



Sahel Capital (Mauritius) Limited  
Sahel Capital Partners & Advisory Limited

*Creating Value, Building Businesses, Transforming Communities...*



## An Assessment of the Nigerian Poultry Sector

The Nigerian poultry industry is estimated at ₦80 billion (\$600 million) and is comprised of approximately 165 million birds, which produced 650,000 MT of eggs and 290,000 MT of poultry meat in 2013. From a market size perspective, Nigeria's egg production is the largest in Africa (South Africa is the next largest at 540,000 MT of eggs) and it has the 2nd largest chicken population after South Africa's 200 million birds.

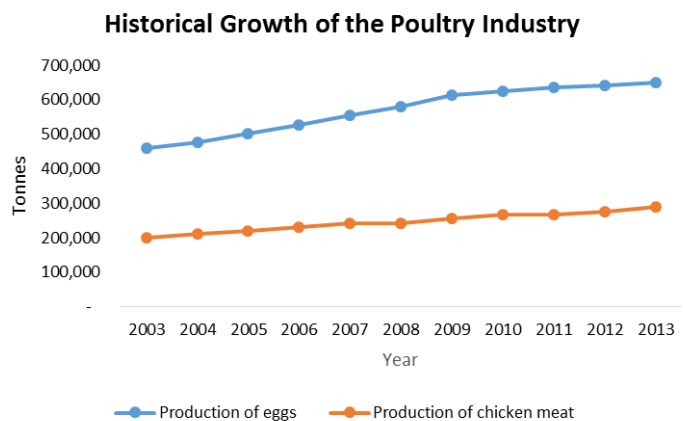
Chicken importation (with the exception of day-old-chicks) was banned by Nigeria in 2003, which spurred growth in domestic poultry production. Statistics from Eurostat, however, highlight that between 2009 and 2011 over 3 million MT worth of poultry products were imported into the Republic of Benin, with the preponderance of these products ending up in the Nigerian market. If this is reflected in overall assumptions, estimated poultry meat consumption in Nigeria is approximately 1.2 million MT.

This smuggled chicken costs about ₦500- ₦700 (\$2.50-\$3.50) per kg while locally produced frozen chicken costs between ₦1,000- ₦1,300 (\$5 - \$6.50) at retail locations, and approximately ₦650 (\$3.25) at the farm gate. The price differential between imported and locally produced poultry is driven primarily by the high cost of maize and soybeans in Nigeria, and wide fluctuations in these commodity prices during the year. In 2013 in particular, high maize prices impacted margins of both poultry and animal feed companies, while the 1st Half 2015 has seen the sector squeezed by a combination of high soybean prices (~₦150,000/MT in May versus ~₦90,000/MT during the same period in 2014) and incidences of Avian Flu. Even with these challenges, analysts have projected a 20% annual growth in the poultry industry between 2010-2020 driven by Nigeria's large population and rapidly growing middle class.

The Nigerian poultry sector is extremely fragmented with most of the chicken raised in 'backyards' or on poultry farms with less than 1,000 birds. However, there are a number of large commercial players in the sector most of whom are located in south-western Nigeria, in close proximity to Lagos and its large market of 17.5 million people.

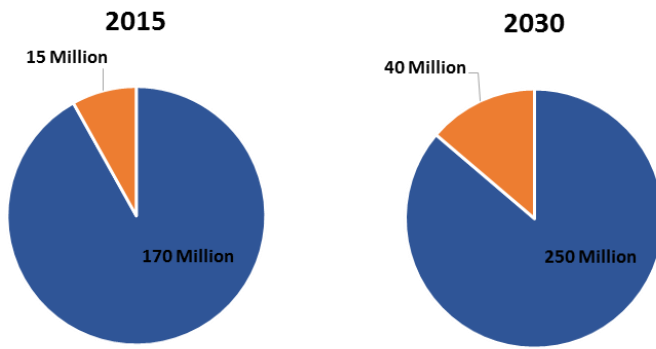
These large commercial companies include:

Company Name	Established	Broilers	Table Eggs	Hatchery
Animal Care	1979		✓	✓
Amo byng Nig. Ltd	2003	✓	✓	✓
Ajanla Farms (CHI)	1987	✓		✓
Obasanjo Farms	1979	✓	✓	✓
Zartech Agric. Ltd	1983	✓		✓



# Opportunities & critical issues in the poultry sector

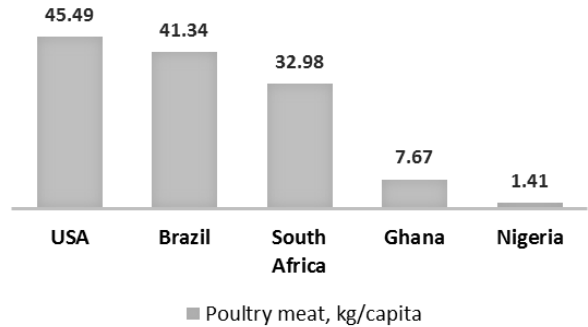
## Nigeria's Estimated Population in 2015 & 2030



■ Total Population ■ Middle Class ■ Total Population ■ Middle Class

Source: Standard Bank, 2014

## Poultry meat consumption in 2014



Source: OECD Data, 2014

According to the Food and Agricultural Organization of the United Nations (FAO), “growing populations, economies and incomes are fuelling an ongoing trend towards higher consumption of animal protein in developing countries.” FAO forecasts that Nigerians are expected to consume two thirds more animal protein, with meat consumption rising nearly 73%. This growth in protein consumption will drive demand for maize and soybeans, which form the core component of animal feed. In order for Nigeria’s poultry sector to become a market leader, the challenges mentioned below must be addressed:

