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LivestockZimbabwe: Market Update

December 2017

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1.0 Stockfeed Sector

Maize

Despite the bumper harvest recorded in 2017, Zimbabwe imported maize to cover the shortfall prior to the harvest and there were continued but declining imports in the second half of the year as companies honoured pre-existing contracts.

Maize imports for the ten months to October 2017 amounted to 304,692mt, at a total value of $113 million. Over the same period in 2016, imports were 689,635mt at a cost of $242 million, a decline of 55% both in quantity and value. The average cost per metric tonne for January to October 2017 was $371, 5.9% more than the corresponding period in 2016.

Figure 1: Maize Imports (mt), January to October 2017

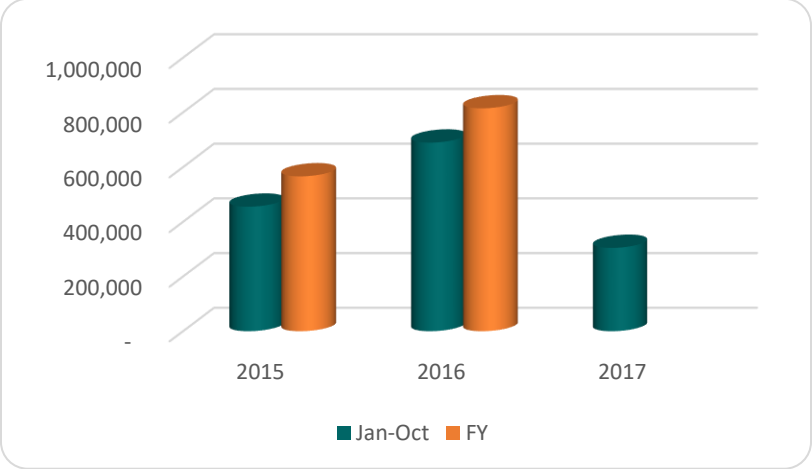
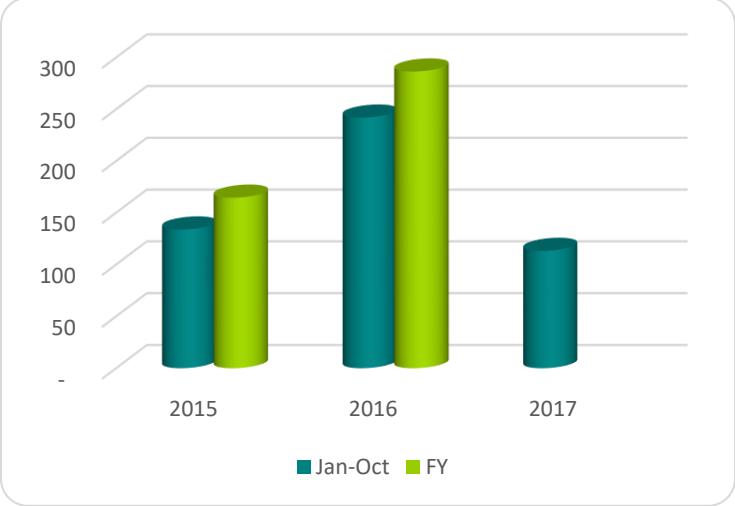


Figure 2: Maize Imports (value, $) January to October 2017



As detailed in Figure 3, monthly imports of maize have been on a general downward trend since the beginning of 2017. October recorded the lowest quantity of maize imports to date of 4,190mt, 69% below the previous month.

Figure 3: Monthly Maize Imports 2015 to October 2017

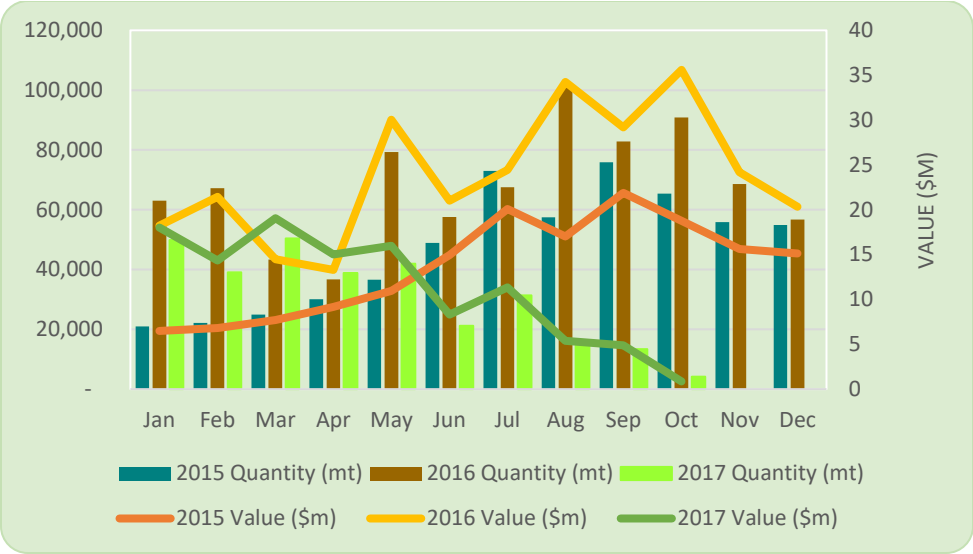
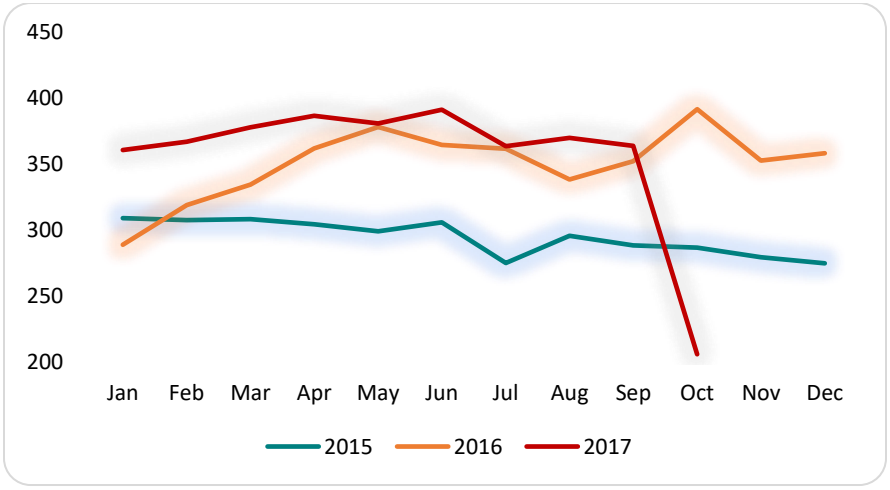
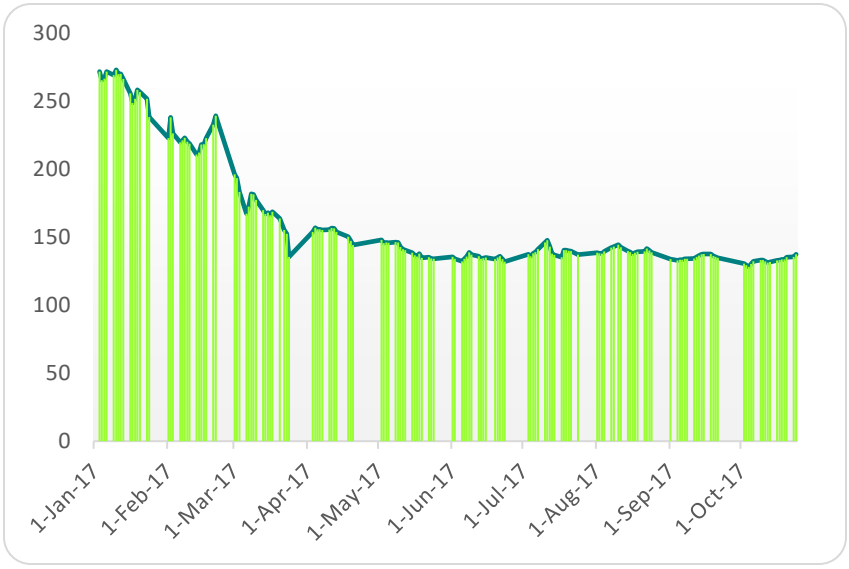


Figure 4: Average Maize Import Price (US$/mt)



The maize import price was $338/mt in January, peaking in June at $391/mt and the lowest price of $206 was recorded in October 2017.

Figure 5: SAFEX White Maize Spot Price US$*

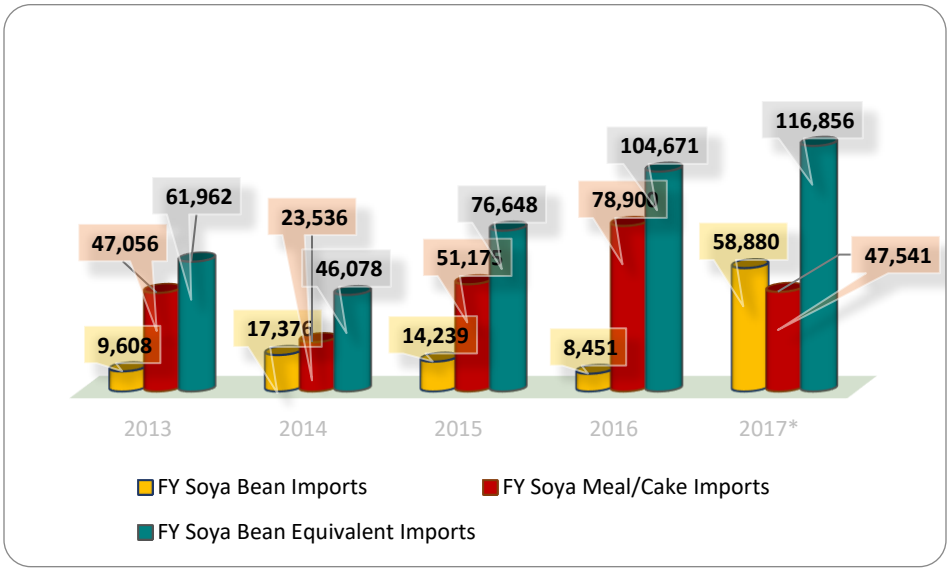


The spot price of white maize on the South African Futures Exchange has been on a downward trend since the beginning of the year, moving from $272/mt to $137/mt as at the end of August. The price was driven mainly by the largest maize harvest on record of 14 million tonnes.

Soyabeans, Cake and Meal

Total imports of soyabean equivalent for the ten months to October 2017 amounted to 116,856mt as shown in Figure 6 below and is the highest since 2013 reflecting the low local production during the 2016-17 growing season. Traditionally, the trend has been to import processed soyameal and cake rather than raw soyabeans. In 2016, 78,900mt of soyameal and cake were imported compared with 8,451mt of soyabean. This trend has been reversed in 2017 following recommendations by authorities seeking to encourage local beneficiation of imported soyabeans.

Figure 6: Soya Annual Imports (mt)



Import prices for both soyabeans and soyameal during 2017 were lower than during the previous three seasons, reflecting high production in the region.

