



A Competitive Economy for National Development

Ensuring the right cattle breeds and the required standards to transform the beef value chain

Executive Statement

Due to its potential for growth and employment, the beef subsector has been identified as one of the commodities to drive the country's agro-industrialisation agenda. This policy brief shows that breeding services and enforcement of standards highly strengthen the performance of the subsector. Therefore, the subsector's transformation requires deliberate effort to enhance breeding and enforcement of the right standards. We recommend that the government partners with the private sector establish breeder societies to complement the efforts of NAGRC. We also recommend the stringent enforcement of standards and the establishment of modern abattoirs along the cattle corridors through a PPP framework to enhance quality.

Introduction

The beef industry is one of the industries earmarked to drive the country's agro-industrialisation agenda due to its enormous potential for growth and employment and numerous forward and backward linkages. Although the sector has registered some improvement in the recent past, as seen by the increase in meat and offal production, its performance remains below the country's targets. For instance, by 2018, the country had a deficit of 121,271 MT to reach the target of 360,000 MT in beef production as articulated in the Agriculture Sector Strategic Plan (2015/16-2019/20). Furthermore, value addition in beef products remains low, resulting in less foreign exchange earnings. Therefore, transformation of this value chain is essential for attaining the NDP III goals.

Breeding services and enforcement of standards highly underpin the performance of the beef value chain. On the one hand, ensuring the right breeds is essential for boosting productivity and fostering linkage between farmers and beef processors. On the other hand, ensuring and enforcing the right standards is vital for penetrating high-end export markets. Upon this basis, this policy brief highlights the importance of improving breeding services and enforcement of standards in the transformation of the beef value chain.

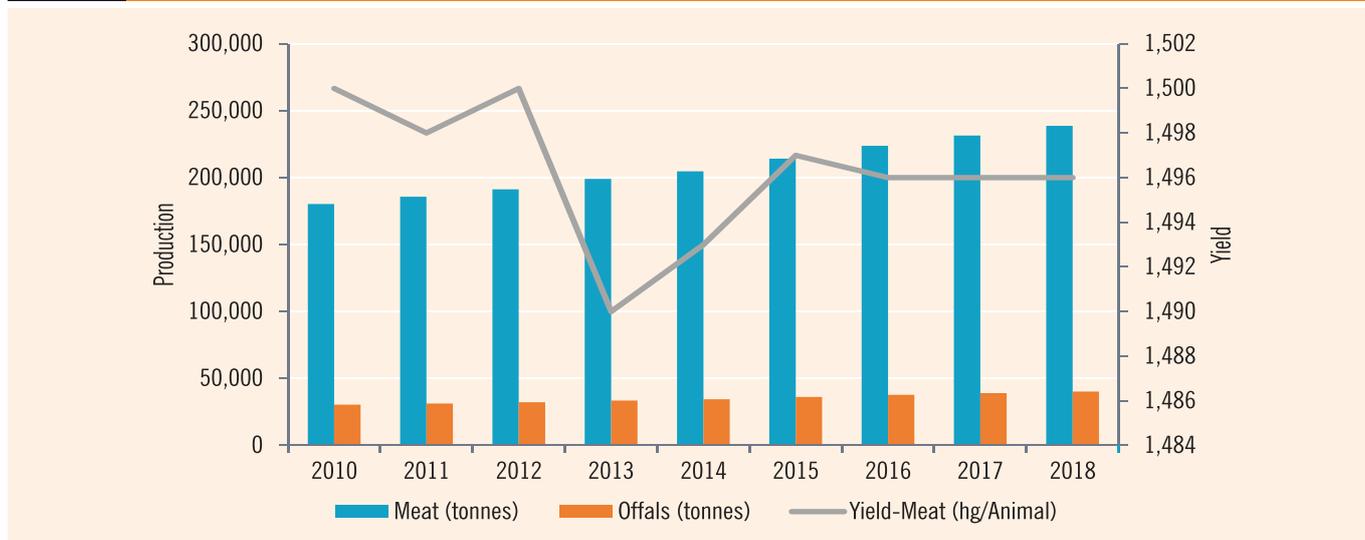
The brief is an excerpt of the 2020 Value Chain Status Report titled "Transformation for Agro-Industrialisation: A Case of Livestock Value Chain" developed by EPRC in collaboration with the Private

Sector Development Unit of the Ministry of Finance, Planning and Economic Development. The report was based on secondary and primary data collected through Key Informant Interviews (KIIs) with various actors along the beef value chain.

Key Findings

Limited access to proper breeds has hindered growth in beef productivity, albeit increased production: Between 2016 and 2018, the beef industry's productivity stagnated at 1,496 hg/animal, despite the increase from 1,490 hectogram per animal in 2013 to 1,497 hg/animal in 2015 (Figure 1). Stagnation in productivity suggests that the registered increase in meat and offal production was driven by the rise in the number of animals slaughtered. For instance, the number of animals slaughtered increased from 1.2 million in 2010 to 1.6 million in 2018 (FAO 2020). The stagnation of productivity at a lower level than earlier recorded (between 2010 and 2012) suggests room for improvement. According to Key Informant Interviews (KIIs), the low yield is primarily attributed to the reliance on indigenous breeds raised under extensive systems with inadequate nutrition and poor animal health management. More so:

"Farmers have limited access to improved breeds and other productivity-enhancing technologies. Whereas NARO disseminates some of the technologies, the channels used undermine uptake of the technologies. For instance, the private partner NARO uses to upscale technology adds a margin to the initial cost" –KIIs with UMPUCU, August 2020.

