



Livestock & Meat Advisory Council

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Livestock Market Update: March 2017¹

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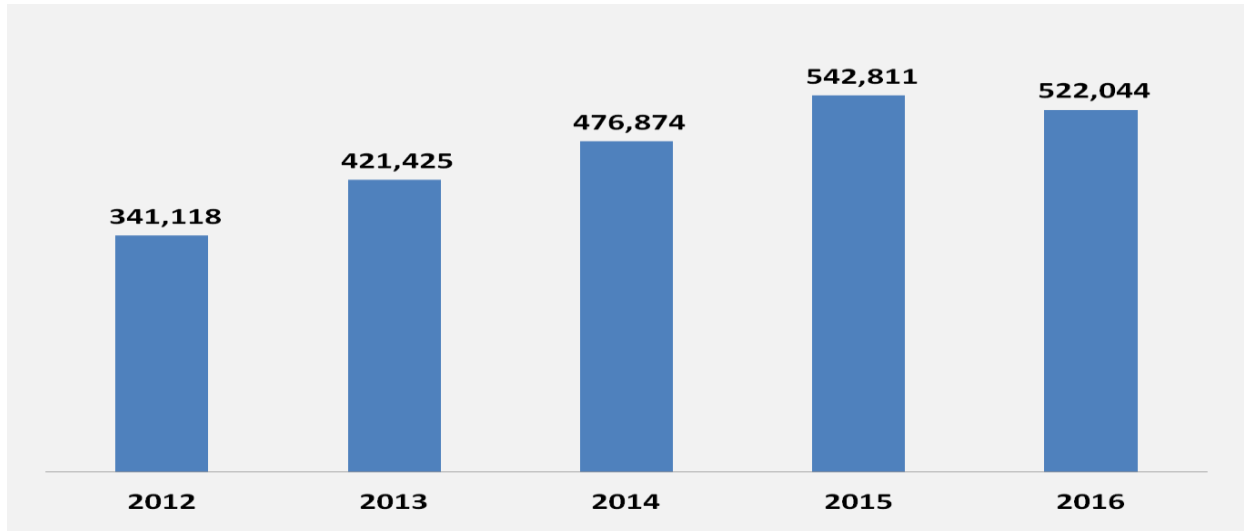
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1.0 Stockfeed Sector

The total production of stockfeeds declined modestly by 3.8% in 2016 to 522,044mt.

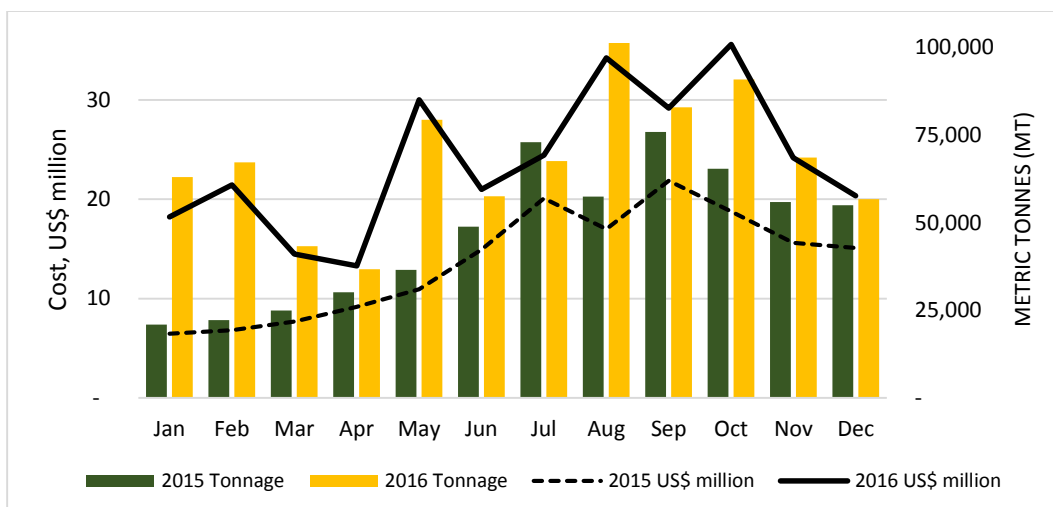
Figure 1: Total Stockfeed Production, 2016



Maize

Total maize imports for 2016 stood at 814,993mt, 43% higher than 2015, at a cost of \$287m and at an average price of \$350 per metric ton (mt). The average landed price for imported maize rose by 21% over the 2015 price but still fell short of the record average landed price in 2014 of \$377/t. The cheapest source of maize imports was from the United States of America at \$257/t while Mexico was the most expensive at \$410/t.

Figure 2: Monthly Maize Imports



Most maize imports were sourced from Zambia (35%), South Africa (29%) and Mexico (16%).

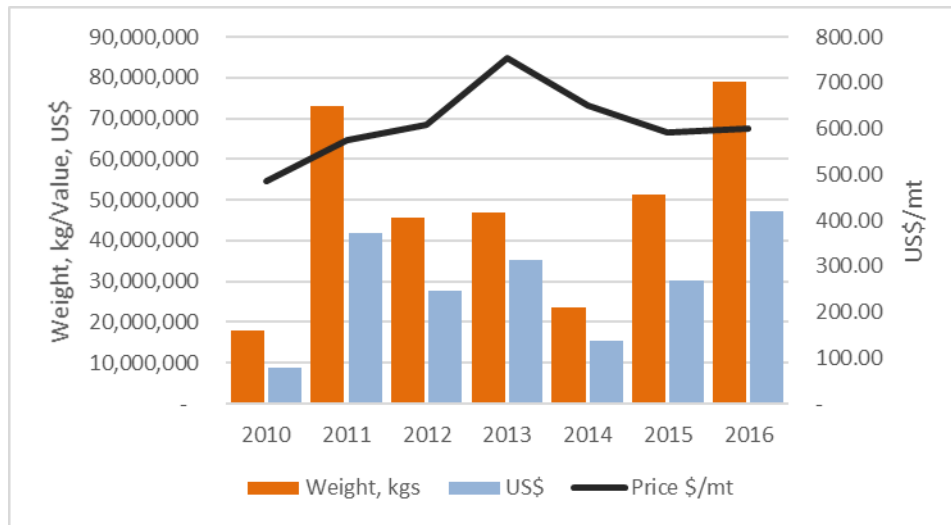
The outlook for maize production in 2017 is very positive following the good rains and supportive government policies. Estimates put the maize harvest at nearly 1.5 million tons from a planted area of 1.24 million hectares. Farmers responded favorably to the government guaranteed producer price of \$390/t and to the finance scheme under the Command Agriculture Programme as well as the Presidential Input Scheme. Smallholder maize production also benefitted from free agricultural inputs from humanitarian organisations.

Within the region, a large surplus maize crop primarily from South Africa, Zambia, and Malawi is expected. South Africa is expecting to harvest between 12.4 and 14.5 million mt of maize against their domestic requirement of 9 million tons. Zambia and Malawi are expecting to harvest 3 million tons. Thus, the South African Futures Exchange (SAFEX) maize (non-genetically modified) prices for July deliveries are quoting free-on-board prices as low as \$180/t, landing in Zimbabwe at \$280/t, inclusive of any premium on foreign currency payments for imports. For competitiveness in the domestic livestock and meat industry, the wholesale price for maize (bought from farmers at \$390/t) should be kept below the regional import parity price.

