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3ADI African Agribusiness and Agro-industries Development Initiative

October 2011

Meeting Report

Validation of MIT/UNIDO Diagnostic Study and Development Support Programme for Tanzania's Red Meat Value Chain

12 August 2011, at Dar es Salaam

The United Republic of Tanzania

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

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1. Background

The experts meeting on the red meat value chain held on 12 August 2011 in Dar es Salaam, was organised by the United Nations Industrial Development Organization (UNIDO) and the Tanzania Meat Board (TMB) in collaboration with the Ministry of Livestock Development and Fisheries (MLFD). Its purpose was to convene professionals and stakeholders in the red meat industry (see Annex 2 for a list of participants) to discuss the results of the diagnostic study of the Tanzanian red meat value chain and to provide comments on existing constraints and opportunities.

2. Programme

- Opening Session
- Session 1: Presentation and comments on the diagnostic
- Session 2: Group Work to validate the diagnostic and discuss recommendations on activities to be supported
- Session 3: Complimentary programmes and comments on the Red Meat Value Chain Support Programme (VCDSP)
- Wrap up and workshop evaluation

3. Workshop

Opening Session

The workshop was officially opened by Susana Kiango in representation of the Tanzania Meat Board (TMB) with a brief account of the red meat industry's volatile history. The year 1976 was especially highlighted, as it marked the cease of the country's meat exports due to the loss of the necessary international sanitary certificate. After dissolution of the Livestock Development Agency (LIDA) in 1986, the sector was left unregulated until Parliament enacted the Meat Industry Act No. 10 in 2006, establishing the Annual Meat Council and the TMB.

The Annual Meat Council is the supreme organ and is made up of public and private stakeholder representatives of the meat industry. The TMB acts as the Annual Meat Council's secretariat and executive arm. Ms. Kiango underscored the Board's many responsibilities, which include the coordination of stakeholder activities as well as advising the Minister of Livestock Development on issues concerning the development of the meat sector. Additionally, the TMB is responsible for promoting compliance to national and international meat quality standards as well as for collecting, processing, and disseminating information for the purpose of assisting production, investment, processing, product development and marketing. The TMB is still in its infancy, and although with limited human resource capacity, is committed to transforming the red meat industry. Currently, the Board has a registrar who was appointed in November 2010 and the recruitment process of additional staff is ongoing. The TMB was underscored as the lead agency and an interested partner in the development of the meat value chain, specifically that of red meat. Here it was highlighted that the TMB would be fully committed to collaborating with other players/parties in development of the red meat value chain programme.

Representing UNIDO, Victor Akim informed the experts on the background of the value chain support initiative in Tanzania, which was launched through the Africa Agribusiness and Agro-Industry Initiative (3ADI). UNIDO's opening remarks introduced its partnerships with FAO, IFAD and AfDB as well as key ministries, agencies and private sector representatives at the country level. Mr. Akim further explained the process of the selection of value chains under the 3ADI programme and confirmed the focus on cashew nut and red meat/leather in Tanzania. Finally, it was highlighted that the aim of the meeting was to come to an agreement on main lines of activities within the programme to support development of the red meat value chain in Tanzania.

These remarks were followed by a round of introductions of all participants.

Session 1: Presentation and Comments on the Diagnostic

Session 1 commenced with the presentation of main findings of the diagnostic study of the Red Meat Value Chain by Frank Hartwich, UNIDO Project Manager for the 3ADI in Tanzania. The presentation was structured in accordance with the UNIDO value chain diagnostics methodology (see www.3adi.org/tanzania.html) and was followed by comments from the participants. The key highlights of the diagnostic study findings on the respective dimensions are presented hereunder:

Dimension 1 – Sourcing of inputs and supplies

Meat production in Tanzania depends to a large extent on indigenous livestock breeds (the Tanzania Short Horn Zebu accounts for over 95% of cattle). While well-adapted to the natural environment, these local species are generally unsuitable for commercial meat production, as they respond poorly to fattening. Additionally, inappropriate feeding methods prevail and feedlotting is still uncommon. Formal ranges are poorly developed and cattle are mostly communally grazed. As pastures are subject to seasonal availability, animals have to migrate, resulting in severe weight fluctuations. Under these circumstances animals take a very long time (up to six years) to reach their required market weight. This situation is further worsened by slow reproduction, poor disease control and inadequate animal transport. Cattle are commonly herded on foot to secondary markets, causing additional weight loss.

Dimension 2 – Production Capacity and Technology

The diagnostics study identified the main slaughtering and processing facilities, but little information could be found on informal “backyard slaughtering”. As formal slaughtering facilities are considered rather costly and are scarce in rural areas, traders and butchers often prefer informal alternatives. Additionally, workers in abattoirs lack technical expertise and a general disregard of hygiene standards prevails, also causing slaughter houses to operate below capacity. Further processing of meat into more value-added products is very rare and the few existing facilities are very rudimentary. Hence, training of slaughterers, butchers and meet processors is recommended and keen attention must be paid to improving food and health standards.

