

SAGCOT Investment Partnership Program

Opportunities for Investors in the Livestock Sector

Presentation by Hon Minister for
Livestock & Fisheries Development
to the Tanzania Agribusiness
Investment Showcase Event

27 November 2012



Tanzania Livestock Industry Resources

- Tanzania is endowed with abundant livestock resource, in particular cattle, and ranks third in Africa
- Animal stocks:
 - 22.8 million cattle
 - 15.6 million goats
 - 7.0 million sheep
 - 2.0 million pigs
 - 35.5 million indigenous chickens
 - 24.5 million commercial chickens



Meat and egg production figures

- Total annual meat production is approximately 534,000 tones:
 - Beef: 289,000
 - Goat and sheep: 111,000
 - Poultry: 84,500
 - Pork: 47,300
- Total annual egg production is approximately 3.5 billion



- 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

- The Policy emphasizes the importance of:
 - Competitive markets
 - Commercialized livestock industry
 - Value addition in livestock products
 - Sustainable livestock development

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

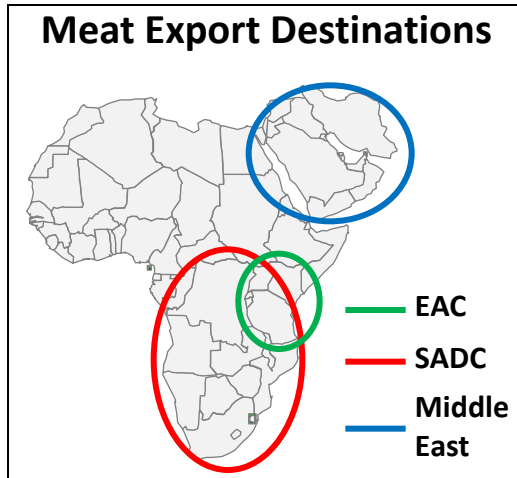
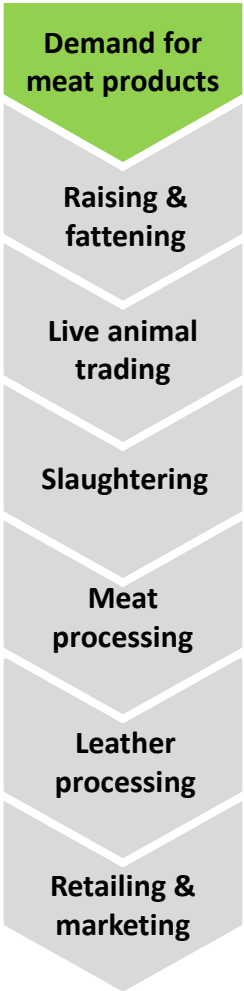
Why invest in Tanzania Livestock sector?

Natural Resources	Market	Institutional Support
<ul style="list-style-type: none"> • A large herd of indigenous livestock resource • Readily available land for investment (NARCO ranches) • Abundant water resource • Agro-ecological zones which can support a wide range of livestock species and activities 	<ul style="list-style-type: none"> • Readily available domestic market due to high population • Excellent geographical location, which makes it accessible to potential export markets • Favorable macro economic policies • Political and social stability 	<ul style="list-style-type: none"> • Legislation on land ownership, registration and rights enacted in 1999 as Land Act No.4 and the Village Land Act No.5 • Readily available Central Veterinary Laboratory • Availability of AI services • Established Disease Free Areas/Zones • Availability of skilled labour and existence of a wide range of valuable Indigenous Technical Knowledge (ITK) related to livestock production

