

Investment Opportunities In Nigeria's Piggery Value Chain

January 2020



Executive summary – Why Nigeria?

Nigeria is the largest producer of pork meat in Africa and also one of the top 40 globally

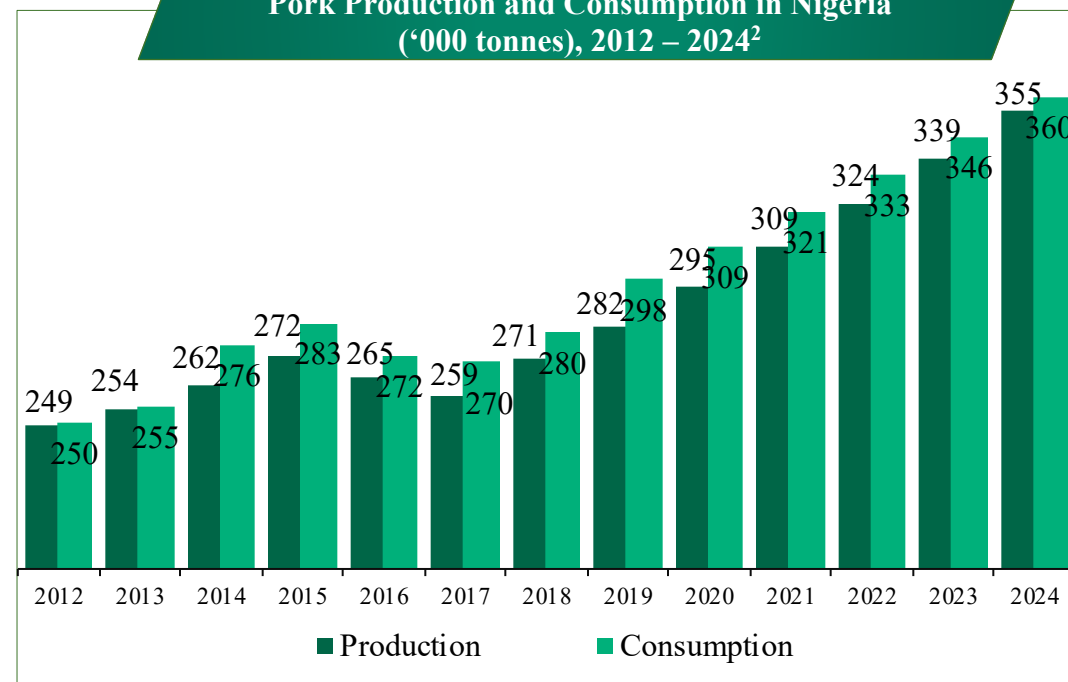
Market size of pork is growing in Nigeria

- In terms of processing pork into value added products like sausages, hams, and bacon, Nigeria has a huge investment opportunity as this segment of the piggery value chain relies largely on imports.
- Nigeria spends over \$7million importing value added pork products and despite the large stock of pigs, Nigeria is the 5th largest importer of lard in the world.⁴
- Growing number of quick service restaurants incorporating pork meat into their menu and supermarkets displaying pork products in their fridges, will continue to cater for the growing demand for pork and other derivatives of pork.

Local production of pork is increasing but insufficient to meet demand

- Local pork production grew at a CAGR of 1.4% over a six-year period (2012 - 2018) having increased from 248,900 tonnes to 271,000 tonnes.
- Consumption on the other hand grew by 1.9% over the same period.

Pork Production and Consumption in Nigeria (‘000 tonnes), 2012 – 2024²



Nigeria’s improving business environment positions it as a favourable investment destination

15-place rise on the Doing Business Index plus implementation of several reforms³

Largest GDP in Africa and 29th largest in the world

Major ongoing infrastructure projects by the Government

Agri-business tax incentives

Executive summary – Why Nigeria?

Huge investment opportunities exists across Nigeria's piggery value chain as the government tries to boost local production

Nigeria offers an attractive destination for investments in the pork sector

S/N	Opportunity	Value Chain Position	Opportunity Size
1.	Investment in feed production	Input	\$86 million
2.	Investment in veterinary medicine services with best-in-class solutions	Input	\$10.7 million
3.	Investment in pork production for local consumption and export	Production	\$513 million
4.	Invest in pork processing into value added products	Processing	\$10 million
5.	Investment in meat distribution in Nigeria	Distribution	\$28.7 million

Note: Opportunity size represents estimated annual revenue for each of the identified opportunities.

The government's priority is to increase local production of pork and restrict imports

- Pork is included on a long list of items that are prohibited from being imported into Nigeria. Also, meat and processed meat products are on the Central Bank of Nigeria's list of 43 categories of products banned from accessing foreign exchange from the Nigerian foreign exchange market.^{1,2}
- The continuation of recent government efforts to form public-private enterprises in output-inefficient industries is likely to lead to further private investment and increased productivity in industries such as pork production.
- In terms of capacity development, certain state governments like the Osun State Government, have sponsored the training of pig farmers in order to boost local production.³

Piggery sector is witnessing increased private sector participation



Input Suppliers



Pig Farmers



Tertiary Processors



**Customers/
Distributors**



Changing business Model

Source: ¹Nigeria Customs Service https://customs.gov.ng/?page_id=3075 ²Central Bank of Nigeria <https://www.cbn.gov.ng/out/2015/ted/ted.fem.fpc.gen.01.011.pdf> ³Osun State Government <https://osun.gov.ng/2017/03/28/o-pig-osun-became-major-player-pig-farming/>

Content

01

Introduction and global assessment

Page 5

05

Case Studies

Page 30

02

Nigerian market assessment

Page 9

06

Applicable incentives and key regulatory organisations

Page 34

03

Investment opportunities

Page 18

07

Call to action

Page 37

04

Costs and location analysis

Page 26



01.

Introduction and global market assessment

Introduction - Overview

Investing in piggery is lucrative due to the livestock's shorter lifecycle and quicker returns

Key Facts¹



9.1MMT cwe
Global pork exports



3%
2020 forecast growth rate

China
World's largest pork producer

1%
CAGR global pork production (2018-2028)



9.09MMT cwe*
Global pork imports

12.3Kg per capita
Human consumption per capita

Pig has a variety of use cases in human food, animal feed and industrial processes

Culinary uses

- Smoked Pork
- Bacon
- Ham
- Sausages

Animal Feed

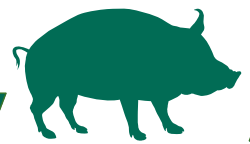
- Fish food from pork blood meal
- Pig fat for dog meal

Industrial uses

- Lard
- Biofuels
- Fertiliser

Alternative Uses

- Leather for shoes, gloves
- Surgical use of pig heart valves



Why should you consider pig farming?²

Prolific Breeders

One sow (mature female pig) can farrow between 8 and 18 piglets at a time. The gestation period for pigs is just four months and sows can farrow up to two times a year.

Feed conversion efficiency

Pigs produce more live weight gain from a given weight of feed than any other class of meat producing animals except broilers.

Meat yield

Pigs can yield up to 70% edible meat as they have a much smaller proportion of bones than meat unlike cattle, sheep and goats which produce between 50% and 55% meat from their bodies.

Urbanisation

Urbanisation is leading to the increasing presence of international and local fast food restaurants, supermarkets and retail giants which are introducing a range of pork-dominated Western diets to African consumers.

Turnover time

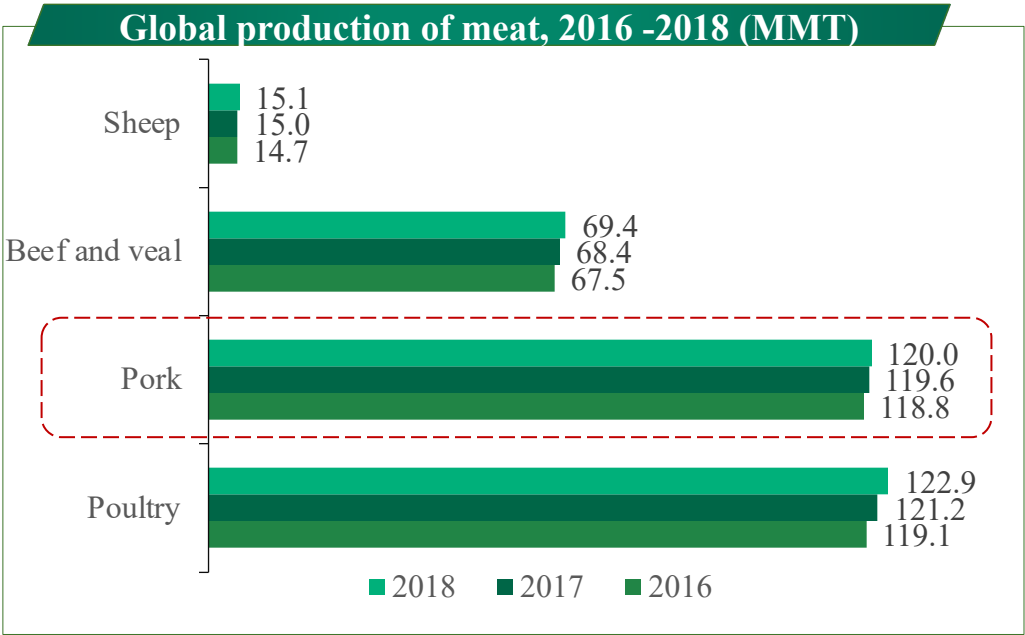
Pig farming provides quick returns since the marketable weight of fatteners can be achieved within a period of 6-8 months.

