

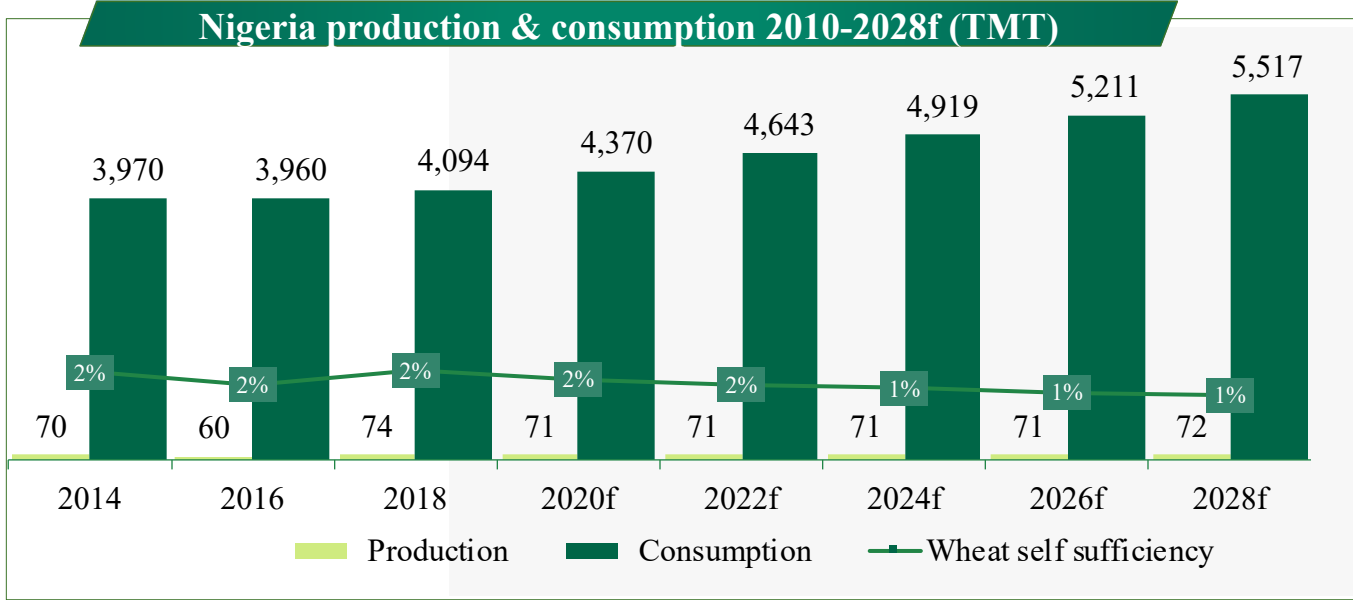
Investment Opportunities in Nigeria's Wheat Value Chain

January 2020



Executive summary - Why Nigeria?

As a result of the significant supply gap, the wheat sector in Nigeria provides an attractive target for investment

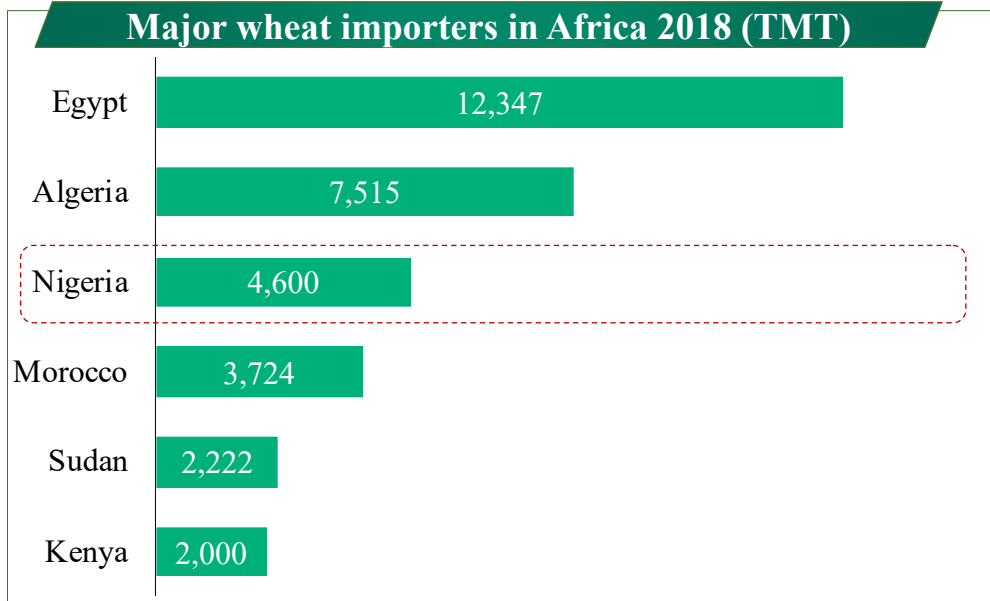


Local consumption is substantial and increasing rapidly

- Nigeria is the **3rd** largest consumer of wheat in Africa at **4.1 MMT** consumption levels in 2018 and this is forecast to increase by 38% between 2018 and 2028

However, production levels are low

- Production levels are low with local supply satisfying only c.2% of consumption.



Third largest importer of wheat in Africa, with c. US\$1.7 billion spent on wheat imports in 2018

Other attractive features of the wheat sub-sector:

- Government's priority is to increase local production of wheat and reduce imports by 50%
- Presence of institutes involved in crop genetics to ensure the availability of improved crop varieties
- Export processing zones to facilitate industrial and exporting industries

Executive summary - Why Nigeria?

Several viable investment opportunities exists across the wheat sector value chain

Investment in wheat grain production



Opportunity Context

Nigeria currently spends c. \$1.7 billion on importing wheat grains in Nigeria due to low production levels.

Local farmers cited lack of access to high quality inputs as a reason for low production.

Value Chain Position

Production

Proposed Business Model

Facilitating improved production by providing high quality inputs to smallholder farmers in exchange for first right of refusal for produced grains which will may be sold locally or exported.

Opportunity size

US\$143mn

Estimated opportunity size

Provision of irrigation solutions



Opportunity Context

The most effective way to stimulate wheat production is through irrigation. However, farming production systems in Nigeria are primarily rain-fed, with only 10% of land available for wheat production irrigated.

Value Chain Position

Production

Proposed Business Model

Provision of irrigation system solutions; proposed off-takers of such solutions being large millers within the country who deploy resources to local farmers through out-grower schemes.

Opportunity size

US\$82mn

Estimated opportunity size

Investment in seed development and production



Opportunity Context

Low production levels of 74 TMT with high consumption levels of 4,094 TMT. Major contributing factor is the use of foundation seeds for production due to the inconsistent supply of certified high-yielding wheat seed varieties

Value Chain Position

Input supply

Proposed Business Model

Set up a seed production company

Opportunity size

US\$67mn

Estimated opportunity size

Input strategic sourcing and export facilitation



Opportunity Context

Set-up a global commodity trade for strategic grain input sourcing and potential grain exports

Value Chain Position

- Input supply
- Primary trade

Proposed Business Model

Storage, exchange and brokerage commissions on 2-way wheat trade

Opportunity size

US\$34mn

Estimated opportunity size

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

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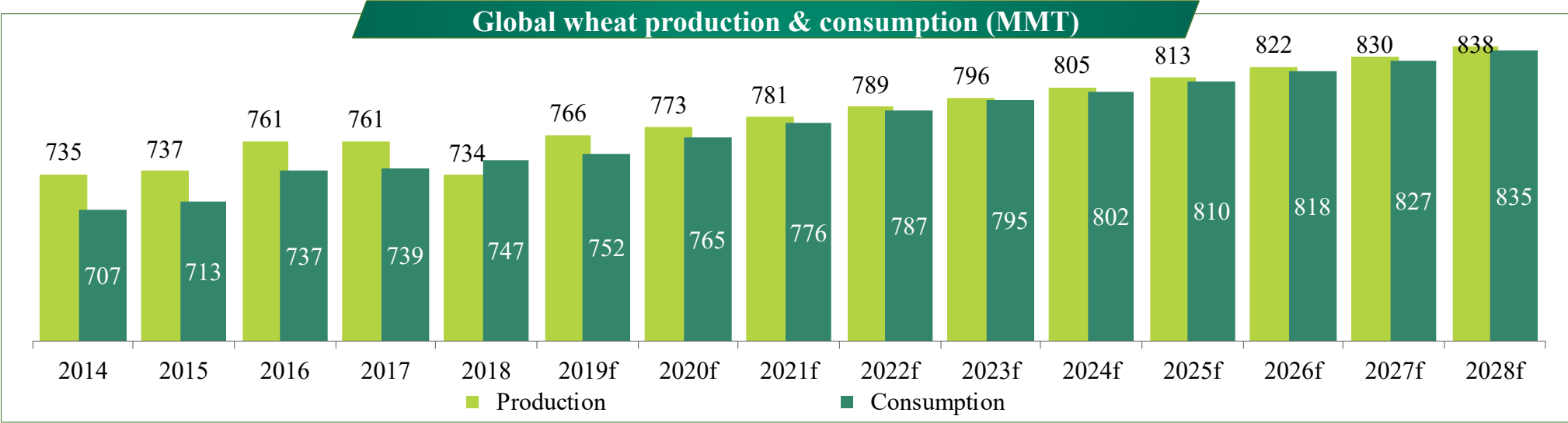
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A wide, flat field of golden-brown grain, likely wheat or barley, stretches to the horizon. The sky is filled with large, white, fluffy clouds. A dark line of trees is visible on the horizon. The overall scene is a rural landscape.

