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Nigeria

EXPORTER GUIDE ANNUAL

Annual

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Report Highlights:
Nigeria's total food and agricultural imports continued to climb and in 2008 are valued at approximately $4.0 billion. Wheat accounted for $925 million of the $1.04 billion total U.S. agricultural exports to Nigeria in 2008. However, exports of other U.S. agricultural products are rapidly increasing, including tallow, soybean meal, fish and seafood products, tobacco, and consumer-ready products. Nigeria's recent import policy and port reforms are encouraging more formal trade. This, along with economic growth and changing consumer demands, are expanding market opportunities for U.S. exporters.

Post:

Lagos

SECTION I. MARKET OVERVIEW

Nigeria is the largest market in sub-Saharan Africa with a population of more than 150 million people, and a population growth rate estimated at three percent annually. Petroleum continues to power the country's economy and petroleum exports account for 20 percent of GDP, 95 percent of total export earnings and close to 85 percent of federal government revenue. The inflation rate in 2007 fell to 7.2 percent (year on year), down from 7.5 percent a year earlier. Despite economic growth, the domestic manufacturing is actually contracting in Nigeria, with capacity utilization in that sector reportedly dropping from 40 percent in 2007 to about 35 percent in 2008. This fall is mainly due to the high-cost and unreliability of energy supplies (especially electricity) and weak infrastructure. This is creating an opportunity where there is greater reliance on imports. Policy implementation has been poor due to the wide range of vested political interests in the country. Of particular concern to the U.S. agricultural sector, is the wide range of import bans for many food items.

Nigeria's agriculture sector is primarily subsistence-based, employs about 70 percent of the population and contributes about 40 percent to the GDP. Crop production accounts for about 85 percent of agricultural activities, with livestock and poultry accounting for 10 percent, and fisheries and forestry, 5 percent. Domestic food products such as corn, sorghum, tubers, and seafood (fish) are the traditional foodstuffs consumed by the majority of the population. Despite growth in agriculture the past few years, Nigeria remains a major importer of food and agricultural products, largely bulk commodities such as wheat from the United States (Visit, http://www.fas.usda.gov/scriptsw/bico/bico.asp?Entry=lout&doc=533, for details), rice and sugar from Asia and Brazil, fruit juice concentrate/pre-mixes and dairy products. The market for frozen fish (especially, mackerel, herring and croaker) is also large and is mostly sourced from the EU, South America, and some African countries. The EU, Asia and South Africa are leading suppliers of processed and intermediate products to Nigeria and Nigeria is expected to continue to import these foods for the foreseeable future due to inadequate local food production. Also, imports of consumer-ready products should continue to grow as inadequate domestic food processing is unable to meet rising demand in Nigeria. The low level of domestic agricultural production and food-processing currently provides consumers with only a limited selection of products. U.S. exporters are advised to explore entering Nigeria's huge and expanding market. U.S. agribusiness firms interested in doing business in Nigeria can seek assistance of USDA/FAS office in Nigeria to develop business relationships with local firms.

Market access improved and in September 25, 2008, the Government of Nigeria released to the public the new 2008-2012 tariff book, almost two years after the last one expired. The new tariff book further liberalized imports by eliminating some of the major import bans and significantly reducing high tariffs on some products. These changes present new opportunities for increased U.S. agricultural exports to Nigeria.

Advantages & Disadvantages

Advantages	Disadvantages
Very large population (150 million), which is growing at three percent per annum.	Very small presence of U.S. agribusinesses in Nigeria and limited knowledge of the Nigerian market among many in the U.S. trade.
Nigeria has liberalized trade and removed import bans on a number of agricultural products.	Import bans remain on some agricultural product imports.
Increasing awareness of and rising demand for U.S. processed foods by Nigerian consumers; Also consumers' perception of U.S. foods as higher quality items.	Although rising, consumer purchasing power remains low.
Nigerian consumers' shift towards western food types and consumption patterns. This shift is being driven by changing demographics including greater urbanization, more women working outside the home, and changing lifestyles of the large youth population.	Longer transit times, and relatively long port clearance procedures all sharply reduce shelf life of U.S. products in Nigeria.
Expanding HRI sector is demanding more intermediate products and ingredients.	Negative perceptions about Nigerian businesses among some U.S. exporters and a reluctance to do business in Nigeria.
Growing western-style retail sector. Also, growing middle-class, rising incomes and a trend toward greater demand for healthy foods.	Weak infrastructure and increasing energy and production costs.
Adoption of 'Global Listing for Supermarket' items by food regulatory authorities. This offers relatively low-cost and low-risk market-entry for many consumer-ready food products.	Strong competition from other suppliers, especially the EU and Asia.
Nigerian firms generally see U.S. suppliers as reliable in terms of volume, standards and quality.	Often U.S. freight rates are significantly higher than those from the EU and South Africa.
The GON's recent import policy and port reforms including: destination inspection,	Inconsistent and poor implementations of GON policies.

minimizing invoice under-valuation and concealments, and port concessions which are reducing port clearance time and invoicing costs.	
A recently inaugurated U.S. to Nigeria direct and regular shipping route by Maersk Lines.	High levels of unofficial transactions and procedures.

SECTION II: EXPORTER BUSINESS TIPS

General and Agricultural Trade Situation

On September 25, 2008, the Government of Nigeria released to the public the new 2008-2012 tariff book, almost two years after the last one expired. The new tariff book further liberalized imports by eliminating some of the major import bans and significantly reducing high tariffs. These changes present new opportunities for increased U.S. agricultural exports to Nigeria. Some import bans, however, remain on products such as poultry, beef and pork.

Nigeria is a huge net importer of agricultural products, with imports of approximately $4.0 billion and exports of only a fraction of this amount. Nigeria is predominantly a bulk/intermediate commodity market and major imports are wheat, rice and sugar. The United States is a leading exporter of agricultural products to Nigeria ($1.04 billion in CY 2008 compared to approximately $718 million in CY 2007), primarily wheat and U.S. exports in 2008 reached record levels. Exports of U.S. value-added products are rising rapidly despite the import bans which remain on certain products. The major competitors for the Nigerian market are Europe and Asia. Nigeria's traditional trade links with Europe remain strong, and EU agricultural exports to Nigeria, accounts for about 50 percent of the total. Imports from Asia, especially China, have grown markedly in recent years and investment from China in all sectors of the economy has experienced very rapid growth.