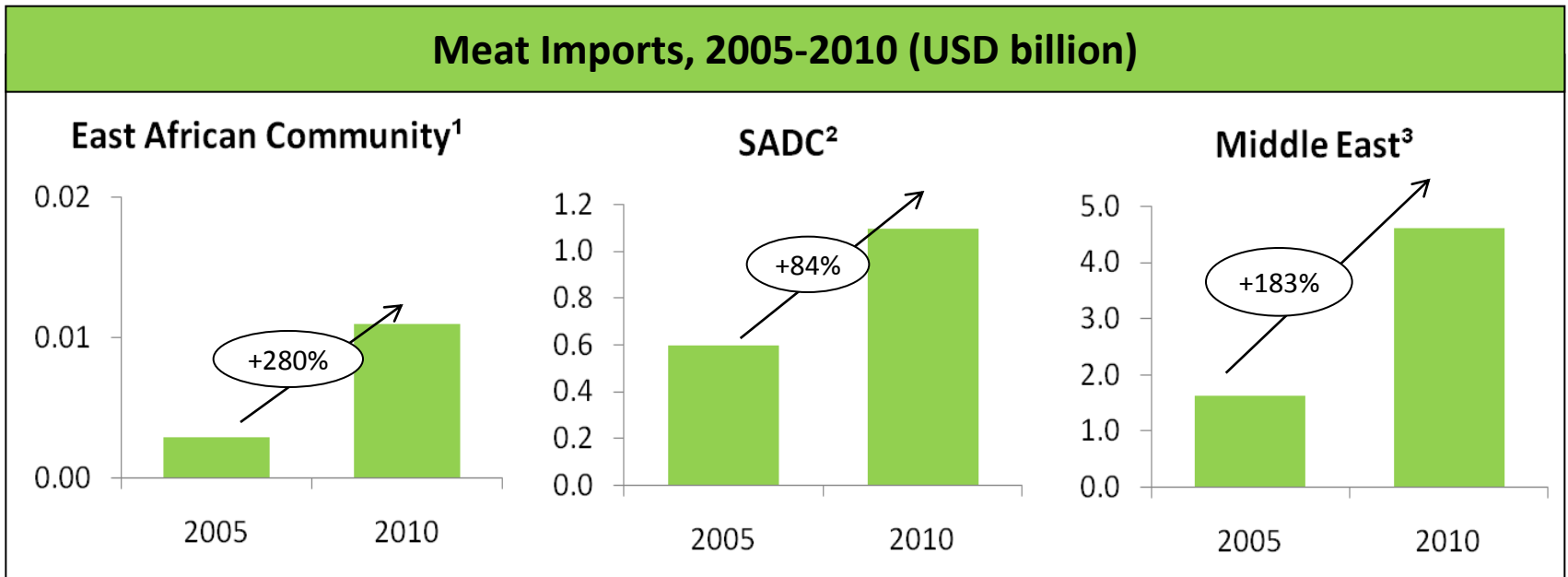
- Establishment of:
 - Commercial farms
 - Breeders farms
 - Hatcheries
- Pasture development farms
- Construction/ Joint Venture with existing Abattoirs
- Establishment of livestock by-product processing plants
- Hides and Skins processing plants



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

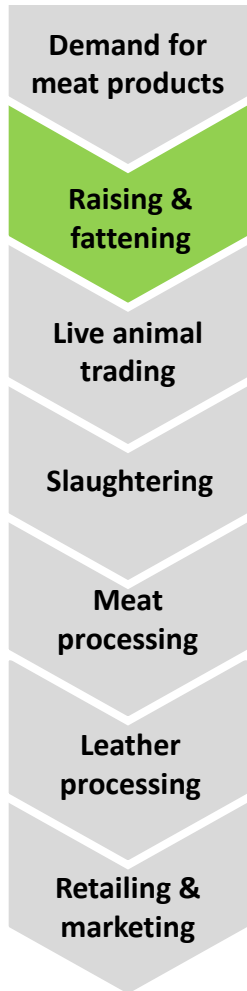


- Trade in meat has increased significantly, with more and more countries seeking to close their supply gap through imports
- Major meat exporters, like Brazil, Argentina and Australia, face logistical challenges to supply new growth areas in Africa, Middle East and Asia



