

**JOINT DONOR AGENCIES STUDY ON THE PERFORMANCE
OF AND GROWTH PROSPECTS FOR STRATEGIC EXPORTS IN UGANDA**

CASE STUDY: LIVESTOCK, HIDES, SKINS AND LEATHER PRODUCTS

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On Behalf of the EUROPEAN COMMISSION

February 2002

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1. LIVESTOCK

A. General Overview

This paper is divided into (1) Livestock, (2) Hides, skins and leather products. A separate paper covers milk and milk products

A.1 Importance for foreign exchange earnings, rural livelihoods, poverty alleviation and economic growth

Livestock have historically played an important part in Uganda's economy. In the 1960s well funded, subsidised and co-ordinated government schemes led to a viable and profitable livestock industry involving milk, beef, and non-ruminant animal production. As a result, by 1970 there were over 560 ranches, 3,000 privately owned dairy farms and a thriving small-scale sector. The supporting infrastructure included 475 dams, 428 valley tanks, 7,500 boreholes, 2,100 dip tanks, 43 quarantine stations and over 170 well-equipped livestock markets. There were established cattle movement routes and holding grounds. However by the mid 1980s the livestock industry had been run down, infrastructure had collapsed and subsequent massive rustling and political instability dramatically changed the composition of the national livestock population. Between 1970 and 1991 there was an estimated 30% overall decline in livestock numbers.

At present the export of livestock and livestock products is limited to hides/skins (\$58.65 million earnings in 2000/01 from exports world-wide) milk (\$3 million earnings in 2001 mainly from exports to Rwanda and Kenya) . Yet the regional market has potential for meat exports and an initial export of beef from the commercial sector to Tanzania is expected to take place in the near future. For the Middle East market, disease free status needs to be proved which implies establishment of disease free zones and improved veterinary laboratory capacity. Many veterinary laboratories were built before independence and are still structurally sound but lack drugs and equipment.

GOU rightly attaches high priority to the development of livestock. 85% of Uganda's 22 million people are based in rural areas and 80%, approximately 2.5 million families, primarily engage in subsistence-oriented agriculture and livestock farming. 85% of milk and 95% of beef consumed in the country is from indigenous cattle raised traditionally by the same farmers who earn on average under US\$1 a day.

Uganda's human population is growing at 2.9% with a rural-urban migration rate of 4.2% a year. By 2010 there will be 28 million people and 22% will be urbanised. To meet local animal protein needs arising from population, urbanisation and economic growth, livestock productivity has to increase by more than 4.3% a year compared to 2.3% today which is already lower than the rate of population growth. If meat exports were to be developed they would provide a means of reducing poverty levels: commercial producers would be the first to benefit but the stimulus of export prices would gradually be felt in the traditional sector which would be the main source of animals. Exports would be an incentive to improved livestock feeding and management.

A.2 Principal production and marketing constraints limiting export expansion

Constraints to production Most of the ruminant livestock in Uganda are indigenous cattle produced in the traditional sector. The inherent characteristics of these animals for survival rather than productivity, their small body size, diseases, parasites, inadequate nutrition and water, mean that they grow slowly and often come onto the market at 5-10 years of age. Export markets are interested in younger, larger animals of higher grade. The large ranches which can produce more desirable export animals are, except in a few

cases, run down and greatly under-stocked.

Constraints to meat exports include livestock diseases and inadequate veterinary support services; lack of disease free zones; lack of a grading system (there are no weigh bridges at markets and animals are subjectively sold according to appearance and size) lack of an export quality abattoir, lack of marketing information and saturation of meat markets in the Greater Horn of Africa.