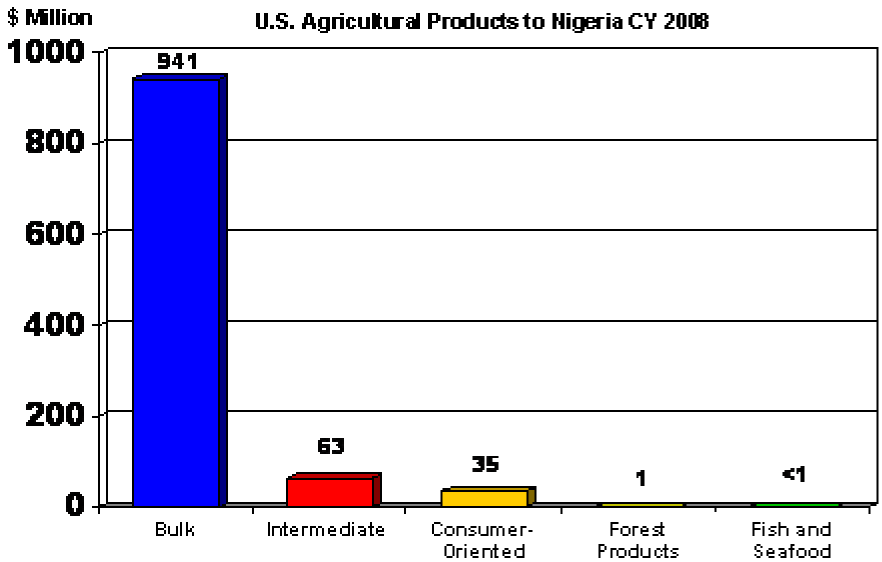
Nigeria's agricultural exports to the United States in CY 2008 were about $76 million, up from less than $24 million in CY 2007, consisting primarily of rubber and cocoa related products. (For details visit:

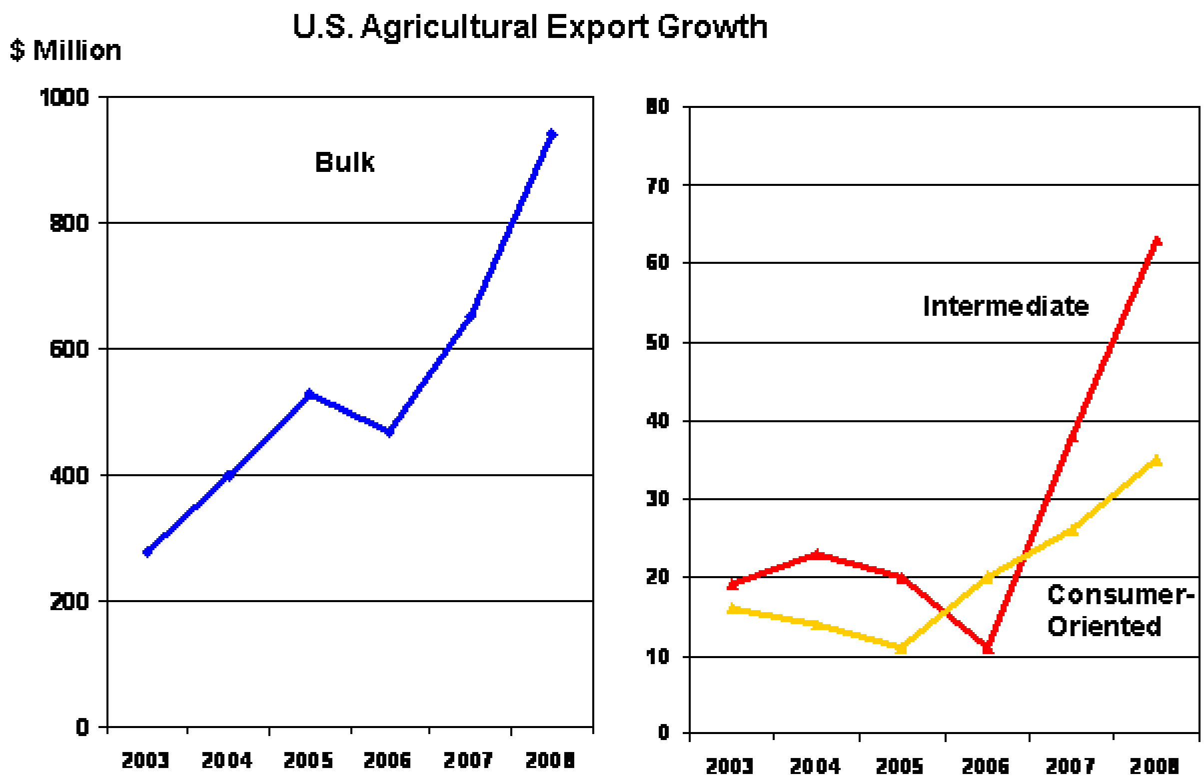
http://www.fas.usda.gov/scriptsw/bico/bico.asp?Entry=lout&doc=1201

U.S. Agricultural Exports to Nigeria

Total U.S. agricultural exports to Nigeria increased from about $718 million in 2007 to approximated $1.04 billion in 2008. Wheat accounted for approximately 90 percent of this total. U.S. exports reached record levels in 2008.

The chart below also shows a breakdown of U.S. food and agricultural product exports to Nigeria in 2008:





Source: FAS BICO Report

Buyers' Preferences for Agricultural Products

- Importers prefer consumer-oriented products with the following characteristics:
- Relatively small-sized, prepared and packaged for affordable one-time use.
- Bulk, intermediate products and ingredients for local re-processing and packaging.
- Mixed-grocery containers.
- Perishable food products processed dry and packaged for a long shelf life without the need for refrigeration (for example dry seafood; dairy products such as milk powder; instant beverage drinks, etc).
- Packaged food products with longer "Best Before" dates.

Product Registration and Regulations:

All processed foods must be registered with Nigeria's food regulatory agency--National Agency for Food & Drug Administration and Control (NAFDAC)--to be legally imported into Nigeria. The cost of product registration is typically borne by the importer except when an exporter agrees to assist the importer in paying these costs. It is advised that U.S. exporters contact the FAS/Lagos office in Nigeria when importers make similar requests from them. Visit: http://www.fas.usda.gov/gainfiles/200807/146295278.doc for details.

Import Duties & Collections:

The Nigerian Customs Service (NCS) is the GON agent responsible for import duty collection. Ports clearance has been slow in Nigeria but the GON has set September 31, 2008 for NCS to achieve a 48-hour cargo delivery in compliance with the directive of the International Maritime Organization (IMO). As a result, NCS has reportedly acquired the necessary facilities to kick-start the upgraded Automated System for Custom Data (ASYCCUDA++), a paperless Direct Trader Input (DTI) for online submission and processing of custom documents and duty payments. This is expected to facilitate customs clearance at ports, and address unofficial practices resulting mostly from increased contact between GON officials and freight agents/importers during customs clearing.

Nigeria commenced a partial implementation the ECOWAS CET in November 2005 which harmonized its tariffs with those of other ECOWAS member states and reduced the tariff bands from twenty to five.

Following are highlights of the tariff structure:

BAND	ITEMS DUTIABLE
0%	Necessaries, special medicaments, industrial machinery and equipment (industrial machineries and equipment will only attract 0% duty if imported during the first year of an establishment's operation.)
5%	Raw materials and other capital goods
10%	Intermediate goods
20%	Finished goods
35%	Finished goods in industries that the government wants to protect

The tariff structure above is based on the ECOWAS Common External tariff (CET) structure of four tariff bands, which Nigeria began to partially implement in 2005. A fifth band of 50 percent, which had been introduced by the GON (and not authorized by ECOWAS), has been reduced to 35 percent. The total number of items (including non-agricultural items) banned for import has been reduced from 44 to 26 and import duties have been reduced for a number of items.

Full CET implementation has remained sluggish and as a result, the EU had persuaded other West African countries to sign an interim EU-ECOWAS Economic Partnership Agreement (EPA) which offered duty-free access for these countries' exports to the EU (in order to shift Nigeria's stand on maintaining protective trade), which disadvantaged Nigeria's exports to the EU and mounted pressure on Nigeria to sign the EPA. On September 25, 2008, the GON released to the public the new 2008-2012 tariff book, almost two years after the last one expired. The new tariff structure significantly liberalized imports, in partial conformity with the ECOWAS Common External Tariff. Import bans on several key products such as corn were removed while the high tariffs on a few other products such as rice were reduced significantly. A number of products, however, remain banned for import, particularly poultry products, pork and beef.

