



Livestock & Meat Advisory Council

2017 Annual Report

Including Allied Associations



**2017 Annual Report of the Livestock and
Meat Advisory Council and Allied
Associations**

Livestock & Meat Advisory Council

2017 Annual Report

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List of Acronyms and Abbreviations

AGRITEX	Agricultural Technical and Extension Services
AI	Avian Influenza
AMR	Antimicrobial Resistance
AGM	Annual General Meeting
CAP	Command Agriculture Programme
CVL	Central Veterinary Laboratory
DLPD	Division of Livestock Production and Development
DLVS	Department of Livestock and Veterinary Services
DoC	Day Old Chick
DVS	Division of Veterinary Services
EBV	Estimated Breeding Value
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FMD	Foot and Mouth Disease
Kg	Kilogram
LEADS	Leadership for Enhanced Agricultural Development Series
LIT	Livestock Identification Trust
LITS	Livestock Identification and Traceability Systems
LMAC	Livestock and Meat Advisory Council
MoAMID	Ministry of Agriculture, Mechanisation and Irrigation Development
MDM	Mechanically Deboned Meat
MPAZ	Meat Processors Association of Zimbabwe
mt	metric tonne
OIE	World Organisation for Animal Health
OPC	Office of the President and Cabinet
PIB	Pig Industry Board
PPAZ	Pig Producers' Association of Zimbabwe
RDC	Rural District Council
RRI	Rapid Results Initiative
SADC	Southern Africa Development Community
SI	Statutory Instrument
SMA	Stockfeed Manufacturers Association
VAT	Value Added Tax
ZAA	Zimbabwe Association of Abattoirs
ZADF	Zimbabwe Association of Dairy Farmers
ZAGP	Zimbabwe Agricultural Growth Programme
ZAS	Zimbabwe Agricultural Society
ZFPA	Zimbabwe Fish Producers Association
ZHB	Zimbabwe Herd Book
ZimASSET	Zimbabwe Agenda for Sustainable Socio-economic Transformation
ZIMRA	Zimbabwe Revenue Authority
ZimSTAT	Zimbabwe National Statistical Agency
ZPA	Zimbabwe Poultry Association

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Livestock & Meat Advisory Council

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Executive Summary

The Livestock and Meat Advisory Council, inaugurated as the Meat Advisory Council, was formed at a meeting held at the Ministry of Lands, Agriculture and Water Development on 2nd December 1994. The aims and objectives of the Advisory Council “shall be to protect, promote and further the interests of those persons engaged in the Livestock and Meat Industry in Zimbabwe, to further the promotion and development of a sound, healthy and economically viable Livestock and Meat Industry...”

The Council meets bi-monthly to discuss and deliberate upon issues that affect the livestock industry. It draws together representatives of its allied Associations to create partnerships for lobbying and advocacy to ensure a viable and sound livestock and meat industry.

Representative bodies that have attended and participated in the affairs of Council in 2017 include the Department of Livestock and Veterinary Services, Department of Research and Specialist Services and Zimbabwe Republic Police Anti-Stocktheft Unit. Farmer’s Unions, Auctioneers, Abattoirs, Dairy and Beef cattle, Pigs, Poultry, Sheep and Goats, Stockfeeds, Leather, Livestock Identification Trust, Zimbabwe Herd Book and Bankers have attended meetings and supported Council activities.

As in previous years, the Council has facilitated workshops, presentations and seminars for the livestock industry and Council has continued its advocacy to address overlapping regulations in the sector.

The Council attended many meetings arranged and hosted by its business partners and the relevant reports are described under Activities.

The website and Facebook page were updated regularly and the circulation of Industry and Livestock Market Updates continued.

2017 has been an interesting but positive year for the Livestock and Meat Advisory Council and it is anticipated that 2018 will be as rewarding.

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Livestock & Meat Advisory Council

The Livestock and Meat Advisory Council (LMAC), inaugurated as the Meat Advisory Council, was formed at a meeting held at the Ministry of Lands, Agriculture and Water Development on 2nd December 1994. The aims and objectives of the Advisory Council “shall be to protect, promote and further the interests of those persons engaged in the Livestock and Meat Industry in Zimbabwe, to further the promotion and development of a sound, healthy and economically viable Livestock and Meat Industry...” The most important function of LMAC is to provide a platform for all stakeholders to meet and deliberate on issues pertaining to the industry.

The mandate of LMAC is to promote the development of a sound, healthy, vibrant and economically viable livestock and meat industry in Zimbabwe:

- Through lobbying and advocacy;
- By identifying key constraints affecting livestock and meat production and growth and making recommendations to improve production such as agro-ecologically and agro-economically suitable input packages;
- By recommending and monitoring implementation of strategies for the increase in livestock production and improved meat security;
- By recommending methods of strengthening linkages between government and private sector production activities;
- By recommending measures to promote a balanced and broad based production system;
- By recommending strategies and instruments to reduce livestock and meat product insecurity at national and household levels;
- By reviewing and recommending ways of improving marketing of livestock and meat product by producers with particular reference to smallholder farmers;
- By recommending methods of maximising benefits from international and regional trade agreements.

Membership

Membership of LMAC includes but is not limited to the following:

Auctioneers

Bankers Association of Zimbabwe

Commercial Farmers' Union

Livestock Identification Trust

Pig Producers Association

Meat Processors Association

Sheep and Goats

Stockfeed Manufacturers Association

Zimbabwe Association of Abattoirs

Zimbabwe Association of Dairy Farmers

Zimbabwe Herd Book

Zimbabwe Fish Producers Association

Zimbabwe Free Range Poultry Association

Zimbabwe Commercial Farmer's Union

Zimbabwe Farmers' Union

Zimbabwe National Farmers' Union

Zimbabwe Poultry Association

Finances

The Livestock Identification Trust (LIT) provides secretariat services to LMAC and its allied Associations. The LIT secretariat comprises part-time services of an administrator, secretary, accounts manager and receptionist. A full-time Senior Economist and Liaison Officer are also employed.

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 (AI) 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 AI 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 (EU) 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.

Activities

Value Added Tax on Meat and Meat Products

Value Added Tax (VAT) of 15% on meat, meat products, offal, fish and other food products came into effect on 1st February 2017, raising widespread concern that this will immediately drive up the cost of living for the already stretched consumer. It is feared that ultimately, this could pose health risks to the consumer through the mushrooming of the informal meat market. This would also have the effect of reducing the national tax base still further.

The negative ramifications to livestock production and food security of the proposed VAT of 15% on beef, pork, fish, chicken, rice and potatoes were highlighted in a joint statement from the four farmers' unions and published in the Business Herald of 13th January. This followed the convening of a stakeholders meeting late last year by the Joint Presidents Council which concluded that the introduction of VAT on these commodities as proposed in the National Budget, cannot be absorbed by the livestock value chain – by the consumer, livestock farmer or the abattoir operator.

Already, the effect of VAT introduced on sheep and goat meat in August 2016 is inflationary in a value chain with narrow margins. The already stretched consumer cannot absorb this increase and producers may not remain in business as long as this is in place.

However, on 15th February, the livestock industry welcomed the announcement by the Minister of Finance, the Hon. Patrick Chinamasa that the VAT of 15% on meat, meat products,

offal, fish and other commodities is to be suspended, pending wider stakeholder consultation. The new Statutory Instrument (SI) 26A of 2107, Value Added Tax (General) (Amendment) Regulations, 2017 (No 43) was gazetted on 16th February 2017, rescinds SI 20 of 2017.

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.

Statutory Instrument 37 of 2017

SI 37 of 2017, [Harare (Meat) By-Laws] enacted in March, updates regulations on the handling and sale of fresh meat in Harare, specifying that only meat from registered abattoirs may be sold in the capital. This new legislation introduced in the wake of a typhoid outbreak, seeks to regulate the meat trade more stringently. It supersedes the old, outdated 1976 legislation.

Rapid Results Initiatives

The Rapid Results Initiative (RRI) to improve the ease of doing business in Zimbabwe was implemented mid-year, with the Agri-Initiative part of this now underway. Livestock producer associations have an important role to play in this process spearheaded by the Office of the President and Cabinet (OPC). All private sector participants have been invited to engage in this initiative to rationalise the business landscape at every level.

Sub-committees formed to examine and rationalise the regulatory framework, information management and research and development met weekly to drive the process forward.

In December, an extension of one hundred days was welcomed by the two working groups to this vital process, agriculture and manufacturing. The final phase of this initiative will see the two groups working together to streamline business processes, remove unnecessary regulatory and other duplication and impediments to efficiency and competitiveness. As well as being a key part of the agricultural working group, LMAC is represented on the industry side through the Meat Processors' Association of Zimbabwe (MPAZ) and the Zimbabwe Association of Abattoirs (ZAA). Among other things, RRI aims to establish a One-Stop-Shop for permit applications.

Maize Value Chain Conference

LMAC attended this key event organised by the Zimbabwe Agricultural Society (ZAS) on 21st April. As well as focusing on the logistics of handling the largest maize crop in several years and minimising post-harvest losses, the conference also looked at how to sustain maize self-sufficiency and ultimately restore Zimbabwe's status as 'the breadbasket of Africa'.

LMAC presented a paper giving an analysis of hectarage planted this season, production potential, anticipated output per province and other factors. This overview projected a total maize harvest of between 2 and 2.5 million tonnes (mt) in 2017.

The conference recognised that in the long term, sustaining maize self-sufficiency and growing the maize value chain to play its full part in the economy will ultimately depend on increasing maize yield per hectare. This is critical to ensuring viability of maize production as well as being able to keep the national staple affordable for the average consumer without requiring heavy subsidies. Participants also looked at the scope for building the maize value chain through the revival of industries such as the production of glucose from maize, used in a wide variety of foods and currently imported.

Ease of Doing Export Business – Mid-term Review Feedback Workshop

A stakeholder feedback workshop was held on 17th May in a mid-term review of the Rapid Results 100-day initiative to improve the ease of doing export business. This is part of a programme coordinated by OPC to make the business environment in Zimbabwe more conducive for doing business.

OPC is co-coordinating with the Ministry of Industry and Commerce and ZimTrade to improve the ease of doing export business. Two thematic working groups have been formed under this rapid results initiative. The Export Capacity working group has been tasked with devising a National Export Strategy, improving access to finance and developing value added export incentives. To complement this, the Export Regulations working group is targeting a 50% reduction in time and cost of exporting. It is reviewing relevant legislation as well as other non-statutory reforms.

Both thematic committees report fair progress but lament low participation and input from stakeholders. Each group meets weekly to drive the project forward.

Statutory Instrument 79 of 2017

In July, SI 79 of 2017 was gazetted which sets out penalties for the illegal side marketing of maize contracted under the Command Agriculture Programme (CAP). It lays down stiff penalties for both seller and buyer of CAP contracted maize sold in breach of contract, specifying that this must be delivered directly to the Grain Marketing Board.

LMAC and its allied Associations recognise the importance of SI 79 of 2017 in loan recovery for the 2016/17 CAP maize crop and the continued success of the Command Agriculture Programme, as well as the rollover of this finance for further agricultural and economic growth in Zimbabwe.

Plan of Action for the Command Livestock Programme

Following the approval of the \$200million facility by Cabinet, plans need to be put in place to smoothly operationalise this facility. The general understanding is that the program satisfies two broad objectives:

- The need to generally improve underlying production efficiency while enhancing livelihood support as well as increasing the contribution that livestock makes to the national economy.
- It is now therefore important to explain these objectives to the expectant public and interested parties so that the operational mechanisms can be defined for implementation.
- While Government guarantees this facility of \$200million for beef and dairy, \$42 million for poultry, \$11 million for sheep and goats and \$30million for pig production, it will be incumbent upon value chain players (producers [farmers], processors, traders etc.) to attract the funding. Naturally, this will require demonstration of an ability to repay from enterprise proceeds. An important underlying requirement is that livestock products can satisfy market expectations with respect to their quality while ensuring food and nutritional security for the nation.

Possible Funding Sources

Funders of this special programme can be:

Private sector

- Value chain players i.e. livestock market players, aggregators, abattoir owners, Cold Storage Company, prospective importers, butchers, supermarket chains
- Financial sector players i.e. banks, microfinance institutions
- Institutional investors i.e. pension funds, insurance funds
- Commodity levy e.g. Dairy revitalisation levy, milk levy
- Corporate sector e.g. Sakunda
- Foundations
- Share ownerships of enterprises
- Crowd source funders

Statutory funds

- Agricultural Marketing Authority fund levy
- Local Authority levy
- Pension Funds
- Livestock Development Fund (proposed)

Offshore Financing

- AiDA (World Bank Associated)
- POTCH International Corporation P/L

Development assistance

- EDF 11
- World Bank
- International Finance Corporation
- Arab Bank
- Kuwaiti Fund
- Equity/endowment funding
- Zimbabwe Agricultural Development Trust

Government

- Grant matching funds/resources (land, facilities)
- Credit guarantees
- Direct funding for public infrastructure (roads, water, water reservoirs and other utilities in public good).

Foreseen Institutional Arrangements

- The Special Livestock Programme will be administered through the already existing Command Agriculture Structure. The Department of Livestock and Veterinary Services (DLVS) Head Office through the Directorate of Livestock Production and Development will coordinate and work with the existing Command Agriculture structure from province going down. The main additional requirement will be the involvement of livestock specialists at both province and district levels.
- DLVS and Agricultural Technical and Extension Services (AGRITEX) will be responsible for farmer identification according to laid down criteria e.g. land availability and carrying capacity, number of stock owned, ability to produce or access feed resources, infrastructure in place and farmer's track record.
- Government officers will not be handling any money or physical assets (livestock etc.). These aspects will be the responsibility of the funders and the input providers for noting by DLVS managers.
- Periodic returns to monitor progress.
- Provincial and district teams comprising AGRITEX, livestock specialists and veterinary officers will be responsible for creating and maintaining data bases.
- There is need for thorough screening of participants in the program taking lessons learnt from the Command maize and other past programs
- Screening of beneficiaries should start at ward level. The extension worker will do this. Information will then be passed on to district.
- Maintenance of a complete and secure paper trail of participants
- A dedicated line management for the Command Livestock will be required, for the purpose of coordination, monitoring, recording and communicating. This line management will require to be housed and equipped to carry out these functions.

Beneficiary value chain player obligations

- The value chain player should be allowed to choose inputs that they require to be funded on for which they will be liable.
- For the longer-term enterprises with inherent risks, recipients should insure their investment with approved service providers. This will be a precondition to receive program support.
- Guarantees of operating within supply chains will be necessary precondition to qualify.
- Evidenced past experience, facilities and competences in the enterprises intended on the basis of good agricultural practices and reliance on formal service providers meant to supply markets sustainably and repay borrowings.

Public Responsibility

- Repairing and putting up new infrastructure e.g. dipping facilities, water resources and reticulation.

- Game Fencing.
- Expanded program of livestock vaccinations (Foot and Mouth Disease [FMD], Newcastle, Quarter Evil, Lumpy Skin, Botulism, Anthrax, Rift Valley Fever, Bluetongue).
- Health and Husbandry Extension, Training and Monitoring.
- Risk Mitigation against emergency pests and diseases, drought, floods, ultra-high ambient temperatures, pasture and feed shortages.
- Certification by DLVS and Zimbabwe Republic Police of losses due to disease, natural disasters or theft.
- Loan Credit guarantee.

Harare Agricultural Show

In August, cattle, sheep and goat breeders who exhibited at the Harare Agricultural Show were commended for their participation and mentorship at the national show and other agricultural shows in the on-going show circuit. The growing livestock side of the Show attracted more entries this year, with Brahman, Mashona and Tuli cattle, and Dorper sheep exhibited by stud breeders, agricultural colleges and research institutes. The goat section was reintroduced this year and the rabbit section is now incorporated in the livestock section.

An important new feature was the review of all the livestock on show, conducted in the ring by the visiting South African Inter-breed judge after completion of judging. This evaluation of each animal was an important educational platform for both exhibitors and the public.

The livestock side of the Show, organised by ZAS under the show theme ‘Seed to Food’, showcased the potential of selective livestock breeding to improve livestock productivity. Use of strong genetics and selective breeding to upgrade herds for increased productivity has an important role to play in the national Command Livestock programme launched this year.

Beef Industry Policy

The Competition and Tariff Commission has recommended the crafting of a Beef Industry Policy for Zimbabwe. This is viewed as an important starting point to tap the potential of beef, which the now complete beef industry study found “has the potential to contribute 86% to rural incomes.”

Consensus among stakeholders is that beef industry policy must take the entire value chain into account, recognising the interdependence of all players. The Beef Sector Study validation workshops also questioned the sustainability of the current maize producer price, which, whilst stimulating production of the national staple, adversely impacts on the economics of meat production in the value chain. Beef industry revitalisation efforts are expected to focus on strengthening the value chain.

In synchrony with the ongoing Rapid Results Initiative, the Beef Validation workshops have also called for streamlining the many costs to the sector - in the form of fees, taxes and levies - 'to lessen the burden on value chain players'. Various FMD disease control strategies were also explored at the series of workshops, held at different centres around the country in September 2017.

The Beef Sector Study has found that 'farmers are disaggregated and not coordinated in production and marketing', which is not conducive to the establishment of strong beef value chains. Lack of cattle management skills were also identified as a limitation to realising the potential of beef to the national economy.

Leadership for Enhanced Agricultural Development Series (LEADS) Goat Production

Meeting

The potential of goat production in Zimbabwe under climate change came under the spotlight at the LEADS Goat Production Meeting hosted by ZAS at Exhibition Park on 6th October as part of the LEADS series which examines ways to unlock Zimbabwe's agricultural potential for economic development. The meeting highlighted the role that the hardy goat can play in Zimbabwe, from sustaining rural livelihoods to the production of meat for the export market.

This national forum on goat production examined issues critical to the development of the goat sector in Zimbabwe, including suitable goat breeds, production systems, the underlying policy framework, quality standards, local and international markets and value chain financing. The programme included a panel discussion on 'Lessons from Various Projects and Development Partners' examining international experiences in goat projects.

Goat meat, now readily available at meat retail outlets, is becoming more popular in urban as well as rural markets.

Statutory Instrument 129 of 2017

On 13th October 2017, Government gazetted the Agricultural Marketing Authority (Livestock Development Levy) SI 129 of 2017 which requires that:

- All registered cattle abattoirs be charged \$10 per animal;
- All registered milk processors be charged 1 cent per litre; and
- All registered chick producers be charged 1 cent per chick.

According to the SI, these levies will go into a fund for disease control and livestock development activities.

Stakeholders in the livestock value chains are surprised by the announcement of the new SI levying the livestock sector at a time when OPC is in the process of negotiation to reduce the regulatory costs of doing business by at least 50%.

A number of issues are highlighted that are of concern to the industry from this recent policy including:

- Lack of consultation with stakeholders before the SI was gazetted;
- Lack of clarity in the SI itself;
- The quantum of the levies in relation to ease of doing business; and
- Benefits of the levy in relationship to ongoing livestock development thrusts.

In response to SI 129 of 2017, a stakeholder meeting was convened which was attended by the chairpersons and directors of the following organisations: Meat Processors Association of Zimbabwe, Stockfeed Manufacturers Association of Zimbabwe, Zimbabwe Poultry Association, Zimbabwe Association of Dairy Farmers, Zimbabwe Farmers Union, Zimbabwe Commercial Farmers Union, Commercial Farmers Union, Zimbabwe Dairy Industry Trust, Zimbabwe Association of Abattoirs and the Livestock and Meat Advisory Council.

Of serious concern to the industry is the increased regulatory costs arising from the SI which comes at a time when the beef and poultry sectors are faced by outbreaks of FMD and AI respectively. The SI is also at variance with the excellent private-public sector collaborations currently being fostered within the industry to boost productivity.

A position paper was submitted to the Permanent Secretaries in the Ministries of Agriculture, Mechanisation and Irrigation Development, Finance and Economic Development and Industry and Commerce. Please refer to Appendix 13.

Restructuring of the Livestock and Meat Advisory Council

LMAC was restructured in 2017 and its allied Associations ratified the new Constitution in October. LMAC will now be run by a Board of Governors, made up of the Chairpersons of all livestock member Associations and with the day to day administration provided by the Secretariat, housed at Exhibition Park.

With its new organisational structure, LMAC is better able to serve Zimbabwe's diverse and growing livestock sector. The process to streamline and transform LMAC into an apex organisation for its nine livestock member associations was also ratified.

The Livestock and Meat Advisory Council was established in 1994, to provide policy guidance and recommendations to the livestock sector. It will continue to serve the livestock industry in this advisory role as well as continuing to provide advocacy and information to its membership.

The newly restructured and consolidated LMAC will focus on value chain development for inclusive and sustainable livestock production. A new arm has been set up within the organisation to identify development opportunities, produce sustainable production models and drive project development across the livestock sector.

LMAC also participated in the on-going meetings on Command Agriculture, Zimbabwe Agenda for Sustainable Socio-economic Transformation, National Budget Consultations and the Zimbabwe Agriculture Growth Programme briefings. Other LMAC activities include participation in the validation process on the findings of the Study on the Zimbabwean Beef Industry and co-hosting the Livestock Production and Business Forum in Bulawayo, in collaboration with the Food and Agriculture Organisation (FAO) and the Department of Livestock Production and Development (DLPD).



Stockfeed Manufacturers Association

The raw materials procurement, feeds manufactured and average prices for the Stockfeed Manufacturers Association (SMA) for the period ending December 2017 are summarised in the tables and graphs below.

Returns were collated from the following companies: Agrifoods, Berghaan Feeds, Capital Feeds, Country Feeds, Feedmix, Fivet Animal Health, Hamara Feeds, Hyperfeeds, Ice Feeds, Irvine's Zimbabwe, Lake Harvest, Meadow Enterprises, Manyame Milling, National Foods Ltd, Profeeds, Triple C Pigs and Windmill.

Monthly procurement of raw materials and production of stockfeeds in the fourth quarter of 2017 averaged 37,733 and 36,404mt respectively, representing decreases of 16 and 19% respectively over the same period in 2016.

The value of raw materials procured and feeds produced over this period were \$12.6m and \$19.8m/month, respectively, being decreases of 22% and 15% over the same period in 2016. The average value of raws procured in the fourth quarter of 2017 was \$334/mt, a decrease of 2% over the third quarter of 2017.

Total procurements of raw materials and production of stockfeeds in 2017 was 429,362 and 420,491mt respectively, representing decreases of 17 and 20% respectively over 2016. The total values of raw materials procured and feeds produced were \$153.8m and \$228.4m, respectively, being decreases of 18% and 14% over 2016.

Maize and soya procurements during the fourth quarter constituted the bulk of raw material used, accounting for 66% of all raw materials procured by weight and 77% by monetary value. Average monthly procurement of maize and soya bean derivatives in the fourth quarter of 2017 were 16,389mt (worth \$3.8m) and 8,531mt/month (\$5.1m) respectively, representing volume decreases for the quarter of 13% (25% in value) and 2% (5% in value) over the same period in 2016, respectively.

Total maize and soya bean derivative procurements in 2017 were 186,177mt (worth \$58.3m) and 122,201mt (\$60.8m) respectively, representing decreases of 18% (20% in value) and 8% (11% in value) over the same period in 2016, respectively.

While the manufacture of poultry feeds continued to dominate the stockfeed industry during the fourth quarter of 2017 with a monthly average of 22,987mt (worth \$14.3m), this was a decrease of 22% in quantity and 12% in value over the same period in 2016. Poultry feeds accounted for 63% of all feeds produced by weight and 70% by monetary value. By comparison, pig and ruminant feeds accounted for 8 and 12% of the total value of feeds produced, respectively.

Over the period October to December 2017, production of broiler, layer, pig and ruminant feeds decreased by 23, 36, 14 and 24%, respectively, compared to the same period in 2016.

The prices of most raws procured in the fourth quarter were higher than prices of third quarter (notably: maize bran 12%, urea 15%, salt 11%, hay 14%, fine and coarse limestone flour 21% and 12%). The notable exception was MCP which decreased by 21%. As a result, prices of most feeds in the fourth quarter were a few percentage points higher than prices in the second quarter. Average weighted broiler and layer feed prices in the fourth quarter of 2017 were \$621 and \$484/mt, respectively, being the 1% and 3% higher than prices in the third quarter of 2017.

The main drivers of the trends in the fourth quarter of 2017 were the muted recovery of the poultry sector from the mid-year outbreak of AI as well as a dearth of foreign currency from the banking sector. The suspension of duty on hatching egg has not yet eliminated the shortage of day-old chicks, once again due to the lack of foreign currency which has also impacted on the shortage and high prices of imported feed raw materials.

Total yearly tonnages (000's mt) of raws procured and feeds produced, 2012 to 2017

	2012	2013	2014	2015	2016	2017
Raws procured	373	428	460	529	516	429
Maize	172	191	204	215	227	186
Soya (bean equivalent)	112	121	128	150	135	122
Feeds produced	341	421	477	543	523	420
Poultry feeds	233	305	335	367	355	281
Pig feeds	30	33	31	33	43	37
Ruminant feeds	58	64	87	117	98	77
Fish feeds	14	13	16	15	13	11
Other feeds	6	6	9	11	15	15

Total yearly values (millions \$) of raws procured and feeds produced, 2012 to 2017

	2012	2013	2014	2015	2016	2017
Average cost of procurements, \$/mt	387	421	402	364	364	358
Raws procured	144.3	180.4	185.2	192.6	187.6	153.8
Maize	47.2	66.9	74.0	67.6	73.2	58.3
Soya bean derivatives	64.7	75.4	69.9	77.8	68.4	60.8
Feeds produced	166.3	240.3	260.2	280.4	264.9	228.4
Poultry feeds	123.7	191.9	206.4	212.5	196.8	164.8
Pig feeds	15.4	17.9	15.5	16.5	20.5	19.1
Ruminant feeds	14.2	17.9	23.3	31.1	26.3	23.8
Fish feeds	10.4	9.5	11.1	13.8	12.8	11.2
Other feeds	2.6	3.1	3.9	6.5	8.4	9.6

Tonnes of Raws Procured - January 2012 to December 2017

	Monthly Averages										Oct-Dec '17	
	2012	2013	2014	2015	2016	2017	2017				compared to	
							Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Oct-Dec '16	Jul-Sep '17
Feed Raw Materials												
Maize	14,352	15,934	16,987	17,937	18,943	15,515	15,088	16,969	13,613	16,389	-13%	20%
Soya beans	1,623	1,118	256	115	81	486	0	672	870	402	155%	-54%
Soya meal - FF	245	1,301	1,805	2,154	1,891	1,820	1,963	1,630	1,727	1,961	-13%	14%
Soya meal - ME	4,265	2,006	2,044	2,010	1,754	1,387	1,315	1,574	1,479	1,182	-21%	-20%
Soya meal - SE	1,558	3,786	4,388	5,603	5,138	4,455	3,676	4,715	4,455	4,975	3%	12%
Total Soya (bean equivalent)	7,692	8,211	8,492	9,883	8,864	8,149	6,954	7,046	8,531	8,521	-2%	0%
Wheat Bran	2,924	4,074	4,558	5,651	4,999	5,203	4,249	4,950	5,769	5,846	-9%	1%
Maize Bran	1,885	2,276	3,219	4,415	3,880	2,688	2,087	2,816	3,406	2,442	-34%	-28%
Rice Bran						110	162	54	86	137	-62%	60%
Screenings						76	61	42	72	130	47%	81%
Cotton cake < 30% CP	395	366	301	378	303	150	188	100	164	150	-34%	-9%
Cotton meal >30% CP	365	549	294	249	229	83	8	6	61	256	184%	320%
Cotton seed - Whole	112	145	153	305	596	118	139	149	113	72	-81%	-37%
Sunflower cake/meal	214	436	534	461	559	369	343	426	420	288	-57%	-32%
Molasses	486	927	995	1,474	1,284	774	482	668	969	977	-34%	1%
Citrus Pulp						13	31	22	-	-	-100%	
Urea	51	67	78	105	124	62	33	54	90	70	-50%	-22%
Salt	139	164	130	192	195	137	126	133	140	151	-16%	8%
Cotton hulls	483	600	501	673	323	161	101	115	200	228	-50%	14%
Hay	37	45	118	184	255	195	134	184	257	205	-52%	-20%
MCP	241	168	178	165	186	159	165	186	132	154	-33%	16%
Fine Limestone Flour	-	915	677	797	954	712	637	732	766	711	-32%	-7%
Coarse Limestone Flour	-	62	186	236	233	307	404	258	282	284	38%	1%
Methionine	33	32	38	33	43	37	38	35	37	38	-15%	2%
Lysine	49	20	26	27	44	36	36	37	33	40	-12%	21%
Meat and Bone Meal	406	616	790	790	776	672	529	989	569	600	-20%	6%
Fish Meal	181	89	99	100	67	53	57	71	39	45	3%	14%
Totals	31,073	35,697	38,352	44,054	42,990	35,780	32,052	37,587	35,749	37,733	-16%	6%

Tonnes of Feeds Manufactured - January 2012 to December 2017

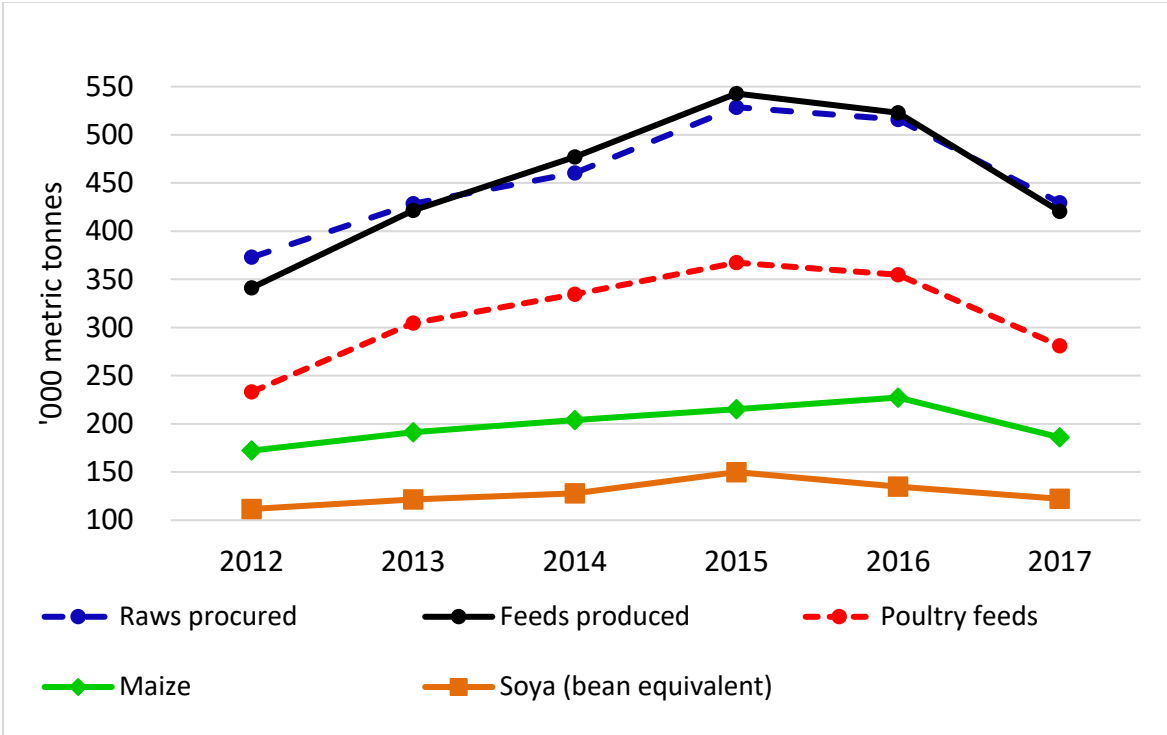
Production/Sales	Monthly Averages										Oct-Dec '17	
	2012	2013	2014	2015	2016	2017	2017				compared to	
							Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Oct-Dec '16	Jul-Sep '17
Poultry												
Broiler Starter	2,835	3,352	4,147	4,149	3,552	3,084	2,685	2,703	3,066	3,186	-15%	4%
Broiler Grower	1,621	3,596	4,561	6,053	6,297	4,752	4,203	4,329	4,317	5,035	-19%	17%
Broiler Finisher	5,144	7,916	8,742	9,064	8,519	6,959	6,497	6,727	6,238	6,962	-29%	12%
Layer Rearing Feed	1,016	873	893	1,381	1,101	798	807	746	775	747	-21%	-4%
Layer Production Feeds	4,974	5,436	5,086	5,842	6,064	4,315	5,023	4,694	4,304	3,031	-39%	-30%
Poultry Breeder feeds	2,878	3,166	3,070	2,650	3,203	2,372	2,719	2,715	2,020	2,285	-20%	13%
Poultry Concentrates	959	1,046	1,385	1,468	827	1,137	551	542	1,223	1,741	110%	42%
Dairy												
Dairy meals	1,393	1,335	1,939	2,182	1,806	2,051	1,768	1,898	2,210	2,310	16%	5%
Beef												
Beef Pen Fattening	2,483	3,281	4,470	5,978	4,585	2,938	2,377	2,779	3,236	3,251	-53%	0%
Beef Maintenance Feeds	632	605	761	1,022	840	299	88	43	536	425	-72%	-21%
Beef Concentrates	319	151	77	573	913	1,098	11	44	1,230	1,991	5863%	62%
Pig												
Juvenile Feeds	408	389	301	366	438	290	294	276	266	304	17%	15%
Growing and Fattening feeds	1,420	1,363	1,619	1,374	1,920	1,699	1,755	1,770	1,566	1,638	6%	5%
Pig Breeder Feeds	403	490	552	560	584	605	626	605	575	658	10%	14%
Pig Concentrates	239	496	99	464	605	527	399	420	567	641	51%	13%
Fish												
Aqua Feeds	1,189	1,100	1,293	1,225	1,089	879	874	989	816	855	-4%	5%
Sundry Feeds												
Quail						15	27	29	10	11	-72%	3%
Road Runner						287	192	163	317	437	115%	38%
Horse						252	203	232	251	219	562%	-13%
Dog						175	135	166	232	193	1523%	-17%
All Other species feeds	514	523	745	883	1,152	510	664	715	494	484	-43%	-2%
Totals	28,427	35,119	39,740	45,234	43,568	35,041	31,898	32,584	34,249	36,404	-19%	6%
Poultry feeds												
Broiler	9,600	14,864	17,450	19,266	18,368	14,795	13,385	13,759	13,621	15,183	-23%	11%
Layer	5,990	6,309	5,980	7,223	7,165	5,113	5,830	5,440	5,078	3,778	-36%	-26%
Breeder	2,878	3,166	3,070	2,650	3,203	2,372	2,719	2,715	2,020	2,285	-20%	13%
Concentrates	959	1,046	1,385	1,468	827	1,137	551	542	1,223	1,741	110%	42%
Poultry - Total	19,427	25,385	27,885	30,608	29,564	23,418	22,486	22,456	21,942	22,987	-22%	5%
Broiler day old chicks, millions	4.59	5.35	6.47	6.21	6.24	5.74	5.37	5.73	5.02	6.39	1%	27%
Sexed pullets, thousands	210	180	171	255	146	136	158	163	122	116	-5%	-5%

Prices of Raws Procured - January 2012 to December 2017

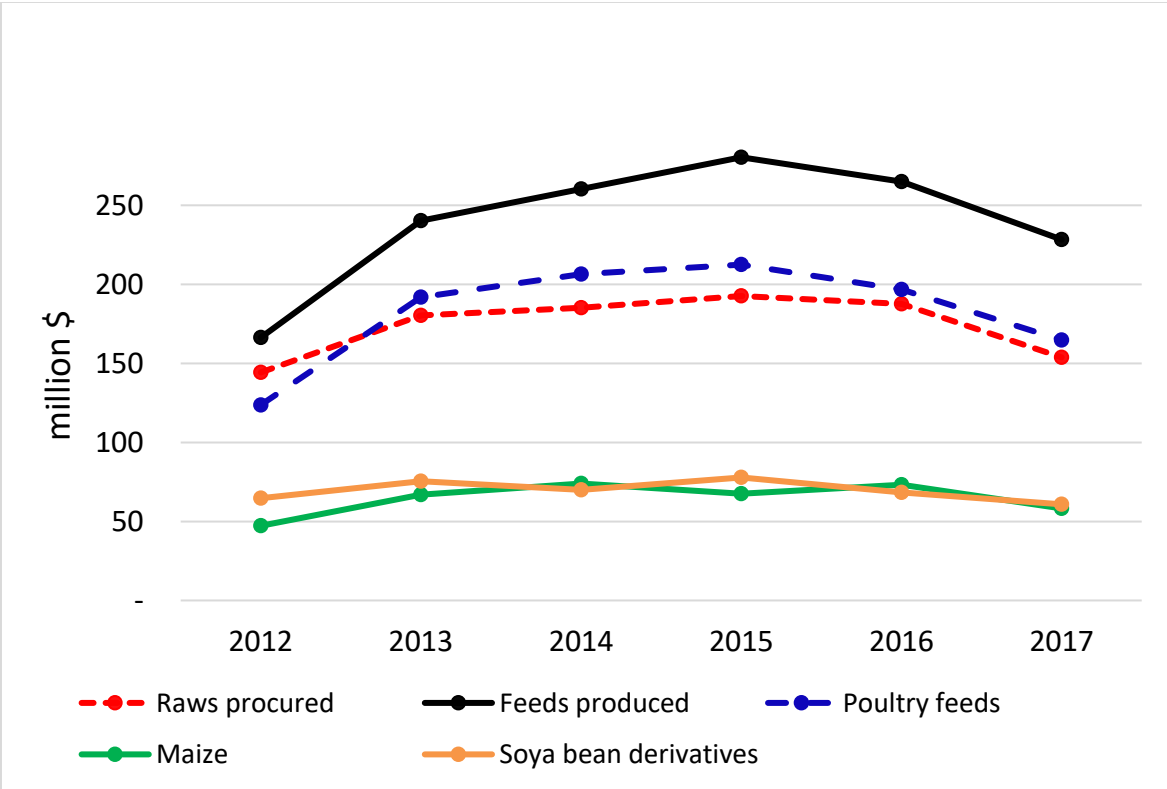
Feed Raw Materials	Monthly Averages										Oct-Dec '17
	2012	2013	2014	2015	2016	2017	2017				compared to
							Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jul-Sep '17
Maize	274	350	364	316	322	312	349	347	278	274	-1%
Soya beans	585	627	576	587	592	593				667	
Soya meal - FF	814	788	699	676	668	659	678	663	646	647	0%
Soya meal - ME	726	787	699	656	643	632	649	633	615	631	3%
Soya meal - SE	718	791	697	651	640	611	649	638	573	585	2%
Wheat Bran	180	192	183	176	178	149	175	158	130	133	2%
Maize Bran	181	198	181	172	188	188	204	186	172	192	12%
Rice Bran						150	148	151	151	149	-1%
Screenings						123	127	116	120	128	6%
Cotton cake < 30% CP	280	224	288	280	290	324	324	338	323	313	-3%
Cotton meal >30% CP	365	356	349	412	401	331	418	359	266	279	5%
Cotton seed - Whole	291	273	310	309	317	343	349	350	332	340	2%
Sunflower cake/meal	430	496	497	484	491	466	503	486	437	438	0%
Molasses	136	125	128	141	147	157	168	166	146	146	0%
Citrus Pulp						156	158	155			
Urea	791	762	614	646	564	654	629	623	633	731	15%
Salt	237	232	189	212	201	223	208	205	227	253	11%
Cotton hulls	96	117	114	132	179	195	181	186	198	212	7%
Hay	129	147	138	157	159	162	168	168	146	166	14%
MCP	949	838	739	752	722	747	738	763	830	657	-21%
Fine Limestone Flour		120	108	107	106	112	103	118	104	125	21%
Coarse Limestone Flour		151	148	153	136	152	149	133	153	172	12%
Methionine	5,299	4,454	4,393	5,065	4,975	4,289	4,842	4,616	3,698	4,003	8%
Lysine	3,140	2,722	2,130	2,257	2,014	2,096	2,137	2,197	1,962	2,088	6%
Meat and Bone Meal	818	862	820	744	664	751	683	759	751	811	8%
Fish Meal	1,356	1,570	1,483	1,544	1,298	1,506	1,328	1,440	1,614	1,644	2%

Prices of Feeds Manufactured - January 2012 to December 2017

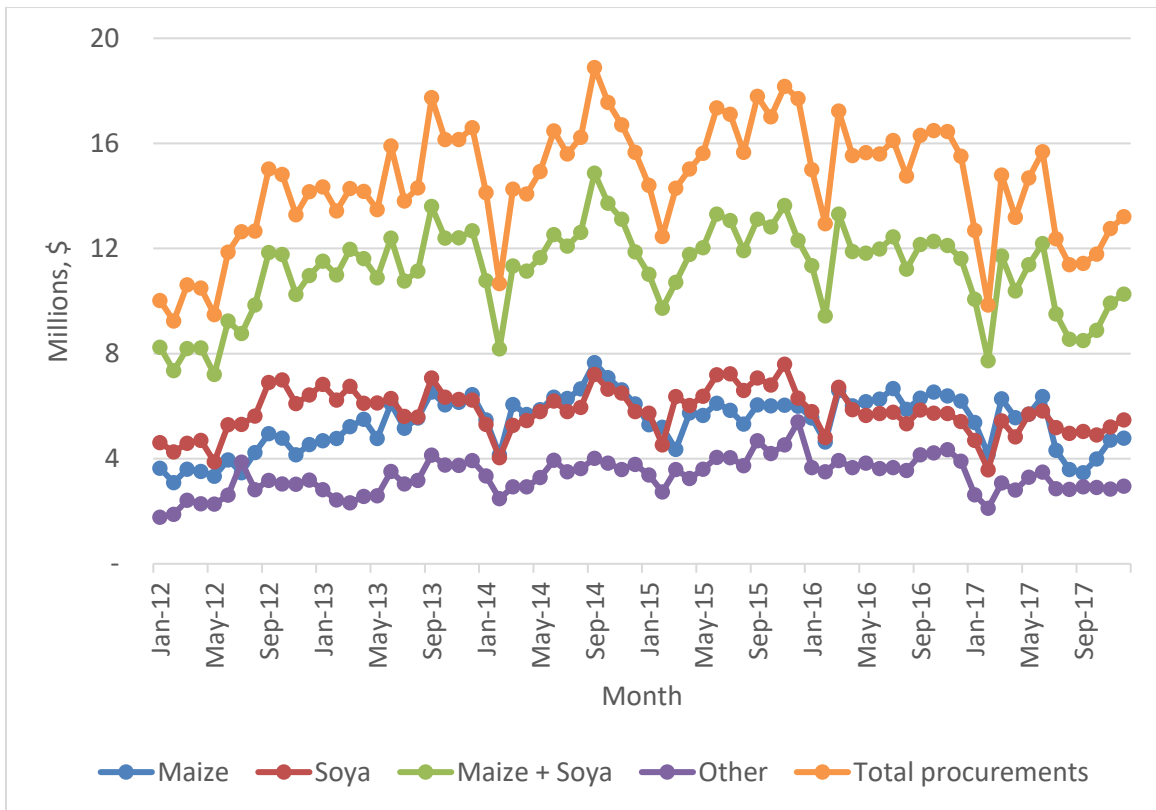
Production/Sales	Monthly Averages										Oct-Dec '17	
	2017										compared to	
	2012	2013	2014	2015	2016	2017	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jul-Sep '17	
Poultry												
Broiler Starter	557	678	667	632	615	658	665	671	645	651	1%	
Broiler Grower	553	670	655	613	590	642	654	651	628	636	1%	
Broiler Finisher	530	638	637	603	583	602	610	613	588	598	2%	
Layer Rearing Feed	478	559	526	501	492	517	515	505	522	525	1%	
Layer Production Feeds	480	556	527	498	480	471	482	467	463	475	3%	
Poultry Breeder feeds	488	554	507	458	443	452	440	444	456	468	3%	
Poultry Concentrates	834	941	855	768	796	819	815	818	801	843	5%	
Dairy												
Dairy meals	299	329	304	369	354	403	399	397	423	392	-7%	
Beef												
Beef Pen Fattening	209	265	256	255	266	281	303	282	266	273	3%	
Beef Maintenance Feeds	276	250	267	257	291	320	310	297	276	395	43%	
Beef Concentrates	290	339	219		-	278	398	267	229	219		
Pig												
Juvenile Feeds	602	638	607	615	607	729	703	702	708	803	13%	
Growing and Fattening feeds	495	492	491	441	417	440	473	473	391	423	8%	
Pig Breeder Feeds	437	486	447	426	436	431	475	457	387	404	4%	
Pig Concentrates	654	680	704	658	663	692	678	658	756	675	-11%	
Fish												
Aqua Feeds			714	952	995	1,047	912	1,051	1,026	1,198	17%	
Sundry												
Quail						585	645	573	527	596	13%	
Road Runner						560	561	567	537	574	7%	
Horse						442	446	416	474	434	-8%	
Dog						764	733	747	691	884	28%	
Blended Prices of Poultry Feeds												
Broiler	542	655	649	613	591	627	635	637	613	621	1%	
Layer	480	556	527	499	482	479	486	472	472	484	3%	



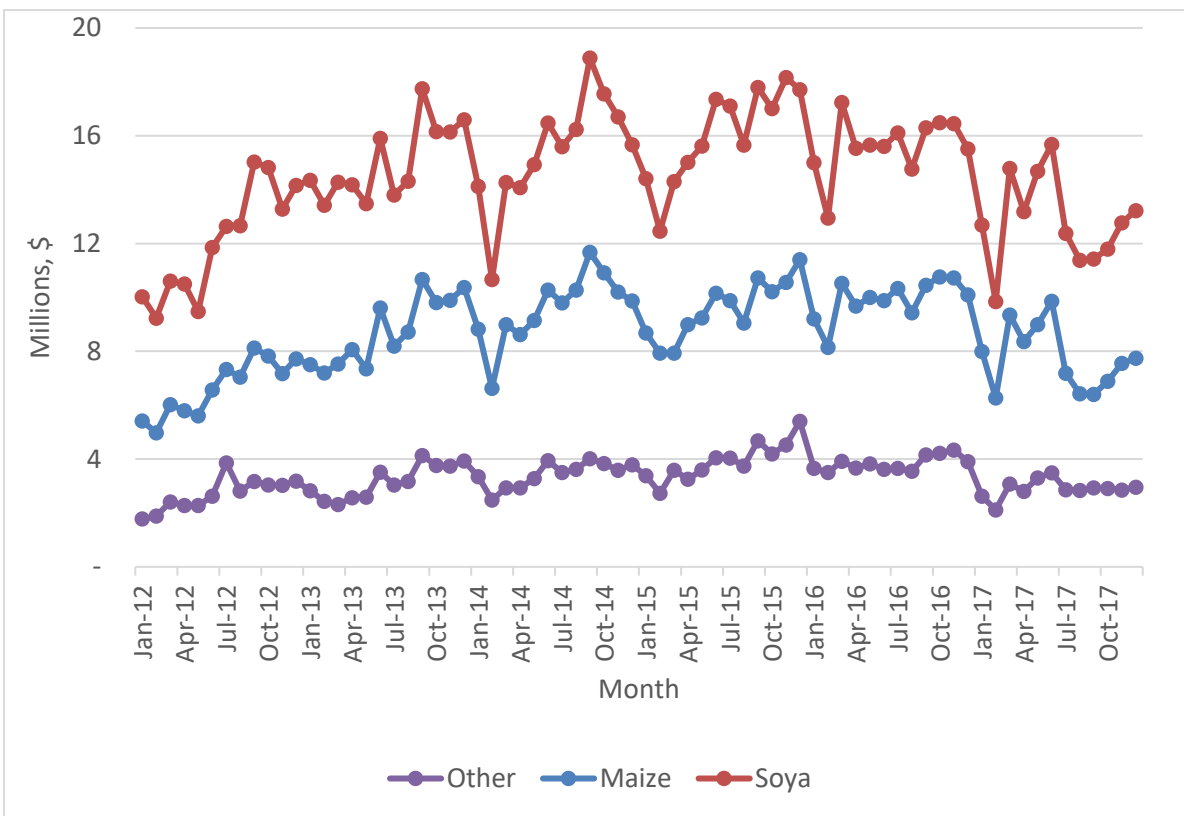
Total Tonnes of Raws Procured and Feeds Produced



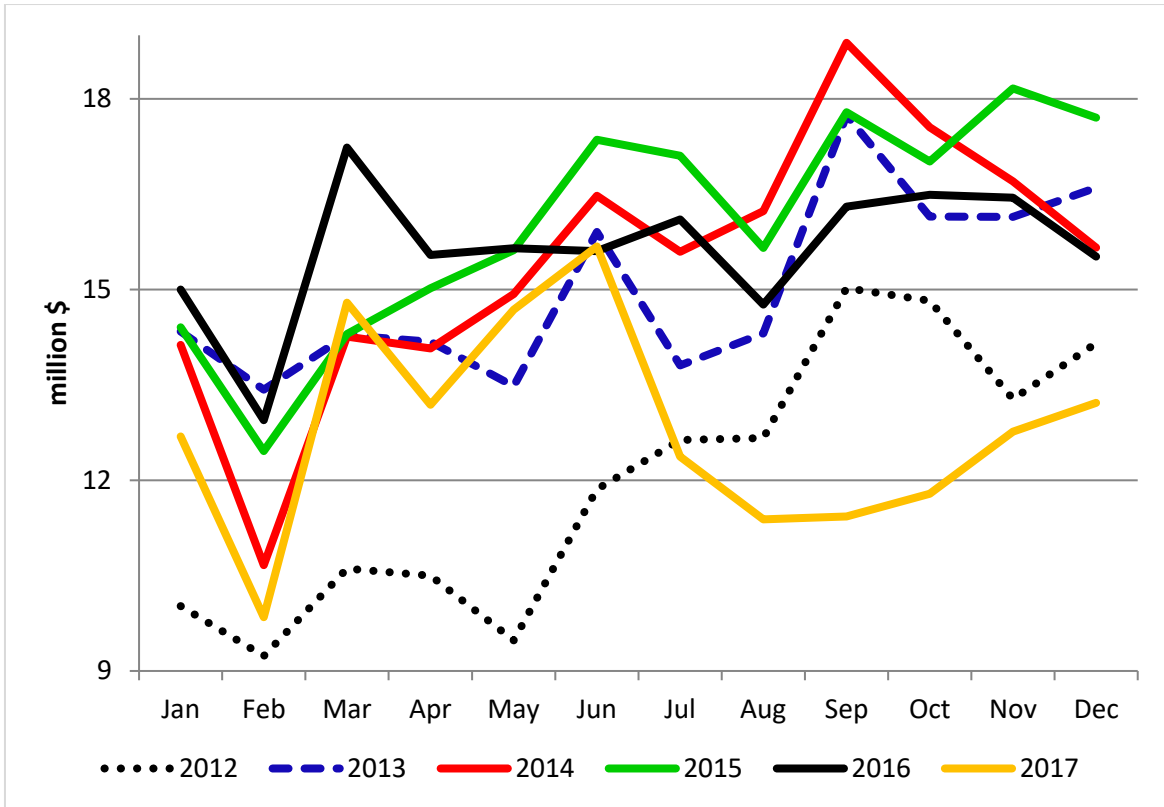
Total Values of Raws Procured and Feeds Produced



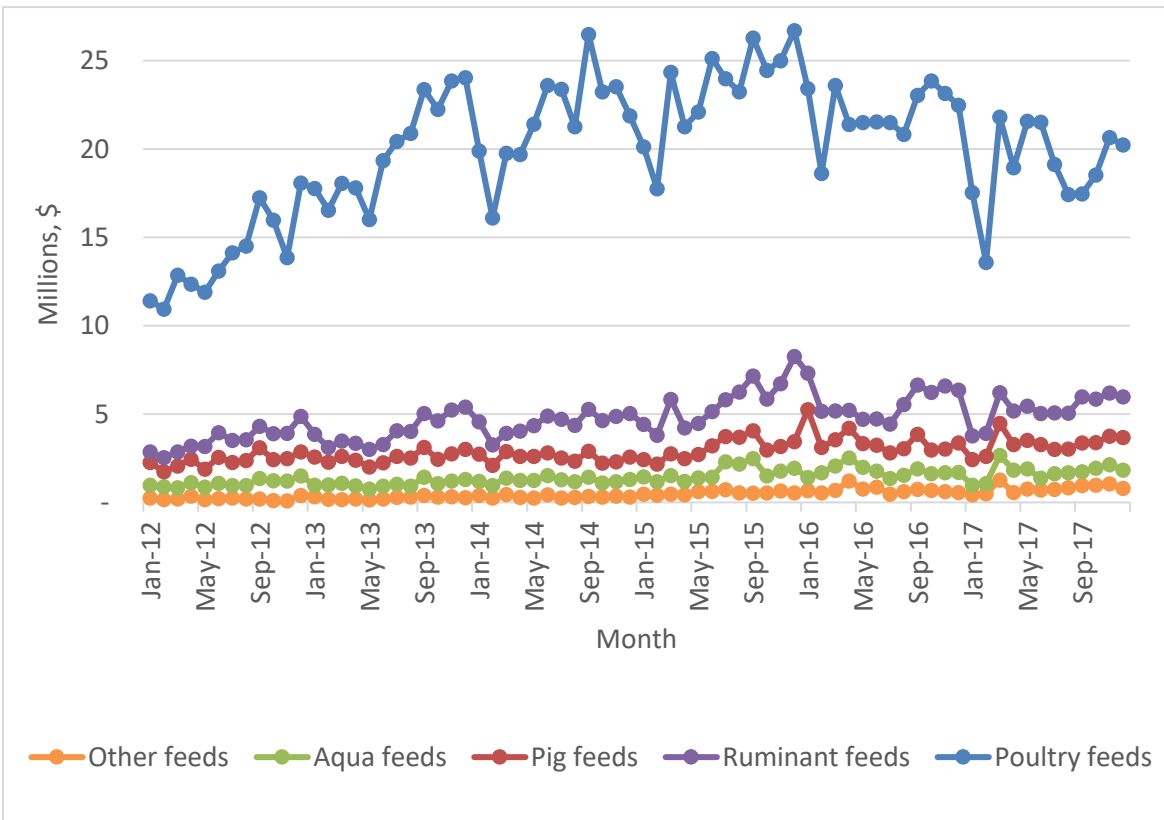
Monetary Value of Raws Procured



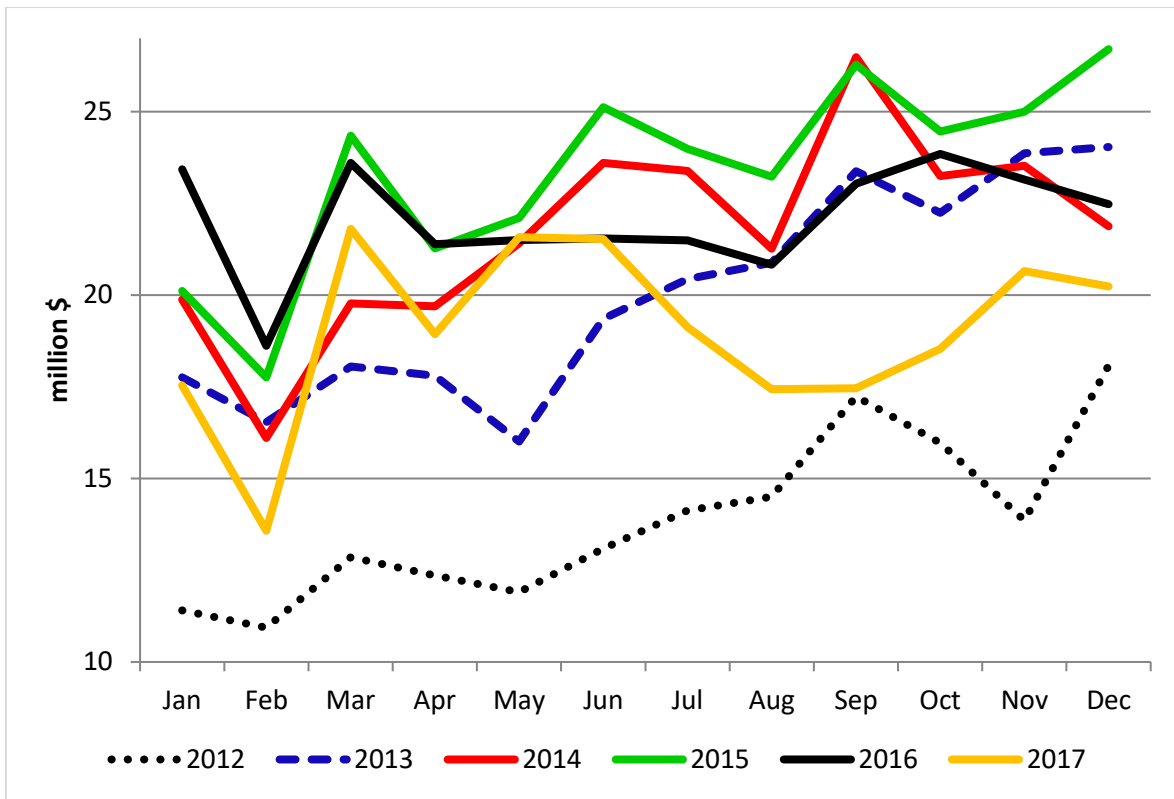
Cumulative Monetary Value of Raw Ingredients Procured



