



CHEMONICS INTERNATIONAL INC.



Industry Action Plan For Hides & Skins in Nigeria



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FOREWORD

Under the Rural and Agricultural Incomes with a Sustainable Environment (RAISE) IQC, Chemonics International and its Agricultural Development Assistance in Nigeria (ADAN) project are working with USAID/Nigeria and the Government of the Federal Republic of Nigeria (GON) to stimulate Nigeria's economic growth through increased competitiveness in the world market. A key component of this effort centers on determination of specific agricultural products with the greatest potential for increasing foreign exchange and employment. ADAN specifically targets increased agricultural commodity production and exports, and seeks to boost domestic sales as well through opportunistic 'fast track' activities, which are loosely based on development of networks and linkages to expedite trade.

The following industry action plan addresses the Nigerian leather industry, one of five industry clusters selected during a stakeholder conference in Abuja, Nigeria in January 2002. Chemonics would like to take the opportunity to thank local consultants Aderemi Osijo, Prof. Adebisi Daramola, and external consultants Grahame Dixie and Dr. Peter Jaeger, for their participation in the development of this report.

Project deliverables include Sub-sector Assessment Reports and Industry Action Plans (IAPs). The IAPs focus primarily on actions that the Nigerian private sector needs to undertake to improve the viability of these industry clusters, although government activities are also addressed. These plans are a supplement to the Subsector Assessment Reports, providing the reader with a quick overview of key market information from the Subsector Assessments, as well as actions to address the needs of the Nigerian industries. Those seeking additional background and analyses should refer to the accompanying assessment reports.

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Exchange Rate: \$1 = N130

Executive Summary

Nigerian stakeholders can potentially share in a long-term investment that can develop into a \$140 million industry over the next ten years, with a substantial increase in the industry's employment level. Changes in animal feed systems have opened the door to livestock producers, processors, financiers, exporters, etc. who have the wherewithal to capitalize on opportunities afforded by a huge global market growing steadily at 3% per annum.

There are two major markets to target: the global leather products market worth \$72 billion, and the local leather products, hides and skins and livestock market. This industry action plan advances three objectives formulated *to transform Nigeria from a low-priced commodity producer of semi processed hides and skins to a reliable domestic supplier and exporter of leather products.* The objectives are to:

1. Increase the dollar value of Nigeria's leather products exports from \$35 million to \$140 million within 10 years;
2. Significantly reduce Nigeria's dependence on imported shoes, hides and skins and animals;
3. Increase income and jobs, particularly in rural communities and among women.

The following target is laid out according to a ten-year plan (2003-2012):

Table 1: Income Generation

Criteria	Projected Output*			
	Base Yr (2003)	In 2 Yrs (2005)	In 5 Yrs (2008)	In 10 Yrs (2012)
Estimated Total Export Earnings	\$35 million	\$50 million	\$90 million	\$140 million

* The figures are draft estimates

I. STRATEGIC ANALYSIS

A. Background

Nigeria faces the following problems:

- Poor livestock husbandry and branding
- Low quality hides and skins
- Exportation of low valued raw and/or semi processed skins

Based on this analysis, the team proposes the following long-term goal: To transform Nigeria from a producer and exporter of semi processed hides and skins to a producer of leather products for both domestic and export markets.

B. Objectives

To achieve our goal, the specific objectives include:

- To increase the dollar value of Nigeria's leather exports from \$35 million to \$140 million within 10 years
- To increase jobs and the incomes of those involved along the marketing chain from rural livestock rearing, through to leather and leather products (i.e., shoes) and all other ancillary industries.

C. The Market

The focus of the ADAN project is to stimulate Nigeria's economic growth through increased competitiveness in the world market. Therefore, this industry action plan is designed around the export market for hides and skins, although it may have ancillary application to the domestic market.

Globally, the export skins and leather industry is huge--believed to be worth around \$4.4 billion for raw hides and skins, \$14 billion in rough-tanned and finished leathers of all types and \$25 billion for footwear with leather uppers. Over the last two decades, the average growth in trade has been 3% for raw hides and skins, 10% for rough-tanned and finished leathers, and nearly 8% for footwear and leathers. In developing countries, however, the percentage growth in both rough-tanned products and footwear has been increasing at over 12% per year.

In total, developing countries export nearly \$19 billion worth of hides and skins- much more than the major commodities such as meat (\$2.7 billion), rubber (\$3.7 billion), cotton (\$2.5 billion) or coffee (\$10.7 billion).

Raw hides and skins comprise the principle foundation for a world market worth more than \$4.4 billion at current raw hide and skin trading levels. At the leather and leather products level, the market is worth over \$7.2 billion. Global production is more difficult to assess; commonly quoted figures provided by the Food and Agriculture Organization (FAO, 2001) suggest that global output of cattle hides is about 5.8 million tons, sheep skin was estimated at 394,000 tons and goat skins

340,000 tons as at 2001. The key consideration, however, is that most of the hides and skins traded globally are of developed countries origin while value addition is done predominantly in the developing countries.

