

Investment Opportunities in the Livestock Sector

Presented by

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Development at the Investment Forum
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Livestock Industry Resources

- Tanzania is endowed with abundant livestock resource in particular cattle, and ranks third in Africa. It has about (2013):
- 22.8 million cattle,
- 15.6 million goats,
- 7.0 million sheep,
- 2.01 million pigs,
- 35.5 million indigenous chickens and
- 24.5 million commercial chickens





The National Livestock Policy

• The National Livestock Policy (2006) overall objective is to develop a competitive and more efficient livestock industry that contributes to improvement of the well being of the people whose principal occupation and livelihood is based on livestock.

- It emphasizes on the importance of:
- Competitive markets;
- Commercialized livestock industry,
- Value addition in livestock products and
- Sustainable livestock development.

The policy amongst many of the initiatives invites and opens doors for the private sector investments.



Investment Opportunities in Livestock Sector



Demand for
meat products

Raising &
fattening

Live animal
trading

Slaughtering

Meat
processing

Leather
processing

Retailing &
marketing

- A large herd of indigenous livestock resource;
- Suitable rangelands resource base;
- Abundant water resource;
- Legislation on land ownership, registration and rights enacted in 1999 as Land Act No.4 and the Village Land Act No.5;
- Diverse and favorable climate; and
- Agro-ecological zones which can support a wide range of livestock species and activities.



Investment Opportunities in Livestock cont'.

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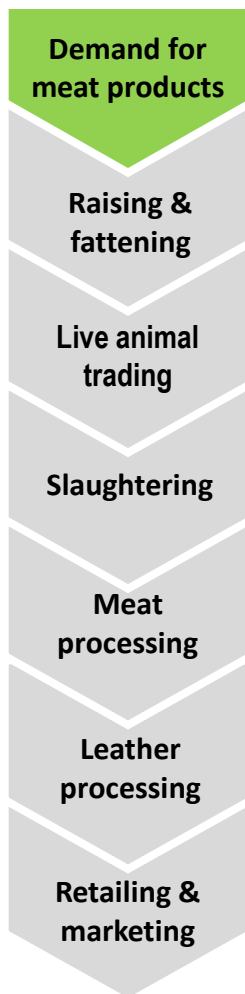
Leather
processing

Retailing &
marketing

- Readily available domestic market due to high human population.
- Excellent geographical location, which makes it accessible to potential, export markets.
- Availability of skilled labour and existence of a wide range of valuable Indigenous technical knowledge (ITK) related to livestock production.
- Favorable macro economic policies.
- Political and social stability.



Investment Areas in Livestock



- Establishment of Breeders farms for dairy, beef and poultry
- Establishment of Commercial farms,
- Abattoirs and Livestock products processing plants,
- Hides and Skins processing plants,
- Establishment of hatcheries, and
- Pasture development farms.



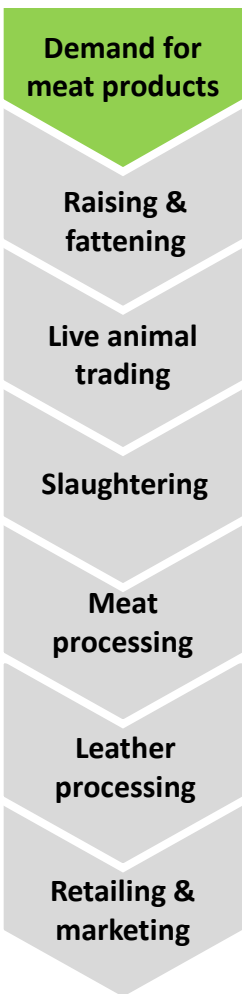
Meat and Egg Production

- Total annual meat production is about 563,086 tones:
 - Beef: **309,353**
 - Goat and sheep: **120,199**
 - Poultry: **54,360**
 - Pork: **79,174**
- Total annual egg production is about **3.9 billion**.

