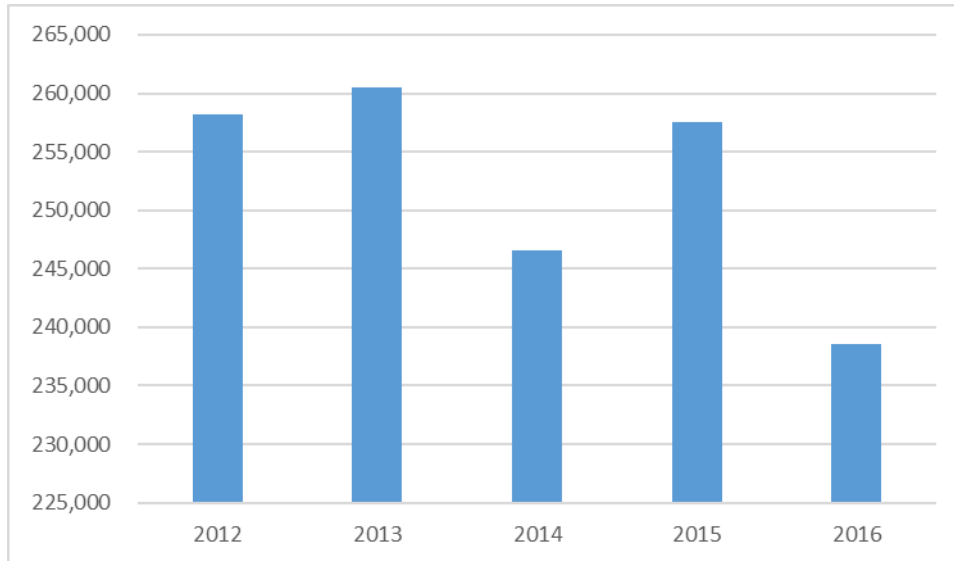
## **2. Beef Sector**

To September 2016, total cattle slaughters were 238,508, an increase of 11.5% when compared to the corresponding period in 2015. The increase is likely to be a mitigatory response to the effects of the drought that has had an adverse effect on grazing land and water resources and cattle producers have elected to reduce their livestock herds. (See Figures 2 and 3.)

**Figure 2: National Cattle Slaughters: January – September**

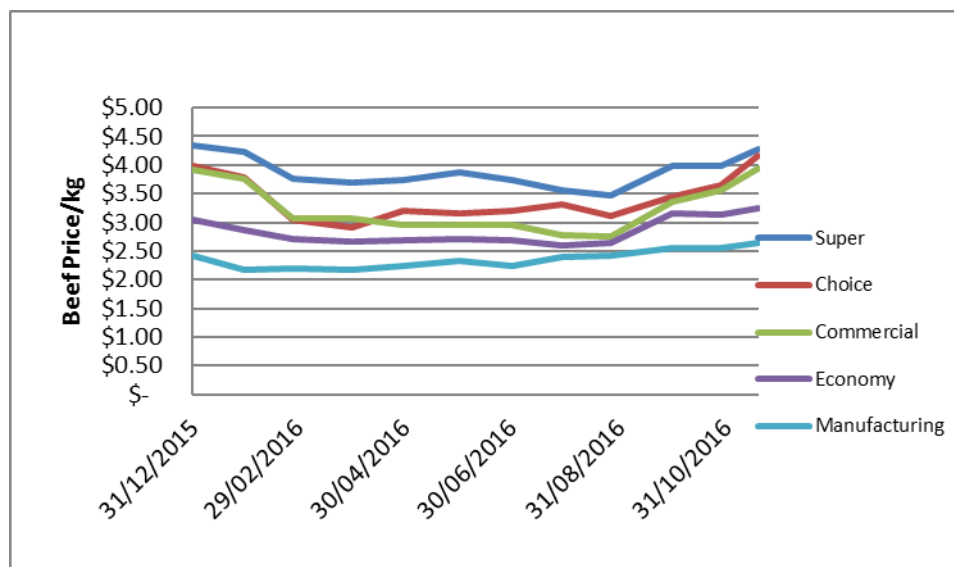


**Figure3: Cattle slaughters: 2012 to April 2016**



While slaughters have increased, this does not appear to have had a significant impact on prices as wholesale prices of beef carcasses for the period January 2016 to 18 November 2016 have traded within a range of -1 – 10%, depending on the grade. (See Figures 4.)