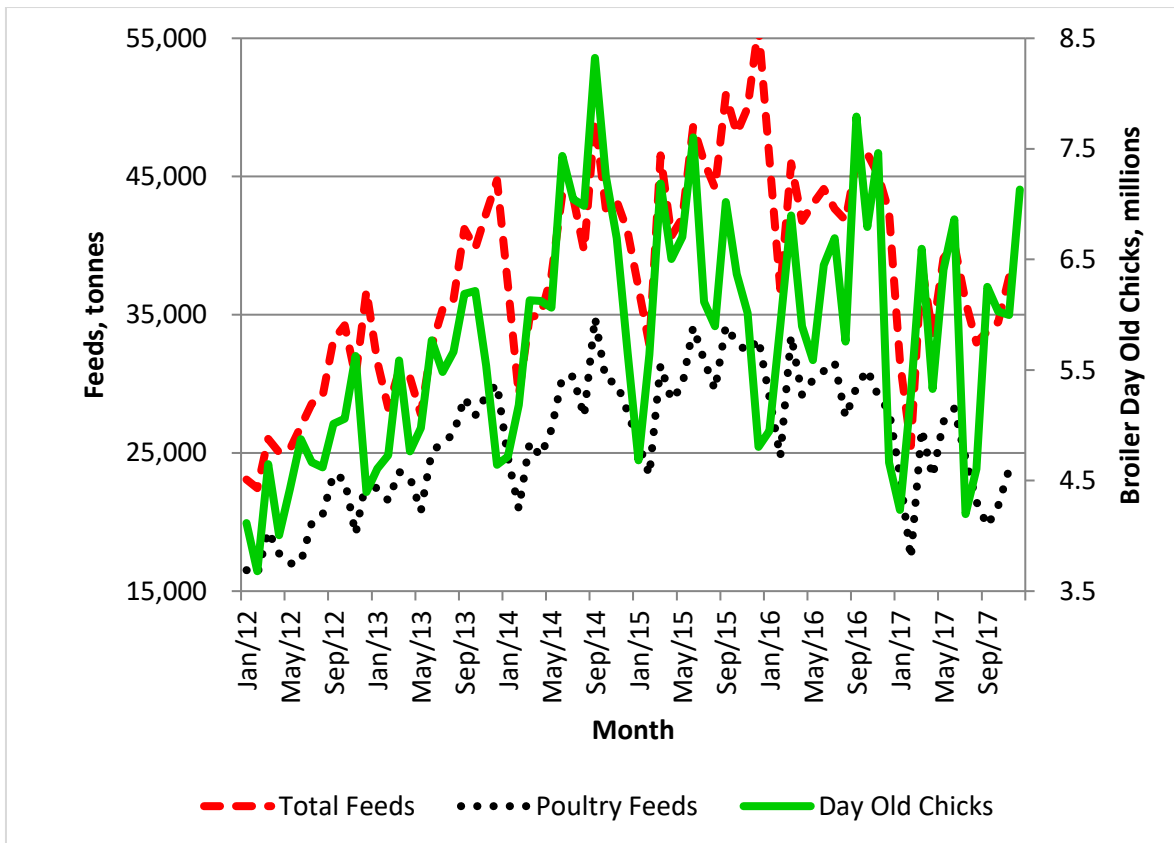
Monetary Value of Raws Procured



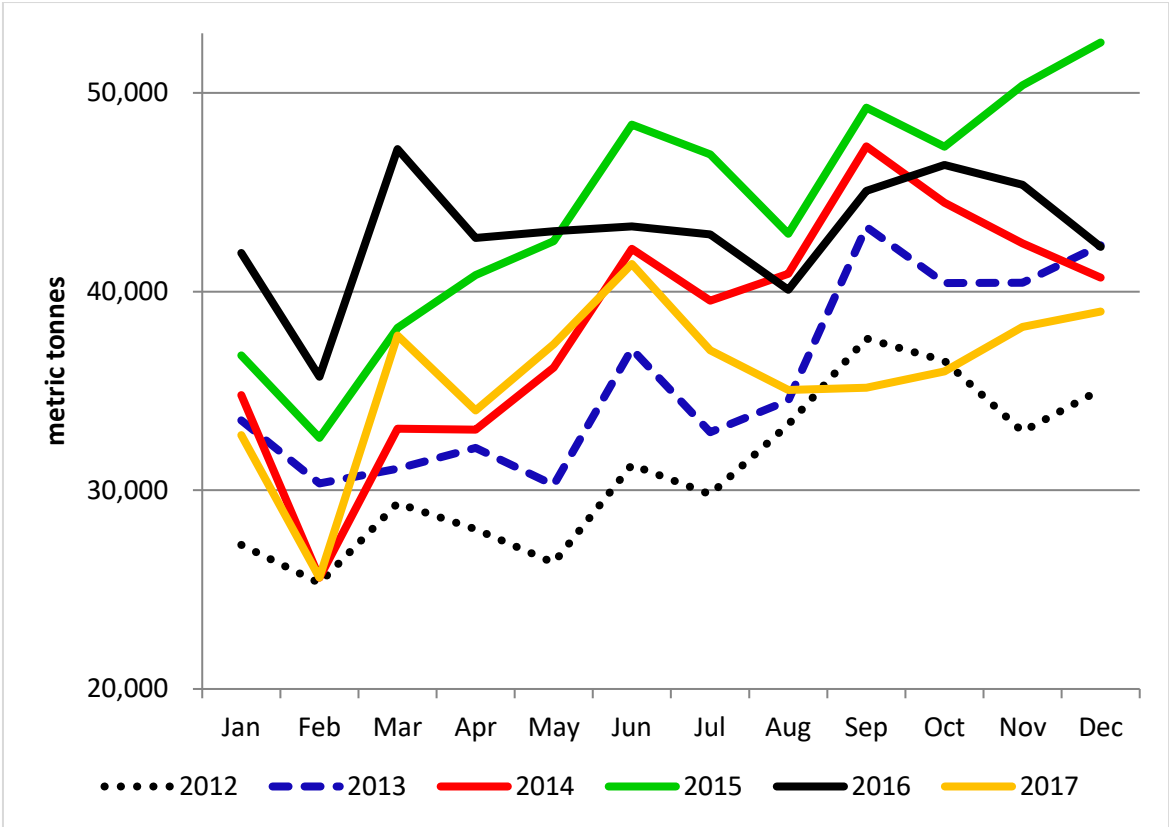
Cumulative Monetary Value of Feeds Produced



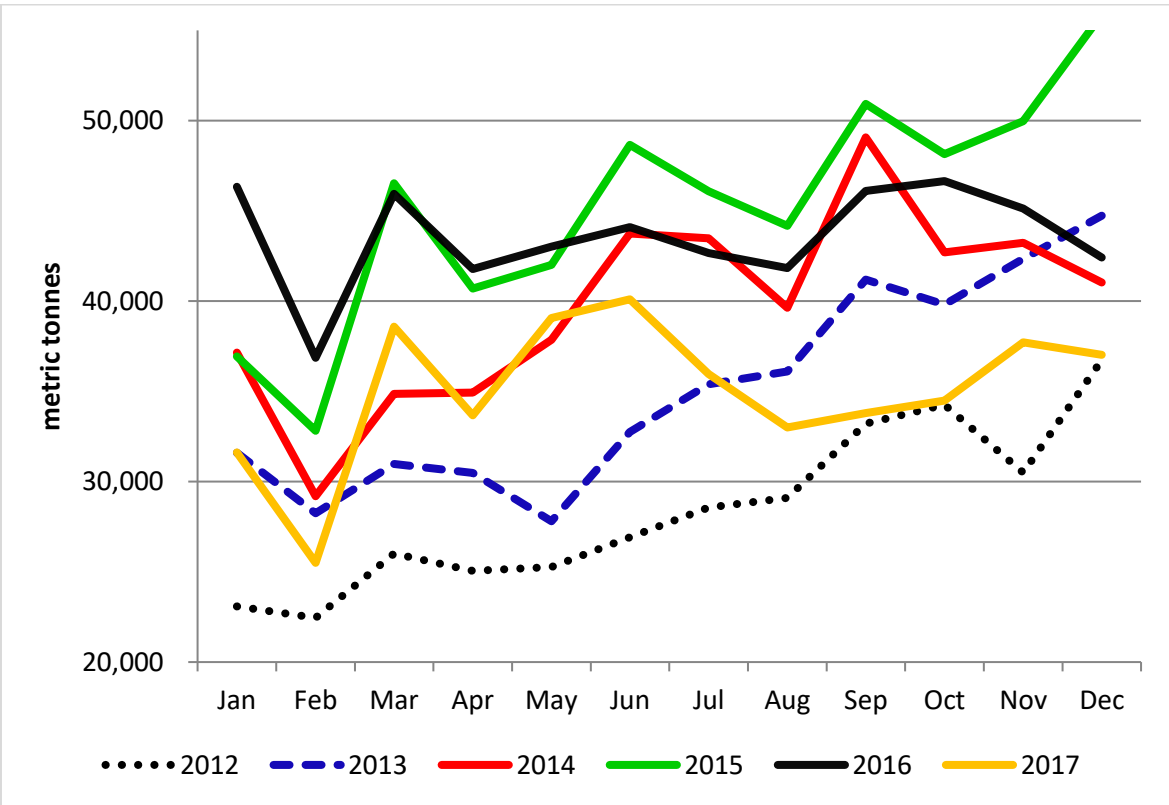
Monetary Value of Feeds Produced



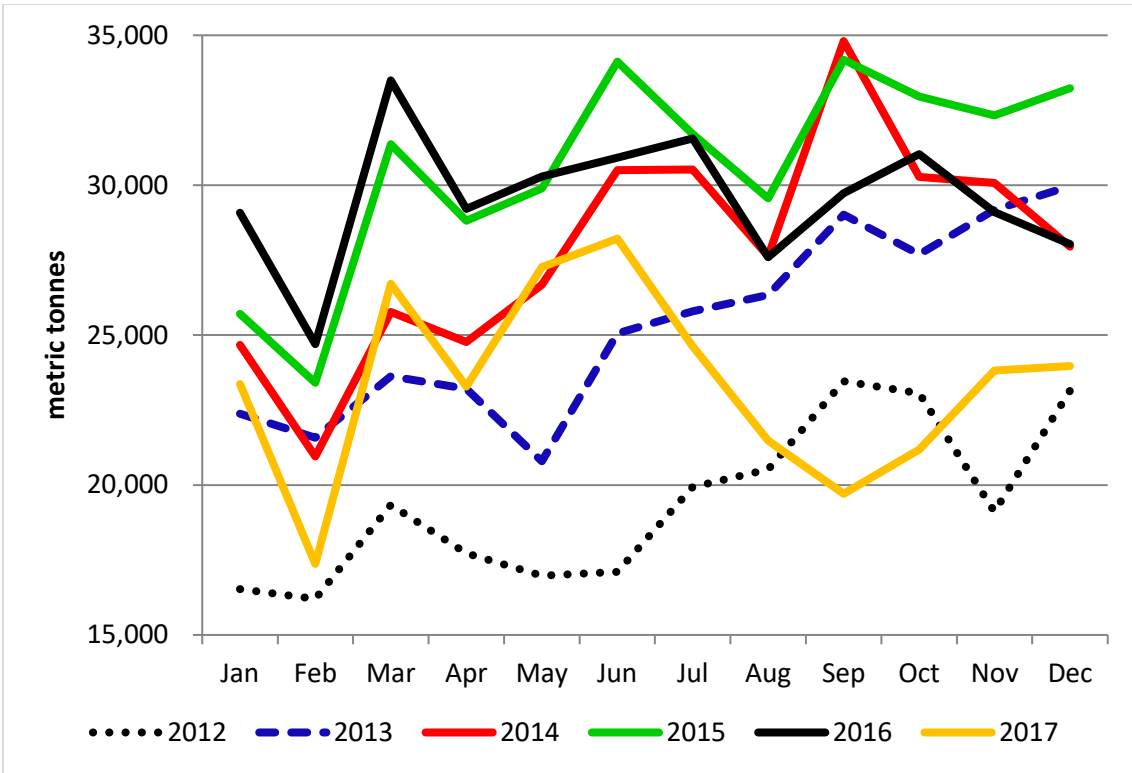
Production of Feeds and Day-old Chicks



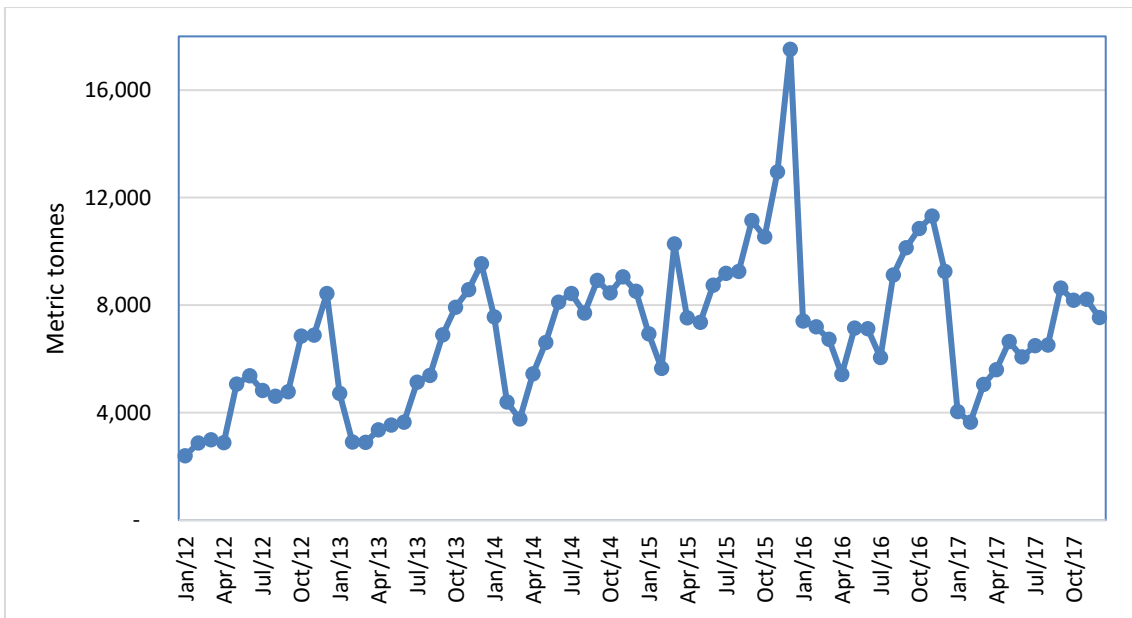
Raws Procured



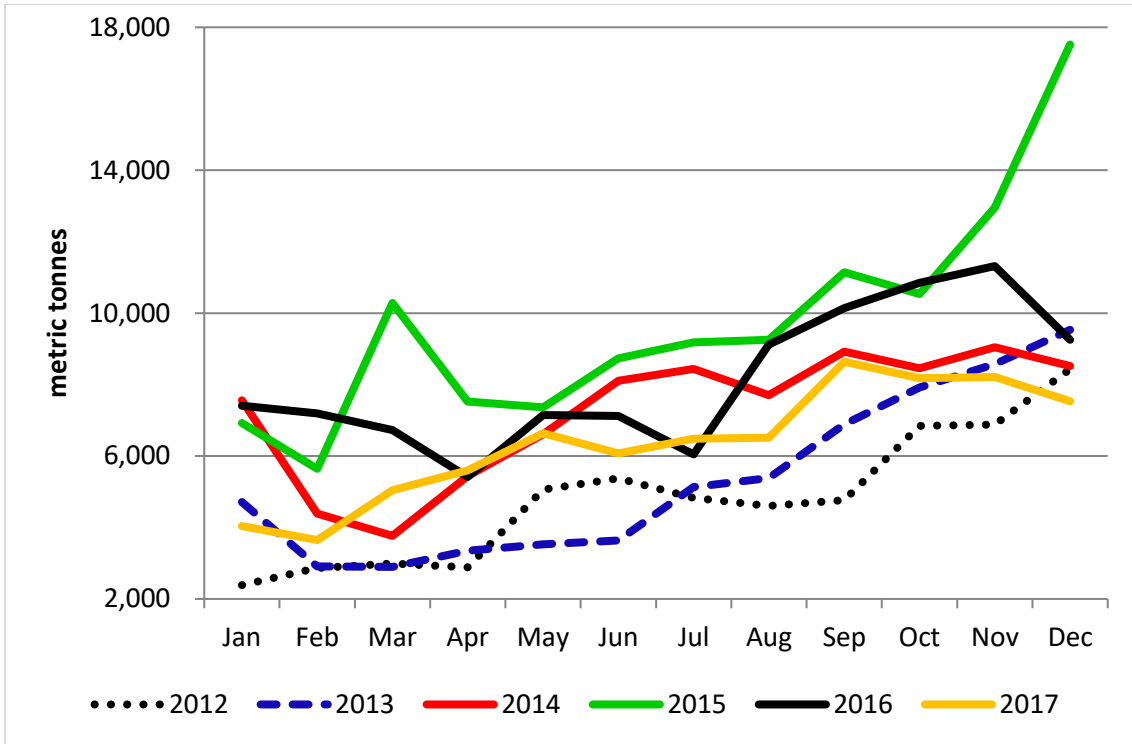
Feeds Produced



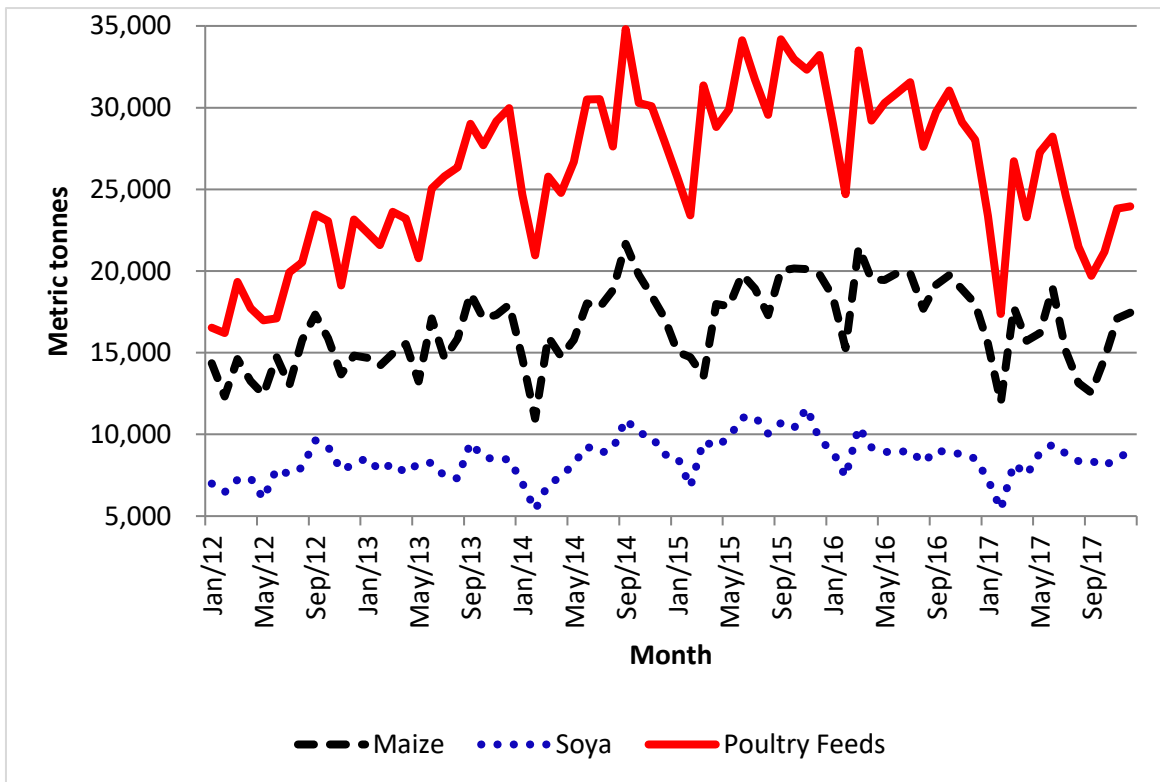
Poultry Feeds Produced



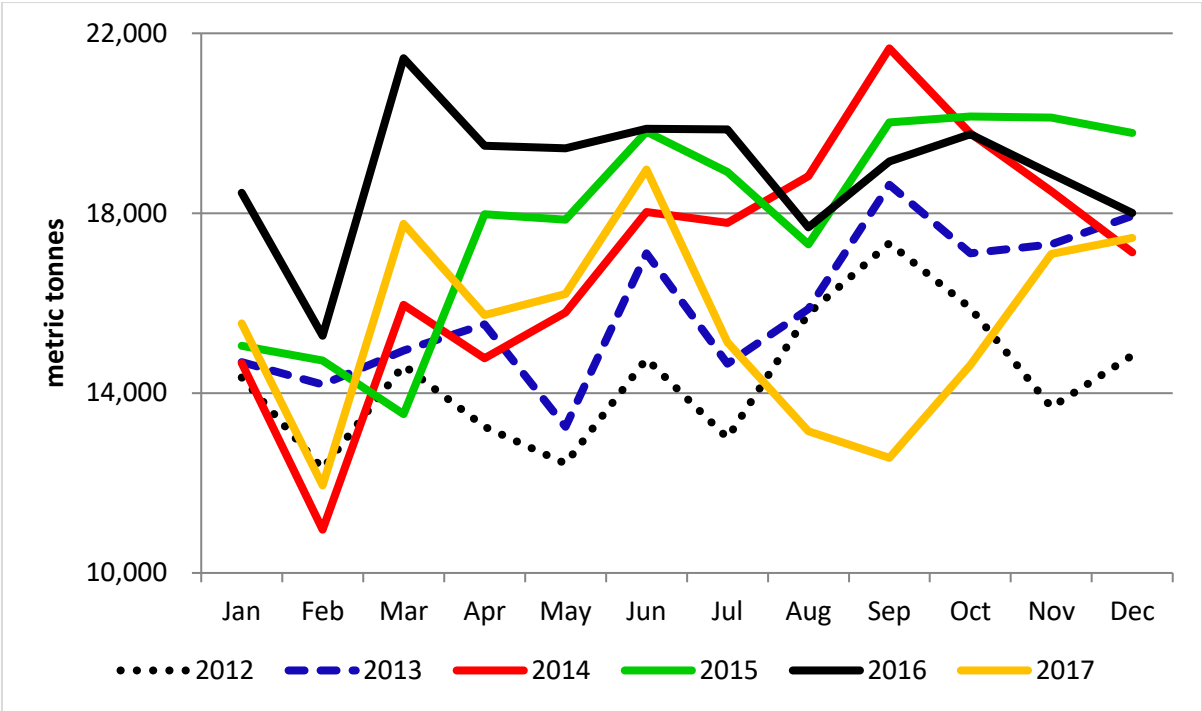
Ruminant Feeds



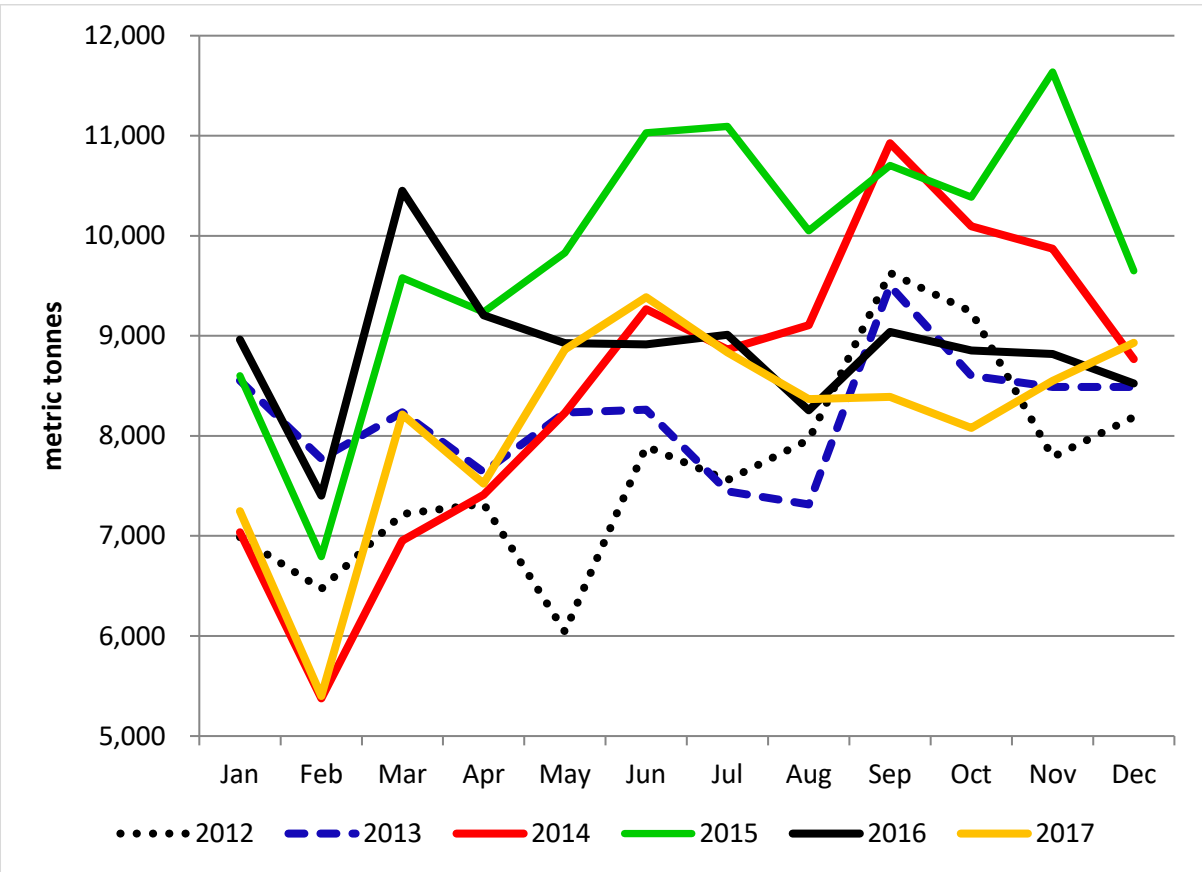
Ruminant Feeds Produced



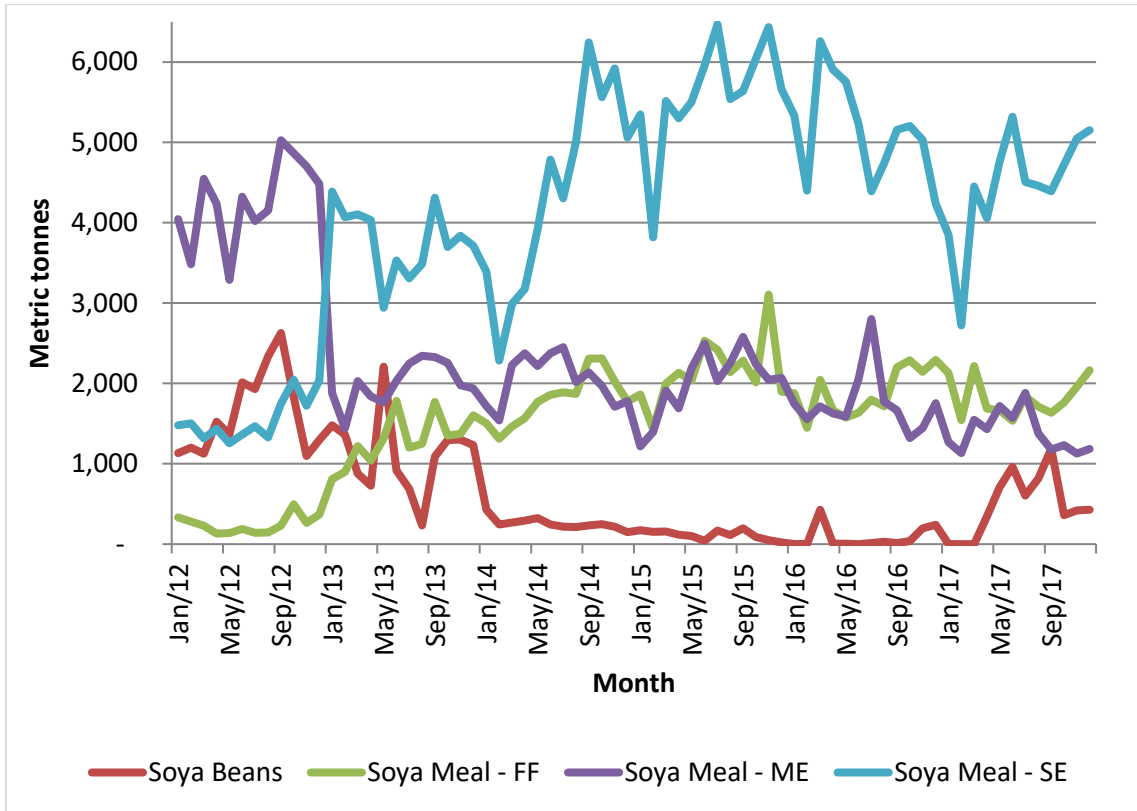
Maize and Soya Bean Equivalent Procurement and Poultry Feeds Produced



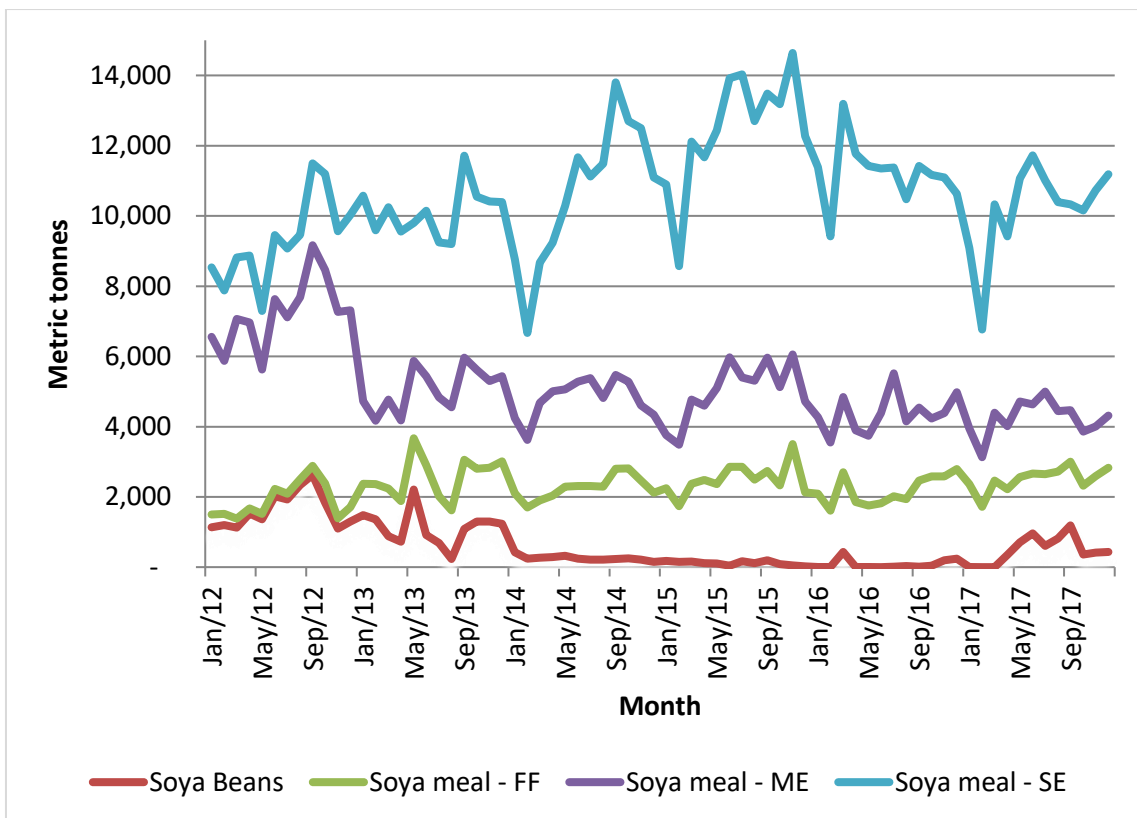
Maize Procured



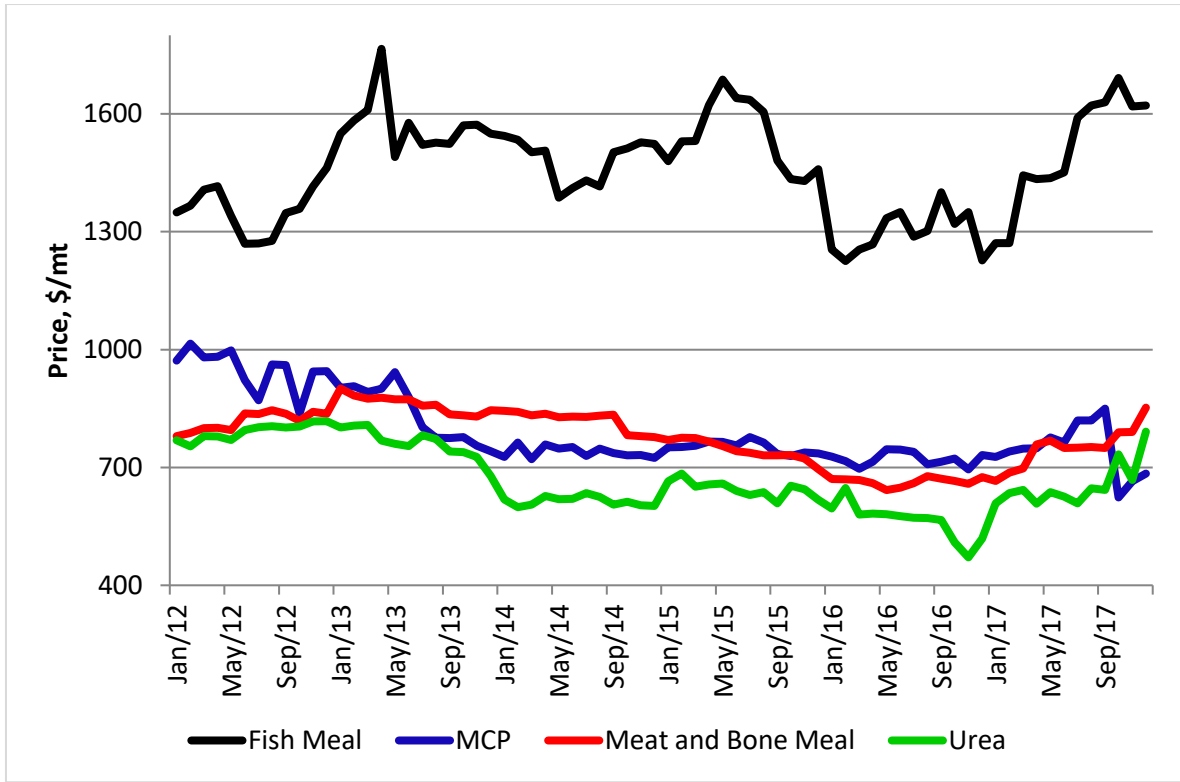
Total Soya Bean Equivalent Procured



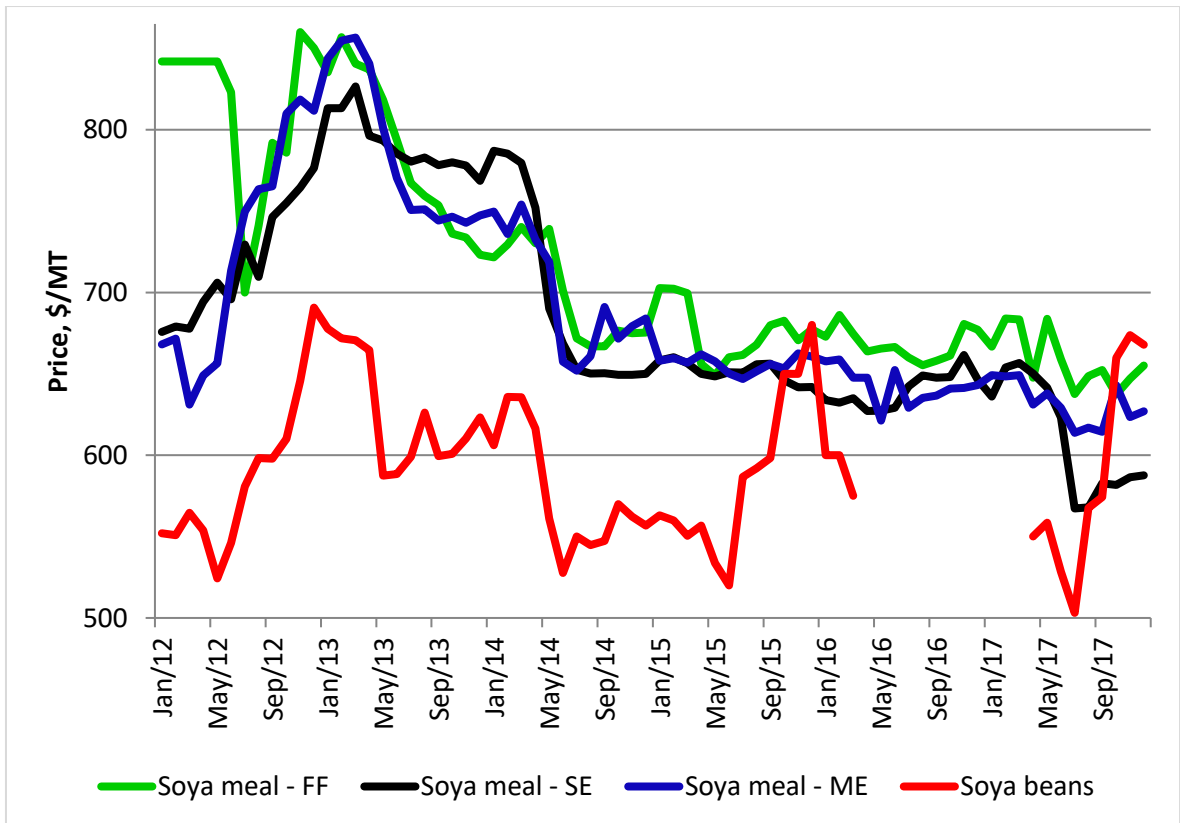
Procurement of Soya Products



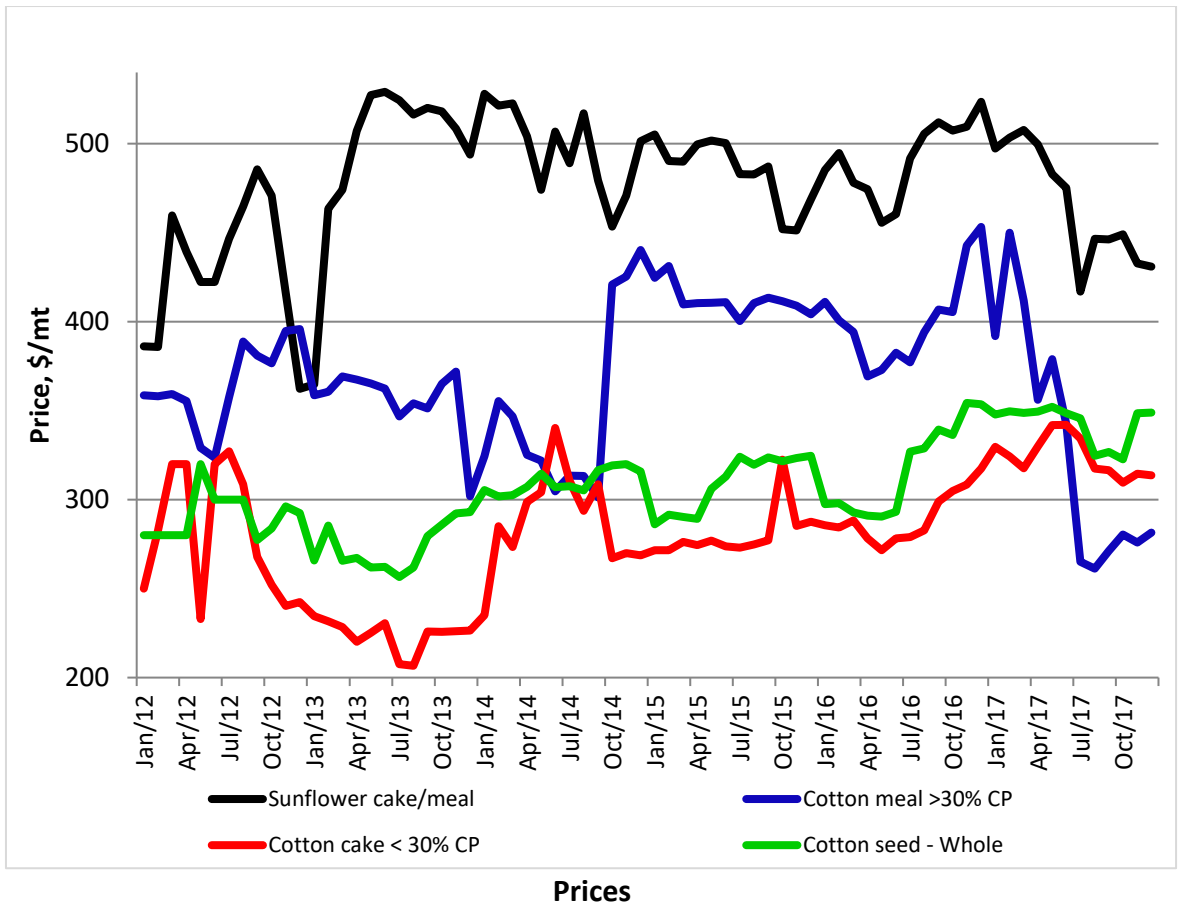
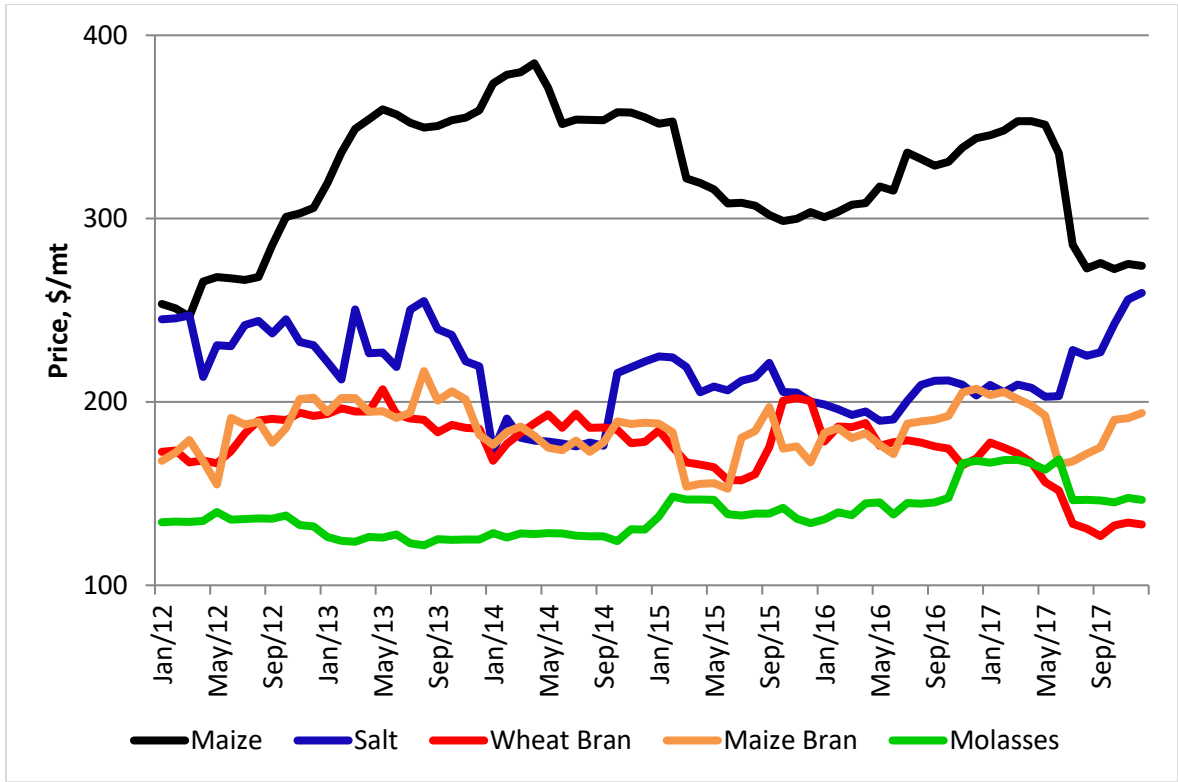
Cumulative Procurement of Soya Products Expressed in Bean Equivalent