Soya Cake and Meal

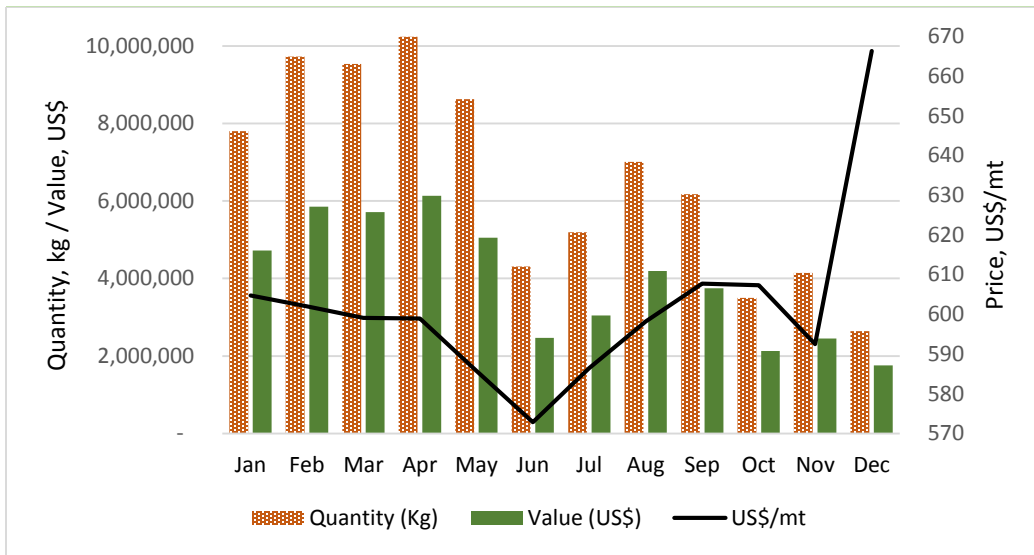
The domestic soya meal requirement for the stockfeed industry is 105,000mt (134,000mt soya beans) and is met predominantly through imports. In 2016, Zimbabwe harvested 20,000mt of soybean and imported 78,900mt of soyameal at a cost of \$47.3 million.

Figure 3: Annual Soya Cake/Meal Imports



The average landed price of soyameal in 2016 was \$599/t. As the scarcity of foreign currency intensified at the end of 2016, local soyameal prices surged to \$680/t in December.

Figure 4: 2016 Monthly Soya Cake/Meal Imports



Against a national requirement of 134,000mt of soyabeans, Zimbabwe is set to import. Large-scale commercial farmers opted to cut down on soya production in favour of the lucrative maize crop. The expected small crop plus foreign currency shortages account for the domestic price surge and snatching of available green crop at prices as high as \$650/mt compared to the usual early crop market price of \$500/mt.

Within the region, SAFEX soya contracts for delivery in July are trading at \$412/mt, which translates to a landed price in Harare of \$512/mt (or \$606/mt, inclusive of a premium on foreign currency). Zambia is expecting a harvest of 300,000 tons of soyabeans and has carryover stocks from 2016 of 100,000mt against its domestic requirements of 120,000mt. Zambian beans are trading at between \$425 – 480/mt while soyameal is \$450/mt with exports potentially landing in Harare at \$510/mt (or \$637/mt, inclusive of a premium on foreign currency).

Maize and Wheat Bran

Imports of wheat bran for 2016 amounted to 17,054mt at an average price of \$135 while maize brain imports collapsed in 2016 to 7,057mt from 18,032mt in 2015 at an average price of \$134.

Figure 5: Wheat Bran Imports

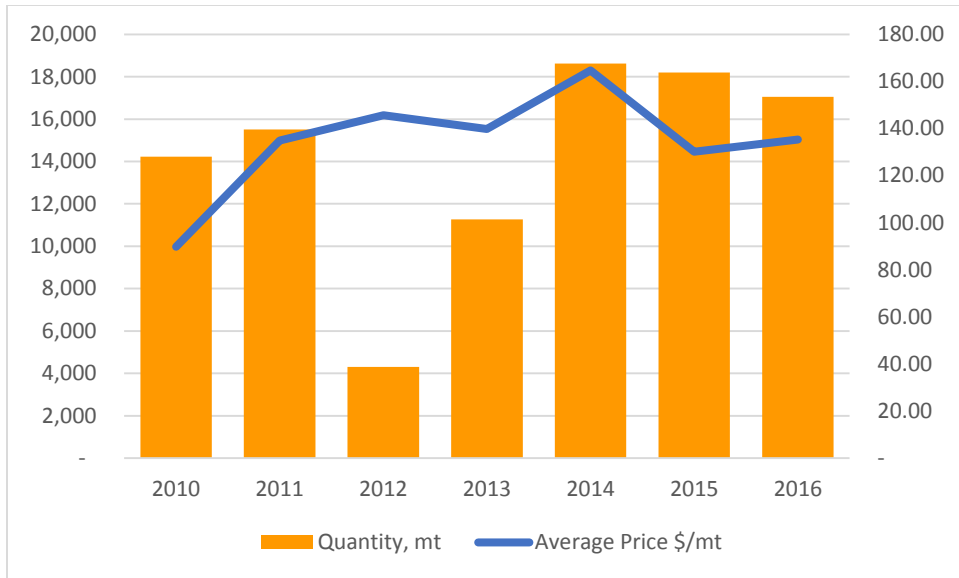
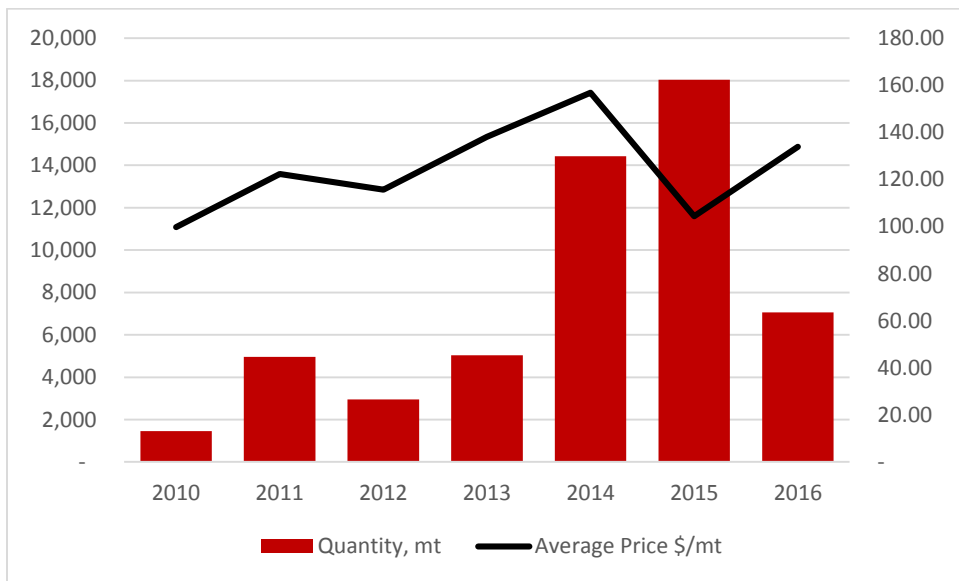


Figure 6: Maize Bran Imports



Currently, wheat bran supply is constrained as wheat stocks level are reported to be low. Maize bran is available at \$200/mt ex-factory in Harare.