Dimension 3 – End-markets and Trade

The meat sector generally suffers of very low quality standards and very limited access to market information. Consumers are mostly highly price-sensitive, though a small niche market for high-quality beef has recently emerged. Investment in facilities that could help in obtaining higher quality standards such as refrigeration systems is extremely limited. Where the necessary equipment does exist, it can often not be used to its full potential due to electrical power interruptions and a lack operating skills. As export market demand for high quality meat products cannot be met by local producers, meat exports are very low. By-products are considered to be of low quality, selling at low prices and are therefore hardly able to recover costs of production. Non-edible by-products add an insignificant margin to the red meat business.

Dimension 4 – Governance of Value Chains

The sector is dominated by traders and large butchers who benefit from price-setting advantages vis-à-vis the livestock farmers. As livestock prices are generally not determined based on quality, farmers have little incentives to improve the conditions the cattle are kept in. Vertical integration of producers, feedlotters and processors is also very limited.

Dimension 5 – Sustainable Production and Energy Use

The red meat sector has very adverse effects on the surrounding environment due to overgrazing, deforestation and fires as well as water pollution. Disposal of slaughter waste is highly inadequate causing rampant environmental contamination. The potential of using animal waste as a source of energy is presently little explored.

Dimension 6 – Value Chain Finance

Access to finance is limited with financial institutions lacking an adequate understanding of the sector's financial requirements. Hence, large traders who are able to access informal finance dominate the live animal market, crowding out smaller operators who cannot pay immediately and in cash. Livestock trade is informally practiced where traders buy animals on credit and pay after revenues from the sold meet have been realised. This situation could be improved if traders were in a position to advance financial support to feedlotters in order to purchase inputs for feedlot.

Dimension 7 – Business Environment and Socio-political Context

In theory, the meat sector seems to be over-regulated with multiple layers of legislation, especially in the areas of meat inspection, auctions, trading etc. (Over-)regulation, however, does not seem to have contributed to increased quality of services and food and sanitary hygiene. In fact, the current quality control system is uncoordinated, requires traders and butchers to pay many fees and does not reach the rural areas. Exporting of the products is therefore limited, and may be difficult to expand with the lack of enforcement of safety regulations.

Comments from participants

The presentation of the findings was followed by comments and suggestions by the participants (a summary of the points made can be found in box 1).

The discussion was started by the representative of the MIT who commended the 3ADI team on the study and made commandants on the role of SMEs and the overall governance of the value chain. Pointing out the importance of SMEs for economic performance, she recommended that the diagnostics should place a greater focus on better integrating these companies into the red meat value chain. In this respect, one should also pay keen attention to linking SMEs of different sizes within the value chain. Concerning governance of the chain, she commented that the diagnostics should also take policy makers as well as the respective roles of key players into consideration. On a final note she wondered which criteria were used to distinguish the formal from the informal sector.

The representative of the TMB thanked the team for the comprehensive diagnostics and the use of sophisticated methods for analyzing the red meat value chain. She too, mentioned the issue of value chain governance and organisation and advised that attention should be paid to finding ways of better organising the various actors that form part of the chain. Her main concern, however, was directed towards primary production and the needs of livestock farmers. She wondered how value could be added at the beginning of the chain, which services already existed to assist farmers and what was still required to enable them to increase livestock quality. Referring to the dimension of the end-market, she recommended undertaking a market study in order to determine the consumer demands relating to red meat.

The representative of the MLFD picked up the topic of consumer demand, pointing out that 90% of the produced meat was sold on the domestic market. Yet, the end-consumer was not featured strongly in the diagnostics and it was not made entirely clear whether production was targeted at the local or the export market. He agreed with the representative of the MIT that more attention should be given to primary producers (livestock farmers) and not so much to processing. He also wondered whether it was advisable to focus on the mistakes made so far in developing the value chain.

The representative of TAMPEA commented on the dimension of value chain finance. The point was made that markets may not be the major limiting factor for the development of the value chain, as demand for processed meat products was high. However, he pointed out that an important problem was that delays in payment from the side of stockists, supermarkets, shop operators and hotels were very common, resulting in processors ending up as short-term credit providers. He also stated that it was difficult for processors to obtain loans from banks and that there were no financial modalities in place to support start-up companies in the sector, as banks considered the meat sector to be highly risky. As a last point he highlighted that power supply shortages also represented an important constraint for the development of the value chain.