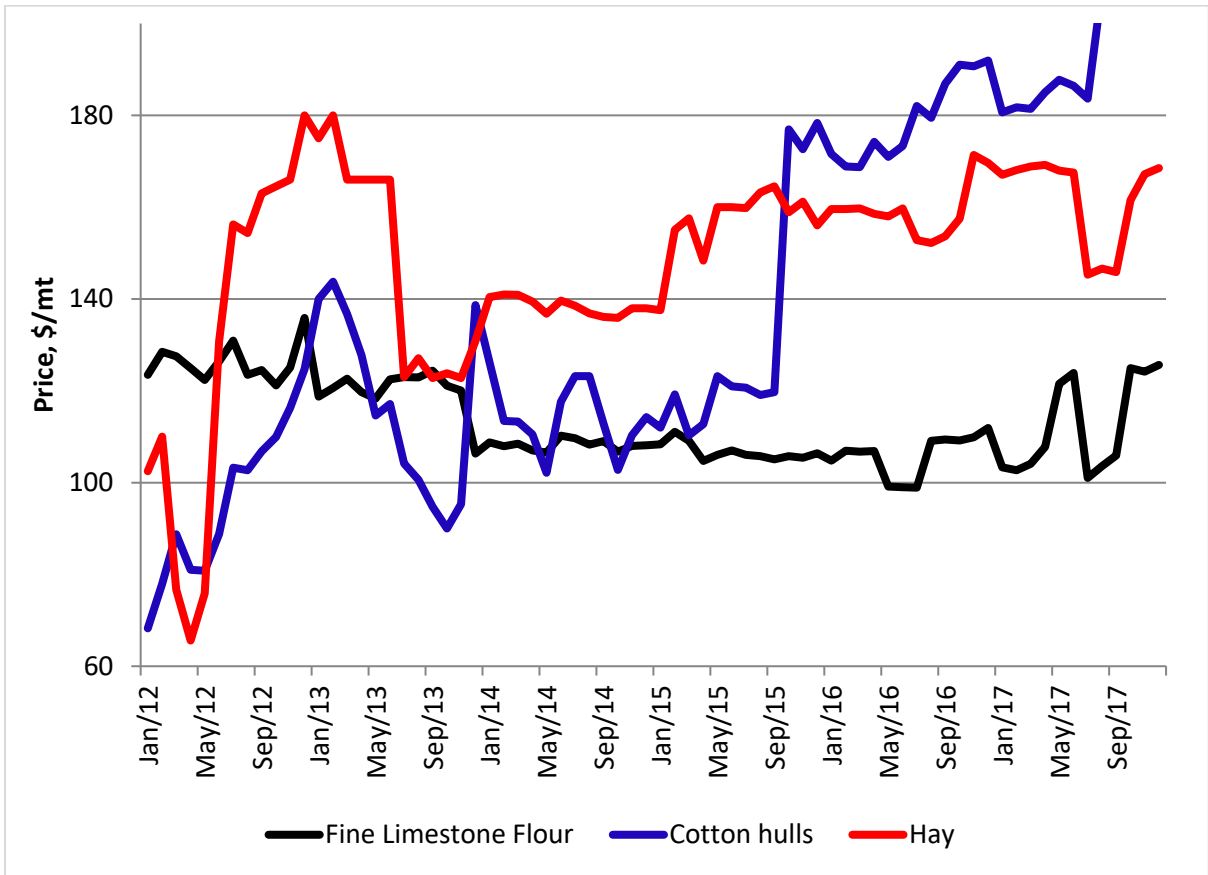


Prices

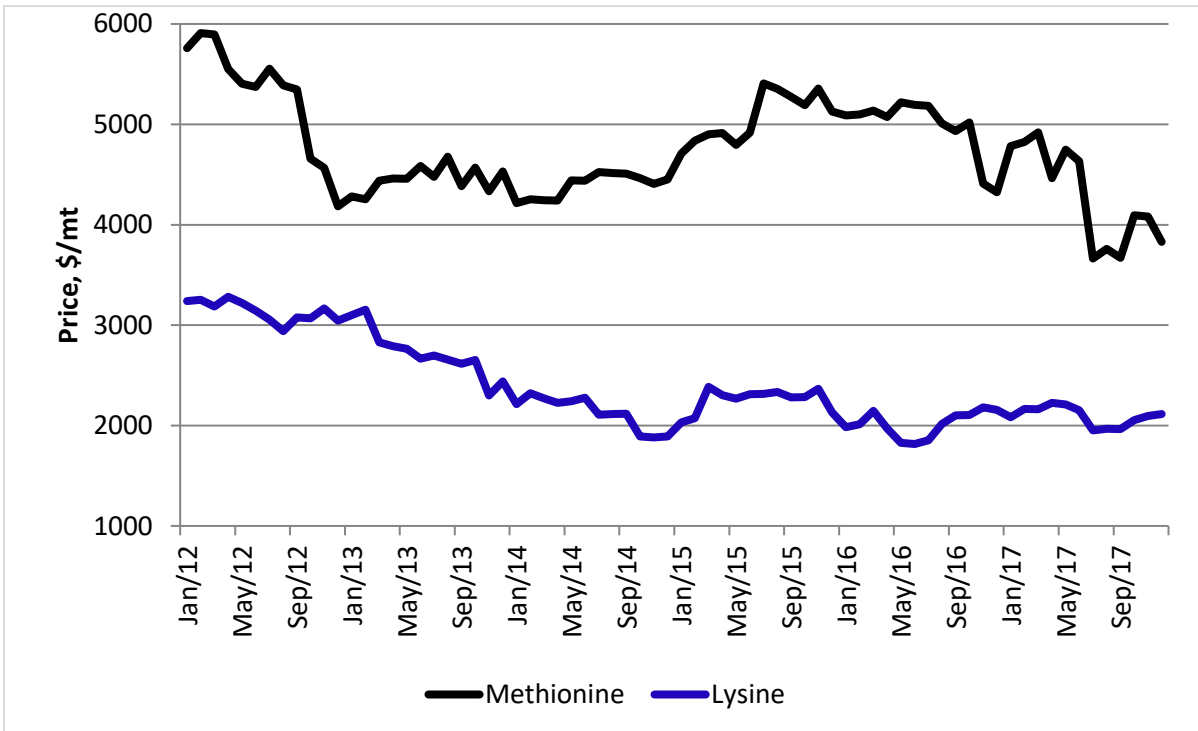


Prices of Soya Products

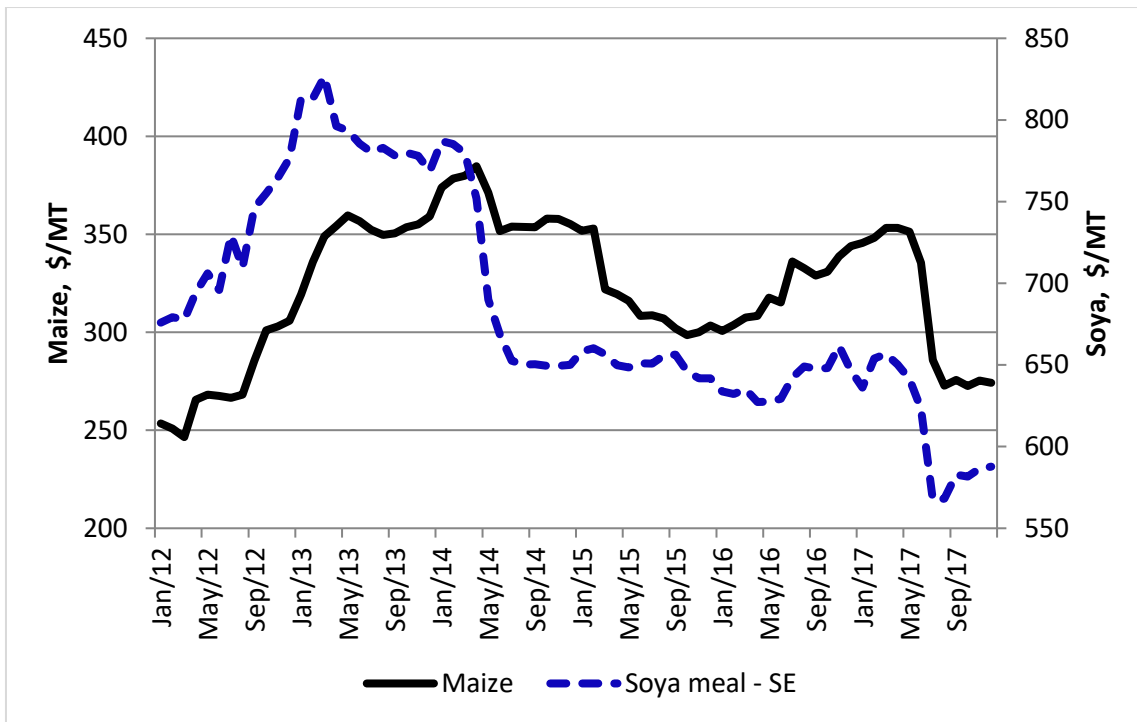




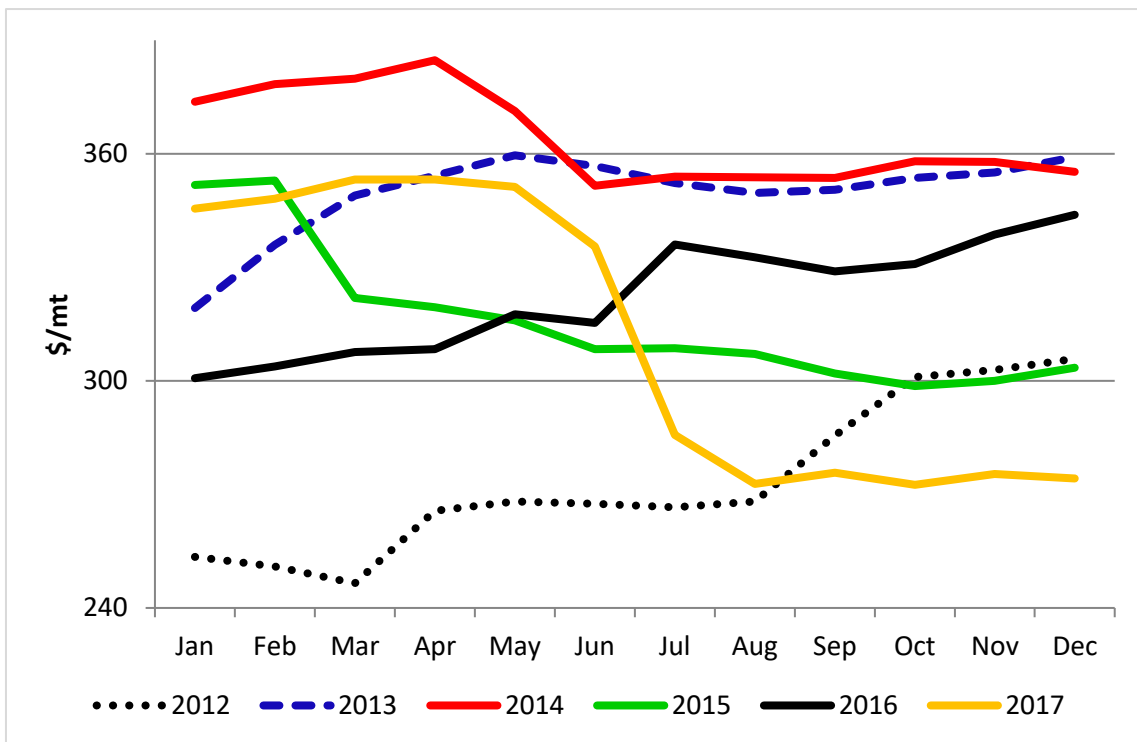
Prices



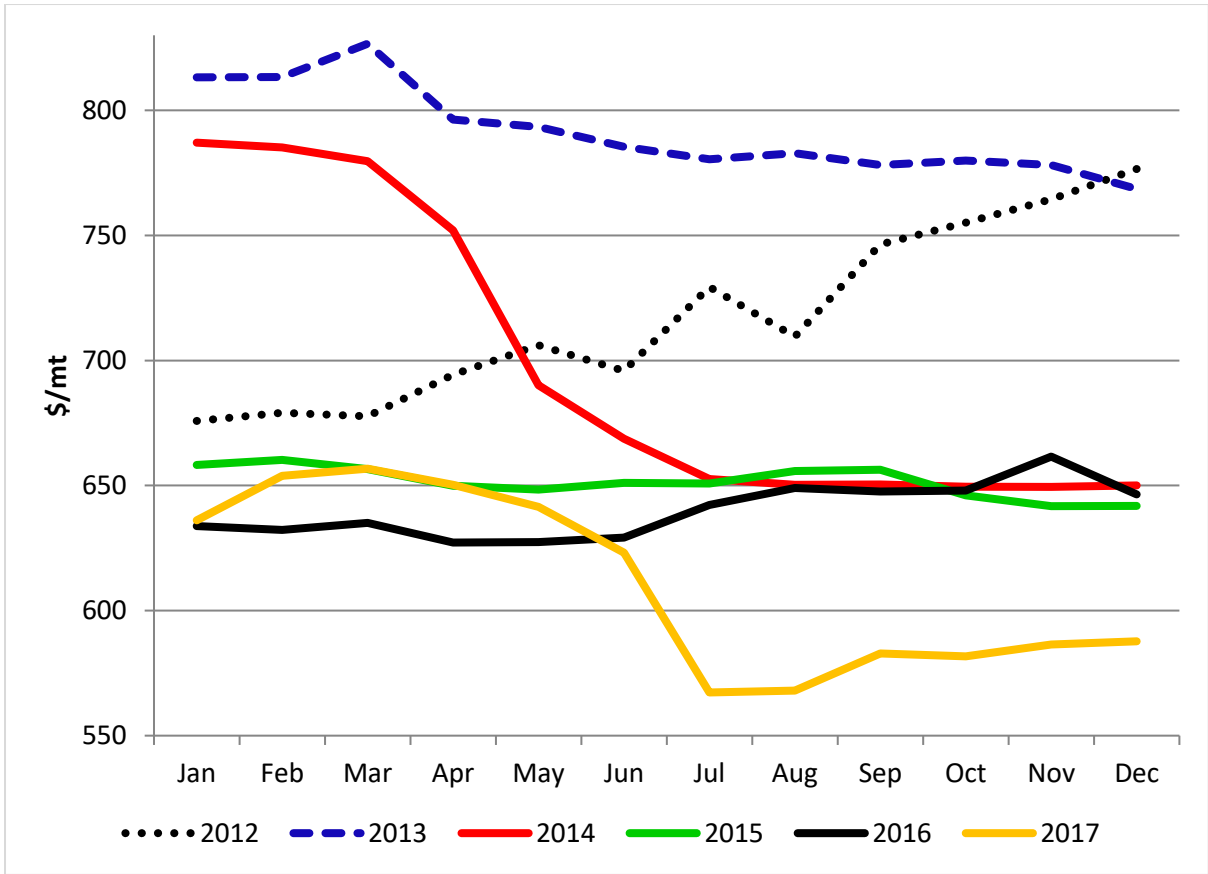
Prices



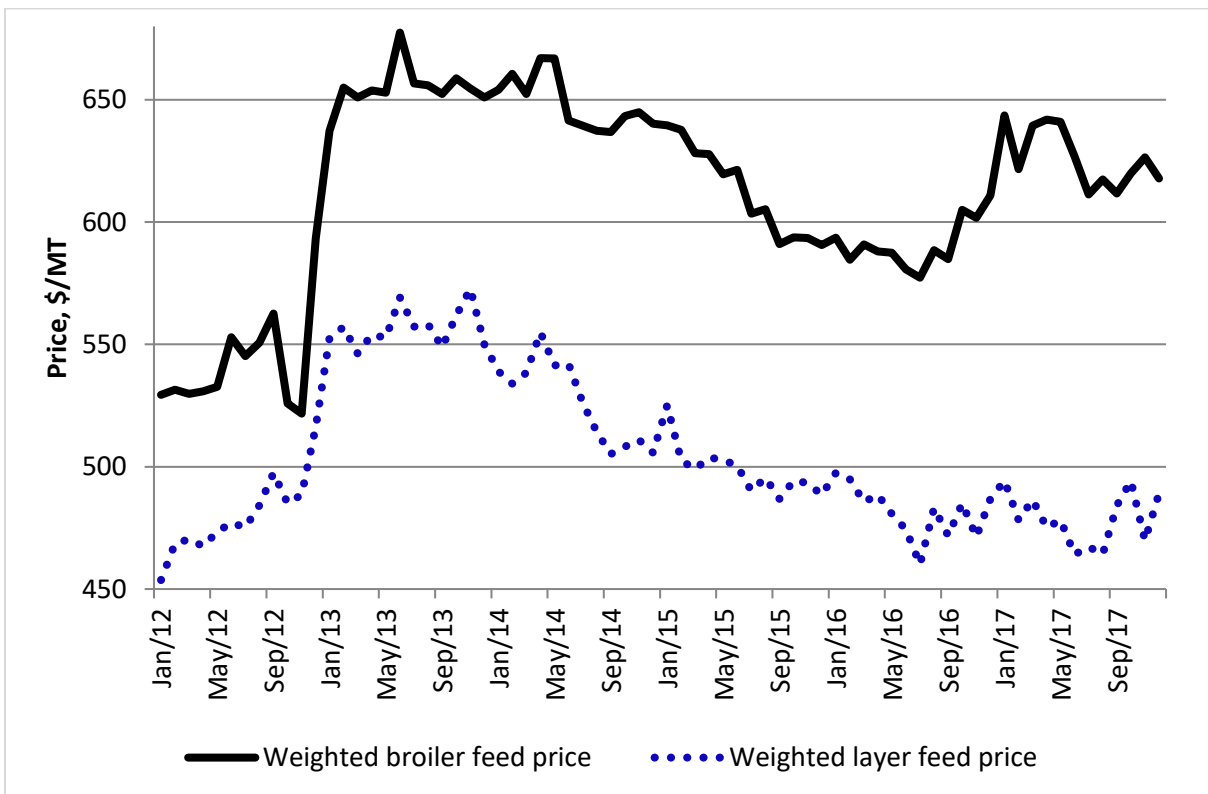
Prices



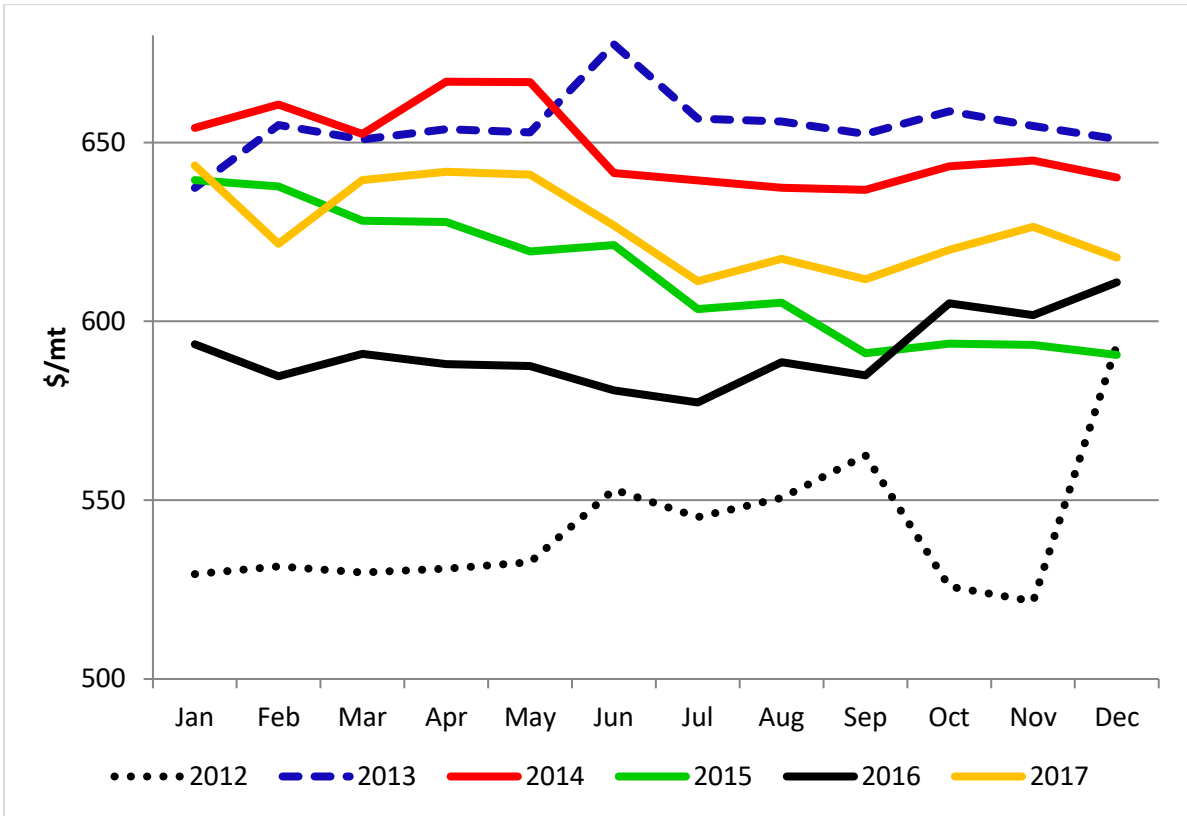
Maize Price



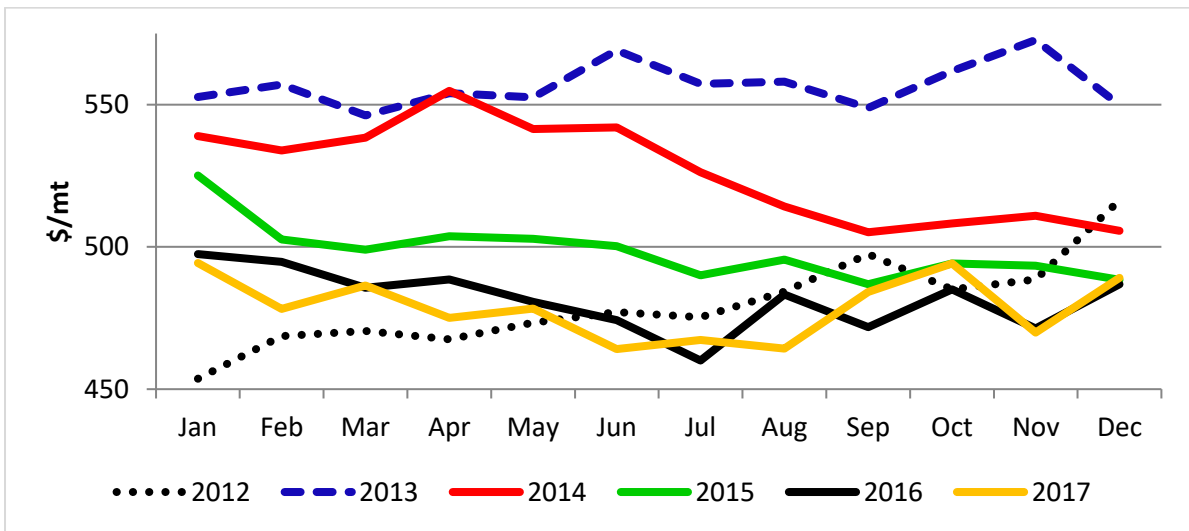
Soya Meal (Solvent Extracted) Price



Weighted Poultry Feed Prices



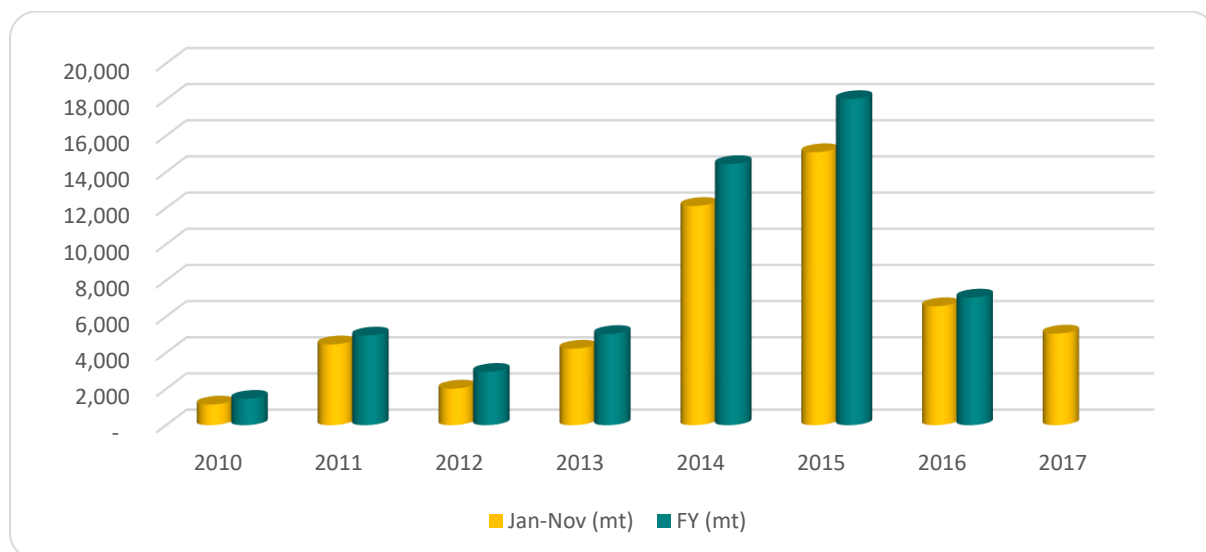
Weighted Broiler Feed Price



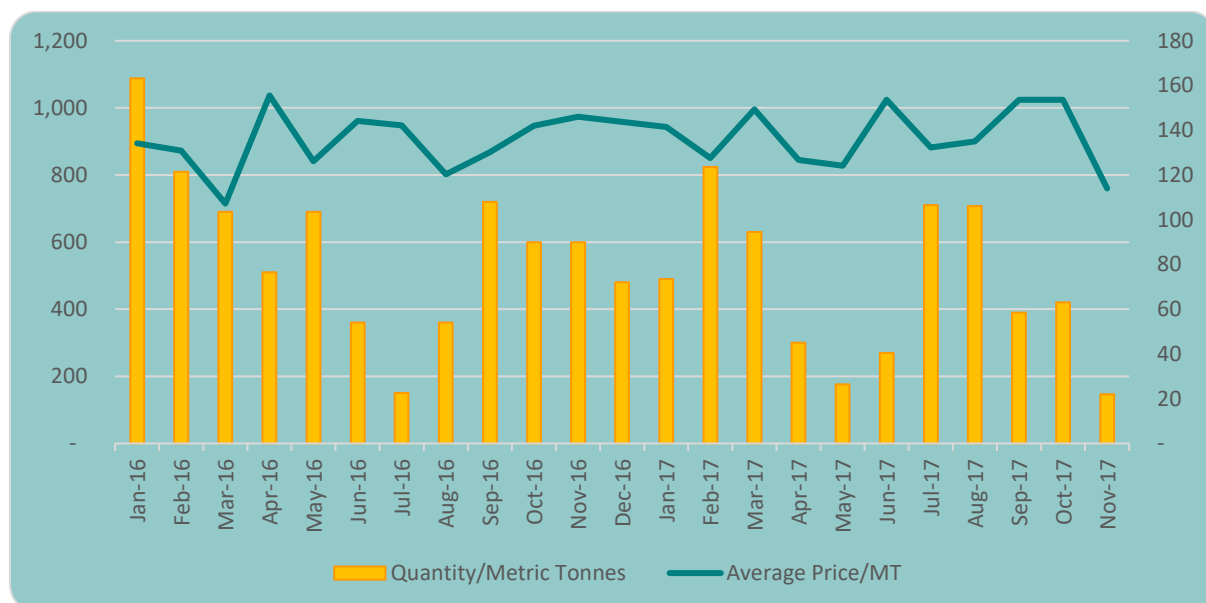
Weighted Layer Feed Price

Maize Bran

Maize bran imports and the average price for the ten months to October 2017 was 5,065mt, 23% below the corresponding period in 2016 and the average price of \$138/mt was 4% above the same period last year.



Maize Bran Imports, 2010 - 2017



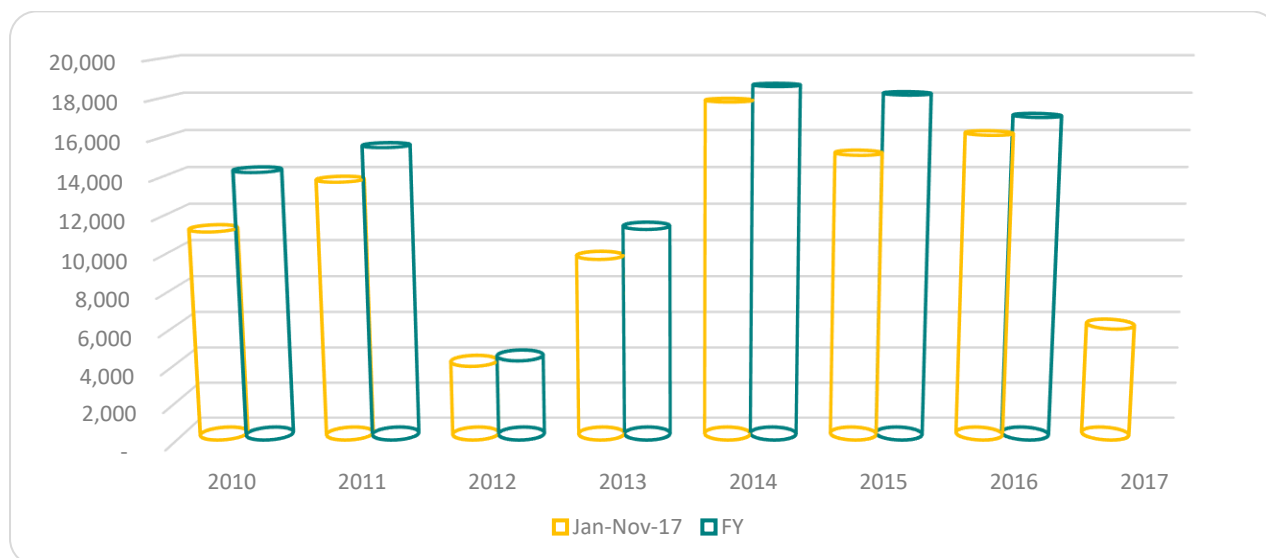
Monthly Maize Bran Imports

Average Maize Bran Prices, 2010 – November 2017

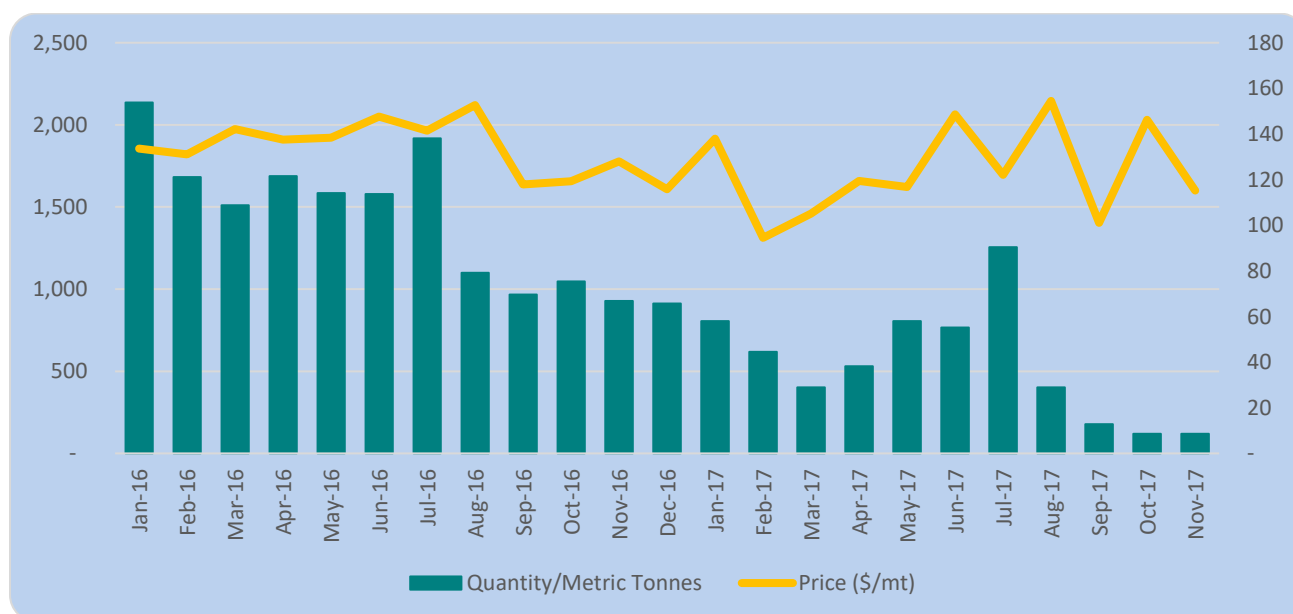
	2010	2011	2012	2013	2014	2015	2016	2017
Jan – Nov (\$/mt)	93	121	104	141	166	103	133	138
Full Year (\$/mt)	100	122	116	138	157	104	134	

Wheat Bran

There was a drastic decline in wheat bran imports for the eleven months to November 2017 which totalled 6,004mt, a decline of 63% when compared to the corresponding period in 2016. As shown in the table below, the average price for the eleven months to November 2017 was \$125/mt, 14% below the same period in 2016.



Wheat Bran Imports, 2010 - 2017



Monthly Imports of Wheat Bran

Average Wheat Bran Prices, 2010 – November 2017

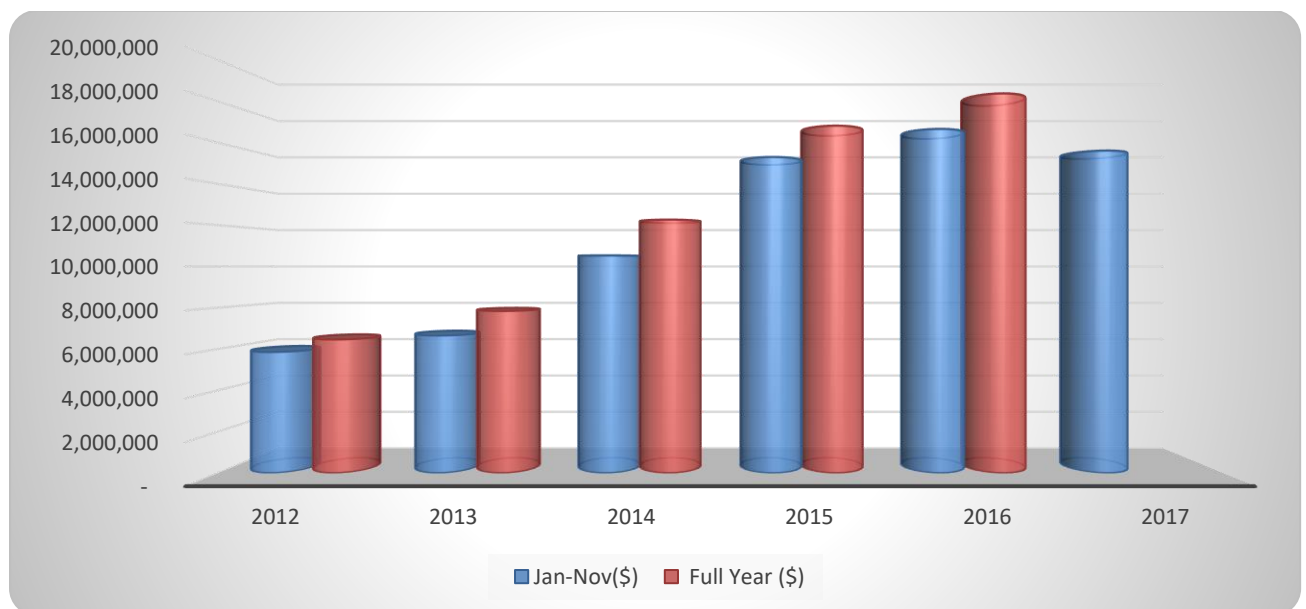
	2010	2011	2012	2013	2014	2015	2016	2017
Jan – Nov (\$/mt)	110	145	149	186	180	141	145	125
Full Year (\$/mt)	90	135	146	140	165	130	135	

Molasses

Molasses supply has been short due to the drought conditions in the first half of the 2016/17 growing season. Further, all molasses from the Triangle mill is reserved for ethanol for fuel blending. Molasses from Hippo Valley caters for the needs of the livestock sector and yeast production.

Premixes, Vitamins and Additives for the Manufacture of Stockfeed

Imports of product was worth \$15.6 million for the eleven months to November 2017, 6% below the corresponding period in 2016. Difficulties in accessing offshore facilities to settle outstanding payments continue to constrain supply of premixes, vitamins and additives which is erratic, and prices are reflective of the constrained market conditions.



Premixes, Vitamins and Additives for the Manufacture of Stockfeed



Zimbabwe Association of Abattoirs

Justification for Revising the Beef Carcass Classification and Grading System

A Critique of Current Classification and Grading System

The Beef Carcass Classification and Grading System was developed in the mid 1970's mainly for large framed cattle breeds. The fleshing index was based on research from measurements on carcasses of the dominant commercial breeds of the time (mainly Afrikaner and Hereford) and was meant to predict the proportion of "flesh" in a carcass.

The Fleshing Index, measured as carcass weight to length ratio (kg/cm), is largely a measure of scale (i.e. a function of size) because the relationship between carcass weight and length is non-linear. This means that large breeds always have higher fleshing scores than smaller breeds, even though the large breeds do not necessarily have a higher proportion of "flesh" in the carcass. Hereford, Brahman and Simmental steers were heavier and had higher fleshing indexes, yet they had significantly lower proportions of saleable meat in their carcasses compared with Mashona steers. Therefore, in terms of carcass grading and pricing, large breeds have an unjustified double advantage: they are paid better for their heavier carcasses and for their higher, but largely meaningless, fleshing indexes.

Large animals within a breed, sex or age group also have higher fleshing indexes than smaller animals because of the non-linear relationship between carcass weight and length explained above. The present carcass classification and grading system, therefore, promotes the production of large, old and fat animals. This is against all norms of good animal husbandry as production of older animals reduces turnover and increases production risks because market animals are kept longer on the farm. Secondly, production of older and fatter animals is biologically and economically less efficient, especially given that feed or grazing is the major limiting resource in beef production. Indigenous breeds offer a higher yield of beef per hectare and are better for ranching than the bigger breeds.

Independent of carcass size, fleshing index accounts in the region of 5% of differences in saleable meat in a carcass. Secondly, the current grading system in Zimbabwe does not have a mechanism of measuring this 5% independently of the fleshing difference due to breed, age and sex. A study was carried out by Department of Research and Specialist Services between 1987 and 1995 to establish the correlation between actual grade of saleable meat and the fleshing index. The obtained prediction score was insignificant, making the breed and animal

size the determinant of the amount of flesh on an animal and this proved to be a poor indicator. There are many animals with different weights and different lengths which do not fall in the same classification grade but have the same fleshing index. While fleshing index measures about 5% of the variation in salable meat, 25% of the value of the carcass is based on the index. The research concluded that with a wide range of breeds of very different sizes, fleshing index based on weight-to-length ratio as originally developed in the 1970s is a very poor predictor of the proportion of “flesh” in a carcass.

The breed composition in the country has changed dramatically since the late 1970s with the introduction of the Brahman, the longer continental breeds (e.g. Charolais and Simmental) and the increasing commercial production of the indigenous cattle (Mashona, Nguni and Tuli). The farming landscape has also changed with beef cattle production being predominantly carried out by smallholder producers, an estimated 90%. It is apparent that the present fleshing index works against the production of young and more efficient animals. It also works against the promotion of the small indigenous breeds which have been shown by research in Zimbabwe, and in Southern Africa generally, to be much more productive overall than the exotic meat breeds. All this is happening in Zimbabwe after land reform when indigenous livestock should be expected to play an increasing economic role in agricultural production in view of their numerical dominance and superior productivity. The present fleshing index therefore works against the country’s best interest in promoting greater productivity from the use of the more efficient animals or breeds. Stakeholders feel it is no longer appropriate to continue to use the fleshing index as an important factor in classifying and grading beef carcasses and especially as a basis of paying producers.

It is no longer included in carcass grading in other countries in the region. Australia and the United States of America have since refrained from using the fleshing index. They are using conformity (visual assessment) as one of their parameters.

Proposed Changes to the System

The Beef Carcass Classification and Grading Review Committee held meetings between April and November 2015 to review the current carcass classification and grading system and the research findings in the country. Carcass grading and classification experiences and practices in neighbouring countries were also reviewed.

Based on this information, the Committee has proposed the revision of the current Statutory Instrument as follows:

- i) The removal of the fleshing index from the beef carcass classification and grading system. The use of the fleshing index has been the major weakness of the current system because it is biased against small sized animals and breeds.
- ii) To move away from the current Carcass Classification and Grading system to a **Carcass Classification** system in line with international trends also adopted by Botswana,

Namibia and South Africa. This means that cattle graders will only describe or classify carcasses by age, fat cover, weight, visual conformation, sex, bruising, etc.

- iii) Grading of carcasses (into Super, Choice, etc) will be removed from the proposed system because it is a re-arrangement of the classification classes into the grades. This re-arrangement is considered by the Committee as a marketing issue which should not be included in carcass classification.
- iv) All carcasses will be roller marked per the carcass classification for the variable that determines quality (i.e. age), as is done in South Africa, Namibia and Botswana. The other classification variables (fat, weight, visual conformation, sex, bruising, etc) will be stamped on the carcass.

The Committee also reviewed the classification for sheep and goat carcasses and proposed a similar classification system to that for beef carcasses.

One of the advantages of the proposed carcass classification system is that it can be extended to live animal classification by replacing fat cover with body condition score.

Review of the Surtax on Export of Raw (Unbeneficiated) Hides

Following the suspension of SI 129 of 2016 in March 2017, LMAC intensified its advocacy efforts to convince the relevant authorities to permanently suspend the surtax of \$0.75/kg on exports of surplus raw hides beyond the effective demand from local tanners. This policy position is informed by the study of the domestic market supply of salted hides and effective demand for hides by local tanners who are primarily in the business of exporting wet blue hides. The majority of tanners are only interested in buying heavy hides (more than 20kg) which constitute about 40% of the national supply. Thus, out of the 177 00 cattle slaughtered between January and August 2017, data from Zimbabwe National Statistical Agency (ZimSTAT) shows that tanners bought only 43,000 hides (or 24% of gross supply) exporting only 947mt, primarily wet blue. These exports earned the country only \$1.02million

Given the average annual export of 3,000mt, nearly 134,000 hides are being held in stock, the bulk of which (between 60% and 80%) are “light” hides. Potentially, \$1.25million could be earned by allowing the export of these unbeneficiated hides.

In addition to providing this information to the Ministry of Industry and Commerce and other strategic policy allies, LMAC held meetings with representatives from the tanning industry to sensitise them on the importance of securing an export permit for surplus stocks of raw hides – both light and heavy – which is critical in avoiding a recurrent problem of stakeholders lobbying against such exports in excess of their demand requirements.

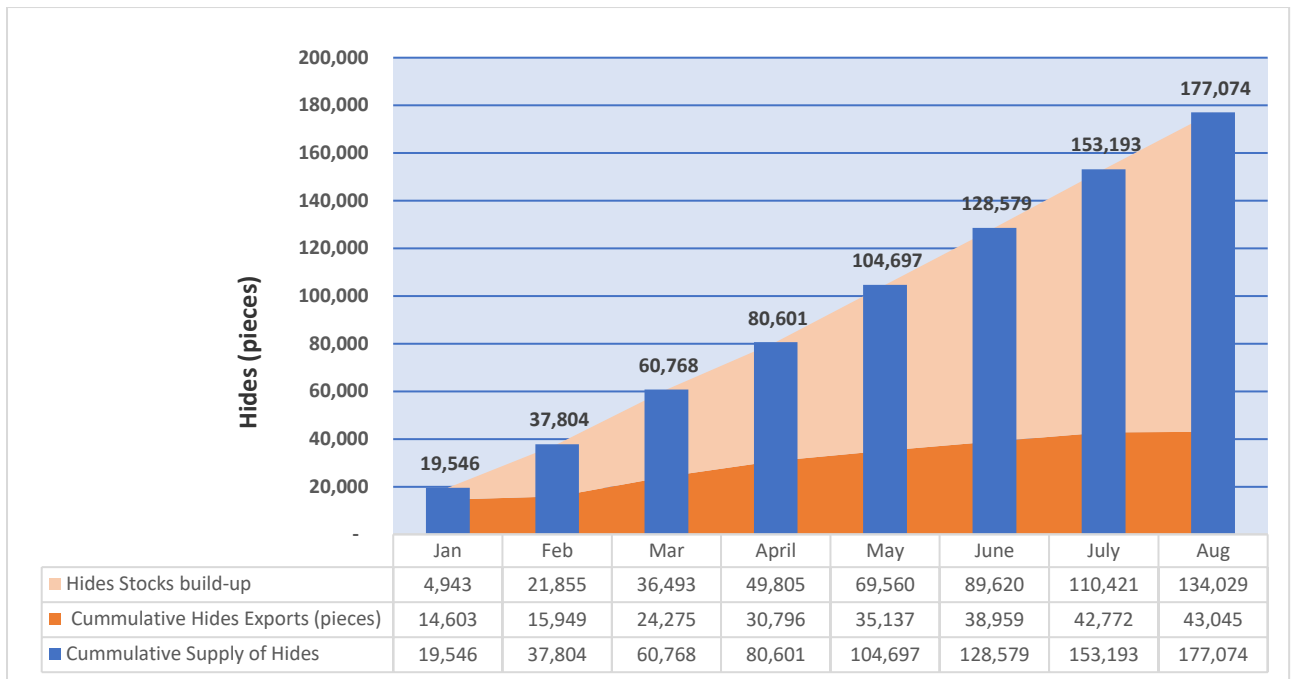


Figure 1: Cumulative Market Supply of Hides from Abattoirs and Stock Build-Up (Total Supply: 177 thousand pieces Unsold Stocks: 134 thousand pieces)

The sector has been extolled to come up with a transparent system of jointly monitoring the domestic supply and demand of heavy and light raw hides to optimise export earnings from the beef and leather value chain. ZAA and LMAC is ready to partner government and the Confederation of Zimbabwe Industries to develop this mechanism.



Livestock Identification Trust

The Trust continues to supply cattle identification and traceability services under the Zimbabwe Cattle Traceability Scheme to a number of cattle producers. A cattle finance investment scheme has anchored their operations on the Scheme while some producers have opted to use electronic cattle identification tags.

In 2016, the Trust was contracted under an EU-funded FAO-implemented Livestock Development Programme to review Livestock Identification and Traceability Systems (LITS) in Zimbabwe taking into consideration the dramatic change in the farming landscape and the loss of the beef export market. It was also necessary to take into cognisance new drivers for livestock identification and traceability, namely the need for enhanced disease

control, improved monitoring of livestock movements and reduced stocktheft as well as the costs of transaction to access markets.

A Steering Committee was established to contribute to the process of designing a system that meets aspirations of all stakeholders, chaired by the Competent Authority, Principal Director, Department of Livestock and Veterinary Services, and included wide stakeholder participation.

Under the LITS framework, it was proposed that only animals leaving their farm or dip tank of origin need to be tagged and registered on an electronic database, taking into cognisance that most animals are in the communal sector and do not normally leave their farm or dip tank or origin. Cattle which are subject to a change in ownership must be dual tagged to minimise the risk of loss of animal identification and cattle intended for direct slaughter should have one uniquely coloured tag.

The Ministry of Industry and Commerce and Enterprise Development in partnership with the Ministry of Lands, Agriculture and Rural Resettlement are implementing the African Development Bank funded 'Support to the Beef and Leather Value Chain Technical Assistance project' which is being piloted in Matabeleland North Province. The overall objective of the project is to increase the overall competitiveness of the beef and leather value chain in Matabeleland North Province primarily through building stakeholders' production capacities and enabling them access local and export markets. The project started in late April 2017 and will end in December 2018.

Technical support has been provided for the design and preparation of a business plan for LITS which was based on the framework developed above. Sub-components include: provision of livestock prices and volume market information based on animal type, breed, age, gender and grade; livestock identification system; tracking livestock movements to enhance livestock anti-theft measures; and animal health tracking information system including contracted diseases, treatments, vaccinations, and traceability of products as required for international trade.



Zimbabwe Herd Book

2017 Registrations

The Herd Book has continued to grow with the registration of two goat and 14 beef studs in 2017 and the total number of registered breeding animals increased by 5% over 2016 to 10,962 (see Levy Returns table below).

Zimbabwe Herd Book Levy Returns*

Breed	2016		2017	
	Breeders	Animals	Breeders	Animals
Dorper	3	601	3	469
Boer	1	23	2	57
Kalahari Red	1	34	2	73
Ayrshire	1	5	1	3
Holstein	1	27	1	26
Beefmaster	3	551	5	888
Blonde d'Aquitaine	1	5	1	6
Bonsmara	1	67	1	79
Boran	12	1,721	15	2,112
Brahman	43	4,083	48	4,094
Charbray	1	30	1	30
Drought Master	1	149	1	163
Hereford				
Limousin	3	81	4	56
Mashona	3	379	4	319
Nguni	2	110	2	118
Santa	4	201	3	156
Simbra	4	146	4	136
Simmental	6	441	5	497
Senepol				
Sussex	1	15	1	18
Tuli	11	1,789	15	1,662
Total	103	10,458	119	10,962

* Registered Animals born before 1st January in previous year

National Breed Sale 2017

The National Breed Sale 2017 arranged by Zimbabwe Herd Book (ZHB) was a barometer of restored confidence in farming and prudent investment in the top cattle, sheep and goat genetics on offer there. Record prices averaged almost 50% higher than last year where bidders vied for fine stud stock and there was an outstanding attendance at the Sale held at Mount Hampden Sale Pens on July 28th.

The premier breed sale in Zimbabwe was opened by the then Deputy Minister of Agriculture, Mechanisation and Irrigation Development (Livestock), Honourable Paddy Zhanda, who noted “Quality breeding stock like the animals on display today is key to improving productivity on commercially oriented farms.”

Underscoring the importance of livestock to the economy, Deputy Minister Zhanda noted “Government has embarked on the Command Livestock Programme to develop a commercially oriented livestock sector to supply our own as well as the international market.” He pointed out that meeting the strict specifications of the international market starts with the selective breeding by stud breeders of livestock with suitable genetics for meat production in the commercial sector.

“This is why our Government values the work that pedigree breeders perform to ensure a steady supply of good genetics”, noted Zhanda. “Today's sale is important in furthering our efforts to build a viable livestock sector”, he said, urging farmers to also view the annual sale as a platform to network with stud breeders on their specific requirements and future on-farm purchase of animals.

Emphasising the need for longer term finance for commercial cattle farming, Honourable Zhanda said Command Livestock is seeking to attract private sector funding; indicating that “farmers who participate in the programme will be required to repay their loans.” He concluded his address by calling on the “fragmented cattle sector” to form a formal association for cattle farmers “for unity of purpose.”

Attributing the success of the 2017 National Sale to “a combination of top genetics on offer, a good farming season and the desire to invest money prudently”, General Manager of the Herd Book, Dr Mario Beffa described it as “phenomenal”. Bull prices averaged a buoyant \$4,518, a significant 48% higher than 2016. Two fine bulls fetching record prices over the \$8,000 mark were purchased for \$8,400 and \$8,300. Altogether, 89 pedigree bulls - Brahman, Simmental, Tuli, Beefmaster, Santa Gertrudis and Boran; 49 heifers, 8 rams, 6 ewes and 3 goats went under the hammer.

All the animals on offer at the National Sale every year are carefully selected in a rigorous inspection process that ensures that only sound, genetically strong animals representative of the particular standards of their breed are offered. Only animals registered with Zimbabwe

Herd Book, which all have authentic and internationally recognised breed records, can be entered.

The 49th National Sale also marked the first time that an indigenous breed of cattle has adopted the Estimated Breeding Value (EBV) system to provide the best measure of the genetic potential of an animal offered for sale. Introduced by the progressive Tuli Society of Zimbabwe as a new standard this year, EBVs were incorporated in the Sale catalogue to provide important genetic information on animals offered for sale.

Looking ahead to the milestone 50th National Breed Sale to be held in 2018, the Chairman of Zimbabwe Herd Book, Keith Swales says “We are already preparing for next year’s historic event and predict it will even bigger and better.” Started as the National Bull Sale, to provide top bull genetics for breed improvement, the event has been run by ZHB when it was placed under the aegis of the country’s livestock breed registration authority and has now been expanded to include sheep and goat breeds registered with the Herd Book.

The Zimbabwe Herd Book was established by an Act of Parliament in 1981, to record, preserve and improve the country’s livestock genetic heritage. ZHB maintains authentic breed records of all the country’s registered pedigree livestock – both exotic and indigenous breeds. The Herd Book works closely with Zimbabwe’s livestock breeders to continually improve the country’s livestock through selection of the right genetics for improved animal productivity.

Maintaining a strong gene pool of animal genetics is critical for successful commercial animal production in Zimbabwe. Genetics can be selectively used to enhance animal fertility and the productivity of livestock in other ways too, such as growth potential and improved meat quality. Globally, improved genetics are being used to drive efficiency in livestock farming and help meet the food demands of a growing world population.

Table 1 Average Prices for Stud Bulls, Heifers, Sheep and Goats at the Zimbabwe Herd Book National Sales, 2009 - 2017

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bulls	2,129	2,915	3,235	2,964	3,340	3,244	3,064	3,053	4,518
Heifers	1,430	1,635	1,263	1,516	1,496	1,522	936	1,235	2,478
Rams	672	572	1,338	1,114	1,214	1,308	1,221	1,316	975
Ewes	378	463		494	475	613	367	325	300
Bucks									1,283

Beef School

Commencing in 2012, the livestock industry came together to organise the Beef School, held under the auspices of the Zimbabwe Herd Book. Hosting this event was stimulated by the huge success of the Aldam (South Africa) Stockman's School which is also an annual event. The Beef School brings together local, regional and international experts to discuss a wide range of topics that influence beef production.

ZHB are indebted to the assistance and support from Dr Michael Bradfield, South Africa. Michael arranges speakers for the Stockman School and facilitates their participation in the ZHB Beef School as well. He also arranges their flight details to and from Johannesburg and ZHB arranges their itineraries to and from Zimbabwe. Mark Hayter and Mario Beffa have also been integrally involved in the Beef School putting together interesting and varied programmes that draw producers together from across the country.

World-wide, beef production is seeing rapid changes and Zimbabwe is no exception. Dramatic changes have occurred in the production and marketing environment over recent years. Beef School keeps the country's cattle producers abreast of important global developments in the beef value chain offering a valuable and much needed venue for producers and professionals to deliberate and share ideas to foster the growth and expansion of the beef industry.

Over the years, guest speakers from the United States, Australia, the United Kingdom, South Africa and Namibia have shared their expertise and knowledge with Zimbabwean producers. Furthermore, a large number of local presenters have added their unique experiences in the beef cattle value chain.

ZHB is extremely grateful to all those who have travelled from around the world and the wide range of topics that have been so professionally covered.

The Beef School has become a very special annual event.

Brahman Breeders Society of Zimbabwe

The Brahman Breeders' Society of Zimbabwe has the prime goal of breeding quality, adapted, purebred Brahman cattle for the ultimate advancement of the national herd of Zimbabwe and the beef industry. Membership is made up of producers who are breeding purebred Brahmans conforming to the Society's Constitution, Rules and Regulations, and sharing a passion for the breed and its improvement and promotion.

All registered animals and their progeny are inspected in order to maintain high standards and purity of the breed with emphasis on its adaptability to conditions in Zimbabwe. The Society also promotes the breed vigorously throughout Zimbabwe and encourages good breeding practices as well as providing a platform for discussion, guidance and improvement of knowledge through training days, field days and discussion groups.

Brahmans were first developed in the United States during the 1800s when Zebu cattle were crossed with mainly British breeds and its genetic versatility, adaptability to conditions, hybrid vigour, longevity, disease resistance, heat tolerance, good maternal abilities, ease of calving and utilisation of low-quality grazing, have made it a popular breed. Brahmans have revolutionised commercial cattle herds in the dry and extensive areas in the southern hemisphere of Africa.

The Society hosted a Pedigree Cattle Breeders workshop on 25th and 26th July. Guest speakers from the Brahman Cattle Breeders Society of Southern Africa discussed how to breed the ideal Brahman as well as the value of pedigree animals in a breeding programme. How to select the herd sire and cow herd, as well as how to avoid serious faults when selecting the ideal animal were also debated. The nutritional requirements of bulling heifers, first calvers, pregnant cows, cows with calves and weaners in winter and summer are also important topics that were discussed during the workshop. Practical demonstrations amongst live cattle concluded the proceedings.



Zimbabwe Poultry Association

Production News

Broiler Breeding

Following the AI induced depopulation, average monthly stocks of broiler breeder chick retentions, growing and in-lay birds plummeted and in the last quarter (October to December) of 2017, average breeder stockholdings were lower than the same period in 2016 and the lowest since 2013 (Table 2). However, breeders in-lay had started to recover from a low of 241,611 in June to 310,609 in December (Figures 2&3).

Local production of hatching eggs declined by 35% from a peak of 7.1 million in May to 4.6 million in July and had recovered to 7.4 million in December (Figure 4). Imports of hatching eggs over the period January to July, which averaged 1.0 million per month, increased to 2.0 million per month for the period August to December. Total hatching egg imports over the latter period was 10.1 million, equating to 460,000 eggs per week. This contrasts with the ring-fenced duty-free allocation of 852,000 hatching eggs per week. Total hatching eggs declined by 31% from a peak of 8.5 million in May to 5.9 million in July and recovered to a new peak of 9.5 million in December.

Similarly, day-old chick sales (DoC) and retentions declined by 35% from 6.4 million in May to 4.2 million in July and recovered to a new peak of 7.1 million in December. This is in contrast

to the usual pattern between 2013 and 2016 where DoC demand normally drops to between 4.7 to 5.7 million (Figure 5).

Total production of hatching eggs in 2017 was 68.9 million, being 8% lower than 2016 (Table 4 & Figure 6). Prices of DoCs rose sharply from 65c in May to 96c in December (Figure 7).

Broiler Meat Production

The reduction in chick supply decreased large scale broiler meat production from 3,247mt in June to 2,672mt in August which then recovered to 3,413mt in December (Figures 8&9). However, the number of birds processed and broiler meat production in the large scale formal sector in the fourth quarter of 2017 were 18% and 17% higher than the same period in 2016, respectively (Tables 2&3 and Figure 8). In addition, whole bird wholesale prices rose from \$3.21/kg in June to \$3.73/kg in December (Figures 8&10).

The impact of the reduced supply of day-old chicks was most evident in small-holder production, where broiler meat production is estimated to have declined from 7,492mt in June to 3,328mt in July and recovered to 7,597mt in December (Figure 11).

Estimated total broiler meat produced in 2017 of 106.0mt was 10% lower than that of 2016 due to a 2 and 14% decline in production in both the large- and small-scale sectors, respectively (Table 5, Figure 12).

Layer Breeding

While layer breeder chick sales and retentions in 2017 remained static compared to 2016, growing and in-lay layer breeder stocks continued to decline from highs reached in 2013 (Tables 6&8, Figure 13). Locally produced and imported hatching eggs also declined and totalled 5.3 million in 2017 compared to 7.3 million in 2016 (Table 8 and Figure 14). Total sexed pullet production was 1.7 million, being 15% lower than 2016 (Table 8 & Figure 14). Price of sexed pullets also increased over the year from \$1.15 in December 2016 to \$1.32 in December 2017.

Table Egg Production

The number of layer birds in-production in the large-scale poultry sector plummeted by 400,000 birds from 878,000 in July to 478,000 in August due to AI-induced depopulation (Table 6, Figure 14). This reduced large-scale table egg production from 1.8 million dozen per month to 0.9 million dozen per month (Table 6, Figures 16&17).

Similarly, estimated small-scale table egg production also declined and in the last quarter of 2017 to an average of 1.8 million dozen, a reduction of 22% over the same period in 2016.

Total estimated table egg production for 2017 was 37.9 million dozen, a decline of 31% compared to 2016.

Inputs and Raw Materials

The manufacture of poultry feeds continued to dominate the stockfeed industry during 2017 (Figures 18&19) and totalled 281,011mt for the year (worth \$164m), decreases of 21% in quantity and 16% in value compared to 2016. Poultry feeds accounted for 63% of all feeds produced by weight and 70% by monetary value.

The prices of most raws procured in the fourth quarter were higher than prices in the third quarter (notably: maize bran 12%, urea 15%, salt 11%, hay 14%, fine and coarse limestone flour 21% and 12%, respectively). The notable exception was MCP which decreased in cost by 21%. As a result, prices of most feeds in the fourth quarter were a few percentage points higher than prices in the second quarter. Average weighted broiler and layer feed prices in the fourth quarter of 2017 were \$621 and \$484/mt, respectively, 1% and 3% higher than prices in the third quarter of 2017 (Figure 20).

Market Watch

Members of the Association have noted the impact on their operations of the 1 cent levy gazetted on behalf of the Agricultural Marketing Authority through Statutory Instrument 129 of 2017. There has not been an official response from the Ministry of Lands, Agriculture and Rural Resettlement to the request to have the SI suspended to allow consultation with stakeholders. However, ZPA, through the Livestock and Meat Advisory Council, have held several meetings to discuss the issue under the mediation of the National Competitiveness Commission. In the meantime, affected stakeholders are encouraged to make the necessary provisions.

SI 124 of 2017 which was gazetted to allow duty free importation of hatching eggs to bridge the supply gap of day-old chicks created by the outbreak of AI expired on 31st January 2018. Due to continued DoC deficit and slow recovery of local breeding capacity, the Association has submitted a position paper for the renewal of the SI.

Imports

Chicken off-cuts from Brazil have been seen on the market in butcheries in Chivhu and Budiro. It is disconcerting to note that 1,000mt of poultry products were imported in 2017, especially when imports were tightly controlled.

Veterinary Report

High incidences of stunting and runting that have been attributed to bacterial or viral infections, resistance to disinfectant, lax biosecurity and poor brooding conditions which are common in small scale operations and attributable to poor management.

Reports of epidemic tremors have been noted. The condition is not very common and occurs in young chicks between 4 and 10 days old and derives from non-vaccinated parent stock.

Symptoms include paralysis, lethargy, poor weight gain and a drop in egg production of parents.

On a positive note, the Principal Director, Livestock and Veterinary Services officially declared the end of the AI or Bird Flu outbreak with effect from the 31st of January 2018. This allows operations at Irvines Zimbabwe to revert to normal. However, the Principal Director urged all stakeholders to remain on high alert as the global status of AI remains unpredictable.

Zimbabwe joined many other countries in observing World Egg Day on 13th October. ZPA marked the event under the theme “The Value of the Egg”, to highlight the significance of egg production to Zimbabwe, for food security and economic growth.

ZPA was invited to participate in World Egg Day supplements run by two national newspapers. This was an opportunity to highlight how production of eggs, which retail at around 25 cents each, is generating millions of dollars annually across the Zimbabwean economy and is sustaining livelihoods along the value chain. It was also an avenue to reassure consumers that the poultry industry is building up egg production capacity again after the outbreak of AI to retain all the upstream and downstream benefits of egg self-sufficiency within the national economy.

