

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Nigeria

Exporter Guide

Exporter Guide for Nigeria (2011)

Approved By:

Russ Nicely, Regional AgCounselor

Prepared By:

Marcela Rondon & Uche Nzeka

Report Highlights:

Total food and agricultural imports are estimated to reach \$4.0 billion by end of 2011 from about \$3.7 billion in 2010. Wheat from the U.S. accounts for more than 20% of Nigeria's total food and agricultural total imports. Exports of other U.S. agricultural products such as tallow, soybean/soybean meal, rice, dairy, fish and seafood products, tobacco and consumer-ready, are also significant. Nigeria's recent import policy and port reforms are encouraging more trade with U.S. exporters. This, along with economic growth and changing consumer demands, are expanding market opportunities for U.S. exports to Nigeria.

Post:

Lagos

SECTION I. MARKET OVERVIEW

Nigeria is the largest market in sub-Saharan Africa with a population of more than 154 million people, and a population growth rate estimated at three percent annually. Petroleum exports account for about 20 percent of GDP, 95 percent of total export earnings and close to 85 percent of federal government revenue. Gross domestic product (GDP) growth fell to 3% in 2009, compared with 6% in 2008. This mainly resulted from the effects of global financial crises as well as reform programs in the country's financial sector in 2009. Driven by a recovery in oil prices, GDP is projected to rise to 4.4% in 2010 and 5.5% in 2011.

Despite the rapid growth of the oil industry over the years, agriculture still accounts for 33% of GDP and provides employment, both formal and informal, for more than 60% of the population. Crop production accounts for about 85 percent of agricultural activities, with livestock and poultry accounting for 10 percent, and fisheries and forestry, less than one percent. Major agricultural commodities produced in the country are cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber, cattle, fish and timber. Nigeria's agricultural exports to the United States in 2010 increased to \$64 million thru November, up from \$62 million at the same time last year. This increase was mainly due to larger cocoa exports.

Despite the rapid growth of the oil industry over the years, agriculture still accounts for 33% of GDP and provides employment, both formal and informal, for about 60% of Nigerian's more than 150 million people. Nigeria's agriculture remains largely subsistence-based, with about 80% of agricultural output coming from farmers who live on less than a dollar per day and farm less than one hectare. Major agricultural commodities produced in the country are cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber, cattle, fish and timber.

Nigeria is a huge net importer of agricultural products, with imports of approximately \$3.7 billion and exports about \$600 million in 2010. Imports are dominated by bulk/intermediate commodities such as wheat, rice and sugar. The United States is a substantial exporter of agricultural products to Nigeria, with exports estimated at approximately \$800 million in 2010. Although U.S. exports are primarily wheat, exports of U.S. value-added and consumer-ready products have also risen in recent years. Major competitors for the Nigerian market are Europe, Asia, and South Africa. Nigeria's traditional trade links with Europe remain strong, and EU agricultural exports to Nigeria account 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 is a long standing member of the WTO and is an active participant in CODEX and WTO committees. However, the country's powerful agricultural and industry interests have continued hamper GON's attempts at total trade liberalization. Hence, the country continues to pursue trade protection regime but remains under pressure to liberalize trade in conformity to its WTO commitments. In 2008, GON released a new tariff book for 2008-2012 that significantly liberalized imports—relaxing import restrictions on textiles, tooth picks, furniture and cassava products in 2010. However, some major agricultural products such as poultry products, pork and beef remain banned for export to the country. The new tariff structure is based upon the ECOWAS Common External Tariff (CET) four tariff bands of zero to 20 percent but with an unauthorized fifth band of 35 percent

introduced to protect local producers.

The U.S. principal interest in Nigeria’s agricultural sector is for the Nigeria to liberalize agricultural trade in compliance with its WTO agreement and also, to participate actively in addressing Nigeria’s food security challenges. Despite some difficult challenges of doing business in Nigeria, U.S. exporters are encourage to explore to enter Nigeria’s expanding market as Nigeria’s huge population and improving democracy continue to offer rewarding market opportunities.