Source: ¹OECD-FAO Agricultural Outlook 2019-2028 and ²TNAU Agritech Portal http://agritech.tnau.ac.in/animal_husbandry/ani_pig_intro.html

*cwe- Carcass Weight Equivalent



Pork is the second most consumed meat in the world

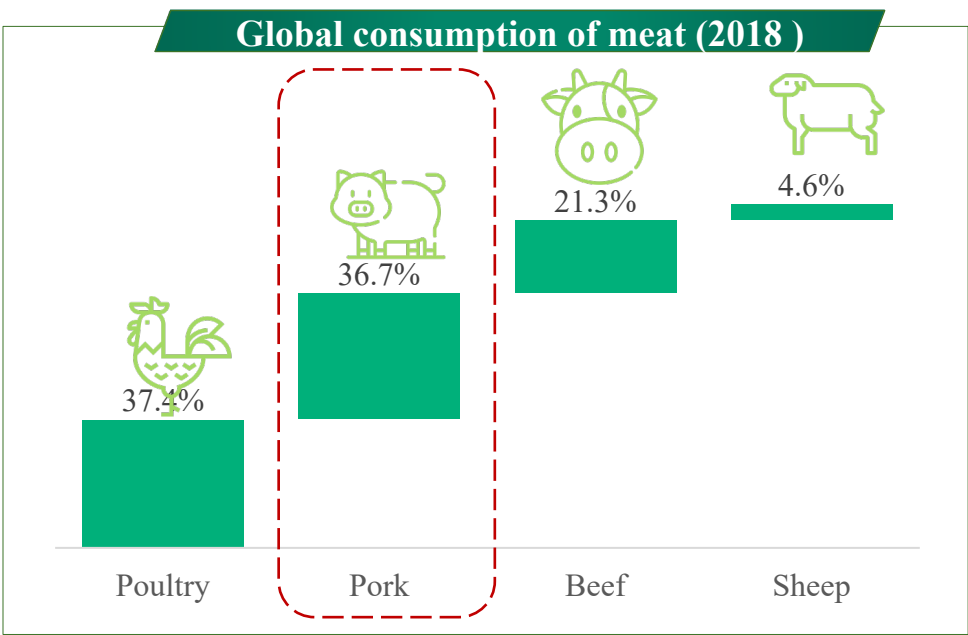


Source: OECD-FAO Agriculture Outlook

Pork is the second most popular meat produced and consumed in the world today

- Globally, meat consumption is generally influenced by a number of factors, such as: food consumption patterns, the standard of living, meat production and animal husbandry condition, consumer prices, religion beliefs etc.
- Pig farming is becoming more popular in Sub-Saharan Africa. This is primarily driven by recent increase in fast food restaurants. They are incorporating the Pork into various food items.

Source: KPMG Research



Source: OECD-FAO Agriculture Outlook

Some major global processors of pork



China
48.3 million pigs
slaughtered annually



Brazil
28 million pigs
slaughtered annually

Smithfield

USA
28 million pigs
slaughtered annually

Source: WATTagNet.com

North America, Europe and Asia dominate world pork trade even as the African Swine Fever (ASF) continue to affect trade

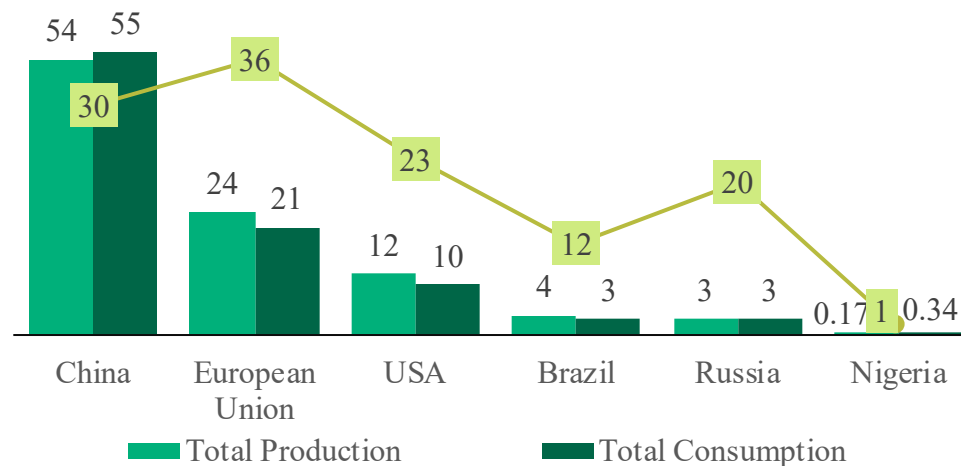
Countries with local supply deficit offers great opportunity for investments

- Despite the outbreak of the African Swine Fever, global pork production has not dropped below 118 MMT since 2014.
- Pork production and consumption have grown at a CAGR of 0.46% and 0.57% respectively between 2012 and 2018.
- The top 5 pork-producing countries are also the top 5 pork-consuming countries, accounting for 86% and 82% of total production and consumption respectively.
- China, the largest producer, experiences local supply deficit and thus, often relies on pork imports to meet demand.

There are significant opportunities to expand pork production for exports

- Nigeria is the leading producer and consumer of pork in Africa. However, Nigeria plays no role in regional or global trade of pork.
- China's battle with ASF has taken a toll on its local production, hence it relies on demand from other jurisdiction.
- Nigeria can take advantage of the existing USA-China trade war and the trade relationship with China by expanding pork production to meet its local deficit and into Asian market.

Top producers and consumers of pork, 2018 (MMT, cwe)²



Source: USDA

Top 5 global traders as at 2018²

Export

	European Union	35%
	USA	32%
	Canada	16%
	Brazil	9%
	Chile	2%

Import

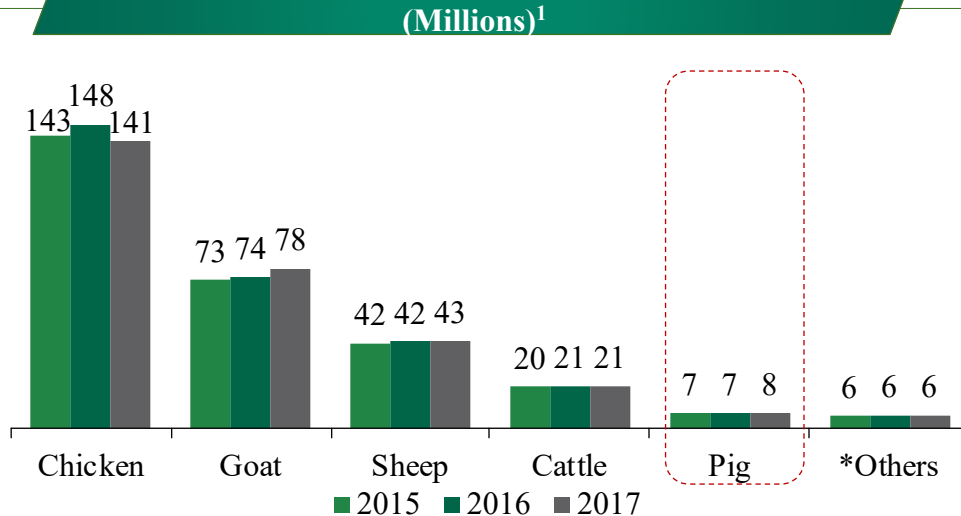
	China	20%
	Japan	19%
	Mexico	15%
	South Korea	10%
	USA	6%



02. Nigerian market assessment

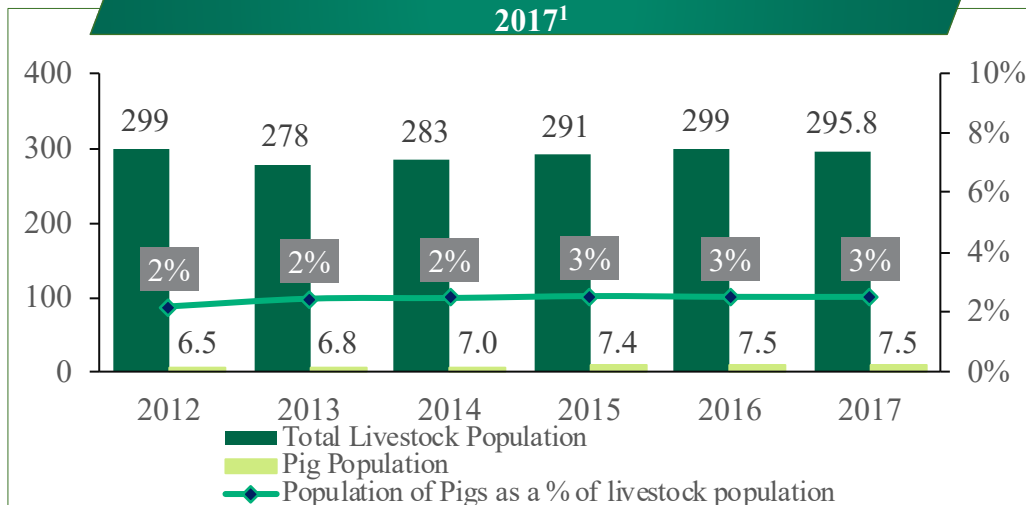
Despite being relatively more expensive than other sources of protein, pork consumption is growing in Nigeria