01.

Introduction and global assessment

Wheat consumption has quadrupled in the past six decades, with projected volumes estimated to reach 835 MMT by 2028

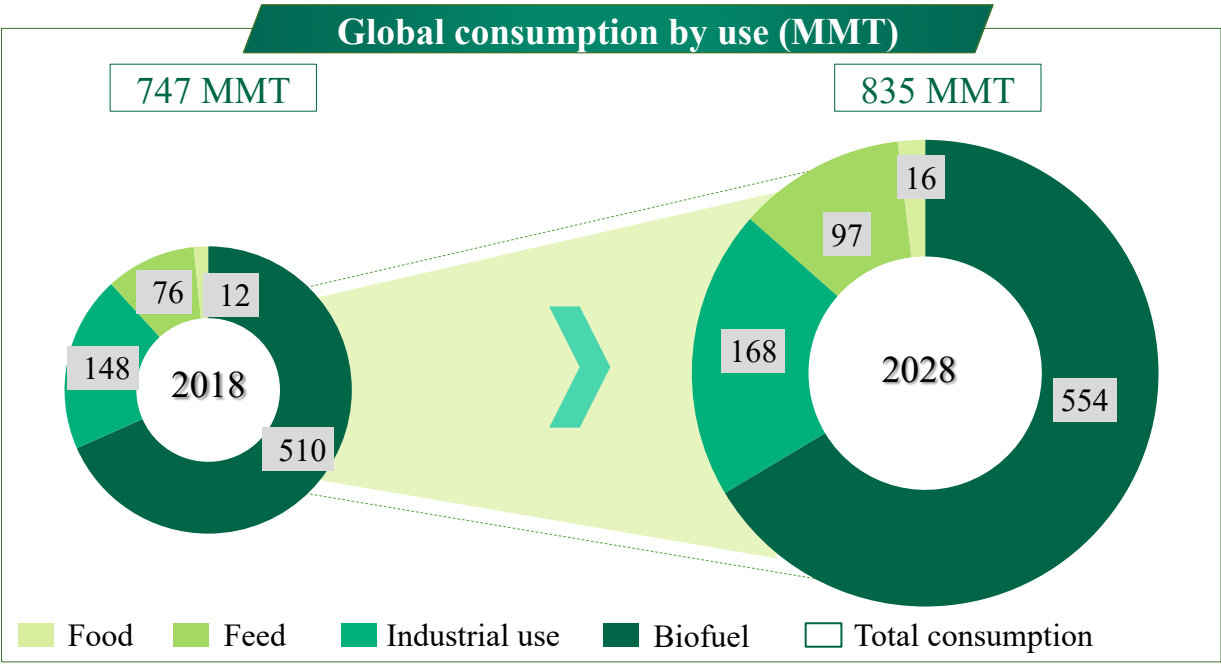


Source: OECD-FAO Agricultural Outlook 2019-2028

Global consumption is large and growing

- Global wheat consumption has quadrupled in the past six decades, with demand expanding to new peaks in most years due to sustained population increases, especially in developing countries like Nigeria, where wheat-based foods account for a high proportion of calorific intake.
- Global consumption for food use has remained relatively consistent over the past decade with population growth, shifts in diets and income being the primary drivers of demand.

Source: EIU

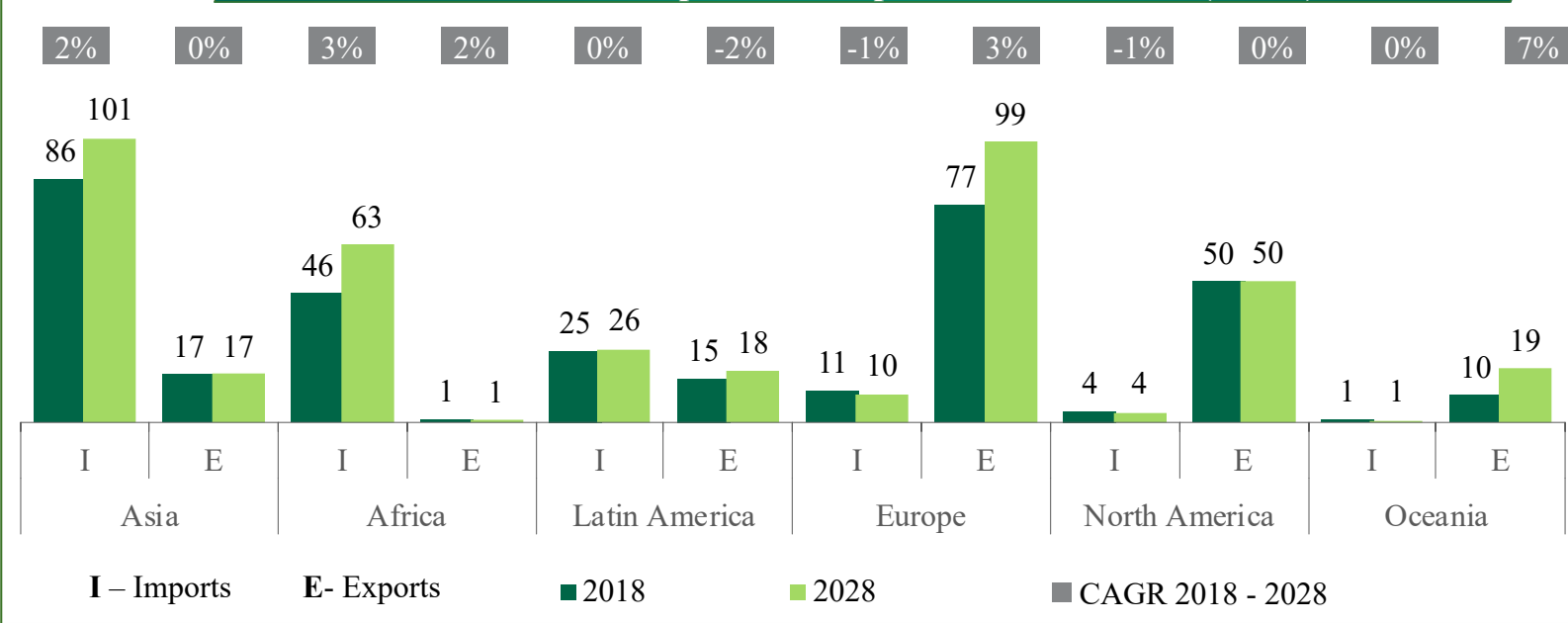


Source: OECD-FAO Agricultural Outlook 2019-2028



Wheat imports is forecast to grow the highest in Africa amongst all the continents of the world at a CAGR of 3%

World wheat imports and exports 2018 and 2028 (MMT)



Africa is a major contributor to growth in world trade in 2019

- World trade in 2019 is projected at 181 MMT, up by 5% from 2018’s reduced level.
- The rebound largely stems from an anticipated rise in purchases by countries in Asia and Africa.

Source: OECD-FAO Agricultural Outlook 2019-2028

Major wheat importers in Africa (2018)

S/N	Country	Imports (TMT)	% of Africa imports
1	Egypt	12,347	27%
2	Algeria	7,515	16%
3	Nigeria	4,600	10%
4	Morocco	3,724	8%
5	Sudan	2,222	5%
6	Kenya	2,000	4%

Six countries account for over 70% of wheat imports into Africa

- Africa spends over \$15 billion on wheat imports yearly,⁴ with six countries accounting for 71% of its wheat imports.
- Major wheat grain exporters to these countries include Russia, USA , Canada and the European Union.