Advantages & Disadvantages

Advantages	Disadvantages
Nigeria’s large population of more than 150 million growing at 3 percent per year provides U.S. exporter large and growing market for economic shipments and trade.	Very small presence of U.S. agribusinesses in Nigeria and limited knowledge of the Nigerian market among many in the U.S. trade.
The U.S. favorable disposition to trade liberalization and Nigeria’s liberalizing trade policies removing import bans on a number of agricultural products.	Import bans remain on some major food and agricultural products.
Increasing awareness of U.S. processed/intermediate foods in Nigeria; the perception of U.S. foods among Nigerian consumers is also high.	Although Nigeria’s middle-class is expanding Nigeria’s dominant and price-sensitive mass market oftentimes limits volume of U.S. exports.
Changing demographics, including greater urbanization, more women working outside home, and changing lifestyles of the large youth population is increasing the Nigerian consumers’ shift towards western food types and consumption patterns.	Both longer transit times and official bottlenecks at Nigeria’s ports extend to reducing shelf life of U.S. products.
U.S exporters are assisted by the USDA Ag. Office in Nigeria with finding credible buyers and obtaining market intelligence.	Negative perceptions about Nigerian businesses among some U.S. exporters and a reluctance to do business in Nigeria.
Nigeria’s growing middle-class and western-style retail sector, rising incomes and a trend toward greater demand for healthy foods are creating market similarity and easing transaction.	Weak infrastructure and increasing energy and production costs.
U.S. consolidators and exporters of food and agricultural products can sell mixed containers at relatively low-cost and low-risk as Nigeria has adopted the ‘Global Listing for Supermarket’ items.	Strong competition from other suppliers, especially the EU and Asia. Inadequacy of consolidated shipments required for large vessels to be used to leverage high freight cost
Nigerian buyers consider U.S. suppliers as consistent and 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	Inconsistent and poor implementations

(destination inspection and port concessions) are reducing port clearance time and invoicing costs.	of GON policies and high levels of unofficial transactions and procedures.
A recently inaugurated U.S. to Nigeria direct and regular shipping route by Maersk Lines and other shipping lines.	More than 70 percent of Nigeria's population lives on less than \$2.0 per day.
Nigeria's rising income (average per capita income increased by nearly 200 percent to over \$1,000 in the last five years).	Shipment freights from the United States are about 60% higher than from the EU.
USDA's GSM-102 credit program can provide a competitive tool for penetrating Nigeria's price-sensitive market.	The restructuring of Nigeria's banking sector in 2009 impacted negatively on lending for imports into the country.
U.S. superior and efficient agricultural production and processing.	The Nigerian financial system still has some bottlenecks impeding easy access to the USDA's GSM-102 program by local buyers.
Duty-free access to the U.S. market of Nigeria's food and agricultural products such as cotton, wine and a variety of agricultural products (under AGOA) is expected to increase a two-way trade between the U.S. and Nigeria.	The poor response of Nigeria's entrepreneurs to AGOA and soaring cost of production.
The U.S. has a Trade and Investment Framework Agreement (TIFA) with Nigeria where both countries discuss bilateral trade policy issues.	The United States has no Free Trade Agreement and bilateral investment treaty with Nigeria.

SECTION II: EXPORTER BUSINESS TIPS

General and Agricultural Trade Situation

Despite the rapid growth of the oil industry over the years, agriculture still accounts for 33% of GDP and provides employment, both formal and informal, for more than 60% of the population. Crop production accounts for about 85 percent of agricultural activities, with livestock and poultry accounting for 10 percent, and fisheries and forestry, less than one percent.

Major agricultural commodities produced in the country are cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber, cattle, fish and timber. On the other hand, Nigeria's agricultural exports to the United States in 2010 increased to \$64 million thru November, up from \$62 million at the same time last year. This increase was mainly due to larger cocoa exports.

