



Livestock & Meat Advisory Council

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Livestock Market Update: July 2017

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1.0 Stockfeed Sector

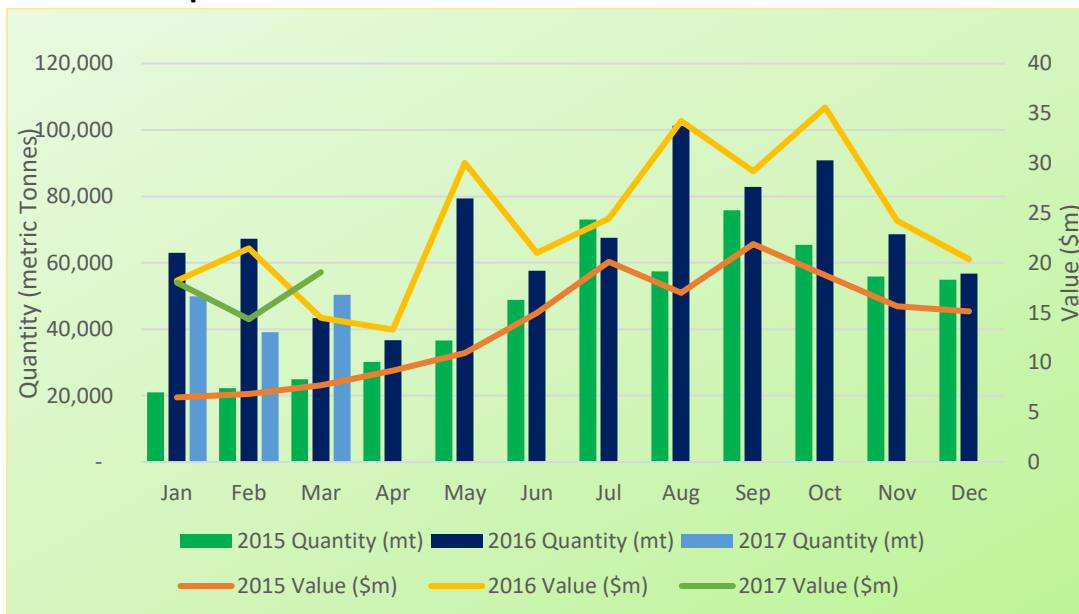
1.1 Feed Raw Materials

Maize Imports

A total of 139,344 metric tonnes (mt) of maize was imported between January and March at a weighted average price of \$369/mt, higher than the average price of \$350/mt in 2016. Going forward, feed mills expect that there will be limited importation of maize in light of the improved harvest in the 2016/2017 agricultural season.

Government intervention measures are expected to dominate commodity marketing this season as a buying price of \$390/mt has already been announced and indicated a strong preference for the Grain Marketing Board (GMB) as the sole buyer of maize from farmers. Given the lower prices prevailing in the region following bumper harvests, the margin between the GMB buying price and import parity will be much larger and represents a significant level of subsidy. There have been indications that the public sector will share with the private sector the burden of the difference between the producer price and the regional cost parity price.

Figure 1: Maize Imports 2015 – March 2017



In the region, Zambia, Malawi and South Africa are estimated to produce 3.6, 3.2 and 14 million mt of maize, respectively. In South Africa, an estimated 1.2 million mt is available for export after accounting for domestic consumption while Zambia has total maize availability, inclusive of carryover stocks, of 4.2 million tonnes. After accounting for domestic consumption, they will also have a surplus of 1.2 million mt.

On the South African and Lusaka Futures Exchange, July futures and spot prices are indicating \$132/mt and between \$140 – 160/t, respectively. The maize export ban that had been imposed by Zambian authorities has since been lifted.

On 20th March, the Zambia Agricultural Commodity Exchange and Johannesburg Stock Exchange (JSE) announced the listing of futures financial derivatives for Zambian agricultural products. The JSE will introduce Zambian white maize, wheat and soyabean contracts that will be priced in US dollars. Futures will give farmers the ability to sell grain and lock in a pre-harvest price while in the planting or growing stage.

Soya Cake and Meal

The Second Livestock and Crop Assessment reports that an estimated 35,000mt of soya bean is expected to be harvested, inadequate for domestic use and necessitating the import of soyabean products. The area planted under soyabean was reduced in 2016/17 as farmers elected to plant maize following the government guaranteed price of \$390/mt which rendered soyabean farming non-competitive.

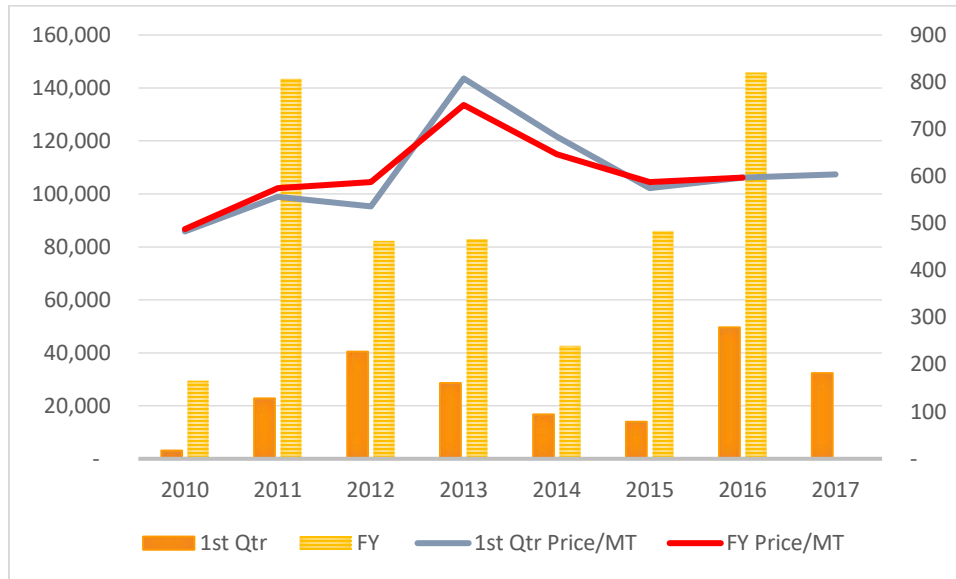
The annual industry requirement for soyabeans is 134,000mt. To motivate soyabean farmers, the Agricultural Marketing Authority hosted an Oil Seed Expressors' stakeholder meeting in February where a stimulus price of \$600/mt was set as the buying price.

The Oilseed Expressors Association and the Stockfeed Manufacturers Association held a series of discussions that resulted in a consensus by both associations that the importation of soyabean would be prioritised as opposed to importing crude oil and soya meal. This measure will promote full domestic beneficiation of the soyabean value chain.

Import parity prices for soyabeans range between \$450 – 550. Using official payment channels reduces the cost of importing by as much as 30%. The small soyabean crop available from farmers is reported to be trading between \$550 – 600/mt.

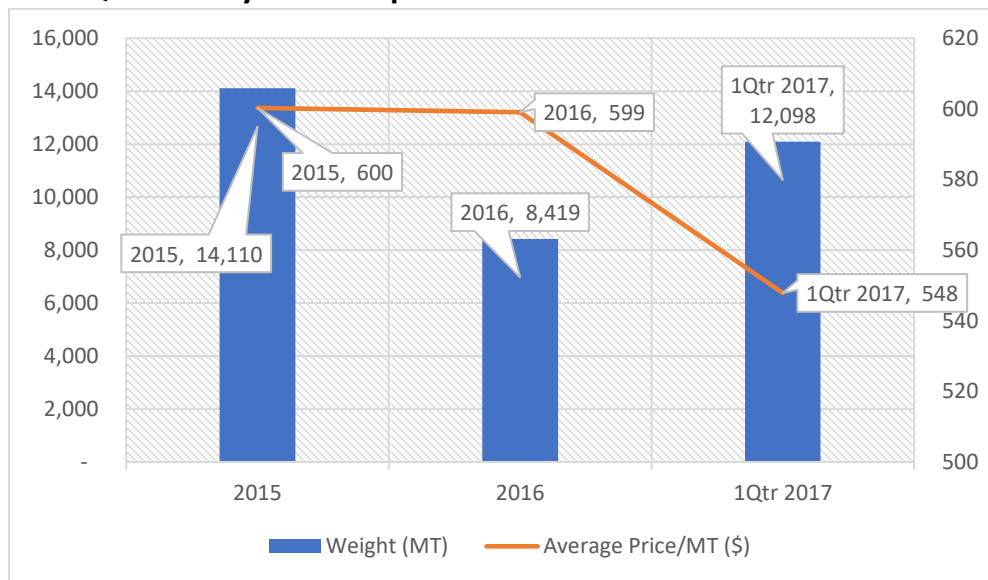
In the region, Zambia has forecast soyabean production to be 351,416mt, an increase of 31% over the 2016 season, resulting in a surplus in excess of 100,000mt. South Africa has forecast their soyabean production to be 1.2 million mt.

Figure 2: Soya meal and Cake Imports 2010 – March 2017



Soyabean meal and cake imports totalled 32,318mt for the first quarter of 2017. This was 35% down on the same period in 2016, but still higher than 2015 of 14,041mt. The average price marginally increased from \$599 (2016) to \$600 in 2017.

Figure 3: First Quarter Soyabean Imports 2015 – March 2017



First quarter imports of soya bean for 2017 amounted to 12,098mt, 44% greater than imports for 2016. The average price was \$548/mt, 9% lower than the average for 2016.

Wheat Bran

For most of the first quarter of 2017, wheat bran was readily available from local wheat milling companies. As a result, there were few imports amounting to 1,826mt, 65% down on last years' first quarter figure of 5,330mt. The average price declined from \$135 to \$116/mt.

