



**Agri  
Pro  
Focus**

*Investors Guide*

# **Poultry in Zambia**



## Foreword

As a strategy to contribute to improved investment and competitiveness of the Zambian poultry industry, the Embassy of the Kingdom of the Netherlands in Harare in conjunction with AgriProFocus Zambia and the Poultry Association of Zambia commissioned a market study on investment opportunities to inform the Dutch businesses that have interest in investing in the Zambian poultry industry.

In the poultry sector lie different investment opportunities. This guide highlights these opportunities, the costs of investments, expected returns and the Poultry

Companies seeking the different investment opportunities. Notwithstanding lack of data on Zambia's poultry imports and exports, the market study established that the Zambia poultry has been growing steadily for the past five years averaging around 8% and 20% for broilers and layers annual production respectively. The rapid poultry production increase is attributed to a number of factors such as national population increase, disposable income rise buoyed by growing middle income class, investment in poultry breeding, production and processing as well as incre-

asing poultry feed ingredient of maize and soybeans.

For more information, you can visit <http://zimbabwe.nlembassy.org/key-topics/trade-information/doing-business-in-zambia.html>.

The full market study on the Investment Opportunities in the Poultry Sector in Zambia can be accessed on the AgriProFocus Zambia website: [www.agriprofocus.com/zambia](http://www.agriprofocus.com/zambia)

# Overview Zambia

Zambia has had a long period of political stability. Independent since 1964, Zambia has experienced five successful multiparty elections since the return to multiparty politics in 1991. With strong growth in the last decade the country has reached lower middle income status<sup>1</sup>.

Investor confidence has been high and Zambia's economy has been growing rapidly due to expansion of copper mining industry, government investment in infrastructure, and expanding private sector investment in construction and services and agricultural diversification. Zambia's GDP grew at an average annual rate of 6.4% between 2010 and 2014, which was more than the average over-

all growth rate of Sub-Saharan Africa. However, in 2015 it felt the pinch of reduced export earnings, due to large drops in commodity prices and slowdown of Chinese economy, resulting in a GDP growth rate of 5%. This is thought to go back to 6-7% growth when commodity prices start to stabilize.

Even though agriculture only accounts for 8.6% of total GDP, the agricultural sector employs 60% of total labour force. Of the total agricultural sector 48% is related to the livestock.

1 Worldbank.org

<b>Government Type:</b>	<b>Republic</b>
<b>Population:</b>	<b>15.47 million</b>
<b>Capital:</b>	<b>Lusaka</b>
<b>Language:</b>	<b>English</b>
<b>Currency:</b>	<b>Zambian Kwacha (1US\$ = ZK11.4)</b>
<b>Average GDP growth rate:</b>	<b>6.4% (2010-2014)</b>
<b>GDP per capita (PPP):</b>	<b>\$4.300</b>
<b>Population below poverty line:</b>	<b>62%</b>
<b>Arable land:</b>	<b>31,7%</b>
<b>Member of:</b>	<b>SADC and COMESA</b>
<b>Main industries:</b>	<b>Mining, agriculture, tourism and manufacturing</b>
<b>Agricultural Products:</b>	<b>Maize, Cotton, Wheat, Soya – Livestock: cattle, pigs, goats and poultry</b>

# The Poultry Sub-Sector

In 2005/07 poultry, after beef is the most consumed meat in Africa, at 2.9 million tonnes. By 2050 consumption of both meats is estimated to increase, with the total market size for poultry reaching 11.8 million tonnes. In 2050, the egg market is estimated at 5.9 million tonnes. Consumption of all livestock products is anticipated to grow rapidly in the coming decades, with annual growth rates estimated at 3.3 percent for poultry. Out of the five African regions, the Southern Africa (SADC) market is expected to remain to have the largest for poultry market share at 29.8%. For eggs, SADC market share is expected to be at 19%, just after Western Africa<sup>2</sup>. Large potential thus for the poultry sector, also for Zambia.

The Poultry Association of Zambia (PAZ) 2014 annual report reveals that the poultry sector provides direct and indirect employment to 80,000 people with 50,000 in permanent jobs and 30,000 seasonal employees. This report further records that poultry production in 2014 reached over 1 billion eggs and 73 million broilers. The poultry industry has been consistently growing since 2000 at annual rates of 8% and 10% for broilers and layers respectively. This phenomenal growth is attributed to the demand and supply side factors. The demand factors include; increasing human population, rising disposable income consolidated by the expanding middle income class, and rapid urbanization with higher taste for chicken meat. The supply side factors are the tremendous advances in poultry breeding,

production and processing propelled by the introduction of modern technology. The poultry industry anchors on the small and medium enterprises that operate 60% of poultry production farms. However, these small farmers lack investments to increase and modernize their production as well as value addition.