Notes: (1) Burundi, Kenya, Ruanda, Tanzania, Uganda; (2) Southern African Development Community; (3) Saudi Arabia, UAE, Yemen, Oman, Iran, Iraq;

Source: Trade Map



Current ranching operations

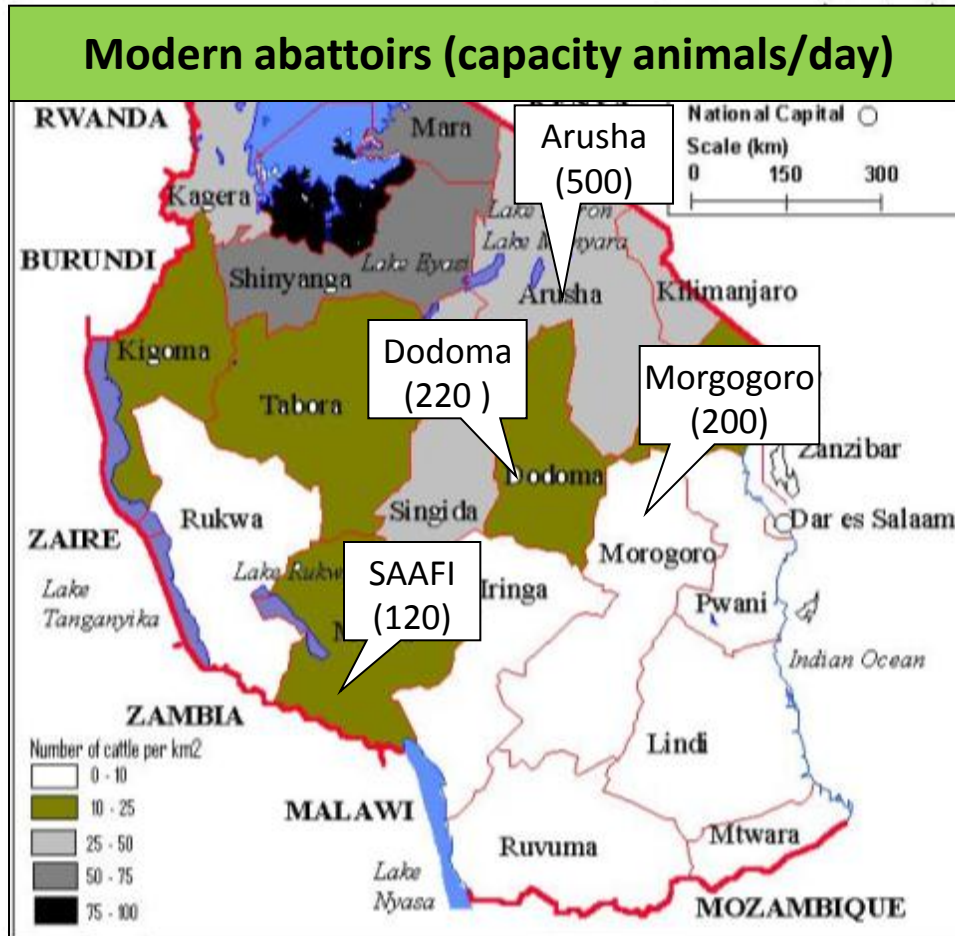
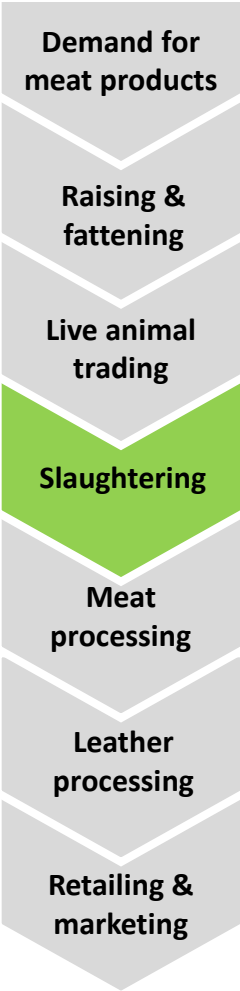
- Meat production dominated by traditional pastoralists – own 90% of all livestock
- Largest operator of ranches is National Ranching Company (NARCO): manages 10 ranches of 230,000 ha
- NARCO is looking for private investors to operate ranches in exchange for equity stakes
- Only a handful of private feedlots or fattening farms now in operation
- Significant growth opportunity exists – especially at quality end of the market