Agriculture has shown some growth the past few years but, Nigeria remains a major importer of food and agricultural products:

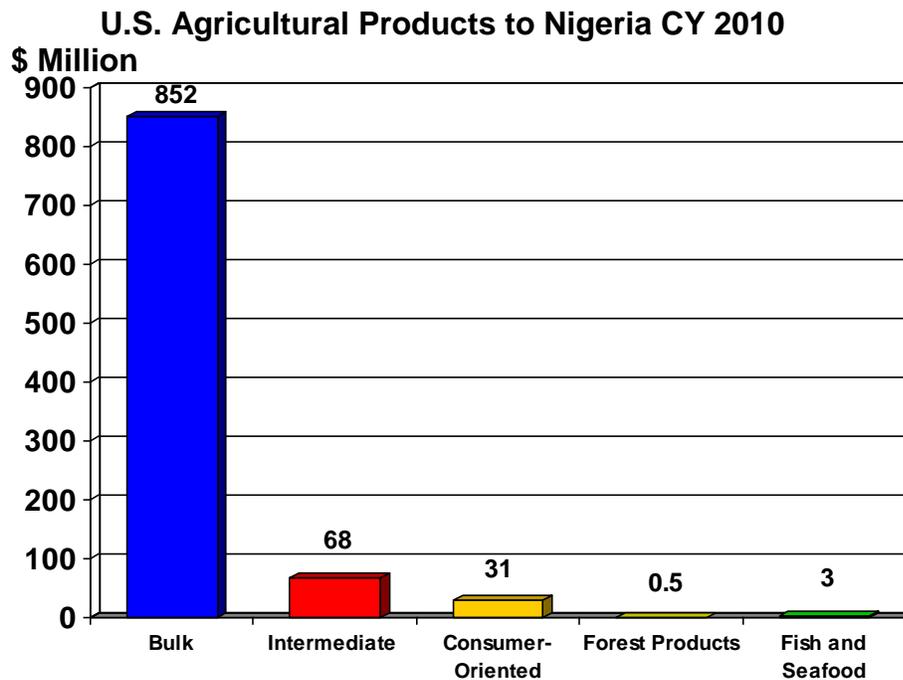
- Nigeria imports approximately \$3.7 billion in 2010—largely bulk commodities such as wheat from the United States valued about \$800 million in 2010), rice and sugar from Asia and Brazil, fruit juice concentrate/pre-mixes and dairy products.
- The market for frozen fish (especially, mackerel, herring and croaker) is also large and is mostly

sourced from the EU, South America, and some African countries.

- U.S. exports are primarily wheat but, exports of U.S. value-added intermediate and consumer-ready products have also risen in recent years.

U.S. Agricultural Exports to Nigeria

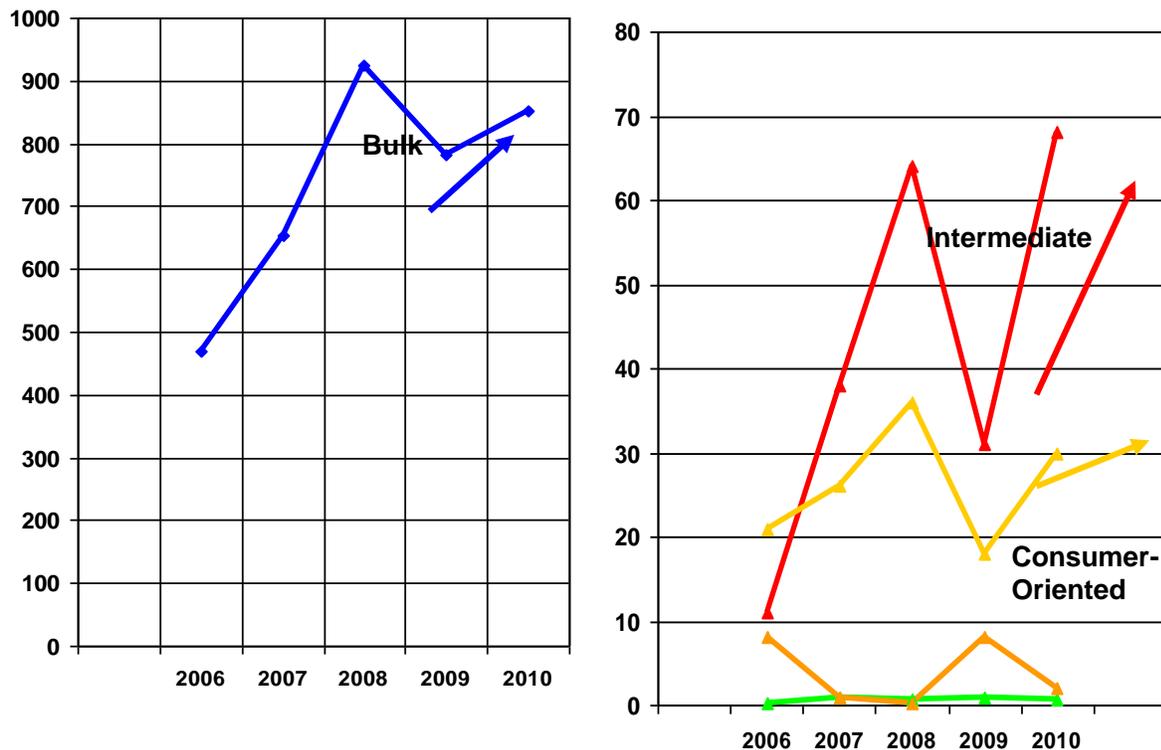
Total U.S. agricultural exports to Nigeria increased from about \$508 million in 2006 to more than \$950 million in 2010. Wheat accounted for more than 85 percent of this total. The chart below shows a breakdown of U.S. food and agricultural product exports to Nigeria in 2010:



