



# Human Rights Assessment in Nigeria

Report November 2015



## Executive summary

Arla is now taking its next steps in West Africa with the announcement of two new joint venture companies in Senegal and Nigeria. The move is part of Arla's strategy to develop new markets outside Europe and to fulfil its growth ambition in Sub-Saharan Africa.

As Arla continues to expand its business activities in African markets, it is essential to the long-term success of our business that the company's growth is achieved in a responsible manner that does not bring unintentional negative consequences for the local dairy sector and its related communities. As part of Arla's commitment to respect human rights, as outlined in the UN Guiding Principles on Business and Human Rights, the company has the responsibility to assess and address our actual and potential adverse impact related to Arla's business activities. The purpose of this human rights assessment is, therefore, to identify whether Arla's activities actually or potentially cause, contribute or are linked to a deterioration of human rights in Nigeria with a specific emphasis on the impacts on working opportunities, working conditions and adequate standard of living for local farmers, and their dependants, who depend on raw milk production, processing, distribution, marketing and sales of dairy products.

In order to conduct the assessment, it has been of utmost importance to consult the local dairy farmers who are most vulnerable in terms of human rights, in order to get a first-hand understanding of their involvement in local dairy value chains in Nigeria. A significant methodological approach has therefore been to observe and understand dairy activities on a local level and to follow these from cow to consumer. Unfortunately, requisite security considerations hindered a field visit to the Fulani pastoralist in the northern states, where the bulk of raw milk is produced. Instead, field studies were conducted in the south-western state of Oyo where a vast number of Fulani cattle breeders have moved in searching for better conditions for their cattle along the river areas.

Moreover, data has been collected through consultations with a vast number of NGOs, research institutions, government, UN organisations, trade consultants and business partners in order to obtain an understanding of their concerns, expertise and suggestions. The assessment has been conducted by Arla's Corporate Responsibility team, Consumer International, with guidance from the Danish Institute for Human Rights.

Raw milk in Nigeria is mainly harvested by members of the Fulani in the northern regions of the country, with a steady extension to other regions, such as the south-western states of Oyo and Kwara. The vast majority of Fulanis are nomadic pastoralists, who are highly dependent on dairy production and sales for their livelihood. This is particularly true for the women, who traditionally are responsible and thus play a crucial role in milk production, processing and sales. In terms of human rights, the pastoralist Fulani are among the most vulnerable groups in Nigeria. The right to land is not ensured for the Fulani cattle breeders, which results in an increasing number of land conflicts and insecurity. Together with the years of underinvestment in the dairy sector, the vulnerability in terms of enjoying basic human rights such as the right to land, food, health, education, work and water has increased.

The vast majority of locally produced milk is consumed within the household or sold through the informal channel to neighbours or at the local open market. The trade of fresh milk and other dairy products from small-scale farmers, therefore, almost does not exist outside the geographical neighbourhood. The local dairy sector faces a spectrum of structural barriers to its development, including low milk yield, high season dependency and poor infrastructure leading to irregularity in supply, lower food safety standards and high production costs which, together, are detrimental to the chances of its commercialisation.

The constraints derived from limited electricity supply in rural areas, and lack of sustainable cold chains, results in limited or zero ability to establish efficient distribution channels on a larger scale, consequently restricting access to the market.

Despite underdeveloped local production of raw milk in Nigeria, the sector represents an important component with great economic, nutritional and social implications for the people involved. However, the aforementioned barriers mean that the local dairy sector is poorly placed to meet rapidly rising consumer demand and to compete against imported milk powder in regards to price, quality, volume, sales and market coverage. As a result, there is huge gap between the quickly increasing domestic demand for dairy products and the local supply in Nigeria, which, if not met, could potentially lead to an increase in the already existing high malnutrition levels.

During our stakeholder consultation process, widespread concerns were expressed regarding the potential future negative impacts of Arla's activities in Nigeria. Since Arla's business model, in its first stage, will primarily be based on imported milk powder, the major concerns are related to its potential negative effect on domestic dairy sector development and thereby contributing to adverse human rights impacts on small-scale farmers and their dependants.

The key findings of the assessment are that Arla seems not to directly cause or contribute to negative impacts on the local dairy farmers' human rights since Arla will not be directly involved with the raw milk value chain through its future business activities due to Arla's business model together with relative high degree of market segmentation in Nigeria.

While import of milk powder from the EU is only one of the challenges faced by the Nigerian dairy sector, it should not be neglected that Arla's increasing sale of imported milk powder in Nigeria is related to the underdevelopment of the local dairy sector when taking a broader perspective. The fact that Arla will play a larger role in the market might contribute to further lessen government's incentive to invest in the sector due to the easy availability of imported milk powder which can be bought at lower prices in comparison with local produced raw milk and which can meet the urgent local demands. Furthermore, Arla might indirectly be related to the lack of investment in the development of the sector (i.e. local sourcing), due to lower prices and higher quality of imported milk powder, together with the irregular availability of local fresh milk, which might incentivise processors to use imported powdered milk, instead of sourcing locally, in the production of other dairy products.

Arla's business model is, in the first stage, based on repackaging, sale and distribution of imported milk powder. Arla might therefore become an integrated part of the complex systemic factors, which is linked to the continuous underdevelopment of the dairy sector by amplifying the current difficulties. This creates a potential linkage to adverse human rights impact on the dairy farmers involved who are dependent on income and nutritional value from raw milk production and sales. Hence this is the connection that is further explored in this assessment.

There are increasing expectations from government, human rights organisations, farmers' organisations, the UN and experts towards Arla's engagement in the development of the dairy sector in Nigeria. This assessment provides Arla with a better understanding of the complex dynamics between international dairy business and local dairy sector development in Nigeria which will inform our future business activities.

In order to mitigate potential negative human rights impact to ensure a sustainable market presence in the long run, Arla has identified five scenarios to address the potential negative human rights impacts identified and to strengthen the local dairy value chain in Nigeria. An action plan will be developed during Q4 2015 – Q1 2016.

Arla will expand its engagement in The Milky Way to Development. This declaration is a framework for local actions with a clear reference to our human rights commitment. Arla's aim is to consolidate and validate the five scenarios through an informed dialogue process with The Milky Way to Development as a placeholder. A second round table meeting will be held in Nigeria in order to identify innovative solutions to decrease the risk of adverse human rights impact and to develop a sustainable development of the local dairy sector with space for both local producers and international dairy companies.

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# Introduction

## Background and context

Arla is now taking its next steps in West Africa with the announcement of two new joint venture companies in Senegal and Nigeria. The move is part of Arla's strategy to develop new markets outside Europe.

The two new joint ventures are another step towards fulfilling Arla's ambition in Sub-Saharan Africa, where Arla aims to grow its annual revenue from approximately €90m to approximately €460m in 2020. This will initially be achieved through sales of powdered milk and liquid milk, which are in high demand among the rapidly growing middle class in and around the big cities. The products are mainly targeting urban consumers and dairy industries located in the western part of Nigeria.

Arla's products in Africa will be sold under the Arla Dano® brand and other Arla brands such as Lurpak® and Castello® at a later stage. The products are produced from raw milk produced by Arla's farmer owners in Europe.

In Nigeria, Arla already has an established business with a market share of about 3% and annual revenue of approximately €80m, but so far it has been based on various distribution agreements. Now, by placing all its current and future business in Nigeria in the new joint venture company with Tolaram Group<sup>1</sup>, Arla expects to grow its revenue in Nigeria to €240m by 2020.

The new joint venture in Nigeria will carry the name TG Arla Dairy Products LFTZ Enterprise and is owned 50% by Arla and 50% by Tolaram Group. The company will handle packaging, marketing, sales and distribution of Arla products. The packaging unit is located in the Lekki industrial zone, established in the outskirts of Lagos. There will be some 150 people employed in TG Arla Dairy Products LFTZ Enterprise from 2015.

As Arla continues to expand its presence and business activities in African markets, it is essential to the long-term success of our business that the company's growth is achieved in a responsible way that does not bring unintentional negative consequences for the local dairy sectors and its related communities<sup>2</sup>. However, the responsibility to respect human rights applies to Arla regardless of its size and market shares. The severity of potential adverse impact will be judged according to scale, scope and its irremediable character<sup>3</sup>.

As part of Arla's commitment to respecting human rights, as outlined in the UN Guiding Principles on Business and Human Rights and in our Human Rights Policy<sup>4</sup>, Arla is committed to assessing our human rights impacts. Actual and potential adverse impacts should be addressed through prevention, mitigation and, where appropriate, remediation<sup>5</sup>.

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<sup>1</sup> Tolaram Group is a leading distributor of fast-moving consumer goods (FMCG) and a producer of noodle products and food oils. Largest independent FMCG distributor in West Africa with access to more than 500,000 retailers. <http://tolaram.com/>

<sup>2</sup> Arla, Our Responsibility: <http://www.arla.com/about-us/responsibility/>

<sup>3</sup> UN Guiding Principles on Business and Human Rights 2011, principle §14.

<sup>4</sup> Arla, Arla Foods Human Rights Policy, 2015:

[http://www.arla.com/globalassets/global/responsibility/pdf/arla\\_foods\\_human\\_rights\\_policy\\_update.pdf](http://www.arla.com/globalassets/global/responsibility/pdf/arla_foods_human_rights_policy_update.pdf)

<sup>5</sup> UN Guiding Principles on Business and Human Rights 2011, see §11, 12 and 17.

Due to concerns raised by NGOs on Arla's potential negative impact on local dairy farmers' human rights<sup>6</sup> through sales of imported milk powder, we decided to further investigate and understand how our increasing sales of milk powder might negatively impact the human rights of local dairy farmers and their dependants in Nigeria.

Moreover, the Nigerian government aims to develop the dairy sector to improve agricultural self-sufficiency and has introduced a number of agricultural programmes to support the local dairy sector. It is to an increasing extent expected that international dairy companies contribute positively to the development of the local dairy sector. As a company, we consider it to be part of our responsible conduct to address these business-related challenges in cooperation with the Nigerian government and other relevant stakeholders.

In March 2015, Arla signed the declaration The Milky Way to Development. This is a multi-stakeholder initiative which aims at strengthening international cooperation to address the broken local milk value chains in some of the poorest areas in West Africa. The Milky Way to Development facilitates dialogue between West African dairy farmers, dairy enterprises and European dairy enterprises in order to create socially responsible business models that define an active role for the small-scale milk producers<sup>7</sup>. The initiative builds on a human rights approach and strives to fulfil basic human rights through sustainable dairy sector development. This includes policy development and investment in local dairy value chains to eradicate poverty and effectively combat malnutrition.

On 25 September, the UN launched the Sustainable Development Goals (SDG), which represent the most ambitious development agenda ever forged at international level. Together with other companies, Arla has led the way by making a public commitment to play its role as a business to fulfil these ambitious goals. We believe that widespread support from business is a prerequisite for effective implementation<sup>8</sup>.

It is therefore important for us to understand in a broader perspective what measures can be taken to contribute to the development of a sustainable dairy sector in Nigeria and to identify Arla's potential role. This human rights assessment should be considered as one of the measures to stimulate dialogue with stakeholders in Nigeria and to take into account their aspirations in our business decisions.

The purpose of this human rights assessment report is, therefore, to understand more about the dynamics and systemic challenges of local dairy production in Nigeria and to identify whether Arla's activities cause, contribute or are linked to a deterioration of working opportunities, working conditions and adequate living standards for Nigerian farmers and dependants who rely on raw milk production, processing, distribution, marketing and sales of dairy products.

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<sup>6</sup> ActionAid, 2011. The concerns expressed in Milking the Poor is mainly related to negative impact of international trade regulations and subsidies on the development of the local dairy sector.

<sup>7</sup> Care, The Milky Way to Development: <http://www.care.dk/focuscountries/niger-eng/milky-way-development/> and The Milky Way to Development, Declaration from roundtable, 19 March 2015: <https://www.care.dk/wp-content/uploads/2015/03/Final-signed-declaration-Roundtable-19-March-2015.pdf>

<sup>8</sup> Financial Times, Work with business to achieve sustainable development goals, 2015: <http://www.ft.com/cms/s/0/6a4a9e68-6309-11e5-9846-de406ccb37f2.html#axzz3mvEcSThT>

The main questions to be discussed in this report are to assess and address the potential impact of Arla's business activities on the right to adequate living and other related human rights of the local dairy farmers and their dependants in Nigeria:

- Does Arla's sales and distribution of milk powder outcompete locally produced dairy products and thereby negatively impact small-scale dairy farmers' income and livelihoods of farmers and their dependants?
- Is the sale of milk powder from Arla a barrier to unlocking the potential of local dairy production and thereby a barrier for development?
- Does the import of cheaper milk powder lead to lack of government incentives to invest in sufficient infrastructure to build the local dairy sector? Some of the concerns raised need to be understood in a broader perspective<sup>9</sup>, namely whether Arla contributes and/or hinders sustainable development of the domestic dairy sector by the exclusive focus on distribution and sales?
- What are the concerns and aspirations made by the stakeholders we consulted during our field study and what are our findings based on our field observations together with literature reviewed?

The report provides an overview of our observations related to human rights issues, which were made during our field trip to Nigeria in July 2015.

The results of the assessment will be integrated in our internal business processes and shared across functions and management boards within Arla to inform future decision-making.

In line with the UN Guiding Principles on Business and Human Rights<sup>10</sup> and our ambition to provide stakeholders with transparent and open communication, the two human rights assessment reports are publically available on Arla's website: <http://www.arla.com/about-us/responsibility/human-rights/>. In addition, information will be provided in the Arla Corporate Responsibility Report 2015. It is our hope that by sharing our methods and reflections openly, we cannot only ensure greater human rights due diligence within our own business activities, but promote business respect for human rights of other companies facing similar challenges.

Arla gives thanks to ActionAid Denmark for providing us with valuable inputs and constructive criticism during our research, design and reporting phase. It is of utmost importance that concerns raised can be addressed through intelligent dialogue and partnership. ActionAid Denmark challenged us with critical questions during the assessment process, which definitely has improved our understanding. Arla trusts that both parties have gained renewed insights for the benefit of sustainable agricultural development in West Africa.

In addition, the Danish Trade Council, Nigeria, has provided Arla with qualified consultancy on the dairy sector in Nigeria and assisted us during our field trip. Without their support, it would not have been possible to reach out to such a large number of stakeholders within a rather short time-frame.

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<sup>9</sup> UN has per September 2015 launched 17 Sustainable Development Goals (SDG) where sustainable agriculture is related to a number of goals such as eradication of poverty, responsible consumption and production and gender equality. See also <https://sustainabledevelopment.un.org/>

<sup>10</sup> UN Guiding Principles on Business and Human Rights 2011, see §21.

Finally, we should thank the West African Network organisation Billital Maroobe for assistance, information and for letting us get a glimpse into the life, perceptions and aspirations of the pastoralist Fulani dairy farmers in Nigeria.

The methodological framework, report outline and outline of the assessment process have been designed by the Danish Institute for Human Rights<sup>11</sup>, which has provided expertise during the entire process. However, it should be underlined that the validity of the empirical data generated through our field study, the conclusions as well as the integration of findings into business processes, are solely the responsibility of Arla.

There is still a lot to learn when it comes to assessing and addressing business impacts on human rights. The journey has started and we are thrilled to be part of a global movement, which strives to implement the UN Guiding Principles of Business and Human Rights by sharing tools, methods and practical how-to-do approaches.

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<sup>11</sup> The Danish Institute for Human Rights, Business and Human Rights: <http://humanrights.dk/business-human-rights>

## Methodology

This human rights assessment was conducted during July 2015. The report should not be seen as representing a full human rights impact assessment, and should not limit the scope of such future assessments and/or periodic reviews which are undertaken parallel to this assessment. Rather, the observations in the report can be used to add a human rights perspective to existing and future activities of Arla in Nigeria with a specific emphasis on the human rights impacts on individuals and communities involved in the local dairy sector.

We have used a number of mixed methods to generate data such as:

- Desk research and literature review
- Statistical data collection
- Stakeholder mapping
- Semi-structured interviews and discussions with government institutions, researchers, NGOs, UN organisations, local dairy farmers, dairy companies, Arla employees, business partners and development projects
- Field visit to local dairy producers and processing facilities<sup>12</sup>
- Knowledge sharing with FrieslandCampina in regard to business models
- Registration of dairy products at rural open markets, urban open markets and supermarkets

In total, we have conducted semi-structured interviews and stakeholder meetings with approximately 100 people representing three main stakeholder groups in terms of human rights:

1. Project affected stakeholders (local dairy farmers, local dairy processors, local farmers' organisations)
2. Duty bearers/responsible parties (national and local government bodies)
3. Non-project affected stakeholders (NGOs, experts, UN organisations)

The UN Guiding Principles on Business and Human Rights should be implemented in a non-discriminatory manner, with particular attention to the rights and needs of the groups and individuals that might be of heightened risks of becoming vulnerable.

It has therefore been of utmost importance for us to actually visit, consult and listen to the most vulnerable local dairy farmers in order to get a first-hand understanding of the farmers' involvement in and activities related to the local raw milk value chain – from production to processing, distribution and sales. A significant methodological approach has therefore been to observe and understand the dairy activities on a local level – from cow to consumer.

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<sup>12</sup> See list of interviewees for reference.

Special attention has been placed on gender issues since it is the women from the Fulani tribe who first and foremost are involved in raw milk production and processing. Local female and male farmers, farmers' organisations and women's organisations have been consulted directly with the purpose of understanding their concerns and getting their view on measures to improve their living standards through the dairy business. Interviews with local farmers have been conducted with the assistance of a Fulani-speaking interpreter.

Due to security reasons, it was unfortunately not possible to visit local Fulani communities in the northern part of the country. Instead, we conducted a field trip to dairy farmers in Oyo state in the south-western part of Nigeria.

We are aware that time and limitations in numbers and range of interviewees influence our data. Our findings therefore relate to the specific time and scope of the conducted research.

We are also aware that our decision to conduct the assessment by our own internal Corporate Social Responsibility team in Consumer International might have a biased influence on the views expressed. However, our priority is to profit from the useful insights and valuable stakeholder relations which we have gained through this approach. We see this assessment as an essential part of the journey to understand and to engage stakeholders in Arla's business activities. We have deep respect for the complexity of the subject and are aware that our findings should be presented with humility due to their limitations in methods, data and time. It is obvious that more research is needed in order to understand the dynamics of the relationship between Arla and the local value chain and to identify the most effective mitigation measures. This assessment is the first step on the journey.