The representative of Research commented on the clear link between the presented findings and Vision 2025 and MKUKUTA, but lamented the absence of the leather value chain in the diagnostics. She also recommended that the issue of imported counterfeit products such as vaccines should be considered, as they formed important input supply constraints. Additionally, she also noted that the poor transport infrastructure severely limited the access to inputs and livestock supply. As also mentioned by representatives of other organisations, she pointed to the need of focusing more on primary producers and clearly defining the targeted end-consumers, as this directly influences the level of quality demanded. Currently, the understanding of quality standards that comply with international requirements was limited. Referring to the value chain governance, she recommended that the role of the public sector as well as private-public partnerships should be explored. Concerning financing, she added that banks had difficulties issuing loans, as it is questionable whether cattle can be considered as fixed assets.

The representative of the TFDA described the Agency as a regulator in the improvement of slaughter facilities, its decisions being executed by the local district authorities on its behalf. .Additionally, districts themselves also operate livestock markets and slaughter houses. This arrangement provides perverse incentives, as districts do not have an interest in reducing the industry's entry barriers by encouraging private investment. Moreover, due to problems of coordination, the meat safety regulations are not properly enforced. As the representative put it, "*you close a slaughter facility today, tomorrow you will find it opened by DED"*. Hence, in order to improve local government facilities, training of meat inspectors alone cannot guarantee the safety of products. Rather, it also requires political will, which must include a sensitization of local governments which own over 80% of the facilities. The TDFA could provide support services in upgrading the red meat value chain by instructing stakeholders on the requirements slaughtering facilities must meet in order to ensure better meat quality.

Box 1: Specific Comments on the Diagnostic	
General comments/ Towards Action Plan	- Leather value chain missing - Deficiencies are mostly unknown - Is waste management an issue of regulations or governance? - Training at what level – SUA or MTI (VETA) Exchange programmes
Primary Production & Inputs	- Value addition starts at the site of production. How much value goes to primary producers? - Traditional herders look for quality - Need for defining investment profiles at different levels (district etc) - On leather – who owns the hide?
Processing capacity & Technology	- Engaging SMEs - Incentives for butchers to follow regulations. Study could identify ongoing efforts on packaging – Prof Moshi UDSM. - Simanjiro case - Processing equipment needed for SMEs
Markets & Trade	- Traceability in relation to market - Market study - Market no problem – Biltong - To study W.T.P for quality meat or additional processing cost; standards on what quality food safety on local level - Quality varies – fat/ non-fat - Consumers are co-actors (consumer councils) Establishment of meat data bank - Trade facilitation – TCCIA, Tz Revenue Authority Meat quality is not quality meat - Quality meat is for every body - What type of meat quality/ quality meat needed? Need a good demand analysis to know exact demands for different meat products - TCCIA provide certificate of origin

Value chain governance	- Councils performing TFDA's regulatory role - while licensing - Role conflict in district council – implementer and quality controller associations governance - Strengthening of associations - Supermarkets don't pay on the spot - Lack of ownership by stakeholders - Constraint – Decay of standard operating procedures in the red meat/ leather chain due to relaxation of enforcement of production and trade regulations. Fragmentation of meat VC institutions exists – who should do this or that (clarity of roles) - Train livestock experts in meat processing to foster an understanding of the meat/ leather value chain - Piloting the red meat value chain development international collaborations - Financing arrangements- levy
Value chain finance	- Some players in the value chain just refuse to appreciate the nature of finance institutions modus operandi - Development of finance institutions to provide appropriate financing products - Sensitise financiers on meat processing - Loans for ranch are easily obtained - Banks consider the meta sector as risky - BoT legislations were made to deter requesting for the loan
Sustainable Production & Energy	- Energy is expensive - Sustainable development and by-products - Use of bio-fuel might be alternative – e.g. Simanjiro Initial cost in bio gas production is high, but can be used to cut down costs in the long run.
Business Environment and Social Political context	- Policy makers regulators - Private-Public Partnerships - Regulations do not apply to primary producers - Extensionists – what are they trained in? Training of inspectors is not enough MLDFTFDA needs to be mentioned - Importance of political will for technological change - Controversy in regulatory systems of district councils

Session 2: Group Work

The group work session was organised in four groups which could adequately cover the entire value chain. The aim of the group work was to validate the diagnostic and develop recommendations on activities to support the development of agro-industries in the red meat value chain. The groups were provided with guiding questions to structure the discussion, which related to increasing productivity and output while taking exisiting programmes and activities into consideration. Participants were encouraged to draw from their individual experience as well as to discuss findings from the presented diagnostics.

The group discussions were guided by this set of questions around key value chain dimensions, as follows:

GROUP 1: Increasing productivity and output in primary production

GROUP 2: Extend and improve processing of red meat/leather

GROUP 3: Pervade markets for red meat/leather products

GROUP 4: Improve organisation and governance of red meat value chain

Results were reported back to the plenary (by means of data show and flip chart presentation) where they were evaluated and discussed.

