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USAID STRATEGIC ECONOMIC RESEARCH AND ANALYSIS – ZIMBABWE (SERA) PROGRAM

REVIEW OF LIVESTOCK SECTOR PRODUCTION POLICIES, STRATEGIES AND INSTITUTIONAL STRUCTURES IN ZIMBABWE

CONTRACT NO. AID-613-C-11-00001

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ACRONYMS

AMA	Agricultural Marketing Authority
BM	Blood meal
CAPF	Comprehensive Agricultural Policy Framework
COG	Control of Goods
CSC	Cold Storage Company
DDP	Dairy Development Programme
DLPD	Department of Livestock Production and Development
DLVS	Department of Livestock and Veterinary Services
DR&SS	Department of Research and Specialist Services
DVS	Department of Veterinary Services
E&M	Economics and Markets Division
EMA	Environment Management Agency
EU	European Union
FMD	Foot and Mouth Disease
GDP	Gross Domestic Product
GMO	Genetically modified organism
GMB	Grain Marketing Board
GMAZ	Grain Millers Association of Zimbabwe
Kg	Kilogramme
LITS	Livestock Identification and Traceability System
LMAC	Livestock and Meat Advisory Council
MoAMID	Ministry of Agriculture, Mechanisation and Irrigation Development
MBM	Meat and bone meal
MCC	Milk collection centre
MDM	Mechanically deboned meat
MoLGURD	Ministry of Local Government, Urban and Rural Development
Mt	Metric tonnes

NBA	National Biotechnology Authority
PWMA	Parks and Wildlife Management Authority
RDC	Rural District Council
SA	South Africa
SADC	Southern African Development Community
SARS	South African Revenue Services
SI	Statutory Instrument
SMA	Stockfeed Manufacturers Association
VAT	Value added tax
VPH	Veterinary Public Health
WHO	World Health Organisation
ZAIP	Zimbabwe Agricultural Investment Plan
ZIMRA	Zimbabwe Revenue Authority
ZimASSET	Zimbabwe Agenda for Sustainable Socio-economic Transformation
ZimSTAT	Zimbabwe National Statistics Agency

Executive Summary

This study provides an overview of the key regulatory, policy and institutional constraints to Zimbabwe's livestock sector performance. Value chain stakeholders welcome the recognition of livestock as an important sub-sector through the creation of a separate Deputy Minister's post within MoAMID and the development of a value-chain focused livestock policy with wide participation of stakeholders. However, this new policy framework has yet to be formally adopted by government and accompanying strategies have not yet been developed to implement the policy. As the review of key regulatory constraints shows, a multitude of regulations exist that go against the attainment of goals in the draft livestock policy all across the livestock value chain (see Annex for summary).

I. Input related policy constraints, impacts and suggested reforms

The study identifies a number of regulatory constraints that hinder availability of inputs to the livestock sector both from local production and from importation.

I.a AMA registration and local input availability

Excessive annual registration fees charged by the Agricultural Marketing Authority (AMA) under Statutory Instrument 147 of 2012 and SI 140 of 2013, for buyers of grain and oilseeds, need to be removed or at least significantly reduced. These regulations lead to high overhead costs, discourage small volume buyers and sellers from participating in the market, and also discourage companies from engaging in contract farming arrangements.

I.b VAT on agricultural processing by-products used in feeds manufacture

Statutory Instrument 273 of 2003 zero rates agriculture processing by-products used in animal feeds. However, currently ZIMRA charges 15% VAT on molasses a key input in cattle feeds. The standard rating of molasses for VAT purposes leads to an increase in the cost of dairy and beef pen fattening feeds. The study recommends the zero rating of molasses used for stock feed manufacture.

I.c MoAMID maize price policy and availability of maize

MoAMID has been setting GMB pricing grain at greater than import parity while GMB has been charging less than import parity price to its processing divisions. The high GMB buying prices have led to side-marketing to GMB by contracted maize farmers leading to discouragement of contract farming while low prices charged to GMB milling and feeds divisions give them an unfair advantage over private processors. The study suggests that Government should either let GMB buy at going market prices or set a GMB floor price based on the landed price of Zambian maize into Zimbabwe to ensure farmers get a better price than their Zambian counterparts but prices remain at or below import parity to protect contract farming.

I.d AMA registration fees and availability of imported feed raw materials

Feed manufacturers who import some of their raw materials are required to register under the Farm Feeds and Remedies Act, and also pay annual fees to AMA. AMA's role in raw material importation is just to provide a letter of support which duplicates the role played by the Economics and Markets Division in the MoAMID. The study therefore argues that the AMA licensing be abolished as its effect is to increase cost of feeds.

I.e NBA regulations for GMO certification and availability of imported livestock inputs

The National Biotechnology Authority (NBA) charges an annual registration fee of $500 for importers of commodities that are subject to GMO-free certification, though there is no statutory instrument to support the regulation. In addition there is a processing fee payable for each shipment. The study suggests that registration with NBA should be free of charge, while the processing charge per shipment continues. In addition, there is need to remove wheat grain and bran from list requiring GMO-free certificate as there is no commercial GMO wheat under production in the world.

I.f Delays in processing import permits for livestock inputs

Importers of hatching eggs, grain, soya meal, wheat and maize bran, minerals and vitamins, powdered milk, breeder day-old chicks, breeding animals and semen need to obtain an import permit. To obtain a permit as required by the Control of Goods Act, importers have to get approval from numerous agencies including DVS, NBA, AMA, E&M, Plant Protection, and MoAMID leading to excessive delays. There is need to remove duplication and streamline the import permit process.

II. Farm level regulatory constraints

At the farm level the study identifies regulations applied by the Environment Management Agency as the most problematic to livestock production. Effluent and Solid Waste Disposal Regulations of 2007 requires farming operations that generate effluent and solid waste to register and pay an annual registration fee; an annual inspection fee; and a quarterly discharge fee based on estimated amount of waste discharged. These levies increase the cost of production in livestock enterprises such as poultry, piggeries, dairy and pen-feeding operations without contributing to environmental benefits since most wastes and effluent is used as fertiliser on farm. This suggests that the levies are not warranted and should be abolished.

Similarly the Hazardous Substances, Pesticides and Toxic Substances Regulations of 2007 requires farmers using agrochemicals or carrying more than 200 litres of fuel to have a license and pay an annual fee. Rather than charging fees, there is need to draft protocols on good agricultural practices on the correct handling, storage and handling of these essential chemicals and help farmers adopt these.

III. Regulatory constraints affecting marketing of livestock

Reducing transactions costs in livestock marketing is very important in improving competitiveness and economic viability. However, the study finds a number of regulations that increase transactions costs.

III.a Rural District Councils marketing levies and livestock marketing

In the majority of cattle dependent districts, Rural District Councils have been charging a levy of 10.5% on all live cattle sales. This is excessive. The study recommends that councils charge a flat $2 fee per animal traded at auctions. In addition, the charge of $2 per head should be on cattle sold to abattoirs for slaughter, but no charge be put on cattle sold to farmers for their herd building investments.

III.b Livestock movement controls and permits

Zimbabwe does not have a comprehensive and functional livestock identification and traceability system to management cattle movements and proof of ownership. Proof of ownership is required by police,

and results in involvement of third parties such as headmen and other witnesses before exchange of animals. A simplified framework for livestock identification and traceability is currently under discussion which would simplify the process of clearing cattle before exchange. This needs to be supported and implemented urgently by Government.

III.c VAT regulations and commercialisation of small ruminants

Currently, sheep and goat meat is subject to VAT of 15%, whereas meat such as beef and chicken is not. Standard rating of sheep and goat meat, and the transfer of table eggs from zero rated to VAT exemption, increases the cost of these livestock products relative to other livestock proteins. The study proposes zero rating of sheep and goat meat, and table eggs, for VAT purposes.

III.d Carcass grading system and fairness in cattle trade

In Zimbabwe carcass grading and classification is still based on the old system developed in the 1970s. This was based on large framed exotic breeds that dominated commercial cattle marketing at the time. Since most cattle commercially traded on local markets now are from smallholder farming areas dominated by small framed indigenous breeds this grading system is biased against them. Stakeholders and the DLPD have drafted a grading system that removes the bias on small framed adapted breed in the country. This system needs to be implemented by Government.

IV. Regulatory constraints affecting processing of livestock

In the processing sector the study found EMA regulations, Veterinary Public Health, AMA regulations and municipal bye-laws to be constraining and sometimes overlapping.

IV.a EMA and livestock processing

As noted earlier, Environment Management Effluent and Solid Waste Disposal Regulations of 2007 requires processing operations that generate effluent and solid waste to register and pay various registration, inspection and a quarterly fees. In addition to this solid waste and effluent discharge is also covered under the Animal Health Act, as well as municipal bye-laws when waste is discharged into sewer systems, leading to double taxation. In addition, waste boiler waster is a benign waste with no effect on the environment. There is need to rationalise the conflict between Animal Health Act provisions, EMA and Municipal bye-laws to avoid overlapping taxation.

Processors are also subject to EMA air pollution regulations as prescribed under SI 72 of 2009 which requires them to pay an annual registration fee; an annual monitoring fee; and a quarterly discharge fee. This regulation has been applied on processing plants that have forklifts and generators - a necessity to maintain the cold chain for most livestock processing plants given erratic power supply. These levies constitute a double taxation and need to be removed.

IV.b Veterinary Public Health and Meat Inspection Regulations and livestock processing

Public Health (Abattoir, Animal and Bird Slaughter and Meat Hygiene) regulations of 1995 require that all abattoirs are registered by DLVS, pay an annual fee, and also pay carcass inspection fees. However, some Municipal Councils also charge for meat inspection implying double taxation. There is therefore

need to rationalise inspection fees. Specifically, in abattoirs under DLPD inspection regime, municipality should not be allowed to also charge for the same services.

IV.c AMA registration and meat processing

Abattoir operators are also required to register with AMA under SI 147 of 2012 Regulations and pay annual fees. While VPH registration fees cover services of inspection of facilities to ensure that products coming from plants are safe for the market, AMA's justification for registration is that there is need to collect statistics from producers, traders, processors and retailers. This is despite the fact that the Meat Graders section of DLPD already collects such information. The study concludes that the double registrations introduced by AMA are unnecessary and need to be eliminated.

V. Regulatory constraints affecting post processing of livestock products

Finally, abattoirs produce a number of by-products that potentially feed into other upstream industries (e.g. tanneries, processed meat producers and feeds) or be exported. However, a number of regulations reduce the effectiveness of the sector to realise these extra values and earn valuable foreign exchange.

V.a Export tax on raw hides exports

In the 2015 Mid-Term Fiscal Policy Review, Government with effect from 1 October 2015 imposed an export surtax on raw hides and skins at the rate of US$0.75 per kg. This has effectively made it uneconomic to export raw hides. However, the local tanneries have been unable to absorb all hides on offer and there has been a build-up of hides stocks at abattoirs with increased spoilage, a loss to the national economy. It is suggested that Government rescinds the surtax of $0.75/kg on raw hides and wet-blue tanned hides, respectively.

V.b Duty on MDM imports

Mechanically deboned meat, a raw material in the meat processing industry, currently attracts a duty of 40%, similar to duties applied on most finished food products. It is suggested that the duty charged on imports of MDM be reduced from 40% to 5% in line with other raw materials.

V.c Processing by-products of livestock processing (DLVS)

Current restrictions on private abattoirs to process abattoir wastes such as meat, bone meal, and blood meal, is denying the country a key source of raw materials for the feed manufacturing industry. There is need for the DVS to revise its guidelines for abattoir waste rendering these in line with FAO minimum standards that allows cheap and safe transformation of abattoir wastes into valuable feed raw materials by private abattoirs.

1.0 Introduction

This study is intended to provide an in-depth analysis of the key regulatory, policy and institutional factors underlying Zimbabwe's poor performance in the livestock sector. Based on this assessment, it is proposed to outline alternative policies and strategies will be outlined which will result in a high growth trajectory to address poverty, self-sufficiency and the supply requirements of processing and other industries. The focus will be on the following major issues:

a) The policy, regulatory and institutional environment guiding the production and marketing of livestock and livestock products, and whether or not this is constraining sustained high growth in this sector.
b) The policy and regulatory environment constraining supply related factors such as feed stocks which are of relevance to the efficient functioning of the sub-sector.
c) A clear assessment of the current livestock support strategy and whether or not this will bring about high growth in this sector.
d) An alternative set of proposals for a high growth livestock production strategy, along with policy and regulatory reforms which will facilitate the success of this strategy.

2.0 Review of the Livestock Sector

2.1 Livestock in the agricultural sector

Zimbabwe is well suited for the rearing of grazing animals as it is situated in the tropics, with annual average temperatures of 20 – 35°C and a savannah grassland type of vegetation. The rainfall pattern is uni-modal and highly seasonal, with major precipitation occurring between November and March. Therefore, for nine months of the year conditions are dry, affecting the quality of the veld and nutritional status of grazing animals. In recent years, the frequency of droughts has increased and mid-seasonal droughts are more pronounced, reflecting the effects of climate change.

Most of the cattle, goats and sheep in Zimbabwe are found in natural regions 3 – 5, which makes up nearly 65% of the land area and is characterized by low rainfall and high temperatures and averaging 40°C in the hot season. Approximately 70% of communal farming areas are in natural regions 3, 4 and 5 where livestock contribute 86% to household income[1]. A significant proportion of these areas are found in the provinces of Matabeleland North and South and parts of Midlands, Manicaland and Masvingo. Livestock are, therefore, important sources of livelihoods, contributing to nutrition, income and support for crop production. In general, these drier areas follow an extensive system of production based on rangelands characterized by sweet veld and browse which are nutritious, but of limited availability due to low rainfall. Being the biggest user of natural resources, the production of grazing livestock in such areas is often linked to the degradation of land.

Agriculture currently contributes 11% to the gross domestic product (GDP) and ranks third after mining and services in the economy of Zimbabwe. Livestock are estimated to contribute 22% to the agricultural

[1] Draft Livestock Policy, Ministry of Agriculture, Mechanisation and Irrigation Development, 2015

GDP. This is in contrast to the contribution of 45% in highly developed economies, clearly indicating a production gap[2].

The livestock sector contributes to national income, human nutrition and foreign currency earnings with upstream and downstream linkages to industries such as stockfeeds, leather, soap, confectionery and beverage manufacture.

The most important species are cattle, sheep, goats, pigs and poultry. Aquaculture, crocodile farming and apiculture are also gaining in commercial importance. These provide products such as meat, milk, hides and skins, eggs and other by-products. The sector meets the country's internal demand for beef, goat meat, chicken meat, table eggs and presently exports fish, hatching eggs, chicks, hides and a limited range of dairy products.

66% of the Zimbabwean population derives their livelihood from agriculture, with 40% doing so from the livestock sector[3]. Food producing animals are an important source of protein, vitamins and other essential micro-nutrients required in human nutrition. Livestock assets are also a wealth store and a source of disposable income. In addition, livestock make a significant contribution to crop agriculture by providing manure, draught power for tillage and transportation. Therefore, the livestock sector is an important contributor to the national economy as well as to human health and well-being.

2.2 Livestock and the changed farming landscape

The farming systems which sustained livestock production up to 2002 have changed significantly, mainly as a result of the land reform programme. The distribution of farmers operating on small holdings of between 30 to 50 hectares increased with the introduction of the A1 farmer category. At the same time, the proportion of large scale commercial farmers with up to 1500 hectares, especially in the higher rainfall areas, was drastically reduced[4]. High levels of land utilisation efficiency involving intensification are now required, coupled with sustainable natural resource management, which will also address the need for deliberate pasture cultivation and improving the management of rangelands.

Land parcel demarcation is necessary in line with animal identification and traceability to control animal and zoonotic disease and pests as well as in meeting certain market assurances in connection with environmental hazards. Most land parcels are not meeting these requirements due to financial constraints and the non-existence of veterinary and road fences which had assisted regional disease control in the past. This situation affects market access which relies on the availability of such infrastructure.

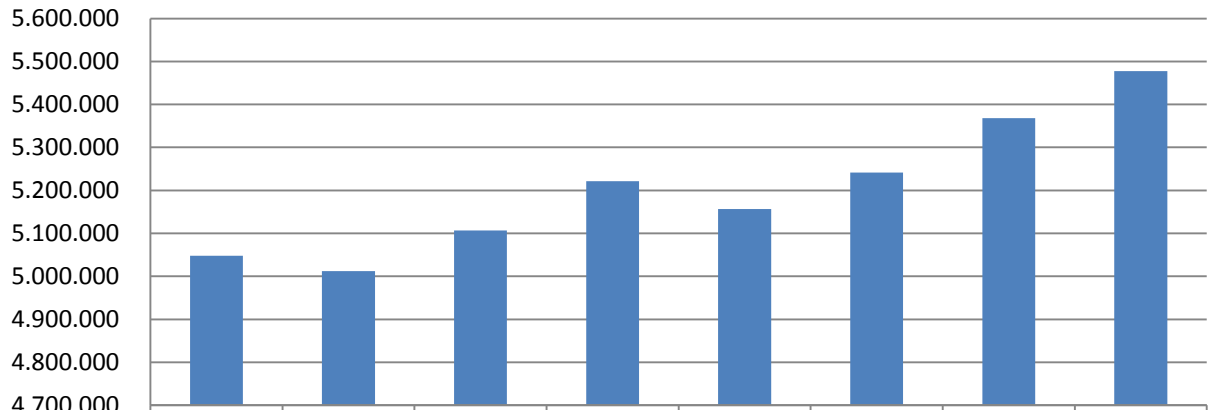
[2] Draft Livestock Policy. Ministry of Agriculture, Mechanisation and Irrigation Development, 2015.
[3] Draft Livestock Policy. Ministry of Agriculture, Mechanisation and irrigation Development, 2015.
[4] Sam Moyo(2004). "Overall Impacts of the Fast Track Land Reform Programme" http://archive.kubatana.net/docs/agric/aias_land_reform_040513.pdf

2.3 Cattle Production

2.3.1 Beef cattle production

The national cattle herd has been increasing since 2008 and is currently estimated to be 5.4million (see Figure 2.1 below). In general, the cattle production system is dominated by family-based small- scale producers, characterized by low input mixed farming, with unviable high stocking rates and limited grazing. Nearly 90% of the national herd is owned by smallholder farmers. Of the 60% of households owning cattle, each owns between 2 and 5 cattle. The productivity of smallholder herds is low, with average calving rates of 45% against a possible 60%, and off-take rates of 6%, against a recommended 20% needed to meet internal and export demand[5]. The smallholder cattle herd represents a value that could be unlocked to the advantage of the national economy, household food and nutrition security and employment, but productivity remains inefficient and uncompetitive.

Figure 2.1: Population of Non Dairy Cattle



	2008	2009	2010	2011	2012	2013	2014	2015
Cattle	5.048.218	5.011.840	5.106.673	5.221.720	5.156.753	5.241.192	5.368.105	5.477.338

Source: Department of Livestock and Veterinary Services, MAMID

Some of the underlying causes of production inefficiencies include poor nutrition and animal health, infertility, unsuitable genetics, inefficient marketing, inadequate infrastructure, equipment and funding, low level of entrepreneurial and technical skills and weak institutional support. The limited effectiveness of animal husbandry and health extension also has negative implications on food safety and animal health in general.

Given a past in which the country successfully exported cattle products, including beef to the European Union between 1985 and 2002, there is good potential to resuscitate the cattle industry. However, this should be preceded by a cost-benefit analysis of this market given the size of direct and indirect investment that went into securing the necessary bio-security. An in-depth review is required of the

[5] Draft Livestock Policy. Ministry of Agriculture, Mechanisation and Irrigation Development, 2015

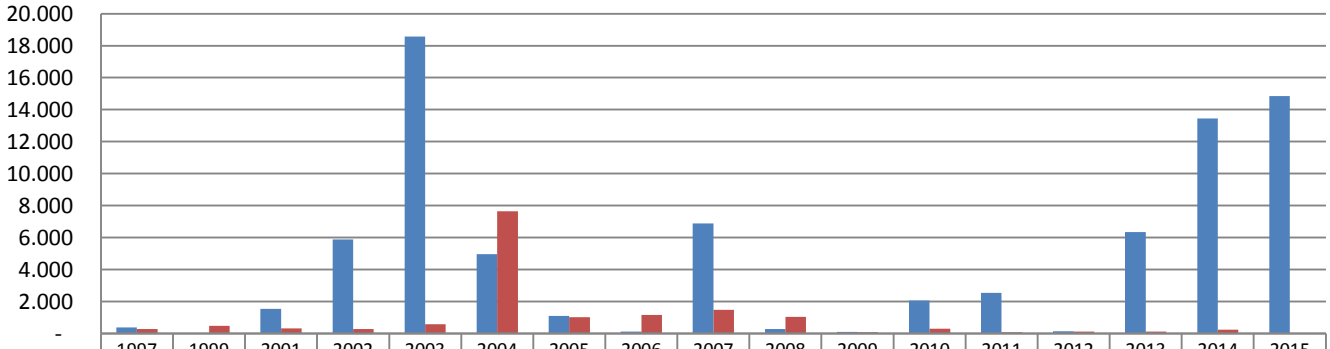
debt of US$23 million at the Cold Storage Company (CSC), decaying infrastructure suffering from years of under-utilisation, and a human capacity severely limiting its ability to maintain the flagship brand in the advent of more competition following market liberalisation and the entry of private players into the industry.

Current challenges, particularly the sustainability of beef supply, have led to suggestions for more comprehensive coordination of the meat value chains, under a common 'Meat Board' for improved coherence. This element needs to be interrogated for its merits in addressing production and marketing challenges.

Higher input cattle production on the other hand, attributed to better resourced producers on commercially viable entities, account for 10% of the national herd. However, stocking densities in this farming system are sub-optimally low on unimproved grazing and producers lack organised rotational grazing management[6]. A significant number of A2 farmers in this sector are relatively new, with limited skills in livestock farming as a business, and do not belong to common-interest unions for lobby power. They are also poorly served by public sector extension due to lack of resources. This adds to the prevailing environment of low productivity and the poor quality of products that are delivered to markets.

The beef sector should be poised for growth but continues to face major hurdles. The sector is struggling to bring Foot and Mouth Disease (FMD) under control in the Masvingo, Midlands and Matabeleland provinces. There is commendable effort though in suppressing the incidence of anthrax (Figure 2.2). Apart from disease occurrences, the two successive years of low rainfall in 2013 and 2015 have also reduced dry season grass resources in the main beef producing areas of Matabeleland, Masvingo, Midlands and northern parts of Mashonaland provinces.