The report is based on both primary and secondary data. Updated statistical information on the dairy sector in Nigeria is only available to a limited extent. The statistical information in our report is based on sources including FAOSTAT, US Department of Agriculture, Nigerian Ministry of Agriculture and Rural Development, Global Dairy Trade, the National Bureau of Statistics and Euromonitor. Since the vast majority of the raw milk production in Nigeria is consumed within the household and therefore is an integral part of rural subsistence economy, statistical information is often lacking or incomplete. Several studies on dairy sector development are more than 10 years' old. Prior to signing the new joint venture, Arla, therefore, requested the Danish Trade Council<sup>13</sup> to conduct a market survey. In addition, we have access to sector research conducted by Augusto & Co<sup>14</sup>.

The qualitative data is based on desk research and semi-structured interviews conducted with a large number of individuals and organisations during our field study. The interviews have been recorded and transcribed to support our analysis. We have chosen not to include quotations but instead refer to the meetings held with the particular stakeholder. The list of interviewees is included.

The assessment has been sent for consultation to ActionAid Denmark, Care Denmark and Arla's internal experts on trade policy and human rights, as well as Arla's top management in Sub-Saharan Africa before publishing. Moreover, the Danish Institute for Human Rights has provided substantial debate and consultation during the entire process.

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<sup>13</sup> Ministry of Foreign Affairs of Denmark - The Trade Council, Draft 2 Report, Milk Production Nigeria (Arla foods amba), 2014.

<sup>14</sup> Augusto & Co., Dairy - Milk, Infant Formula and Ice Cream, 2014: For more information, please see: <http://www.agusto.com/search.php?cx=009357489270767190088%3A0qutb0uezda&cof=FORID%3A11&q=dairy&sa=GO>

# Human rights impacts

## Country profile

### Political context

Nigeria is a federal republic of 36 states and a federal capital territory, with an overall population of about 170 million. It has one of the fastest growing economies in the region. The country's population is ethnically diverse and consists of more than 250 groups, many of which are concentrated geographically. Even though there is not one predominant ethnic group, the three major ones, Hausa, Igbo, and Yoruba, jointly constitute approximately half of the population. Ethnic discrimination is a widespread practice, evident even in private sector hiring patterns<sup>15</sup>.

Executive power is exercised by the president. It is influenced by the Westminster system model in the composition and management of the upper and lower houses of the bicameral legislature. The president presides as both Head of State and head of the national executive; the leader is elected by popular vote to a maximum of two four-year terms. In January 2014, Nigeria assumed a non-permanent seat on the UN Security Council for the 2014-15 terms<sup>16</sup>.

The president's power is checked by a senate and a house of representatives, which are combined in a bicameral body called the National Assembly. The Senate is a 109-seat body with three members from each state and one from the capital region of Abuja. Members are elected by popular vote to four-year terms. The House contains 360 seats, where the number of seats per state is determined by population. Ethnocentrism, tribalism and religious persecution have affected Nigerian politics both prior and subsequent to its independence in 1960. It is important to note that tribalism in particular is highly embedded and it shows the importance of culture and traditions. Representatives of the Hausa are considered to be the most influential in the political realm. Furthermore, the chief or head of the tribe has profound influence over decisions within the tribe, and acts as a representative before governmental institutions, business, etc. Their role is of particular importance when considering issues/disputes regarding land rights and local employment.

Presidential elections took place on 28 March 2015, resulting in the victory of the 72-year-old Hausa Muhammadu Buhari from the All Progressives Congress (APC) over former President Goodluck Jonathan, making him the first opposition candidate to defeat an incumbent. Mr Buhari is a retired Nigerian Army major general and was Head of State of Nigeria from 31 December 1983 to 27 August 1985, after taking power in a military coup d'état. There are high hopes for Buhari's presidential term, based on his previous experience in both the government and the military. A clear sign for his upcoming agenda is his visit to the White House, which took place only two months after the election and received a very positive response<sup>17</sup>.

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<sup>15</sup> US Department of State, Human Rights Country Report, Nigeria, 2014: <http://www.state.gov/documents/organization/220358.pdf>

<sup>16</sup> The World Factbook, Nigeria: <https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html>

<sup>17</sup> Obama lauded Buhari's commitment to democracy and calm, especially as it applied to the growing terrorism group Boko Haram, according to pool reports: "President Buhari comes into office with a reputation for integrity and a very clear agenda, and that is to make sure that he is bringing safety and security and peace to his country". G., Julia, 2015, Nigerian President Buhari Meets Obama At White House To Talk Boko Haram, Improve Relations:

Currently, there are substantial security threats related to the emergence of a terrorist group under the name of Boko Haram. Activities are mainly concentrated in the northern part of the country, consisting of attacks, bombings and kidnappings. The security situation has largely affected the local community, causing a high percentage to move to the south and south-west. The rise of this militant group has contributed to violations both of human rights, as well as violations by security forces, which weakens and undermines governance frameworks. For example, during mid to late March 2014, Nigerian military units and members of the quasi-military Civilian Joint Task Force committed more than 600 extrajudicial killings in and around Maiduguri, according to Amnesty International<sup>18</sup>. At present, the attacks continue and affect people from every section of society and have widespread effects, including the socioeconomic and human rights in the region. The current government is looking into ways of effectively coping with this internal security crisis.

| <b>Demographics &amp; economy<sup>19</sup></b>                                      |   |
|---|---|
| Population  | 173.6 million (2013 est.)   |
| Ethnic groups   | Yoruba, Hausa, Igbo, Fulani, Efik-Ibiboo, Kanuri, Edo, Tiv, Ijaw, Nupe, Bura. |
| GDP <sup>20</sup>   | €488.2bn <sup>21</sup> (2013 est.)  |
| GDP (Purchasing Power Parity)   | €989.9bn <sup>22</sup> (2014 est.)  |
| GDP growth rate (est.)  | 7% (2014 est.)  |
| GDP per capita (PPP)  | €5,707 <sup>23</sup> (2014 est.)  |
| GNI per capita in PPP terms (constant 2005 international \$) <sup>24</sup>          | 5,353 (2011 est.)   |
| Unemployment rate   | 23.9% (2011 est.)   |
| Human Development Index rank (out of 187 countries) <sup>25</sup>                   | 152   |
| <b>Inequality<sup>26</sup></b>  |   |
| Inequality-adjusted education index   | 0.233   |
| Inequality-adjusted life expectancy index   | 0.296   |
| Inequality-adjusted income index  | 0.394   |
| Inequality-adjusted HDI value   | 0.3   |
| Labour force participation rate, female-male ratio (Ratio of female to male shares) | 0.839   |

<http://www.ibtimes.com/nigerian-president-buhari-meets-obama-white-house-talk-boko-haram-improve-relations-2016686>

<sup>18</sup> Amnesty International Annual report, 2015-2015.

<sup>19</sup> The World Factbook, Nigeria: <https://www.cia.gov/library/publications/the-world-factbook/geos/ni.html>

<sup>20</sup> UN Development Programme, Human Development Report, Nigeria – Human Development Index, 2014: <http://hdr.undp.org/en/data>

<sup>21</sup> Equal to \$521.8bn.

<sup>22</sup> Equal to \$1.058 trillion.

<sup>23</sup> Equal to \$6,100.

<sup>24</sup> UN Development Programme, Human Development Report, Nigeria – Human Development Index, 2014: <http://hdr.undp.org/en/data>

<sup>25</sup> UN Development Programme, Human Development Report, Nigeria – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/NGA>

<sup>26</sup> UN Development Programme, Human Development Report, Nigeria – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/NGA>

| <b>Poverty<sup>27</sup></b>   |                  |
|---|------------------|
| MPI: Multidimensional poverty index (%)   | 0.24%            |
| MPI: Intensity of multidimensional poverty  | 55.24%           |
| MPI: Headcount, percentage of population in severe multidimensional poverty (% of population) | 25.65%           |
| MPI: Population living below \$1.25 PPP per day (%)   | 67.98%           |
| <b>Food<sup>28</sup></b>  |                  |
| Average dietary energy supply adequacy  | 124              |
| Average value of food production  | 200              |
| Domestic food price index   | 6.33 (2012 est.) |
| Prevalence of undernourishment  | 7.0% (2014-16)   |
| Prevalence of food inadequacy   | 11.8%            |
| <b>Water</b>  |                  |
| Access to improved water sources <sup>29</sup>  | 64%              |
| <b>Health<sup>30</sup></b>  |                  |
| Under-five mortality (per 1,000 live births)  | 124              |
| Life expectancy at birth m/f (years)  | 52.51 years      |
| Health index  | 0.70             |
| <b>Education<sup>31</sup></b>   |                  |
| Expected Years of Schooling (of children) (years)   | 9 years          |
| Adult literacy rate, both sexes (% aged 15 and above)   | 51.1             |
| Mean years of schooling   | 5.25             |
| <b>Freedoms<sup>32</sup></b>  |                  |
| Freedom rating (1 - high level of freedom; 7 – extremely low level)                           | 4                |
| Political rights rating (1 - high level of freedom; 7 – extremely low level)                  | 4                |
| Civil liberties rating (1 - high level of freedom; 7 – extremely low level)                   | 5                |
| <b>Corruption<sup>33</sup></b>  |                  |
| Corruption Perceptions Index Score (0 - highly corrupt; 100 - very clean).                    | 27               |
| Country ranking (out of 176 countries and territories)  | 139              |

<sup>27</sup> UN Development Programme, Human Development Report, Nigeria – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/NGA>

<sup>28</sup> UN Food and Agriculture Organization (FOA), Food Security Indicators, 2015: <http://www.fao.org/economic/ess/ess-fs/ess-fadata/en/#.VXBStKqgko>

<sup>29</sup> WHO/UNICEF Joint Monitoring Programme (JMP) for Water Supply and Sanitation: <http://www.wssinfo.org/>

<sup>30</sup> UN Development Programme, Human Development Report, Nigeria – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/NGA>

<sup>31</sup> UN Development Programme, Human Development Report, Nigeria – Human Development Index, 2014: <http://hdr.undp.org/en/countries/profiles/NGA>

<sup>32</sup> Freedom House, Freedom in the world, Nigeria, 2014: <https://freedomhouse.org/report/freedom-world/2014/nigeria>

<sup>33</sup> Transparency International, Corruption Index 2012: Results: <http://cpi.transparency.org/cpi2012/results/>

## Protection of human rights in the legal and policy framework

Whereas the economy grew at an average of about 6.2% annually between 2002 and 2011, the government is concerned about the apparent disconnection between Nigeria's economic growth and human development. According to a report by the Swedish government, reviewing the state of human rights in Nigeria, the rule of law in Nigeria is inadequate and impunity widespread. The introduction of Sharia (Islamic law) in 12 states has had an impact on society at large. It is particularly noticeable for women, but also for the Christian population, in the northern part of the country<sup>34</sup>.

In terms of international Human Rights Instruments, Nigeria has ratified, among others, the following conventions<sup>35</sup>:

- Convention on Civil and Political Rights (CCPR 1993) - though not its protocol on individual complaints and abolishing the death penalty.
- Convention on Economic, Social and Cultural Rights (CESCR 1993).
- International Convention on the Elimination of All Forms of Racial Discrimination (CERD 1969).
- UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW, 1984) and the Optional (optional) Additional Protocol on individual complaints (2004).
- The Convention on the Rights of the Child (CRC 1991), its protocol on children in armed conflict and on the sale of children, child prostitution and child pornography (2000).
- Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT 2001).
- Convention on the Status of Refugees (1995).
- African Charter on Human and Peoples' Rights.

When considering country ratifications, Nigeria has made some crucial steps by supporting: freedom of association, the right to organise and collective bargaining, abolition of forced labour, equal remuneration, minimum working age, and opposition to the worst forms of child labour and discrimination. Furthermore, in 2009, Nigeria was elected to a second three-year term in the UN Human Rights Council.

Currently, there are approximately 80 registered independent organisations working for human rights in Nigeria, including Amnesty International, the Centre for Democracy and Development, ActionAid and Global Rights Nigeria. Many of those working for human rights are doing so in the broader sense, such as coverage of individual legal interests, the situation of women, the rehabilitation of prisoners and research in order to develop democratic institutions<sup>36</sup>.

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<sup>34</sup> Report on Human Rights in Nigeria, Government of Sweden, 2010.

<sup>35</sup> Report on Human Rights in Nigeria, Government of Sweden, 2010.

<sup>36</sup> Report on Human Rights in Nigeria, Government of Sweden, 2010.

## Enjoyment of human rights in practice

Unfortunately however, the enjoyment of selected human rights has been a struggle in reality. The implementation and embedding of the aforementioned covenants has been difficult with many examples of human rights violations and emerging vulnerable groups.

For instance, when considering the Respect for the Integrity of the Person, Including Freedom from Arbitrary or Unlawful Deprivation of Life, the government and its agents committed numerous arbitrary or unlawful killings. The national police, army, and other security services committed extrajudicial killings and used lethal and excessive force to apprehend criminals and suspects as well as to disperse protesters in 2014. Abductions of civilians by criminal groups occurred in the Niger Delta and the south-east.

Other parts of the country also experienced a significant increase in abductions. Prominent figures were often targets of abduction, largely due to their wealth. Kidnappers rarely announced political motives for abductions<sup>37</sup>. The impunity that has characterised the cycles of violence in the Middle Belt and public corruption and embezzlement of the country's oil wealth require urgent attention. It is, however, the conflict in the north east of the country that has involved the most egregious human rights abuses. Human Rights Watch believes that around 7,000 civilians have been killed since 2010 and more than a million people are displaced<sup>38</sup>. It has further led to increased stunting, high levels of malnutrition, increased levels of unemployment and, hence, a deterioration to the right to adequate standard of living.

Local NGOs, international human rights groups, and political and traditional leaders from affected states, accused the security services of illegal detention, inhuman treatment of detainees and torture. On September 18 last year, Amnesty International released a report alleging the routine and systematic practice of torture and other mistreatment by security services. In addition to that, the practice of Sharia law penal codes in 12 of the northern states allows for sentences that include amputation for minor offences, causing further concerns regarding the human rights situation<sup>39</sup>.

Other examples would include freedom of speech, which according to the constitution all individuals are entitled to. Although federal and state governments usually respected this right, there were reported cases in which the government abridged the right to speech and other expression<sup>40</sup>.

During this research, one of the issues that came to the forefront is that of corruption. According to Transparency International, the corruption perception index of the country is 137/175<sup>41</sup>. The anticorruption efforts of the Independent Corrupt Practices Commission (ICPC) and the EFCC remains largely focused on low and middle-level government office holders. Allegations of high-level corruption are left unaddressed.

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<sup>37</sup> US Department of State Human Rights Country Report, Nigeria, 2014: <http://www.state.gov/documents/organization/220358.pdf>

<sup>38</sup> Human Rights Watch, UN Human Rights Council: Interactive Dialogue with the High Commissioner for Human Rights, 2015: <https://www.hrw.org/news/2015/07/01/un-human-rights-council-interactive-dialogue-high-commissioner-human-rights>

<sup>39</sup> US Department of State, Human Rights Country Report, Nigeria, 2014: <http://www.state.gov/documents/organization/220358.pdf>

<sup>40</sup> Report on Human Rights in Nigeria, Government of Sweden, 2010

<sup>41</sup> Transparency International – the global coalition against corruption. Corruption by country/territory: <https://www.transparency.org/country/#NGA>

Despite the wider mandate of the ICPC, it had obtained only 76 convictions since its inauguration in 2000. However, corruption continues to be widespread and presents a lot of difficulties both in the public and private sectors<sup>42</sup>.

A specifically vulnerable group remains women and children. Forced labour remains widespread. Women and girls are subjected to forced labour in domestic servitude, while boys are subjected to forced labour in street vending, mining, agriculture and begging. The government's child labour policy focused on intervention, advocacy, sensitisation, legislation, withdrawal of children from potentially harmful labour situations and rehabilitation and education of children following withdrawal. The federal government passed the Child Rights Act in 2003, but it required state level ratification for full implementation. A total of 24 states, plus the Federal Capital territory, have passed the Act. The remaining states are in the north, where Sharia law is in effect. UNICEF continued to advocate passage and enforcement in all other states<sup>43</sup>.

UNICEF reported that children were sometimes encouraged to participate in ethnic conflicts, but forced involvement has been difficult to prove. Children were forced into criminal activity, and poverty induced children to engage in crime and violent activities.

Furthermore, issues related to the right to land become increasingly prominent. This is particularly relevant to the Fulani pastoralists, who are forced to search for new grazing lands for their cattle, especially during the dry season. The nomadic or semi-nomadic pastoralism that sees them move from the North to the South has been the cause of conflicts between Fulanis and people involved in agriculture or indigenous life. Unauthorised passage, destruction of crops and use of water in areas set for agricultural use have led to a number of arrests and even killings<sup>44</sup>.

Overall, greater respect for human rights and the rule of law are essential if Nigeria is to manage continued economic, social and security challenges effectively.

### Probability of adverse human rights impact by business

Business and human rights are intrinsically linked. With the UN Guiding Principles on Business and Human Rights, Global Compact and the OECD Guidelines it is becoming clear the impact that businesses can have on human rights is profound.

In Nigeria, there have been several high-profile cases where there have been adverse human rights impacts by business. For instance, Shell has been scrutinised about mismanagement of oil spills. Environmental Rights Action/Friends of the Earth Nigeria allege that Wilmar International's operations continue to impact negatively on the human rights of local communities, contrary to the company's "no deforestation, no peat and no exploitation policy" adopted in 2013<sup>45</sup>.

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<sup>42</sup> Report on Human Rights in Nigeria, Government of Sweden, 2010.

<sup>43</sup> US Department of State, Human Rights Country Report, Nigeria, 2014: <http://www.state.gov/documents/organization/220358.pdf>

<sup>44</sup> Interview, Fulani farmers.

<sup>45</sup> Business & Human Rights Resource Centre, Nigeria: NGOs allege human rights abuses by Wilmar International; company denies claims.: <http://business-humanrights.org/en/nigeria-ngos-allege-human-rights-abuses-by-wilmar-international-company-denies-claims>

Most of the cases available are in terms of labour rights violations. According to the Joint Action Front, Volkswagen Nigeria dismissed 25 workers after they went on a strike in May 2014. The reason for protesting was reportedly discontent over poor working conditions and the new company policy manual which did not guarantee workers' rights as laid out in the labour law.