C.1. International Market

This discussion is a summary of a more detailed market assessment for hides and skins contained in the Nigerian hides and skins assessment report.

C.1.a. Uses

Hides and skins come from farm animals reared for meat, milk, or wool. Hides come from bovine animals like cattle or oxen, while skin is obtained from ovine and related animals such as sheep or goats. Bovine hides and leather dominate world trade, accounting for some 88% of the total trade in hides and skins. Skins from goats and sheep account for about 12% of world trade.

Most hides and skins are by-products of the meat packing industry, rather than being an end product, although the international trade in skins, hides and leather is more valuable than that of meat. The raw hides and skins are processed into finished leather, which is then converted into footwear, garments, furniture, vehicle upholstery, etc. These products have both domestic and industrial applications. In the footwear industry, finished leather is used for shoe uppers, linings and soles. It is also used extensively in the production of belts, various types of bags, home/office decorations and fittings, and other products.

C.1.b. Demand

The world demand for leather and leather products is projected to continue to expand, primarily as a result of growing incomes. Growth in demand is expected to accelerate. Globally, footwear is the major end use, accounting for approximately 56% of leather. Developing countries are projected to have a faster rate of growth than the developed world at 1.1% and 0.6% respectively. Developed markets account for 54% of global consumption. Consumers in more affluent societies are placing more emphasis on quality. The strongest growth in demand will be in developed countries with long established tanning and leather industries, e.g. Italy, UK and USA. The market in developing countries is changing. Because of difficulties of supply from the USSR, countries like China are determinedly seeking new sources of supply and that traders from East Asia are seeking skins and leathers from West Africa.

The international leather market is currently undergoing several changes. Of primary importance to this action plan is the devolution of processing from developed countries to developing countries, due to stringent environmental protection regulations in the developed countries and higher labor cost. This devolution is driving up the demand for raw hides and skins for processing in developing countries.

C.1.c. Prices

Trade in hides and skins is rather complex as there are several factors taken into consideration in grading hides and skins. Amongst these are weight, size, thickness, uniformity of thickness, flaying

quality, health of skin, and source of skin. Currently, the grading and pricing process is particular to each nation and each process may include different factors and weight factors differently.

C.1.d. Stakeholders

Producers: The largest cattle hide producing nations are Argentina (63 million pieces), India (39 million pieces), the United States (38 million pieces) and China (35 million pieces). Not all of these countries export large portions of their hides, however. The four top hide exporting economies are the United States, the former Soviet Union countries, France and Germany. Total global output of cattle hides was estimated at 314 million pieces.

Buyer and Processors: Developed countries, despite the fact that they are the major consumers of finished leather products, export the bulk of raw hides traded globally to developing countries for value-added processing.

China, South Korea, Italy, India, Indonesia, Brazil, and Germany are the industry's primary processors, supplying over 50% of the leather traded internationally. Italy has dominated the processing and production of leather products for most of the twentieth century and currently controls 20% of the leather goods export market. However, their position is currently being challenged by the newcomer China, which now accounts for 12% of the market.

Processing capacity in China, Italy, India, Brazil and South Korea exceeds local hides and skins production. Therefore these countries import the raw material as industrial inputs when the economics of import, processing and export sales allow. Italy especially depends largely on imports to keep operating throughout the year and meet its export demand. With China and Italy in the forefront of processing capacity, and lacking sufficient domestic supply of raw materials, the raw hides and skins trade is focused on the Italian and to a lesser extent Chinese demand.

Leather Products Buyers: The United States is the largest buyer of leather products and accounts for 22.5% of the leather imported globally. It is followed by Germany (10.2%) and to a lesser extent Italy (7.6%). The United States has been increasing its leather imports, with China and India as main exporters to the U.S. market.

C.2 Local Market

C.2.a. Demand

There is a local demand in Nigeria for hides and skins as well as leather and leather products. There are two distinct markets for hides and skins in the country, the food market and the industrial market. Both the rich and poor regard hides and skins as delicacies. Hides of cattle origin are processed into "Ponmo" and consumed as food. In the case of skins they are considered an integral part of meat. The food market offers higher prices than the industrial market for hides and it is not sensitive to quality.

Assuming a ratio of six shoes to a square meter of leather and with shoes accounting for 75% of the leather consumption in the country, the estimated national demand of leather for shoe manufacturing is 4 million square meters (43 million sq ft), while the total demand for leather

products is estimated at 5.33 million square meters (57 million sq ft) It is interesting to note that local tanneries supply less than 10% of the national demand for leather by the shoe-manufacturing sector. Domestic production of shoes is estimated at not more than 4 million pairs per annum. The supply gap of 20 million pairs is met by imports.

