COMPETITION AND BARRIERS TO ENTRY IN THE ANIMAL FEED TO POULTRY VALUE CHAIN IN ZAMBIA

By
Paul C. Samboko

Presented at the Annual Competition and Economic Regulation Week Conference.
Livingstone, Zambia
11th March 2016.
About IAPRI

Research: 6 Thematic Areas
- Market development and trade
- Public policy and spending
- Smallholder Productivity and Poverty reduction
  - Climate change and natural resources
  - Food and Nutrition
  - Emerging issues

Centre of Excellence for Agricultural Policy Research and Outreach in Zambia

Capacity Building
- Survey design and data analysis

Outreach
- High Level Policy meetings
- Ordinary level meeting/indabas
- TV documentaries
- Newspaper Infographics
- Newsletters
- Website

Collaborations
- Local institutions
- Unis in ESA (ReNAPRI)
- MSU
- Uni Hohenheim
Introduction

Population growth and Urbanization

Population Trends in Southern Africa

- Urban population
- Rural population

Source: World Bank

Rising Incomes

GDP per capita (constant 2005 US$)

- Zambia
- Sub-Saharan Africa (developing only)

Source: World Bank
..Introduction

Increased demand for agricultural produce

Changing consumption patterns

<table>
<thead>
<tr>
<th>Year</th>
<th>Beef</th>
<th>Poultry</th>
<th>Eggs</th>
<th>Aquatic products (Fish)</th>
<th>Other meat</th>
<th>Meat, milk, eggs &amp; fish</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>6.0</td>
<td>4.6</td>
<td>1.4</td>
<td>11.5</td>
<td></td>
<td>25</td>
</tr>
<tr>
<td>1998</td>
<td>3.3</td>
<td>4.6</td>
<td>1.4</td>
<td>9.7</td>
<td>4.5</td>
<td>26</td>
</tr>
<tr>
<td>2010</td>
<td>3.0</td>
<td>6.8</td>
<td>1.7</td>
<td>11.5</td>
<td>3.0</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: Chisanga and Zulu-Mbata, forthcoming

Indaba Agricultural Policy Research Institute
Introduction

The poultry industry’s growth is larger—a cheaper protein source

<table>
<thead>
<tr>
<th>Consumption Growth (2013-2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poultry</td>
</tr>
<tr>
<td>2.8</td>
</tr>
</tbody>
</table>

Potential to contribute to rural development.

- Linkages with the farm sector
  - Maize and Soya beans production
- Further fueling rural non-farm growth
Opportunities for trade
Zambia’s broiler value chain
Industry overview-poultry

Primary producers
- Hybrid Poultry
- Ross Breeders
- Quantum Foods
- Tiger Chicks
- Zamhatch
- Panda Hatcheries
- Chipata Hatcheries

Processors
- Zamchick
- Verino
- Crest
- Southern Chicken
- Supreme Chicken
- Eureka
- Copperbelt Chicken
- Other (e.g. hospitality industry, restaurants, etc)

69%
Industry overview-poultry

Secondary producers

• Zamchick
• Verino
• Crest
• Southern Chicken
• Supreme Chicken
• Eureka
• Copperbelt Chicken
• Small- to medium-scale producers (65% market share)
Industry overview-animal feed

- National Milling corporation
- Novatek Animal Feeds
- Tiger Animal Feeds
- Nutrifeeds
- Pembe Milling
- Olympic Milling
- Emmans Feed Company
Barriers to entry in the poultry industry

- Capital requirements
- Breeding stock licenses
- Economies of scale
Threats to competitiveness in the feed to poultry value chain

- Currency devaluation
- Un-refunded VAT (16%)
- Multiple currencies for maize and soyabean trade
- Power shortages
- Local soya bean supply being reduced by Zimbabwe
- FRA maize price policy
Limited animal feed exports

Source: Poultry Association of Zambia
Trends in soyabean production and imports

Sources: CSO/MAL Crop Forecast Surveys, Import data is from Comtrade
Soya bean and maize yields remain low

Sources: 2015 IAPRI/CSO/MAL Rural Agricultural Livelihoods Survey
Competitive dynamics/advantages among feed/poultry firms

- Quality Maintenance
  - Research and Development
  - Standard operating procedures for agent sales points
- Cost reduction
  - Firm location
  - Vertical integration (logistics)

- Marketing Strategies
  - Price
  - Reliability/reputation
  - Offer service and product
  - Product diversity
  - Strategic collaboration
  - GMO policy
  - ISO certification
Conclusion

How can Zambia benefit from the regional trends?

i. Increase the competitiveness of the animal feed industry.
   - Enforcement of VAT refunds to animal feed millers.
   - Trade maize and soyabeans in the local currency on the local market.
   - Limit FRA mandate to strategic reserves
   - Strategic location by firms to reduce costs

ii. Increase soya beans production.
Thank You