



## Piggery Production for Lesotho - Investment Brief

### 1 Background

Lesotho has placed agriculture on top of its development agenda and had developed a number of development plans to support in transforming Lesotho's agriculture into a more productive, resilient, and low-emissions sector. Lesotho has developed a number of development plans to support this objective. The major plans at national levels are highlighted below

**National Strategic Development Plan 2:** Promoting inclusive and sustainable economic growth and private sector-led job creation. Focus on the four productive sectors: agriculture, manufacturing, tourism and creative industries, and technology and innovation.

**Lesotho Climate Smart Agriculture Investment Plan (CSAIP):** Identify climate-smart agriculture (CSA) investments that offer the greatest potential to transform Lesotho's agriculture into a more productive, resilient, and low-emissions sector. Three pillars: increasing productivity, enhancing resilience and adaptation, and reducing greenhouse gas emissions from the agriculture sector compared to past trends.

**Comprehensive National Agriculture Policy (CNAP) for Lesotho, 2022-2026:** Blueprint guiding Investments and development of the agriculture sector. The first-ever comprehensive policy for the agricultural and food sector in Lesotho.

The Food and Agriculture Organisation of the United Nations (FAO) is committed to support the Government of Lesotho in its quest to enhance agricultural food systems in the country. The support is being implemented through the Hand-in-Hand Initiative (HiH) which is an evidence-based, country-led and country owned initiative to accelerate progress in achieving agricultural transformation and sustainable rural development. FAO in coordination with the Ministry of Agriculture has conducted a deep-dive analysis of investment cases to be showcased to the national government, development partners and the private sector. The selection process has been evidence based and largely data driven.

### 2 Project overview

The Lesotho Government seeks to mobilize public and private sector financing for the development of piggery production farm to be located at Leribe District. Specific investments include: feed mill and food storage facility, breeding stocks, abattoir financed by the public and private sector. Also, extension services for farmer support financed by the Government of Lesotho.

### 3 Market Assessment

The global pig farming market is projected to grow from US\$ million in 2024 to US\$ million by 2031, at a (CAGR) of % during the forecast period. The global pork meat market size was valued at \$236,112.7 million in 2019, and is projected to reach \$257,874.5 million by 2027, registering a CAGR of 3.9% from 2021 to 2027.<sup>1</sup> Increase in popularity for organic pork meat and clean label products is expected to offer lucrative opportunities for the expansion and the global pork meat market growth.<sup>2</sup>

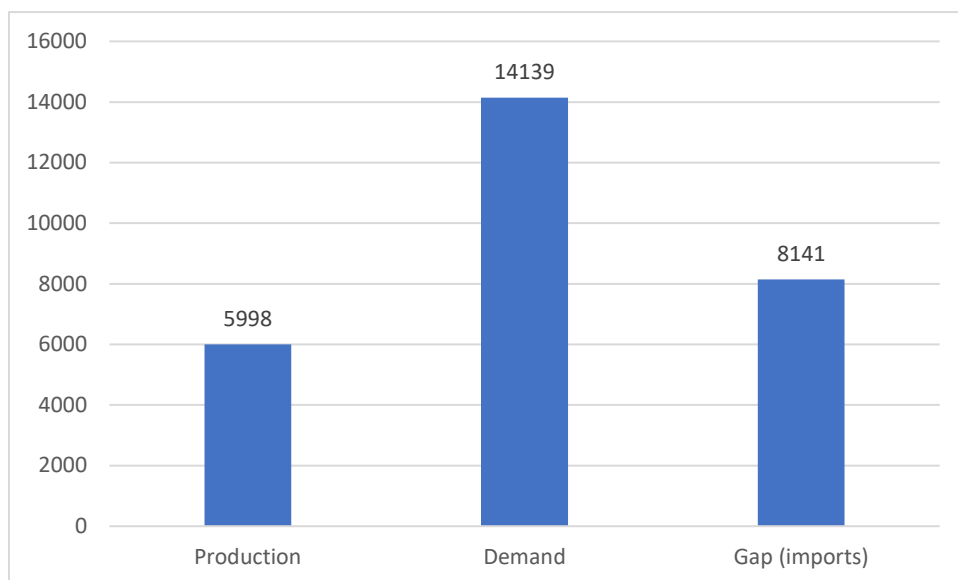
Lesotho's demand for pork is estimated at 14,139 metric tons per annum while production is estimated at 12,250 metric tons. This implies a need to import over 2,110 metric tons to fill the gap.

#### Figure 1: Lesotho- Demand and supply analysis for pork - metric tons

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<sup>1</sup>Allied Market Research 2021

<sup>2</sup><https://www.researchandmarkets.com>



Source: FAOSTAT

## 4 Financial Analysis

The financial analysis has been undertaken for the purpose of measuring the viability of the targeted investment cases from a financial standpoint. The total investment outlay for the project is estimated at 27.39 million USD.

### 4.1 Net Present Value (NPV)

The NPV for the project is USD 6.5 Million USD. Generally speaking, If the NPV of a project or investment is positive, it means its rate of return will be above the discount rate.

### 4.2 Internal Rate of Return (IRR)

The IRR for the project is estimated at 25.9%. IRR is the annual rate of growth that an investment is expected to generate.