Figure 7: Soya Bean Import Prices ($/mt)

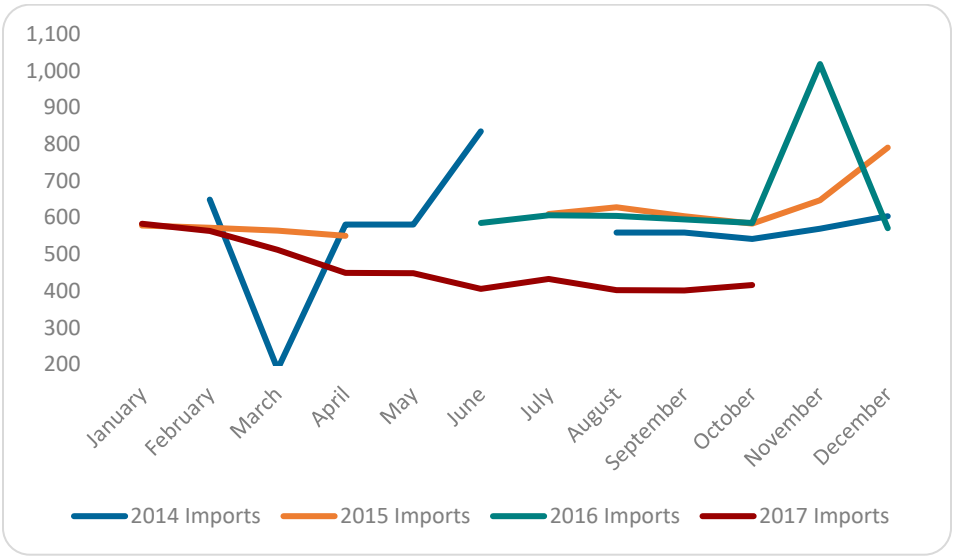
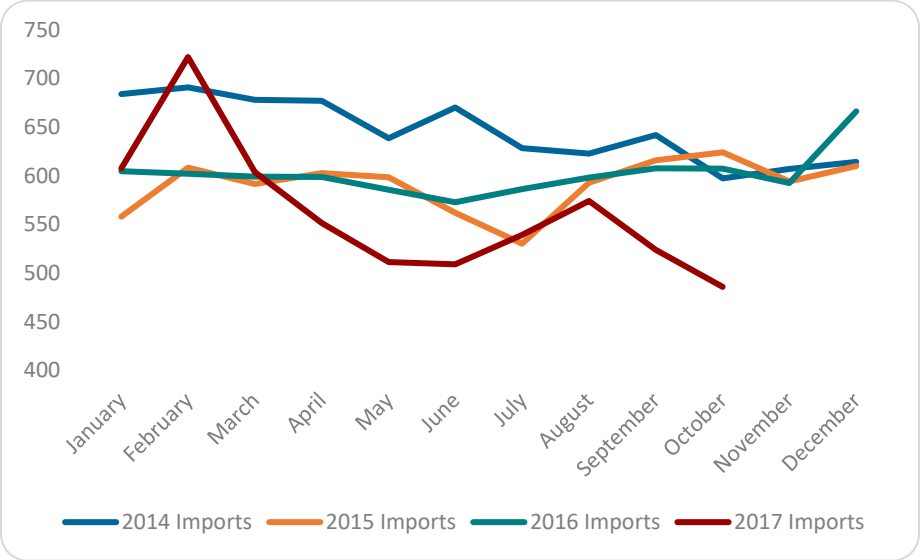
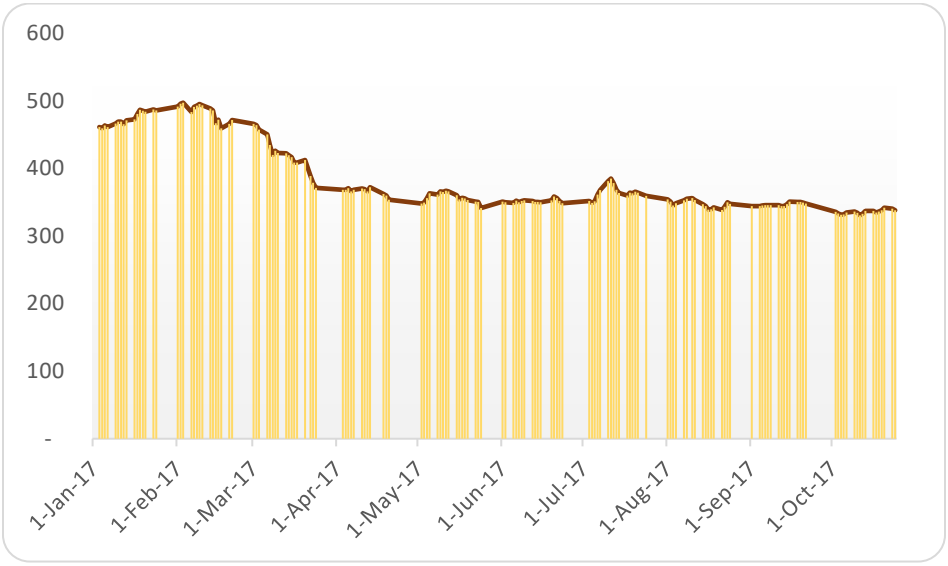


Figure 8: Soya Meal Import Prices ($/mt)



In the absence of adequate domestic production of soya beans, the supply of soya meal to the market is dependent on the availability of foreign currency allocated by the central bank. Despite the low regional prices(see Figure 9), shortage of forex in the last quarter led to shortages resulting in price spikes.

Figure 9: Safex Soyabean Spot Price US$*



Maize Bran

Despite the bumper 2017 maize harvest, maize bran continues to be on short supply necessitating some imports. Maize bran imports and the average price for the ten

months to October 2017 was 4,918mt and $139/mt, respectively, and 18% and 5% below the corresponding period in 2016, respectively.

Figure 10: Maize Bran Imports, mt

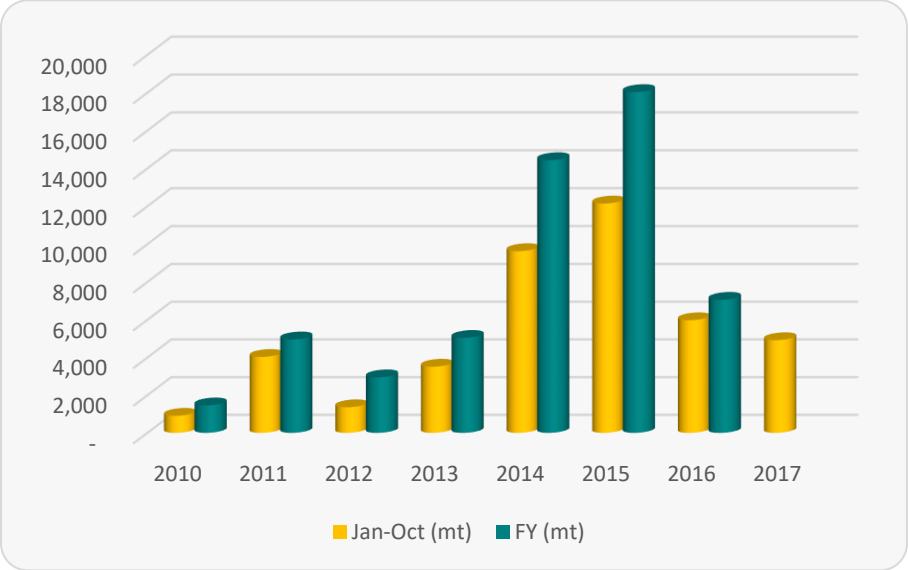


Figure 11: Monthly Maize Bran Imports, mt

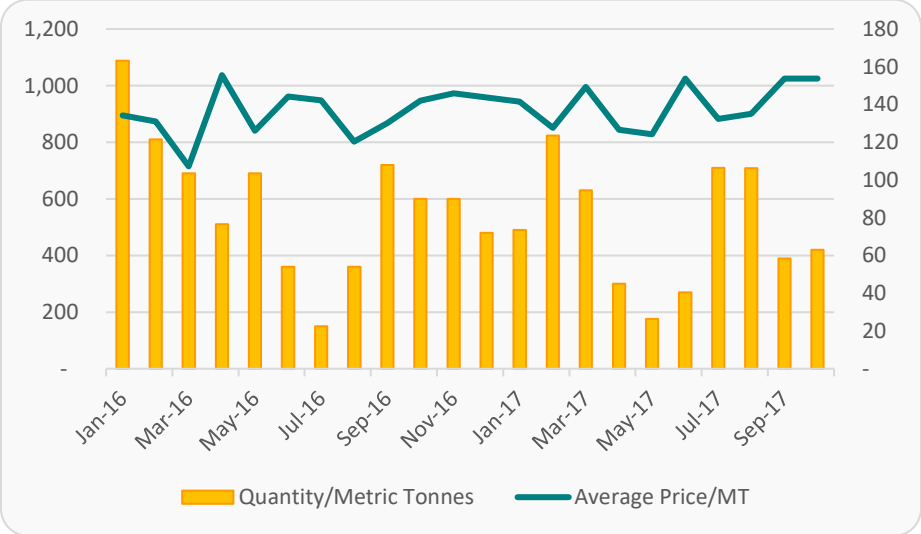


Table 1: Average Maize Bran Prices, 2010 – October 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Jan – Oct $/mt)	73	119	103	143	177	102	132	139
Full year ($/mt)	100	122	116	138	157	104	134	

Wheat Bran

There was a drastic decline in wheat bran imports for the ten months to October 2017 which totaled 5,884mt, a decline of 61% when compared to the corresponding period in 2016. This is attributed to the entrance of Bakhresa into the milling industry. As shown in Table 2, the average price for the ten months to October 2017 was $123/mt, 10% below the same period in 2016.

Figure 12: Wheat Bran Imports, 2010 – October 2017

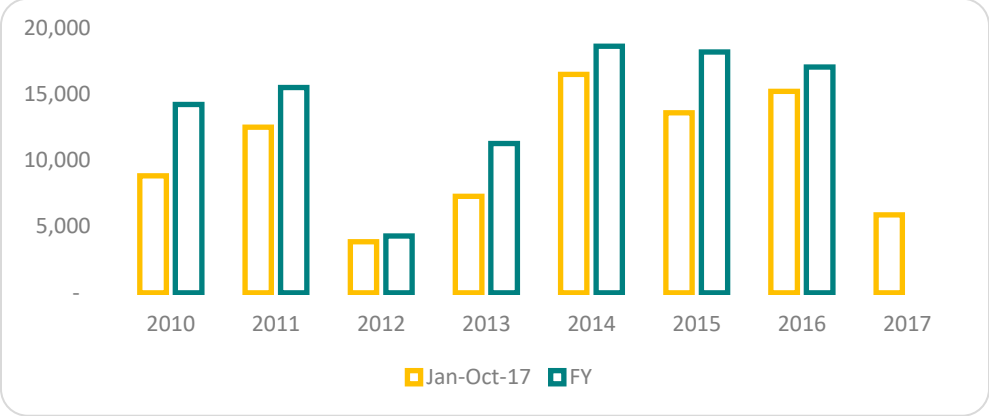


Figure 13: Monthly Imports of Wheat Bran

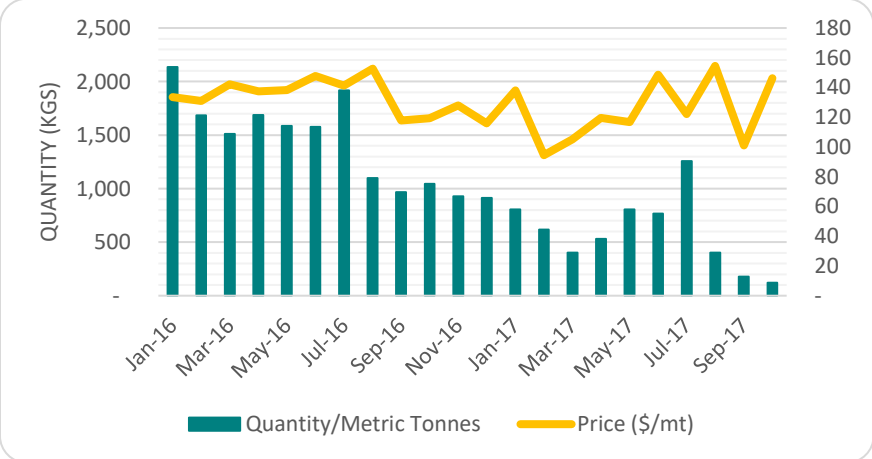


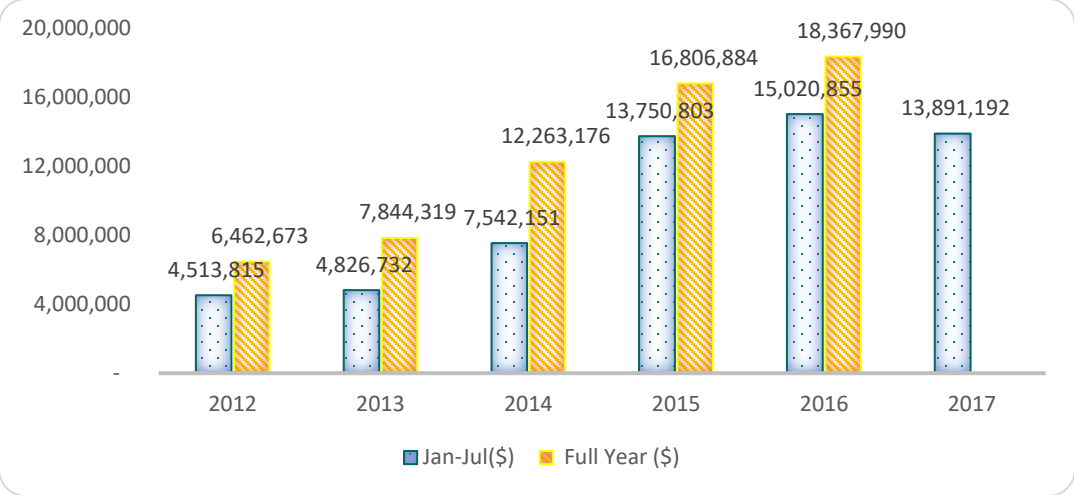
Table 2: Average Wheat Bran Prices, 2010 – October 2017

	2010	2011	2012	2013	2014	2015	2016	2017
Jan – Oct $/mt)	85	133	141	142	168	128	137	123
Full year ($/mt)	90	135	146	140	165	130	135	

Premixes, Vitamins and Additives for the Manufacture of Stockfeed

Imports of product was worth $13.9 million for the first ten months of 2017, 8% below the corresponding period in 2016. Difficulties in accessing offshore payments facilities to settle outstanding payments continue to constrain supply of premixes, vitamins and additives. As a result, the supply of product is erratic, and prices are reflective of the constrained market conditions.