Considerations for feedlots

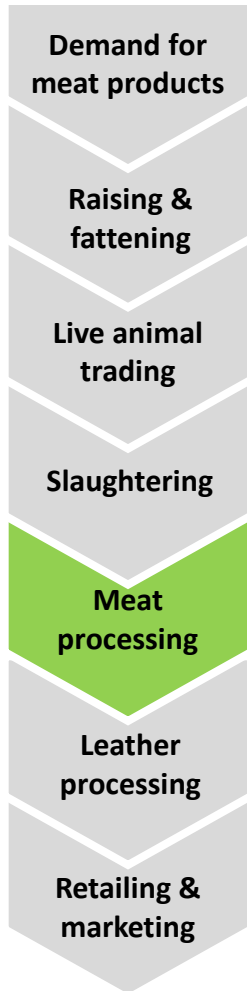
- Promote breeds suitable for feedlots
- Secure constant supply of cattle and shoats
- Grow own maize as feedstock

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



- Capacity of 4 existing abattoirs covers less than 10% of demand (estimated 4 million cattle/soats slaughtered per year – abattoir capacity less than 400,000)
- Most cattle and soats are slaughtered at small butcheries, lacking hygiene and scale
- Most existing abattoirs are looking for additional investors/ capital and are willing to offer substantial equity shares in their operations
- Due to lack of local abattoirs, estimated 300,000 live cattle and soats 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 market



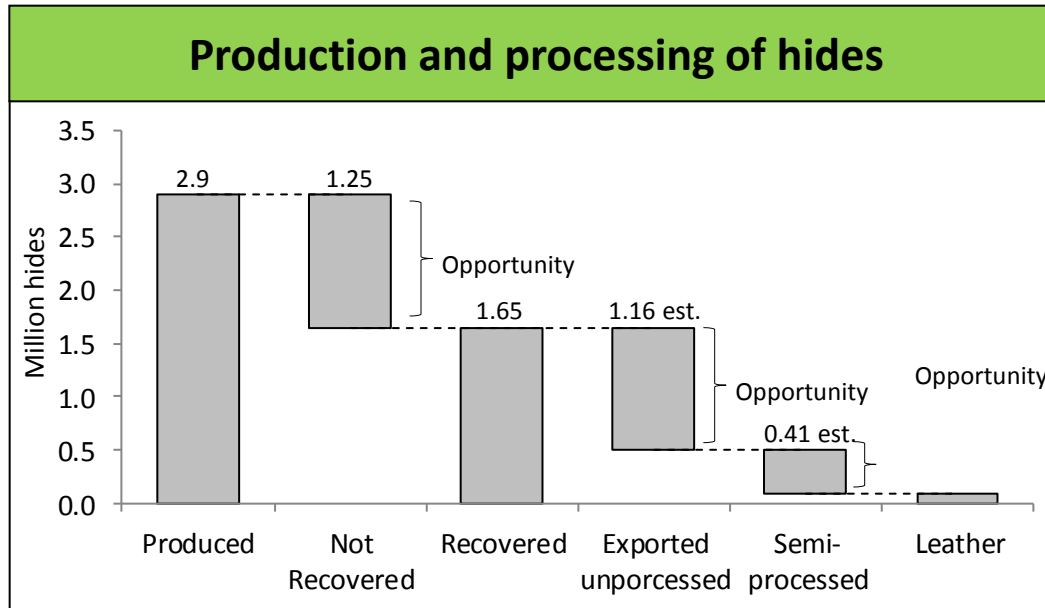
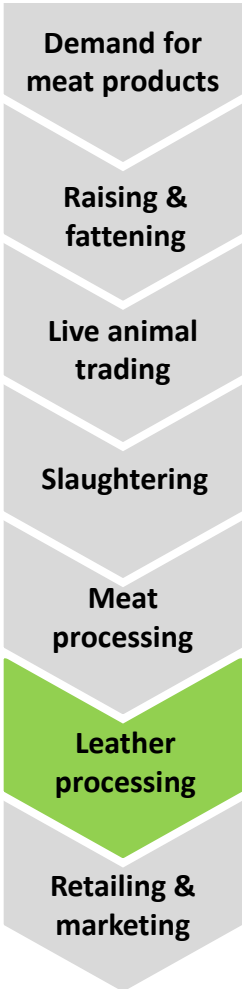
Meat processing industry