Figure 4: Wheat Bran Imports (mt) 2010 – March 2017

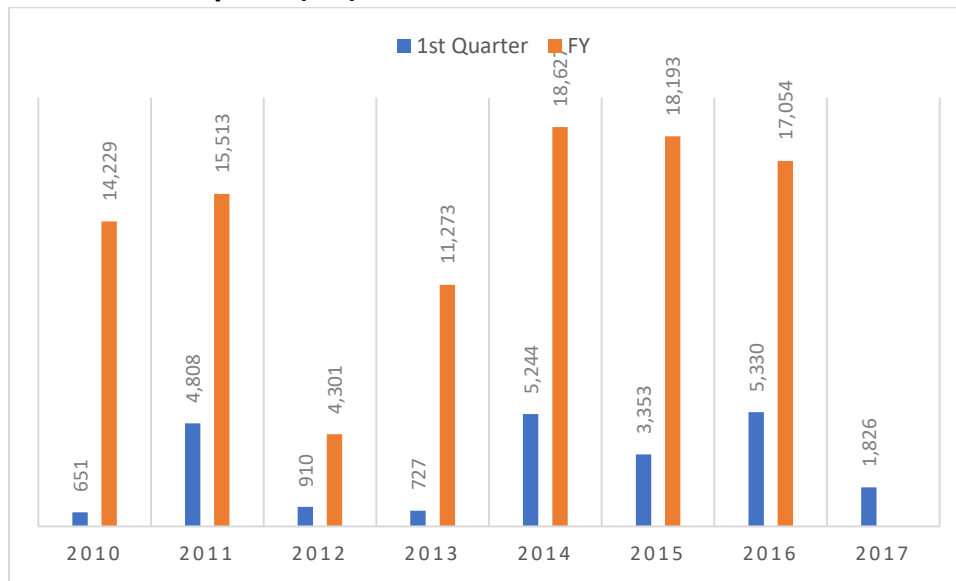
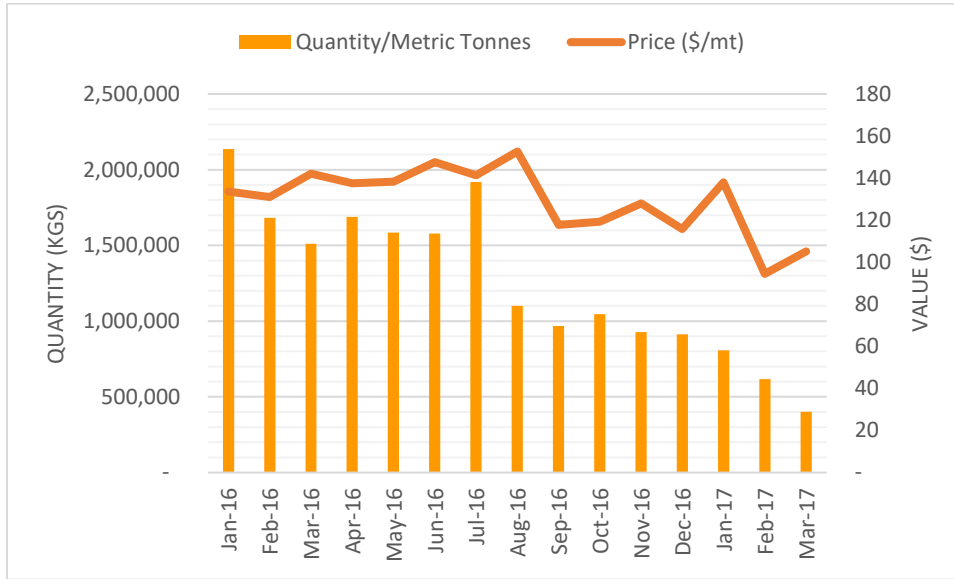


Table 1: Average Wheat Bran Import Prices 2010 – March 2017

	2010	2011	2012	2013	2014	2015	2016	2017
1st Quarter (\$/mt)	70.73	104.05	120.26	141.81	190.88	126.89	135.21	116.03
Full Year (\$/mt)	89.72	134.86	145.68	139.78	164.65	130.18	135.30	

Figure 5: Monthly Imports of Wheat Bran 2016 – March 2017



Maize Bran

Total imports for the first quarter as shown in Figure 6 were 1,944mt, 25% less than the corresponding period in 2016. Average first quarter price was \$138, 3% higher than the full year average price and 10% higher than the first quarter average price in 2016.

Figure 6: Maize Bran Imports 2010 – March 2017

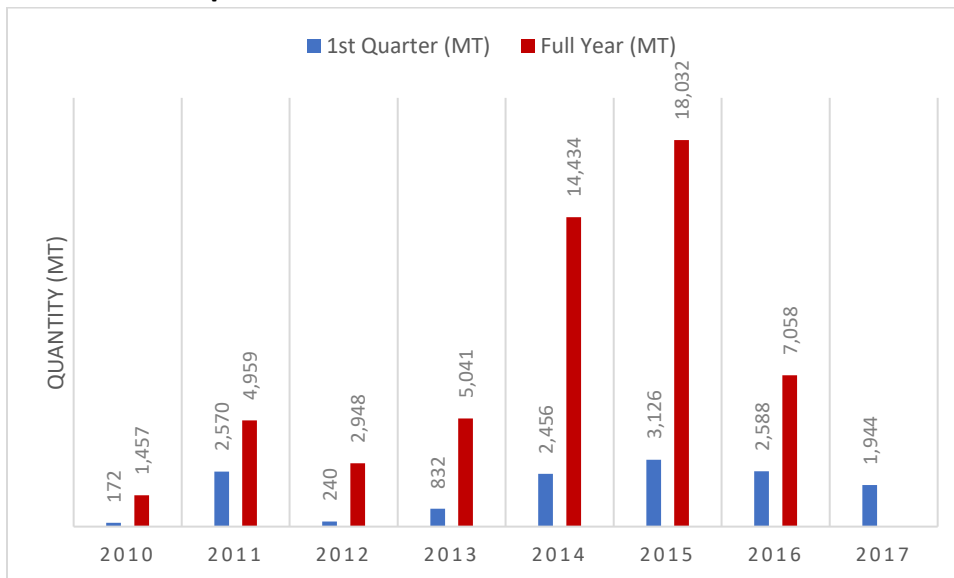


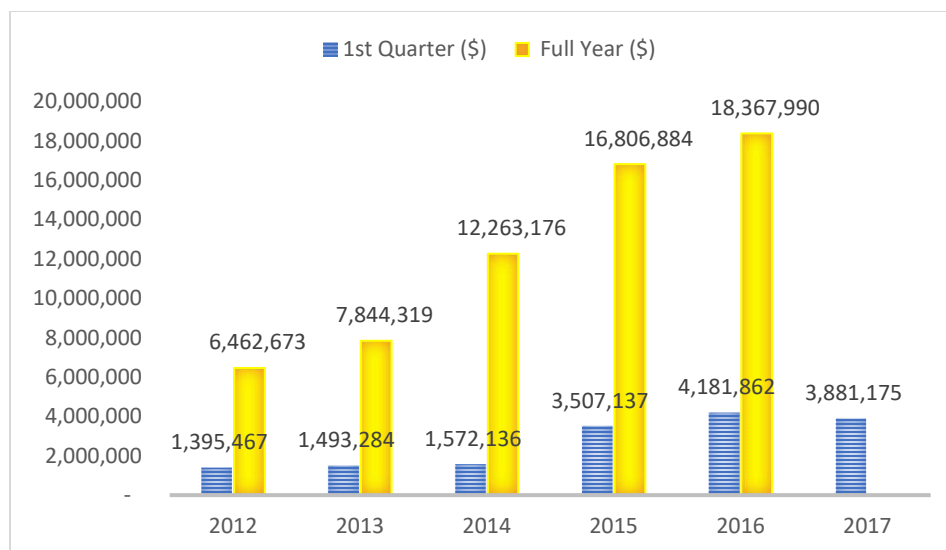
Table 2: Average Maize Bran Import Prices 2010 – March 2017

	2010	2011	2012	2013	2014	2015	2016	2017
1st Quarter (\$/mt)	62.70	130.90	82.04	159.44	130.28	103.54	125.97	138.15
Full Year (\$/mt)	99.69	122.38	115.70	138.02	156.84	104.34	133.82	

Premixes, Vitamin and Additives for the Manufacture of Stockfeed

Imports of premixes, vitamins and other additives were worth \$3.9 million for the first quarter of 2017, 7% below the corresponding period in 2016. From the beginning of the year, difficulties have been experienced in effecting payments to foreign suppliers. Some banks are requiring importers to deposit the cash equivalent of telegraphic transfer amounts. Stock-outs and wide variances in prices among different product suppliers are common, reflecting differences in accessing foreign currency. As a result of problems accessing foreign currency, most importers are no longer offering credit facilities and stocks are being retained for cash customers.

Figure 7: Premixes, Vitamin and Additives for the Manufacture of Stockfeed 2012 – March 2017



Cotton

At the beginning of the year, there was limited cottonseed cake on the market, following a poor cotton crop in 2016, forcing users, particularly dairy farmers, to supplement with soyameal for their protein requirements. Improved cotton production

in 2017 is forecast following government financing of \$42 million of the COTTCO out-grower scheme, up from \$25 million the previous year.

Initial raw cotton production estimates of between 120 – 130 000mt were revised downwards to 100,000 mt because of yields lower than originally anticipated. This level of production is enough to yield 60,000mt of cotton seed which together with estimated carry-over stocks of 2,000mt from the 2016 marketing season, is enough to satisfy domestic demand for cotton cake. COTTCO has contracted to sell to one oil expressor, raising concerns about monopoly in the sale of cotton cake to the feeds industry. Prices are \$280/mt for cotton seed and between \$330 – 340/mt for cotton meal.

Molasses

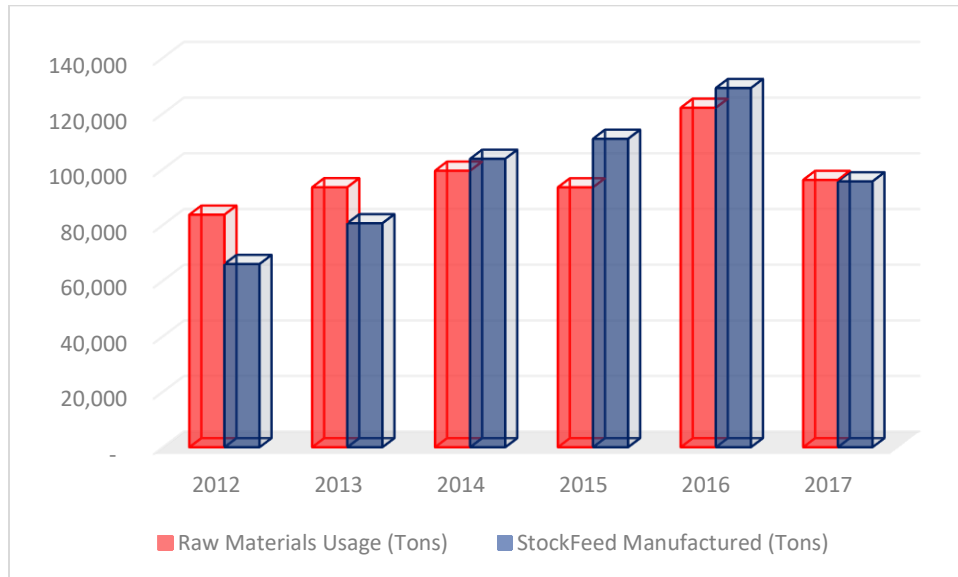
In January, the supply of molasses had dried up from Hippo Valley with the little volume available trading at \$120/mt, 50% higher than the December price of \$80/mt. Increased demand from a Gweru based yeast manufacturing company has also added further pressure on the price. Imported molasses during the first quarter of 2017 landed at between \$180 – 195/mt, with payments effected by RTGS.

