

MANUFACTURING AFRICA



Manufacturing Africa aims to reduce poverty in Africa by attracting £1.2 billion of foreign direct investment into manufacturing and creating 90,000 jobs over 7 years (2019-2026). The programme is funded by the UK government through the Foreign, Commonwealth & Development Office (FCDO)



Consolidating the Cocoa Value Chain to Upscale Chocolate Manufacturing in Nigeria

Founders of a leading cocoa processing company with presence in Ghana and Germany have established a business in Nigeria to replicate their success in the Ghanaian cocoa industry. The newly established entity will bring together the fragmented smaller producers in Nigeria who are mostly stagnant, or loss making and consolidate them to form a new scale operator with improved efficiency, standards, and outcomes to the smallholder farmers.

The company produces semi-finished cocoa products including cocoa butter, cocoa liquor and cocoa powder for supply to the worldwide chocolate, ice cream and bakery industries.

It has an annual installed capacity of 60,000 tons and employs 600 employees in Ghana, approximately 25% of which are female.

The Nigerian cocoa market was valued at \$106 million in 2015 and is projected to grow to \$600 million by 2025.

75%

of global cocoa production originates from Africa

80%

of Africa's chocolate market is made of imported finished cocoa products

20 million

people derive livelihood from cocoa industry globally

THE CHALLENGE

To enter the Nigerian market, the company intends to purchase a majority shareholding in a stagnant Nigerian cocoa processor that has been in existence since 1995. The transaction has the support of a reputable development finance institution (DFI) which needed a market study to articulate the Nigeria cocoa opportunity, a financial analysis to structure the deal and a review of ESG issues.

Unprocessed cocoa beans represent majority of cocoa exports from Africa



Nigeria 90%



Ivory Coast 72%



Ghana 68%

MA SUPPORT

Manufacturing Africa helped advance the project by:

- Conducting a market study to determine the local and international market opportunities for Nigerian semi-finished and finished cocoa products.
- Producing a financial analysis paper to support the key areas of diligence being undertaken by the DFI to fully assess the projections and financial model of the project.
- Advising on revised governance structures and context for the investor (DFI) and carried out corporate structuring to analyse listed entity and other ownership structure issues.
- Reviewing the environmental and sustainability standards in place, identifying gaps in the company's management system and recommending solutions.
- Developing a production practices paper that highlighted opportunities for improved sustainability in the supply chain, particularly avoidance of deforestation and forced and child labour.
- Developing a strategic overview of the cocoa sector, to analyse ESG challenges to investments in the cocoa industry in Nigeria.



IMPACT

- Manufacturing Africa's support removed blockages to the investment, including verifying the business case assumptions and viability of the cocoa market in Nigeria, assessing viability of the future corporate and capital structure, consequently providing comfort to the DFI and the new entities shareholders.
- Manufacturing Africa support on ESG issues helped the DFI to understand the risks and mitigations of the investment and the sector, and to build a plan to address these.
- The DFI was able to utilise Manufacturing Africa's support to progress the deal through internal investment committees and receive approval for the transaction.
- The DFI has subsequently committed **\$12million** to the company while the second investment phase amounting to \$11.5 million will be made by a Dutch investment bank.

DEVELOPMENT IMPACT

- The company will employ 500 new people across different levels of the company in Nigeria.
- Skills and knowledge from the Ghana business will be transferred to Nigeria through staff trainings.
- The Nigerian production facility will deploy energy efficient practices such as solar energy and a shell boiler that will use cocoa waste as fuel to produce steam for processing needs.

LESSONS LEARNED

- Working with a DFI has tight timelines due to internal approval deadlines and there is a need for all parties to be flexible



This programme is funded by UK aid from the UK government; however, the views expressed do not necessarily express the UK government's official policies.

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