Local demand also exists for hides and skins as a food product. When properly prepared, some hides and skins are a delicacy among Nigerians, particularly in the South. It is difficult to estimate the nation's volume of demand for hides and skins consumed as food, but it is clear that it is a significant proportion. Demand for these products is also expected to keep growing, both because they are cheap relative to the cost of meat, and because of the high population growth in the country. Given these factors, it is reasonable to estimate the annual demand for edible hides and skins at over 2.5 million square meters.

C.2.b. Supply

There are 41 commercial tanneries in Nigeria, with a collective installed production capacity of 310,000 hides and 25.5 million pieces of skins per annum. In 1999, operating tanneries produced only 55,000 tanned hides, and then dropped to production of 3,000 units in 2000. This represents operations at 18% and 1% of capacity, respectively. At the same time, the operating tanneries produced 7.5 million pieces of skin in 1999, and 6.9 million pieces in 2000. This represented 29% and 27% capacity utilization, respectively.

From the production capacity, it is clear that Nigerian tanneries are designed more to process skins than hides. Even with their rather low installed production capacity relative to international industries, the factories are operating at less than 30% of installed capacity for skins and at 1% for hides.

Currently only sixteen of the 41 tanneries are functional. Twelve of the 41 are designed to produce finished leather and pretanned leather, known as wet blue, and only eight are still in operation. Twenty-nine of the 41 tanneries produce wet blue only. Of those, only eight are functional (see Table 19).

Nigeria is known currently as an exporter of sheep and goat skins, and not particularly as an exporter of bovine hides. Most of the leather of goat origin is from the Red Sokoto breed, which like most goats tends to overgraze, and also has difficulty breeding, but which is also acknowledged for its good quality –Moroccan-style leather. Unfortunately, the Red Sokoto goat is currently being over exploited and it is now being considered for protection as an endangered species. The nation's leather export was estimated \$87 million in 2002.

C.2.c. Prices

The prices of hides and skins in Nigeria are difficult to determine. Information has it that a square foot of leather sells for about N2 while a square foot of skin goes for about N5. There are indications that in periods of scarcity four to five square feet of sheep or goat skins are procured by desperate tanneries for as high as N500, or approximately N100 per square foot.

On the other hand, official government sources indicate that leather of sheep and goat origin goes for N1000 – N1700 per square meter.

C.2.d. Stakeholders:

Producers: Small-holder nomadic herdsmen produce practically all the cattle, sheep and goat slaughtered in Nigeria. These herdsmen follow a seasonal pattern with their stock, grazing in the northern areas of the country during the rainy season, when rainfall and water are available and moving southward with the dry season to graze on harvested fields.

Processors:

Meat packers: Most of the animals that are raised for food in Nigeria are slaughtered in unregistered and unregulated abattoirs.

Tanneries: There are two types of hide processors in the country: the traditional bark and brain tanners and the industrial tanners. The traditional tanners orient their production towards interior decorative uses (see cover page), while the industrial tanners produce some leather for the export market. Foremost among the industrial tanners are Fata, Jose Maria, Akard, Fine Leather, Great Northern Tannery and Harmattan. A few of the industrial processors export their products exclusively, while both industrial and traditional tanners compete on the local market.

Among tanners, some process hides and skins only to an intermediate stage and then sell that intermediate product to finishers, who finish the processing and then either export the finished product or sell it on the local market. Although a few expatriate-owned tanneries have successfully supplied the international market, locally-owned tanneries for the most part are still working to strengthen and increase their share of the export market.

Shoes and Other Leather Products Manufacturers: There are over twenty major, industrial-scale shoe manufacturers in Nigeria along with several small-scale manufacturers. Among the industrial manufacturers are FAMAD, Lennards, Silver Shoes, Limson, Rhino Shoes, and Perfecta. Among these, FAMAD alone could process up to 22,000 square feet of leather in its daily operations, but actually processes only 2,000 square feet daily (10% of capacity). Other manufacturers paint a similar picture, of inadequate leather supply restraining production at their facilities, and this production under capacity has actually caused some to go out of business. At this time, most of the shoes marketed by manufacturers that are still in operation are produced by small scale producers under franchise arrangements.

II. IMPLEMENTATION

The IAP advocates four primary approaches as the basis of Nigeria's transformation into a major leather products exporter:

A. Approaches:

1. Establish the Commodity Business Bureau (CBB) – private-sector-led, to provide business services and promote good trade practices within Nigeria
2. Perform in-depth feasibility study and environmental impact analysis, particularly of the local market, to validate assumptions
3. Provide technical assistance to current and future producers and processors to increase volume and unit value of animals, raw hides and skins, semi-processed hides and skins, leather and leather products, and ensure that increased volume in livestock production and/or hides and skins processing is accomplished according to international best practices and in conformance with applicable environmental and industrial standards
4. Creating awareness of the opportunities in the leather products industry from livestock rearing to processing of finished goods.