Cotton

The cotton harvest is expected to be between 120 – 130,000mt which will yield approximately 60,000mt of cotton seed. Price indications are \$280/mt for cotton seed and between \$330 – 340/mt for cotton meal.

Molasses

Supply is expected to remain tight and inconsistent until the re-commencement of sugar milling in May 2017. The local price has risen to \$120/mt ex-factory in Chiredzi which is 50% higher than the December 2016 price of \$80/mt. Growth in domestic demand for limited stocks is exerting market pressure on the price.

Premixes

Availability of offshore funds are determining the quantity of premixes and additives on the market. Locally, suppliers have ceased offering credit facilities and stocks are being retained for cash customers. Prices are highly fragmented as a result of supply bottlenecks.

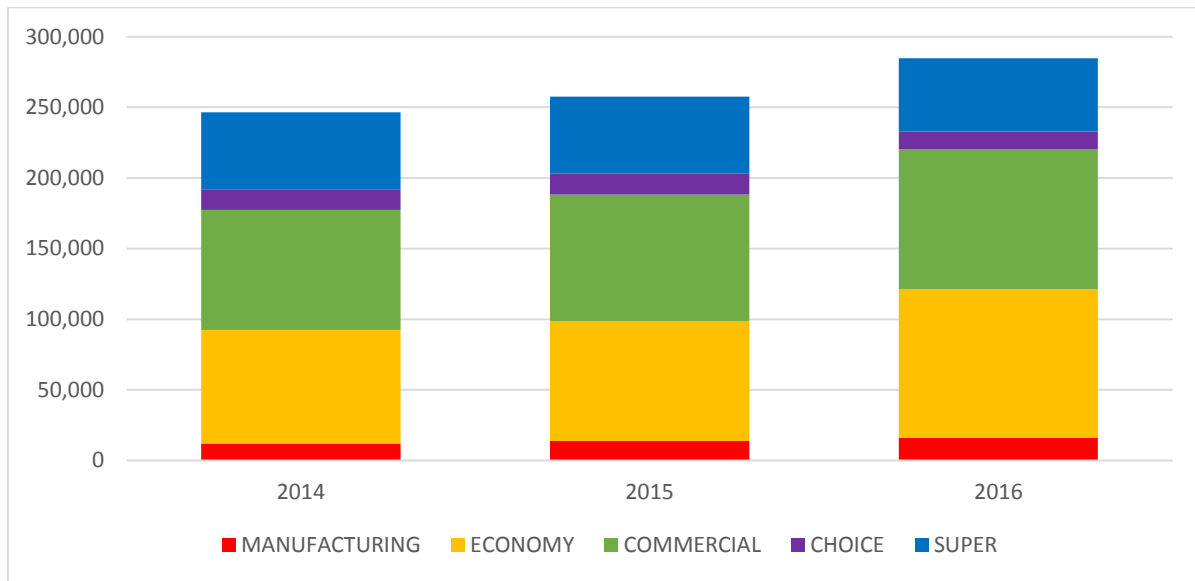
Sunflower Cake/Meal

Sunflower cake, which is a good substitute for soyacake, is in short supply on the domestic market but readily available in South Africa and is landing in Harare at between \$420 – 470/t. Oil expressors have noted that crushing of sunflower is commercially viable when domestic supplies of sunflower seed from local production and imports are at least 10,000mt.

2.0 Beef Sector

Total beef slaughters increased by 10.5% to 284,688 head in 2016 compared to 2015. The drought-induced culling activities in affected districts accounts for the increase.

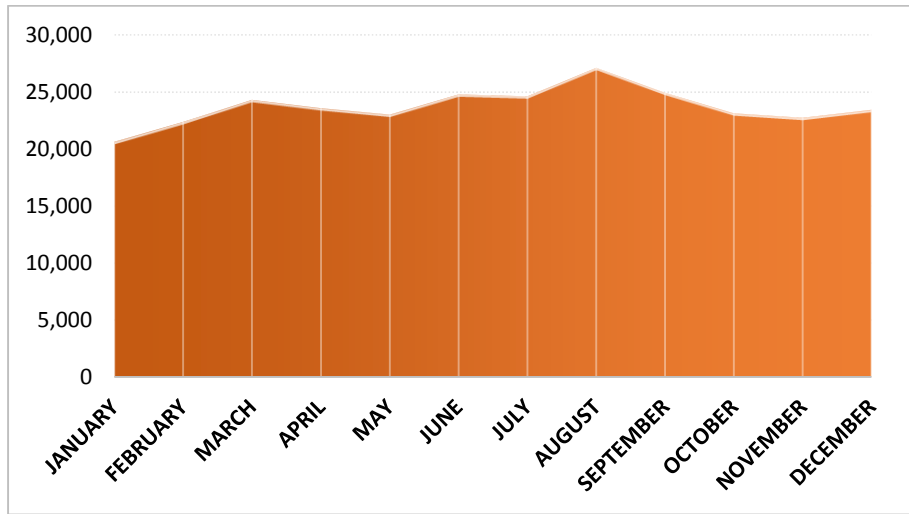
Figure 7: Annual Beef Slaughters by Grade Composition



The quality composition also deteriorated due to the adverse impact of drought on body condition scores of slaughter stock. The proportion of Supers fell to 18% of carcasses, down from 21% share of slaughters in 2015. Manufacturing grade marginally increased to 6% in 2016 (5% in 2015) while the Economy grade rose to 37% of beef carcasses marketed in 2016 (33% in 2015).

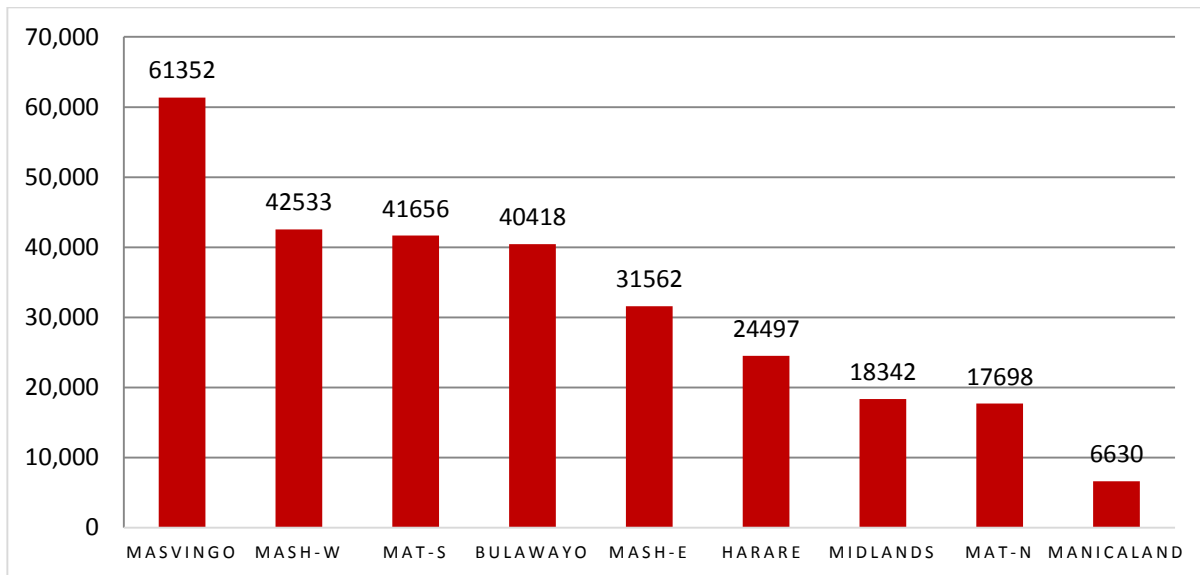
Average monthly slaughter rose to 23,724 in 2016, the highest since 2010. The highest monthly slaughter was recorded in August at 27,110 head while January 2016 recorded the lowest slaughter figures at 20,637.