Nigeria with other ECOWAS countries had again proposed to sign the EPA by October 2009. Reportedly, this will likely not happen as ECOWAS and the West African French-speaking block (UEMOA) have not developed a harmonized agricultural policy for the region—they also have not determined the products for the fifth tariff band. The requisite infrastructure for efficient and competitive manufacturing is also, still dilapidated in the region. ECOWAS now asks for a 3-year moratorium while the EU seeks to jump-start EPA implementation with the service trade but, the service trade EPA component has also not been concluded at WTO Doha negotiations. The stronger opinions favor harmonization rather than extension.

At present, Nigeria has no Free Trade Agreement and bilateral investment treaty with the United States. However, Nigeria signed a Trade and Investment Framework Agreement (TIFA) with the United States in 2004 where outstanding trade policy issues are raised and discussed.

Port Concessions & Destination Inspections:

As of April 2006, in order to increase efficiency the GON adopted port concession, which transferred ports' operation to private sector operators. However, importers are reporting that the change has only added minimal improvements in cargo handling and port clearance. Reportedly, Nigeria's new authorities also think operators' selection did not follow due process and may consider reviewing the policy. Uncertainties about this possible review are causing operators to pursue more investment recovery activities than improve port infrastructure to meet desired efficiency level.

As of January 2006, GON also replaced Pre-shipment Inspection (PSI) with Destination Inspection (DI). This means that all goods destined for Nigeria's ports are now inspected at the point of entry rather than the point of shipment. NCS remains responsible for duty valuation, classification, collection and release of consignments. The GON-appointed private firms function as Destination Inspection service providers and provide x-ray cargo scanning services at entry ports. They also review importers' documents and issue a Risk Assessment Report (RAR) to guide NCS on the risk, classification and value for customs purposes.

Documentations, Export & Customs Clearing:

Procedural Steps:

Opening letters of credit in Nigeria now takes between 2-3 days for the importer (buyer) to accomplish and follows these steps:

A. Importers process Form 'M' with his/her pro-Forma invoice through any local Authorized Dealer Bank (ADB) irrespective of the value and whether or not payment is involved. Form M' is a quadruplicate document completed to apply or seek authorization to import from the relevant GON agent [Central Bank of Nigeria (CBN)]. The Form 'M' shall be valid for importation only after acceptance by the relevant scanning company and Risk Management Service Provider. Supporting documents shall be clearly marked 'VALID For Foreign Exchange (FOREX) or NOT VALID FOR FOREX' as appropriate i.e. depending on whether or not foreign exchange remittance would be involved. The Form 'M' and relevant pro-forma invoice shall carry a proper description of the goods to be imported to facilitate price verification. The description will include:

- Generic product name, i.e. product type, category
- Mark or brand name of the product where applicable
- Model name and or model or reference number where applicable
- Description of the quality, grade, specification, capacity, size performance, etc
- Quantity and packaging and/or packing
- Documents in respect of each import transaction shall carry the name of the product, country of origin, specifications, date of manufacture, batch or lot number, standards to which the goods have been produced (e.g. Nigeria Standards-NIS, British Standards PD, ISO, IES, DIN, (etc). Documents includes the following:
- Final Invoice and Combined Certificate of Value and Origin (CCVO) duly attested
- Packing List
- Bill of Lading/Airway Bill as applicable
- Carrier Certificate
- Insurance Certificates
- Manufacturer's Certificate of production
- Laboratory test certificates of chemicals, foods, beverages, pharmaceuticals,

electrical appliances and other regulated products where applicable.

- Where import items such as food, drinks, cosmetics, drugs, medical devices, chemicals, etc. are regulated for health or environmental reasons, they shall carry EXPIRY dates or the shelf life and specify the active ingredients, where applicable

B. ADB makes necessary endorsements on the Form 'M', retains the original copy and forwards the other three copies to the relevant Destination Inspection Agent (DIA) for scanning and risk assessment.

C. DIA receives Form 'M' and pro forma invoice and carry out preliminary review on the application using provided information.

D. DIA accepts the Form 'M' and generates a Risk Assessment Report (RAR) within five (5) working days of the receipt of the import documents.

E. DIA retains a copy of the Form 'M' and sends the remaining two copies to NCS. At this point, the Form 'M' becomes a valid document and the importer can request the exporter to ship the goods.

F. CBN accepts importer's application (Form 'M') and Letter of Credit is opened.

G. Exporter prepares and submits, 1) Final Export Invoices 2) Packing List, and 3) Certificate of Value and Origin (prepared for the U.S. firm by a Notary Public) for attestation. Exporter also negotiates Letter of Credit and ships.

H. Exporter's documents above are transmitted to the importer's ADB which the ADB in turn sends to GON's inspection and evaluation agents (GIA) to evaluate items and determine import duty payable.

I. GIA prepares Risk Assessment Report (RAR) stating import duty payable. RAR is a document used by NCS to take decisions with respect to the duty payable on imports. Import payable depends on outcome of product valuation after physical examination. NCS returns RAR to the importer through his ADB. This process now takes about two weeks to accomplish.

J. Importer pays the reported import duty if the assessed value is not more than 10 percent of value declared on the invoice. Otherwise, the importer would be required to re-process the Form "M". The importer will begin Customs Clearing with the import and duty documents.

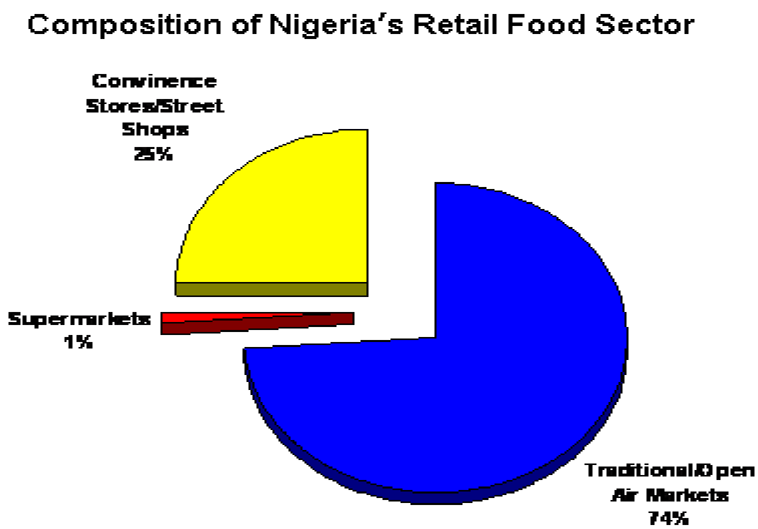
K. The consignee (importer) can clear with NCS or appoint a Customs Clearing agent. This stage can take one to two weeks to process and then the consignment can be delivered to the importer's warehouse.

Some Nigerian importers still make payments for their imports through Inter-bank wire transfers. The exporter then ships the items to the importer upon receipt of these bank transfer payments.