1.2 Stockfeed Manufacture

The total quantity of raw materials used in the manufacture of stockfeed in the first quarter of 2017 was 96,156mt which produced 95,625mt of stockfeed. This represents a decline of 23% and 26% in the quantity of raw materials utilised and in stockfeed manufactured, respectively, compared with the same period in 2016.

When compared against fourth quarter figures for 2016, 134,034mt of raw materials were procured, producing 134,193mt of stockfeed.

Figure 8: Raw Material Utilisation and Stockfeed Manufactured (mt) 2012 – March 2017



2.0 Beef Sector

Cumulative slaughters to April 2017 were 82,789, a decrease of 9% over the same period in 2016. This was attributed to the high rainfall that made transportation of cattle a significant challenge as well as farmers rebuilding their herds following two successive years of drought. Notably, slaughters in February declined by 18% on a year on year basis.

Figure 9: National Slaughters 2014 – April 2017

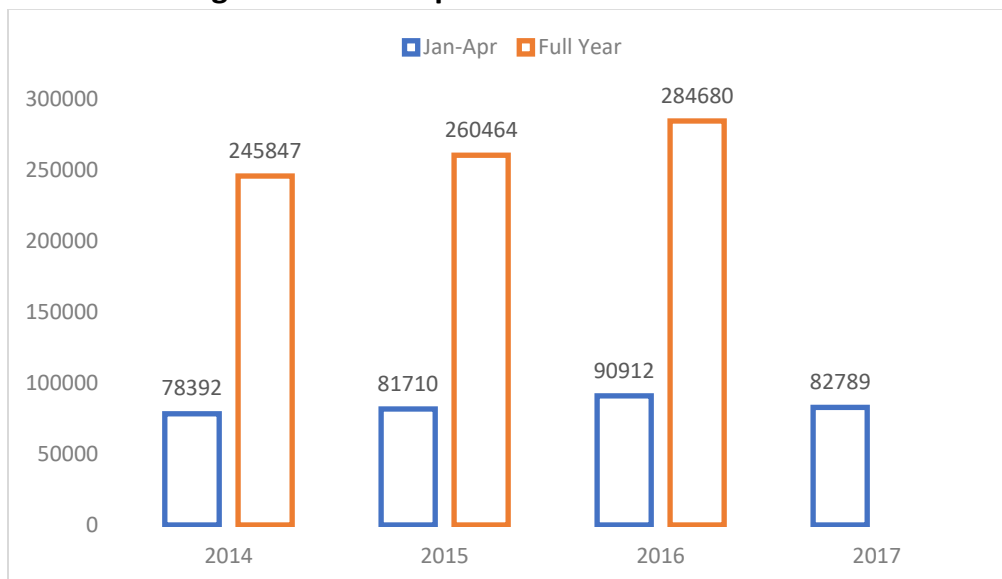


Figure 10: Monthly Cattle Slaughters 2015 – April 2017

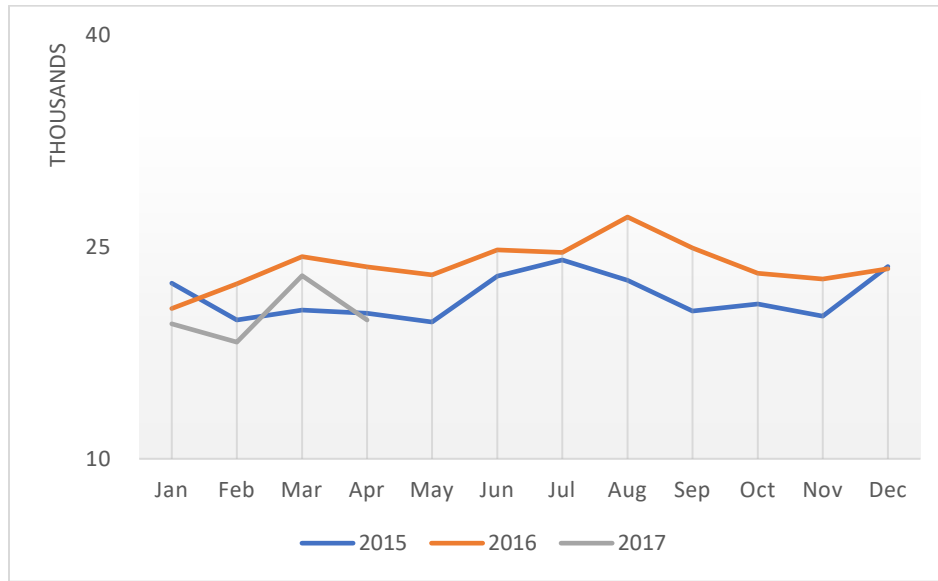
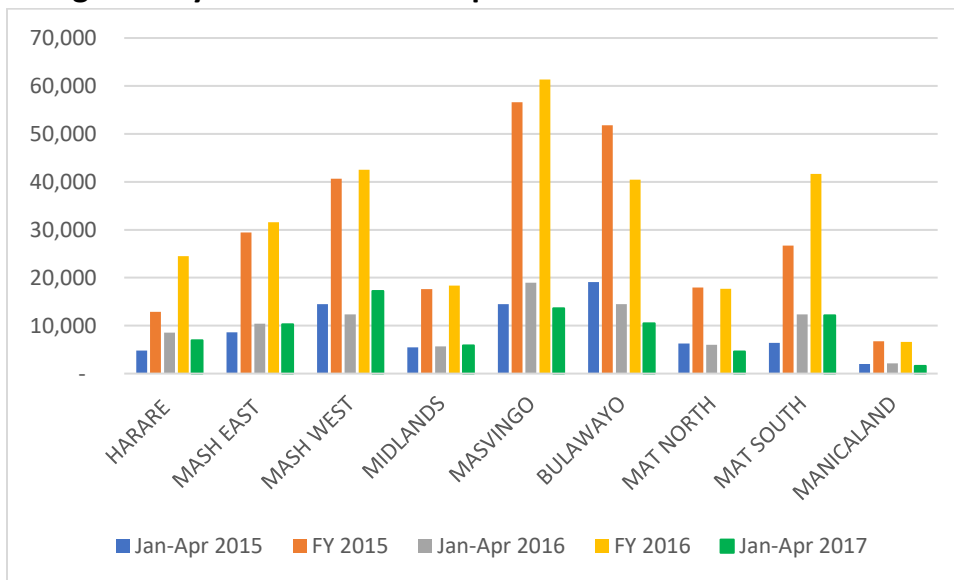
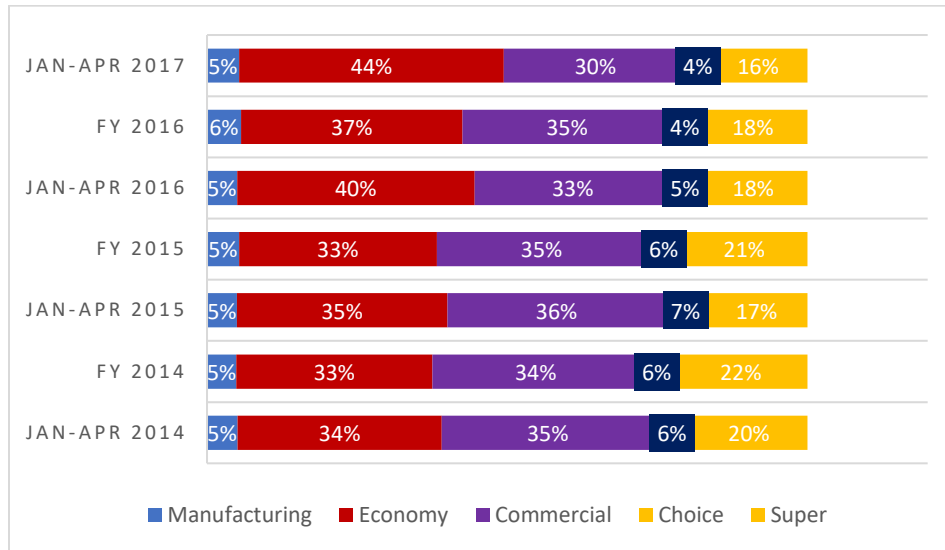


Figure 11: Slaughters by Province 2014 – April 2017



For the year to April 2017, Mashonaland West recorded the highest number of slaughters at monitored abattoirs, accounting for 21%. Masvingo province, Bulawayo and Mashonaland East were second, third and fourth respectively. Mashonaland Central had the lowest number of 71, reflective of the lack of monitored abattoirs in the province rather than the absence of slaughter animals. As illustrated by the graph below, slaughters in Bulawayo have been on a downward trend since 2014.