Figure 14: Premixes, Vitamins and Additives for the Manufacture of Stockfeeds



Cotton Cake

Low protein cake is available but high protein cake supply is constrained.

Molasses

Molasses stocks are 80% below their normal levels at this time of year due to lower production than anticipated. Molasses from Mozambique and Zambia is available at US$86/mt and $60/mt, respectively, excluding transport.

2.0 Beef Sector

Cumulative cattle slaughters to October 2017 were 220,671, a decline of 7% and an increase of 2% over the corresponding period in 2016 and 2015 respectively (Figures 15 and 16).

Figure 15: National Cattle Slaughters, 2014 – 2017

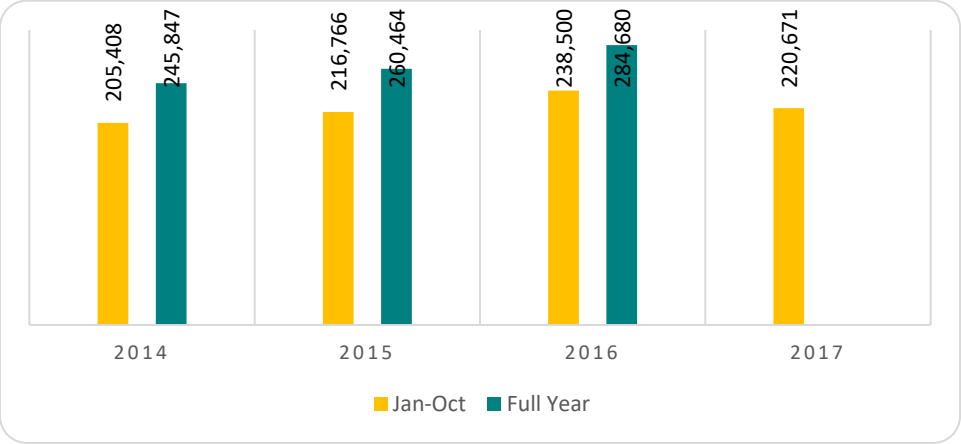
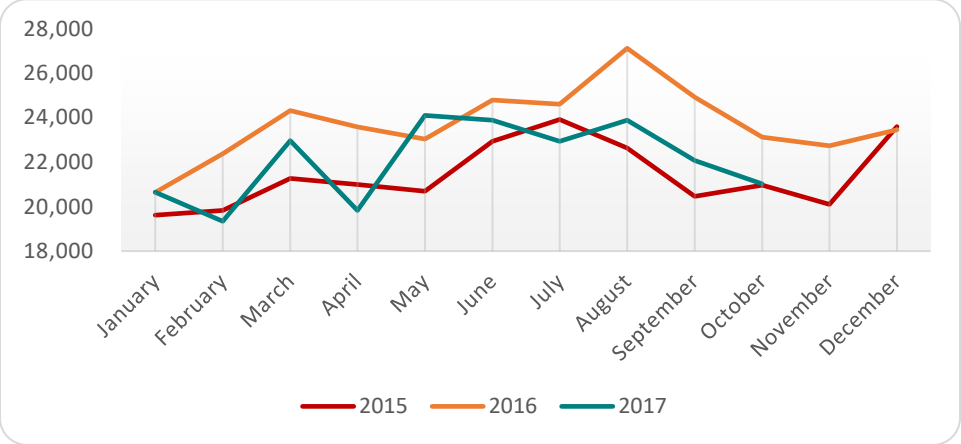


Figure 16: Monthly Cattle Slaughters, 2015 – October 2017



Mashonaland West recorded the highest number of cumulative slaughters for the ten months to October of 38,598 head, while Masvingo recorded the second highest of 37,893 slaughters followed by Matabeleland South and Bulawayo with 33,710 and 32,294 head, respectively.

Figure 17 shows the breakdown in respect to the classification categories amongst the provinces. 41% of slaughters in Matabeleland North were classified as Super, the highest percentage composition of the provinces for the ten months to October.

Figure 17: Quality Composition by Province

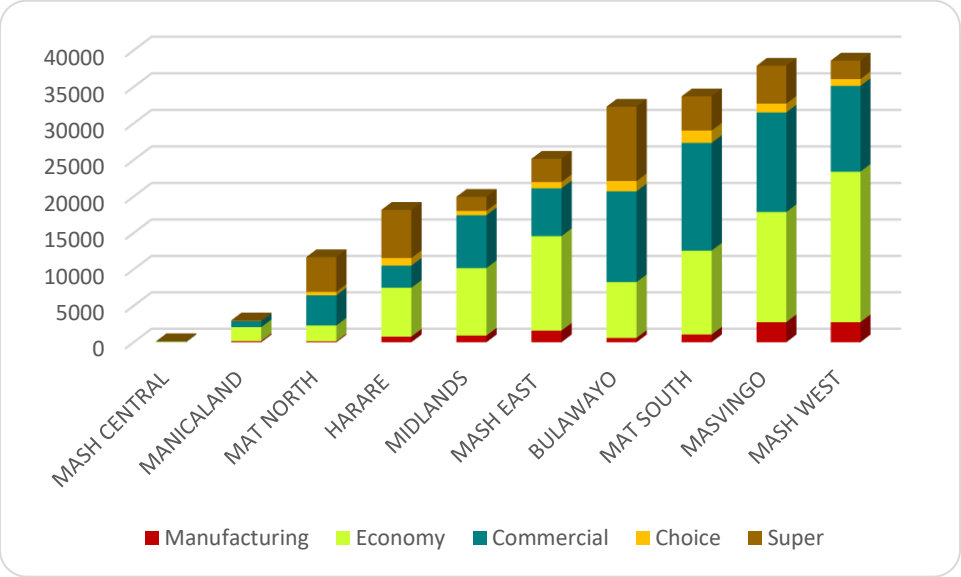


Figure 18 notes the classification composition on a consolidated basis from 2014 to October 2017. For the period January to October 2017, Supers made up only 16% of the total slaughter, continuing the progressive decline when compared to the same period in 2014. Economy grade has, in turn, increased its composition from 32% in 2014 to 41% in 2017.

Figure 18: Quality Composition by Grade, January – October 2017

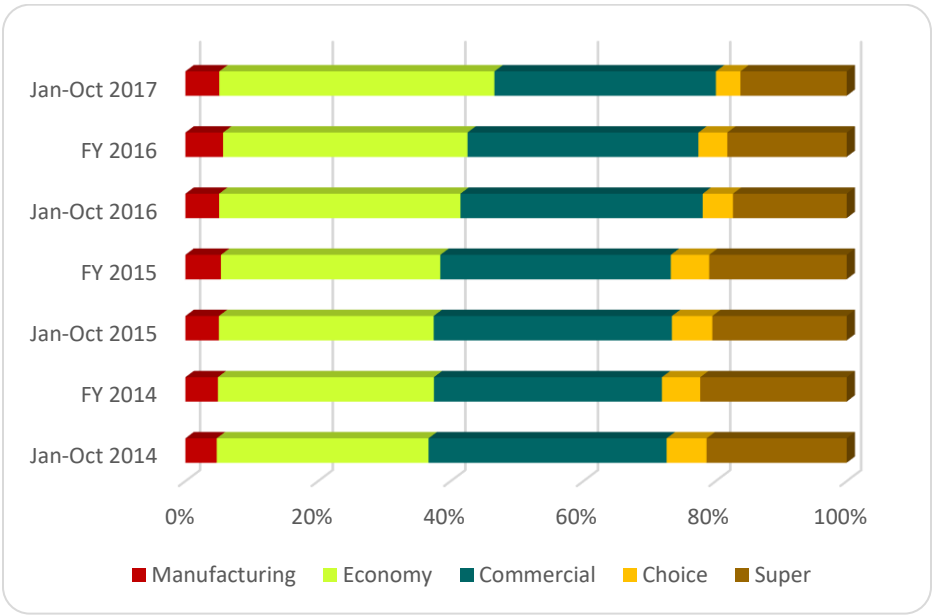


Figure 19 shows that a minimum of 40% of all slaughtered cattle per province were categorised as Full Attrition (FA), with the national average standing at 46%. Midlands has the highest composition with 50% while Masvingo, Mashonaland West and Mashonaland East each had 49% of their slaughtered cattle classified under FA.

Figure 19: Cattle Slaughters Classified by Age

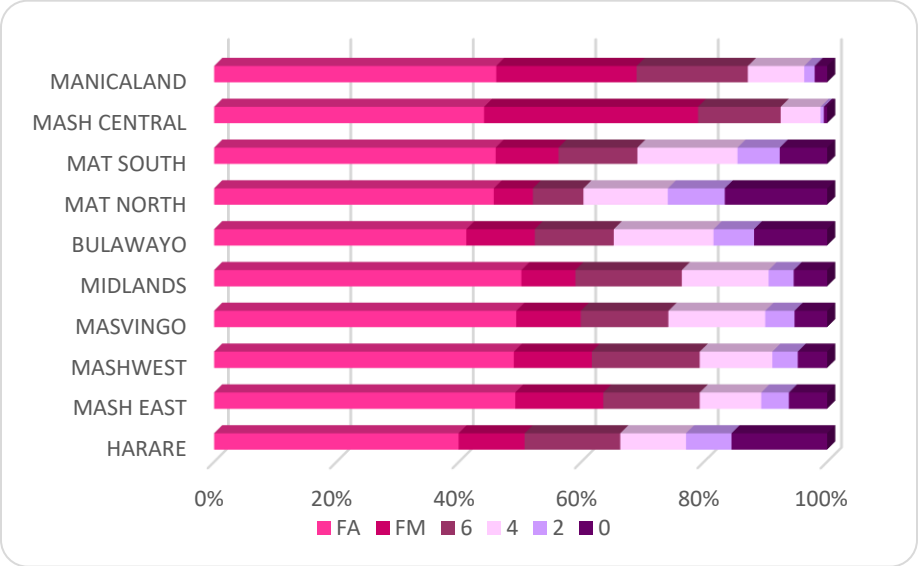
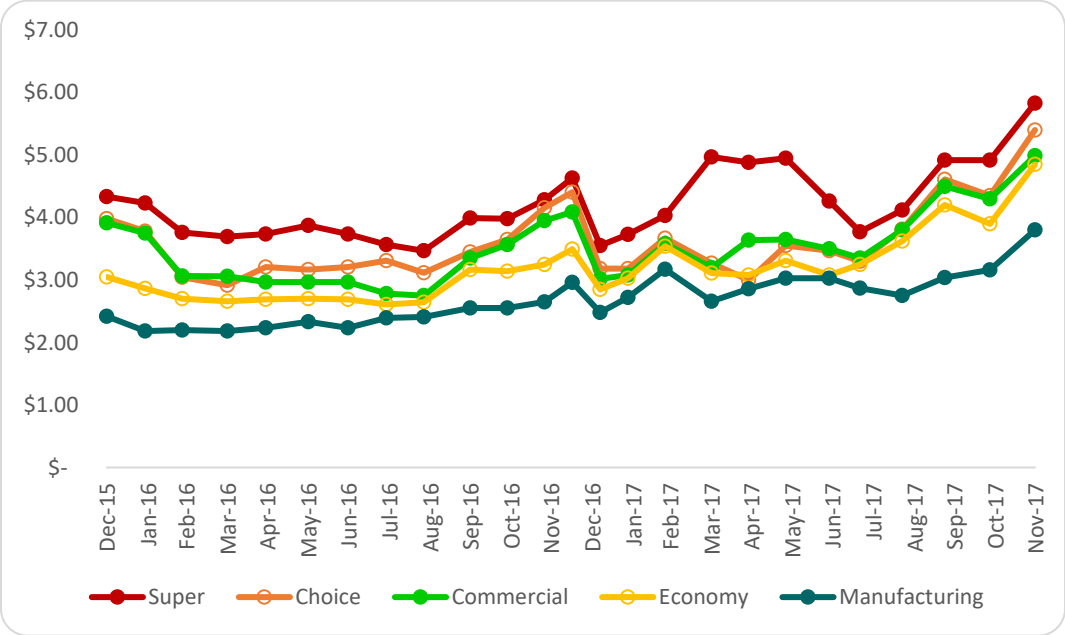


Figure 20: Indicative Wholesale Beef Prices, 2016 – November 2017



Wholesale prices of beef assumed a sharper upward trajectory in the third and fourth quarters as both cost and demand factors drove prices upward across the meat grades.

