



Creating Value, Building Businesses, Transforming Communities...



How Fresh is our Milk?

If you purchase milk for your child, bowl of cereal, or coffee in Nigeria, it is highly probable that it is powdered milk or liquid milk reconstituted from imported powdered milk. The majority of people in Nigeria have never had a glass of fresh milk unlike in many other countries in the world.

The Nigerian dairy industry is highly underdeveloped, relying heavily on the importation of dairy products worth about US\$300 million per annum, which meets the majority of the 1.45 billion litres domestic demand of dairy products. In Nigeria, every dairy company relies on imported powdered milk. They either import and repackage powdered milk or reconstitute imported powdered milk into liquid milk and other dairy products.

The domestic production of milk continues to be hampered by low milk yields of domestic cattle, low levels of cattle nutrition, animal health challenges, poor management and husbandry practices, and low utilization of improved livestock technologies. In 2013, it was estimated that Nigeria produced only 591,470 MT of milk from 2.3 million cows. The country's average daily yield per cow is 0.5-2 litres from indigenous breeds, which is very low in comparison to 35-40 litres in South Africa, 50 litres in New Zealand, and 70 litres in the U.S.

The dairy industry in Nigeria is composed of different segments, the largest being repackaged powdered milk, followed by evaporated tin milk. Most locally produced dairy products such as yoghurt and ice-cream are based on reconstituted powdered milk; though some indigenous companies make use of imported powdered milk blended with locally sourced fresh milk in their products. From the supply side, most of the available supply of fresh milk is in Northern Nigeria due to its larger population of cattle and conducive weather conditions.

In order to help boost milk production, the Federal Ministry of Agriculture and Rural Development (FMARD) has conducted Artificial Insemination (AI) training for dairy farmers and also inseminated about 5,000 cows at selected farms across the country, over the past two years. This effort is focused on developing improved hybrids that are sturdy enough for the climate and have the capacity to generate higher daily yields of milk.



“FAFIN” makes Maiden Investment in L & Z Integrated Farms

Sahel Capital, fund managers of Fund for Agricultural Finance in Nigeria (FAFIN), recently announced its first investment for a 25% stake in L & Z Integrated Farms, one of the fastest growing dairy producers and processors in northern Nigeria.



L & Z was selected after a rigorous operational review of dairy farms across Nigeria. L & Z has an integrated facility which produces yoghurt, fresh milk and ice cream from its dairy operations, and eggs and broiler meat from its poultry operations under the L & Z brand. Backed by a strong management team, the company has established itself as a key player in the yoghurt and fresh milk segment.

The company is strategically located in Kano, in close proximity to a broad range of sources of fresh milk from local Fulani herdsman and small commercial cattle farms, enabling it through a community outreach programme to successfully source over 60% of its milk requirements locally, in line with the government’s efforts to reduce importation of powder milk.

With FAFIN’s investment, L & Z intends to expand its production and processing capacity and also increase the number of its milk collection centers. Establishment of milk collection centers reduces the need for the Fulani herdsman’s children to hawk milk products, thus increasing the likelihood of them attending school.

Dr. Akinwumi Adesina, the Hon. Minister of Agriculture and Rural Development, remarked: “The dairy industry in Nigeria is highly underdeveloped, relying heavily on the importation of dairy products. Companies either import and repackage milk powder or reconstitute imported milk powder into liquid milk and other dairy products. FAFIN’s investment in L & Z is transformational as it will promote local milk production.”

In a speech, Mrs. Rakiya Abubakar, Executive Director Operations of L & Z, enthused “we have established three cooperative societies, thus providing a consistent milk market to more than 500 Fulani cattle herders; for a produce which would otherwise have continued to go to waste due to the highly perishable nature of dairy outputs in our tropical climate”.

Commenting on the investment, Alhaji M.D. Abubakar, Co-Founder and Managing Director of L & Z Integrated Farms, said: “We are delighted to welcome FAFIN as an investor in our company and we look forward to having Sahel Capital’s team assist in executing our ambitious expansion plans as we write the next chapter of our company’s growth story.”

Mr. Uche Orji, Chief Executive Officer of Nigeria Sovereign Investment Authority (NSIA), added: “We are pleased with FAFIN’s investment in L & Z as we see opportunities for significant growth and profit in the company even while supporting the realization of the government’s Agriculture Transformation Agenda and facilitating Nigeria’s food security.”



Dr. Akinwumi Adesina, Hon. Minister of Agriculture and Rural Development and Mrs. Rakiya Abubakar, Executive Director of L&Z Integrated Farms

Mr. Mezuo Nwuneli, Managing Partner of Sahel Capital, also commented: “L & Z Integrated Farms is a leader in the dairy sector with great potential and we are excited for FAFIN’s first investment to be in such a promising company. We look forward to providing the necessary support to take the company through its next phase of growth.”

As part of the investment, L & Z’s Board of Directors has been reconstituted to include two Independent Directors with a wealth of experience – Mr A.B. Mahmoud, SAN (former Solicitor General, Attorney General and Commissioner of Justice in Kano State) and Mr. Keith Richards (Chairman, Promasidor Nigeria Limited). Two members of Sahel Capital’s team will also be joining L & Z’s board – Mezuo Nwuneli and Olumide Lawson.