- Only 5,700 MT out of the 532,700 MT of meat produced in Tanzania in 2011/12 was processed
- Almost all processed meat (from beef sausages to bacon) is currently imported from Kenya at significant margins
- 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 (beef, lamb, pork and poultry) – given limited local competition, margins for processed meat are very attractive
- Different supermarket and hotel chains have indicated their willingness to sign long term supply agreements with more competitive local producers

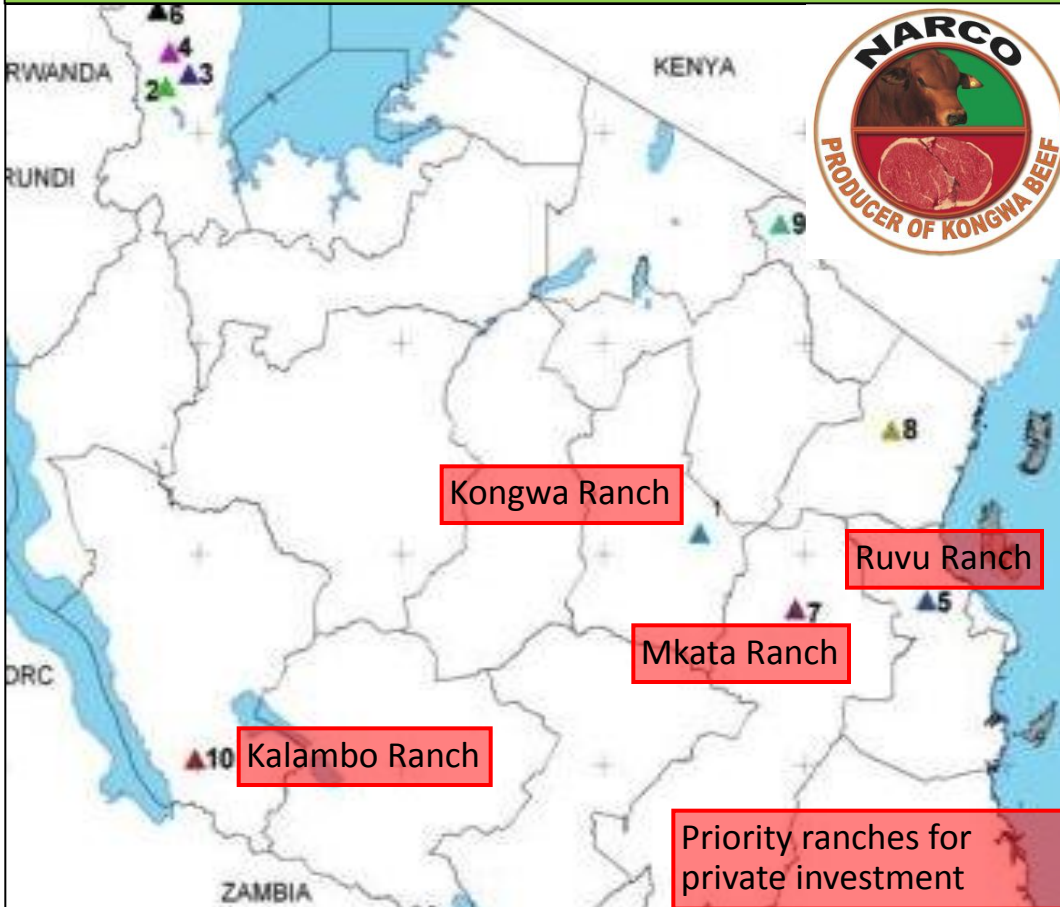


Hides and skins	Annually produced	Annually recovered
Hides (cattle)	2.9mil	1.6mil
Skins (goats)	3.8mil	2.7mil
Skins (sheep)	1.6mil	1.2mil

- Global leather imports have increased by 4% CAGR since 2002, although the industry faces supply shortages
- Tanzania forgoes significant leather exports, as only a small fraction is processed
- Only 33 million ft² of hides/skins were processed in 2011, most only semi-processed (wet blue), & less than 5% made to leather
- The government has imposed a 90% export levy on raw hides/skins giving local processors a significant competitive advantage
- Even so, many local hides & skins are exported unprocessed
- Hides & skins can easily be bought from traders

A 90% export levy on raw hides and skins offers investors in the local leather industry a significant competitive advantage

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

There are also opportunities in the poultry Industry ...

- Production in 2011/12:
 - Local Chickens: 35.5 million
 - Commercial stock: 24.5 million
 - Eggs: 3.5 billion
 - 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



- Production in 2011/12: 1,8 billion litres
 - Per capita consumption of milk :45 litres per annum
 - The installed processing capacity of dairy plants - 417,000 litres per day
 - Current capacity is 31.3% .

- The areas for investment in the Dairy industry include:
 - Establishment of new commercial dairy farms
 - Joint ventures with privately owned dairy farms
 - Establishment of new milk processing plants
 - Establishment of milk collection centers
 - Manufacturing of dairy equipment and packaging materials



We urge investors to:

1. **Contact the Livestock Sector Working Group**