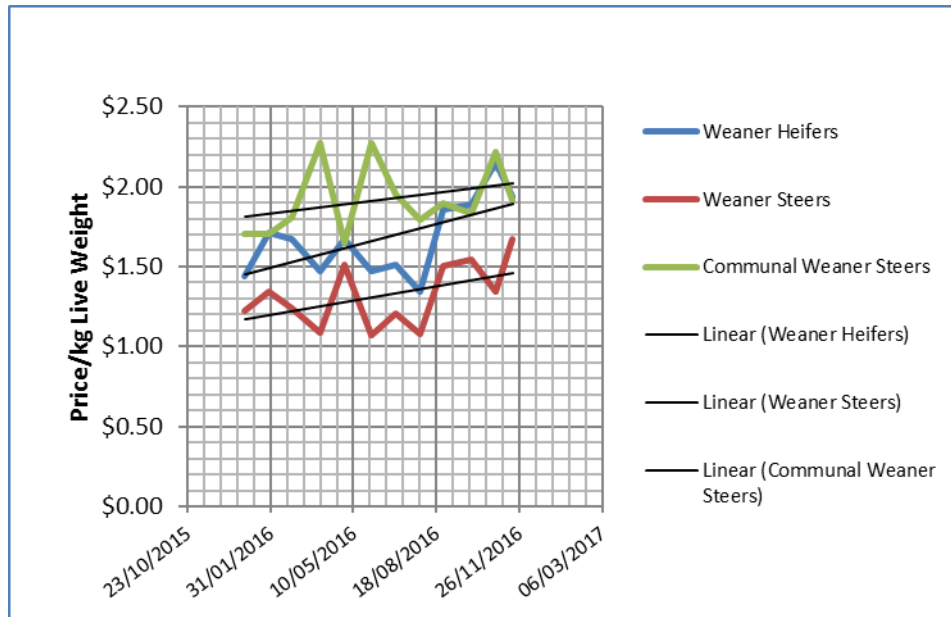
**Figure 4: Indicative Cattle Wholesale Prices**



Prices of Commercial and Economy grade beef have increased by 1% and 7%, respectively from January to date. This trend is in sharp contrast to the economic conditions prevailing in the country where the discretionary income of consumers has

contracted and cattle slaughters have increased. An analysis of live sales of cattle for the period December 2015 to date also reveals an upward trend in cattle prices as depicted in Figure 5.

**Figure 5: Live Cattle Sales**



### Livestock Identification and Traceability Systems Workshops

In November 2016, feedback workshops in Harare and Bulawayo were hosted by the committee of the Livestock Identification and Traceability Systems (LITS). The workshops brought together stakeholders in the livestock industry that included producers, stud breeders, representatives from farmer’s unions and relevant government departments, abattoir operators and Zimbabwe Republic Police to review the LITS framework developed for Zimbabwe. Participants numbered two hundred and fifty and both workshops were well attended.

LITS is an individual animal tracking system that identifies the animal from of origin to the point of consumption. The system enables effective risk management in disease control and food safety.

### **3. Poultry**

The formal market is estimated to consume 2,300mt per month of poultry meat, beyond which stocks begin to build up. Although consumption is distributed fairly evenly throughout the year, sales increase over peak periods of Easter, Heroes and Christmas holidays.

The industry is under pressure from the country's continued weakening economic fundamentals. Monthly sales and retention of day old chicks over the period January to September declined marginally. Chick prices were also reduced and averaged \$62 per 100 chicks in the third quarter. With the number of growing breeder birds declining since February 2016, future chick production will come under pressure.

The number of birds processed and broiler meat production in the formal market from January to September 2016 was down marginally over the same period in 2015. The swings in poultry production fuel the suspicion that illicit chicken imports are finding their way onto the domestic market.

In South Africa, drought related dislocations have cost poultry producers an estimated R4.6 billion. 16,000mt of the 65,000mt of poultry product agreed under the African Growth and Opportunity Act facility has landed in South Africa, putting further pressure on their industry. Statistics available from both the South African Revenue Service and the South African Poultry Association report that exports in the second quarter to Zimbabwe of 1,250mt of poultry product took place, information not corroborated by the Zimbabwe Revenue Authority as producers seek to offload excess product. This would point to the emergence of a grey imports, giving rise to a soft market.