Figure 2.2: Incidence of Livestock Disease

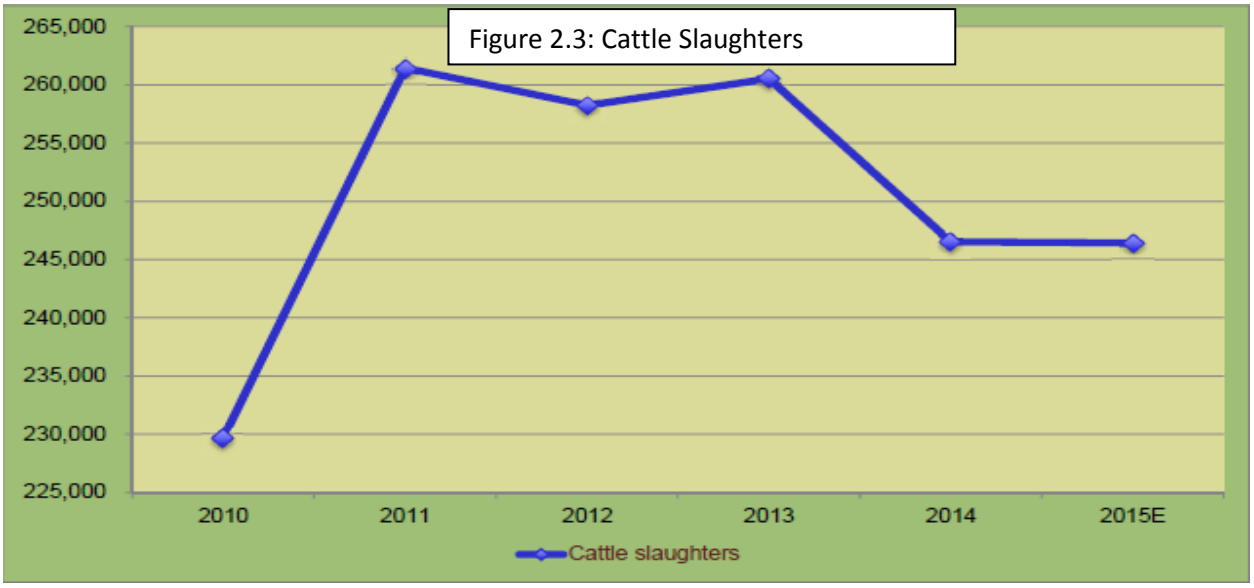


	1997	1999	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
FMD	376	29	1.536	5.877	18.561	4.971	1.094	115	6.884	278	110	2.052	2.537	150	6.334	13.446	14.847
Anthrax	288	478	318	278	584	7.639	1.017	1.163	1.482	1.041	88	307	83	120	128	249	-

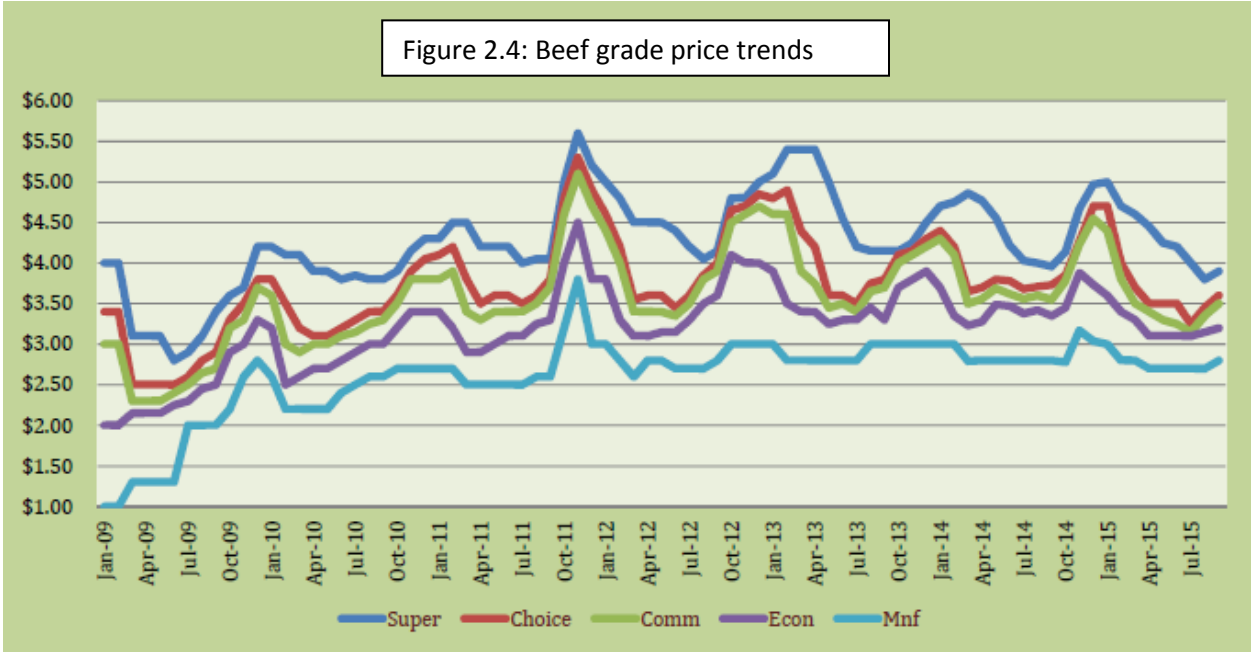
Source: DLVS

[6] Draft Livestock Policy. MAMID, 2015

Cattle slaughters have remained stable in recent years but are 60% lower than in 2000 (see Figure 2.3 below). Due to low disposable income, demand for beef has shifted to the lower grades, which has reduced the price differential between grades. Whereas in 2009, commercial grade beef fetched a 50% higher price than economy grade, by early 2014, the difference had been reduced to 8.5% (see Figure 2.4 below). There have been reported sightings of imported chicken in retail outlets despite the fact that no import permits have been issued. This implies that chicken is illicitly imported into the country without duties being paid which puts on local livestock product prices.



Source: Meat Grader Section, DLPD



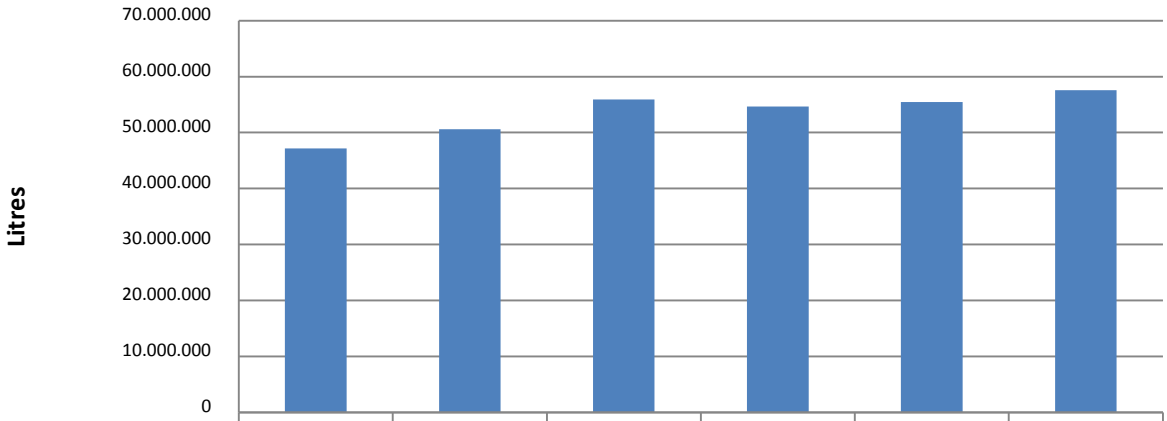
Source: MC Meats

2.3.2 Dairy production

The national dairy herd is at 33 000 animals, producing 57 million litres of milk per annum (figure 2.5). However, milk production has been on the decline since the early 1990s. At its peak in 1994, the dairy industry produced 300 million litres of milk on 383 registered dairy farms and the national dairy herd was at 104 483 head, including 53 073 milking cows. Currently, 250 large and medium scale producers deliver to the formal market as well as 3 000 small scale producers and 10 000 subsistence producers who also sell milk informally. Added together with imports (liquid equivalent) of 36 million litres per year, current consumption is only 7 to 8 litres/head/year. This is considerably lower than previous consumption levels of 25 litres/head/year[7].

The national average daily milk production per cow stands at 7 litres per day, against an optimal 20 to 40 litres, depending on breed (genetics) and management systems. Over the past 13 years, the dairy value chain has been characterised by a decline in milk production, cow numbers and producers. The "Schools Milk Programme" launched by the Zimbabwe Dairy Industry Trust in 2013 requires that this production gap be closed. This has been associated with rising levels of dairy imports and a negative balance of trade. Input costs have increased while milk prices have remained constant and producers are experiencing a cost-price squeeze. These conditions have resulted in the growth of the informal sector which falls outside the formal regulatory regimes and, therefore, cannot provide safeguards for product quality and safety.

Figure 2.5: Milk Production



	2010	2011	2012	2013	2014	2015
Milk Production(lts)	47.188.093	50.603.345	55.929.694	54.627.134	55.479.075	57.544.906

Source: Dairy Services, DLPD.

Low productivity per cow is multifactorial, largely due to poor nutrition and inferior genetics. Production efficiency can be raised through improved nutrition, especially by growing high quality forages on-farm, reducing the cost of grain and pulse-based feed supplements and improving the

[7] Dairy Services, DLPD; and Zimbabwe Association of Dairy Farmers

genetic potential through the use of imported superior genetics. For optimal performance, it is also necessary to establish the correct genetic makeup of dairy animals for producers in a range of ecological and farming systems. While imported breeding animals may offer respite to individual farmers, this is costly and not sustainable in the long term. Solutions relying on internal relationships based on technology adaptation and development by way of research and extension would be more sustainable. Primary importation of foundation stock can be scaled up at multiplication centres for onward purchasing by producers, backed up and enhanced by capacity building as well as investment into technology transfer for the production of sexed semen and embryos.

There are 3 000 registered smallholder producers, jointly owning 9 000 cows who are members of 28 milk collection centres, set up under the Dairy Development Programme (DDP) within the Agricultural Rural Development Authority. They either deliver milk to the formal market or sell locally through informal channels. Management related milk yield, quality and safety issues in this sector and among other emerging producers, affect their potential to meet milk standards required for keeping quality and value addition by processors.

Smallholder producers generally rely on natural servicing by bulls, usually associated with low conception rates, due to challenges with bull supply and management issues, compromising milk production efficiency. Breeding technologies such as artificial insemination still have to take root and are affected by organisational, logistical and cow management issues. Given the small numbers of cows per owner, heifer replacement costs, the high cost of overheads and the effect of the cow's dry period on incomes, the viability of small dairy herds is questionable. Group-managed ventures to reduce costs needs to be evaluated in the context of viability of the individual dairy cow owner.

The commercial dairy industry, a capital intensive business, has been in decline since the 1990s. Despite government efforts to maintain dairy producers under the current land tenure system, there is a sense of insecurity amongst the remaining dairy farmers. Finalisation of security of tenure will encourage greater investment for quicker turnaround in the sector.

Milk collection and delivery distances are relatively long, averaging 15 kilometres nationwide. Transport problems are compounded by lack of storage facilities which are not conducive to storing highly perishable dairy products. Use of solar powered milk storage facilities and on-farm training on value-addition of milk will reduce the need for transport. Group marketing will not only ease transport problems, but will also result in higher premium prices and profits for smallholder milk producers.

Government needs to improve its support to DDP and Dairy Services to promote smallholder dairying. Although they have managed to leverage some direct support for their schemes from some development partners, DDP faces operational challenges to provide effective extension services to farmers. Under DDP, farmers were mobilised into associations, enacted a Constitution and chose management committees to run milk collection centres (MCC's). These are commercially run operations which require that farmers be equipped with practical skills to manage the MCC profitably. However,

there is need for MCCs to become more efficient, with better trained local managers from within their membership.

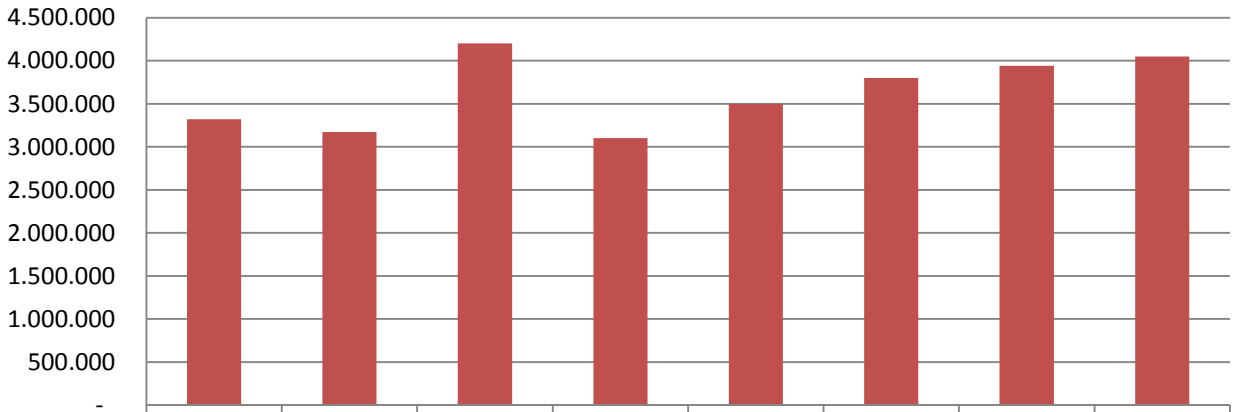
At the farmer level, practical management skills for dairy farming in terms of feeding, disease control and handling of milk are limited. Tick-borne and bacterial diseases are the most prevalent diseases in smallholder dairy sector as a result of infrequent dipping, lack of de-worming and poor access to animal drugs and vaccines.

2.4 Small Livestock Production

2.4.1 Small ruminants

Smallholder farmers own nearly 4 million goats and 450 000 sheep (Figures 2.6 and 2.7). A mix of breeds exist, including indigenous types such as the Matebele goat and Sabi sheep which are better adapted to local conditions. Despite this adaptation to local conditions, kid losses can be as high as 30%, reducing potential off-take[8]. Stronger efforts to promote goat meat as a healthier, low cholesterol alternative to beef and goat milk as a known substitute for human milk for children who suffer from milk allergy will be appropriate. Skins of small-ruminants have been successfully commercialised in some parts of the world, but this value has not been realised locally. Present demand for small ruminants indicates that their population can easily be increased to at least 10 million[9].

Figure 2.6: Goat Population

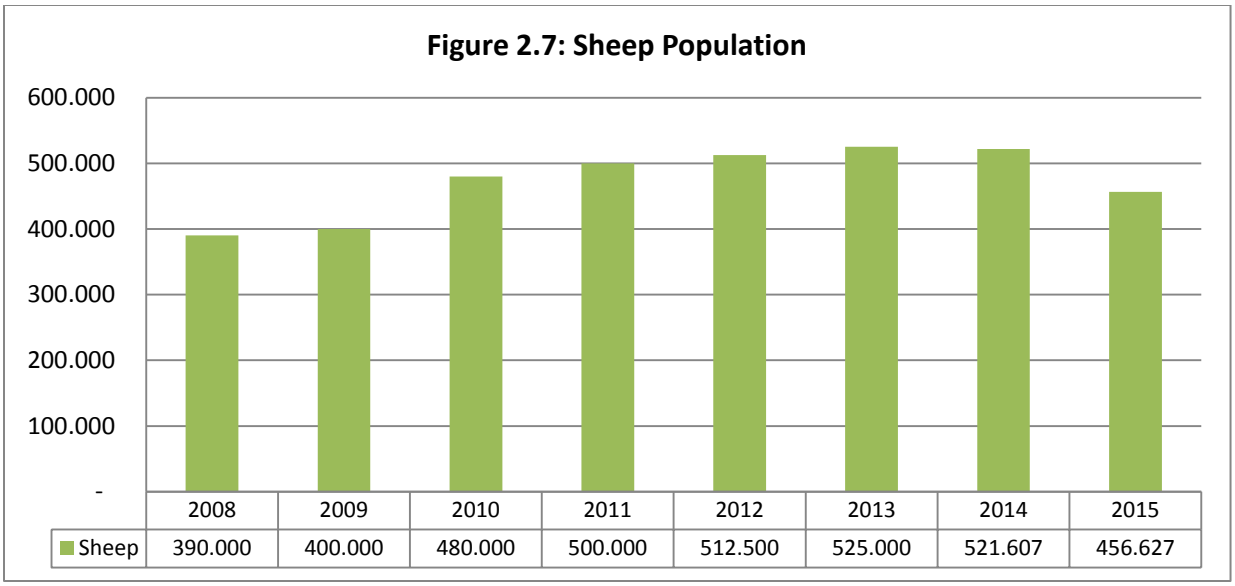


	2008	2009	2010	2011	2012	2013	2014	2015
Goats	3.320.000	3.170.000	4.200.000	3.100.000	3.500.000	3.800.000	3.941.274	4.049.528

Source: DLVS, MAMID

[8] Homann S, van Rooyen A, Moyo T and Nengomasha Z. 2007. Goat production and marketing: Baseline information for semi-arid Zimbabwe. PO Box 776, Bulawayo, Zimbabwe: International Crops Research Institute for the Semi-Arid Tropics. 84 pp.

[9] Draft Livestock Policy. MAMID, 2015



Source: DLVS, MAMID.

Small ruminants play an important role in providing animal protein at household level and they are an easy source of disposable income. An increasing number of women and youths are engaged in small-stock production for their livelihoods. Small ruminants dominate the informal market and as a result, producers suffer from 'buyer's market effect' while consumers remain unprotected due to poor regulatory support necessary for quality and safety assurances. There is no reliable information to fully account for the value of small livestock in rural economies.

In order for smallholder producers to be integrated into the national economy, significant investments need to be made into infrastructural development to promote contact with service providers and for marketing purposes. Innovative marketing will also benefit producers which will result in the commercialisation of this sector.

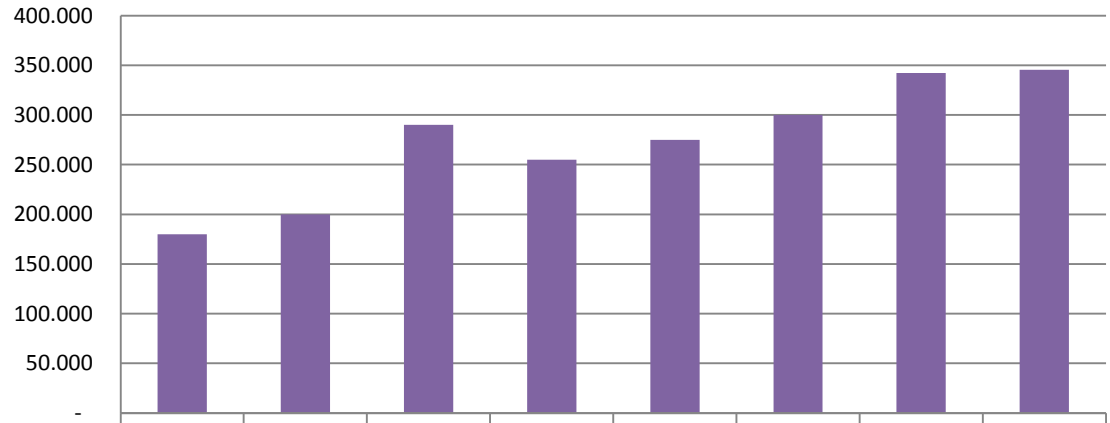
2.4.2 Pig production

Since 2008, the pig population has increased from 180 000 to 345 000 (see Figure 2.8 below), most of which are in the smallholder farming sector and consists of a sow herd of approximately 40 000 under free range and semi-intensive production. Commercial pig production, with a sow herd of 12 000, is concentrated in areas with high grain production as they need maize and soya for their diets, placing them in direct competition with human food needs. Feed inputs make up more than 60% of the costs of production in intensive pig production systems, rendering their products non-competitive, especially for export[10]. This has led to the high retail cost of pork, resulting in low effective demand at 3.6

[10] Pig Industry Board, Zimbabwe

kilogrammes (kg) per capita and there is, therefore, potential for resuscitating export markets[11]. Commercial pig production, however, runs in compartments and follows a producer/industry code of practice ethics, "the Zimbabwe Quality Assured Pork Programme'' to further assure biosecurity. In spite of the environmental risk to highly contagious trade sensitive diseases such as FMD, African and Classical Swine Fever, commercial pig production is already highly geared for export. Based on inquiries by importers, there are signs that exports of pork to Namibia and Angola can be resuscitated and that new regional markets can be developed.

Figure 2.8: Pig Population



	2008	2009	2010	2011	2012	2013	2014	2015
Pigs	180.000	200.000	290.000	255.000	275.000	300.000	342.227	345.449

Source: Pig Industry Board

The Pig Industry Board believes that extension services for pig producers are grossly inadequate, especially for the small rural producer where concerns about productivity and public health are high. Given the importance of feed inputs, greater attention is needed to provide genetic makeup with high feed conversion ratios and shorter intervals to market weight.

2.4.3 Poultry production

Most rural, urban and peri-urban households keep backyard or free range chickens. More than 90% of poultry kept in rural households are indigenous breeds, which are believed to be adapted to harsh conditions[12].

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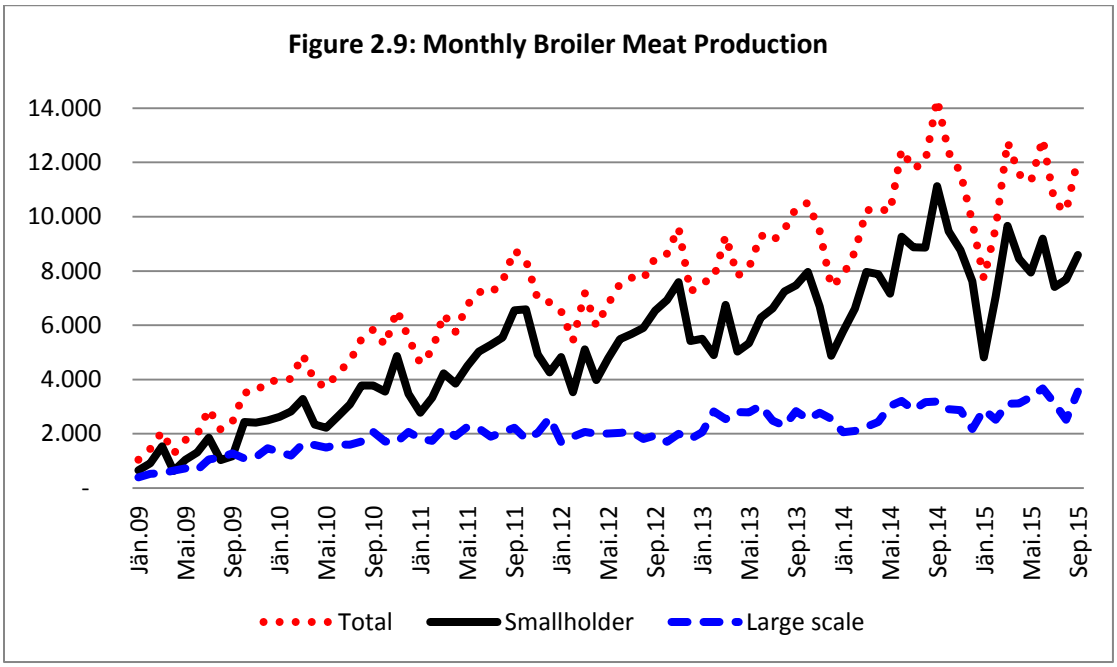
[11] Mutambara, J. A preliminary review of regulatory constraints affecting pig industry in Zimbabwe. Livestock Research for Rural Development 25 (3) 2013. http://www.lrrd.org/lrrd25/3/muta25043.htm

[12] Draft Livestock Policy. MAMID 2015

The commercial poultry (broilers and layers) industry is one of the fastest growing livestock sub-sectors. Between January 2009 and September 2014, monthly broiler meat production grew from 1 000 metric tonnes (mt) to 14 000 mt (see Figure 2.9 below). However, since then growth has stalled and averaged 12 000mt per month in the first nine months of 2015. The smallholder sector has been the biggest contributor to broiler growth and currently accounts for about 65% of national broiler meat output.