Establishment of a commodity association is crucial to long-term sustainability. A Commodity Business Bureau (CBB) must be created as a private-sector entity to provide business services from the primary product to finished products. The CBB will work in collaboration with government and multinational organizations. It will be the focal point of all hides, skins and leather products manufacturing activities. It will also provide market information and technical assistance, establish business and financing linkages, strengthen trade associations and cooperatives, and assist in developing and enforcing standards. Most importantly, it will work to strengthen Nigeria's image as a reliable supplier of high quality leather products. Once created and functioning well, the CBB can be expanded to cover other commodities and standards.

B. The Commodity Business Bureau (CBB)

The Commodity Business Bureau (CBB) will be composed of stakeholders in the primary production, processing and marketing of leather and leather products and will be given primary responsibility for executing this plan. The CBB will be assisted in its work by public and private sector organizations (cooperatives, trade groups, etc.), which it will help to strengthen. The steps in organizing the CBB will be as follows:

1. Convene a stakeholder forum to begin building commitments to establish the CBB
2. Establish a Steering Board with representatives from all sectors of the industry to do the following:
 - Develop services for members such as market information sharing, provide market and financial linkages, determine the fees for these services, etc.
 - Create standards for the industry and work out modalities for their commitment based enforcement of standards
 - Establish mechanisms for quality measurement, grading and buy-in among industry stakeholders.

- Provide technical assistance to help producers and processors continue to meet accepted industry standards
 - Promote the principles of fair trade among the stakeholders
 - Assure sustainability of the CBB
 - Monitor compliance with standards and the impact of the CBB's services
3. Set up an office, recruit staff and begin operation
 4. Eventually expand the CBB's mandate to include other commodities, services and standards

C. Activities

The chart below shows the main activities in this project.

Table 2: Main Activities, Time Frame, and Benchmarks

ACTIVITY	Years
Industry Stakeholders' Association/Organization responsible	
a. Create the CBB with members from all sectors of the industry	1-1
b. Obtain adequate financing and management for the CBB	1-1
c. Help develop working relationships between CBB and related public and private-sector organizations	1-3
d. Help the CBB prepare and execute operational plans	1-5
Benchmark: CBB set up and operating effectively, end of year 1	
Meat, hides and skins production	
a. Identify farmers group to begin or increase production	1-5
b. Insure availability of affordable financing	1-10
c. Introduce structured farm animals multiplication at village level working with nomads	1-3
d. Provide agricultural inputs through CBB, extension and training to farmers	2-8
e. Develop and popularize traditional leather tanning skills among Nigerians	1-5
f. Review, constantly update, and enforce public health ordinances on livestock marking, processing, etc	1-5
g. Improve post-slaughter handling and grading of hides / skins of various farm animals	1-5
Benchmark: Large number of people employed and high level of income generated	
Processing	
a. Increase value-added processing in rural areas	1-5
b. Make financing and technical assistance available to processors	1-10
c. Help processors obtain quality management certification	1-4
d. Provide market and other technical information on alternative uses of hides, skins and leather	2-5
Benchmark: Increased volume and unit value of processed hides and skins	
Marketing and exporting	
a. Carry out advocacy campaign to increase local patronage of recognized abattoirs	2-4

b. Provide market information and contacts to producers and exporters of finished leather products	1-10
c. Provide market information and contacts to livestock processors	1-10
Benchmark: Increases income, employment and export earnings of leather products	
Government participation	
a. Request import duty preferences for supplies and equipment to produce and process hides and skins	1-2
b. Present plan to improve roads needed by the hides and skins industry	2-2
c. Encourage private transporters to improve service to the industry	2-3
d. Encourage Export Expansion Grants/Export Development Fund to work actively with the leather industry	1-2
e. Study impact on the industry of specific changes in fiscal and monetary policies	2-3
f. Encourage NEPC officials to pay special attention to the industry	2-8
Benchmark: Relevant agencies cooperating to meet hides and skins industry goals	
Evaluation and feedback	
a. Develop a monitoring and evaluation system	1
b. Assign responsibilities and monitor as scheduled	1-10
Benchmark: Monitoring and feedback system working effectively	

C.1. Domestic Leather Production

Industrial grade leather production will be more than doubled in ten years, mainly through identifying and encouraging farmers to produce more cattle, sheep and goat, through provision of agricultural extension and training services to farmers and traders in livestock, meat and meat by-products packaging, provision of international trade linkages to domestic producers of leather and leather products, provision of alternative financing, and creation of trade standards and their enforcement. This will be done in cooperation with selected government organizations. Agricultural extension and training will be focused on improving the yield, quality, and average size of recovered hides and skins as well as their post recovery handling and grading, including conformity to standards for the EU, U.S. and other countries' markets.

This work will include the following:

- Identify implementing partners (trade groups, cooperatives, NGOs, consultants, buyers, exporters, bankers, etc.) and initial regions of operation.
- Institutional diagnosis of hides, skins and leather industry stakeholders including producers, processors and exporters.
- Interview opinion leaders and traditional leaders at the village/community level to narrow down identified areas for strategic capacity building, especially in production, post-recovery handling/techniques and processing.
- Assist public and private agencies, to acquire land for the production and multiplication of livestock as well as the production of support inputs such as hay, silage, mineral licks, livestock handling and processing equipment, veterinary drugs and services, etc.

