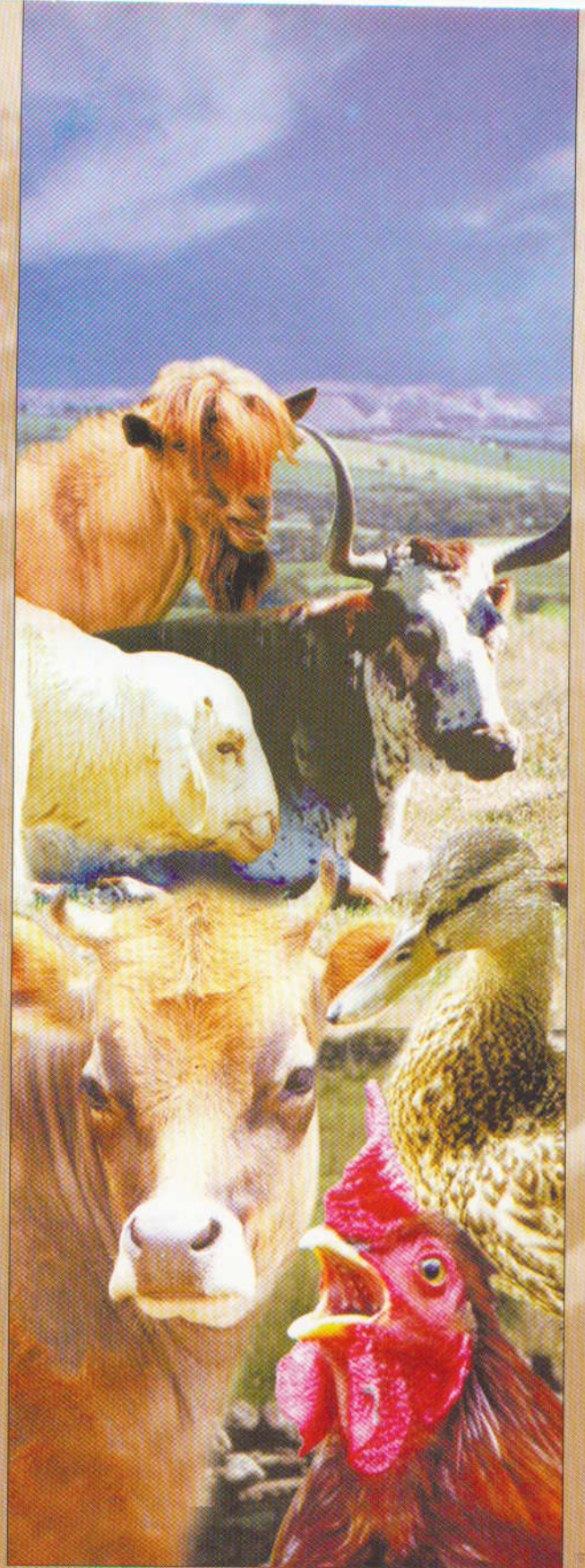




# Investing in Uganda



## Livestock



# Uganda's Livestock Industry

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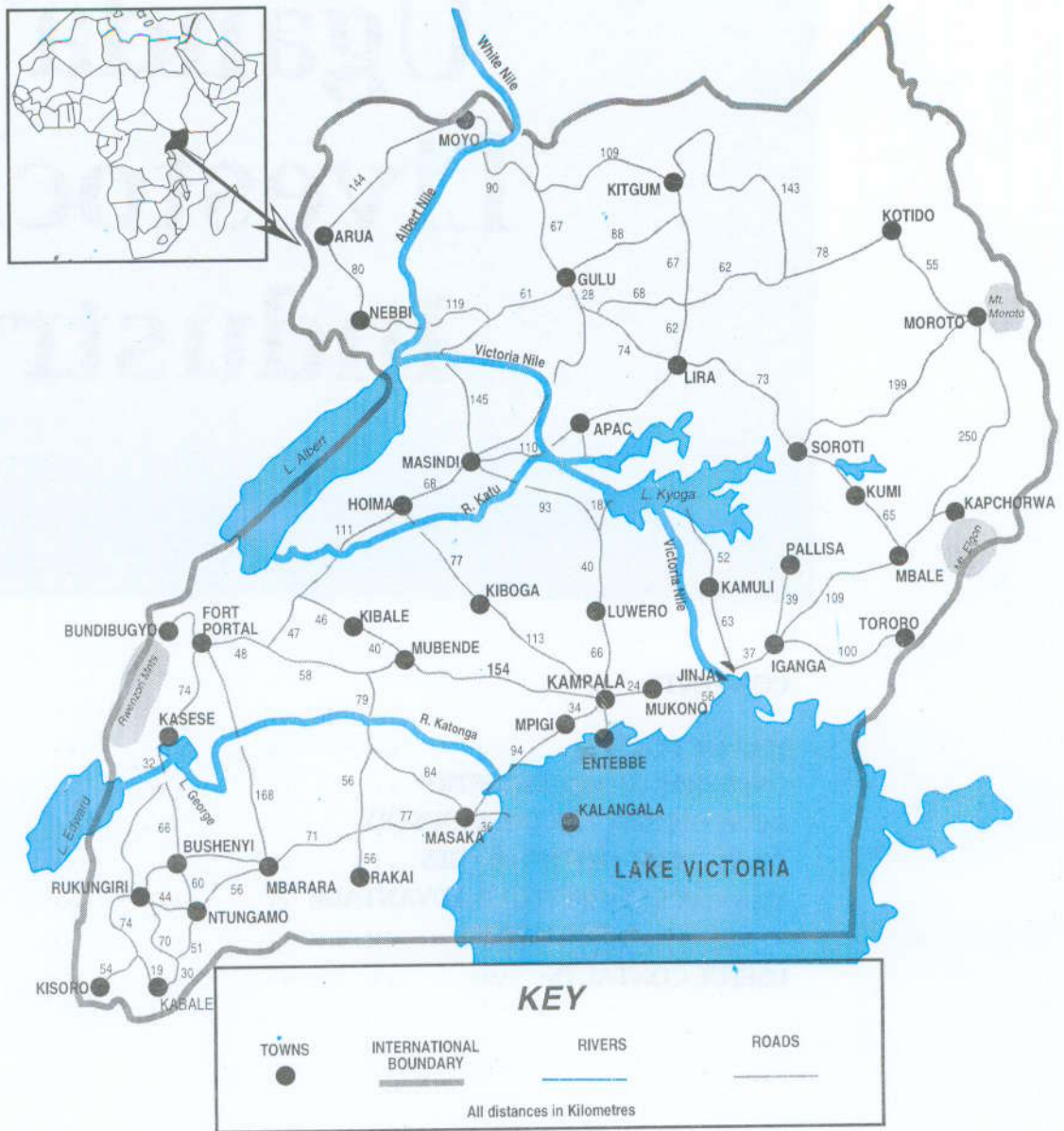


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*Every care has been taken to ensure the accuracy of information in this profile. Uganda Investment Authority however does not accept responsibility for any error, omission or change that may have occurred and advises investors to verify facts for themselves.*

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# ROUTE PLANNING GUIDE-AFRICA



# Overview of the Livestock Industry

**L**ivestock production in Uganda contributes 7.5% and 17% to total GDP and agricultural GDP respectively. It is an integral part of the agricultural system of many parts of the country. Mixed farming small holders and pastoralists own over 90% of the cattle herd and 100% of the small ruminants and non-ruminant stock. Cattle are the most important of all the livestock.

Livestock production has continued to grow at a rate of over 2% per annum, in response to increasing demand for milk and meat in the local market. Higher rates of growth are envisaged as Government pursues its policies of modernising and commercializing agriculture.



# Developments in the Industry

## **Sector Policies, Development Strategy and Plans**

The overall development strategy aims at maximising the potential of Uganda's livestock sub-sector by providing investment incentives to increase animal inventories and related agribusiness, supporting the development of efficient livestock production systems for increased productivity to meet the domestic demand, integrating production into the main stream monetary economy, and generating a surplus for export. This is outlined in the sectoral development framework—the Plan for Modernisation of Agriculture.