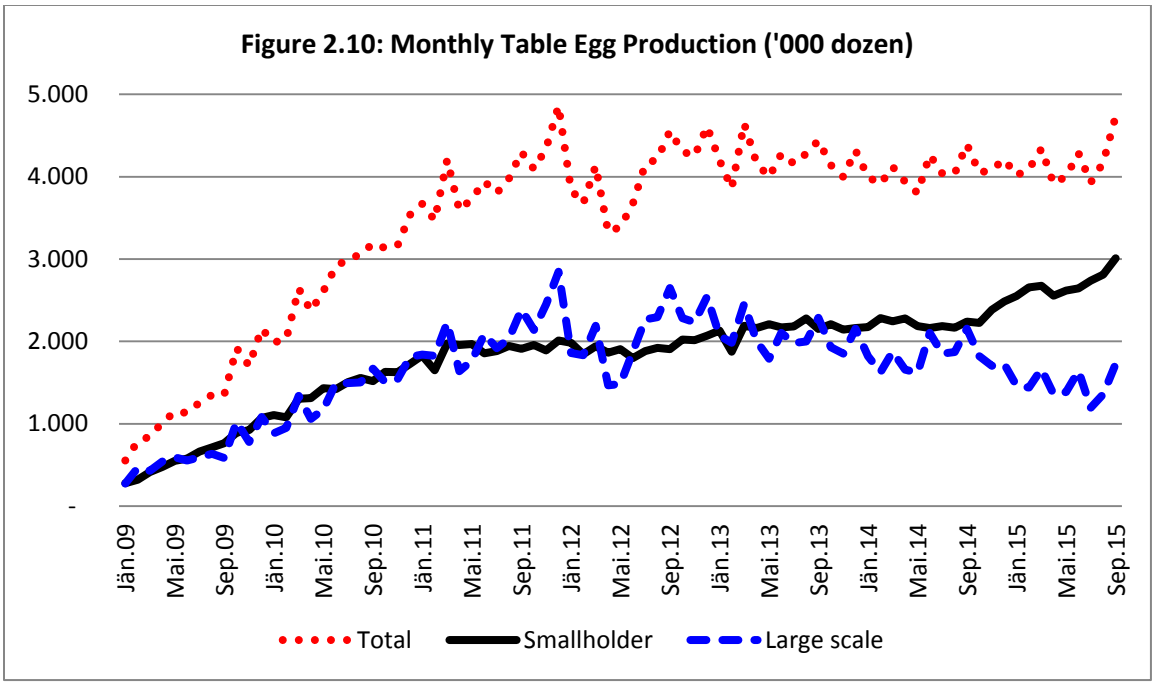


Source: Zimbabwe Poultry Association

Table egg production has also experienced phenomenal growth since 2009. Between January 2009 and December 2011, monthly table egg production grew from 277 000 dozen to nearly 4,5 million dozen (see Figure 2.10 below). Since then, production has remained relatively stable around 4.5 million dozen per month. Between January 2009 and September 2013, the smallholder sector accounted for 50% of production. However, since then, there has been steady growth in smallholder egg production and a decline in the contribution from the large scale sector. By late 2015, the smallholder sector accounted for 67% of eggs sold in the country.

Growth in the poultry sector has been accompanied by growth in the hatchery sector. Four new hatcheries were established during the period 2009 to 2014. There has also been significant growth in the feed sector with new feed mills being established and the volume of feed produced increasing in tandem. Poultry production accounts for 72% by volume and 77% of the value of feed produced[13].

[13] Stockfeeds Manufacturers Association of Zimbabwe



Source: Zimbabwe Poultry Association (ZPA)

While providing a source of income for the unemployed, poultry rearing in urban or high settlement areas poses a challenge to the spread of highly contagious animal or zoonotic diseases and pests. This also threatens the viability of large commercial poultry enterprises, which are vertically integrated and compartmentalised for biosecurity. Free-range poultry production systems result in highly favoured organoleptic qualities, presenting opportunities to access lucrative urban niche markets. Other under-developed niche poultry products include guinea fowl, quail, duck and turkey.

The biggest challenge facing poultry production is the high cost of feed, which can be up to 78% of the cost of production[14]. This is largely caused by the high cost of the main ingredients, maize and soya meal. To enable the poultry industry to be more competitive, there is need to encourage increased local production of maize and soya beans. Similarly, an improvement in management and the use of superior poultry genetics will improve efficiency.

2.4.4 Aquaculture

Fish Farming

Zimbabwe has the largest number of medium sized and small inland water bodies in the Southern African Development Community (SADC) region, providing good potential for fish production to meet the need for high quality but low cost protein. The Department of Livestock Production and Development (DLPD) and Parks and Wildlife Management Authority (PWMA) are sources of fry supplies for stocking water bodies.

[14] Budgets by the Zimbabwe Poultry Association

There is a dearth of data on inland fisheries production, except for Lake Harvest on Lake Kariba, the largest cage fishery enterprise in Africa, which produces bream for the local and export markets. Exports to regional markets are proving highly viable with Zambia alone importing 60% of the fish produced, while the United Kingdom imports 7%[15]. The company annually exports up to 8 000mt of frozen fillets and whole fish and potential exists to treble this over a 3-year period. The company's plan to contract maize and soya production to local farmers is bound to have an effect on stimulating demand. Lake Harvest currently employs 600 people.

In line with the current need to promote fish as a healthy alternative to beef[16], unpolluted water resources at irrigation schemes and ponds at village level are being targeted for development. Fish production can also be integrated with the production of other livestock in a permaculture system involving pigs, poultry and ruminants, while addressing the need for diversification.

Crocodile farming

There are 3 main producers of crocodile in the country (Padenga on Lake Kariba, Nuanetsi and Binga), targeting markets in the Far East, primarily for the high value skin, with tail meat being favoured in some European (Belgium) and Hong Kong markets. The meat sells at US$5.00/kg in Europe. Plans to export tail meat to North America are advanced. Padenga Holdings alone employs at least 800 people.

2.4.5 Apiculture

Apiculture is important in supporting the horticultural industry. By 2010, 21 000 farmers were involved in apiculture throughout the country. Rural farmers have an average of 1 – 4 beehives for subsistence and a few commercial producers have up to 300 beehives. Production by most smallholders is largely for home consumption.

Production is estimated at 150mt annually and an unmet demand of 60% exists, especially by pharmaceutical firms and supermarkets[17]. As a result, this gap is met by imports from Zambia, Malawi and South Africa (SA). However, export opportunities exist to regional markets whose demands are also not met. Efforts must now be made to provide the biosecurity assurances required in the support of trade. There is need for capacity building in bee health and diseases, and to develop producer capacity through extension. Given the low capital requirements, apiculture has potential as a viable livelihood source for rural households.

Small stock production has the potential to contribute to increased economic growth and livelihood resilience and should be supported by conducive policy and institutional frameworks.

2.5 Hides, Skins and the Leather Industry

The industry is made up of hides from cattle and skins from small ruminants and crocodiles. With the demise of the ostrich industry in response to low world prices, presently only bovine hides and crocodile skins are being produced, with semi-processed crocodile skin being exported to the Far East. Up to the

[15] ZIMSTATS EXPORT STATISTICS
[16] Draft Livestock Policy. MAMID 2015.
[17] Draft Livestock Policy. MAMID 2015.

end of 2013 and due to under-capacity in the industry, cattle hides were exported in their raw form[18].

Approximately 1 168 entities operate in the industry, providing 5 610 jobs, all of which are under severe pressure from cheaper non-leather products, mostly from China and SA.

In 2013, the Ministry of Industry and Commerce launched the Zimbabwe Leather Sector Strategy (2012 – 2017). This was in line with the Industrial Development Policy (2012-16) with an objective to transform the leather value chain from production and export of raw leather and semi-processed products, to the export of value-added footwear, garments and other products. This is expected to generate up to US$116 million in revenue by 2017. In order to encourage value addition, a levy of US$0.75/kg is applicable to all exports of raw hide.

The leather industry is a natural component of the beef industry. Good quality leather is a function of good animal nutrition, animal health and welfare. The product is easier to collect and handle when it arises from registered abattoirs, which meet the pre-processing handling conditions. Registered abattoirs are also likely to receive and slaughter cattle from entities which have observed Good Agricultural Practices, prerequisites for product quality and safety. Therefore, high value leather and leather products are a result of farmer skills and knowledge received from extension and veterinary services support. These services need to be strengthened to better support the leather strategy.

3.0 Policy and Institutional Environment

3.1 Policies

The policy environment of the livestock sector is provided for by the draft Comprehensive Agricultural Policy Framework of 2013 (CAPF), which outlines four livestock policy objectives, each supported by several policy statements as follows:

(i) Improved production and productivity of all classes of livestock:
- Promote preservation, improvement and expansion of existing pedigree herds, especially indigenous breeds;
- Promote research on appropriate and applicable technologies in livestock production;
- Promote adoption of good animal husbandry practices;
- Promote establishment of strategic feed reserves;
- Promote improved pasture and rangeland management; and
- Introduce a livestock fund.

(ii) Effective and economic control of livestock diseases:
- Strengthen veterinary services;
- Facilitate investments in disease surveillance and prevention measures; and
- Promote establishment of veterinary infrastructure.

[18] Zimbabwe Association of Abattoirs

(iii) Strengthened institutional arrangements to co-ordinate the livestock industry:

- Promote the establishment and maintenance of production and marketing infrastructure.

(iv) Improved integration of crop-livestock farming systems

- Promote the introduction of resilient and adapted animal breeds to improve provision of draught power;
- Promote appropriate manure management practices in all farming sectors; and
- Promote cost effective use of livestock and crop residues as alternative energy sources.

Zimbabwe has accepted the CAPF and its associated Zimbabwe Agricultural Investment Plan (ZAIP) as the framework to guide all future agricultural development investments. In line with CAPF, the overall programme objective of ZAIP is to facilitate sustainable increase in production, productivity and competitiveness of Zimbabwean agriculture.

However, most of these policy frameworks have not sufficiently catered for the livestock sector to benefit from optimal levels of investment and development. A stand-alone livestock policy would be ideal to guide investments into the sector. This should be supported by specific sub-sector strategies covering major commodities, especially for meat, dairying and breeding.

In a regional context, the need for revised national livestock sector policies has been advised following the SADC regional livestock sector policy. Similarly, the African Union, noting the opportunities presented by Africa in livestock production, is supporting the review and development of policies for the livestock sector.

Following the promulgation of the National Food and Nutrition Security Policy in 2013, the livestock sector is poised for the important role of making animal protein and other nutrients available that are required to balance the human diet. This position is further enshrined in the Zimbabwe Agenda for Sustainable Socio-economic Transformation (ZimASSET) blue print, which also emphasises the component of food and nutrition, while indicating a need to address livelihoods through poverty reduction and economic empowerment.

Growth of some small livestock species is also being hampered by a lack of policy alignment between agriculture and environment ministries. This applies to fish farming and quail farming where the two ministries seem to be at odds regarding which should regulate the sub-sector. Most fish farming involves pond culture where farmers buy fingerlings and feed them to market weight, similar to broiler production where farmers buy day-old chicks and feed them to market weight. The Ministry of Environment, Water and Climate has regulations that guide catch fisheries which are different to pond fish farming. Similarly, quail farming involves breeding of exotic quail birds for meat and eggs. The quail species utilised by farmers are not related to wild quail found in Zimbabwe and there is no risk of cross breeding between the species.

3.2 Legislation

Legislation exists to regulate food, animal health, feeds, drugs and remedies as well as public health, in the interest of human and animal health, consumer interests and protection of the environment. National commitments to international conventions involving trade (the World Trade Organisation), environment (the Convention on Biological Diversity and its Biosafety Protocol) and international health (the World Health Organisation's [WHO] International Health Regulations), also provide guidance on best practices relating to production, processing, storage and marketing of livestock products. Livestock production, therefore, is expected to respond to international standards such as World Animal Health and international food code standards (Food and Agriculture Organisation / WHO *Codex Alimentarius* guidelines).

Greater cooperation between PWMA and the Department of Livestock and Veterinary Services (DLVS) is needed in aquatic animal disease surveillance as well as control, especially through imports and internal transfer of live fish and other aquatic animal species, to curtail the spread of diseases and pests that decimate fish populations, including the introduction of predator species in water bodies.

Government policy is against the use of genetically modified (GM) feedstuffs in the production of livestock. In the face of maize and soya production deficits for a number of reasons, this is one factor with direct implications on the cost of production in intensive poultry, pig, dairy and aquaculture enterprises. It is also impossible to avoid importing animal products such as milk, hatching eggs and meats from animals which have not been exposed to GM feeds, as most countries with export surpluses are growing and using GM based grains in livestock.

3.3 Institutions

The livestock sector is served by both public and private sector institutions. The major public service institution is DLVS, which as the coordinating public institution, provides technical, extension and advisory services and regulatory oversight in animal production and health. The Department of Research and Specialist Services (DR&SS) provides research services into livestock production. Agricultural and Extension Services provides technical skills in extension and complements livestock extension as mixed crop/livestock production is undertaken in many areas. The Pig Industry Board provides development support to pig producers as well as improved breeding stock. Other government departments include Agricultural Marketing Authority (AMA), Environmental Management Agency (EMA), Agricultural Research Council, Agricultural and Rural Development Authority, national universities and agricultural colleges. Extension support may also be obtained by farmers from private sector service providers.

CSC, which formed an important part of the processing sector of the export beef value chain and played a strong part in developing the livestock industry, should be analysed in this context. Its key remaining viable assets are its ranches which have potential to bolster production of superior breeding stock for use by farmers wanting to improve their herds. This would be complemented by private breeders, government research stations, multiplication centres and agricultural colleges, using imported and/or local improved genetics. In the past, CSC also played a role in restocking following droughts as well as supplying cattle to producers through their cattle finance scheme. Against a background of rangeland

and feed constraints, the CSC ranches could also serve as an important resource for the generation of quality pasture or fodder crops or as warehouse holding grounds for 'securitised' cattle. The ability to raise the numbers of cattle held could be exploited by re-opening selected abattoirs.

Producers are represented through a variety of producer organisations, unions and commodity groups. Unions are the voice of farmers and producers and provide fora for articulating and presenting members' interests. Over the years, the effectiveness of lobbying by farmers' unions has declined and a significant proportion of farmers are not unionised for ease of interaction. The Livestock and Meat Advisory Council (LMAC) is an important forum for stakeholders in the livestock industry and has representatives from all major stakeholders, including government departments, processors, producers and the retail trade.

3.4 Financing

Financing for the livestock sector, in common with the rest of the agricultural sector, is inadequate. The agricultural sector is believed to utilise 18% of the total credit portfolio in Zimbabwe. Financial institutions blame the lack of liquidity and collateral as reasons for not extending finance support. However, 85% of the deposits in the banking sector are short term, unsuitable as a basis for medium- and long-term lending. Micro-finance institutions demand secure repayment conditions and offer loans with high rates of interest, inappropriate for medium- and long-term agricultural financing.

Agribank is the largest lender to the agricultural sector, but most of its lending is directed towards short-term loans for crop production. This position is also reflected in lending policies of other banks. As the land bank, Agribank should be the major public financing institution to the agricultural sector but under the current difficult economic environment, it has not been able to effectively carry out its mandate because of low capitalisation. Livestock farming is capital intensive and for cattle with a long production cycle, medium- to long-term loan facilities need to be available to unlock the full potential of the sector. Financial investment can be further protected through insurance services to manage the associated risk.

The warehouse receipt concept now being proposed by the MAMID for crop commodities, needs to be extended to the livestock sector to allow producers to leverage the value of livestock for other investments. Information communications technology models linked to financial institutions can be investigated for their utility, including simplifying livestock identification and traceability services required for associated risk management from a financial, as well as biological, point of view.

3.5 Livestock Marketing

The marketing of livestock and livestock products is conducted both formally and informally. A structured marketing system exists for live animals through public auctions and this follows an annual livestock sales calendar. However, private sales of live animals also take place. Proliferation of privately owned abattoirs has created fierce competition on the cattle market, with the result that with poor liquidity some key stakeholders such as the CSC have been elbowed out.

Concerns have been raised about the high cost of compliance in the marketing of livestock, which is fueling the informal market to the disadvantage of both the producer and consumer. Local authorities collect up to 12% of the value of sales in fees/levies but do not demonstrate how this addresses the producer's needs. The cattle marketing system requires urgent review which should examine responsibilities of the private sector and how to simplify the fee system, possibly through a Livestock Development Fund.

Contract farming exists for poultry, dairying and pigs in the form of out-grower schemes and the new contract farming provisions under development by the MoAMID will need to encompass the legal and ethical needs and responsibilities of stakeholders in the livestock sector.

Veterinary Public Health (VPH) regulations promote consumer protection by encouraging formal marketing of livestock products such as fresh meat and milk in areas of high human population settlement such as urban and industrial areas. Government livestock and meat grading as well as dairy services provide regulatory oversight to assure product quality and facilitate the promotion of ethics in livestock and livestock product marketing. These technical and sanitary controls need to be applied to an integrated value chain from the farm to the consumer in order to be effective in supporting compliant producers and processors to remain viable. An integrated value chain approach also results in high quality products such as milk, hides and skins that are presently suffering from poor animal nutrition, health and welfare practices. However, low staff capacities, poor farmer awareness and other logistical issues affect the delivery of these regulatory and extension services.

Pricing for livestock and livestock products is determined by supply and demand and there is no price control. Opportunities exist which could be exploited for export trade both within the region and internationally. *Per capita* consumption of beef is estimated to have declined from 13.5kg to 4.3kg over a 20 year-period[19]. Historically, beef and farmed ostrich and crocodile meat has been exported to the European Union, farmed ostrich skins to the Far East, dairy products to Malawi and Botswana and chicken and pork to Namibia. Although individual farmers are likely to have found the beef exports to Europe lucrative, there has never been a benefit-cost analysis of this trade to determine the true benefits to the country, given the high cost of compliance, infrastructure and institutional support which was applied by the EU in ensuring sanitary safety through veterinary services. SADC and the Common Market for Eastern and Southern Africa regional trading blocs have domesticated trade protocols to facilitate inter- and intra-regional trade, which still has to be fully exploited.

In general, the domestic demand for animal products is subdued due to low disposable income against relatively high retail prices, especially on the formal market. For example, the national demand for beef is estimated at only 4.3kg per capita (for formal and informal markets). The picture for other animal products is similar, as evidenced by seasonal stockpiles of poultry and pork. The question that may be posed is how the population is able to meet its protein requirements with such a low consumption of animal products. It has been suggested that the intake of alternative sources of protein, including

[19] ZIMSTAT, 2012. Poverty, Income, Consumption and Expenditure Survey(PICES).

insects such as mopane worms and kapenta fish may be complementing conventional protein sources. The contribution and value of these alternative protein sources need to be evaluated.

It is the formal sector that has been structured enough to meet the demands of the export market through compliance with standards applying to product quality and safety for competitiveness. Vertical integration with well-developed market linkages is characteristic of large scale commercial poultry, farmed fish and pork. It remains to be assessed as to what extent the smallholder producer will address the costs of compliance with quality and safety standards required on the integrated value chain from 'farm to fork', for market access, as this presents a socio-economic dimension that needs deliberate programming. Promotion of exports results in increased production volumes which benefits downstream industries in animal feeds, hides and skins and soap manufacturing.

Therefore, the livestock industry presents a huge potential and opportunity for trade and investment, but needs to first of all address efficiency and competitiveness issues. Apart from reducing direct losses due to pests and diseases, veterinary services exist to manage the sanitary risk which can easily result in market failure. It is, therefore, important to heed the call to strengthen that service.

4.0 Regulations Affecting Livestock Value Chains

This section will look at the key institutions, policies and regulations affecting competitiveness of the acquisition of inputs, on-farm production, marketing, processing and post processing stages of livestock and livestock products. It aims to identify key regulatory constraints affecting the different stages of livestock value chains and offers suggested reforms to improve effectiveness of regulations and institutions.

4.1 Inputs Related Regulations

Many inputs are necessary in livestock production and feed and genetic resources constitute the most critical input. Regulations affecting the availability of feed and genetic resources either from local production or from imports have a significant bearing on cost effectiveness of local livestock production. Below, some of the regulatory constraints that have been identified by livestock stakeholders to be counter to achieving competitiveness are briefly described.

4.1.1 Regulations Affecting Locally Produced Raw Material Resources

The bulk of feed raw materials can potentially be produced domestically. Raw materials used by the feed industry which are partially produced locally include maize, sorghum, sunflower, soya beans and by-products such as of maize, wheat, cotton seed, soya bean, sunflower and sugarcane processing. The by-products include maize and wheat bran, oilseed (i.e. cotton, soya bean and sunflower) cake or meal and molasses.

Regulatory and policy constraints affecting access and cost of locally produced raw materials can be classified as follows:

- Excessive annual registration fees charged by AMA under Statutory Instrument (SI) 147 of 2012 for buyers of grain and oilseeds, the main suppliers of these raw materials to feed mills.
- Inconsistent application of zero rating for VAT on by-products of milling and crushing used in feed manufacture.
- Grain Marketing Board (GMB) pricing policy.
- Regulation of imported processed grains.

4.1.1.1 AMA Registration Fees

Before 2012, companies that contracted or bought and sold grains, oilseeds and by-products, only needed to be registered under the Companies Act. This changed with the gazetting of SI 147 of 2012, Agricultural Marketing Authority (Registration of Companies and Submission of Returns) Regulations, 2012. This legislation requires all companies that intend to be in the business of buying and contracting agricultural products to annually register and pay a registration fee of $500 with AMA and submit periodic returns on products bought and processed and keep records of the same. The SI states that any company that fails to comply with these requirements would be liable to a fine not exceeding level four or imprisonment for a period of three months or both. This regulation covers all agricultural commodities under AMA, apart from those covered by specific regulations such as tobacco (administered under the Tobacco Marketing Board Act).