- Livestock diseases. Uganda is not exporting meat largely because of restrictions imposed because of the prevalence of diseases. Ruminant diseases endemic to Uganda include foot and mouth disease (FMD), contagious bovine pleuropneumonia (CBPP) and east coast fever (ECF). This effectively prevents export to Europe and constrains exports to the Middle East. Uganda needs to control these diseases which fall under Categories A and B of the OIE Animal Health Code (see Annex for details) if it is to receive approval to export into these markets. Regional African markets, in which these diseases are also present, remain a possible option for meat exports.
- Inadequate veterinary services. District Veterinary Officers (DVOs) are responsible for submitting monthly animal health and veterinary activities to the Diagnostic and Epidemiology Centre of MAAIF at Entebbe. Nevertheless, while 82% of these reports were sent back in 1994 rising to 94% in 1995, this sharply declined to 69% in 1996, 58% in 1997 and was just 26% in 2000, largely attributable to the effects of decentralisation. This downward trend has already had a serious effect on livestock disease control.
- Lack of a grading system. Animals are sold simply according to size and appearance. This discourages the production of superior animals by progressive farmers. Lack of weighing facilities at markets often prevents farmers from obtaining fair prices for livestock
- Lack of disease free zones. Disease free zones, which could be established with double fencing on one of the run-down Government ranches or on lake peninsulas, are one method of producing cattle which are free of the major diseases. They do not exist at present
- Lack of an export standard abattoir. The main facilities for slaughter are slaughter houses rather than abattoirs and are located in urban centers; Kampala (4), Jinja (1), Mukono (1), Masaka (1) and Mbarara (1). The Uganda Beef Producers' Association (UBPA) is negotiating with Government and the private sector to build an export quality abattoir in Kampala with a throughput of 200 cattle per day. The feasibility study has recently been completed and has concluded that the abattoir is viable. However the detailed business plan has yet to be received – and only then can a complete assessment be made. An abattoir certified to be of export standard is required by most meat importing countries. Yet at present Uganda does not have a regular supply of disease-free animals which could be processed at the abattoir
- Lack of marketing information. Since the closure of the Government's Market News Service in May 1999 there has been inadequate dissemination of livestock market information. Farmers have little to guide them on domestic and overseas livestock prices when negotiating with middlemen, while the latter are more informed through their regular contacts with the larger markets, especially in Kampala. Improved access to marketing information is essential both for domestic markets so that those in the marketing chain, including farmers, traders, processors and other service providers have the information on which to base rational marketing decisions. Market information extends beyond domestic markets to regional and international markets and includes trade regulations and policies, comparative advantages and market opportunities. It is stated in the PMA that:
'The need for effective market information for improving market access is absolutely crucial.....Based on the study by Natural Resources Institute (NRI) (Ulrich et al 1999), a decentralized, flexible information system bringing on board all the main stakeholders will be

adopted for implementation under PMA'

The NRI study, and studies carried out by the International Institute of Tropical Agriculture (IITA) have confirmed that, due to lack of competition and transparency in Ugandan markets, poor communication systems and infrastructure, Ugandan farmers do not receive fair prices for commodities they sell. These studies have also recorded that these small-scale livestock keepers have identified the provision of market information as a high priority in their efforts to gain access to markets at the national, regional and international levels. Recommendations have been made under the proposed ADB-funded Livestock Development Project for support to an existing marketing information system run by FOODNET – see details in Annex

- Saturated markets in the Greater Horn of Africa (GHA). These markets appear to be saturated as evidenced by:
 - Largely unchanged livestock and meat prices over the past 5 years
 - Production constraints such as droughts are overcome by changes in cross border livestock movement which quickly redress meat shortages.
 - Capital cities such as Kampala and Nairobi do not generally experience meat shortages.