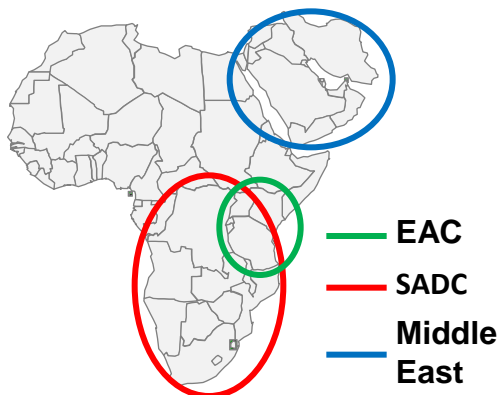




Tanzania is well positioned to supply meat products to growth markets in Africa and the Middle East

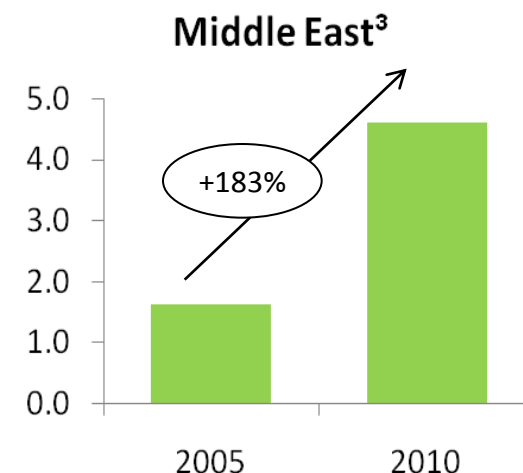
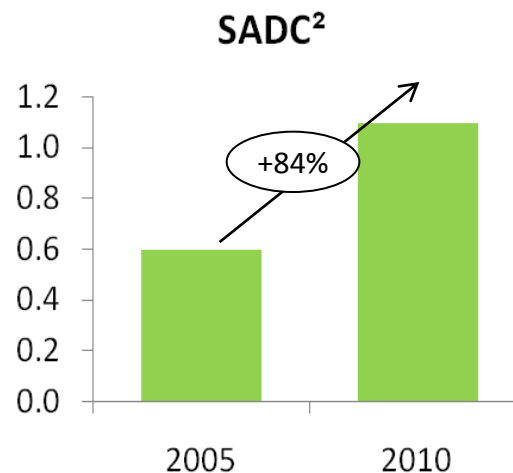
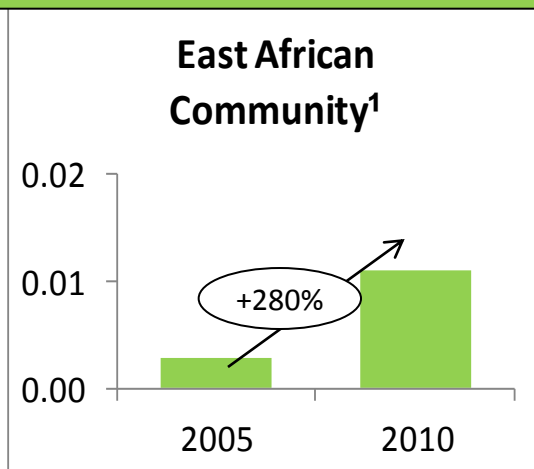


Meat Export Destinations



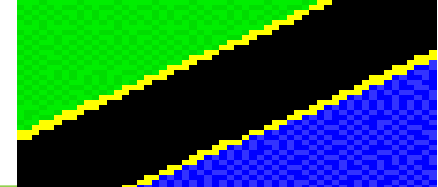
- Trade in meat has increased significantly, with more and more countries seeking to close their supply gap through imports
- The major beef exporters such as the Brazil, Argentina and Australia are facing logistical challenges to supply new growth areas in Africa, Middle East and Asia
- Tanzania is ideally positioned to supply Southern and Eastern Africa, as well as the Middle East

Meat Imports, 2005-2010 (USD billion)





The first opportunity is for experienced farmers interested in establishing professionally-run ranches and feedlots



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Current ranching operations

- Tanzania's meat production is dominated by traditional pastoralist and farmers, who own over 90% of all livestock.
- The largest operator of ranches is the National Ranching Company (NARCO) which manages 10 ranches of 230,000ha.
- NARCO is looking for private investors to operate its ranches in exchange of equity stakes
- With currently only a handful of private feedlots or fattening farms in operation, significant growth opportunity exists – especially at the quality end of the market.



