

# WHY AFRICA, WHY NOW?



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CONSULTING



Africa is currently home to 1.2 billion people and estimates show that the continent's population will grow to 1.4 billion by 2030. This vibrant continent is an opportunity for investors, especially those providing food-related products and services. This report provides an overview of the agricultural and food market in Africa, with a special focus on the cassava and cashew market and opportunities in Nigeria.

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## Food Sector in Africa and Nigeria

According to the World Bank, Africa's food imports more than tripled and reached **US\$35** billion a year. This number is expected to reach **US \$110** billion by 2025. While imports have increased so has the continent's agricultural production rate. Yet there is still more potential for growth as not all regions have implemented processes and technologies to optimize food production.

Mckinsey & Company reports that the largest spending B2B sector is agriculture and agri-processing, with the bulk of the spend going towards input materials. This sector is expected to increase by an additional **\$204** billion over the next decade.

Looking at Nigeria specifically, according to a report by the World Trade Organization (WTO), Nigeria is ranked as the largest food market in Africa. The food and beverage sector is estimated to contribute **22.5** per cent of the manufacturing industry value, and **4.6** per cent of Nigeria's Gross domestic product (GDP).

# Economic and Business Opportunities in Nigeria



## People

Biggest economy in Africa with a population of over 200 million people. Lagos is among the ten largest cities in the world with 15.3 million inhabitants and is expected to grow by 70 per cent over the next decade.



## Consumer Market Size

Africa's largest consumer market worth roughly more than USD\$370 billion (2013). Increased spending among households expected to increase to USD\$200 billion between 2015 and 2025 or 30 per cent of Africa's overall consumption growth over this period.



## Online Shopping

Nigerians report the highest rate on the continent at 25 per cent.



## Investment

Zero restrictions on capital allowance and 100 per cent tax exemption for 5 years for new agro-processing businesses.



## Import and Export

Duty exemption on machinery for agricultural production and processing. Export incentives for agro-processors and import restrictions on certain food items. As a major beneficiary of Africa Growth & Opportunity Act (AGOA), Nigerian agro-processing products have tariff-free access to USA market.



## Credit

Guarantees of up to 75 per cent of all loans granted by commercial banks for agricultural production. The Nigeria Federal Government offers 60 per cent repayment of interest on loan to cassava producers and processors.

## Cassava Processing Investment Opportunities in Nigeria

Cassava is one of Africa's most versatile staple. Originally from South America and introduced to the continent in the 16th century by Portuguese traders, this staple is relatively easy to grow and thrives on poor soils with low rainfall. A wide variety of dishes can be made of cassava and then waste from cassava processing can be recycled into animal feed, glue, and ingredients for pharmaceuticals.



Nigeria is the world's largest producer of cassava. The country is said to be responsible for 21 per cent of the global production of cassava which translates to approximately 45 million metric tonnes (MMT) and valued at USD \$18 billion annually.

PricewaterhouseCoopers (PwC) said that cassava production in Nigeria could potentially generate revenues of \$427 million from domestic value-addition and \$2.98 billion in exports. In addition to the food products like garri (Nigeria's most popular national food), high-quality flour and constituents in sugar syrup, cassava-based revenues include ethanol, adhesives, caustic soda, formaldehyde, hydrochloric acid, and sodium silicate.

## Annual Cassava Demand and Supply Shortfalls

### Flour for bread, biscuits and snacks:

Demand: >500,000 tonnes.  
Supply < 15,000 tonnes.

### Starch

Demand: >300,000 tonnes.  
Supply < 10,000 tonnes.

### Constituents in sugar syrup:

Demand: >350,000 tonnes.  
Supply almost non-existent.

### Ethanol for fuel cooking, power vehicles, industrial application:

Demand: 1 billion litres.  
Supply: Nearly zero.



## Lekki Free Trade Zone Case Study

Special economic zones (SEZs) and free-trade zones were the spearhead of Asian industrialisation, allowing countries with major deficits in power, logistics and bureaucracy to pull in investors. The Lekki Free Trade Zone (Lekki FTZ) is situated in the eastern part of Lagos and includes a deep water port. It supports several anchor clients, including Kellogg's and a Dano Milk factory from Arla.

Tolaram, a Singaporean agri-processor, runs the Lagos Free Zone and it targets food and beverages, pharmaceutical, chemicals, non-metallics and logistics companies to the area. The company believes that the integration of a port into the project makes it a "silver bullet" for those who want to use Nigeria as a business hub.