#### **Market Issues**

Prices for chick and broiler meat remain sluggish while those for layers continue to be depressed with little prospects of an upturn in demand in the short term. Dislocations in the economy continue to be acutely felt in the poultry industry, adversely affecting the operating environment. Cash shortages and the drying up of credit facilities are expected to particularly constrain the small-scale producer. Delays in making foreign payments to suppliers are affecting the provision of hatching eggs and straining relationships.

### **Table Egg Production**

A 60% collapse in breeding chick sales in the nine months to September against the same period in 2015 point to an industry under serious strain and is a response from small-scale producers to the soft market. The average wholesale price is \$3.21 for a tray of eggs, 19% lower than the 2015 price. As a result, egg production is expected to fall from the peak of 5 million eggs realised in June.

### **Veterinary Issues**

Cases of Newcastle disease have been reported in urban and peri urban areas around Harare. Research on the strain is presently underway to ascertain the effectiveness of the vaccines currently in use. Initial reports indicate the strain is similar to one from Cambodia.

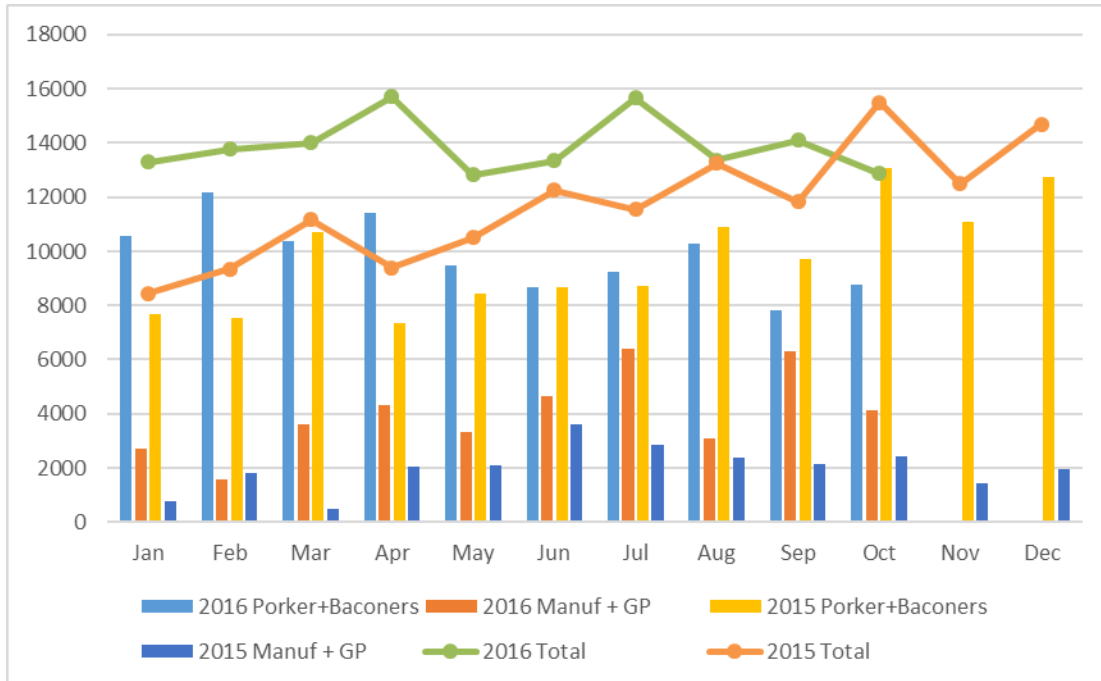
## **4. Pork Sector**

Pig slaughters to October 2016 are 138,939, 22.7% higher than the same period in 2015 and is likely to be a mitigatory response to the drought and viability issues.

By grade, in 2015 Porker and Baconers constituted 82.9% of the total pigs slaughtered, whereas to October 2016, they only constitute 71.1% of total slaughters. Consumer demand for pork and pork products is very low and the producer price for both baconers and porkers is creating pressure on viability, especially for smaller producers. (See Figure 6.)