**Livestock Population in Nigeria, 2015 – 2017
(Millions)¹**

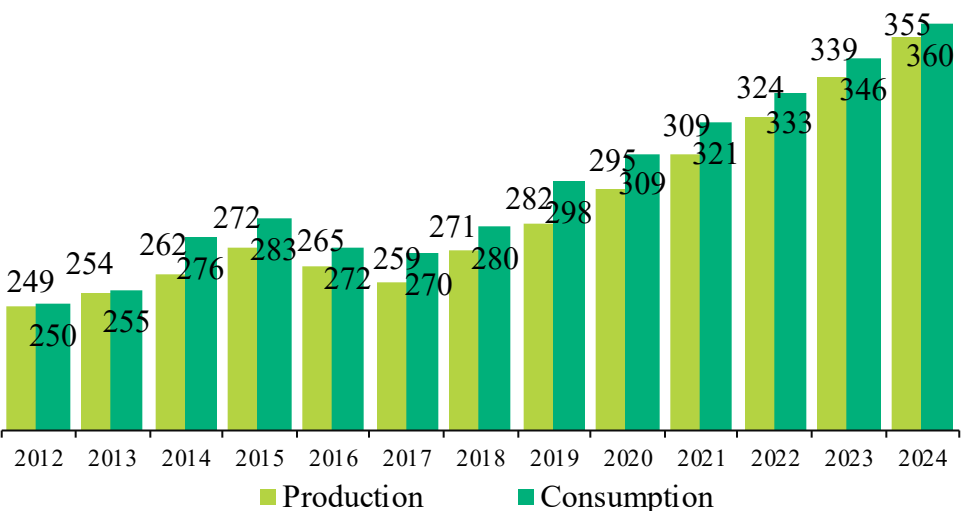


**Others include horses, camels, donkeys*

Pigs Composition of Livestock Population, 2012 – 2017¹



**Pork Production and Consumption in Nigeria
(‘000 tonnes), 2012 – 2024²**



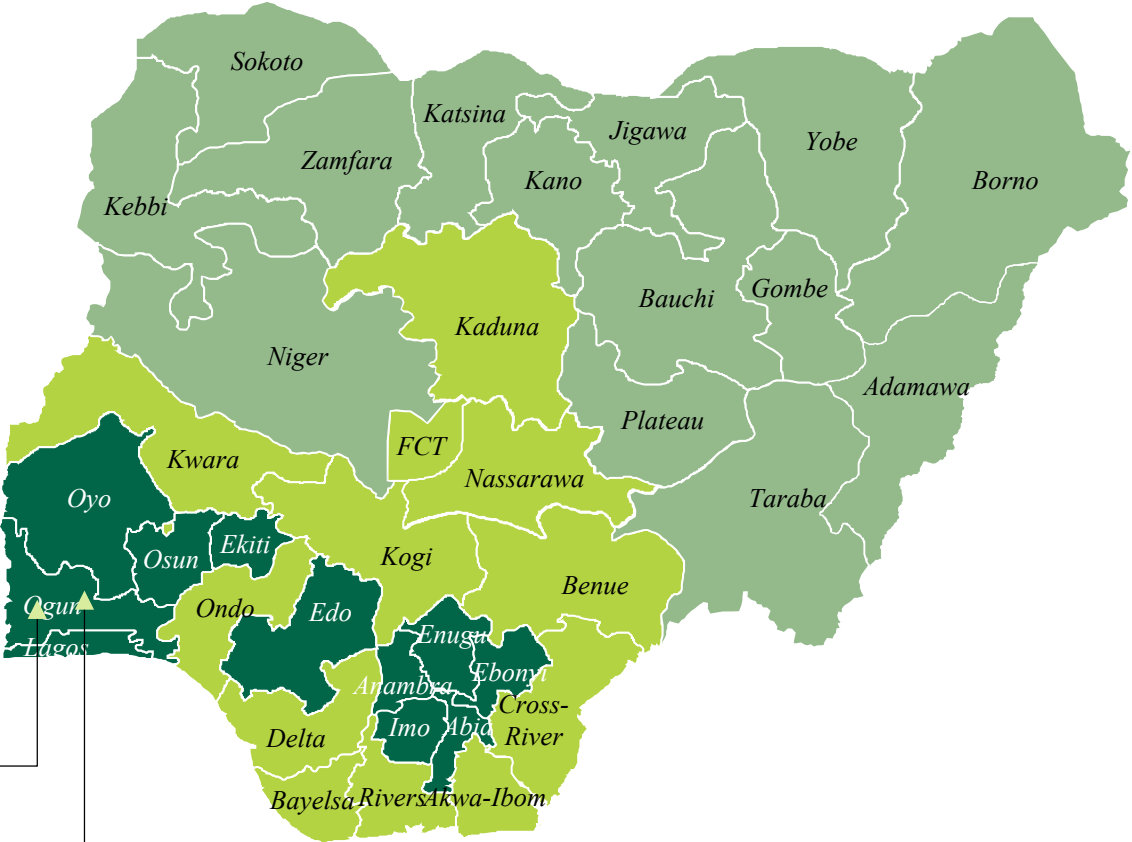
Demand and production of pork is growing in Nigeria

- Favorable government policies such as the ban on importation of livestock products (pork inclusive) as well as provision of financial assistance to farmers in form of grants, subsidies and loans, have continued to drive local pork production and supply.
- Local pork production in Nigeria grew at a CAGR of 1.4% over a period of 6 years (2012-2018) having increased from 248,900 tonnes (2012) to 271,000 tonnes (2018).
- In the same period, pork consumption grew at a CAGR of 1.9% with a rise in consumption from 249,570 tonnes in 2012 to an all time high of 280,000 tonnes in 2018.

Pork producing regions

Pig is primarily produced in the southern region of Nigeria due to a combination of religious and cultural beliefs

Pig production across Nigeria



Pork production in Nigeria is mainly concentrated in the Southern region of the country.

- It is worthy of note that most meat consumed in Nigeria comes from the Northern part of the country but religious beliefs constrain the optimum production of pigs in Northern Nigeria.
- In the Southwest, there are piggery estate/settlements where a lot of pig farmers share land and other resources. Locations of these pig farm estates are; Lagos-State(Oke-Aro and Gberigbe) and Ogun State(Gudugba).

Available Property

- Located at Ajasa Ala Road, Ifo Coker, Ifo, Ogun
 - Pig farm of 4200sqm area consisting of 4 giant pens of about 667 sqm each, farmhouse with 6 rooms.
 - 50 vehicle parking space
- Price: US\$30,600**

Available Property

- Location: Owode Egba after Egba Mowe, Ogun State
 - Capacity: 500 pigs
 - Land size: 12,500sgm
- Price: US\$22,200**

Key

- Major producing regions
- Other producing regions
- Non – producing regions

Key free trade and export processing zones in piggery hotspots

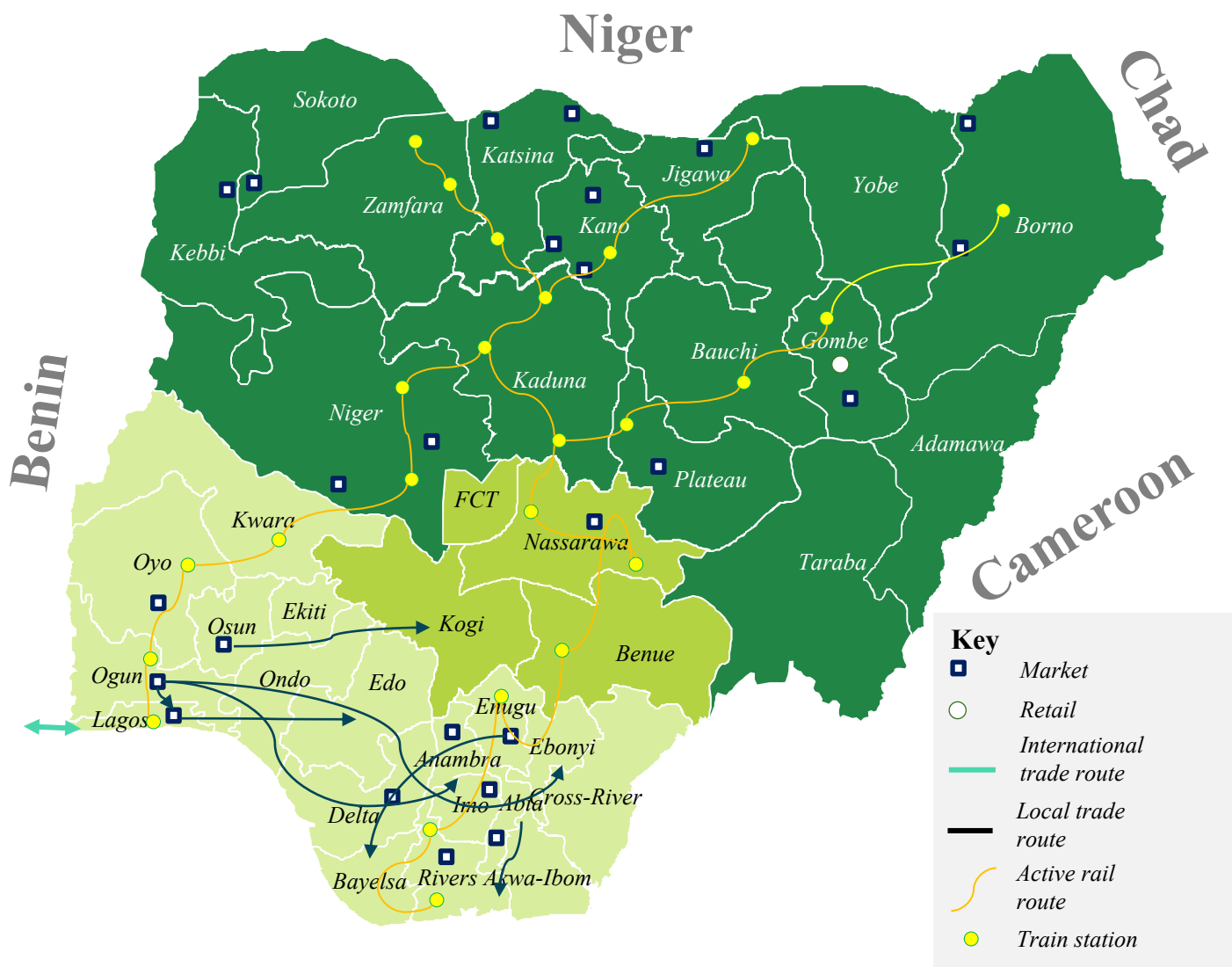
The Nigerian government has set up export processing zones to facilitate industrial and export enterprises