Considerations for feedlots

- Promote breeds suitable for feedlots
- Secure constant supply of cattle
- Grow own maize as feedstock

The fertile soil and high rainfall will allow more intensive ranching and feeding operations than in most other countries



Investors can tap into a large network of traders to gain access to the best animals across the country



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Dar es Salaam's Pugu market

Number of animals sold in the livestock Markets in the country (2013/14)

Cattle	1,215,541
Goats & Sheep	1,169,491

Network of Traders

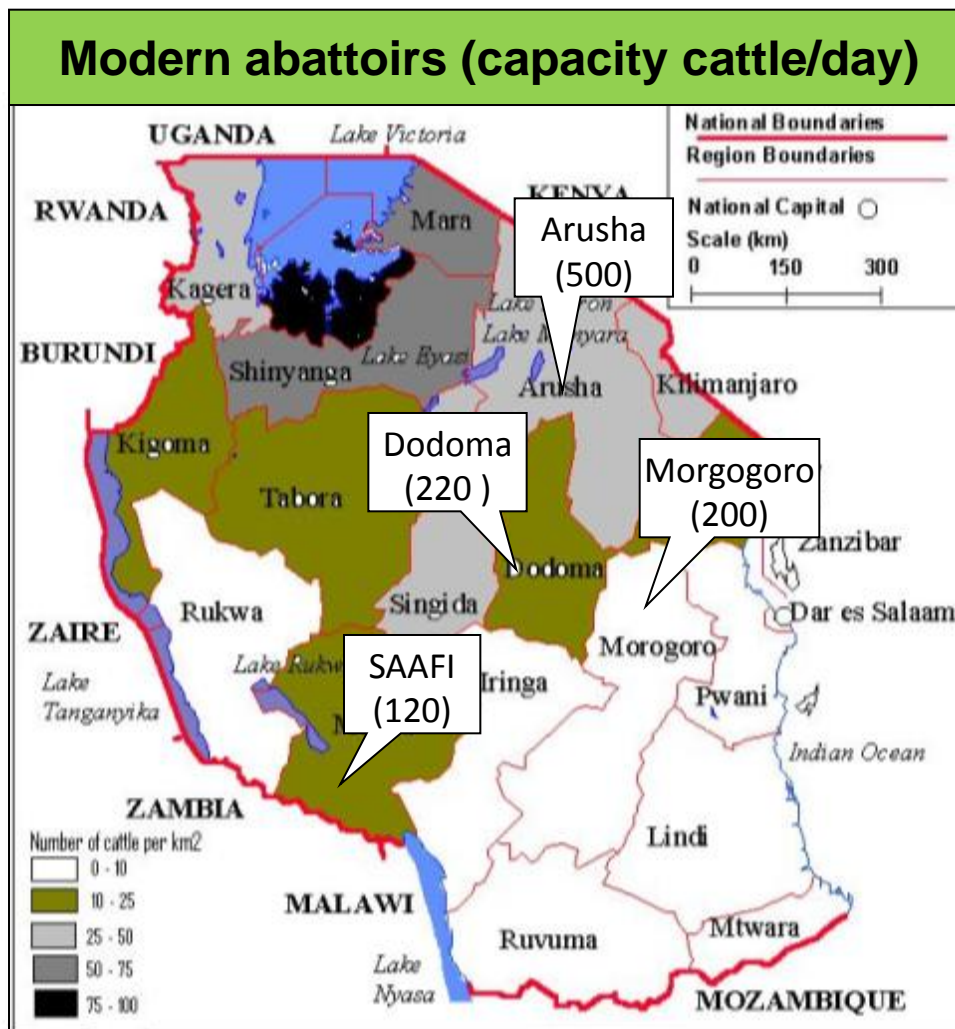
- Traders buy cattle and goats from traditional pastoralists across 300+ primary markets and sell them at secondary markets or direct to abattoir operators.
- Small traders (4-10 animals purchases) account for about 60% of the trade in live animals; the remaining 40% of animals are bought by small slaughter slabs, other farmers or larger traders.

Opportunity for investor

- Investors in abattoirs and feedlots can effectively use the bulk traders to gain access to the large network of small cattle traders and farmers
- Traders will provide established and reliable investors with a constant flow of quality animals.



