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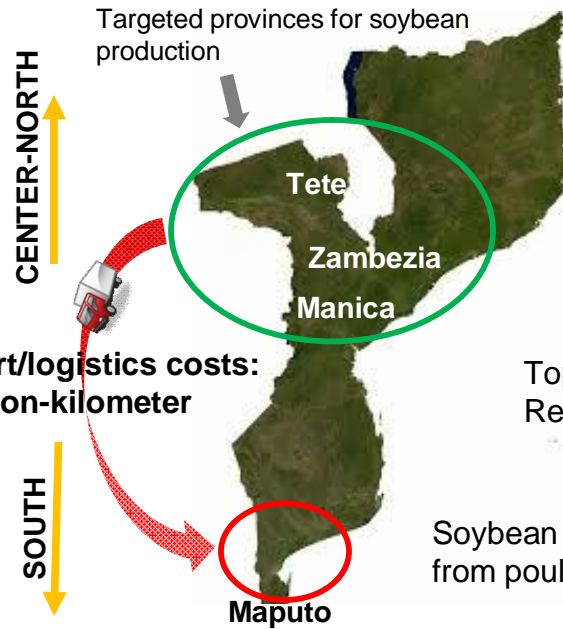
Mozambique's Natural Resource Boom

What potential impacts on the competitiveness of Mozambique's **Soybean** industry?



Soybean has huge growth potential in Mozambique and is becoming a major cash crop for smallholder farmers

Demand in Center-North is met by domestic production in the same region)



Cultivation of soybeans in Mozambique has experienced rapid growth since its introduction in the 1980s

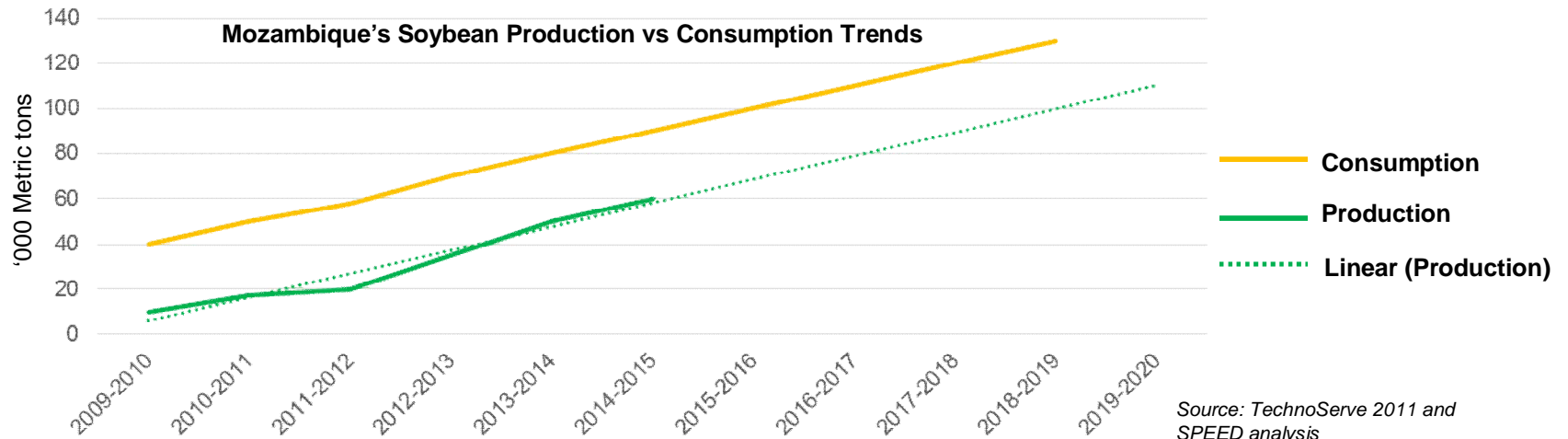
Since 2008/9 TechnoServe and Clusa have promoted the scale up of soybean production

**High transport/logistics costs:
50 MZN/ton-kilometer**

Top producers include MOCOTEX, Africa Century, Rei do Agro, Hoyo-Hoyo, AgroMoz and Alif Quimica

Demand in the South (Maputo) is fully met by imports from South Africa, Argentina, India and Malawi