	Ogun Guangdong Free Trade Zone ¹	Lekki Free Zone ²
Location	Igbesa, Ogun State	Ibeju Lekki axis of Lagos
Size	10,000ha	155 square kilometres
Setup Date	2008 (11 years)	2006 (13 years)
Key pork producing region?	Yes	Yes
Approved Activities	- Processing Industries - Manufacturing Industries	- Electrical home appliances and electronic products, - Processing of agricultural & agro-allied products, - Machinery manufacturing, automobile assembling and auto parts manufacturing, etc. - Oil, natural gas tank farms and chemical industries, among others
Benefits	- Breaks from Federal, State and Local government taxes, rates and levies - Duty and tax free importation of raw materials, components, capital goods, customer goods and equipment - Availability of raw materials - Access to experienced business consultants - Access to basic civil infrastructure, etc.	- Direct border access to neighboring countries - Adequate security and active presence of customs, immigration and the Nigerian military - Access to experienced business consultants - Access to basic civil infrastructure etc. - Access to domestic and international market

Sources: 1 – Business SetUp <https://www.businesssetup.com/ng/ogun-guangdong-free-trade-zone>; 2 – Lekki Free Zone Investment Brochure https://www.eiseverywhere.com/file_uploads/4c89fc4ccf7b9b01305474f571ba12b3_LFZ_InvestmentGuide.pdf;

Pork is widely-traded within Nigeria and key producing states serve as major supply hubs in their region

Route-to-market



Pork Trade Flows

- The pork sector is characterised by importation of value added pork products to supplement local production. Importation of the processed pork is mainly done by large retail outlets from European countries.
- Live/Slaughtered pigs are sold by pig farms directly to retailers/wholesalers/consumers from the abattoir section of their farms.
- Most of the pig farms are located close to the market.
- Buyers of pork from Togo and Benin purchase pork from the Oke Aro pig farm in Lagos State.

Consumers have increased spending power, and more expatriates reside in Nigeria

Disposable Income Per Capita³

\$1616

2018

\$2252

2023

Food Spending Per Household³

\$1360.8

2018

\$1841.5

2023

56,531

Number of expatriate residence permits issued (2017)⁴

- Pork is sold at a premium price in upscale areas.
- Consumption is driven by the influx of foreigners like Asians and European

Large farms exist in Nigeria with ever expanding capacity

- The two largest pig farms in Lagos state are Oke Aro Pig Farm Estate and Gberigbe Pig farm Estate. These farms are set up on over 100 hectares of land.
- These two popular piggery estates in Lagos, jointly account for a total of 250 pens are managed by 1,200 farmers of the total 2,350 pig farmers.^{1,2}
- Oke Aro pig farm estate had the largest concentration of pig farmers in the West Africa sub-region and has patronage from Republic of Benin.

Expansion opportunities exist in the feed milling and pork processing to meet local demand

Pig Feed Producers

Pork Processor

- Major source of feed has been and still is grain from various breweries in the country and this leads to nutrients deficiency in pigs as feed sourcing remains a challenge to farmers
- Pork-processing capacity is low, following decades of reliance on imports. Most value added pork products sold by large groceries are imported. Porkoyum by Pork money.com currently plays in the processing space.

Emergence of large retail outlet aids value added pork products marketing and distributions

- Consumption patterns are changing in Nigeria, with a growing preference for quality meat.
- Urban population has developed new consumption habits at the upsurge of premium grocery stores.
- Nigeria's local pork processing capacity is insufficient to cater to the increased demand of fresh meats especially pork meat and all forms of value added pork products.

Source: : ¹Farming Business Setup - <http://farmingbizsetup.com/index.php?topic=12726.0> ²Nigeria Best Forum <http://www.nigerianbestforum.com/generaltopics/piggery-can-generate-2bn-annually-for-lagos-commissioner/>, ³BMI, and ⁴NBS

13

Key market players

Nigeria has a number of pig farms each operating across different segments of the value chain

The very large piggery farmers in Nigeria operate integrated farms, with operations spanning across segments of the piggery value chain. Although most of these operators were found to specialise in breeding operations, rearing and growing; a few in processing, provision of veterinary services, consultancy services etc. but only one was found to play in the further processing segment of the value chain.

Select Players	Farm Locations	Products					Infrastructure			
		Breeding stocks	Piglets	Live pigs	Frozen Pork	Processed Pork	Feed Mill	Pig Farm	Pork Processing Facility	Veterinary Services
Gberigbe Piggery Estate	Lagos	✓	✓	✓	✓	✗	✓	✓	✓	✓
Jovana Integrated Farms	Lagos, Enugu and Imo	✓	✓	✓	✓	✗	✗	✓	✓	✗
Obasanjo Farms Ltd.	Ogun and Oyo	✓	✓	✓	✓	✗	✓	✓	✓	✓
Ohonba Farms	Benin	✗	✓	✓	✗	✗	✗	✓	✗	✓
Oke Aro Piggery Estate	Lagos	✓	✓	✓	✓	✗	✓	✓	✓	✓
Wealthfield farms	Kaduna	✓	✓	✓	✓	✗	✗	✓	✓	✓
Pork Money	Lagos	✓	✓	✓	✓	✓	✗	✓	✓	✓
Jadek Agro Connect (Pork Vest)	Oyo	✓	✓	✓	✓	✗	✗	✓	✓	✓

Source: KPMG Research

Key market players

Nigeria has a number of pig farms each operating across different segments of the value chain

	Obasanjo Farms Ltd.	Oke Aro Pig Farm Estate	Gberigbe Pig Farm Estate
		Oke Aro Pig Farm Estate	Gberigbe Pig Farm Estate
 Overview	Obasanjo Farms Ltd., a network of farms and facilities across Nigeria specialises in several functional areas of the agriculture value chain.	Oke Aro Pig Farm Estate is a conglomeration of many pig farms engaged in Farrow-to-Finish operations. A huge number of professionals who produce pork, piglets for farms and huge boars for mating are located in this estate.	Gberigbe Pig Farm Estate is another concentration of pig farmers located in Lagos state. Farmers in this estate carry out their daily activities producing pork, raising breeder pigs, as well as piglets and providing veterinary services – where possible.
 Products/Services	- Breeding stock - Piglets - Live pigs - Frozen pork - Veterinary services	- Breeding stocks - Piglets - Live pigs - Frozen pork	- Breeding stocks - Piglets - Live pigs - Frozen pork
 Infrastructure	- Feed mill - Pig farm - Pork processing facilities	- Feed mill & Pig farm - Pork processing facilities - Veterinary services	- Feed mill & Pig farm - Pork processing facilities - Veterinary services
 Key Information	- The farm offers advisory and consultancy services to pig farmers. - The company has been operational for more than 38 years and its piggery business is situated in Ogun and Oyo states.	Oke Aro Pig Farm Estate has the largest concentration of pig farmers in the West African region and has patronage from as far as Republic of Benin.	Gberigbe farmers cooperate and take advantage of the large size of their pig farms which usually lets them command better prices.

Key market players

Nigeria has a number of pig farms each operating across different segments of the value chain

	Jovana Integrated Farm	Ohonba Farms	Wealthfield Pig Farm
			
Overview	Jovana Integrated Farm is a leading agricultural project management company with a core focus on breeding and marketing products including pork, fish etc. Jovana Farms provides services across the entire production stages of these livestock.	Ohonba Farms, located in Benin City, Edo State specializes in the production of fish and pork products including piglets and live pigs. The farm also provide veterinary services and pig farming training for individuals interested in pig farming.	Wealthfield Pig Farm is a livestock business established to produce and distribute breeder pigs of sound genes for new farmers and high lean pork for the nutritional benefit of the consumers. The farm is located in Kaduna State.
Products/ Services	- Breeding stock - Piglets - Live pigs - Frozen pork	- Piglets - Live pigs	- Breeding stock - Piglets - Live pigs - Frozen pork - Advisory/ Consultancy
Infrastructure	- Pig farm - Pork processing facilities	- Pig farm - Veterinary services	- Pig farm - Pork processing facilities - Veterinary services
Key Information	Jovanah Farms offers advisory and consultancy services to pig farmers and those entering the industry through the facilitation of trainings.	Ohonba Farms sells young and old pigs including feeds, drugs, and materials for rearing pigs.	- Wealthfield sells quality pork to clients buying in large quantities with a minimum of 5kg. It also offers delivery service to clients that request for it. - Wealthfield Pig Farm also offers advisory and consultancy services to pig farmers and those entering the industry.