**Figure 6: Pig Slaughters by Grade**



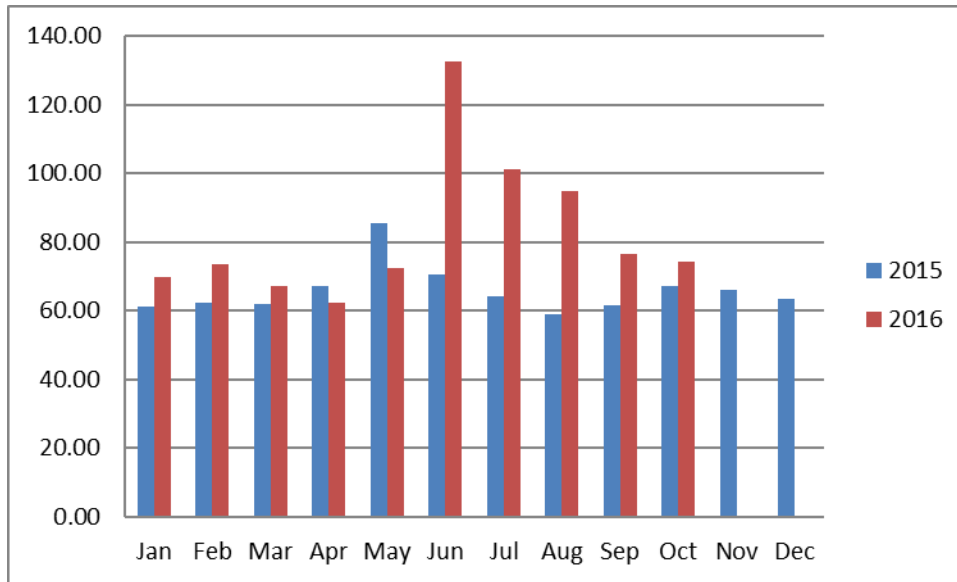
To October 2016, the total cold dressed mass was 11,030mt, 47.5% higher than the same period 2015 (See Table 1.)

The average carcass weight per pig slaughtered in October was 74.31kg, an increase of 10.5% over the same month last year. The average carcass weight for January to October 2016 was 82.47kg, 25.3% higher than the full year average for 2015. (See Figure 7.)

**Table 1: Number of pigs slaughtered (cold dressed mass in kilograms [thousands])**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>2015</b>	518	581	691	630	899	866	743	780	728	1,043	826	932	<b>9,237</b>
<b>2016</b>	928	1,010	941	983	928	1,770	1,170	1,266	1,077	957			<b>11,030</b>