Figure 12: Quality Composition by Grade 2014 – April 2017



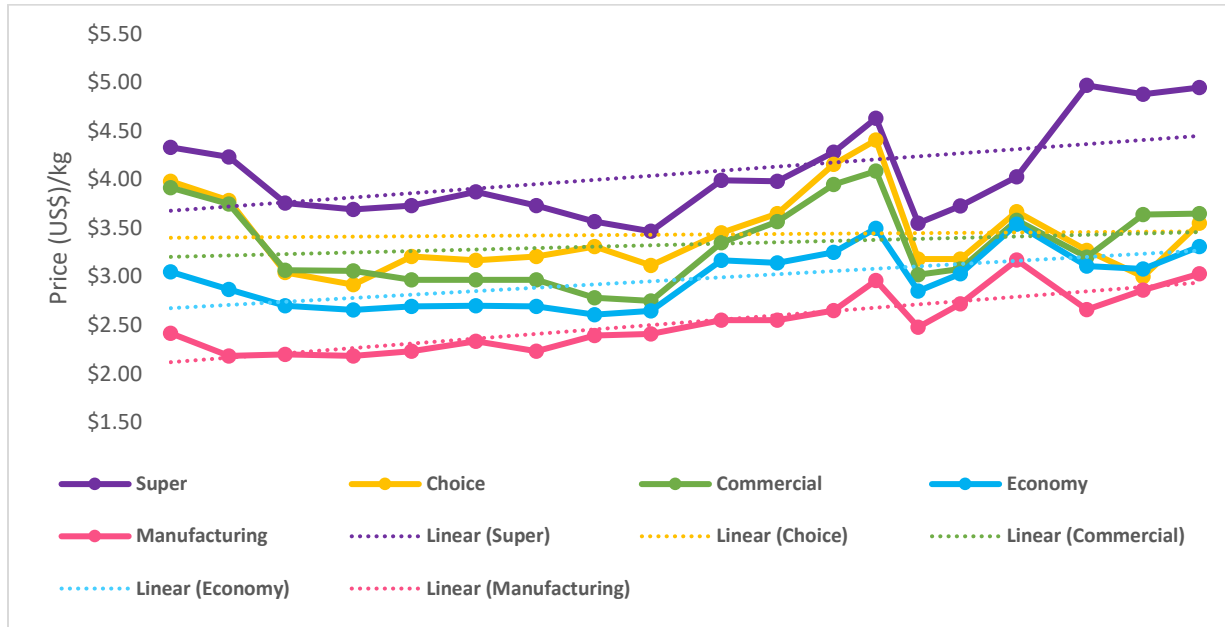
The quality composition continues to deteriorate, although with the relatively good rains, an improvement in quality is anticipated. The proportion of Supers carcasses fell by two percentage points to 16% over the same period in 2016. Economy grade dominated the carcasses slaughtered in the period under review, making up 44% of all slaughters and representing an increase of four percentage points over the same period in 2016.

Beef Market Prices

Domestic wholesale beef prices rose across the board in the year to May 2017. Manufacturing grades recorded the highest gain of 30% from \$2.33 to \$3.03/kg, followed by Super registering 28% increase from \$3.87 to \$4.95/kg. Choice grade recorded the lowest increase of 12%.

Abattoir operators reported a shortage of Supers at the beginning of the year, which has persisted through to May. The traditional cyclical dip in prices experienced at the beginning of the year did not occur. This is attributed to shortage of meat on the market caused by incessant rains discouraging feedlotting.

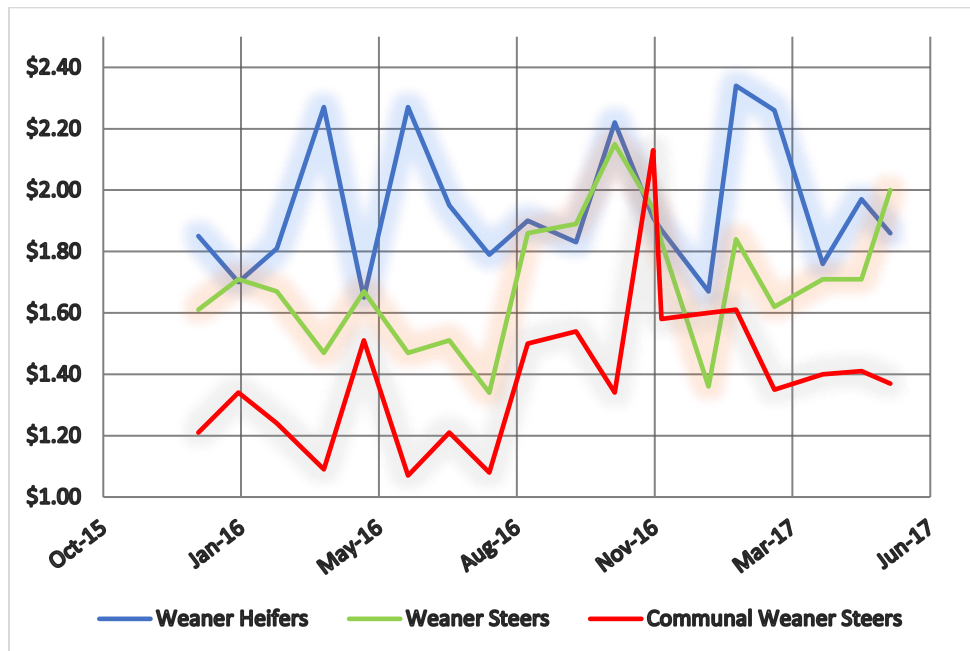
Figure 13: Monthly Indicative Wholesale Prices (US\$/kg) 2016 – May 2017



Auction prices for weaner steers grew by 9% from December 2016 to May 2017, rising to \$2.00/kg. Weaner heifers and communal weaner steers prices both declined by 1% and 13%, 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 14.

Figure 14: Live Cattle Sales Prices (US\$/kg) 2016 – May 2017



3.0 Poultry Sector

Broiler Production

The first quarter figures reflect a general decline across the board, with firming prices giving relief to depressed margins that have been prevailing for an extended period of time. Breeder chick retentions and growing birds in the first quarter of 2017 were 18 and 16% lower than the same period last year and the lowest first quarter figures since 2013. Production of broiler hatching eggs in the first quarter of 2017 was 5% up on the same period in 2016, but imports accounting for 10% of local hatchery requirements were 67% lower, yielding a decrease of 12% in total hatching eggs used by the broiler industry. Similarly, total broiler day-old chick production was 12% lower. As a result chick prices firmed and averaged \$66 per 100 chicks in the first quarter of 2017.

The number of birds processed and broiler meat production in the formal sector in the first quarter of 2017 was 3% and 6% lower than the same period in 2016, respectively. Wholesale prices have continued to firm over the past 9 months with the whole bird price increasing from a four-year low of \$2.74 in July 2016 to \$3.25 in March 2017. Small-scale production is estimated to have declined by 19% resulting in a 15% decline in total meat production to 7,965mt/month.

Figure 16: Broiler Day Old Chick Production and Prices, 2015 to March 2017

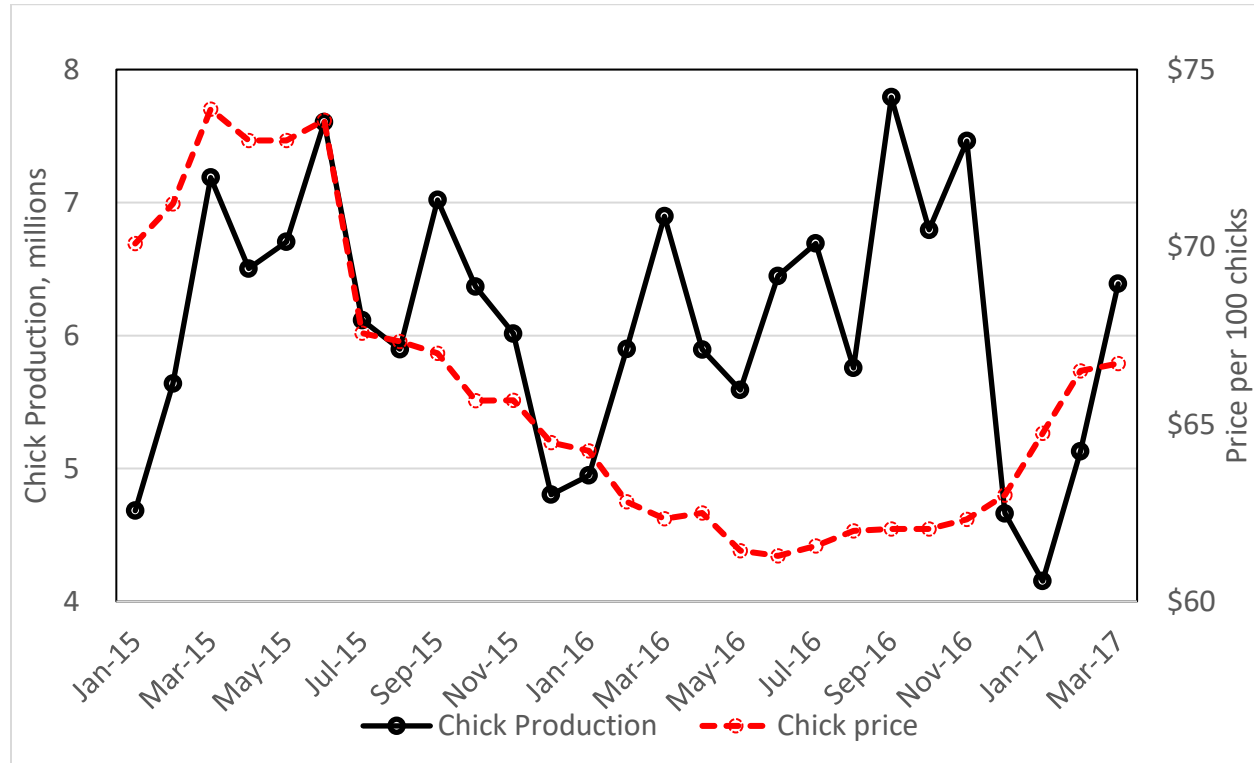


Figure 17: Formal meat production, stockholding and wholesale prices, 2015 to March 2017

