

Introduction

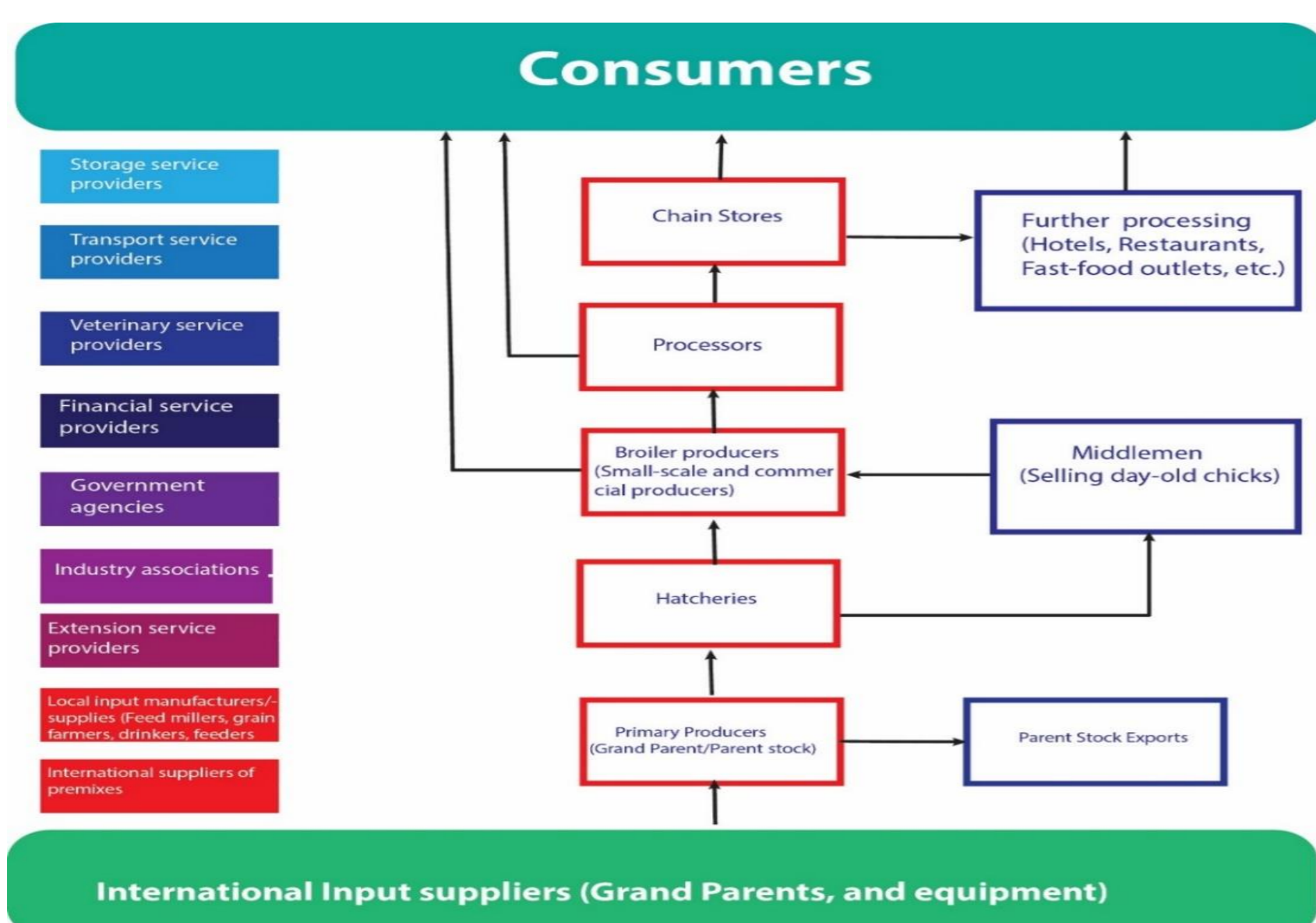
- The rising population, incomes, and urbanization in Africa are likely to trigger demand for agricultural produce while generating spillovers in the rural nonfarm sector
- These trends are expected to induce further changes in the structure and functioning of food systems—with increased demand for processed agricultural produce, and agricultural raw materials from rural areas
- Within agriculture, the poultry industry has exhibited rapid growth in many Southern African countries over the last decade, and this presents opportunities for industrialization and trade in poultry and animal feed products across the region if competitiveness can be enhanced
- Zambia is strategically placed to contribute to regional development while also benefiting from the local and regional trends. Its near-central geographic location, relative advantage in maize and soyabean production makes it ideal for poultry-related investments
- However, for the regional market, the challenge is how best to improve the competitiveness of animal feed and poultry products.
- It is against this backdrop, that this paper discusses the evolution of the poultry industry in Zambia, and the key players and their role in its development.
- It highlights the industry's competitive capabilities and scope for improving these. More importantly, we discuss the state of animal feed input availability in Zambia given the crucial role animal feed plays as an input to poultry production.