### Major Constraints

- **Nutrition:** Low feed conversion (ideal ratio of 1.5 to 2.5) as a result of the lack of quality ingredients for feed formulation
- **Regional:** Egg and poultry meat production is concentrated in the South West region, and limited cold chain logistics hinders effective national distribution.
- **Regulatory:** High level of smuggled poultry products such as frozen chicken, from Brazil and other countries, passed through neighboring countries such as Benin Republic

## Avian Influenza (AI): Better prepared in 2015 versus 8-years ago?

In 2006, Nigeria had its first case of AI in a commercial farm located in Kaduna State. According to the World Organization for Animal Health, the incident caused 227,514 cases and 222,780 deaths from 2006-2007. Also, there was one human case recorded from the incident. Eight years later, in January 2015, the Federal Government confirmed a second outbreak of AI in two commercial poultry farms and a live bird market in Kano and Lagos states, respectively. According to the Poultry Association of Nigeria, as at June 2015, the total number of depopulated birds was 1.4 million belonging to 437 farmers across 18 states. In an effort to contain the resurgence of AI, the Federal Government partnered with United States Agency for International Development (USAID) to organize training sessions for poultry sector stakeholders on AI, and has collaborated with poultry associations to ensure that increased biosecurity measures are put in place at farms across the country. The Federal Government has also set

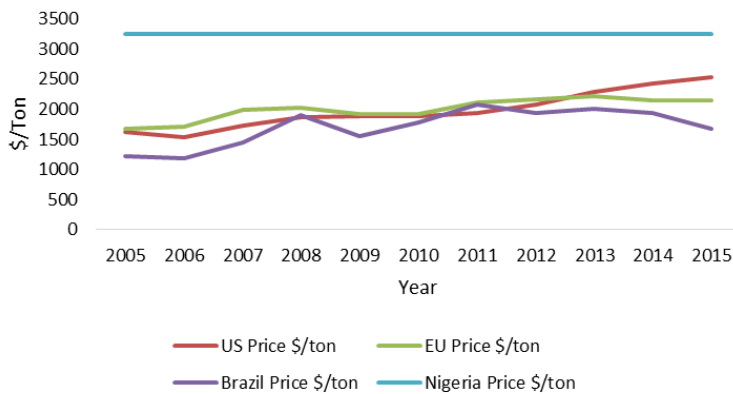
aside a ₦600 million (\$3m) fund as compensation for affected farmers. The Federal Government through the State Governments has also worked to quickly depopulate and quarantine farms affected by AI, and those farms within about 5 km radius. Although this outbreak appears to be more severe than the previous outbreak, poultry sector stakeholders appear adequately prepared and knowledgeable of biosecurity measures this time around.

### What is Avian Influenza?

Avian influenza (“AI”) is also commonly called bird flu, and is a disease that affects birds all over the world and in more severe cases human beings. Affected birds often show severe depression, sudden drop in egg production, respiratory symptoms and sudden death. According to the World Health Organization, the majority of human cases have occurred through direct or indirect contact with infected live or dead poultry. There is no evidence to show that the disease is spread through cooked poultry. The U.S. is currently experiencing a substantive outbreak that has killed roughly 26 million birds as at May 2015, with most of the loss centered around farms in Iowa.

## Industry Highlights

### International Poultry Prices



} Average farm gate price of broilers in Nigeria (May 2015)

**Note:** Unavailable Nigeria pricing data for historical years, so Nigeria price/MT held constant for historical years at May 2015 pricing.

Source: European Commission, FAO International Poultry Price Index, Local Nigerian Poultry Farm & World Bank

## Sahel Speaks...

### Eisenhower Fellowships



Mezuo Nwuneli, Managing Partner of Sahel Capital, was selected as a 2015 Eisenhower Fellow ([www.efworld.org](http://www.efworld.org)) along with 22 other individuals from 21 countries and recently returned after completing his 7-week fellowship. Over the course of the fellowship he had over 55 meetings in 19 cities, and met a broad range of stakeholders within the agricultural sector in the United States, including: (1) U.S.-based agribusiness focused private equity firms – to better understand how they think through investment themes and to discuss differences in strategy; (2) public sector entities, including USDA and Farm Credit Council – to increase understanding of U.S. agricultural policy, and lessons that can be applied to West Africa.; and (3) farms, processors, and food hubs – to learn about soil health related issues and to discuss market access for small farmers. The key objective of the fellowship was to improve Sahel Capital’s effectiveness investing in and building SME capacity within the agricultural sector in Nigeria.

### Africa Innovate Conference, MIT

Ndidi Nwuneli, Partner at Sahel Capital participated in a panel on “The Next Generation of Entrepreneurs” at the 5th annual Massachusetts Institute of Technology Africa Innovate Conference on April 3-4, 2015. The theme of the conference was “What’s your big idea?”

### McDonald Cadet Leadership Conference

Ndidi Nwuneli spoke on “Connectedness: Cross-Culture Competence” at the 3<sup>rd</sup> Annual McDonald Cadet Leadership Conference on the grounds of the United States Military Academy at West Point on April 16-19, 2015.

### Global AgInvesting Conference 2015

Sahel Capital attended the Global AgInvesting Conference which focuses on strategies for diversified agricultural portfolios, and risk-return profiles across agricultural sectors. The conference attracted various investors, farms, fund managers and industry executives. The conference held on April 27-30 2015 at the Waldorf Astoria, New York City.

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