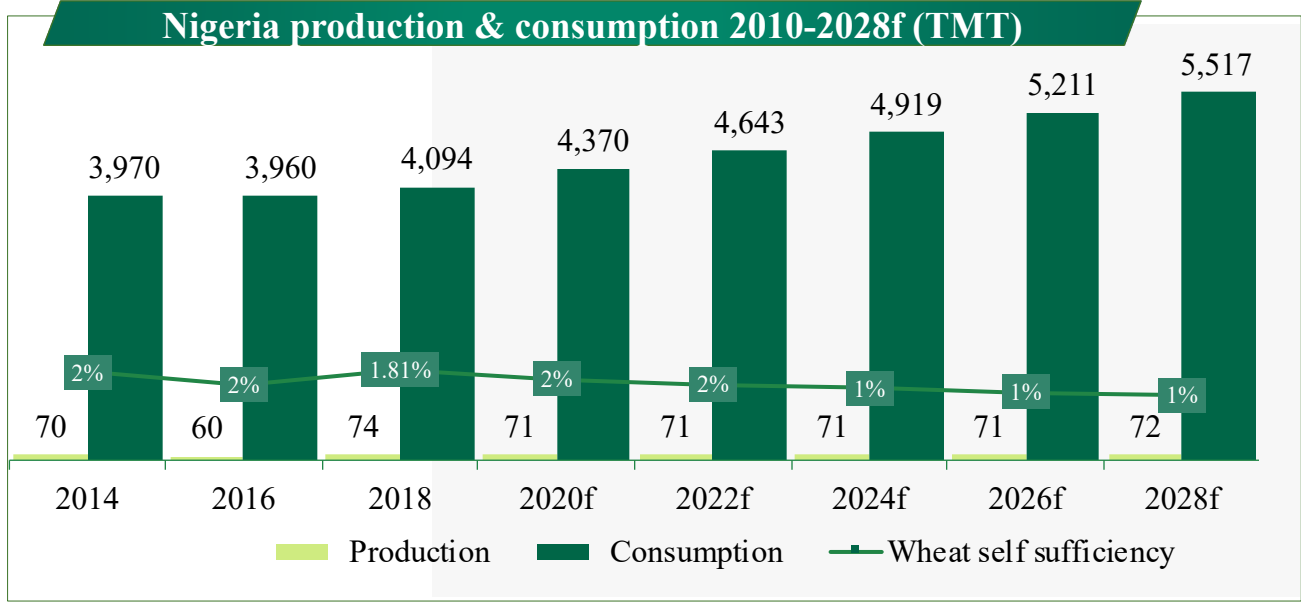
Source: 1 - OECD-FAO Agricultural Outlook 2019-2028 , 2 - USDA Grain: World Markets and Trade, 3 - EIU’s World Commodity Forecast: Wheat, 4 - The Herald



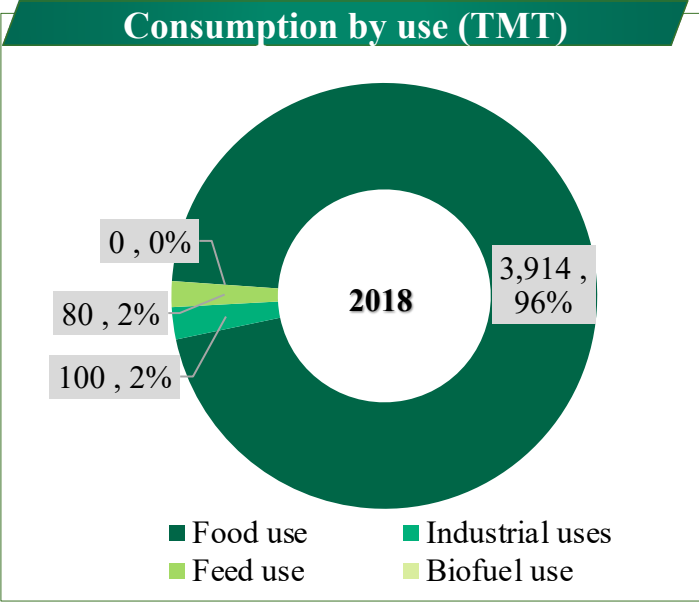
02.

Nigerian market assessment

Nigeria is the third largest consumer of wheat in Africa with self sufficiency levels of less than 2%



Source: OECD-FAO Agricultural Outlook 2019-2028



Domestic production level is low and insufficient to meet consumption levels

- Nigeria’s consumption levels is one of the highest in Africa, with consumption anticipated to rise by 35% between 2018 and 2028.
- However, production levels are low, with local supply providing for c.2% of consumption.
- Key drivers for low production levels include inconsistent supply of high yielding seeds suitable for the Nigerian climate and inadequate access to mechanised equipment and modern farming techniques.

Source: KPMG’s Wheat-based Consumer Foods Report, 2016; USDA Nigeria Grain and Feed Annual, 2019

The primary use of wheat for food-based production is expected to continue beyond 2028

- Consumption is primarily driven by the use of wheat grains for the production of flour-based food and this trend is forecast to continue beyond 2028.
- Increase in local consumption is anticipated on the back of increasing reliance by the Nigerian populace on wheat flour based products such as bread, semolina and pasta.

Source: OECD-FAO Agricultural Outlook 2019-2028

Nigeria imports 90% of its wheat consumption; provides opportunity for large scale investment for local production

Nigeria wheat imports & exports 2014 - 2028f (TMT)



Source: OECD-FAO Agricultural Outlook 2019-2028

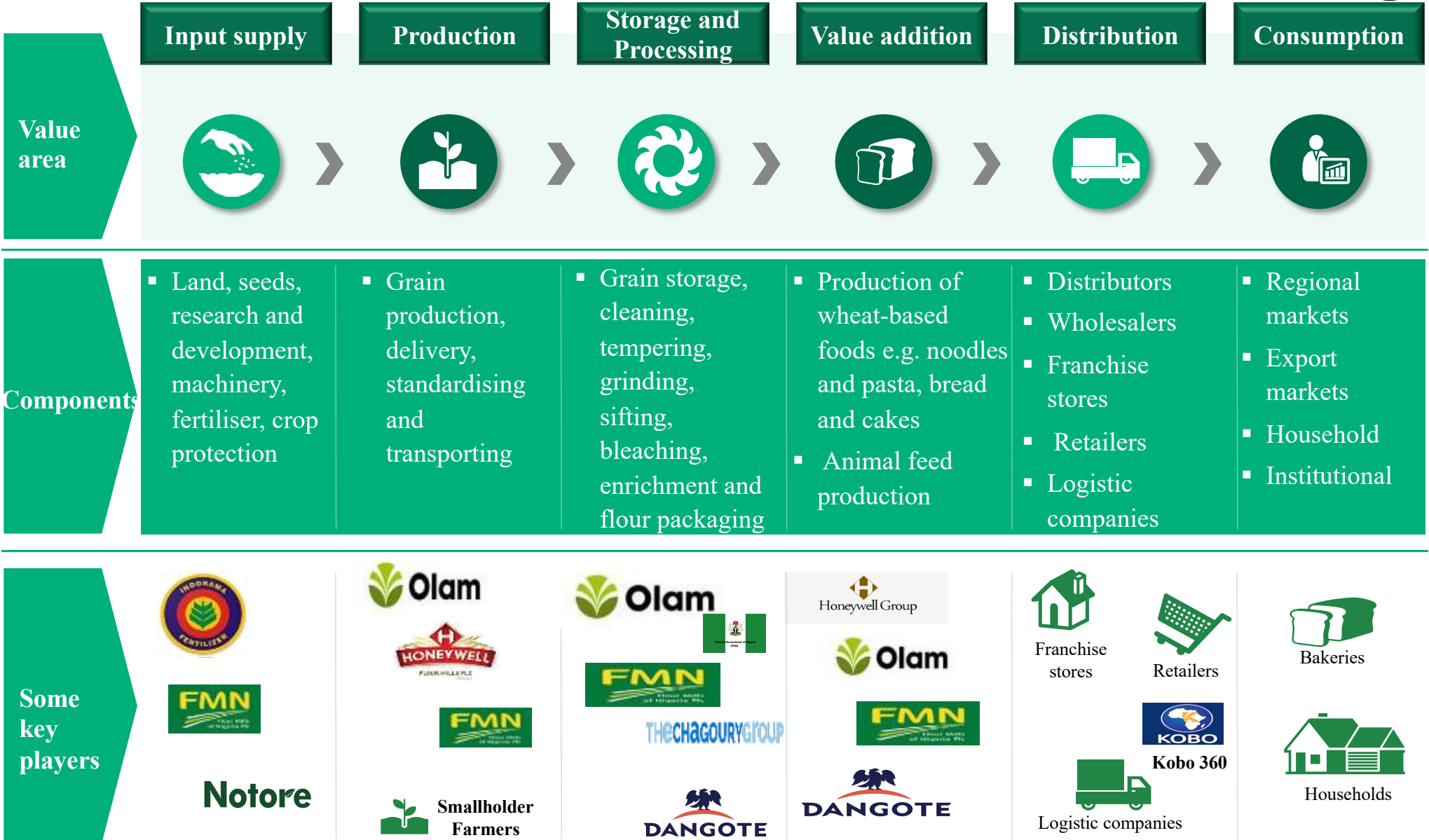
Import levels are projected to rise to meet increasing consumption

- In 2018, c. \$1.7 billion was spent on wheat imports in Nigeria.³
- Imports are projected to grow at a CAGR of 2% between 2020 and 2028.
- Nigeria is currently the 11th largest importer of wheat in the world with a consumption-to-import ratio of c.90% .