FAFIN is an innovative \$100 million agribusiness-focused investment fund that aims to transform the landscape of private sector agricultural finance in Nigeria, while providing commercial returns to investors. \$34 million has been raised from FAFIN’s sponsors for investments, alongside \$2.75 million for a dedicated Technical Assistance Facility to provide support to companies in which FAFIN invests.

L & Z’s Community Outreach Programme

Despite the challenges in the dairy sector, L & Z Integrated Farms has been able to use its dairy operations to positively impact its community through a community outreach programme with the following key features:

- ◆ Provides a guaranteed market for the milk generated from the cattle owned by the cooperatives which were formed under L & Z’s outreach programme and currently has 4 milk collective centres in Fulani communities made up of between 50-100 dairy farmers.
- ◆ Improves the livelihood of the Fulani women by providing a ready market for the raw milk produced; since within the Fulani communities, the meat of the cattle typically belongs to the men while the milk belongs to the women.
- ◆ Reduces the need for their children to hawk locally processed milk products on the street thereby increasing the likelihood of them attending school.
- ◆ Encourages girl child education, as every household that sends their girl child to school receives a premium price from L & Z for the purchased milk.

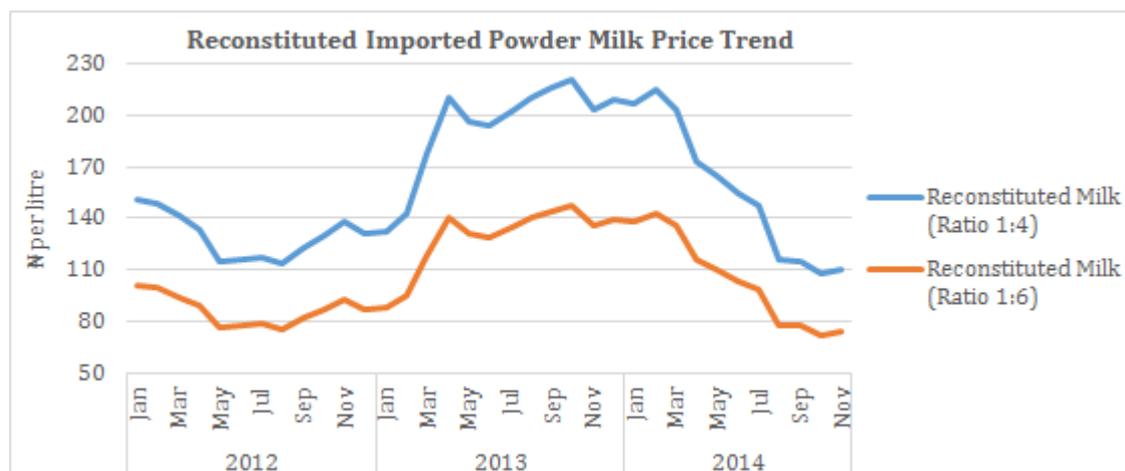


Dairy Industry Facts

- ◆ Nigeria had 2.35million cows as at 2012, while Kenya and South Africa had 5.72 million and 1 million respectively, with total number of world cows at approximately 270million
- ◆ Average world’s annual milk production by country in 2012 was 3.1million tonnes, while that of Nigeria was 566,000 tonnes; and South Africa and Kenya were 3.36million and 3.73million respectively. South Africa is able to produce about 6 times more milk than Nigeria with about 42.5% of the number of cows in Nigeria
- ◆ In 2011, the average milk yield per cow in Nigeria was 245kg compared to Kenya’s 732kg and South Africa’s 3,256kg
- ◆ According to the WHO, the average African consumes about 36kg of milk per annum while WHO’s recommended annual consumption is 200kg per person.

Source: FAO, Milkproduction.com

Industry Highlights



Source: Global Dairy Trade
 Assuming a 5% Import Tariff
 Ratio 1:4 — 1kg powdered milk providing 4 litres of liquid milk
 Ratio 1:6 — 1kg powdered milk providing 6 litres of liquid milk

Sahel News

Fidelity Bank SME Forum

On November 18, 2014, Sahel Capital spoke on investment opportunities within the agricultural sector on Inspiration FM (92.3) - Fidelity Bank SME Forum, in a show moderated by Martin Udo (www.hulkshare.com/fidelitymgdsme/mezuo-nwuneli-agric-entrepreneurship-the-scope-and-the-scale)

The Policy Council Interview with Opeyemi Agbaje

Opeyemi Agbaje of the Policy Council television show interviewed Mezuo Nwuneli on December 1, 2014 about the outlook for the agricultural sector in Nigeria. (www.youtube.com/watch?v=Y_68d0MgIR8)

SuperReturn Africa 2014

On December 3, 2014, Sahel Capital participated in a panel session on investing in 'Agribusiness and Food Production' at the SuperReturn private equity conference in Cape Town, South Africa.

FAFIN launched publicly at the State House, Abuja



Dr. Akinwumi Adesina, Hon. Minister of Agriculture and Rural Development and Doris Kohn, KFW'S Director for Africa & Middle East

His Excellency Mr. President, Goodluck Jonathan, publicly launched FAFIN at Banquet Hall of the State House, Abuja on December 16, 2014, at an event hosted by the Hon. Minister of Agriculture and Rural Development, Dr. Akinwumi Adesina.



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