Box 2: Summary of feedback from group work

Group 1	Group 2	Group 3	Group 4
Land Resource Facilitating councils come up with land use plans and management Facilitating livestock keepers own land for livestock Enforcement of the LUPM thru 13 act Animal Health Improving dip functionality through community managed cattle dips (producer group-based organisations) Improving extension services for vaccination and treatment Animal Husbandry Training extensionists/ A.I-ors Feed Encouraging hay and fodder production as a business Farming as a business through feedlotting Actors: Primary producers (pastoralists, commercial farmers, agro pastoralists, researchers, government, CBOs, NGOs, UNIDO, FAO, IFAD) Note: Programmes need not be repeated e.g. facilitating A.I services	Identify appropriate technologies/ equipment Capacity building – human resources Facilitate infrastructure development by local government and PPP – slaughter facilities, roads, cold chain, power, water Improve local breed by x-breeding Sensitise farmers to adopt modern livestock keeping Capacity building (extension training, equipment) Finance Create conducive policy environment for investment, regulation, taxes etc Lobbying and advocacy	Demarcating grazing land and pastures (LGAs, ALKs) Selection of suitable animals (MLFD, Research Instns, ALKs) Farmers' training (MLFD, LGAs, DPs, Research Instns, farmers) Market infrastructure development (MLFD, LGAs, Private Sector, ALKs, DPs) Feedlotting development (farmers, ALKs, Input suppliers, MLFD, LGAs) Review suitability of legislations (update acts & regulations) to govern production, processing & marketing (MLFD, LGAs) Put levy on imports and exports (MF, MLFD, TRA)	Producers Network/ link existing producer groups Improve their capabilities Expand scope and issues concerned First, identify & select producers according to agro ecological zones Traders Sensitization of traders on the local level – join to nation apex organization Enhance capabilities (management and entrepreneurship) Establish dialogue between traders & producers Processors Identify members and member associations Capacity building TMB Capacity building Staffing/ retooling Participate in setting of standards (wit TBS & TFDA) Consumers Establishment/ strengthen consumer council Awareness on quality & safety issues

Session 3: Complimentary Programmes and the Way Forward

Session 3 was opened with a PowerPoint presentation on the proposed value chain development support programme (VCDSP) and was followed by a plenary discussion.

Within the group work the experts made some suggestions concerning pilot areas of intervention within the VCDSP. For instance, in order to increase the production of meet, already existing breeds that are suitable for feedlotting could be promoted. A four-year old Boran bull weighing 870kg that was paraded at the 2011 National Farmers day (Nane nane) show ground in Nzuguni, Dodoma, was given as an example. Also an Ankole Bull reared at the Tanzania Pride Meat Ranch before its closure in 2008 had attained 418kg at 18 months of age. This remark was made to underscore the need for breed selection, multiplication and distribution of bulls to livestock farmers.

Additionally, several participants highlighted the need for creating clear institutional roles for the different government agencies and organisations. For instance, the TBS could be responsible for creating awareness for meat quality so as to encourage consumers to demand high quality meat. The TMB together with the private sector could take over the organization of the value chain. Hereby, it is also important to encourage participation of SMEs as well as umbrella associations. However, it was also mentioned that the method of communication of the programme intervention might not adequately address traditional producers and that the extensive size of the informal sector could impair any attempts of effectively governing the value chain

Wrap up and Workshop Evaluation

Comments on the diagnostic and the proposal of programme elements from the workshop were agreed to be incorporated in the diagnostic and support programme within two weeks. The concrete action points with respective responsibilities and timelines are summarised below.

Activity	Actors	Timeline
Finalise WS report (<10pgs)	UNIDO/ MLFD & TMB, DID MIT	Sep 2011
Finalise Diagnostic Study		Oct 2011
Finalise VCDSP		Nov 2011
Solicit inputs to draft VCDSP		Nov 2011
Stakeholder's WS for VCDSP, launching	High level Political Engagement	Dec 2011

Workshop Evaluation

At the end of the day, participants were asked to evaluate the workshop. The results are as follows:

Evaluation Issue/ ranking	**1 -not so good**	**2**	**3 -good**	**4**	**5 -very good**
Workshop organization and facilitation			√√√	√√√	√√√√√√√
Ranking	*0*	*0*	*3*	*3*	*7*
Contents – Session 1	√	√		√√√√√√	√√√√√
Ranking	*1*	*1*	*0*	*6*	*5*
Output – Session 2		√	√	√√√	√√√√√√√
Ranking	*0*	*1*	*1*	*3*	*7*
Content – Session 3		√√		√√√√√	√√√√√√
Ranking	*0*	*2*	*0*	*5*	*6*

Annex 1: List of Participants

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