## 5 Social Analysis

The project will create a total of 12, 070 new jobs and 60,350 indirect beneficiaries. The increase in per capita income is estimated at USD 1,033.04

## 6 Environmental Analysis

The carbon balance of the project is 112,498 tCO<sub>2</sub>-eq over a 20 years investment period.

## 7 Potential risks and mitigation measures

**Reliance on costly feed imports:** Bulk purchase of raw feed and procuring silos & feed mill

**High genetic variability within local pig breeds and low breed performance:** Improved breeding of high-quality stock to enhance productivity and performance



**Lack of traceability or minimum standards:** Establish minimum- standards to ensure traceability, food safety and biosecurity

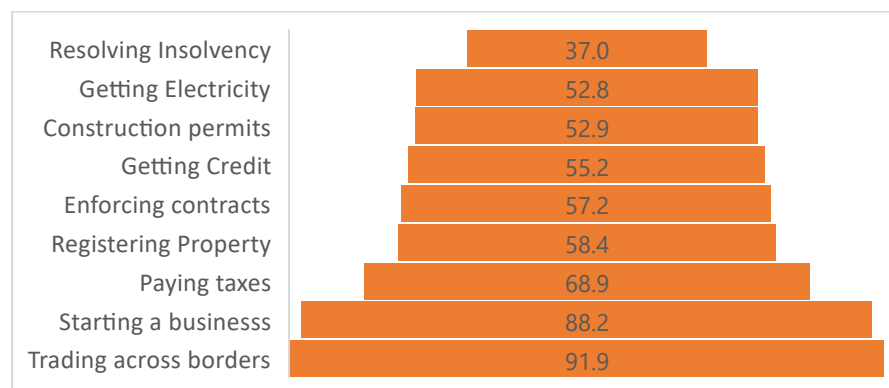
## 8 Why invest in Lesotho

There are number of reasons to invest in Lesotho.

### 8.1 Ease of Doing Business

Lesotho Ranked 15<sup>th</sup> in 2020 for Ease of Doing Business.<sup>3</sup>

**Figure 2: Lesotho - Ease of Doing Business Ranking - 2020**



Source: *Doing Business: Legacy WorldBank.org*

### 8.2 High GDP per capital growth prospects

Lesotho's GDP per capita is expected to increase from USD 945 to USD 1,336 between 2020 and 2028. The 41 percent growth is higher than per capita GDP growth in Southern Africa (30 percent growth from USD 5 487 to USD 7 137). The corresponding CAGR for GDP per capital is higher for Lesotho at 4.4% compared with 3.3% for Southern Africa.<sup>4</sup>

### 8.3 Several areas of comparative advantage

- i. Water is 50% cheaper than in South Africa.
- ii. Water is also of a very good quality. Lesotho is the water supplier for the entire region, including South Africa and Botswana.
- iii. Electricity is 82% cheaper than in South Africa.
- iv. Wages are low, 66% cheaper than in South Africa.
- v. 5% corporate tax vs 28% in South Africa.
- vi. Free trade agreements with the US (for example 0% for smoked salmon vs 5% for South Africa).<sup>5</sup>

### 8.4 Unique conditions for world class aquaculture production

<sup>3</sup>Doing Business Legacy Worldbank.org

<sup>4</sup> World Economic Outlook Database, April 2023

<sup>5</sup> Sustainable land-based aquaculture facility, 2020



**Climatic conditions suitable for trout and salmon fish:** The cold climatic conditions in Lesotho are suitable for production of high-quality trout and salmon which requires clean and cold, well-oxygenated, fast-moving water at a high altitude, which is exactly what Lesotho's dam reservoirs offer.<sup>6</sup>

**Abundant freshwater resources,** positioning Lesotho favorably for fish farming. The locally produced fish is of high quality, benefiting from the pristine water sources with minimal chemical contamination.

**Ability to show full traceability for fish farming:** Given the “freshness” of Lesotho waters, investors can show a full traceability of fish farming and specifically that the fish are grown in one of the purest African sources of water. This is an added value global customer: impactful, ethical, product of one of the most beautiful countries of the world. “Lesotho origin” is a huge advantage for global brand and fish products could be sold at a premium price and not on conventional discount price.<sup>7</sup>

### 8.5 Market Access Factors

- i. Strategic location and membership of regional economic blocs - access to pooled SADC consumer market with a combined population of 390.24 million people growing at 2.6% per annum.
- ii. Duty-free and quota-free access to a consumer base of 68.9 million people in 4 SACU countries
- iii. SACU-EFTA provides duty-free and quota-free access for Lesotho's industrial and fish products to Switzerland, Norway, Iceland, and Liechtenstein markets
- iv. Preferential treatment agreement between SACU and MERCOSUR
- v. Preferential market access to the Australian market
- vi. Access to EU and US market under AGOA

### 8.6 Macro-Economic Factors

The peg of Loti to Rand at 1:1 has ensured price stability

### 8.7 Competitive Investment, Foreign Exchange Regime

- i. Full repatriation of capital investments
- ii. Automatic Approval for dividend payments

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<sup>6</sup> Lesotho National Development Corporation).

<sup>7</sup> [https://www.aquanet.com/lesotho\\_country](https://www.aquanet.com/lesotho_country)