- Disseminate information about the benefits and correct methods of cattle, goat and sheep production and processing as well as handling and processing of hides and skins.
- Expand technical assistance to increase awareness of the benefits of proper slaughtering of hides and skins especially at the village level.
- Identify private sector groups and individuals to acquire land, clarify land ownership issues, clear, maintain, and cultivate fodder crops as well as raise livestock (cattle, goat and sheep) on such land.
- Work out methods of financing imports and importing livestock and fodder crops production and handling equipment as well as hides and skins processing equipment.
- Provide technical assistance in establishing production and processing plants
- Introduce new and improved practices to improve production, post-recovery handling and processing of hides and skins to a targeted group.
- Expand technical assistance to other groups, localities, and regions.
- Transfer pilot project to the CBB.

C.2. Processing

- Help producer organizations to begin or increase value-added processing of hides and skins even at the village level.
- Assist GON in developing policies, public health acts and regulation that will ensure that meat markets and restaurants source their meat from only certified meat packing plants or abattoirs.
- Provide assistance with financing and encourage equity participation (both cash and kind) of international partners in Nigerian leather products manufacturing institutions.
- Provide technical assistance in hides and skins processing, leather products manufacturing and plant management.
- Help processors obtain quality management certification, as needed, to facilitate exporting to developed countries.
- Develop an industry business plan for the various meat packaging plant products, by-products, as well as leather products.

C.3. Marketing and Exporting

- Develop a campaign to increase public awareness on the need to patronize only certified meat and meat products sold according to standards and in certified meat markets.
- Develop a campaign to increase local production and consumption of shoes and other leather products.
- Develop networking and create market linkages among producers, processors, exporters and importers.
- Help producers and exporters identify, contact and negotiate with foreign buyers especially in the U.S. and the EU.
- Help exporters counteract the negative image of Nigeria by selling on open account, which requires careful selection of buyers and credit checks.
- Disseminate information about services of the Nigerian Export-Import Bank (NEXIM).
- Provide technical assistance in packaging, packing and transportation to reduce cost and improve product condition on arrival.

- Spot check export shipments to verify that the quantity and quality are as promised to the foreign importer.

C.4. Government Participation

Government participation should consist of the following activities:

- Take measures to reduce costs of materials and equipment for livestock production and processing.
- Improve roads and increase transport options from producing areas to processing plants and the ports.
- Continue streamlining port operations to reduce cost and pilferage.
- Accelerate delivery of Duty Credit Certificates in the Export Expansion Grant Scheme and streamline procedures of the Export Development Fund Scheme.
- Encourage more favorable monetary and fiscal policies.
- Assist with export promotion in cooperation with the Nigerian Export Promotion Council (NEPC)

C.5. Evaluation and Feedback

The new Commodity Business Bureau will provide monitoring and evaluation of results. Success in this program will be measured by the following:

- Employment in livestock production, meat processing and leather products industry in Nigeria
- Number of women employed
- Number of livestock produced and marketed according to standards and regulations
- Tonnage of meat and meat products produced and marketed to standards and regulations
- Number of shoes produced and marketed to standards in the domestic and international markets
- Hides and skins recovery rate
- Reduction in shoe importation
- Export earnings

Annex I: Financial Impact

There are no detailed statistics on hides, skins and leather production, processing and exporting in the country. The figures are local experts' estimates from interviews with the private sector, local exporters and the limited available data.

Implementing this strategy requires several initiatives, as discussed above. In order to determine the financial impact of this strategy, the team reviewed pursuing an increase in the value addition of leather domestically rather than the export of semi finished or finished leather, since the country has enormous capacity for processing hides and skins into leather which is largely under utilised due to inadequate supply of leather. After several iterations, it was suggested that the cattle multiplication and fattening program base of the production framework below be exploited.

Table 3: Cattle Multiplication and Fattening Expansion Program

Type of Participants	10yrs animal population target per participant	Take-off animal population / participants	Annual increment in animal population	Minimum number of participants	Take-off number of participants	Annual increment of participants
Cattle Multiplication (Breeding Program)						
Regional large ranch	5000	1000	500	1	1	open
Medium scale ranch / state	500	100	50	100	10	10
Small scale ranches / state	250	50	250	500	500	50
Homestead ranch / state	100	20	10	5000	5000	500
Feedlot Program						
Regional large ranch						
Medium scale ranch / state	1000	100	50	500	50	50
Small scale ranches / state	250	50	250	2000	200	200
Homestead ranch / state	100	20	10	5000	5000	500

A. Production Cost

There are several projects under this program with each project presenting its problem as well as costing. For the purpose of this study, emphasis will be placed on tanneries as well as shoes and leather products manufacturing components of the program. Generally speaking, the internal rate of return for tanneries, footwear and leather products manufacturing are 55.6%, 60% and 87% respectively.