Currently only four medium size abattoirs cater Tanzania's niche beef market

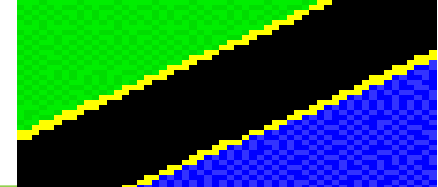


- ## Comments
- The capacity of Tanzania's four abattoirs cover less than 20% of national demand (10% offtake rate, over 2million are slaughtered per annum)
 - Most of the existing abattoirs are looking for additional investors/ capital and are willing to offer substantial equity shares in their operations
 - Currently most cattle are slaughtered at small butcheries, lacking hygienic requirements and economies of scale
 - Due to a lack of local abattoirs an estimated 300,000 live cattle are sold to Kenya every year

Due to limited competition, investors in abattoirs have good access to livestock supplies and the underserved local and regional markets



With less than 1% of meat being processed, the industry offers significant growth potential



Meat processing industry

- Only 140MT out of the 21,553MT of beef produced in Tanzania in 2013/14 was processed
- Almost all processed meat (from beef sausages to bacon) is currently imported from Kenya at significant margins
- A lack of technical skills and capital has prevented the local industry from growing

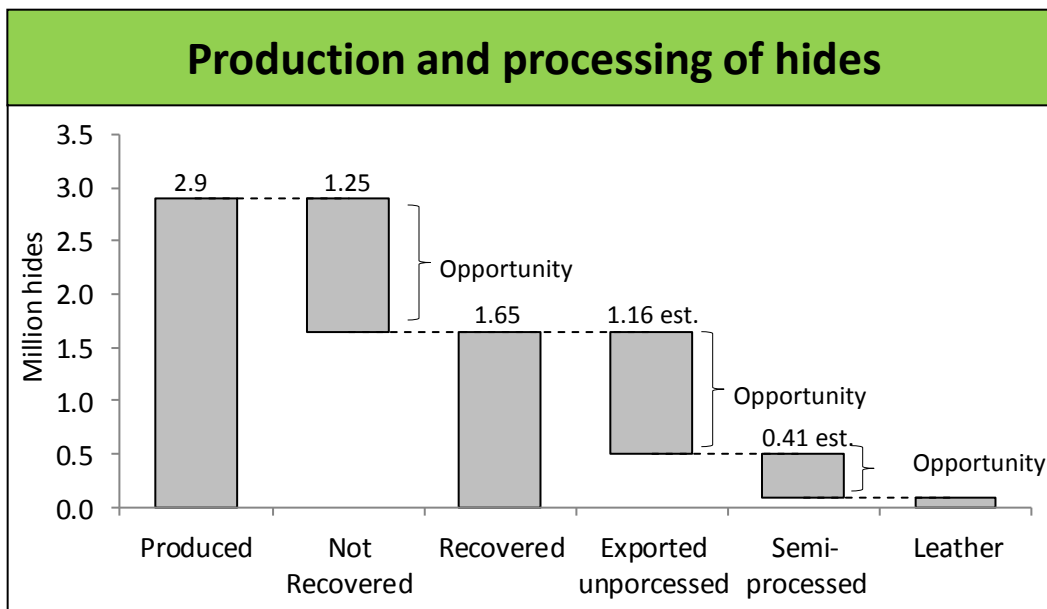
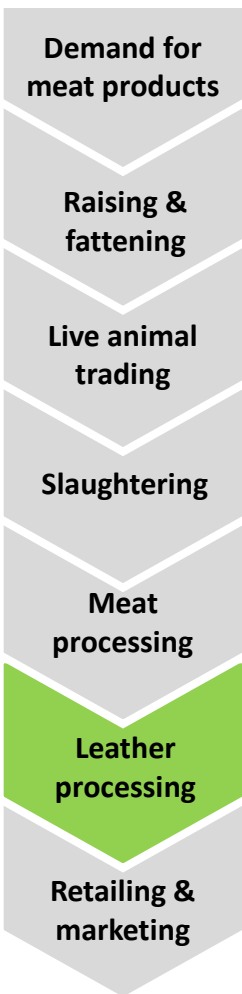
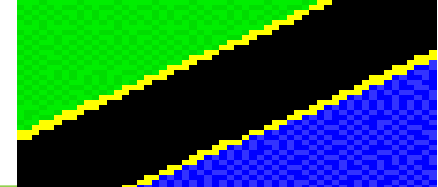


