



Broiler Chicken 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 a commercial broiler chicken production facilities to be located at Maseru and Leribe districts. Specific investments include the development of an Investment of an Integrated Poultry farming business, with private a public co-financing, consisting of: feed mill, breeding and broiler houses, hatchery, abattoir and processing plant. Other supportive services will also be rolled out including: quality control system, and supportive infrastructure (e.g water, electricity, and roads).

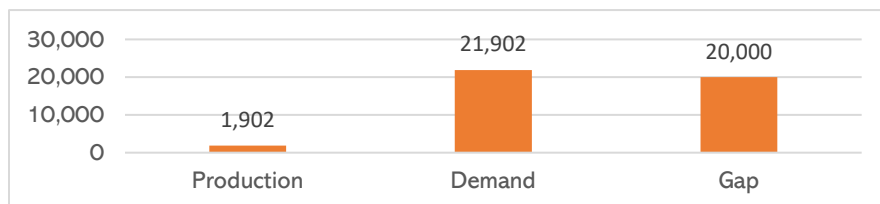
3 Market Assessment

Global poultry market size estimated at approximately USD 378,840 million in 2023 and is poised to generate revenue over USD 628,510 million by the end of 2030, projecting a CAGR of around 7.50%. Over the past two decades, poultry has become the most consumed livestock commodity in the world. Poultry is expected to remain the world's largest imported livestock commodity by volume over the next 10 years¹. To meet rising demand, countries need increased domestic poultry production.

Lesotho's demand for chicken is estimated at 21, 902 metric tons per annum. This is far above the local production of 1,902 metric tons. This implies a need to import over 20,000 metric tons to fill the gap.

Figure 1: Demand and supply analysis for broiler chicken in Lesotho - metric tons per year

¹FAOSTAT



Source: FAOSTAT 2024

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 43.095 million USD.

4.1 Net Present Value (NPV)

The NPV for the project is USD 19.70 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 29.90%. IRR is the annual rate of growth that an investment is expected to generate.

5 Social Analysis

The project will create a total of 1,200 new jobs and 12,000 indirect beneficiaries. The increase in per capita income is estimated at USD 339.60

6 Environmental Analysis

The carbon balance of the project is **64,097 tCO₂-eq** over a 20 years investment period.

7 Potential risks and mitigation measures

Disease outbreaks: Strict bio-security measures to contain diseases will be adopted

Market price volatility, changes in prices can impact profitability: The project will produce own feed to bring down the cost of production

Inadequate quality standards and lack of proper certification: The project will implement standardized quality control including a certification system

8 Why invest in Lesotho

There are number of reasons to invest in Lesotho.

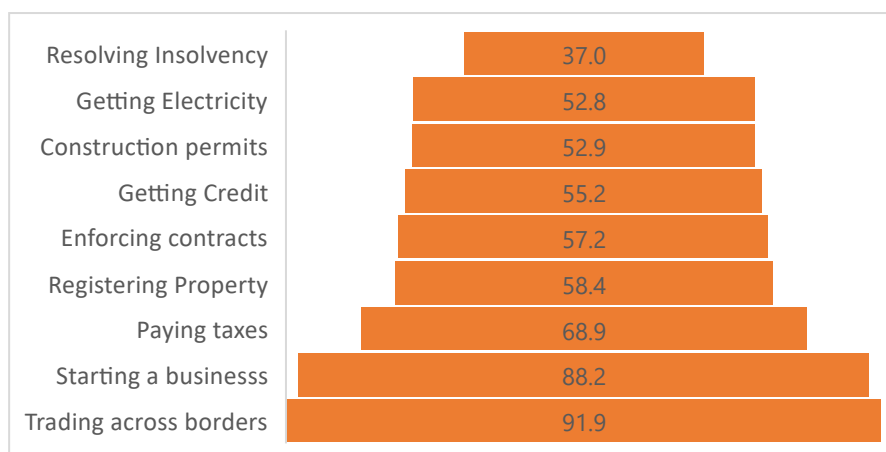
8.1 Ease of Doing Business

Lesotho Ranked 15th in 2020 for Ease of Doing Business.²

²Doing Business Legacy Worldbank.org



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.³

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).⁴

8.4 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

³ World Economic Outlook Database, April 2023

⁴ Sustainable land-based aquaculture facility, 2020



- v. Preferential market access to the Australian market
- vi. Access to EU and US market under AGOA

8.5 Macro-Economic Factors

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

8.6 Competitive Investment, Foreign Exchange Regime

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