A.3 Medium and long term outlook for exports

There is reportedly a current meat shortage in several African countries including *Rwanda, Burundi and DRC*. The precise size of the shortage is unknown and requires investigation through personal contact. Markets in the *Middle East* prefer the taste, composition and shape of African animals to those of Australia which currently dominates the market. East Africa, including Uganda, formerly exported there but lost credibility through disease problems and poorly organised exports which sometimes flooded the market causing price collapse. In the medium to long term (5-10 years) these markets might be accessible - much depends on Uganda's ability to produce good quality, disease free livestock which is achievable in the longer term given the political will to provide resources. Slaughtered, de-boned and chilled meat is Uganda's most feasible option because this greatly reduces the possibility of exporting diseases such as FMD. Sudan and Somalia fly meat direct to the Middle East. At present it would be difficult for Uganda to compete with these exporters: they are prepared to export at or below cost of production in order to make profits on the consumer goods brought back on the return flights. Export of live animals is problematic for a land-locked country and carries with it enhanced chances of disease transmission.

B. Demand analysis: export market realities

In the 1960-70s Uganda was exporting beef from over 400 ranches which averaged 1,200 ha. each. The sector accounted for 20% of beef production. Today fewer than 50 commercial ranches remain stocked (most are under-stocked) and there are no beef exports. In 2000 livestock accounted for only 3.2% of total export earnings which was almost entirely from the sale of hides and skins as well as some milk exports.

Providing necessary standards are met, markets in neighbouring, regional, Mediterranean and Middle East countries would be interested in good quality Uganda meat. These markets are interested in the beef of cattle weighing 350-400-kg live weight at an age of under 30 months. Traditional livestock producers are largely uninformed about consumer and/or market demands or standards in the elite local or foreign markets. Moreover, because they mature more slowly, cattle in the traditional sector would not meet the above standards. A well co-ordinated meat marketing system that links producers to these markets has the potential to stimulate development of the meat industry since market demands will themselves drive the direction of production and processing. More lucrative markets will provoke producers into managing their animals for quality production. Therefore, while looking for the foreign markets, Uganda needs to

look at how it can expand demand in its domestic market. There is need to find out if the meat eating habits and culture of the population can be transformed from a “warm meat” to a “cold” meat culture. The latter would support the type of infrastructure, including a cold chain, that may encourage quality beef production with strategised marketing.

B.1 Demand in potential Ugandan export markets

The Middle East. The United Arab Emirates (UAE) currently has a demand of 1.2 – 1.5 million cattle and small stock per year. Formerly 40 – 80% of this demand came from African countries. Now 80% comes from Australia and 20% from Asia. The demand in Saudi Arabia is about 6 million animals per year. 60% of this demand is filled by Australia, 20% by African countries and 20% by others. **Yet these markets are prepared to pay up to twice the price for African livestock** because:

- Taste, appearance and shape is preferred over Australian livestock
- Australian meat is said to have an unpleasant smell when cooked, loses colour and does not keep well over night.

Central Africa There are currently meat shortages in Rwanda, Burundi and DRC. The precise demand is unknown and this needs to be investigated

European Union The EU market is unattainable at present, because of stringent slaughter and health requirements described elsewhere. This situation is unlikely to change in the next 10 years unless Uganda can control the major livestock diseases, such as FMD, as is proposed in the Strategic Exports Proposal.

Table 1 shows the production, imports and exports of the major countries involved in the meat industry

Table 1: World Meat Production, Imports and Exports 1998/99 ('000s tonnes)

Area	% World Production	Imports	Exports
United States	21.6	881	758
European Union	13.8	424	961
Brazil/Uruguay	11.1		300
China	8.4	5	
Argentina	4.7		116
Australia	3.6		868
New Zealand	3.5		298
Japan		683	
Russia		420	
Korea/Taiwan		158	
Egypt		103	
Saudia Arabia		51	

Sources: FAO and EC Commission Uganda. Quoted in ‘Uganda Modern Abattoir Full Feasibility Study: Phase 1. (HHO Consortium January 2002)

C. Supply analysis

C.1 The ruminant livestock population

Table 2 shows changes in Uganda’s ruminant livestock population since 1993 and indicate. These are only indicative figures since they are projections based on the last census of 1991.