## BROILERS

Average Broiler live weight	1.8 kg
Average Broiler Dressed weight	1.2 kg
Consumption per capital	4.8kg/year
% of live Broilers sold	80%
Total Broiler Production in 2015	79,000,000
Market price of broilers	USD 4 - 4.7/bird
Market price for frozen chickens	USD 2.3 - 2.6/kg
Average Cost of production	USD 3.4/bird
Estimated availability for export	18,500,00/kg

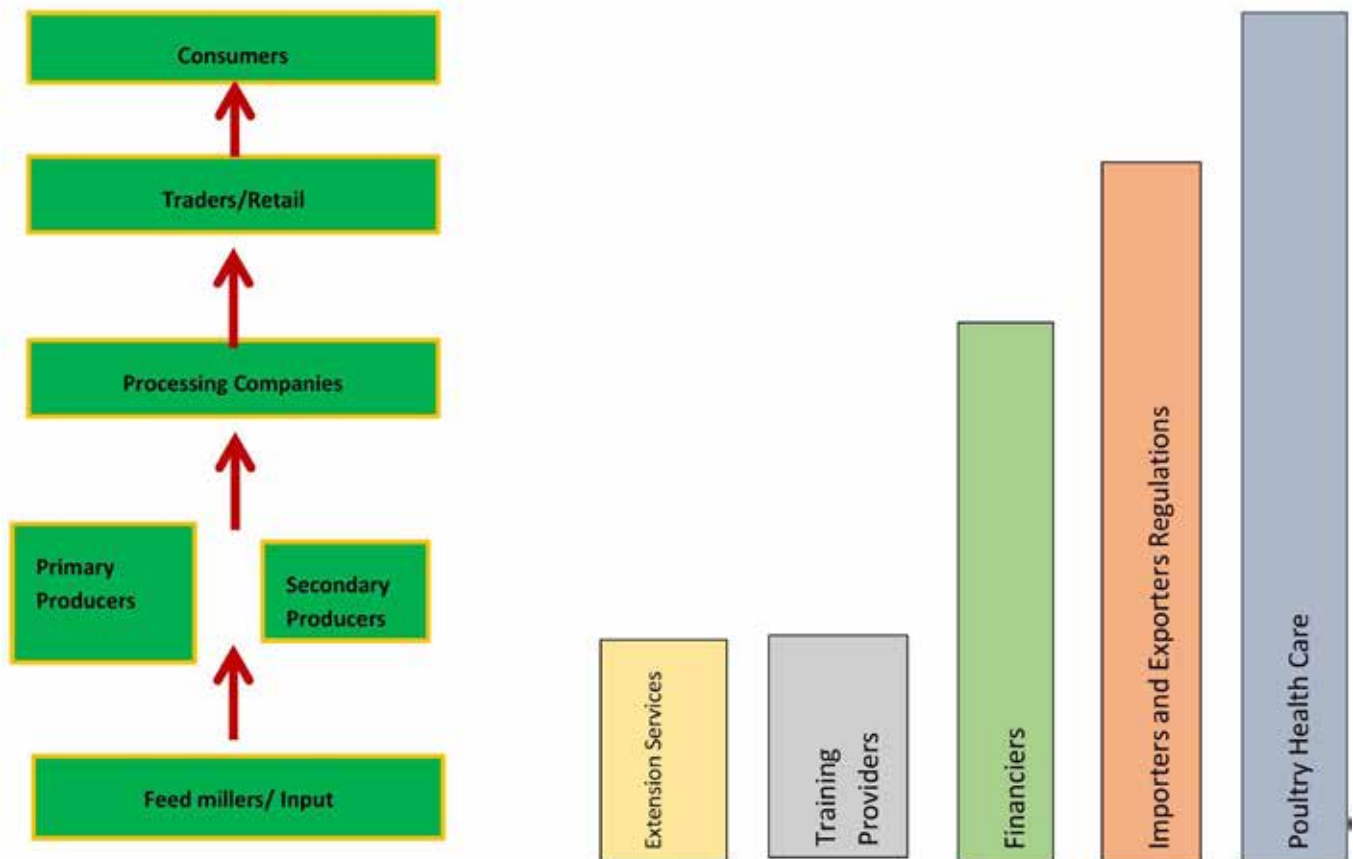
## EGGS

Egg consumption/capita/year	66 eggs
Estimated total demand	864,600,000
Total Annual Production	1,100,000,000
Estimated availability for export	235,400,000
Total Annual Consumption	1,000,000,000