In April 2014, the new management at electricity distribution companies in the country threatened to dismiss 5,357 workers for participating in strike actions against the outsourcing of jobs and inadequate working conditions. Ibadan and Jos electricity companies, in particular, argued that the companies needed to be restructured and insisted that they would not tolerate union presence<sup>46</sup>. In another case, reportedly around 400 staff members of a prominent hotel in Nigeria were fired, following their attempts to join the Trade Union Congress (TUC) and the Nigerian Labour Congress (NLC)<sup>47</sup>. In another instance, in October 2014, two representatives of the Medical and Health Workers' Union of Nigeria (MHWUN) at the Abia State University Teaching Hospital (ABSUTH), Aba, after not receiving their salaries for almost six months and raising the issue with their respective union, were arrested for organising a strike<sup>48</sup>.

As previously mentioned, women remain one of the more vulnerable groups and continue to experience considerable economic discrimination. There are no laws barring women from particular fields of employment, but women often experienced discrimination under traditional and religious practices.

The country's NGO coalition expressed concern over continued discrimination against women in the private sector, particularly in access to employment, promotion to higher professional positions and salary equality<sup>49</sup>. Pregnancy also usually results in a negative outcome for the employment status of women.

Within the agricultural sector there is a string of business linkages to human rights impacts. The country is still largely dependent on imports, which is to a certain extent due to both governmental disinvestment and to the relatively low levels of foreign direct investment in the development of certain segments of the sector. This has raised concerns regarding impact over the right to work and just and favourable conditions of work, the right to health and right to adequate standard of living. These are some of the human rights that this assessment is reviewing in regards to Arla Foods' business in Nigeria.

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<sup>46</sup> ITUC, The 2015 ITUC Global Rights Index. The world's worst countries for workers: [http://business-humanrights.org/sites/default/files/documents/survey\\_global\\_rights\\_index\\_2015\\_en%20%281%29%20%281%29.pdf](http://business-humanrights.org/sites/default/files/documents/survey_global_rights_index_2015_en%20%281%29%20%281%29.pdf)

<sup>47</sup> ITUC, The 2015 ITUC Global Rights Index. The world's worst countries for workers: [http://business-humanrights.org/sites/default/files/documents/survey\\_global\\_rights\\_index\\_2015\\_en%20%281%29%20%281%29.pdf](http://business-humanrights.org/sites/default/files/documents/survey_global_rights_index_2015_en%20%281%29%20%281%29.pdf)

<sup>48</sup> ITUC, The 2015 ITUC Global Rights Index. The world's worst countries for workers: [http://business-humanrights.org/sites/default/files/documents/survey\\_global\\_rights\\_index\\_2015\\_en%20%281%29%20%281%29.pdf](http://business-humanrights.org/sites/default/files/documents/survey_global_rights_index_2015_en%20%281%29%20%281%29.pdf)

<sup>49</sup> US Department of State, Human Rights Country Report, Nigeria, 2014, page 49: <http://www.state.gov/documents/organization/220358.pdf>

## Sector profile

| National production and consumption  |  |
|--|--|
| National milk production (cow)   | 591,470 tonnes (2013) <sup>50</sup>                                      |
| Annual dairy consumption   | 1.7 million tonnes (2013)  |
| Dairy consumption per capita (excluding butter)                            | 8 kg/capita/yr. (2011) <sup>51</sup>                                     |
| Import of milk products, excluding butter (quantity)                       | 952,919 tonnes (2013) <sup>52</sup>                                      |
| Import of dairy products (percentage in proportion to domestic production) | 75% of consumed dairy products are imported <sup>53</sup>                |
| Raw milk delivered for commercial use                                      | Up to 3% <sup>54</sup>   |
| Retail sales of drinking milk products                                     | 167,692.62 <sup>55</sup>   |
| No. of cows  | 4,254,000 (2012) <sup>56</sup>   |
| Average yield per cow  | 0.7 – 1.5 l fluid milk per day from the traditional system <sup>57</sup> |
| No. of households involved in cattle breeding                              | 327,000 households <sup>58</sup>   |
| Average number of cows/farm  | 13 <sup>59</sup>   |

### The Nigerian dairy sector

The dairy sector in Nigeria is the second largest in the country's food and beverage industry. In terms of revenue, the dairy industry for 2013 was estimated at about Naira347bn<sup>60</sup>.

<sup>50</sup> Augusto & Co. Limited. Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>51</sup> FAOSTAT, Milk – Excluding Butter, Food supply quantity (kg/capita/yr), Nigeria, 2011: <http://faostat.fao.org/site/610/DesktopDefault.aspx?PageID=610#ancor>

<sup>52</sup> FAOSTAT, Import –export trends in Nigeria, Milk – Excluding butter, 2013: <http://faostat3.fao.org/browse/FB/BL/E>

<sup>53</sup> Agritrade, Executive Brief Update 2013: Dairy Sector: <http://agritrade.cta.int/Agriculture/Commodities/Dairy/Executive-Brief-Update-2013-Dairy-sector>

<sup>54</sup> According to Annatte, I., 2012, less than 3% of the raw milk production enters formal marketing channels. The vast majority is consumed by the producing household or traded informally within the producing communities.

<sup>55</sup> Ministry of Foreign Affairs of Denmark - The Trade Council, Draft 2 Report, Milk Production Nigeria (Arla foods amba), 2014.

<sup>56</sup> Shittu, A., Nigeria – Milk production fact sheet, 2013: <http://www.ifcndairy.org/en/output/dairyreport/index.php>

<sup>57</sup> Annatte, I. et al., Major issues in Nigeria dairy value chain development, 2012. We were informed that in the traditional Fulani system the yield depends on the season. During the dry season, the yield dropped to 0.5 l/day. In the rainy season milk yield could be increased to 2 l/day. Annatte, I., 2012 estimates that with increased seeds, local production could increase to 1.5 – 2.0 l/day. Improved management and appropriate selection could make an increase to 4 l/day. A few commercialised farms has succeeded in cross-breeding, the yield has increased to 8 – 18 l/day.

<sup>58</sup> Shittu, A., Nigeria – Milk production fact sheet, 2013: <http://www.ifcndairy.org/en/output/dairyreport/index.php>

<sup>59</sup> Shittu, A., Nigeria – Milk production fact sheet, 2013: <http://www.ifcndairy.org/en/output/dairyreport/index.php>

Despite the fact that milk contributes to about 61% of the total industry revenue, there is a wide gap between the production of local milk in Nigeria and demand, which leads to a substantial amount of milk powder and other dairy products<sup>61</sup> being imported in order to cover the existing deficit. An average growth rate of 5% domestic supply of milk is forecasted to be 618,086 tonnes by 2015<sup>62</sup>. The Nigerian economy is expected to experience a yearly growth of 5% in the coming years<sup>63</sup>.

With an increasing economy, operators in the dairy industry experience a huge growth in the demand for dairy products, generated by rising demography, high youth and middle class population, continued westernisation and growth in incomes. Other drivers include development of modern retail channels, urbanisation, and availability of products in small packs<sup>64</sup>. Due to the strong population growth, combined with the fact that the current household consumption of milk in Nigeria is really low, the growth prospect for the sector is very strong<sup>65</sup>. The strong prospect is further supported by the fact that dairy products have a high income-elasticity of demand, especially in regard to the low-income segment. This means that even small increases in income will lead to large increases in household spending on dairy products, thus rapid growth within the sector is expected. However, the development of the dairy sector is highly susceptible to the volatility in the price of raw milk, inflation, low productivity, poor infrastructure and irregularities in the implementation of government policies<sup>66</sup>.

Average dairy consumption per capita is eight litres per year<sup>67</sup>, which is alarmingly low compared to the WHO and FAO recommendations of 220 litres yearly milk consumption per capita<sup>68</sup>. Low milk consumption is one of the factors that causes malnutrition<sup>69</sup>. The low milk consumption in Nigeria can therefore partly explain the malnutrition crisis that the country is facing. According to FAO, a rise in the consumption of dairy products is one way to address malnutrition<sup>70</sup>, as milk makes a significant contribution to meeting the required nutrient intakes<sup>71</sup>.

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<sup>60</sup> Agosto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>61</sup> Abiodun, E., Dairy leads Nigerian food sector with N347bn revenue, 2014:

<http://www.thisdaylive.com/articles/dairy-leads-nigerian-food-sector-with-n347bn-revenue/187424/>

<sup>62</sup> Agosto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>63</sup> The World Bank, Economy and region specific forecasts and data, Real GDP growth (%) by economy, region and income level: <http://www.worldbank.org/en/publication/global-economic-prospects/data?variable=NYGDPMKTPKDZ&region=SST>

<sup>64</sup> Anudu, O., Dairy industry in growth spurt driven by demography, large retail channels, 2014:

<http://businessdayonline.com/2014/10/dairy-industry-in-growth-spurt-driven-by-demography-large-retail-channels/>

<sup>65</sup> Euromonitor International, Dairy in Nigeria, 2014: <http://www.euromonitor.com/dairy-in-nigeria/report>

<sup>66</sup> Agosto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014; interview with Steen Hadsbjerg, Vice President, Sub-Saharan Africa, Arla Foods a.m.b.a.

<sup>67</sup> FAOSTAT, Milk – Excluding Butter, Food supply quantity (kg/capita/yr), Nigeria, 2011:

<http://faostat.fao.org/site/610/DesktopDefault.aspx?PageID=610#ancor>

<sup>68</sup> World Bank, Budgeting for Effectiveness in Rwanda: From Reconstruction to Reform, 2010.

<sup>69</sup> The Sun. Voice of the Nation, Tackling malnutrition in children, 2013:

<http://sunnewsonline.com/new/tackling-malnutrition-in-children/#prettyPhoto>

<sup>70</sup> Nurudeen, N., Nigeria: Milk Consumption Can Reduce Malnutrition – Fries Land Campina, 2015:

<http://allafrica.com/stories/201505261502.html> & Naij, 41 Percent Of Nigerian Children Stunted On Account Of Malnutrition, 2013: <https://www.naij.com/39964.html>

<sup>71</sup> FAO: Muehlhoof, E., Milk and dairy products in human nutrition, 2013:

<http://www.fao.org/docrep/018/i3396e/i3396e.pdf>, page 111.

The activities of the Nigerian dairy industry are centred on milk production, importation, processing, marketing and consumption<sup>72</sup>. Like many other Nigerian industries, the dairy industry comprises of large and medium-sized players, as well as informal players.

The informal players consist of small-scale dairy farmers among the Fulani pastoralists using traditional pastoralist production and processing methods. The average farm consists of 13 cows producing on average 0.7 – 1.5 litres per cow per day. The market for fresh milk in Nigeria still remains underdeveloped and season dependent. Only a limited part of the domestic production enters formal marketing channels through public or private milk collection schemes. The vast majority of locally produced milk is consumed within the household, the neighbourhood or at nearby open markets<sup>73</sup>. The lack of infrastructure to operate cold supply chains and the short shelf-life of locally produced milk make it difficult to distribute raw milk in commercial quantities. Therefore, only a very limited amount of raw milk deriving from pastoralist herdsman and commercial dairy farms<sup>74</sup> enters the formal marketing channels.

Despite the underdeveloped local production of raw milk in Nigeria, the sector represents an important component of its agriculture with great economic, nutritional and social implications for the nearly 350,000 households involved in dairy farming. The local raw milk production provides a means of livelihood for a significant proportion of rural pastoral families in the sub-humid and semi-arid zones of Nigeria. At present, Nigeria has about 19 million cattle and it is estimated that 96% of these are in the hands of the settled and semi-settled pastoral Fulani<sup>75</sup>. It is estimated that only about four millions of these cattle are milking cows. The local dairy production in Nigeria is characterised by low productivity and plagued by major structural and socioeconomic constraints. Climate change, security risks and social instability and lack of market opportunities add to the vulnerability of the Fulani dairy producers. It is estimated that the rainfall in West Africa has decreased by 25% over the last 50 years, which has had serious consequences for access to areas with sufficient fodder. The model of raw milk production is mainly based on pastoralism and has not been intensified in line with galloping urban development. The result has been increasingly degraded natural resources and more and more conflicts over land use between farmers and herders, as pressure on land intensifies<sup>76</sup>.

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<sup>72</sup> FAO: Aregheore, E., Country Pasture/Forage Resource Profiles. Nigeria, 2009: <http://www.fao.org/ag/agp/agpc/doc/counprof/nigeria/nigeria.htm>

<sup>73</sup> Mbogoh, S., Dairy development and internal dairy marketing in Sub-Saharan Africa: Performance, policies and options, 1984: <http://www.fao.org/wairdocs/ilri/x5440e/x5440e05.htm#introduction%20and%20background>, Ministry of Foreign Affairs of Denmark - The Trade Council, Draft 2 Report, Milk Production Nigeria (Arla foods amba), 2014, own observations.

<sup>74</sup> L&Z Integrated Farms is one of very few commercial farms in Nigeria. Kano, Dairy farming in Nigeria uncowed: What the milk trade reveals about the country, 2015: <http://www.economist.com/news/middle-east-and-africa/21653616-what-milk-trade-reveals-about-country-uncowed>. The few commercial farms are based on settlement and cross-breeds with a yield of up to some 18 l/day. However, we were informed that out of eight so-called “Zimbabwe farmers” located in the Kwara State of Nigeria, only two had managed to make a viable business due to lack of efficient infrastructure.

<sup>75</sup> FAO: Aregheore, E., Country Pasture/Forage Resource Profiles. Nigeria, 2009: <http://www.fao.org/ag/agp/agpc/doc/counprof/nigeria/nigeria.htm>

<sup>76</sup> Interview with Miyette Allah who is political involved in securing land rights to Fulani pastoralists, 2015.

The formal players consist of more than 80 indigenous and foreign companies (importers and manufacturers) in the industry and milk is imported from New Zealand, Australia, South America, the EU, India, Ukraine, Poland and other smaller suppliers<sup>77</sup>. Key players in the milk segment include FrieslandCampina Wamco<sup>78</sup>, Promasidor Nigeria Ltd., Nestlé Nigeria Plc and LZ Industries Plc (Nutricima). Two companies, FrieslandCampina and Promasidor dominate the dairy market and jointly control 70% of the segment's revenue. The majority of operators have their factories located in and around Lagos, Ogun and Oyo states in the south-west of Nigeria, mainly due to the high population density and access to the country's largest port.

The range of product diversity in the market consists of more than 70 local and imported brands targeting different consumer groups based on their purchasing power. The dairy industry in Nigeria consists of six major product groups: milk, yoghurt, cheese, ice cream, butter and infant formula. There is no production of milk powder in Nigeria due to the rather limited and irregular amount of locally produced milk.

Despite the number of local and imported brands, the dairy market in Nigeria is immature. Observations from a number of different markets in Nigeria revealed that the product variety is still rather limited as seen from the list above.

According to FAO, years of private and public underinvestment, a steady drift away from rural to urban areas, increased consumer preference for imported foodstuffs and outdated farming techniques have kept the level for food production well behind the rate of population growth. After the colonial era, the government established dairy processing plants throughout the country, which according to a study conducted by FAO, at least contributed to the awareness of the need for development of the dairy sector in the years to come and lead to the establishment of milk processing plants by both the public and private sector<sup>79</sup>.

According to the same study, the availability of cheap imported milk powder at that time, created a disincentive for the development of a domestic dairy industry, particularly since the processing plants neglected the appropriate pricing and milk collection aspect.

It is the combination of infrastructural barriers, lack of coherent governmental investments and policies to support the dairy sector, together with import of cheaper milk powder, which laid the ground for an underdeveloped domestic dairy sector, as it is perceived today<sup>80</sup>. Several studies suggest, therefore, that the Nigerian dairy sector is, and has for a long period, been caught in the classical vicious cycle between the demands for affordable dairy products from an increasing urban population, inefficient production methods in the local value chain, the aim of enhancing self-sufficiency in the agricultural sector to create jobs and reduce the trade imbalance and the necessity to ensure food security<sup>81</sup>.

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<sup>77</sup> Augusto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>78</sup> FrieslandCampina WAMCO is the market leader with an estimated 30 % share of the total revenue, which is almost double of its closest competitor. Augusto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>79</sup> FAO: Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies: <http://www.fao.org/ag/againfo/programmes/en/pplpi/docarc/wp31.pdf>

<sup>80</sup> Annatte, I. et al., Major issues in Nigeria dairy value chain development, 2012.

<sup>81</sup> FAO: Knips, V., Developing Countries and the Global Dairy Sector Part II: Country Case Studies, 2006: <http://www.fao.org/ag/againfo/programmes/en/pplpi/docarc/wp31.pdf>; Annatte, I. et al., Major issues in Nigeria dairy value chain development, 2012; Ministry of Foreign Affairs of Denmark - The Trade Council, Draft 2 Report, Milk Production Nigeria (Arla foods amba), 2014.

When considering Nigeria's future dairy industry, it is estimated that demand will continue to grow. In the face of a growing population, an increasing number of educated Nigerians, increasing personal incomes and the influence of western food habits, the country is in need of an efficient dairy industry that has the capacity to produce sufficient quantity and high quality and safe dairy products for the population<sup>82</sup>.

## Governmental programmes and regulations

The institutional framework of the dairy sector is first and foremost organised through the Ministry of Agriculture and Rural Development.

### Governmental programmes

Before Nigeria achieved independence, agriculture was the most important sector of the economy, and accounted for more than 50% of GDP and more than 75% of export earnings. With the rapid expansion of the petroleum industry, agricultural development was neglected, and the sector entered a relative decline. Thus, between the mid-1960s and the mid-1980s, Nigeria moved from a position of self-sufficiency in basic foodstuffs to one of heavy dependence on import.

As economies and trade become increasingly globalised, West Africa is building a space where people and goods can circulate freely. Since the establishment of ECOWAS (Economic Community of West African States) in the mid-70s, the 15 member states have been developing a common foreign trade policy to stimulate growth, improving food security and food self-sufficiency amongst the member states. As a member state of ECOWAS, the Nigerian government has made a binding commitment to allocate 10% of its national budget to the development of a sustainable agricultural sector. As a reaction to the radical increasing prices on food in 2008 as well as increasing import of subsidised western agricultural products, ECOWAS formulated a regional strategy (ECOWAP) for the development of a sustainable agricultural sector at farm level as well as supply chains, institutional capacity building through gender sensitive approaches, environmental management and resilience towards food insecurity<sup>83</sup>.

Today, the government is to an increasingly extent concerned about the years of limited development of the local dairy sector and tries to stimulate productivity through renewed sector programmes. By taking a holistic value chain approach, the government is seeking to address all factors included in dairy from production and processing to marketing and consumption.

Since 2011, the Ministry of Agriculture and Rural Development has launched a new policy framework to stimulate domestic raw milk production, processing and marketing. The aim of the policy is to ensure food security, to eradicate poverty, to create jobs and to improve the negative trade balance through self-sufficiency. The new policy indicates a shift in paradigm from a traditional development approach to a focus on business driven value chains and public private partnerships.