Source: Jovanah Integrated Farms - [Link](#), Ohomba Farms - [Link](#), and Wealthfield Pig Farms - [Link](#)

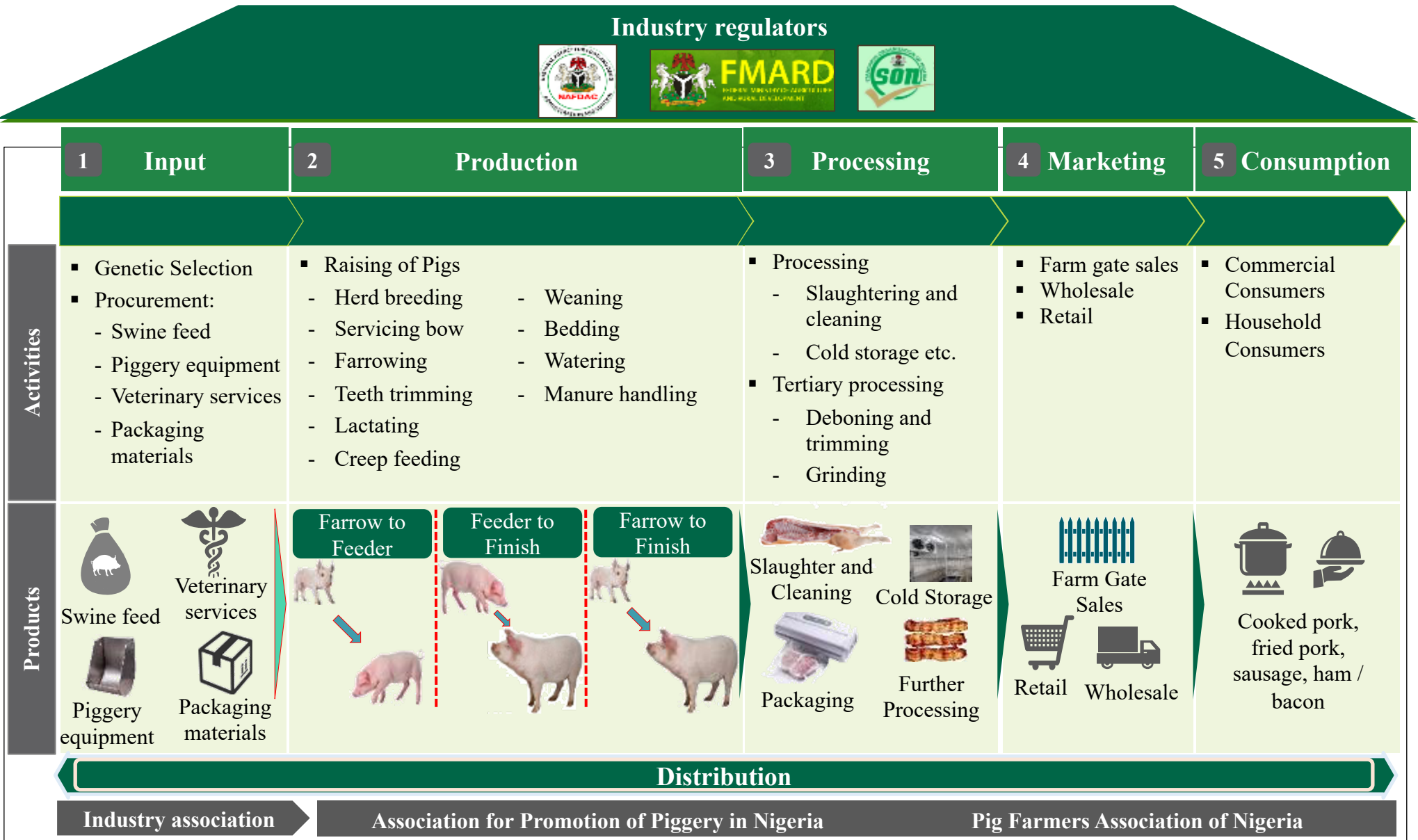


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Investment opportunities

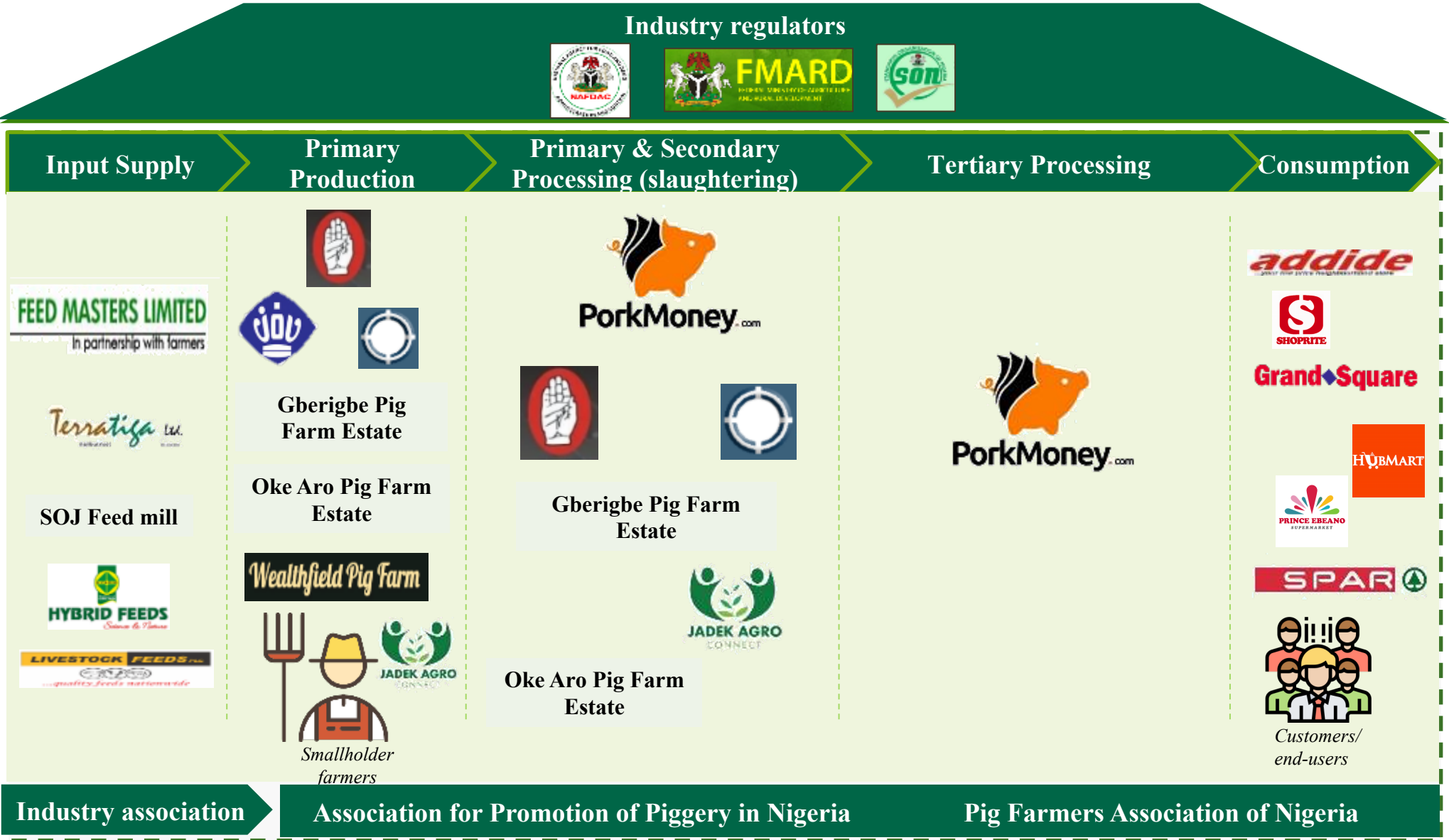


The Nigerian piggery value chain offers a variety of opportunities across different segments





The tertiary processing segment has only one player, creating huge opportunities for potential investors



Investment opportunities - Input

Investment in feed production to improve local production volume and quality

Current Issue: Sub-optimal local feed production capacity

- ✓ Few producers of pig feed exists in the local market
- ✓ Good feeds must have good source of energy, protein multivitamins, minerals incorporated in them. Pigs in Nigeria are either fed with, brewery waste, noodle industry waste or, cassava peels.
- ✓ Swine feed accounts for 60% to 70% of the total cost of production. As a result of high cost of feed, some local pig farmers will rather resort to using waste materials that do not contain the right amount of nutrients.

Opportunity: Investment in feed production

Proposed Business Model

- ✓ Model 1: Establish feed plant that meets biosecurity standards and sell branded pig feeds to local farm purchasers.
Model 2: Set up and manage on-site feed plants in pig farm estates around Nigeria where the demand for pig feed is high.
- ✓ Ensure pig feed contains sufficient energy, protein, minerals and vitamins. Rice bran, broken rice, maize, soya-beans, cassava, vegetables and distillers' residues are often used in pig feed which are largely available in Nigeria.
- ✓ Create purchase and payment plans as well as loyalty programs for small scale farmers to facilitate customer retention and widen customer reach.

Note: Opportunity size represents estimated annual revenue for each of the identified opportunities.