The government's priority is to reduce import dependence

- The Nigerian government, in a bid to encourage self sufficiency and reduce wheat import dependency, continues to introduce trade restrictive measures such as high tariffs and foreign exchange controls.
- An example of such is the 5% tariff levy imposed on wheat imports, plus an additional 15% levy for the national wheat development program.

Source: 1 - KPMG's Wheat-based Consumer Foods Report, 2016; 2 - USDA Nigeria Grain and Feed Annual, 2019; 3 - *Miller magazine*



Source: KPMG Research

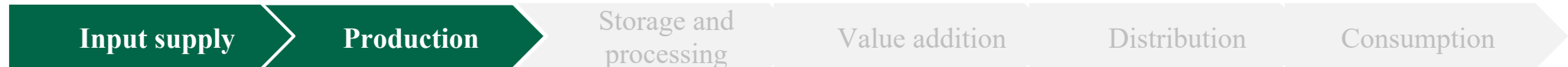
A wide-angle photograph of a vast agricultural field, likely wheat or barley, in a golden-brown hue, suggesting it is ripe for harvest. The field stretches to a flat horizon line. In the distance, a thin line of green trees is visible against a sky filled with soft, white and grey clouds. The overall lighting is bright but diffused, typical of an overcast day.

03.

Investment opportunities

Investment opportunities

Investment in production of certified high yielding seeds suitable for the Nigerian climate in a bid to boost local production



Current state: Inconsistent supply of certified high quality wheat seeds

- Low production levels of 74 TMT with high consumption levels of 4,094 TMT.
- Major contributing factor is the use of foundation seeds for production due to the inconsistent supply of certified high-yielding wheat seed varieties
- There is no private company involved in the production of certified wheat seeds in Nigeria.

Nigeria's competitiveness

- Nigeria has several research institutes dedicated towards the improvement of wheat seed production in Nigeria.
- The government recently revised the National Agricultural Seed Council Act encourage the establishment in Nigeria of private seed companies.³

Opportunities: Investment in seed development and production

Proposed business model

- Research and development and production of certified high yielding wheat seeds suitable for the Nigerian climate.

Value Chain Position

Input supply



Opportunity size

US\$67_{mn}
Estimated annual revenue size

Assumptions

- Estimated demand and supply are based on OECD-FAO Agricultural Outlook 2019-2028 forecast for wheat production and consumption.
- Seed produced is the LACRI WHIT-9 improved variety with a yield of 7.7 MT/ha.
- Average seeding rate of 100 kg/ha at a US\$2.5/kg.
- Estimated opportunity size of US\$67mn was derived based on an addressable market size of 50%.

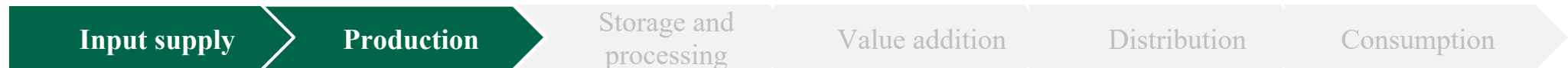
Key players



Source: 1 – Punch, 2 - Nigerian Funder 3 - Agro Nigeria , KPMG Research

Investment opportunities

Setting up a specialised commodity trade for wheat grains to reduce cost and supply chain inefficiencies for wheat processors



Current state: Absence of specialised trade channel for wheat grain

- The Nigerian wheat value chain lacks the presence of a specialised wheat grain merchandiser.
- Wheat grain sourcing remains an internal function for all players within the Nigerian market. However, the global Olam Group is a global commodity trader.
- This leads to higher costs and supply chain inefficiencies for market players

Nigeria’s competitiveness

- Total milling capacity of c.8 MMT, with potential for expansion given Nigeria’s growing population
- Presence of large players in the flour-milling space such as Flour Mills of Nigeria, the world’s second largest flour miller.¹

Opportunities: Input sourcing (buying agents) and export facilitation

Proposed business model

- Set-up a global commodity trade for strategic grain input sourcing, which can be leveraged by key players in the market to optimise cost and supply chain efficiencies.
- Upon expansion of Nigeria’s production capacity, facilitate the trade of wheat grains between producers and large scale local/international buyers in neighboring countries.

Value Chain Position

Input supply



Opportunity size

US\$34_{mn}
Estimated annual revenue size

Assumptions

- Current grain imports of 4.6 MMT based on OECD-FAO Agricultural Outlook 2019-2028 forecast for wheat grain imports.
- Commission of 3.2% based on current market rates at average price of \$287/MT
- Estimated opportunity size of US\$34mn was derived based on an addressable market size of 80%.

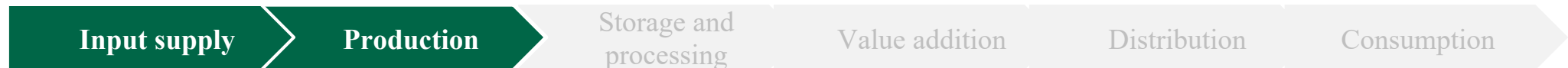
Key players

N/a

Source: 1 - USDA Nigeria Grain and Feed Annual, 2019 , KPMG Research

Investment opportunities

Increasing local wheat grain productivity thereby leading to import substitution and increased export levels



Current state: Low grain production levels leading to import dependence and low export levels

- In 2018, c. \$1.7 billion was spent on importing wheat grains in Nigeria due to low production levels
- Local farmers cited lack of access to high quality inputs and current unsustainable methods of ploughing and threshing as reasons for low production.¹

Nigeria's competitiveness

- Approximately 650,000 ha of land available for wheat production.² This exceeds the land mass required to meet its current local consumption needs.
- Increasing local consumption, high consumption to import ratio of 90% and reliance of countries such as Mali, Chad and Niger on Nigeria for grains.³

Opportunities: Investment in wheat grain production for import substitution and export purposes

Proposed business model

- Invest in production through out-grower schemes where private sector players provide farmers with high quality inputs such as seeds, fertiliser and mechanised farming equipment in exchange for supply of wheat grains at a specified quality and price. This could reduce grain input cost by c.85%.⁴

Value Chain Position

Input supply



Opportunity size

US\$143_{mn}
Estimated annual revenue size

Assumptions

- Increased imports value of \$US1.9m in 2019.
- Estimated opportunity size of US\$143mn was derived based on an addressable market size of 7.5%.

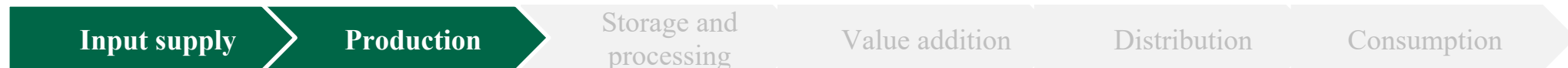
Key players



Source: 1 – Punch, 2 - Nigerian Finder, 3 - USDA Nigeria Grain and Feed Annual, 2019 , 4 - KPMG's Wheat-based Consumer Foods Report, 2016 , KPMG Research

Investment opportunities

Provision of private irrigation solutions to farmers to boost production



Current state: Low investments in irrigation systems

- The most effective way to stimulate wheat production is through irrigation.¹ However, farming production systems in Nigeria are primarily rain-fed.²
- Only 45% of the total irrigation potential is under irrigation in Nigeria.²
- Inadequacy of public irrigation systems and inability of local farmers to afford private irrigation solutions are reasons for the low irrigation levels.