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<sup>82</sup> Augusto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>83</sup> ECOWAP, Regional Agricultural Policy for West Africa: ECOWAP, 2008: [http://www.diplomatie.gouv.fr/fr/IMG/pdf/01\\_ANG-ComCEDEAO.pdf](http://www.diplomatie.gouv.fr/fr/IMG/pdf/01_ANG-ComCEDEAO.pdf)

In 2011, the Ministry of Agriculture and Rural Development established the Agricultural Transformation Agenda (ATA). It consists of:

- A financial support programme (NIRSAL)
- A marketing cooperation programme (MC)
- A growth enhancement programme (GESS)
- The establishment of stable crops processing zones (SCPZ)<sup>84</sup>

The ATA programme prioritises six agricultural value chains including dairy. The Dairy Transformation Agenda aims to:

- Increase the annual production of raw milk to 1.1 billion tonnes over four years
- Increase productivity through improved organisations in clusters
- Create more efficient production technology, genetically improved animals and improved veterinarian services
- Marketing
- Implement import restrictions
- Establish a National Dairy Development and Marketing Commission<sup>85</sup>

The Dairy Value Chain Transformation Agenda of the Federal Ministry of Agriculture seeks to address the challenges of the dairy sector through a structural shift, which focuses on issues relating to productivity, value addition and market development along the dairy value chain.

One of the goals of the Dairy Value Chain Transformation Agenda is to increase the domestic dairy production from its current 591,470 tonnes to 1.1 million tonnes by 2015 through better yield per cow. Another goal is to raise the household income of dairy producers by at least US\$285m (30% import substitution in 2014). The expected impacts include the creation of over two million jobs both on and off farm in the production, manufacturing and marketing sectors of the Nigerian dairy industry. This would save Nigeria more than US\$400m in their annual expenditure on the importation of milk and milk products, increase the income of estimated 12 million livestock farmers from the current average level of less than two litres of milk per cow per day to 10 litres per cow per day and the creation of strong supply chain to the industry<sup>86</sup>.

As best practice private sector initiatives, the Ministry of Agriculture and Rural Development refers first and foremost to FrieslandCampina WAMCO. L&Z Integrated Farms Ltd and the Milk Producers Cooperative Association Ltd (MILCOPAL) are two other promising cases. FrieslandCampina and L&Z Integrated Farms Ltd are private business initiatives whereas MILCOPAL is a pilot dairy cooperation programme in Kaduna State funded by the World Bank and the National Livestock Project Division.

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<sup>84</sup> Federal Ministry of Agriculture and Rural Development: <http://www.fmard.gov.ng/ata-fmard-transformation-agenda>, this page is unfortunately under revision.

<sup>85</sup> Augusto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>86</sup> Federal Ministry of Agriculture and Rural Development: <http://www.fmard.gov.ng/national-dairy-production>, this page is unfortunately under revision.

MILCOPAL focuses on capacity building throughout the entire value chain and involves some 35 associations. According to the Ministry of Agriculture and Rural Development, the Danish Trade Council and an evaluation, the programme seems to have made a satisfactory impact on the living conditions of the involved pastoralist dairy farmers<sup>87</sup>. However, infrastructural and socioeconomic barriers still have to be overcome.

The Ministry of Agriculture and Rural Development considers it as their role to provide the necessary framework and infrastructure conditions for private businesses to invest in the development of the dairy sector. Government representatives at both national and local levels stress that if private companies present concrete plans for investment in sustainable dairy production, they are ready to assist and do their part to pave the way for establishing a win-win situation<sup>88</sup>.

Despite the abovementioned dairy sector programmes, years of disinvestment in structural improvements by shifting Nigerian governments, international institutions and the donor community seems to have been a reality. At the moment, governmental funding for development is under tight pressure due to the decrease in oil prices. On a regional and local level, it can be observed that improvements to stimulate the local dairy production still remain to be seen, due to lack of necessary investments in infrastructure and value chain improvements<sup>89</sup>.

### Governmental regulations

Nigeria implemented ECOWAS's Common External Tariffs (CET) in January 2015. The CET implies that the region has uniform tariff rates for countries outside the region while the region has eliminated tariffs among its members (ECOWAS, 2014). The CET is organised into five rates of duty<sup>90</sup>:

| Category | Description   | Rates of duty |
|----------|---|---------------|
| 0        | Essential social goods  | 0%            |
| 1        | Goods of primary necessity, raw materials and specific inputs | 5%            |
| 2        | Inputs and intermediate goods                                 | 10%           |
| 3        | Final consumption goods                                       | 20%           |
| 4        | Specific goods for economic development                       | 35%           |

<sup>87</sup> Interview with the Danish Trade Council, 2015, and meeting held with the Ministry of Agriculture and Rural Development, Nigeria, 2015; Annatte, I. et al., Rural Dairy Co-Operative Development System: A Case Study of Kaduna, Pilot Dairy Project in Nigeria, 2006.

<sup>88</sup> Meeting held with the Ministry of Agriculture and Rural Development. The Ministry is referring to several schemes such as NISRAL and FAFIN, 2015.

<sup>89</sup> Meeting held with Ministry of Agriculture, Regional Government at Oyo State as well as own observations during field study, 2015.

<sup>90</sup> Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa. Focus on the ECOWAS Common External Tariff, 2014.

Initially, the category with a tariff rate of 35% was not included in the CET. After great opposition from Nigeria and West African agricultural producers, ECOWAS added the tariff of 35% on prioritised products. Nigeria argued for a fifth tariff of 50%, but since this demand would increase the highest tariff in many of the countries with a top level of 30 percentage points, a compromise was reached at a tariff of 35%. This emphasises the large sway Nigeria has over the regional negotiations<sup>91</sup>.

The free market and closer regional integration are initiated with the aim of improving food security and food self-sufficiency in the region. As a result, the CET is organised with emphasis on protecting the regional agricultural sector, which is evident from the fact that 55% of agricultural products are imposed a tariff of 20% or 35%. Moreover, 90% of the products with an import tariff of 35% are agricultural goods<sup>92</sup>.

In determining the tariff rates, ECOWAS tried to reconcile interests that are mutually incompatible. First of all, the region gives a high priority to protecting agricultural products against competition from abroad. Simultaneously, it is vital to maintain affordable prices for nutritious food. These conflicting interests have necessitated trade-offs between the different policy objectives<sup>93</sup>. The agreed tariff rates will be renegotiated every fifth year, for which reason a revised categorisation of products will be initiated in 2019. Therefore, if a product or a sector is allocated a higher priority in the future, the tariff rates can be adjusted accordingly<sup>94</sup>.

The current tariff rate on imported milk powder in Nigeria is 5% (CET code, 2015). This relatively low tariff is most likely a result of the policy aim of securing affordable nutritious products for the mass population. In fact, dairy products were one of the hotly debated topics in the negotiations of the present tariff rates, because the West African region wants to increase regional food production in this sector<sup>95</sup>. The prospect for the rate of protection in the dairy sector is therefore uncertain.

As Nigeria highly depends on imports of milk powder, both for direct sales and as input for the processing industry, the domestic prices on dairy products mainly reflect the market prices. An interesting point is, however, that domestic milk prices only adjust to the upward trends in markets prices – i.e. when the international milk prices increases, a direct upward relationship is seen in the domestic prices. However, international decreases in the milk prices are not reflected by corresponding decreases in the domestic prices<sup>96</sup>.

A further result of the huge dependency on imported milk powder is that the Nigerian dairy sector to a large extent is influenced by the exchange rate and tariff regulations. A depreciation of the domestic currency (or increased import tariffs and trade regulations) in order to stimulate the competitiveness

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<sup>91</sup> Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa. Focus on the ECOWAS Common External Tariff, 2014.

<sup>92</sup> Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa. Focus on the ECOWAS Common External Tariff, 2014.

<sup>93</sup> Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa. Focus on the ECOWAS Common External Tariff, 2014.

<sup>94</sup> Nigeria Customs Service, CET Code, 2015:

<https://www.customs.gov.ng/hscodere/resulthscodere.php?TYPE=DESC&HSCODE=milk&MODE=ALL>

<sup>95</sup> Roquefeuil et al., The impact of closer regional economic integration on food security in West Africa. Focus on the ECOWAS Common External Tariff, 2014.

<sup>96</sup> Agosto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

of the local dairy sector, would directly influence the domestic dairy prices in an upward direction<sup>97</sup>, with serious consequences for the consumption of the low-income class. The dependency on imported milk powder, therefore, makes the prices of dairy products extremely susceptible to initiatives taken by the state.

The government will constantly consider if trade regulations are an efficient tool to unlock the potential of local dairy production when the opportunity for local substitution is available. Import taxes related to dairy products varies today between 5% and 20%. In the coming years, it might be expected that government will look further into measures to regulate import with the purpose of stimulating the local dairy sector.

### Role and involvement of actors

The Nigerian government has over the years been criticised for supporting investments in local milk production on a far too limited scale. The new president, Mr Buhari, who was elected in early 2015, belongs to the Fulani tribe. He is expected to pay further attention to the dairy sector in the years to come. The former very influential Nigerian Minister of Agriculture and Rural Development, Dr Akinwumi Adesina, was in early 2015 appointed as chairman of the African Development Bank. He is replaced by a new Minister of Agriculture and Rural Development, Mr Heneikan Lokpobiri. It is, however, expected that the policies and activities initiated by the former minister will continue under the new government. Increased focus on agricultural development in the northern regions is predicted as a necessary means to develop the national economy, create jobs, secure social stability and increase security.

During our stakeholder consultation process several critical points were raised towards the limited impact of government programmes on dairy sector development. The arguments can be categorised into six main themes:

1. Insufficient governmental investment in basic infrastructure in pastoralist areas (roads, electricity, water) which is a prerequisite for dairy sector development in terms of improved business opportunities, both in regard to small-scale dairy farmers as well as commercialised dairy business
2. Insufficient governmental investment in dairy development and the basic infrastructure in pastoralist areas (roads, electricity, water, education) for small-scale farmers to enjoy human rights
3. Lack of a legal framework to secure pastoralist access to grazing land and to the opportunity for settlement
4. Lack of registration systems of cattle and farms
5. Insufficient focus on organisation in cooperatives/clusters to strengthen capacity of dairy farmers
6. Insufficient focus on awareness rising regarding the nutritional value of dairy

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<sup>97</sup> Augusto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

Farmers and medium-size processing companies complain that the government is not doing enough to develop the industry. They are facing major problems getting their products to the market due to lack of investment in infrastructure. Some are claiming that the government has focused exclusively on the oil industry and have not paid sufficient attention to the agricultural sector, including dairy<sup>98</sup>.

Moreover, policies and initiatives targeting the development of a self-sufficient local agricultural sector might have been more focused on the rice and cassava value chain than on dairy. One dilemma is governmental funding constraints especially since the decrease in oil prices. Another dilemma seems to be that import restrictions on milk powder not only will prevent the fulfilment of consumer needs, but also will reduce government revenues from duty and levies.

In general, local and international NGOs criticise governments in West Africa for lacking the incentive to invest in the dairy sector due to the availability of cheap European milk powder which bridges the gap between the demand for dairy products and the local supply.

The legislative framework on land rights is of major concern. Miyetti Allah, which is representing Fulani cattle breeders, is a member organisation of Billital Maroobe, and is raising the issue. Due to climate change, urbanisation and an increasing number of settled agricultural farmers, it is of the utmost importance for development of the dairy sector that the right to land is ensured for Fulani cattle breeders since many of the traditional grazing routes are now blocked. This is leading to an increasing number of land conflicts and insecurity. Miyetti Allah is advocating raising the political will to solve the land issue to provide Fulani cattle breeders with access to grazing land and infrastructure, so they can settle and thereby increase productivity and income<sup>99</sup>. A national scheme for cattle registration is also on the agenda.

ActionAid Nigeria has a human rights approach and takes a role as watchdog monitoring the governmental budget issues closely. They are concerned that the allocated budget is neither sufficient, nor actually being spent for the benefit of small-scale farmers. Lack of transparency on budgetary issues is a concern. ActionAid Nigeria has the viewpoint that the government does not live up to its responsibility in regard to human rights and that the availability of cheaper imported milk powder reduces governmental incentive to focus on dairy sector development<sup>100</sup>. Seen from a human rights perspective<sup>101</sup>, the lack of investment has a negative impact on the farmers and their dependants' right to adequate living, housing, food and work.

One of the purposes of the National Dairy Development and Marketing Commission<sup>102</sup> is to strengthen involvement of stakeholders. FAO is deeply involved with government on dairy issues, and also Miyetti Allah holds regular meetings with the government, providing consultancy especially on land issues. Government representatives are now conducting stakeholder meetings in the pastoralist communities in order to understand key challenges of dairy farmers and to incorporate their viewpoints in future policy formulation. Miyetti Allah is assisting and cooperating with government in the facilitation of such stakeholder meetings.

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<sup>98</sup> Kano, Dairy farming in Nigeria uncowed: What the milk trade reveals about the country, 2015: <http://www.economist.com/news/middle-east-and-africa/21653616-what-milk-trade-reveals-about-country-uncowed> & Aljazeera, Potential, but no momentum, for Nigerian dairy industry, 2015: <http://www.aljazeera.com/news/2015/07/potential-momentum-nigerian-dairy-industry-150709131558981.html>

<sup>99</sup> Meeting held with Miyette Allah, July 2015.

<sup>100</sup> Meeting with ActionAid, July 2015.

<sup>101</sup> Meeting held with Advisors on Food and Agricultural Program, ActionAid, Abuja, Nigeria.

<sup>102</sup> Augusto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

## Arla's activities in relation to governmental programmes and regulations

The impact of the European Union Common Agricultural Policy (CAP) continues to spark controversy for its perceived impacts on third country markets<sup>103</sup>. Under the auspices of the Doha Development Round, the European Union was committed to fully repealing the use of export funds by 2013.

The European Union subsidies paid to the Arla farmers are direct payments decoupled from actual product and price. European farmers are today subsidised indirectly by European Union agricultural programmes with an amount equal to €0.05/l raw milk<sup>104</sup>.

Like other European dairy cooperatives and businesses, Arla has also benefited from the European Union's dairy sector reforms over the years, which have provided favourable framework conditions leading to a global competitive advantage. Efficient production methods, well-developed infrastructure, high yields and well-implemented quality standards are among the characteristics of the modern European dairy production.

Since the abolition of the European Union milk quota on 1 April 2015, and with the Russian embargo together with the decrease in Chinese dairy imports, milk prices have decreased dramatically. By July 2015, the European Union weighted average milk price stood at only €29.70/100kg<sup>105</sup>. It is estimated that the end of dairy quotas will lead to nine billion litres of additional milk production in the European Union, which has led to much larger external strategic focus from the European Union dairy companies, including Arla.

With stagnating markets in the EU, increased sales to new consumers in emerging markets is the way forward to maintain a viable dairy business in Northern Europe. In the short term, skimmed milk powder is in the forefront of EU export growth<sup>106</sup>. Imports from the European Union dominate already today the market for dairy products in Nigeria<sup>107</sup>, partly linked to the high level of consumer confidence in the safety of European dairy products and partly linked to regularity and attractive prices on imported milk powder.

In sum, it is in context of:

- huge milk deficit between supply and demand,
- insufficient governmental investments to build local dairy sector,
- low import tariffs on imported milk powder and
- no import restrictions on milk powder

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<sup>103</sup> Revoredo-Giha, C., et al., The Impact of EU Export Refunds on the African Continent: An Impact Assessment, 2013; Green, D. & Griffith, M., Dumping on the Poor: The Common Agricultural Policy, the WTO and International Development, 2002; FAO, Sharma, R. et al., The impact of import surges: country case study results for Senegal and Tanzania, 2005.

<sup>104</sup> Stated and confirmed by SEGES.

<sup>105</sup> Agriculture and Horticulture Development Board, EU Farmgate Milk Prices, 2015:

<http://dairy.ahdb.org.uk/market-information/milk-prices-contracts/farmgate-prices/eu-farmgate-milk-prices/>

<sup>106</sup> Agritrade, Expanding Dutch Corporate involvement in local milk procurement in Nigeria, 2013:

<http://agritrade.cta.int/Agriculture/Commodities/Dairy/Expanding-Dutch-corporate-involvement-in-local-milk-procurement-in-Nigeria>

<sup>107</sup> Augusto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

that Arla penetrates the Nigerian dairy market, building on a business model based on repackaging and distribution of imported European farmer milk. An essential component of Arla's business model is the linkage to the strong partner, Tolaram, which is a leading distribution and packaging company with a wide network of distributors and supermarkets in Nigeria.

The weakness of the Nigerian dairy sector, together with insufficient governmental investments, mean that the local dairy sector is rather poorly placed to meet rising consumer demands and to compete against Arla in regard to price, quality, consumer satisfaction, volume, sales and distribution.

### Potential impact of Arla's activities on human rights

The question is then to assess the potential impact of Arla's business activities on governmental programmes and regulations and what does that mean for the fulfilling of human rights amongst small-scale dairy farmers and their dependants?

Governmental programmes and regulations are aimed at eradicating poverty, ensuring self-sufficiency and reducing the negative trade balance. The programmes and regulations therefore aim at fulfilling human rights in terms of the right to adequate living standards, the right to work as well as the right to health for the Nigerian small-scale dairy producers.

During our stakeholder consultation process, we systematically asked for their views on the impact of Arla's business model based on repackaging and distribution of imported milk powder, and how it is linked to the broader economic and political context related to the underdevelopment of the dairy sector in Nigeria.

The four main concerns expressed are interlinked:

1. Arla's sales and distribution of industrialised, European milk powder of high quality standards might potentially outcompete local dairy products based on locally produced raw milk in the long term. Therefore, Arla's increasing sale of milk powder to the Nigerian market might have a potential negative impact on local dairy farmers' ability to sell their dairy products based on local raw milk. This could lead to stagnation or decline in the income derived from sale of local produced dairy products and therefore lead to an adverse impact on human rights in terms of the right to adequate living, work and health.
2. Arla's sales and distribution of cheaper, high quality and easy-to-store milk powder will potentially be a hindrance to a commercial and business oriented development of local dairy, since traders and industries will lose incentives to build their business on locally sourced raw milk. This again might have a potential negative impact on local dairy farmers' ability to sell raw milk to the industrialised and commercial dairy processing companies. This could lead to stagnation or decline in the income derived from sale of local produced dairy products and therefore lead to an adverse impact on human rights in terms of the right to adequate living, work and health.
3. Arla's business model does not include investment in the local dairy sector and thereby Arla does not link to government programmes directly nor pushes the government to further invest in infrastructure or improvement of regulative framework conditions. Therefore, Arla

might be linked to a continuation of rather insufficient government policies and investments and thereby add to the continued underdevelopment of the dairy sector in Nigeria. This might have a potential negative impact on local dairy farmers' and their dependants' right to adequate living, work, health and education, since the development of the local dairy production might tend to stagnate or even decline if investments in the dairy sector do not improve.