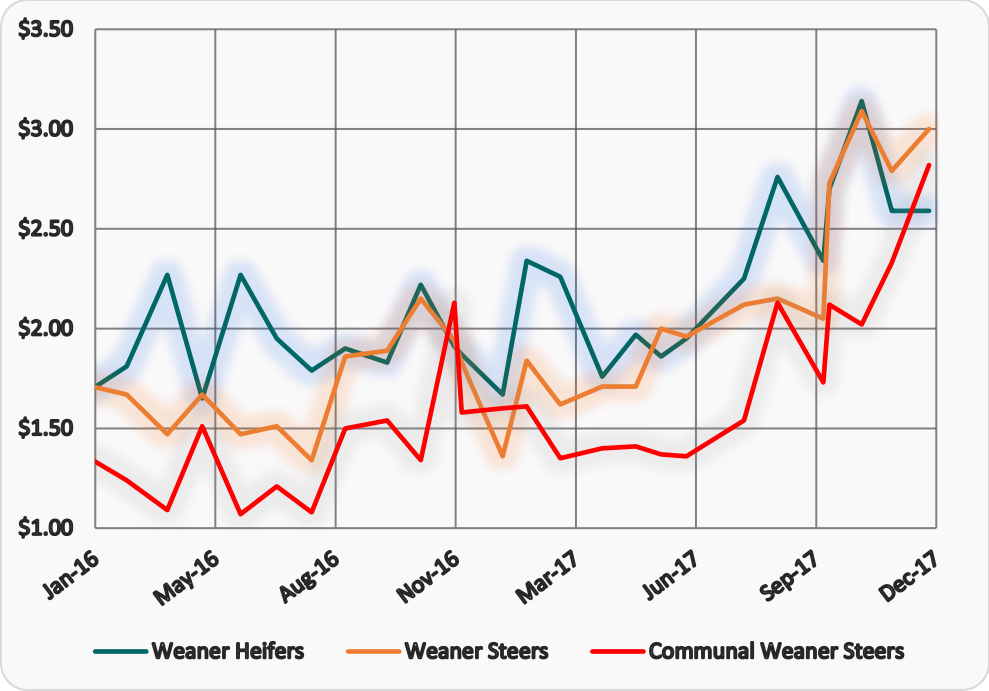
Economy and Choice meat grades have increased by 70% each since the beginning of 2017, with Super, Commercial and Manufacturing increasing by 64%, 65% and 53%, respectively.

The sharp increase in meat prices has resulted in authorities hosting meetings with the private sector to try and better appreciate the cause of the increases. Seasonal factors, throughput challenges and costs of inputs were highlighted as some of the reasons and the Livestock and Meat Advisory Council and its allied associations have been active in these deliberations.

Live Cattle Prices

Live cattle prices have also increased by as much as 50% since the beginning of the year, with buyers and sellers citing an increase in industry players.

Figure 21: Live Cattle Prices, October 2015 – November 2017



3.0 Poultry

The poultry industry is on the rebound from challenges posed by the outbreaks of Avian Influenza in Zimbabwe and South Africa that occurred from late May to July which reduced the availability of day-old chicks to local poultry farmers, causing a decline in

both broiler meat and table eggs as hatcheries were not able to acquire hatching eggs from either local poultry breeding farms and hatcheries or through imports.

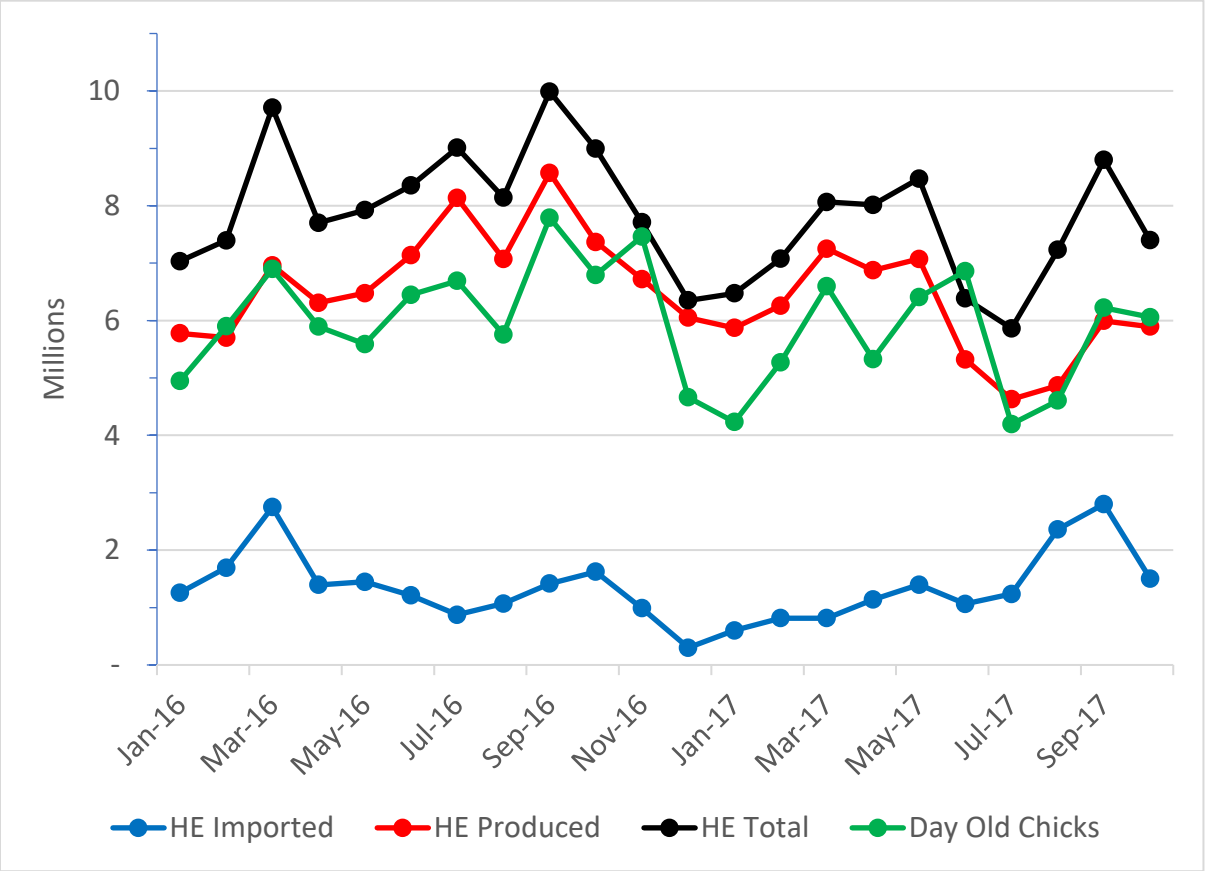
The outbreak in Zimbabwe affected Lanark Farm, owned by Irvine's Zimbabwe, and the site was completely de-populated of birds – a loss of both breeding birds as well as commercial laying birds. Furthermore, local veterinary authorities banned all imports of hatching eggs from South Africa to limit the disease threat, compounding the effects of the loss in breeding birds in Zimbabwe.

In August, the Ministry of Finance and Economic Development responded to the reduction in the supply of poultry day-old chicks by suspending the duty that was applied to imports of hatching eggs from countries outside of the SADC region. This timely intervention is beginning to bear fruit as the recent survey by the Zimbabwe Poultry Association (ZPA) indicates.

According to the ZPA survey, broiler hatching egg production by poultry breeders has increased from a low of 4,6 million in July to 6,0 million in September. Over the same period, broiler hatching egg imports increased from 1,2 to 2,8 million. Thus, the total hatching eggs handled by local hatcheries increased from 5,4 million in July to 8,8 in September (Figure 22).

As a result, broiler day-old chick production increased from 4,2 to 6,2 million between July and September. This will go a long way to stabilising the production of broiler meat and ensure that the country takes advantage of the surplus in maize production inspired by the Command Agriculture initiative.

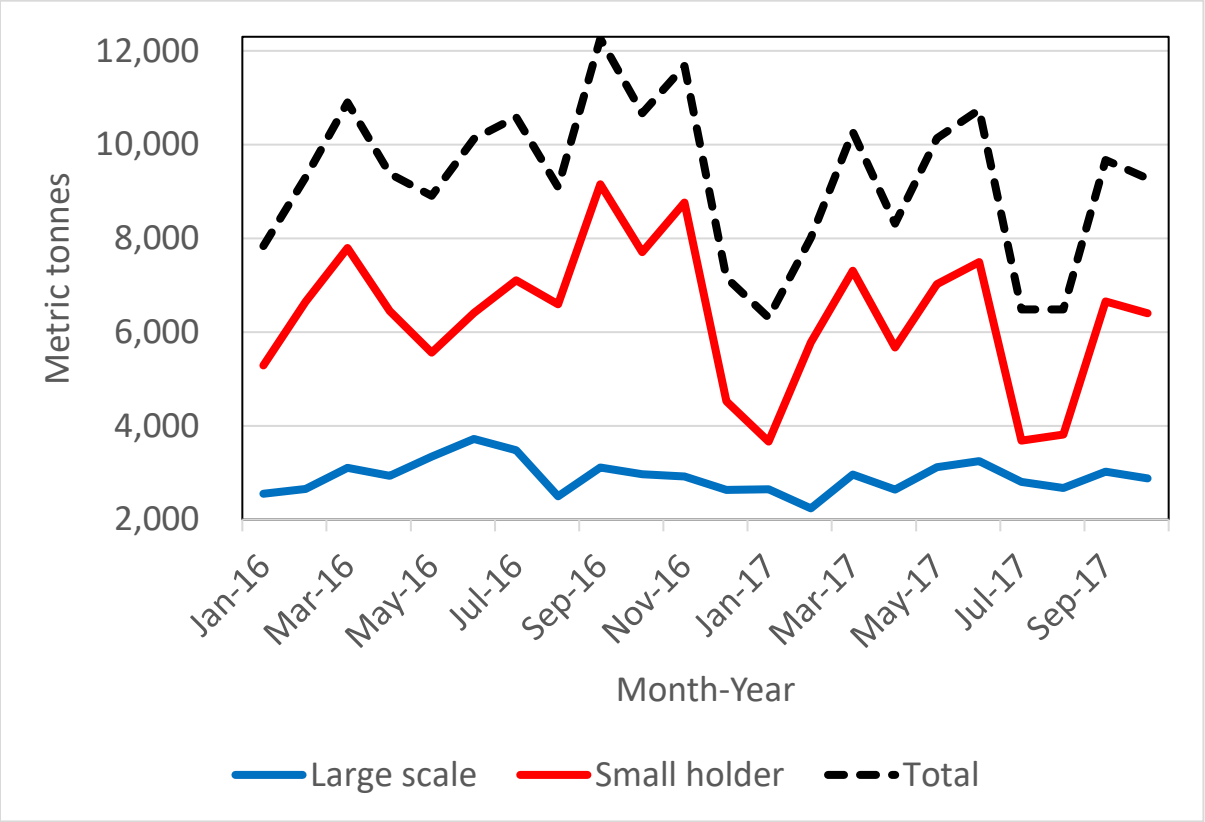
Figure 22: Broiler Hatching Eggs and Day-Old Chicks, 2016 to October 2017



This, together with the high cost of obtaining foreign currency, has led to the increase in the cost of producing broiler day old chicks. The ZPA estimates that total meat production dropped from a monthly average of 8,819 tonnes between January and June to 6,500 tonnes in July and 6,155 tonnes in August (Figure 23).

This was mainly due to an estimated decline of 50% in smallholder production from an average of 6,000 tonnes in the first half of 2017 to 3,700 tonnes in July and 3,570 tonnes in August. However, given the increase in day old chick production total broiler meat production was estimated to have peaked over 9,000mt in September and October.