Table 2 Zimbabwe Poultry Association: Broiler Monthly Average Fourth Quarter (October to December) Production Returns, 2013 to 2017

	2013	2014	2015	2016	2017	% change
<u>Female Parent Stock</u>						
Chick Sales and Retentions	96,050	73,372	60,244	57,979	3,600	-94%
Growing	400,059	317,583	304,899	302,154	146,265	-52%
In Production	392,303	415,364	281,852	324,072	317,316	-2%
<u>Hatching Eggs</u>						
Produced (ea)	7,879,589	7,153,215	6,682,781	6,714,237	6,536,527	-3%
Imported (ea)	414,000	1,096,708	846,053	971,587	1,684,406	73%
Total (ea)	8,293,589	8,249,924	7,528,834	7,685,824	8,220,933	7%
<u>Day Old Chicks</u>						
Chick Sales and Retentions	5,466,379	6,535,064	5,728,893	6,306,914	6,384,809	1%
Price per 100 chicks	74.27	70.81	65.27	62.45	93.48	50%
<u>Broilers</u>						
Number slaughtered	1,738,181	1,716,953	1,629,735	1,789,698	2,107,771	18%
Average live weight	1.69	1.88	1.95	1.72	1.79	4%
Producer price, \$/kg	2.20	2.00	1.86	1.82	2.01	10%
Total dressed weight, tonnes	2,621	2,649	2,555	2,840	3,326	17%
Wholesale - whole bird	3.34	3.23	3.02	2.85	3.67	29%
Leg quarters	3.83	3.75	3.53	3.68	4.15	13%
Breast	5.19	4.89	4.98	4.71	5.27	12%
1kg IQF	3.33	3.15	2.88	2.79	3.63	30%
2kg IQF	3.19	3.03	2.73	2.64	3.51	33%
Stock Holding (tonnes)	1,544	974	840	1,182	229	-81%

Table 3 Fourth Quarter (October to December) Average Monthly Broiler Meat Production, mt

	2013	2014	2015	2016	2017	% change
Large-scale	2,621	2,649	2,555	2,840	3,326	17%
Small-scale	5,727	7,496	6,347	6,996	6,549	-6%
Total	8,348	10,146	8,903	9,836	9,876	0%

Table 4. Zimbabwe Poultry Association: Broiler Average and Total Annual Production Returns, 2013 to 2017

	2013	2014	2015	2016	2017	% change
<u>Female Parent Stock, monthly averages, thousands</u>						
Chick Sales and Retentions	85	71	63	62	26	-58%
Growing	335	321	282	294	216	-27%
In Production	417	427	332	341	322	-6%
<u>Total Hatching Eggs, millions</u>						
Produced (ea)	79	82	77	82	74	-10%
Imported (ea)	8	20	26	16	17	8%
Total (ea)	87	102	103	98	91	-7%
<u>Day Old Chicks</u>						
Total Chick Sales and Retentions, millions	64	78	76	75	69	-8%
Average price per 100 chicks	79	70	69	62	76	23%
<u>Broilers meat, large scale</u>						
Total number slaughtered, millions	20.6	20.9	22.2	21.8	22.7	4%
Average live weight	1.54	1.87	1.90	1.78	1.76	-1%
Average producer price, \$/kg	2.12	2.04	1.95	1.82	1.91	5%
Total dressed weight, tonnes	32	32	36	36	35	-2%
<u>Average wholesale prices</u>						
Whole bird	3.38	3.26	3.13	2.85	3.35	17%
Leg quarters	3.90	3.74	3.67	3.41	3.88	14%
Breast	5.40	5.05	5.08	4.61	4.85	5%
1kg IQF	3.34	3.12	3.05	2.77	3.30	19%
2kg IQF	3.27	3.06	2.91	2.66	3.20	20%
Average monthly stock holding, tonnes	744	688	868	1,053	384	-64%

Table 5. Annual Broiler Meat Production, 000mt

	2013	2014	2015	2016	2017	% change
Large-scale	31.5	32.3	35.5	35.9	35.3	-2%
Small-scale	66.8	88.2	80.8	82.0	70.7	-14%
Total	98.3	120.5	116.3	117.9	106.0	-10%

Table 6. Zimbabwe Poultry Association: Fourth Quarter (October to December) Layer Monthly Average Production Returns, 2013 to 2017

	2013	2014	2015	2016	2017	% change
<u>Female Parent Stock</u>						
Chick Sales and Retentions	4,938	4,530	3,119	3,042	4,999	64%
Growing	24,487	16,441	18,629	21,046	12,071	-43%
In Production	44,815	33,915	25,770	20,839	18,341	-12%
<u>Hatching Eggs</u>						
Produced (ea)	899,014	609,512	502,742	486,275	354,407	-27%
Imported (ea)	53,400	12,000	97,440	44,640	-	-100%
Total (ea)	952,414	621,512	600,182	530,915	354,407	-33%
<u>Day Old Chicks</u>						
Chick Sales and Retentions	193,878	141,408	190,910	122,878	116,349	-5%
Price per 100 chicks	119.44	130.69	125.00	115.00	131.67	14%
<u>Point of Lay</u>						
Sales	19,680	11,848	37,140	5,771	2,095	-64%
Price per bird	9.39	10.33	9.93	8.93	11.67	31%
<u>Layers</u>						
Growing	351,449	375,990	331,421	299,380	182,927	-39%
In-lay	1,018,890	941,216	799,219	889,906	471,243	-47%
Sale price of spent hens	4.14	4.04	3.82	3.34	4.01	20%
<u>Table Eggs</u>						
Produced (doz)	1,979,651	1,750,566	1,654,196	1,946,486	921,637	-53%
Wholesale price per tray	3.87	4.22	3.21	3.09	4.31	39%
Stockholding (doz)	250,839	201,730	222,550	269,560	55,199	-80%

Table 7. Fourth Quarter (October to December) Average Monthly Table Egg Production, million dozen

	2013	2014	2015	2016	2017	% change
Large-scale	2.0	1.8	1.7	1.9	0.9	-53%
Small-scale	2.0	2.0	2.9	2.3	1.8	-22%
Total	4.0	3.8	4.5	4.3	2.7	-36%

Table 8. Zimbabwe Poultry Association: Layer Average and Total Annual Production Returns, 2013 to 2017

	2013	2014	2015	2016	2017	% change
<u>Female Parent Stock, monthly averages</u>						
Chick Sales and Retentions	6,538	2,750	4,586	2,284	2,296	1%
Growing	25,475	21,843	19,456	19,247	16,510	-14%
In Production	50,656	41,173	27,969	25,123	20,970	-17%
<u>Total Hatching Eggs, thousands</u>						
Produced (ea)	10,660	9,762	6,266	6,909	5,012	-27%
Imported (ea)	160	648	2,649	364	267	-27%
Total (ea)	10,820	10,410	8,914	7,273	5,278	-27%
<u>Day Old Chicks</u>						
Total Chick Sales and Retentions, thousands	2,406	2,333	3,213	2,019	1,707	-15%
Average price per 100 chicks	120	129	133	116	126	9%
<u>Point of Lay</u>						
Total sales, thousands	194	141	351	131	43	-67%
Average price per bird	9.78	10.48	10.09	8.27	10.62	28%
<u>Layers, monthly averages, thousands</u>						
Growing	408	331	338	285	212	-26%
In-lay	1,091	1,010	819	886	717	-19%
Average sale price of spent hens	4.17	4.05	3.85	3.33	3.68	10%
<u>Table Eggs, large scale</u>						
Total Produced (million dozen)	24.6	21.8	18.8	22.3	17.0	-24%
Average wholesale price per tray of eggs	3.89	4.21	3.78	3.18	3.82	20%
Average monthly stockholding (million dozen)	2.8	2.1	2.4	2.8	1.2	-56%

Table 9 Annual Table Egg Production, million dozen

	2013	2014	2015	2016	2017	% change
Large-scale	24.6	21.8	18.8	22.3	17.0	-24%
Small-scale	23.6	22.7	29.2	33.0	20.9	-37%
Total	48.2	44.5	48.0	55.3	37.9	-31%

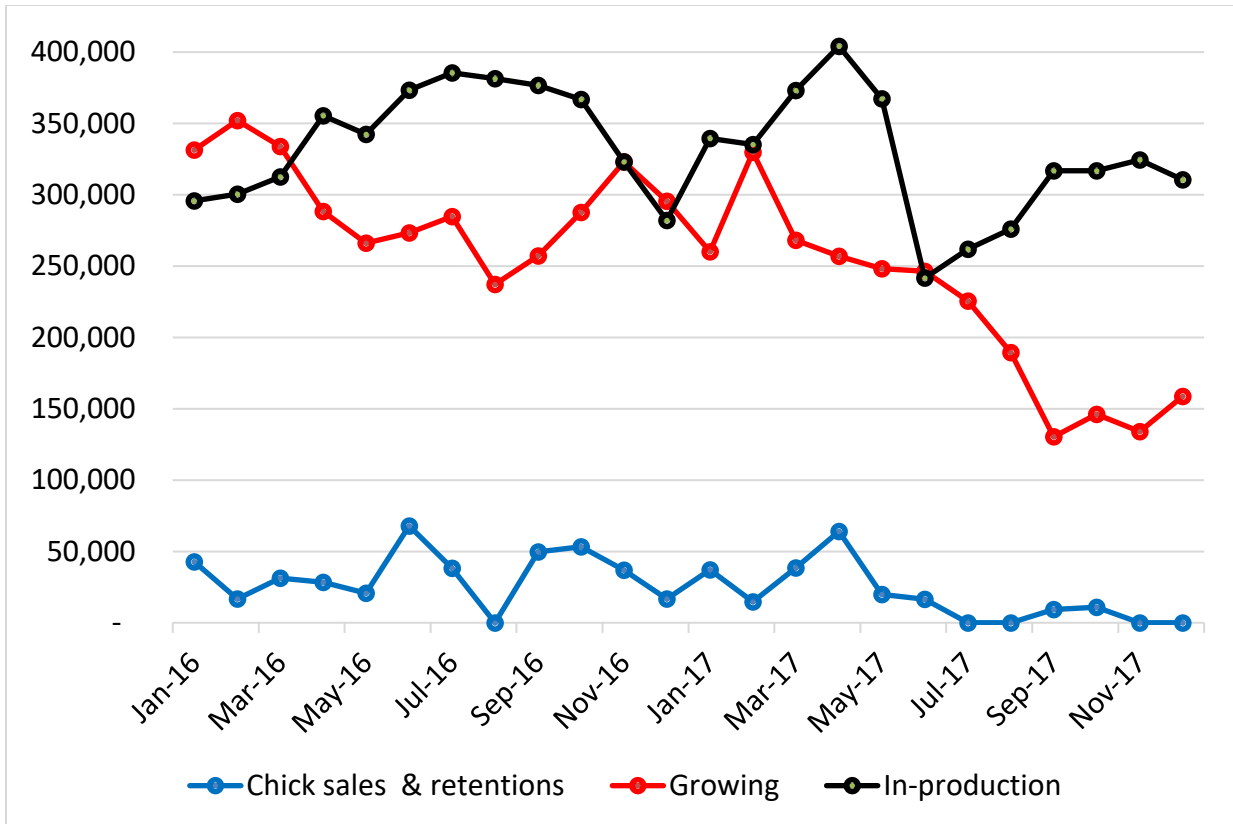


Figure 2 Broiler breeder chicks, growing and in-production stocks, 2016 to 2017

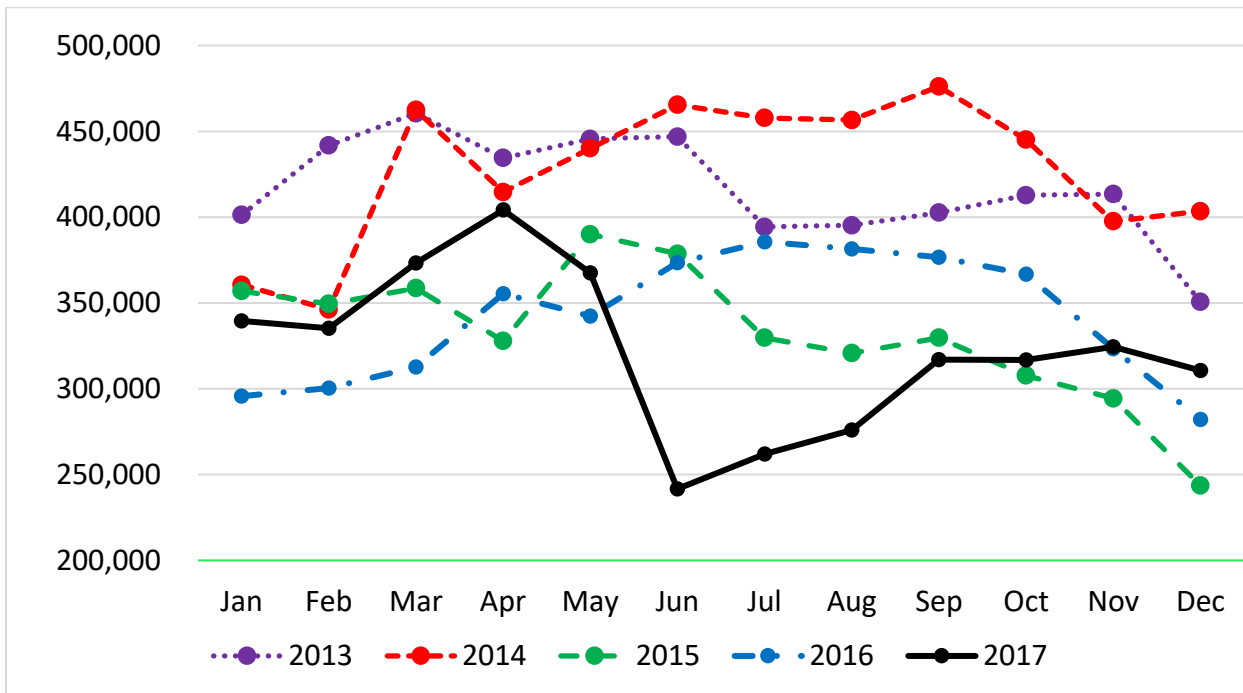


Figure 3 In-production broiler breeders, 2013 to 2017

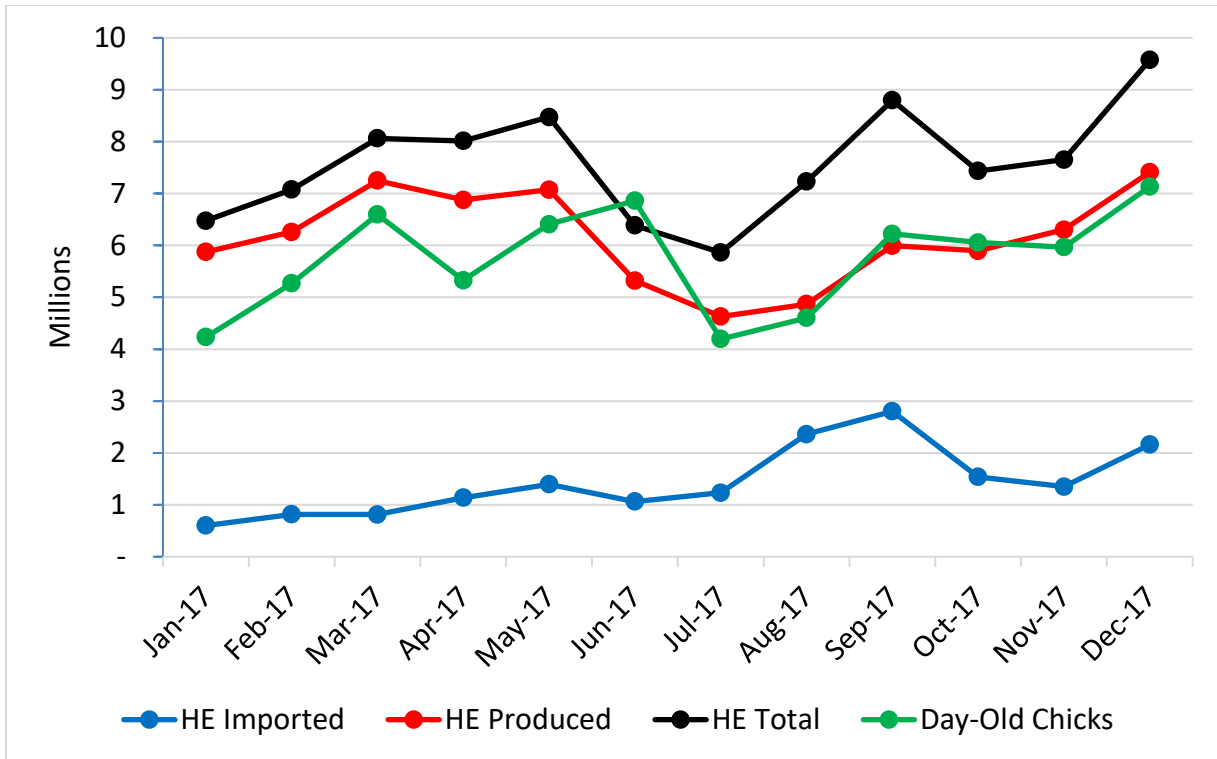


Figure 4 Broiler hatching eggs and day-old chicks, 2017

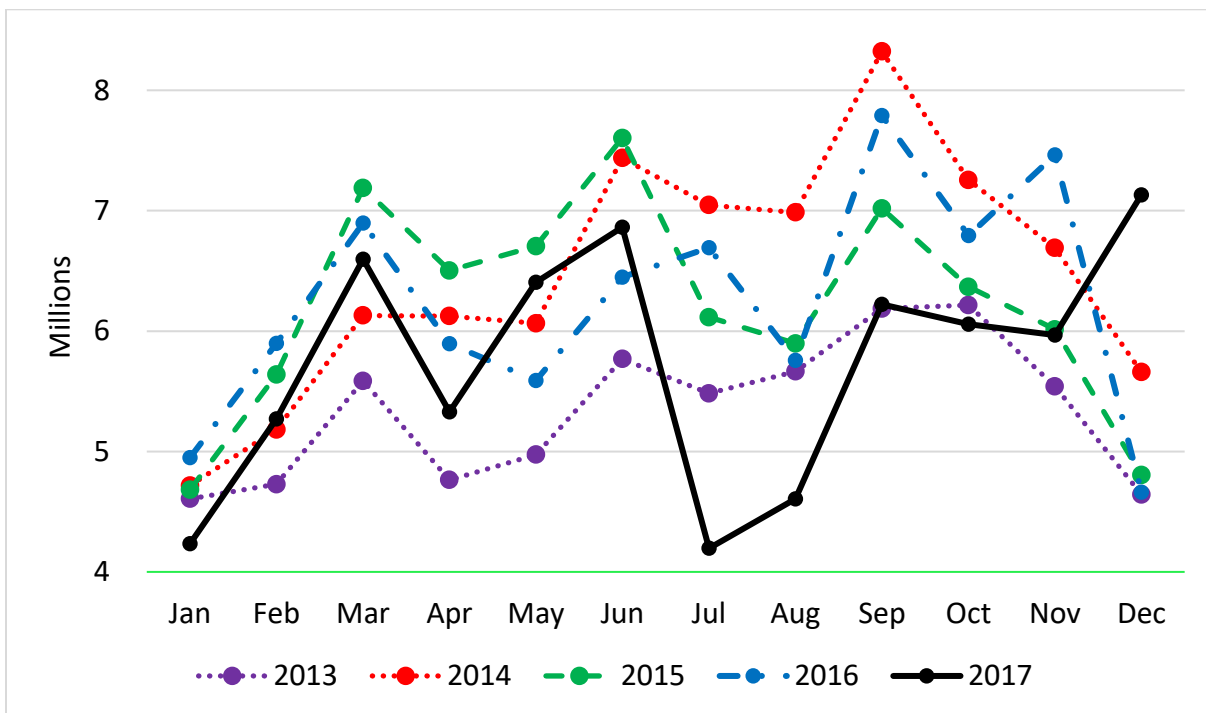


Figure 5 Broiler day-old chicks, 2013 to 2017

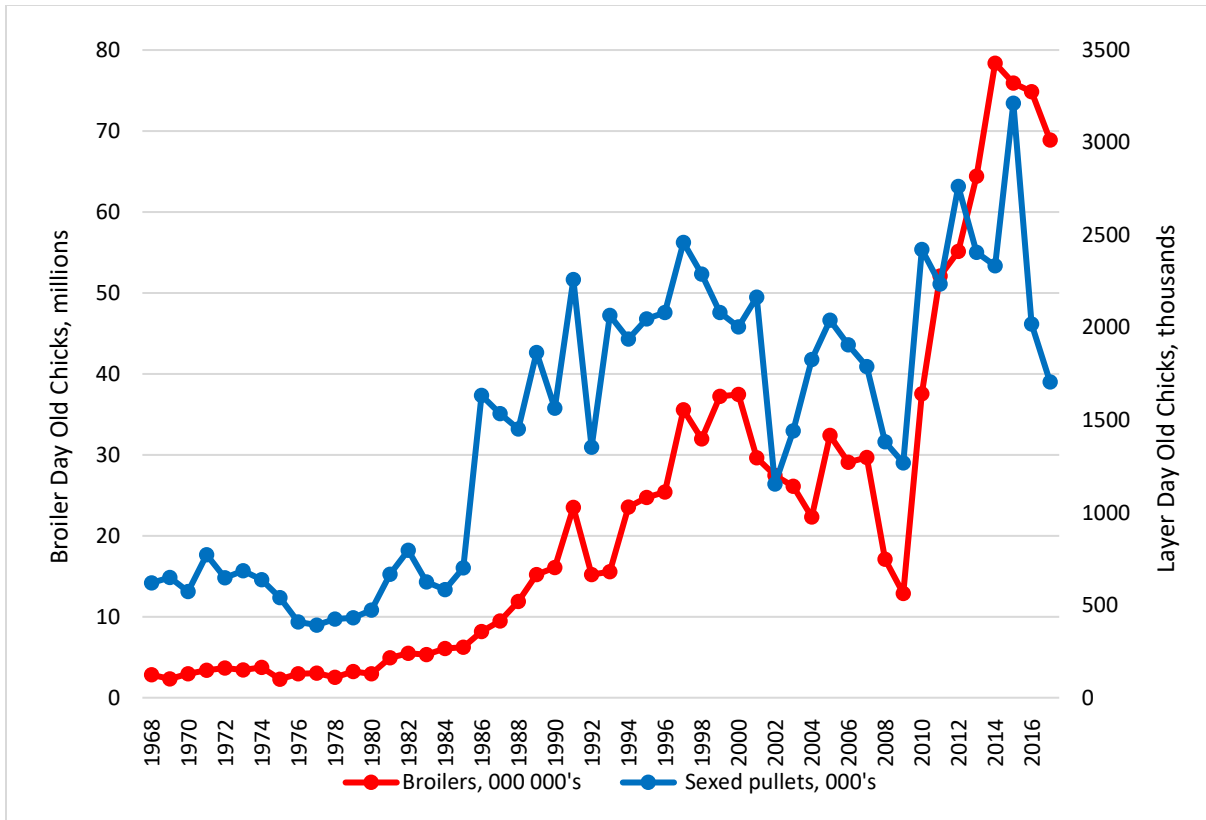


Figure 6 Broiler and sexed pullet day-old chick production, 1968 to 2017

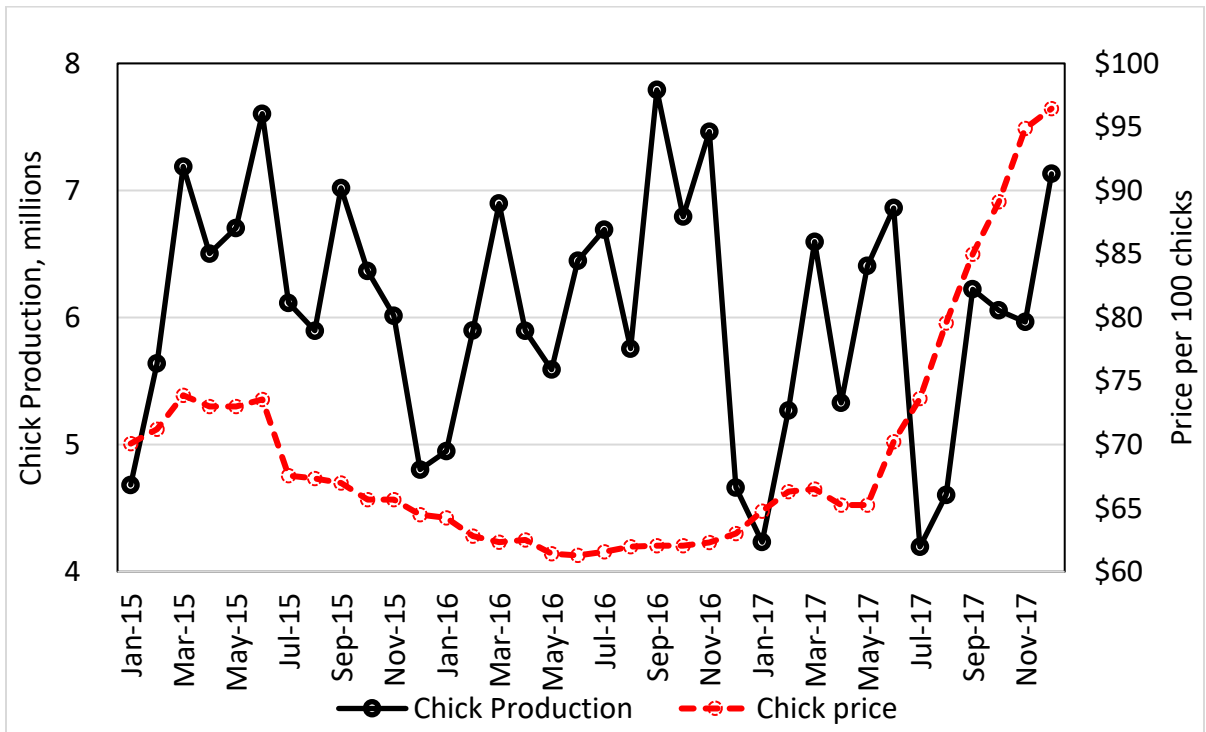


Figure 7 Broiler day-old chick production and prices, 2015 to 2017

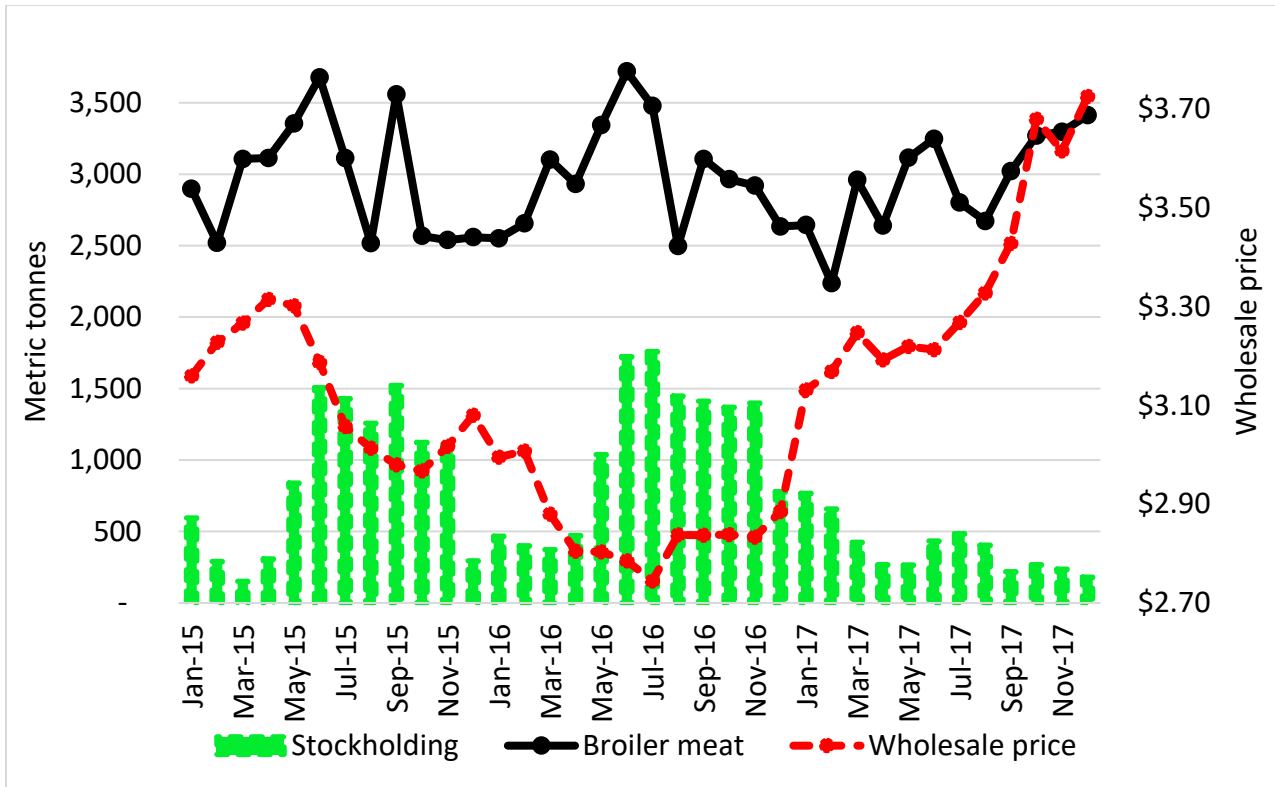


Figure 8 Large-scale broiler production, stockholding and whole bird wholesale price, 2015 to 2017

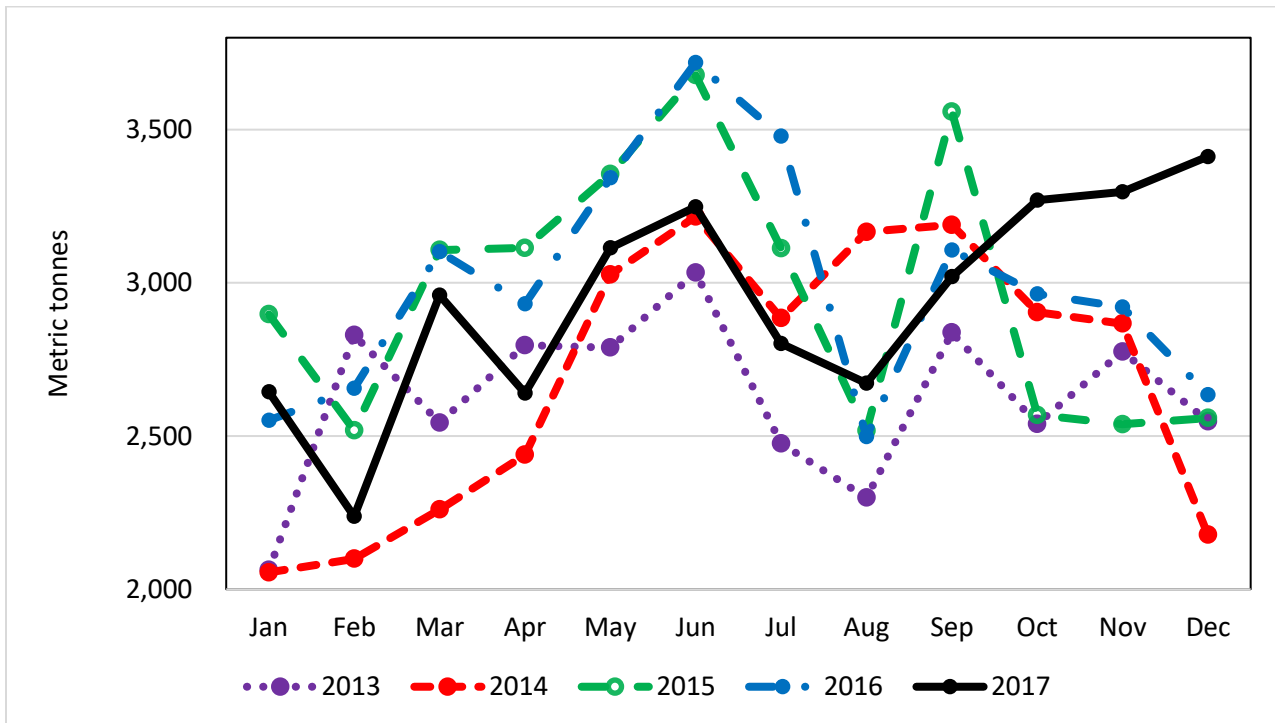


Figure 9 Large-scale broiler meat production, 2013 to 2017

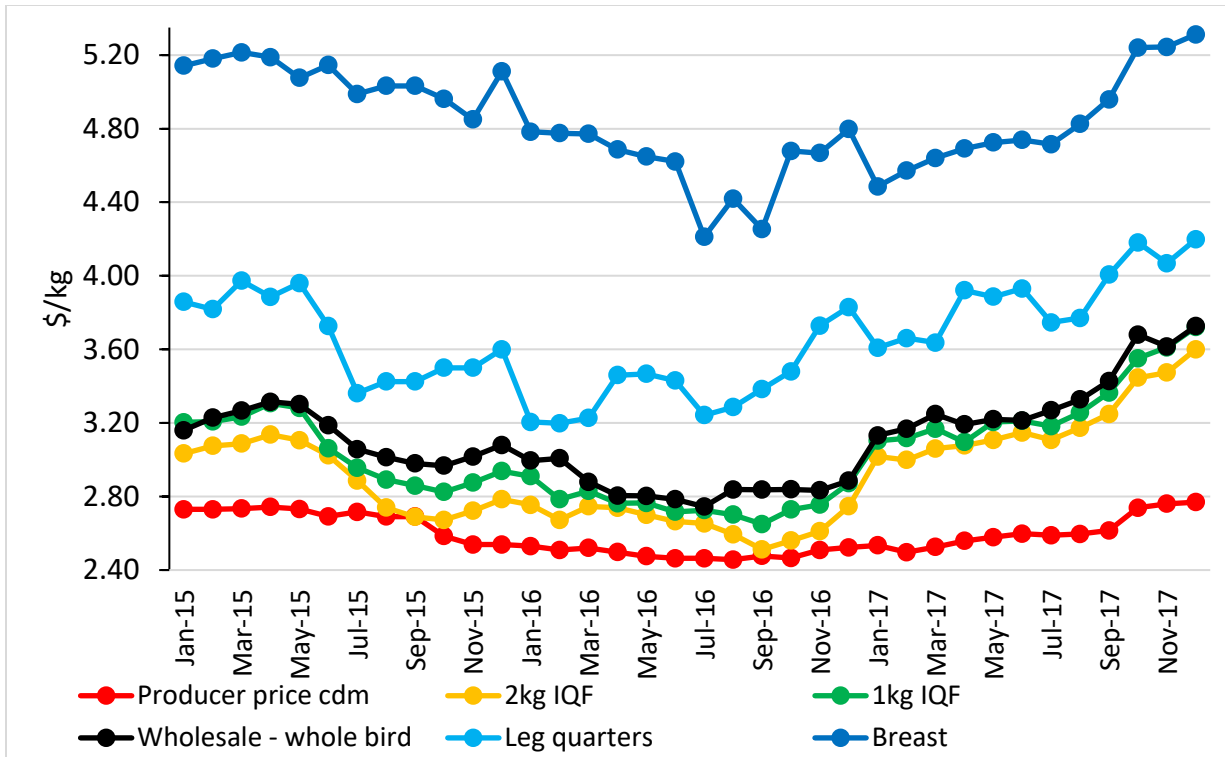


Figure 10 Broiler meat wholesale price trends, 2015 to 2017

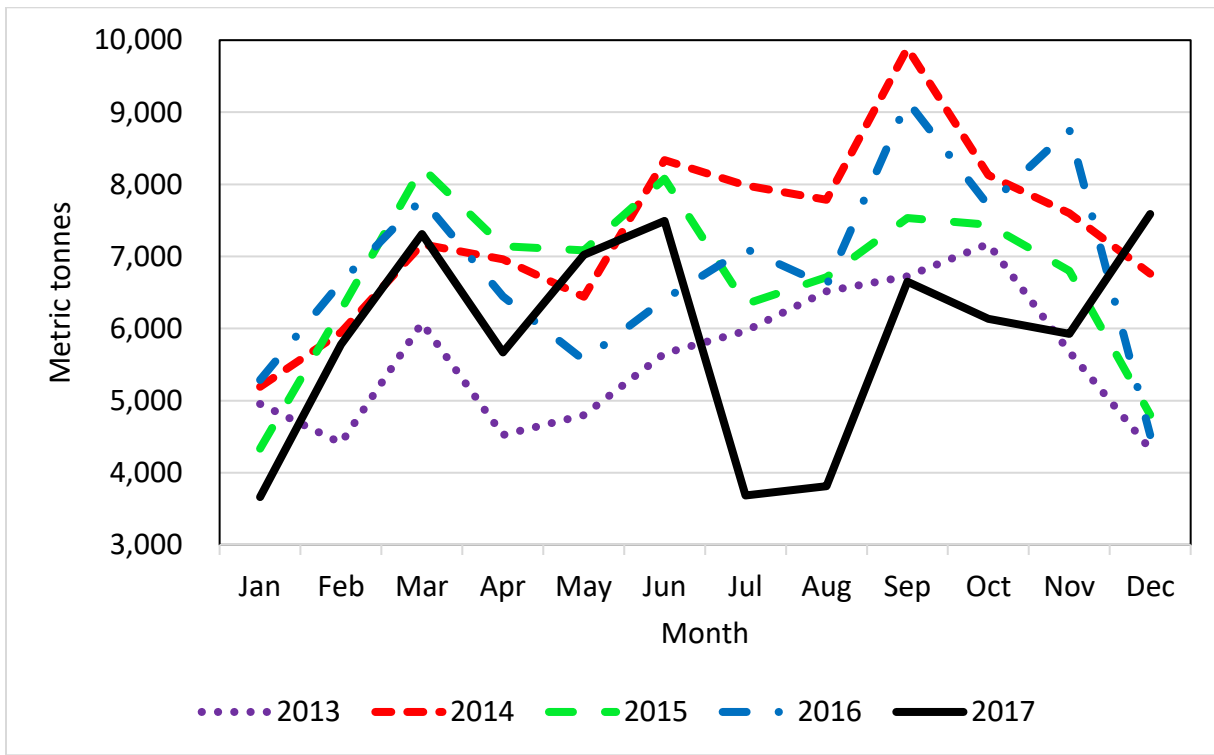


Figure 11 Estimated small-scale broiler meat production, 2013 to 2017

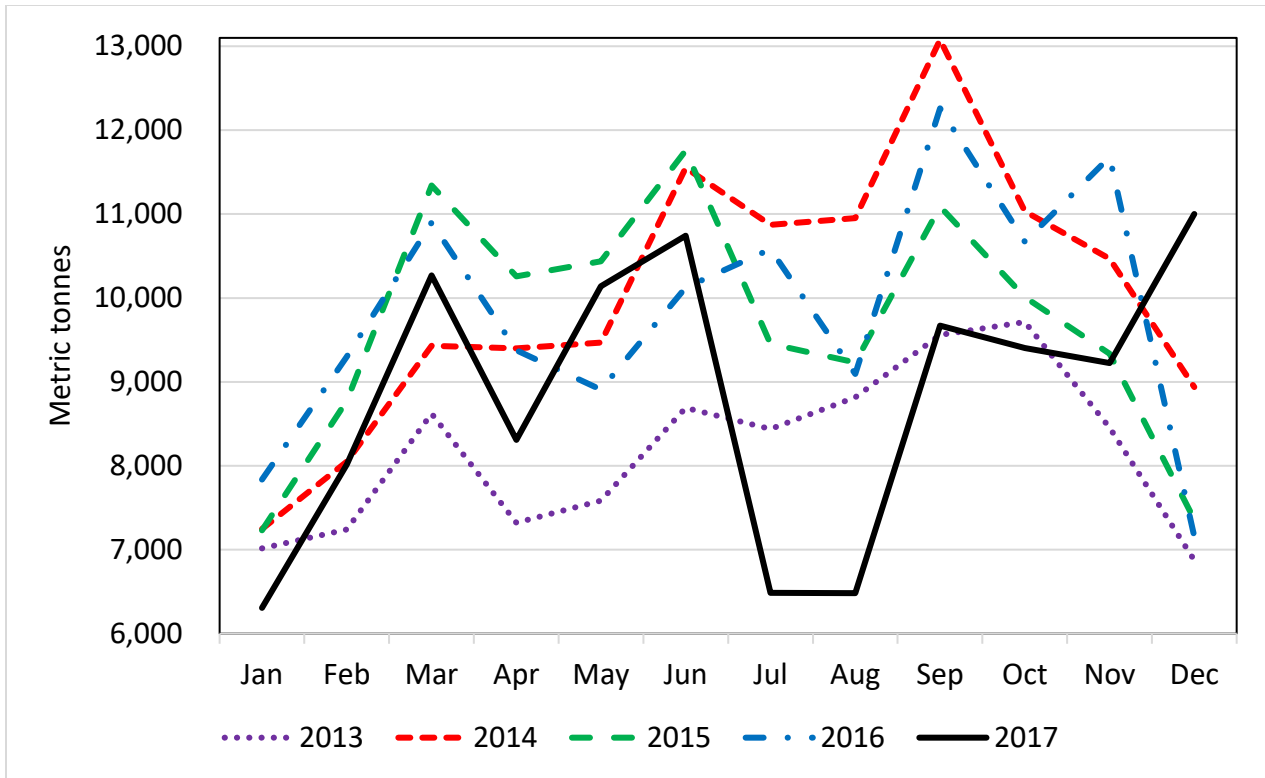


Figure 12 Estimated total broiler meat production, 2013 to 2017

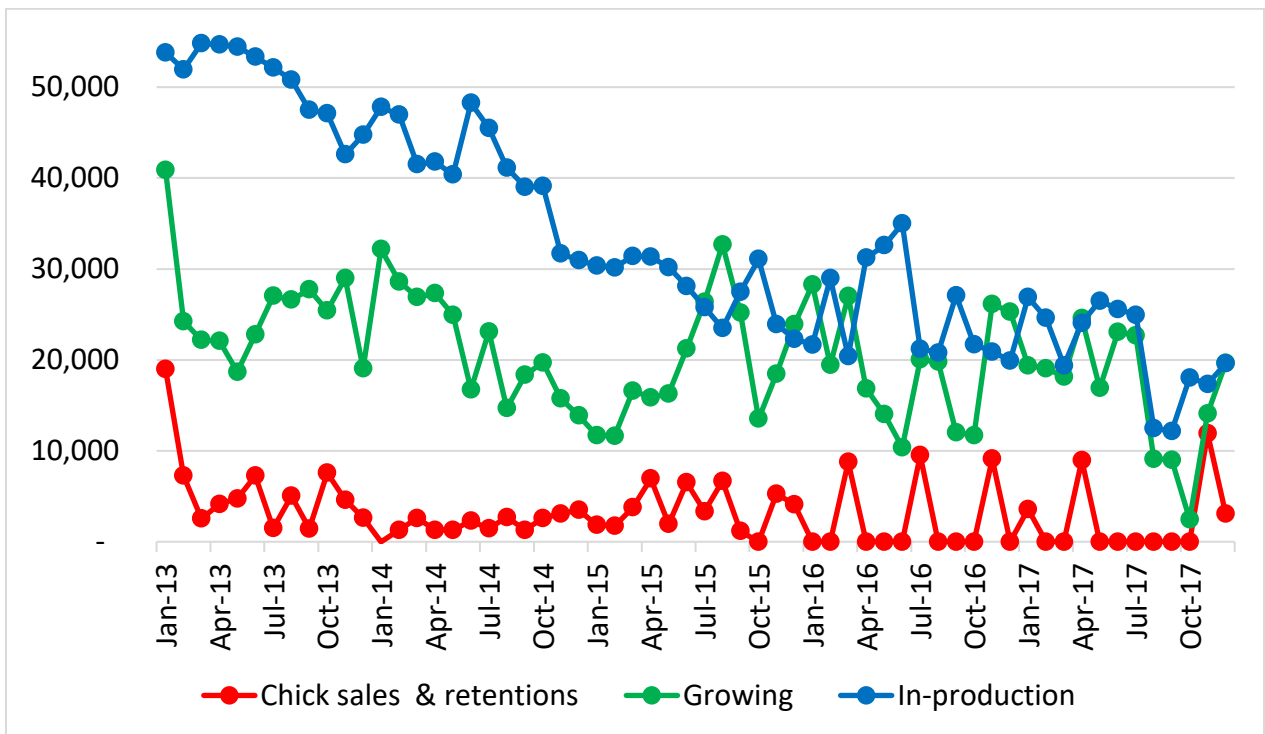


Figure 13 Layer breeder chicks, growing and in-production stocks, 2013 to 2017

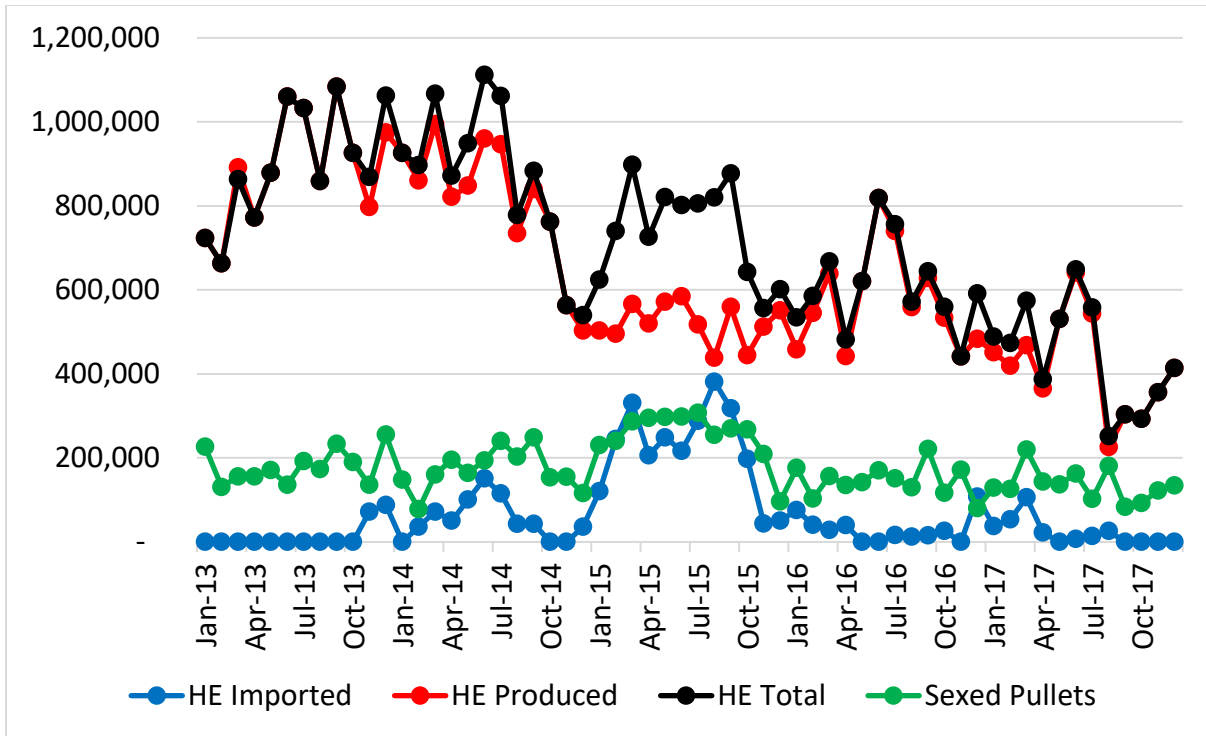


Figure 14 Layer hatching eggs and sexed pullets, 2013 to 2017

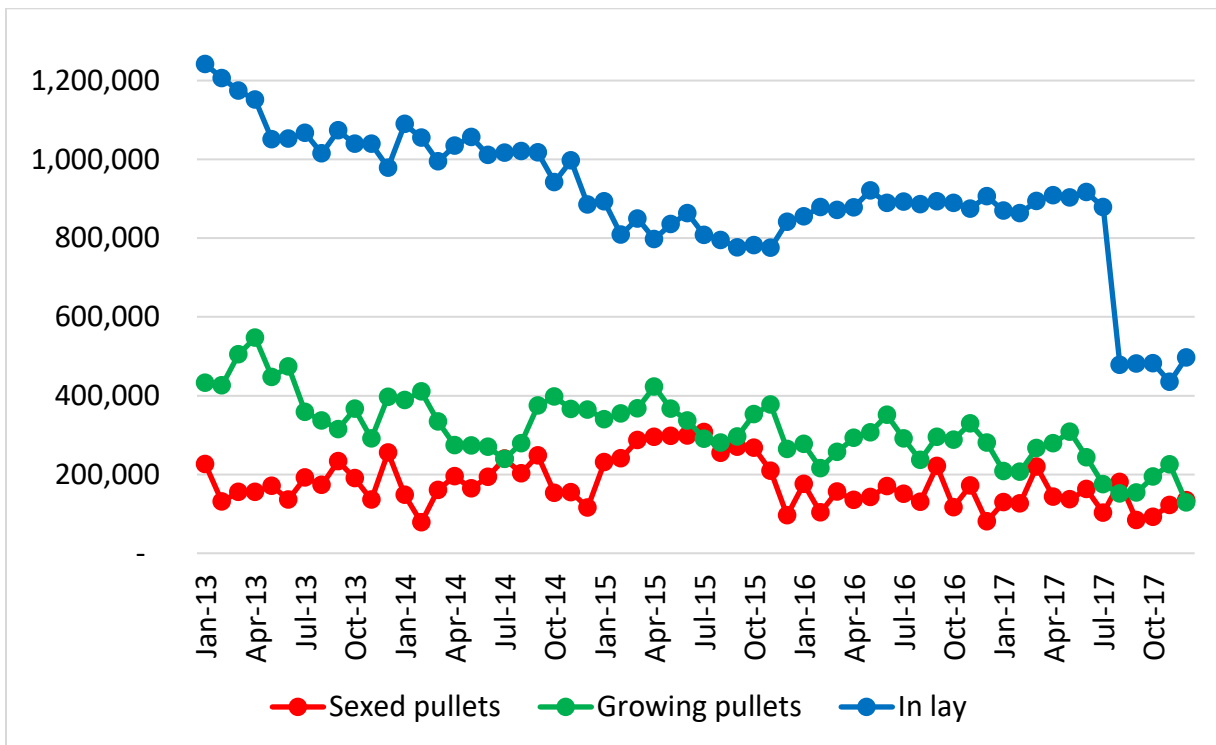


Figure 15 Layer sexed day-old and growing pullets in in-lay production stock, 2013 to 2017

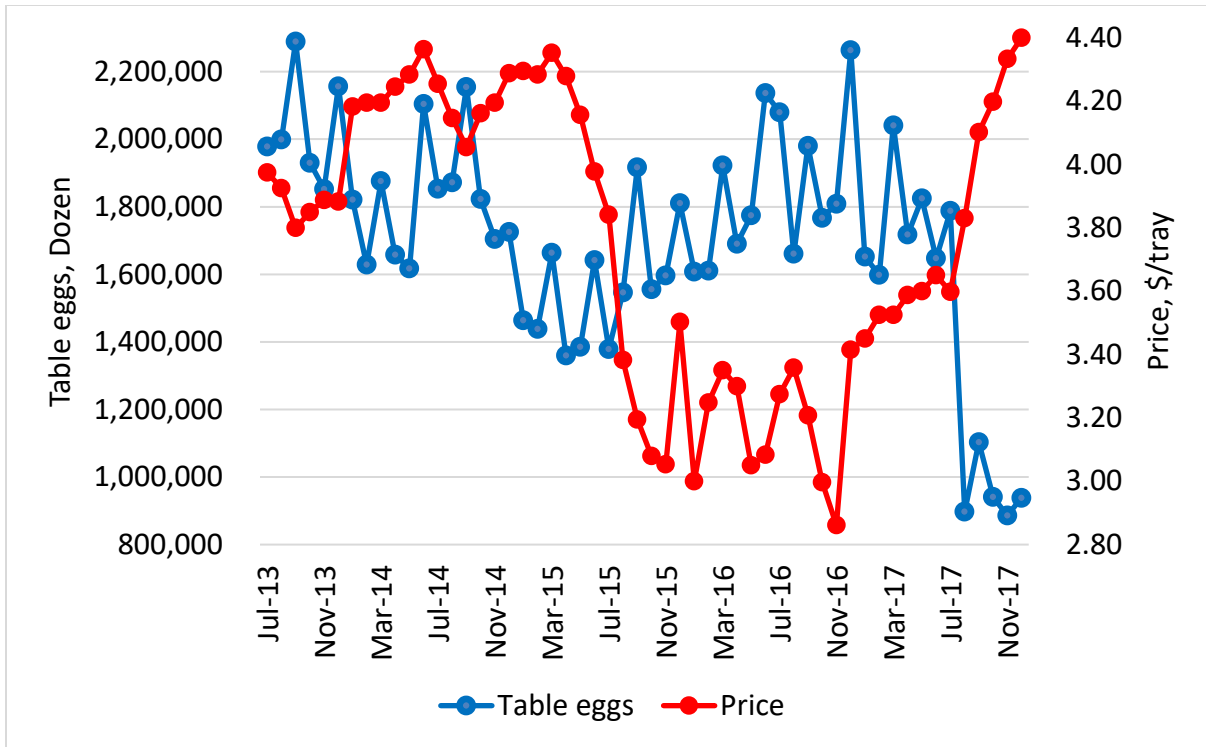


Figure 16 Large scale table egg production and wholesale prices, 2013 to 2017

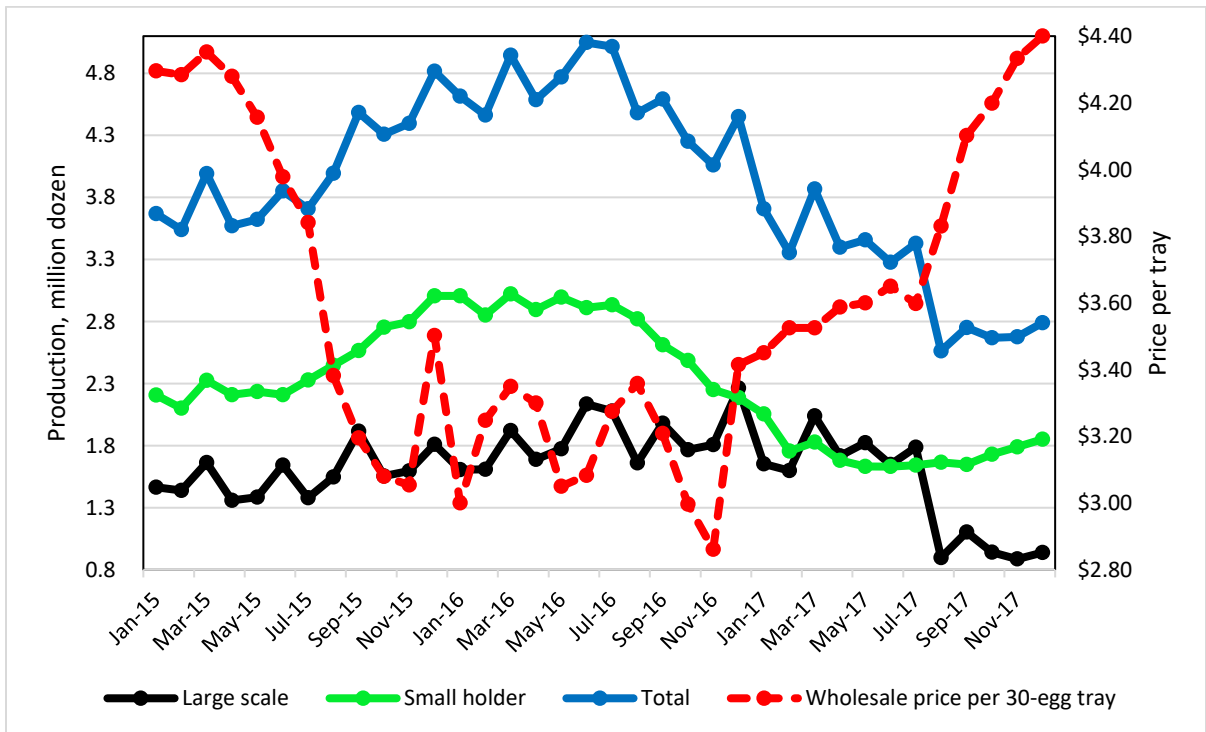


Figure 17 Large-scale and estimated small-scale and total table egg production and wholesale prices, 2015 to 2017