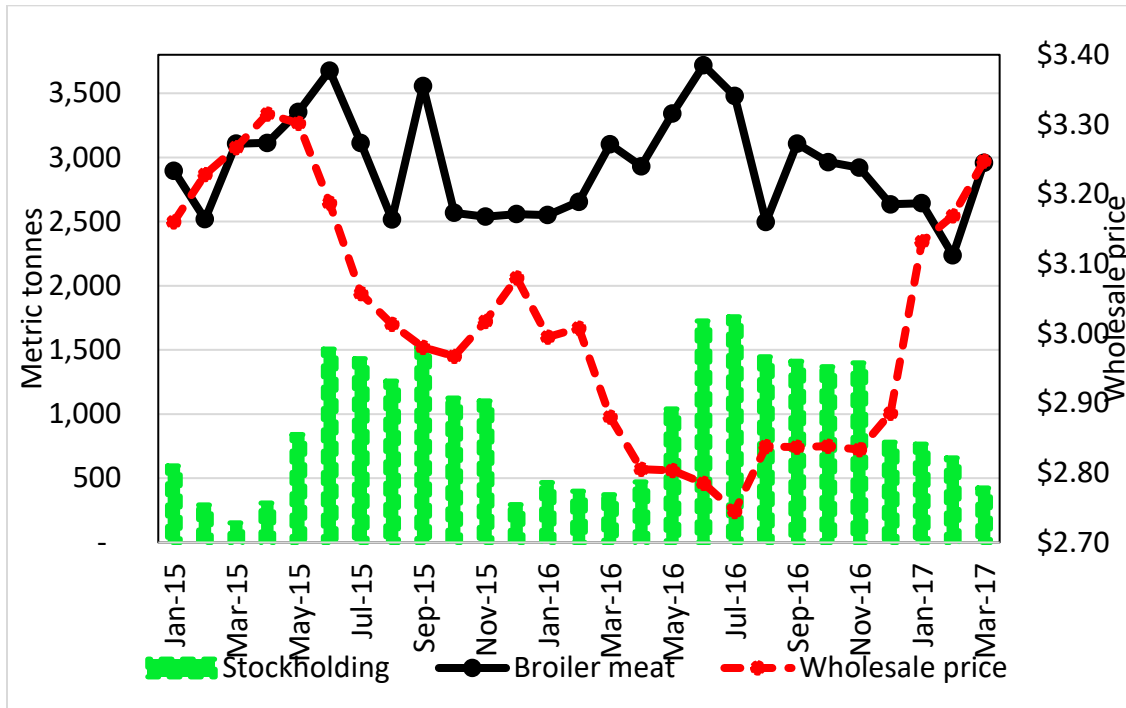
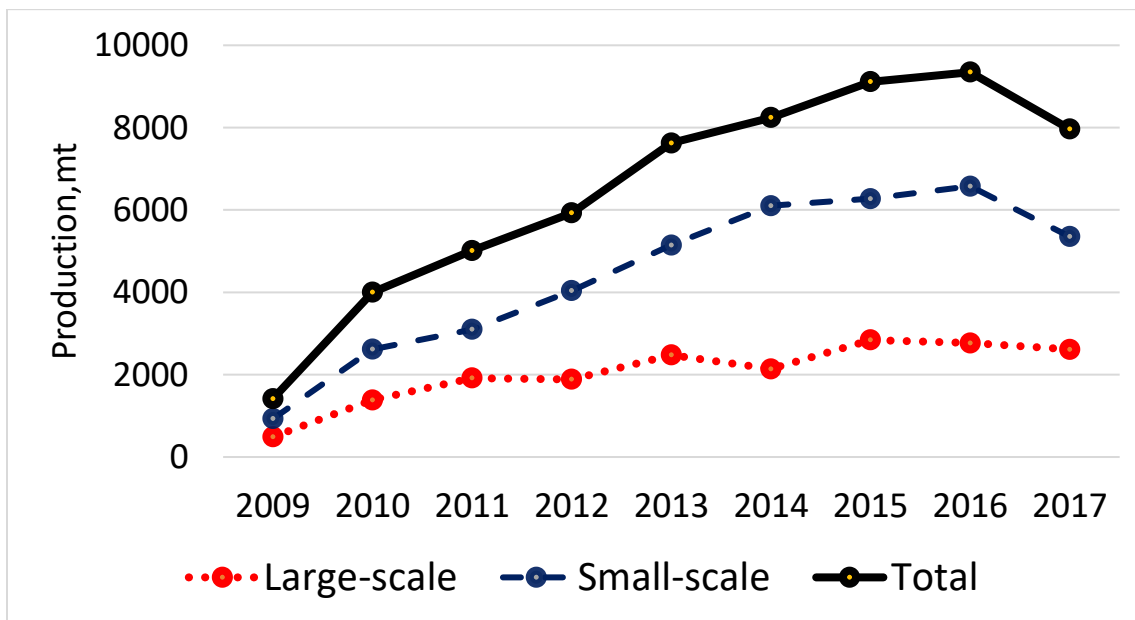


Figure 18: First Quarter Average Monthly Actual Large Scale and Estimated Small Scale Broiler Meat Production, 2009 to March 2017

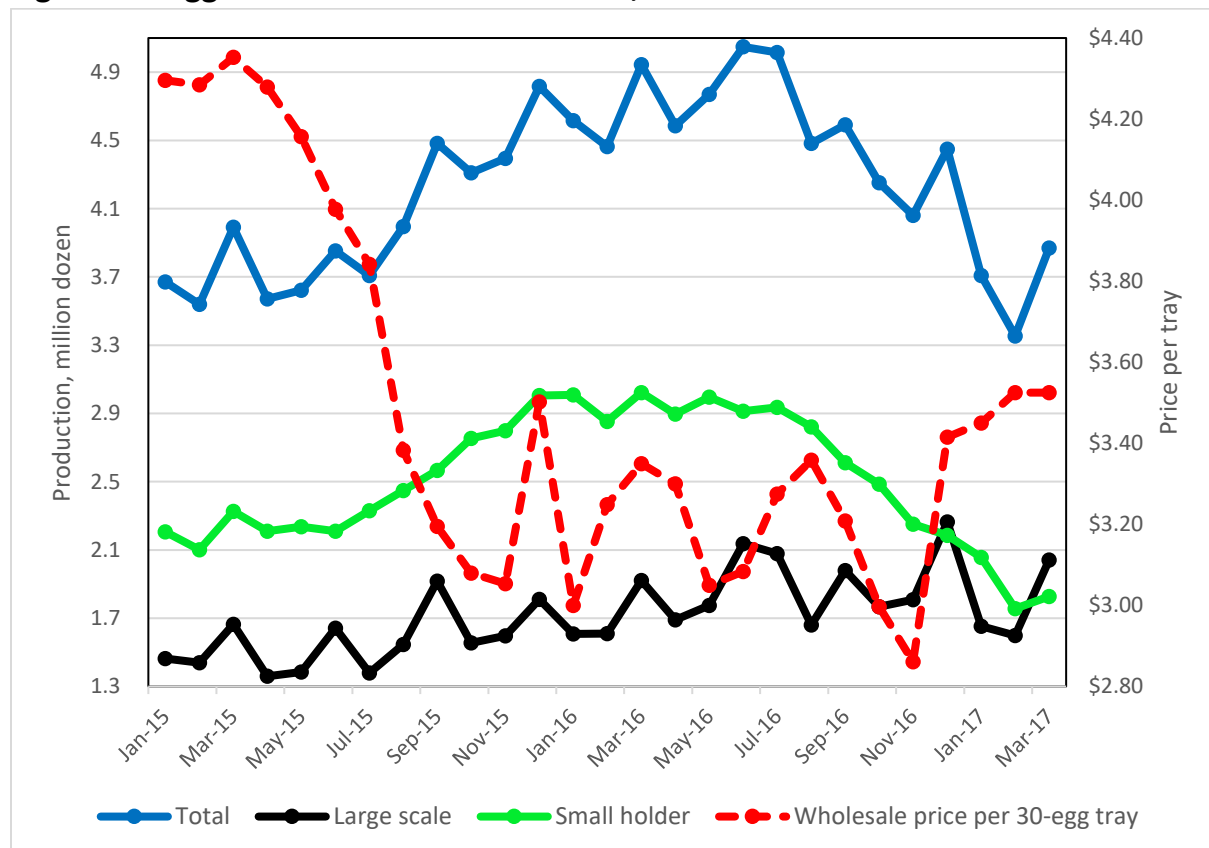


Layers

The number of in-lay layer breeders in the first quarters of 2016 and 2017 remained largely unchanged, although breeder chick retentions and growing birds were 59% and 30% lower in the first quarter of 2017 compared to the same period in 2016. Production of layer hatching eggs had declined by 18%, while imports (also being 10% of local hatchery requirements) had declined by 8%, leading total hatching eggs used by the layer subsector to decline by 18%. However, compared to the fourth quarter of 2016, chick production in the first quarter of 2017 recorded a marginal increase of 2% while chick price had firmed from \$114 per 100 chicks in September 2016 to \$130 in March 2017.

The number of layer birds in-production in the first quarter of 2017 was marginally higher than the same period of 2016, and table egg production was 5% higher in the large-scale sector at 1.76 million dozen per month. The price of a tray of eggs recovered from a four-year low of \$2.86 in November 2016 and reached \$3.53 in March 2017. Total egg production in the first quarter of 2017 is estimated to have declined to 3.6 million dozen from 4.7 million dozen in the same period in 2016, largely due to disinvestment by small-scale producers in table egg production.

Figure 19: Egg Production and Price Trends, 2015 to March 2017



Business Operating Environment

Demand for broiler meat was negatively affected by the introduction of value added tax (VAT) of 15% on meats during February through Statutory Instrument (SI) 20 of 2017. Prior to this, broiler meat was zero rated for VAT purposes. Although this was later changed to VAT exempt status through SI 26A of 2017, the industry remains under strain as VAT exemption implies poultry abattoirs cannot reclaim VAT charged on inputs, maintaining upward pressure on the cost of production. In addition, the Zimbabwe revenue Authority has instructed abattoir operators to pay VAT on all inputs, including capital investments, used in broiler production post SI 26A. Meanwhile, cash shortages continue to curtail demand especially in informal live markets where cash sales are the norm.

Imports

Reports of illicit imports of chicken offals (gizzards, heads and feet) have been received. The Zimbabwe Poultry Association and its allied organisations under the Livestock and Meat Advisory Council, are in the process of setting up an anonymous tip-off initiative to curb the proliferation of illicit imports.

Veterinary Report

In May 2017, an outbreak of the highly pathogenic Avian Influenza (H5N8) was reported at Lanark Farm owned by Irvines Day Old Chicks (IDOC). The health problem was initially picked up at one unit of 83,000 birds closest to a dam which is home to wild ducks, geese and migratory birds. Following the report, the farm was placed under quarantine and veterinary supervision. To date, 140,000 chickens have been culled to prevent further spread of the disease. Current knowledge is that the strain has no tendency for zoonosis (cross-over to humans), although safety precautions are being emphasised.