According to local research agency's report, the financial return on hides and skins processing and value addition to finished leather for both domestic and export markets are favourable. Table 4 below provides some information on this.

Table 4: Financial Returns on Investment in the Leather Sub-Sector

Project type	Baseline investment	Internal rate of return	Payback period
Tannery	\$250,000	55.6%	2yrs
Footwear	\$95,000	60%	1.66yrs
Other leather products	\$95,000	87%	1.1yr

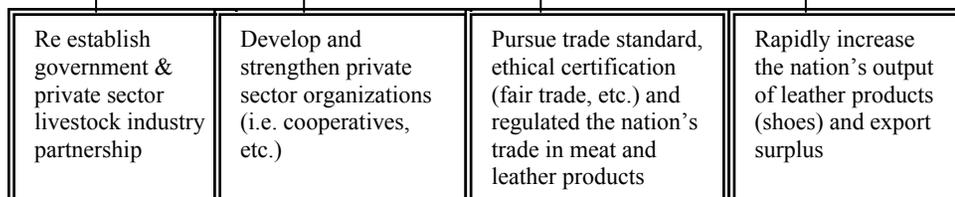
Although current processors are not close, there is still the potential. Support, particularly in the area of financing, is needed. Again, these are preliminary figures and we recommend that individual investors perform a thorough feasibility study focused on their particular situation.

Annex II: Implementation Framework

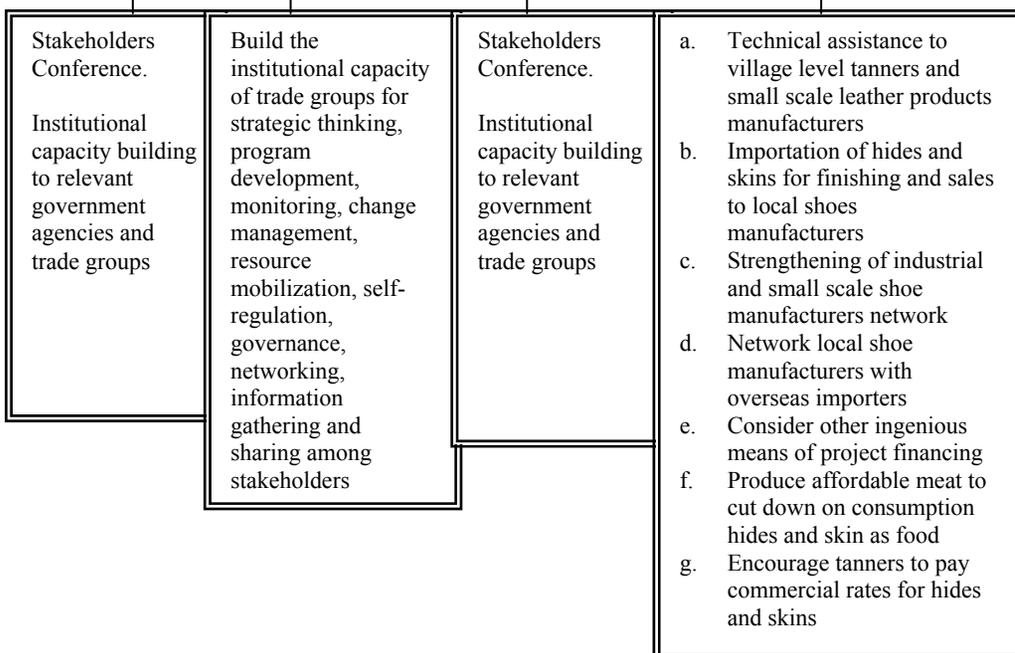
Strategic Goal

The strategic business goal of the Nigerian leather sector is to move away from being a supplier of semi finished hides and skins to a supplier of premium quality finished leather products at competitive prices for both local and international markets distribution