Figure 23: Estimated Broiler Meat Production, 2016 to October 2017

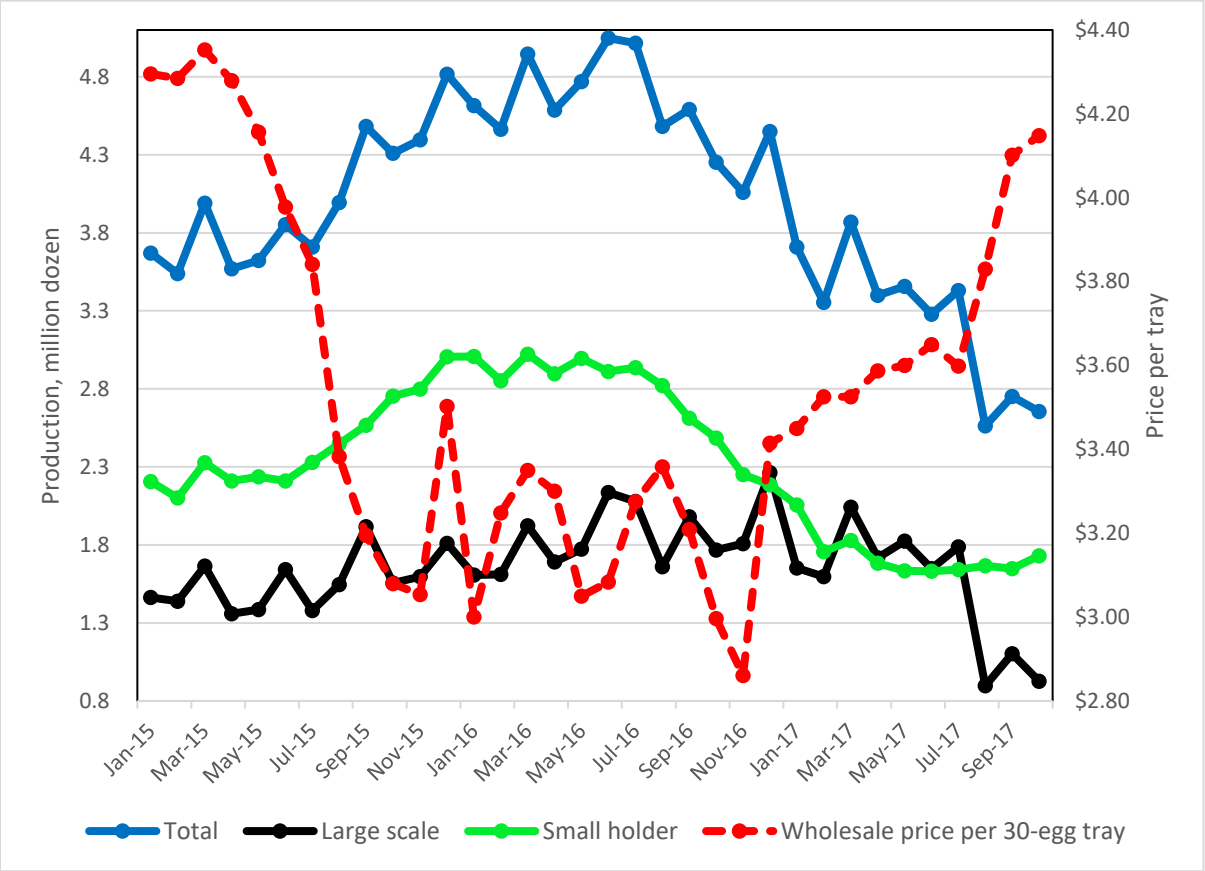


The depopulation of Lanark Farm because of Avian Influenza has led to the loss of most of their layer breeding stock, more than halving their commercial egg production stock. As a result, it is estimated that the number of birds in-lay within the large-scale sector dropped from an average of 890,000 in the period January to July to 478,000 in August.

This led to a reduction of table egg production in the large-scale sector from a monthly average of 1,8 million dozen in the January to July period to only 1,0 million dozen per month in August to October (Figure 24).

Including the smallholder sector, total egg production is projected to have declined from a monthly average of 3,5 million dozen in the January to July period to 2,7 million dozen per month in August to October (Figure 24). Given the time lag in bringing new birds into lay, short supply will exist on the market in the interim as egg farmers respond.

Figure 24: Egg production and prices, 2015 to October 2017



This year's Zimbabwe Poultry Association AGM, held on 13th December, was expanded into a workshop for poultry producers.

It provided an important platform to take stock of the impact of Avian Influenza on the industry and highlight the importance of biosecurity in maintaining healthy, disease-free flocks. The programme covered: *The Role of Livestock in Developing Countries*; *Biosecurity Training for Avian Influenza;* and *ZPA Poultry Trends.* A presentation on *Zimplats Mhondoro Ngezi Chegutu Zvimba Community Share Ownership Trust* provided an inspiring insight into how community share ownership funding is being harnessed and invested in a productive poultry project.

In his Chairman's Report to the 47th Annual General Meeting of ZPA, Solomon Zawe noted that poultry production is now on the rebound and that efforts by ZPA members to rebuild lost capacity in the breeder industry are now bearing fruit. He paid tribute to

Irvine's and to the Department of Veterinary Services for reacting swiftly and decisively to the outbreak of AI, noting that massive depopulation of breeder flocks had been carried out in the national interest.

Projecting forward, ZPA anticipates that the supply of table eggs to the market will increase again in 2018. With breeder capacity and the supply of day old chicks to the market restored, poultry producers can take advantage of abundant maize produced under Command Agriculture to increase production of broiler meat and eggs again in 2018.

4.0 Pork Sector

Cumulative slaughters to October 2017 totaled 126,021, 9% less than the corresponding period in 2016. Average slaughters for the same periods between 2014 and 2016 was 120,206, indicating that the supply of pork through the formal channel has been relatively flat notwithstanding the viability challenges within the smallholder sector.

Figure 25: Pig Slaughters, 2013 – October 2017

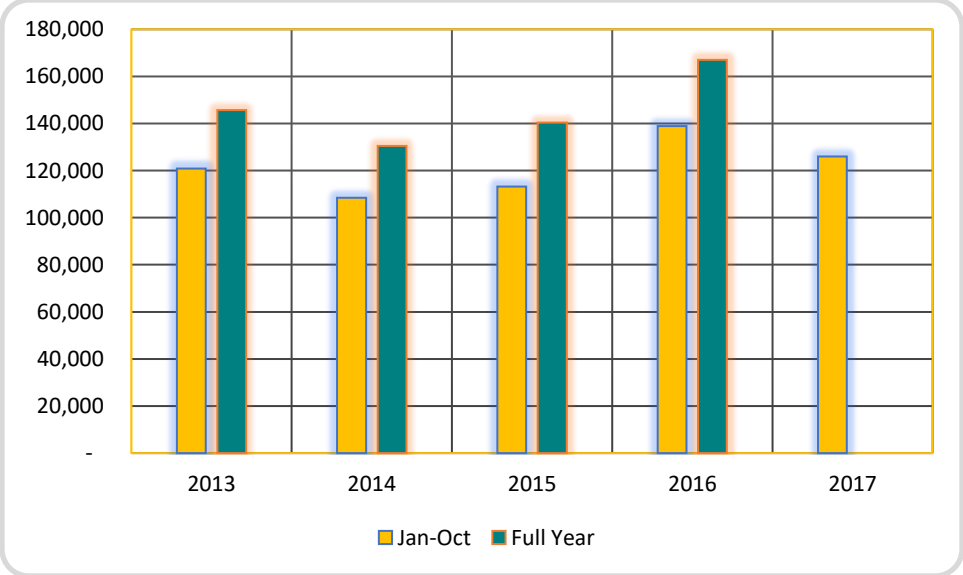
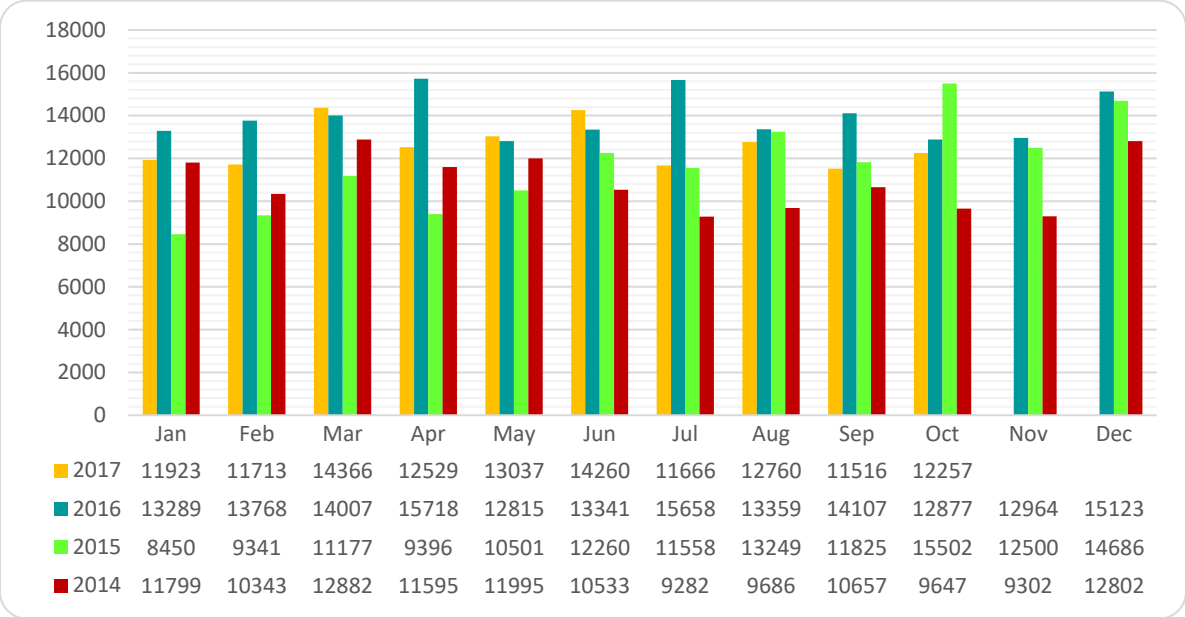
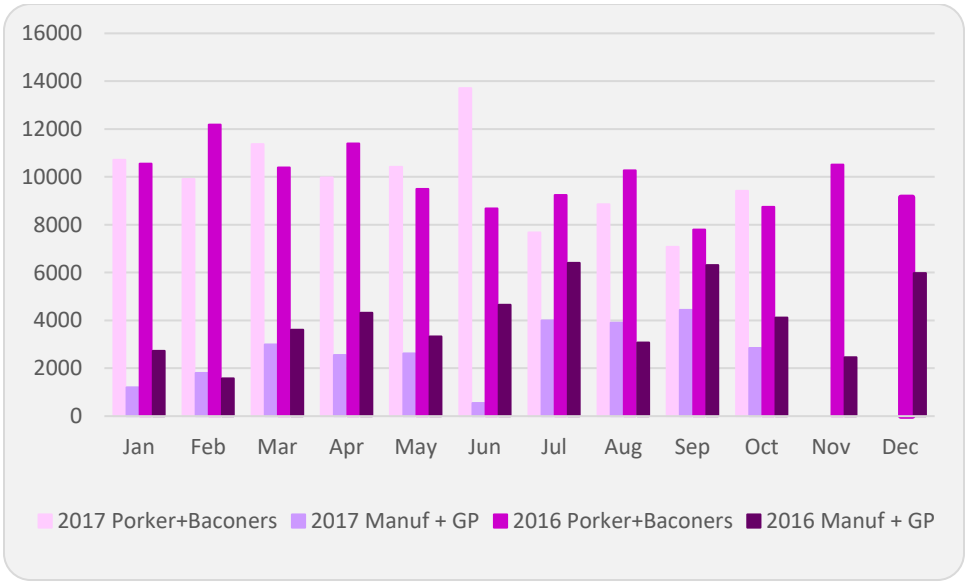


Figure 26: Monthly Pig Slaughters, 2014 – October 2017



Cumulative slaughters in 2017 to October were composed of 81% Porkers and Baconers with the remaining 19% made up of Manufacturing and General Purpose grades. Compared with the same period in 2016, Porkers and Baconers had a ten percentage point increase from 71%.

