CATTLE PEN FATTENING

The Zimbabwe Livelihoods and Food Security Programme (LFSP) is improving the food security, nutrition and productivity of smallholder farmers and rural communities in Zimbabwe by asserting and testing a range of inclusive business models with farmers, agribusinesses and other market actors for scaling up.

CATTLE PEN FATTENING MODELS

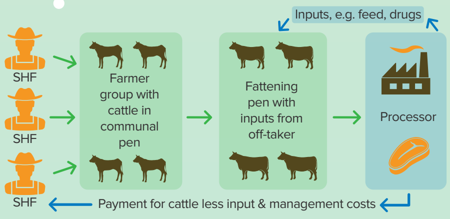
OBJECTIVES: • Improve smallholders' access to competitive livestock off-take markets.
• Enhance the income and resilience of smallholder farmers by increasing return from their livestock through improved management techniques.

THREE APPROACHES

A. INDIVIDUAL UNIT OF PRODUCTION MODEL: individual smallholders fatten their own animals on their own premises, using their own feed or feed purchased with their own or borrowed finance, and with a view to selling to known commercial off-takers in an open, non-contractual relationship. Asserted and tested by a pilot with cattle farmers in Mt. Darwin district, with Company A– a meat processor – acting as the expected off-taker (but in the absence of any contractual relationship). Extension is provided by Ministry of Agriculture & programme staff at no cost.

B. AGGREGATION MODEL: smallholders aggregate their animals in communal fattening pens but provide feed themselves, and with a view to selling to known commercial off-takers in an open, non-contractual relationship. For this model, awareness of linkages to processors and access to extension services were facilitated by LFSP. Co-created and tested by a pilot with cattle farmers in Gokwe South, with Company B acting as the expected off-taker.

C. CONTRACT FARMING MODEL: smallholders aggregate their animals in communal fattening pens using feed provided at cost on credit by meat processing companies in a contractual off-taking relationship. Tested by a pilot with cattle farmers in Manicaland, with the Company C – another meat processor – acting as off-takers within a partial contract farming arrangement. Extension is provided by Ministry of Agriculture & programme staff at no cost.



APPROACH FOUNDED ON	APPROACH
Raising the awareness of smallholders about the financial returns associated with pen fattening.	A | B | C
Indicating to both the smallholder & the off-taker that there is a viable route to each other.	B | C
Building long-term relationships with commercial off-takers, allowing smallholders to capture greater returns.	A | B | C
Utilising commercial quality livestock feed with high quality, pre-determined nutritional value (whether commercially sourced or from own-farm), for fast weigh gain.	A | B | C
Smallholder farmers skilled to understand the key performance features for animals in feedlots for timely slaughter/sales.	A | B | C

DIFFERENCES BETWEEN THE THREE APPROACHES

PARAMETERS	A: INDIVIDUALS INDEPENDENTLY FATTEN OWN ANIMALS AT OWN COST	B: INDIVIDUALS FATTEN OWN ANIMALS AT OWN COST WITHIN GROUP STRUCTURES	C: CONTRACT FARMING
Cattle ownership	✔	✔	✔
Cattle selection for fattening	✔	✔	✔✔
Facility provider	✔	✔✔✔	✔✔✔
Feed, drugs & transport provider	✔	✔✔✔	✔✔✔✔✔
Feed type	✔	✔✔	✔✔✔✔
Tied to off-taker	✖	✖	✔✔✔
Guaranteed price	✖	✖	✔✔✔✔

GOAL: The goal of each of these approaches was to harness increased profit for the smallholder, whilst providing reliable access to fattened cattle for buyers. All three were expected to deliver comparable results.

COMPANY C RESULTS

126 Smallholder Farmers Mutare & Mutasa engaged in fattening scheme in 2017.

Farmers sold **153** cattle

Earned gross income **>US$59,000**

~20% Net Value of each animal after costs of fattening are deducted.

Earned net income **>US$12,000**

RESULTS & KEY LESSONS

Only a limited number of fattening cycles have occurred to date. The attitudinal & behavioral change required by rural communities, particularly in the areas of business understanding & the acceptance of different cultural norms in stock ownership, will inevitably take time to strengthen. Only one approach has delivered substantive positive results for both off-taker & farmer, and that is the partial contract farming arrangement, i.e. Approach C.

FAILED: NEEDS ALTERATION

APPROACH B

Has failed to generate sufficient traction, as while cattle were aggregated, the costs of inputs were too high for the model to be attractive to the farmers. (The hybrid with off-taker involvement on input provision is showing promise in Lupane and Nkayi.)

