

# From Zero to Hero

How IDH is Transforming the  
HQCF Sector in Nigeria

October 2021



## Background

Due to favorable government policies and incentives, in the last two decades, Nigeria entrepreneurs invested heavily in the High-Quality Cassava Flour (HQCF) sector of the cassava value chain but the sector suffered reverses due to limited market penetration and low patronage by the industrial segment of the market. In spite of the huge demand for HQCF by the food brands, the HQCF processors could not access the market because of their inability to meet the quality standards of the food companies. The landscape was, therefore, littered with huge investment in processing capacities, without market outlets, and the substantial demand by the food brands remained unsatisfied. Despite a variety of government incentives and donor interventions, therefore, the cassava sector in Nigeria has been struggling to survive for almost 15 years, with a significant number of processing plants non-functional. That was the scenario before the intervention of IDH to revitalize the HQCF sector. The story changed from 2018 with IDH intervention in the industrial cassava sector in Nigeria through a collaboration with the YieldWise Initiative of The Rockefeller Foundation. YieldWise initiative was launched in 2016 with the goal of reducing post-harvest loss in selected countries and value chains by up to 50 percent. YieldWise sought to improve millions of rural lives by increasing incomes, increasing the availability of food and protecting finite environmental resources. The initiative targeted tomato and cassava production in Nigeria, mangoes in Kenya and maize in Tanzania.

As part of its intervention in the sector, IDH, in partnership with Nestlé Nigeria PLC, developed a project to support HQCF SMEs to upgrade their manufacturing processes and practices to produce food-grade products that can meet the quality requirements of international food brands. GoldenLad Nigeria Limited and Atmancorp Nigeria Limited are among the numerous SMEs in the country producing HQCF. Both factories, located in Oyo State, Southwest Nigeria, with a combined installed daily capacity of 25MT of HQCF, set up their factories to meet the demand from food and confectionery companies. These factories were set up among 153<sup>1</sup> SME HQCF factories that were built between 1999 and 2007 to key into the government policy of 10% inclusion of HQCF in bread flour. These factories soon went out of business during 2008-2009 as they were not price competitive with imported substitutes. In addition, the companies lacked access to available premium markets

created by multinational food companies due to poor quality of end-product and lack of an organized structure for consistent supply of cassava roots to the factory. Therefore, before June 2019, production of HQCF in the two factories was zero despite the huge investment.

HQCF is an unfermented cassava flour used in a variety of food and other industries. In the confectionery industry, it is used as composite flour in the production of bread, biscuits, snacks and pasta. It can be used as a partial replacement for many bakery and pasta products. Some reports indicate that at least 10% of the wheat flour used for baking can be substituted by cassava flour without any change to the taste or other qualities. It is also used as a binding agent in the manufacture of a variety of food products in the culinary industry. Its gluten free quality makes it very attractive to food manufacturers. It is white, smooth and odourless cassava flour processed from freshly harvested roots. In the construction industry, HQCF is also used as a glue extender in the production of plywood. HQCF has low microbial contamination, good flavour and colour retaining ability, and is rich in antioxidants, flavonoids and starch content.

Based on available statistics, the total market size for HQCF in Nigeria is estimated at 414,000MT while production was just about 13,000MT<sup>2</sup>. This represents just 16% of installed capacity of the 153 SMEs producing HQCF in the country. There is therefore a huge market gap for HQCF in the country. One food brand, for instance requires 12,000MT of HQCF annually but none of the HQCF producers met its quality requirements for supply. Beyond this, the high tariff imposed by the government on the importation of wheat and corn products, its close substitutes, has created an incentive for local production of HQCF but the quality challenge must be resolved for the SMEs to access the premium markets.

With IDH intervention, the two companies, Atmancorp and GoldenLad, have gone from zero to becoming a hero in the production of HQCF that indeed meets the quality requirement of the premium markets. With IDH support, the companies have set up an inclusive supply chain structure that guarantees the supply of roots to their factories. The stage is now set for these companies to commence supply of HQCF to multinational food companies in Nigeria, moving from a zero production level before June 2019 to becoming a “superhero” in HQCF production in Nigeria in just about one year.