Source: BICO Report (<http://www.fas.usda.gov/gats/BicoReport.aspx?type=country>)

\$ Million

Trends of U.S. Agricultural Export to Nigeria (2006-2010)



Source: BICO Report (<http://www.fas.usda.gov/gats/BicoReport.aspx?type=country>)

Note: (*) = projection

Exports of U.S. value-added products are rising rapidly despite the import bans on some major products. The principal 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 grown rapidly.

Major competitors for the Nigerian market are Europe, Asia, and South Africa. Nigeria's traditional trade links with Europe remain strong, and EU agricultural exports to Nigeria account 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.

The Nigerian Export Promotion Council administers a number of export incentive programs, which includes tax concessions, export expansion grants, and foreign currency retention programs. Under the newly redesigned Export Expansion Grant which is company-based rather than product-based as in the past, the GON provides rebates ranging from 5-30 percent. Eligibility and rates are weighted by how much of a firm's activities contributed to creating local jobs. For example, cocoa grinding falls within the 30-percent maximum, while export of cocoa beans only qualifies for a 5-percent rebate.

The country's domestic manufacturing is also contracting. Reportedly, average capacity dropped from about 40% in 2009 to an all time low of 27% up to the 3rd quarter of 2010.

This fall is mainly due to the high-cost and unreliability of electricity, weak infrastructure, a 45 per cent increase in raw material procurement cost, an increased cost of capital, multiplied taxation, among others. The low level of domestic agricultural production and food-processing currently provides consumers with only a limited selection of products. This has created a situation where there is greater reliance on imports.

Nigeria's policy implementation has been poor due to the wide range of vested political interests in the country. Nigeria implements a protective trade regime. Market access improved somewhat in 2005 when the GON began the phased-in adoption of the ECOWAS Common External Tariff (CET) and announced full implementation of the CET (<http://ictsd.org/i/news/10674/>), which would remove the remaining import bans by January 2008. However, Nigeria failed to abide to its CET agreement for total liberalization by 1 January, 2008 and import bans on many products remain in place. The GON released a new tariff book (2008-2012) in 2008 that significantly liberalized imports—relaxing import restrictions on textiles, tooth picks, furniture and cassava products in 2010. However, a number of products remain banned for imports, particularly poultry products, pork and beef. Nigeria's powerful agricultural interests and industry groups are opposed to recent attempts to fully liberalize trade.