Figure 8: 2016 Monthly Beef Slaughters



Masvingo maintains its dominance with 61,312 beef cattle being slaughtered in 2016 followed by Mashonaland West Province, Matabeleland South and Bulawayo.

Figure 9: Provincial Distribution of Slaughters 2016

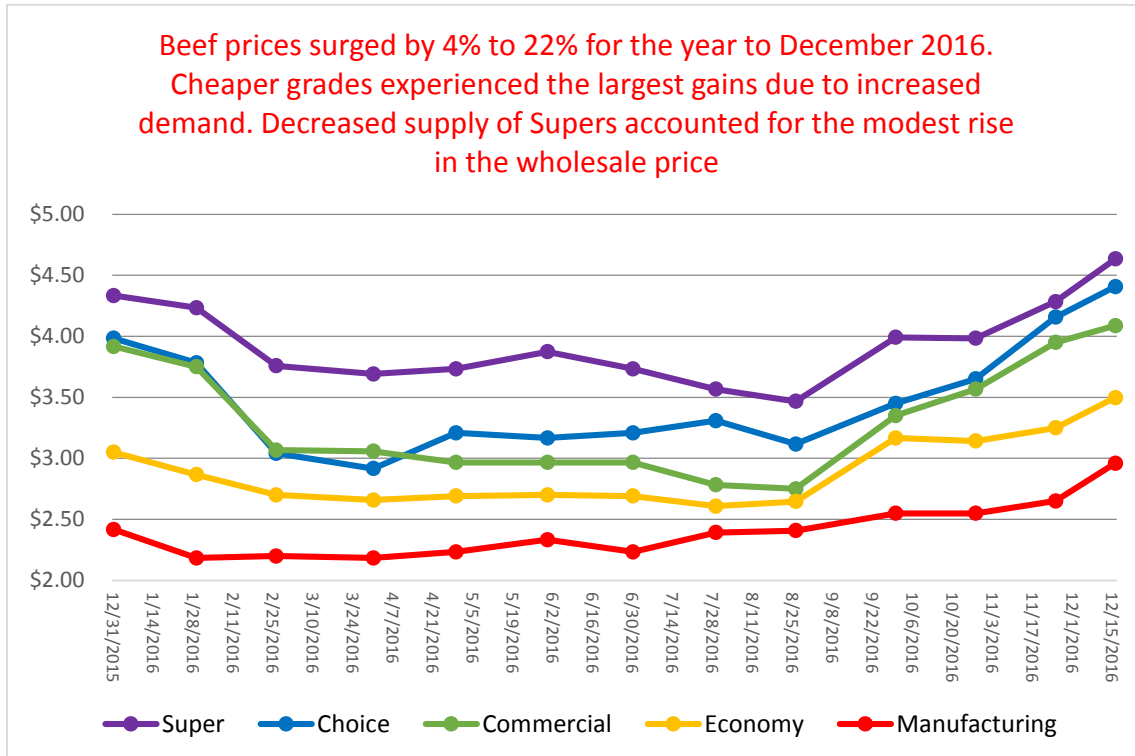


These slaughter figures reflect the skewed provincial distribution of monitored abattoirs rather than the concentration of slaughter stock and wholesale market demand.

Cattle Market Price

In 2016, the domestic market for beef experienced weakening of demand for high quality grades and a rise in demand for lower grades. The wholesale market prices for Supers and Manufacturing grades fell by almost 50% from \$2.05 at the end of December 2015 to \$1.06 in August 2016 before recovering to \$1.67 in mid-December 2016.

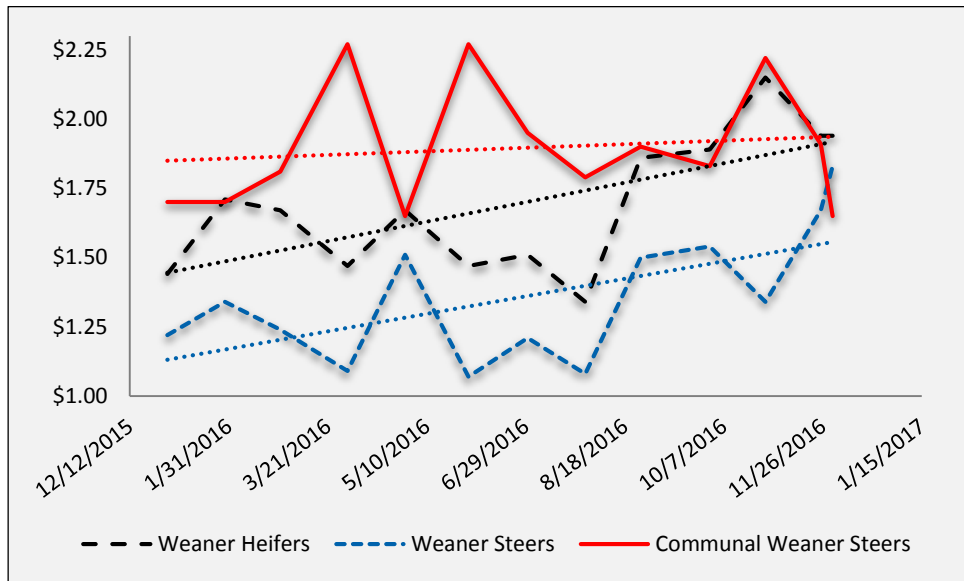
Figure 10: Indicative Wholesale Cattle Prices



The premium paid for Supers over Choice was almost halved from \$0.42 to \$0.22 during the year as consumer demand shifted significantly to low grade beef. In year-on-year movements, prices for Supers and Choice increased by 7% and 11%, respectively while prices for Commercial grade modestly improved by 4%. Wholesale prices for Economy and Manufacturing grades experienced the largest gains in 2016 at 15% and 22%, respectively.

There was a modest recovery in auction prices for commercial weaners while prices for communal weaners remained unchanged during 2016 as shown in Figure 11.

Figure 11: Live Cattle Sales



The domestic market for salted raw hides was boosted by the introduction of Statutory Instrument (SI) 129 of 2016 which opened the export market for surplus hides following lobbying efforts. The SI initially allowed the export of 1,507mt of raw hides and in February 2017, the quota was increased to 1,847mt as the local tanning industry continues to face working capital constraints.