4. Arla's business activities are linked to a broader development agenda in Nigeria and further into West Africa, since the availability of cheap imported milk powder might reduce the incentive for the Nigerian government to prioritise development of the sector. The huge gap between supply and demand needs to be bridged in order to reduce the significant milk deficit in Nigeria. The availability of cheap imported milk powder does not create a sense of urgency, which could push the government to give the local dairy sector a higher priority on the political agenda. Even though the trade balance is negative, the import tax of 5% provides the state itself with funding. This might have a potential negative impact on local dairy farmers' and their dependants' right to adequate living, work, health and education, since the most vulnerable amongst the dairy producers will still not experience any improvement, which could stimulate local production or improve market access.

The concerns raised by stakeholders in Nigeria are in line with the number of reports, as well as the views of civil society organisations, which argue that surges of imported milk powder are disrupting local markets with negative effects on prices, production and food security in rural areas.

The scope of the assessment did not include a measurement of the actual impact of the significant import of milk powder on the ability of local farmers to sell their products, and despite of its relevance, no such data exists. However, it is worth noticing that a study conducted by FAO in 2005<sup>108</sup> argues that the potential negative impact of imported milk powder should be estimated through empirical case studies, since the actual impact to a large degree depends on the ability of dairy processing units to take advantage of imported milk powder as raw material.

Other studies add to this argument by saying that in dual markets, such as the dairy market in Nigeria, competition between domestic production and imports is limited because very little of the former finds its way to the formal market due to high transactions costs. Moreover, with high import dependency, processors and consequently urban consumers gain from depressed world prices. Consequently, under export refund elimination, there is a tendency to overstate the benefits to milk producers and understate the losses to processor and urban consumers<sup>109</sup>.

This is not to reject Arla's future potential negative impact on the domestic dairy sector. It is more to say that there are very few studies that analyse the actual negative impacts of imported milk powder relative to the widespread concerns on this issue. More empirical based studies are required to clarify the concrete linkages between the massive import of milk powder, local conditions and the level of market integration.

Arla therefore also recognises that we need to further understand our part in the structural underdevelopment of the local dairy sector in Nigeria, how we are linked to it and what is our role and responsibility in a political context of insufficient framework conditions for the local dairy sector to develop

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<sup>108</sup> FAO: Sharma, R. et al., The impact of import surges: country case study results for Senegal and Tanzania, 2005.

<sup>109</sup> Revoredo-Giha, C., et al., The Impact of EU Export Refunds on the African Continent: An Impact Assessment, 2013.

and benefit the most vulnerable producers, i.e. the Fulani pastoralist in the northern regions with a particular focus on the vulnerability of women. In the long-term there seems to be a potential discrepancy between Arla's penetration of the Nigerian market through sales of imported milk powder and the government's ambitions to eradicate poverty and enhance food security through development of the local dairy sector.

As Arla penetrates the Nigerian market and increase market coverage over time, it is essential that Arla's growth does not conflict with governmental intentions to support the development of the local dairy sector in order to eradicate poverty and ensure food security, which are related to the above-mentioned fulfilment of human rights and are of crucial importance to small-scale dairy farmers and their dependants.

During our stakeholder consultation processes, it became clear that it is to an increasing degree expected from stakeholders that Arla's future business activities will be supportive of the overall local dairy sector development in order to create a win-win situation for the local dairy producers and for Arla as a business. Withdrawal is not an option, nor an answer, since other businesses and/or importers will just replace Arla's expected position in the market. Instead, Arla could look into business models which facilitate a beneficial co-existence between Arla's business and the development of the dairy sector, so that Arla's presence in Nigeria does not hamper local dairy producers, which might have a potential negative impact on the living standards, work and health of local farmers as well as for people employed in the emerging more commercialised part of the dairy value chain.

As the Nigerian government has aspirations and operational programmes to develop local milk production and strengthen the functionality of local milk supply chains, it is important that Arla is supportive to the aims of these programs. The Ministry of Agriculture and Rural Development looks increasingly critical towards multinational companies who are making business on importing milk powder for sales and distribution without investing in the local dairy value chain under the ATA program. As Arla continues to expand its presence in Nigeria, it is essential that Arla's growth strategy is supportive to the government's intentions to unlock the potential of the local dairy sector through public-private partnership. This approach can address potential negative impact on human rights, contribute to sustainable development and at the same time enhance our social licence to operate in the long run.

As a large international company, Arla might have the leverage to influence the Nigerian government and support policy development in a balanced and informed manner. In this way, Arla might have the opportunity to encourage the Nigerian government to improve the framework conditions for the dairy sector, thereby contributing to the co-existence of local milk production and imported milk powder. A coherent, steady and step-by-step policy is required, in order to avoid deprivation from dairy products in the market and ensuring sustainable growth in the local sector.

This could include a structured dialogue with investors, government and local dairy producers with the purpose of identifying a policy framework and measures to ensure that European milk powder exports strengthen, rather than undermine, the functioning of local milk supply chains.

This approach to dialogue and partnership is in thread with the engagement of Arla in The Milky Way to Development, which, from a human rights perspective, aims at creating a space for dialogue, learning and co-creation in order to find innovative solutions to address potential negative impact and to build sustainable development of the local dairy sector.

## Raw milk production and processing

### National context

#### Characteristics of raw milk production and processing

Nigeria's dairy industry is growing moderately, with the compounded annual growth rate (CAGR) of 8% over the last three years. The industry is driven by rising demography, high youth and middle-class population, continued westernisation, education on nutrition and growth in incomes. Other key drivers include development of modern retail channels, urbanisation, and availability of products in small packs (helping to boost sales among poor and price-sensitive consumers who previously considered drinking milk products as a luxury), among others, according to Euromonitor International in its 2013 report. Even so, there is a wide gap between the local milk supply and the population's demands. In 2013, domestic supply was estimated at 591,470 tonnes, while consumer demand was estimated to 1.7 million tonnes, leading to a milk deficit of 1.2 million tonnes<sup>110</sup>.

Table 7: Demand for Milk and Local Supply

| Year  | Annual Consumption (Tonnes) | Raw milk production (Tonnes) |
|-------|-----------------------------|------------------------------|
| 2012  | 1,581,328                   | 566,000.00                   |
| 2013e | 1,714,160                   | 591,470.00                   |
| 2014f | 1,880,434                   | 618,086.00                   |
| 2015f | 2,029,701                   | 648,990.00                   |

Source: FAOSTAT and Agosto & Co Research

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In the absence of a liquid milk culture in Nigeria (which is largely due to the poor electricity supply, limited availability in the market especially in certain regions, and the high percentage of lactose intolerance), powdered or condensed milk serve as the milk complement for a variety of beverages and foods, such as tea, flavoured powder drinks, coffee and cereals<sup>112</sup>. Furthermore, it is important to note that approximately 80-90% of milk is processed into other dairy products.

Dairy products in the Nigerian market are sourced both locally and internationally, with imported products predominating. In general terms, local raw milk production is quite limited and highly dispersed. There are an estimated 4 –4.5 million dairy cows in Nigeria<sup>113</sup>, however, according to FAO only approximately 5% of milk production is commercial, which is one of the reasons why the sector is

<sup>110</sup> Agosto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>111</sup> Agosto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>112</sup> Anudu, O., Nigerian dairy industry in growth spurt driven by demography, large retail channels, 2014: <http://dairybusiness.com/seo/article.php?title=nigerian-dairy-industry-in-growth-spurt-drive&date=2014-10-28#ixzz3XHsnXyJO>

<sup>113</sup> Ministry of Foreign Affairs of Denmark - The Trade Council, Draft 2 Report, Milk Production Nigeria (Arla foods amba), 2014.

underdeveloped<sup>114</sup>. Bearing in mind that the concentration of production of milk is in the north of Nigeria, infrastructure is poor and there are severe power shortages that do not allow for proper storage, the southern parts of the country are largely deprived or have limited access to local dairy.

Approximately two thirds of domestic milk production originates from traditional producers and one third mainly from large-scale modern dairy enterprises.

There are three marketing and processing channels for dairy products in Nigeria:

- Traditional marketing of milk and products processed on-farm
- Collection and processing of raw milk in dairy plants
- Distribution of dairy imports

In all three systems relatively free competition prevails, even though government may be involved in some of the dairy plants. The real distinction between the systems lies, however, in their regional distribution and in the consumers they serve: the traditional system operates mainly in the north, serving low-income rural consumers, whereas dairy imports are sold mainly to higher-income urban consumers in the south<sup>115</sup>.

A few key international players are striving to benefit from the steady demand that the dairy category provides. Dairy is expected to see growth of 12% in current value terms in 2014, due to population and income growth, as well as the marketing activities of various players<sup>116</sup>.

Although the dairy sector is the second largest in the country's food and beverage industry, Nigerian dairy processors either import and repack milk powder or reconstitute imported milk powder into liquid milk and other forms of dairy products<sup>117</sup>. It is hence expected that the Industry will remain dependent on imported milk powder in the medium to long term as domestic milk production capacity continues to remain lower than demand, according to the Agosto & Co. report from 2013.

### Types of actors involved in raw milk production

The dairy industry in Nigeria is comprised of large, medium-sized players, as well as small and informal players<sup>118</sup>. We were informed that the average milk yield is as low as between 1-2 litres per day in the rainy season and only 500ml per day in the dry season<sup>119</sup>. The production of fresh milk is very seasonally influenced in Nigeria, with two thirds of production to be achieved in the rainy season and a third in the dry season<sup>120</sup>. Furthermore, there are a lot of other barriers to achieving sustainable dairy production, which are discussed in the section below.

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<sup>114</sup> Reference to FAO via Ministry of Foreign Affairs of Denmark - The Trade Council, Draft 2 Report, Milk Production Nigeria (Arla foods amba), 2014.

<sup>115</sup> Massow, V., Dairy Import into Sub-Saharan Africa: Problems, Policies, and Prospects, 1989.

<sup>116</sup> Euromonitor International, Dairy in Nigeria, 2014: <http://www.euromonitor.com/dairy-in-nigeria/report>

<sup>117</sup> Rhodes, D., Understanding Dairy Imports in Nigeria, 2015: <http://www.cnbcfrica.com/news/western-africa/2014/05/19/understanding-dairy-imports-in-nigeria/>

<sup>118</sup> Agosto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>119</sup> The yield of a European cow is up to 50 l milk/day. Interviews with Professor at Ibadan, interview with Fulani farmers, 2015.

<sup>120</sup> See list of limitations below.

As a consequence of the milk deficit, a substantial amount of milk is imported and the large and medium-sized enterprises base their businesses mainly on imported milk powder for resale or processing. The imported dairy products come from New Zealand, Australia, South America, the EU, India, Ukraine, Poland and other smaller suppliers. Multinational firms including Frieslandfoods (Netherlands), Glanbia (Ireland), Cussons-PZ (UK), Promasidor, etc. have either partnered or acquired some Nigerian dairy firms for reconstituting and/or packaging imported milk powder<sup>121</sup>. Nigeria has no production of powdered milk as it requires both sufficient investments and substantial and stable quantities of raw milk. Only two private enterprises, L&Z Integrated Farms<sup>122</sup> and FrieslandCampina<sup>123</sup>, are currently sourcing raw milk, however on a limited scale.

The Fulani, Nigeria's traditional cattle breeders, are the main producers of raw milk. Hence, the focus of this assessment is on this group of farmers due to their vulnerable position and high dependence on income from dairy. The vast majority of Fulanis are nomadic pastoralists located in the northern parts of the country<sup>124</sup>, who typically own between 20 to a couple of hundred cattle, with the dominant breed being the White Fulani. A lot of them are organised in communities or extended families, clusters or cooperatives. Some of these are informal and serve as hubs for consultation, support amongst farmers and facilitation of sales. They are small to medium-sized farmers who do not own grazing lands or have permanent access to water. While continuously moving towards pasturage, water sources and livestock markets, the Fulanis are struggling against a harsh climate, diseases, illiteracy, land rights, food insecurity, access to education, access to water, unemployment and security issues<sup>125</sup>. Some Fulanis are moving to the south-western states, e.g. Oyo and Kwara, searching for better conditions for cattle in the river areas. This often leads to conflicts between herders and existing farmers in the areas which have resulted in violence, deaths and displacement. The most deadly examples of such conflicts were in Jos and the farmlands surrounding the city. In two major attacks in January and March 2015, and later smaller scale attacks, up to 1,000 people, mostly women, children and the elderly, were killed<sup>126</sup>. The Presidential Advisory Committee on Jos Crisis delivered a report on the situation, containing recommendations regarding land ownership, the position of indigenous peoples, creation of new local government areas, establishing a culture of nonviolence, addressing youth unemployment, and community sensitisation. No substantial commitment was made to implement these recommendations<sup>127</sup>.

Fulani women are typically the ones responsible for the milk production and the income gained from it. The milk is either consumed directly by the household members, given to the calves or made into basic fresh cheese (wara) or yoghurt. The women use traditional, manual production methods and sell

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<sup>121</sup> Annette, I. et al., Major issues in Nigeria dairy value chain development, 2012.

<sup>122</sup> Kano, Dairy farming in Nigeria uncowed: What the milk trade reveals about the country, 2015:

<http://www.economist.com/news/middle-east-and-africa/21653616-what-milk-trade-reveals-about-country-uncowed>

<sup>123</sup> The company and its Peak brand, because of their long presence in Nigeria, have built a strong, loyal consumer base, which cuts across all income groups. Furthermore, it has a strong and effective distribution network across Nigeria.

<sup>124</sup> Due to security reasons, we were not able to observe raw milk production in the far north, where the numbers of Fulani cattle breeders is the largest.

<sup>125</sup> Iro, I., From Nomadism to Sedentarism, 1994; meetings held with ActionAid, Miyette Allah, NASME, FAO, researchers, own observations and interviews with a number of local farmers, 2015.

<sup>126</sup> US Department of State, Human Rights Country Report, Nigeria, 2014, page 7:

<http://www.state.gov/documents/organization/220358.pdf>

<sup>127</sup> US Department of State, Human Rights Country Report, Nigeria, 2014, page 57:

<http://www.state.gov/documents/organization/220358.pdf>

the products at the local open market within 24 hours before it spoils. According to a number of sources we spoke to, the local female farmer receives some Naira250/litre<sup>128</sup>. By the organisations and the women we met, it is estimated that the sales of dairy account for up to 60% of the household income<sup>129</sup>.

In general terms, the small-scale production of raw milk is characterised by low productivity, high production costs and major infrastructural, socioeconomic, environmental and security constraints, which are a barrier to both capacity and quality improvements. In addition to that, a high percentage of the production is for local rather than commercial use. The trade of fresh milk and other dairy products from small-scale farmers is therefore almost non-existent outside the geographical neighbourhood.

The middle-scale farmers and the main dairy industries are located in the western parts of Nigeria mainly in the states of Oyo, Ogun and Lagos. Even intensive farming based on cross-breeding has been tried in states such as Oyo, Kwara and Kaduna<sup>130</sup>, as part of the government's policy to improve the dairy sector's output. This included the support of four farms for settled cattle breeders from Zimbabwe, part of the intensive system. However, due to a string of constraints including poor infrastructure and limited availability of water and fodder, currently only one is functioning<sup>131</sup>. A few commercial livestock farms maintain cross-breeds of Holstein Friesians, Brown Swiss and Montpelier for liquid milk production and the average yield is eight to 18 litres per day (compared to the national average of only three to four litres. On traditional farms, the foundation stocks are mostly imported from South Africa, Europe and Australia. Average yield of pure breeds under corporate management conditions is 30 litres per day<sup>132</sup>. However, according to the professors at Ibadan University in Oyo state who have been involved in cross-breeding programmes, this has had very limited success<sup>133</sup>. The reason is that foreign breeds have limited tolerance to the environmental conditions in Nigeria. Clusters of households and smaller cooperatives have been successful in terms of providing veterinarian services.

Furthermore, some economists believe that Nigeria's dairy industry has the potential to be a major source of jobs and revenue for the country. Dairy farmers, however, say the government is not doing enough to develop the industry. Farmers complain of facing major problems getting their products to the market. In a report from Al Jazeera's Yvonne Ndege from Soba in Kaduna State, dairy farmers addressed the constraints to dairy business and the need for the right support from the government<sup>134</sup>.

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<sup>128</sup> Equal to 1.12 euro. A European farmer receives at the moment 0.29 euro/l due to efficient product technology and very low market price since the removal of the European Union milk quota. The estimation of the local milk price is done by a number of interview persons.

<sup>129</sup> Ministry of Foreign Affairs of Denmark - The Trade Council, Draft 2 Report, Milk Production Nigeria (Arla foods amba), 2014; own observations and interviews with local female farmers.

<sup>130</sup> Including a project by MILKOPAL in the Kaduna State.

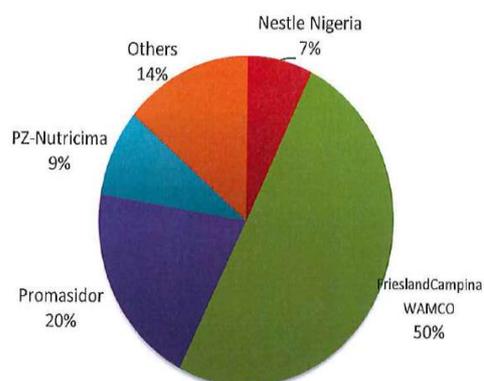
<sup>131</sup> Interviews during field trip.

<sup>132</sup> Annatte, I. et al., Major issues in Nigeria dairy value chain development, 2012.

<sup>133</sup> Interview, Professor at the Univeristy of Ibadan.

<sup>134</sup> Aljazeera, Potential, but no momentum, for Nigerian dairy industry, 2015: <http://www.aljazeera.com/news/2015/07/potential-momentum-nigerian-dairy-industry-150709131558981.html>

Figure 14: Market Share of Key Players in the Milk Market 2013



Source: Financial Statements of Industry Operators and Augusto & Co Research

### Capacity of actors

The capacity of actors in local dairy production is limited and is often dependent on external factors.