## FEED

Total National Poultry Feed Production	320,000 MT
Consumption by Broilers	259,000 MT
Consumption by layers	162,000 MT
Cost of Broiler Feed	USD 459/t
Cost of Layer Feed	USD 405/t
Cost of Maize	USD 180/t
Cost of Soybeans	USD 310/t

<sup>2</sup> Investing in African Livestock: business opportunities 2030-2050 (FAO, March 2013)



## Value Chain Actors

### Input suppliers

The major supplier of inputs is Livestock Services, which runs a one-stop-shop for inputs and feed. It also offers training. Most suppliers source their imports from South Africa. Zambia maintains a ban on imports of parent stock. This has created a captive market for the 8 locally established largest breeding companies. Zambia allows importation of feed ingredients and premixes.

### Corporate firms

This group is dominated by a handful of integrated companies namely; Zambeef (Novatek), Zamchick, Eureka chicken, Olympic Stock Feeds, Nam Feeds, Hybrid Poultry, Ross Breeders, Tiger Chicks, Copper Belt chickens and Golden Lay. They import their inputs from South Africa. In recent years, there has been minimal entry into this segment save notable developments like the newly created venture between Zambeef and Rainbow of South

Africa. Many corporate companies are interested in further vertical integration of their poultry businesses. Next to expanding their production capacities (e.g. Feed production, broiler and egg production), they are interested in investing in other activities like production of day old chicks, and slaughtering and further processing of broilers.

### Medium/Small poultry farmers

There are about 1.1 million small and medium poultry farmers in Zambia and medium and 0.1 commercial farmers. Small and medium poultry farmers produce the bulk of the poultry meat and eggs in Zambia. Poultry is kept in simple, open houses. Manual feeding is employed. Simple water bowls are used while heating is undertaken through wood or charcoal. Some small farms produce maize and soy for stock feed. To reach the pace set by large scale

producers, small scale farms must optimize their production in terms of feed efficiency to lower production costs. They can form production clusters to reap benefits accruing from scale. Small and medium scale farms offer most scope for improvement. They use simple manual equipment, small amounts of feed additives, drugs and vaccines and do purchase small amounts day-old chicks. These inputs are purchased from local suppliers.

### Feed millers

There are seven major feed millers in Zambia who produce about 320,000 MT poultry feed per year. These feed millers are: NamFeeds, Choma Milling, Pembe Milling, Tiger Animal Feeds, Novatek (Zambeef), Nutrifeds, Olympic Stock Feed. Most of these compound feed suppliers have their own poultry production facilities (like day-old chicks) as well, except for Choma milling.

The millers use maize and soybeans produced by local farmers (or their own farms) and pre-mixes imported largely from South Africa. Maize is produced by small scale and commercial farmers and but small scale farmers produce about 80% of the country's total yield. For the 2013/2014 farming season, around 3,350,600 MT of maize was produced. Soybean is produced predominantly by commercial farmers who churn out about 139,000 metric tonnes per year. Zambia produces GMO-free maize and GMO-free soybeans. In 2015, droughts have affected the harvest volumes. In response, the millers compete for maize and soy.

### Wholesalers and importers of poultry house equipment/drugs and vaccines

Importers and wholesalers are Zambeef Products Ltd, Copper belt Chickens Ltd, Country Choice Chicken, Crest Chicken, Eureka Chickens, Zamchick. These wholesalers do sell fresh slaughtered poultry carcasses, further processed poultry meat (like drumsticks, chicken wings and chicken breast). Being member of fully integrated companies they do import most of the inputs, like slaughtering and processing equipment, poultry housing equipment, feed additives, poultry drugs and vaccines)

### Traders and retailers

The informal market is largely for small scale producers and involves sale of live chickens, unpackaged and ungraded eggs. This market system is predominantly found in local markets and by the roadside stalls in both urban and rural areas. The sale of live birds is still a significant channel for broilers in Zambia taking up about 30 % of broiler meat (MAL, 2013). The second type of market system is well developed, modern and dominated by a few but large producers that have the capacity to process their products. The main channels for this market

system include retailers, hotels and lodges.

Table eggs in Zambia are sold through formal and informal markets. Formal markets comprise chain retail outlets such as Shoprite, Spar, Pick n Pay, as well as supermarkets like Melisa in Lusaka. Informal markets include open markets, roadside selling points, cross border selling points such as Kasumbalesa border (DRC border). Generally, table eggs are not graded accordingly egg weight and sold per kind (mostly per egg tray of 30 eggs).