The scope of the above legislation was further expanded with gazetting of SI 140 of 2013, Agricultural Marketing Authority (Grain, oilseed and products) By-Laws, 2013 whose stated objectives were to:

a) regulate the participation in the production, buying or processing of any grain (i.e. maize, wheat, barley, sorghum, rice, pearl millet [mhunga] finger millet [rapoko], ground nuts [nyimo], sugar beans, cowpeas, Michigan pea beans and sesame), oilseeds (i.e. soya beans, sunflower, groundnuts) and their processing by-products by producers, buyers or processors; and
b) promote orderly marketing and fair trade practices in the grain and oilseeds industry;
c) promote production of grain and oilseeds, including contract farming; and
d) provide a mechanism for enforcement of contractual obligations to protect the investment of farmers, contractors and suppliers.

The SI increased annual registration fees as follows:

- Application for registration as a grain industry stakeholder association requires completion of application form AMAG1 and an annual fee of $500;
- Application for registration as a contractor or processor requires completion of application form AMAG2 and an annual fee of $1 000 or $2 000 if lodged late;
- Application for registration as a buyer, trader or broker requires completion of application form AMAG3 and an annual fee of $1 000 or $2 000 if lodged late;
- Though not currently being enforced, application for registration as a grower requires completion of application form AMAG4 and an annual fee of $1 or $2 if lodged late; and
- Application for registration as a grain service hammer mill requires completion of application form AMAG5 and an annual fee of $2 or $5 if lodged late.

The regulations and fees noted above have a number of negative impacts on the cost of doing business in grain and oilseed marketing including:

- Increase in overhead costs for contractors and grain and oilseed buyers and sellers which are passed on to users of these products, including feed manufacturers. One major stakeholder in grain procurement incurs $3 500 in annual AMA registration fees as $1 000 is paid to operate as a trader, $1 000 to operate as a contractor and $500 for each of three warehouses.
- The high registration fees discourage buyers and sellers of small volumes of grain and oilseed to participate in the marketing system. This has the effect of reducing market access for surplus producing farmers who are in areas that produce little surplus grain. In addition, this is counter to Zimbabwe's ZimASSET agenda of encouraging inclusive economic growth.
- The high cost of registration fees also discourage companies from engaging in contract farming arrangements, contrary to the country's objective of boosting local production of key raw materials for the feeds industry in order to reduce import dependency.

4.1.1.2 VAT on By-products Used in Feeds

Regulations governing the application of VAT on by-products used in feed manufacture are covered under SI 273 of 2003, Value-Added Tax (General) Regulations, 2003. The Value Added Tax Regulations do not list molasses, maize and wheat bran by name as zero rated items. The Regulations indicate in

Part 1, Second Schedule, zero rating of the supply of goods consumed or used for agricultural purposes. One of the goods listed is animal feed as follows:

"Animal feed:

a) goods consisting of: -
    i. any substance obtained by a process of crushing, gristing or grinding or by addition to any substance which possesses or is alleged to possess nutritive properties; or
    ii. any condimental food, vitamin or mineral substance or other substance which possesses or is alleged to possess nutritive properties; or
    iii. any bone product, intended or sold for the feeding of livestock, poultry, fish or wild animals (including wild birds);
b) stock lick or substance which is of a kind which can be and is in fact used as a stock lick, whether or not such stock lick or substance possesses medicinal properties."

Wheat and maize bran are produced through a process of "gristing" or grinding of wheat or maize grain and are used in making livestock feeds, contributing to energy and protein nutrients. Similarly, soya bean, sunflower and cotton seed cakes are products of "crushing" of the seeds of these crops and form an integral part of protein supply in feeds. The Zimbabwe Revenue Authority (ZIMRA) accepts wheat and maize bran and oilseed cakes and meals as animal feed subject to zero rating under SI 273 of 2003. However, molasses which is a by-product of "crushing" sugarcane and refining to produce table sugar and used as an important energy source in cattle feeds, is not accepted as qualifying for VAT zero rating despite it being the main ingredient in the making of "stock lick" highlighted in condition (b) above. The standard rating (i.e. VAT of 15%) on molasses is therefore inconsistent with the above provisions and leads to an increase in the cost of cattle feeds.

During 2015, members of the Stockfeeds Manufacturers Association (SMA) used 18,000mt of molasses in the production of 117 000mt of dairy meals, beef pen feeding meals, dry season cattle maintenance licks and beef concentrates with a combined value of $32.6 million. Molasses contributed 15% by volume to all these cattle feeds and thus VAT of 15% on molasses has a significant impact on the cost structure for the industry. These figures do not reflect direct purchases of molasses from the sugar mills and distributers by farmers for on-farm feed mixing which is prevalent on most dairy farms and large scale beef feedlots.

Another problem facing processors of by-product is that some ZIMRA regional managers, despite legal provisions that specifically zero rates milling by-products used for livestock feed purposes for VAT, have been levying VAT on maize and wheat bran bought by feed mills. Box 1 indicates the lack of clarity on VAT on brans based on a survey of members of SMA conducted in October, 2015. (see Box 1 below).

BOX 1: Responses on whether or not SMA members are raising or paying VAT on bran sales or procurements (October 2015):

Respondent 1: Milling Company
In May 2014, we had an issue with a customer (stockfeeds manufacturer) we had charged VAT who disputed it on the basis of the ZIMRA response to your association.

We took the issue up with Mr. M. Chinana at ZIMRA, later Mrs. C. Shumbayawonda and Mr. Madongorere. It took so long to get a response and when they responded, they did not want to put it in writing on the basis that it was not a blanket exemption as wheat bran is also sold to non-stockfeed manufacturers and therefore the onus would fall on the seller to prove that they sold to a stockfeed manufacturer.

From July 2014, we then started charging VAT of 15% only to those customers who are not farmers and stockfeed manufacturers i.e. just one or two bakeries and here and there as bulk sales, to the stockfeed manufacturers.

We were audited in April 2015 and a penalty was raised on wheat bran sales we had done to stockfeed manufacturers. We appealed on 5th August 2015 and it was acknowledged.

All of a sudden, they then resumed VAT input refunds they had withheld. We have consistently been engaging them for a declaration on the matter but none has been forthcoming.

We are still pursuing the issue but have continued on the basis of their July 2014 explanations. No VAT charge to stockfeed manufacturers and farmers. If your organisation could get further clarity on the issue this would be greatly appreciated.

Respondent 2: Feed Manufacturer
We are paying VAT to some suppliers who have been audited by ZIMRA, mostly regional suppliers like Chinhoyi and Kadoma. They are adamant that they have been penalised.

Harare suppliers and larger millers like National Foods are not charging VAT.

If supplier is charging VAT, we pay; if he is not, we simply leave it.

It is a major problem however and pushes our costs up. We are struggling to get our VAT back from ZIMRA so it creates a cash flow issue having to pay this extra towards brans.

Respondent 3: Large scale poultry producer with own feed mill
We are paying VAT on procurement of wheat bran and maize bran.

Respondent 4: Out of Harare grain milling company
We charge VAT on the bran we sell, only because no one can give us a straight answer, even ZIMRA themselves.

Respondent 5: Large scale feed manufacturer (Harare)
We are not paying VAT on brans.

Respondent 6: Medium scale feed manufacture
We are importing most of our brans from Malawi and not paying VAT. Recently we have purchased some local brands and have also not paid VAT. Statutory Instrument 168 of 2012 refers but is not specific.

Respondent 7: Bulawayo based poultry producer with own feed mill
We haven't been paying any VAT on brans and have not received any directives from ZIMRA.

4.1.1.3 GMB Pricing Policy

On 8 August, 2014, MoAMID, through AMA, gazetted SI 122 of 2014, AMA (Minimum Grain Producers Prices) Regulations, 2014 setting a minimum maize buying price of $390/mt. It was considered necessary to protect local producers from low prices of locally produced grain, specifically maize. To achieve this objective, MoAMID of the SI, MAMID also restricted/effected restrictions or banned imported maize meal and grain from SA, Zambia and Malawi which had surplus grain for export to Zimbabwe at landed prices ranging from $265 to $310/mt

Stakeholders in the livestock value chain raised a number of concerns including:

a) ***Import Parity:*** The price of $390/mt was way above the cost of importing maize from countries in the region, making Zimbabwe's cost of feeds non-competitive relative to what other regional maize producers were paying. Based on prices of maize at the time, the landed cost of importing maize from SA to Harare by road was equivalent to US$312/mt, $292/mt by rail to Harare and $272/mt by rail to Bulawayo.

b) ***Regional Producer Prices*****:** The stipulated Zimbabwean minimum producer price exceeds by far those prevailing in the region. South African and Zambian farmers at the time were receiving approximately $190/mt and $265/mt for maize, respectively. Thus, Zimbabwean farmers were being paid more than double the South African producer price and 47% more than Zambian producers.

c) ***Severe impact on feed costs and on-farm cost of production*****:** At the time SI 122 was gazetted, feed processors were purchasing maize from farmers at $320/mt which was already higher than regional producer prices and close to the landed price of imported maize. Feed manufacturers argued that raising the procurement price to $390 would lead to cost increases that would induce increases in on-farm cost of production by as much as US$0.15/kg for pork, $0.08/ kg for beef, $0.13 per broiler day-old chick, $0.13/kg of broiler meat and $0.30 per dozen eggs. In addition, since 75% of the feed produced goes into poultry broiler production – in which 35,000 mainly female (60%) small scale farmers accounting for 52% of production – this sub-sector would be greatly affected by the increased maize price. The industry estimated that the increases in production costs in the poultry sector (broilers and egg) would cost all producers nearly $3 million per month[20] in lost profit and run counter to the stated objectives under ZimASSET.

In April 2015, SI 38 of 2015 repealed SI 122 of 2014. However, at the beginning of the 2016 marketing season MoAMID once again instructed GMB to set their maize procurement price at $390/mt when the import parity price was between $350 – 360/mt. This resulted in side marketing by producers despite having been contracted by processors and grain merchants. However, the GMB has been charging its processing division $300 for the maize it purchased for $390/mt. The difference is being passed on to Government. There are three major problems with this policy:

[20] T. Chamboko and Y. Erasmus(2013). Cost of Compliance with Regulations in the Poultry Sector. Study Commissioned by USAID-Agricultural Competitiveness Program, Harare.

- Because its processed products (maize meal and stockfeeds) are heavily subsidised, the GMB is able to offer its products at a lower price compared to private millers and stockfeeds companies - an unfair trading practice;
- The side marketing encouraged by the $390/mt price as well as the economic loss from GMB under-cutting millers and feed mills discourages private sector engagement in contract farming activities in an economic environment where bank credit to grain farmers is scarce and expensive; and
- This creates unsustainable burden on the fiscus who have to foot the grain marketing subsidy on top of seed and fertiliser production subsidies given to grain farmers under programmes such as the Presidential Input Scheme.

4.1.1.4 Regulation of Processed Grain Imports

Zimbabwe is a net importer of wheat by-products because of decreased local milling of flour, leading to higher costs

Increased flour imports have reduced local availability of wheat bran, a by-product which is essential in the manufacture of stockfeed. To satisfy local demand of bran, Zimbabwe imported 18 600mt of wheat bran during 2014 mainly from Malawi, Mozambique and Zambia (see Table 4.2). However, 3 000mt was exported to SA due to a seasonal glut. Thus, the net wheat bran imports amounted to 15 600mt. If the 100 000mt of imported flour had come from locally milled grain, this would have yielded 16 500mt of bran, making the country more than self-sufficient in wheat bran. Imported bran is expensive, costing an average of $165 per tonne, including transport costs. Locally milled bran saves $30 per tonne in addition to creating local employment in the milling sector. The reduced price of bran would lower the cost of feed manufacture. In 2014, members of SMA used 55 000mt of wheat bran, valued at $9 million. A saving of $30/ mt in the cost of bran would have reduced the cost of the manufacture of feed by $1.64 million, which, passed on to livestock farmers, would reduce the cost of livestock production, rendering Zimbabwean livestock products more competitive.

Table 4.2: Wheat Bran Production and Trade in 2014: Zimbabwe

	Exports (X)		Imports (M)		Trade Balance (X-M)	
Trading Partner	mt	$'000	mt	$'000	Mt	$'000
South Africa	2, 921	395	-	-	2, 921	395
Malawi			16, 781	2, 579	(16,781)	(2, 579)
Mozambique			1, 096	334	(1,096)	(334)
Zambia			750	154	(750)	(154)
Total	**2, 921**	**395**	**18, 627**	**3, 067**	**(15, 706)**	**(2, 672)**

Source: COMTRADE Database, UN-STATS

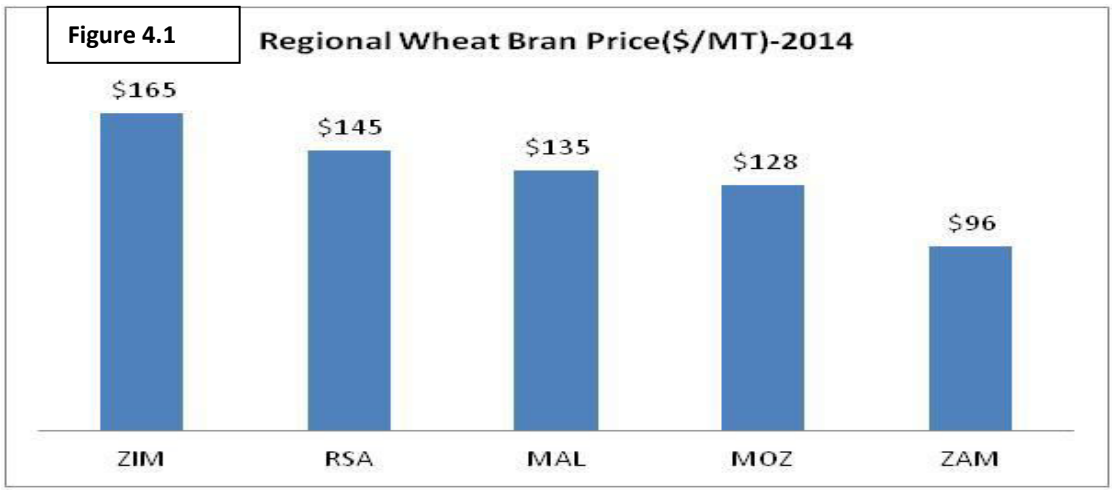
Regionally, Mozambique, Malawi, Zambia and SA have encouraged local milling of wheat as Table 4.3 shows that imported wheat four contributed 2% or less to total flour supply with the rest coming from locally milled locally grown or imported wheat grain. In contrast, close to 42% of total wheat flour used

in Zimbabwe is imported. The low volume of milling flour may explain why Zimbabwe has the highest price of wheat bran of the five countries as Figure 4.1 shows. The high cost of wheat bran - a key input into feed manufacture - leads to non-competitiveness of Zimbabwe's livestock sector in addition to worsening trade balance.

Table 4.3: Wheat flour imports as percent of a country's to supply of wheat flour: 2014

Country	Imported wheat flour (mt)	Locally milled flour (mt)	Imported flour as % of local flour supply
Zambia	57	227,439	0.03%
Malawi	690	140,809	0.49%
Mozambique	429	426,781	0.10%
South Africa	49,907	2,609,027	1.88%
Zimbabwe	99,594	140,591	41.47%

Source: UN COMTRADE Database



Source: UN COMTRADE Database

The above analysis supports the view that Zimbabwe should work towards developing a policy that ensures all wheat is imported in its raw form as other countries in the region are doing. The aim is to achieve zero imports of wheat flour and Zimbabwe has to increase the import of wheat grain and/or boost annual wheat production to 255 000mt. Such a policy will reduce import bill of flour from US$105 million to US$92 million, based on 2014 figures when the average price of wheat grain was US$360/mt and flour prices were $550/mt. As a result of adopting the 'import wheat grain only or boost local production' policy, the country will likely save US$13 million in addition to boosting milling capacity utilisation from 41% to 70% with the employment gains this entails.

Zimbabwe has the unenviable position of having the highest price of wheat bran in the region. A spill-over effect of the above policy is that Zimbabwe will become a net exporter of wheat bran. The transformation from a net importer to a net exporter of wheat bran will see local bran prices decrease by an estimated $30 per tonne, putting the country at par with Malawi in terms of price of bran. This will

reduce the cost of feeds and make the country more competitive in livestock products. The surplus bran can be absorbed by SA which, because of its large livestock industry, has excess demand, earning the country much needed foreign currency.

4.1.2 Regulations Affecting Imported Feed and Genetic Resource Availability

Due to the current low production of most feed raw materials such as maize and soya bean, hatching eggs and lack of production capacity for raw materials including minerals and vitamins, Zimbabwe has been heavily reliant on imports. However, regulations governing imports have increased the cost of doing business for the feeds sector. To import raw materials, companies have to obtain approval from a multiplicity of institutions governing importation, some with conflicting objectives. These include AMA, Department of Veterinary Services (DVS), Economics and Markets Division (E&M) (Control of Goods Act) and the National Biotechnology Authority (NBA) for GMO-free certification. GMO certificates are also required for some raw materials that do not have internationally traded GMO positive varieties. The lengthy process to obtain permits leads to a breakdown in the supply chain.

4.1.2.1 High costs of registration with multiple agencies

Prior to 2012, feed manufacturers only needed to be registered under the Fertilisers, Farm Feeds and Remedies Act [Chapter 18:12]. The Act requires that feed manufacturers pay an annual registration fee of $200. In addition, any new feed formulation sold by a company had to be registered with the Fertilisers, Farm Feeds and Remedies Institute. However, after 2012 feed manufacturers who import some of their raw materials need to be registered with two extra agencies, AMA and NBA. Under SI 147 of 2012 and SI 140 of 2013, manufacturers have to register with AMA and pay an annual registration fee of $1 000. NBA charges $500 annual registration fee for importers of raw materials that need verification that they are GMO-free. Although the National Biotechnology Act empowers the Minister to charge fees and levies to raise money for a Bio-safety Fund, this has to be through a statutory instrument requiring stakeholder consultations (see Box 2 below). No such SI exists empowering NBA to charge fees. Feed manufacturers have noted that these extra registration fees are excessive and more than twice the annual fees charged under the Fertiliser, Farm Feeds and Remedies Act by DR&SS, an institution that provides direct services for the feeds sector. In addition, NBA also charge for issuing certificates allowing importation of raw materials and a fee of $40 is applicable for anything under 5 000mt or $50.00 for anything up to 10 000mt. It is unclear why AMA, which falls under MoAMID, should be issuing a letter of support for the importation of raw materials when several institutions under MoAMID are already involved in issuing certificates to import. DVS issues a veterinary import permit at a cost of $10 per permit, Plant Protection Unit also charge $25 per permit while E&M issues the final import permit at a cost of $70 per permit. It therefore appears that AMA is merely duplicating services offered by sister organisations within MoAMID, adding to bureaucracy and the cost of compliance for importers of raw materials.

Box 2: National Biotechnology Authority Act [Chapter 14:31](No. 3 of 2006) Part VIII - Levies

Section 49 on Imposition of levies:

"(1) The Minister may, with the approval of Minister responsible for finance and subject to subsection (3), by statutory instrument, impose one or more levies on producers, processors and additionally, or alternatively, buyers of any product of biotechnology that is produced in Zimbabwe."

Section 50 on Withdrawal, suspension or increase of levies

"Without derogation from section 21 of the Interpretation Act [*Chapter 1:01*], the Minister, in consultation with the Authority, may, by statutory instrument —

(a) withdraw any levy; or

(b) suspend any levy in whole or in part; or

(c) increase the rate or incidence of any levy;

and section 49(3) shall apply to a statutory instrument increasing the rate or incidence of any levy."

Section 51 on Consultation required for imposition, withdrawal, suspension or increase of levies

"Before publishing a statutory instrument in terms of section 49 or 50, the Minister shall cause the Authority to consult any organisations of producers, processors and buyers of product of biotechnology who will be affected by it."

4.1.2.2 Delays in obtaining import permits

Of concern to importers in the livestock industry, especially since 2014, has been increasing delays in the processing of import permits that disrupts production.

Hatching egg import permit delays

The poultry sector has been the best performing livestock sector in Zimbabwe since 2008. 70% of broiler day-old chicks are absorbed by the small-holder sector where demand is seasonal, picking up from the end of the rains and peaking at the start of the rains to coincide with the Christmas market. The smallholder sector accounts for nearly 50% of the layer day-old chick demand.

However, since 2012, poultry breeders who produce their own hatching eggs (to produce commercial day-old chicks) have been unable to keep pace with demand for both broiler and layer hatching eggs and have had to rely on imports of hatching eggs from breeders in SA and Malawi to satisfy the local market. As table 4.4 below shows, demand for broiler hatching eggs grew from 87 million in 2013 to 102 million in 2014 and 103 million in 2015. Imported broiler hatching eggs accounted for 9% of demand in 2013, 20% in 2014 and 25% in 2015. For layer hatching eggs, demand dropped from 11 million in 2013, to 10 million in 2014 and 9 million in 2015. But imports accounted for 1%, 6% and 30% of total demand in 2013, 2014 and 2015, respectively. Decreased breeder production is largely because two companies are no longer in the business.

This shows the high dependency of the poultry industry on imported hatching eggs. Permits are only issued to a limited number of hatcheries registered with the Poultry Unit of DLVS. However, in order to budget for increased imports, hatcheries have to place weekly orders six months in advance with

external suppliers for hatching eggs. Delays in processing of permits therefore increases the risk of local hatcheries not being able to satisfy their contractual obligations with suppliers, leading to losses due to breach of contract. The largest hatching egg import agent for the local poultry industry has experienced delays of a month to six weeks at MOAMID to process Control of Goods (CoG) permits. Up to December 2014, CoG permits took as few as 3-5 days to process. Eggs or breeder chicks cannot be imported until a veterinary permit has been issued by DVS after which the CoG permit is issued. The DVS permit takes less than a week to process and is valid for three months. The current mismatch in expiry dates between the Veterinary Health Import Permit and CoG Import Permit is severely restricting the ability of hatcheries to import hatching eggs to meet demand for day old chicks.

Table 4.4: Increasing Importance of imported hatching eggs in Zimbabwean poultry production

	2013	2014	2015
Broiler Hatching Eggs			
Produced (million)	79.1	81.9	76.7
Imported (million)	7.9	20.1	25.9
Total (million)	**87.0**	**102.0**	**102.7**
% Imported hatching eggs	9%	20%	25%
Layer Hatching Eggs			
Produced (million)	10.7	9.8	6.3
Imported (million)	0.2	0.6	2.6
Total (million)	**10.8**	**10.4**	**8.9**
% Imported hatching eggs	1%	6%	30%

Source: Zimbabwe Poultry Association

Grains and Premixes

In the last quarter of 2015, the process of obtaining import permits was made more cumbersome. Previously, an importer of grain, oilseed cake or premixes first applied for a Veterinary Health Import Permit from DVS. After obtaining this the importer then applied for a Control of Goods Permit at the Economics and Markets Division (E&M). After assessing the application the E&M forwards their recommendation to the Permanent Secretary, MAMID for approval and signature. The new process for application is as follows:

- The importer submits a letter of request to DVS for a Veterinary Health Import Permit;
- The Principal Director, DLVS recommends this application to the Secretary, MoAMID;
- The Permanent Secretary, personally, authorises this application and refers it back to DVS;
- DVS then issue the Veterinary Health Import Permit;
- This permit is then submitted to E&M, MoAMID for assessment of the application for the Control of Goods Permit, and then re-submitted to the Permanent Secretary;
- The Minister of Agriculture, personally, signs this permit;
- The importer can then submit both permits to import goods.