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

Retail Food Sector

Nigeria's retail food sector is dominated by traditional open-air markets (accounting for 74 percent of total retail food sales in 2008), then convenience stores/small groceries (25 percent), and finally supermarkets (1 percent):



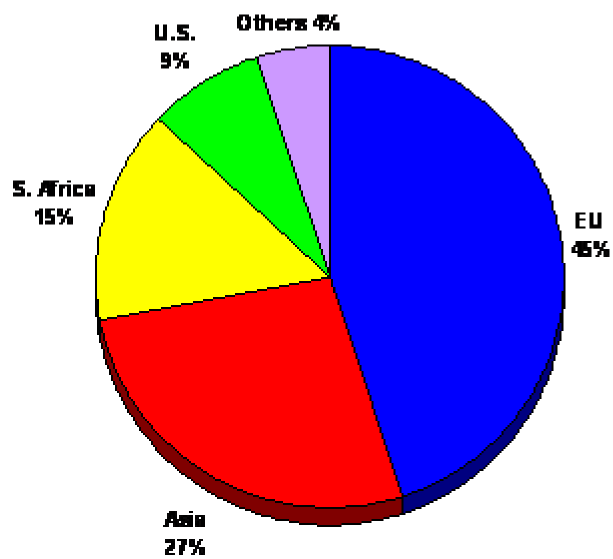
The distribution players for merchandising imported consumer-oriented foods in Nigeria are: 1) Importer-distributors 2) Wholesalers 3) Retailers.

In 2008, consumer-oriented food imports are estimated at $700 million and industry sources forecast imports to increase marginally to $720 million by the end of 2009. Although the partial adoption of the more liberalized ECOWAS CET is encouraging imports, the trend is expected to slow down due mainly to the re-appearing port congestion and difficulty to clear consignments from the ports and the crisis in Nigeria's financial sector.

Applied duties under the CET range from five to 20 percent. Some importers, however, circumvent restriction by shipping banned and higher-duty goods to ports in neighboring countries from where they enter the market by road through borders.

Industry estimates of the origin of imported processed food products in 2008 are shown below:

Nigeria's Suppliers of Consumer-Oriented Products (2008)



U.S. market share is low mostly due to:

- Higher freight rates for shipments from the United States.
- Unfavorable perception of Nigerian firms by some in U.S. trade.
- Some U.S. exporters' reluctance to meet Nigerian importer demands, especially on documentation and product specifications.
- Lack of sufficient contacts between Nigerian importers and U.S. consumer-oriented food exporters

Industry sources indicated about $70 million worth of U.S. consumer-oriented foods was exported to Nigeria in 2008. However, about half of the products reportedly enter the market through cross border smuggling or other informal means.

According to USDA's BICO report, the value of U.S. consumer oriented food exports to Nigeria increased 35 percent in 2008 from about $26 million in 2007 to approximately $35 million in 2008. Dairy products, breakfast cereals, processed fruits, and mixed grocery items make up most of these imports. U.S. food product exports are projected to continue to increase despite a decreasing consumer disposable income. The recent commencement of a direct shipping route from the United States to Nigeria is expected to reduce freight cost and shipping time. GON's import policy and port reforms are also assisting in minimizing informal imports and documentations, which were major advantages for third-country suppliers. Most Nigerian importers of mixed container loads require the services of freight consolidators.

Food Processing (FP)

About 65 percent of Nigeria's manufacturing sector is food processing, and manufacturing reportedly contributed about 4.3 percent to Nigeria's GDP ($179.5 billion) in 2008.

Nigeria is dominated by mass market consumers with low purchasing power, and a diet high in carbohydrates. In order to boost sales and increase market share, manufacturers focus on packaging and selling products in affordable small units for one-time use. However, an expanding middle-class and rising incomes are prompting increased demand for low-carb, low-fat, and even sugar-free food and beverages. Also growing concerns regarding food safety and dietary quality are also increasing demand for higher quality products. As a result, local processors are developing and improving products in order to meet the needs of this niche market.

The combination of import restrictive measures (implemented by GON to protect domestic industries, primarily food processors) as well as the initiation of REEGF (export rebate) had helped domestic food processing to grow at an average of 10 percent per annum during past years. However, key sector players including the Manufacturers Association of Nigeria, report that Nigeria's food processing sector has been declining. Reportedly, average capacity utilization in the food processing sector dropped 1.5 percent from 56 percent in 2007 to 54.5 percent in 2008. Manufacturers also anticipate a major decline in 2009. This trend is due mainly to weak infrastructure, the continued high-cost and unreliability of energy supplies (especially electricity), inability to clear inputs from the port due to a major fall in the local currency, multiple taxation, GON's inconsistent policies—allegedly, often initiated on political basis, the re-emergence of port congestion, and the current crisis in Nigeria's financial sector.

Nigerian food processors report that the sector will become extinct if the country is pressured to sign and/or fully implement such regional trade agreements such as the ECOWAS CET and

EPA. They argue that Nigeria does not have the comparative advantage and the necessary infrastructure and this makes local food processing a high-cost activity. According to the estimation of key government agencies, the IMF and the World Bank, Nigeria's infrastructural gap will need over $510 billion to bridge investment for the next 15 years (Source: Nigeria's AFBTE Annual Report, 2007).

Table below shows the capacity utilization trends in Nigeria's food processing sector, 2003 to 2007:

	CAPACITY UTILIZATION (%)				
Sub-sector	**2003**	**2004**	**2005**	**2006**	**2007**
Beer	54	60	57	50	58
Soft Drinks	56	55	48	59	56
Flour Mills	62	44	50	49	64
Tobacco	-	65	34	45	50
Vegetable Oil	45	55	55	65	53
Beverage	53	55	64	90	44
Dairy	67	80	78	65	75
Spirit/Distillers	-	40	64	-	66
Biscuits/Confectionery	55	59	69	75	55
Flour Based	-	-	-	-	44
Others	-	-	-	-	56
Average Capacity Utilization (%)	**59**	**54**	**56**	**64**	**56**

Source: AFBTE Annual report, 2007

The current GON reform programs, especially the new CET structure and REEGF, are expected to increase market access for imported food ingredients. More than $2.6 billion worth of inputs used in Nigeria's food processing industry in 2008 are imported (Industry estimate).

Potential for increased export sales is present for the following products:

Bulk	**Intermediate**	**Processed**
Barley and Malt Edible and inedible Fat Raw Sugar Refined Sugar Wheat Brown and Milled Rice Corn	Corn Starch Ethanol Fruit Juice Concentrate Fruit pre-mixes & syrup Ice Cream Pre-mixes Other Beverage Bases Dairy Products Flavors, Sweeteners Industrial Salt, Soybean meal, other micro-nutrients, other ingredients for food	Baking mixes, Yeast & Baking Powder Jam & Jellies Mayonnaise Salad Dressing Sauces, Spices Tomato Ketchup Seasonings Snack Foods Ice Cream Wine

	and feedstuff processing, edible tallow, etc.	Canned Goods, etc

Third-country suppliers from the EU, Far-East Asia, South America as well as South Africa show increased interest in the Nigerian food ingredients/intermediate products market and are quick to adapt to the requirements of this growing sector. Nigerian food processors perceive U.S. ingredient suppliers as reliable in terms of volume, standards, and quality but

U.S. exporters are constrained by:

- Limited knowledge of the Nigerian ingredient market among the U.S. trade.
- Strong competition from South Africa, the EU and Asian suppliers.
- Limited local infrastructure, limited operational capital, high local production costs, and unstable GON import policies.
- A lack of knowledge of food ingredients available from the United States.
- Limited contact with and negative perceptions of Nigerian businesses among some U.S. exporters.

Food Service (HRI) Sector

Nigeria's food service sector; consisting of hotels, restaurants and institutional contracts (HRI) was valued at US$3.1 billion in 2008. The largest and fastest growing segment is the quick service restaurants (QSR).