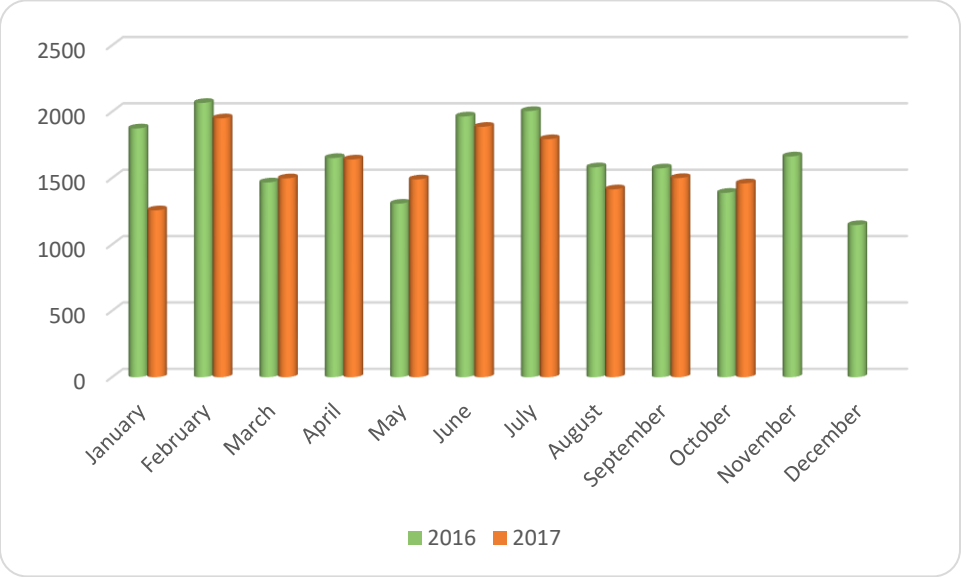
Figure 27: Monthly Pig Slaughters by Grade



5.0 Goats

Total goat slaughters at abattoirs monitored by the Department of Livestock Production and Development for the ten months to October 2017 totaled 15,511, 8% less than the same period in 2016.

Figure 28: National Monthly Slaughters for Goats, 2017



For the period January to October 2017, Bulawayo province recorded the highest number of goat slaughters, accounting for 39% of the total slaughter. Mashonaland West province had the second highest slaughters with 21%, ahead of Masvingo province which accounted for the third highest with 16%. Mashonaland Central reported no slaughters which is a reflection of the absence of monitored abattoirs or the movement of goats to abattoirs in adjacent provinces.

Figure 29: Monthly Goat Slaughters by Province, January to October 2017

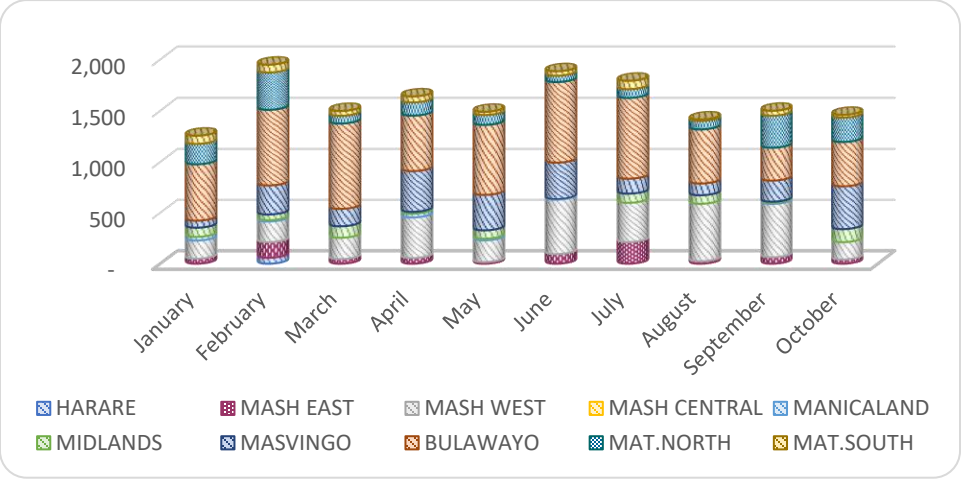
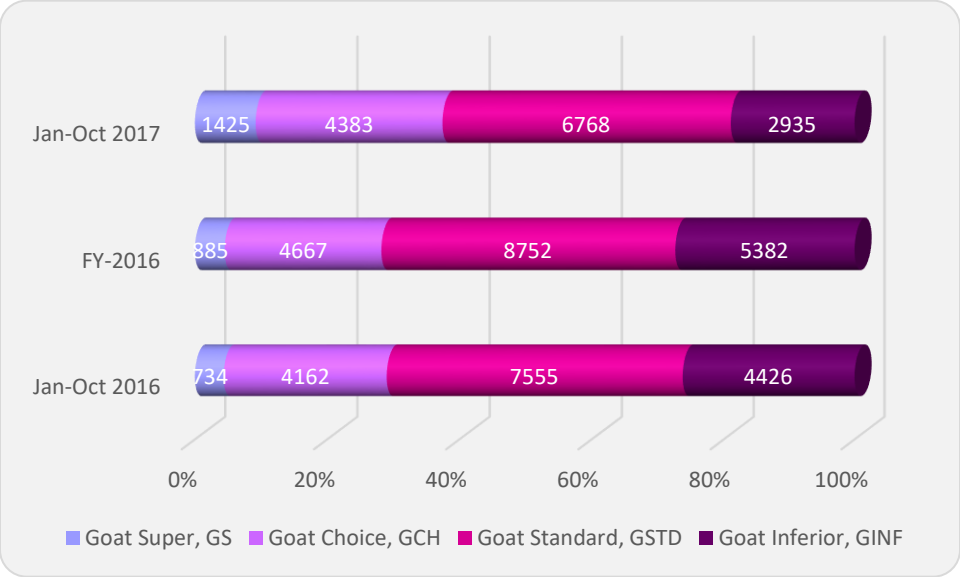


Figure 30: Goat Slaughters Classified by Grade



In a welcome development, the Minister of Finance and Economic Development announced in his budget presentation in December 2017 that goat and sheep meat would be exempt from value added tax with effect from 1st January 2018.

6.0 Meat Processing Sector

Imports of Mechanically Deboned Meat

Cumulative imports of mechanically deboned meat (MDM) for the ten months to October 2017 were 5,068mt, representing a decline 0f 22% over the same period in 2016.

The import of MDM has been disrupted by a number of issues, including the meat scandal in Brazil which led to a temporary ban on its import and the outbreak of Avian Influenza in South Africa which curtailed the import of poultry related product from, and through, South Africa.

The industry is also under strain as other raw materials required in the production of processed meats such as sausage casings are not on the priority list of imports, increasing price pressure on meat products as processors are forced to make their own arrangements in procuring raw materials.

The cost of MDM averaged $806/mt over the period January to October 2017, an increase of 71% over the same period in 2016. The rise in cost is due to a number of

factors, including the supply constraints from traditional markets including Brazil and Argentina. The duty of 40% on imports, notwithstanding the fact that MDM is categorised as a raw material, adds to the cost buildup.

Figure 31: Imports of Mechanically Deboned Meat, 2016 – October 2017

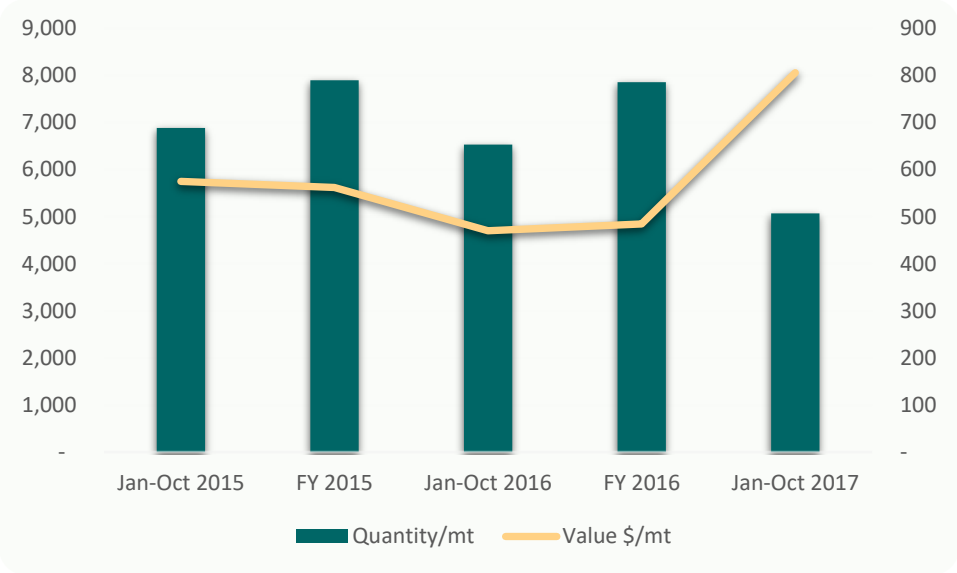
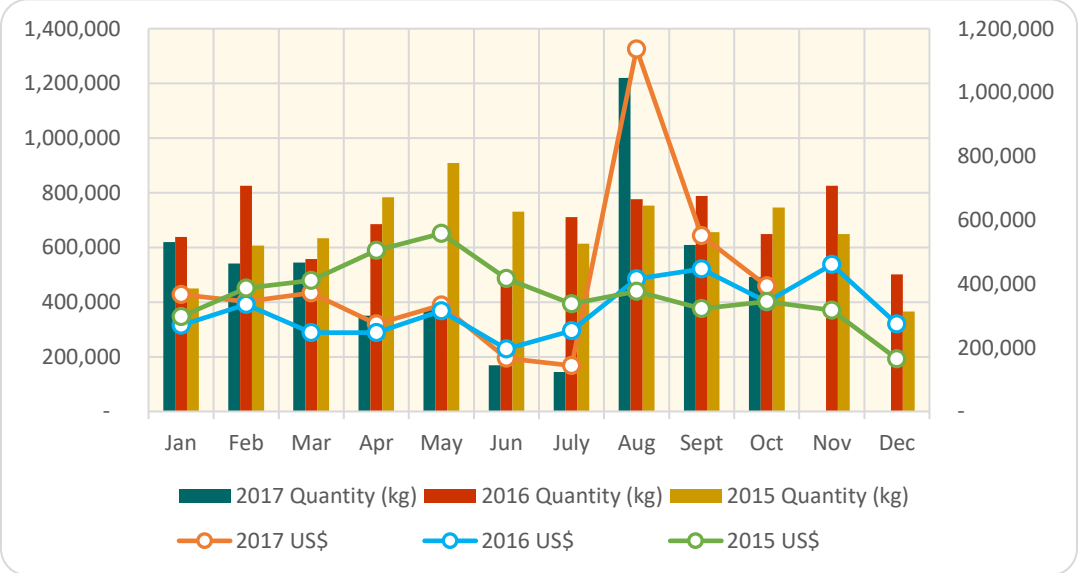


Figure 32: Monthly Imports of MDM, 2015 – October 2017

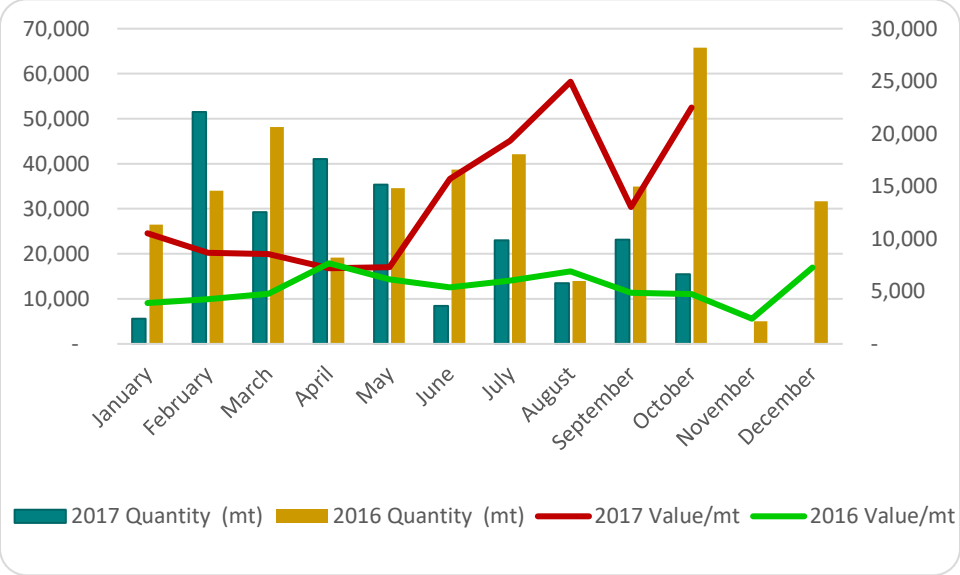


The monthly supply of MDM for 2017 has been more volatile than is traditionally the case due to interruptions resulting from bans and availability of nostro balances by the central bank.