Value chain position

Input supply



Opportunity size

\$86_{mn}

Assumptions

- At an average price of feed per kg of \$0.14
- Average weight of one pig 250 pounds (115kg)
- Average weight of feed required to get a 115kg pig is 400kg
- Value of US\$86m derived with an addressable market size assumption of 50%

Key Players

FEED MASTERS LIMITED
in partnership with farmers

SOJ Feed mill



Investment opportunities - Input

Veterinary services to complement existing local services

Current Issue: Inefficient on-site veterinary practices

- ✓ In Nigeria, various pig breeding farmers often lack professional knowledge, experience and finance.
- ✓ As a consequence, farmers try to decrease their production costs by minimising the cost of pharmaceutical preparations and in some cases do not recognise the role of veterinary medicine in improving performance in pig breeding enterprises.

Opportunity: Investment in veterinary medicine services with best-in-class solutions

- ✓ The Livestock industry is susceptible to outbreak of disease (such as the African Swine Fever currently affecting the Asian and European countries) and this makes the services of veterinary institutes very pertinent.
- ✓ Veterinary services in pig farming has evolved beyond diagnosis and treatment of sick hogs to consulting on specific issues and active management of the entire piggery health on-site.
- ✓ A number of farmers require professional services within the areas of pig breeding, organic pig farming, artificial insemination advisory, vaccination, health care, disease prevention, etc.

Value chain position

Input supply



Opportunity size

\$10.7_{mn}

Assumptions

- Price of veterinary service per pig of \$7
- Value of US\$10.7m derived with an addressable market size assumption of 50%

Key Players

AgriCare

No1 Pig Fan

Home Of Pig Farming and Pork Business In Nigeria



NATIONAL VETERINARY RESEARCH
INSTITUTE, VOM, NIGERIA

Note: Opportunity size represents estimated annual revenue for each of the identified opportunities.

Investment opportunities - Production

Huge investment opportunities exist in the production segment for local and international consumption

- Current Issue: Local underproduction of pork to meet growing demand**
- ✓ Pork consumption has continued to exceed production by an average of 3% (7,800 tonnes) from 2012-2018 with the major gap starting from year 2014 signifying wider acceptance of pork meat.
 - ✓ The livestock industry is dominated by small-scale enterprises with sub-standard global pig production practices.
 - ✓ Industries require pig fat (lard) as raw material in the production of pharmaceuticals, margarine and other products. The pork sector in Nigeria is currently unable to meet the supply of pig fat to these industries.

- Opportunity: Investment in pork production for local consumption and export**
- ✓ There are a number of partnership opportunities for investors to align with existing processors requiring pig meat as their production input.
 - ✓ Backward integration opportunities for investors that engage in the pork processing segment of the value chain.
 - ✓ Production opportunity of pork to meet local demand gap of pork meat and to broaden international and regional trade especially those across our land borders. Buyers from Togo and Benin (West Africa) purchase pigs and pork meat from Oke-Aro Pig Farm Estate at Lagos State.
 - ✓ Investments in pork production and subsequent processing (slaughtering) will also help meet the local demand of pig fat by industries as Nigeria is the 5th largest importer of lard globally.

Note: Opportunity size represents estimated annual revenue for each of the identified opportunities.

Value chain position

Production



Opportunity size

\$513_{mn}

- Assumptions**
- Producer price per ton of carcass weight \$2,410
 - Export accounts for US\$506m
 - Value of US\$513m derived with an addressable market size assumption of 60%

Nigeria's import value¹



Lard (Pig Fat) \$5.48m

Key Players










Investment opportunities – Tertiary processing

Following global trends, pork processors in Nigeria will play a particularly important role in years to come

Current Issue: Limited penetration of branded pork

- ✓ In Nigeria, tertiary processing of pork meat into a variety of pork products such as sausages, hams, bacons, etc., that may be supplied to both the domestic, regional and international markets is currently underdeveloped.
- ✓ Most value added pork products in Nigeria are imported. There are opportunities in the processing chain as Porkoyum by PorkMoney is the only local brand of pork products.

Opportunity: Invest in pork processing into value added products

- ✓ Design and manufacture products that will meet consumers' needs that are currently been met by imported products. The brand should appeal to the expanding middle class population in Nigeria, with the messaging and perception of a premium quality product
- ✓ Develop targeted marketing strategy to enhance brand's visibility and secure access to premium distribution channels in large retail outlets, and/or premium restaurants. For example, Dreamland Piggery in South Africa signed a supply contract with Pick 'n' Pay for weekly supply of pigs.
- ✓ Leverage partnership with various players across the value chain to promote brand through strategic marketing communications and distribution channels and upstream supply chain.

Value chain position

Processing



Opportunity size

\$10_{mn}

Assumptions

- Price of value added pork at \$3.5 per kg
- Consumed mainly by Nigerians living in the Southern region
- Value of US\$10m derived from the combination of value of imports, value of local production and estimated consumption.

Nigeria's import value¹



Sausage

\$3.6m



Bacon

\$196,000



Ham

\$3.6m

Key Players



Note: Opportunity size represents estimated annual revenue for each of the identified opportunities.

Investment opportunities – Logistics

In order to enhance a wider customer reach, investors may engage in distribution of meat products

Current Issue: Absence of organised transport company network to facilitate movement of meat products

- ✓ There are no known organized and structured transport arrangements for either livestock or fresh meat in the Nigerian local markets.
- ✓ The value chain is operated almost entirely by the private sector many of whom do not have standard haulage storage facilities such as cooling vans.

Opportunity: Investment in meat distribution in Nigeria

- ✓ **Proposed Business Model:** Set up of an intra-country livestock haulage service
- ✓ With the government's investments in improving the country's road infrastructure, private sector haulage and cargo players have sprung up to take advantage of the improving environment.
- ✓ Opportunities exist for country-wide distribution of livestock and meat products to household consumers, commercial consumers (restaurant, hotels, supermarkets), other livestock producers, and manufacturers of products reliant on the use of livestock products.
- ✓ Investors may leverage partnership across segments of the value chain to position themselves/or their brands as a leading distributor of these meat products.

Note: Opportunity size represents estimated annual revenue for each of the identified opportunities.

Value chain position

Distribution



Opportunity size

Pork products

\$4.7 mn

Livestock products

\$28.7 mn

Assumptions

- Inter-state transportation cost per 40 ton truck of \$1200 for pork products and \$1,500 for other livestock products.
- Portion of produced pork to be transported per year is 70%
- Opportunity value derived with an addressable market size assumption of 80%

Key Players



Kobo 360 and other haulage organisations



04.

Costs and location analysis

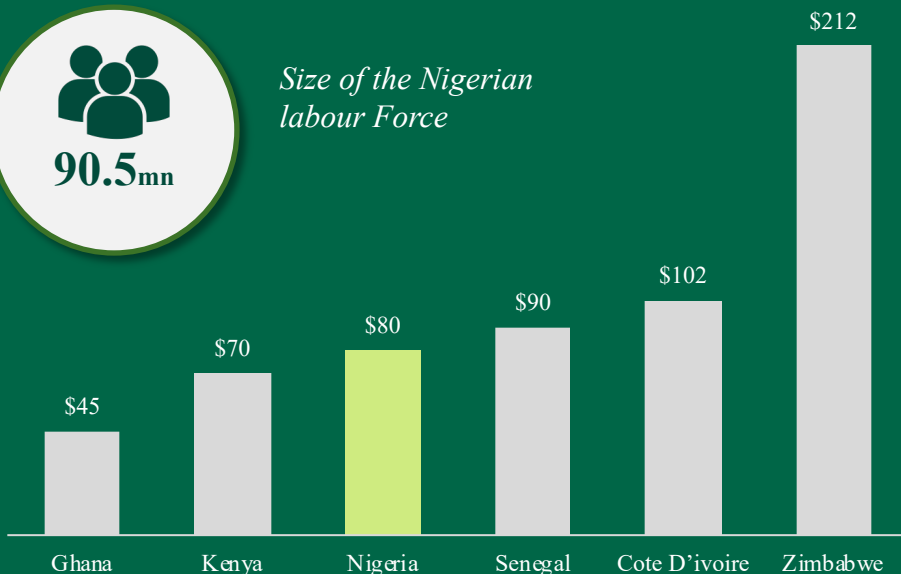
Operating costs

Nigeria offers relatively lower living and operating costs compared to its peers in SSA

Nigeria's has one of the top 3 cheapest labour cost (minimum wage) of the benchmark countries

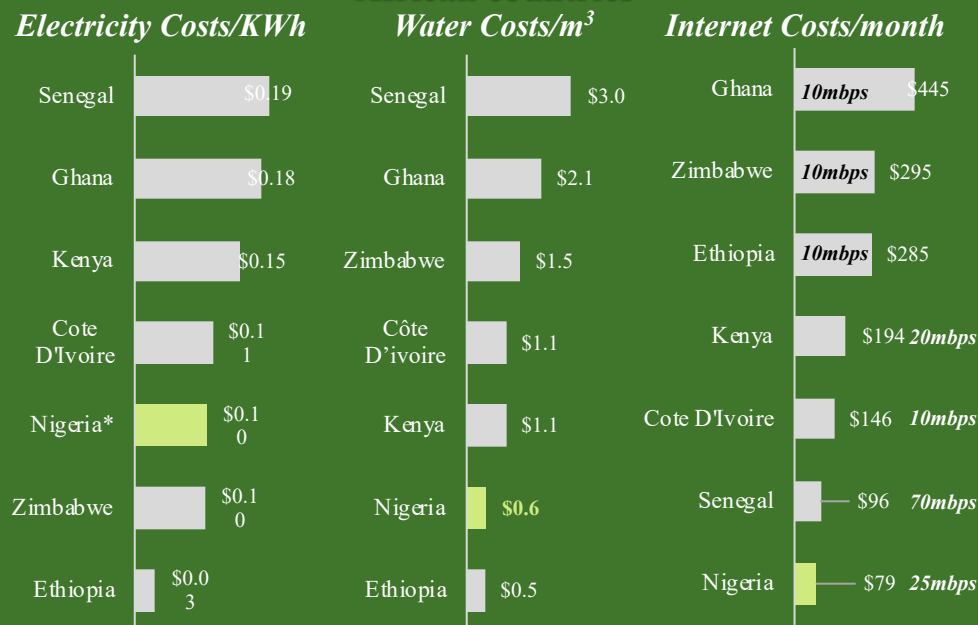


Size of the Nigerian labour Force



- Minimum wage in Nigeria, which was previously \$50, was revised upward to \$80 in early 2019.
- Although this new rate has taken effect in only a few states in the country, Nigeria's labour cost still ranks low in SSA making it an attractive investment destination as it would be cheaper to operate in Nigerian than it would in many other African countries

Nigeria's utility cost is comparably cheaper than other African countries



- Utility costs covering electricity, water and internet are relatively cheaper in Nigeria when compared to peers in the sub-Saharan region, thereby creating a cost-efficient environment to carry on business.