The circuitous route to obtain permits takes much more time and is also subject to extended delays especially if the Minister is out of the office. As a result of these delays, most external suppliers and transporters will only start to fill orders or reserve transport space once the permits have been issued so that the supplier does not have to hold product indefinitely and the transporter is not held up at the border.

Dairy

According to participants in the dairy industry who import powdered milk, the delays in processing permits are proving very costly due to new South African regulations that require the permits to be in SA at least 7 to 10 days before the arrival of the shipment. The South African Customs and veterinary regulations require the original Zimbabwean permit to be lodged with the shipment documents prior to discharge at Durban otherwise a transit permit will not be issued. The delays result in demurrage being charged in Durban at a standard charge of $1 000 per day per container as they cannot be offloaded.

4.1.2.3 GMO free certificates for products without internationally traded GMO varieties

When the NBA started implementing the regulation to prevent the importation of GMO positive raw materials, the focus was only on maize and oilseeds and their products. However, the list of products that need GMO-free certification has been expanded to include products which have no known traded GMO varieties and the inclusion of wheat grain and wheat bran among these products has generated concern among participants in the livestock value chain. Importers of these products are now required to register with the NBA for $500 and obtain a GMO-free certification from a reputable laboratory in the source country. This is unnecessarily costly and adds to the cost of production in the feed and livestock industries. At the present moment, no genetically modified wheat is being grown anywhere in the world. Plans to introduce GM wheat in North America were abandoned in 2004.[21] In 2002, Monsanto, the world's leading agro-biotech enterprise, submitted an application to the United States and Canada for the approval of an herbicide resistant, genetically modified wheat cultivar. Two years later, Monsanto withdrew its application after many farmers feared that their products would be rejected by markets in Europe and Asia, where views toward GMOs are more skeptical. Concerns about export markets overpowered potential advantages offered by herbicide resistance.

Thus wheat bran imports should not be among products that require a GMO-free certificate.

4.2 On-farm Production Related Regulations

There are many regulations affecting livestock production. Livestock value chain participants have raised particular objections to regulations under the Environment Management Act [Chapter 20:27] which provides for the sustainable management of natural resources and protection of the environment and the prevention of pollution and environment degradation. Subsidiary regulations under this act include:

[21] http://www.gmo-compass.org/eng/grocery_shopping/crops/22.genetically_modified_wheat.html

1) Environment Management (Effluent and Solid Waste Disposal) Regulations of 2007[22];
2) Environmental Impact Assessment and Ecosystems Protection Regulations[23];
3) Air Pollution Control Regulations[24]; and
4) Environmental Management (Hazardous Substances, Pesticides and other Toxic Substances) Regulations[25].

The regulations applicable to beef, poultry, pig and dairy value chains are the Environment Management (Effluent and Solid Waste Disposal) Regulations of 2007. According to these regulations, no person shall dispose of waste or effluent into a public stream or any other surface or ground water, whether directly or through seepage, except under a license.

An applicant shall submit an application for a blue, green, yellow or red license together with the prescribed fee to the Agency. If the applicant does not know which class of license to apply for, the appropriate fee for the issue of a yellow license shall be submitted, pending determination. Upon receiving an application, the Agency may, after inspection as it deems fit, issue one of the following licenses:

Blue: in respect of disposal which is considered to be environmentally friendly;
Green: in respect of disposal which is considered to present a low environmental hazard;
Yellow: in respect of disposal which is considered to present a medium environmental hazard;
Red: in respect of disposal which is considered to present a high environmental hazard.

The cost of testing samples to determine the class of license is borne by the applicant and is $200 per quarter. The applicant delivers the samples to the laboratory and in order to obtain a laboratory number, makes payment at the EMA Head Office, then returns to the laboratory to show proof of payment.

Table 4.5 shows the registration and monitoring fees set by EMA (quarterly discharge levy and administration fee).

Table 4.5: Annual Fees for Effluent and Solid Waste Disposal

Regulatory cost	**Effluent Disposal**	**Solid Waste Disposal**
Annual registration fee (per year)	$32	$32
Monitoring fees (per year)		

[22] Statutory Instrument 6 of 2007
[23] Statutory Instrument 7 of 2007
[24] Statutory Instrument 72 of 2009
[25] Statutory Instrument 12 of 2007

Blue	$80	$80
Green	$155	$155
Yellow	$300	$300
Red	$585	$585
Discharge levy (per quarter)		
Blue	$80	$160
Green	$155 + 0.0075 x cubic meters of effluent	$310
Yellow	$300 + 0.015 x cubic meters of effluent	$600
Red	$585 + 0.030 x cubic meters of effluent	$1200
Red License Penalty fee	50% of Discharge levy + Monitoring Fees + Registration fees	
Administration Fees	5% of all the above fees for each type of license	

Under the Environmental Management (Hazardous Substances, Pesticides and Other Toxic Substances) Regulations[26] of 2007, no person shall use herbicides, pesticides, fungicides or any toxic substances for commercial agriculture or public health pest control or veterinary vector control without a license from EMA. The regulations require submission of an application and payment of the prescribed fee for storage and use of hazardous substances for green, amber and red classes at $457, $525 and $672, respectively. Since practically all crop and livestock farmers store pesticides or veterinary vector control products they are required to register and pay fees. In addition, to transport more than 200 litres of fuel, permits from EMA cost $200.

The "Offences and Penalties" section of the EMA Act on agricultural waste specifies that no person shall dispose of agricultural waste directly into water and disposal of such waste to any part of the environment is prohibited except under a waste disposal license. It further states that any agricultural waste which is not purely organic, but has added chemicals, will be classified as hazardous substances. Any person who contravenes this section of the regulations shall be guilty of an offence and liable to a fine not exceeding level fourteen ($5 000) or to an imprisonment for a period not exceeding five years or to both such fine and imprisonment.

The Act also further stipulates that any land user shall put in place appropriate fire prevention measures on their land and any person who contravenes this section will be liable to a fine not exceeding level eight ($500) or an imprisonment not exceeding one year.

[26] Statutory Instrument 12 of 2007.

The penalties under the Environmental Management (Hazardous Substances, Pesticides and other Toxic Substances) Regulations of 2007 also include a fine not exceeding level fourteen ($5 000) or imprisonment for a period of one year or to both such fine and imprisonment.

4.3 Livestock Marketing Related Regulations

A number of regulatory constraints affect the marketing of livestock and products.

- Rural District Council Levy: In the majority of cattle dependent districts, Rural District Councils (RDC) have been charging a levy of 10.5% on all live cattle sales. Not only is the charge excessive but the rationale behind the charges has been questionable. RDC levies have also encouraged illegal livestock movements to evade taxation, leading to increased risk of an outbreak of disease.
- Livestock Clearance and Movement Controls: Cattle farmers and traders also incur significant costs to navigate complex clearance procedures. Proof of ownership is required by police, and results in involvement of third parties such as headmen and other witnesses.
- Lack of commercialisation of small stock partly due to taxation: Currently, sheep and goat meat is subject to VAT of 15% when meat such as beef and chicken is not. Table eggs has just been moved from zero rating to VAT to VAT exemption which precludes producers from claiming VAT on inputs into their production process. This is counter to commercialisation of these livestock species which are more prevalent in low income smallholder farming areas.
- Most cattle commercially traded on local markets are from smallholder farming areas dominated by small framed indigenous breeds: The current carcass grading system based on large framed exotic breeds unfairly discriminates against cattle from the smallholder farming areas leading to artificially low producer prices.

4.3.1 Rural District Council Marketing Levies

In 2006, the Ministry of Local Government, Urban and Rural Development (MoLGURD) issued a circular suggesting that RDCs charge 10.5% of the agreed price of cattle traded at Council auctions as a levy to the Council. Farmers' unions and the Zimbabwe Association of Abattoirs have argued against the levy on the grounds that it is excessive, leading to poor viability of livestock farming, and that the money raised by the levy is not being applied to help the growth of the livestock sector. Also, basing the levy on the value of an animal effectively punishes farmers who sell good quality animals.

In 2013, MoLGURD drafted model by-laws to be adopted by all RDCs to charge 10.5% on all livestock sales from each district. A number of RDCs, some without passing necessary by-laws, have implemented the proposal. The proposed levies have also been expanded to include cattle marketed through direct buyer-farmer negotiations instead of just being applied to cattle traded at Council operated auctions. In addition, some RDCs require buyers of cattle to register for a fee of $250 per quarter in order to be allowed to buy cattle in the district. Table 4.6 below gives a breakdown of the composition of the levy.

Table 4.6: Proposed Levies on Cattle Traded at RDC Auctions

Institution	**Levy (% of Auction Price)**
Council	6
Livestock Production and Development	3
Auctioneer	1.5
TOTAL	**10.5%**

Stakeholders in the cattle value chain have registered their strong objections to the proposed by-laws as they argue that such a policy, in addition to reducing the viability of cattle production by communal farmers, will negatively affect the orderly marketing of cattle in the country.

To clearly see the impact of the above proposed policy on the cattle sector, how cattle are currently being traded in the rural areas needs to be understood. As Table 4.7 shows, most live cattle are currently being sold through private buyer-farmer negotiations. In 2012, only 7% of cattle sold were through auction sales and the rest were sold through private treaty. Trends show that since 2009, the proportion of cattle being sold through auctions has declined from 11% to 7% in 2012. Though data for 2013 and 2014 is not available, it is believed that the proportion of cattle sold at auctions during this period is still less than 15% of slaughters in registered abattoirs.

Table 4.7: Small and Declining Proportion of Cattle Sales through Auction

		2009	2010	2011	2012	2013	2014
Abattoir Cattle Slaughters	No.	128, 414	229, 677	261, 424	256, 753	260, 514	246, 522
CC Sales	No.	8, 949	9, 997	12, 084	10, 584		
	Ave Price $	1.24	1.47	1.66	1.72		
	% Sales	7.0	4.4	4.6	4.1		
Communal Auctions	No.	5,097	12,146	11,332	7,493		
	Ave Price $	0.95	1.17	1.24	1.21		
	% Sales	4.0	5.3	4.3	2.9		
Total Auction Sales	No.	14, 046	22, 143	23, 416	18, 661		
	% Sales	10.9	9.6	9/0	7.3		
Non-Auction Sales	No.	114, 368	207, 534	238, 008	238, 092		
	% Sales	89.1	90.4	91.0	92.7		

Source: Department of Livestock Production and Development, Meat Graders

A key flaw in the proposed by-laws is that private negotiated sales which are currently being levied do not benefit from the services in the model by-laws. These sales are not conducted at Council sales pens, are not managed by auctioneers, nor do they use grading services provided by Meat Graders from DLPD. Thus, private negotiated sales are levied for services that are not rendered.

Stakeholders point out that the predominance of private treaty sales is a reflection of weaknesses in the current auction system and the high taxation imposed on auction trade. Private buyer-farmer sales are not ideal as they:

- Impose a burden on farmers who are not usually skilled negotiators compared with experienced full-time buying agents and traders and lead to sub-optimal prices;
- Impose time and travelling investments by buyers in clearing cattle for movement as this is done at the sellers' homestead instead of at centrally located auction pens;
- Encourage buyers to engage in corruption and bribing of officials to shortcut the clearance procedures; and
- Buyers generally incur excessive aggregation costs to buy adequate numbers of cattle for transporting out of communal areas.

The most efficient way to trade cattle is through auction sales. However, a number of constraints are currently hindering the use of auctions for live cattle sales and spurring the growth of private treaty sales. Chief amongst these are the excessive RDC levies being charged and which MoLGURD is proposing to increase and broaden. There is irrefutable evidence that increasing levies causes a reduction in auction sales. A good example is the closure of the CC Sales auction market in Headlands which used to sell 250 beasts per month. Other constraints include the poor state of repairs of access roads and most rural sale pens.

Stakeholder consultations convened by the Livestock and Meat Advisory Council in February 2013 in Harare noted more pointed reservations about the proposed harmonised model by-laws. The concerns include the following:

- The proposal by MoLGURD does not attempt to reduce levies. In fact, by standardising them for the whole country, levies will be increased in those districts currently charging lower levies;
- The proposal does not justify through a cost-benefit analysis, the size of the proposed levies;
- The levies are unfair for cattle farmers, most of whom are found in low potential agro-ecological regions. There are no RDC levies on other agricultural commodities;
- Buyers of cattle will pay VAT of 15% on monies generated by RDC levies and auctioneers' commission (i.e. 15% of [6% to RDC plus 1.5% to auctioneers] = 1.125%). This effectively passes on the cost of VAT to buyers. However, producers will ultimately pay the cost as buyers will offer lower bids;
- Stakeholders question why RDC and DLPD levies should be based on a percentage of the value of an animal sold. This effectively penalises sellers of good quality cattle. For example, an animal sold for $500 attracts a combined RDC and DLPD levy of $45 compared with $22.50 for an animal valued at $250. The services provided by the RDC and DLPD are the same regardless of whether or not the animal is of poor or good quality. A fairer taxation system will be a constant dollar denominated charge per animal;
- Stakeholders also question the rationale behind the levy of 3% charged by DLPD. This levy was introduced in 2006, when DLPD classified and determined the minimum bid prices for each grade of animal as a way to protect farmers under conditions of hyper-inflation. This service is

no longer required and merely inflates levies to the detriment of buyers and, ultimately, cattle farmers.

- Finally, stakeholders lamented the number of fees and levies across the whole value chain, seriously eroding competitiveness and threatening their existence. Levies range from land tax, DLVS permit and DLPD grading fees as well as fees set by the AMA, EMA and National Social Security Authority as well as ZIMRA tax obligations, coupled with RDC fees and levies. The whole fee structure is disproportionate to the services being offered and is contributing to the current distressed state of the livestock industry and agricultural sector.

There are also broad-based economic implications of the current cattle marketing levies. The application of the by-laws subject cattle meant for on-farm livestock investment to the levy, including herd building by newly resettled farmers and cattle bought by farmers for value-addition through feedlot operations. This is counter to the objectives of ZimASSET of economic growth and value addition with negative impacts on local (district) economic development. It is also pertinent to note that currently, 90% of cattle entering the market are from the small holder sector where farmers typically own herds of 12 animals and only sell one or two head each year.

A secondary impact has been an increase in operations of unscrupulous traders who use bribes to avoid paying levies and facilitate illegal cattle movements, creating a break-down in disease and stock theft control. The current FMD epidemic spreading across the southern parts of the country are partly blamed on such illegal movements of cattle. Reasonable auction fees charged by RDCs would encourage the resuscitation of regular rural livestock sales which will have many beneficial impacts, including better monetary returns for the producer and improved livestock movement controls (disease and theft). A small commission charged on large volumes of animals will increase income to service providers, including RDCs.

Proposed Cattle Marketing and Taxation

Stakeholders are not averse to paying a levy as long as they are reasonable and are applied to improving the production and marketing of cattle. Indeed, the Rural District Council Act (particularly Sections 96 and 97) provides for the collection of levies to support livestock related investments as outlined in the Schedule appended to the Act. These include investments among others, in control of the spread of diseases, dip tanks and water sources. However, in designing local council policies, there is need to take cognisance of broader national economic development goals of poverty alleviation, employment creation and value addition as espoused in the ZimASSET economic blue-print.

Stakeholders in the cattle industry have tabled the following proposal on cattle levies:

- A levy based on a flat fee per animal traded at auctions, in the amount comparable with similar levies in neighbouring countries such as Botswana, Zambia and Namibia who draw a significant amount of their processed beef from the smallholder sector. Marketing levies in these countries cost $2 per head. A similar fee is proposed for Council services provided at auctions.

- Charge a fixed development levy of $2 per head for cattle sold to abattoirs for slaughter but no charge for cattle sold to farmers for their herd building investments.

The above system, applied countrywide, includes a number of advantages:

- Cattle are not subject to double taxation when they are destined for farms and then later sold to abattoirs. This supports the ZimASSET objectives of local value-addition;
- More auction sales will be encouraged as RDC levies will be reduced and based on a lower flat fee per animal which will minimise illegal cattle movements and corruption.

4.3.2 Livestock Clearance and Movement Controls

Cattle and pig farmers and traders incur significant costs to navigate complex clearance procedures when animals are sold. The Animal Health (Movement of Cattle and Pigs) Regulations of 1984 are the principal regulations governing the movement of cattle. Depending on the purpose, these regulations require that all movement of animals be accompanied by a movement permit from DLVS. In some cases, a pre-movement inspection is required before a permit is issued, whilst in other cases, no inspection is necessary. The movement permit is issued by an authorised official from DLVS and costs $5 per lot as does the pre-movement inspection. This cost affects all animals that are marketed, whether for slaughter at an abattoir or that are moved from one area to another after being sold. Besides the direct cost of the permit, veterinary offices sometimes request fuel to carry out the inspections.

Anti-Stocktheft Regulations note that cattle may only be moved between 6.00am and 6.00pm and stipulate the requirement for police clearance before animals are moved. While this is free, producers incur the costs of travel to and from the police station to collect officers to clear the animals before they are moved to market[27]. The distance varies according to the location of the farm from the police station. The Cost of Compliance Study estimates the average distance travelled to and from the police post and place of animal exchange for verification of ownership as ranging between 20 and 60km per trip. After clearance has been obtained, the producer then returns to the police station in order for the form to be stamped.

In the case of pig movement, the veterinary movement permit is issued by DLVS at a cost of $10 per lot. These costs escalate rapidly as in general, large scale commercial piggeries deliver animals to markets at least once per week. Whilst there is no need for police clearance for movement of pigs from large scale commercial farms who have African Swine fever certification, it is required when moving pigs from smallholder areas. The process is similar to the clearance procedure for moving cattle.

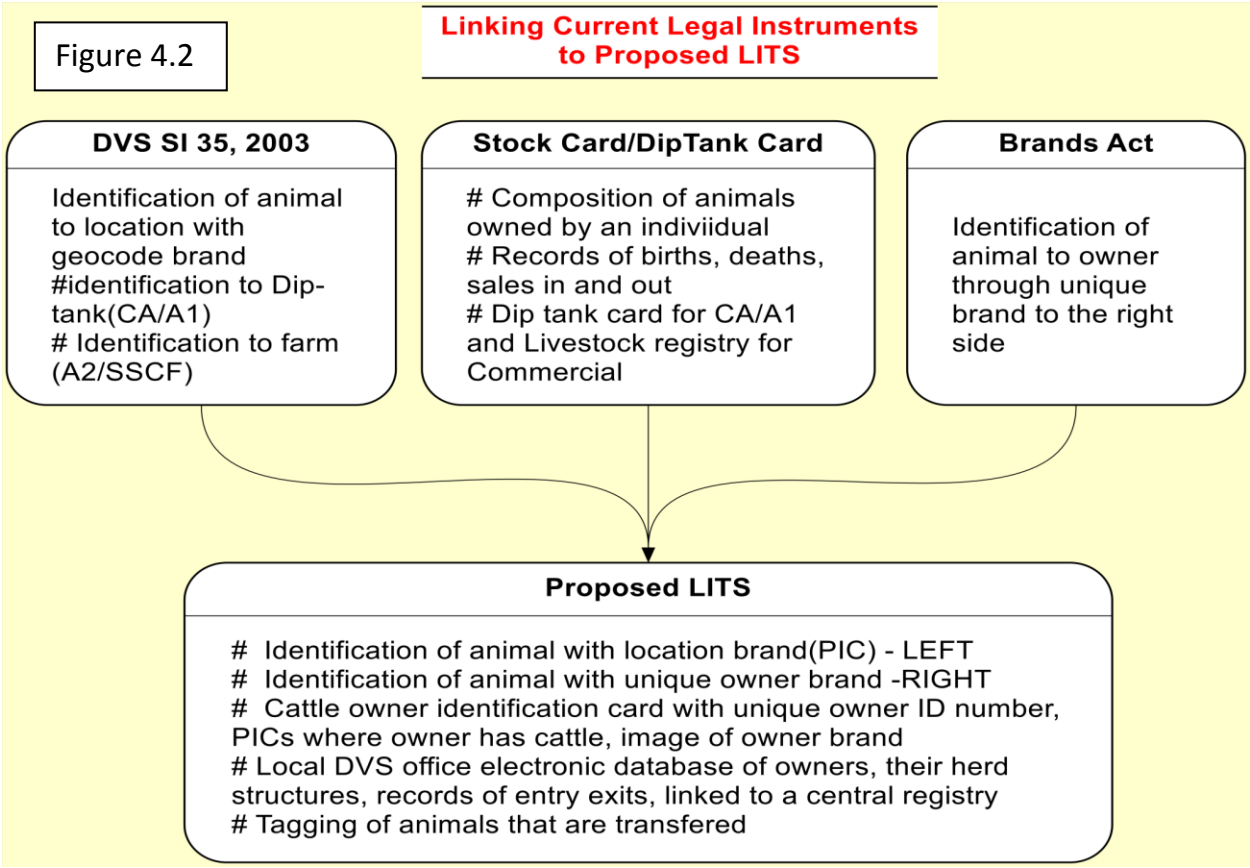
The main problem increasing the cost of compliance arises from a lack of a national livestock identification and traceability system (LITS).

[27] This depends on the availability of the officers designated to perform the task as the producer has to wait if no officers are available.

LITS as a way to solve marketing constraints

Zimbabwe has a history of a national livestock identification and traceability system which was limited to the catchment areas for cattle that supplied beef destined for the EU market. The Zimbabwe Cattle Traceability Scheme, managed by the Livestock Identification Trust, was established in 1999 following stakeholder meetings to ensure that Zimbabwean beef exports would meet EU requirements of traceability from farm of origin. At that time, most cattle supplying the formal local and international beef market emanated from the Large Scale Commercial Farming sector. Following the implementation of the Fast Track Land Reform Programme, there have been significant changes in the beef value chain. Most of the cattle destined for the formal market now originate from the communal and small scale farming sectors where livestock identification has not firmly taken root either due to lack of awareness or inappropriateness of identification technologies. Furthermore, outbreaks of FMD in August 2001 led to the loss of international beef export markets which had hitherto acted as the major push factor for the adoption of a sophisticated identification and traceability system. Apart from disease control, the major impetus for LITS in Zimbabwe has been increased stock theft and the need to improve the processing of movement permits.

