PACKAGED REPORT ON THE LEA MARKET STUDY ON PIG PRODUCTS IN BOTSWANA 2009

Background to the study
Agriculture is one of the niche sectors in which LEA is mandated to continuously administer SMME business development interventions with the ultimate aim of diversifying the economy of Botswana. LEA undertook this market study on pig products in Botswana to explore further the opportunities that exist in the piggery industry in Botswana as well as identify challenges requiring intervention by LEA and other stakeholders. The results of the study will inform the business development programmes of the LEA for the benefit of both existing and potential investors in the piggery industry.

LEA pursues formation of competitive clusters of enterprises as a growth strategy in targeting diversification of the economy of Botswana. In the same vein the Authority is presently involved with assisting piggery farmers in the Southeast Region to develop a competitive cluster. LEA’s choice of the Southeast region as a starting point is justified by the fact that the region characterized by a long standing tradition of pig farming, albeit often operating on a non-commercial level. The cluster formation initiative on piggery enterprises is therefore, pursued with a view to catapult the sub-sector towards commercialization and ultimately global competitiveness. At the time of writing the report 138 piggery entrepreneurs were registered with LEA for business intervention (LEA Database of enterprises, as at September 4, 2009). Most of these enterprises were registered at the Ramotswa Branch of LEA.
1.0. The objectives of the study

2.1. Main Objective

The overall objective of the study was for LEA to undertake a market study aimed at generating information that would enable the Authority to gain understanding of the structure and workings of the piggery industry covering the major players in respect of production and marketing of pig products in Botswana.

2.2. Specific Objectives

The specific objectives were as follows;

- Provide information on developments in the pig products market both locally and internally covering prices, supply and demand.

- Identify the target markets for pork products, their demand and requirements.

- Establish the level of production and contrast that with the corresponding demand.

- Identify challenges faced by commercial pig producers in marketing their produce and recommend remedial measures.

- Explore issues relating to market access for local producers to penetrate local and external markets.

- Explore the various distribution channels that exist in the pig products market and recommend the most appropriate for the farmers.

2.0. Key Findings

The study was designed to collect and collate information from desktop research and two surveys administered to the piggery farmers and pork traders respectively in the entire Country. The key findings from these three sources are as follows;

3.1 Desktop Research

- Through desktop research the study has revealed that pork is the world's choice meat, surpassing beef, poultry and others. World pork consumption has exceeded that of beef since 1976. The consumption of pork is envisaged to increase further owing to population growth and increased per
capita consumption. FAO figures show that Pork production stood at 98.5 million metric tons in 2003 and on the basis of past trends projections show that in the year 2015 the world will require to increase production to between 113 million tons and 130 million tons of pork to be able to meet the world demand.

- According to literature the key conditions required by a country to gain competitive edge in pork production are availability of water and land for pig production as well as fertilizer and raw materials (grains) essential for feeding.

### 3.2 Farmers’ survey

- The piggery sub-sector was found to have been growing over the past decade as evidenced by the increase in the number of commercial farmers.

- Women and youth, who form part of LEA’s target groups, are underrepresented as entrepreneurs in the piggery sub-sector.

- Over 90 percent of the farmers raise animals for pork production. About 53 percent of these farmers concentrate their efforts solely on this aspect, while 38 percent double this activity with breeder stock production.

- Specialization of farmers in breeding was found to be non-existent among the farming community as the farmers mostly diversified their operations between pork and breeder production.

- In respect of operation of piggery unit, the farmers cited feeds, labour and transportation as their main cost items. On average feeds far outweighed other cost items as they were reported to cost about P90.40 per animal per month. On the other hand payments to labour and transportation cost P29.13 and P13.94 per animal per month respectively.

- Most of the farmers (89 percent) target pork trading institutions, while 11 percent of the farmers market their produce directly to individuals. The farmers were found to be confined to selling their produce locally, not surprising considering that the country experiences shortfall of pork products.