Some countries in the West African sub-region have signed an interim EU-ECOWAS Economic Partnership Agreement (EPA) with the EU in 2007 which offers duty-free access for exports of these countries to the EU. EPA is a free trade agreement, which seeks drastic reduction and, eventually, total removal of duties on goods imported and exported between the European Union countries and its former colonies in Africa, the Caribbean and the Pacific (ACP) countries. Either the CET or the EPA would require Nigeria to liberalize trade fully. Although Nigeria recently removed some food and agricultural products from import ban list, the country continues to implement protectionist agricultural trade policies, especially import bans, in contravention of its WTO commitments. Because of its restrictive trade policies, Nigeria is unable to sign this agreement. This is constraining agricultural trade, creating food security concerns and mounting pressures requiring Nigeria to embrace trade liberalizations. 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)—<http://www.usa-nigeriabizforum.com/inner.php?link=3> with the United States in 2004 where outstanding trade policy issues are raised.

SPS and Regulatory Systems

The National Quarantine Service and Federal Fisheries Department both of the Federal Ministry of Agriculture have statutory responsibilities for plant health and seafood inspection, respectively. The National Agency for Food and Drug Administration and Control (NAFDAC) under the Federal Ministry of Health is the GON agency responsible for regulating food product importation, advertisement and internal distribution. In recent years, NAFDAC appears to have become more active and stringent in enforcing existing food laws, primarily to protect local producers and secondarily to curb widespread adulteration of processed food products. The main strategy employed by the agency for the enforcement of Nigeria's food laws is the process of product registration. However, these agencies have limited capacity for scientific risk assessment and Nigeria's animal and plant health inspection services systems lack basic infrastructure.

USDA Cooperators and Stakeholders

Despite a large and growing market, the USDA marketing cooperators for processed food products, such as MIATCO, WUSATA, etc neither have representatives nor conduct market promotion and development activities in Nigeria. However, some USDA stakeholders especially in the bulk and intermediate products are increasing presence here:

- The U.S. Wheat Associates is very active in Nigeria in providing trade facilitation and technical assistance to the wheat milling industry. Post works closely with the USWA and their country/SWOT analysis basically mirrors that of Post.
- The American Soybean Association under its World Initiative for Soy in Human Health (WISHH) has used the Quality Samples Program and a number of conferences to encourage the use of U.S. soybean ingredients in soymilk and other products.
- The U.S. Grains Council has organized trade facilitation activities to help create linkages between Nigerian importers and U.S. grains exporters.
- The US Rice Federation has also established market presence in Nigeria

Imports of food and agricultural products should continue to grow as Nigeria's inadequate domestic food processing is unable to meet rising demand. Nigeria's import of food and agricultural products is estimated to reach \$4.0 billion in 2011—approximately 15 percent growth compared to 2010. The products are predominantly bulk/intermediate commodities—mostly wheat, rice and sugar. Presently, the EU, Asia and South Africa are the leading suppliers of processed and intermediate products to this market. Nigeria's recent import policy and port reforms are encouraging more formal trade preferred by U.S. exporters. This, along with economic growth and changing consumer demands are expanding market opportunities for U.S. exports to Nigeria. Of particular concern to the U.S. agricultural sector is Nigeria's need for agricultural trade liberalization in line with its WTO agreement as well as participate in addressing the country's food security challenges.

U.S. exporters are advised to explore entering Nigeria's large and expanding market. Although the challenges of transacting business in this country appear intimidating, Nigeria's huge population with the many rewarding market opportunities outweighs. U.S. agribusinesses already in this market should also persevere as the fears of doing business here are usually overcome as business relationship with Nigerian firms endures. U.S. agribusinesses interested in doing business in Nigeria should freely contact the USDA office in Nigeria (see: http://nigeria.usembassy.gov/foreign_agric_service.html) to find credible local firms.

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

Summaries

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. Exporters cannot directly handle product registration without a Nigerian company serving as importer/distributor. NAFDAC requires there be a local partner so if they ever had to do a recall, they have a place to start their process. 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.