Soybean production driven mainly by soy-cake demand from poultry industry

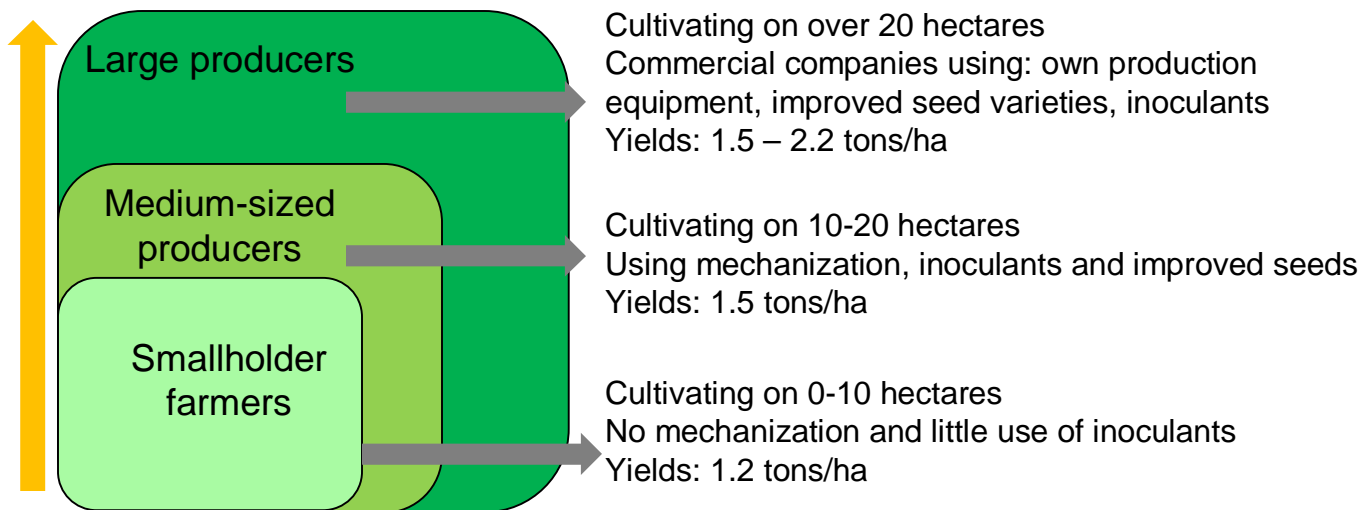


Source: TechnoServe 2011 and SPEED analysis

A key to competitive growth of soybean production in Mozambique is continued growth in domestic poultry industry demand

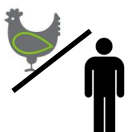
Progression to commercial level requires:

- Secure markets
- Access to credit
- Technical assistance to improve practices



The domestic poultry industry is key to soybean production

Development of soy-driven industries: soy oil, soy milk, soy tofu...

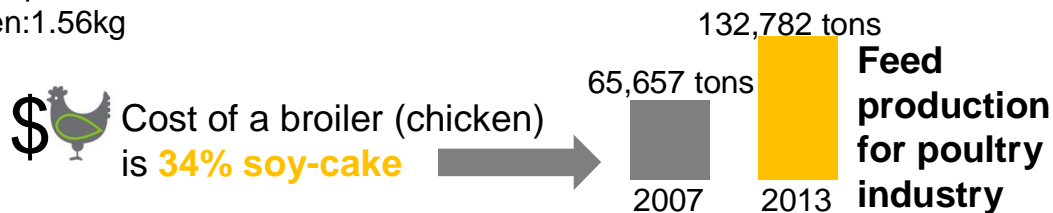
 Huge growth potential (South Africa: 31.94kg/capita)

Mozambique per capita consumption of chicken: 1.56kg

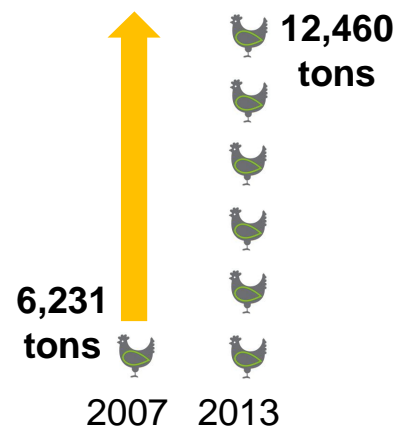


TechnoServe has promoted the industry through technical support and the creation of AMA (Mozambican Poultry Association)

Result: 3 out of 4 broilers now sold are locally produced



Mozambique's poultry production



Mozambique's soybean industry is competitive yet negatively affected by high transport costs

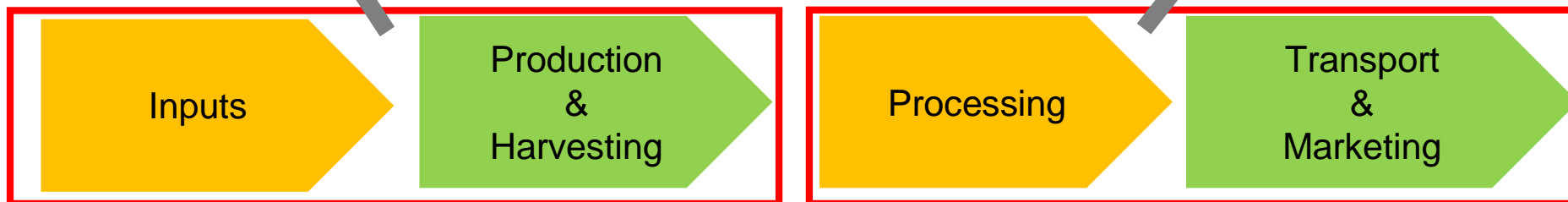
Farm-level segment

83% of costs

Soybean value-chain (small-holder)