1 NRI, 2016: Increasing Performance of the Cassava Industry in West and Central Africa Region (IPCI), International Fund for Africa Development (IFAD)-Mar2016  
2 Dalberg 2015: Market Opportunities For Commercial Cassava In Ghana, Mozambique, And Nigeria. Dalberg

# The Project

In June 2019, IDH commissioned Fred Chemie Limited to conduct Process Audit of four SMEs, train their staff and management on best practices in Quality and Food Safety including HACCP principles and recommend necessary modifications for a system upgrade that will improve product quality and meet the requirements of international food brands. The consultancy was to help SMEs identify quality gaps and upgrade their manufacturing processes and facilities, while Nestlé is committed to offtake the product that meets quality norms and cost competitive

Of the four companies selected, two companies (Goldenlad Nigeria Limited and Atmancorp Nigeria Limited) were able to commit to the financial investment required for the system upgrade. Figure 1 is a schematic representation of the project approach.



**Figure 1: Schematic Representation of the Project Approach**



# Achievements

## Improvement in HQCF quality

HQCF is a raw ingredient that goes directly into the production of condiments and confectioneries without any further process. Therefore, the quality cannot be compromised by the end-users. This explains why a large majority of HQCF SMEs could not access available premium markets. Through IDH support, Goldenlad and Atmancorp have seen a remarkable improvement in the quality of HQCF produced (with respect to key biochemical properties) over the one year of the project. Before the project, the quality of HQCF produced by Goldenlad and Atmancorp were way off the quality benchmark of multinational food companies. Through the support given by IDH, the companies are now able to produce and supply high-quality product to multinational food brands.

## Increased demand and production of HQCF

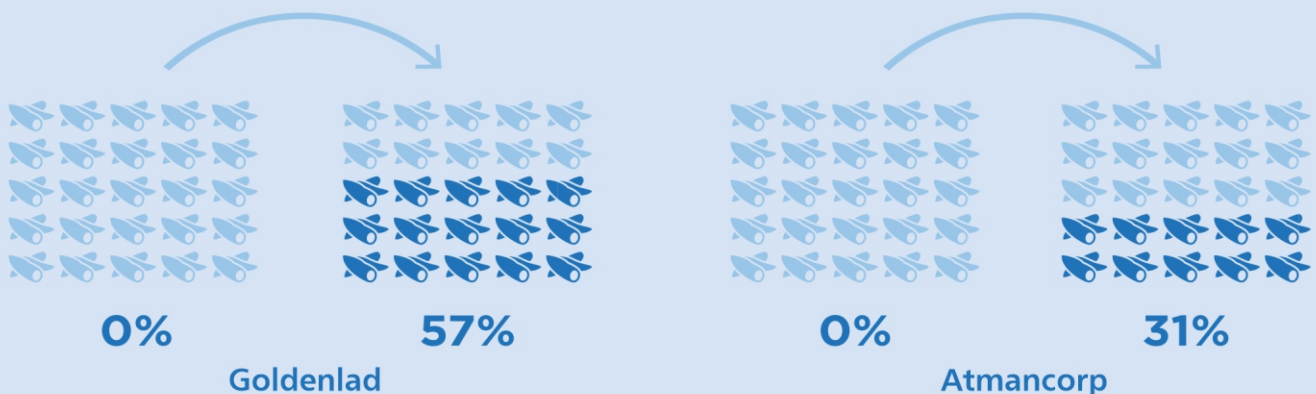
Since after the project, demand for HQCF from multinational food brands has increased for the two companies. This clearly shows that the lack of access to market before the project was caused primarily by the poor quality of the product. Before IDH intervention, the two companies were not operating even though the machinery were in place. This intervention has transformed a one-time moribund project into a lively and productive venture. In the words of the Director of Atmancorp, "we have sold more cassava flour in a month than we have in the history of the company". With the project, Goldenlad has increased production capacity from less than 1% to 57% in about three months (October to December 2020). Atmancorp has increased production by 31% in the same period (see Figure 2).