The livestock development strategy focuses on the following:

- Establishing an efficient livestock disease control system based on cost recovery.
- Achieving self-sufficiency in meat, milk, poultry and other livestock products.
- Promoting and developing industrial linkages for livestock products including dairy, leather and meat processing.
- Encouraging the export of livestock and livestock products.
- Strengthening research in livestock breeding in order to upgrade the quality and productivity of the present livestock breeds.



## TRENDS AND PERFORMANCE

### Livestock populations

The national livestock and poultry population increases at an average rate of 3% per annum and was estimated to comprise 6 million cattle, 9.2 million goats, 1.6 million sheep, 1.3 million pigs and over 25 million poultry in 1999. The indigenous breeds account for over 95% of the national herd/flock. The Ankole longhorn breed whose meat is low in cholesterol levels dominates the cattle population. The Small East African goat and its larger sister, the Mubende breed, have the finest skin from a non-endangered animal on the world market.

*Table 1: Livestock population estimates ('000s), 1991 – 2000*

Year	Cattle	Goats	Sheep	Pigs	Poultry
1991	5,121	4,950	820	1,210	20,020
1992	5,209	5,070	845	1,228	20,576
1993	5,370	5,227	871	1,266	21,214
1994	5,106	5,713	971	1,374	21,404
1995	5,233	6,284	1,068	1,511	21,832
1996	5,301	6,913	1,175	1,663	22,050
1997	5,460	7,604	1,292	1,829	22,712
1998	5,775	8,364	1,422	2,012	23,648
1999	5,957	9,201	1,564	2,213	24,830
2000	6,143	10,121	1,720	2,434	26,072

*Source: Statistical Abstracts and Background to the Budget (several years), Ministry of Finance, Planning and Economic Development; Small Ruminant Development Study Report, Ministry of Agriculture, Animal Industry and Fisheries, 1999.*

Production systems and management practices are dictated by the degree of dependence of the household on livestock products for income, cultural values, food supply and crop agriculture practiced in association with livestock under traditional and non-traditional practices. The bulk of cattle and small ruminants are kept under traditional herding production systems, while poultry and pigs are largely left to fend for themselves on the range.

The targeting of high-potential areas as a basis for resource allocation, by both Government and private investors, has led to the rapid increase in output and the integration of the livestock sub-sector into the cash economy, especially for dairy and beef related enterprises. There is a growing interest in commercial ranching for cattle and goats. Over 284,000 hectares of land that had been developed by Government and leased out to private operators and about 150,000 hectares that had also been developed as Government ranches and breeding farms are largely understocked. Only 9% of the national cattle herd is held on ranches and farms, contributing only 11% of the slaughter animals as compared to 30% in the early 1970's. If capital is mobilized, there are opportunities for restocking these ranches. Several Ugandan entrepreneurs have large tracts of land that could be developed into commercial ranches through joint-venture capital.



### Demand and supply projections

Consumption of livestock products, both in absolute terms and on a *per capita* basis, is very low in Uganda (Table 2). However, prospects for increased demand, hence increased production, are good as *per capita* purchasing power continues to increase. Household expenditure on animal products ranges between 20 - 30% of total expenditure and the price elasticity of demand (% change in quantity demanded as a proportion of % change in price of commodity) for meat is very high.

**Table 2: Per capita Consumption of Animal Products**

Product	Urban Consumption	Rural Consumption	Price Elasticity of demand
Milk (lt)	31.52	22.43	0.58
Beef (kg)	9.04	6.05	1.01
Goat and Mutton (kg)	0.83	0.85	1.01
Chicken (kg)	1.89	1.76	0.62
Eggs (kg)	18.72	7.37	0.50
Fish (kg)	15.79	8.90	0.86

Source: MPED (1991): Household Budget Survey, 1989/90.

Based on population trends, reproductive rates and mortalities, approximately 12% of the cattle population, 24% of the goat population, 33% of the sheep population is slaughtered annually yielding over 100,000 MT of meat and other edible parts (Table 3). The extraction rates could be increased by over 50% without drastically affecting the livestock growth rates. The potential is even far much greater if production was to be dramatically transformed from the current subsistence levels to commercial production!