Growth in the HRI sector is driven by modest economic growth, urbanization, more women working outside the home and changing demographics in favor of the youths who have a penchant for western style convenience foods. The sector is expected to continue to grow as convenience QSRs become more and more important in the Nigerian way of life. In the same vein, import demand for food ingredients by the operators is trending upwards.

U.S. products with best market prospects include potato chips, sauces, seasonings, pastry mixes, seafood, canned food, wine and ice cream. Except for wines and poultry meat, the import duties on these products range from five percent to 20 percent. Major food service operators are looking for franchises to represent major U.S. companies in Nigeria, especially in the quick restaurant sector. (Visit, http://www.fas.usda.gov/gainfiles/200812/146306887.doc, for details)

Seafood/Frozen Fish/Aquaculture

	2006	2007	2008
Total Market Size	1430	1660	1700
Total Local Production	430	500	400
Total Exports	--	N/A	N/A
Total Imports	1000	1160	1300
Imports from the U.S.	8.0	0.001	0.14

Note: Figures in millions of dollars; Estimates from industry contacts

Nigeria is a potential market for approximately 2.5 million MT of fish. Of the country's fish 1.5 million MT fish demand in 2005, aquaculture (especially, catfish farming) contributed only 16,000 MT. Due to insufficient domestic catches and aquaculture production, Nigeria depends on large volumes of imports to satisfy demand. Imports are anticipated to marginally drop in 2009 due to the impact of global financial crises and increasing costs. Export sales of U.S. seafood (especially frozen mackerel, herring and croaker) to Nigeria significantly dropped in 2007 and the scarcity and high price of Atlantic species resulted in a

noticeable shift in the Nigerian market towards more imports from South America, especially Chile. High energy cost translating to higher U.S. freight charges contributed to this. Refer to: http://intranetapps/GainFiles/200710/146292622.pdf, for details.

Following GON collaboration with local and external stakeholders (including local farmers, World Bank, WHO, FAO, NEPAD, etc), local production stepped up. Reportedly, catfish production increased to 80,000 tons and 110,000 tons in 2006 and 2007, respectively. This has also created about 25,000 jobs. Growth in Nigerian aquaculture is driven by GON efforts to promote local production and has been the most prevalent in shrimp.

Nigeria's shrimp export—about 80 percent of shrimp caught in Nigeria's waters—valued at about $65 million per annum (Nigeria's Federal Fisheries Department Report, 2007). The country's shrimp regained access to U.S. market after complying with Turtle Excluder Devices (TED) regulations on January 10, 2007. Imports of shrimp from Nigeria to the United States jumped from only $3,000 in 2006 to more than $1.03 million in 2007 (USDA's BICO Report).

Dairy Sector

	2006	**2007**	**2008**
Total Mkt Size ($m)	276.3	301.5	310
Total Local Production (tons)	1.3	1.5	1.6
Total Exports	0	0	0
Total Imports ($m)	275	300	360
Imports from the U.S. ($m)	6.2	8.0	8.2

Note: Figures in millions of dollars and only include formally marketed products and estimates from

industry contacts.

Nigeria is a potential market for 1.3 million tons of milk valued about $3 billion (Industry source). Of Nigeria's estimated 1.3 billion liters of total domestic fluid milk production in 2006, only a very small amount enters formal marketing channels. Dairy imports are large and were valued at more than $300 million in 2008. Nigeria's dairy processors (including ice cream, chocolate milk, yoghurt, and long-life milk producers) rely on combining and reconstituting milk powder imported mostly from the European Union (Netherlands, Denmark). Processed infant formula, cheese, butter, as well as high-end ice cream, are also imported. U.S. dairy products exports to Nigeria grew $6m, $8m and $8.2m in 2006, 2007 and 2008, respectively. U.S. market share (though growing), remains small despite the higher quality perception of U.S. processed dairy products among Nigerian consumers. Freight costs from the U.S. are well above those from the European Union.

Growing population, increasing urbanization, and rising per capita income are expected to stimulate rising demand for dairy based products. Meanwhile, domestic production remains insufficient due to increasing production/processing costs, non-competitiveness of the industry, and the failure to incorporate more advanced technologies. More efficient dairy processing in the United States should provide U.S. suppliers an advantage over third-country suppliers in exporting processed dairy products to this market. Additionally, there is export potential for livestock genetics, fodders and dairy-based food processing inputs which will likely increase if local infrastructure is improved and production/processing costs lowered. Please visit: http://www.fas.usda.gov/gainfiles/200709/146292296.pdf, for details.

Products with Improved Market Access

Market access improved and in September 25, 2008, the Government of Nigeria released to the public the new 2008-2012 tariff book, almost two years after the last one expired. The new tariff book further liberalized imports by eliminating some of the major import bans and significantly reducing high tariffs on some products. These changes present new opportunities for increased U.S. agricultural exports to Nigeria of the following products:

Corn: Corn imports had been banned in Nigeria since 2005. This ban has now been removed, and corn is allowed to be imported with a tariff of only 5 percent. The overturning of the ban on corn opens a major opportunity for exports of U.S. corn, primarily for use by the Nigerian poultry industry. This industry is one of the most developed in Nigeria and poultry production in Nigeria is expanding very rapidly. In fact, despite this growth, poultry production is still unable to keep pace with demand in Nigeria for poultry products. This demand is being driven by changing demographics, urbanization, economic development and the rapid expansion in fast food restaurants in Nigeria. In addition, poultry imports into Nigeria remain banned. The location of the poultry industry makes it beneficial to import corn, as about 80 percent of poultry production is located in the southwestern part of Nigeria, close to the major seaport of Lagos but a substantial distance from the corn growing areas of Nigeria.

Potential buyers of U.S. corn include major commercial feed millers, who typically have their own port facilities and can handle handy-max vessels, as well as large scale poultry farmers who typically operate their own feed mills.

Prospects for imports from the U.S. are strong despite the fact that Nigeria is a producer of both white and yellow corn. Corn area is expanding in Nigeria, but production remains constrained by very poor availability of fertilizer, as well as a lack of high-quality seeds. As a result, yields are very low, averaging about 1.7 metric tons per hectare, compared to nearly 10 metric tons per hectare in the United States. In addition, nearly all of the corn is still planted and harvested by hand, and there is almost no mechanized agriculture. Because of this, the costs of production are very high, making domestic corn prices typically far above international prices. In addition, a lack of storage facilities in the key corn areas in Nigeria results in high post harvest losses and negatively impacts grain quality. It is expected that in most years, prices for imported corn will be very competitive compared to domestic supplies.

Rice: The ad Valorem duty on rice was reduced from 109 percent to 5 percent for seed, paddy and brown, while the duty on semi and wholly milled rice was reduced to 30 percent. The lower duty for paddy and brown rice is to encourage local value addition by importers who have established milling facilities in the country. Nigeria remains the second largest rice importer in the world, and recent duty changes present significant opportunities for U.S. exports, especially of paddy and brown rice. Importers have also expressed interest to explore supplies from the U.S. largely because it is one of the few countries with reliable exportable supplies of brown rice. As a result, U.S. rice exporters are encouraged to collaborate with leading Nigerian importers to re-establish a foothold on this market. Promotional activities should target the growing middle to high-income consumers, as these segments of market are willing and able to pay for premium quality U.S. rice. In 2009, Nigeria began importing brown rice from the United States, and in fact Nigeria was the world's largest market for U.S. long-grain brown rice. U.S. rice has previously been disadvantaged by the heavy amount of smuggling which had occurred as a result of the very high duties. Last year more than half of all rice imported into Nigeria was first imported into Benin and then smuggled across the border. Lower duties however, have lessened the incentive to smuggle.