**Our company has thrived under the intervention of IDH. Before engaging with IDH our organization could not produce flour to the quality standards of any major food processing company within Nigeria. We have sold more cassava flour in a month than we have in the history of the company. Now we are capable of meeting the needs of the most stringent food quality standards while also producing more HQCF quickly and cost-effectively. We could barely produce 1 ton of flour in a day and after the contributions of IDH we can produce 5 tons. We have created nearly 100 jobs in the process and bringing income into the rural community in an impactful way.**

**Mr. Seyi Oyenuga**  
Director, Atmancorp Nigeria Limited

**Figure 2: Production capacity**





**Impact of IDH Project on Goldenlad is highly commendable. It has transformed our business tremendously. Our factory has been upgraded and the quality of our product enhanced. We can now market our product confidently.**

**Mr. Segun Ladele**

Managing Director  
Goldenlad Nigeria Limited

## Job creation

It was projected that the development of the HQCF market in Nigeria would create over 80,000 jobs, unfortunately, most of the 153 HQCF SMEs were non-functional. Through this project, the two companies have created 88 permanent jobs (See Table 1) within a short time of operation. The project intervention has created opportunities for job creation for youth in nearby communities.



**Table 1: Key Socioeconomic Parameters for the two companies**

Socioeconomic Parameters	Goldenlad		Atmancorp	
	Before Project June 2019	After Project Sept 2020	Before Project June 2019	After Project Sept 2020
1 Monthly Volume of HQCF produced (MT)	<1	30.25	<1	41
2 Job creation (permanent job)	10	38	26	50
3 Number of farmers in the supply chain	3	757	4	1,020
4 Installed capacity (MT) - (cassava root)	20	20	80	80
5 Daily production capacity (MT) - (cassava root)	<1	11.4	<1	25.0



## Foreign exchange savings

Dalberg reports<sup>3</sup> in 2015 that local manufacturing of cassava products that can substitute for imports (HQCF for wheat, cassava starch for corn starch, cassava ethanol for other ethanol) could save the country an estimated \$217 million in foreign exchange annually and given Nigeria's large annual imports of wheat and consumption of wheat-based products, even very limited blending of HQCF can drive significant demand for cassava and save the country a substantial amount in foreign exchange. As these two companies continue to produce a high-quality product, Nestlé Nigeria is committed to source locally and create an alternative to import corn starch as soon as these two companies have Nestlé's site and product approval.

## Opportunities for scaling through the establishment of inclusive supply chain

With improved quality and increased demand from premium markets, there are significant opportunities for up-scaling HQCF SMEs. The opportunity is now evident in the establishment of inclusive supply chains with smallholders' involvement in the supply of cassava roots to the factories. Goldenlad and Atmancorp now have 757 and 1020 farmers respectively in their outgrower programs, who are directly linked to the supply chain. Apart from this, both companies are reaching out to communities within 50km radius of their factory to provide technical agronomic support for cassava production. This is aimed at boosting production at the local level and avoid any disruption in the food security situation of the communities. The Dalberg report shows that approximately 134,000 farmers could be brought into formal supply chains of processing enterprises and see their incomes increase by up to 74%. With a continued commitment to quality production and increased demand from multinational brands, it is expected that the two companies will expand their outgrower programs and impact more on the livelihoods of smallholder farmers.

<sup>3</sup> Dalberg 2015: Market Opportunities For Commercial Cassava In Ghana, Mozambique, And Nigeria. Dalberg

# Lessons Learned

Factors affecting market access in the HQCF sector are endogenous and not exogenous. Instead of the erroneous belief that there was no market for the product, it was rather a case of poor product quality and lack of a structured system for management of the supply chain. In the case of these companies, access to the premium market was impossible until IDH intervention. This intervention unlocks markets and transforms business practices both at the SMEs and farmers levels.

With commitment on the part of the SMEs and proper guidance, high-quality products can be achieved by HQCF SMEs. This will however require capacity building and coaching on the different aspects of food quality management. The experience and skill required for achieving this could be sourced, as done in this project. The consultant's experience of standard factory setting with quality assurance procedures was an asset for the project.

Multinational end-buyers are willing to support the development of local markets and SMEs through an inclusive arrangement. Nestlé demonstrated this through its commitment to providing needed information to the SMEs, sponsoring sample analysis, and committing to off-take. In partnership with IDH, Nestlé is committed to further support and develop more SMEs and integrate them into its supply chain.

Partnerships between Multinational food companies and development agencies such as IDH can deliver the much-desired local sourcing initiative that will create opportunities for local SMEs towards commercialization and bankability, unlocking the potential of local industry and strengthening the economy.



Before - June 2019



After - August 2020





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