Methods

- Qualitative data was collected via semi-structured interviews with poultry firms, animal feed producers, and the poultry industry association.
- These were backed by secondary data collected from various sources including the Poultry Association of Zambia, Central Statistical Office, the Zambia National Farmers Union, and the Grain Traders Association of Zambia.

Industry Overview

- Animal feed to poultry value chain has evolved from one with very few players—to one involving several multinational companies
- Over the last two decades, there has been rapid growth in the poultry industry with annual growth rates in the poultry industry averaging 8%.
- This has triggered investments by existing and new firms in both animal feed and poultry, with major investments occurring between 2012 and 2015—planned investments are yet to be executed.
- With investments by existing firms, and the entry of new ones, competition has increased, and so has product quality and driving product prices downwards
- Broiler Value chain**



- A high degree of concentration at the primary producer level for parent breeding stock—these essentially control the industry production parameters. Ross breeders and Hybrid poultry produce parent breeding stock.
- There are several processors, both small- and large-scale, with small-scale producers accounting for 60% of the broiler market
- The animal feed value chain has numerous players, some with forward linkages in the poultry value chain. About 65-70% of produced animal feed is for poultry
- Capacity utilization is not maximum among some feed firms, implying the possibility of gains from full capacity utilisation

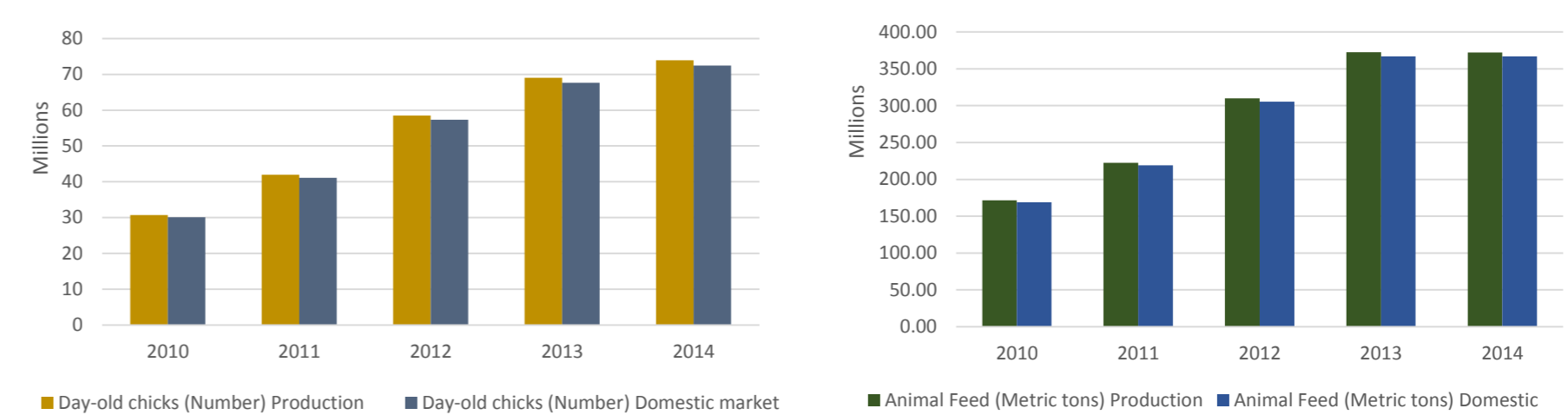
Trade Opportunities

- Zambia is well situated to trade with a number of countries



- However, low production levels and competitiveness limit exports

- Most output in the animal feed and poultry industries is locally absorbed rendering minimal exports.



Source: Poultry Association of Zambia

- The minimal exports currently taking place are with the following countries:

	Animal Feed	Day-old chicks and Hatching Eggs
Botswana	X	
Burundi	X	
Democratic Republic of Congo	X	X
Kenya		X
Malawi	X	X
Mozambique		X
Namibia	X	X
Rwanda	X	
South Africa	X	
Tanzania		X
Zimbabwe	X	X

Source: Authors' compilation using 2014/15 Zambia Central Statistical Office data and firm interviews

Challenges and Threats to Competiveness

- The use of multiple currencies for traded animal feed inputs within Zambia (i.e. soya beans). Which adversely affects firm planning due to currency exchange volatility.
- Power rationing increases production costs through its effect for both animal feed and poultry firms, more so given the rising fuel costs.
- Un-refunded VAT(16%) to the feed millers, hence the cost is passed on to animal feed consumers via higher prices.
- Low soyabean production levels and rising regional demand is pushing prices upwards.
- Food Reserve Agency's maize price policy greatly affects the price of maize both locally and regionally—this has the largest effect on poultry costs given its share in production costs.
- There is a lot of overlap among regulatory agencies in the industry, leading to inefficiencies in the system.

Steps Towards Rural Transformation and Regional Industrialization in Feed to Poultry Value Chain



- A good starting point is finding innovative ways of enhancing competitiveness of Zambian products



- Address existing industry issues that are creating inefficiencies



- Limit maize price volatility by reducing government's role in the maize market



- A long term solution is to increase agricultural (maize and soy beans) productivity—the quickest avenue is via commercial production