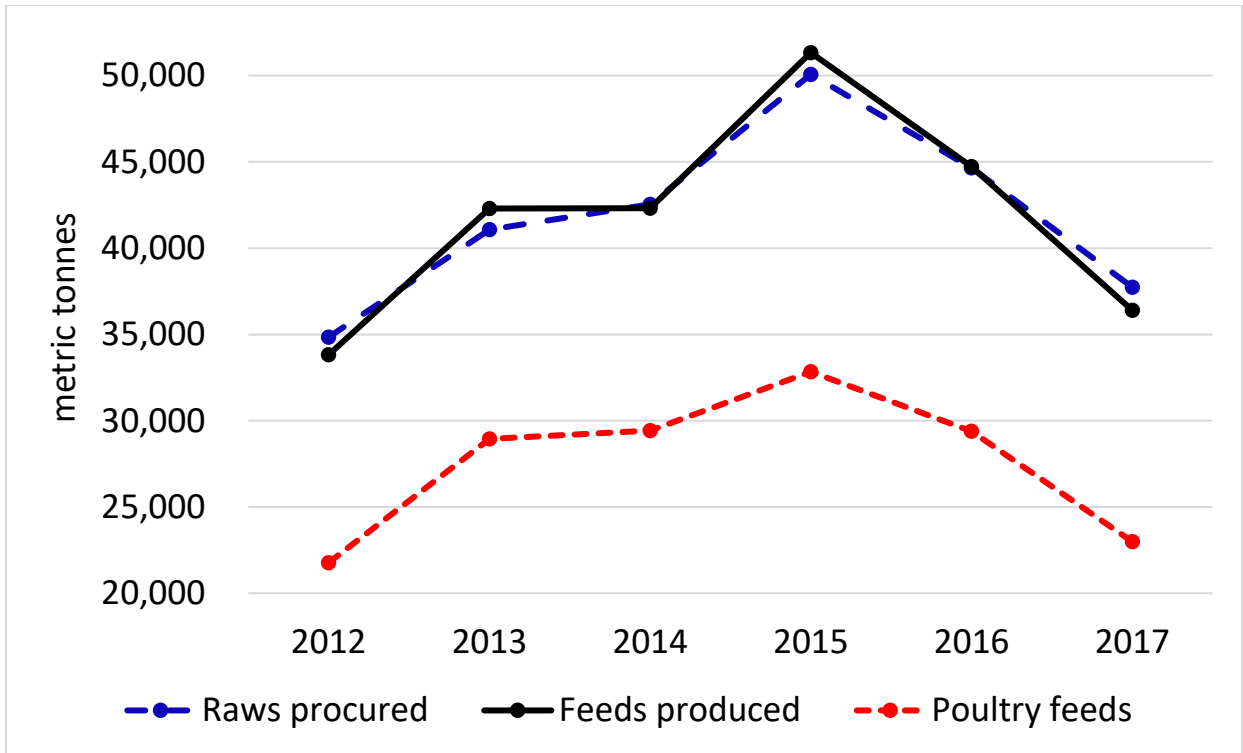


Figure 18 Fourth Quarter Monthly Average Tonnages of Raws Procured and Feeds Produced, 2012 to 2017

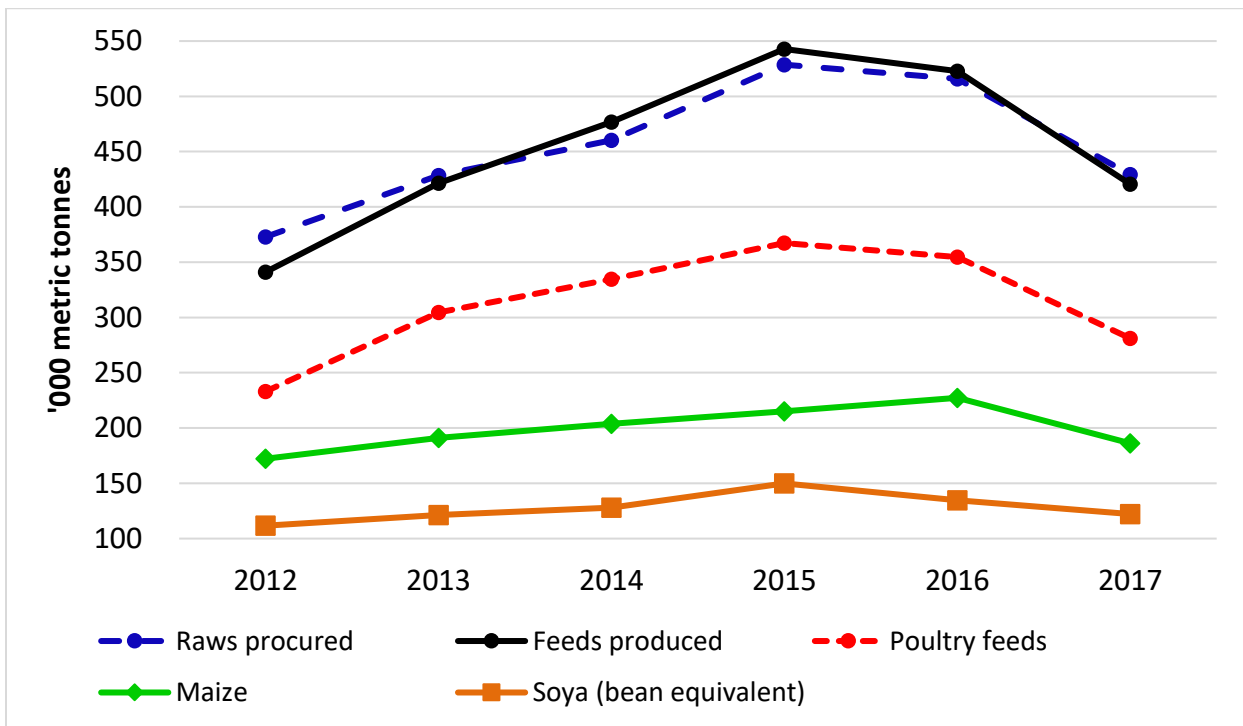


Figure 19 Total Annual Tonnages of Raws Procured and Feeds Produced, 2012 to 2017

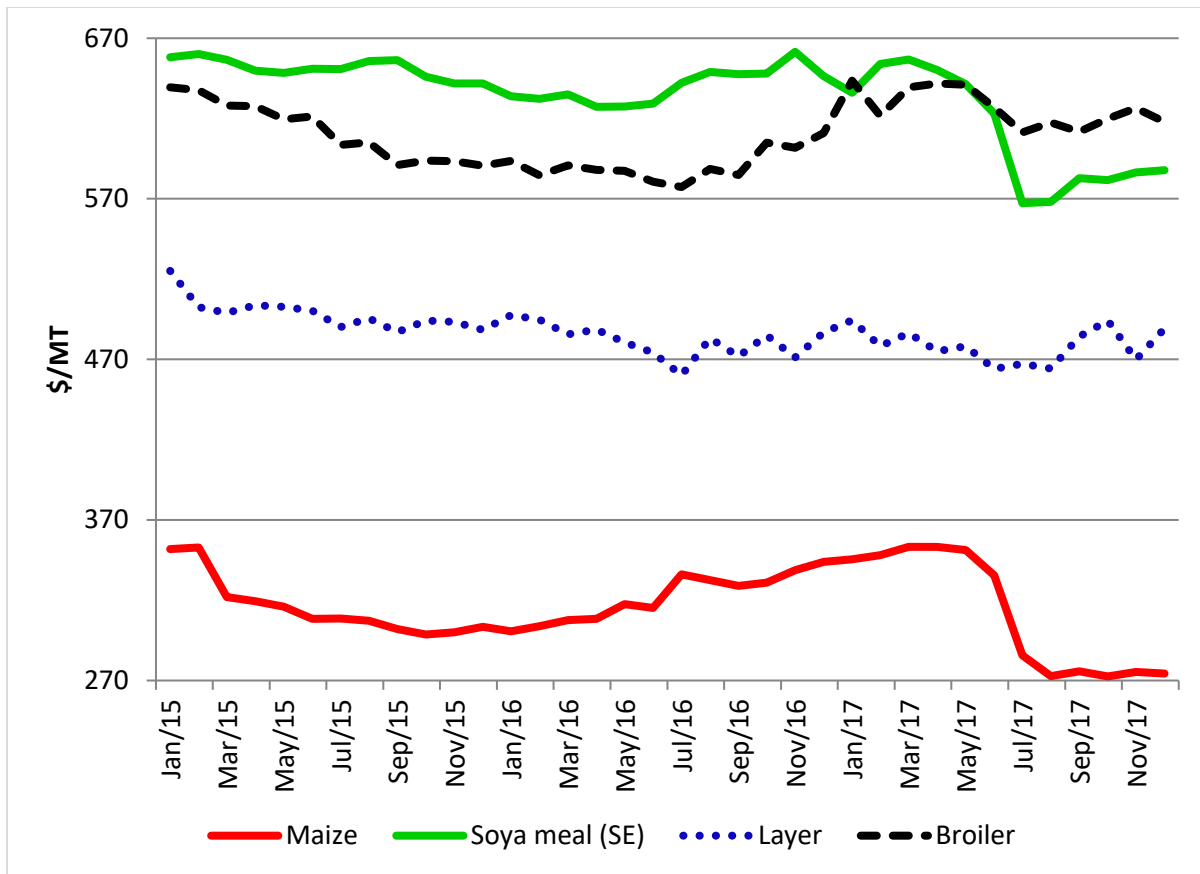


Figure 20 Prices of maize, solvent extracted soya meal and layer and broiler feeds, 2015 to 2017

Progression of the Avian Influenza (H5N8) outbreak

Stakeholders across the poultry industry, pathologists, veterinarians, as well as members of ZPA, attended a meeting hosted by the Division of Veterinary Services (DVS) on 9th June to discuss Avian Influenza and the way forward for the poultry industry. The meeting emphasised the importance of strict biosecurity in containing the disease, which can spread rapidly and cause high mortality in poultry. Symptoms in live birds include listlessness and swollen blue wattles.

DVS commended Irvine’s Zimbabwe for acting swiftly to report the outbreak and depopulating the site of thousands of birds to reduce the risk of the disease spreading. So far it appears the strict biosecurity practised by Irvine’s has prevented the spread of Avian Influenza to its other poultry units and to other poultry operations in Zimbabwe.

There has been unfounded public alarm surrounding the outbreak of AI, which cannot be transmitted to humans through consumption of well-cooked poultry products. Although humans

do not contract Avian Influenza, people can be a primary mode of transmission, through contact with infected birds and even through poultry faecal contamination on shoes or vehicle tyres. Where Avian Influenza is suspected, this should immediately be reported to DVS for them to run diagnosis tests, and if confirmed, to advise on necessary measures to isolate and euthanise the birds.

Presented by Dr Nyika to stakeholders in the poultry industry on 9th June 2017

The Irvine's Zimbabwe owned Lanark Farm, Harare South, Seke District, Mashonaland East, has 8 units with 1 kilometre separating the units. Units are treated as compartments separate from each other. A 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.

Disease Progression

- 17th May: 39 mortalities recorded in a house with 3,000 birds. Company veterinarians performed post mortems for usual diseases (Newcastle Disease, Infectious Bronchitis, Infectious Bursal Disease, Avian Pneumovirus, Avian Influenza, Salmonella) with negative results.
- 18th May: 100 further mortalities recorded, and the house was designated a red zone. Birds were put on anti-biotics as precaution.
- 19th May: Recorded mortalities escalated to more than 400. Birds not responding to medication.
- 20th May: Recorded mortalities jumped to 500 for a cumulative mortality rate of 62%. A decision was reached to cull the rest of the birds in the affected house, bury onsite and close the house.
- 22nd May: Slight increase in mortalities in two houses within the unit. Veterinarians changed the type of anti-biotic that was being administered to birds.
- 23rd May: Mortalities continued to increase and because all tests for usual diseases were still negative, veterinarians began suspecting the possibility of AI. Samples were collected and sent to Central Veterinary Laboratory (CVL).
- 24th May: Clean out the two houses and decision to cull all birds within the unit was made.
- 25th May: CVL confirmed H5 Avian Influenza and samples were sent to South Africa to identify the particular strain. Farm officially quarantined.

- 25th – 29th May: Culling at the unit continued with birds being buried onsite and covered with lime.
- 29th May: Samples sent to South Africa confirm the H5N8 strain. Notifications were sent to World Health Organisation, World Organisation for Animal Health (OIE), Ministry of Health and Child Care, Southern Africa Development Community (SADC), African Union Inter-African Bureau for Animal Resources and FAO and relevant trading partners.
- 31st May: Birds at the closest unit housing 48,000 birds were culled as a precaution.
- 2nd June: Birds at a third unit of broiler parent stock were also culled and buried on site, as all three houses were under the same management and shared equipment and vehicles.
- 2nd June: DLVS issued a press statement on the outbreak. Surveillance of other units on farm have not shown infections.
- 8th June: All de-population and lock down of the farm completed.

Ongoing activities

- Expansion of surveillance on neighbouring properties. 843 samples have been collected from 12 sites outside the unit and farm. So far, none have given a positive result;
- 140,000 birds culled;
- Country put on high alert and raising of awareness is ongoing;
- Discussion with cooperating partners ongoing to mobilise resources;
- FAO to assist with reagents to allow prompt testing of samples;
- Current knowledge is that the strain has no tendency for zoonosis (cross-over to humans) - "no need to panic". However, precautions are being taken;
- Moist droppings of wild birds are being collected to ascertain infection.

Going Forward

- Tightening of biosecurity to ensure that no equipment/staff is shared across units.
- School has been closed to ensure no children from neighbouring farms interact with local children.
- Staff not being allowed in/out.
- Irvine's Zimbabwe is in communication with Cobb-UK on decontamination of manure from the affected houses. The agreed protocol is:
 - i) To compost the manure maintaining a minimum temperature of 70°C;
 - ii) spray with formalin;

- iii) after composting, bury manure on site with glutaraldehyde;
 - iv) clean and disinfect house, rest for 7 days, repeat, and close off house for 30 days;
 - v) feathers to be incinerated as they tend to hold the virus longer.
- Following the 2005 AI outbreak in ostriches, SADC drafted a response plan. This will be updated, and a multi-sectoral taskforce activated. DLVS to share Rapid Response Plan and Surveillance Plan with stakeholders.
 - All meetings where poultry farmers congregate are to be avoided.
 - Plans are in place to slaughter with compensation if disease crosses to smallholder areas. This requires a very quick response to ensure affordability of the programme.
 - All producers should submit serological samples when unusual mortalities are noted.
 - Awareness to be enhanced in live markets.
 - EcoVet has been activated and is free for farmers to obtain further information.
 - International Centre for Research, Development and Agronomy has offered assistance with bird capture and sample collection as they have the expertise and equipment to accomplish this without scaring birds to move outside the perimeter of Lanark Farm.
 - DVS is reporting surveillance results to OIE on a weekly basis. Since the last date of reported deaths was on 5th June, if no reported deaths are noted for 3 months, the country could attain freedom from the disease by 6th August.

Poultry Workshop and Annual General Meeting of the Zimbabwe Poultry Association

This year, the Annual General Meeting (AGM) of ZPA was held on 13th December and expanded into a workshop for poultry producers.

It provided an important platform to take stock of the impact of AI 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; AI Biosecurity Training 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 AGM, 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 DVS 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.

Chairman's report to the Annual General Meeting of the Zimbabwe Poultry Association, 13th December 2017

Members of ZPA, ladies and gentlemen,

It gives me great pleasure to present the Chairman's report to this 47th Annual General Meeting.

For the poultry industry, this year 2017 has surely been one of the most challenging on record. In an industry that has had to contend with increased production costs, against lowering prices and a shrinking market over the last few years, the outbreak of disease impacted negatively on the sector which was beginning to show signs of recovery from mid-2016.

The outbreak of Avian Influenza on Lanark Farm, Harare south in May this year was a devastating blow to the poultry industry.

Swift reaction by the owners of the affected farm and by the Division of Veterinary Services ensured that AI remained isolated to the farm of outbreak. This was not without drastic consequences for the affected producer, who in accordance with veterinary protocol, carried out massive depopulation of its breeder flocks in the national interest.

The industry must pay tribute to Irvine's Zimbabwe, which has borne the cost of this loss, as well as the massive cost of rebuilding its breeder capacity through the importation of hatching eggs. The Division of Veterinary Services must also be commended for its quick reaction to contain the outbreak, follow up surveillance on other poultry operations and extensive work to try and determine the cause of the outbreak. Zimbabwe is working to attain AI-free status again.

The AI challenge was two-pronged: to contain the outbreak on the affected farm and to rebuild lost capacity in the breeder industry.

Members of ZPA have put a firm strategy in place to rebuild poultry capacity.

The industry sincerely thanks the government for waiving the duty of 40% on hatching eggs to enable the industry to rebuild its production capacity. The ramifications of AI were made worse by the fact that the outbreak occurred in breeder flocks at the largest poultry operation in Zimbabwe, the nucleus of the industry.

Once again, the small-scale producers who make up the bulk of the industry have been hardest hit. Shortages of day old chicks and escalating prices (from 65 cents to one dollar per chick) have

taken a toll on small-scale production. This has resulted in a shortage of broiler meat in community markets.

Table eggs have been in short supply in both the retail market and community outlets over the last six months.

But there is light at the end of the tunnel as the rebuilding efforts are bearing fruit. The latest ZPA quarterly newsletter September 2017, shows that the industry is now on the rebound. Broiler day old chick production at 4.2 million in August increased to 5.5 million in September which will go a long way towards stabilising broiler meat production.

In contrast, the outbreak of AI in a back-yard flock in South Africa which was not successfully contained has continued to spread in that country. This further highlights the need to maintain strict biosecurity in Zimbabwe.

Zimbabwe's poultry industry is determined to remain proudly self-sufficient in broiler meat products and table eggs and it is my belief that the poultry industry, predominantly made up of small-scale producers, will retain the largest share of the meat market.

ZPA is also proud to report that, notwithstanding the importation of hatching eggs for rebuilding this year, Zimbabwe also achieved an increase in local production of hatching eggs in 2017. Hatching egg production has increased from 4.2 million in July to 5.9 million in August. That surely is another feather in our cap!

The Association is also optimistic that the macro-economic environment will be better in 2018 and ZPA looks forward to increasing the supply of eggs to the market again.

With rebuilding now underway at many levels in Zimbabwe, ZPA stands ready to play its part in meeting the growing food needs of the country - with our proudly Zimbabwean broiler meat and eggs.



Pig Producers Association of Zimbabwe

Cumulative slaughters for 2017 totalled 155,181, 7% less than 2016. Average slaughters for 2014 and 2016 were 145,747, indicating that the supply of pork through the formal channel has been relatively flat.

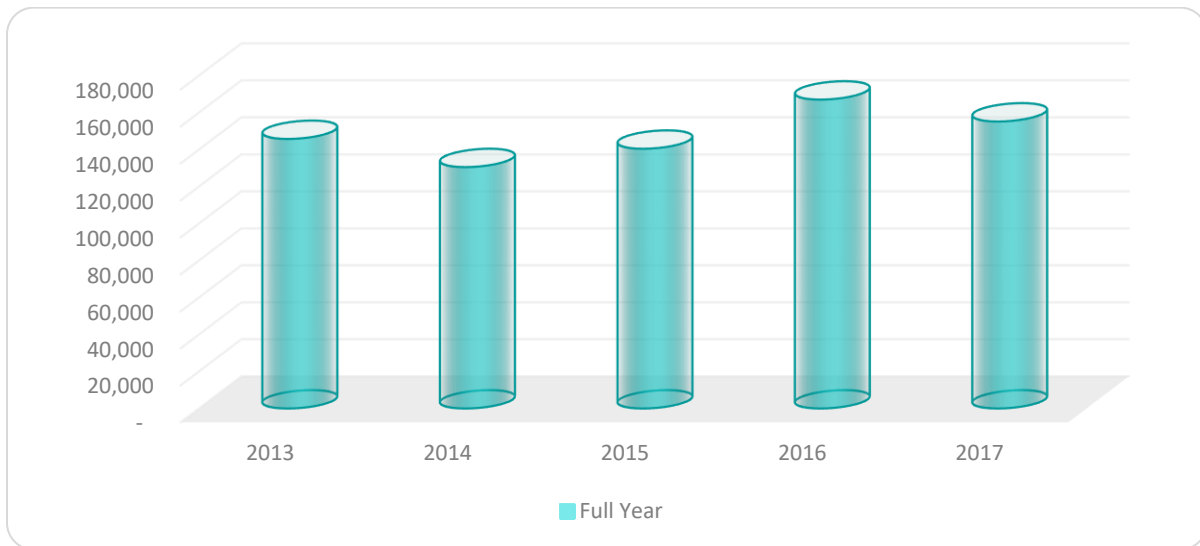


Figure 21: Annual Pig Slaughters, 2013 – 2017

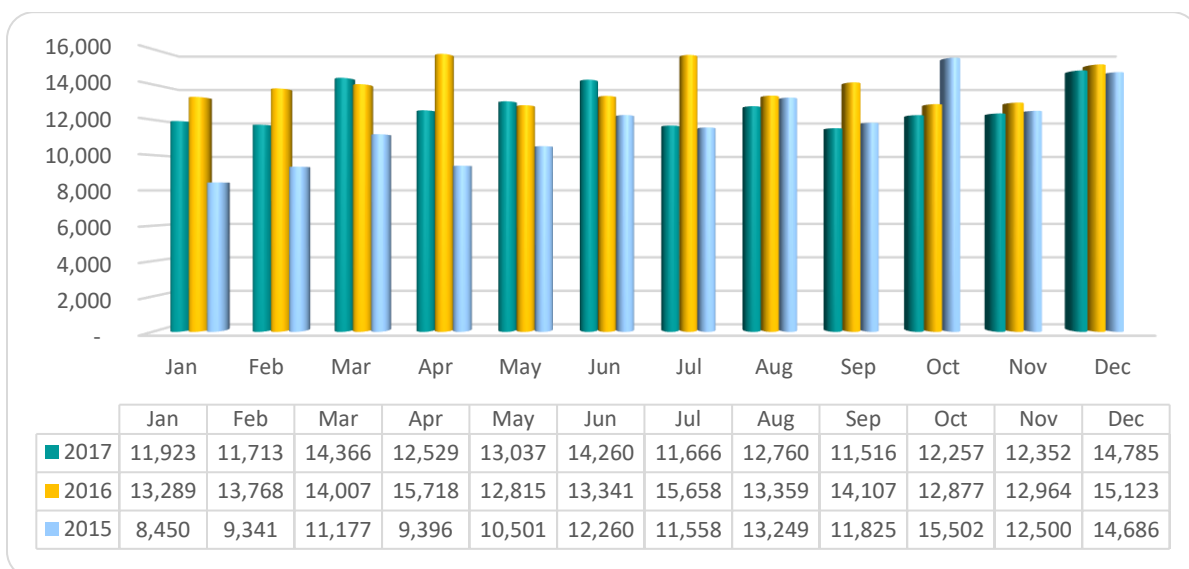


Figure 22: Monthly Pig Slaughters, 2015 – 2017

Cumulative slaughters in 2017 to October were composed of 42% Porkers, 39% Baconers with the remaining 19% made up of Manufacturing and General Purpose grades.

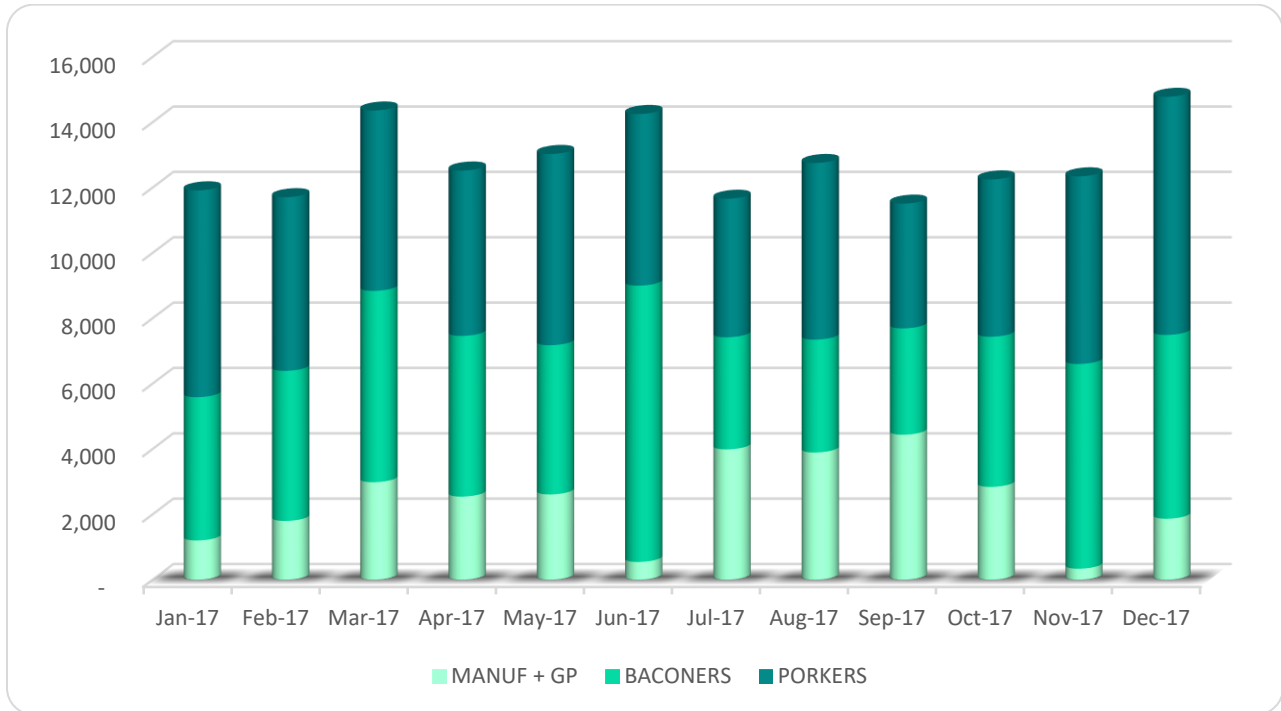


Figure 23: Pig Slaughters by Grade, 2017

Pig Industry Board Stakeholder Meeting

The Pig Industry Board (PIB) hosted a stakeholder meeting on 17th March where participants drawn from a number of provinces, pig farmers, academics and government officials gathered together to review events in the pork industry

PIB took attendees through a presentation on the current status of the pig sector and questions were mainly about the cost of stockfeed and, given that it is 80% of the operational costs, what alternative feeds could be used to reduce costs.

The Stockfeed Manufacturers Association gave a presentation that focused on the state of readiness of companies to manufacture stockfeed and addressed the availability of the main ingredients, maize and soya meal, and strategies put in place by stockfeed companies to ensure an adequate supply of stockfeed.

The marketing of pigs was also discussed and it was noted that this revolves around the securing of a consistent market by ensuring the production of quality pigs.

The concept of regional Commodity Association Groups was also highlighted at the meeting. Their usefulness in light of the range of challenges affecting the sector will allow pig farmers to organise themselves efficiently and table their issues with one voice. Information could also be shared amongst themselves and with various service providers. The idea was adopted and volunteers were called for to form pig producer groups at ward level and then, through nomination, second individuals to a district representative body. Nominations were received from the floor to act as champions for establishing such pig producer groups.

Symposium 2017

ZPA, which together with the Pig Producers Association of Zimbabwe (PPAZ) and SMA, were due to convene their Annual Symposium on the 29th June, were advised against participating in the event due to the outbreak of Avian Influenza. The event was therefore restructured for pig producers and all producers were cordially invited to attend. The theme of the Symposium was **Economic Empowerment Through Pig Production** and took place at the Andy Millar Hall, Exhibition Park.

The event started with a keynote address and official opening. The topic of Inclusive Economic Empowerment Models in Pig Production was explored as there are many finance schemes and funding becoming available to develop the pig value chain. The Experiences of the Sable Foods – Mhondoro Ngezi Chegutu Community Share Scheme followed. Although this share scheme has been created for chicken producers and outgrowers, it is very successful and many lessons have been learned that will be applicable to implementing such schemes for pig producers.

PIB in collaboration with PPAZ have been discussing for many months the establishment of pig producer societies and the smallholder pilot project in Goromonzi is taking shape, with three cluster groups now identified in the Goromonzi, Ruwa, Bromley area, with the assistance of the DLPD. To build sustainable smallholder production, the value chain approach will be adopted and PIB will provide extension and genetics. A suitable economic model for small-scale pig production will also be drawn up, as a basis for development and funding of such production, through various initiatives such as the EU funded ZAGP and Community Share Ownership projects. This will be based on a five-year production cycle, to realise returns on investment, as the current three-year financing offered by financial institutions is too short for the pig production cycle and the setting up of viable pig projects.

Responding to Efforts to Curb the Use of Anti-biotics in Non-Ruminant Production was presented by Dr Gilfillan from Kemin, South Africa. Zimbabwe is part of the Global Action Plan on Antimicrobial Resistance (AMR) to manage the use of antibiotics and slow down the emergence of antibiotic resistance. Livestock producers will play a key role in the National AMR Action Plan

which Zimbabwe is developing in a programme co-ordinated by FAO. There is growing global concern about Antimicrobial Resistance and the implications on human and animal health, as well as the economic and environmental cost of antibiotic failure. AMR is a naturally occurring process which arises when a microbe (such as bacteria, fungi or virus), mutates and becomes resistant to the antibiotics, antifungals or antivirals used to treat it. AMR is being accelerated by overuse, misuse and abuse of antibiotics today. Stakeholders across the spectrum – representing human health, the pharmaceutical industry, veterinary science, the livestock industry, the environment and others – are collectively drawing up Zimbabwe’s National AMR Action Plan.

Dr Chihora, a consultant animal nutritionist, made a presentation about Optimising Use of Home Grown Feed Resources in Pig Production. This was a very interesting and topical discussion, especially as the cost of stockfeed is the major expense in production costs in a pig enterprise.

Symposium 2017 highlighted how the economically empowered small-farmer is at the heart of a sustainable meat industry today. It illustrated how farmer productivity ultimately translates into increased productivity, value addition and revenue generation further down the value chain and how this can be successfully achieved for the benefit of the entire value chain.

Annual General Meeting of the Pig Producers Association of Zimbabwe

44 members and guests attended the meeting held on 29th June 2017.

Chairman’s Report

Mr Kennaird, presented the Chairman’s report.

I stand in for our Chairman Godfrey Chanetsa who has not been well, we wish Godfrey all the best and a speedy recovery.

It is my pleasure to present the Pig Producers Association of Zimbabwe annual report for 2016. Last year’s report on slaughter figures indicated a growth of 8% to 140 500 on the back of the industry recovering.

2016 slaughters increased by 19% to 167 026. Unfortunately, the increase in slaughter was brought about by producers destocking due to viability challenges mainly as a result of increasing costs of stockfeeds. Increases in the cost of production could not be passed on to consumers as the market remained soft with low disposable income.

The percentage of baconer and porker slaughters declines by 12% to 71% of total slaughter. This can be attributed to producers sourcing cheaper alternatives to feed their pigs resulting in the quality of carcasses being compromised.

Carcass weight increased in 2016 by 23% to 81.2kg, up from 65.8kg in 2015. This is partially due, unfortunately, to heavy destocking of breeding females in June through to August 2016 on the back of viability issues mentioned earlier. Commercial units have increased slaughter weight in line with regional trends.

I am pleased to report that there have been no further out breaks of African Swine Fever over the past year. Surveillance continues by the Department of Veterinary Services with sentinels placed in the area by PIB.

The Mukumbura area has now been gazetted as an African Swine Fever area. This means if an outbreak was to occur again, legislation would be enforced to control the outbreak.

The PPAZ would like to thank the Department of Livestock and Veterinary Services for the work done here. The Department has also given dispensation on movement permits which will assist producers in reducing costs of doing business.

Currently, as you have heard in an earlier presentation, PPAZ in conjunction with the PIB are facilitating the formation of district pig producer's business clubs. A pilot project in Goromonzi district has already been initiated. These ward level clubs will form the basis of establishing societies of pig producers at district and provincial levels. These clubs will be affiliated to the PIB and provide formal representation of small scale producers in PPAZ.

This representation in PPAZ will be most welcome as the Association will be able to better serve the needs of a wider cross section of pig producers and hopefully increase membership.

Statutory Instrument 26A was announced earlier in the year requiring VAT to be charged on all meat products. PPAZ in conjunction with LMAC and other organisations successfully lobbied Government to change the status to VAT exempt. Unfortunately, it could not go back to zero rating where it had been before.

In closing I would like to thank Council members for their contribution to PPAZ in 2016. Dr Sukume and Dr Mano, thank you both and your staff for the work done for our Association in meetings and presentations, which is always done in a very professional way.

I would like to thank you all your attendance and on the back of a good harvest hope that you are able to continue the growth of our industry.

Pilot Pig Production Projects

With the launch of a pilot pig production project in Chikwakwa in September 2017, PPAZ has extended its outreach to the Goromonzi/Chikwakwa/Bindura area. In a joint initiative with the PIB, PPAZ has launched pig producer clubs for small-scale farmers interested in achieving greater

productivity. PPAZ will provide mentorship and suitable production models, whilst PIB is providing technical support.

In a new pig production model in Zimbabwe, smallholders will grow weaners, bred and supplied by PIB and other breeder operations. This will ensure that smallholder pig producers can start with good quality, healthy, uniform stock, bred from improved genetics. To realise the potential from this, the project is also designed to impart management skills for higher productivity.

The PPAZ/PIB pilot project was launched in a well-attended ceremony, officiated by Chief Chikwakwa on 29th September. There is significant interest in commercial pig production in the small-scale sector, where weaning rates are currently very low at four piglets per sow, which is limiting farmer productivity and profitability.

At the Chikwakwa pig production club launch, small-scale pig producers voiced concern about the escalating cost of stockfeed. The current high cost of key feed ingredients and the feed cost: return ratio are cited by the pig industry as an issue that must be addressed if pig production is to grow significantly at national level.

Meat Processors Association of Zimbabwe

Imports of Mechanically Deboned Meat

Cumulative imports of mechanically deboned meat (MDM) for the eleven months to November 2017 were 5,877mt, representing a decline of 25% 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 acute shortage of nostro allocations has also exacerbated the situation.

Between January and November 2017, 77% of MDM was exported from South Africa. As South Africa manufactures no MDM, bulk orders from major suppliers in countries like Brazil and Argentina are made and then sold onwards to Zimbabwean importers. Imports from Namibia make up 22% and 1% is directly imported from Brazil and the United Arab Emirates.



The cost of MDM averaged \$783/mt between January and November 2017, an increase of 63% over the same period in 2016. The rise in cost is due to a number of factors, including supply constraints from traditional markets including Brazil and Argentina. The duty of 40% on imports continues to put upward pressure on cost, notwithstanding the fact that MDM is categorised as a raw material.

Imports from Namibia averaged the highest cost at \$872/mt while direct imports from Brazil were the cheapest at \$568/mt. Imports from South Africa were \$763/mt.

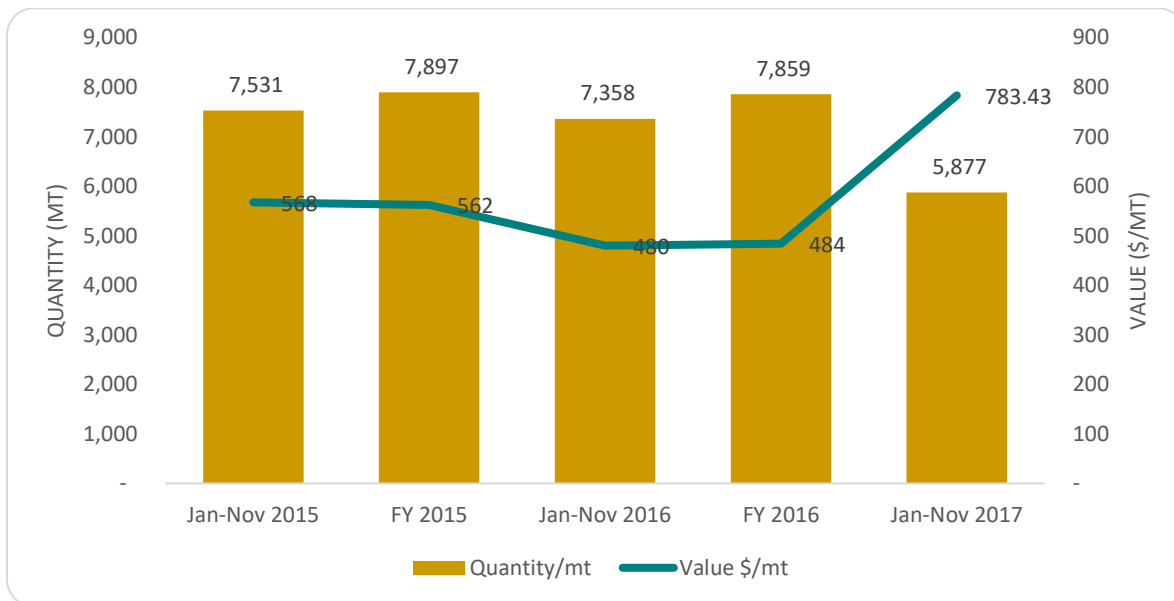


Figure 24: Imports of Mechanically Deboned Meat, 2016 – November 2017

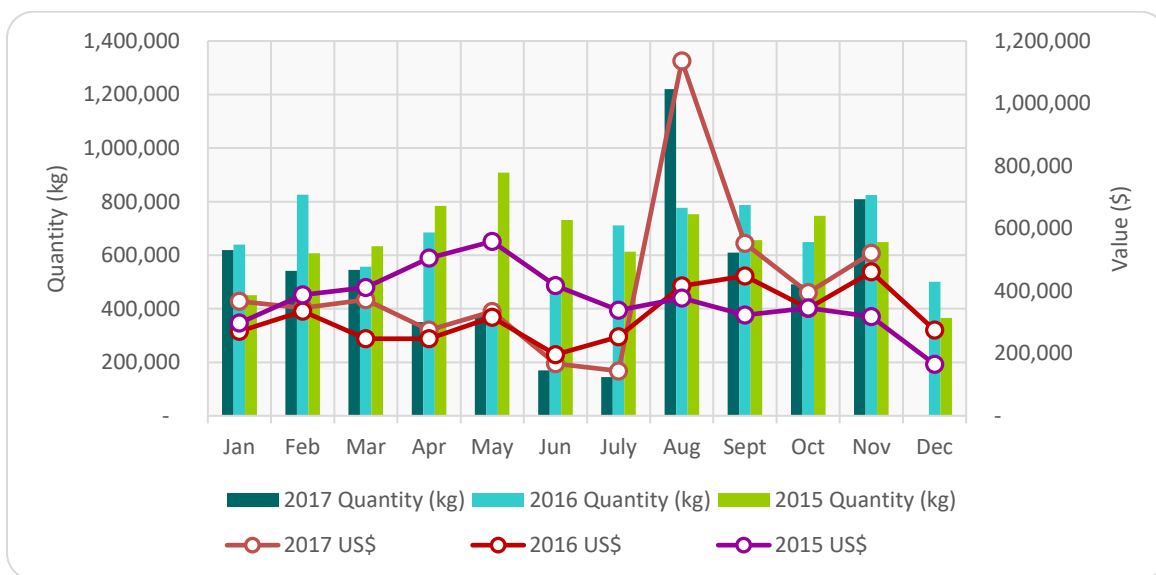


Figure 25: Monthly Imports of MDM, 2015 – November 2017

Imports of sausage casings for the eleven months to November 2017, amounted to 275mt, a decline of 38% over the same period in 2016. The total value of imports was \$3.2m against \$2.7m in the corresponding period in 2016.

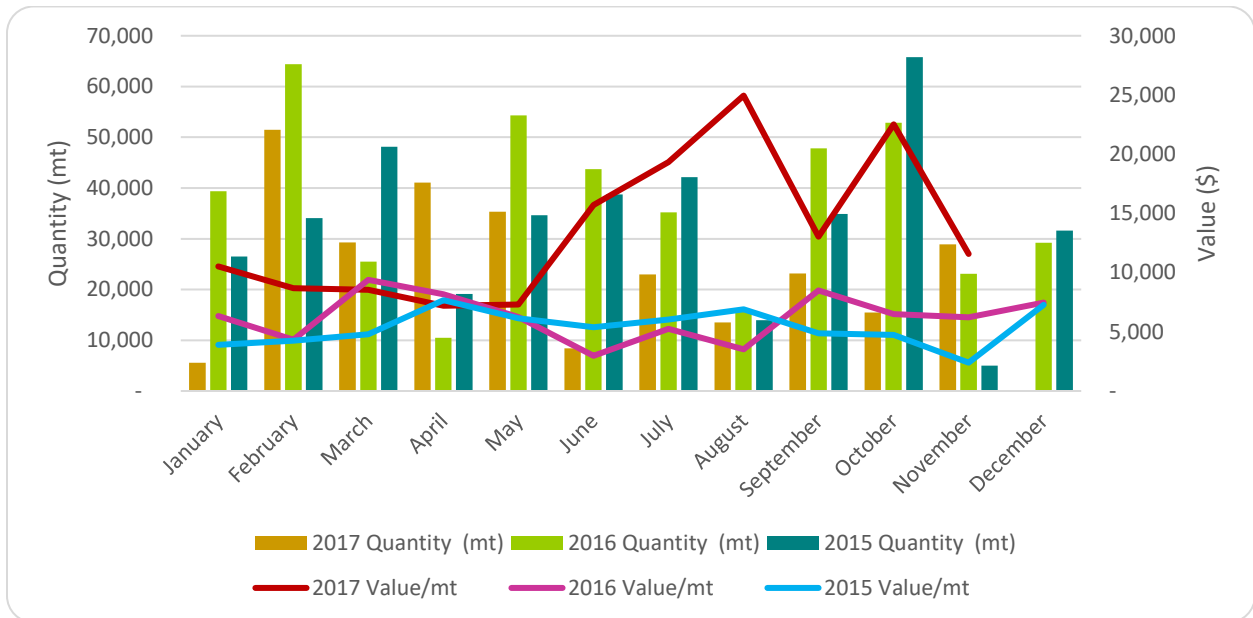


Figure 26: Imports of Sausage Casings, 2017

The average import cost was \$11,665/mt, an increase of 70% 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.

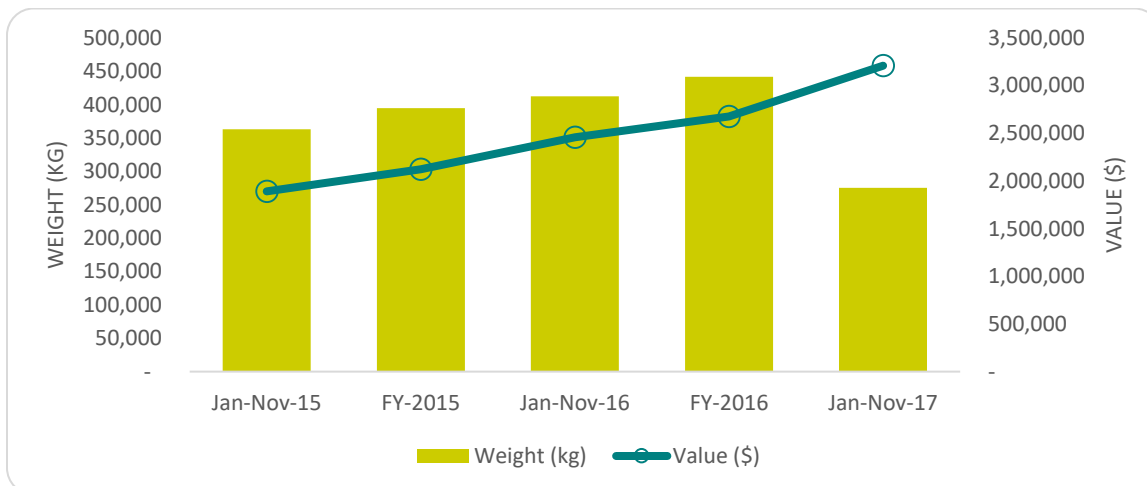
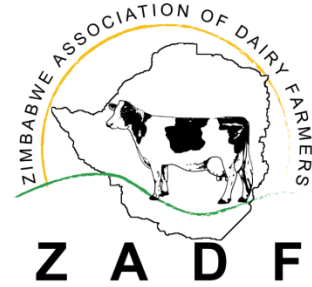


Figure 27: Aggregate Value and Weight of Sausage Casings Imported, 2015 – 2107



Zimbabwe Association of Dairy Farmers

Milk Production

Milk production for the ten months to October totalled 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.

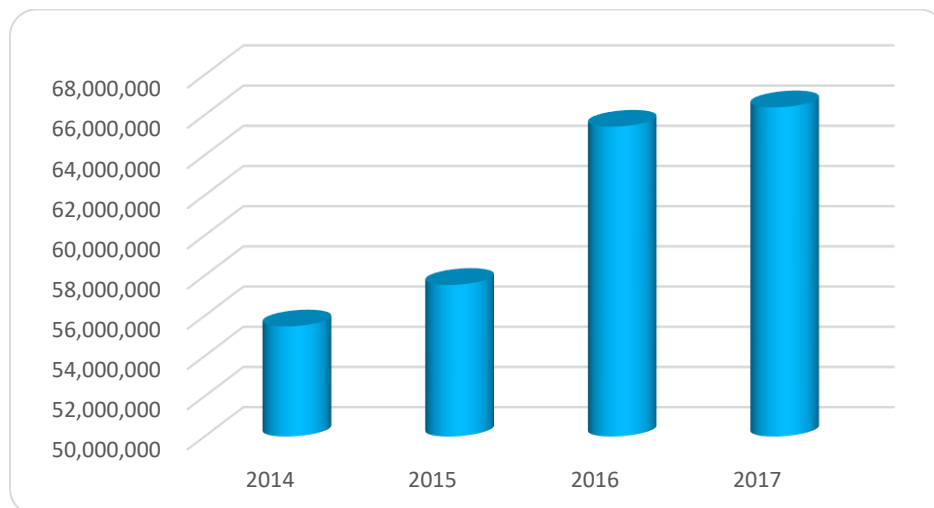


Figure 28: Milk Production, 2014 - 2017

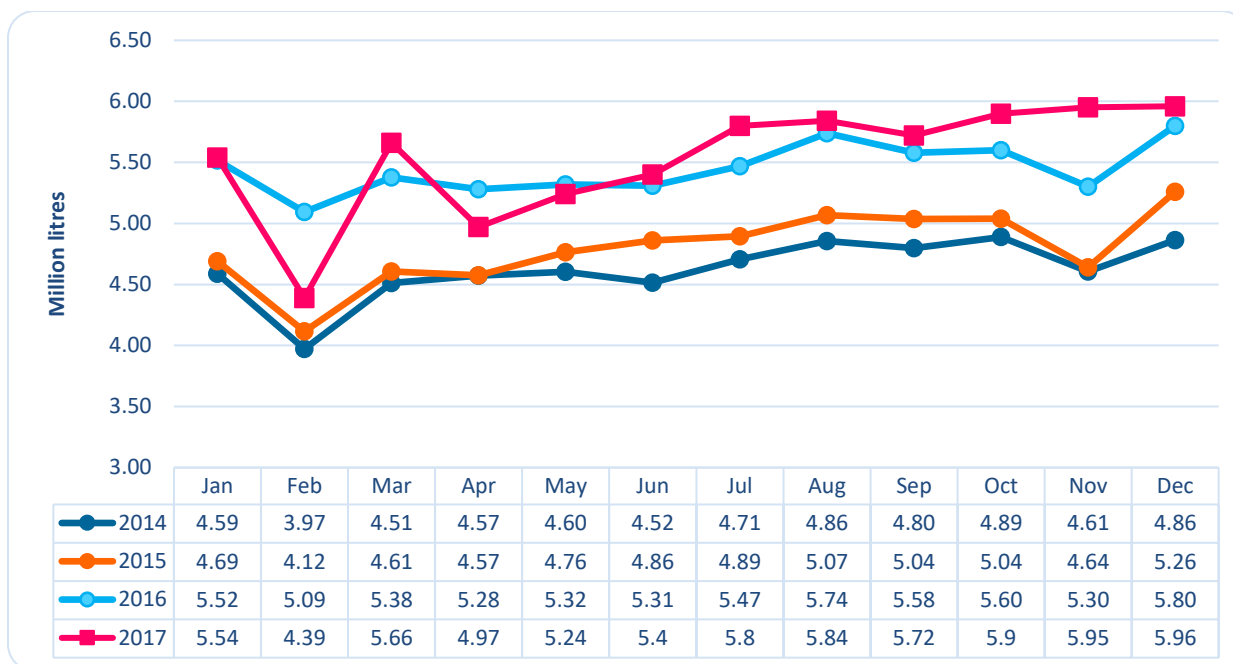


Figure 29: Monthly Local Raw Milk Production, 2014 – 2017

Open Meeting of the Zimbabwe Association of Dairy Farmers

The Zimbabwe Association of Dairy Farmers (ZADF) held its Open Stakeholder Meeting on 16th March. The meeting reviewed the current status of the dairy industry in the country. With milk production for 2016 having reached 65.4 million litres, (13% up on 2015), ZADF is targeting that production in 2017 will further increase to 77 million litres, in line with the target of 113 million litres by 2021.

At the meeting, the five-year plan for ZADF from 2017 to 2021 was presented to attendees where their focus will also expand to include increasing efficiencies in the production of milk. At present Zimbabwe is among the highest cost producers at \$59.50/100 kg compared with the global average of \$40.00/100kg of milk.

World Milk Day

Zimbabwe marked World Milk Day on 1st June, with a fine exhibition of Proudly Zimbabwean dairy products mounted by milk processors in Harare Gardens, as the dairy industry targets milk self-sufficiency by 2021. The day, organised by the Zimbabwe Dairy Industry Trust, which began with a procession from Town House to the Harare Gardens culminated in a *Dairy Declaration* at Crowne Plaza which was a platform to promote the local dairy industry and its role in agriculture, food security and economic growth. This event also highlighted that Zimbabwe’s dairy industry is united, well-integrated around small-scale production and gearing up to achieve milk-sufficiency by 2021.

Eastern and Southern African Dairy Association Conference 2017

The Eastern and Southern African Dairy Association hosted the 13th African Dairy Conference and Exhibition on 15th – 17th November 2017 in Johannesburg, South Africa. For more than a decade, the African dairy conference and exhibition is without a doubt the only dairy event in Africa that prides itself in bringing the latest trends and developments in dairy on a global platform.



Zimbabwe Fish Producers Association

Exports of fish were 1,557mt, valued at \$3.7m to November 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 increases in the cost of doing business have decreased the country's competitiveness in export markets.