Regionally, South African veterinary authorities have confirmed two separate outbreaks in Mpumalanga and Standerton of the same strain as in Zimbabwe, giving credence to suspicions that the infection may have come via migratory wild birds.

4.0 Pork Sector

The total number of pigs slaughtered for the first four months to April of 2017 was 50,531, 11% less than 56,782 slaughtered over the same period in 2017. In the four months to December 2016, total slaughters were 8% higher than the period under review.

Figure 20: Pig Slaughters 2013 – April 2017

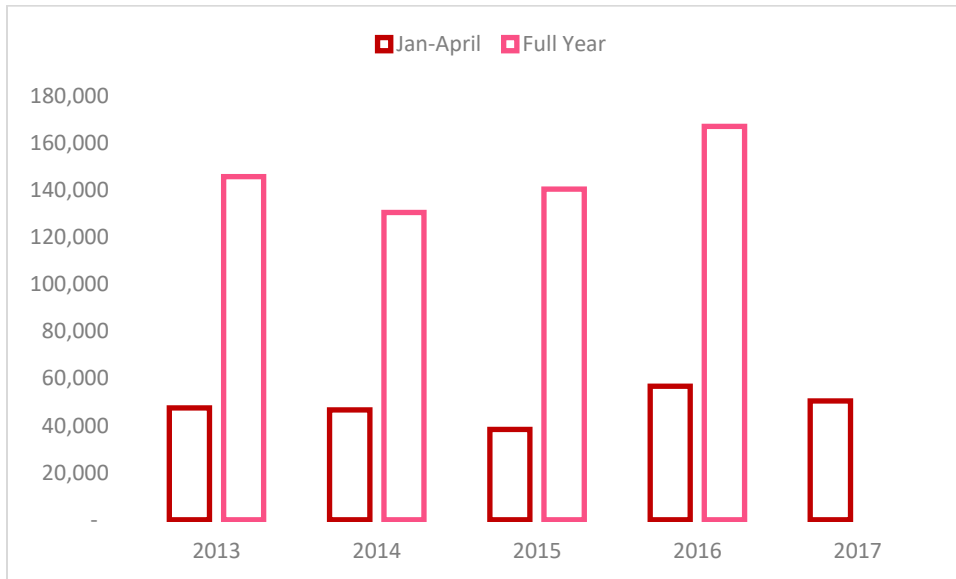
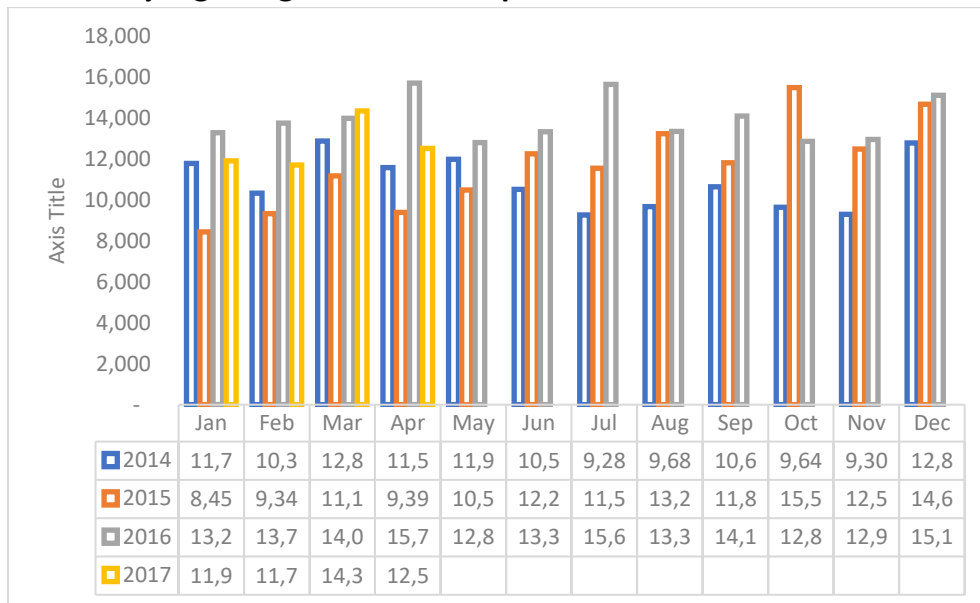


Figure 21: Monthly Pig Slaughters 2014 – April 2017



Slaughters to April 2017 were composed of 83% Porkers and Baconers with the remaining 17% made up of Manufacturing and General Purpose grades. This represents a percentage point increase of 5% over the same period in 2016 where Porkers and Baconers constituted 78% of total slaughters. The marginal shift away from Manufacturing grade slaughters indicates less culling activities as farmers gain more confidence in the market following the good rains.

Figure 22: Monthly Pig Slaughters by Grade 2015 - April 2017

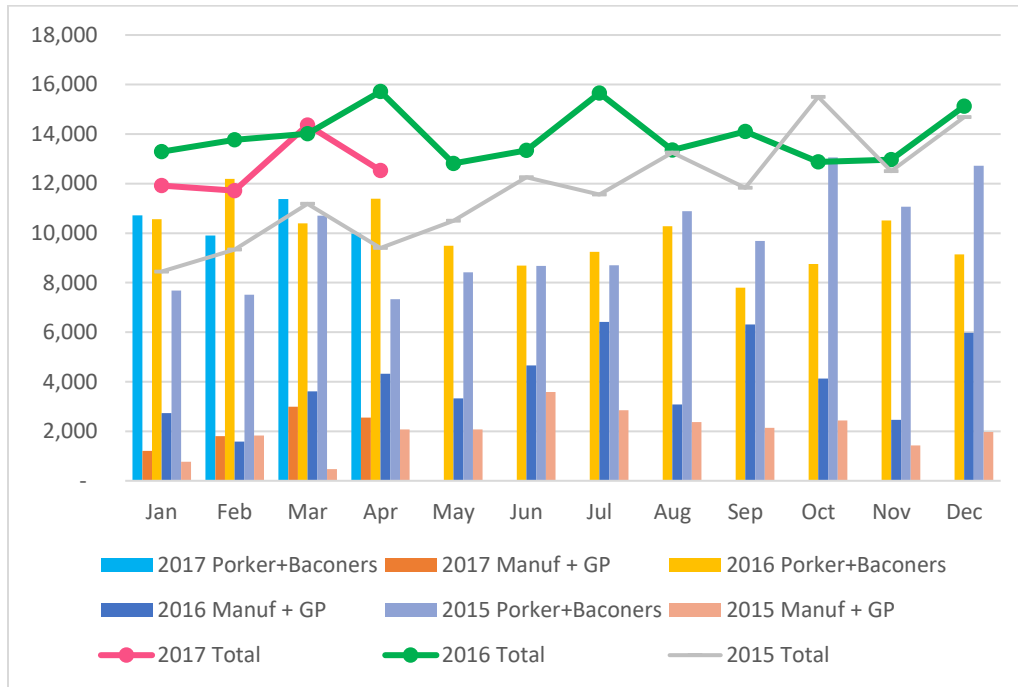


Figure 23: Monthly Average Carcass Weight of Slaughtered Pigs (mt) 2015 – April 2017

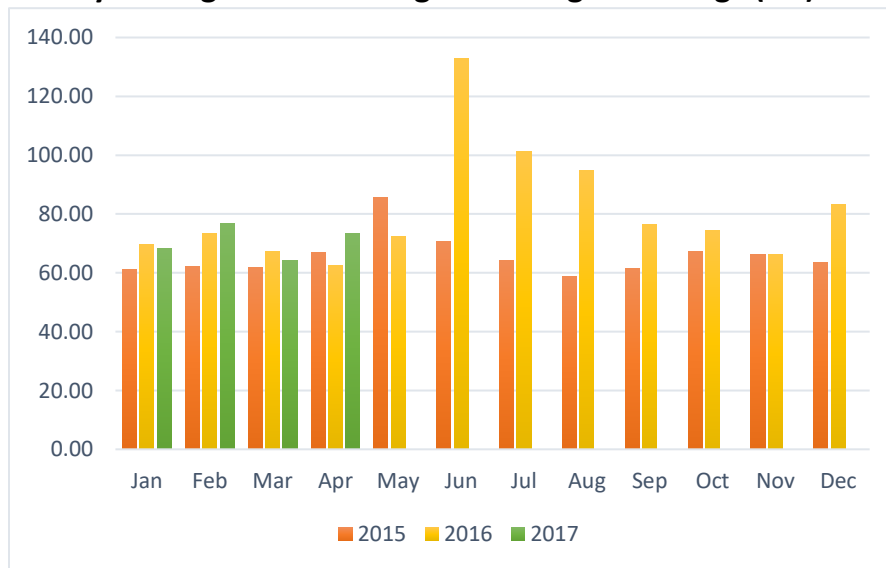


Table 3: Monthly Pig Slaughters at Monitored Abattoirs

	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
2017	814	901	924	919									2,744
% change	-12%	-11%	-2%	-7%									

The Pig Industry Board in partnership with the Pig Producers Association of Zimbabwe held the first of a series of pig producer club meetings on 23rd June at Jamaica Inn Training Center.

5.0 Meat Processing Sector

First quarter imports of mechanically deboned meat (MDM) were 1,705mt, 16% below the same period the previous year. The average weighted price for the first quarter was \$636/mt, an increase of 31% over the fourth quarter of 2016 and 51% above the first quarter price in 2016.