The main challenges observed during the course of the assessment can be summed up as<sup>135</sup>:

1. Low genetic potential for milk production from local cattle
2. Inefficient pastoralist production methods (milk is a by-product of cattle, cattle breeding through pastoralism is embedded in Fulanis' identity)
3. High cost of inputs (fodder, medicine, services)
4. Lack of access to processing facilities (cold chains, storage and processing)
5. Widespread cattle diseases
6. Scarcity of water
7. Pressure on grazing land leading to increasing land conflicts
8. Lack of governmental investments in basic infrastructure (roads, communications, water, electricity)
9. Lack of organised producer cooperatives
10. Seasonal shortages and high prices for milk and milk products
11. Competition from import of milk powder (cheaper price, higher food safety standards and easy to store)

<sup>135</sup> Danish Trade Council (2014), FAO/IRLI (2005), World Journal of Agricultural Sciences (2010), Annatte, I. et al., Major issues in Nigeria dairy value chain development, 2012, World Bank (1997), FrieslandCampina (2012), Centre for Microenterprise Development (2013) together with our consultation of stakeholders (see list of interviewees). The list is not prioritised.

12. Lack of standards for quality control of local fresh milk and milk products
13. Shortage of trained personnel in more intensive husbandry
14. Increasing security issues (stealing, bandits, land fights)
15. Lack of access to credit and/or subsidises to support dairy producers
16. Insufficient communication facilities
17. Few commercial players are involved in handling of local produced raw milk (weak business case)
18. Unattractive job opportunities for the young generation (poor income, 24/7 job, urbanisation)
19. Limited or no access to education, which hampers productivity as well as limiting the opportunities for diversifying employment/work options

Looking into the crucial issues, there are a number which come to the forefront and are hereby reviewed in more detail:

- According to a “Research proposal for Dairy Development in Nigeria submitted to IDRC/CIFSRF” by a PhD student at the University of Ibadan, dairy production in Nigeria is limited by the low genetic potentials of indigenous cattle, poor management and the hot tropical environment. While these animals are adapted to the hot environment and poor management practices, they are also characterised by poor reproductive rates, low milk yields, short lactations, long calving intervals, and poor milk let-down reflexes. These factors have serious negative implications for milk production and underscore the need for genetic change and improved management practices for dairy cattle in the country<sup>136</sup>.

For instance, in Oyo state, where the field visit was conducted, there are about 415,030 registered farm families with 10% engaged in livestock farming and over 4,000 involved in local milk production<sup>137</sup>.

- In terms of quality control, the results of this assessment show relatively low standards. Small-scale farmers do not have either the technology or the capacity to ensure health and safety standards and rely primarily on traditional methods. According to our interviewees, the lack of equipment and training are a cause for lower health and safety standards during production. This is also a concern among consumers, who want to ensure that they are consuming a safe end product<sup>138</sup>, as representatives from Miyetti Allah discussed during interviews. Furthermore, the limited access to education and training in the sector has limited the capacity of farmers to improve productivity and improve their engagement in the dairy value chain.

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<sup>136</sup> Ibadan University Breeding Project, A Research Proposal for Dairy Development in Nigeria submitted to IDRC/CIFSRF.

<sup>137</sup> Report by Oyo State Agricultural Development Programme, 2009.

<sup>138</sup> Meeting with Miyetti Allah.

- As previously mentioned, land issues are also a crucial aspect. Most cattle breeders are nomads and do not own the grazing lands which leads to conflicts. Furthermore, with the current security situation in the north, many have moved south and tried to settle in Oyo state where they rent land. However, the cattle still move due to the shortage of fodder. This security situation increases the vulnerability of the Fulani, not only in terms of their production capacity, but also in terms of their human rights in general.
- Access to water is yet another concern. During the dry season water is accessible primarily through deep wells. The insufficient quantities of water affect the health of the cattle, as well as the milk yield, which can drop to 500ml per day. The mean annual rainfall over the country varies from a high of more than 3,500mm along the coast to a low of less than 600mm in the Sahel region in the northwest and northeast parts of the country. The annual variation of rainfall, particularly in the north, is large. This often results in climatic hazards, especially floods and droughts, which bring in their wake much suffering with devastating effects on food production and the nation's economy<sup>139</sup>.
- Raw milk production and processing are to a large extent limited by the shortage of power. Electricity is an essential service in alleviating poverty, facilitating socio-economic development and in removing the disparity in the standards of living between urban and rural areas<sup>140</sup>. According to reports, in March 2014, electricity supply from the national grid stood at 4,306MW, far below the estimated demand of 12,800MW. This implies that currently Nigeria is only generating about 34% of the country's requirements, and this provides an enormous potential for new and existing players in the industry<sup>141</sup>. As milk production is mainly centred in rural areas, this issue severely hampers the availability for storage and sustainable processing.
- There are also problems with access to veterinary services, medicine and vaccines for the cattle. The existing cooperatives work towards improving the situation and provide support among the farmers. However, during the assessment we were informed that most farmers, especially the small-scale producers, find it difficult to cope with the prices and quality, and often suffer losses in cattle (usually due to infection from the tsetse fly).

A constraint that has been extensively addressed both by involved stakeholders and NGOs is the high cost of inputs (fodder, medicine, concentrate and services) and lack of trained hands in intensive systems of husbandry management and the problem of organising the systems to achieve the national goal even when it is planned for. The resulting shortage of fresh milk pushes up the price.

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<sup>139</sup> Federal Government of Nigeria, Nigeria's path to sustainable development through green economy: Country Report to the Rio+20 Summit, 2012:

<https://sustainabledevelopment.un.org/content/documents/1023nigerianationalreport.pdf> , page 4.

<sup>140</sup> Federal Government of Nigeria, Nigeria's path to sustainable development through green economy: Country Report to the Rio+20 Summit, 2012:

<https://sustainabledevelopment.un.org/content/documents/1023nigerianationalreport.pdf>

<sup>141</sup> Belgrab, Report highlights Nigeria's growth driving sectors. Nigerian-German Business Association, 2014:

<http://www.ngbafrica.com/report-highlights-nigerias-growth-driving-sectors/>

The underlying competitive challenges mean that the local dairy sector is poorly placed to meet rising consumer demand<sup>142</sup> and local production cannot generate enough income with which to increase the supply on the market; this in turn feeds the growing trend of using milk from elsewhere<sup>143</sup>.

### Arla's activities in relation to raw milk production and processing

Currently Arla Foods is in phase one of developing a wider presence at the Nigerian market. Arla's milk powder products have been present in the country for about 30 years and have been part of the product portfolio in the value chain. Now, the activities will be carried by the newly formed joint venture company, TG Arla Dairy Products LFTZ Enterprise. The partnering company, Tolaram Group, is a leading distributor of fast-moving consumer goods.

The current plan for activity expansion is concentrated on a repackaging facility for milk powder, with possible extension to other products. The chosen business model relies entirely on repackaging, distribution and sales, with a facility based outside of the city of Lagos, in the Lekki-Port area, thus employing people from the respective area, with priority extended to the local community. The milk powder will target both the consumer market, as well as the industrial dairy processing companies. In the case of the latter, the milk powder could be used for processing into liquid milk, UHT and yoghurt by small to medium-scale processors<sup>144</sup>. This assessment does not explicitly address the potential future expansion of the portfolio with Lurpak<sup>®</sup> and Castello<sup>®</sup>, as these are products targeting expatriates and upper class consumers with high purchasing power, living in urbanised areas and therefore will not be in competition with domestic products from local milk.

At this point of time, there is no direct involvement of Arla with the local raw milk production value chain, i.e. local sourcing. It is crucial to note, that during the field visit it was discussed that there is no culture of drinking fresh raw milk in Nigeria due to a variety of reasons, namely the limited access to this product in a large section of the country, lack of cooling facilities, storage and infrastructure, as well as the higher prices, which leads to a very limited consumer profile.

During the course of this assessment, it has been observed that there is significant segmentation in the market, and thus no or very limited direct linkage between the two value chains.

What should be acknowledged is that the cumulative effect of import of milk powder may potentially hinder development of the local dairy sector's capabilities to offer dairy products at competitive prices in a long-term perspective. If a structured development policy is set by the government that fulfils adequate investment, tackling all the existing barriers that limit the production, the situation might differ in the long run.

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<sup>142</sup> The Global Forum on Agricultural Research, Executive Brief Update 2013: Dairy Sector: <http://www.eqfar.org/news/imported/executive-brief-update-2013-dairy-sector>

<sup>143</sup> Annatte, I. et al., Major issues in Nigeria dairy value chain development, 2012, page 36

<sup>144</sup> The use of clear water, clean tools and machinery are recommended

## Potential impact of Arla's activities on human rights

On one hand, according to researchers, despite involvement and development efforts, there is a significant quality gap between locally produced and imported dairy products due to the cost of training local producers, poor post-harvest handling and lack of access to improved processing technologies. Cited in the same journal, according to dairy farmers and other value chain actors, high local demand for foreign or reconstituted products is crowding out farmers and independent processors from their own domestic markets resulting in joblessness, low income and increased food insecurity<sup>145</sup>. On the other hand, if implemented in a sustainable manner, with consideration given to sustainable growth, the effect of foreign direct investment on development in relatively poor countries through the transfer of knowledge, the accrual of investment funds, and even the improvement of labour standards, is often seen as one of the potential benefits of globalisation<sup>146</sup>.

Milk powder is used as substitute for fresh milk due to price (despite the wealth derived from oil, 90% of the Nigerian population has to manage to live with less than two dollars a day<sup>147</sup>). Milk powder provides durability, accessibility, reliability of supply and consumer preferences and perceptions of product attributes<sup>148</sup>, and at this stage it would meet the market demand for milk without affecting the demand for locally produced raw milk, which is usually consumed as cheese or yoghurt.

So far the limited volumes of milk produced locally in Nigeria, together with the poor infrastructure, means that fresh milk production for sale is very limited. Due to lack of capacity, which is predetermined by the cattle breeds, production techniques and seasonality, there is no production of powdered milk in Nigeria to substitute imported milk powder. This, in combination with the general population having no tradition of consuming fresh milk<sup>149</sup>, means there is limited direct competition between locally produced dairy goods and imported products when it comes to milk powder for industrial use<sup>150</sup>.

During our field study, we followed the local value chain from production of raw milk to the markets and it seemed that overall at this stage imported powdered milk and locally produced raw milk represent two rather separate value chains that will not meet at the market in terms of location, products or consumers.

It should be considered, though, whether our business model based primarily on import of milk powder is a hinder for the Nigerian dairy sector to develop since it might reduce the incentive for the national dairy industry to source locally. According to market surveys and interviews with local dairy businesses, the experience is that it seems almost impossible to base industrial or semi-industrial dairy production on locally produced fresh milk which is more expensive, of lower quality and irregular in delivery. The infrastructure in terms of cooling systems, cold chains and milk collection centres is extremely limited and has to be developed before local sourcing is a realistic commercial option.

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<sup>145</sup> Annette, I. et al., Major issues in Nigeria dairy value chain development, 2012.

<sup>146</sup> Farla, K., Verspagen, B., Institutions, Foreign Direct Investment, and Domestic Investment: Crowding Out or Crowding In?, Maastricht University: <http://dx.doi.org/10.1016/j.worlddev.2014.04.008>

<sup>147</sup> Agricord, Farmers' organisations in Nigeria: An overview, 2008.

<sup>148</sup> It is important to note, that the health safety properties of milk powder are sustained if it is mixed with clear water and clean tools

<sup>149</sup> A number of interviewees stressed the current food habits do not include fresh milk, except of course domestic consumption among farmers. Except of course domestic consumption among farmers.

<sup>150</sup> Ministry of Foreign Affairs of Denmark - The Trade Council, Draft 2 Report, Milk Production Nigeria (Arla foods amba), 2014.

However, considering this issue in a broader perspective, it has to be acknowledged that the situation today has been influenced by a degree of disinvestment by the government. The trend of not prioritising the development of the sector and targeting the existing barriers has to a certain extent been based on the availability of cheaper imports, according to the interviewed stakeholders. Hence it should be considered what the long-term impacts are on human rights of the affected stakeholders by Arla's current and future activities. Bearing this positioning, both in geographical and operational terms, there are no substantial indications found that at this stage that it has or may cause a direct adverse negative impact on:

- Right to work of Fulani farmers or small and medium-sized processors
- Right to adequate standard of living of Fulani farmers and their dependants
- Right to access to food of Fulani farmers and their dependants
- Right to health<sup>151</sup>
- Right to access to water
- Right to land

However, due the market position and ambition of Arla, there are several indirect human rights impacts that should be monitored:

- Right to work and just and favourable conditions of work of Fulani farmers and their dependants

Deterioration of working conditions for raw milk producers due to lessened incentive from the government to support the development of the sector.

Outcompeted due to unfair market position compared to international importers and thus forced to disengage from production:

- Right to an adequate standard of living of Fulani farmers and their dependants

Deterioration of living standards of raw milk producers due to inability to access the market.

- Right to access to food of Fulani farmers and their dependants

Limited ability to purchase food products that ensure higher nutrition levels due to lower income:

- Right to health

The risk for negative impact on the right to health of local household members if any mitigation measures lead to reduced local consumption of milk.

Given the difficult sector landscape, the vulnerable stakeholders will need external support to ensure the advancement of their rights' situation. However, a balanced solution is required in order to achieve both sustainable development in the long run, and to meet the consumer demands at this stage.

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<sup>151</sup> Milk powder should be mixed with pre-boiled water, and clean tools in order to avoid health safety risks

## Distribution and sales

### Context

#### Characteristics of distribution and sales

There are two main categories of distribution and sales channels in Nigeria:

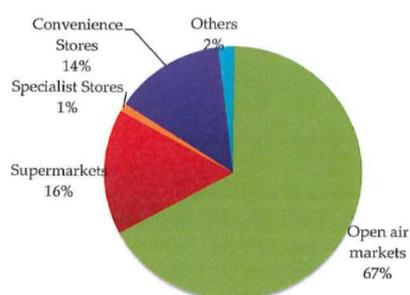
- Traditional trade or the informal channel
- Modern trade or the formal channel

Traditional trade usually involves small and medium-scale farmers involved in direct sales of fresh milk and other dairy products who are active primarily in rural areas. It is estimated that direct sales and open markets account for about 70% of the food sales sector. This of course provides limitations for consumers both in terms of product storage and access to fresh dairy products that have limited shelf-life. Continued westernisation, growth in incomes and development of modern retail channels means that sales of dairy products are expected to perform better<sup>152</sup>.

In regard to modern trade, local marketing and sales are dominated by the presence of multinational companies such as FrieslandCampina, Promisador and Nestlé, which capture the majority of the market. The imported dairy products are available across the country in virtually all urban and rural market outlets.

Currently there are a few programmes, supported by international business, the government and associations like the International Fertilizer Development Centre, that are set to improve the distribution and sales capacity of the local producers. These are discussed in the sections below.

Figure 11: Nigeria Dairy Market Distribution- % Share by Value



Source: Agosto & Co. Estimates

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Major product groups available at the market<sup>154</sup>:

- In the absence of a liquid milk culture in Nigeria condensed milk serves as the milk complement for a variety of beverages and foods. It is a highly important category in which rich gains can be made by key players, particularly as population growth ensures steady demand.

<sup>152</sup> Euromonitor International, Dairy in Nigeria, 2014: <http://www.euromonitor.com/dairy-in-nigeria/report>

<sup>153</sup> Agosto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>154</sup> Euromonitor International, Dairy in Nigeria, 2014: <http://www.euromonitor.com/dairy-in-nigeria/report>

- In 2014 FrieslandCampina Wamco dominated condensed/evaporated milk with a 78% value share. Peak is the dominant brand in condensed/evaporated milk in Nigeria. The company and its Peak brand, because of their long presence in the country, have built a strong, loyal consumer base that cuts across all income groups. Furthermore, it has a strong and effective distribution network across Nigeria.
- Milk powder is one of the key categories within dairy in Nigeria. Due to its price, large scope of market outreach, long shelf-life and relatively low storage requirements, it is an essential element of the dairy diet in the country. It is not only used in direct sales, but also by both big enterprises and small local companies for reconstitution.
- Yoghurt is one of the more dynamic categories in packaged food, driven by drinking yoghurt. Traditionally, this product and its variations such as drinking yoghurt, have been largely present at the market in an unpackaged form. Today it has increasing popularity among consumers and it is sold even by street hawkers.
- Packaged cheese in Nigeria is still a niche category, which is not popular amongst Nigerians, but the main consumer base for this category is provided by expatriates. Growth is, however, being driven by an increased presence in retail outlets such as supermarkets, hypermarkets and independent small grocers, which increasingly stock Western-style products.
- The major local dairy products in the market include Nono (sour milk), Kindrimo (sour yoghurt), Cuku (Fulani cheese) and Wara (Yoruba cheese), which are traditionally handmade and then directly sold at local markets in rural areas.
- Butter, ice cream and infant formula are also present in the market, but in smaller quantities<sup>155</sup>.

#### Consumer preferences:

- There are differences in consumer preferences and they are largely region-based. The traditional dairy products in the Nigerian market are particularly prevalent in the urban and rural market outlets in Northern Nigeria where the tradition and culture of the people favour cattle breeding and where the consumption of fresh and locally processed milk had long been part of the local diet.
- The developing middle class has better access to dairy variety especially in urbanised areas. Furthermore, currently, there are a few programmes, driven by NGOs and the government targeting malnutrition and raising awareness of the importance of specific food groups, including dairy. Mothers and children are encouraged to include more dairy in their diet, especially considering the high levels of stunting and malnutrition in certain areas of the country<sup>156</sup>.
- Consumers that are at the bottom of the pyramid have preference for long-lasting and affordable products, due to lower purchasing power and lack of cool storage.

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<sup>155</sup> Agosto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

<sup>156</sup> Interview with FAO representative.

- In the south and south-east, due to the unavailability of fresh milk and the limited reach of other locally produced dairy, consumers are largely used to imported products especially milk powder.

### Types of actors involved in distribution and sales

There are four main types of players involved in distribution and sales:

The members of the Fulani tribe are the main actors involved not only in production but also in distribution and sales (informal channel). Women are responsible for all milk processing and marketing and for deciding on the quantity of milk to be sold or consumed by the family. In some instances, the sales are conducted in terms of bartering: e.g. milk/dairy products for grain. In general, marketing is seen as both an economic and a social activity. Only a handful of wealthy Fulani women sell their milk using female intermediaries. Nearly all others sell their dairy products (butter, ghee, fermented milk mixed with millet) personally in local markets and door-to-door to consumers. The women use the money they earn to buy everyday necessities and sometimes to buy small ruminants. The revenue the women generate from their dairy products contributes substantially to their household incomes<sup>157</sup>.