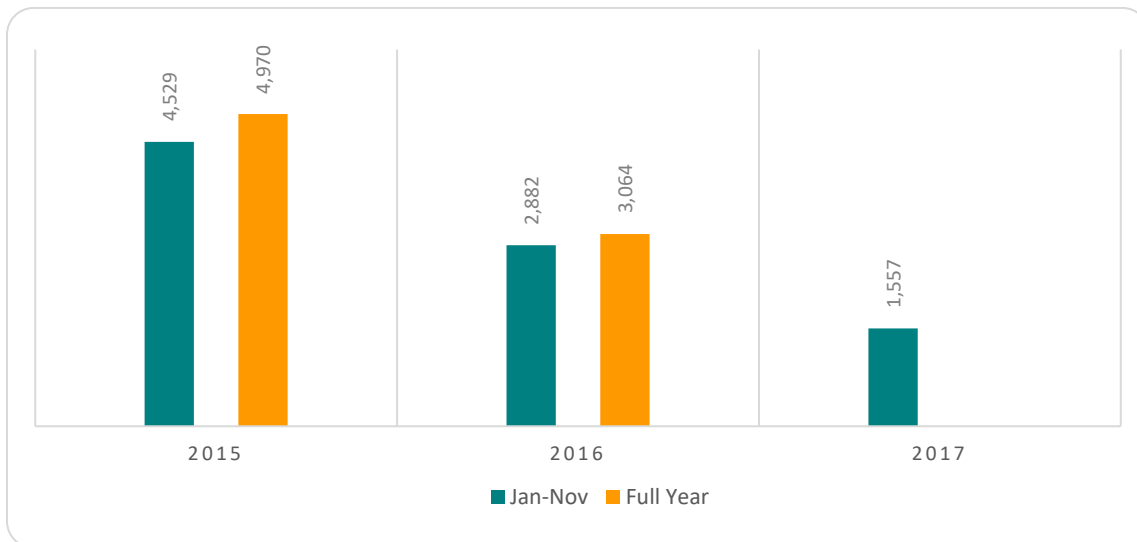


Figure 30: Fish Exports (mt) 2015 to November 2017

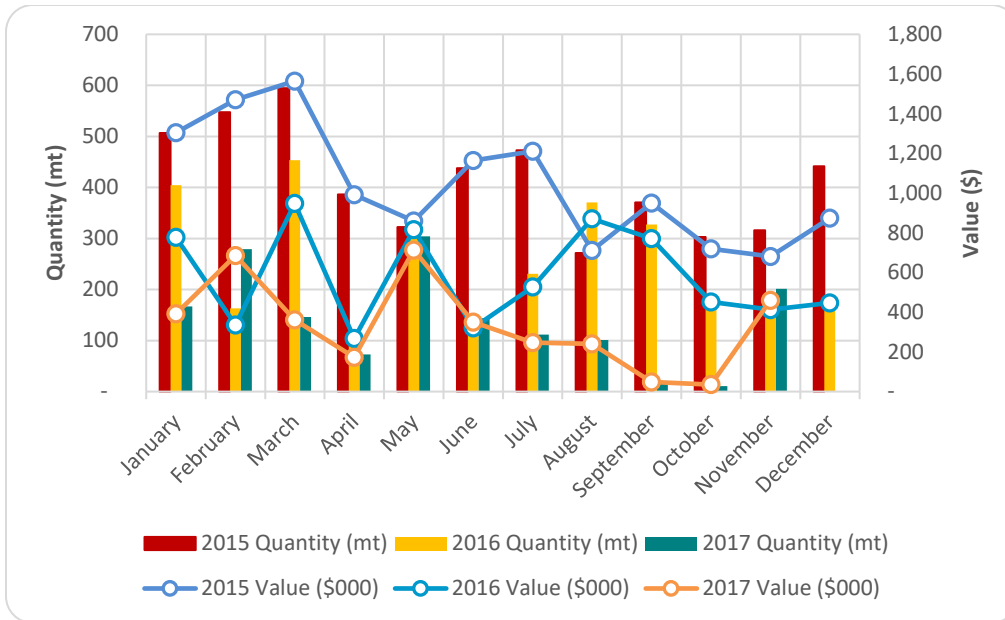


Figure 31: Monthly Fish Exports, 2015 – November 2017

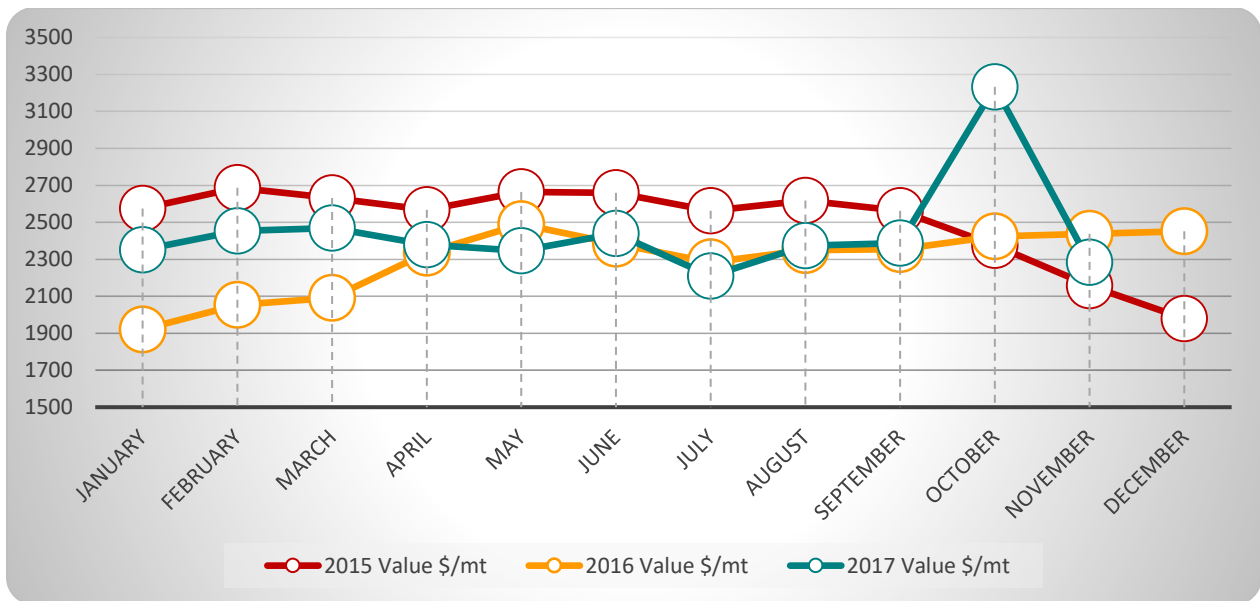


Figure 32: Value of Fish Exports \$/mt, 2015 – November 2017

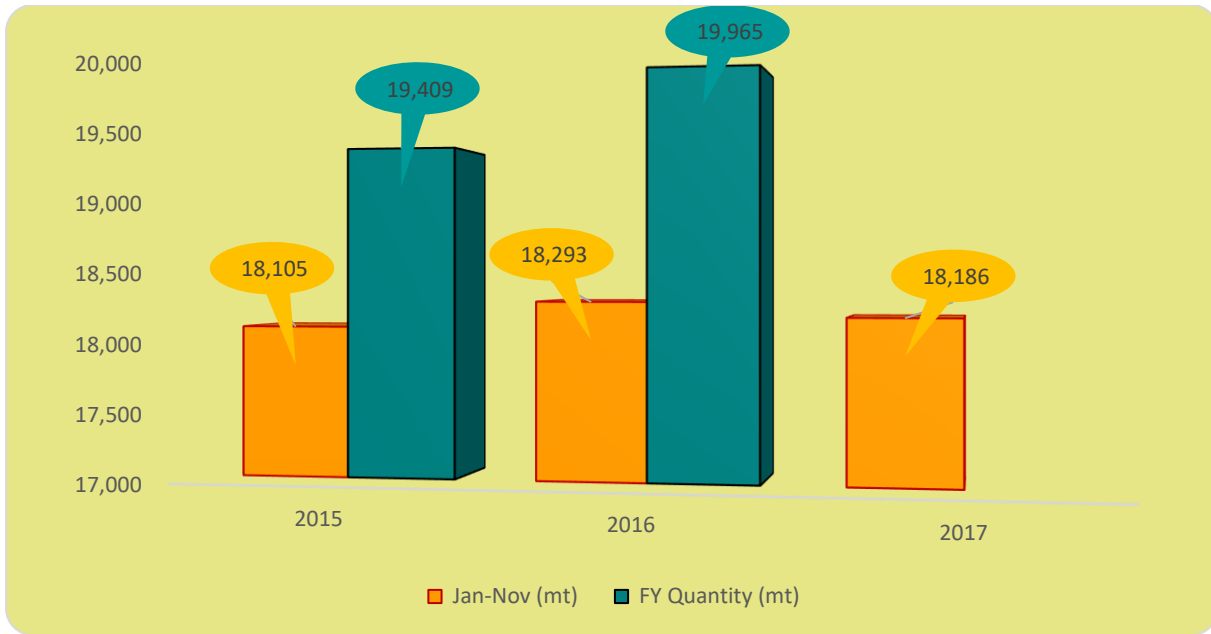


Figure 33: Fish Imports January – November 2017

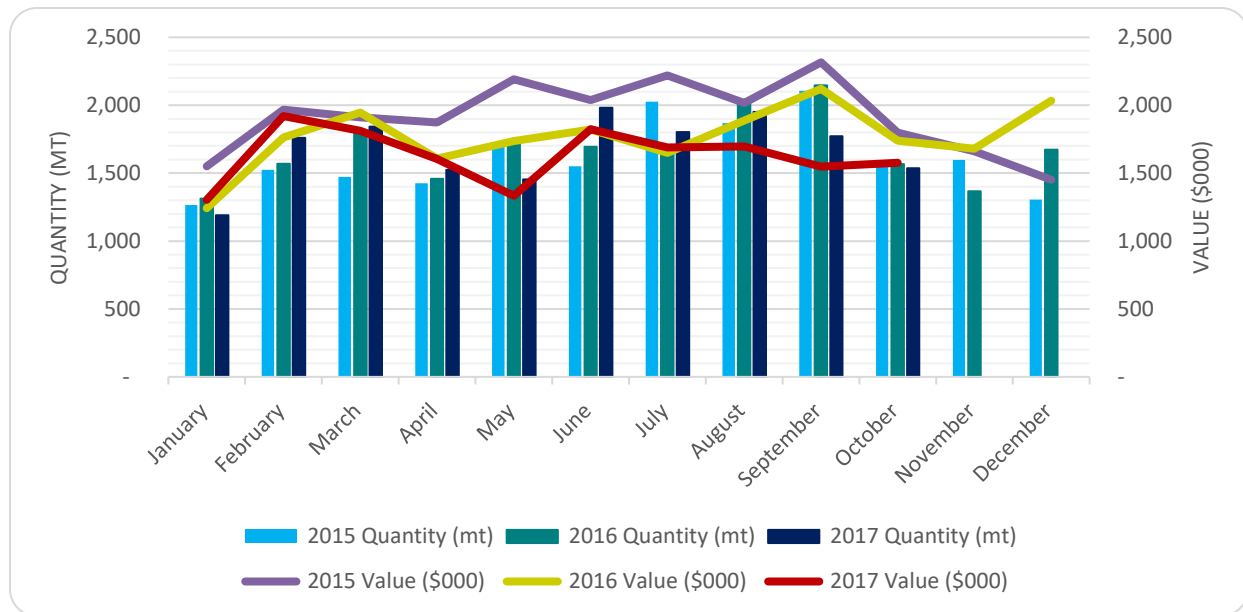


Figure 34: Monthly Fish Imports, 2015 - 2017

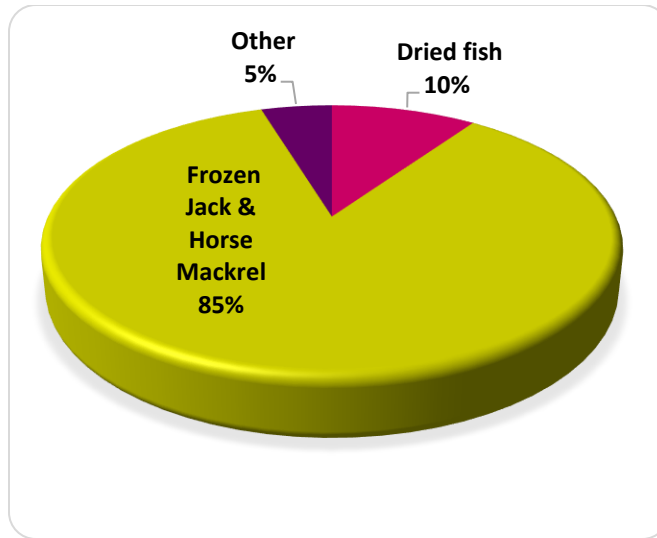


Figure 35: Proportionate Quantity of Fish Imports, mt

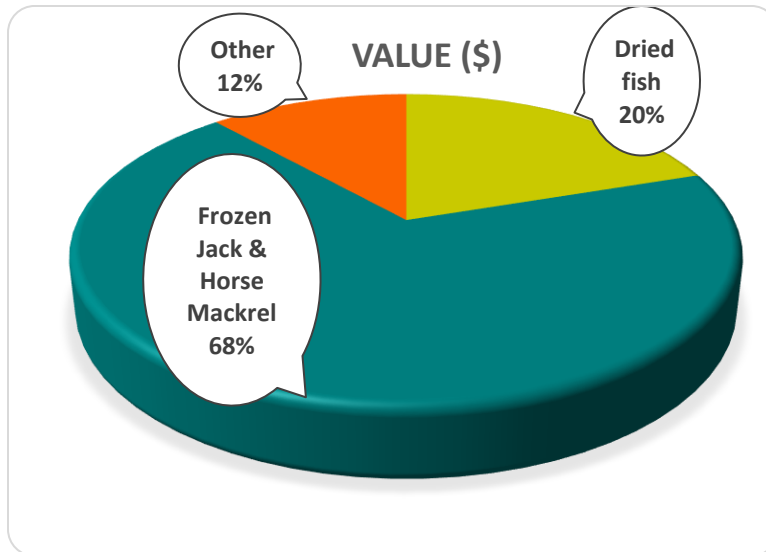


Figure 36: Proportionate Value of Fish Imports, \$

Summary

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

LMAC and its various associations will continue to strive for strengthening in 2018 to ensure it is in a better position to provide demand driven services and benefits to its members. The Council also hopes to create more platforms to interact with both public and private stakeholders in the livestock and meat industry and foster mutually beneficial relationships.

Appendices

Appendix 1: Fish Farming in Zimbabwe: Policy Issues for Consideration

February 2017

Issue / Constraint	Expected impact on fish sector	Proposal
<p><u>Development of a National Fish Farming Policy</u></p> <p>Under the current regulatory framework, aquaculture is indistinguishable from catch fisheries and fish farming operations. Thus, fish farming is under the ambit of the Ministry of Environment, Water and Climate. Though fish farming uses water resources, it involves growing fish fingerlings (seed stock) using commercially produced stockfeeds to produce marketable fish products just like broilers and pigs. It is therefore an agricultural activity.</p>	<p>Establishment of an enabling and sustainable operating environment for fish farming in Zimbabwe and tailor-made interventions and activities aimed at growth and development of the fish farming sector will provide a sustainable source of nutrition and livelihood for smallholder farmers and rural communities.</p>	<p>Zimbabwe Fish Producers Association (ZFPA) and DLPD to articulate fish farming as an integral part of livestock policy.</p> <p>ZFPA and DLPD to host stakeholder meetings as well as liaise with other relevant authorities to carry out a baseline study of the fish farming sector, identify key actions to grow the sector and to craft a strategic planning document for the sector.</p> <p>ZFPA, DLPD and stakeholders in the fish industry work together to draw up a concept note to table with development partners.</p>
<p><u>Capacitating the Fish Producers' Association</u></p> <p>The Association currently draws membership from a limited number of large, medium and small-scale fish producers. There is need to deepen the reach of the Association to ensure broader representation of all fish producers as well as private and public sector service providers to the sector. The Association needs to be capacitated to provide services to its members through a well-funded secretariat.</p>	<p>A capacitated Association enables stakeholders (producers, input suppliers, processors, marketing, health delivery) to speak with one voice and lobby and advocate for a conducive business operating environment.</p> <p>A fully functional secretariat will be able to generate evidence for policy advocacy, market intelligence and other relevant reports for members and service providers. An inclusive association will be able to lead a forum where players in the value chain can interact and participate effectively with Government in jointly crafting long-term fish production strategies for Zimbabwe.</p>	<p>There is need to mobilise membership of all types of fish farmers as well as all service providers to transform it into an inclusive representative of the fish farming industry.</p> <p>There is need for financial resource mobilisation to fund the activities of the Association. This includes membership subscriptions, development partner assistance as well as Government incentive schemes. Government can help the Association's fund raising through endorsement and support for Association applications and requests for technical support from development partners.</p>

<p><u>Competition from Formal and Illegal Capture Fisheries</u></p> <p>Harvesting and sale of wild fish is posing stiff competition for farmed fish. Formal capture fisheries exceeding allocated quotas as well as illegal fish poaching depletes the natural fish resources and affects the ecosystem. Because no inputs are involved, such fish sells at unsustainably low prices. Strictly enforced fishing quotas, high fees for fishing permits that reflect the value of natural fish resources, and policing and penalties for illegal fisheries are paramount if a viable fish farming industry is to be built.</p>	<p>The benefits include-</p> <ul style="list-style-type: none"> - sustainable harvesting of natural fish resources. - More resources for the Ministry of Environment, Water and Climate - Less competition for farmed fish on local markets and hence stable and viable fish prices. 	<p>ZFPA and the Ministry of Agriculture, Mechanisation and Irrigation Department (MoAMID) should engage the Ministry of Environment, Water and Climate to review the enforcement of fishing quotas, fees for fishing permits, penalties for exceeding quotas and illegal fishing to encourage sustainable harvesting of natural fish resources and fish farming.</p>
<p><u>Trade in Fish Products</u></p> <p>Currently, Zimbabwe has bilateral duty free trade agreements with Mozambique for kapenta and Namibia for Horse and Jack mackerel. These are capture fishery products that out-compete locally farmed fish products.</p> <p>As long as these agreements are not modified to provide a fair playing ground for local farmed fish, it will be difficult for Zimbabwe to realise its' potential to be a net exporter of fish.</p>	<p>Fair trade policies will lead to improved balance of trade. Increased local fish production contributes to increased gross domestic product and increased consumption of local fish products contributes to the growth of the industry.</p>	<p>At the renewal of the bilateral trade agreements, ZFPA and MoAMID should insist on the inclusion of surtaxes on capture fish imports as part of the bilateral trade agreements. This needs to be complemented by initiatives which promote local production, aimed at import substitution. These include duty free importation of key inputs and equipment for fish farming as Zambia has been pursuing.</p>

<p><u>Stimulating Local Demand</u></p> <p>Traditionally, Zimbabwe is not a fish-eating country compared to Zambia and Malawi due to geographical locations and differences in endowment of water bodies.</p> <p>Per capita, fish consumption is 1.5kg per annum, versus consumption in Zambia and Malawi of 5kg/annum.</p> <p>There is need to encourage consumption of fish. Present levels of import indicate that there is both demand and a market for fish and fish products.</p>	<p>Improved nutrition as fish is a rich source of protein and the essential omega 3 fatty acids.</p> <p>Increase in demand will lead to improved viability and sustainability of existing fish operations as well as facilitate expansion of smaller fish farming enterprises.</p> <p>Expansion in upstream and downstream players in the value chain including feed producers, breeders, input suppliers and processors.</p>	<p>Endorse and support campaigns to promote the consumption of fish.</p> <p>Request development agencies for technical and financial support to carry out such activities</p>
<p><u>Trainer Accreditation</u></p> <p>Training on fish production is being organised and carried out by whomever considers themselves to be an expert.</p> <p>Dissemination of incorrect information creates inefficiencies and jeopardises investment.</p>	<p>Enhanced farmer knowledge about fish production will lead to efficient systems and translate into higher yields.</p>	<p>DLVS to promulgate a statutory instrument to regulate trainers through an accreditation process overseen by ZFPA.</p>

<p><u>Strengthened Technical Support and Extension</u></p> <p>There is poor technical support and extension services to fish farmers.</p>	<p>Enhanced technical service delivery and farmer capacitation.</p>	<p>Review existing services and evaluate an integrated service centre within DLVS and other departments.</p> <p>Department of Research and Specialist Services to promote fish farming and publish training modules and learning aids for extension workers and farmers' groups which can also be integrated into training syllabi for colleges and universities.</p>
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Appendix 2: Presentation by the Zimbabwe Fish Producers Association of Zimbabwe to the workshop hosted by World Vision in Masvingo, April 2017



Policy Consideration for Inclusive Development of Aquaculture in Zimbabwe

Mr. Mwera
Chairperson - Zimbabwe Fish Producers Association
April 11-12, 2017

Overview

- 1) Brief Update on ZFPA Objectives and Membership
- 2) State of Domestic Fish Industry and Opportunities for Growth
- 3) Policy & Institutional Challenges Hampering Development of the Aquaculture Industry
- 4) Getting Policy Coordination Right for Regulating and Growing Aquaculture
- 5) Specific Policy Considerations for Developing the Aquaculture Industry
 - a. Policy Measures for Attracting Private Investment in Fish Farming
 - b. Policy Measures for Strengthening Fish Farming Production Capacity
 - c. Policy Measures for Safeguarding Food Safety in Supply of Farmed Fish
 - d. Policy Measures for Stimulating Demand for Locally Produced Fish



Zimbabwe Fish Producers Association



- **Launched:** July 2016
- **ZFPA Offices** - Livestock Center
Old Show Office, Exhibition Park,
Samora Machel Avenue,
Belvedere, Harare
Phone: (04) 756 600, (04) 772 915

• **Objective:**
Platform for stakeholders in the fish farming business to engage in collective action strategies for developing the aquaculture industry in partnership with Government

- **Membership:** Open to all players- big and small from involved in the **Farmed Fish Aquaculture Value Chain**

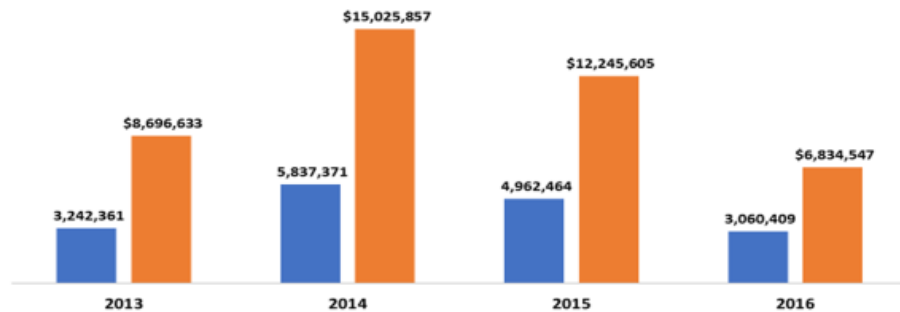
ZFPA Membership – Four Categories

- **Corporate Membership** – Large scale commercial producers with annual output of 300 tonnes of farmed fish or more
- **Medium Producer Membership:** Open to fish producing entities (companies, cooperatives, groups) with an annual output between 50 and 300 tonnes
- **Small Producers Membership:** Open to any fish producing entities whose annual output is presently less than 50kgs
- **Associate Membership:** Any entity not classified as fish producer but has interest in the industry (eg fish inputs suppliers, fish R&D centers, development NGOs, policy makers and regulatory authorities, training centers)



Domestic exports of main farmed fish tilapia have been declining progressively since 2014 due to rising domestic cost of production and Zambian adoption of protective policy measures against Zimbabwean fish

Volume(kg) and Value(\$) of Tilapia Exports (ZIMSTAT)



Policy and Institutional Constraints to Development of the Aquaculture Industry

- Policy coordination failure and fragmented leadership slowing down development of aquaculture industry
- Absence of a National Fish Farming Policy Framework and Aquaculture Value Chain Development Strategy
- Macroeconomic policy constraints to increasing domestic consumption demand for fish
- Lack of effective policy incentives and tax rebates for promoting domestic investments in fish farming business for increasing exports and reducing dependence on fish imports
- Burdensome cost of compliance with policy regulations and licensing fees from multiplicity of agencies - reducing production output and competitive advantage in fish farming

Measures for Getting the Fish Farming Policy Coordination and Regulatory Environment RIGHT

- Development of Aquaculture industry following a fish value chain approach involves multiplicity of line Ministries and regulatory agencies
 - Ministries of Environment and Climate; Agriculture Mechanization and Irrigation Development; Industry and Commerce; Finance and Development, SMEs and Cooperatives, Gender & Women affairs, Youth and Empowement
 - Regulatory authorities with power to levy farmed fish value chain players: RDC, Parks & Wild life, EMA, ZINWA, Veterinary Services, DRSS, National Biotechnology Authority, MCAZ, Urban Municipalities licensing authority
- Production Level Policy and Regulatory Environment lacks consolidated policy authority with consolidated mandate to develop commercial-oriented fish farming industry
 - Confusion between regulations for capture fisheries (harvesting of natural resources) and fish farming globally recognized as agricultural production activity (seeding and raising of fish) requiring similar policy support as any other livestock value chain (eg COMMAND LIVESTOCK POLICY to include COMMAND FISH FARMING policy support)

RECOMMENDATIONS: JOINT MINISTERIAL TASKFORCE FOR AQUACULTURE DEVELOPMENT Only possible if established under the auspices of the Directorate for Policy Coordination and Implementation in the OPC with mandate to formulating Pro-growth commercial-oriented national aquaculture development policy framework and action plan



Policy Measures for Improving Production Environment

Fish farming is a relatively new form of agriculture in Zimbabwe. There is need to build and ADEQUATELY finance Public Research and Extension Capacity for promoting commercial-oriented fish farming business ventures

Policy Recommendations

- **Capacity building Universities, DRSS & DLVS:** Expertise exist at universities, national research and extension agencies, veterinary departments, and private sector. Government can play a role in **standardizing fingerling breeding operations and production protocols to ensure quality standards and safety of fish** sold into the domestic market
- **Provision of special finance facilities** for commercial-oriented fish farming groups to acquire state of the art production and cold chain technology to competitively supply of quality fish



Policy Measures for Improving Production Environment

Government Facilitation of Development of Provincial Fish Producers Associations

Commercial-oriented fish farming business by small scale producers require effective market linkages ONLY possible when fish farmers are well ORGANIZED

- ZFPA mandate includes facilitating organizational development of small scale fish farming groups and capacity building for market linkages BUT strong partnership with AGRITEX and LPD is key
- ZFPA acknowledges the important work that development NGOs are doing to spearhead fish farming among smallholder farmers and seeks to establish lasting partnerships to ensure commercial sustainability by linking organized groups to markets for inputs and group credit facilities to acquire appropriate cold chain equipment essential for market linkages
- ZFPA works with strategic **value chain nodal partners** and acknowledges that **TOGETHER WE CAN** deliver more fish to the market and more incomes to fish farmers through collective advocacy for an enabling and supportive fish farming policies

Policy Measures for Improving Fish-Farming Production Environment

Fingerling supply: Large scale commercial fish farms have been producing fingerlings for sale to fish-farmers

- Major Cost Drivers for Suppliers of Fingerlings are cost of money as well as licensing and regulation compliance charges: breeding licenses, Parks and Wildlife licenses, ZINWA water charges and EMA pollution penalties
- **POLICY RECOMMENDATION:**
 - **Reduce breeding license fee amount and extend licensing period from one year to a 5-year renewable license.**
 - **Water charges used by ZINWA for fish farming operations must be scaled down given the nonconsumptive nature of fish farming demand for water**
 - **EMA water pollution penalties must be scaled down to facilitate growth of fish farming business. One way is to use marginal pricing based on water pollution damages attributed to the fish farming operation ie disparity in quality of water between influent and effluent measure of water quality**
 - **Government and private sector to work together to establish an efficient decentralized provincial distribution centers for fingerlings and fish farming inputs borne by small holder fish farming groups**



Policy Measures for Improving Production Environment

Feed supply: Feed mills have capacity to produce adequate specialized feeds for fish farming industry

Challenge - For small scale fish farming enterprises dependency on manufactured feed is costly at current cost of local raw materials.

- **POLICY RECOMMENDATION:** Training farmers on on-farm production of nutritious quality fish feed is key to improving viability and profitability of farmed fish, and must be integral component of inclusive national fish farming development strategy

Policy Measure for Improving Production Environment

- **Security at fish farms:** As fish ponds are generally some distance from homesteads, farmers risk the loss of fish by poachers
 - Stringent deterrent jail terms currently applicable to cattle rustlers must equally apply to those caught stealing stocks of fish in a private fish pond or contracted lake operation

Policy Measures for Improving Economic Environment for Fish Farming

A number of economic conditions stifle growth of fish farming including the *Influx of imported fish*:

- In recent years, there has been a huge influx of cheap fish targeting low income consumers. Zimbabwe imports over
- 1000MT of Jack and Horse Mackerel, mainly from Namibia IMPORTED every month- suppress local fish market prices, reducing viability of fish farming especially by small-scale producers
- **RECOMMENDATION: Import quota restriction on imported mackerel destined for the supermarkets**

Policy Measures for Improving Economic Environment

- **Capital constraints:** Set up costs of fish farms is significant and are a barrier to entry for most farmers
- The sector needs to borrow from the Dairy Re-vitalisation Programme, under which imports of dairy products are taxed and the proceeds support a revolving fund to help farmers establish dairy farms
- **RECOMMENDATION: A tax of \$.10c/kg on fish imports will raise as much as \$2 million for a fish farming revolving fund**



Policy Measures for Improving Economic Environment

- **Creating marketing linkages:** To enter the formal sector which requires consistent supply and maintenance of a reliable cold chain, there is need for better co-ordination between farmers and formal buying contracts with distributors and retailers
- The informal sector should also not be ignored as a key market segment
- Hygienic drying of fish should be considered in order to target low income urban and rural markets



Policy Measures for Improving Economic Environment

- **Promotion of fish consumption:** Finally, the sector needs to expand domestic and export demand for farmed fish through a vigorous advertising campaign to promote the consumption of fish as part of National Food Security and Nutrition Strategy
- **RECOMMENDATION:**
 - Government embassies abroad and Zimtrade to work with fish exporting companies to promote Zimbabwe farmed fish exports in target European countries
 - Domestic campaign to promote fish consumption must include removal of VAT on locally produced farmed fish and retention of VAT on imported fish destined for the domestic consumers end market
 - National Food and Nutrition Campaign programme must include a strong component of fish in the dietary intake of children under the school feeding programmes

Appendix 3: Organising Small-Scale Pig Producers for Inclusive Value Chain Development

Concept Note

Strategy for Strengthening PPAZ Membership Among Smallholder Pig Producers

April 2017

1. Preamble

In addition to the obvious benefits of collective bargaining power, smallholder farmer organisations are also a fundamental requirement for effective participation in the inclusive development of the pig value chain. Better coordination between farmer group, buyers and service providers translates into lower marketing costs and transaction costs as well as increased competitiveness of smallholder farmers.

Smallholder farmers can be organised into producer-driven, buyer-driven, or intermediary-driven groups:

i. Producer driven

Smallholder producers themselves come together to form their own production/marketing group motivated by the benefits of using collective action strategies for improving access to markets.

ii. Buyer driven

Smallholders supply specific commodities to buyers who may provide production inputs and technical advisory services based on formal contract farming arrangements.

iii. Intermediary driven

Producer groups are commonly initiated by non-governmental organisations who implement a donor-funded agricultural development project in specific districts.

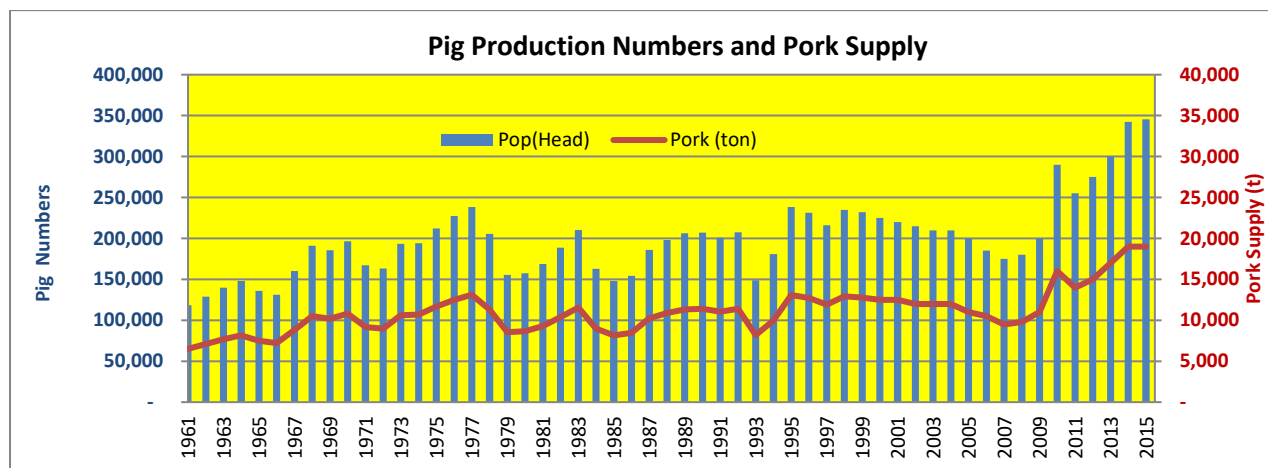
Producer driven groups tend to last the longest but often struggle to provide value to their members. Buyer driven farmer groups offer quality assured products to a niche market.

As well as the establishment of producer groups, an umbrella district organisation to which the group is affiliated is crucial. This is particularly the case for smallholder pig producers in Zimbabwe's highly concentrated pork industry. In the face of diminishing margins and growing consumer sensitivity to price fluctuations, there is need for greater value chain coordination. Poor organisation of small scale pig producers undermines value chain coordination and destabilises the pork market.

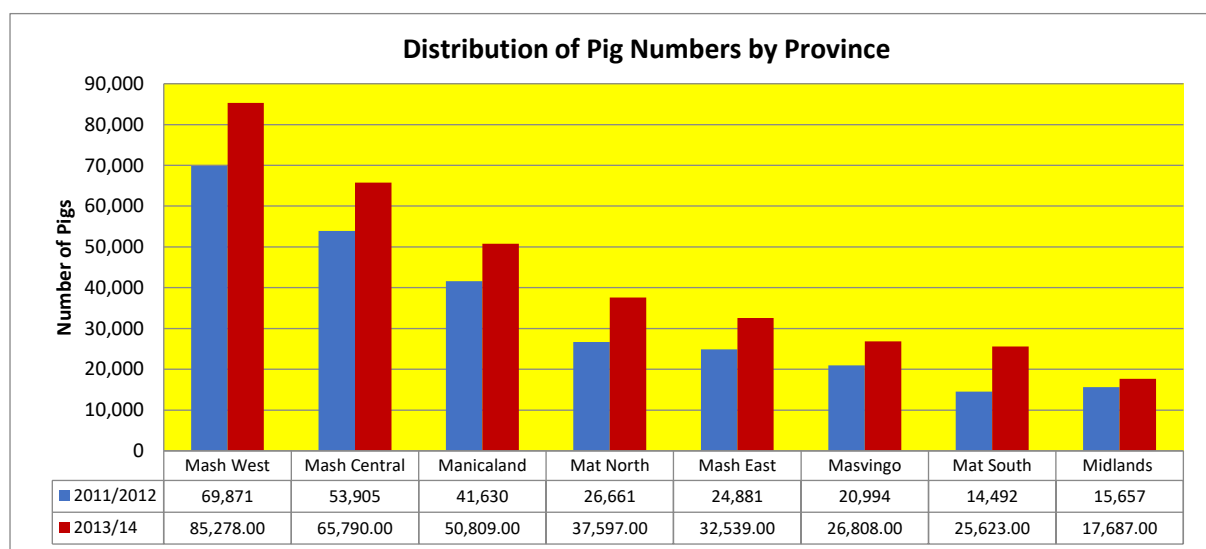
2. The Pig Industry: Structure, Conduct and Performance

Consumption of meat has grown from 14kg per capita in 2000 to 20kg per capita in 2013. Beef, which once commanded 46% of the market, now only accounts for 37%. The price competitiveness of poultry and pig meat has increased the market share to 20% and 13%, respectively.

To meet the growth in demand for pork, pig numbers have increased from 225,000 head in 2000 to 348,000 head in 2015 (refer to the figure below). The smallholder sector accounts for 80% of the total pig population but piggery units are very small and performance is poor, limiting its capacity to supply slaughter stock.

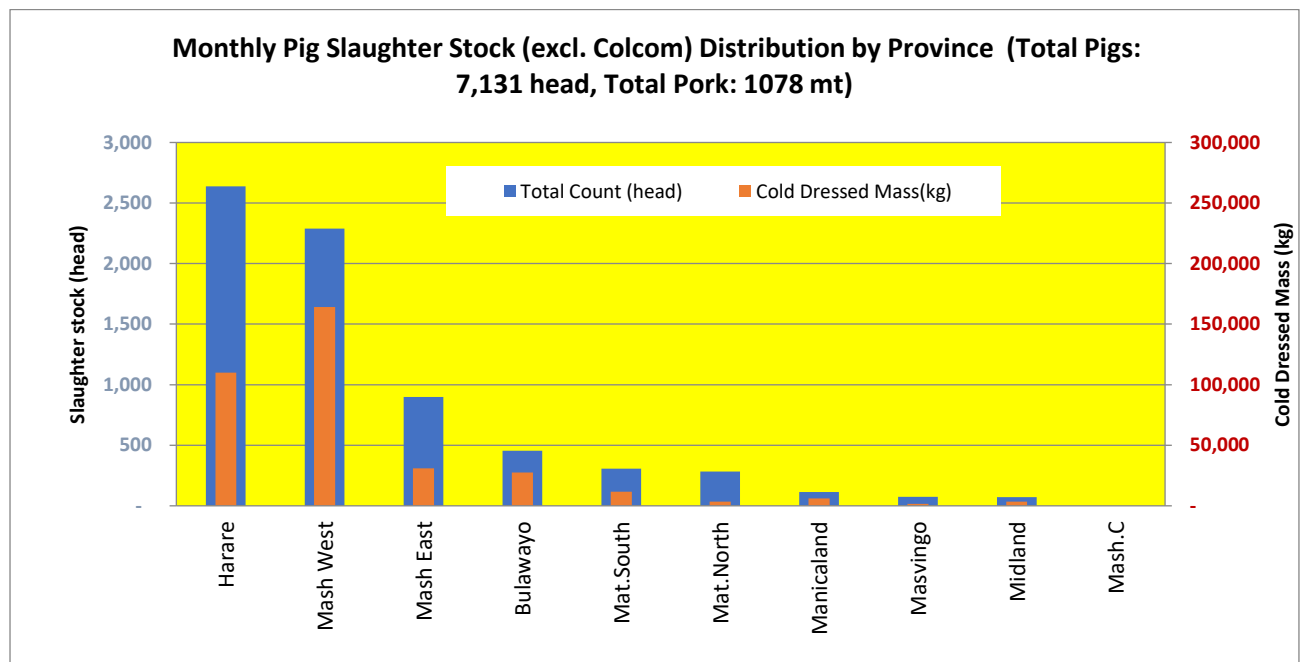


Traditionally, pig production is concentrated in the grain producing areas and around major urban markets of which Harare and Bulawayo are the biggest.



The figure below shows the distribution of pigs in 2014 and Mashonaland West and Central provinces have the largest number. Pig operations in these two provinces are dominated by the large-scale pig farms of Triple C (breeding sow unit of 2,200 in Norton and 830 in Shamva).

Triple C supply Colcom Foods (Pvt) Ltd with between 6,000 and 7,000 slaughter stock every month annually and is the largest producer of slaughter pigs. Colcom accounts for 67% of pork supply through the formal market.



Large-scale commercial producers possess highly productive Large White pigs and use modern breeding technologies and best management practices to achieve big litters. Small holder pig producers use mixed breeds of both Mukota and Large White while small-scale units experience comparatively low breeding performance and poor growth rates due to management challenges.

There is tremendous scope for increasing the commercial viability of small holder producers who are organised into pig producer clubs/associations.

3. Establishing Pig Producer Clubs and District Associations

Zimbabwean pig producers are well aware of the advantages of establishing effective commodity-specific production and marketing groups and targeted interventions should facilitate the process aimed at helping farmers help themselves.

The concept of a club as the smallest unit of farmer organisation for collective action should involve group members who already know and trust each other enough to conduct the business of marketing and procurement as a group to derive optimal economic and financial benefits from market players and service providers.

With access to better genetics and training, small holder pig producers can increase productivity of their units. An increased supply of pork products can meet the protein demands of low income rural consumers.

Aggregating smallholder farmers into groups is both critical and challenging as small holder pig units currently have limited capacity. Establishing new marketing groups and raising their capacity for business is an expensive and time-consuming exercise but the resultant economic benefits will far outweigh the costs.

FARMERS WHO ARE AGGREGATED CAN HELP EXPAND THE PIE INSTEAD OF REQUIRING A GREATER SLICE OF IT

When farmers form district producer marketing organisations, their bargaining power and ability to negotiate better prices with buyers is significantly enhanced. The group control of a large share of produce market supply and input demand makes it a powerful and credible business partner, offering cost savings to market players. Some firms profiteering from the present state may view group formation and empowerment of farmers as a disadvantage of aggregation, one which may increase negotiation cost and eat into their margins. However, this is a short-sighted view for three reasons:

- Increased margins for producer organisations usually come from middlemen, whose services are not needed when farmers themselves aggregate crops.
- Aggregation presents opportunities to improve quality during marketing and through cleaning and sorting, which can justify higher prices.
- When farmers receive equitable prices, they are more likely to invest in their farm operations. This investment raises productivity, which benefits both farmer and firm. This inclusive business model creates sustainable enterprises over the short and long term, giving the next generation of smallholders an incentive to continue farming.

(Source IFC Handbook on Linking Firms to Smallholder)

4. Piloting the Formation of Clubs, Societies and Associations in Goromonzi District

Through a partnership between PPAZ and the PIB, it is proposed that Pig Producers' Business Clubs, Societies and Associations be established for the primary purpose of linking farmers to markets and service providers of technical support and training. The project shall be piloted in Goromonzi District of Mashonaland East Province. Located only 32km from Harare, the district is ideal for pig production as it lies predominantly in Natural Region II (b) and receives between 750 – 1,050mm of rainfall annually. Following the land reform program, the district has a mixture of smallholder communal and A1 farmers, old resettlement farmers, small-scale commercial farmers and large-scale commercial A2 farmers. The main livestock production systems include beef, dairy, pig and poultry (Food and Agricultura Organisation, 2006).

PIB offers opportunities for smallholder farmers to venture into pig farming and it has the mandate to produce breeding stock and certify breeds. PIB also provides developmental and

extension advisory services, farmer training, breeding sows and boars and disease surveillance.

Goromonzi district is suitable for a wide range of exotic breeds (Large White, Duroc and Landrace). PIB operates a thriving pig production business at its premises and has the potential of running a successful pig production and marketing outgrower scheme by contracting its network of trained small-scale farmers and newly resettled farmers in Mashonaland East to produce quality assured pigs for marketing in Harare, Marondera and Chitungwiza.

4.1 Forming Pig Producers Business Clubs within Wards

These are the smallest unit of organisation and ideally, every ward within a district should establish a Pig Producers Business Club. Members of each Business Club should reside within walking distance of each other to facilitate trust-building and coordination and should reflect the following fundamentals:

- i) Voluntary membership: Not all smallholder pig producers need to become members of the Business Club but should be encouraged to do so.
- ii) To facilitate greater interactions between members and attendance at ward meetings, the membership may be restricted to a ward or adjacent wards within walking distance.
- iii) Introduce a standardised template for groups to write their own Constitutions which covers key provisions such as eligibility for membership; fees; objectives; core business and services to members; terms of office of elected office bearers; voting rights; frequency of group meetings and financial management, including a reporting system for transparency and accountability (see Appendix A).
- iv) Provide general guidelines on collective action strategies that work efficiently at least cost.
- v) Specify core functions for collective action and responsibilities of members, including adherence to agreed values and business ethics. (see the Table below)

It is important that, from the onset, the Pig Producers Business Clubs have a strong business orientation and a transparent governance system of accountability to members. Thus, capacity strengthening must prioritise financial management.

4.2 Formation of the Goromonzi District Pig Producers Business Society

Within a given district, the various Pig Producers' Business Clubs should be encouraged and facilitated to form a Pig Producers' Business Society. Thus, in Goromonzi District, the Goromonzi Pig Producers Business Society would be established.

Ideally, the membership of the Society would be restricted to elected executives (Chairperson, Vice Chairperson and Treasurer) from the Pig Producers' Business Clubs and adopt an appropriate Constitution for the Society.

The district leadership would coordinate strategic aggregation of off-take for bulk marketing under favourable contractual terms with abattoir operators, coordinate training and facilitate gathering and dissemination of market information to members (See Appendix B).

4.3 Formation of Mashonaland East Association of Pig Producers Business Societies

Within each province, one provincial Association of Pig Producers' Business Societies will be established whose membership shall be drawn from the district Pig Producers' Business Societies. The elected executives (Chairperson, Vice Chairperson, Treasurer and Secretary) from each district society shall form the provincial electoral college responsible for choosing by majority vote, the provincial executive leadership in accordance with the Constitution. The provincial Constitution of the Association of Pig Producers' Business Societies shall mirror that of PPAZ.

The business of the provincial Association shall include the following:

- i) coordinating the growth and development of pig production and marketing, assisting Societies in delivering value-added services to members of every Pig Producers Business Club in the province;
- ii) identifying business constraints to growth of the pig sector that require strategic interventions, either using collective action or policy interventions;
- iii) representing the interests of pig producers in the formulation and implementation of the national development agenda;
- iv) facilitating the flow of relevant business information on pig production and marketing between producers and market players; and
- v) Lead the provincial delegation of representatives to the PPAZ national meetings

5. Concluding Remarks

The fundamental goal of this initiative is to facilitate organisational development of commercially oriented small-scale pig producers for the purposes of increasing incomes and livelihood through adoption of appropriate technologies, strict adherence to biosecurity and food safety measures and promoting coordination to access more lucrative pork markets.

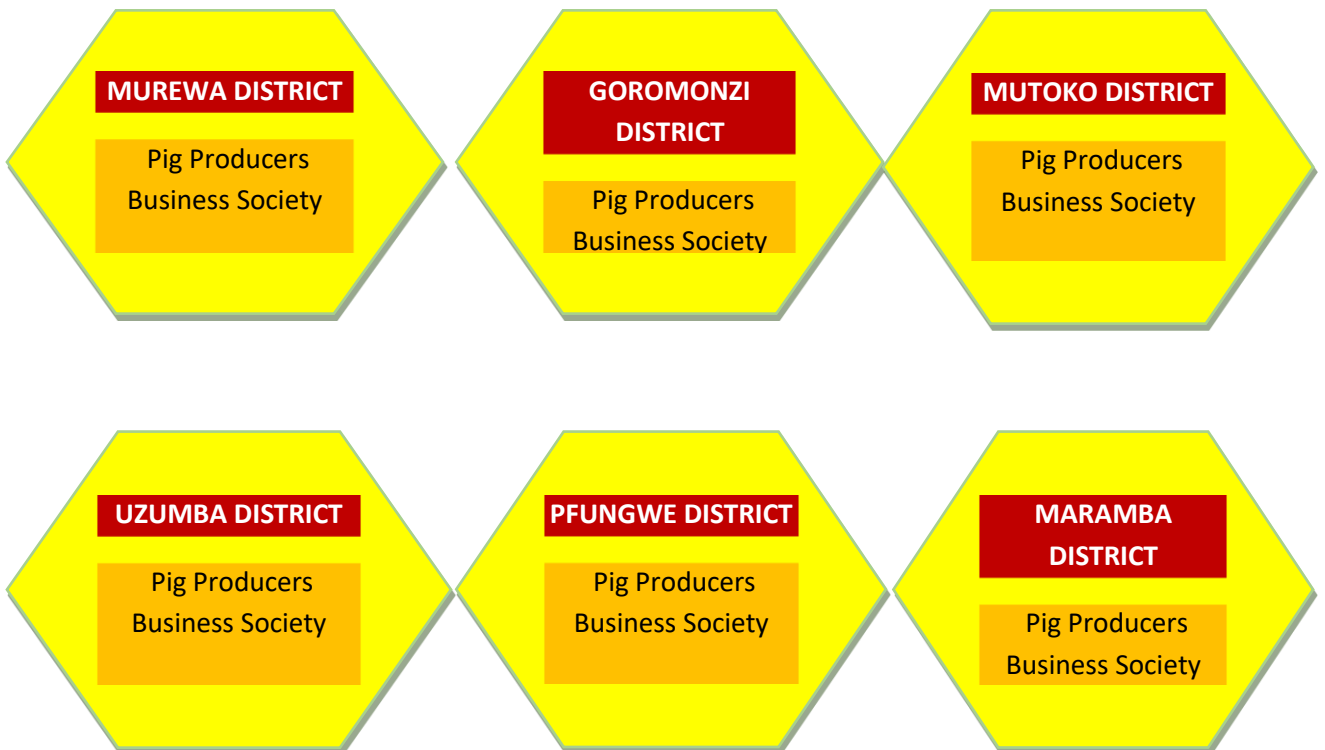
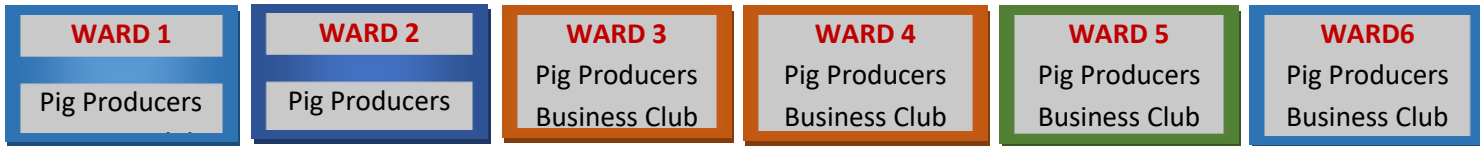
The network of pig producers' clubs and societies is critical for delivering value-added services to farmers. The provincial and national structures will play a strategic role in lobbying for an enabling policy environment for inclusive growth and development of the pig industry value chain. This will also include coordination of value chain players to increase participation of

smallholder and small-scale pig producers. The success of this initiative requires PPAZ to join hands with PIB in facilitating the speedy pro-active implementation of this strategy in partnership with the Ministry of Agriculture, Mechanisation and Irrigation Development and other relevant line Ministries.

Appendix A: Functions and Services of District Pig Producers Business Societies

Information dissemination	Aggregation reduces the cost of collecting and disseminating information for suppliers and service providers.
Logistical support	<p>Aggregation reduces logistical challenges and is a platform for improving quality and coordinating monthly offtake to secure better markets than individual farmers can access.</p> <p>The economies of scale achieved through producer marketing groups presents opportunities for bulk marketing and product grading to maximise income.</p>
Market linkages	Group marketing enables farmers to negotiate better selling prices for regular supply of quality produce. Aggregation can reduce marketing cost associated with transport, search, provision of micro loans and loan administration making it attractive for businesses to offer marketing services or financial services to organised smallholders.
Provision of training and technical advisory services of pig farming as a business	Aggregation of smallholder pig producers into Business Clubs facilitates provision of regular training and technical advisory services to group members through linkages to public and private service providers. The group approach also makes it easier for development partners to integrate approaches for increasing farmer access to customised training materials and technical advisory information.
Influencing public policies	Producer groups can influence operational policies and programming from public service providers (eg research centers, extension agencies, regulators) by their unified voice and have a better chance of swaying government policy.
Bulk marketing and distribution	Group marketing enables farmers to negotiate better selling prices for quality produce.

Appendix B: Proposed Organisation Structures for Pig Producers in Mashonaland East



Appendix C: Guidelines for Participatory Drafting of Constitution for a Farmer Group

1. What Are Constitutions and Why Do Groups Need Them?

A basic set of rules is essential for any producer group. A Constitution is a written document that clearly explains what is expected from the group members and what they can expect from the group. It reminds members of the group's objectives and ensures everyone's interests are heard. A Constitution governs the group's activities based on democratic principles.

2. Process of Drafting the Group Constitution

Because there are a lot of elements to the Constitution, it probably will not be feasible to develop the Constitution with all members present. You may want to invite a smaller group of representatives to spend a day working on an initial draft. The template or checklist from facilitator can be used to help a group draft its own Constitution but make sure the group discusses each section and reaches a consensus on what is right for them and not merely copy Constitutions made by other groups.

Once a draft Constitution is produced, the drafting group must share with the entire group at the next full-group meeting. The facilitator must present each article of the Constitution and make sure every member understands and endorses the article before moving on to the next one. Allow changes to be made from members based on majority opinion of the group.

3. Key Points About Farmer Group Constitutions

The points to remember when facilitating a group of farmers to draft their own result-oriented Constitution for an agricultural marketing or business club are:

- The Constitution is a set of ground rules on how the group will operate to achieve group objectives;
- The contents of the Constitution should be determined and agreed upon by group members;
- The Constitution doesn't help unless the members understand it and expect it to be followed;
- The Constitution can help solve problems and disputes that may arise among members;
- The Constitution can help to build trust among producers; and
- It doesn't have to be complex!

4. What are the Basic Elements That Should Be Included in Group Constitution?

The complexity of the document will vary depending on the needs of the group, but the following articles must be included in the Constitution:

- Name and location of group;

- Date of Formation of the Group;
- Group Objectives and Core Values;
- Specific Value-adding services to members;
- Membership – criteria, categories of members eg founding members, full member, associate member; duration of membership, rights and responsibilities, and membership fees;
- Elected Leadership Positions – Chairperson, Deputy Chairperson, Treasurer, Special Committees;
- Election process – nomination for position, eligibility condition; term of office and term limits, rotation of office bearers, duties of office bearers and committees;
- Meetings – when, where, how often, decision-making method, voting;
- Contributions – who pays, how much, how often, uses of dues and/or fees;
- Recordkeeping and reporting to group members – how, by whom, and how to be shared;
- Procedures for amending Constitution or terminating the group.

Resources

FAO. 2001. The Inter-group Resource Book: A Guide to Building Small Farmer Group Associations and Networks; FAO. 1998)

Agricultural Cooperative Development: A Manual for Trainers; and Draaijer, Jurjen. 2002. Milk Producer Group Resource Book. FAO. Integrating Very Poor Producers Into Value Chains Field Guide 132 1. Form the group.

Appendix D: The Core Functions of Pig Producers Business Clubs

- Conducting market research to identify opportunities for the whole group at least cost to each group member;
- Facilitate training and transfer of technology for improving production performance;
- Coordination of production planning for bulk marketing to contractors;
- Group procurement of inputs and services to reduce cost of production;
- Facilitating collective action in buying equipment and infrastructure – farm machinery, building pig sties, storage facilities, drying platforms, feed processing units;
- Group procurement of quality boars to avoid the problem of inbreeding;
- Linking with the local government service providers to obtain access to support programs, special funds etc.; and
- Participating in PIB and PPAZ forums.

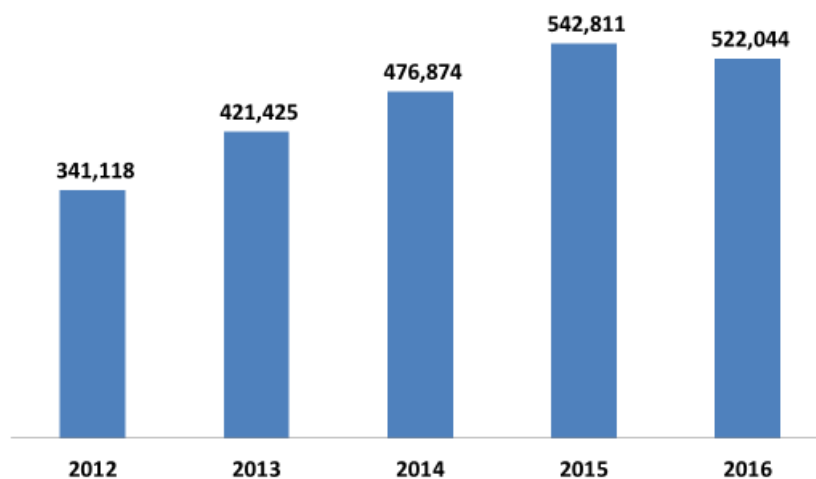
Appendix 4: Feeds Prospects, May 2017



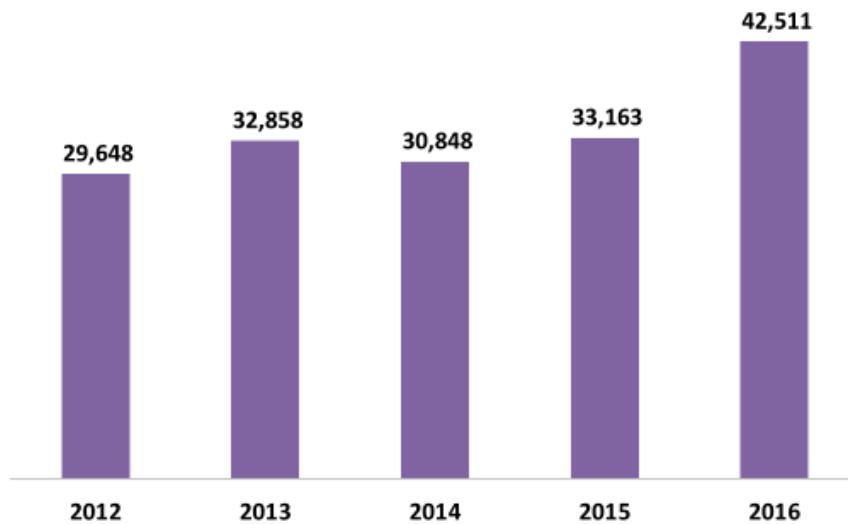
2017 Feeds Prospects

by
Kevin Msipha
SMA Secretariat

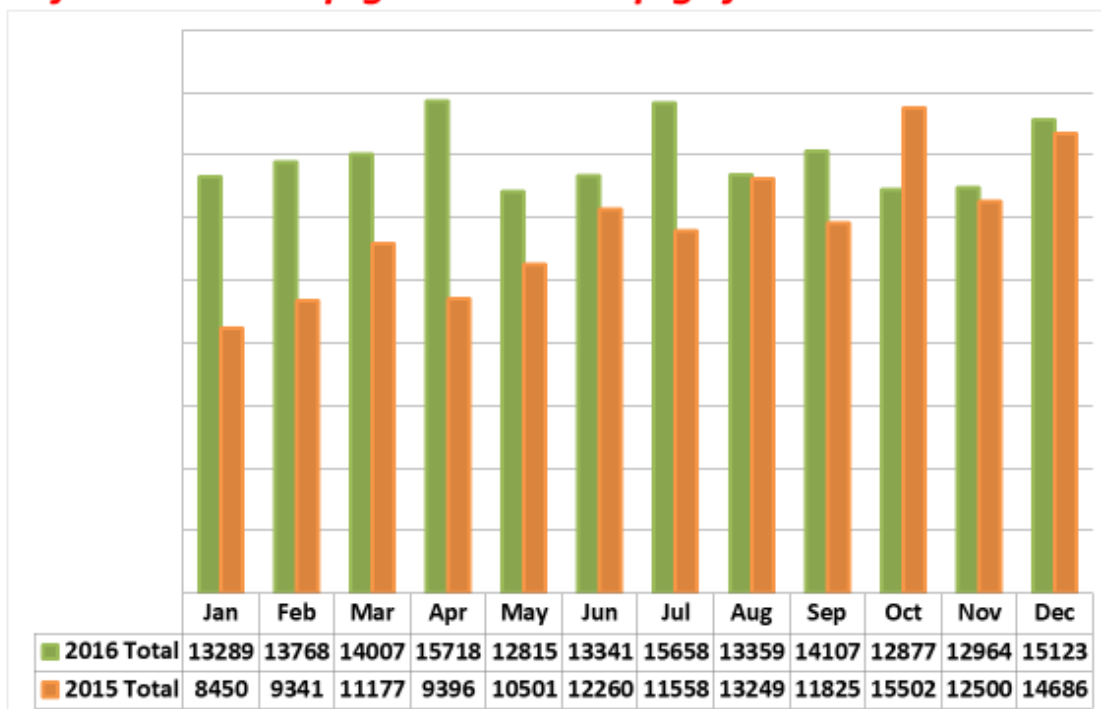
Total feed production (mt) dropped by 4% for the first time since 2012 (SMA)



Pig feeds were the only feed class to register growth (28%) between 2015 and 2016 (SMA Returns)



This was due to an increase of 19% in pig slaughters from 140 445 pigs to 167 026 pigs from 2015 to 2016



Maize and Soya are the key feed raw materials

During 2016, SMA used

- 227,101 mt of Maize
- 134,324 mt of Soyabean Equivalent

During 2017, it is expected that:

- Local maize production (est) = 1.8 million mt. No need to import
- Soyabean production (est) = 20,000mt or 114,000mt short of stockfeed industry needs

Bridging the raw materials gap

- In 2017, surplus maize is expected. Hopefully it will be available at prices lower than \$390/mt
- The soyabean supply gap of 114 000mt can be met from imports of raw beans from the region
- Currently Zambia has 100,000mt of soyabean in stock. Expected 2017 harvest is 300,000mt
- Feed manufacturers are currently able to import beans from Zambia.
- It is unlikely Zambia will block bean exports due to surplus production and large carry-over stocks

Feed manufacturers – oil expressors deal

SMA and Oil Expressors Association(OEA) have agreed that:

- OEA will buy all locally produced soyabeans and import beans from Zambia to cover shortfall
- SMA will take up all soyabean meal produced by OEA
- The price of soya meal will be at 1.11 times the landed cost of beans
- SMA and OEA will approach AMA and RBZ to avail enough forex to import raw beans
- This will likely be supported as it will ensure that OEA increases capacity utilisation of their plants while ensuring SMA have access to soya meal in line with ZimASSET objectives

Other imported raw materials

- Premixes (minerals, amino-acids and vitamins) are the other key imported raw materials
- Difficulties in effecting international payments for these has led to periodic shortages and price spikes
- However, main importers of premixes have assured feed manufacturers that as long as orders are placed ahead of time, there will be no shortages
- Prices may increase due to premiums being placed on forex and cash limitations.