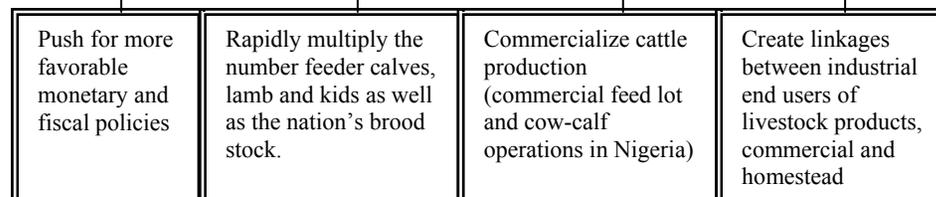
Short Term Objectives



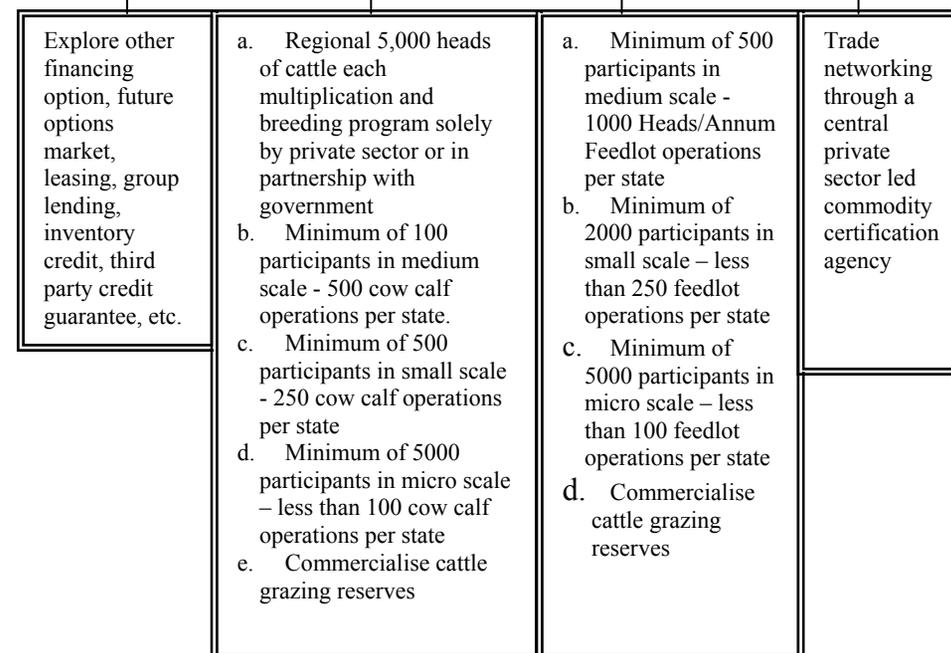
Strategies



Long Term Objectives



Strategies



Summary of Activities

- a. Establish commodity certification agency
- b. Identify resource persons or consultants (local and foreign)
- c. Set up Board and other institutional structures
- d. Develop scope of work, terms of engagement, operations manual, etc.
- e. Recruit staff and provide equipment and machineries necessary for performance of duty
- f. Identify interested stakeholders (international and domestic investors' interest commercial livestock, meat packing/processing and related industries).
- g. Identify and short list of stakeholders.
- h. Identification and short-listing of potential trade groups
- i. Stakeholders Conference
- j. Establish standard, code of ethics and practice through stakeholders conference
- k. Empower stakeholder to build commitment
- l. Organizational assessment and institutional capacity of trade groups for strategic thinking, program development, monitoring, change management, resource mobilization, self-regulation, governance, networking, information gathering and sharing among stakeholders
- m. Provide technical assistance to commodity certification agencies to be able to work with affiliates
- n. Importer and Exporter forum
- o. Strengthening of industrial and small scale shoe manufacturers network
- p. Network local shoe manufacturers with overseas importers
- q. Explore other financing option, future options market, leasing, group lending, inventory credit, third party credit guarantee, etc
- r. Commercialise cattle grazing reserve

Some of the Anticipated Outputs

- | | |
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| <ul style="list-style-type: none"> ▪ Fifty percent reduction in shoe imports ▪ Tanneries working at 90% of installed capacity ▪ Establishment of trade standards in livestock and related products trade ▪ Enhanced administrative and operational capacity of trade groups, cooperative, NGOs, etc ▪ Direct linkages between exporter and importer created and sustained | <ul style="list-style-type: none"> ▪ At least 100 200hectres commercial hay, silage, grass and leguminous seed production as well as grazing reserve farms nation wide ▪ Establishment of a least one 200 heads cow calf ranch in each state of the federation and supported by other smaller cow calf operations even at homestead levels. ▪ A minimum of three 1000 heads cattle feedlots per state ▪ Functional private sector led produce and meat inspection agency |
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Annex III: Risks and Assumptions

The following are some assumptions on which elements of this plan are based:

- Stakeholders in the industry are willing to take ownership of the changes they advocate.
- Nigeria can develop processing techniques equal to or better than those used in other countries
- Domestic and international demand will increase along with supply so that prices remain fairly steady
- Hides and skins as well leather products processing do not have significant environmental impacts that cannot be ameliorated
- Both private and public sector organizations are willing cooperate as needed in the implementation of this plan.

Table 5: List of Key Partners and their Roles

Key Partner	Roles
Large and small scale livestock farmers, large and small scale tanneries and shoe manufacturers	<ul style="list-style-type: none"> • Participate fully in all workshops and volunteer information that would make the realization of goal a reality. • Participate in the development and take ownership for achieving the industry goals.
Organized private sector	<ul style="list-style-type: none"> • Take responsibilities for addressing the perceived negative bias about the informal sector and commit resources to the development of sustainable linkages between the sectors. • Take responsibilities for development of attitudes and habits that promote development of mutually beneficial relationship in the industry
Donors	<ul style="list-style-type: none"> • Assist in creating mutually beneficial linkages between importers and exporters • Provide materials and financial support where necessary. • Support organizational development in the industrial
Government	<ul style="list-style-type: none"> • Provide material and financial support to the industry • Review and reactivate policies and laws that regulate the industry but do not restrict it • Assist in creating mutually beneficial linkages between importers and exporters • Support organizational development in the industrial
Consultants and resource organizations	<ul style="list-style-type: none"> • Facilitate project implementation process • Engage processes that encourages and institutionalize capacity building / human development with client's organization while implementing program