Post-plantation segment

17% of costs



Access to seeds mainly through Agricultural departments and TechnoServe's and CLUSA's seed distribution program
Little or no use inoculants

Minimal use of mechanization
Family labor widely used
A few small farmers are now emerging as commercial farmers (increasing areas and profits)

Farmers thresh (using a small threshing machine) and store soybeans on their premises before marketing

Truck transport to soy mill (high costs)
Poultry industry does not contract in advance with farmers but buys soybeans from farmers and trades in bulk

Sample profitability analysis (based on soy mill entry price; 30MZN/\$ and 1.2 tons/ha)

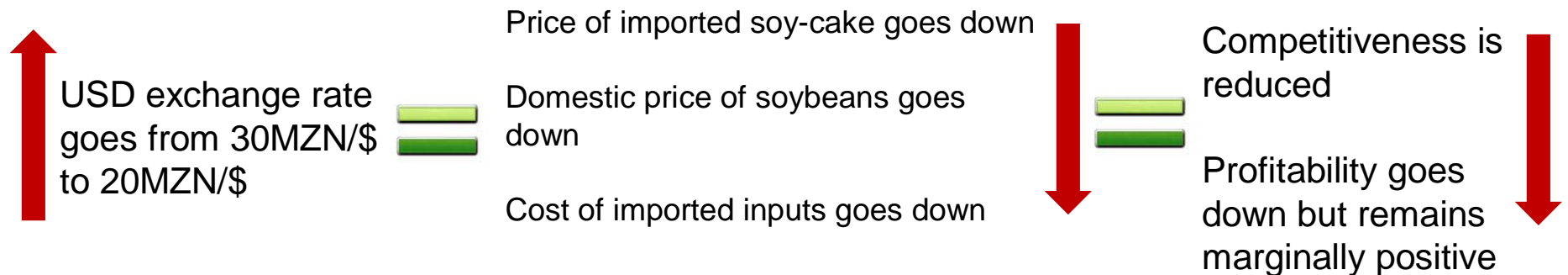
Gross Revenue (Metical/ton)	18,568
Costs (Metical/ton)	13,140
Profit (Metical/ton)	5,428
Cost-benefit ratio	0.71

Soy production in Mozambique is profitable

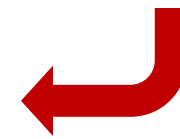
Dutch Disease would reduce competitiveness of Mozambique's soybean industry

- 1 One of the potential effects of Mozambique's impending resource boom is an appreciation of the Metical (one consequence of the phenomenon known as "Dutch Disease")
- 2 This means domestic buyers would need fewer Metical to buy the same amount of imported soy-cake
- 3 This would result in a loss of competitiveness relative to other exporters whose currencies have not undergone a similar appreciation

Illustrative case




Sample profitability analysis	30MZN/\$	20MZN/\$
Gross Revenue (Metical/ton)	18,568	12,378
Costs (Metical/ton)	13,140	11,910
Profit (Metical/ton)	5,428	469
Cost-benefit ratio	0.71	0.96



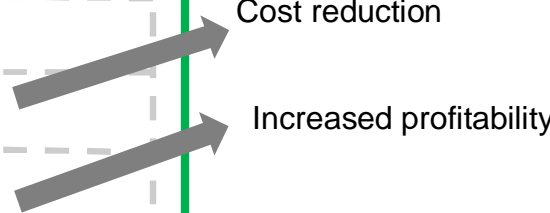
Mozambique can become a net surplus producer of soybeans

4 steps to improving competitiveness of the Mozambican soybean industry

- 1 Reduce transport and logistics costs**
 - Improve road quality
 - Improve management efficiency
 - Improve storage infrastructure
- 2 Improve the overall business environment**
 - Reduce bureaucracy/streamline processes
 - Eliminate illegal taxes
- 3 Continue to improve farm-level yields**
 - Continue to use and invest in inputs (inoculants, fertilizers, pesticides, seeds)
 - Increase use of mechanization
 - Improve production and harvesting techniques
- 4 Support demand of value-added products**
 - Continue to support domestic poultry industry
 - Promote consumption of soybeans and other value-added products (soy oil, soy milk, soy yogurt, soy tofu)
 - Target regional markets (SADC)

Yield improvement 

	Base case yield: 1.2 tons/ha	Improved yield case: 1.5 tons/ha
<i>Sample profitability analysis</i>		
	20MZN/\$	20MZN/\$
Gross Revenue (Metical/ton)	12,378	12,378
Costs (Metical/ton)	11,910	9,968
Profit (Metical/ton)	469	2,411
Cost-benefit ratio	0.96	0.81



Cost reduction

Increased profitability

The End

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