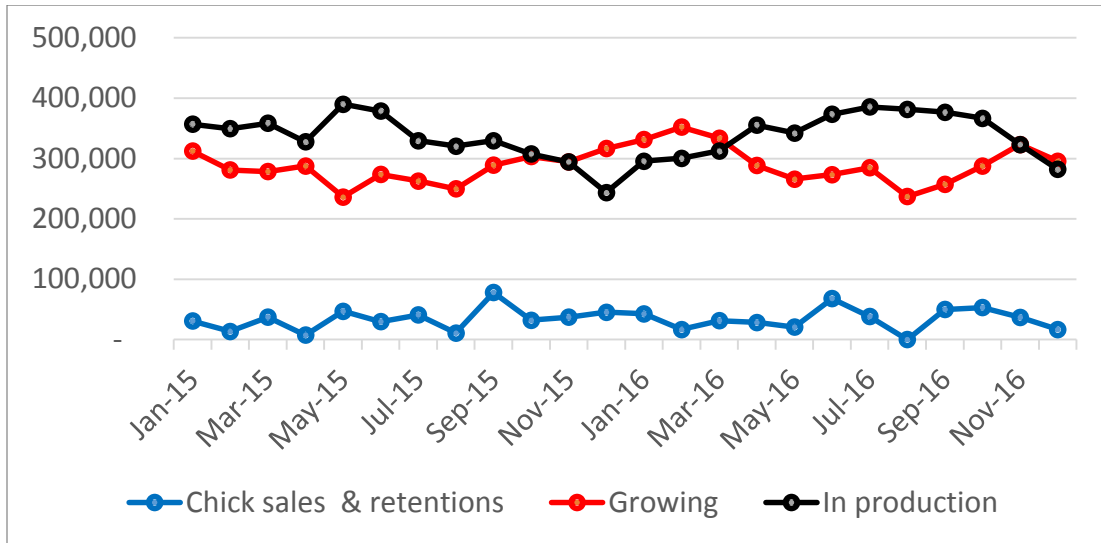
3.0 Poultry Sector

3.1 Chicken Production

The poultry industry experienced mixed fortunes in 2016 with broiler meat production figures registering an improvement on 2015, but remaining low when compared to 2014. Sales and retentions of day old chicks was 74.8 million, 1% and 5% lower than 2015 and 2014 respectively. Chick prices continued their decline from a peak of 74c per chick in June 2015 to 61c in June 2016 recovering slightly to 63c in December 2016.

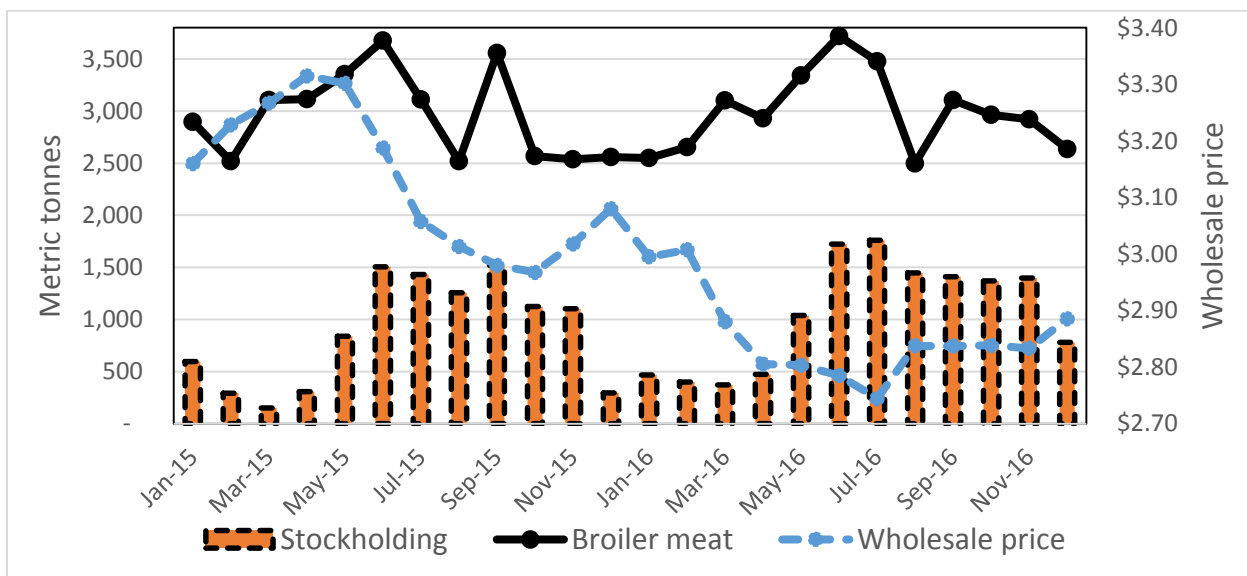
The number of birds processed and broiler meat production in the formal sector in 2016 was 2% lower and 6% higher than 2015 and 2014, respectively.

Figure 12: Broiler Breeder Production Trends, 2015 and 2016



Production in 2016 peaked in June at 3,719mt before crashing to 2,498mt in August, resulting in increased stock holding of 1,759mt which depressed prices. Grey imports, especially of offal, have contributed to the fluctuation in production. Low disposable incomes have seen the poultry sector struggle to retain its market share of the meat protein industry. Total broiler meat production in 2016, inclusive of informal production, was estimated at 118,000mt, with a 70% contribution from the smallholder sector.

Figure 13: Formal Meat Production, Stockholding and Wholesale Prices, 2015 and 2016



The broiler wholesale meat price collapsed from \$3.08/kg in December 2015 to \$2.74/kg in July 2016 before partial recovery in December to \$2.89/kg. However, the industry experienced a growth in demand over the festive season which reduced the stock holding. Demand remained firm in January 2017 and retail prices for frozen chicken pieces hovered between \$3.40 and \$3.60/kg.

3.2 Table Egg Production

The layer industry remains under stress on the back of a soft market. In 2016, layer breeder stocks were slightly lower than 2015 and markedly lower than 2014 stock. A decline of 38% in imported hatching eggs was only partially offset by an increase of 15% in local production.

Production of table eggs in the large-scale sector in 2016 showed signs of recovery from the lows of mid-2015. The number of birds in production stabilised in the second half of the year at approximately 890,000, while egg production in the large-scale sector continued to increase from the low of April 2015 of 1.35 million dozen to 2.26 million dozen in December 2016. Taking into account the small to medium-scale sectors, it is estimated that total egg production has declined from a peak of 5 million dozen achieved in June 2016 to 4.4 million dozen in December 2016.

However, the wholesale price remained depressed in 2016, averaging \$3.16 per tray of 30 eggs. Loose standards eggs are wholesaling at \$3.30 – 3.40/tray and between \$3.40 – 3.60/tray for large eggs. The point-of-lay market is stable and live birds are selling for \$10.50.

3.3 Veterinary Report

Since the beginning of the 2017, several cases of Newcastle disease have been reported in urban and peri-urban areas around Harare. The Department of Veterinary Services is urging poultry breeders to pay special attention to their bio-security measures and use vaccination as a complementary measure.

Some cases of Urolithiasis associated with Infectious Bronchitis (IB) were diagnosed in in-lay layers. It causes recurrent chronic infection and a decline in production as well as production of off-white thin-shelled eggs. In broilers, it may be induced by poor sanitary conditions and it lowers the feed conversion efficiency, leading to stunted growth. Trials are being carried out on IB strains to acquire a suitable vaccine to control it.