Imports of sausage casings for the ten months to October 2017, amounted to 246mt, a decline of 38% over the same period in 2016. The total value of imports was $2.9m against $2.1m in 2016.

The average import cost was $13,780/mt, an increase of 157% over the same period in 2016. The significant increase in cost reflects both the acquisition cost of offshore payment facilities and the increase in casings on the global market.

Figure 33: Imports of Sausage Casings, 2016 – October 2017

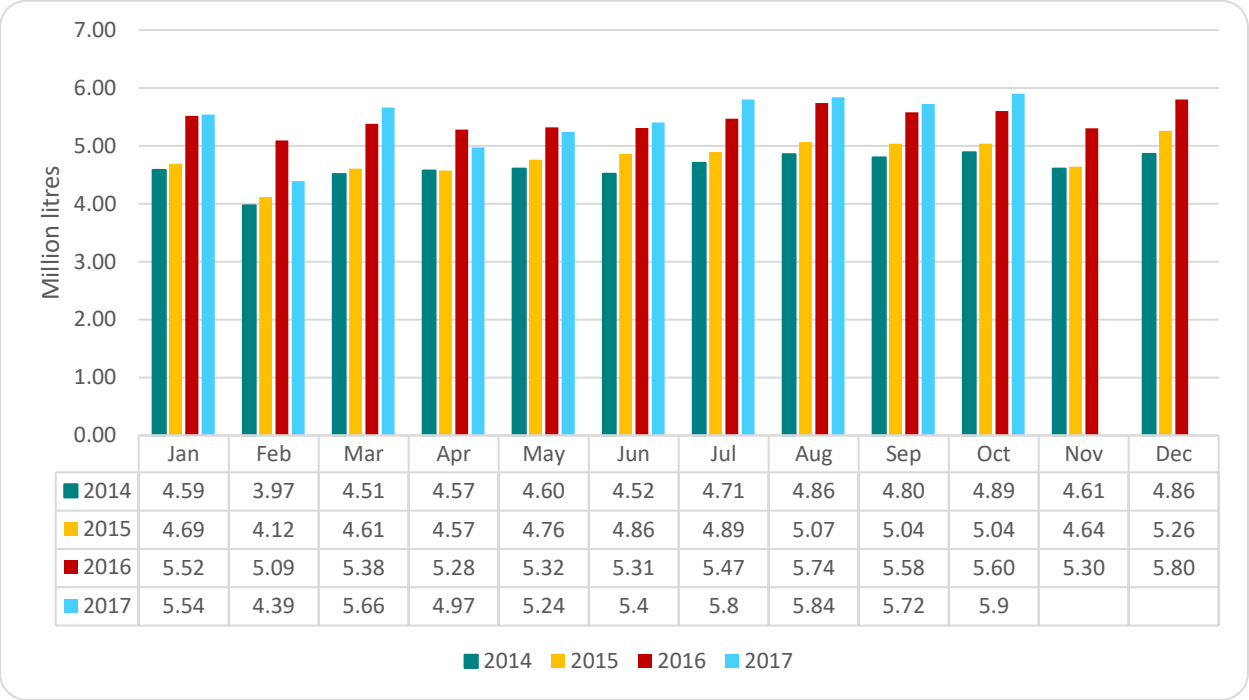


7.0 Dairy Sector

Milk production for the ten months to October totaled 54.5 million litres, a slight increase above the 54.3 million litres recorded over the same period in 2016.

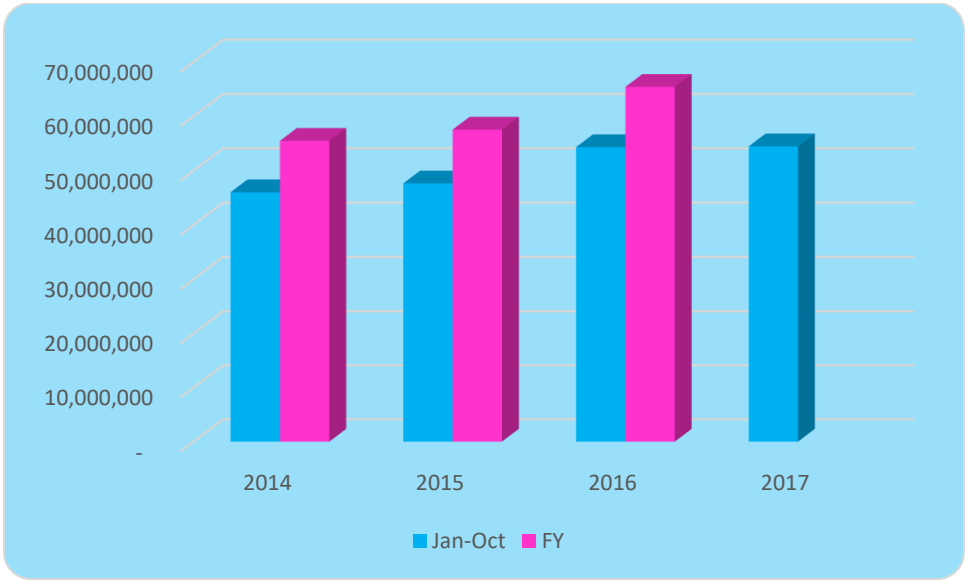
Total milk production for 2017 is expected to be between 65 – 70 million litres and the industry is targeting an annual production of 100 million litres by 2019. Total milk demand in Zimbabwe is estimated to be 120 million litres per annum.

Figure 34: Monthly Milk Production (litres), 2014 – October 2017



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	4.59	3.97	4.51	4.57	4.60	4.52	4.71	4.86	4.80	4.89	4.61	4.86
2015	4.69	4.12	4.61	4.57	4.76	4.86	4.89	5.07	5.04	5.04	4.64	5.26
2016	5.52	5.09	5.38	5.28	5.32	5.31	5.47	5.74	5.58	5.60	5.30	5.80
2017	5.54	4.39	5.66	4.97	5.24	5.4	5.8	5.84	5.72	5.9		

Figure 35: Cumulative Milk Production (litres), 2014 – October 2017



8.0 Aquaculture

Exports of fish were 1,356mt, valued at $3.2m for the first ten months of the year to October 2017. This represents a decline of 50% and 47% in quantity and value, respectively when compared to the corresponding period in 2016. Compared with the same period in 2015, exports declined by 68% and 70% in quantity and value, respectively. The persistent increase in the cost of doing business have decreased the country's competitiveness in export markets.

Figure 36: Fish Exports (mt) January to October 2017

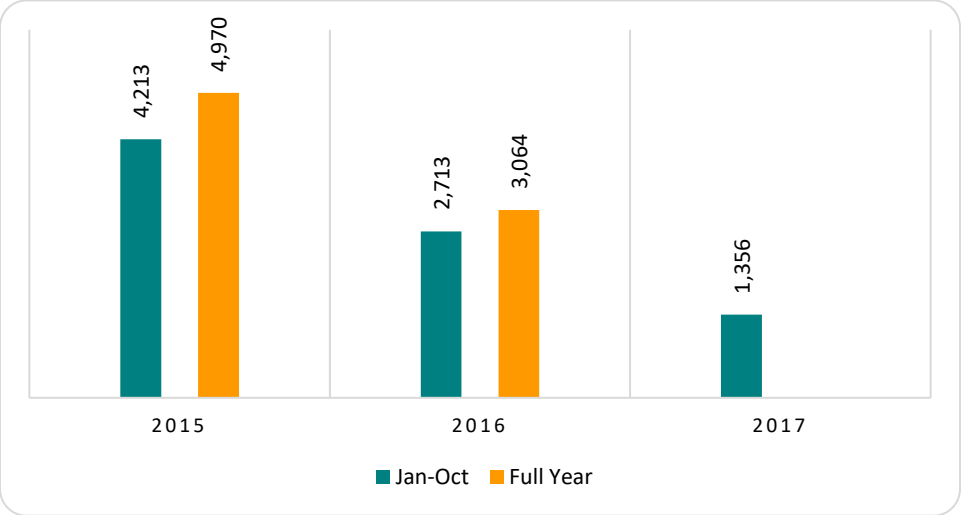
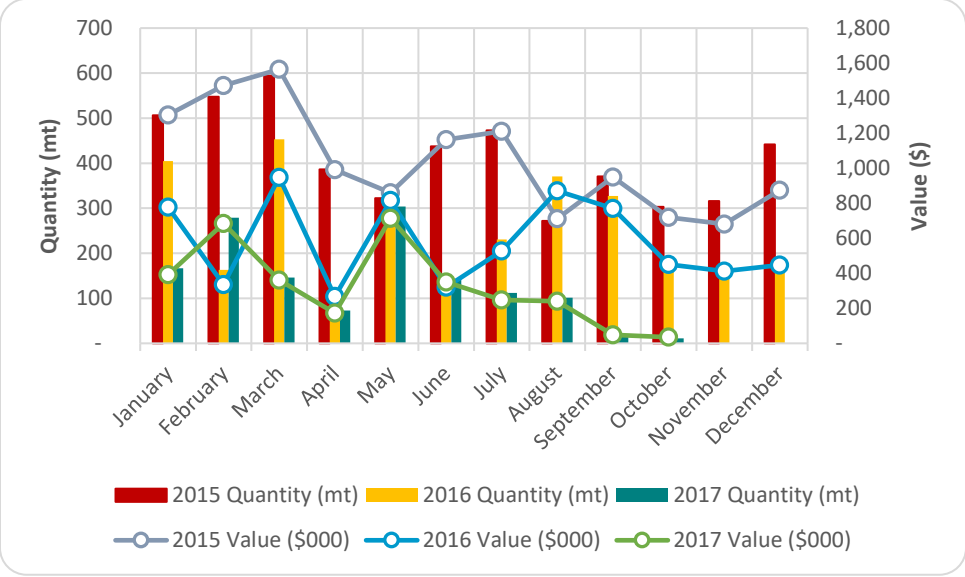


Figure 37: Monthly Fish Exports, 2015 – October 2017



Exports for October 2017 were 11mt at a value of $35,436 which is the lowest recorded since 2015 in both quantity and value. For the same month in 2016, 186,000mt were exported and earned $451,000.

Figure 38: Value of Fish Exports $/mt, 2015 – October 2017

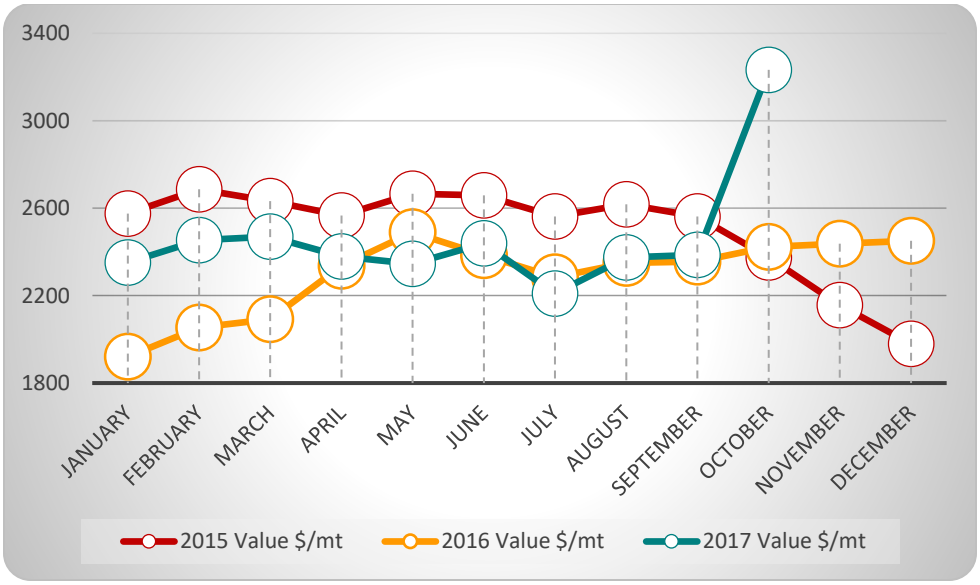
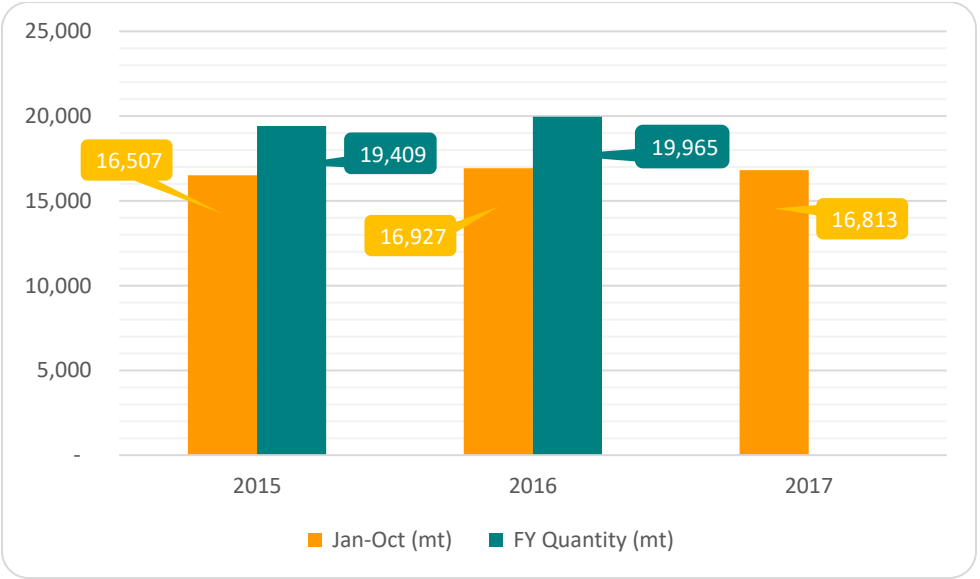


Figure 39: Fish Imports January – October 2017



Cumulative imports to October for 2017 amounted to 16,813mt, a slight decrease of 1% and 2% over the same period in 2016 and 2015 respectively. In value terms as illustrated in figure 40, in the nine months to October 2017 total imports amounted to $16.3m, 6% less than the corresponding period in the previous year.