Figure 24: Quarterly Imports of Mechanically Deboned Meat 2015 – March 2017

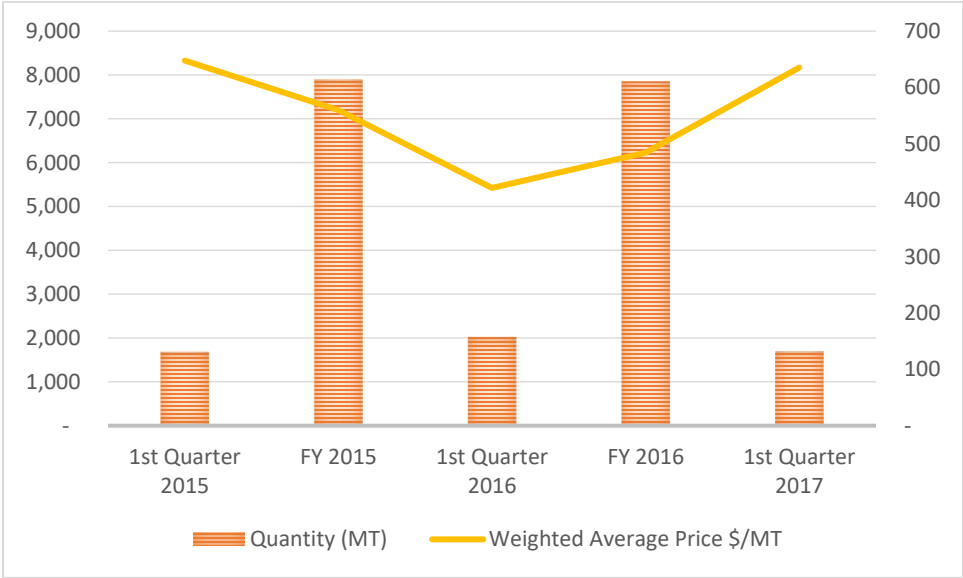
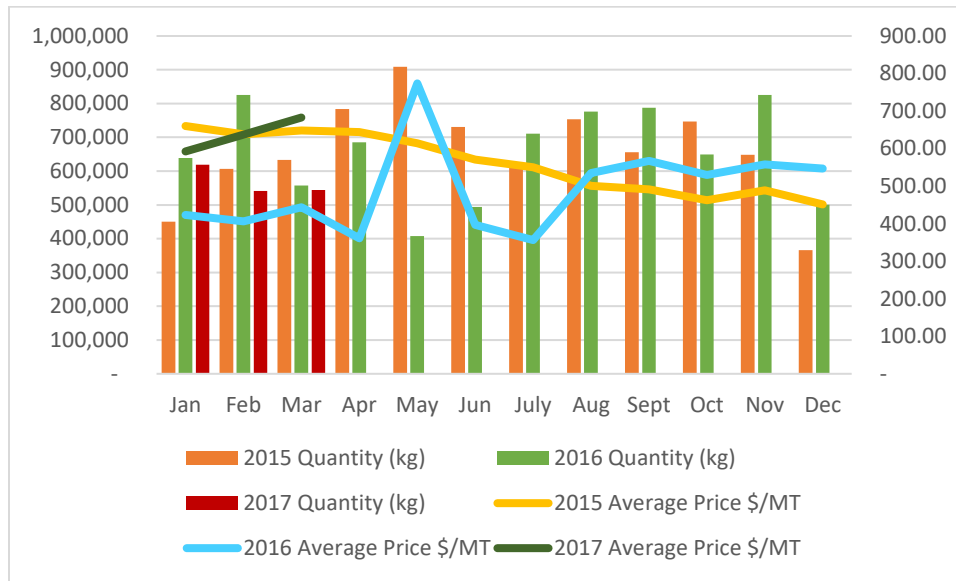


Figure 25: Monthly Imports of MDM 2015 – March 2017



Imports of MDM have since been banned following a meat contamination scandal in Brazil that broke out in late March. There are over 4,000 companies involved in the meat industry in Brazil in a market with an excess of \$72 billion dollars in annual revenue. Of these, 21 companies were blacklisted for investigation, of which only four produce MDM for export. Initial bans by countries such as China and South Africa have been lifted or restricted to the companies under investigation. Zimbabwe imports MDM from South Africa, which, in turn, sources from Brazil. Alternative sources of MDM have been limited by outbreaks of Avian Influenza in many European countries as well as the increased costs of importing from these markets compared to Brazil. The Meat Processors Association of Zimbabwe have engaged relevant authorities to have the ban reviewed as it has had an adverse effect on the operations of meat processing companies. MDM is a key ingredient in the manufacture of various meat products such as smoked sausages and polony.

6.0 Dairy Sector

Milk production for the year to May totaled 25.8 million litres, a decline of 3% on the same period in 2016. Three out of five months have registered negative growth when compared with the corresponding period in 2016, with February registering the largest decline of 13%, attributed to the heavy rainfall that had negative impacts on cow productivity.

Figure 26: Raw Milk Production Cumulative Total, 2014 – May 2017

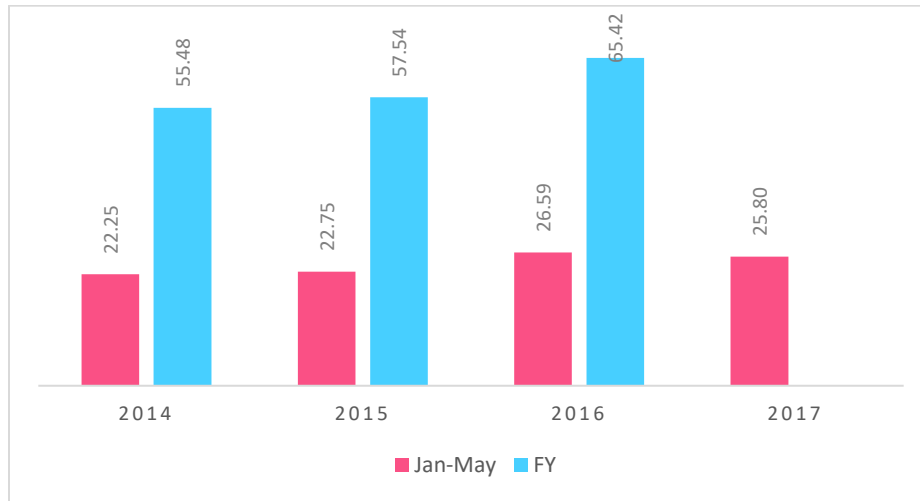
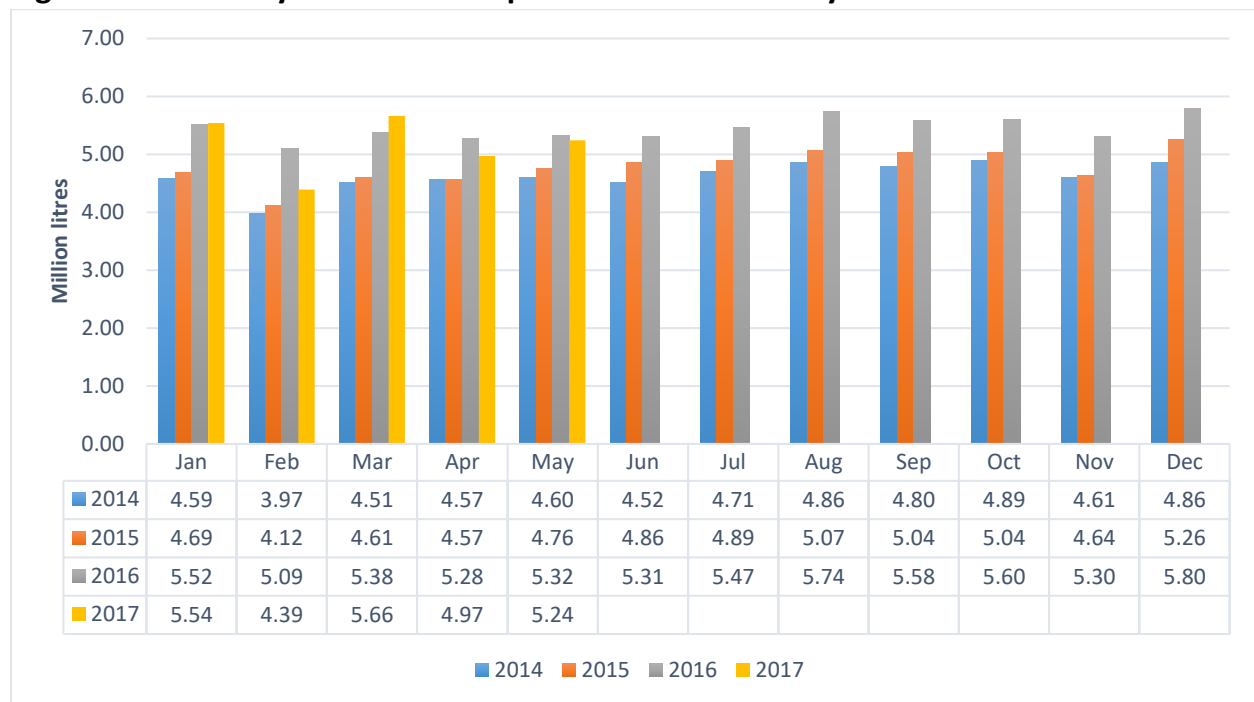


Figure 27: Monthly local raw milk production 2014 – May 2017

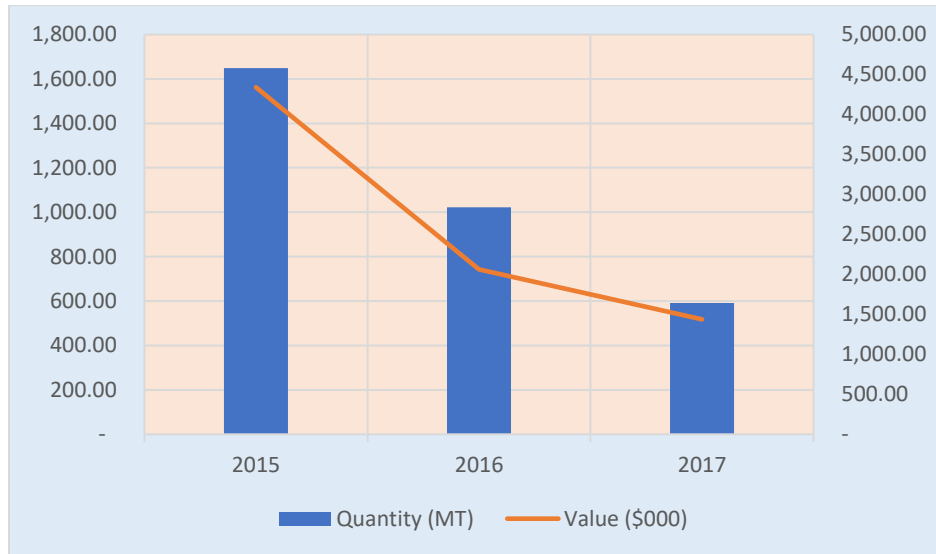


Total milk production in 2016 was 65.42 million litres. The Zimbabwe Association of Dairy Farmers has targeted 77 million litres of milk for 2017. Milk production peaked at an estimated 254 million litres in 1990 from a dairy cow herd of 122,000. Currently, the dairy cow population is estimated at 29,000 and the total demand for milk is 120 million litres.