3.4 Regional Poultry Market Watch

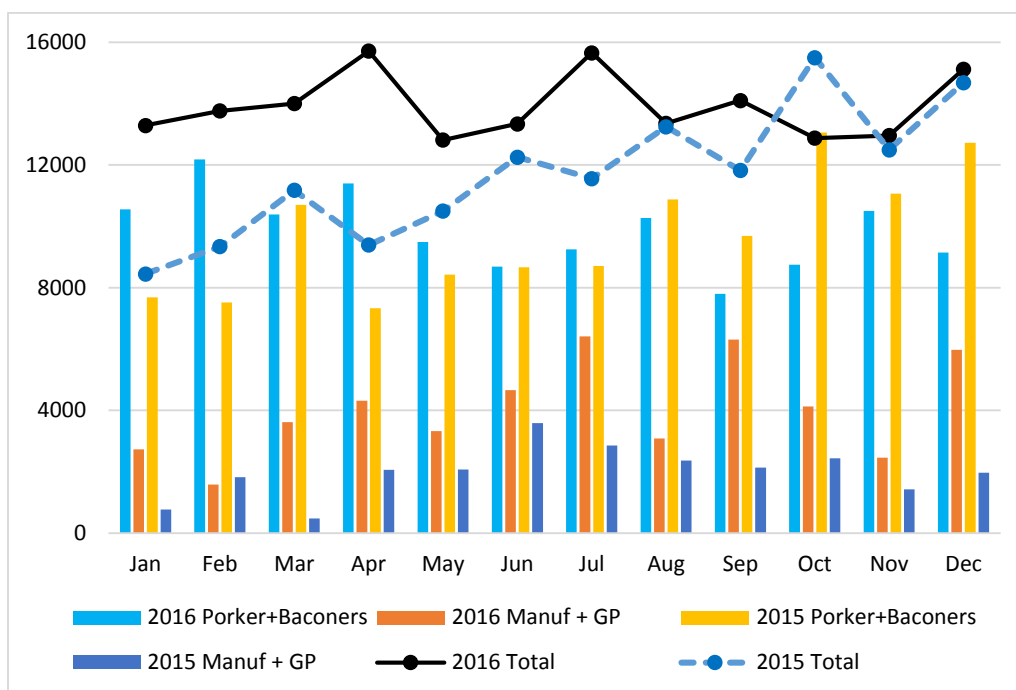
Disconcerting reports from South Africa about the massive influx of cheap broiler meat under economic partnership agreements with the European Union and the United States continue to dominate the regional poultry news. The bilateral trade agreements have material impact on the regional poultry industry, especially in Zimbabwe which shares a porous border with South Africa. While the South African government is now responding to the crisis in its poultry industry by sending negotiating teams to the EU, no relief is expected yet.

4.0 Pork Sector

In 2016, pig slaughters were 167,026, 19% higher than slaughters in 2015. The increase in slaughters points to possible destocking by pork producers who are facing viability challenges due to the increasing cost of stockfeeds. Pig producers are unable to pass on the cost of production onto consumers as the market remains soft with low disposable incomes weighing heavily on product choice decisions.

Porkers and Baconers constituted 71% of total pigs slaughtered by grade, a decline of 12% in contrast with 2015. The decline in quality can be attributed to challenges relating to the cost of stockfeeds and the pressure to ensure viability, forcing pig producers to seek cheaper alternatives to feed pigs, thereby compromising quality

Figure 14: Pig Slaughters by Grade



The total production of pork rose by 40% to 12,970mt in 2016. In June, production rose by 104% compared to June 2015. Only in October did the industry suffer a decline in production compared to October 2015.

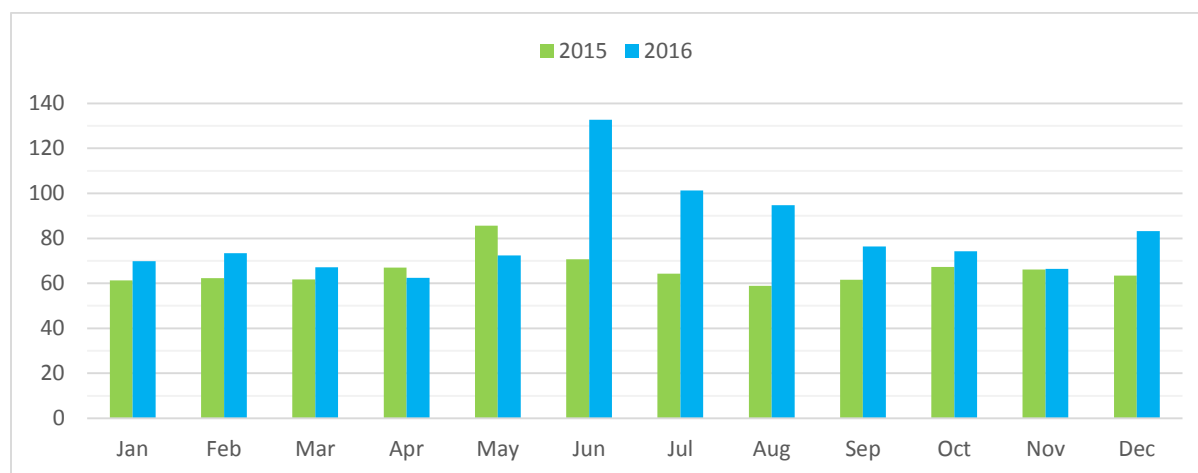
Table 1: Changes in Monthly Pork Production Between 2015 and 2016 (mt)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015	518	581	691	630	899	866	743	780	728	1,043	826	932	9,237
2016	928	1,010	941	983	928	1,770	1,170	1,266	1,077	957	861	1,079	12,970
% change	79%	74%	36%	56%	3%	104%	57%	62%	48%	-8%	4%	16%	40%

The growth in pork supply reflected massive destocking by small to medium-sized producers as cost of feeds threatened viability.

The average carcass weight of slaughter stock rose in 2016 by 23% to 81.2kg compared to an average carcass weight of 65.8kg in 2015. As shown in the graph below, most destocking of breeding sows occurred in June through August 2016.

Figure 15: Monthly Average Carcass Weight of Slaughtered Pigs



With an expected improvement in domestic supply of maize in 2017, small-scale pig production is likely to recover.

The Pig Producers Association of Zimbabwe (PPAZ) in partnership with the Pig Industry Board (PIB) is planning to facilitate the formation of district networks of pig producer business clubs starting with a pilot project in Goromonzi district. These ward-level clubs will form the building blocks for establishing societies of pig producers at district and provincial levels that are affiliated to PIB and provide formal representation of small-scale producers in PPAZ. A concept paper has already been developed and trial pig producer clubs are expected to take shape in the first half of 2017.

5.0 Meat Processing Sector

The meat processing industry imported 7,859mt of mechanically deboned meat (MDM) at a cost of \$3.8 million in 2016. Though the quantity remained steady against the figure of 7,897mt in 2015, the average landed cost fell by 9.8% in 2016 to \$509/t. As shown in the graph below, the industry has grown steadily but slowed down in 2016 as the import of raw materials was adversely affected by the shortage of foreign currency.

MDM is the key ingredient in the manufacture of a large range of value-added processed meat products in Zimbabwe.