There is renewed interest to revive LITS in a form that meets the expectations of all stakeholders. With a small grant from the EU, stakeholders have discussed developing LITS in Zimbabwe and have agreed on the broad outline for programme. The proposed system builds on already existing legal instruments: the Brands Act, managed by the Ministry of Home Affairs and SI 35 of 2003, managed by MoAMID (see Figure 4.2 below). The Brands Act requires that livestock owners register a personal brand that is applied at specified places on the right side of the animal. Under the current legislation, this is a voluntary requirement and stakeholders have suggested that it be made compulsory. Though not currently being enforced, SI 35 of 2003 requires that animals be branded on the left side with a veterinary brand code specifying dip-tank of origin for cattle in smallholder farming areas or farm of origin for A2 and commercial farms. Farmers are required to either have dip-tank herd information cards (for smallholder farmers) or livestock stock cards (for A2 and commercial farms). Stakeholders have suggested that this information be captured electronically into a central registry. When ownership changes, stakeholders recommended that a secure identification tag be applied by local veterinary officers with details of the transaction captured on the movement permit as well as on the registry of animals held by DVS. These records are then used to update the central registry. Finally, stakeholders suggested that all cattle owners be issued with a cattle ownership identity card linked to the DVS central registry and bearing a picture of the owner, his/her brand as well as the veterinary brand code.



There are a number of advantages of the proposed system including:

- Because the system depends on a hot iron brand, it is accessible and cheaper for poor livestock farmers. The visibility of brands also makes it easy for police or veterinary inspectors to identify animals. The more expensive identification tags are only required when animals move out of the area of origin or exchange ownership. Thus cattle buyers would be responsible tagging the cattle.
- The combination of veterinary geographic location code (dip-tank or farm of origin), a personal brand and livestock owner identification cards will identify cattle to the place of origin as well as to who owns the cattle. This removes the costly need to have Anti-Stock Theft police involved in ascertaining ownership prior to the exchange of livestock.
- Linking this to the issue of cattle movement permits enables traceability of animals from farm of origin to destination (other farms, auctions, feedlots, abattoir, shows etc).
- Identification will also aid recovery of stray or stolen animals by farmers.
- When disease outbreaks occur in a particular area, the veterinary authorities can more effectively control movement out of that area, preventing the spread of disease to clean areas.
- Finally, creating a database of ownership and records of transfers also helps authorities with livestock population numbers and how they are distributed across the country.

The above system would greatly reduce the cost of compliance with movement permits and help speed up the trade in cattle. In addition, it will also be easy to upgrade the system to individual animal identification, often required for international trade in livestock products.

4.3.3 Lack of commercialisation of small stock partly due to VAT taxation

Inconsistencies in the application of VAT disadvantages some livestock proteins relative to others and reduces incentives too full commercialisation of the affected value chain. This has affected sheep and goat meat as well as table eggs.

Standard rating of VAT on meat of sheep and goats

In 2015, the population of goats and sheep was 4.05 million and 460 000, respectively. However, very few sheep and goats enter the formal meat market and in 2015, only 19 410 goats and 6 460 sheep were slaughtered in abattoirs monitored by DLPD (see Table 4.8 below). As a result, the contribution of these two species to the value of the formal livestock protein market was only 0.12 %. Most sheep and goats are traded outside the formal marketing channels and are subject to low prices and high transactions costs.

Table 4.8: Recent Trends in Livestock Protein Production and Value

		2012	2013	2014	2015
Beef	Number	257,050	261,020	247,220	257,530
	Value ($)	106,267,000	122,826,000	$110,676,000	$123,612,000
Goats	Number	9,810	11,490	13,070	19,410
	Value ($)	343,000	321,000	347,000	411,000
Sheep	Number	5,250	5,200	7,340	6,460
	Value ($)	210,000	208,000	326,000	246,000
Pigs	Number	122,510	145,830	123,760	140,050
	Value ($)	24,747,000	28,780,000	$22,719,000	$28,394,000
Dairy	Litres	55,929,000	54,665,590	55,479,120	57,544,840
	Value ($)	24,614,000	24,680,000	$24,966,000	$28,513,000
Broiler	Kgs		98,000,000	119,000,000	114,000,000
	Value ($)		284,200,000	332,010,000	305,520,000
Eggs	Dozen		51,000,000	49,000,000	53,000,000
	Value ($)		79,356,000	82,516,000	80,136,000
Total Value	**$**		**540,371,000**	**573,560,000**	**566,832,000**
Sheep and Goats as % of Total Value			0.10	0.12	0.12

Source: ZIMSTAT Fourth Quarterly Digest of Statistics - 2015; Zimbabwe Poultry Association

One of the main factors discouraging abattoirs from buying and slaughtering sheep and goats for the formal market is that meat from these two species are subject to VAT. This is despite the fact that meat

from chicken, pigs and beef cattle are zero-rated for VAT purposes. This puts meat from sheep and goats at a disadvantage in the retail market and works counter to commercialisation.

Commercialisation of sheep and goats is important because most of these animals are in smallholder farming areas where the majority of poor live and creating viable markets for sheep and goats will assist in poverty alleviation. In addition, the land reform programme has reduced the size of farms, making husbandry of smaller animals particularly attractive for beneficiaries and there has been increased interest in farming small ruminants as shown by the formation of goat breed associations and the import of semen from Boer goats. To encourage commercialisation of small ruminants, meat from sheep and goats needs to be zero rated in line with other meat products.

VAT Exemption of Table Eggs

The table egg value chain is affected differently by VAT regulations. SI 9 of 2016, Value Added Tax (General) (Amendment) Regulations, 2016 (No. 40) which came into effect on 1st February 2016 transfers table eggs from zero-rated to VAT exempt as follows:

> *"Exempt supplies are supplies of goods and services that are not subject to Value Added Tax (VAT) incurred on goods and services acquired. Supplies so exempted may not be claimed as input tax credit. Traders who exclusively provide exempt supplies are, therefore, not required to be registered for VAT purposes".*

The VAT exemption affects producers for whom the sale of eggs represents more than 10% of their total income and the effects of the exemption are as follows:

1. The affected producer will no longer be able to claim input tax on all direct purchases relating to table eggs. The producer will also be prevented from claiming full VAT in indirect purchases relating to the production of table eggs. Input tax claims for indirect purchases will be limited to the extent to which they relate to zero rated/supplies taxed at 15%. The balance cannot be claimed and is disallowed for tax purposes. Consequently, possible tax repayments to producers are reduced, and the net VAT due to tax authorities will increase. However, table egg customers will now face price increases as producers will not be able to absorb the extra cost of unclaimed input tax. Prices are already under pressure and such an increase will only serve to disadvantage already strained customers, or will further reduce margins and corporate taxes that may have been paid to the tax authorities.

2. Producers will not be able to claim input tax that has resulted from VAT charged on capital expenditure. As in (1) above, this will apply to asset purchases that directly and indirectly relate to the production of table eggs. Further, tax authorities now require producers to repay any VAT that was claimed on asset purchases that took place between 2009 and 2016. This retrospective payment relates to VAT claimed on assets directly or indirectly related to the production of table eggs. Producers do not understand the rationale behind the change and believe that the legislation should be prospective rather than retrospective with regards to this repayment. Further, there is no indication as to whether producers will be able to claim this tax

back through capital allowances, as the cost of these assets will be increased as a result of the VAT adjustment.

3. Finally, producer accounting systems are not geared to deal with the change in input tax calculations and the change came without any warning. Input tax on indirect supplies will need to be calculated manually as accounting systems presently do not allow producers to implement this new regime based on the way they have been set up, and accounting software developers are yet to provide producers with solutions to help in this regard. Manual calculations are subject to errors and inconsistencies, and will also tie up resources that need to be used elsewhere in accounting departments. More time is needed to prepare and check producer returns with these extra computations, a process that producers would not have had to go through if the product had remained zero rated or attracted VAT at 15%.

For the above reasons egg producers suggest that table eggs should remain zero rated for VAT as the case with other livestock products such as milk, broiler meat, pork and beef.

4.3.4 Unfair Cattle Carcass Grading Scheme

Most cattle commercially traded on local markets are from smallholder farming areas dominated by small framed indigenous breeds. The current carcass grading system based on large framed exotic breeds unfairly discriminates against cattle from the smallholder farming areas leading to artificially low producer prices.

The main indicator used in the cattle carcass grading scheme that has attracted objections from both farmers and up-stream industry players is the fleshing index. Use of the old fleshing index based on carcass weight to length ratio started in the early 1970s and was based on the dominant commercial breed of the time, the Hereford. The fleshing index derived from these measurements was meant to predict the proportion of "flesh" in a carcass.

However, the breed composition in Zimbabwe has changed dramatically since the late 1970s with the introduction of the Brahman, the larger continental breeds (e.g. Charolais and Simmental), and the increasing commercial production of the indigenous cattle (Mashona, Nguni and Tuli). Research by Division of Research and Specialist Services (DR&SS between 1987 and 1995) clearly established that with this wide range of breeds of very different sizes, fleshing index based on weight-to-length ratio as originally developed in the 1970s is a very poor predictor of the proportion of "flesh" in a carcass. It is therefore no longer appropriate and should not continue to be used as an important factor in classifying and grading beef carcasses and especially as a basis of paying producers.

The main weaknesses of the fleshing index as observed from the research within DR&SS can be summarized as follows:

- The current fleshing index, measured as carcass weight to length ratio (kg/cm), is largely a measure of scale (i.e. a function of size) because the relationship between carcass weight and length is non-linear. This means that large breeds always have higher fleshing scores than smaller breeds, even though the large breeds do not necessarily have a higher proportion of

"flesh" in the carcass. Though Hereford, Brahman and Simmental steers are heavier and have higher fleshing indexes, they had significantly lower proportions of saleable meat in their carcasses compared with Mashona steers. In terms of carcass grading and pricing, therefore, large breeds have an unjustified double advantage; they are paid better for their heavy carcasses and also better for their higher but largely meaningless fleshing indexes.

- Large animals within a breed, sex or age group also have higher fleshing indexes than smaller animals because of the non-linear relationship between carcass weight and length explained above. The present carcass classification and grading system, therefore, promotes the production of large, old and fat animals. This is against all norms of good animal husbandry: production of older animals reduces turnover and increases production risks because market animals are kept longer on the farm. Secondly, production of older and fatter animals is biologically and economically less efficient, especially given that feed or grazing is the major limiting resource in beef production.

- It is apparent from the two points above that the present fleshing index works against the production of indigenous and more efficient animals. It also works against the promotion of the small indigenous breeds which have been shown by research in Zimbabwe, and in Southern Africa generally, to be much more productive than the exotic meat breeds. All this is happening after the land reform programme and indigenous livestock should be expected to play an increasing role in agricultural production in view of their numerical dominance and superior productivity. The present fleshing index therefore works against the country's best interest, in promoting greater productivity from the use of the more efficient animals or breeds.

The weaknesses of the fleshing index are generally well known by meat graders and abattoir operators. Since 2015, stakeholders in the livestock value chain through a committee, (including meat graders, abattoir operators and farmers) have been engaged in discussions to reform the system. The committee has recommended that the fleshing index be removed in the beef carcass classification and grading system because it is serving no-one’s interest in the livestock industry and it is no longer included in carcass grading in other countries in the region. Carcasses should be graded mainly on the basis of the remaining classification parameters - weight, age and fat cover. A revised SI on beef carcass classification and grading was drafted in April 2016 to put these reforms into motion but there has not been much traction in adopting these proposals by MoAMID.

4.4 Processing Related Regulations

The major regulations negatively impacting upon operations of processing plants include: conflict between VPH and public health departments of local authorities who both require that meat be inspected and charge inspection fees. Similar conflict exists between EMA and local authorities. Abattoir operators are required to register and pay registration fees with multiple authorities including EMA, AMA, VPH, as well as local authorities.

4.4.1 Environmental Management Agency Regulations

As the case with large scale dairy, piggeries and poultry producers, livestock processing plants including abattoirs and milk processors are required to register, pay annual registration fees and pay quarterly discharge fees to EMA (see Table 4.5 above). In addition, EMA issues emission licenses for air pollution processes that are prescribed under SI 72 of 2009. As with effluent disposal, air pollution licenses have four levels based on the concentration of the emission and the mass flow. The annual registration fee for the license is $32. An inspector has to access the pollution site for purposes of inspection and collecting samples and a farmer has to pay an annual monitoring fee depending on the license band. The fees are noted below:

Blue License	$100.00
Green License	$145.00
Yellow License	$280.00
Red License	$555.00

During the year, environmental fees are paid quarterly depending on the license band and quantity of emissions released into the atmosphere. Table 4.9 summarises the fees applicable under the Air Pollution Control Regulations.

Table 4.9: Fees Payable by Licenses under Air Pollution Control Regulations of 2009

Annual Registration Fees	$32				
Annual Monitoring Fees:					
Blue	$100				
Green	$145				
Yellow	$280				
Red	$555				
Quarterly environment fees for each license band and quantity of emissions					
License band	Volume of emissions discharge per mt per quarter				
	< 5 mt	> 5 but < 50mt	> 50 but < 100 mt	> 100 but < 200 mt	> 200 mt
Blue	$100	$145	$280	$555	$1 110
Green	$145	$280	$555	$1 110	$2 000
Yellow	$280	$555	$1 110	$2 000	$4 500
Red	$555	$1 110	$2 000	$4 500	$9 000
5% administration fee shall be charged on all fees					

Source: SI 72 of 2009

A number of livestock sector value chain participants have reported that EMA has been charging pollution charges on factory equipment such as diesel powered generators and forklifts. Other regulatory charges include the testing of exhaust emissions at a cost of $150 per quarter, the results of which are required by EMA as part of their monitoring. If a company disputes the Agency's decision, a fee of $240 is paid in order to lodge an appeal to the Minister. A duplicate license costs $150.

For example, a dairy processing plant in the yellow license category incurs the following regulatory charges:

a) Receiving bay effluent:	Annual registration fee:	$32
	Annual monitoring fee:	$300
	Quarterly discharge levy:	$300; and
	Administration fee:	5%.

This is despite the fact that the milk spilt at the receiving bay is channeled to the municipal sewage treatment plant for a separate fee.

b) Boiler gaseous emissions:	Annual registration fee: yellow licence	$32;
	Annual license monitoring fee:	$280;
	Quarterly discharge levy:	$280; and
	Administration fee:	5%.

c) Boiler effluent (that is, waste hot water from the boiler) also incurs regulatory charges including:

Annual registration fee:	$32;
Annual license monitoring fee:	$300;
Quarterly discharge levy:	$300; and
Administration fee:	5%.

These add unnecessary costs to processing plants which, unfortunately, are passed onto consumers, making milk non-competitive relative to imported milk products. The impact on the cost of production is significant when it is considered that EMA fees are charged at both the farm and processor level. Processors are double taxed as they also have to pay discharge fees to municipalities. Innocuous boiler gaseous emissions are also subject to charges despite there being no proof that such emissions cause environmental damage. The quantum of the fees has also been questioned by stakeholders. Worldwide veterinary public health departments are accepted as the competent authorities in registration of food processing plants. In Zimbabwe, these authorities charge lower fees to inspect and certify plants than those currently being charged by EMA.

4.4.2 Veterinary Public Health and Meat Inspection Regulations

The cost of compliance at the abattoir level includes Public Health (Abattoir, Animal and Bird Slaughter and Meat Hygiene) regulations of 1995[28]. The main Act falls under the Ministry of Health which is the mother body that regulates the Public Health Act. The VPH component on the registration and inspection of abattoirs falls under the Department of Veterinary Technical Services, DLVS. These regulations require that all abattoirs are registered by DLVS. The cost of registration is $400 for Grade A, $300 for Grade B and $200 for Grade C abattoirs. The regulations also specify the requirement for the

[28] Published in Statutory Instrument 50 of 1995

inspection of carcasses. For cattle, the cost of inspection is $2 per carcass where the throughput is less than 1 000 animals per month, and $1.50 where the throughput is more than 1 000 animals per month. However, some municipal councils also charge for meat inspection under the public health regulations and abattoirs are forced to collect an additional $3 per carcass for meat inspection. For example, in Masvingo the municipality charges inspection fees of $3 per head while VPH charges $2, a total of $5 per head in foregone revenue to the farmer. In addition to the inspection, cattle are also graded by DLPD under SI 182 of 2000 at a cost of $1.00 per carcass. Additional costs at the abattoir level include the meat release and transfer certificate that costs $2 per truck.

4.4.3 AMA Legislation and Livestock Processing Industries

Besides the requirement to register with the VPH, abattoir operators are now also required to register with AMA as provided for under SI 147 of 2012 (Registration of Companies and Submission of Returns) Regulations. The registration fees for Class A and B abattoirs is $1 000 per annum while the registration fees for a Class C abattoir is $200 per annum. These fees are more than those charged by VPH. The justification for the fees is that there is need to collect statistics from producers, traders, processors and retailers. This is despite the fact that the Meat Graders section of DLPD already collects such information while AMA has not yet produced comprehensive information on slaughter indicators. The double registrations are unnecessary and merely increase the high cost of production by value chain participants in the livestock sector at a time when consumer demand has declined.

4.5 Post Processing Regulations

The current $0.75c/kg export tax on exports of raw hides and skins effectively bans their export, especially as the FOB price is between $0.85 – 0.90/kg. The rationale for the export tax has been to encourage local beneficiation of hides. However, tanneries have been offering uneconomical prices for locally produced hides, causing a huge stockpile and spoilage of hides at abattoirs, a significant loss to the local economy.

The Animal Health Act discourages use of slaughter by-products in feed mixes, although worldwide blood, feathers and other abattoir waste are considered high quality feed raw materials.

Government has also stifled investment in post processing of meat through excessive duties on raw material such as mechanically deboned meat.

4.5.1 Taxation of Raw Hides Exports

In late 2011, Zimbabwe unveiled its' leather strategy document entitled "The Zimbabwe Leather Sector Strategy: 2012-2017". The broad thrust of the strategy has been to increase local value-addition through a stepwise increase in the proportion of raw hides and skins that are exported as beneficiated products. The key instrument in achieving this objective was to impose a 25% quota in exports with the rest being reserved for local tanning industries. Any hides that are not taken up from the 75% reserved for the local industry can be exported.

However, on 1st January 2015, an export tax of 15% was imposed on the gross value of raw hides and skins on exports above the allocated 25% tax free quota. In the Mid-Term Fiscal Policy Review delivered

by Hon Chinamasa at the beginning of the third quarter of 2015, the restrictions on raw hides exports was further tightened as the Minister proposed to extend export surtax on the 25% export quota of raw hides and skins, with effect from 1 October 2015. In addition, the export surtax on all exports of hides and skins was modified to 15% of FOB value or US$0.75 per kg, whichever is higher.

The Zimbabwe Association of Abattoirs, the major producers of raw hides and skins, are of the opinion that the policy changes outlined above severely affect their economic viability and are being taken advantage of by tanners as further elaborated below.

Problems with the Current Policy

The new raft of restrictions on exports of hides and skins comes at a particularly difficult time for the industry as there has been a crash in the prices of international wet-blue hides accompanied by an even more severe crash in local raw hide prices.

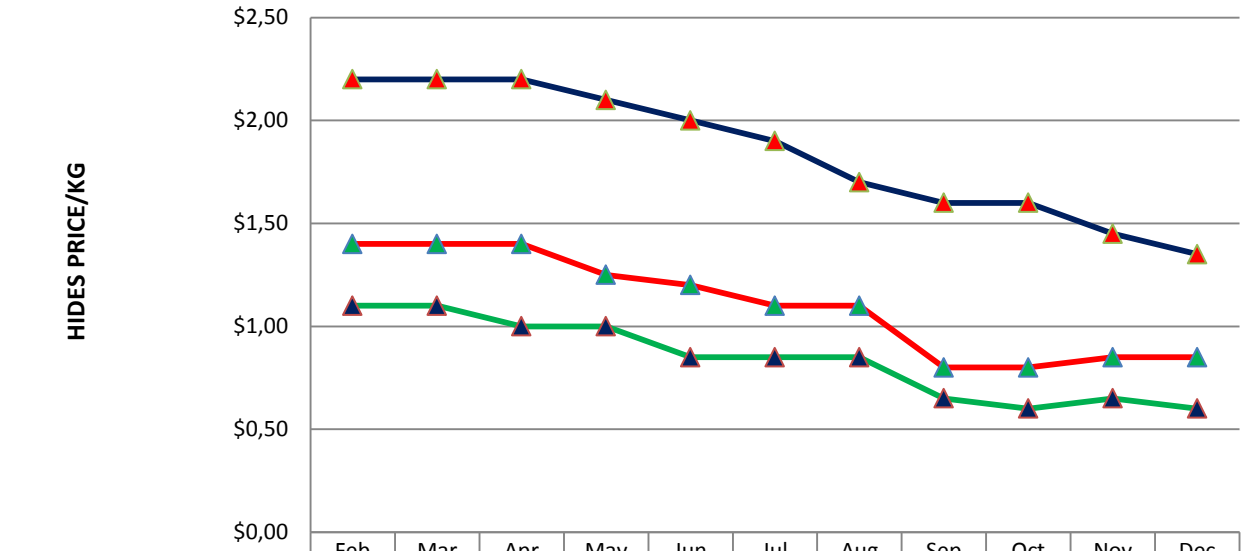
Local tanneries have maintained profitability by offering abattoirs below export parity prices. However, high processing cost structures in the tannery sector has meant that profits from tanning have been declining. This has led to low demand for hides by tanners and an increase in stocks of hides at abattoirs. The $0.75/kg export surtax makes it uneconomic to export the accumulated hides, increasing the risk of hides spoiling, representing a loss in potential export earnings for the nation. These observations are elaborated upon below.

Crash in international wet-blue and raw hide markets accompanied by an even more severe crash in local hide prices

Records of local marketing and exports of raw wet salted hides and wet blue hides kept by abattoir operators in Bulawayo indicate the general decline in hide prices throughout the year (see Figure 4.3). Wet blue prices obtained by Bulawayo Abattoirs for their toll tanned hides declined from $2.20/kg in April to $1.35/kg in December. Realisation from exports of wet salted raw hides declined from $1.40 in April to $0.85 in December.

However, the data also shows that prices offered by local tanners have, on average, been $0.26 cents lower than export parity price of raw salted hides. Currently, tanneries are offering $0.55 - 0.60 cents/kg. This implies that abattoirs have effectively been subsidising tanners.