**Table 3: Production estimates for milk and meat, 1992 – 2000**

Output type	1992	1993	1994	1995	1996	1997	1998	1999	2000	Demand 2000
Milk (million litres)	510.6	548.0	531.6	551.2	571.5	592.7	614.8	637.8	661.8	710.0
Beef ('000 mt)	79.1	81.5	77.5	79.9	82.4	85.0	87.7	90.4	93.3	133.0
Goat & mutton('000 mt)	30.2	31.2	34.2	37.6	41.4	45.5	50.0	55.0	60.5	17.7
Pork ('000 mt)	12.9	13.3	14.4	15.9	17.5	19.2	21.1	23.2	25.6	20.6
Poultry meat ('000 mt)	11.1	12.4	12.7	13.5	14.3	15.2	16.2	17.2	18.3	37.0
Eggs ('000 mt)	12.7	12.9	13.6	14.6	15.8	17.0	18.4	19.9	21.5	180.2

Present production does not satisfy the potential domestic market. Personal and household incomes as well as *per capita* consumption are increasing. There is an export potential to some of the neighbouring countries where endemic diseases hinder the keeping of improved beef and dairy and cattle for meat and milk production.



# Investment Opportunities in the Industry

## NOTABLE INVESTMENTS

Both Government and the private sector continue to invest heavily in the development of the livestock sector. Government is currently investing under the Dairy Development Masterplan, the Meat Production Masterplan, the Small Ruminants Development Programme, the Agricultural Research and Training Project and the National Agricultural Advisory Services Support Programme. Private investments in processing (animal feeds, meat and milk processing, leather tanning) have greatly increased capacity and an index of production above 600 (national average for all manufactured items was 500) has been maintained since 1995. The major players are listed in the section on major investors.

## INVESTMENT OPPORTUNITIES

- *Vaccine development, research and production*

Animal drugs and vaccines take up the largest proportion of import expenditure in the livestock industry. Currently, there are no establishments producing such products in Uganda and the regional markets. There is great potential for vaccines against such animal diseases like Newcastle, East Coast Fever, Foot-and-Mouth disease.

- *Forage seed production*

The major tropical pasture species currently under commercial production worldwide originated from Uganda. The expansion of the dairy industry has created enormous demand for pasture seed internally. The export market is unlimited.





- *Animal feeds processing and distribution*  
Installed commercial animal feed manufacturing comprises 28 mill operators with an installed capacity of 28,060 MT per annum. Several other small millers and hand mixers bring production capacity to about 148,000 MT. Actual utilization capacity is very low largely because most operators lack adequate capital to purchase and store feed ingredients in bulk when prices are low. Demand for commercial poultry feed is in the range of 32,000 MT yet production in 1999 was for example only 17,400 MT. Investment in this area is likely to further stimulate the poultry and piggery industries, guaranteeing a stable market.
- *Integrated beef production and feedlot finishing*  
The traditional pastoral and communal grazing areas where the bulk of slaughter cattle are raised are also areas that are hard hit by severe droughts. Similarly, the main smallholder dairy farms are located further away from the main urban markets of Kampala and Jinja, with the attendant consequences of low prices for their milk. The purchase of immature stock from these traditional areas for rearing and finishing on ranches in better-endowed regions is an investment opportunity being promoted by Government under the Meat Production Masterplan.

Imagine this scenario — Buy a young calf out of the Mbarara/Karamoja pastoral area and graze it on good pasture around the Lake Victoria/Lake Kioga basins. It will gain 400g per day to reach 270kg in 300 days. Fatten the yearling in a feedlot to gain 1kg per day for 130-150 days. You have a juicy slaughter animal of 400kg liveweight, yielding 220kg of carcass in 2 years and at a great profit even at the current low meat prices!

- *Small Ruminant Production*  
The indigenous goats and sheep of Uganda have good growth and reproductive performance. Crossing with introduced breeds can further enhance productivity. The Boer goat is already a hot cake in Uganda! Investment opportunities exist in areas of multiplying breeder stock and export of live animals.
- *Modern Abattoirs*  
There is no single modern abattoir in Uganda. A growing number of Ugandan consumers are willing to pay a premium for quality meat products. Many supermarkets and eating-houses have specialized cuts on offer on their shelves and menus. Some of these are imported. Internal trade relies on moving live animals over long distances to Kampala, a practice that involves high costs and risks. Many local investors are looking for joint-venture capital to develop this area.
- *Animal breeding and supply of stock*  
The Plan for Modernization of Agriculture will rely on the provision of improved breeding stock and breeding practices. Hatchery capacity in the country has been run down and day-old chicks are in



short supply. Government breeding farms have been phased out creating a big vacuum in the provision of breeding stock to prospective farmers. The national artificial insemination service is being privatized. What amazing opportunities for an Investor!