7.0 Aquaculture Sector

The export of fish from Zimbabwe has declined as illustrated by figure 29. First quarter 2017 exports were \$1.4 million, 30 and 67% below the same periods in 2016 and 2015, respectively.

Figure 28: First Quarter Fish Exports 2015 – March 2017



Monthly exports in 2017 registered negative growth in January and March over the same period in 2016.

Figure 29: Monthly Fish Exports 2015 – March 2017

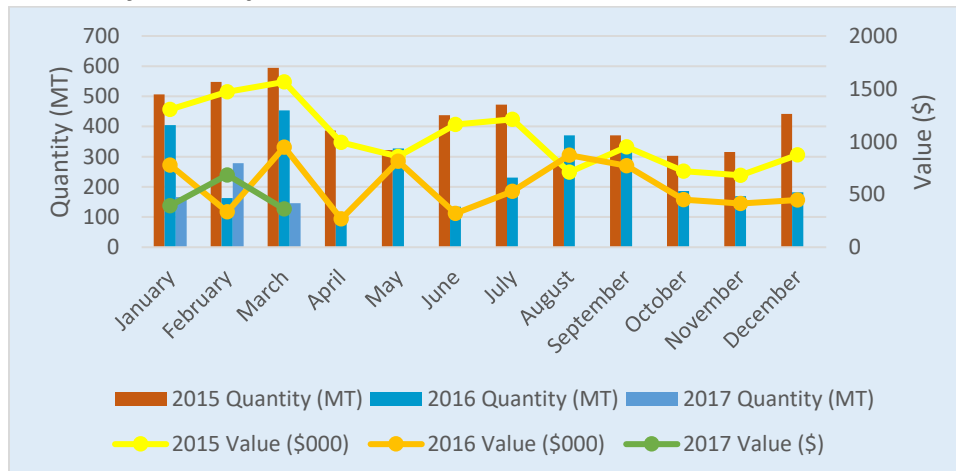
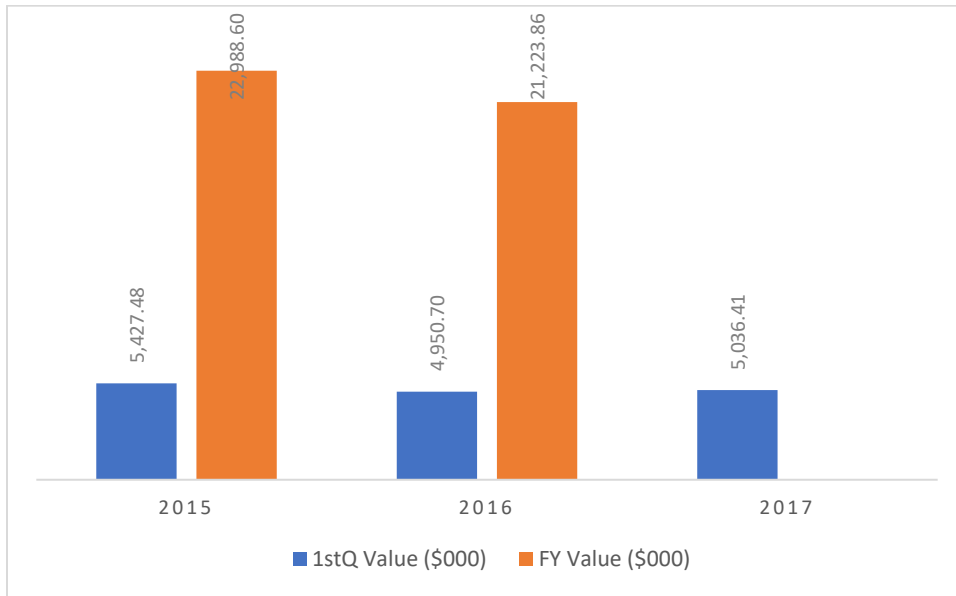


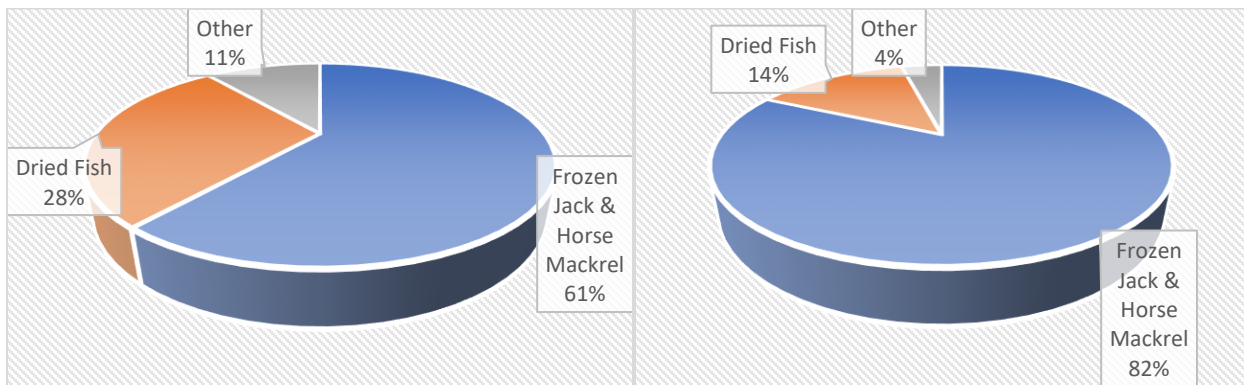
Figure 30: First Quarter Fish Imports 2015 – March 2017



Imports for the first quarter of 2017 amounted to \$5.04 million, a marginal 1.7% increase on the corresponding period in 2016, but 7.2% below the same period in 2015.

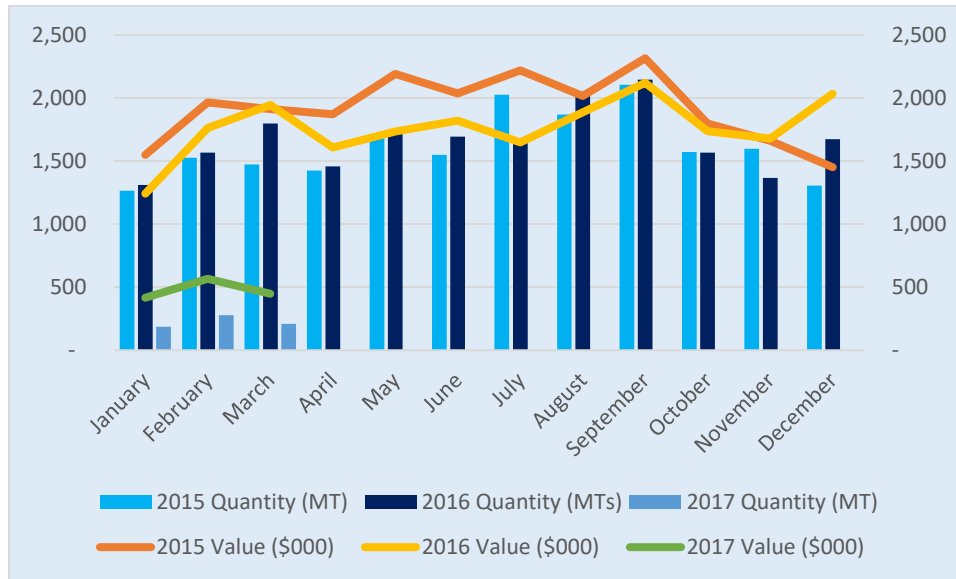
Value (\$000)

Quantity (mt)



Fish imports were dominated by Frozen Jack and Horse Mackerel, both in quantity (96%) and value (89%) at an average price of \$779/mt. Dried fresh water fish were also imported at \$2,128/mt.

Figure 31 Monthly Fish Imports 2015 – March 2017



The Zimbabwe Fish Producers Association is assisting in developing a National Aquaculture Policy for Zimbabwe, under an initiative funded by the European Union (EU) and expected to be completed by October 2017. As part of this process, the Ministry of Environment, Water and Climate convened a consultative workshop on fisheries and aquaculture in April. Follow up meetings are expected where stakeholders anticipate that dedicated, stand-alone fisheries and aquaculture policies as well as strategic frameworks will be developed.

8.0 Livestock and Meat Advisory Council and General Economic Trends

Zimbabwe Agricultural Growth Programme

The Zimbabwe Agricultural Growth Programme is an initiative funded by the EU that seeks to enhance the development of the beef, dairy, poultry and stockfeed value chains and is expected to be launched later in the year. The Council has been active in the development of the strategic plan for the programme.

Tax Exempt Status of Meat Products

In February, selected meat categories were reclassified from standard rated to exempt status following an outcry from the livestock industry and civic organisations. The impact has been severe as related input taxes previously deductible can no longer be

claimed. As part of the change in tax regime, authorities are also seeking to reclaim tax on capital equipment previously listed as zero rated. An impact assessment of the new measures has been carried out and submitted to the Zimbabwe Revenue Authority as the potential tax liabilities run into millions of dollars.

Rapid Results Initiatives

The Council has been invited to participate in these initiatives in the manufacturing and agricultural sectors to review laws and regulatory processes that will enhance the ease of doing business in the country.

Macroeconomic Conditions and Outlook

Indicators that have dominated the economic environment since the beginning of the year show little signs of receding. Government expenditure continues to crowd out the productive sector, while government influence in the pricing mechanisms within the economy have had distorting effects that reinforce uncertainty. The chronic absence of adequate import cover and shortage of cash looks set to become even more acute in the near term with multiple payment instruments attracting different discounts. The negative trade balance in the first quarter of 2017 was 7% and 21% less than the same period in 2016 and 2015, respectively. However, the good crop harvest will lessen the need for maize imports helping reduce pressure on the trade balance.

In April, the Reserve Bank reported that the cash to deposit ratio was down to 2% as opposed to 43% at the start of dollarisation. A cash to deposit ratio of 15% is viewed as adequate.

Figure 32: Monthly Summary of Trade (\$ million)