- Small-scale farmers:

The raw milk and its by-products, mainly yoghurt and wara, are transported to the local open markets in predominantly rural areas. Distances can be between 5km and 15 km, which are covered on foot or on motorbikes. There are several limitations including the short shelf-life of the products due to the lack of cooling facilities and equipment during transportation, poor road infrastructure and the limited number of distribution outlets. These lead to several possible human rights impacts – from security, through right to work and adequate standard of living, to food safety.

- Medium-scale farmers:

To a large extent the same issues are present, for those who sell directly to consumers. However, with the introduction of milk collecting centres by FrieslandCampina, the farmers involved are able to transport the milk in company provided containers to the milk collecting centres, from where the milk is stored in cooling trucks and then transported to the company's production facility. From our observations, this provides an improved degree of security in terms of income. The concern raised by a professor at the International Livestock Research Institute is that this causes product shift – what would otherwise be available as a product at the local market is now transported elsewhere and converted into alternative dairy goods which directly relates to the right to access to food and adequate nutrition of the local population. Furthermore, according to our observations this degree of commercialisation of sales leads to a shift in responsibilities with men taking over the transportation and sales of the product, which in a broader perspective increases the vulnerability of women.

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<sup>157</sup> Kristjanson, P., et al., Livestock and Women's Livelihoods: A Review of the Recent Evidence. International Livestock Research Institute, 2010: [https://cgspace.cgiar.org/bitstream/handle/10568/3017/Discussion\\_Paper20.pdf;jsessionid=5EA5317E99A144641173AB46775C8074?sequence=2](https://cgspace.cgiar.org/bitstream/handle/10568/3017/Discussion_Paper20.pdf;jsessionid=5EA5317E99A144641173AB46775C8074?sequence=2)

- Small and medium-sized enterprises:

These base their business on reconstituted milk powder in bulk for the production of other dairy products and for direct sales to rural, urban markets or specialised stores. These, however, hold a very small section of the market.

- International companies:

International companies involved in the import, production and sales of dairy products are the key players in the formal channel. Having the financial capacity to secure distribution channels, marketing and substantial market coverage, they have the advantage of reaching a large spectrum of consumers. With two of the main products being milk powder and UHT, which have long shelf-life and lower storage requirements, the companies directly distribute to markets and shopping outlets via cooling trucks. The companies that dominate the sector are FrieslandCampina Wamco, Nestlé and Promisador.

As part of the informal sales channel, there are other actors that need to be mentioned. Street hawkers, who are frequently underage, take advantage of the traffic conditions in the big cities to sell directly to consumers. The main products are drinking yoghurt mixed with fruit juice, which is a common refreshing and nourishing snack preferred to soft drinks, which do not nourish or help to prevent hunger.

### Capacity of actors<sup>158</sup>

In Nigeria, the majority of the population consumes milk powder or yoghurt. Only middle to high income urban dwellers, or the producers themselves, can and do consume fresh milk on a daily basis. Consumers' purchasing power is a determining factor, especially outside of urbanised areas. Low income levels are a major obstacle to the access to dairy and dietary diversification as the prices for local fresh products are still relatively high. Furthermore, when considering the high malnutrition level, especially in rural areas, there are a few key points that enter the discourse. On the one hand, availability of affordable dairy can be crucial for improving the situation. A lot of international players, as well as the very few commercial dairies, target consumers at the bottom of the pyramid by selling small sachets of milk powder. These are sold today by other dairy companies for about Naira20<sup>159</sup> and can thus meet the needs of a large section of the population. On the other hand, the Fulani pastoralist producers are dependent on the sales of fresh milk and other dairy products. According to a study, "Fulani pastoralists in Nigeria, who have replaced their nomadic way of life with settlement, have experienced a growth in malnutrition, due to changes in food habits, nutrition and health. Among the settled Fulani pastoralists, the proportion of dairy products in the diet is decreasing, compared to their nomadic counterpart. The settlement causes a higher need for income, which forces the Fulani pastoralist to sell a higher proportion of the milk and dairy products. As a result, the settled households have increasingly substituted their dairy consumption with rice and corn. The settlement of the Fulani

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<sup>158</sup> Estimations regarding the milk/dairy products that reach the market are done based on the relative number of dairy cows in the country. However, these numbers are speculative as according to our interviews the major part of sales are done through the informal channels and/or the milk is left for home consumption and for feeding of the calves.

<sup>159</sup> Equals to 0.10 euro.

pastoralist has therefore been a contributing factor to increased malnutrition among the Fulani pastoralist in Nigeria<sup>160</sup>. This shows their vulnerability, even when sales capacity is improved and the need for comprehensive action and implementation of a sustainable strategy in the sector.

- Distribution and sales within the informal channel:

The value chain from smallholder production in rural areas to shopping outlets in the urbanised areas is still weak. Of the estimated total domestic fluid milk production in 2006, for example only about 600,000 litres (worth about Naira232.5m) entered formal marketing channels through corporate, public and other private milk collection cooperatives schemes from migrant herdsmen and the output of the few commercial dairy farms. The rest was either consumed by the producing families or traded informally within the producing communities<sup>161</sup>, and this is a pattern that has not majorly changed since.

Small-scale farmers' milk is still only to a limited extent able to reach the urban markets. Trade of their fresh milk remains very local and rarely exists beyond a 15km radius of their neighbourhood. Transportation of the products is either on foot or on bicycles/motorcycles, often on the same day of production. Furthermore, the quantities of milk or other dairy products tend to differentiate. As a consequence, there is very limited direct competition between locally produced dairy goods and imported products when it comes to milk powder for industrial use<sup>162</sup>. One of the more prominent figures in the Nigerian dairy sector, L&Z Integrated Farms Ltd., discusses the difficulties they face in terms of distribution, access to market and sales<sup>163</sup>. In their experience, reaching out to the market is marked by barriers that vary from infrastructure to expensive cooling equipment. As previously mentioned, this inherently affects the end price of the milk for consumers, which further limits the sales volumes.

However, when tracing products at local markets in the western part of Nigeria<sup>164</sup> and drawing on market survey and local sources, we can conclude that there is still a certain degree of product variety available, even at open markets, which includes traditional cheeses, milk powder, fermented milk and yoghurts. The limited availability or overall lack of cool storage and electricity limits the sales opportunities and the shelf-life for some of the fresh products.

The lack of infrastructure and a market system for milk seems to be the biggest challenge for local producers, when they have to compete with imported milk powder. Access to capital for investments is another challenge which slows down the growth of local milk production. Due to access to milk powder, which is available through sustainable supply lines, in stable qualities and at competitive prices, the local demand for fresh milk for processing does almost not exist.

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<sup>160</sup> Ekpo, U. et al., Prevalence of malnutrition among settled pastoral Fulani Children in Southwest Nigeria. BioMed Central, 2008: <http://www.biomedcentral.com/content/pdf/1756-0500-1-7.pdf>

<sup>161</sup> Annette, I. et al., Major issues in Nigeria dairy value chain development, 2012, page 32.

<sup>162</sup> Ministry of Foreign Affairs of Denmark - The Trade Council, Draft 2 Report, Milk Production Nigeria (Arla foods amba), 2014.

<sup>163</sup> Kano, Dairy farming in Nigeria uncowed: What the milk trade reveals about the country, 2015: <http://www.economist.com/news/middle-east-and-africa/21653616-what-milk-trade-reveals-about-country-uncowed?frsc=dg%7Ca>

<sup>164</sup> Due to security reasons, it was not possible to study the value chain in the northern part of Nigeria.

Handling of fresh milk will require further investments in equipment and a management system able to face insecure deliveries. The latter is particularly crucial as production of fresh milk is very seasonally influenced in Nigeria, with two thirds of the production achieved in the rainy season and only a third in the long dry season, which also increases price volatility.

The only way to break the patterns seems to be either governmental or industry investments in a market and cool chain system. “A number of governmental projects have been installed, but seems generally to collapse again, due to lack of connections to stable markets and lack of stable funding of the projects”<sup>165</sup>. However, there are currently a few programmes running which have had a positive influence on the capacities of those involved.

- The transition to the formal channel:

In 2008 FrieslandCampina Wamco began to explore local milk sourcing opportunities. A milk collection operation was set up in 2010, with locally produced milk being used in manufacturing evaporated milk. In 2011 agreement was reached with the Nigerian government to set up a pilot milk collection centre). This was to involve: close liaison with local milk producers, the extension of veterinary support, training of extension workers, the distribution of containers for the transport of fresh milk to the collection centres; and close monitoring of the quality and hygiene of the milk delivered. According to our sources, this has improved the living conditions and profits of the 600 farmers involved. It has also allowed them to sell higher quantities of raw milk, rather than transforming it into other products or leave a high percentage for household use and the calves. Today, the four collecting centres are strategically placed in relatively close radius to clusters of middle-scale producers with around 50 cows, who have become settled or semi-settled. According to a representative of the 2scale project<sup>166</sup> in the International Fertilizer Development Centre, initiatives like this may improve the current stagnant situation in the dairy sector, which although it has potential for improvement, will need a lot of support to develop to a sustainable degree.

An interesting point raised during our interviews, and discussed in a few studies as well, was the effect of the commercialisation of milk sales. Studies “demonstrated how the commercialisation of milk has eroded women’s traditional control over milk products, thereby decreasing their power within the household. With greater integration of the Fulani in commercial markets, men have been taking over the milking of animals from women, with large consequences for the women and their households. This change in the division of labour, with men taking over the milking role, reduced women’s access to milk and thus to dairy income, thereby diminishing their ability to control the welfare of their matrifocal household units under polygamous relationships”<sup>167</sup>. This is an issue to be monitored in the long run, especially since women are a specifically vulnerable group. If an increase in that vulnerability occurs, it could have severe negative impacts on their human rights and position in the respective society.

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<sup>165</sup> Ministry of Foreign Affairs of Denmark - The Trade Council, Draft 2 Report, Milk Production Nigeria (Arla foods amba), 2014.

<sup>166</sup> 2scale is supporting farmers to improve their business, capacity and profits. They are currently providing assistance for the FCW project and the farmers involved.

<sup>167</sup> Kristjanson, P., et al., Livestock and Women’s Livelihoods: A Review of the Recent Evidence. International Livestock Research Institute, 2010: [https://cgspace.cgiar.org/bitstream/handle/10568/3017/Discussion\\_Paper20.pdf;jsessionid=5EA5317E99A144641173AB46775C8074?sequence=2](https://cgspace.cgiar.org/bitstream/handle/10568/3017/Discussion_Paper20.pdf;jsessionid=5EA5317E99A144641173AB46775C8074?sequence=2)

- The formal channel:

Finally, key players in the market are international companies, involved in imports of dairy products, especially milk powder. These have higher capacities in terms of volumes, availabilities, affordable prices, marketing and higher health and safety considerations. The limited infrastructure and security concerns are some of the key constraints for these actors as well, as it makes the reach of rural markets difficult. However, their overall favourable market position has raised concerns regarding unfair competition and linkage to the underdevelopment of the sector in Nigeria. These are to be discussed below.

Overall, the local dairy sector faces a string of limitations in terms of distribution and sales, with their effects depending on the scale of production:

- Lack of a sustainable and efficient cold chain is one of the determining factors
- Lack of stable affordable electricity
- Lack of refrigerated facilities in the small stores and kiosks, hence storage is limited and shelf-life of the fresh products is short
- Seasonality and instability in supply
- High transportation costs
- Competition in terms of final price and availability
- Limited market reach, often localised
- Limited or no ability for product advertising

A sustainable, comprehensive and long-term approach from the government and related stakeholders will be necessary in order to overcome these limitations and effectively support the sector.

### Arla's activities in relation to distribution and sales

Arla has been present at the Nigerian market for almost 30 years. Now, with the establishment of a new joint venture company under the name of TG Arla Dairy Products LFTZ Enterprise, Arla has a partner that is a leading distributor of fast-moving consumer goods.

Tolaram Group has a strong positioning in West Africa with a reach of almost 500,000 retailers, and vast experience with sales in Nigeria. With the packaging unit located in the Lekki Industrial Zone on the outskirts of Lagos, the company will have the opportunity to reach a large number of consumers and key markets not only in the area, but around the country.

The product available will be milk powder that will target the consumer market through variations in packaged volumes, including small sachets, thus providing product and brand variety at affordable prices. In addition, the milk powder will supply dairy processing companies through sales of bulk packs. An expansion of the portfolio is an option in the long run, depending on market conditions and consumer demand.

The distribution will be entirely held by the partner Tolaram Group and will reach a variety of sales outlets, including the partner's chain of supermarkets, Best Choice. In addition, the products will be available at the open markets in order to meet the demand for nutritious affordable products of the general population.

In terms of the marketing strategy for Arla's products, the commitments expressed in the Code of Conduct will be respected, including but not limited to clear labelling with ingredients and nutritional value, to help consumers make well informed decisions. Recommendations on use of pre-boiled water in mixing the products, in order to avoid negative impact on health are included on all packaging.

During the activation process, general advice on health and product information will be provided, as well as dry samples. The communication during 2016 will be focused on good food habits, as per the global guidance. Furthermore, all marketing is to comply with the NAFTA regulations. Sales will be in accordance with national regulations and in bona fide.

### Potential impact of Arla's activities on human rights

The question to be assessed in terms of human rights is whether Arla's increasing distribution and sales of milk powder have a potential negative impact on local farmers' and their dependants' livelihood? Does milk powder outcompete locally produced fresh milk or local dairy products? We consider these questions to be the focus of the assessment as the possible future expansion to high-end products, targeting consumers with high purchasing power and expatriates, would not be in direct competition with locally manufactured products and will not place the latter at a competitive disadvantage.

The market positioning of imported milk powder has raised concerns not only within the government which is considering strategies towards self-sufficiency, but also among certain organisations in Nigeria. We met with, among others, ActionAid Nigeria and Miyetti Allah who are arguing that lack of sufficient government investments in the dairy sector means that local farmers are not able to compete on fair terms. The main argument is that government does not have the incentive to provide sufficient investments in the sector since there are cheaper products available at the market to satisfy the present increasing milk deficit. This argument is supported by researchers from IRLI, who argue that the 70–80% market share of powdered milk means that local producers are kept at a lower level.

Others argue that small farmers' milk production activities are not market driven. Milk is a side product of cattle breeding, and it is only what is not consumed on farm (within the household or immediate neighbourhood) that reaches the market. The sector is in need of entrepreneurial farmers to develop it to a more competitive level. Some are claiming that there is less incentive for young people, especially outside of traditional producers, to get involved in the dairy sector. Other agricultural sectors like poultry are far easier for farmers to ensure an adequate living standard<sup>168</sup>.

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<sup>168</sup> Discussion with researchers from Ibadan University, FAO, IRLI as well as Agricultural Consultant at the Danish Trade Council.

The way to break the negative pattern seems to be either governmental or industry investments in a sustainable market and in cool chain systems for locally produced milk to reach the markets and/or the dairy industries.

Taking all these statements into consideration, as well as the results of this assessment, it has to be stated that the relation to Arla's activities and the local sales/distribution in Nigeria is complex. Although at this stage the scope of the business would not put Arla in direct competition with local raw milk producers, due to the scale and capacity of production, it may be linked to stagnation of their sales. Our survey also indicates that in terms of distribution and sales, it is the lack of infrastructure and a market system for locally produced raw milk that seems to be the biggest challenge for local producers' access to the market at the moment.

On the other hand, some of the researchers and relevant stakeholders we consulted stressed the necessity of the continuation of importing dairy products for the Nigerian dairy sector over the next approximately 20 years<sup>169</sup>, in order to keep up with population growth.

Furthermore, access to cheap nutritious food especially among the poorest is crucial to ensure poor people's rights. This segment – the base of the pyramid – often suffers from “poverty traps” meaning that even if they have a small amount of money they are unable to buy products and services to acquire an adequate standard of living and related rights. Catering to this segment, through sales of small packages of nutritious milk powder, may have a positive impact on Nigerian society. This could be of particular importance when considering the high levels of malnutrition in the country, especially in rural areas.

Furthermore, authors such as Jenkins argue that one way to address poverty alleviation is through the distribution channel, by targeting the poor as consumers. Following its commitments related to nutrition, Arla will have high market coverage and provide milk powder without seasonal limitations and at reasonable prices that are affordable. However, we acknowledge that any positive human rights impacts will not offset any negative impacts related to Arla's activities in Nigeria.

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<sup>169</sup> Interview with Professor at Ibadan.

Respecting the complexity of the issue and taking into consideration the different voices in this debate, Arla has identified linkages to the following potential human rights impacts that might occur in the long run if the conditions of the local market do not improve:

Right to work and just and favourable conditions of work; right to adequate standard of living; right to health.

- Arla's sales and distribution of industrialised, European milk powder of high quality standards might potentially outcompete local dairy products based on locally produced raw milk. Usually, liquid milk available in shops is UHT made from milk powder. Fresh milk is currently considered to be a very luxurious product appealing only to the high end consumer class in Nigeria<sup>170</sup>. In addition to that, there is a high level of trust in the safety of European dairy products which attracts Nigerian customers and further limits the consumption of fresh milk. Therefore, Arla's increasing marketing and sales of milk powder at the Nigerian market might have a potential negative impact on local dairy farmers' ability to sell their dairy products based on raw milk, thus contributing to stagnation in the income derived from sales of locally produced dairy.
- Arla's sales and distribution of cheaper<sup>171</sup>, high quality and easy-to-store milk powder will potentially be a hindrance to a commercial and business oriented development of local dairy, since traders, small entrepreneurs and industries might lose incentives to build their businesses on locally sourced raw milk.

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<sup>170</sup> IRLI estimates that about 30 % of the population in Nigeria suffers from genetically determined lactose intolerance. In consequence, a larger part of the population prefers fermented dairy products or milk powder, which can be digested without health problems.

<sup>171</sup> In comparison with locally produced fresh milk.

## Conclusion

Arla has announced two new joint venture companies in Senegal and Nigeria. The move is part of Arla's strategy to fulfil its growth ambition in Sub-Saharan Africa. The abolition of the European Union milk quota in April 2015, together with the development of the world milk market conditions, adds impetus to this strategy.

As part of Arla's commitment to the UN Guiding Principles on Business and Human Rights, the company has the responsibility to respect human rights, which requires due diligence including assessing and addressing our actual and potential adverse human rights impacts. Therefore, the purpose of Arla's first human rights assessments is to identify whether Arla's activities actually or potentially cause, contribute or are linked to a deterioration of working opportunities, working conditions, and adequate living standards for local farmers who depend on raw milk production, processing, distribution, marketing and sales of dairy products and their dependants.