Milled Rice Production, Supply and Demand in Nigeria

	2005/06	**2006/07**	**2007/08**	**2008/09***
Production	**2.7 million MT**	**2.9**	**3.0**	**3.3**
Imports	**1.37**	**1.78**	**1.6**	**1.6**

Total Cons.	**4.35**	**4.45**	**4.7**	**4.9**

***FAS/Lagos Estimate**

Crude Vegetable Oil: Beginning in 2001, the GON implemented an import ban on bulk vegetable oil to support local producers. Branded and consumer-ready vegetable oil was also banned in 2005. The GON has removed the import ban on crude vegetable oil and the import duty is now 35 percent. Refined vegetable oil imports remain banned. The overturning of the ban on crude vegetable oil has opened market opportunities for U.S. exports of crude vegetable oil, primarily for refining into edible oil. Palm oil, and to a smaller extent soybean and peanut oil are produced in Nigeria. However, domestic production of vegetable oil has not kept pace with rising demand, and there is an annual shortfall in domestic vegetable oil production of approximately 300,000 tons (see table below). This deficiency, coupled with the ban which was in place, had resulted in local prices being nearly double international price levels. A large part of the deficit was satisfied through illegal imports, as well as large scale imports of tallow for use both in soap manufacturing, as well as in cooking. For example, in 2007 tallow imports into Nigeria climbed to over 160,000 tons.

Nigeria's Vegetable Oil Profile

Commodity	**Quantity (MT)**	**Percentage share**
Palm oil	790,000	50
Palm Kernel oil	270,000	17
Other Vegetable oil	240,000	15
Deficit/Imports	300,000	18
National Requirement	**1,600,000**	**100**

Importers and vegetable oil refinery companies are anxious to take advantage of the removal of the import ban on crude vegetable oil to increase capacity utilization. Currently, a massive amount of excess capacity exists in the domestic edible oil refineries due to insufficient availability of domestic oilseeds. Although the majority of crude oil imports are expected to be palm oil, U.S. exporters of crude soybean oil are encouraged to explore this emerging market opportunity as demand for this oil has been rapidly increasing in Nigeria. Nigerians are becoming more familiar with the higher quality and health benefits of soybean oil and one major domestic oilseed crusher/oil refiner has indicated that he has shifted production significantly away from peanut oil and to soybean oil due to the much higher demand for this product. The Office of Agricultural Affairs can be contacted to identify credible Nigerian importers.

Biscuits, Cookies, Crackers: Biscuit imports had been banned in Nigeria since 2003. This ban has now been removed, and biscuits are allowed to be imported with a tariff of 25 percent. Economic growth and changing consumer demands have resulted in a rapid increase in imports of consumer-oriented products in Nigeria. With the recent removal of the ban on biscuits (includes cookies, crackers and biscuits), this provides opportunities for U.S. exporters of these products. Biscuit (includes cookies, crackers and biscuits) consumption in Nigeria has grown by average 15 percent per annum over the last five years as Nigerians continue to accept biscuits as a wholesome, ready-to-eat food, available in varieties of convenient packing across the country. According to industry sources, Nigeria's per capita biscuit consumption is 4 kg (about 600,000 MT per annum). Prior to the import ban, Nigeria's demand had been mostly met by imports from the EU and Asian countries. U.S. market share was small but was expanding and biscuits from the U.S. (like many U.S. consumer-oriented products) were generally perceived as of higher quality than competing products, and were preferred by Nigeria's growing middle-class and expatriates. The import ban was place on biscuits to stimulate local production, but production has not been able to meet the rapid demand growth. In addition, despite the ban large amounts of smuggled biscuits continued to be sold widely in the market.

Domestic biscuit production increased from less than 100,000 MT in 2003 to reach a peak of nearly 500,000 in 2006. However, production has since declined as well as capacity utilization in the industry. This decline is due to the very high cost of production as a result of continued infrastructural decay and mounting energy costs (most manufactures have to run on generators the majority of the time due to very unreliable electricity supply). These high costs make many domestic products non-competitive compared to imported products.

Additionally, most local processors continue to manufacture primarily inexpensive, low-quality products for the low-income mass market and school-age children. As a result, few domestic products meet the quality and tastes of Nigeria's growing middle-income consumers and significant opportunities exist for U.S. exports of high-quality biscuits, cookies and crackers for this market segment.

Biscuits Market—Nigeria

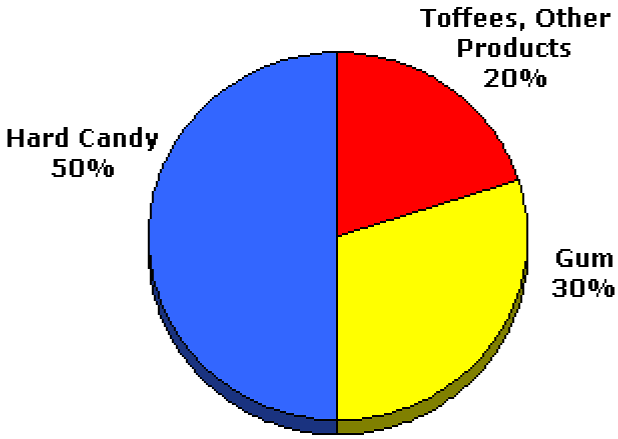
	2003	2004	2005	2006	2007	2008	2009*
Capacity Utilization - Biscuits (%)	55	59	69	75	55	51	40
Local Biscuit Production ('000MT)	80	180	350	475	380	300	200

Source: Industry

(*) Projection

Sugar Confectioneries: Nigeria's confectionery sector comprise of hard candy (50%), bubble gum (30%) and toffees/other products (20%).   Domestic confectioneries products are mostly low quality, low-price products targeted at mass markets. As a result, these domestic products do not meet the demands of Nigeria's growing middle and high-income consumers and U.S. exporters of confectionary products are encouraged to look to this market.

Composition of Confectionary Sector in Nigeria



Sugar confectioneries imports had been banned in Nigeria since 2003. This has now been removed, and the products are allowed to be imported with a tariff of 35 percent. Nigeria's confectionary market is experiencing rapid growth (20 percent per annum), and offers opportunities for U.S. exports of these products. Prior to the ban in 2003, confectionery products from the U.S. were imported and were widely considered higher quality products and sold at higher prices to middle and high-income Nigerians.

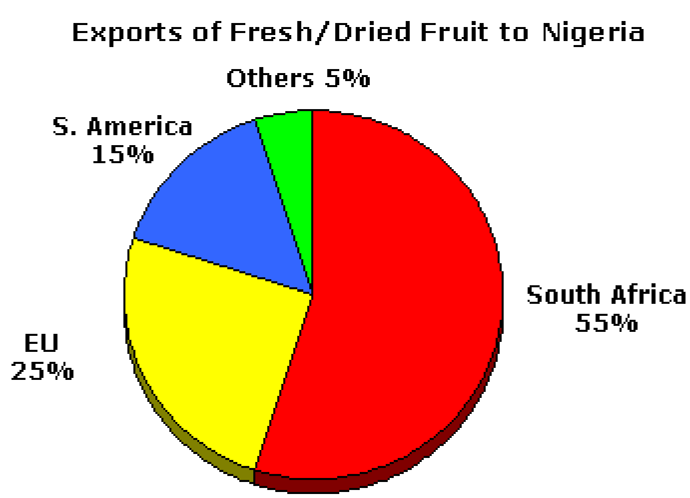
After the ban, U.S. exports of confectionery products dropped but imports of U.S. flavors and other inputs increased, especially as local manufacturers view U.S. flavors and other inputs as of higher quality. Exports of U.S. confectionery products inputs (including sugars, sweeteners, beverage bases) to Nigeria rose from about one million dollars in 2003 to approximately $6.5 million in 2007.