* Electricity tariff stated for Nigeria reflects the planned hike which is expected to take full effect from April 2020.

Cost drivers - In-country logistics

Rail transportation cost has significantly reduced over the years creating an enabling environment for distribution and supply

Cost of haulage from pork producing regions to key processing/consuming regions (\$) - December 2019¹

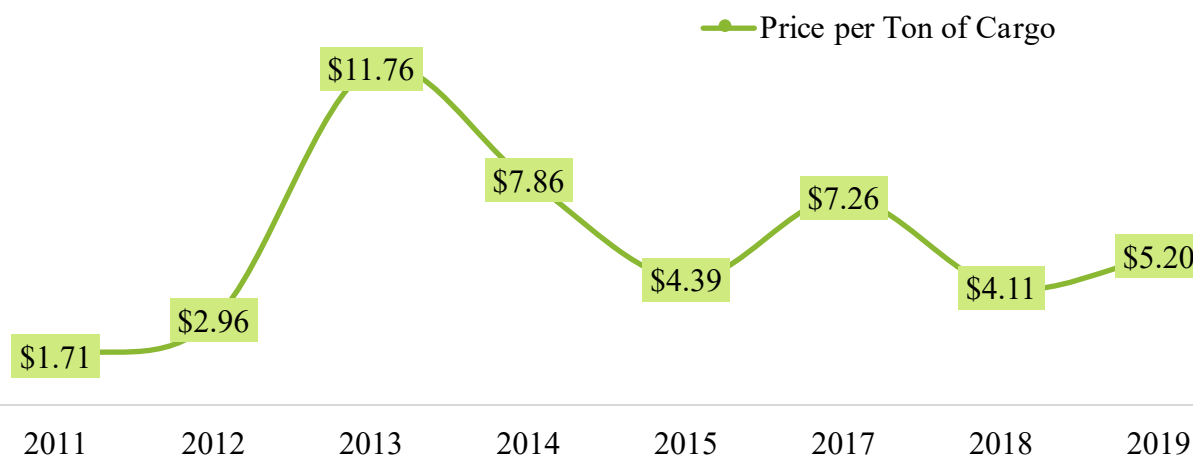
Top pork producers →	Edo		Imo		Ogun		Osun	
Destination ↓	Low	High	Low	High	Low	High	Low	High
Abia	903	1,092	489	592	1,153	1,394	1,000	1,208
Benue	1,211	1,467	975	1,181	1,491	1,808	1,258	1,522
Cross-River	1,231	1,489	847	1,025	1,497	1,814	1,414	1,714
FCT	1,100	1,333	1,042	1,261	1,386	1,678	1,133	1,369
Lagos	967	1,169	1,108	1,342	311	378	700	847

Source: Kobo 360 Price Estimator

Road transportation

- Haulage prices in Nigeria vary according to the weight of products, shipping distance, and to some degree, the security and infrastructural conditions of origin, routes and destinations of shipments.
- The cheapest road haulage distance between top producing and processing/export region is between Ogun and Lagos where Oke-Aro Piggery Farm Estate is situated

Rail Transport prices in Nigeria



Source: National Bureau of Statistics

Rail transportation

- Over the last 6 years, the cost of rail transportation in Nigeria has declined by 55.8%, indicating an increasingly favorable transportation environment that can be leveraged by agricultural producers to transport their products across the country.

Exports				
Road transportation estimate for frozen meat (pork) of \$20,000 in a 20ft and 40ft container				
Mode	Location of Departure	Port of Entry	20ft	40ft
Road	Lagos	Togo	\$213 - \$236	\$327 - \$362
		Benin	\$96 - \$106	\$148 - \$164
		Burkina-Faso	\$780 - \$862	\$1,200 - \$1,326
		Cameroon	\$789 - \$873	\$1,214 - \$1,342

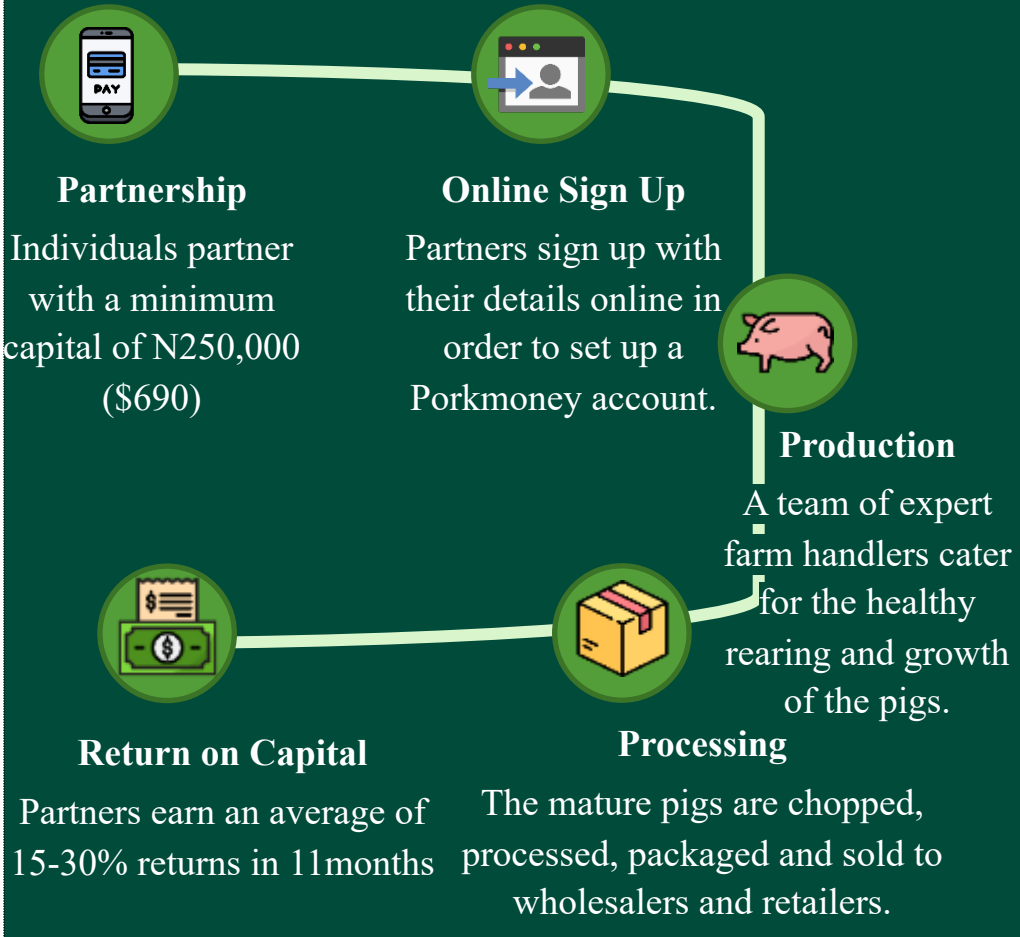
- Most of Nigeria’s pork export destination countries are land-locked. Hence, the popular use of road as a means of transportation.
- The rates above are subject to additional fees such as taxes, duties, etc.

05.
Case Studies

Case Study – PorkMoney (Tertiary processing)

PorkMoney.com is a new entrant in the pig farming business with a different but interesting business model

Business Model



Retail Brand

- Porkoyum is the e-commerce subsidiary of PorkMoney. End-users have the opportunity to purchase the efforts of the pig farming in the form of Porkoyum Bacon and Porkoyum Sausages.
- Porkoyum products are currently available in major stores around Lagos and can be ordered directly online via the official Porkoyum website.
- The Porkoyum Bacon currently sells at N1,800 (\$5) per unit while the Porkoyum Sausage sells at N1,500 (\$4) per unit.

Other Information

- During a particular pig breeding season, investments in some partnership packages may become fully sold out.
- PorkMoney pigs are insured by the Nigerian Agriculture Insurance Corporation (NAIC) to protect from livestock loss.