Table 6 lists some possible risks, and how they might be ameliorated:

Table 6: Force Field (Risk Factors) Analysis and Mitigating Actions

Objectives	Propelling Forces	Counter Forces	Strategies
<p>I. To re-establish the partnership between government and livestock industry with the private sector playing the leadership role</p>	<ul style="list-style-type: none"> a. History of sustainable partnership between government and both the formal and informal sector b. Government concern about employment creation and revenue generation for government c. History of government and commodity merchants using the trade for foreign exchange earning and repatriation d. History of government using the private sector in getting livestock inputs to farmers 	<ul style="list-style-type: none"> a. Conflict of interest among bureaucrats b. Refusal of government to play its role as expected (absence of commitment) c. Absence of transparencies within stake holders group and between stakeholder d. Politicization of process, cost and benefits of program 	<p><u>To support propelling forces</u> Stakeholders and Government Conference.</p> <p><u>To ameliorate counter forces</u> Institutional capacity building to relevant government agencies and trade groups to address institutional structural and behavioral problems</p>
<p>II. To develop and strengthen private sector organizations (i.e. cooperatives, etc.)</p>	<ul style="list-style-type: none"> a. Existence of functional trade groups in various livestock operations b. History of trade groups in export business c. Ability of trade groups to self regulate d. Ability of trade groups to develop members skills e. Government and donor willingness to support trade group f. Groups seen as agents of social transformation g. Ability of trade groups to network with large multinational organizations in the country h. Ability to produce good quality products 	<ul style="list-style-type: none"> a. Weak financial base b. Informality of operations c. Weak administrative, financial and governance structures. d. Weak information gathering and sharing capacity e. Weak ability to source financial and material support 	<p><u>To support propelling forces</u> Build the institutional capacity of trade groups for strategic thinking, program development, monitoring and change management</p> <p><u>To ameliorate counter forces</u> Build the capacity of trade group in resource mobilization, self regulation, governance, networking, information gathering and sharing among stakeholders</p>

Objectives	Propelling Forces	Counter Forces	Strategies
III. To pursue trade standards and regulated the nation's trade in meat and leather products	<ul style="list-style-type: none"> a. History of previous trade standards b. Existence of public health laws that were previously obeyed and enforced c. Existence of standards for international and local trade in livestock and leather products d. Nigerian goat skins acknowledged as one of the best in the international market 	<ul style="list-style-type: none"> a. Endemic negative culture of cutting corners at the expense of credibility within trade b. Absence of insurance cover against lost of animals due to ill health or condemnation as unfit for human consumption c. Willingness of officials at the trading post to compromise standards for personal benefits d. Resistance from practitioners who benefit from the absence of trade standards and ethical practices in the trade 	<p><u>To support propelling forces</u> Stakeholders and Government Conference (to set standards, code of practice, etc)</p> <p><u>To ameliorate counter forces</u> Institutional capacity building to relevant government agencies and trade groups to address institutional structural and behavioral problems</p>
IV. To rapidly increase the nations out put of leather products (shoes) and export surplus	<ul style="list-style-type: none"> a. Existence of several state of the art tanneries across Nigeria b. Open borders that supports influx of hides and skins from neighboring countries c. Abundant supply of skilful shoe producers in practice nations wide d. Existence of several large scale shoe manufacturing factories operating below their installed capacity e. Trade network between large and small scale shoe manufacturers (franchise) f. Abundant supply of carbon black for shoe sole manufacturing g. Extensive local capacity in shoe sole manufacturing of various grades h. Very large domestic market for leather products i. Extensive skills in brain and bark tanning among villagers 	<ul style="list-style-type: none"> a. High interest rate on borrowing b. Inadequate and ineffective public utility c. Environmental concerns on chromic acid based tanning activities. d. Consumption of hides and skins as food (delicacy) in urban centers nation wide e. Poor rates paid by tanners for raw hides and skins f. Hides and skins production depends largely on the demand for red meat g. Absence of network among village level tanners and large urban based industrial tanneries 	<p><u>To support propelling forces</u></p> <ul style="list-style-type: none"> a. Technical assistance to village level tanners and small scale leather products manufacturers b. Importation of hides and skins for finishing and sales to local shoes manufacturers c. Strengthening of industrial and small scale shoe manufacturers network d. Network local shoe manufacturers with overseas importers <p><u>To ameliorate counter forces</u></p> <ul style="list-style-type: none"> a. Consider other ingenious means of project financing b. Produce affordable meat to cut down on consumption hides and skin as food c. Encourage tanners to pay commercial rates for hides and skins