Although Nigeria's domestic production of confectionery products had grown in past years, this growth could not be sustained because of continued deterioration of infrastructure and high-cost productions costs (especially energy costs). In addition, input costs are high as all of the sugar used by the industry is imported, primarily from Brazil. Overall capacity utilization in Nigeria's food processing industries has dropped from 64 percent in 2006 to 56 percent in 2007 and domestic confectionery production in 2007 dropped by an estimated 20 percent and imports are likely to continue to increase.

Fresh and Dried Fruit: Fresh and dried fruits import had been banned in Nigeria. This has now been removed, and the products are allowed to be imported with a tariff of 20 percent. The GON's overturning of the ban on fresh and dried fruits opens the market to U.S. fresh and dried fruits. Nigerians perceive U.S. food and agricultural products as higher quality items. Also, the U.S. is globally trusted for superior SPS standards and strict compliance to best practices.

Although Nigeria produces millions of tons of seasonal fresh fruits and vegetables, very high post-harvest losses due largely to inadequate infrastructure and high-cost of transportation, storage and processing creates continued demand for imports. Also, demand is strong for fruits not produced widely in Nigeria, especially apples and grapes.

All fresh fruits, including apples, were banned for importation despite the fact that Nigeria neither produces apples in meaningful quantities nor can meet local demand for fresh fruits and vegetables. Consequently, smuggling of fruits was rampant and smuggled apples (and to a lesser extent grapes) were still retailed in the supermarkets, open markets and many street corners in the country despite the ban. Imported apples are currently mostly shipped in 25 kg boxes and costs are high compared to international prices. Imported fruits (including smuggled supplies) have mostly been sourced from South Africa.



Fruit consumption is expected to continue to grow, especially as the lifting of the import ban should reduce costs of fruits to consumers. Industry sources indicate that Nigeria's demand will continue to climb due to the fact that the market is huge (over 150 million people) and current consumption of fruits is very low, as well as the fact that more Nigerians are recognizing the nutritional values of fruits and are trying to eat healthier. In addition, more hotels and HRI firms are being established in Nigeria, boosting demand of fresh and dried fruits.

SECTION IV: MARKET ENTRY STRATEGIES

New-to-market U.S. food and agricultural products exporters should consider the following market entry strategies and tactics:

- Select a local distributor/agent or representative in Nigeria to register the products with the appropriate GON regulatory bodies, to introduce these products to the local market and develop consumer demand. For assistance contact the Office of Agricultural Affairs, U.S. Consulate General, Lagos-Nigeria.
- Identify and sell through consolidators based in the U.S. who are already serving the West African region.
- Exhibit at trade shows in the United States, which are attended by Nigerian importers. This will make follow-up contacts easier.
- Offer product shipment in mixed-lot containers, and offer flexible shipping volumes.
- Adopt a pricing strategy, which encourages importers to initiate buying activities with U.S. suppliers.
- Send sample products and sales catalogs to Post to facilitate locating local buyers.

SECTION V: BEST PROSPECTS

Consumer-oriented products which are allowed for export to Nigeria:

- Breakfast Cereals
- Wine, including sparkling wine
- Alcoholic beverages & Spirit & Liqueurs (excluding beer)
- Canned vegetables
- Nuts, Milk, Cream (powdered), Honey products
- Spices, Sauces including, Soy Sauce, Mixed Seasoning
- Coffee, Tea & Herbal products
- Yeast & Baking Powder
- Tomato Ketchup, Mayonnaise & Salad Dressing
- Canned Soups
- Baby Foods & Health Food products
- Sweeteners & Non-Dairy Coffee Whiteners
- Powdered beverages
- Packaged rice
- Chocolate, etc
- Biscuits
- Sugar Confectioneries
- Fresh and dried fruits

Product type offering the most sales potential in Nigeria:

- Agricultural-based food ingredients
- Frozen seafood
- Fast food, other HRI food ingredients and dairy products including, ice cream and yoghurt
- Industrial processed foods & beverages especially, fruit juice concentrate, and bulk products for local re-processing and packaging
- Bakery, confectionery, and food preparation ingredients
- Specialized food ingredients such as additives, preservatives, and flavorings
- Ingredients and additives for feedstuffs
- Processed fruits and vegetables
- Relatively small-sized imported or domestic-processed HVPs, prepared and packed for one-time use, etc
- Nutrition/health food products

Products with Reduced Duties

	NEW DUTY	OLD DUTY
• Rice (seed, paddy & brown)-HS Code 1006.1010-2000 --	5%	109%
• Rice (semi & wholly milled)-HS Code 1006.3010-4000 --	30%	109%
• Cigars, Cheroots, Cigarillos-HS Code 2402.1000-9000 --	140%	150%
• Other manufactured tobacco–HS Code 2403.1000-9900--	140%	150%

Items Removed From the Import Prohibition List

				NEW DUTY
1	Corn	-	HS Code 1005.1000–1005.9000	5%
2.	Sorghum	-	HS Code 1007, 0000	5%
3.	Millet	–	HS Code 1007.0000	5%
4.	Wheat flour	-	HS Code 1101, 0000	35%
5.	Crude Vegetable oil	-	HS Codes 1507.1100-1516, 2000	35%
6.	Biscuits	-	HS Code 1905.3000	25%
7.	Sugar confectioneries- (Including white chocolate)		HS Codes 1704.1000 – 1704.9000 and 1806.1000 – 1806.9000	35%

8. Fresh and dried fruit - HS Codes 0801.1100 – 0814.000 20%

Items Still On the Import Prohibition List

Live or Dead Birds including Frozen Poultry H.S. Code 0105.1100 – 0105.9900, 0106.3100 – 0106.3900, 0207.1100 – 0207.3600 and 0210.9900.

Pork, Beef, H.S. Codes 0201.1000 – 0204.5000, 0206.1000 – 0206.9000, 0210.1000 – 0210.2000.

Bird Eggs H.S. Code 0407.0000; excluding hatching eggs

Cassava H.S. Codes 0714.1000

Refined vegetable oïl 1507.1000.00-1516.2000.29 but exclu ding refined linseed, castor and olive oïl. Crude vegetable oïl Is, however, NOT banned for importation.

Cocoa butter, Powder and cakes H.S. Codes 1802.0000 – 1803.2000, 1805.0010.00 - 1805.0090.00, 1806.1000 - 1806.2000 and 1804.0000.

Spaghetti/Noodles H.S. Code 1902.1100 – 1902.3000.

Fruit Juice in retail Packs H.S. Code 2009.110012 - 2009.110013 – 2009.9000.99

9. Waters, including mineral waters and aerated Waters, containing added sugar or sweetening matter or flavored, ice snow H.S. Codes 2201.1000 – 2201.9000, other non-alcoholic beverages H.S. Codes 2202.1000 – 2202.9000.99 (but excluding energy or health drinks – liquid dietary supplements e.g. Power Horse, Red Ginseng, etc) H.S. Code 2202.9000.91 and Beer and stout (Bottled, Canned or otherwise packed) H.S. Code 2203.0010.00 - 2203.0090.00.