Figure 4.3: Bulawayo Abattoirs Hides Prices - 2015

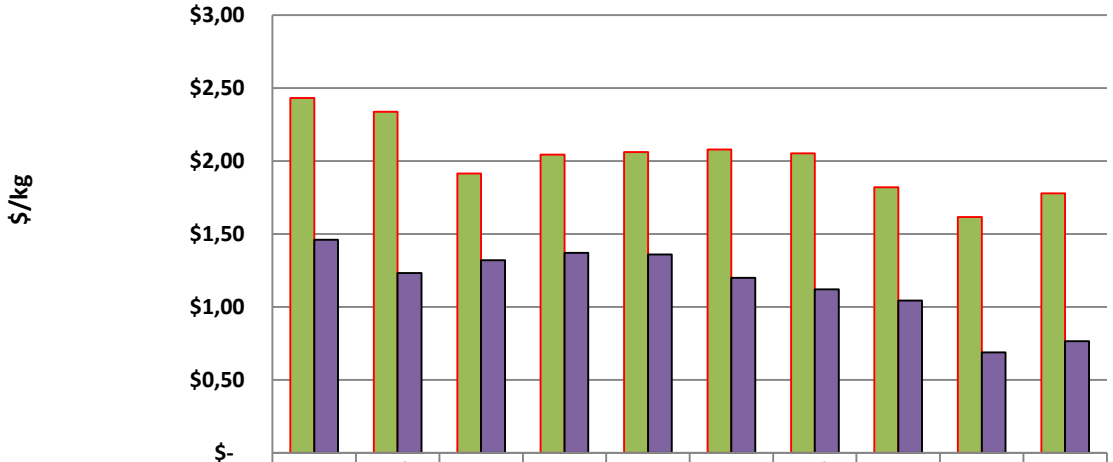


	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Wet Salted Export Price	$1,40	$1,40	$1,40	$1,25	$1,20	$1,10	$1,10	$0,80	$0,80	$0,85	$0,85
Wet Salted Local Price	$1,10	$1,10	$1,00	$1,00	$0,85	$0,85	$0,85	$0,65	$0,60	$0,65	$0,60
Wet Blue Price	$2,20	$2,20	$2,20	$2,10	$2,00	$1,90	$1,70	$1,60	$1,60	$1,45	$1,35

Source: Bulawayo Abattoirs records

The information provided by Bulawayo Abattoirs generally tallies with records provided by South African Revenue Authorities (SARS) in unit values of wet blue and raw hides imported by South Africa from Zimbabwe in the first 10 months of 2015 (see Figure 4.4) which show a general decline in both export parity prices of wet blue and raw hides.

Figure 4.4: FOB Price of Zimbabwean Wet Blue and Salted Hides exported to South Africa based on SARS data



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Wet Blue HS 41041990 &41041190	$2,43	$2,34	$1,91	$2,04	$2,06	$2,08	$2,05	$1,82	$1,62	$1,78
Wet Salted HS 41012090	$1,46	$1,23	$1,32	$1,37	$1,36	$1,20	$1,12	$1,04	$0,69	$0,76

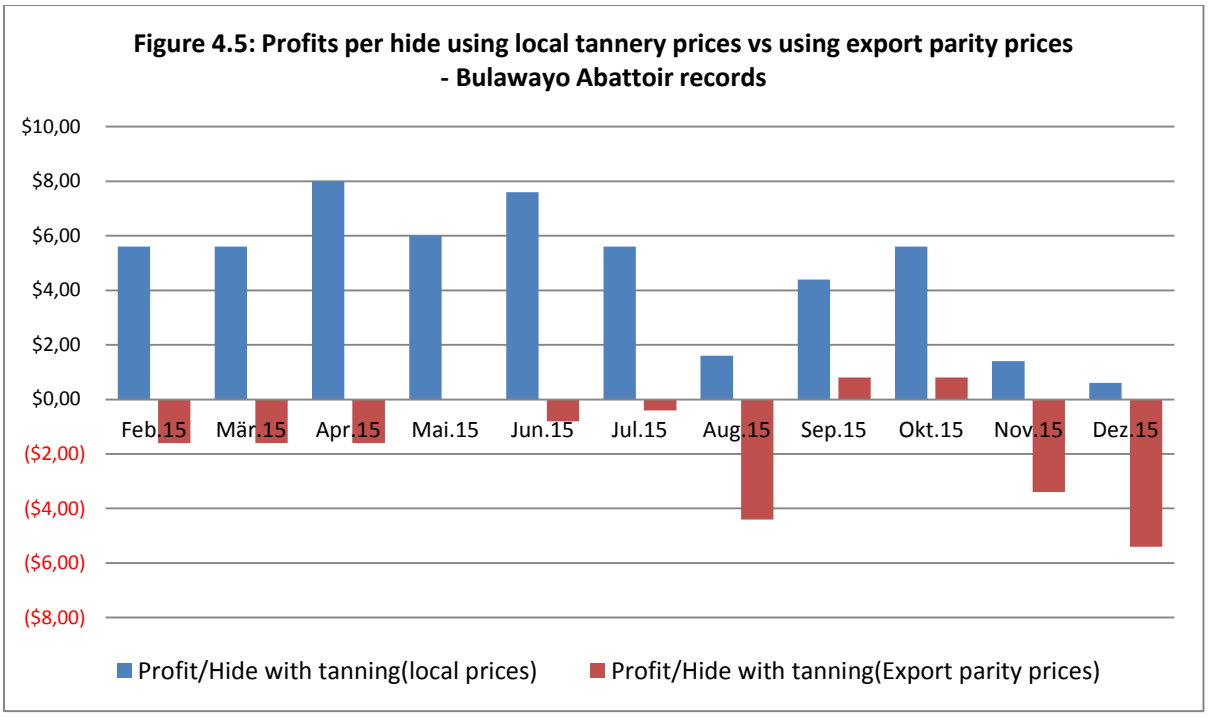
Source: South Africa Revenue Services http://tools.sars.gov.za/tradestatsportal/data_download.aspx

Squeezing tannery profits

The low international prices of wet blue hides have led to reduced profitability of tanning as it costs $0.50 to tan a kilogram of raw hide. A number of tanneries have been charging $0.55/kg to toll tan raw hides to wet blue. Bulawayo Abattoirs estimate that the average weight of hides produced in their abattoir is 24 kilograms. Thus, on average, it costs $12 to tan a hide.

The other key cost element is the acquisition of raw hides. During tanning to wet blue, a raw hide loses weight from 24kg to 20kg per piece. Thus, revenue for the tannery producing wet blue for export is the export parity price of wet blue multiplied by 20kg. Profit per hide is therefore the revenue from wet blue sales, less the cost of acquiring the raw hide and the tanning cost of $12 per hide.

Figure 4.5 summarises profits per hide based on prices offered by local tanneries compared to profits if abattoirs were being offered export parity prices for their hides. The information indicates that tanneries are making profits based on prices they are offering abattoirs. However, if they were offered export parity prices, tanners would only have made a profit in two of 11 months in 2015. Tanners are only making a profit because they are offering non-competitive prices to abattoirs. Even based on the local prices being offered, trends indicate that since mid-year, tannery profits have been declining.



Source: Own computations based on Bulawayo Abattoirs price trends

Low uptake of raw hides by tanneries and increase in stocks at abattoirs

The Zimbabwe Association of Abattoirs conducted a survey of member abattoir operators including Surrey Abattoirs, Sabie Meats, MC Meats, Bulawayo Abattoirs, Pama Meats, Binder Abattoirs, Circle Y, West Acre and Outback Safaris. Together, these operations account for 13 790 hides per month produced in formal abattoirs or 69% of formal cattle slaughters.

The survey shows that in November 2015, abattoirs were holding 23 816 raw salted hides in stocks which amounts to 173% of average monthly hide production. This indicates enormous difficulties in selling hides to the local tannery market. The problem was more severe for large operators relative to small operators. Bigger operators, which together accounted for 73% of hides produced by sampled operations, were holding more than double (206%) their monthly salted hides production in stocks compared to 86% for the smaller producers.

Thus, smaller operators have been better able to off-load hides to the local market although they have also expressed delays in offloading hides. They noted that it was taking as long as 6 weeks to find buyers and an extra 2 to 3 weeks before being paid, putting severe strain on cash flows. In addition, while export buyers have typically provided transport from the abattoirs as well as salt, local tannery buyers have required abattoir operators to provide their own salt and deliver raw hides to tanneries.

Hides cannot be off-loaded to international raw hides markets due to the $0.75/kg export surtax on raw hides

The accumulation of raw hides at abattoirs has not been helped by the recent surtax on exports which, due to the rapid decline in export parity prices of raw hides, means that there is a virtual ban on exports

of raw hides. Abattoir operators cannot economically offload excess stocks on international markets while local tanneries are agitating for further price reductions to ensure they remain profitable.

As Table 4.10 shows, between February and September 2015, the export tax on raw hides was 15% of export parity price. The $0.75/kg export surtax introduced in the Mid Term Fiscal Policy Review Statement makes the effective taxation level in October and November 2015 greater than 88% of value. Exporting raw hides in October and November meant abattoirs received only $0.05 and $0.10/kg, respectively. This is obviously sub-economic for abattoir operators.

Table 4.10: Effective Export Taxation Rates in 2015

Month	Wet salted hides export parity price ($) before surtax	Export price wet salted after surtax ($)	Export surtax as % of raw hide export parity price
February	1.40	1.19	15
March	1.40	1.19	15
April	1.40	1.19	15
May	1.25	1.06	15
June	1.20	1.02	15
July	1.10	0.94	15
August	1.10	0.94	15
September	0.80	0.68	15
October	0.80	0.05	94
November	0.85	0.10	88

The accumulation of hides at abattoirs which tanners only take up at lower than export parity prices puts undue economic strain on abattoir operators. Traditionally, the fifth quarter (offal and hide) covers the processing costs to operators. Under-pricing of hides forces abattoirs to lower their offer prices for cattle to farmers, the real owners of cattle hides.

Rethinking the Current Policies

Abattoir operators express support for local value addition in the leather sector. However, this has to be done in a fair manner for all participants in the value chain. The tannery sub-sector should not be developed by taxing abattoirs and farmers who produce the key raw materials for the industry.

In summary, the following is occurring due to the current policies:

- On top of the current low international hide prices, the surtax of $0.75c/kg translates into an export rate of nearly 90% which effectively amounts to a ban on exports;
- Banning exports leaves abattoir operators at the mercy of tanneries who are taking advantage of the power conveyed by the export ban to offer prices lower than export parity;

- Cost structures in the local tanning industry are proving non-competitive and they are only profitable by under-pricing local hides;
- The current low uptake of hides by tanners coupled with closing the export market due to the surtax has led to wastage and loss of hides; and
- Revenues generated by the raw hides export tax is not being channelled into developing the leather value chain.

Given the above problems, the following policy changes are suggested:

- Rescind the surtax of $0.75/kg as it is not viable. It is suggested that it be replaced with an export surtax of 15% and 10% on both raw and wet blue hides, respectively and a special tax of 15% on imports of leather products;
- Ensuring adequate supply of hides to local tanneries through a determined quarterly export quota that reflects effective demand by tanneries;
- The funds raised by the taxes should be deposited into a Leather Development Fund, managed by a Committee of value chain stakeholders as is the case with the Dairy Revitalisation Programme.
- Key investments for the Fund should be to reduce the cost of production in the tanning industry as well as improving the quality of hides.
- Tanners note that 60% of hides are good enough for the international wet blue market. Thus, the 25% export quota is too small to clear all hides produced in the country. The export quota should therefore be increased to 40% and there should be no restrictions on exports where local tanners fail to take up hides offered at export parity price by abattoirs;
- There is need for clear performance targets for tannery development as well as timelines for suppression of exports of raw hides in order to encourage tanneries to establish themselves and compete with international players without further assistance from Government;
- Finally, there is need for greater transparency in the issuance of export permits. To counter abuse, there is need for all export permits to be shared by stakeholders and for regular (at least monthly) reconciliation of permits issued and records of actual cross border flows of hide exports.

4.5.2 Utilisation of livestock processing by-products as feed resources

Proteins are the most expensive component of feed manufacture. During 2015, stockfeed manufacturers spent close to $96million on protein raw materials (Table 4.11). $84.2 million was spent on plant-based protein raw materials including soya bean, cotton and sunflower cakes. However, plant-based proteins tend to lack essential amino-acids such as methionine and lysine which are crucial to optimal growth in pigs and poultry. These amino acids have to be supplemented by inclusion of either animal based proteins rich in these amino acids or synthetic forms. In 2015, $11.6 million was spent on either synthetic methionine and lysine or imported meat and bone meal (MBM) and fish meal. These imports could have been avoided if the country utilised its abattoir wastes as raw material protein in feeds.

Table 4.11: Protein Raw Materials Quantities and Value Utilised by Feed Mills - 2015

	mt	Price ($/mt)	Value $	
Methionine	396	5 065	2,005,740	
Lysine	324	2 257	731,268	$2,737,008
MBM	9,480	744	7,053,120	
Fish meal	1,200	1 544	1,852,800	$8,905,920
Soy meal	117,204	660	77,354,640	
Cotton cake	11,184	375	4,194,000	
Sunflower cake	5,532	484	2,677,488	$84,226,128
Total	**145,320**		**95,869,056**	

Source: Stockfeeds Manufacturers Association of Zimbabwe

In the past, CSC had rendering facilities which processed blood meal (BM) and MBM which went into feed manufacture. Years of under-investment and depressed liquidity have resulted in drop in the CSC's throughput to less than 2 000 animals per month and stoppage of rendering activities. Unfortunately, private abattoirs are not permitted to process MBM and BM due to stringent EU conditions that still prevail in Zimbabwe. What this has meant in practice is that valuable raw materials are wasted, forcing stockfeed manufacturers to increasingly rely on importation to fill the livestock protein raw material supply gap. The potential of the rendering industry is significant given the huge growth in the poultry industry. 40 000mt of broiler meat was produced in formal poultry abattoirs during 2015 and could have potentially generated 2 000mt of BM and 3 400mt of feather meal.

Therefore, domestic processing of livestock by-products is patently necessary in order to reduce current wastages and environmental pollution and to expand employment opportunities. Livestock production and processing can also be a route to the development of rural agro-industries and stem the rural to urban migration.

4.5.3 VAT on Mechanically Deboned Meat

Meat processing industry is a high growth industry making use of by-products of the abattoir industry, including fats and trimmings to make sausages, tinned products and polonies. Mechanically deboned meat (MDM), a product of deboned chicken production for the European and American markets, is a cheap extender used in processed foods. In general, it constitutes 30% of the raw materials used by the meat processing industry. However, current imports of MDM attract a duty of 40%, similar to duties applied on most finished food products. Applying such punitive duty on a raw material makes processed products non-competitive relative to imports from South Africa. It is important to note that South African meat processors also import their MDM raw material supplies as they do not have the scale of economies to produce it. Stakeholders suggest that the duty charged on imports of MDM be reduced from 40 to 5% with stringent caveats to prevent the abuse of MDM in the form of direct retailing to consumers, which pose a health risks.

5.0 Conclusions and recommendations

This review identifies a multitude of regulatory constraints and offers a number of recommendations for the country to attain its national economic and livestock sectoral goals.

5.1 Broad Policy Recommendations

Zimbabwe is now operating in a vastly different farming landscape compared to pre-2000 because of the wide-ranging land reform programme. This calls for a very different livestock policy which emphasises greater intensification and diversification into species that do not require a lot of land. Value chain stakeholders welcome the recognition of livestock as an important sub-sector through the creation of a separate Deputy Minister's post within MoAMID and the development of a value-chain focused livestock policy with wide participation of stakeholders. However, this new policy framework has yet to be formally adopted by government and accompanying strategies have not yet been developed to implement the policy. As the review of key regulatory constraints shows, a multitude of regulations exist that go against the attainment of goals in the livestock policy.

Growth of some small livestock species is also being hampered by lack of policy alignment between agricultural and environmental ministries. This applies to fish and quail farming where the two ministries are at odds regarding which should regulate the sub-sector. Most fish farming involves pond culture where farmers buy fingerlings and feed them to market weight. This is similar to broiler production where farmers buy day-old chicks and feed them to market weight. The Ministry of Environment, Water and Climate has regulations that guide catcher fisheries which are different to pond fish farming. Similarly, quail farming involves breeding of exotic quail birds for meat and eggs. The quail species utilised by farmers are not related to wild quail found in Zimbabwe and there is no risk of cross breeding between the species. For these reasons it is recommended that quail and pond fish farming be managed under MoAMID to avoid conflicting regulations.

5.2 Livestock input regulations

Improving the competitiveness of the livestock sector requires that Zimbabwean products are produced in a cost effective manner. The review shows that regulations exist that unnecessarily increase the cost of acquisition of raw materials. Those affecting access to locally produced feed raw materials include a liberal processed grain import policy; GMB pricing policy; AMA registration requirements and VAT policy on by-products used in feeds. The study recommends the following:

- MoIC and MoAMID should discourage the importation of flour to boost local milling capacity, encourage contract farming of wheat, and improved availability of brans at reasonable prices to feed plants.
- The GMB pricing policy for maize discourages contract farming arrangements as farmers side-market their maize to the GMB. The study recommends to either let GMB buy at going market prices of set a GMB floor price mid-way between Zambian producer price and landed price of Zambian maize into Zimbabwe.

- The high AMA annual registration fees without apparent benefits to traders in raw material are imposing an unnecessary cost burden, which are passed onto feed mills. The study recommends removal of AMA annual registration fees.
- There is need to foster clarity regarding VAT on wheat and maize brans which are key raw materials in feed manufacture. These products are not consumed directly in end-markets but are used as raw materials for stockfeeds. At a meeting held in December 2015, ZIMRA acknowledged that brans used for the manufacture of stock feeds are zero rated and agreed to publish a communique clarifying this issue. To date, this communique has not been issued and some industries are being obliged to pay VAT on brans. The study recommends clear regulatory notice shared with all regional ZIMRA officers and by-product manufacturers (millers, oilseed expressors and crushers) on zero-rated by-products for feed manufacture.
- VAT is being levied on molasses a key cattle feed raw material. Molasses needs to be zero rated like other by-products used in feeds (e.g. soya bean meal, maize bran and wheat bran). This is already provided for in the VAT Act.

There are a number of constraints for importing raw materials. Importers are required to register with the AMA and pay annual fees and with the NBA if imported products are subject to GMO-free certification. The current import permit application is cumbersome leading to delays.

- There seems no basis for AMA to licence annually feed manufacturers and commodity traders. It is proposed feed manufacturers and raw material importers be exempt from these taxations to reduce the cost of feeds
- The study suggest removing requirement for annual registration fee while NBA continue to charge the per shipment processing fee. In addition, there is need to remove wheat grain and bran from list requiring GMO-free certificate
- There is need to streamline the import permit process. If CoG permits used to take only 5 days in 2014 there is no reason why we should be taking up to a month.

5.3 Farm related regulations

Sustainable agriculture requires that production processes do as little damage to the environment as possible. Thus there is need for environmental safeguards to ensure sustainable agricultural development. However, a number of EMA regulations do not adequately take the Zimbabwean context into account. Case in point are the regulations on emissions control. According to farmers, effluent from farming processes such as dairy, piggeries and poultry houses are not environmentally bad but contribute to crop nutrition in the form of manure, some of which is re- cycled to produce on-farm feed (maize grain, soya bean, maize silage etc). The scale of production among on Zimbabwean farmers is very small compared to countries such as Europe or the United States. At current scales of production, all effluent and solid wastes can be absorbed by the on-farm environment with little escape to constitute pollution. EMA regulations appear to be based on intensive production in developed countries, most of which are in temperate climates where on-farm environments are unable to absorb wastes generated by livestock production. Also of note is the low usage of mineral fertilisers in Zimbabwe which makes crop farming an environmental bad through excessive mining of soil nutrients. It is recommended that EMA stops levying farmers based on how much effluent or solid wastes are

produced by their livestock operations and, instead, provide extension on proper ways to turn these wastes into valuable crop nutrition resources to enhance on-farm productivity.

Farmers also object to the need for registration, annual and monitoring fees for using pesticides and agrochemicals or for carrying more than 200 litres of fuel. Farmers argue that no modern commercial farming can occur without these inputs. The prudent intervention which EMA can provide is education on the proper storage and use of such products.

Where farmers are in agreement with EMA is the need to encourage erection of fire guards and punitive penalties for starting fires which reduces the availability of grazing during the dry months. These regulations contribute directly to productivity in the livestock sector.

5.4 Marketing related regulations

The review highlighted cases where excessive taxation within livestock markets is reducing the incentive for commercialisation and the lack of supportive institutions is causing increased transactions costs and disincentives for producers.

An example of excessive taxation is the RDC levies in livestock marketing. The stated purpose of levying is to sustain the provision of services to farmers. However, if levies are too high (and in some instances, amount to 10.5% of the purchase value of a beast), perverse outcomes ensue, such as the deliberate evasion of formal cattle sales which encourages illegal movements and counteracts disease control measures. It has been noted that differential rates are being charged for the same services by RDC's. In addition, the collection of the levy is not uniform at all slaughter points, and consequently hampers the orderly marketing of cattle and meat products. The study recommends RDCs charge a levy based on a flat fee per animal traded at auctions, in the amount comparable with similar levies in neighbouring countries such as Botswana, Zambia and Namibia who draw a significant amount of their processed beef from the smallholder sector. Marketing levies in these countries cost $2 per head. A similar fee is proposed for Council services provided at auctions. In addition, it is recommended for RDCs to charge a fixed development levy of $2 per head for cattle sold to abattoirs for slaughter but no charge for cattle sold to farmers for their herd building investments.

Another example of excessive taxation is the standard rating (i.e. 15%) for VAT purposes of sheep, goat and rabbit meat. Other meats (beef, broiler and pork) and milk products are zero rated for VAT purposes and meat from sheep and goats, predominately owned by poor households in smallholder farming areas, is relatively more expensive compared to the other livestock proteins. The transfer of table eggs from zero rated to VAT exemption early in 2016 has meant producers can no longer claim VAT on inputs used in egg production as producers of milk, broiler meat and beef which are currently zero rated. These regulations are counter to commercialisation of these livestock species which are more prevalent in low income smallholder farming areas. There is need to zero rate sheep and goat meat and table eggs for VAT purposes to foster competitiveness of these livestock products and encourage their commercialisation.

Transactions costs in livestock trade are eating into returns from livestock production and trade. The review identifies two key institutional limitations that are leading to increased transactions costs and acting as disincentives within the livestock sector. Lack of a simple livestock identification and traceability system that is accessible to smallholder farmers not only makes it costly to exchange cattle but makes it difficult to control livestock movements for disease control and to identify cattle to owners in the case of theft and recovery. DLVS, livestock commodity associations, unions and the ZRP are currently discussing a framework for a simple livestock identification and traceability system. This needs to be supported and implemented by Government to reduce the transactions costs of livestock trade.

A second improper institutional arrangement acting as a disincentive to cattle farmers is the outdated carcass classification and grading system which penalises good quality beef from indigenous small framed cattle breeds. Not only does this lead to poor prices for cattle farmed by smallholders but it discourages the keeping of indigenous breeds that have been proved to be the most fertile and adapted to local conditions, especially given the worsening weather conditions due to climate change. Stakeholders have discussed and agreed upon a carcass grading system that does not penalise farmers of small framed indigenous breeds which needs to be formalised and implemented by the MAMID.