- The farmers were found to adhere to the requirements of the market as their stock comprised largely of large white breed which was also found to be preferable to the traders.

- Farmers were found to be individualistic in their marketing and transportation of produce.

- Farmers rely largely on MoA for business development intervention. LEA, CEDA and Department of Culture and Youth were also cited as benefactors in respect of business development interventions.
3.3 Institutions survey

- The annual national demand for pork products is about 2,417.945 metric tons valued at P41.385M. On the other hand the annual supply of pork was estimated to be 1,758.919 metric tons valued at P11.139M. The study estimated a shortfall of about 630.864 metric tons (26 percent of the total demand). Only 25 percent of the supply of pork received by the institutions was reported as local produce, showing the country to be 75 percent dependent on imports for its requirement of pork.

- Pork ribs were found to be high in demand compared with other pork products. Out of 18 pork products pork ribs accounted for over 36 percent of the demand for pork products. Most of the pork ribs are sourced from imports as well as all the other products.

- The study found that the wholesalers are the main market for the farmers (70 percent of the national demand was from the wholesalers). The retailers followed the wholesalers with 21 percent of demand. The wholesalers were also found to do most of the purchases (69 percent of local purchases and 96 percent of imports) The structure of the market is therefore such that the wholesalers purchase produce at farm-gate price and then they in turn serve as the secondary source of supply to the other institutions who then become the point of purchase for the ultimate consumer.

- Most of the institutions who responded on the question of price determination reported that the price they paid for pork produce was a result of negotiation with the suppliers.

- The demand from the retailers was largely for whole carcass (79 percent of the quantity), to be further processed into the various pork products. On the other hand the demand from the restaurants comprised largely of pork ribs which constituted 46 percent followed by bacon with 28 percent. Similarly in respect of the hotels and lodges the demand comprised largely of pork ribs taking 42 percent followed by bacon with 18 percent. For the latter category of traders, whole carcass, pork chops and sausages were next with 12 percent, 10 percent and 10 percent respectively. Almost half of the bulk of the demand from wholesalers was for pork ribs (46 percent). Bacon and polony (processed products) were also high on the priority list of the wholesalers as they constituted 20 percent and 17 percent respectively.

- Overall the traders (86 percent of respondents) require mostly fresh pork from the farmers which they would package and label according to their own requirements. Additionally most of the traders are satisfied with the quality of pork from their local suppliers as shown by 72 percent of them grading the quality as either good or excellent. Further, 16 percent of the
traders found the quality of locally supplied pork to be of acceptable quality, which brings the number of customers who are content with local supplier’s quality to 88 percent.

4.0 Recommendations

- Realizing the potential of the sub-sector (both locally and internationally) LEA should continue to invest in its development through its interventions such as cluster formation programme. This is in view of the domestic market opportunity (as evidenced by the shortfall) with a longer term goal of making inroads into the expanding international pork markets.

- LEA should work with the Department of Animal Production, specifically Pig Development Section as well the Department of Agriculture Research in the Ministry of Agriculture and local feed formulators such as Nutri Feeds to embark on research for improved locally produced and cheaper feeds to reduce feeds cost burden on the farmers. These organizations are important stakeholders for the LEA’s cluster formation programme for the sub-sector.

- LEA should, as part of its Business Opportunity Department, explore further the business opportunity in respect of breeder farmers as a way of restructuring the sub-sector. These farmers can be linked with the Department of Agriculture Research to provide improved quality breeder stock to the pork producing farmers in the country.

- LEA should collaborate with Ministry of Agriculture, CEDA and Department of Culture and Youth to ensure synergy in the provision of business development training for the farmers and to develop a coordinated national development programme for the sub-sector.

- LEA should partner with the Botswana Pig Producers Association, MoA and other players to create a futures market to link input suppliers, producers and pork traders, which will reduce marketing costs for farmers as well as avail timely information to the players in the sub-sector.