Concluding remarks

Going forward, the broad view of SMA is that

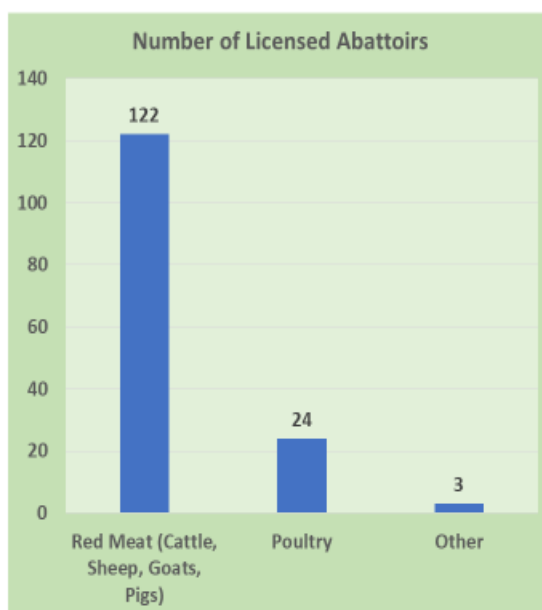
- Low disposable income will mean depressed demand for most animal proteins
- Thus, it is unlikely that there will be increased demand for feeds beyond the levels of 2016
- Good rains in 2016-17 mean more maize, hopefully at lower prices which eliminates the need to import.
- The agreement between SMA and OEA on soyabeans, coupled with availability of beans in the region, is expected to ensure adequate availability of meal
- And finally, as long as feed manufacturers place orders in time, importers of premixes are confident they will be able to avoid shortages.

The Domestic Beef and Goat Market Situation

By
Zimbabwe Association of Abattoirs (ZAA)

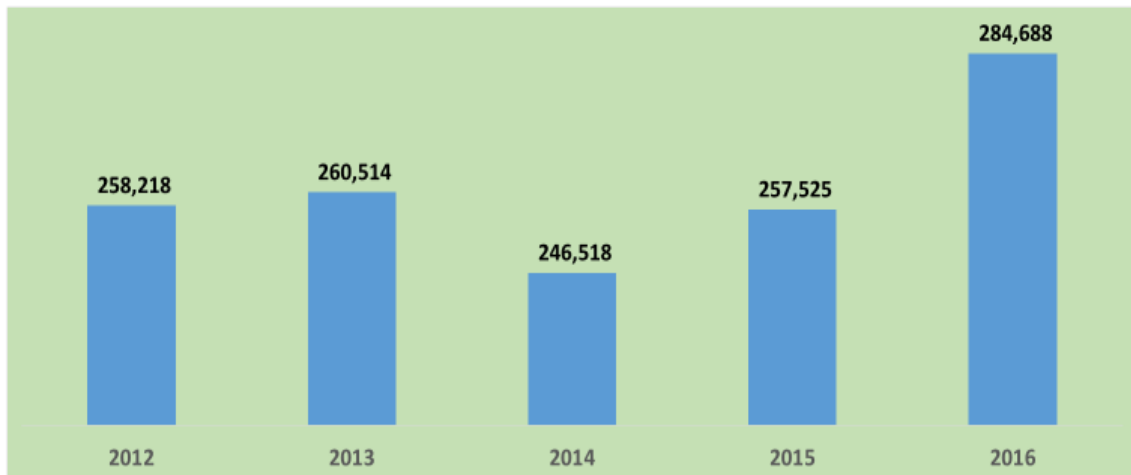
Livestock Revitalization Consultative Workshop
Zimbabwe Agricultural Society
May 12, 2017

National Capacity of Licensed Abattoirs

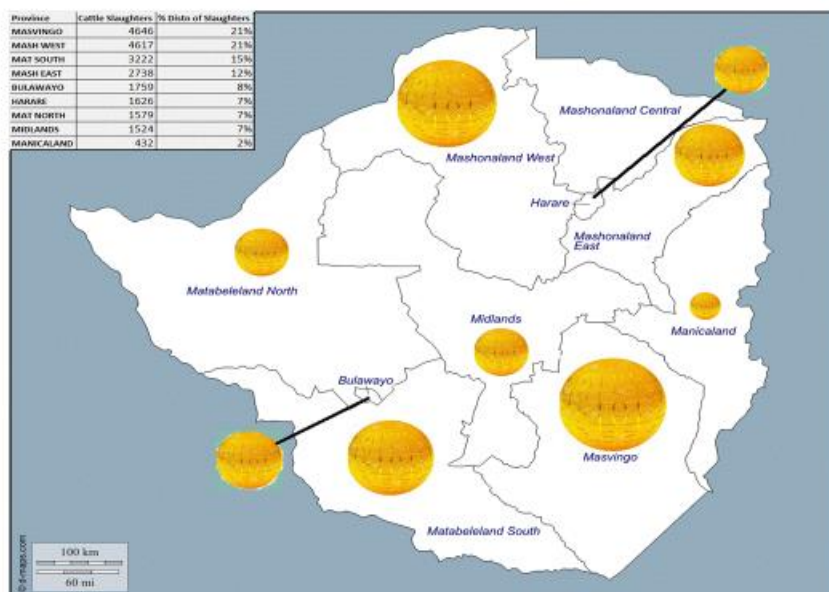


- 122 licensed abattoirs for red meat livestock (cattle, goats, sheep, pigs)
 - 64 of the 122 are monitored by DLVS
 - 3,710 cattle per day slaughter capacity
 - 693,770 per year potential output
 - 30% - 65% current capacity utilization
- 24 licensed abattoirs for poultry
 - 24,400 birds per day slaughter capacity
 - 4,562,800 birds per year capacity
 - 0%-75% plant capacity utilization
- 3 abattoirs for other livestock
 - fish, crocodiles, wild life

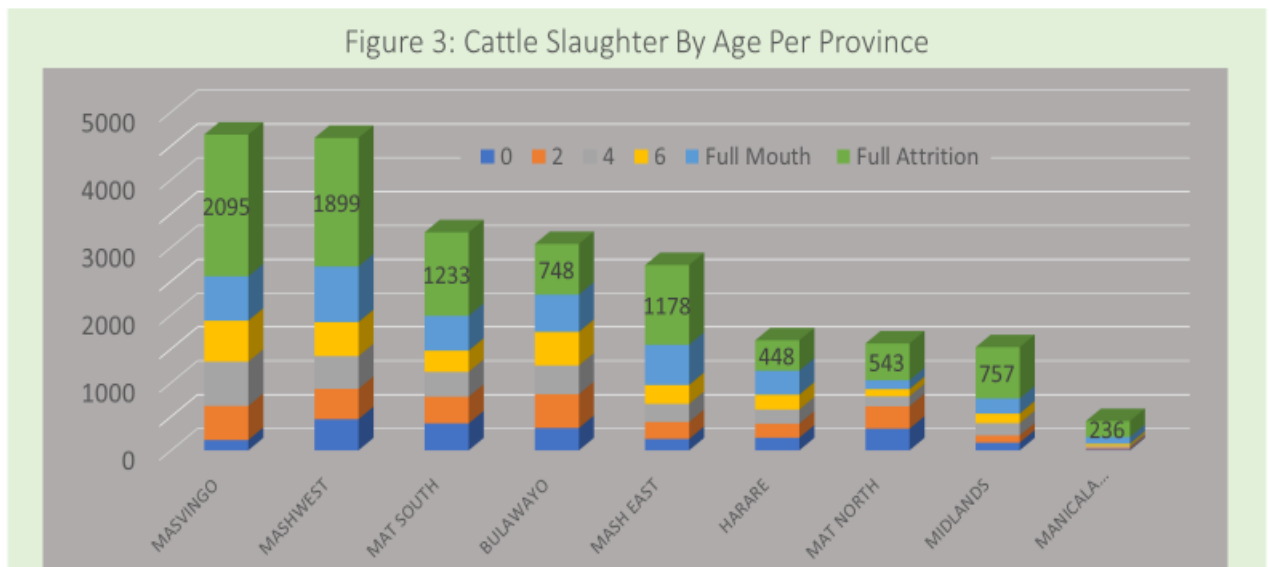
Monitored abattoirs enjoyed an 11% increase in beef cattle slaughters in 2016 as the drought forced some farmers to destock. The industry expects a modest fall in slaughters in 2017/18 as farmers prioritize rebuilding their cattle herds (DLPD) in light of a good crop harvest



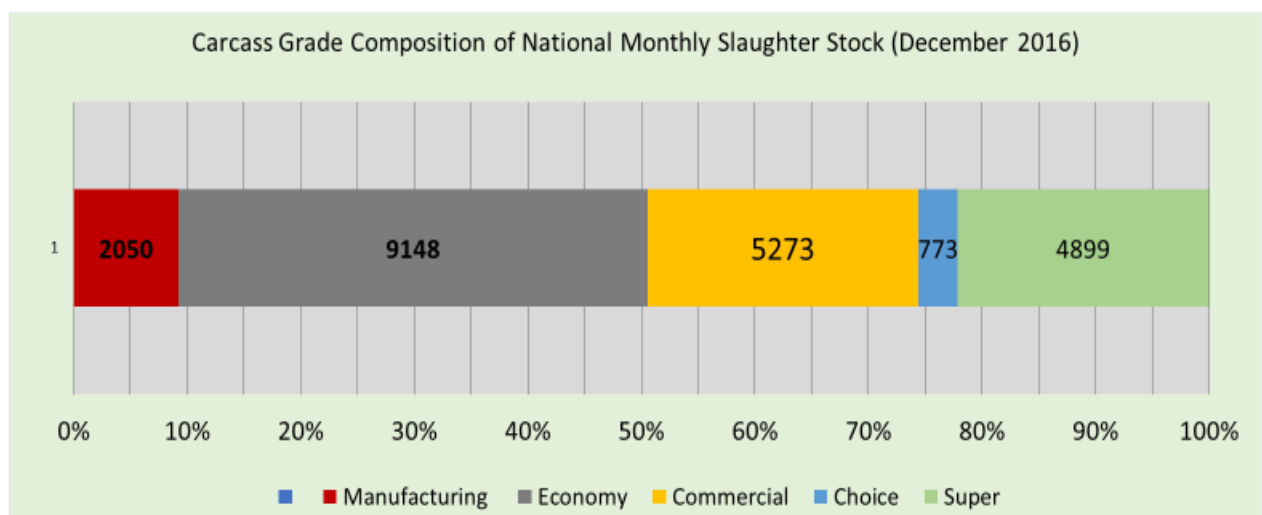
Abattoirs in Mash West/Mash east/Harare account for 40% of monthly cattle slaughters. The abattoirs in Bulawayo/Mat North/Mat South and Masvingo account for 51%.



The bulk of cattle sold for slaughter are old aged with full mouth and full attrition



Only 25% of the beef carcasses from national monthly slaughter achieve choice and super grades. Manufacturing and economy account for about 52% of slaughtered cattle



Commercial demand for beef is 2700 to 3500 MT per month at current wholesale price of \$3.61 per kg

Monthly Meat Sales and Wholesale Prices	Supers	Choice	Commercial	Economy	Manuf	Total
Beef Sales (MT CDM)	775	81	730	1,040	159	2,785
Beef Stocks (MT CDM)	13	98	37	50	3	201
Average Wholesale Price (\$/kg CDM) – December 2016	4.55	4.27	4.12	3.48	2.72	\$3.92
Average Wholesale Prices (\$/kg CD) – November 2016	4.10	3.83	3.82	3.28	2.46	\$3.61
% Change in Wholesale Price	+11%	+11%	8%	61%	11%	9%

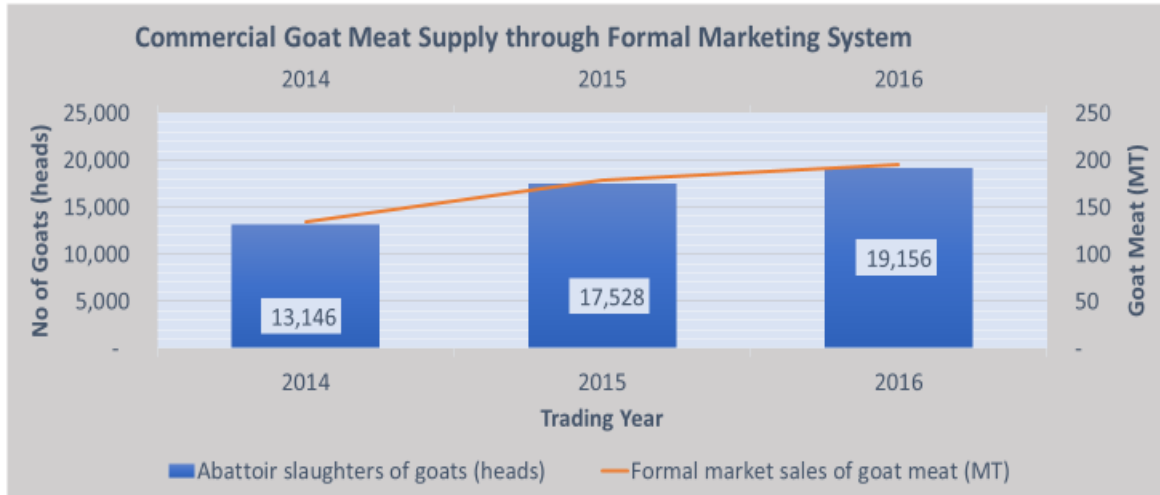
Cattle producer price vary by grade and marketing channel. Cattle purchases from smallholders accounted for 96% purchased stock of ZAA selected members and were purchased as follows.

Village based private buyers: 42% of December cattle purchases
 Direct farmer sale to abattoirs: 51% of December cattle purchases.
 Cattle auctions: 7% of December cattle purchases

e

Purchases From	Supers		Choice		Commercial		Economy		Manufacturing		Total	Price
	No.	\$/kg LW	No.	\$/kg LW	No.	\$/kg LW	No.	\$/kg LW	No.	\$/kg LW	No	\$/kg LW
Cattle Auctions	173	\$ 1.73	20	\$ 1.60	22	\$ 1.24	75	\$ 1.39	7	\$ 0.50	297	\$1.57
Agents based in villages	187	\$ 2.23	246	\$ 1.77	946	\$ 1.87	995	\$ 2.03	293	\$ 1.67	2667	\$1.92
Abattoir factory gates	1,109	\$ 2.08	791	\$ 1.57	587	\$ 1.22	679	\$ 1.04	87	\$ 0.79	3253	\$1.55
Total	1,469	\$ 2.06	1,057	\$ 1.62	1,555	\$ 1.62	1,749	\$ 1.62	387	\$ 1.45	6217	\$1.71

Goat slaughters by licensed abattoirs supplying butcheries grew by 34% in 2015 but slowed to 9% in 2016. ZIMRA imposition of VAT on goat meat in August 2016 reduced demand for goat meat from butcheries



Recommendations

Investment in commercial cattle production is key to INCREASING COMMERCIAL SUPPLY of beef cattle to meet future growth in demand

Reducing the Cost of Procuring Beef Cattle and Market Supply of Beef to Consumers -

- (a) Development of a formalized supply chain to reduce monthly search cost and transport cost,
- (b) Reduction of cattle levies from RDCs and regulators;
- (c) Reducing regulatory cost involved in running a registered EMA-compliant licensed abattoir (EMA levies, double inspection fees by Municipalities and DVS) and national focus at reducing overall cost of doing business (ZESA, tax system, cost of money)

FOCUS on both the Low-Income Beef Market and High-End Beef Domestic Market Segments

- (a) LOW INCOME MASS MARKET - seeking low-low priced safe beef and meat products
- (b) HIGH INCOME HIGH-VALUE BEEF MARKET - demand export-quality beef and pay PREMIUM prices

Appendix 6: Meat Processors Association of Zimbabwe

Industry Overview, Key Constraints and Suggested Remedies

May 2017

1.0 Zimbabwe Meat Processors and the Economy

Increased urbanisation and growth in economies globally pose immense challenge on livestock production systems in developing countries such as Zimbabwe. The greater demand for meat will be met by a further shift away from pastoral systems to intensive livestock production systems. As these systems cannot be expanded indefinitely due to limited feed availability and for environmental reasons, other measures must be taken to meet the growing demand for meat. The only possible alternatives are making better use of the meat resources available and reducing the waste of edible livestock parts to a minimum.

Meat processing plays a prominent role in optimising the use of available meat resources and utilises nearly all edible livestock parts for human food consumption. Meat processing, also known as further processing of meat, is the manufacture of meat products from muscle meat, animal fat and certain non-meat additives. Additives are used to enhance product flavour and appearance and are also used to increase product volume. For specific meat preparations, animal by-products such as internal organs, skin or blood, are also well suited for meat processing. Meat processing creates different types of product composition that maximizes the use of edible livestock parts and are tasty, attractive and nourishing.

Thus, there are economic, dietary and sensory aspects that make meat processing one of the most valuable mechanisms for supplying adequate animal protein to human populations, as the following explains:

- All edible livestock parts that are suitable for processing into meat products are optimally used.
- Lean meat is one of the most valuable but also most costly food and may not regularly be affordable to certain segments of the population. The blending of meat with cheaper plant products through manufacturing can create low-cost products that allow more consumers access to animal protein products. In particular, the needy, children and young women from low-income groups, can benefit from products with reduced but still valuable animal protein content that supply essential amino acids and also provide vitamins and minerals, in particular iron.
- Unlike fresh meat, many processed meat products can be made shelf-stable, which means that they can be kept without refrigeration either as (1) canned heat sterilised products, or (2) fermented and slightly dried products or (3) products where the low level of product moisture and other preserving effects inhibit bacterial growth. Such shelf-stable meat products can conveniently be stored and transported without

refrigeration and can serve as the animal protein supply in areas that have no cold chain provision.

- Meat processing “adds value” to products. Value-added meat products display specific flavour, taste, colour or texture components, which are different from fresh meat. Thus, they offer diversity to the meat food sector, providing the combined effect of nutritious food and food with excellent taste.

In meat-product manufacturing, the basic processing technologies, such as cutting and mixing, are accompanied by various additional treatments and procedures, depending on the type and quality of the final product. Such treatments involve curing, seasoning, smoking, filling into casings or rigid containers, vacuum packaging, cooking or canning/sterilisation. Thus, depending on products to be manufactured, a wide variety of equipment is needed to prepare meat products.

Processing technologies for meat products will not deliver satisfactory results if there is no adequate meat hygiene in place. In the interest of food safety and consumer protection, increasingly stringent hygiene measures are required at national and international trade levels. Key issues in this respect are Good Hygienic Practices (GHP) and Hazard Analysis and Critical Control Point Schemes (HACCP). The Meat Processors Association of Zimbabwe is developing a strict Code of Conduct to ensure that members supply healthy meat products to the local market. This will include guidelines on the handling and maintenance of equipment and tools, workers’ appliances, workers’ safety in using equipment and tools, the comprehensive listing and description of nonmeat ingredients, the manufacturing of meat products with high levels of extenders and fillers, as well as processing technologies for animal fats in meat product manufacturing.

In this paper, the Meat Processors Association of Zimbabwe (MPAZ) outlines the contribution of processed meats to nutrition security, investment in value-addition and employment creation, all key objectives to achievement of the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimASSET) objectives. It also seeks to inform stakeholders about challenges facing the sector and offers some ideas on how these may be mitigated.

1.1 Performance of the Zimbabwe Meat Processing Industry

The Zimbabwean meat processing industry has been growing tremendously over the past five years. Due to stringent health requisites required by the industry, it is a very capital-intensive business. To date, meat processors have invested an estimated \$36 million in plants and equipment to manufacture a wide range of processed products including polony, Russian sausages, braai wors, smoked sausage, chicken sausage, hams, bacon, cold meats, pies, canned meats, salami, Vienna, Frankfurters, minces and burger patties. The industry supplies about 1,900mt of processed products into the Zimbabwean market each month, worth about

\$5.1 million. At an average wholesale price of \$2.70 per kilogram, these processed products are the cheapest source of animal proteins available to consumers - much cheaper than beef or chicken cuts.

Despite operating at only 60% capacity utilization, the industry employs about 2,550 employees directly in its manufacturing business. Thus, there is potential to increase employment to 4,250 people using existing plants and equipment. This, however, masks the extra employment that is provided upstream into the retail and distribution sub-sectors. A survey of the industry shows that 43% of processed meat products are retailed through small-scale informal traders, providing substantial opportunities for self-employment. 25%, 23% and 9% of products are retailed through butcheries, supermarkets and institutions (schools, mines, hospitals, etc.), respectively. The local meat processors have also invested about \$50 million in importing equipment used in meat processing.

The figure below shows backward and forward market linkages generated by the meat processing industry in Zimbabwe which provides a market for products from the local abattoir and soyabean oil expressing industries. These are supplemented by imports of meat extenders such as mechanically deboned meat (MDM), spices and sausage casings and the products support activities of small-scale traders, butcheries, supermarkets and their distributors as well as institutional markets. Employment and income generation are created through these linkages which result in economic growth and expansion of the national revenue base.

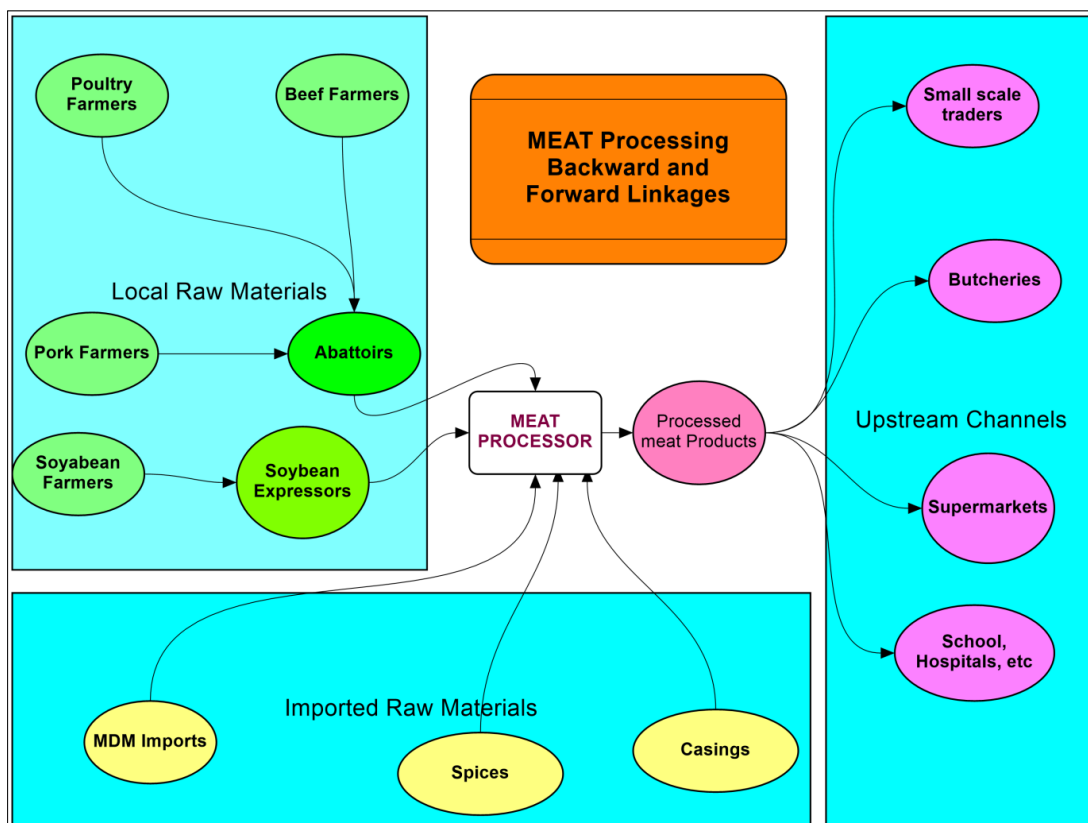


Figure 1: Forward and Backward Market Linkages in the Meat Processing Industry

2.0 Key Ingredients in Meat Processing Industry

The meat product processing industry makes use of a variety of ingredients. These include:

- Meat from pork, beef and chicken;
- Beef and pork trimmings;
- Fats from pork, beef and chicken skins;
- MDM;
- Vegetable protein sources such as soyabean meal or isolates;
- Casings; and
- Seasonings, including herbs and spices.

Of the above ingredients, casings, MDM and spices are imported products while the rest are generally available from local sources.

2.1 Local Raw Material Usage

It is estimated that the industry uses 950mt of locally produced inputs, worth \$2.3 million each month, in manufacturing 1,910mt of processed products. The local inputs constitute 60% by weight of all the raw materials used by the meat processing industry and is thus an important market for products from other industries including poultry, beef and pork abattoirs, as well as the local soyabean oil expressers. Thus, it is meat processing is promoting local production of agricultural produce.

2.2 Imported Raw Materials: Casings and Spices

According to information from ZimSTAT, Zimbabwe imported, on average, 35mt of spices worth \$122,000 monthly during 2014. Most of these were used by the meat processing industry with the rest going directly to the retail sector. Thus, spices represent, at most, 2% of raw materials usage by volume in meat processing. During the same year, 42mt (ie. 3% by weight of raw materials used in meat processing) of sausage casings worth \$234,000 were imported each month.

2.3 Imported Raw Ingredients Usage: MDM

A key imported raw material in meat processing is MDM. MDM is a major ingredient in many processed meats and is an important protein source for many consumers. It can be made from various meats, although chicken is the most commercially used.

2.3.1 What is MDM?

MDM is produced by mechanically separating remaining muscle tissue from chicken carcasses. The chicken carcass (or chicken back) is the part of the chicken that remains after the bird has been cut up into its various constituent parts such as chicken breasts, thighs, drumsticks etc. The deboned chicken carcasses or backs are used in many different ways, but in particular for making MDM.

The process of producing MDM entails pureeing or grinding the carcasses left after the manual removal of meat from the bones and then forcing the slurry through a sieve under pressure. The resulting product is a blend of muscle (meat) and other tissues not generally considered meat. The meat produced is then frozen in a plate freezer to produce frozen blocks of MDM, usually sold in 15, 20 kg and 25 kg blocks.

2.3.2 The use of MDM for processed products

The incorporation of MDM into some processed products by meat processors has its origins in the need, starting many years ago, to help reduce the costs of processing and to keep consumer prices affordable, without compromising on the quality and value of protein foods. This need has become increasingly important with the significant rises in a variety of costs and, in particular, the substantial increases in the costs of imported maize for stockfeeds which has led to the high cost of locally produced meat ingredients.

2.3.3 Chicken backs and why Zimbabwe can't manufacture MDM locally

Chicken backs are very popular and in high demand particularly in African countries, including Zimbabwe, where they retail for \$2.00 /kg. They are used for many different meals but particularly for making soups, stocks, gravies and traditional African meat dishes. MDM on the other hand, lands in Zimbabwe at between \$0.70 and \$1.10/kg. (Due to exchange rate fluctuations, it has at times escalated to \$1.40/kg). It therefore does not make economic sense to attempt to process chicken backs that retail at \$2.00/kg to yield MDM that retails as low as \$0.70/kg or even at a high of \$1.40/kg.

Further, to manufacture MDM viably requires huge quantities of chicken backs. Given the current size of the Zimbabwean poultry industry relative to those in Latin America and the USA and the high cost of chicken backs and necks, the quantities of chicken backs available in Zimbabwe are totally insufficient for a viable local MDM manufacturing operation.

Other key points are:

- Because of low production levels and higher production costs there is no African countries that is currently manufacturing MDM
- About 10 chicken backs are required to make 1kg of MDM.
- Zimbabwe consumers prefer bone in chicken (whole birds and mixed portion) which are retailed at about \$2.50per kg more that the deboned prime cuts like chicken breasts. This means that the chicken bones are also included at the price of \$2.50 per kg and it does not make business sense to further process chicken back to MDM and sale it at \$1 per kg which would be a very significant lose
- Currently about 600mt of MDM are imported for meat processing in Zimbabwe monthly, local monthly chicken production would have to increase by 2500-3000 mt to be able to manufacture the required quantities of MDM even though MDM

manufacturing does not make business sense at the moment since MDM is currently landing in Zimbabwe at about \$1.20 per kg after transport and 40% import duty.

2.3.4 Why unrestricted imports of MDM are crucial to industry survival

The exclusion of MDM from meat processing recipes would result in substantial cost increases as the only raw material that could be used to replace MDM is lean meat trimmings which cost \$2.75/kg compared with MDM which ranges between \$0.70 to \$1.40/kg, depending on international prices of the commodity.

The meat processing industry currently imports about 563mt of MDM per month for processing, at a landed cost of \$700/tonne before duty or \$980/tonne including duty, which translates to MDM monthly procurement costs of \$552,000 per month. The MDM input into production therefore represents 35% by weight of raw materials used by the meat processing industry. Replacing MDM with meat trimmings will cost \$1,547,000 or close to one million dollars per month in extra cost to the industry which would have to be passed onto the consumer. The huge increase in the cost of those products affected would push them out of the price range of the market they are designed for, and the sales volumes would dwindle to nothing. This would mean decreased volume through the production processes, thus factory overheads per kilogram produced would increase, rendering the remaining products completely non-competitive on the market.

The import of MDM should also take into account the crucial role played by MDM distributors. These import and supply small- to medium-scale meat processors who constitute the major growing sub-sector of the industry. A survey of MDM distributors who supply 200mt of MDM to this sector indicate that 89% of their customers use less than 6mt of MDM each month (see Table 1 below). Thus, for each of these small- to medium-scale processors to import as individuals would not make economic sense. Only loads of 29mt, representing the usual refrigerated truck size, would be viable. MDM distributors thus offer crucial import aggregation services to this important sub-sector.

Table 1: Marketing of Distributer Imported MDM by Size of Usage

Monthly MDM Usage(kg)	% Customers	Average per month MDM Use(kg)
less than 501	47%	206
501 to 1000	17%	743
1001 to 2000	15%	1,573
2001 to 6000	11%	4,231
6001 to 42000	11%	31,696

Source: MPAZ Survey, June 2015

As Zimbabwe is part of the Southern African Development Community (SADC), meat processors run the risk of losing local market share to cheap imports from South Africa under the SADC Trade Protocol. Despite its sophistication, South Africa uses MDM imported from South America at a duty rate of 0%. The 40% duty imposed on MDM by Zimbabwe therefore makes the meat processing industry less competitive with South Africa and wipes out the potential of the local industry to compete in the regional export market.

3.0 Key Constraints Facing Meat Processors and Suggested Solutions

In a survey of meat processors conducted by MPAZ, they noted a range of constraints they are facing and also offered a number of possible solutions to mitigate these. They are summarised below.

3.1 Key Constraints Facing Industry

- The industry is facing increasing restrictions on the import of MDM. In particular, members of MPAZ are concerned about the lengthy process for obtaining import permits which increases the cost of doing business in the meat processing sector.
- Delays in clearing imports of MDM and spices at border posts disrupt production planning at plant level, leading to variable supply of meat products to the retail sector.
- Recently, import duties on MDM increased from 5% to 40%, which increases the cost of the key raw material which, in turn, increases the prices of product to the consumer and resulting in decreased demand and putting jobs at risk.
- Duties on spices and packaging also make products more expensive leading to reduced demand.
- Excessive water and power cuts necessitates the buying of fuel and water to run generators as well as maintain adequate hygiene at processing plants. This adds to the cost of production and the finished products are more expensive.
- The industry also experiences frequent shortages of local raw materials such as soyabean meal or isolates as well as fats. Restrictions on imports of these raw materials during periods of shortages lead to disruption of supplies to the markets.
- Finally, start-up businesses in the sector bemoan the high tax burden they have to endure which limits their potential to expand their businesses.

3.2 Suggested Solutions

The challenges facing meat processors are many and resolving them under current economic conditions may be difficult. However, given the immense contribution of the meat processing sector to employment creation, nutrition security and overall economic growth, it is the considered view of MPAZ that there is need to resolve a few critical constraints facing the sector. These are briefly outlined below.

Allowing imports of local raw materials during shortages

In order to ensure a consistent supply of processed products to consumers, it is suggested that during periods when traditionally locally available raw materials such as soya meal and fats are in short supply, permits should be issued to import such raw materials.

Improve efficiency of processing raw material imports at the borders

The costs of delays in clearing raw material imports at border posts are carried by processors with the resultant increase in cost of production. Of particular concern is the high cost of fuel to maintain the cold chain and the increased turn-around time for hired trucks. The industry therefore appeals to port health authorities to improve the efficiency of clearing raw materials.

MDM import duty and prevention of abuse of MDM

Mechanically Deboned Meat is a key ingredient in most processed meat manufacture and needs to be accorded similar treatment as raw materials used in other manufacturing industries. Charging duties similar to finished goods as is the case at present, is grossly unfair to the meat processing industry and renders this sector non-competitive relative to other countries in the region. Meat Processors therefore appeal to tax authorities to reduce the duty charged on imports of MDM from 40% to 5% with important caveats to prevent abuse of MDM in the form of direct retailing to consumers. The position of MPAZ is that MDM should be used only as a raw material for meat processing.

The following is also suggested in issuing import permits for MDM:

- VAT should be charged at the port of entry to ensure tax compliance by users of MDM;
- Only recognised processors and traders of MDM should be allowed to import the product;
- Such processors must meet basic food hygiene standards for processing fresh (chilled and frozen) and cooked products;
- The processors must adhere to recognised standards for inclusion of MDM into processed products;
- MDM distributors should only be allowed to import MDM for sale to customers who conform to the above points and use the MDM for beneficiation.

Appendix 7: Processed Meat – A Growing Part of Global Nutrition

Zimbabwe is known as a meat loving nation, where meat makes the meal. Even in lean economic times it is possible to enjoy meat every day in the form of nutritious and appetizing processed meat products. A fine range of *Proudly Zimbabwean* processed meat products is available today, in a delicious variety of tastes and textures.

At an average wholesale price of \$2.70 per kilogram, processed meat products are the cheapest source of meat protein available to consumers, much cheaper than beef or chicken cuts.

There has been major investment of \$36 million in meat processing plant and equipment in the last five years. The industry is currently producing 1 900mt of processed meat products a month, worth \$2.6 million. With the population of Zimbabwe expected to reach 17 million by 2025, demand for protein products will increase significantly.

Globally, processed meat is playing an important role in helping to meet the nutrition needs of a growing and now largely urban, world population. Limited land resources and the high cost of rearing livestock for meat production make whole meat cuts an expensive product.

Meat processing was evolved to nutritionally utilise the remaining edible parts of a chicken, pig and beef animal after it has been processed into the various cuts; and bring a cheaper, but still nourishing, meat product to the market. Specially processed, these meat leftovers, known as MDM, are blended with plant products to provide cheaper meat protein. Another advantage of processing is that it produces shelf-stable meat products that can be stored without refrigeration.

The meat processing sector plays an important complementary role in the meat industry. Processed meat can go a long way in stretching the family budget to put a square meal on the table every day.

Meat Processing - Adding Value All Round

The fine array of *Proudly Zimbabwean* processed meat products on the shop shelves today tells a success story.

The local meat processing industry has been developed around the importation of three ingredients - MDM, casings and seasoning. This has also created a market for locally produced beef and pork trimmings, chicken skins, vegetable proteins, herbs and spices.

Meat processing is an important cog in agro-industry and builds on synergies to provide an important market for abattoirs and for utilising soya protein which is a by-product of Zimbabwe's oil expressing industry.

All the different operations in the meat processing industry - curing, seasoning, smoking, filling of casings and containers, vacuum packaging, cooking, canning and sterilisation – contribute to capacity utilisation, as well as turning out a variety of appetising meat-based products.

This value addition benefits the economy in a number of other ways too. It generates employment and income further down the value chain, for small-scale traders, butcheries, supermarkets and other retailers. Upstream, meat processing provides an important market for chicken, pig, beef and soya bean farmers.

Setting a Global Standard

The Meat Processors' Association of Zimbabwe (MPAZ) is committed to upholding the highest biosafety and hygiene standards in the production, handling and supply of processed meat products. At the core of its ethics are food safety, employee safety and environmental protection, paramount in consumer expectations today.

MPAZ, established in May 2015, has drafted a Code of Conduct for its members based on recognised global meat safety and quality standards.

As well as strict adherence to domestic biosafety standards right down the production chain, the Code undertakes 'to promote domestic consumption of processed meat products as an affordable source of animal protein'.

First and foremost, the Code recognises the stringent meat safety and health regulations governing the meat industry in Zimbabwe. It sets out quality assurance standards that not only require member meat processors to register and licence their operations, but to only contract the services of accredited suppliers, distributors and transporters who meet cold chain and other stringent production standards.

The Code also endorses Hazard Analysis and Critical Control Points, relevant International Standards Organisation as well as Standards Association of Zimbabwe food safety certification.

Keeping the Industry Competitive

If the meat processing industry is to play its part in producing an affordable and nutritious protein alternative to whole meat, it must be competitive.

Globally the meat processing industry has evolved to be one of the most efficient industries; paring costs to the bone to keep the cost of processed meat significantly lower than that of fresh meat, even though it is a value-added product.

But undermining cost efficiency in the local meat processing industry today is a 40% duty imposed on imported MDM despite the fact that there is no local MDM industry to protect. This has increased the manufacturing cost of processed meat products at a time when the consumer dollar is already stretched.

MDM is an essential imported ingredient and the matrix for the meat processing industry. Most countries with meat processing industries import MDM. It is only in the leading and large meat producing countries of the world that economies of scale make the production of MDM viable. These countries are able to produce MDM for the global meat processing industry competitively, so that the processed meat products made from MDM are ultimately price competitive in the meat market.

The meat processing industry in Africa, which is expected to play an increasingly important role in food security in the future, imports all its MDM requirements. South Africa, which now dominates the Zimbabwean food market, does not impose duty on the importation of MDM.

With the highest duty in the region, Zimbabwe is not competitively positioned in the African processed meat market. As well as being able to keep the cost of processed meat products affordable for Zimbabweans, the industry needs to be competitive to play its full role in capacity utilisation and employment - and ultimately to generate exports and export earnings for the country, through the export of value added products.

Appendix 8: The Trends in Importation of Mechanically Deboned Meat in Zimbabwe

July 2017

Introduction

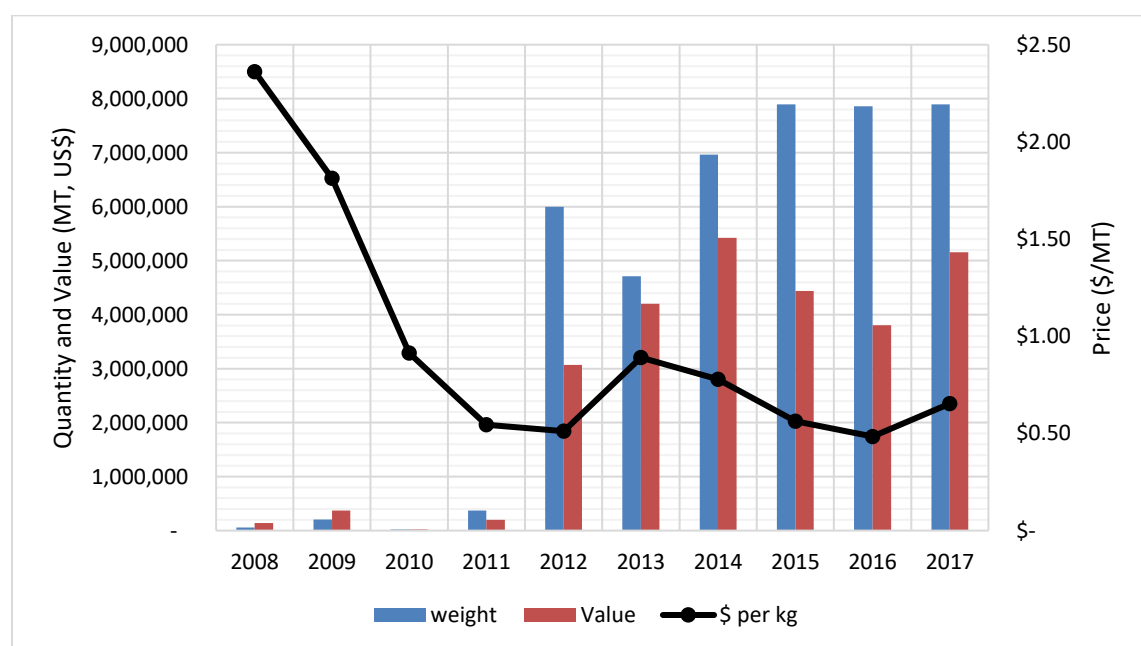
Zimbabwe's meat processing industry was primarily based on domestic supplies of low quality "manufacturing" grade of meats. Prior to 2010, there were very limited imports of MDM into the country and into South Africa (SA) and the world prices of MDM were comparatively higher than the cost of manufacturing grades of meats.

However, the growth of poultry exports from Brazil into third world markets has increased exponentially. Brazil supplies premium quality white breast meat to elite markets in the United States and Europe and after jointing the brown cutlets, wings, necks, the balance of chicken carcass is processed into MDM and sold as a raw material.

In 2010, the increased global supply of MDM from Brazil and Argentina induced the world market price to fall to such low levels that South Africa and Zimbabwe could land MDM at \$0.36/kg and less than \$0.50/kg, respectively.

MDM has since become an important global raw material for manufacturing nutritious processed meat products that are affordable to low income consumers. South Africa has become the hub for importing MDM that it the re-exports as favourable import policies are in place with the Americas and the EU. South Africa also has duty-free export trade relations with countries in the Southern African Development Community.

However, under current Zimbabwean policies, duties of 40% are imposed on the import of MDM. The domestic meat processing industry uses 8,000mt of MDM per year.

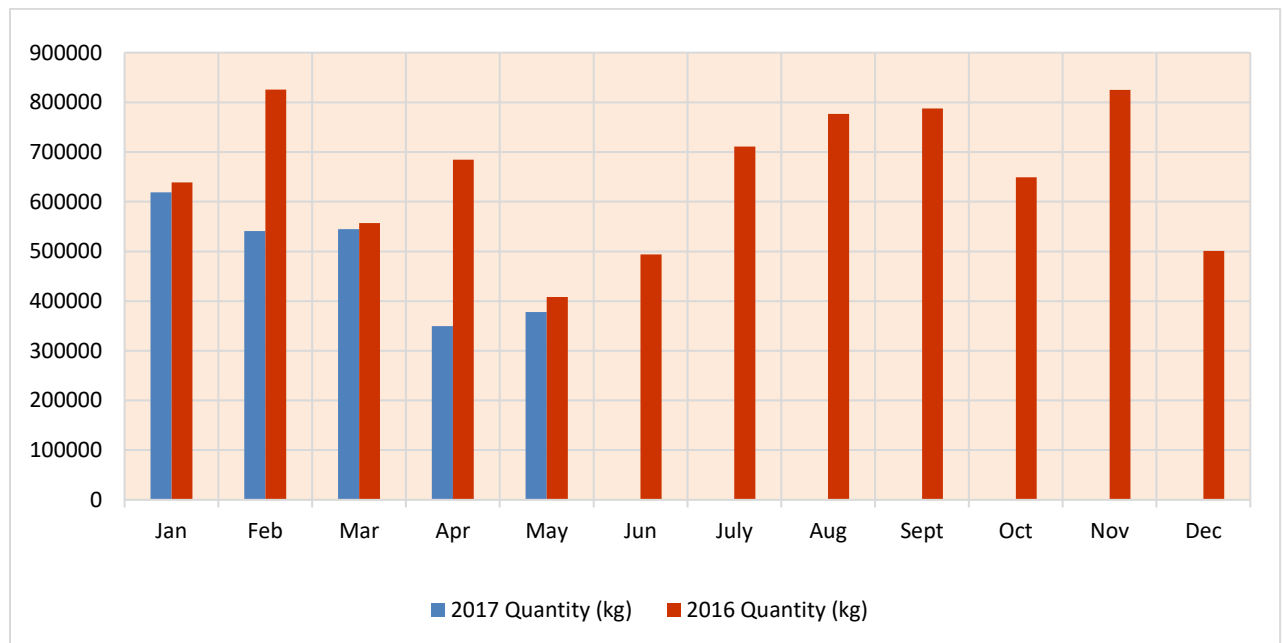


Trends in Zimbabwean Imports of MDM and Landed Prices (2008 – 2017)

Meat processors combine MDM with soya and spices as well as cheaper cuts of meat and edible offal from the livestock sector to produce a variety of meat products in excess of 24,000mt annually with a wholesale value of more than \$100million.

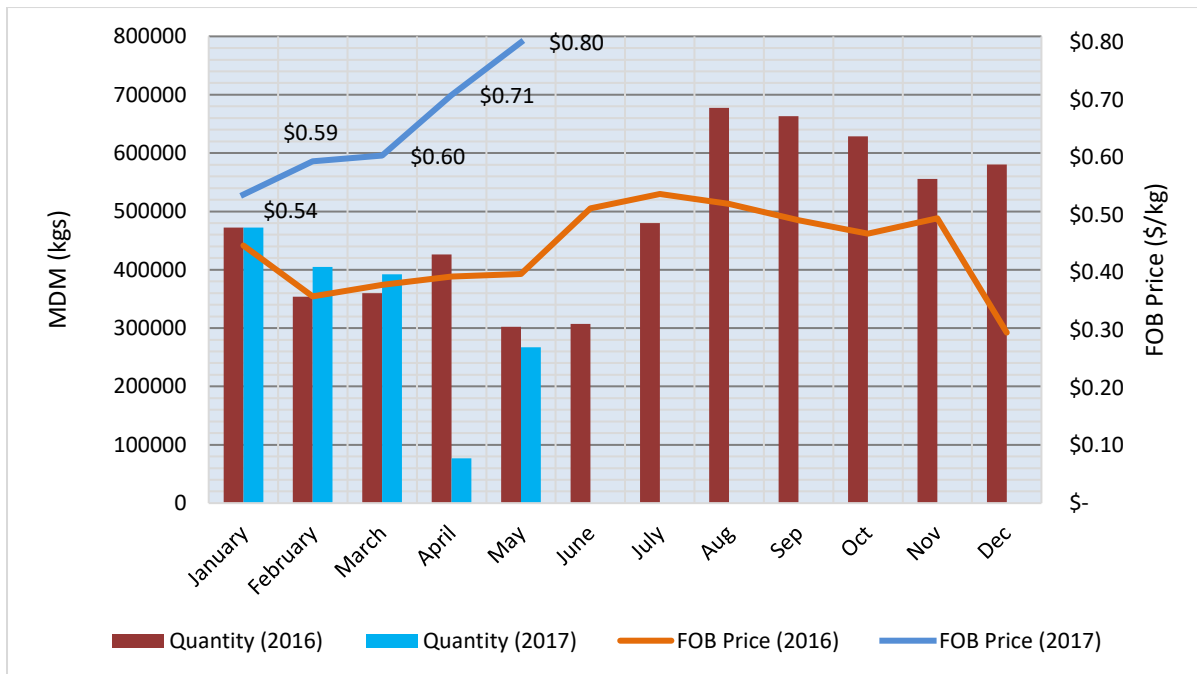
Imports of MDM in 2016 and 2017

Despite a temporary ban on MDM imports in April and May 2017, the meat processing industry imported 2,100mt during the first five months of 2017 compared to 2,800mt imported in 2016 over the same period.



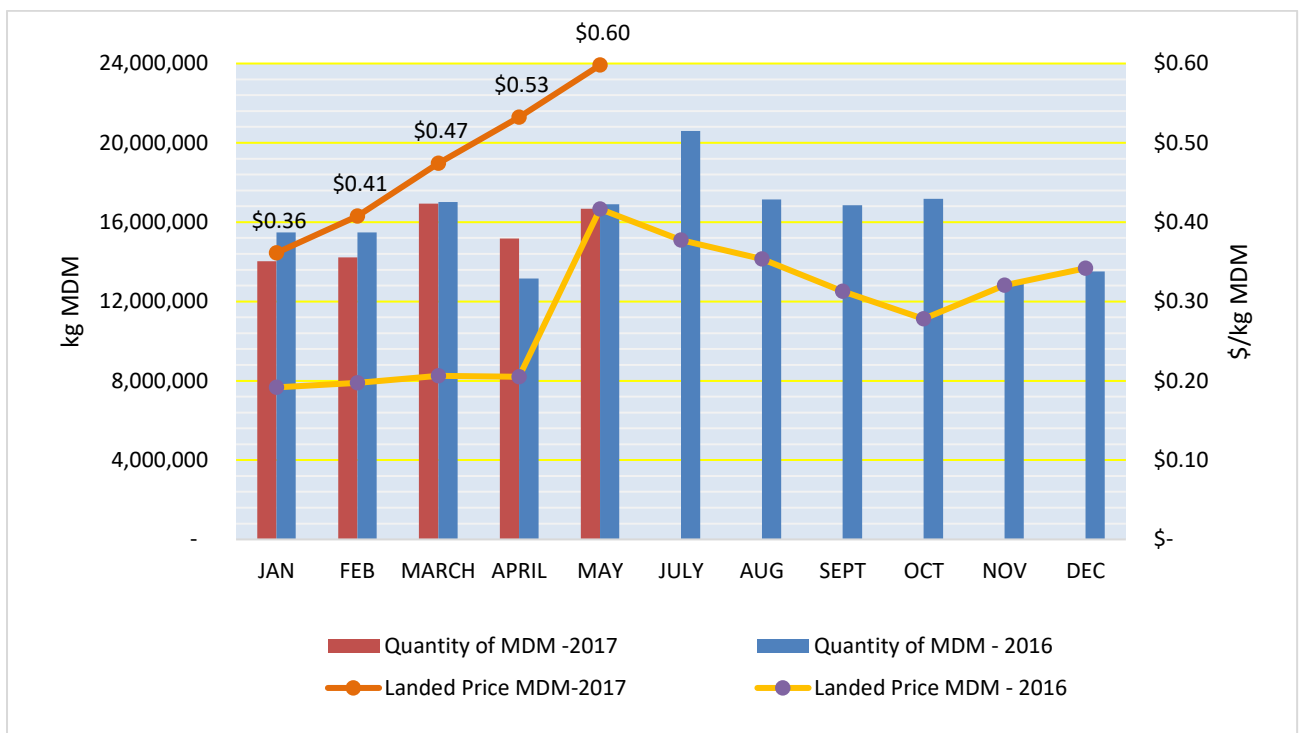
MDM Imports, 2016 and 2017

Trade statistics from South Africa show that Zimbabwe imported 1,700mt of MDM, both from and through SA, with the remainder being imported directly from America and Europe via Namibian ports of entry.



Exports of MDM (mt) from South Africa to Zimbabwe (SA Trade Data)

Compared to 2016, the MDM prices have risen by 60% since the beginning of 2017 due to outbreaks of Avian influenza in Europe and the Americas. Trade in poultry products from the affected countries was temporarily suspended.



Monthly Imports of MDM and Landed Costs in South Africa, 2017

It is interesting to note that in SA, the landed price of MDM has also risen by 66% since January from \$0.24 to \$0.60/kg. Over the same period, SA export prices for MDM to Zimbabwe also rose from \$0.36 to \$0.80/kg, an increase of 48% in five months.

Is importing MDM still a competitive option given the duty of 40% and the estimated cost of transport and import permits of between \$80 to \$110? The answer to this question depends on the local price of manufacturing grade beef and pork meats, presently at the wholesale price of \$2.85/kg, cold dressed mass.

Importing MDM from Brazil through Namibia or SA at \$0.80/kg means that the landed price in Harare and Bulawayo is between \$1.68 and \$2.08/kg. As the price ratio of landed MDM to local manufacturing grade beef and pork rises above 60% and approaches 75%, some smaller meat processors (especially those running their own butcheries) will be put off by the bureaucracy involved in importing MDM and shift to using local meat substitutes to make processed meat products. Supermarket chains are already recycling unsold chicken and lower cuts of beef and pork into minced meats and sausages as well as “sadza nenyama” lunch foods.

Appendix 9: Meat Industry Concerns About Reclassification for Value Added Tax Purposes

Legal Issues, Economic Impact and Possible Solutions

July 2017

1.0 Introduction

The Value Added Tax (VAT) Regulations on potatoes, rice, margarine, mahewu, meat of bovine animals, meat of swine, edible offals of animals and fish were initially amended by Statutory Instrument 20 of 2017 to charge VAT of 15%.

This was repealed by SI 26A of 2017 with effect from 16th February 2017, where all the above goods that were previously standard rated (ie, charged tax at 15%) became exempted from VAT.