Figure 16: Trends in MDM Imports as Raw Material by the Meat Processing Industry

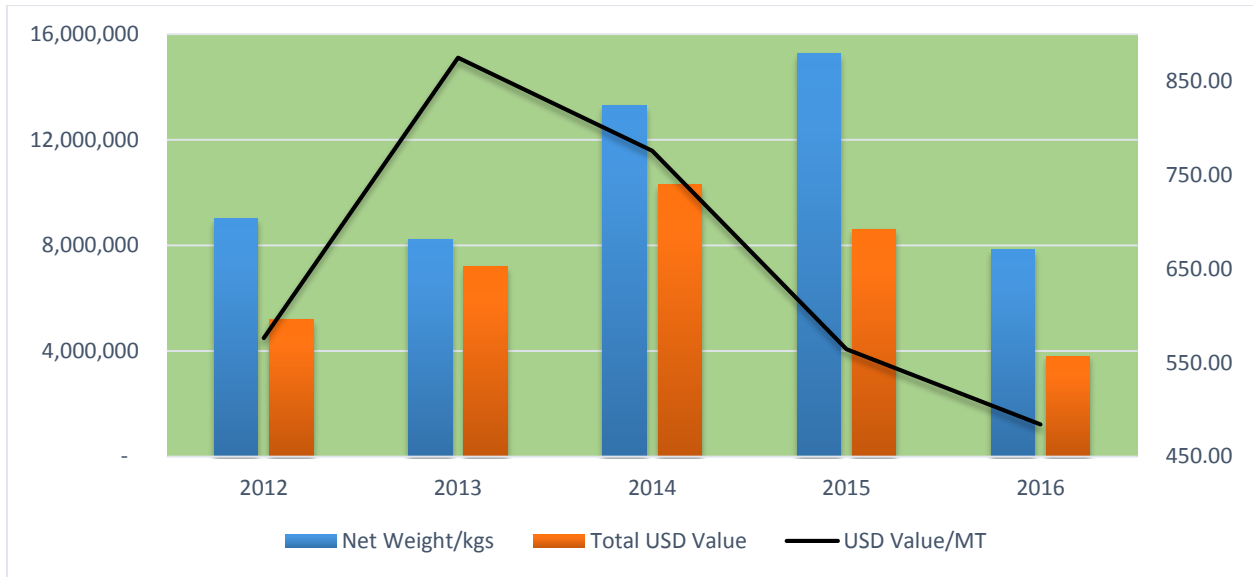
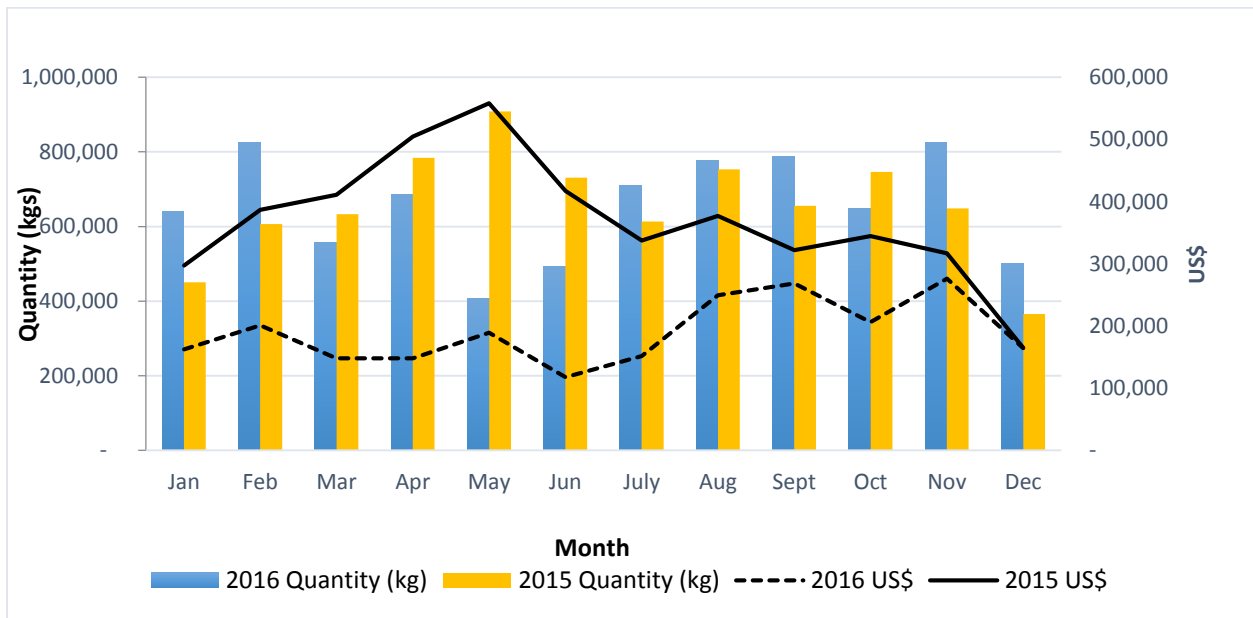


Figure 17: Monthly Imports of MDM Raw Materials, 2016

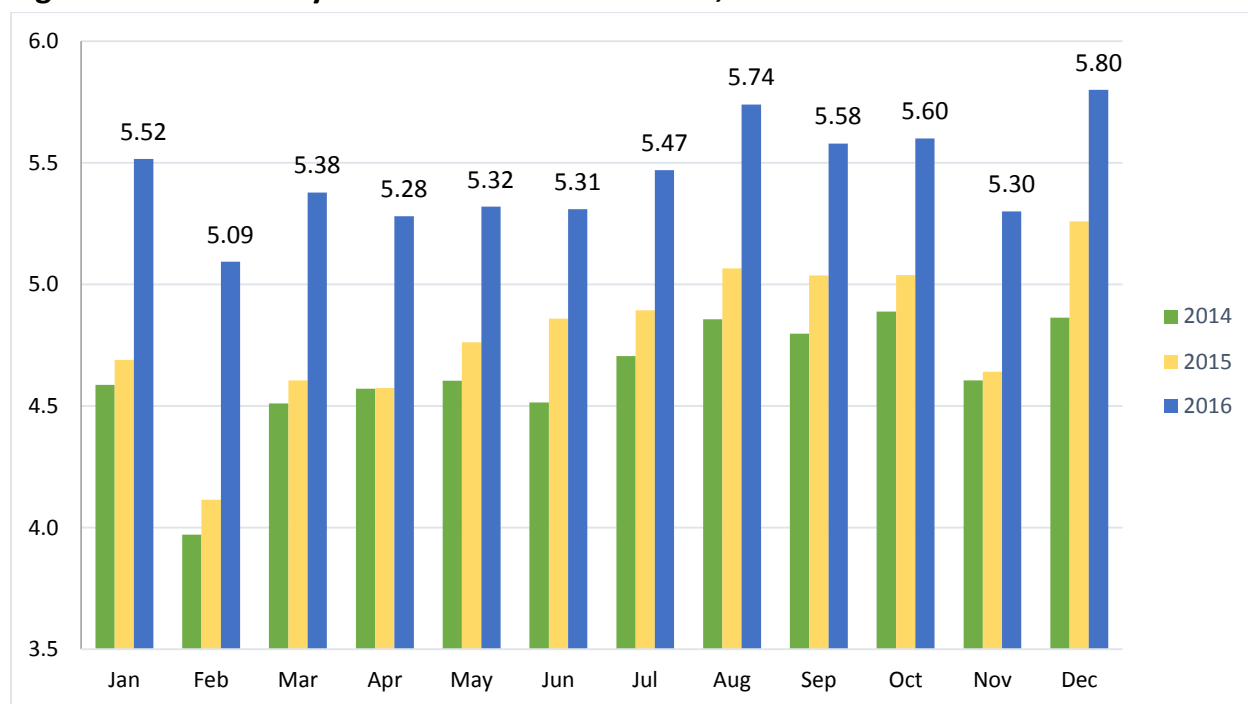


6.0 Dairy Sector

In 2016, production of raw milk rose by 14% to 65.4 million litres from 57.5 million litres in 2015. Given the estimated national requirement of 120 million litres, the Zimbabwean dairy industry is still highly dependent on imported powdered milk.