Table 2: Uganda Ruminant Livestock Population (millions)

	1993	1994	1995	1996	1997	1998	1999
Cattle	5.37	5.1	5.23	5.3	5.46	5.65	5.82
Sheep	0.87	0.97	0.92	0.95	0.98	1.01	1.04
Goats	5.23	5.71	5.55	5.68	5.83	5.99	6.18

Source: Uganda Bureau of Statistics (2000 report)

C.2 Production constraints

The major causes of the low level of production in the traditional livestock sector are

- Low genetic potential of local breeds
- Inadequate nutrition (poor pastures/overgrazing/lack of supplementary feed)
- Inadequate access to water which results in long unproductive walking to water sources and lowered milk yields
- Lack of access to credit by most farmers to initiate or sustain basic health care needs
- An inadequate marketing structure: poor road network, unsuitable vehicles for carrying animals, distant markets, poor market infrastructure (lack of fences, crush, loading ramp), poor slaughter facilities, lack of marketing information and exploitation by middlemen.

Through the proposals made in the proposed ADB-funded Livestock Development Project it is intended to reduce the impact of disease on production and marketing through better veterinary health delivery services. This is expected to first lead to quantitative increases, and second will open up opportunities to access better markets. The latter requires concurrent improvements in the sanitary quality of meat products. Uncontrolled slaughter of animals is still widespread. The availability of cheap unhygienic meat not only presents an unfair competition for producers trying to raise quality beef, it increases chances for the spread of zoonotic diseases which may pass from animals to man. In these circumstances Uganda needs to address these issues before livestock from the traditional/subsistence sector can access export markets. For the limited commercial ranching sector which uses improved breeds, prospects are brighter in the medium term if disease free status of these livestock can be attained. Uganda is implementing a vaccination campaign against FMD along its vulnerable southern borders with Tanzania and Rwanda.

D. Institutional, policy and market constraints

In the 1960s Uganda and other eastern African countries supplied meat regionally and to the Middle East. This was, and continues to be, disrupted by:

- Failure of public sector animal health facilities for export
- Political instability
- Trade bans placed by importing countries because of livestock diseases, lack of disease control, lack of reporting of diseases and irresponsible actions by governments and traders. Importing countries felt that governments and private sector traders were unable to deliver a quality, disease-free product
- Lack of competitiveness in terms of cost
- Lack of knowledge about price information, grades and quality of livestock required
- Poorly organised marketing system, for example Middle East markets were sometimes flooded with African animals causing price collapse
- Insecurity and deterioration in infrastructure: unhygienic slaughter, lack of dips and loading ramps at

markets, and improper transport facilities causing loss of meat quality.

E. The way forward: production and export growth strategies

Export of meat. There is a need to develop a clearer export strategy for meat. The regional market is the most likely starting point because their disease status requirements are, reportedly, less rigorous. However written directives on animals health export requirements have not yet been made available. Even for this market the slaughter houses in Kampala would very likely need to be improved pending the construction of the export abattoir. order to achieve export status it is recommended that GOU should concentrate on the following of its proposals:

- Disease control.
 - Encouragement of the private sector to establish disease free zones through double fencing of controllable areas such as former commercial ranches or lake peninsulas.
 - Upgrade regional veterinary laboratories with staff and equipment so that the disease status of potential export animals can be established
 - Continue vaccination programmes particularly against FMD along the southern borders with Tanzania and Rwanda
 - Fund study tours to establish export requirements and opportunities in Rwanda, Burundi, DRC, the Middle East and Egypt.
- Grading system A grading system based on weight and meat quality should be introduced to provide incentives to producers and to assist the development of meat exports. The ADB-funded Livestock Development Project has proposed the introduction of weigh-bands at 170 markets in the Cattle Corridor and of weigh-bridges at 10 selected markets.
- Abattoir construction. Phase 1 of the Feasibility Study for development of an export quality abattoir has been completed (January 2002). The Study does not specify where the abattoir should be built. The report concludes that it is viable at a preliminary level. However the detailed business plan in Phase 2 is awaited. Whatever the conclusions reached, it is recommended that it should not go ahead until measures to control livestock diseases (including the establishment of disease-free zones and veterinary support) have been put in place and are seen to be effective. It would be premature to construct an expensive abattoir for export before a regular supply of good quality, disease-free animals can be guaranteed. When that time arrives GOU should seek private sector inputs in funding and managing the abattoir.