### Challenges in the Zambian Poultry Sector

To keep up with the growing demand for table eggs and poultry meat the Zambian poultry sector players are continuously investing in up-grading their production technologies/systems to invest in new production capacity. To secure the further development of the Zambian poultry industry attention should be paid to the following challenges.

#### High cost of production and financing:

- Zambia faces a power crisis that is not likely to improve or even worsen on the short term. Therefore, there is a strong dependency on alternative energy sources
- High cost of labour (set minimum wage)
- High interest rates >15%

#### Knowledge:

- Low level of extension services especially by government extension staff
- Marketing of poultry products is a big challenge especially for small scale farmers

#### Input supply:

- Lack of inputs especially in rural districts (feeds and poultry drugs)
- Low grade input materials
- Inconsistent raw material supplies

#### Competition:

- Threat of cheap illegally imported poultry products entering the domestic market
- Chain stores mounting pressure on government to allow import of frozen chickens IQF
- Competition from rival firms from South Africa
- Competition from increased poultry imports to South Africa e.g from US

#### Government regulations and control

- Disease control and testing charges, uncontrolled local government poultry levies
- Inadequate legislation to guide the growing industry's conduct and development
- High taxation for companies that do not have investment licenses. An investment license can be obtained and this would lower tax liabilities and provide import incentives.
- Ban by local district councils on backyard poultry rearing



# Investment Opportunities

## **Poultry Housing Equipment**

It is generally recognized by poultry farmers that improving the poultry house climate is one of the most critical issues, in order to improve the production efficiency. Installments of new technology to improve the living conditions of birds is therefore a necessity

This will require investments in small/medium scale feed manufacturing equipment (Approx. 1 – 3 tons/hr.), ventilation systems and climate control equipment, Non gas heating/brooding systems (solar heating), water supply systems, including water treatment systems)

### **Incentives schemes**

Dutch companies selling equipment can use Atradius, the export credit insurance agency to increase the attractiveness of their offer. Atradius facilitates sales to parties that might not have all the money required to pay upfront for required capital equipment

## **Feed Manufacturing Equipment**

More small and medium sized poultry farmers are going to produce their own compound feed by using their own feed ingredients, like maize, soya, sunflower, wheat etc. To produce optimal balanced compound feeds, they need high quality premixes and feed additives. Currently most of the premixes and other feed additives are imported.

### **Hatching Equipment**

With the poultry industry growing and with the trend being observed that farmers start to organize themselves more (e.g clusters, cooperatives) interest has increased in own hatching equipment. As mentioned poultry farms are generally small, therefore the capacity that is being asked for is about 10 – 20.000 day-old-chicks/wk.

## **Poultry Drugs and Vaccines**

To optimize the poultry production efficiency and to guarantee a healthy poultry production, the

use of high quality vaccines and drugs is essential. Currently most of the poultry drugs and vaccines are imported

### **Poultry expertise**

To meet the national demand of poultry products and to increase the export to the neighboring countries, the poultry sector has to improve its efficiency. To achieve this, the Zambian poultry value chain will need more professional, well trained poultry professionals. At this moment there is not a good professional poultry education infrastructure in Zambia. Currently 65% of the 1.1m poultry farmers have limited access to specific knowledge on poultry.

### **Incentive schemes**

Dutch training service providers can use the Tailor Made Training facility in conjunction with Zambian partners to offer customized training to Zambian poultry sector members. TMT is a Dutch government funded instrument.

# Investment incentives and regulations to consider

Zambia being a member of both the Southern African Development Community (SADC) and Common Markets for Eastern and Southern Africa (COMESA) trades under these regional bodies of free trade area and promotion of economic integration. In addition, an agreement was reached with the East Africa Community (EAC) to collaborate with both COMESA and SADC to enhance economic integration across these three regional economic groupings. Being a member of the two regional economic bodies, Zambia does not imposed tariff on poultry products either imported into the country or sold to other countries.

Zambia maintains the following agriculture incentives to spur sector investment and growth:

- Zero rating agriculture products and supplies when exported
- Income Tax rate of 10%
- Reduced Customs Duty at 5% on pre- mixes, being vitamin additives for animal feed
- Farm improvement allowance at 100% on fencing, brick or stone wall and an allowance of K10,000.00 for farm occupied by farm workers
- Property transfer tax rate on land sales of 5%
- Customs duty is not levied on green houses and rose seedlings

The National Agricultural Policy (2004-2015) sets specific roles of

government such as to promote, facilitate and enhance the participation of the private sector in production, processing and marketing of quality livestock products. However, the Minister of Agriculture and Livestock has the power to impose import or export bans whenever deemed necessary for the benefit of domestic producers and consumers. The poultry industry has been cited as an infant industry in Zambia, hence, protectionist tendencies have been advanced by major stakeholders that have seen the government impose a ban on importation of poultry products such as broiler meat and table egg.