**Figure 7: Monthly Average Carcass Weight of Slaughtered Pigs**

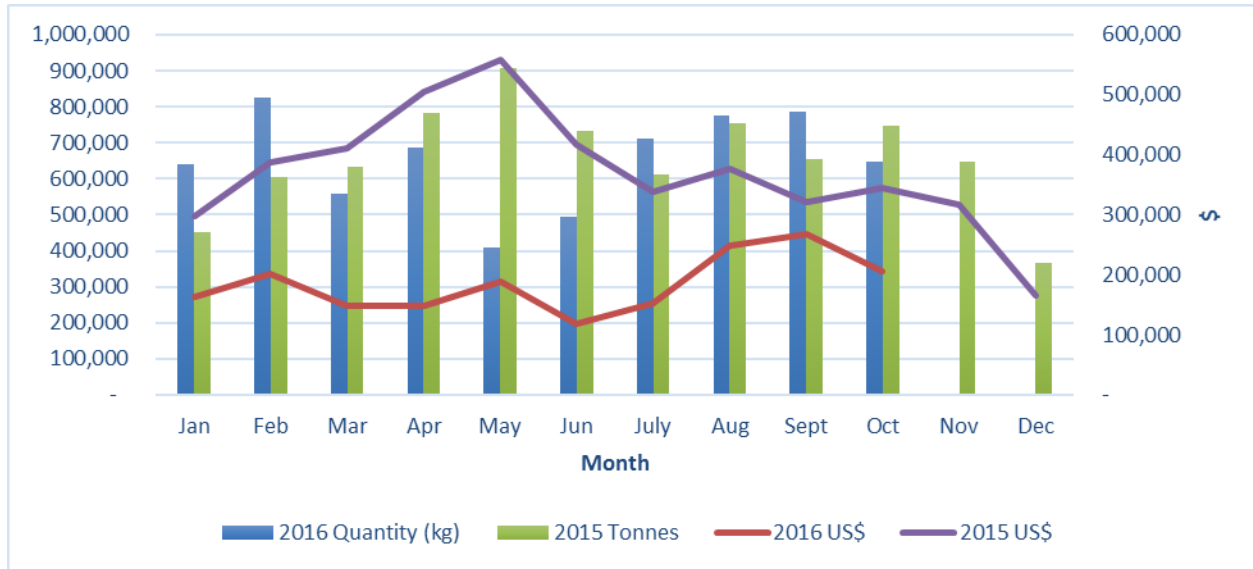


## 5. Meat Processing Sector

5,884mt of mechanically deboned meat (MDM) with a cumulative value of \$3.3 was imported for the nine months to September 2016, representing a decline of 14.5% in imports over the same period last year. Delays in acquiring import permits and hold ups in clearing consignments at the border are causing disruptions in industry operations. Production has to be suspended when meat processors run out of imported MDM, affecting operations and capacity utilisation.

MDM is the key ingredient in the manufacture of a large range of value-added processed meat products in Zimbabwe. With the removal of MDM from the priority list of imported goods, notwithstanding that it is a raw material for food processing, imports are expected to come under increasing pressure in the short to medium term. Duties of 40% are also still applicable, regardless of the fact that it is a raw material. (See Figure 8.)

**Figure 8: MDM Imports**

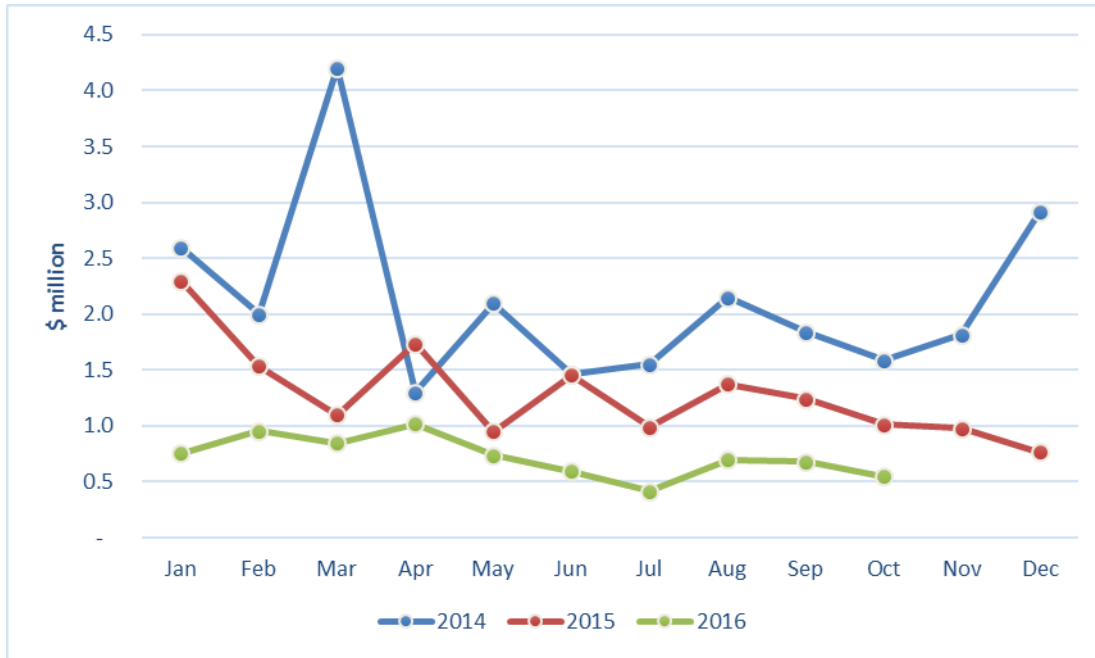


## 6. Dairy Sector

Raw milk production continues to register robust growth with cumulative production of 54.3million litres for the period January to October 2016, 14.5% higher than the same period in 2015. Month on month growth was marginally up in October compared with September.