F. Priority Government interventions to support the production and export development strategy

The GOU 5-year programme of interventions in the Strategic Exports Proposal are:

1. Promote the use of improved germ-plasm and breeding technologies
2. Operationalise an animal disease control programme and establish disease free zones
3. Establish appropriate infrastructure (valley dams, abattoirs and markets) in the production, marketing and processing zones
4. Promote the export of livestock and livestock products
5. Construct a modern abattoir [during years 2-5]
6. Expand support to value addition and export of livestock/products [years 2-5]

F.1 Potential of interventions for faster and broader economic growth

In general the interventions are a realistic programme which have the potential to improve livestock

production in the country both in the traditional and commercial ruminant livestock sectors and hence to contribute to poverty reduction. Comments on the proposals are:

- Meat exports have the potential for economic growth providing existing constraints are overcome. Export markets will not accept Ugandan meat until the disease status and quality of slaughter and processing have been demonstrated – which may take more time than the 5 year programme proposed.
- The programme will more quickly assist the commercial livestock sector. It will eventually benefit traditional livestock owners when they realise the income to be earned from producing higher quality livestock for export. The programme will in this way encourage the adoption of more progressive livestock husbandry methods.
- The procurement of grade bulls and goats for semen production will assist genetic improvement of herds. It appears that the Animal Genetic Resource Centre, one of whose functions is the multiplication of imported exotic breeds for onward supply to farmers, is unable to provide sufficient animals.
- Animal disease control programmes and disease free zones are essential for export livestock production. The presence of Categories A and B diseases of the OIE Animal Health Code in Uganda (see Annex for details) is a major constraint to the export of meat. The proposal rightly includes (under F2 above) making improvements to the existing diagnostic and epidemiology centre. The crucial FMD vaccination campaign will continue in the vulnerable southern area bordering Rwanda and Tanzania, by procuring 100,000 doses of vaccine from Kenya, with district veterinary staff carrying out the campaigns. Essential disease and sero-monitoring will be carried out in the 10 districts which have been chosen as disease free zones. GOU will also carry out workshops to sensitise people on the existing veterinary legislation
- The establishment of valley dams, abattoirs and markets is necessary for the process of developing the export market in the future and for the traditional livestock sector. Water is a serious constraint to livestock production especially in the communal areas where livestock spend a significant part of the day walking to and from water. Uganda has many examples of incorrectly sited or constructed valley dams and valley tanks which must be guarded against in future. Simple slaughter slabs are the more urgently required than abattoirs. Improving infrastructure at livestock markets is essential i.e. fencing, crush, loading ramp, weigh-bridge and toilets.
- Construction of a modern abattoir. It will be necessary to have an export standard abattoir once a supply of healthy animals can be provided, if exports of meat are to be achieved. Meanwhile progress on disease control should be monitored and other infrastructural developments put in place because these will be crucial in deciding whether the abattoir would contribute to more rapid and broad-based economic growth. An export standard abattoir, if constructed, would first be used to process livestock for the domestic market in order to gain operational experience.

Because of the longer time periods required to improve the productivity of livestock herds when compared to crops, full benefits will not be seen until at least 10 years after the programme is initiated, but this is unavoidable.

It is recommended that Uganda joins the proposed inter-regional Livestock Trade commission which is developing through OAU-IBAR which aims to promote and stabilize livestock exports to the Middle East – see Annex for details.

It is also recommended that support to the marketing information run by FOODNET, agreed under the forthcoming ADB-funded Livestock Development Project, be put in place quickly to provide export

marketing information – see Annex for details.