“ We are a **Pig-Farming Platform** that allows you to **partner with us** and enjoy the benefits of owning a pig farm, without you having to get your hands dirty. ”

Porkmoney.com

Source: PorkMoney.com - <https://www.porkmoney.com/>, and Porkoyum - <https://porkoyum.com/>

Companies have achieved success by taking advantage of various opportunities across the value chain



Farmer's Choice Ltd



- Farmer's Choice was founded in 1980, with the central purpose of selling fresh and processed pork products to all income groups in Kenya, after identifying the market gap.
- Farmers' Choice also established slaughterhouses and butcheries in Nairobi. Likewise, Farmers' Choice also set up a processing plant, and started to serve processed and fresh pork to other countries.
- Farmers' Choice has collaborated with many other companies across the value chain. Today, Farmer's Choice sells its products to Zanzibar, Uganda, Muscat, Tanzania, Ethiopia, United Arab Emirates and Bahrain with expansion plans to West Africa.
- According to Euromonitor, the Kenyan processed meat industry is dominated by Farmer's Choice with 44% share of the market, followed by a handful of other players.



Dreamland Piggery and Abattoir



- Dreamland Piggery was started by Anna Phosa in 2004 in Sedibeng district on a small Agricultural holding plot of 2 hectares with 4 sows and later in 2005 grew into 50 sow unit. In 2005 the farm employed 4 permanent workers.
- In 2008, the farm was contracted by Pick 'n Pay, the South African supermarket and retail giant, to provide 10 pigs a week. This quickly grew to 20 pigs per week shortly after. The pigs were slaughtered and supplied via an abattoir.
- In 2010, Anna signed a breathtaking contract with Pick 'n Pay to supply 100 pigs over the next five years under a 25 million Rand deal –about \$2.1 million dollars. With this contract the farm applied and received loans from ABSA Bank and USAID to buy a 350 hectare farmland.
- Today Dreamland Piggery has about 30 staff and houses nearly 4000 pigs.

Key learnings for Nigerian piggery sector players

Opportunities abound at all sections of the pig value chain through leveraging the right partnerships and supply network

Remain abreast of industry and market trends including consumer preferences and patterns in order to manufacture products relevant to the marketplace

Continually seek to improve the efficiency of operations through employment of human capital, technology and cost saving efforts

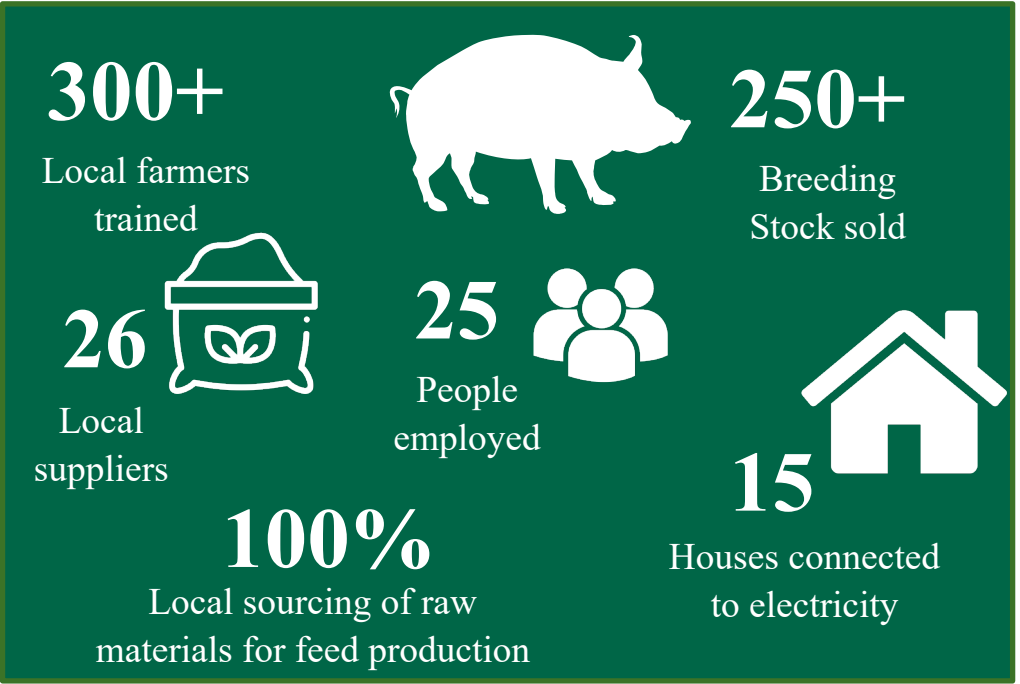
Case Study – Devenish (Feed and production)

Devenish Nutrition's outpost in Uganda provides a valuable template which could help transform the African industry

Company Overview

- Devenish is an agri-technology farming and food company, delivering sustainable and innovative nutritional products and solutions for the feed industry, the food industry and for human health.
- Headquartered in Northern Ireland, Devenish Nutrition currently export their products to over 40 countries worldwide

Impact



Investment

- In 2013, Devenish discovered that farmers in Hoima, Uganda, were engaged in poor pig feeding practices. As such, it took longer for pigs in the region to reach market size.
- Devenish has invested more than £1 million (\$1.2m) into supporting sustainable farming practices in Uganda, Africa receiving support from Irish Aid and Department of Agriculture, Food and the Marine through the African Agri-Food Development Fund (AADF) for the pilot phase of their investment in Uganda.
- As well as setting up a pig farm, Devenish also established a specialised feed mill in Hoima, Uganda (feeding and breeding).
- In March, Devenish also invested \$2.25million in Sidai Africa Ltd, a distribution business providing livestock and veterinary services in rural Kenya.



06.

Applicable incentives and key regulatory agencies

Applicable taxes and incentives

The government has put into place various tax incentives to encourage businesses in the Nigerian agricultural landscape

Tax type	Company Income Tax (CIT) (30%)	Value Added Tax (VAT) (5%)	Import and Export Duties (5% - 35%)	Capital Gains Tax (CGT) (10%)
Brief description	Levied on profits of companies accruing in, derived from or received in Nigeria.	- Consumption tax paid when goods are purchased and services rendered. - Proposed amendment to increase VAT rate to 7.5% by 2020.	Payable on goods imported into or exported from Nigeria.	Payable on capital gains accruing to companies or individuals making a chargeable disposal of asset.
Sector specific incentives	- Pioneer status applicable 95% capital allowance in year qualifying expenditure is incurred - Indefinite carrying forward of unutilised capital allowance - Exemption from payment of minimum tax.	Exemption on implements purchased for agricultural purposes, locally produced veterinary medicine, agricultural and farming machinery and transportation equipment.	Tariff based incentives on Agro-allied, agro-processing and agricultural commodities and 0% import duty on agriculture equipment and machinery.	Rollover relief: Deferment of payment of capital gains tax when disposal proceeds are used for the purchase of land and agricultural machinery of the same class within 12 months of disposal of the old asset.

Other non-tax related incentives

Agricultural Credit Guarantee Scheme Fund: Provides guarantees of up to 75% for loans granted by banks for some agricultural purposes.

Source: Compendium of Investment Incentives in Nigeria

Regulatory Landscape

The Nigerian piggery sector has strong regulatory support from the Government, industry associations and research institutes

Regulators



Federal Ministry of Agriculture and Rural Development formulates agriculture-related policies; and regulates activities related to agriculture **Animal Production and Husbandry Services (DAPHS)** department handles all livestock related services.



The **National Agency for Food and Drugs Administration and Control** publishes guidelines prescribing the minimum manufacturing practice requirements and quality controls for manufacturing, processing and packaging of food products.



The **Standards Organisation of Nigeria** ensures that locally manufactured products in Nigeria comply with government policies on standardisation and conformity assessment



The **Council of the Nigerian Institute of Animal Science** analyses and formulates programmes, policies and actions to ensure that Animal Science Practitioners in Nigeria uphold the ethics of the profession and guarantee the production of high quality animal proteins.

Read more at:

Federal Ministry of Agriculture and Rural Development - <https://fmard.gov.ng/>

National Agency for Food and Drugs Administration and Control - <https://www.nafdac.gov.ng/>

Standards Organisation of Nigeria - <https://son.gov.ng/>

Council of the Nigerian Institute of Animal Science - <https://www.nias.gov.ng/>

Industry Associations



Association of Piggery Promoters of Nigeria



Pig Farmers Association of Nigeria



Pig Farmers Cooperative Organisation of Nigeria

These associations perform the following functions;

- Provision pig industry information to members. as well as other useful resources
- Facilitating of trainings, seminars and educational programs on trends shaping the pig industry and ways of improving the pig farming system.
- Provision of financial aid and bail out options to members of the association.

Relevant Research Institutes

National Veterinary Research Institute

International Livestock Research Institute

National Animal Production Research Institute

National Center for Agricultural Mechanisation



07.

Call to action

Services to UK Investors

The UK government provides multiple strands of support for UK companies looking to invest in these countries and the broader Africa region.

This includes, but is not limited to:-

- Advice & guidance on market entry, including introductions to country government officials, advice on consultants, any joint venture partners, information on legislative and political risk issues, including managing corruption.
- Financing (debt & equity) including long term patient capital from UK's Development Finance entity – CDC and other development finance institutions
- Overseas Investment Insurance
- Training & linkage development with local input suppliers
- A new UKAid programme, FDI Africa, that will offer transaction facilitation services in due course including for Nigerian investments.

For further information on the full suite of UK support available to your firm please contact:

Department for International Development GrowthGateway@dfid.gov.uk

The DIT Africa Trade Services Unit (TSU) - DIT.Africa@fco.gov.uk

Specific UK officials in Nigeria:

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**NIGERIAN
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