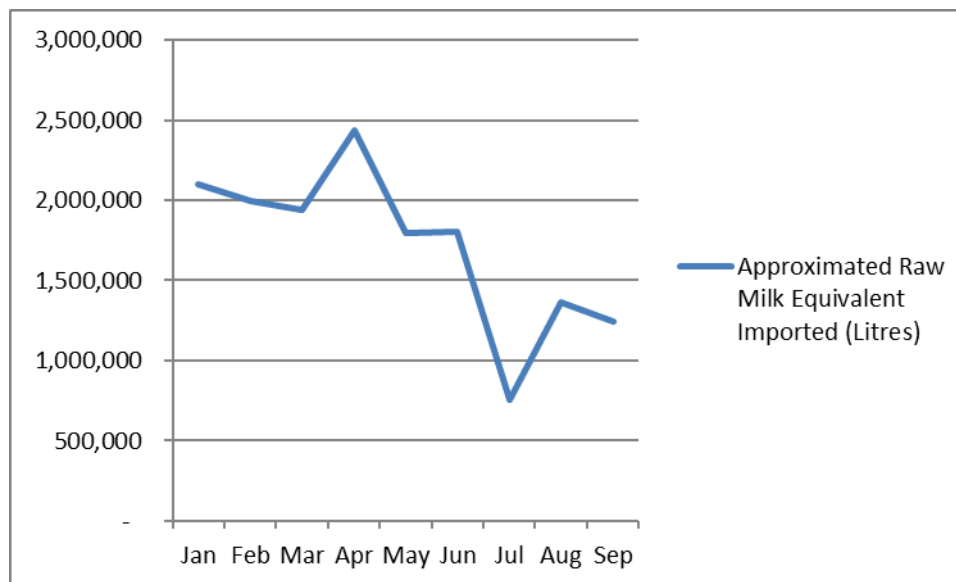
Milk production is still below the annual national consumption requirement of an estimated 100million litres, necessitating the importation of milk products to augment local supplies. In value terms, milk imports have decreased year on year. An analysis of statistics show that imports of milk products declined by 45.9% from \$1.01 million in 2015 to \$0.55 million in 2016. Cumulatively, for the period January to October 2016, milk imports amounted to \$7.24 million, a decline of 47.1% for the same period in 2015and a decline of 65% when compared with 2014.(See Figure 9.)

**Figure 9: Import trends: Milk and Dairy Products**



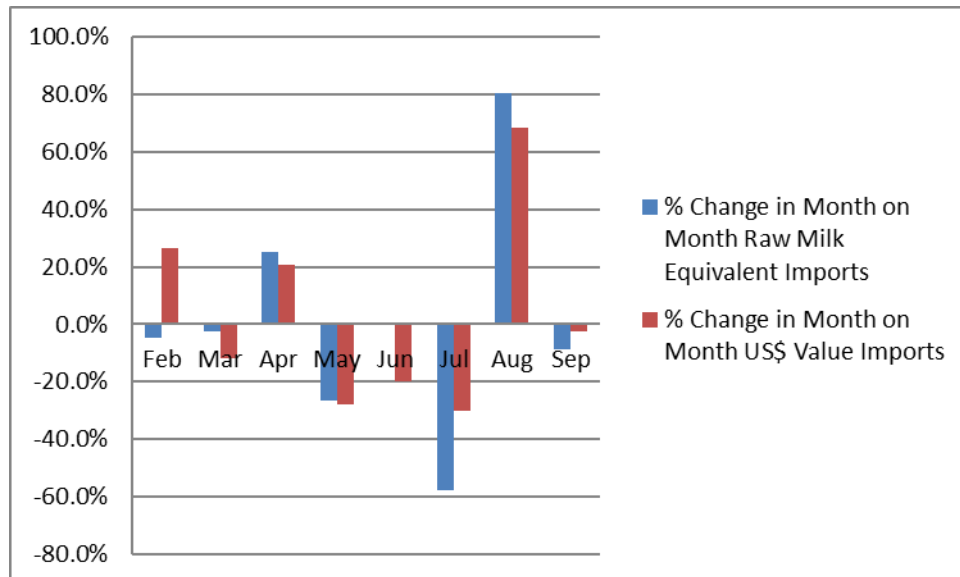
Using milk equivalence rate assumptions, an approximate figure of 15.4million litres milk would need to have beenimported if beneficiation were to occur within the domestic milk processing industry. (See Figure 10.)

**Figure 10: Approximated Raw Milk Equivalent Imported (Litres)**



As the figure below illustrates, the approximated quantities of raw milk imports and the monetary value of the actual imports generally tracked each other, implying that the product mix of the imports was generally consistent. (See Figure 11.)