Zambia has signed bilateral trade agreements with Angola and DR Congo. These agreements facilitate market access for Zambian products.







## Sources of further information

### Extension Services Providers

Ministry of Agriculture and Livestock: The ministry has departments for livestock (including poultry) and for veterinary services which are responsible for providing extension services to farmers. The ministry is understaffed and operates on a tight budget which constrains its provision of extension services for the vast and spread out farming areas.

Livestock Services Co-operative Society (LSCS): Livestock Services is primarily an input supplier. In addition, Livestock Services also conducts outside and on-farm training in poultry management.

Chicks and Stock Feed producers: Hybrid Poultry, Tiger Feeds, National Milling, Pembe Milling and Novatek provide extension to the clients of their products.

### Training Providers

- MAL Agricultural Colleges (NRDC, ZCA- Monze and Mpi-ka, Cooperative College
- University of Zambia
- Mulungushi University
- Faith-Based Training Institutions ( e.g. Chipembi Farm College)

Training and extension activities are offered by several institutes, organizations and corporate farms. They do offer very short (1-2 days) training programs.

### Poultry industry - related institutions

Zambia National Farmers Union (ZNFU): A farmer organization which existed already before Zambia's independence in 1964. Its aim is to safeguard the interest of farmers. It provides farming information to farmers and advocates for better farming policies. It has commodity associations

such as poultry (PAZ), dairy and cotton which focus on specific sub-sectors.

**Poultry Association of Zambia (PAZ):** It was established in 2000 and advocates for conducive policies for poultry farmers. It also gathers critical poultry information e.g. prices and policies which are disseminated to poultry farmers and co-operative companies.

**Transporters (road and rail line):** Transportation of poultry inputs and products require efficient and reliable transport. Delivery of poultry feed due to its bulkiness requires appropriate transport. Eggs, day-old chicks, vaccines and drugs as well as dressed broiler meat require refrigerated trucks to provide the right temperature during transportation.

### Import and Export Facilitators/Regulators

**Zambia Development Agency (ZDA):** It is the government agency which is responsible for investment promotion in Zambia. It provides information on investment opportunities available, incentives offered and scrutinizes foreign investment offers

**Zambia Revenue Authority (ZRA):** This government agency which is responsible for collecting applica-

ble taxes on products and services, imports and exports. It also advises potential tax payers on applicable taxes they should pay. Foreign investors are also advised on what tax they are eligible to pay

**Ministry of Commerce, Trade and Industry:** This ministry is responsible for promotion of investment and trade in Zambia. It also issues export and import permits after relevant national standards or sanitary and phytosanitary requirements for goods have been fulfilled by the applicants. The ministry has Zambia Development Agency as its wing for conducting investment promotions with and outside the country

**Zambia Bureau of Standards.** This is a government institution under the Ministry of Commerce Trade and Industry which is responsible for checking commodities being manufactured and imported into Zambia meet the set national standards. Poultry feeds manufactured in Zambia are checked for quality and standards compliance

**Competition and Consumer Protection Commission:** It is a government institution which is responsible for checking and promoting competition among producers and service providers so

that they do not collude or charge high prices to exploit consumers. Big companies may form cartel to charge uniform prices and thereby exploit consumers.

### Financiers

**Zanaco:** Zambia National Commercial Bank is a local bank owned by the Zambian government in partnership with Rabobank of Netherlands

**Stanbic:** An international bank which is a subsidiary of Standard Chartered Bank Ltd

**National Savings and Credit Bank:** A local bank wholly owned by the Zambian government

**First national bank:** A South African international bank

**Madison Finance:** A financial institution belonging to Madison group of companies. The holding company is owned by a Zambian entrepreneur.

### Poultry Health Care

- Ministry of Agriculture and Livestock
- Livestock Services
- VET 24 – A private company supply livestock drugs and vaccines

## Useful websites

Ministry of Agriculture  
Poultry Association of Zambia  
Zambia National Farmers Union  
Livestock Services  
The Poultry Site  
AgriProFocus Zambia

<http://www.agriculture.gov.zm>  
[www.paoz.org](http://www.paoz.org)  
<http://znfu.org.zm>  
<http://www.livestock.co.zm>  
[www.thepoultrysite.com](http://www.thepoultrysite.com)  
<http://agriprofocus.com/poultry-in-zambia>



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