Nigeria's competitiveness

- High demand for irrigation solutions since this is the primary wheat production system in Nigeria
- Large unirrigated land mass: Approximately 10% of land available for wheat production is irrigated and utilised.³

Opportunities: Provision of private irrigation solutions

- Opportunities exist for the installation of irrigation systems such as the drip irrigation system, which is the most efficient irrigation system.
- Proposed off-takers of such solutions could include large millers within the country who deploy resources to local farmers through out-grower/agricultural extension schemes.
- In 2018, some major flour millers in Nigeria provided irrigation water systems to wheat farmers in a bid, to boost local production.¹

Value Chain Position

Production



Opportunity size

US\$82_{mn}
Estimated annual revenue size

Assumptions

- Land requiring irrigation (c.540,000 ha) is estimated based on OECD-FAO Agricultural Outlook 2019-2028 forecast for wheat production and consumption: Derived based on a yield of 7.7 MT/ha.
- Irrigation system applicable is the drip irrigation system.
- Fees charged for developing a drip irrigation system is \$6,111 per hectare.
- Estimated opportunity size of US\$82mn was derived based on an addressable market size of 2.5%.

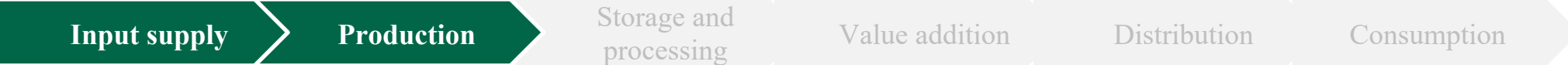
Key players



Source: 1 - [legit.ng](#), 2 - African Journal of Agricultural Research, A review of the evaluation of irrigation practice in Nigeria (2018), 3 - [Daily Trust](#), KPMG Research



Mechanisation, fertiliser use and access to extension services are key gap areas in Nigeria’s wheat input sector



Element	Snapshot	Nigeria’s Competitiveness
Mechanisation Rate	0.3 hp/ha¹ Nigeria’s current agricultural mechanisation rate	- At 0.3hp/ha, Nigeria’s agriculture mechanisation rate is 24% less than the FAO-recommended rate of 1.25hp/ha². This significantly impacts agricultural productivity and puts the country at a production disadvantage - However, it offers opportunities for strategically-placed private sector players such as Hello Tractor and IBM who have recently invested in the space.⁴
Fertiliser use	20kg/ha Nigeria’s fertiliser use rate	- Although Nigeria is self-sufficient in its Nitrogen-based fertiliser demand, current use is only 20kg/ha⁵ which represents 14% of the global average of 141kg/ha⁶. - Low fertiliser use in Nigeria results in relatively-poor yields and is a result of the subsistence-farming approach by smallholder farmers and a lack of developed supply chains.
Agricultural Extension Services	6% % of Nigeria’s smallholder farmers who have access to extension services	- Farmers do not have sufficient information to operate effectively as only 6% of smallholder farmers had access to extension services in 2018.⁷ - However, private sector players such as FarmCrowdy⁸ and ThriveAgric have stepped in to bridge this extension gap in exchange for exclusive trading and export privileges for farmers’ produce.

Sources: 1 – [Analysis of Incentives and Disincentives for wheat in Nigeria](#); 2 – [FAO](#); 3 – [Tech Crunch](#); 4 – [AllAfrica](#); 5 – [Fanway](#); 6 – [World Bank](#); 7 – [FAO Report on Global Food Markets](#); 8 – [FarmCrowdy](#)

Investment opportunities

Investment in grain storage facilities could reduce post-harvest losses and low grain quality



Current state: Inadequacy of existing grain storage facilities

- Limited storage facilities have resulted in high post-harvest losses and low grain quality.
- The Federal government owns 33 (25-100 TMT capacity) storage facilities dedicated towards the storage of grains. However, majority of these facilities have been leased out to private players due to inefficient management.

Nigeria's competitiveness

- Willingness of the Federal Government to partner with private companies for the provision of storage facilities.

Opportunities: Development of private storage silos/ investment in government owned storage facilities

Proposed business model

- Investment in available government-owned silos; 19 of the 33 government-owned silos have been handed over on concession to several private players within the agriculture value chain in Nigeria.
- Construction of private storage facilities for the establishment of electronic warehouse receipt systems for storage of wheat grains.

Value Chain Position

Storage



Opportunity size

US\$6_{mn}

Estimated annual revenue size

Assumptions

- Estimated requirement is based on OECD-FAO Agricultural Outlook 2019-2028 forecast for wheat grain production and consumption.
- Fees for constructing a 850 TMT storage silo equals \$US80 million.
- Estimated opportunity size of US\$6mn was derived based on an addressable market size of 50%.

Key players



Investment opportunities

Consumption of flour-based foods in Nigeria is forecast to rise at a CAGR of 8% between 2019 ad 2021



Current state: Growing consumption of flour-based products

- Bread, pastries and biscuits are popular flour-based products in Nigeria, with a combined market size of c. US\$965m in 2019.
- The biscuit market is monopolised as it is dominated by three major players: OK Foods, Yale Foods and Pladis Nigeria, which collectively control 73% of the market.

Nigeria’s competitiveness

- Large population, estimated to grow to world’s 3rd largest population by 2050.
- The young population, who are major consumers of flour-based biscuit products account for 44% of Nigeria’s population.

Opportunities: Investment in production of flour-based goods

- Invest in the production of flour-based biscuit.

Value Chain Position
Value addition



Opportunity size

US\$19.3_{mn}

Estimated annual revenue size

Assumptions

- Market size estimated to increase in line with Euromonitor’s forecast.
- Estimated opportunity size of US\$19.3mn was derived based on an addressable market size of 2%, considering the domination by current market players

Key players



Source: 1 - USDA Nigeria Grain and Feed Annual, 2019 , 2 – Euromonitor: Bisucits in Nigeria, Baked Goods in Nigeria, KPMG Research

A wide-angle photograph of a vast agricultural field, likely a grain field, with golden-brown stalks stretching to the horizon. The sky is filled with large, white and grey clouds. A dark line of trees is visible on the horizon. The overall scene is bright and open.

04.

Operating costs and location analysis



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

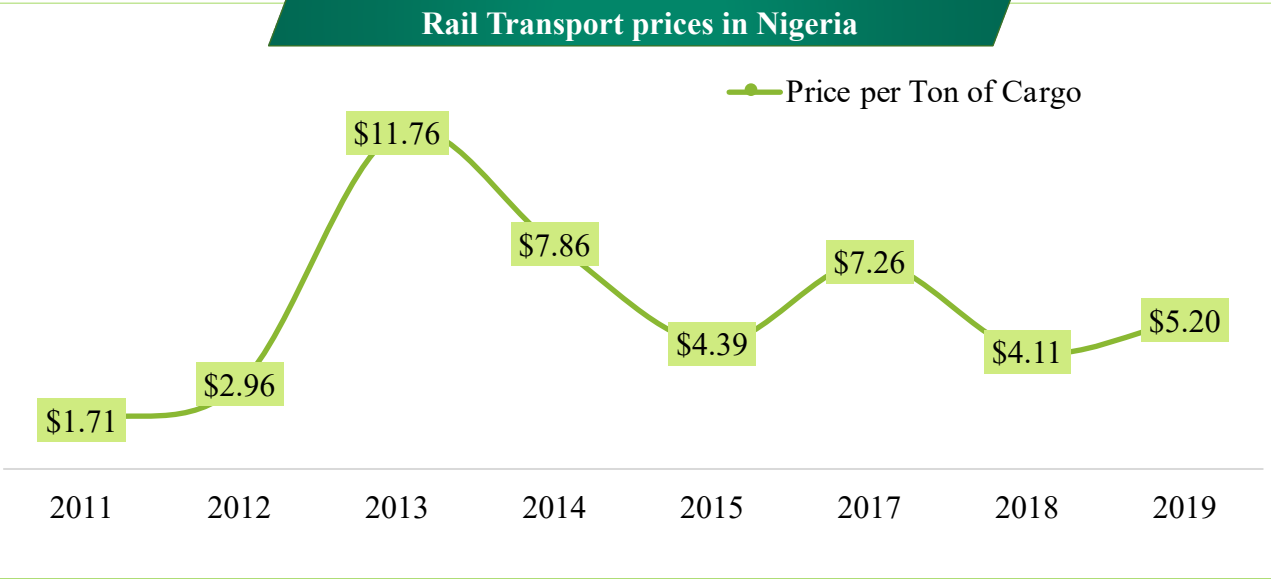
Cost of haulage from wheat producing regions to key processing regions (December 2019)¹

Top wheat producers →	Kano		Jigawa		Borno		Zamfara	
	Low	High	Low	High	Low	High	Low	High
Lagos	1,383	1,672	1,567	1,897	2,064	2,497	1,511	1,828
PH, Rivers	1,478	1,789	1,831	2,217	2,319	2,806	1,542	1,867
Aba	1,478	1,789	1,714	2,072	2,200	2,661	1,625	1,967
Onitsha	1,250	1,511	1,453	2,061	1,692	2,047	1,347	1,631
Jos	725	878	1,000	1,211	1,333	1,614	911	1,103

Source: Kobo 360 Price Estimator

Road transport

- 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 Kano and Jos where Jos Flour Mills is situated.