- To get additional information and address any specific questions that you may have – regarding sites, markets, stocking rates, value chain opportunities, cost inputs, government regulations and support

2. **Join us for the Livestock Breakaway Session this afternoon**

- Investors will have an opportunity to view the detailed site profiles
- Meet existing investors and consult sector experts from NARCO, Ministry of Livestock, Meat Board, research institutes and other agencies
- Time: 14:00 – 16:00

3. **Attend our site visit to Ruvu Ranch tomorrow**

- Investors will have the opportunity to physically inspect a profiled site
- Meet with the farm manager, walk through the facilities and gather information first hand
- 07:30 – 18:00

4. **Prepare to respond to the Request for Proposals for the priority sites**

- Formal RFPs for the 5 priority sites are expected to be launched first quarter 2013

5. **For further information please go to Website: <http://www.mifugo.go.tz>**

Backup slides

Additional information on the sheep and goats industry

■ Production:

- Mutton and goat meat: 111,000 tons
- Demand for sheep and goats has been increasing for the domestic and export markets

■ The areas for investment in sheep and goats include:

- Partnership with National Ranching Company in the production of goats, sheep;
- Establishment of large scale sheep and goats farm for meat production;
- Establishment of Dairy Goats Multiplication Unit; and
- Contract farming between export agents and goat and sheep farmers.



Additional information on the pig industry

■ Production:

- Pork: 47,000 tons
- Production is predominantly in Southern highlands and Northern regions, including; Iringa, Mbeya, Rukwa, Ruvuma, Arusha and Kilimanjaro

■ The areas for investment in the pig industry include:

- Partnership Establishment of breeder's farms
- Establishment of commercial farms
- Establishment of slaughter and processing plants



Additional information on the animal feed opportunity

■ Production:

- Bales of hay 903,604
- Compounded feedstuff 900,000 tons per annum

■ The areas for investment in animal feeds include:

- Establishment of commercial pasture seed farms
- Establishment of compounded animal feeds industries