- There is no incentive for the off-takers to provide inputs at cost because the absence of contracts, loyalty and trust creates unacceptable risk.
- Cattle are selected by the farmer, resulting in poor stock selection.
- Feed is provided at cost+mark up, which erodes returns to farmers.
- Prospective open market off-takers have little confidence in the quality & predictability of the supply chain, even if aggregated for off-take & transportation.

MODERATE: NEEDS ALTERATION

APPROACH A

Has not taken off as the use of high cost feed, & the lack of economy of scale through aggregation, has resulted in limited profits, and in some cases, losses to the farmers. (Only works with a cluster approach where there is an identified off-taker as well - e.g. In Shurugwi with Company A and other local butcheries.)

- Feed is secured at full retail price & the income differential associated with successful fattening are insufficient to bear this high input cost (US$300 vs. US$360).
- The absence of formal, coordinated aggregation arrangements results in high transport costs, further eroding profitability for the smallholder & driving up financial/investment risk.
- Production is managed at an individual smallholder level & is uneconomical & unattractive for an off-taker's agent to view & select cattle on this basis. Cattle are selected by the farmer which leads to poor stock selection.
- Prospective open market off-takers have little confidence in an unpredictable & fragmented supply chain.
- Cattle were being fattened to deliver into a market when prices were seasonally low - best prices are achieved in July to December, peaking in the few weeks before Christmas.

PROMISING RESULTS

APPROACH C

No margin is made on feed provided by the processor, whose profit motive remains in processing finished cattle, the supply of which has now been secured through the contract farming agreement with the farmer group. (Company C is having a third party provide feed as main business - it's working as well.)

- Both off-taker & smallholder have some 'skin in the game', e.g. a signed agreement with each farmer to deliver fattened cattle to an off-taker at a realistic market price.
- Feed is provided at cost on the basis that the commercial off-taker makes their profit elsewhere, i.e. at the processing stage.
- Risk is mitigated, e.g. by off-takers tagging animals alongside the written agreement; by off-takers being in charge of stock selection.

SCALING POTENTIAL

REQUIREMENTS FOR APPROACH C TO BE SCALED:

- A competent system of awareness & business training of the target farmers to develop trust and buy-in at the start of the initiative.
- Thorough & patient engagement by the interested processor to ensure strong awareness of the responsibilities of each party.
- An agreed & implemented process for selecting appropriate cattle to be put into the fattening system. Selection criteria/principles followed - breed, age, induction weight , sex, etc.
- Ongoing monitoring by extension staff from the off-taker of the rate of fattening to ensure the correct time to slaughter. Responsibility of the farmer & CAHW/Lead Farmers trained to provide local advisory services.
- An acceptance by the processor that inputs into the contract farming model must be on a not-for-profit basis after management costs are taken into account. Rather, the source of profit for processors is in the success the system affords to a larger and consistent source of suitable animals, and not the fattening process as a profit channel on its own.

RECOMMENDATIONS

FOR SMALLHOLDERS:
- Pen fattening & supply of cattle to off-taker in a contract farming arrangement shows promise of good financial returns.
- Fatten timely to maximise seasonal prices. Meat prices vary with seasonal demand & availability; production of contract-fattened animals must align with periods of highest price.
- Grouping animals in a fattening facility creates economies of scale.
- Age and sex of penned cattle make a huge difference to profitability.
- Cattle used for draught power do not respond well to fattening.
- Farmers need a mind-set shift in how they handle and value cattle.

FOR FINANCE HOUSES:
- Trust is key in unlocking the value.
- Interest rates directly affect farmer profitability and in turn loan repayment.
- Fattening with an agreed off-taker reduces default risk and may require less collateral as the inducted cattle provide the required collateral.
- Coupling technical training with financial training helps build lasting relationships with farmers "emotional contracts".

FOR FUNDING AGENCIES / DEVELOPMENT PROGRAMMES:
- Well designed programmes around fattening show early signs of transformative change.
- Cattle in themselves provide a barrier to entry for poorer farmers due to their value.
- Breed improvement programmes twinned with pen fattening have a more lasting impact.
- Farmers organised into groups have better chances of success.
- Pen fattening can provide a platform for sustainable supply of water in rural communities.

FOR PRIVATE SECTOR:
- Feed, Feed, Feed!
- Vet drugs help improve the viability of the fattening enterprise.
- Lasting trusted relationships with SHF are defining factor between success or failure.

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