Figure 1 Production and productivity of cattle products

Source: EPRC's own construct using data from FAO 2020

Limited supply of high-quality cattle is partly responsible for the underutilisation of processing capacity. The few available beef processors in the country reported gross underutilisation of installed capacity, which deprives them of economies of scale. For instance, Fresh Cuts Uganda Limited—the largest meat processor in Uganda, reportedly processes 70 tons of meat (approximately 150-200 carcasses) per week against 400 carcasses per week. According to KIIs, the underutilisation of the installed capacity is partly attributed to the limited supply of cattle that meet processors' requirements. That is: *“Fresh Cuts Uganda Limited demands that animals supplied for slaughter are Boran breeds or crosses of Boran and Friesians, of not less than 280 Kgs (live weight) and not more than three years old while Egypt-Uganda Food Security Company Limited required only male beef animals, less than three years old with a live weight of 300 Kgs per animal. These requirements are hard to meet by farmers since most of them do not rear animal specifically for the beef industry”*—KIIs with Fresh cuts and Egypt-Uganda Food Security, August 2020.

Notably, the restrictions imposed to contain the spread of COVID-19 further heightened the problem of access to animals by processors as cattle markets were closed. In addition, the decline in products demands as a result of COVID-19 led to a reduction in processing. According to KIIs, other challenges at processing include; lack of sufficiently high-quality abattoirs; skills gaps among workers; poor transportation, which affects the quality of the meat, business environment constraints.

Inability to meet international quality and standards continues to hamper penetration of external markets for high-value products: Uganda mainly exports live cattle—valued at about USD 1.6 million compared to processed beef (frozen beef and fresh or chilled beef)—valued at less than USD 1 million as of 2018. Noteworthy, export markets for Uganda's beef products are highly geographically

concentrated (within the neighbouring countries), which poses a considerable risk in case of a shock in these destination markets. While Uganda dominates destination markets for live cattle, it serves a minimal share of the destination markets for beef (Table 1). Thus, suggesting room for expanding export shares for processed beef products. However, Key Informant Interviews revealed that penetration into these markets is still hampered by; inability to meet Sanitary and phytosanitary requirements, lack of traceability for Uganda's beef products, limited enforcement of standards. This explains the dominance of live animal exports since it's easier to meet their standards. That is:

“Penetration of high-value international markets requires stringent enforcement of quality and hygiene standards right from the farm to processing since international orders require samples to test for antibiotics”—KII with Fresh Cuts, August 2020.

Markedly, Key Informant Interviews with major actors also revealed that limited enforcement of standards is a disincentive to quality upgrading. High-quality products from modern facilities compete with products from ordinary facilities.

Table 1 Destination, market shares and competitors of Uganda's exports in 2018

Destinations	Uganda's Export value (US\$ 000)	Share in the destination market (%)	Main competitors in export destination
Live cattle			
Burundi	1,080	99.8	Tanzania (0.2%)
Rwanda	603	94.6	Ireland (4.1%); Kenya (0.9%);
Kenya	4	0.5	Tanzania (99.4%)
Frozen beef			
DRC	200	3.2	Botswana (27.3%), India (24.1%), Kenya (17.5%)
Viet Nam	421	0.2	India (36.9%), USA (30.3%) Australia (25.4%)
Sudan	16	0.7	South Africa (50.1%), Tekalau (18.3%), UAE (17.9%)
Egypt	177	0.02	Brazil (87.3%), India (9.8%), Australia (0.9%)
Fresh/ Chilled beef			
DRC	3	5.2	South Africa (65.8%), Namibia (13.5%), Botswana (11.6%)
Viet Nam	45	0.3	Australia (83.6%) New Zealand (6.2%), USA (9.1%)

Source: Authors own construction using data from ITC Trade Map 2020

Conclusion

The beef subsector is one of the strategic subsectors earmarked to foster the country's agro-industrialisation agenda due to its high potential for growth and employment. However, the performance of the subsector is still below the country's targets. Harnessing the subsector's potential requires deliberate effort to transform the value chain by, among others, improving breeding and ensuring the right standards are adequately enforced. As earlier mentioned, the limited access to the right breeds undermines productivity and results in processing capacity underutilisation. In contrast, limited enforcement of right standards hampers penetration of high-value export markets.

are also not strictly enforced. Relatedly, the quality of the meat can be improved by establishing modern abattoirs along the cattle corridors. The government needs to explore Public-Private Partnerships to establish these abattoirs to minimise cattle movement before slaughter.

Reference

EPRC and MoFPED (2020). Transformation for Agro-Industrialisation: A Case of Livestock Value Chain. *The value chain status report 2020*

Policy Recommendations

- **Strengthen breeding services and the linkage between processors and farmers to align the interests of different actors.** Whereas the government has established NAGRC & DB to undertake breeding, its capacity to reach all the farmers is limited. Therefore, the government can partner with the private sector to establish breeder societies at different levels to complement the efforts of NAGRC & DB in supplying high-quality breeds for beef and dairy. Notably, commercial breeding and grazing practices need to be guided by industrial requirements to ensure that processors get the required animals. Therefore, there is a need to undertake a thorough assessment of the requirements and specifications of the processors to align interventions (breeding and grazing) towards meeting these specifications.
- **Strengthen enforcement of standards:** There is a need to enhance laboratory testing for chemicals in the meat and enforcement of other standards along the beef value chain. Currently, laboratory tests are mainly for diseases, which

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