- **Wildlife ranching and farming**  
National laws have been reviewed allowing for investment in rearing wildlife. Already a few private investors have ventured into ostrich and crocodile farming. There is a growing game meat market.
- **Leather processing**  
Uganda's hides and skins are exported in raw form. They attract a premium price on the world market because of their quality. Value-addition would guarantee any investor added income.



# Uganda's Competitive Advantage

## RESOURCE AVAILABILITY

- Well-distributed rainfall and temperatures moderated by altitude, guarantee high yields of forage dry matter; in excess of 2,200 kg/ha/annum, making Uganda ecologically well suited to ruminant livestock production.
- Increasing trends noted for the production of major feed ingredients – cereals, grain legumes, oil seeds, fishmeal – ensure a continued supply of local supply of feed.
- Large tracts of land with land tenure laws conducive for private investment and development. Only 20% of the grassland suitable for beef production is currently under use. What a capacity reserve!
- Improved nationwide research, training, and extension programmes that support development of efficient livestock production systems.
- A fairly rehabilitated and improved marketing infrastructure and expanded source of production credit.

## MARKETS, DEMAND AND SUPPLY PROSPECTS

Domestic consumption of livestock products has continued to raise and will continue as incomes go up due to focused Government interventions geared towards poverty eradication. The tourist industry has expanded tremendously, bringing in a new clientele of customers often demanding prime quality and sometimes unique products. This continued expansion of the internal market spells good prospects for medium-term growth in the industry.



The neighbouring countries and others in the COMESA have limited available land, unpredictable weather patterns and high population growth rates. This offers opportunities for Uganda to penetrate these markets. The re-establishment of the East African Community has opened a wider market for Uganda. The Middle East and the Arab countries of North Africa are also a potential market.

#### **LINKAGES WITH OTHER SECTORS IN THE ECONOMY**

- Crop production trends are positive and production is increasingly being linked to agro-processing. This guarantees availability of animal feed raw ingredients in form of raw grain and processing by-products.
- Processing of livestock products — meat, milk, leather — is in itself a basis for investment.
- Wildlife ranching and farming is likely to ensure participatory and popular procedures for management of the numerous nature reserves that would be associated with this kind of investment.

#### **MAJOR INVESTORS TO-DATE**

##### **Meat processing and export**

- Lubowa Investments Ltd, Seguku, Entebbe Road
- Meat Process (U) Ltd, Gaba Road, Kampala
- Uganda Meat Industries Ltd, 5 Old Portbell Road, Kampala

##### **Leather manufacturing and dealers**

- Leather Industries (U) Ltd, Nyanza Road, Jinja

##### **Dairy processing**

- Country Taste (U) Ltd, 34/38 Fort Portal Road, Mbarara
- Dairy Bell Ltd, Musozi Road, Fort Portal
- Dairy Corporation, 49/55 Fifth Street, Industrial Area, Kampala
- GBK Dairy Products (U) Ltd, 70/80 Kabale Road, Mbarara
- Jessa Dairy Farm, Bussunju, Hoima Road
- Paramount Dairies Ltd, Mbarara
- Ramilk Ltd, Mbarara
- Western Highland Creameries Ltd, Kabale Road, Mbarara

##### **Animal feeds, day old chicks**

- Bulemezi Farm Enterprises Ltd
- Eggbro Farmers Ltd
- Ugachick Poultry Breeders Ltd
- Uganda Feeds Ltd



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A series of brochures produced by the Uganda Investment Authority for the information of prospective investors.

Each title in the series deals with a particular industry providing a general overview; detailing developments; and suggesting potential investment opportunities. Titles currently available are:

- |                             |                                 |
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| 5 Livestock                 | 17 Building and Construction    |
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