Source: National Bureau of Statistics

Rail transport

- Between 2015 and 2017, over 151,000 tons of cargo was transported by rail across Nigeria. Of these, grains and flour constituted 4% of total cargo transported.
- Over the last 6 years, the cost of rail transport in Nigeria has declined by 55.8%, indicating an increasingly favorable transport environment that can be leveraged by agricultural producers to transport their products across the country.

Cost drivers - Import and export logistics

transport costs in and out of Nigeria is primarily influenced by the value of goods, mode of transport and delivery time

Imports

Freight rate estimate for grains of \$20,000 in a 20ft and 40ft container

Mode	Port of Departure	Port of Entry	20ft	40ft
Sea	Novorossiysk, Russia	Apapa, Lagos	\$4,706 - \$5,201	\$4,882 - \$5,395
	Vancouver, Canada		\$4,706 - \$5,201	\$4,882 - \$5,395
	Houston, United States		\$3,146 - \$3,477	\$3,838 - \$4,242
	Sydney, Australia		\$2,330 - \$2,575	\$3,079 - \$3,403

Exports

Road transport estimate for grains of \$20,000 in a 20ft and 40ft container

Mode	Location of Departure	Port of Entry	20ft	40ft
Road	Kano	Mali	\$1,696 - \$1,875	\$2,610 - \$2,884
	Jigawa	Burkina Faso	\$1,131 - \$1,250	\$1,740 - \$1,923
	Borno	Niger	\$1,168 - \$1,291	\$1,797 - \$1,987
	Zamfara	Chad	\$969 - \$1,072	\$1,491 - \$1,648

- Most of Nigeria’s wheat export destination countries are land-locked. Hence, the popular use of road as a means of transport.

Source: ¹World Freight Rates

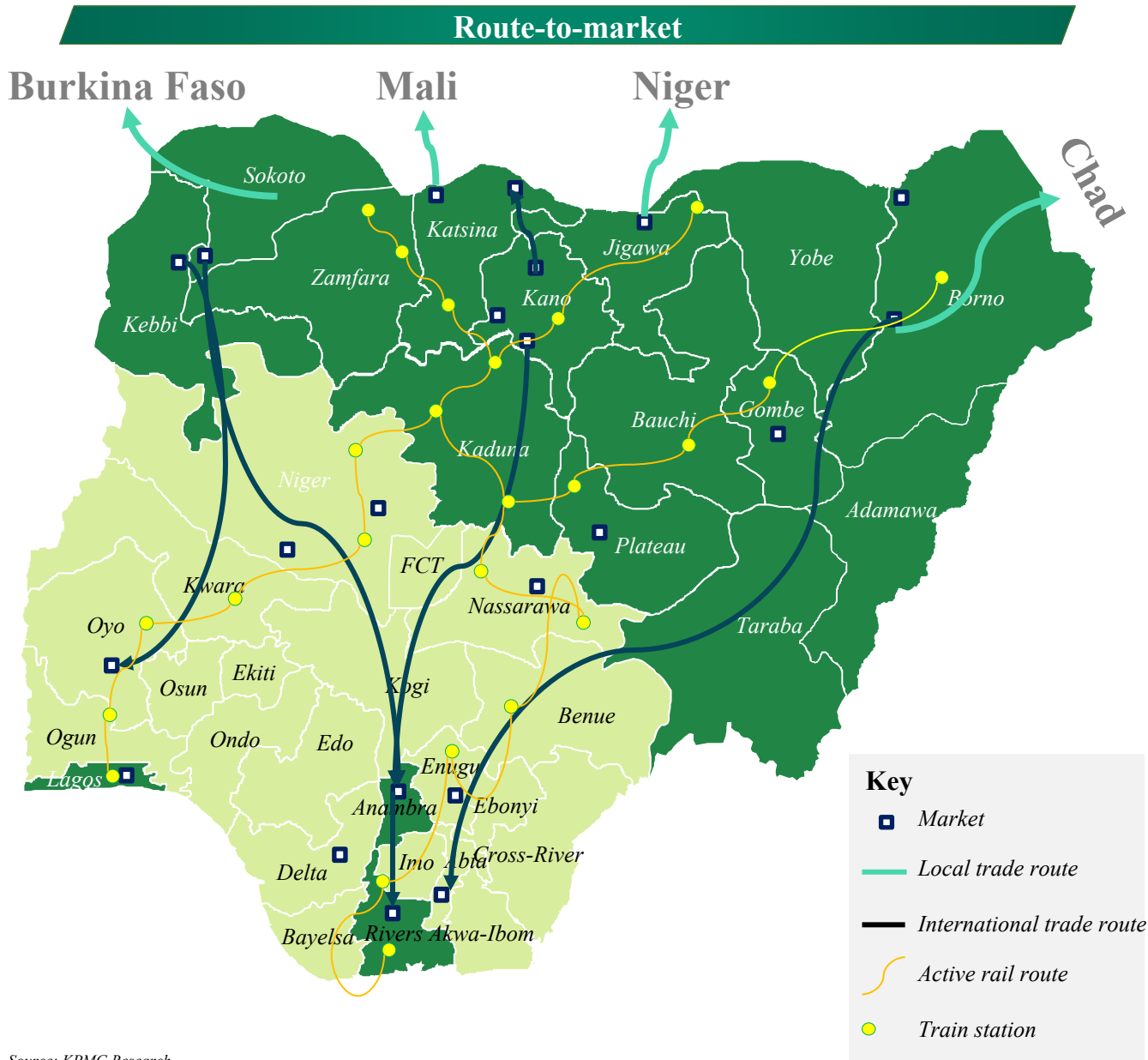
Export processing and special economic zones

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

Industrial zone	Sebore Farms Export processing Zone ¹	Maigatari Border Free Zone ²	Kano Free Trade Zone ³
Location	Mayo Belwa, Adamawa State	Maigatari, Jigawa State	Fanisau, Kano
Size	14,000ha	650ha	262ha
Setup date	2001 (18 years)	2000 (19 years)	2001 (18 years)
Key wheat producing region?	Yes	Yes	Yes
Selected approved Activities	▪ Agriculture and Agro related businesses, manufacturing extension deliveries, warehousing, freight forwarding and customs clearance	▪ Setup and operation of manufacturing activities targeting export markets	▪ General industrial enterprise
Benefits	▪ Breaks from Federal, State and Local government taxes, rates and levies ▪ Duty and tax free imports 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	▪ Proximity to Africa's largest grain market (Dawanau) with distribution networks reaching neighboring countries ▪ Complete tax holiday from all FG taxes ▪ Rent-free land for the first six months of construction ▪ Presence of security personnel

Sources: 1 – Sebore Farms Export processing Zone; 2 - Inside business; 3 – Kano free Trade Zone

Wheat is widely-traded within Nigeria and key producing regions are within reach of existing rail networks



Upstream supply chain

- Local wheat grains are either sold within Nigeria or exported to neighboring countries such as Niger, Chad, Mali and Burkina Faso.
- Imported wheat is primarily sourced by large millers from Russia, Canada, USA and Australia while some large millers have entered into out-grower schemes with local farmers for the supply of locally produced wheat.