Animal Food Regulations

A source from NAFDAC, Nigeria's food regulatory agency (U.S. FDA equivalent) indicated that there is no national standard for regulating dog or animal food in Nigeria. However, NAFDAC regulates dog foods of any kind the same way as human foods and applies the Codex standards for regulating Animal foods. Two additional tests— for melamine and mycotoxins—are also conducted on dog /animal foods before they can pass for marketing and consumption. Visit: [Food and Agricultural Import Regulations and Standards - Narrative Lagos Nigeria 7-20-2010](#), 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 (ASYCUDA++), a paperless Direct Trader Input (DTI) for online submission and processing of custom documents and duty payments. (ASYCUDA accelerates Customs clearance and simplifies procedures through computerization) 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. Despite these steps, GON's protectionist policies persist, including numerous import bans. GON had stated, however, that all these bans would be phased out by January 2008 in compliance with its CET commitments, however the bans remain in place.

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:

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. This is 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. Visit the following websites for details: [Food and Agricultural Import Regulations and Standards - Narrative Lagos Nigeria 7-20-2010](#); <http://www.shipperscouncil.com/seminars/Current%20Customs%20Procedure.pdf>.

Redesigned Export Expansion Grant Fund (REEGF)

In 2002, the GON introduced the Export Expansion Grant (EEG) in order to encourage local processing and manufacturing firms to create more jobs. This program offered a 40 percent rebate to companies exporting fully manufactured and semi-processed products with high local value addition, and 5 percent for products that do not fall into the first category.

Inherent loopholes in determining which products qualified for which rates resulted in gross abuse of the program and caused the GON to scrap it during the 1st quarter of 2005. However, organized local manufacturers and processors [under Nigeria's Manufacturers Association of Nigeria (MAN)] pressured GON to re-introduce the Redesigned Export Expansion Grant Fund (REEGF) in November 2005, which became effective in January 2006.

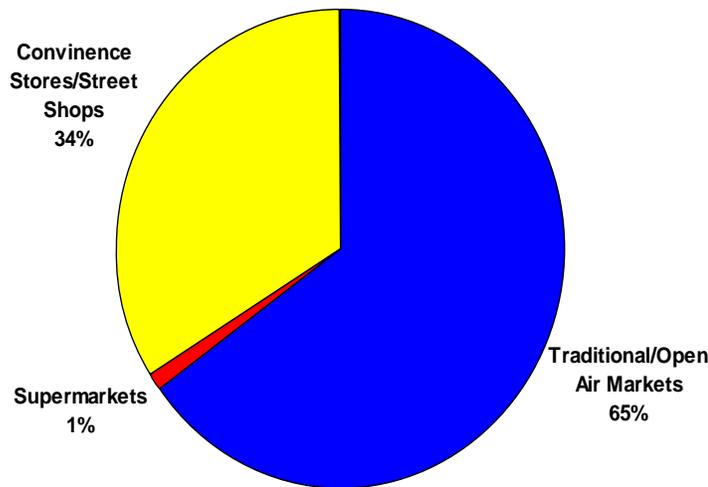
REEGF is company-based rather than product-based grant and provides rebates ranging from 5-30 percent. Eligibility and rates are weighted by how much of a firm's activities contribute to creating local jobs. For example, cocoa grinding falls within the 30-percent maximum while export merchandising of cocoa beans only qualifies for a 5-percent rebate. Please visit, http://www.customs.gov.ng/Guidelines/Industrial_Incentives/index.php, for details.

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

Retail Food Sector

Nigeria's retail food sector consists of supermarkets, convenience stores/small groceries, and traditional, open-air markets sharing 1.0 percent, 34 percent and 65 percent of total retail food sales, respectively.

Composition of Nigeria's Retail Food Sector



Nigeria's Retail Food Sector re-shaping and is also attracting multi-national supermarkets. Although the traditional open-air markets remain the dominant channel for Nigeria's retail food sales, there has been a gradual but steady shift towards consumer food purchasing at the supermarket and the convenience store channels over the last 5 years.