Investment opportunity case study

- A slaughtered animal produces only a few premium cuts that can be sold at high margins; it is difficult for abattoirs to compete with informal butchers on the price of the remaining low grade meat, thus decreasing abattoirs' overall profitability
- An attractive alternative is to process the lower grade meat – given the inadequate local competition, the margins for processed meat are attractive
- Different supermarket and hotel chains have indicated their willingness to sign long term supply agreements with more competitive local producers.



Currently millions of hides and skins remain unprocessed every year



Produced and recovered

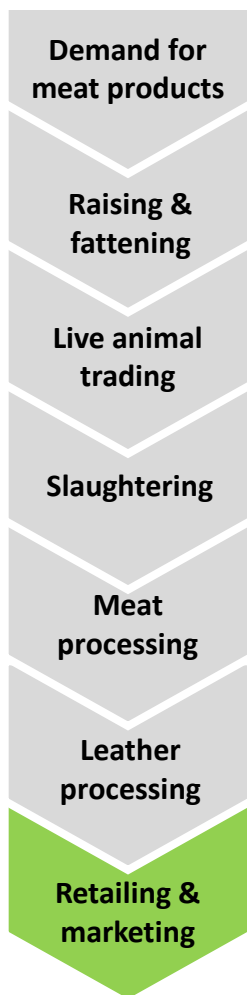
Hides and skins	Annually produced	Annually recovered
Hides (cattle)	2.9mil	1.6mil
Skins (goats)	3.8mil	2.7mil
Skins (sheep)	1.6mil	1.2mil

- ### Comment
- Tanzania forgoes significant potential for hides and skins every year, as only a small fraction is processed
 - Only 33 million square feet of hides and skins were processed in 2013, most only semi-processed (wet blue), with less than 5% made to leather
 - The government has imposed a 60% export levy on raw hides/skins giving local processing plants a significant competitive advantage
 - Hides and skins can easily be bought from intermediary traders

A 60% export levy on raw hides and skins offers investors in the local leather industry a significant competitive advantage



There is growing demand for quality and hygienic meat, much of which is currently imported



Local meat market

- **Butcher shops** are the main retailers of beef. Meat is usually hung as part carcass on hooks, normally without chilling, on average 60-70 kg (half a carcass) may be sold daily. These butcher shops are found in every town and areas of substantial settlement and competition is vigorous.
- **Supermarkets** (such as Shoprite) are growing in popularity especially amongst the more hygiene-conscious middle class
- **Restaurants and fast food outlets** are estimated to trade 30% of all meat. They can be split into three categories:
 - Tourist hotels sell beef to the value of US\$5322mil per year to 800,000 tourists
 - Restaurants and formal fast food enterprises (about 152,000) sell beef to the estimated value of US\$1,175mil per year
 - Informal food outlets (about 89,000) sell beef to the value of US\$550mil per annum.

Trade in meat

- **Imports** of quality meat are estimated at 700MT per year, equivalent to 10,000-14,000 animals; almost all processed meat is imported, mainly from Kenya
- **Exports** of meat mainly from the abattoir in Dodoma (Middle East) and SAAFi (Zambia, DRC) – mostly goat and sheep meat is exported (1110MT in 2013/14).