Figure 40: Fish Imports January – October 2017

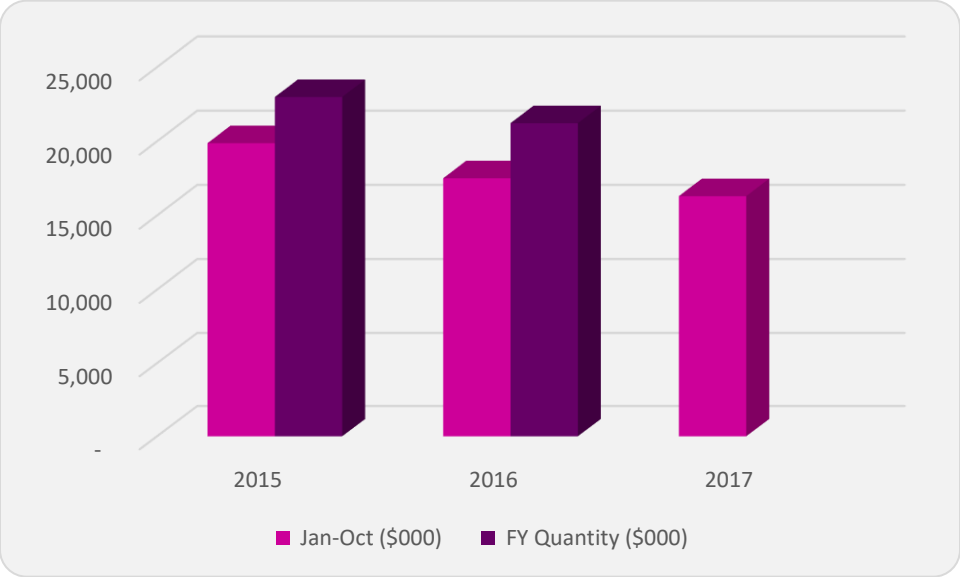


Figure 41: Monthly Fish Imports

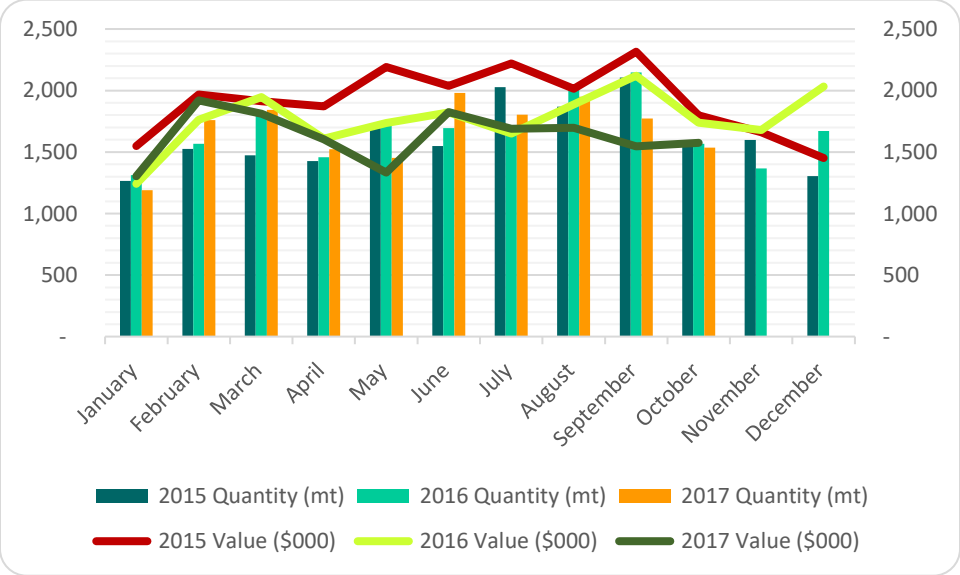


Figure 42: Value ($)

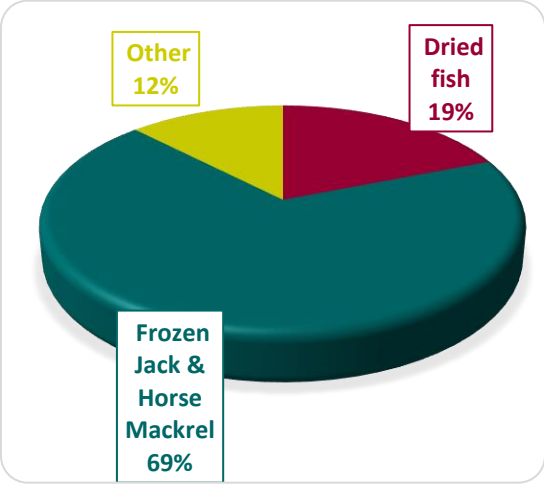
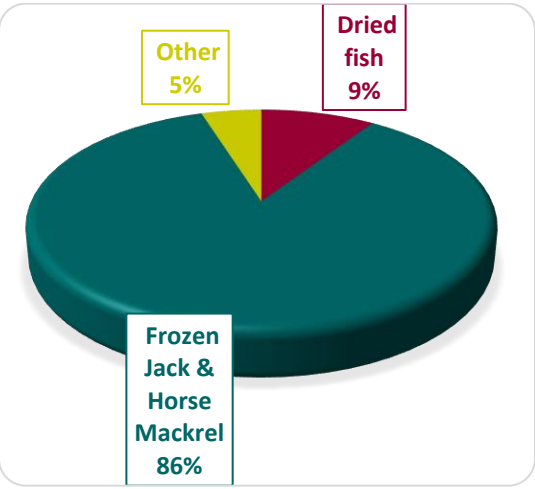


Figure 43: Quantity (mt)



As illustrated in the figures above, while dried fish constituted 9% of the quantity of total fish imports, in terms of monetary value, its contribution was 19%. Frozen Jack and Horse Mackerel made up 86% of total imports to October 2017.

The Zimbabwe Fish Producers Association (ZFPA) held a fish educational forum in conjunction with the Annual General Meeting on 12th December. This event attracted prospective as well as established fish producers in the growing aquaculture industry.

The programme focused on key management principles in aquaculture, including *Fish Health, Disease Control and Food Safety*, which underpins fish production. Other topics covered were *The Types of Production Systems in Fish Farming; Affordable Food Rations in Fish Production* and *Business Challenges and Investment Opportunities in the Fish Industry.* A presentation on *Fisheries Policy and Aquaculture Development* provided an overview of Command Fisheries programme, initiated by the Department of National Parks to complement the Command Agriculture programme with its various components.

9.0 Livestock and Meat Advisory Council and General Economic Trends

The livestock industry welcomed the new Minister, Chief Air Marshall (Rtd) Perence Shiri, to the Ministry 0f Lands, Agriculture and Rural Resettlement who has wasted no time reinforcing the message espoused by the President of business friendly policies.

On 7th December 2017, the Minister of Finance and Economic Development, presented the 2018 National Budget wherein a number of policy pronouncements relevant to the livestock sector were announced, which included;

1) VAT on Capital Equipment Arising From Change of Policy
   998. VAT registered operators are allowed to claim input VAT on capital goods used to manufacture taxable supplies.
   999. However, in circumstances where the manufacturer changes use of the capital goods to produce exempt supplies, the plant and equipment is deemed to have been disposed, hence output VAT is payable.
   1000. The decision by Government to exempt previously zero-rated supplies, such as margarine, eggs, rice implies that plant and equipment used by registered operators was deemed to have been disposed, resulting in an unplanned output VAT liability.
   1001. In order to mitigate the impact of the VAT liability on affected suppliers, it is proposed that the Deeming Provision shall not apply where change of use is emanating from Government policy.
   1002. This measure takes effect from 1st January 2018.

2) VAT Exemption on Goat and Sheep Meat
   1003. Whereas other meat products such as beef, chicken and pork are exempt from VAT, meat of sheep and goats is liable to a 15% standard rating of VAT.
   1004. This scenario makes goat and sheep meat more expensive relative to other meat products.
   1005. In order to level the playing field, the 2018 Budget proposes to exempt goat and sheep meat from VAT with effect from 1 January 2018.

Rapid Results Initiative

With the new dispensation, the Ease of Doing Business reforms are anticipated to receive increased impetus, resulting in improved business conditions that will augur well for the economy's competitiveness. With the first hundred days of the Rapid Results Initiative (RRI) coming to an end in December, a workshop was held to review progress where it was agreed that a second hundred day program would be initiated to consolidate and implement recommendations. As part of efforts to increase

coordination between agriculture and manufacturing RRI, it was also recommended that the two clusters be collapsed into one. Key priority areas have been identified that will enhance the ease of doing business and are expected to result in the repealing and/or gazetting of statutory instruments.

Industry has raised concern following the publishing of Statutory Instrument 129 which seeks to levy the production of day old chicks, milk production and slaughtered cattle at DLVS monitored abattoirs. The livestock development levy collected by the Agriculture Marketing Authority, is meant to be used in the management of diseases and research in the livestock industry among other uses. Industry representatives have since communicated their displeasure at the lack of consultation, especially in light of efforts already being undertaken by various industry participants like Zimbabwe Association of Dairy Farmers (ZADF) who are already levying milk production for the development of the industry. Another objection raised relates to the cashflow constraints imposed by the levy given the short turnaround between collection and surrender of the levy. Industry participants have requested the suspension of the levy to allow for adequate consultation and proper integration with developmental efforts already on the ground.

Achievements and Milestones of 2017

2017 saw the first good agricultural season in several years, and third highest rainfall recorded in Zimbabwe. It was a year of an abundant maize crop, herd rebuilding and record stud animal prices and many other achievements.

For livestock producers and processors, it was also a year of unprecedented challenges, accessing money and inputs at a high price, and having to contend with other procurement and operational challenges. Foot and Mouth Disease reared its ugly head and a single outbreak of Avian Influenza had a devastating impact on the poultry industry.

2017 was also a year of milestones and other highlights in the livestock sector:

- Command Livestock is launched.
- Dairy industry commits to self-sufficiency by 2020.

- Record prices achieved at the Zimbabwe Herd Book National Breed Sale.

- Crafting of a national fish policy begins.

- Rapid Results Initiatives launched to reduce production costs by at least 50% and create a one-stop shop for permit application.

- Best attended Beef School is hosted by Zimbabwe Herd Book.

- The Pig Producers Association of Zimbabwe launches a pilot pig production project in Goromonzi, together with the Pig Industry Board.

- A strategy to rebuild the poultry industry after an outbreak of Avian Influenza is now bearing fruit.

- Local production of hatching eggs increases for the first time in several years.

- The Livestock and Meat Advisory Council is restructured as an autonomous organisation under a Board of Governors, comprising its allied association chairmen.

- The Council launches the Livestock Dialogue Forum to foster wide-ranging discussion of key livestock issues.

- LMAC is working closely with the European Union funded Zimbabwe Agricultural Growth Programme (ZAGP). The organisation will play a role in advising on all-inclusive projects across the value chains. The wide-ranging ZAGP encompasses cattle, pigs, fish and feeds and preparation of concept notes is now underway.