



CONTEXT...

Funded by the World Bank and DFID, the Growth and Employment in States (GEMS) programme aims to increase growth, income and employment, especially for poor men and women, by improving competitiveness in strategically important Nigerian industry sectors in selected states and nationally. Wholly-funded by DFID, the target market for the GEMS1 component is the meat and leather industry.

As in other target markets, GEMS1 uses the Making Markets Work Better for the Poor (M4P) approach targeting sustainable improvements in market outcomes by altering the incentives that the market as a system provides to participants. It addresses major government and market failures in the system thus bringing about systemic change. Improving the incomes of the poor, especially women and the young, is an explicit goal of M4P programmes. The GEMS1 component is being implemented over 5 years (2011-15).

This GEMS1 Output Fact Sheet summarizes Project support to markets and linkages for **increased livestock feed finishing** for boosting efficiency competitiveness in Nigeria's red meat industry.

STRATEGY and RATIONALE...

Red Meat Industry Support Strategy: Responsive to critical industry competitiveness constraints identified by stakeholders as well as major growth opportunities exploitable during the life of the GEMS1 Project, the core responsive, interdependent strategies of GEMS1 are: (1) **efficiency gains through 'feed finishing' of younger animals;** and, (2) good meat eating quality traceable from source through processing (see GEMS1 Output Fact Sheet on Support to Quality Meat Processing and Retailing).

By the end of the 5-year GEMS1 Project, the expected results for support to markets and linkages for feed finishing include: (1) additional industry growth of \$5 million; and, (2) 750 net additional full-time equivalent jobs created targeting poor workers and job seekers (mainly male). The flow of growth benefits to poorer rural communities will depend upon developing successful village/household feeding business models where women can also benefit from increased incomes through feed finishing small ruminants.

Rationale for Support to Markets and Linkages for Feed Finishing: The most critical factor bearing on the Nigerian meat industry is the presence of the import ban which creates a protected, captive high-price market for producers and drives-up prices for domestic consumers. As demand for red meat exceeds supply, everything that the meat sector can produce is sold. Red meat prices have increased sharply at a rate of 20% per annum for the last twenty years against an underlying inflation rate around 12%.

Growth in the consumption of red meat is also driven by consumers such as returning diaspora and the emerging Nigeria middle class being increasingly demanding on quality issues. Within the red meat end market segments, the dominant open market retail is already commencing to lose share to other emerging growth market sectors (i.e. in-store retail, supermarket retail, institutions, hotels, fast food and restaurants).

Red meat is a part of the broader protein market competing mainly with poultry, pork and fish products as well as lower quality protein products in rural areas such as cowpea and soybean. With a rapidly growing population (especially in the Lagos-Ibadan Axis, the economic powerhouse of West Africa) expected to double to around 340 million by 2030 at current growth rates, the demand for protein products in Nigeria can also be expected to grow significantly.

However, without upgrading chain performance, red meat will lose market share to competing protein products and to more competitive imported red meat products if the ban is lifted. Ultimately, red meat customers/consumers will not pay more for an improved product unless there is a significant improvement in eating quality and processing conditions. Processing investors would require c. 10% price premium to cover upgrading costs.

Cattle and small ruminants productivity in Nigeria is low. Livestock slaughtered are generally old and produced over a period with a variable nutritional history yielding tougher meat than desirable. Currently, nutrition is so poor that feed finishers only invest in mature animals. Much of the local feed finishing enterprise activity is of poor quality and only remains viable because of the high price of meat. Professional butchers in towns such as Kano are unwilling to buy village livestock because of the poor meat quality, and source grass-fed animals from more remote areas. Red meat sector stakeholders ranked the lack of quality feed finished animals as the greatest of 15 constraints to industry competitiveness.

With dwindling pasture lands, future growth in red meat production needs to come from an increase in ('vertical') herd productivity rather than ('horizontal') herd expansion. Improvement in meat eating quality will directly result from

the encouragement of livestock production systems that feed finish younger animals while stimulating herd restructuring (i.e. higher proportion of females) to improve productivity.

A major production opportunity exists to feed finish younger livestock in Nigeria for the regular market as well growth end market segments and Sallah markets, and in so doing, to displace the large volume of livestock imports. Moreover, zero pasture fattening can generate good margins for local enterprises. Cattle feed finished over 90 days can gain an average of 20-25% weight with similar gains for sheep and goat over 40 days. Depending on the cost of finance, net margins are about of 16-21% for cattle and 18-20% for sheep and goat: these significantly exceed current business operating margins in the meat sector which average around 10%.

As distinct from livestock production, animal fattening is a business with clearly defined inputs and outputs that need to be closely monitored and managed. However models developed in other countries can be adapted for Nigeria. A constraint is that the current livestock marketing system does not result in the realization of any premium for the production of young well finished livestock that produce a superior meat product. Besides, the feed companies do not produce ruminant feed as the larger market is dominated by poultry feed.

OBJECTIVES, INTERVENTIONS and INDICATORS...

The **expected outcome of GEMS1** is to “improve the performance and inclusiveness of meat and leather sector market systems that are important for poor people” (the Brief on GEMS1 Support to the Meat and Leather Industry provides additional information on target impact and outcome indicators).

Carrying a contribution weight of 20% to these GEMS1 impact indicators (i.e. impact outreach and value, and employment) and outcome indicators (i.e. firm growth and value, and systemic competitiveness changes), the **target output of support to markets and linkages for feed finishing** is “new and/or improved inputs, products and services benefitting poor people within the livestock feeding markets are introduced through GEMS1 facilitation”.

The **key feed finishing intervention** is working with interested feed finishers to establish sound business models for fattening of cattle and sheep and goats at a young age (ideally 2-4 teeth and maximum 6 for cattle, and maximum 3 for small ruminants) using either supplementary feeding or zero pasture models in feedlot as well as village and household levels. The geographical focus is the northern states of Kano and Kaduna.

Other potential complementary interventions under consideration include: (1) supporting access to information and training to increase herd productivity; and, (2) working with services providers, including veterinarians and animal nutritionists to optimize the use of feed resources.

GEMS1 will also facilitate access to commercial and concessional finance via BMOs (see Output Fact Sheet on Support to BMOs and Advocacy).

Indicator information for the GEMS1 Livestock Feed Finishing output is summarized below....

Indicator	Baseline 2011	Target 2015
1. Number of livestock (cattle/sheep/goats) being fed improved food or in improved environment in target enterprises	0	63,000
2. Number of livestock feeding sector enterprises that apply and benefit from improved inputs and services facilitated by GEMS 1	0	13,000
3. Number of service providers that offer and benefit from offering new and/or better inputs and support services to the livestock feeding sector	0	400

Sources of verification for indicators include: impact assessments sub-sector guides; sub-sector analysis and baselines; intervention control frameworks (containing impact summary); GEMS1 applies the Donor Committee for Enterprise Development (DCEd) results measurement and reporting standards including Value for Money

Assumptions:

- Drought and animal health crises are avoided;
- Livestock and meat import/export trade conditions do not undergo dramatic step changes

Risk Rating: (MEDIUM)

Implementation and achievement of targets (numbers) could be adversely affected by a deterioration of the security in rural areas of Kano and Kaduna State: security disruption could also influence commercial market and potential of elevated prices

Prepared by GEMS1, the DFID-funded programme supporting the Nigerian Meat and Leather Industry implemented by GRM International Limited