F.2 Efficiency of proposals in using public resources and appropriateness for GOU or the private sector

- Most of the proposals will have a broad-based effect: They address long standing needs which, if efficiently implemented will assist not only the commercial livestock sector but also the traditional sector from which 90% of livestock are produced. Breed improvement, construction of dams, disease free zones, promotion of exports, support to value addition are all in the public domain
- However GOU needs to rationalise its expenditure in the light of other development programmes. For example the proposed ADB-funded Livestock Development Project will support restocking and genetic improvement (Ush11.4 billion), animal health (Ush16.2 billion), water and forage resources (Ush11.7 billion) and livestock marketing (Ush 5.3 billion) - see Annex for details
- Enforcement of regulations, awareness campaigns and workshops are part of ongoing district extension work and it is not clear why additional expenditure in these areas is needed.
- An export standard abattoir, which is likely to cost at least \$20 million, should not be constructed from public funds and should not take place until it can be demonstrated that a regular supply of healthy, disease-free animals can be guaranteed for export. Governments are generally less able to manage abattoirs than the private sector. To test the business realities of meat exporting, GOU should look to the private sector for funding. The day-to-day management of the abattoir should also be in the private domain with GOU performing its role of monitoring hygiene etc.
- Improvements are required to the domestic marketing infrastructure in order to feed into the export market. These have been catered for under the proposed Livestock Development Project and putting these in place will assist channelling of livestock to the export market.

The dilemma is that while there is no guarantee that the proposed measures for disease control etc. will be sufficiently effective to persuade outside markets to accept Ugandan meat, at the same time many outside markets will require a high standard abattoir to be in place before granting export status to Uganda. However the worst scenario would be for Uganda to make premature export deals with other countries and then be unable to fulfil its obligations.

2. HIDES, SKINS AND LEATHER PRODUCTS

A. Overview

Hides and Skins are the main income generator from the livestock sector. In 2000 they generated income of \$58.65 million. Markets are established world-wide and there is considerable potential for expansion. Constraints to hides and skins exports include poor quality of hides and skins because of largely preventable husbandry practices, inadequate slaughtering facilities and poor flaying/skinning and curing techniques. These constraints can all be largely overcome and the GOU proposals, together with contributions from other projects and the private sector may be expected to generate substantial income in future years. Other remarks on the livestock sector in general are contained in the main overview above.

B. Demand Analysis

Uganda's livestock population provide a useful base for hides (from cattle) and skins (from sheep and goats) production and leather processing. Hides and skins are by far the highest export earner from the livestock industry and are the only products from Ugandan livestock which have been able to break into the world-wide export market (milk, on a much smaller scale, has begun to penetrate only the African market). Hides and skins are exported to a range of countries outside Africa including Hong Kong, India, Indonesia, Italy, Japan, Kenya, Spain, Turkey, France, Netherlands, Switzerland, United Kingdom, United States, China, United Arab Emirates, Pakistan and Portugal. Within Africa, Kenya is the main importer where hides and skins are used for its leather industry whose major focus is the shoe trade. Uganda hides are preferred to those of Kenya because they are seen to be thicker so that when split they provide more raw material per hide. Table 3 shows quantities of hides and skins exported from Uganda. The presence of disease in live animals has not been a constraint to the export of hides/skins from those animals.

Table 3: Export of Raw Hides and Skins (Salted & Dried) from Uganda (tonnes)

1993	1994	1995	1996	1997	1998	1999	2000
5,781	6,955	4,359	4,916	8,541	11,552	6,488	13,379

A large proportion of the hides and skins exported are air dried for cost effective preservation. A substantial quantity of unprocessed hides are exported. The export of raw hides increased by 8% from 712,000 pieces in 1994 to 769,231 pieces in 1995, while unprocessed skin exports increased by 9% from 2,039,168 pieces in 1994 to 2,250,000 pieces in 1995. Due to the global recession experienced by the leather industry in 1999, revenue generated from exports declined considerably as can be seen from Table 3. However in the 2000-2001 financial year, according to figures released by the Customs Department, hides and skins exports increased substantially to \$58.65 million mainly because of large orders from Pakistan.