**Figure 11: Percentage Change Analysis of Milk Imports**



## 8. Aquaculture

Cumulative imports of frozen Jack and Horse mackerel were 12,216mt at a value of \$8.4million for the period January to September 2016. Dried fish imports over the same period amounted to 2,507mt at a value of \$5.58m. 2,514mt of frozen fresh water fish valued at \$5.4million was exported.

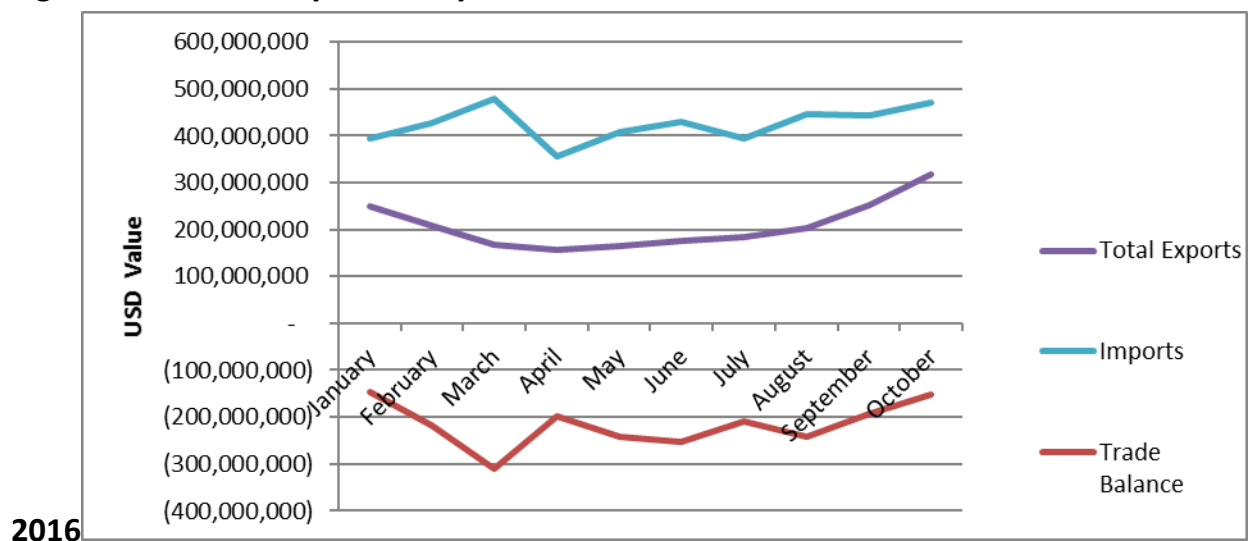
The Zimbabwe Fish Producers Association Fish have prepared a position paper entitled “Fish Farming in Zimbabwe” which emphasises the importance of fish in the national and food security policy; the role fish can play in farming that is less land intensive; the enormous scope for aquaculture in Zimbabwe and the need to promote fish consumption. One of the main objectives of the industry as outlined in the paper is to develop a commercial fish farming sector that is market-driven, inclusive and sustainable and which nurtures small-scale production.

## 9. LMAC and General Economic Trends

Zimbabwe's trade deficit in the ten months to October narrowed by 27.5% to \$2.16 billion on the back of imports and exports worth \$4.24 and \$2.08 billion, respectively. In the same period last year, the trade deficit was \$2.99 billion.

According to the statistics from Zimbabwe National Statistics Agency, total exports (including re-exports) for the period grew marginally by 0.16%, mainly boosted by the gold and tobacco sectors. Exports of gold increased to \$672.5 million from \$503 million over the same period last year mainly on the back of firming prices and efforts by RBZ to acquire more gold from artisanal miners. Tobacco worth \$506 million was exported against \$481 million last year.

**Figure 12: Monthly Summary of External Trade**



According to a survey released by the Confederation of Zimbabwe Industries, the country's weighted capacity utilisation increased from 34.3% last year to 47.4% this year, believed to have been triggered by an improved response rate within small to medium sized enterprises and an increase in production by companies whose products are under regulation by statutory instrument.

On 28<sup>th</sup> November 2016, RBZ released \$10 million worth of bond notes and initial observations noted a cautious acceptance by the public and informal markets.

Notwithstanding the encouraging trade and industrial data, the economy remains under siege as cash shortages and tight liquidity are still the order of the day.