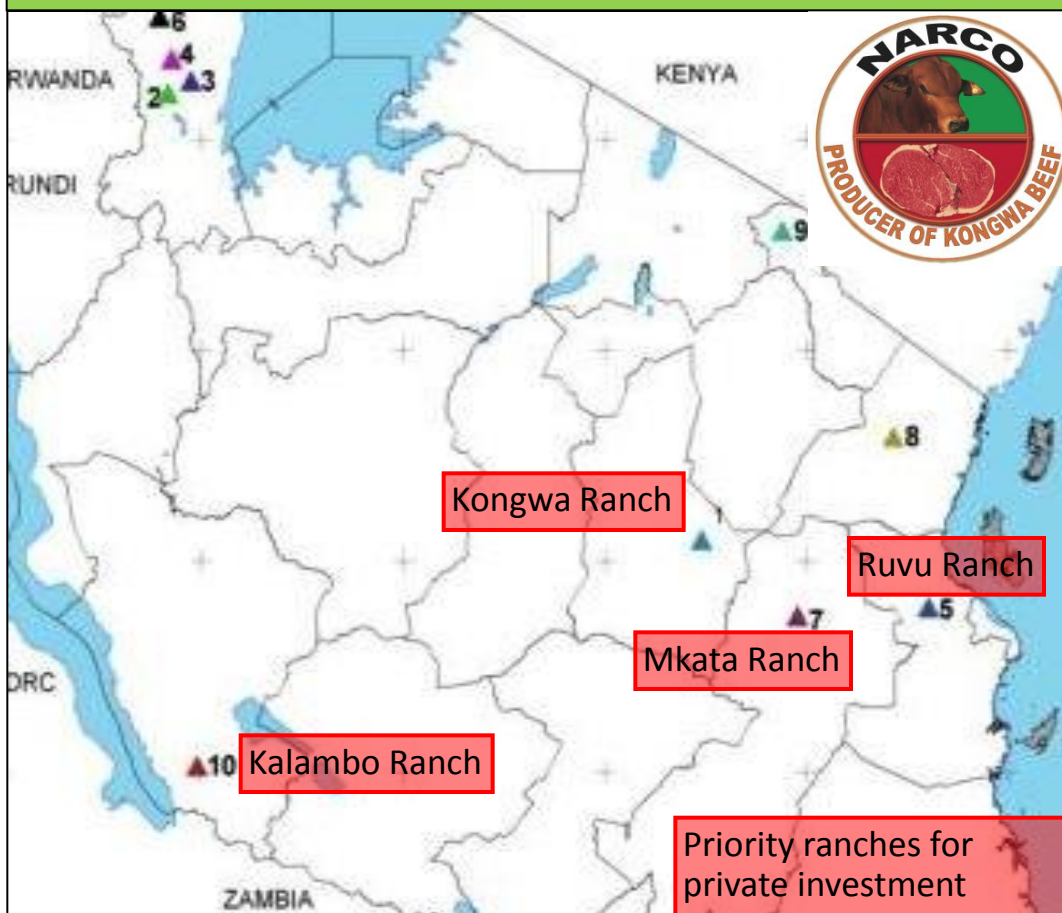
There is a large market for all meat products both within Tanzania and Across its neighbouring countries



To meet growing demands, Tanzania's national ranching company (NARCO) seeks co-investors across the value chain



Map of NARCO's ranches



NARCO overview

- National Ranching Company (NARCO) was established in 1968 as a wholly-owned Government enterprise
- In order to improve productivity, quality and value addition, NARCO has decided to privatise key assets across its ranches
- In **exchange for minority equity stakes NARCO is offering its land and assets to investors with the necessary technical skills.**
- **NARCO will receive dividends once the project is profitable**, but upfront investment costs for investors are reduced .

Investors do not have to invest upfront to buy land, as NARCO is ready to provide the land in exchange for a minority equity stake



Poultry Industry

- Production in 2013/14:
- local chicken 35.5 million
- commercial stock 24.5 million
- Egg 3.5 billion .
- The per capita consumption of eggs: 75
- The poultry population and demand for poultry meat and eggs have been increasing overtime which calls for more investments in the sub sector

The areas for investment in poultry industry include;

- Establishment of breeders farms for grand and parent stock
- Establishment of commercial layers and broiler farms
- Establishment of broiler processing plants.





Dairy production and areas for investment

STATISTICS OF 2013/2014:

- Milk production 1.99 billion litres of this:
 - 30% from commercial sector
 - 70% from traditional sector
- The per capita consumption of milk 45 litres

The areas for investment in the dairy industry include:

- Investment in state owned farms such as training institutions, prisons and LMUs farms (Kitulo, Sao Hill, Ngerengere etc.) through joint ventures on PPP modality.





Please contact us for any further information



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