C. Supply analysis: constraints facing production.

In general African hides and skins are considered by the trade to be of low quality with many inherent defects such as small size and thin substance, poor grain pattern, plus many pre-mortem defects such as tick bites, those caused by disease (e.g. lumpy skin disease), scratches, inappropriately placed brand marks and horn rakes; and post-mortem effects such as flay cuts, bad trimming, irregular shapes and the effects of putrefaction. All these problems are seen in Uganda's hides and skins. Because of these problems Africa's share of total world production is only 5% of bovine hides, 14% of goat and kid skins and 9% of sheep and lamb skins. However this indicates the huge potential in Africa. Until now the

majority of Africa's production has been in raw hides and skins, wet-blue and crust leather. The African share of finished leather and leather products has potential to expand further.

The Uganda Leather and Allied Industries Association (ULAIA) has estimated that the average outright loss due to flay damages in Uganda varies between 60-80% in raw hides (urban and rural) and 30-50% in urban areas. Losses of sheep and goat skins in rural areas is 80%.

Leather tanning is carried out at 5 major tanneries:

1. Leather Industries of Uganda, Jinja: capacity 150,000 hides and 400,000 skins per year
2. Basajjabalaba Tannery, Bushenyi: capacity 40,000 hides and 1,000,000 skins per year
3. Alhammed Tannery, Kampala: capacity 20,000 hides and 200,000 skins per year
4. Uganda fish skin tannery: capacity 250,000 Nile Perch skins per year
5. Tannery & Leather Improvements, Masaka: capacity 150,000 hides, 400,000 skins/year

As the Strategic Export Proposals suggest, skills training in flaying/skinning and processing can improve the availability of quality leather which can be used for footwear production in Uganda. At present 90% of hides and skins are exported as raw products. Only Leather Industries of Uganda manufactures finished leather for footwear and has a capacity of 45,000 square metres per year. This is insufficient for footwear manufacturers – the market is dominated by Uganda Bata Shoe Company (5 million pairs/year). Others companies include Simba Footwear Ltd (75,000 pairs/year) and Uganda Shoe Company (75,000 pairs/year).

D. Institutional and market barriers

There are no serious institutional barriers to the export of hides and skins. Information is available at ULAIA on world prices and grades though livestock producers are generally unaware of the value of good quality exports. Marketing chains already exist for export world-wide. The major market barrier to increasing export revenues is that Ugandan hides and skins are either rejected outright because of poor quality or, if accepted by the trade, obtain only the lowest grades and prices. These can largely be overcome if the the strategic proposals are implemented.

Attaining grades 1 and 2 is critical to improving export earnings, whereas most Ugandan hides/skins attain only grades 3 and 4. ULAIA figures indicate that an annual production of 20,000 tonnes of hides/skins (a quantity easily obtainable from Uganda's livestock) graded 1 and 2 at a price of \$1.7 per kg would fetch \$34 million. If graded 3 and 4 at a price of \$0.95 per kg they would earn \$19 million, a preventable loss of \$15 million per year.

E. The way forward: production and export growth strategies and priority Government interventions.

Given improvements in the quality of hides and skins, which is feasible in the short term, there are good prospects for developing a vertical integration of the sector from production to processing/tanning to production of leather products (particularly shoes) for export. Improving the quality of the product is the primary objective. This must be done through

- Renewed efforts by extension services to sensitise livestock owners on the potential value of hides/skins and the means of producing them. (e.g. reduce the effects of tick bites, disease (e.g. lumpy skin disease), scratches, inappropriately placed brand marks and horn rakes); and post-mortem effects such as flay cuts, bad trimming, irregular shapes and the effects of putrefaction.