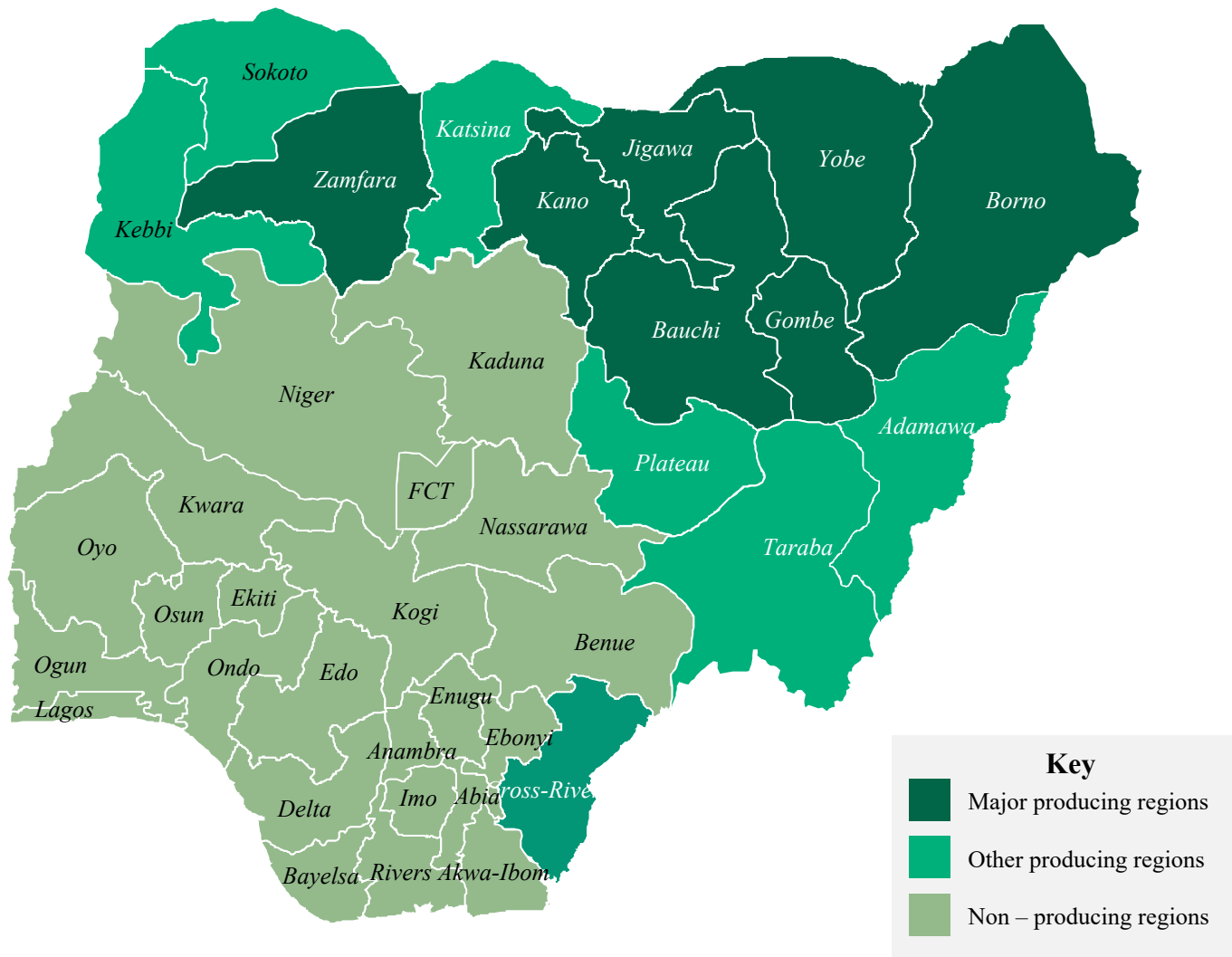
Downstream supply chain

- Comprises transporting flour from the production site to the companies' own distribution centres or major distributors.
- For artisanal producers of flour-based products, flour is packaged and distributed in bags of various sizes, the most popular size being the 50kg bag.
- Other wheat-based products, such as pasta, semolina and noodles, are sold in standard packages through major distributors and wholesalers.

Source: KPMG Research

As a result of the favourable climatic conditions in the Northern region, wheat is primarily produced in the North

Wheat production regions across Nigeria



Local wheat producing regions

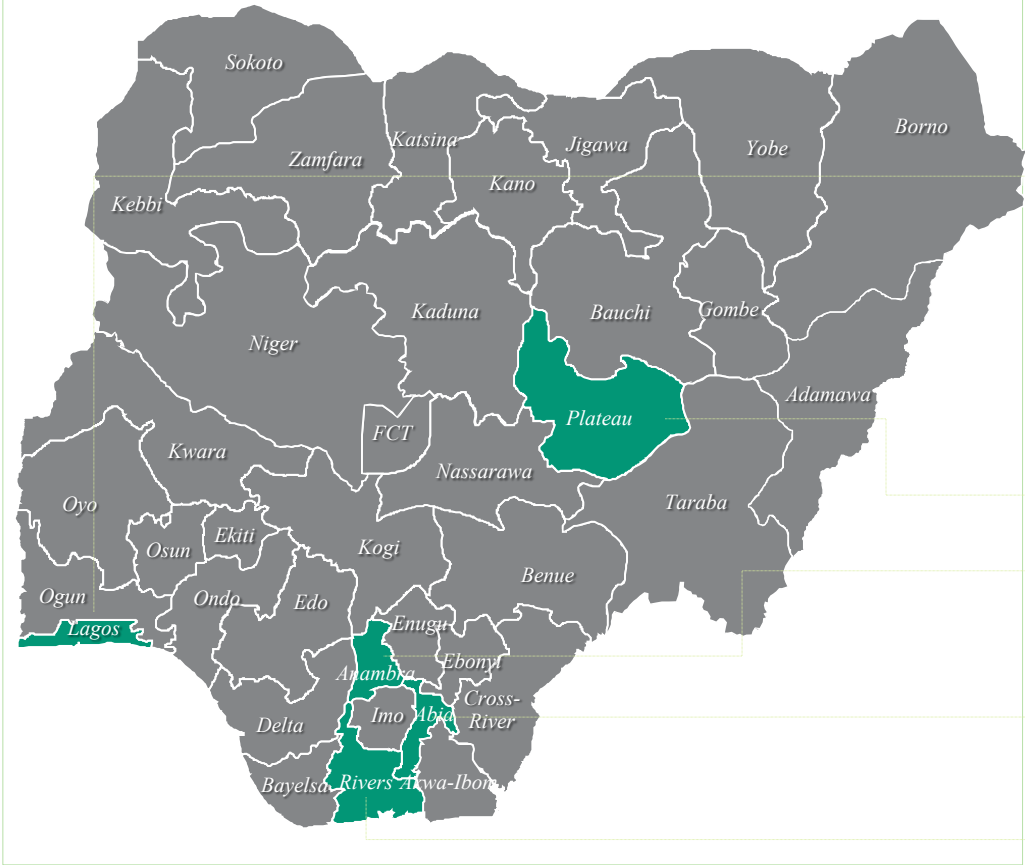
- Wheat production in Nigeria is primarily concentrated in the Northern region of the country.
- A common feature of major wheat producing areas in Nigeria is their temperature which varies from 15 to 20 degrees Celsius.
- This makes the land conducive for massive wheat production.

Nigeria has over 11 wheat milling plants located in different states across Nigeria

Wheat milling

- This process, which turns wheat into flour is the major step in the processing value chain area.

Location of major wheat processing plants



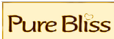
Players	Installed capacity (MT/day)	Ownership
Flour Mills of Nigeria	8,000	Flour Mills of Nigeria (FMN)
Dangote Flour Mills	7,300	Olam Nigeria Limited
Crown Flour Mills	6,140	Olam Nigeria Limited
Honeywell Flour Mills	2,610	Honeywell Group
Life Flour Mills	1,200	Seaboard Group
Ideal Flour Mills	850	Chargoury Group
Jos Flour Mills	450	N/A
Valleumbra Flour Mills	900	Valleumbra Group
Niger Delta Flour Mills	400	Chargoury Group
Port Harcourt Flour Mills	650	Chargoury Group
Pure Flour Mills	N/A	Tolaram Group

Source: KPMG wheat based consumer foods in Nigeria, 2016, Company's websites

05.
Case studies



Flour Mills of Nigeria, the world's second largest flour miller, is Nigeria's largest flour miller with capacity of 8,000MT/day

				
Key players	Flour Mills of Nigeria	Olam Nigeria Limited	Dangote Flour Mills	Honeywell Flour Mills
Description	▪ Incorporated in 1960, the Company engages in flour milling business in Nigeria and internationally.	▪ Established in 1989, the Company engages in wheat sourcing and exporting, milling, and production of confectioneries	▪ Founded in Lagos in 1999, Dangote Flour Mills engages in the milling of wheat and production of wheat.	▪ Founded in 1983, the Company manufactures and markets wheat based products in Nigeria.
Product & service offerings	▪ Flour, animal feed, fertiliser distribution, pasta, macaroni and Bagco (packaging)	▪ Animal feed, pasta, noodles, biscuits, grains	▪ Flour, macaroni, semolina, spaghetti, wheat meal	▪ Flour, semolina, wheat meal, noodles and pasta
Location	Lagos	Lagos	Lagos	Lagos
Installed capacity	8,000 MT/day	6,140 MT/day	7,300 MT/day	2,610 MT/day
Revenue (\$US'bn)	1.51	N/A	0.31	0.21
Number of employees	7,420	3,000	2,087	880
Input sourcing	Local and Imports	Local and Imports	Local and Imports	Local and Imports
Markets	Local and International	Local and International	Local	Local
Brands	  	  	  	 