5.5 Processing related regulations

Prior to 2012, abattoirs and milk processing plants were only required to register with the VPH and pay annual inspection fees of $300 for class A, $200 for class B and $100 for class C abattoirs. Inspections of abattoirs and milk processor ensure that they are compliant with hygienic slaughter protocols to ensure safety of livestock products for consumers. However, post 2012 primary processing plants are now also required to register with AMA as provided for under SI 147 of 2012 (Registration of Companies and Submission of Returns) Regulations. Registration fees for Class A and B abattoirs are $1 000 per annum while the registration fees for a Class C abattoir are $200 per annum. These fees are more than those charged by the VPH, an institution that provides a public service. AMA fees are not linked to any service provided by the institution. It is recommended that statutory Instrument 147 of 2012 be repealed by AMA to reduce the regulatory burden it has imposed on the processing industry.

From 2007 onwards, processors have been subjected to an array of registrations with EMA which requires annual registration and monitoring fees as well as quarterly disposal fees under SI 7 of 2007 (effluent and solid waste disposal) and SI 72 of 2009 (air pollution). A small dairy processor needs to pay at least $4 500 per year in registration, inspection and disposal fees. This adds to fixed costs and makes processed products non-competitive. Livestock industry stakeholders argue that this policy which advocates payment for the right to pollute does not solve pollution problems. They prefer that EMA work together with industry on safe ways to dispose of waste. Abattoirs have invested in waste disposal structures under the Animal Health Act while milk processors are also required to have acceptable waste disposal structures under the Dairy Act. There is need therefore for EMA to work with Dairy Services and DLVS to avoid duplication. Only processors who do not adopt safe ways of handling waste should be required to pay punitive penalties.

Public Health (Abattoir, Animal and Bird Slaughter and Meat Hygiene) regulations of 1995(SI 50 of 1995) require that all abattoirs are registered by DLVS. The cost of registration is $400 for Grade A, $300 for Grade B and $200 for Grade C abattoirs. In addition, abattoirs pay $2 per carcass as inspection fees. The DLPD's Meat Graders under SI 182 of 2000 also charge $1.00 per carcass for grading. However, some municipal councils also charge for meat inspection under the public health regulations implying double taxation. In Masvingo the municipality charges inspection fees of $3 per head while VPH charges $2, a total of $5 per head in foregone revenue to the farmer. There is therefore need to rationalise inspection fees. It is recommended that MAMID and Ministry of Health and Child Care agree on a policy that in abattoirs under DLPD inspection regime, municipality should not be allowed to also charge for the same services.

Besides the requirement to register with the VPH, abattoir operators are now also required to register with AMA as provided for under SI 147 of 2012 (Registration of Companies and Submission of Returns) Regulations. The AMA registration fees for Class A and B abattoirs is $1 000 per annum while the registration fees for a Class C abattoir is $200 per annum. These annual registration fees are more than those charged by VPH for little to no services rendered to abattoirs. VPH fees cover services of inspection of facilities to ensure that products coming from plants are safe for the market. AMA justification for the fees is that there is need to collect statistics from producers, traders, processors and retailers. This is despite the fact that the Meat Graders section of DLPD already collects such information while AMA has not yet produced comprehensive information on slaughter indicators. The study concludes that the double registrations introduced by AMA are unnecessary and merely increase the high cost of production by value chain participants in the livestock sector at a time when consumer demand has declined. To improve competitiveness of livestock value chains there is need for AMA to reduce or eliminate the AMA annual registration fees.

5.6 Post processing related regulations

The review revealed that a number of policies are hindering the full realisation of value in the livestock value chain. For instance, the current policy to encourage local beneficiation of hides and skins through punitive taxation of raw hides exports has discouraged the collection of hides from rural butcheries and led to a huge stockpile and spoilage of hides. In another example, strict controls on the use of rendered abattoir wastes such as blood, feathers and bone trimmings in stockfeeds at a time when significant costs are being incurred to import animal protein raw materials for feed manufacture, has stifled investment in value addition by rural based abattoirs and increased pollution. Trimmings and fats from abattoirs are raw materials in processed meats production. However, an imported product - mechanically deboned meat (MDM) - is a key input in this production process. Current high duties on MDM are hindering value addition in this sub-sector.

In the 2015 Mid-Term Fiscal Policy Review Government with effect from 1 October 2015 imposed an export surtax on all exports of hides and skins at the rate of 15% of FOB value or US$0.75 per kg, whichever was higher. Due to current low international hide prices, the surtax of $0.75c/kg translates into an export tax rate of nearly 90% which effectively amounts to a ban on exports. However, the local tanneries have been unable to absorb all hides on offer due to under-capitalisation and abattoirs are

being offered very low prices. This has led to spoilage of hides and a loss to the national economy. It is suggested that Government rescinds the surtax of $0.75/kg and replace it with an export surtax of 15% and 10% on raw hides and wet-blue tanned hides, respectively, and a special tax of 15% on imports of leather products. The funds raised by the taxes should be deposited into a Leather Development Fund, managed by a Committee of value chain stakeholders as is the case with the Dairy Revitalisation Programme. There is also need to ensure adequate supply of hides to local tanneries through a MoIC and MAMID determined quarterly export quota that reflects effective demand by tanneries.

Mechanically deboned meat (MDM), a product of deboned chicken production for the European and American markets, currently attracts a duty of 40%, similar to duties applied on most finished food products. Meat processing industry is a high growth industry making use of by-products of the abattoir industry, including fats and trimmings to make sausages, tinned products and polony. MDM, a cheap meat extender is included at 30% in such processed foods. The current punitive duty on a raw material makes local processed products non-competitive relative to imports from South Africa. It is suggested that the duty charged on imports of MDM be reduced by ZIMRA from 40 to 5% with stringent caveats to prevent the abuse of MDM in the form of direct retailing to consumers.

In the past, CSC had rendering facilities which processed blood meal (BM) and meat and bone meal (MBM) which went into feed manufacture. Years of under-investment and depressed liquidity have resulted in drop in throughput and stoppage of rendering activities. But private abattoirs are not permitted to process MBM and BM due to stringent EU conditions that still prevail in Zimbabwe. In 2015, $11.6 million was spent either on synthetic amino acids methionine and lysine, or imported meat and bone meal (MBM) and fish meal. These imports could have been avoided if the country utilised its abattoir wastes as raw material protein in feeds. The potential of the rendering industry is significant given the huge growth in the poultry industry. Extra benefits include the reduction in waste from processing plants. There is need for the DVS to revise its guidelines for abattoir waste rendering in line with FAO minimum standards that allows cheap and safe transformation of abattoir wastes into valuable feed raw materials by private abattoirs.

Conclusion

The Government should engage with private sector associations and individual companies in a substantial dialogue to reduce these constraints on growth in the livestock sector, which is a significant source of livelihood for large sections of the country. Resolving these issues can provide a boost to industry, households, and local and national budgets as inefficiencies are worked out, local production volumes increase, and more dealings are conducted through formal channels.

ANNEX: Summary of regulatory constraints, impacts and suggested reforms

A. Input Related Policy Constraints

A1: Constraints to locally produced livestock inputs

Regulatory Constraint	Nature of impact on livestock sector	Suggested reforms
AMA Excessive annual registration fees charged by the Agricultural Marketing Authority (AMA) under Statutory Instrument 147 of 2012 for buyers of grain and oilseeds, the main suppliers of these raw materials to feed mills; and SI 140 of 2013. Annual registration fees demanded by the two SIs include $1000 to operate as a trader, $1000 to operate as a contractor and $500 operate a warehouse.	1) Increase in overhead cost for contractors and grain and oilseed buyers and sellers which are passed on to users of these products including feed manufacturers. 2) The high registration fees discourage small volume buyers and sellers of grain and oilseed to participate in the marketing system. 3) The high registration fees also discourages companies from engaging farmers in contract farming arrangements.	Remove all annual registration fees
VAT Inconsistent application of VAT zero rating for by-products of milling and crushing used in feed manufacture. 1) 15% VAT on molasses is inconsistent with SI 273 of 2003 which zero rates agriculture processing by-products used in animal feeds. 2) ZIMRA regional officers sometimes standard rate soya bean cake/grain bran contrary to SI 273 of 2003	1) Standard rating of molasses for VAT purposes leads to an increase in the cost of dairy and beef pen fattening feeds 2) Application of 15% VAT on zero rated by-products, though it can be claimed later against income tax leads to liquidity problems for feed manufacturers	1) Zero rate molasses used for stock feed manufacture 2) Clear regulatory notice shared with all regional ZIMRA officers and by-product manufacturers (millers, oilseed expressors and crushers) on zero-rated by-products for feed manufacture
MoAMID Price policy MoAMID has been setting GMB pricing grain at greater than import parity while GMB has been charging less than import parity price to its processing divisions	1) The high prices have led to side-marketing to GMB by contracted maize farmers, leading to discouragement of contract farming. 2) Low prices charged to GMB milling and feeds divisions give them an unfair advantage over private processors. 3) Subsidizing farmers by paying greater than import parity increases government expenditure	Either let GMB buy at going market prices or set a GMB floor price mid-way between Zambian producer price and landed price of Zambian maize into Zimbabwe
MoIC and MoAMID on Flour Imports Government allows 4,000 MT of flour to be imported each month for blending purposes. However, these limits have routinely been exceeded	Excessive imports of processed flour at the expense of raw grain has reduced capacity utilisation in the milling industry, and starved feed mills of by-products leading to high cost of by-products and hence feeds	MoIC and MoAMID should discourage the importation of flour to boost local milling capacity, encourage contract farming of wheat, and improved availability of brans at reasonable prices to feed plants

A2: Constraints to accessing imported livestock inputs

Regulatory Constraint	Nature of impact on livestock sector	Suggested reforms
AMA registration fees Despite being required to register as feed manufacturers under the Farm Feeds and Remedies Act, feed manufacturers who import some of their raw materials have been since 2013 required to also register and pay annual fees of $1000 under AMA's SI 140 of 2013	1) the AMA annual fees are $600 more than annual registration with Farm Feeds and Remedies Institute; 2) AMA's role in raw material importation is just to provide a letter of support. There seems to be duplication in the role since the Economics and Markets Division in the MoAMID also scrutinises import application.	There seems no basis for AMA to licence annually feed manufacturers and commodity traders. It is proposed feed manufacturers and raw material importers be exempt from these taxations to reduce the cost of feeds
NBA for GMO certification The National Biotechnology Authority (NBA) charges an annual registration fee of $500 for importers of commodities that are subject to GMO-free certification. Though provided for in the NBA Act there is no Statutory Instrument to support the regulation. In addition there is a fee payable for each shipment. Wheat grain and bran are among commodities that require a GMO-free certificate though there is no commercial GMO wheat under production in the world.	In addition to the excessively high annual registration fees, importers also need to pay for certification of shipment in the country of origin which leads to high cost of imported raw materials. When one adds the extra cost of registration with AMA and Farm Feeds and Remedies Institute these multiple annual fees add significant amounts to fixed costs of feed manufacturers. Also of concern is the unnecessary costs borne by importers wheat grain and bran which do not have GMO varieties currently in commercial production.	The study suggest removing requirement for annual registration fee while NBA continue to charge the per shipment processing fee. In addition, there is need to remove wheat grain and bran from list requiring GMO-free certificate
MoAMID for CoG permit Importers of hatching eggs, grain, soya meal, wheat and maize bran, minerals and vitamins, powdered milk, breeder day-old chicks, breeding animals and semen need to obtain an import permit. To obtain a permit as required by the Control of Goods Act, importers have to get approval from numerous agencies including DVS, NBA, AMA, E&M, Plant Protection, and MoAMID. The time taken to get final permit is currently as long as --- weeks.	For example the largest hatching egg import agent for the local poultry industry has experienced delays of a month to six weeks at MOAMID to process Control of Goods (CoG) permits. Up to December 2014, CoG permits took as few as 3-5 days to process. Delays in processing of permits therefore increases the risk of local hatcheries not been able to satisfy their contractual obligations with suppliers, leading to losses due to breach of contract.	There is need to streamline the import permit process. If CoG permits used to take only 5 days in 2014 there is no reason why we should be taking up to a month.

B: Farm level regulatory constraints

Regulatory Constraint	Nature of impact on livestock sector	Suggested reforms
EMA: Environment Management (Effluent and Solid Waste Disposal) Regulations of 2007(SI 6 of 2007) require farming operations that generate effluent and solid waste to register and pay an annual registration fee of $32; an annual inspection fee ranging from between $80 and $585 depending on assessed badness of the waste and a quarterly discharge fee based on estimated amount of waste discharged with a minimum of $80 per quarter.	This regulation affects the cost of production in livestock enterprises such as poultry, piggeries, dairy and pen-feeding operations without contributing to environmental benefits since most wastes and effluent is used as fertiliser on farm.	The scale and intensity of livestock production in Zimbabwe are not at a level that precludes transforming waste from production into valuable fertiliser inputs into crop production which is an environmental 'good' rather than a 'bad'. Thus penalties for creating an environmental are unwarranted. What is required instead is extension on effective ways of harnessing the fertility value of the wastes
EMA: Environmental Management (Hazardous Substances, Pesticides and other Toxic Substances) Regulations (SI 12 of 2007) requires a person using herbicides, pesticides, fungicides or any toxic substances for commercial agriculture or public health pest control or veterinary vector control to have a license from EMA at an annual fee of between $457 and $672 depending on assessed toxicity of the agents used. In addition it requires farmers who transport more than 200 litres of fuel to obtain annual permits from EMA at a cost of $200.	Since practically all crop and livestock farmers store pesticides or veterinary vector control products and have to transport fuel for their tractors they are required to register and pay the exorbitant fees and this increases the cost of livestock production. To put this into perspective the required annual fees are greater than revenue from sale of one steer which for a small scale emergent commercial farmer is a significant dent into profitability	No modern productive farming can proceed without safe use of veterinary vector control. Rather than add costs to farm operations there is need to draft protocols on good agricultural practices on the correct handling, storage and handling of these essential chemicals.

C: Regulatory constraints affecting marketing of livestock

Regulatory Constraint	Nature of impact on livestock sector	Suggested reforms
Rural District Councils In the majority of cattle dependent districts, Rural District Councils (RDC) have been charging a levy of 10.5% on all live cattle sales.	Not only is the charge excessive but the rationale behind the charges has been questionable. Though the guidelines seem to imply the charges should be on cattle traded at council operated auctions, the current practice is to charge all cattle traded even through private negotiation. RDC levies have also encouraged illegal livestock movements to evade taxation, leading to increased risk of an outbreak of disease. Charging levies on farmer to farmer trade for herd building are also taxed which discourages livestock restocking investments.	There is need to charge a levy based on a flat fee per animal traded at auctions, in the amount comparable with similar levies in neighbouring countries such as Botswana, Zambia and Namibia who draw a significant amount of their processed beef from the smallholder sector. Marketing levies in these countries cost $2 per head. A similar fee is proposed for Council services provided at auctions. In addition, it is recommended to charge a fixed development levy of $2 per head for cattle sold to abattoirs for slaughter but no charge for cattle sold to farmers for their herd building investments.
DLVS and ZRP Zimbabwe does not have a comprehensive and functional livestock identification and traceability system to management cattle movements and proof of ownership. Proof of ownership is required by police, and results in involvement of third parties such as headmen and other witnesses.	Cattle farmers and traders incur significant costs to navigate complex movement permits and clearance procedures. This lowers profits from sales of animals.	DLVS, livestock commodity associations, unions and the ZRP are currently discussing a framework for a simple livestock identification and traceability system. This needs to be supported and implemented by Government to reduce the transactions costs of livestock trade
VAT regulations (MoFED): Currently, sheep and goat meat is subject to VAT of 15% when meat such as beef and chicken is not. SI 9 of 2016, Value Added Tax (General) (Amendment) Regulations, 2016 (No. 40) instituted in February 2016 transfers table eggs from zero-rated to VAT exempt.	Standard rating of Sheep and Goat meat and the transfer of table eggs from zero rated to VAT exemption increased the cost of these livestock products compared to milk, broiler and beef which are currently zero rated. This is counter to commercialisation of these livestock species which are more prevalent in low income smallholder farming areas.	There is need to zero rate sheep and goat meat and table eggs for VAT purposes to foster competitiveness of these livestock products and encourage their commercialisation
DLPD Carcass Grading System In Zimbabwe carcass grading and classification is still based on the old system developed in the 1970s which was based on large framed exotic breeds that dominated commercial cattle marketing at the time	Most cattle commercially traded on local markets are from smallholder farming areas dominated by small framed indigenous breeds. The current grading system unfairly discriminates against cattle from the smallholder farming areas leading to artificially low producer prices.	Stakeholders and the DLPD have drafted a grading system that removes the bias on small framed adapted breed in the country. This system needs to be implemented by Government.

D: Regulatory constraints affecting processing of livestock

Regulatory Constraint	Nature of impact on livestock sector	Suggested reforms
EMA: Environment Management (Effluent and Solid Waste Disposal) Regulations of 2007(SI 6 of 2007) processing that generate effluent and solid waste to register and pay an annual registration fee of $32; an annual inspection fee ranging from between $80 and $585 depending on assessed badness of the waste and a quarterly discharge fee based on estimated amount of waste discharged with a minimum of $80 per quarter.	The regulation is currently being applied on discharge of abattoir wastes, boiler gaseous emissions from heating fuel discharges and boiler waste water. The problem with this regulation is that solid waste and effluent discharge is also covered under the Animal Health Act which specifies the kind of investments that need to be put in place for safe disposal of wastes (basis for registration by the VPH) as well as municipal bye-laws when waste are discharged into sewer systems (subject to charges by municipalities). There thus double taxation. In addition, waste boiler waster is a benign waste with no effect on the environment.	There is need to rationalise the conflict between Animal Health Act provisions, EMA and Municipal bye-laws to avoid overlapping taxation.
EMA: EMA issues emission licenses for air pollution processes that are prescribed under SI 72 of 2009. Annual registration fee - $32; annual monitoring fee - $100-555 depending on toxicity; and quarterly discharge fee based on estimated amount emitted(minimum $100 per quarter)	This regulation has been applied on processing plants that have forklifts and generators - a necessity for most livestock processing plants due to erratic power supply. Processors are therefore being punished for poor electricity service provision. Government through its taxation on fuels and vehicle registration already has a carbon tax that levies emissions. These levies therefore constitute a double taxation on abattoirs.	This levy on factory fuel powered vehicles and generators needs to be removed as it constitutes a double taxation as well as punishment for failures by other service providers to provide clean energy.
Veterinary Public Health and Meat Inspection Regulations Public Health (Abattoir, Animal and Bird Slaughter and Meat Hygiene) regulations of 1995(SI 50 of 1995) require that all abattoirs are registered by DLVS. The cost of registration is $400 for Grade A, $300 for Grade B and $200 for Grade C abattoirs. In addition, abattoirs pay $2 per carcass as inspection fees. The DLPD's Meat Graders under SI 182 of 2000 also charge $1.00 per carcass for grading. However, some municipal councils (e.g. Masvingo) also charge for meat inspection under the public health regulations.	There is double taxation in for meat inspection in places such as Masvingo. In Masvingo the municipality charges inspection fees of $3 per head while VPH charges $2, a total of $5 per head in foregone revenue to the farmer.	There is need to rationalise inspection fees. In abattoirs under DLVS inspection regime, municipality should not be allowed to also charge for the same services.
AMA Besides the requirement to register with the VPH, abattoir operators are now also required to register with AMA as provided for under SI 147 of 2012 (Registration of Companies and Submission of Returns) Regulations. The registration fees for Class A and B abattoirs is $1 000 per annum while the registration fees for a Class C abattoir is $200 per annum.	AMA annual registration fees are more than those charged by VPH for little to no services rendered to abattoirs. VPH fees cover services of inspection of facilities to ensure that products coming from plants are safe for the market. AMA justification for the fees is that there is need to collect statistics from producers, traders, processors and retailers. This is despite the fact that the Meat Graders section of DLPD already collect such information while AMA has not yet produced comprehensive information on slaughter indicators.	The double registrations are unnecessary and merely increase the high cost of production by value chain participants in the livestock sector at a time when consumer demand has declined. To improve competitiveness of livestock value chains there is need to reduce or eliminate the AMA registration and annual fees

E: Regulatory constraints affecting post processing of livestock products

Regulatory Constraint	Nature of impact on livestock sector	Suggested reforms
Export tax on raw hides exports(MoFED) In the Mid-Term Fiscal Policy Review delivered by Hon Chinamasa at the beginning of the third quarter of 2015, Government with effect from 1 October 2015 imposed an export surtax on all exports of hides and skins at the rate of 15% of FOB value or US$0.75 per kg, whichever was higher.	Due to current low international hide prices, the surtax of $0.75c/kg translates into an export tax rate of nearly 90% which effectively amounts to a ban on exports. However, the local tanneries have been unable to absorb all hides on offer due to under-capitalisation and abattoirs are being offered very low prices. This has led to spoilage of hides and a loss to the national economy.	It is suggested that Government rescinds the surtax of $0.75/kg as it is not viable and replace it with an export surtax of 15% and 10% on both raw and wet blue hides, respectively and a special tax of 15% on imports of leather products. There is also need to ensure adequate supply of hides to local tanneries through a determined quarterly export quota that reflects effective demand by tanneries. The funds raised by the taxes should be deposited into a Leather Development Fund, managed by a Committee of value chain stakeholders as is the case with the Dairy Revitalisation Programme.
Duty on MDM imports(MoFED) Mechanically deboned meat (MDM), a product of deboned chicken production for the European and American markets, currently attracts a duty of 40%, similar to duties applied on most finished food products.	Meat processing industry is a high growth industry making use of by-products of the abattoir industry, including fats and trimmings to make sausages, tinned products and polony. MDM, a cheap extender is included at 30% in such processed foods. The current punitive duty on a raw material makes processed products non-competitive relative to imports from South Africa.	It is suggested that the duty charged on imports of MDM be reduced from 40 to 5% with stringent caveats to prevent the abuse of MDM in the form of direct retailing to consumers.
Processing by-products of livestock processing(DLVS) In the past, CSC had rendering facilities which processed blood meal (BM) and meat and bone meal (MBM) which went into feed manufacture. Years of under-investment and depressed liquidity have resulted in drop in throughput and stoppage of rendering activities. But private abattoirs are not permitted to process MBM and BM due to stringent EU conditions that still prevail in Zimbabwe.	In 2015, $11.6 million was spent on both synthetic amino acids methionine and lysine or imported meat and bone meal (MBM) and fish meal. These imports could have been avoided if the country utilised its abattoir wastes as raw material protein in feeds. The potential of the rendering industry is significant given the huge growth in the poultry industry. Extra benefits include the reduction in waste from processing plants	There is need for the DVS to revise its guidelines for abattoir waste rendering in line with FAO standards that allows cheap and safe transformation of abattoir wastes into valuable feed raw materials by private abattoirs