

Animal Feedlots Initiative

Growth and Employment in States - Wholesale and Retail Trade (GEMS4) is an economic development project jointly funded by the World Bank and DFID/UKaid. Its aim is to facilitate non-oil, private sector led economic growth. GEMS4 is focused on increasing incomes and employment opportunities in the wholesale and retail sector, by providing solutions to systemic constraints and the inclusion of small and micro enterprises into better functioning market systems. The overarching goal is the creation of 10,000 new jobs and increased incomes for 500,000 people, especially for the poor and for women. Utilizing the Making Markets Work for the Poor (M4P) approach, GEMS4 is working with market actors, linking them and changing market incentives so they serve each other better. The project is also building local capacity so the market better meets the long-term needs of the poor.

The Constraint

The Beef industry in Nigeria supports the livelihoods of 20 million rural dwellers in the North and cattle rearing is culturally and politically significant, playing an integral role in nomadic Fulani culture. However, despite a significant National herd of 19 million, beef consumption is low - estimated to be almost 2 kilos per capita - compared to 6 kilos in countries with similar income levels. However, with a growing middle class, demand is projected to rise significantly.

Culturally, only mature livestock tend to be slaughtered, and with the variable nutritional diets and nomadic history, they yield meat that is tougher than most consumers' desire. Currently, local feed finishers invest in old cattle which is ineffective - the old production and marketing system does not result in optimum profits.

The quality of beef required by modern retail chains can only be obtained from young male feeder cattle (yearlings) that have passed through a consistent grain feeding process and proper veterinary protocols. This is unavailable in Nigerian markets. There is a need to upgrade the beef value chain operations and increase productivity and quality.

The Initiative

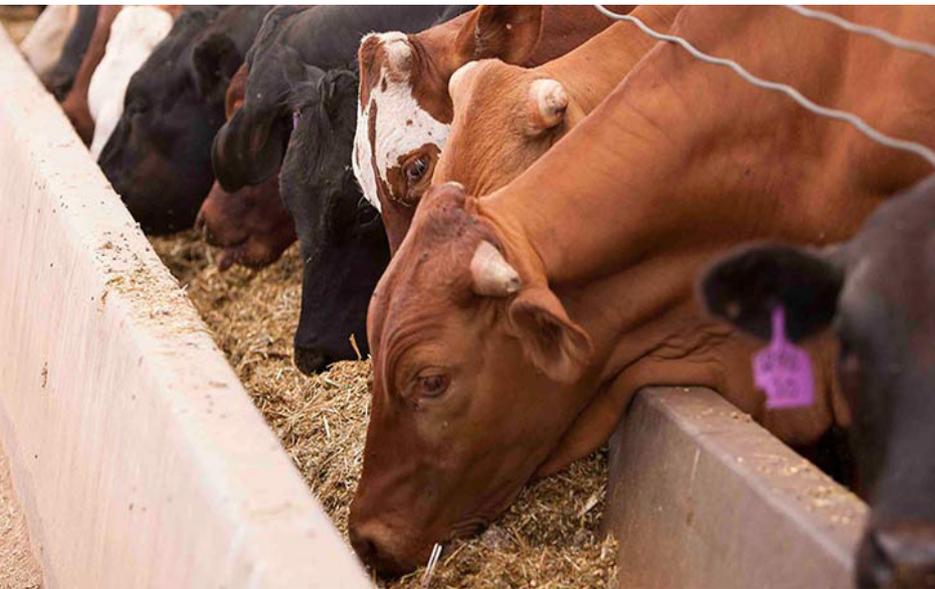
A Feedlot is an animal feeding operation used for finishing livestock, prior to slaughter. Feedlot diets are high in protein and micronutrients, which encourages



the growth of muscle mass and the deposition of fat to produce beef with flavour and tenderness that's desirable to consumers. Cattle typically gain 20-25% over entry weight within 90 days. Once cattle are fattened up to their finished weight, they are transported to a slaughterhouse and the meat is sold as premium beef in higher end markets, such as Shoprite. On the average, net margins are 16-21% for cattle and 18-20% for sheep and goats, which is considerably higher than earnings on traditional pasture fed herd.

The GEMS4 Feedlot Initiative is designed to provide investors with technical assistance and access to skills to establish animal feedlots and implement a feed finishing business model. This new livestock production system is based on the feed finishing of younger cattle to yield high quality beef. The initiative involves providing linkages between Feedlot operators, Veterinary service providers and Modern retail and fast-food chains in order to increase efficiency and competitiveness in the currently underdeveloped red meat industry.

Currently, four partners have adopted the Feedlot business model: Amo Farms, GrazingField Ranch, Master Meat and Cattleman. The project is also partnering with retail chain, Shoprite.



then

- iii. Cattle farmers, pastoralists and cattle buying agents will earn higher incomes.

Results

The GEMS1 project focused on Support to the Meat and Leather Industry, piloted this initiative.

The main achievement was an investment leverage of N2.5 billion from private investors. The project also contributed valuable resources and support to the sector such as:

- A 6 day Training in Botswana for Nigerian Feed Finishers (all individually funded) based on research of the Nigerian and Botswana Beef value chain;
- The design of Standard Operating Procedures for feed finishing for potential investors and stakeholders;
- And the completion of Surveys and Studies of the Beef value chain and livestock marketing in Nigeria.

The Strategy

The Strategy involves (i) facilitating an increase in formal private-sector investment in Livestock production by providing access to skills resulting in efficiency and quality gains; (ii) the project is also facilitating access to markets by linking operators to modern retail channels where the improved beef product attracts a premium in higher value markets.

To implement this strategy GEMS4 activities will focus on:

- a. building the capacity of Feedlot operators to meet the requirements of modern retail outlets;
- b. training cattle farmers, nomadic pastoralists and buying agents to meet the requirements of Feedlots; and
- c. facilitating linkages between feedlots/off takers and modern retail chains.

This should lead to:

- i. Cattle buying agents, farmers and pastoralists supplying feeder cattle of the right specifications to feedlots;
- ii. Cattle buying agents, farmers and pastoralists earning higher profit margins and increasing productivity;

GEMS4 activities are focusing on increasing the number of Livestock (cattle/sheep/goats) with improved food or in improved environment in target enterprises; increasing the number of livestock feeding sector enterprises that benefit from improved inputs and services and increasing the number of service providers that offer and benefit from offering new inputs and support services to the livestock feeding sector.

As the middleclass grows, productivity constraints will need to be addressed and the growing market opportunity harnessed. The country possesses the necessary resources to capture the potential: abundant land, water and ideal weather. By providing the required skills and spreading knowledge of the business model, production could increase to 650,000 metric tons of beef by 2020, allowing domestic consumption and income growth to nearly double.

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