- Improvement of slaughtering facilities – to be addressed by the Livestock Development Project
- Training in flaying/skinning, leather production and shoe manufacture

Uganda has well established export markets and a product which will be in increased demand when the quality of the product improves. More importantly, the domestic market will consume more product particularly for footwear manufacture. Hides and skins is a sub-sector which can quickly increase export earning through these relatively simple inputs of sensitisation and training.

F. Priority Government interventions to support the production and export strategy

GOU's strategy in its Strategic Exports Proposal has focussed on the major requirements for improving export earnings from the sector. The interventions contained in the Budget and Implementation Manual (October 2001) are:

- Public awareness on economic value of hides and skins created
- Production and marketing of quality hides and skins promoted
- Enhanced extension service delivery for improved hides & skins production
- Increased capacity for leather production

Training and skills development for farmers and processors as outlined above is critical to production and growth strategies and should be the priority intervention. Two proposed programmes which will address improved quality of hides and skins are:

- Proposal from ULAIA to train 50 trainers of operators in the slaughter and flaying/skinning of cattle goat and sheep. Proposal has been submitted to USAID's SPEED project. Total funds requested: UGShs 75 million
- Livestock Development Project (ADB funded), now at appraisal stage, which will train flayers and support trainers in 20 districts of the cattle corridor. It will also contribute to improving quality of hides/skins by constructing/rehabilitating slaughter slabs, and improving livestock handling facilities at markets. Total funds requested: UGSh 60 million. See Annex for details.

If these projects become operational there will be a decreased need to use GOU funds.

Promoting value addition will also be addressed by the ADB-funded Livestock Development Project through support for a Marketing Information System which will supply marketing information on livestock and livestock products both for the domestic and export markets—see Annex for details.

F.1 Potential of interventions for faster and broader economic growth

In general the GOU interventions are well focussed for encouraging faster economic growth in the sub-sector. There is a huge untapped potential for export earnings from hides and skins. Two key elements in this process are:

- Production of a better quality hides and skins for export at grades 1 or 2. The GOU proposals address this issue by focussing on awareness campaigns, radio broadcasts, training of butchers, flayers and farmers, and training Sub-county Veterinary Officers. Improving the awareness of livestock owners of the potential value of hides and skins will contribute to poverty reduction at the household level. Promoting value addition will also be addressed by the ADB-funded Livestock Development Project through support for a Marketing Information System which will supply marketing information on

livestock and livestock products both for the domestic and export markets—see Annex for details.

- Processing into leather. Currently 90% of hides and skins are exported as raw products. Many are exported to Kenya where they are processed into footwear which are then exported back into Uganda. At the same time the tanneries in Uganda are under-producing because of shortage of staff sufficiently skilled in tanning and leather production. GOU's strategy will increase the quantity of leather processed by carrying out a training needs assessment and a survey of the capacity of existing tanneries, and training leather technicians. It will provide a timely boost to the leather industry.

Enforcement of Hides and Skins Act GOU strategy includes a welcome decision to enforce this Act. The Act lays down regulations for inspection of abattoirs, slaughter houses, slabs, hides and skins stores and tanneries to ensure that they conform to processing and environmental requirements. The Act is often flouted, particularly in areas such as disposal of effluent which continue to raise serious environmental concerns. It is essential that sufficient staff are supported to carry out this important work.

F.2 Efficiency of proposals in using public resources and appropriateness for GOU or the private sector

ULAIA has reported that in 2000/2001 export earning from hides and skins were US\$58.65 and that between 50% and 80% of hides and skins are rejected because of poor flaying and putrefaction. It can be seen that this is a sector in which investment of public resources can produce spectacular results. The revised budget for hides and skins development of Ush 18.8 million in year one includes awareness raising, seminars/workshops, demonstrations and training for extension staff, butchers, traders, flayers, leather technicians and farmers, enforcement of the Hides and Skins Act, and surveys to quantify local and regional markets. Although awareness raising will take several years to become fully effective this programme represents money well spent which will quickly begin to be repaid in increased export earnings.