Members of the Livestock and Meat Advisory Council (LMAC) are, however, concerned about the economic implications of the interpretation of the re-classification of meats from standard VAT status to VAT exempt status by the Zimbabwe Revenue Authority (ZIMRA), especially as pertains to Section 17 of the VAT Act.

According to ZIMRA, Section 17 gives them powers to demand re-imburement of VAT rebates on the remaining value of inputs as well as capital items used in the production of the goods that have become exempt. Not only do members feel that this is an incorrect reading of Section 17, but that it will also impose an undue tax burden on operators.

This brief presents views from meat producers on the legal issues as well as the economic implications of ZIMRA's interpretation of SI 26A of 2017. The concluding section offers some options for consideration.

2.0 ZIMRA Interpretation of Adjustment Following Reclassification

ZIMRA issued a notice on the implication of the SI 26A of 2017 on operators producing the affected goods which, in part, reads as follows:

"Implications of Repeal of Statutory Instrument 20 of 2017

Registered operators who had stocks of the now exempt goods which they were supplying during the course of their businesses are supposed to make certain adjustments as provided for in section 17 of the VAT Act. The same applies to capital items that they are or were using for supplying these exempt goods. The adjustments include the following:

Change in use of goods

In terms of Section 17(1) of that Act, registered operators are required to account for output tax on the value of any stocks of goods that are now exempt which were at

hand on 16th February 2017. They are also required to calculate the VAT which relates to the closing balances of capital items which were used in making exempt goods and or services and account for it as output tax payable as at 16th February 2017.

Decrease in extent of taxable use of capital goods

In terms of Section 17(2) of the same Act where registered operators are required to account for output tax on change in use of capital goods. The VAT due should be accounted for in the December 2017 return or in the return for the last year of an approved tax year."

3.0 Meat Industry Position on Legality of ZIMRA Interpretation

It is the opinion of members of LMAC that the interpretation of the VAT Act as contained in the paragraph headed "Change in use of goods" in point 2 above, is an incorrect interpretation of Section 17 of the Act. The adjustments called for in Section 17 apply to change in use instigated by the operator, and not statutory reclassification of goods from taxable to exempt.

Certain parts of Section 17 have been extracted which are of relevance to the understanding of this matter.

Section 17 (1) clearly states *"..such goods or services were acquired, manufactured, assembled, constructed or produced by such registered operator wholly or partly for **the purpose** of consumption, use or supply in the course of making taxable supplies or such goods were held or applied for that purpose, such goods or services shall if they are subsequently applied by him.."*

Similarly section 17 (2) uses the wording *"such goods or services were acquired, manufactured, assembled, constructed or produced by such registered operator wholly or partly for the purpose of consumption, use or supply in the course of making taxable supplies or such goods were held or applied for that purpose, such goods or services shall, if the extent of the application or use of such goods or services in the course of making taxable supplies...is subsequently reduced in relation to their total application or use"*

What is apparent is that Section 17 is primarily guided by what the intended use was of the said stocks or capital goods at the time they were originally acquired, manufactured, assembled, constructed or produced by the registered operator.

Section 16 (1) essentially defines "intended use" as "consumption, use or supply". In other words, what the registered operator intended to do with the goods at the time he came into possession of them and which would have guided the original treatment and claim for input tax.

The concept of "intended use" can be equated to the term "purpose" which section 17 (1) actually uses. In assessing "purpose", it signifies the object or aim that a person has in mind and is synonymous with "intention". Once the intention or purpose is known, then it can be

clearly measured if any actions on the part of the taxpayer/registered operator resulted in a change in his mind or intention. If this is ascertained, then, and only then, could section 17 potentially apply.

Members are of the opinion that the legislature would not have designed a tax law that introduces such significant uncertainty for business, especially as decisions to procure equipment or stocks are made in cognisance of the tax laws in effect at that point in time and on the understanding that VAT on any inputs would not be a sunk cost to the business.

It would be monumentally unfair and prejudicial to arrive at the conclusion that an enforced change in tax status would result in a retrospective adjustment/reversal of VAT previously claimed.

It is clear that Section 17 applies to a change in use decided upon by the taxpayer. Examples include:

- A company originally bought a fridge for use in a bar that made taxable supplies of beverages and claimed input tax on the fridge. The company later decided to relocate the fridge to the private lounge used for entertainment of the directors and the fridge is now used in the provision of entertainment. An adjustment under Section 17 could take place.
- A company purchased a packaging machine for purposes of packaging of a standard rated food product and later decided to change the use of the machine to a wholly exempt product. An adjustment under Section 17 could take place.

4.0 Impact of the Reclassification on the Industry

In order to gauge the impact of the reclassification of meat products from standard rating to VAT exempt using the ZIMRA interpretation, a number of companies in the meat industry were surveyed and requested to provide information on:

1. Projected value of input VAT credit foregone between the effective date of SI 26A and the end of 2017;
2. Balance of taxable stocks of inputs as of 15th February 2017; and
3. Estimated value of capital goods owned by the business as of 15th February 2017.

The first question addresses the direct tax burden due to the reclassification while 15% of the values in 2) and 3) address the additional tax burden imposed by ZIMRA's "change in use of goods" interpretation.

The survey was conducted on poultry, beef, fish and pork producing companies that are members of the ZPA, ZAA, ZFPA and PPAZ. The market shares of the sampled companies in each industry were used to project the overall subsector estimates of tax burdens. These are reported in Table 1 below.

The results indicate that the reclassification from standard VAT status to exempt status will cost the meat industry \$ 5,098,673 in forgone input VAT rebates between 16th February and 31st December 2017. Under the current ZIMRA interpretation of Section 17 of the VAT Act, the industry will incur an extra \$ 1,137,266 and \$ 4,794,497 in re-imburement of VAT on remaining input stocks and capital goods balances as of 15th February 2017, respectively. This more than doubles the tax burden due to reclassification.

Table 1: Summary of Results on the Impact of the Total Tax Burden

Sector		a. Value of input stocks remaining on the effective date of SI 26A	b. Projected value of input VAT credit foregone between effective date of SI 26A and the end of 2017	c. Estimated value of capital goods owned by the business as of the effective date of SI 26A
Formal Broiler Meat	Sample Total	\$ 2,230,238	\$ 991,300	\$ 4,864,368
	Sample Share	79%	79%	79%
	Estimated Industry Total	\$ 2,823,086	\$ 1,254,810	\$ 6,157,428
Beef	Sample Total	\$ 1,378,325	\$ 963,493	\$ 5,044,421
	Sample Share	38%	38%	38%
	Estimated Industry Total	\$ 3,627,171	\$ 2,535,507	\$ 13,274,792
Fish	Sample Total	\$ 639,455	\$ 639,677	\$ 10,237,825
	Sample Share	100%	100%	100%
	Estimated Industry Total	\$ 639,455	\$ 639,677	\$ 10,237,825
Pork	Sample Total	\$ 275,555	\$ 374,460	\$ 1,284,229
	Sample Share	56%	56%	56%
	Estimated Industry Total	\$ 492,062	\$ 668,679	\$ 2,293,266
Total Formal Meat		\$ 7,581,773	\$ 5,098,673	\$ 31,963,311
VAT adjustment 16 th Feb to Dec 2017		\$ 1,137,266	\$ 5,098,673	\$ 4,794,497

To put the tax implications into perspective, the computed implications of SI 26A on projected meat production in the 10.5 months from February 16th and 31st December 2017 are presented in Table 2.

For all meats, the average per kg impact of foregone input VAT claims amounts to 6.1cents. With the inclusion of VAT re-imburement claimed on input stocks and capital goods balances as of 15th February, this escalates to 13.3cents/per kg. The impact varies between meat subsectors, being largest in fish at 36.6cents, followed by beef (14.1cents), pork (10.6cents) and broiler meat (8.5cents). The fish sector is heavily impacted due to the recent large-scale investments in productive infrastructure and equipment. These levels of escalation in the cost of production are difficult to pass on to consumers due to current low disposable incomes.

Table 2: Tax Burden per Kilogram of Meat by Subsector

Meat Subsector	Projected meat produced during 10.5 months based on recent history (mt)	Tax Burden cents per kg meat)			
		Foregone VAT rebates	VAT Adjustment on 15 th Feb input stocks	VAT adjustment on capital balances as of 15 th Feb	Total Tax Burden
Broiler	30,450	4.1	1.4	3.0	8.5
Beef	36,094	7.0	1.5	5.5	14.1
Fish	6,125	10.3	1.5	24.8	36.6
Pork	10,229	6.5	0.7	3.4	10.6
Total Meat Sector	82,898	6.1	1.4	5.8	13.3

The projected impacts above are based on optimistic production scenarios. Production of meats are likely to be much reduced due to the recent outbreak of Avian Influenza (AI) in Zimbabwe and South Africa. In May 2017, AI strain H5N8 was reported on a property owned by Irvine's Zimbabwe. This led to the loss in national day-old chick production capacity of 600,000 per week as veterinary authorities put a precautionary ban on the use of Irvine's hatcheries. During the last week of June 2017, it was announced by the South African veterinary authorities that AI had infected a poultry establishment owned by South African poultry breeding firm ASTRAL which has led to a ban on imports of hatching eggs from the whole of South Africa by Zimbabwean authorities. South Africa has been a major supplier of hatching eggs to Zimbabwean hatcheries to supplement local breeding. This means that hatching eggs will have to be imported from Europe. However, these are subject to duty of 40% which will render day-old chicks too expensive.

The net result is that there will be a significant decline in chicken production. While reduced production will reduce foregone VAT rebates per kg, it will however, increase VAT adjustments on input stocks and capital balances.

Yet another key issue compounding the increased tax burden of the reclassification of meats is its potential impact on exports. 55% of production at Lake Harvest is for export - mainly to Zambia. The huge impact on the cost of production from the exemption status plus VAT adjustments based on the ZIMRA interpretation will make exports non-competitive. Of note is that in 2015, Zambia imposed a surtax of 5% on imports of tilapia fish which had a significant negative effect on Zimbabwean exports to Zambia. This policy will compound these negative impacts.

5.0 Suggested Way Forward

Members of LMAC have suggested a number of solutions to resolve the lack of guidance from the VAT Act on the treatment of statutory reclassification of goods from taxable to exempt and are briefly outlined below.

5.1 Solutions available to ZIMRA

The Commissioner has a number of options available to her including the publishing of a general binding ruling under the Revenue Authority Act. Furthermore, Section 76 of the VAT Act grants the Commissioner powers to overcome certain incongruities as follows:

76 Arrangements and directions to overcome difficulties, anomalies or incongruities

If in any case the Commissioner is satisfied that in consequence of the manner in which any registered operator or class of registered operators conducts his or their business, trade or occupation, difficulties, anomalies or incongruities have arisen or may arise in regard to the application of any provisions of this Act, the Commissioner may make an arrangement or give direction as to-

- (a) The manner in which such provisions shall be applied; or*
- (b) The calculation or payment of tax or the application of any rate if **zero%** or any exemption from tax provided in this Act;*

In the case of such registered operator or class of registered operators or any person transacting with such registered operator or class of registered operators as appears to overcome such difficulties, anomalies or incongruities:

Provided that such direction or arrangement shall not have the effect of substantially reducing or increasing the ultimate liability for tax levied under this Act.

In this regard, it is respectfully requested that the Commissioner apply her discretion to the affected class of registered operators and direct that a change in use under section 17 (1) or (2) does not apply in the circumstances where there has been a change in the statutory classification of goods or services from taxable supplies to exempt supplies.

5.2 Solutions Available to the Minister of Finance and Economic Development

Should the Commissioner not be able, for any reason, to apply the discretion available to her under the VAT Act, it is then respectfully requested that the Minister of Finance applies his powers to issue or amend regulations as is provided for in Section 78 of the VAT Act. This will be by way of a statutory instrument published in the Government Gazette and would not require that he revert to Parliament.

78 Regulations

- (1) Subject to subsection (3), the Minister may make regulations prescribing anything which under this Act is to be prescribed or which in his opinion is necessary or convenient to be prescribed for carrying out or giving effect to this Act...*

It is believed that the appropriate action in this instance would be to make an amendment to the Value Added Tax General Regulations, 2003 (Statutory Instrument 273 of 2003) by the inclusion of a new section after section 21, being section 21A, with the wording to the following effect:

Change in use adjustments

21A. (1) No adjustment shall be made in application of Section 17 of the Act merely as a consequence of a statutory change in classification of goods and services between taxable supplies and exempt supplies.

6.0 Conclusion

It is anticipated that this brief as well as the suggestions offered will receive a favourable response.

Appendix 10: Addressing the Challenges Faced by the Poultry Industry due to Avian Influenza

Zimbabwe remains on high alert following a further outbreak of Avian Influenza on Lanark Farm in Harare South which was confirmed on 24th July. The original outbreak on the same farm was reported in late May, leading to the destruction of 180,000 hens which lay eggs for the production of broiler day-old chicks. 40,000 table egg layer birds have been destroyed in the latest outbreak.

These outbreaks will have significant impact on the nation's table egg and broiler meat supply situation in the coming few months. The culling of broiler breeder hens in the first outbreak translates into a shortfall of 500,000 broiler day old chicks per week, while culling of layers due to the second outbreak will lead to a shortfall of 19,000 dozen eggs per week on the domestic market.

Subsequent Avian Influenza outbreaks in South Africa has put further strain on the Zimbabwean poultry sector as veterinary authorities in Zimbabwe have imposed a ban on imports of broiler hatching eggs from South Africa to Zimbabwe to limit spread of the disease. This will impact on the ability of the local industry to bridge the supply gap in the broiler day-old chick market caused by the destruction of breeder hens. South Africa is the only surplus producer of broiler hatching eggs in the region and has in the past, been a reliable supplier for bridging periodic shortfalls on the Zimbabwean market. A number of hatcheries in the country, accounting for 420,000 day-old chicks per week, were solely dependent on supplies from South African breeders.

All in all, the Avian Influenza outbreaks in Zimbabwe and South Africa have created a deficit of about 40% on broiler day-old chick supplies to the local poultry industry. As hatching eggs from the SADC region are inaccessible, the poultry industry is looking elsewhere for supplies. This implies increased costs due to higher transport charges as well as the duty of 40% applicable for hatching egg imports from countries outside the SADC region.

The Avian Influenza outbreak partially negates the benefits of the Command Agriculture inspired surplus production. Feed manufacturers are highly dependent on the poultry sector which accounts for 70% by volume and 74% by value of all feeds produced in the country. Feed manufacturers are the major industrial users of maize grain as well as of major by-products of the milling and oil expressing industries. Annually, the feed industry utilises 215,000mt of maize, 120,000mt of soyameal and 121,000mt of brans.

Of particular concern is that any chick shortages will disproportionately affect small to medium-scale broiler producers who account for 65% of the 112,000mt of broiler meat produced annually in Zimbabwe.

Given past experiences, the poultry industry is also worried that shortages of chicken on the Zimbabwean market will encourage the smuggling of products from South Africa, putting the whole country at risk of importing new Avian Influenza infections.

The poultry industry is working closely with officials in the Ministries of Agriculture, Mechanisation and Irrigation Development and Finance and Economic Development in order to ensure that alternative measures are in place to have adequate day-old chicks for local producers. Options currently being explored include identifying alternative Avian Influenza-free sources of hatching eggs; a moratorium on the application of 40% duty on imports of hatching eggs from sources outside SADC; streamlining the processing of import permits for hatching eggs from approved countries; and tightening of border controls to enforce the ban on illegal chicken imports that may lead to new disease outbreaks.

Appendix 11: The Value of The Egg to Zimbabwe

The value of the egg as a nourishing, affordable, high protein food that can be whipped up into a variety of tasty dishes, is recognised the world over. As Zimbabwe joins other countries in marking World Egg Day on 14 October 2017, the country can count the value of the egg in a number of ways.

As well as contributing to food security, the humble egg which retails for only 25 cents, has the potential to generate millions of dollars annually across the Zimbabwean economy. Upstream and downstream, in both the formal and informal sectors, egg production drives economic growth along the egg value chain. Local egg production enables value addition of maize and soya, drives stockfeed production, feeds into the retail and foods sectors and generates employment.

The current drive by the local poultry industry to swiftly rebuild national egg production capacity after an outbreak of Avian Influenza must be applauded. This strategy to build up breeder bird flocks, the nucleus of the egg industry, has been fully supported by Government, through a six month waiver of the import duty on hatching eggs to rebuild the local breeder industry.

“The poultry industry has a strategy in place to build up national egg production capacity again”, reports Solomon Zawe, Chairman of ZPA. “It is important to safeguard our self-sufficiency in eggs and chicken, and the economic gains that accrue from this.” Zimbabwe has been proudly self-sufficient in egg production since 2011, following two years of intensive rebuilding of the poultry industry, which was mainly driven by enterprising small-scale poultry farmers. Eggs, sold to retailers, or through community markets, remain one of the most affordable, nutritious and popular forms of protein.

Nutritionally, the egg is a high quality protein which also contains iron, vitamins B 2, 6 and 12, vitamin E, foliate, selenium, iodine, choline, lutein and zeaxanthin. It is recognized as a source of ‘good’ cholesterol, required by the human body as a building block for the many hormone functions. Not surprisingly, the egg has been described as ‘a large vitamin pill’, which the International Egg Commission adopted as the theme for 2017 World Egg Day celebrations.

The importance of egg production to food security and economic development in Zimbabwe is highlighted in the national economic programme, ZimASSET.

Appendix 12: Livestock Industry Submission to the Ministry of Finance and Economic Development Budget Consultations

Submission to the Ministry of Finance and Economic Development Budget Consultations

13th October 2017

Challenges facing the livestock industry and policy proposals

Despite the excellent rainfall season in the past year, the livestock sector continues to face a range of challenges which are outlined below. Suggestions to mitigate these challenges are also proposed.

1 Post drought effects

The past season was preceded by two consecutive drought seasons in which the country faced losses in livestock due to starvation and forced destocking. As a result, in 2017 most farmers have been rebuilding their herds. In addition, the good 2016-17 season means cattle farmers have ample food and are less reliant on livestock sales to bridge household food needs. These two factors account for the reduced supply of slaughter animals to the market.

Although there is abundant maize due to the good rains and the Command Maize Programme, the price of maize at \$390/mt offered by the Grain Marketing Board has limited purchases by livestock farmers within their farming communities, curtailing their ability to make feeds on-farm. Because of the high price, most farmers opted to grow maize rather than soyabeans, which are also now in short supply. The livestock industry feels that prices of these key raw materials need to be competitive relative to regional markets. This will make the cost of production comparable to those prevailing in the region and discourage illegal imports of meat products from neighbouring countries.

Suggestion:

In the coming season, it is proposed that Government focuses on ensuring that farmers receive inputs at the best possible price but that market forces determine the output prices of maize and soyabeans.

2 Cash shortages

Purchases of animals in the smallholder areas require cash as most areas have inadequate banking institutions to effectively make use of non-cash payment transactions. Currently, most purchases are made using a combination of cash and plastic money which has led to a multiplicity of prices for livestock of similar quality. This has also affected the trade in live poultry in high density markets which are dependent on cash sales.

Suggestion:

Government is urged to resolve the current cash shortages to facilitate trade in livestock.

3 Avian Influenza

The outbreak of Avian Influenza (AI) on a farm owned by Irvines Zimbabwe, coupled with outbreaks in South Africa, has negatively affected the local poultry industry. As a result of the outbreak, veterinary authorities ordered the culling of all poultry on the affected site. This included breeder birds which severely affected the supply of locally produced fertilised eggs and hence, day-old chicks. The outbreak in South Africa has denied Zimbabwe a possible source of hatching eggs to bridge the supply gap. Thus, the country has had to depend on imports from overseas which is costly and attracts a duty of 40%.

Government has since suspended the duty on imported hatching eggs with Statutory Instrument 124 of 2017. However, shortage of foreign currency has increased premiums on the parallel market, leading to an increased cost of hatching eggs as well as day-old chicks.

Further, SI 124 of 2017 (29th September 2017) also limits approved importers to Irvines Zimbabwe, Supachicks, Chinyika Chicks, Dr Henn, Allavian and Zimavian. A number of registered hatcheries that supply the local market have been omitted, including Superchicks (a subsidiary of Charles Stewart Day Old Chicks), Sunset Marketing (a subsidiary of Drummond Ranching and supplying the Bulawayo market), Pepper Trading (supplying the Masvingo market) as well as Hukuru Chicks (supplying chicks across the country). In addition, the quotas only address the broiler hatching eggs shortage and do not allocate layer hatching eggs.

Commercial layer birds were also affected by the depopulation of poultry at the Irvine's farm were which has led to reduction in the supply of table eggs on the market.

Therefore, there is need to address the loss in local poultry production capacity post outbreak of AI. This is also important for upstream industries linked to poultry production. For example, the decline in poultry production has had a knock-on effect on the feed industry which depends on this sector for 71% by volume and 74% by value of its business.

Suggestion:

Government needs to modify the Schedule contained in SI 124 of 2017 to include the import requirements for layer hatching egg. Hatcheries left out of the original Schedule such as Superchicks, Sunset Marketing, Pepper Trading and Hukuru Chicks also need to be included.

4 Foot and Mouth Disease

Foot and Mouth Disease (FMD) continues to weigh heavily on the cattle industry. In September 2017, the Department of Veterinary Services (DVS) reported an outbreak of FMD in parts of Chiredzi, Mwenezi, Chipinge, and Zvishavane, resulting in movement restrictions being placed on cattle. A vaccination program coupled with extensive disease monitoring will commence over a period of time whereby cattle movements will be restricted to animals going directly for slaughter. This is happening at a time when the supply into the market is already constrained. The situation is being compounded by the non-availability of vaccines and drugs due to low budgetary allocations as well as foreign currency challenges. To

adequately address the recurring FMD outbreaks, DVS estimates that \$4.8 million is required annually to vaccinate cattle in affected areas. This is the sustained investment that is required to re-establish Zimbabwe as a beef exporting country. The country traditionally obtains vaccines from Botswana, supplemented by South Africa, and the terms and conditions for the purchase of vaccines have now been restricted to cash on delivery.

From the point of view of the farmer, outbreaks of FMD limit market access. The veterinary requirement that animals from within risk areas only go directly to slaughter limits any beneficiation provided by feedlot operators. As a result, low prices are realised by livestock producers in FMD affected areas.

Suggestion:

Government is urged to allocate the necessary \$4.8 million to the Department of Veterinary Services to enable it to procure adequate FMD vaccines.

5 Border Controls

The increased disease risks outlined above requires Zimbabwe to closely monitor its borders. Illegal imports of livestock products are a major conduit for disease outbreaks. Despite the presence of Avian Influenza in South Africa, the illicit import of chicken products has been reported.

Suggestion:

Increased surveillance at border posts is urged to monitor the imports of meat products into Zimbabwe to protect the local industry. The livestock industry is willing to work with border authorities to implement a 'whistle blower' scheme.

6 Effects of Statutory Instrument 26A of 2017

Application of SI 26A of 2017 has the potential to put severe strain on stakeholders in the beef, pork, fish and chicken value chains. The Value Added Tax (VAT) Regulations were initially amended by SI 20 of 2017 to charge VAT at 15% on potatoes, rice, margarine, mahewu, meat of bovine animals, meat of swine and edible offals of animals and fish. This SI was repealed by SI 26A of 2017 with effect from 16th February 2017. Following the repeal, all of the goods that were previously standard rated (charged tax at 15%) became exempt from VAT.

However, the Livestock and Meat Advisory Council (LMAC) are concerned about the economic implications of the interpretation of the reclassification of meats from standard VAT to VAT exempt by tax authorities, especially as pertains to Section 17 of the VAT Act. According to tax authorities, Section 17 gives them powers to demand re-imburement of VAT rebates on the remaining value of inputs as well as capital goods used in the production of the goods that have become exempt. Not only do members feel that this is an incorrect reading of Section 17 but that it will also impose an undue tax burden on operators.

It is the opinion of LMAC that the adjustments called for in Section 17 apply to changes in use instigated by the operator and not statutory reclassification of goods from taxable to exempt.

Zimbabwe revenue Authority (ZIMRA) has since demanded VAT reimbursements on remaining asset values on operators in the meat value chains. In September 2017, one company received notification from ZIMRA informing them of their tax liabilities amounting to \$500,000, based on the variation of goods and capital equipment from zero rating to tax exempt and a final demand has been issued. Another company received similar demands amounting to \$25,000 in early October. If these demands are effected, company operations will be severely compromised.

Suggestion:

The livestock industry is convinced that the current interpretation by ZIMRA on the treatment of VAT rebates post reclassification of meats from standard rating to VAT exempt under SI 26A of 2017 is not correct as it is tantamount to the application of policy change retrospectively. Government is urged to apply the correct interpretation to ensure that stakeholders in the meat industry are not unfairly prejudiced.

7 VAT on Sheep and Goats

Whereas all other meats are VAT exempt, sheep and goat meat are still standard rated. This makes the meat from these two species too expensive compared to other meats. A lot of effort by farmers' unions, development partners and Government is being put into commercialising smallholder sheep and goat production. Therefore, this requires that meat from these animals is competitive relative to the other established meats such as chicken, fish, pork and beef which are VAT exempt.

Suggestion:

Government is urged to treat meat from sheep and goats in the same way as other meats by making these VAT exempt.

8 Cost of Compliance in the livestock value chains

Despite continued efforts to improve the ease of doing business, the livestock sector is still heavily burdened by a range of old and new regulatory costs. For example, the National Biotechnology Authority now requires that all importers of plant and animal raw materials be registered with the Authority at an annual cost of \$500 and a permit fee of \$70 per shipment is charged. Of importance is that this includes imports of poultry breeder birds and hatching eggs which the industry is struggling to meet in order to recover from the outbreak of Avian Influenza. The livestock industry also questions the legality of these fees and charges as currently no statutory instrument has been gazetted to give them effect.

Livestock processing plants are also subject to multiple registration requirements. Abattoirs operators are required to register with Department of Veterinary Services, Agricultural Marketing Authority, Environmental Management Agency as well as with the local authorities

they are located in. This adds to the cost of livestock production and Zimbabwe is non-competitive compared to the region.

At the farm level, the current land levy of \$5 applicable across the country, including extensive ranching areas of Masvingo, Matabeleland, Midlands and northern districts of the Mashonaland Provinces with low agricultural potential, also reduces the viability of livestock production.

Suggestions:

Fees and charges that are not backed by enabling statutory instruments such as currently being levied by the National Biotechnology Authority need to be removed. There is also need to remove multiple registration requirements for abattoir operators.

At the farm level, Government is urged to reduce land levies in dry low agricultural potential areas to improve profitability of livestock farming in these areas.

9 Duty on Mechanically Deboned Meat

MDM, a raw material used as flavouring in meat processing currently attracts a duty of 40% which makes locally processed products including polony, smoked and vienna sausages expensive relative to similar products from South Africa. This encourages illegal imports and reduces the potential of the industry to create value addition and employment.

Suggestion:

Government is urged to reduce the import duty on MDM to, at most, 20% to improve the competitiveness of the meat processing industry.

10 Surtax on raw hides

Currently, a surtax of \$0.75cents per kilogramme of hide exported is applicable, rendering raw hides untradeable. Although this measure was adopted to encourage the processing of raw hides before export, the tanning industry only has the capacity to process heavy hides which constitute an estimated 40% of all hides produced. Thus, 60% of raw hides potentially do not have a local market and remain unutilised. A market exists globally for such hides with potential to increase export earnings from this important by-product of the livestock industry. Between January and August 2017, figures from the Zimbabwe National Statistics Agency indicate that only 900mt of processed hides have been exported when the estimated production of raw hides annually is 5,000mt.

Suggestion:

It is proposed that Government removes the surtax on raw hide exports, reserves 40% of production for local tanneries, and allows the export of the rest to ensure that the country gains foreign currency earnings from the hides deemed too small for local tanning.

Statutory Instrument 129 of 2017

Appeal From Livestock Industry Stakeholders For Deferment of Statutory Instrument 129 of 2017 to Accommodate Consultations Under the Ease of Doing Business and Rapid Result Initiatives and Command Livestock Public – Private – Partnership Financing Strategies

October 2017

Preamble

In line with the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZimASSET), the primary function of the agricultural sector is to efficiently produce and supply competitively priced raw materials for value addition and beneficiation to satisfy the growing demand from price-sensitive consumers in the domestic as well as the export market.

Since the inception of ZimASSET, stakeholders in the livestock industry have been proactive and constructive in bringing to the attention of various ministries, the high cost of compliance with regulations from a multiplicity of regulators targeting the livestock value chain with duties, fees and levies.

The sector has facilitated several studies to measure the cost of compliance in the livestock industry and has actively contributed to the Zimbabwe Agriculture Competitiveness Report as well as the Ease of Doing Business Initiative being spearheaded by the Office of President and Cabinet (OPC).

Presently, stakeholders from the livestock value chain are actively engaged with MoAMID in dialogue on Rapid Result Initiatives (RRIs) for Improving Competitiveness of Domestic Industries under the leadership of the Policy Monitoring and Coordination Directorate, OPC. Three inter-related agro-industry RRI – comprising of Agriculture, Manufacturing and Export – seek to stimulate growth of an export-oriented agro-processing industry by:

- i) Reducing the current regulatory cost of compliance fees and levies by at least 50%;
- ii) Restricting the number of government entities collecting fees and levies directly from agriculture or from specific value chains to only the specialist agricultural regulatory service provider [eg, Department of Livestock and Veterinary Services

- (DLVS) for livestock, Horticultural Promotion Council of Zimbabwe for horticulture and PIB for pigs]; and
- iii) Advising OPC to ensure that government provides adequate fiscal budgetary resources to cover operations of the key regulatory agencies to agriculture and industry. Eleven entities are routinely collecting levies and fees in the beef value chain.

In light of the ongoing stakeholder consultative dialogue with regulatory bodies and service providers within MoAMID and under the guidance of OPC, the industry was surprised by the announcement of the new statutory instrument (SI) 129 of 2017 on 13th October 2017 which requires that:

- All registered cattle abattoirs be charged \$10 per animal;
- All registered milk processors be charged 1 cent per litre; and
- All registered chick producers be charged 1 cent per chick.

This further increases the regulatory fees and levies affecting livestock value chains.

Below, a number of issues are highlighted that are of concern to the industry from this recent policy. Stakeholders met on 20th October to discuss the SI and included the Zimbabwe Commercial Farmers Union, Commercial Farmers Union, Zimbabwe Farmers Union, Zimbabwe Dairy Industry Trust, Zimbabwe Association of Dairy Farmers, Livestock and Meat Advisory Council, Zimbabwe Abattoirs Association, Stockfeeds Manufacturers Association of Zimbabwe and Zimbabwe Poultry Association. Key issues raised included:

- Lack of consultation before the SI was gazetted;
- Lack of clarity in the SI itself;
- The quantum of the levies in relation to ease of doing business; and
- Lack of assessment of the impact of the levy in relation to ongoing livestock development thrusts.

These are elaborated upon below.

Lack of consultation

Stakeholders in the livestock industry were surprised about the gazetting of the SI as none of their member associations were consulted in its drafting. The sector has been participating in consultations on a wide variety of issues affecting livestock value chains, including:

- i) 'Ease of doing business' discussions for industry and agriculture;
- ii) Responses to FMD outbreaks;
- iii) Responses to the outbreak of Avian Influenza (AI);
- iv) Command Agriculture and Command Livestock; and

v) Macroeconomic policy discussions.

In all these discussions, the livestock industry has indicated overwhelming willingness to work closely with Government to move the country forward.

If the sector had been consulted in the development of this SI, stakeholders believe that a more balanced outcome that furthers the objectives of the sector without negatively affecting the viability of each sub-sector would emerge.

The economic impact of the SI for the individual producer, the value chain and economic wide levels has not been assessed before the SI was promulgated.

Lack of clarity in the SI itself

There are a number of issues that are not clear in the current text of the SI including:

- The SI does not specify the effective date that the levy will be applicable;
- The SI defines a "processor" *as an entity that prepares for sale any product from agricultural products of which he or she is not the producer.*

This definition is problematic in a number of ways. If someone produces and prepares for sale products without buying in livestock products from other farmers (eg. vertically integrated poultry operations), is he/she classified as a processor by this definition? If an abattoir operator does not buy any cattle but toll slaughters for a butcher, is he classified as a processor? And since he does not take ownership of the fifth quarter, is he liable to pay the per animal levy of \$10 specified in this SI?

- The SI proposes to charge a levy on chicks or milk produced. In production of layer day old chicks, male chicks are not sold. Are these liable to be levied? Milk is processed into many products - liquid milk, cream, yoghurt, cheese, among others. Is the levy applicable only on liquid milk and not on other products?
- With reference to the Disbursement Committee proposed in the SI, the text reads as if one individual will represent the interest of all farmers including chicken, beef and dairy farmers. Similarly, chicken, beef and milk processors will be represented by one person. These value chains obviously have different interests regarding priorities for implementation of the Fund.

The SI and "Ease of Doing Business"

The imposition of these levies without consultation is contrary to all the work being done towards "ease of doing business" coordinated by the Ministry of Industry and Commerce and the OPC. What is of concern for industry is that the levy in this SI is in addition to – rather than a form of rationalising – the existing high regulatory costs such as Rural District Council (RDC) levies that are not used in development of livestock sector.

The increase in the regulatory costs suggested in this SI are quite substantial. Most animals from smallholder areas are worth less than \$350. Thus, the levy of \$10 per animal amounts to nearly 2.9% of the value of an animal slaughtered. This is in addition to the levy of 10.5% charged by RDC's.

This implies that the cattle slaughter levy suggested in the SI increases the cost of doing business by 24% over and above the RDC levy which is counter to the objectives of the "ease of doing business". The impact on the other value chains affected by the SI is also significant at 0.3% of the wholesale value chicken and 2% of the wholesale value of liquid milk.

Benefits of the levy in relationship to ongoing livestock development thrusts

SI 129 of 2017 goes against the spirit of ongoing industry development trends and initiatives as the following illustrate.

Beef Sector and the Proposal by the Zimbabwe Association of Abattoirs to Establish the Beef Industry Revitalisation Fund

The Zimbabwe Association of Abattoirs is a membership based organisation representing the interests of the primary market cattle buyer and meat wholesalers which account for 70% of the red meat (cattle, goats and sheep) livestock value chain.

Out of 132 licensed abattoirs, only 57 are monitored by DLVS. The majority of monitored abattoirs are vertically integrated and operate their own cattle ranching/feedlot finishers and also manage their own butchery outlets.

Since its formation, ZAA has always valued its strong business partnership with DLVS on livestock value chain development matters and has tabled the Beef Industry Revitalisation Fund: Private-Public Sector Partnership for Revitalisation of the Beef Value Chain. This concept note presents a forward-looking vision of formalising a private – public sector partnership agreement for coordinating and financing the development and revitalisation of Zimbabwe's beef value chain. The objective of the Fund is to facilitate sustainable growth of the national beef herd and ensure a stable and reliable commercial market supply of adequate volumes of quality-assured beef to fully satisfy the domestic and export beef market by:

- (i) Facilitating effective coordination of beef sector stakeholders for inclusive development of the cattle value chain;
- (ii) Securing the national cattle herd against natural and man-made disasters;
- (iii) Promoting growth of the cattle herd through provision of affordable long-term financing mechanism;
- (iv) Facilitating genetic improvement and sustainable cattle management; and
- (v) Assisting the management of outbreak and spread of endemic cattle diseases.

The Beef Industry Revitalisation Fund was incorporated into the financing strategy for the Command Livestock Programme presented by DLVS at the Second Command Livestock Workshop organised by OPC.

Beef value chain actors have expressed willingness to participate in an initiative predicated on the principle of reducing regulatory costs by at least 50% - as per “ease of doing business” guidelines – on the levies being currently applied on trade in cattle by RDC’s, Agricultural Marketing Authority as well as EMA. A single unified levy of between \$5 and \$10 per slaughtered animal has been proposed.

This fund - collected from every beef animal slaughtered by butcheries and abattoirs would be used for:

- i) disease control, establishing a revolving fund for re-building the national commercial beef herd; and
- ii) organisational development of the beef value chain. Fund management protocol would involve setting up a livestock board as a Public Private Partnership in which cattle farmers, beef processors and DLVS would nominate their own representatives to the Board. The revolving fund for commercial development of the beef sector is designed as an investment fund, attracting matching funds from development partners, local commercial banks as well as global and local equity funds to be deployed on a competitive basis.

SI 129 does not reflect the spirit of this proposal which improves the ease of doing business while channelling resources to livestock development.

It is important to note that farmers already contribute a great deal of funding to DLVS through the current costs they are charged. A farmer in West Nicholson - an FMD vaccination zone - currently contributes the following to DVS and the Department of Livestock Production and Development (DLPD):

- \$10 per veterinary movement permit;
- \$2 per animal for “S” branding for slaughter;
- \$4 per animal for vaccination against FMD; and
- 3% to DPLD as grading fees (i.e. \$15 per animal that has a value of \$ 500) of the levy of 10.5 % imposed by RDC’s.

Thus, farmers in FMD affected areas already contribute a lot to both **disease control** (movement controls, FMD vaccine procurement) as well as **livestock development** (DLPD 'grading fees') when none of these services are provided in predominately private cattle sales), the investments which SI 129 of 2017 proposes to target.

Milk Sector

Against a backdrop of declining local dairy production resulting in milk supply which does not meet domestic demand and net importation of milk and dairy products, farmers, public sector and private sector stakeholders formed the Zimbabwe Dairy Industry Trust (ZDIT) to solve common problems and to grow the dairy sector in Zimbabwe to a net exporter of milk and milk products. Its membership includes:

- Ministry of Agriculture, Mechanisation and Irrigation Development (DLPD and Dairy Services);
- Zimbabwe Association of Dairy Farmers (ZADF);
- Smallholder Dairy Farmers Association of Zimbabwe (SHODFAZ);
- Zimbabwe Dairy Processors Association (ZDPA);
- Small-scale Processors Association (SPAD);
- Stockfeed Manufacturers Association of Zimbabwe (SMAZ); and
- Retailers Association of Zimbabwe (RAZ).

Through the initiatives of ZDIT, there has been a steady growth in milk production from a low of 36 million litres in 2009 to 65 million litres in 2016, and this is projected to grow further. Sector-wide employment levels have equally increased from 6,000 in 2009 to about 14,000 currently.

The Trust put together the Dairy Revitalisation Program funded by voluntary levies and wholly managed by members of the sector. The fund has supported herd improvement efforts through importation of heifers and semen, training of farmers as well as importation of FMD vaccines in response to the recent outbreak.

The industry has put in place a transparent system to regulate players, protect and grow the industry and is a success story of how the private sector and government can work together for the mutual growth of the economy. Realising the importance of milk to the health of the nation, the industry has worked tirelessly with support from government to ensure that milk continues to be available at an affordable price. Apart from the Dairy Revitalisation Fund, individual processors have voluntarily provided services to farmers through extension support, working capital support and importation of animals.

Members of ZDIT are therefore concerned that the recent publication of SI 129 - without any consultation with stakeholders and without assessing its full impact to the industry - threatens the mutual trust that existed between Government and private sector under ZDIT, threatening sustainability of the growth that has been registered over the years. Further, the instrument creates a non-level playing field in the market, penalising some processors and leaving others. For instance, the definition of a "processor" in the SI implies that:

- Any dairy farmer who forward integrates and uses the milk he produces is exempt from this instrument; and

- Any dairy processors who relies on imported raw materials is exempt from this levy.

Also, of concern to members of ZDIT is that the Disbursement Committee provided for in the SI is not adequately inclusive and will only have one member to represent the interests of all processors whether they are in beef, poultry or dairy. It would be desirable that each of the sectors contributing to this fund has a say on how it will be used.

Though the effective date was not spelt out in the SI, stakeholders have been informed that AMA is expecting processors to pay this levy with effect from 7th November. This short notice does not give processors enough time to re-price and recover this money from the market; at the same time, only some processors and not all of them are affected, creating conditions for unfair trading practices.

Members of ZDIT believe the good intentions outlined in the instrument can be achieved in a manner that does not appear punitive or selective and that the funds can be channelled to best advantage if adequate consultations are made.

Poultry Sector

Gazetting of SI 129 comes at a time the poultry sector is struggling to deal with the negative impact brought about by the outbreak of AI which has reduced the breeding capacity of the industry, reduced supply of day-old chicks (DOCs), resulting in an increase of their price.

Government and the sector have collaborated to incentivise importation of breeder birds as well as hatching eggs to improve local supply of DOCs, lower their process and boost supply of chicken and eggs into the market. Increasing levies makes it difficult for the industry under this amount of stress to recover.

Veterinary authorities and the industry are encouraging poultry farmers to invest in stronger on-farm biosecurity measures to ensure that the risk of AI is minimised.

Instead, SI 129 will increase the price of chicks, making it difficult for farmers to invest in extra biosecurity and thus negating all these collaborative efforts to revive the sector.

Going Forward

Given the above, stakeholders in the livestock sector are appealing to the Minister of Agriculture, Mechanisation and Irrigation Development through the Deputy Minister responsible for Livestock to consider a freeze in the implementation of the SI to allow for intensive stakeholder consultations towards a livestock development fund whose terms are agreeable to beef, dairy and poultry farmers, industry and Government.

Appendix 14: Livestock and potato farmers and consumers alarmed by VAT regulations proposed in the 2017 National Budget Statement

In his 2017 National Budget Statement, the Minister of Finance and Economic Development proposed that value added tax of 15% would be applied on rice, margarine, cereals, maheu, beef, pork, fish, chicken and potatoes with effect from January 2017. Hitherto, these products were zero-rated for VAT purposes so that they would be affordable for most consumers.

Minutes from a meeting held by farmers' unions and representatives from the retail sector in December 2016 note that stakeholders are gravely worried about the implication on farmers and consumers of the change in policy. They lament that if implemented, the measure will have the immediate effect of increasing the price of the affected products as the livestock industry has indicated an inability to absorb the tax. Given the recessionary conditions in the economy and low effective demand, there is limited scope for increasing retail prices. Stakeholders therefore foresee that the cost of VAT will be passed back to the farmers and/or demand for their products will decline as a result. Of concern is the effect of VAT on those products that are locally produced such as beef, chicken, pork, fish and potatoes. Also, sheep and goat meat is now affected. Even though these products were not on the list of zero-rated products, the Zimbabwe Revenue Authority had not been charging VAT prior to October 2016.

Charging VAT of 15% on locally produced meats and potatoes is likely to make these products non-competitive relative to prices prevailing in the Southern African region. Even while beef was zero-rated, prices in South Africa and Zambia for beef were already a dollar or more cheaper than those in Zimbabwe. Stakeholders fear that the increased disparity in prices due to proposed standard rating will increase incentives for smuggling these products into the country from the region. Currently, the South African poultry industry is under pressure from the African Growth and Opportunity Act trade concessions which will mean increased imports of cheap frozen poultry from America into South Africa even though their poultry industry is meeting local demand. High meat prices on the Zimbabwean market may encourage offloading of this surplus poultry product from across the border. Indeed, trade information from South Africa indicates that there has been an upsurge in exports of poultry to Zimbabwe. Both the South African Revenue Service and the South African Poultry Association report that during the second quarter of 2016, South Africa exported 1,250mt of poultry product to Zimbabwe. This information has not been corroborated by the Zimbabwe Revenue Authority and implies that these may have been illicit exports. An influx of cheap illicit imports of chicken into Zimbabwe would seriously affect all meat products including beef, pork, fish, sheep, goats and chicken, starving local producers of their domestic market.

Farmers note that the increased retail prices of meat and potatoes will lead to reduced producer prices at a time when they are facing rising cost of production. The Zimbabwean poultry industry has made significant strides since 2007 and now boasts of a downstream value chain that is providing jobs and income for thousands of smallholder producers. However, mounting cost pressures in 2015 and 2016 has seen a reduction in profit margins

and growth in smallholder participation. Similarly, pork production has been under severe pressure from high feed costs and sluggish demand. Once home to a vibrant smallholder farming community, it has suffered desertion by such producers and only large scale producers who can source stockfeed at lower prices due to the scale of economies are still in production. Colcom, one of the largest pork producers and meat processing companies in Zimbabwe, reported in its results for the year ending June 2016, a shift in strategy to pursue a low margin, high volume strategy to counter sluggish demand. Further disruption of the value chain due to increased VAT induced retail prices would be detrimental to viability.

Recently, there has been an up-surge in production and commercialisation of fish, sheep and goat meat, mainly sourced from smallholder farmers. In the last three years, there has been an increase in these products in formal retail outlets. Establishing such formal markets for these products is key to improving market access by smallholder farmers. Stakeholders argue that by restricting demand on the formal market by imposing VAT, this will likely drive the marketing of fish, sheep and goat products back to the informal markets where producers are subject to unscrupulous middlemen. These products are particularly vulnerable to competition from the informal sector where VAT is not raised. For example, fish farmers who raise fingerlings using bought-in feeds, face fierce competition from unregistered capture fisheries whose main costs are homemade boats and fishing nets. For sheep and goat products, the imposition of VAT will force producers to market through informal live animal sales which offer lower prices to farmers and reduce their viability.

Any rise in prices is also likely to increase informal cattle, chicken and pig slaughters under unhygienic conditions that will pose health hazards for consumers. The shift to the informal marketing of these products will negate the anticipated increase in revenue as both VAT and income tax returns from formal production channels and retail markets will diminish.

Similarly, the imposition of VAT will negatively impact upon potato production – one of the most vibrant cropping enterprise for small scale farmers in the past few years. Representatives from the farmers' unions contend that potato production in Zimbabwe is mostly the domain of the small-scale producer, with fields measuring between one and two hectares. From a low of 58,000mt in 2010, production has grown to over 400,000mt in 2016. Thus, potatoes have effectively moved from a luxury food commodity to a staple in the diet of most urban consumers.

To the extent that the proposed standard rating for VAT on meats and potatoes will be passed on to consumers who are already operating on low disposable incomes, their most likely response will be to reduce their purchase of such products. Consumption of livestock protein products where meat is essential for improved nutrition is a key objective in Zimbabwe's Food and Nutrition Security Policy.

It is also important to note that these products are a significant portion of the consumer budget and any price increases will drive inflation upwards. Wage increases across all sectors

of the economy will be essential which may spur further company closures, counter to the theme of the 2017 National Budget statement of "Pushing Production Frontiers for all sectors of the Economy".

In conclusion, stakeholders in the meats and potato value chain argue that much work has gone in the re-establishment of these value chains, much of it with government support. The commendable gains achieved thus far need to be consolidated. In addition, the affected products are already overburdened by a multitude of taxations. For instance, beef producers are charged up to 10.5% for Rural District Council marketing levies, while various government authorities such as the Department of Livestock and Veterinary Services, Agricultural Marketing Authority and EMA charge various levies along the marketing chain. Extra taxation in the form of VAT of 15% will thus not help in achieving long-term viability in the affected industries.

Appendix 15: Report to the SADC Poultry Liaison Forum December 2017



SADC COUNTRY REPORT

COUNTRY	Zimbabwe	
POPULATION	16.53 million	
GROSS DOMESTIC PRODUCT	\$16.3 billion	
UNEMPLOYMENT LEVELS	11.3%	
CURRENCY USED	USD	
NAME OF POULTRY ASSOCIATION	Zimbabwe Poultry Association	
IMPORT AND EXPORT STATUS POULTRY PRODUCTS	YES	NO
ALLOWS IMPORTS OF POULTRY PRODUCTS	Yes	
What poultry products are imported and from where and what are the quantities pa?		
- Based on mirror data from trading partners, Zimbabwe imported about 7,899mt of poultry products in 2016 all of which was MDM		
- In the first 9 months of 2017, the country imported 4,576mt of poultry products most of which was MDM		
- Almost all MDM is imported from Brazil and most poultry meat and offal originate from South Africa		
- Imports of broiler fertilised hatching eggs average 1.0 million per month for the period January to July 2017 before increasing to 2.6 million per month in August and September following the impact of the Avian Influenza outbreak on the largest broiler breeder operation in Zimbabwe.		
- Total layer hatching egg imports for the period January to September 2017 amounted to 266,750 representing a 16% increase over the same period in 2016.		
CURRENTLY EXPORTS POULTRY PRODUCTS	YES	NO
CURRENTLY EXPORTS POULTRY PRODUCTS	Yes	
What poultry products are exported the destination and quantities pa?		
- Over the period January to September 2017 at total of 102,600 broiler breeder day old chicks were exported.		

IMPORT AND EXPORT STATUS FEED	YES	NO
IMPORTS FEED	Yes	
What feed or feed ingredients are imported and from where? Please describe nature of feed imports and volumes.		
- The stockfeed industry is heavily reliant on the import of most feed ingredients, including maize and soya. During 2016, 813,000mt of maize and 146,000mt of soyabean meal were imported mainly from Zambia. In the first 7 months of 2017, 273,000mt of maize and 43,000mt of soyabean were imported mainly from Zambia		
EXPORT FEED STATUS	YES	NO
EXPORTS FEED	Yes	
What feed or feed ingredients are exported and to where? Please describe nature of exports, volumes and destination.		
- During the first 9 months of 2017, 835mt of complete ruminant feeds were exported to Botswana		

EVIDENCE OF ILLEGAL POULTRY PRODUCT IMPORTATION	YES	NO
	Yes	
Is there an indication of illegal poultry product importation into the country? Describe the nature of the product and if known the country of Origin.		
- Numerous reports of South African poultry offals in Zimbabwe retail outlets which are not reflected in official Zimbabwean trade statistics.		
CURRENT ISSUES AND CHALLENGES		
Please describe issues and Challenges facing the sector		
- Decreased availability of foreign currency to import key inputs such as feed raw materials and hatching eggs		
- Severe cash crisis is affecting marketing of poultry products in the informal live chicken markets		
- On 24 th May 2017 the Department of Livestock and Veterinary Services detected and confirmed the presence of Avian Influenza H5N8 type virus at Lanark Farm, a registered poultry compartment owned by Irvine's Day Old Chicks, situated 25km south of Harare in Seke District, Mashonaland East Province. The farm was put in quarantine under veterinary supervision following complete depopulation of affected poultry sites. Altogether, 180,000 broiler parent stock and 400,000 commercial layers in the affected sites were destroyed and buried together with their litter. It is estimated that the culling of the broiler parent stock and commercial layers represents losses of supply of about 500,000 broiler day old chicks and 800,000 dozen eggs per month to the market.		

INPUT COSTS

Factors contributing to input costs.

- High cost of feed due to low local production of key raw materials such as maize and soyabean, the bulk of which must be imported
- High imports of processed wheat and maize products are limiting availability of brans, leading to dependency on expensive imported brans

DISEASE STATUS**MAJOR DISEASES REPORTED** (Last 6 Months)

Outbreak of Avian Influenza H5N8 type virus in May 2017 at largest poultry operation situated 25km south of Harare. The farm was put in quarantine under veterinary supervision following complete depopulation of 180,000 broiler parent stock and 400,000 commercial layers in the affected sites.

A total of 317 NCD cases were reported in Binga during October of 2017. All NCD cases were screened for HPAI with negative results. 99 611 birds were vaccinated countrywide in October.

INITIATIVES BEING IMPLEMENTED TO COMBAT DISEASE OUTBREAKS

Clinical surveillance for AI continues through the country but the serological surveillance program remains on hold due to absence of antigen for avian influenza testing at the CVL.

CONSUMER CONSUMPTION TRENDS	
BROILER MEAT consumption kg per capita	Estimated to have plummeted to 4.8kg per annum in July and August and is projected to rebound to 7kg per annum in the last quarter of 2017
Reason for increase/decrease	
- Total production is estimated to have decreased as a result of dramatic drop in number of broiler chicks entering the market following the outbreak of AI. Chick production in is being supplemented with significant increase in imports of hatching eggs commencing in August	
TABLE EGGS no of Eggs consumed per capita	Estimated to have dropped from 40 eggs per capita per annum in 2016 to 30 eggs in January to June 2016 and 24 eggs for the months July to September
Reason for increase/decrease	
- Total production is estimated to have decreased as a result of depopulation of layers on the largest poultry establishment together with continued smallholder disinvestment in layer production	

BROILER INDUSTRY				
Quarter	AVERAGE NETT DAY OLD BROILER CHICK PLACEMENTS PER WEEK	AVERAGE WEEKLY BROILER PRODUCTION (slaughtering)	AVERAGE WEEKLY BROILER PRODUCTION (live sales)	AVERAGE PRODUCER PRICE NET REALISATION (Per KG)
JAN – MAR '15	1,374,399*	407, 997†	Nd	USD 1.99
APR – JUN '15	1,636,408*	488, 032†	Nd	USD 1.99
JUL – SEP '15	1,499,533*	483,199†	Nd	USD 1.97
OCT – DEC '15	1,334,648*	376, 382†	Nd	USD 1.86
JAN – MAR '16	1,365,972*	385, 591†	Nd	USD 1.84
APR – JUN '16	1,380,610*	454,930†	Nd	USD 1.81
JUL – SEP '16	1,558,111*	417,914†	Nd	USD 1.81
OCT – DEC '16	1,456,562*	413,325†	Nd	USD 1.82
JAN – MAR '17	1,240,561*	399,055†	Nd	USD 1.84
APR – JUN '17	1,431,684*	425,165†	Nd	USD 1.88
JUL – SEP '17	1,156,532*	439,930†	Nd	USD 1.90

* Approximately half the placements are in the small-holder sector for which data is not readily attainable

† Data from large scale/formal abattoirs
nd no data

EGG INDUSTRY			
Quarter	AVERAGE NUMBER OF POINT OF LAYS PLACED PER WEEK	LAYING FLOCK IN LAY	AVERAGE PRODUCER PRICE PER DOZEN (AVERAGE OF ALL SIZES)
JAN – MAR '15	58,899*	849,607†	USD 1.72
APR – JUN '15	72,708*	863,316†	USD 1.66
JUL – SEP '15	67,099*	773,665†	USD 1.38
OCT – DEC '15	47,660*	841,218†	USD 1.28
JAN – MAR '16	39,195*	871,170†	USD 1.28
APR – JUN '16	42,008*	889,063†	USD 1.26
JUL – SEP '16	42,790*	893,063†	USD 1.31
OCT – DEC '16	31,427*	906,141†	USD 1.24
JAN – MAR '17	40,690*	894,042†	USD 1.40
APR – JUN '17	35,601*	916,565†	USD 1.45
JUL – SEP '17	28,258*	480,921†	USD 1.54

* Approximately half of placements are in the small-holder sector for which data is not readily attainable

† Data excludes the small-scale sector

COMMERCIAL FACILITIES		
DESCRIPTION	NUMBER	NUMBER OF EMPLOYEES IN EACH SECTOR
NUMBER OF COMMERCIAL HATCHERIES	10*	225*
NUMBER OF COMMERCIAL PULLET REARERS		
NUMBER OF COMMERCIAL BROILER FARMS	15*	253*
NUMBER OF COMMERCIAL LAYING FARMS	12*	511*
NUMBER OF HATCHERIES		
NUMBER OF COMMERCIAL FEED MILLS	16*	
ESTIMATED NUMBER OF PEOPLE IN THE INFORMAL POULTRY SECTOR		
HATCHERIES		Nd
PULLETS		Nd
BROILERS		Nd
TABLE EGGS		Estimated at 1.7 million doz per month
SLAUGHTER		Estimated at 3.6 million birds per month

* based on returns to the Zimbabwe Poultry Association and Stockfeed Manufacturers Association.

nd = no data