The following Textile Fabrics and articles thereof are banned from importation into Nigeria.

African Prints (Printed Fabrics) e.g. Nigerian Wax, Hollandaise, English wax, Ankara and similar printed fabrics falling under the following H.S. Code.
5208.5110.00 – 5208.5900, 5209.5100 – 5209.5900, 5212.5100 and 5212.2500.
5407.4400, 5407.5400, 5407.7400, 5407.8400, 5407.9400, 5408.2400 and 5408.3400.
5513.4100 – 5513.4900, 5514.4100 – 5514.4100 – 5514.4900, 5516.1400, 5516.2400, 5516.3400 and 5514.4900.00
Lace fabric and other embroidered fabrics falling under H.S. Codes 5801.2100 – 5801.9000, 5802.1100 – 5802.3000 and 5805.0000.00.

Carpets and Rugs of all types falling under H.S. Code 5701.1000 – 5705.0000.
Made up Garments and other textiles falling under H.S. Codes 6101.2000.00 – 6310.9000.99 but excluding the following:

Made-up lining articles H.S. Code 6117.8000 – 6117.9000 and 6217.1000 6217.9000.
Insecticides treated mosquito nets (ITNs) and (LLITNs) H.S. Code 6304.9100.92, 6304.9200.94, 6304.9300.96, 6304.9900.98
Industrial gloves H.S. Code 6116.1000.11 – 6116.9900.99 6116.1000.11; 6116.9200.92; 6116.9900.98
Molding cup Lycra H.S. Code 6212.9000
Mutilated rags H.S. Code 6310.1000.11, 6310.9000.91
Jute bags H.S. Code 6305.1000.
Braziers, pants, ties

According to the Nigeria Custom Service, "the importation of any of these items constitutes a breach of the prohibition order. By this notice importers are warned that importation of the items will attract outright seizure, while those apprehended in connection with the act will face prosecution."

SECTION VI: POST CONTACT AND FURTHER INFORMATION

Agricultural Affairs Office

American Consulate

2, Walter Carrington Crescent

Victoria Island, Lagos-Nigeria

Telephone: (234) 1 460-3400, 775-0830

E-mail: aglagos@usda.gov

Website : http://nigeria.usembassy.gov/foreign_agric_service.html

National Agency for Food & Drug Administration & Control (NAFDAC)

Plot 204, Olusegun Obasanjo Way

Wuse Zone 7

Abuja-Nigeria

Telephone: (234) 9 234-6383, 234-6405-6

Fax: (234) 9 269-5163, 234-8382

E-mail: nafdac.lagos@alpha.linkserve.com

Website: www.NAFDAC.org

Nigeria Customs Service

Customs Headquarters

3-7, Abidjan Street

off Sultan Abubakar Way, Wuse Zone 3

Garki-Abuja, Nigeria

Tel: (234) 9 523-6394, 253-4680

Fax: (234) 9 523-6394, 523-4690

Federal Ministry of Agriculture & Water Resources

Federal Secretariat, FCDA

PMB 135, Area 11

Garki-Abuja, FCT

Nigeria

Tel: (234) 9-314-1931, 314-2405

Fax: (234) 9-314-2532

Appendix I: Nigeria's Economic Structure (Annual Indicators)

	2004**	2005**	2006**	2007	2008
GDP (US$ bn)	74.0	95.3	116.6	142.4	179.5
Real GDP growth (%)	6.1***	4.8	5.6**	6.2*	11.6*
Consumer price inflation (av; %)	15.0	17.9	7.5	5.4*	15.1*
Population (m)	136.5	139.8	144.0	146.2*	152.2
Exports of goods fob (US $ m)	37,326	51,897	58,872	61.8	76.8
Imports of goods fob (US$ m)	-19,133	-25,995	-27,402	38.8	45.5
Current account balance (US$ b)	0.3606	0.7	1.5	2.2	2.7
Foreign exchange reserves excluding gold (US$ m)	16,956	28,280	42,277	59,700^	--
Total external debt (US$ bn)	37.9	22.2	6.5	7.8	8.3

Debt-service ratio, paid (%)	4.2	16.1	1.8	3.4	--
Exchange rate (av.) N: US$	132.89	131.20	127.38	125.00*	118.5*

Notes: *Actual. ** Economic Intelligence Unit estimates. *** Official Estimates.
'N', represents Naira (Nigeria's currency). ^ Industry sources.

Source: 2008 figures obtained from Economist Intelligence Unit, Country Report (Nigeria)—May, 2009.

Appendix II: REFERENCES

1. The GON has finally released the Nigeria Customs and Excise Tariff Book for 2005-2006. For further information regarding specific tariff lines, contact FAS/Lagos at:

Agricultural Affairs Office, U.S. Consulate General

#2, Walter Carrington Crescent, Victoria Island, Lagos, Nigeria

Tel: 234-1-460.3400, 775-0830 E-mail: aglagos@usda.gov

Website : http://nigeria.usembassy.gov/foreign_agric_service.html

2. The Central Bank of Nigeria (CBN) circular (TED/AD/150/2005) dated December 28, 2005 stated that "in pursuance of the GON's decision to abolish pre-shipment inspection scheme and the introduction of Destination Inspection Scheme for imports to Nigeria with effect from January 1, 2006, the Government had entered into agreements with three scanning companies that will act as service providers for the effective take-off and operation of the scheme". The details of each service provider together with the designated zones are outlined below:

COTECNA INSPECTION LIMITED

10, Engineering Close, Off Idowu Taylor Street, Victoria Island, Lagos-Nigeria

Tel: 234-1-4617121/3

E-mail: info@cotecna.com

Contact: Contract Manager

ZONE: Apapa and Tin Can Seaports, Kano and Abuja Airports, Jibiya and Banki Posts.

SOCIETY GENERALE DU SURVEILLANCE (SGS)

Plot 999C, Danmole Street, Intercontinental Plaza, 4th Floor, Victoria Island, Lagos-Nigeria

Tel: 234-1-2623042

E-mail: Philip-bank@sgs.com

Contact: Contract Manager

ZONE: Onne and Port-Harcourt Seaports: Port-Harcourt Airport and Idiroko border post.

GLOBALSCAN SYSTEM LIMITED

5B, Oko-Awo Close, Off Adetokumbo Ademola Street, Victoria Island, Lagos-Nigeria

Tel: 234-1-2625392

Fax: 234-1-2624542

E-mail: globalscansystem@yahoo.com

Contact: Managing Director

ZONE: Warri and Calabar Seaports; Ikeja Airport and Seme Border Post

3. The circular further stated, "Under the new arrangement, Form 'M' submission and processing shall be based on the Port of Destination as outline above. For avoidance of doubt, importation shall remain restricted to on the ports listed above".

4. ECONOMIST INTELLIGENCE UNIT

Country Report – Nigeria

May 2009

5. USDA/FAS GAIN REPORTS

Contact: Agricultural Affairs Office, U.S. Consulate General

2, Walter Carrington Crescent, Victoria Island, Lagos, Nigeria

Tel: 234-1-460.3400, 775-0830 E-mail: aglagos@usda.gov

Website: http://nigeria.usembassy.gov/foreign_agric_service.html