At \$0.53/litre, Zimbabwe remains an uncompetitive producer of milk compared with the regional average producer price of \$.30/litre.

Figure 18: Monthly Local Raw Milk Production, 2016



Imports of milk continue to decline while imports of powdered milk are still rising. As the number of dairy heifers imported under the Dairy Revitalisation Programme increases, the breeding herd is expected to grow from the current level of 25 000 cows.

7.0 Aquaculture

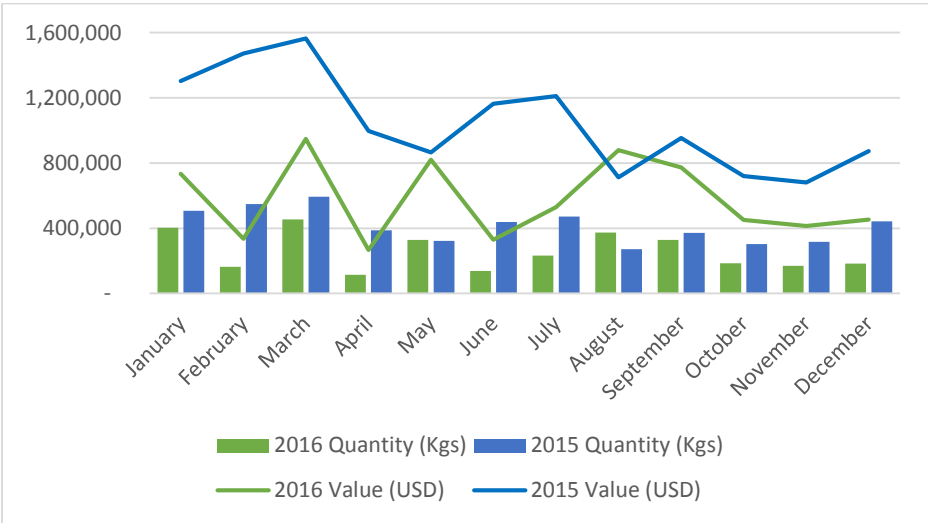
Fish farming continues to grow on the strength of smallholder interest in pond based fish farming and increasing interest from various government Ministries although coordination of policy remains a challenge given the multiplicity of regulatory agencies involved in the fish industry (Ministries of Environment and Climate, Agriculture, Mechanisation and Irrigation Development, Local Government, Industry and Commerce).

Zimbabwe has more than 12,000 small to medium-sized inland dams and agricultural irrigation with a combined potential to produce 160,000mt of farmed fish (Food and Agriculture Organisation, 2004). The estimated production of capture fish and farmed fish are 12,500 and 10,500mt, respectively. Domestic consumption of fish is estimated at 2kg per capita per year or 28,000 tons of which 21,000 tons is met from imports of Horse Mackerel (15,000mt) and kapenta fish from Mozambique.

Trade figures show that Zimbabwe remains a net importer of fish – despite the potential to become a net exporter. Duty-free imports of horse mackerel from Namibia under a bilateral trade agreement is detrimental to the development of the Zimbabwean fish farming industry.

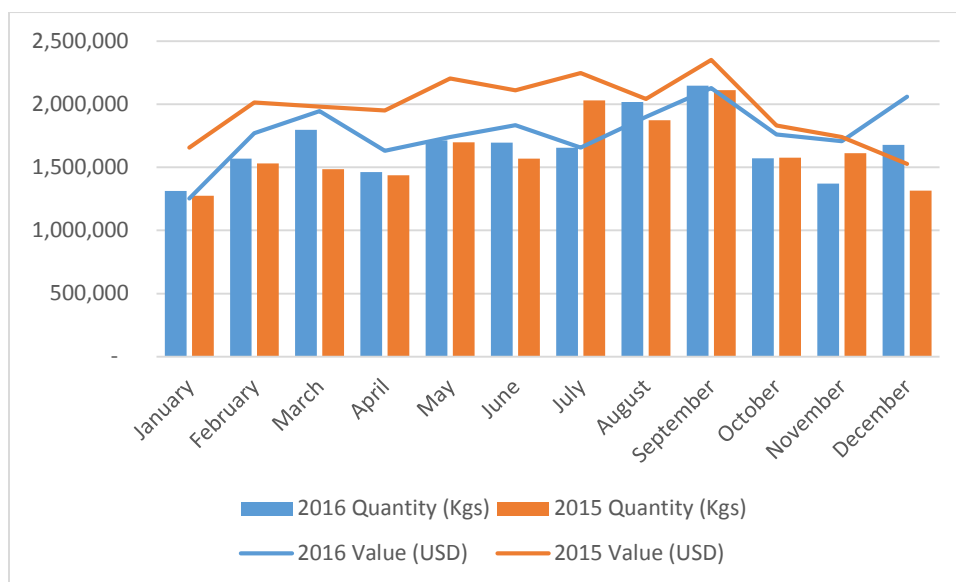
In 2016, exports of fish declined by 38% to \$6.9 million compared with 2015 of which fresh water frozen fish constituted 96%.

Figure 19: Fish Exports, 2015 and 2016



Over the same period, fish imports dropped by 9.6% to \$21.4m from \$23.7m in 2015. Frozen Jack and Horse Mackerel accounted for 51.8% of fish imports while dried fish accounted for 35.9%.

Figure 20: Fish Imports



8.0 LMAC and General Economic Trends

Zimbabwe Agricultural Growth Programme (ZAGP)

The European Union has invited the Livestock and Meat Advisory Council (LMAC) to join the national committee to re-craft the ZAGP as a private-sector-led inclusive value chain development and sub-sector coordination programme focusing on beef and dairy cattle and poultry enterprises.

Restoring Zero-Rating Status of Meats

LMAC continues to engage government policy makers about the need to restore zero-rated tax classification of meat products. The cost implications of the new tax policy renders livestock farmers unable to claim value added tax on inputs and raw materials used in the meat processing industry.

LMAC has advanced the competitiveness and viability argument of the meat industry and solid evidence of the effects of this policy is being collected.

Command Livestock Initiative

The Department of Livestock and Veterinary Services invited LMAC to join the committee tasked to draft the concept note for the Accelerated Livestock Development Programme (Command Livestock). The guidelines highlight the need to promote private-

sector driven investment programmes for increasing commercial production and export marketing of quality beef and goat meat.

Domestic Marketing and Pricing Policies for 2016/17 Marketing Season

The pronouncements on the marketing and pricing of the 2016/17 maize crop offers Zimbabwean farmers the best producer price for maize in the world at \$390/t (versus \$160 – 180 farmgate maize price in Zambia, and \$130 in South Africa). This may result in a two-tiered pricing system as the milling and stockfeed industry is likely to buy maize at the regional price (based on Zambian or SAFEX import parity prices) while farmers will be selling only to the Grain Marketing Board at \$390/t as no private buyers are willing to offer a better price. This should see the prices of Stockfeed assume a downward trend, a development that would have a positive impact on the livestock and meat industry.

Deteriorating Macroeconomic Conditions

The livestock and meat industry is being impacted upon by the deteriorating macroeconomic conditions, especially the monetary policy environment. The issue of bond notes has not effectively resolved the liquidity crisis. The acute shortage of foreign currency payment facilities, tight liquidity conditions and cash shortages continue to dominate the economic narrative of industry, notwithstanding efforts by government and industry to reverse the economic decline.