Source: [The Africa Report & Wikipedia](#)

## About Lekki Free Trade Zone





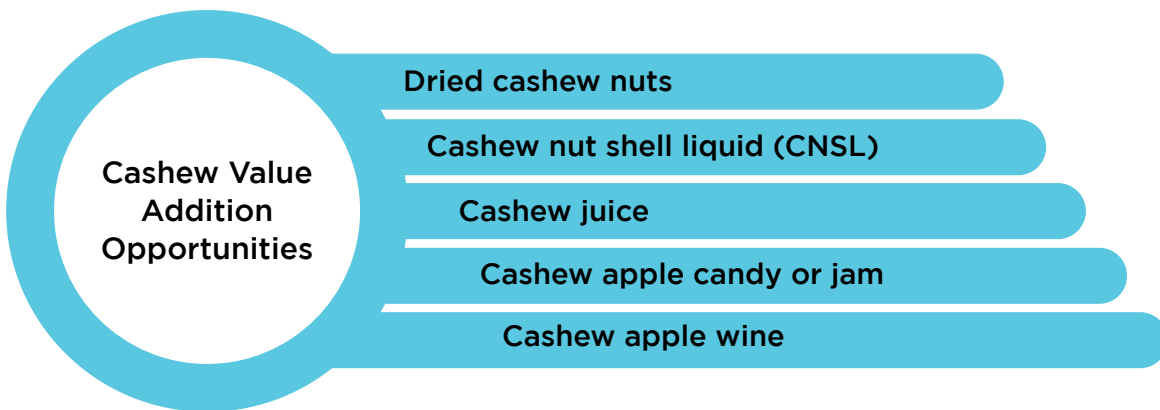


## Cashew nuts Processing Investment Opportunities in Nigeria:

Data from UN's Food and Agriculture Organization (FAO) ranked Nigeria second among the top ten producers of cashew nuts in the world with 675,266 tons per annum which represents 7 to 8 per cent of non-oil export earnings. Cashew is grown throughout Nigeria but the cultivation is centralized primarily in the south and middle belt regions in smallholder farms and plantations.

Latest trend in cashew nut shows a global growth rate of 7 to 10 per cent annually and it is projected to reach 730,000 metric tons and projected demand by 2023 /2024 is estimated to reach 4,500,000 metric tons. The main cashew consuming regions include India, U.S, European Union, China and Middle East.

**The growing demand is providing great opportunities for existing and new investors into the cashew processing sector.**



## Cashew Import-Export Opportunities





Source: Africa's Business Revolution

## GZ Industries Nigeria

### (Aluminium Cans) Case Study

As brewers and beverage companies grew exponentially across Africa, they all imported their packaging due to lack of local production. This provided an opportunity for GZ Industries (GZI) to build Nigeria's first aluminium-can manufacturing plant in Ogun State near Lagos.

GZI was founded by a group of private investors and local and international private equity firms. The group invested millions into the 430,000 square mile plant which boasts state of the art equipment imported from Europe and the United States.

GZI quickly reached its production capacity of 1.2 billion cans per year, leading the company to open a second plant in Abia State in South Eastern Nigeria. GZI plans to expand across Africa, including establishing a plant in South Africa, where it will go head-to-head with Nampak, currently the largest can manufacturer in Africa.



Source: Africa's Business Revolution

## Tolaram (Instant Noodles)

### Case Study

Tolaram introduced the Indomie instant noodles brand into the Nigerian market in 1988. Before then, instant noodles (Indomie) were not part of Nigerian food and could not be found in any shop across the country.

At the time, Nigeria was under military rule. The per capita income was barely USD\$250 and four out of five Nigerians lived on less than USD\$2 a day. But in these circumstances, the company saw an opportunity to feed the nation with an affordable and convenient product and in doing so, create a new category.

Since introducing the product in 1988, Tolaram has shifted from importing to manufacturing the product locally. Today, Indomie is one of the most beloved consumer products. Sold in single-serving packets for the equivalent of less than USD\$0.20 cents, the brand enjoys near universal name recognition and has attracted a 150,000-member fan club.

# Africa Market Entry Services by OctoberFirst Consulting

At OctoberFirst Consulting, we strongly believe that any business can succeed and thrive with sound market research and painstaking due diligence designed to help you navigate institutional voids and establish viable business partnership(s).

Whether you are addressing a mass market need or a niche market, we can efficiently and cost effectively help you:



**Identify the right distributor or niche markets,**



**Search for joint ventures or acquisition opportunities**



**Find investment prospects.**

**Our Africa market research solutions will help you answer the critical questions such as:**



**What is the size of the market and consumer trends**

**What are perceptions of products and local competition**

**What are cost implications so you can make the best decisions and succeed.**



For More Information on your Options Contact

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