Source: I - Business AM,

Case studies – Other successful investments

The wheat processing space has witnessed several notable investment deals from 2004 till date

Year	2019	2015	2012	2010	2004
 Investor name	Crown Flour Mills Nigeria Limited	Dangote Industries Limited	Tiger Brand Limited	Olam International Limited	Actis LLP
 Target name	Dangote Flour Mills	Dangote Flour Mills	Dangote Flour Mills	Crown Flour Mills Nigeria Limited	UAC of Nigeria PLC
 Deal size (US\$'m)	361	79	506	108	25
Target's Products	Flour, semolina and wheat meal	Flour, semolina and wheat meal	Flour, semolina and wheat meal	Flour and wheat meal	Livestock feeds
 Transaction type	Acquisition of Equity Stake				

Source: Capital IQ

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, fertiliser, locally produced agricultural and farming machinery and transport equipment. - Proposed exemption on cereals, flour and starch from tax. (effective 2020)	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

Olam, which began operations in Nigeria in 2010, has grown its operating capacity by 258% over the space of nine years

Highlights

■ ■ 2010

Commenced operations with the acquisition of Crown Flour Mills in Nigeria



2,380 MT/day

2010 Initial wheat milling capacity



2011

Green field wheat mill in Ghana with a capacity of 500 MT/day



2014

Green field wheat mill in Senegal with a capacity of 500 MT/day



2015

Green field wheat mill in Cameroon with a capacity of 500 MT/day



US\$275 million

Investment in Amber Foods Limited in 2016



6,140 MT/day

Current wheat milling capacity after the acquisition

Company profile

- Olam Nigeria Ltd is a subsidiary of Olam International, headquartered in Singapore. The company, has grown into a global supply-chain manager, integrating agricultural production, processing, financing and commodity trading platforms.
- The company's wheat milling operations, which focuses primarily on SSA, commenced in Nigeria with the acquisition of Crown flour mills.
- Having expanded its wheat milling operations through the acquisition of Amber Foods Limited, it is currently one of the largest millers in the Sub-Saharan Africa with facilities in Nigeria, Ghana, Senegal and Cameroon.
- The Company attributes its success to maximising its African footprint, while building significant operations which allows it to pass on cost – savings to its customers.

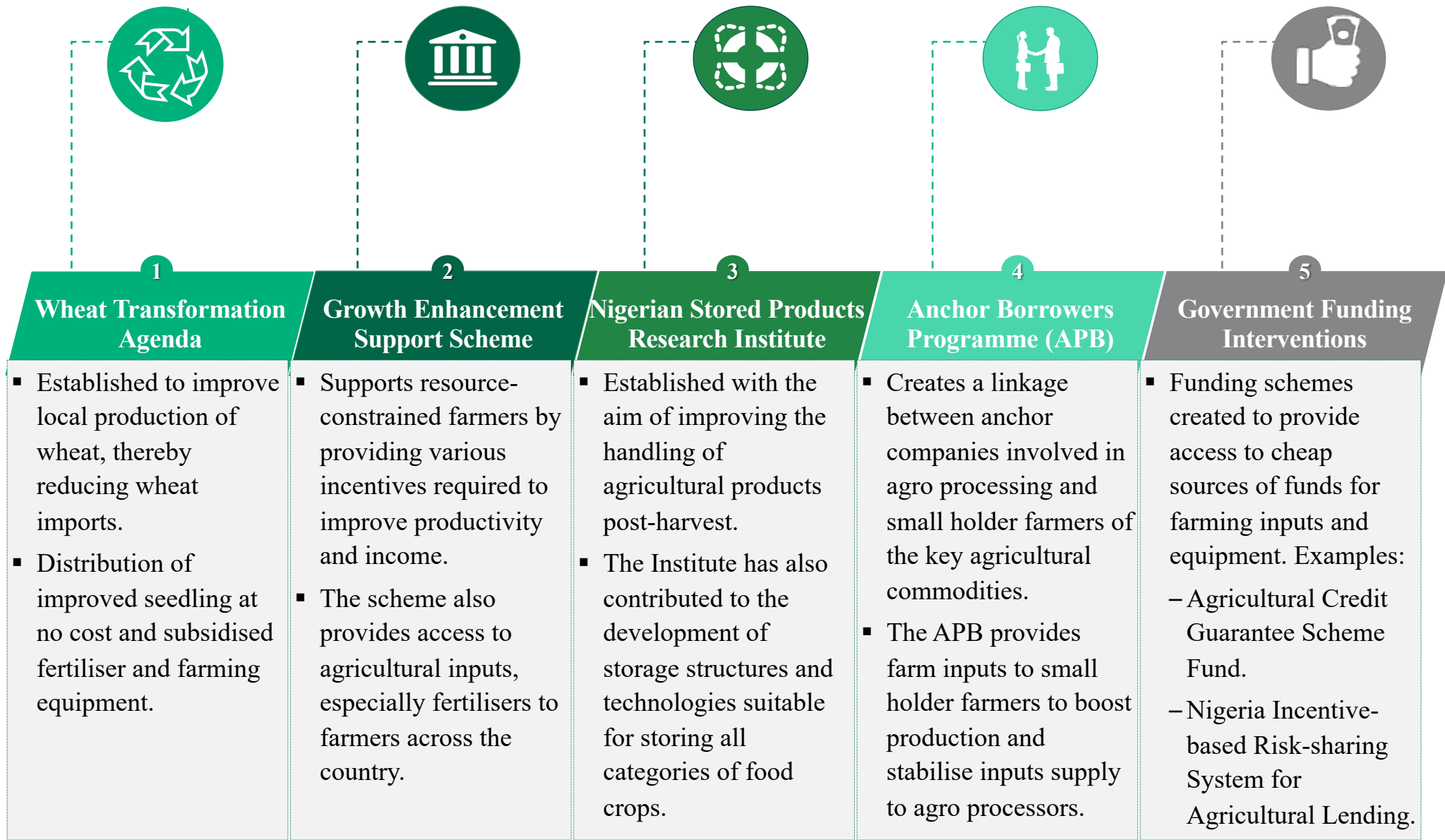
Brands



06.
Applicable incentives and key regulatory agencies



The government is actively involved in boosting wheat production and has established several intervention schemes



Sector regulatory environment

Several regulatory agencies have been established with the aim of promoting the growth of the Nigerian Agricultural sector

Key Regulatory Agencies				
National Agency for Food and Drug Administration and Control (NAFDAC)	The Standards Organisation of Nigeria (SON)	Federal Ministry of Agriculture and Rural Development (FMARD)	National Agricultural Seed Council (NASC)	The National Fertiliser Technical Committee (NFTC)
				The National Fertiliser Technical Committee
Established in 1993 with the mandate to regulate and control quality standards of foods, drugs, and chemicals imported or locally manufactured and distributed in Nigeria.	A statutory body with a mandate to monitor product quality and to produce and periodically review standards relating to products, measurements and material processes.	A Ministry of the Nigerian government that regulates agricultural research, agriculture and natural resources, forestry and veterinary research all over Nigeria.	- Established in 2007, NASC is charged with the overall development and regulation of the national seed industry. - The NASC Act was recently revised in 2019 to .	Established in 1983 by the Federal Ministry of Agriculture and Water Resources (FMAWR) as an internal mechanism to regulate fertiliser standards in Nigeria.
Read more at: https://www.nafdac.gov.ng/	Read more at: https://son.gov.ng/	Read more at: https://fmard.gov.ng/	Read more at: https://seedcouncil.gov.ng/	

A wide, flat field of golden-brown grain, likely wheat or barley, stretches to the horizon. The sky is filled with large, white and grey clouds. A dark line of trees is visible on the horizon. In the foreground, the grain is more detailed, showing individual stalks.

07.

Call to action

Contacting NIPC

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**NIGERIAN
INVESTMENT
PROMOTION
COMMISSION**

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

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This material and the analysis contained herein (the Report) was prepared by KPMG Nigeria in collaboration with Coffey International Development (Coffey) for the Department for International Development (DFID) on behalf of the Nigerian Investment Promotion Commission (NIPC) (together the “Parties”).

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