The methodological framework is developed by the Danish Institute for Human Rights. It builds on a mix of methods involving field study, desk research and systematic stakeholder consultations. We acknowledge that there are limitations to the results of the assessment due to scope, the number of consulted stakeholders, the availability of data and the time-span of the research. Our findings show that the aim of including stakeholder consultation processes on location in Nigeria has added significant value to the validity of the assessment. Together with field studies in the local communities of the Fulani dairy farmers potentially affected by Arla's business, and their active involvement in the generation of data, this method has provided the assessment with essential data and understanding of the conditions "on the ground", which could not have been obtained through desk research alone.

The assessment has been conducted by Arla's internal Corporate Social Responsibility team. Due to the risk of potential bias involved, the two reports were sent for consultation to ActionAid, Care as well as Arla's internal expertise on trade policy, human rights and market conditions in Nigeria before publishing. Moreover, the Danish Institute for Human Rights has provided comprehensive consultation during the entire process. It appears that this consultation process has been of utmost importance to the quality of the assessment and will be further integrated into future human rights assessments.

Together with the human rights assessment in Senegal, this assessment is the first of its kind in Arla. As Arla continues to enter new markets, we are obliged to conduct human rights due diligence as an integrated part of our business development process. This approach of assessing and developing action plans to manage our human rights impact has paid a significant contribution to build Arla's in-house competences on human rights. Furthermore, we find that the methodological framework is applicable to other markets where it is deemed necessary for Arla to conduct in-depth human rights assessments related to the market effects of milk powder import.

Based on an extensive review of studies, it appears that both current thorough statistical information, as well as up-to-date studies on the dairy sector in Nigeria is limited. Considering the widespread concern regarding the negative impact of imported milk powder, it is of crucial importance that more research based in-depth country-level studies, estimating the actual impact of milk powder import on the segmented and underdeveloped markets, need to be conducted.

During the course of this assessment, it was found that the Fulani pastoralist farmers in the north and the women in particular, are amongst the most at risk groups within the Nigerian society. Fulani households are often dependent on income and nutritional value from dairy production. They are particularly susceptible to challenges in the sector and are its most vulnerable actors. Depending on nomadic or semi-nomadic pastoralism to provide fodder and access to water for their cattle, they are faced with various constraints that influence their basic human rights. Their right to land is often undermined due to increasing urbanisation, lands being designated for agricultural use as well as the current security situation in the northern regions. This is leading to increasing conflicts over the rights and access to land.

In addition to that, due to the pastoralist way of life, the Fulanis often suffer from lack of access to education, health services and adequate standard of living. Committed to cattle breeding and, hence involved in the production of milk, the Fulanis are entirely dependent on the sector for their working conditions and income. Again, this is particularly relevant for the women who are responsible for the milk production, distribution and sales as well as the economic benefits from dairy. In order to secure the aforementioned, there is a list of prerequisites that need to be in place, including ability to improve milk yield and storage, ensure a sustainable cold chain, efficient infrastructure and access to market. These, however, are currently critically underdeveloped, thus putting pressure on the Fulani's capabilities and capacity and adding to their vulnerability in terms of human rights. However, the assessment reveals that the present shift towards semi and full settlement and a more business oriented dairy production may have a positive impact on their livelihood in the long run if land rights are secured.

Our results indicate that all of these structural barriers prevent the Fulani's from increasing their potential within the sector. Currently involved mainly in the informal channel, or traditional trade, they are a vulnerable player in the existing rather segmented market for dairy products. Furthermore, the limited ability to compete with international players in the market amplifies their existing vulnerabilities.

The assessment has shown that years of disinvestment in infrastructure have been a major hindrance for dairy sector development. This has meant that the Fulani dairy farmers have so far not experienced a sufficient increase in income from raw milk production and processing, since their market access is far too limited. The Dairy Transformation Agenda expands the scope of engagement and introduces a shift in paradigm towards a more business oriented value chain approach. The need for a long-term strategy covering improvements in the value chain is vast and even small-scale investments in sales and distribution have the potential to improve livelihoods.

The high levels of malnutrition in the country and the rather low income levels for a substantial portion of the population are incentives to developing adequate strategies within the agricultural sector as a whole. Within the dairy sector, the current tariff rate on milk powder in Nigeria is set at 5% in order to secure affordable nutritious products for the mass population and close the gap between increasing demand and the insufficient local supply. In the coming years, it could be expected that the government would initiate further measures to regulate import and strive for self-sufficiency. It is important to stress, however, that the assessment shows such measures are only applicable if they are consolidated by long-term support policies and measures to develop local production and distribution. It still remains to be seen how the present Buhari administration will approach future governmental programmes on dairy sector development.

As with other European dairy cooperatives and businesses, Arla has benefited from the European Union's dairy sector reforms over the years, which have provided favourable framework conditions and high productivity capacity leading to a significant competitive advantage. As previously mentioned, the relative weakness of the Nigerian dairy sector mean that it is still rather poorly placed in order to meet rising consumer demands and to compete against imported milk powder from companies like Arla in regards to price, quality, volume and regularity, as well as sales and distribution channels. As a result, there is still a huge gap between increasing domestic demand for dairy products and local supply in Nigeria. According to our resources, this trend will continue in the near future and it will require adequate governmental policies and regulations, taking into consideration the needs of society as a whole, in order to avoid negative consequences in human rights terms.

The assessment finds that widespread concerns regarding Arla's business model, based primarily on dairy imports and the potential negative impact on the domestic dairy sector, were raised internationally and also expressed by stakeholders in Nigeria. A number of potential negative human rights impacts have been identified:

1. The linkage to structural underdevelopment of local dairy and to a possible lessened incentive for the government to increase investments might have a potential negative impact on the right to work and an adequate living for small-scale dairy farmers and their dependants.
2. The risk of lessening the incentive for engagement in raw milk production and not entering, or leaving the sector, based on the inability to achieve sustainable profits due to limited access to market, lower prices of imports and high production costs.
3. The risk of outcompeting locally produced fresh milk and limiting its market access might have a potential negative impact on the right to adequate living, as it can lead to stagnation or decline in household income for local dairy farmers.
4. The risk of negatively affecting the right to health of local household members if Arla's activities lead to reduced local consumption of milk for low income segments in rural as well as urban areas.

This assessment indicates that Arla's future business activities in Nigeria are not likely to directly cause or contribute to negative human rights impacts on the local dairy farmers or their dependants. This is because Arla will not be directly involved in the raw milk value chain through its business activities and because of a high degree of market segmentation in the Nigerian dairy sector.

Arla's business model based primarily on repackaging, sales and distribution of imported milk powder is, however, an integral part of the complex systemic factors, which contribute to a continuous underdevelopment of the sector if looked at in a broader perspective. The easy availability of imported milk powder might amplify difficulties, and thereby could be linked to adverse human rights impacts for the dairy farmers involved in, and dependent on, income and nutritional value from raw milk production and sales. In the case of Nigeria, the scale of adverse impact on small-scale pastoralist farmers and their dependants might be lessened, though, due to the segmented market characteristics and the consumer preferences based on, among others, the lack of a liquid milk culture in a large section of the country.

Furthermore, Arla might be linked to lack of investment in the development of the dairy sector (i.e. local sourcing), due to attractive prices, quality and regularity of imported milk powder in comparison with the irregular availability and more expensive locally produced raw milk. This might incentivise processors to use imported powdered milk instead of sourcing locally raw milk in the production of other dairy products, which thereby harms local dairy farmers' and their dependants' right to adequate living and work.

It can be concluded that there are increasing expectations from government, human rights organisations, farmers' organisations, the UN and experts for business engagement in the development of the dairy sector in Nigeria. This assessment has provided Arla with an increased understanding of the complex dynamics between international dairy business and local dairy sector development in Nigeria which will inform our future business activities. In order to mitigate potential negative human rights impact to ensure a sustainable market presence in the long run, Arla will address a number of actions to strengthen the local dairy value chain in Nigeria.

Finally, Arla wants to stress that this assessment provides an analysis of potential adverse impact of Arla's planned business activities in Nigeria related to a specific time period. We recognise that our obligation to carry out human rights due diligence is an ongoing process directly proportional to the scope of the business, and any arising changes over time, and it will be an inherent part of our future business operations in Nigeria. The stakeholders identified during this assessment will be consulted on a regularly basis to contribute to Arla's monitoring of its future human rights impact.

## Follow up and mitigation

In line with the UN Guiding Principles on Business and Human Rights, potential negative impact should be addressed. The scale and complexity of the means through which Arla meets our responsibility may vary according to size, sector, operational context and structure. At present, Arla holds a market share of 3%. With increasing business activities in Nigeria, which is the main West African market, we recognise that our responsibility grows accordingly.

Through this assessment, it has become clear to us that we need to look at our responsibility in a broader perspective. Arla is therefore not only looking to mitigate potential negative human rights impacts in its narrow understanding. We want to further contribute positively to the sustainable development of the dairy sector in Nigeria.

We believe fundamentally that international trade can be a driver for sustainable development of the Nigerian dairy sector. In whatever measures we take, our role as a multinational cooperative dairy business is to support the Nigerian government programmes on dairy value chains and to use our business expertise to create shared benefits for local farmers as well as for Arla's business in the long run. This should be done through intelligent measures and a balanced approach, which does not cause other adverse impacts on human rights, such as the right to health, the right to adequate living, including the right to adequate food and its fair distribution, right to work, right to adequate housing or any discriminatory adverse impact on women as the main producer of raw milk.

In order to define the right mitigation measures, it is therefore of utmost importance to understand more about the complexity of systemic barriers and challenges which the local dairy sector is facing today and the role Arla as a multinational dairy importer has herein.

A review of studies together with own observations and structured interviews with stakeholders<sup>172</sup> reveal that traditional pastoralist dairy production in Nigeria suffers from a number of constraints that need to be addressed in order to mitigate negative and create a positive impact. We want to be part of the solution rather than linked to a continuous structural underdevelopment of the local dairy sector. Therefore, it is necessary to have a thorough understanding of embedded strengths and weaknesses.

In order to take into account the concerns of the potentially affected and related stakeholders, we systematically consulted and asked for their advice on how Arla as a cooperative business can be a driver for development of the local dairy value chain in Nigeria. In Lagos, a meeting was held with some 15 dairy enterprises, which are members of NASME. The purpose of the meeting was to systematically listen to their suggestions for what measures could improve their businesses. The results can be summed up as follows:

1. Project affected/related stakeholders:
  - Build capacity of local farmers through transfers of technology, breeds, management and business models from Arla to farmers in Nigeria (Farmer to Farmer programme)
  - Support business driven cooperatives
  - Source locally to stimulate local dairy production

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<sup>172</sup> See list of stakeholders interviewed during field study, July 2015.

- Build the market for dairy products (marketing of dairy products to raise awareness of the nutrition and health benefits of dairy products)

## 2. Duty bearers/responsible parties:

- Support the governmental dairy sector programme (ATA) through public-private partnership (Ministry of Agriculture and Rural Development and Arla)
- Invest in local dairy value chain to stimulate innovative dairy business models in Nigeria (private business as a driver for change, source locally, develop local milk-to-dairy supply chains to tap into industrial supply chains)
- Build capacity of local farmers through technology and knowledge transfers from Arla to farmers in Nigeria (Farmer to Farmer programme)

## 3. Non-project affected stakeholders:

- Build capacity of local farmers through transfers of technology, breeds, management and business models from Arla to farmers in Nigeria (Farmer to Farmer programme)
- Invest in local dairy value chain to stimulate innovative dairy business models in Nigeria (private business as a driver for change, source locally, develop local milk-to-dairy supply chains to tap into industrial supply chains)
- Stimulate diversity and capacity building through employment of young people and women in dairy value chains (competence development from being employed in international dairy business)
- Build the market for dairy products (marketing of dairy products to raise awareness of the nutrition and health benefits of dairy products, school programmes, training of women)
- Innovate new fortified, high nutritious dairy products to combat malnutrition in Nigeria
- Support building a local dairy hub to stimulate household income and fight malnutrition
- Engage in private-public and NGO partnerships to build innovative business models to fight malnutrition
- Increase our leverage to engage in multi-stakeholder dialogues locally and internationally to inform framework conditions for a balanced growth in the Nigerian dairy market (Code of Conduct for Responsible Corporate Trade and Investment in Africa Dairy Sector Development)

In addition, consultations were held with FrieslandCampina WAMCO, Laiterie du Berger, GAIN Nordic, the Danish Industrial Fund for Developing Countries (IFU), business partners and researchers to learn from their experiences on building inclusive business models in West African dairy value chains<sup>173</sup>.

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<sup>173</sup> See also evaluation of FrieslandCampina, 2012. Unfortunately, we were advised not to visit L&Z Integrated Farms in Kano due to security reasons, see: Kano, Dairy farming in Nigeria uncowed: What the milk trade reveals about the country, 2015: <http://www.economist.com/news/middle-east-and-africa/21653616-what-milk-trade-reveals-about-country-uncowed>

Round table meeting with West African dairy stakeholders under The Milky Way to Development initiative also contributed to an increasing understanding:

- Business investments in local dairy production pay off only in a very long-term perspective
- Be aware that changing traditional locally produced milk into a commodity might have a negative impact on household income and nutrition
- Productivity in the local value chain is a prerequisite for local sourcing – otherwise business might “steal” from local value chain
- Cross-sectorial partnership is the way to go forward: NGOs have a role to play in community involvement; government has a role to play to ensure framework conditions and business has a role to play as business developer
- Business model based entirely on local sourcing is not economically sustainable since local production is too weak

## Next step

Arla will develop an action plan during Q4 2015 – Q1 2016. Arla will expand our engagement in the The Milky Way to Development. The declaration is a framework for local actions with a clear reference to our human rights commitment. Together with Arla’s Code of Conduct, Arla’s policy on Human Rights, Arla’s Health Strategy and Arla’s business strategy for Sub-Saharan Africa, these documents define Arla’s business goals and guide business decisions.

Through the Human Rights Assessment, Arla has identified five areas for actions in Nigeria:

1. Arla will investigate an expansion of our partnership with GAIN with a focus on smallholder farmer nutrition in Nigeria. Together with a platform of companies, civil society, academia and government, GAIN is a cross-sectorial platform which finds **innovative and sustainable solutions to address malnutrition, using a market-based approach and new social business model that are financially sustainable and scalable**. GAIN works at multiple levels of the dairy value chains with farmers, food processors, supermarkets, health clinics, health advocates, researchers and governments. Arla has already established cooperation with GAIN Nordic in Ethiopia. We see a potential in continuing our discussions with the Ministry of Agriculture and Rural Development, Ministry of Health, GAIN Nigeria, FAO and GAIN Nordic, to explore models for future actions in Nigeria. Meetings will be held with GAIN in November 2015 to create an action plan.
2. Arla will engage in multi-stakeholder dialogues locally and internationally to **inform framework conditions** for a sustainable growth of the Nigerian dairy market. This is to develop the Nigerian dairy market and to provide expertise on dairy sector development to ensure a balanced approach that takes into account food security, access to affordable nutrition, political measures and business incentives. The Ministry of Agriculture and Rural Development has es-

established a National Dairy Development and Marketing Commission<sup>174</sup>. Arla should seek to support the work of the commission and contribute with its expertise as a multinational dairy company. As a member of The Eastern and Southern Africa Dairy Association, ESADA, this organisation could function as a platform for engagement if its scope were enlarged.

3. Arla will identify how the needs for capacity building of stakeholders involved in dairy value chains activities can be addressed. We will explore the possibility of establishing a **“Farmer to Farmer” training programme** which builds on Arla’s expertise as a cooperative. Such a programme will include training in technical, organisational and entrepreneurial skills related to farming, processing, marketing and establishing cooperatives. The programme will support the governmental ATA program and include partnership with Ministry of Agriculture and Rural Development, local business partners, IRLI, University of Ibadan, the Danish Trade Council, NASME and Lagos Business School.
4. Arla will explore how we can **stimulate job creation and competence development in the dairy sector** through a diversity approach with a special focus on recruitment and competence development of young people and women. This could boost the dairy sector as an attractive job opportunity. We see a potential in continuing our discussions with partners including the Ministry of Agriculture and Rural Development, GAIN, University of Ibadan, the Danish Trade Council, NASME and Lagos Business School.
5. Arla will further increase the understanding of the complex relationship between local dairy sector development and the potential negative impact of imported milk powder. Furthermore, we will **explore methods and models** through which potential negative impact can be mitigated and monitored. Arla has entered into a corporation with Copenhagen Business School to evaluate and benchmark inclusive business models in West African dairy value chains and to identify the potential role of NGOs, government and businesses.

As part of Arla’s involvement in The Milky Way to Development, the next step is to sign a memorandum of understanding with Care Denmark with the purpose of co-hosting the next multi-stakeholder round table meeting on sustainable dairy business models to be held in Nigeria by 2016. The round table will be conducted in partnership with Care Denmark, Billital Maroobe and CIRAD. The purpose of the second round table is to create a space for dialogue, learning and co-creation with clear output objectives in order to identify innovative solutions to decrease risk of adverse human rights impact and to develop a sustainable development of the local dairy sector with space for both local producers and international dairy companies. Arla’s aim is to consolidate and validate the five scenarios listed above through an informed dialogue process with The Milky Way to Development as a placeholder.

The ambition goes further in that the models for local actions in Nigeria will serve as role models for Arla’s future involvement in other emergent markets. It means that the models identified in Nigeria should be tested for scalability and applicability.

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<sup>174</sup> Augusto & Co. Limited, Dairy - Milk, Infant Formula and Ice Cream, 2014.

# Appendix

## List of interviewed stakeholders

| <b>Project affected stakeholders</b>      |
|---|
| Local farmers in Oyo state                |
| Miyetti Allah Cattle Breeders Association |

| <b>Duty bearers/responsible parties</b>              |
|--|
| Federal Ministry of Agricultural & Rural Development |
| Nigeria Agricultural Quarantine Service              |
| Oyo state Ministry of Agriculture                    |
| FrieslandCampina WAMCO                               |
| Toleram Group  |
| Insignia   |
| TG Arla Dairy Products LFTZ Enterprise               |
| Arla Foods amba                                      |

| <b>Non-project affected stakeholders</b>                      |
|---|
| Food and Agriculture Organization of the United Nations (FAO) |
| ActionAid Denmark   |
| Care Denmark  |
| Global Alliance for Improved Nutrition (GAIN)                 |
| Ministry of Foreign Affairs of Denmark                        |
| Danforth Center   |
| ActionAid Nigeria   |
| Agricultural Derivatives Limited                              |
| Global Abattoir Limited                                       |
| 2scale, International Fertilizer Development Centre (IFDC)    |
| International Livestock Research Institute (ILRI)             |
| Nigerian Association of Small & Medium Enterprises (NASME)    |
| Lagos Business School   |
| Marvel & Prec   |
| University of Ibadan  |

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