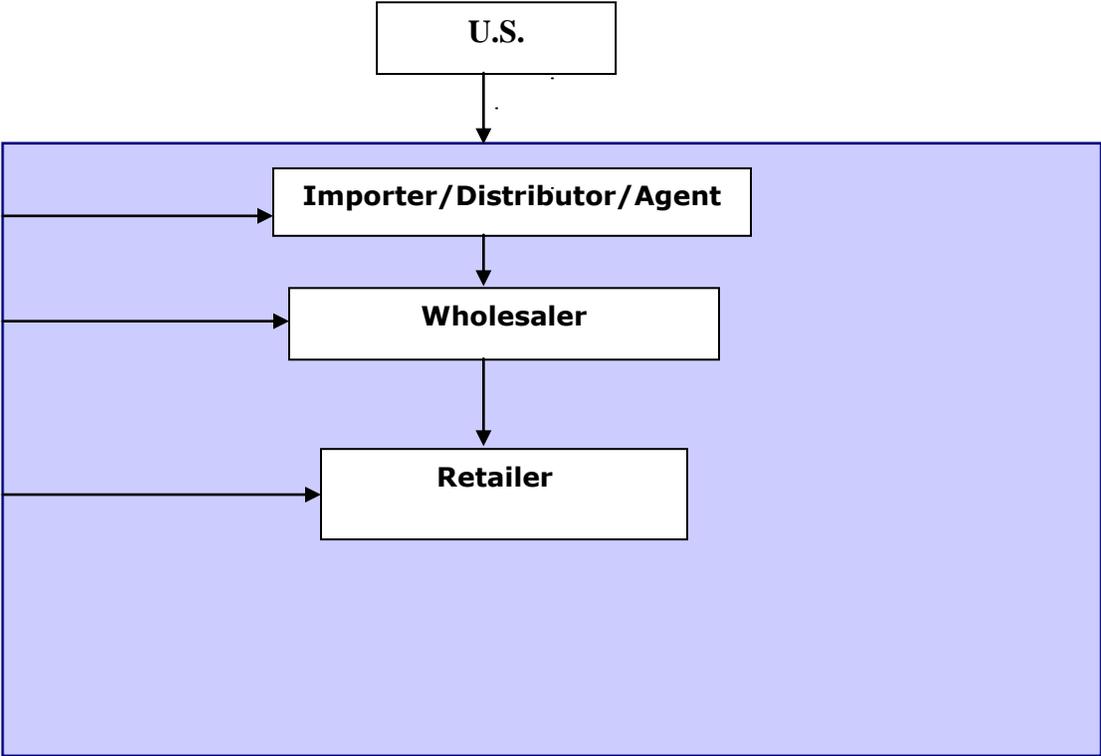
Nigeria had a history of developed supermarket retailing until social and economic changes in early 1980s diminished the country's middle class significantly. However, there have been recent and growing instances where middlemen such as the wholesalers/agents are bypassed in Nigeria's distribution channel for consumer-oriented foods. With the changing trend, processors/manufacturers/Importer-distributors seek competitiveness by selling large volumes directly to retail food outlets. This trend is becoming attractive to multi-national supermarkets/hypermarkets and food service firms.

ShopRite, a multi-national supermarket firm from South Africa, has operated in the Lagos city of Nigeria for more than 5 years. Recently, SPAR has partnered with a Nigerian supermarket firm to

launch its first outlet also in Lagos. (SPAR is a Dutch-based supermarket giant founded in 1932 with global revenues in excess of 27 billion Euros, and the world’s largest food retailer with approximately 20,000 stores in 35 countries) Their presence is expected to set up competition within Nigeria’s retail food sector and further the changing shape of the country’s retail food merchandising. Industry experts project a quick recovery of Nigeria’s supermarket/food retailing as about 200 million additional customers expected to enter the hypermarket within the next one year.

Nigeria’s retail food merchandising usually follow the channel shown in flowchart below:

Typical Distribution Channel in Nigeria’s Retail Food Sector



An importer may either be the U.S. exporter's appointed agent and sole representative or he may be buying mixed-grocery containers from various consumer-oriented food exporters and wholesale/retail outlets around the globe.

The wholesaler sells to retailers in large quantities and at discounted prices. Retailers purchase more than 80 percent of their stock of consumer-oriented foods from importers and wholesalers located in the traditional, open markets.

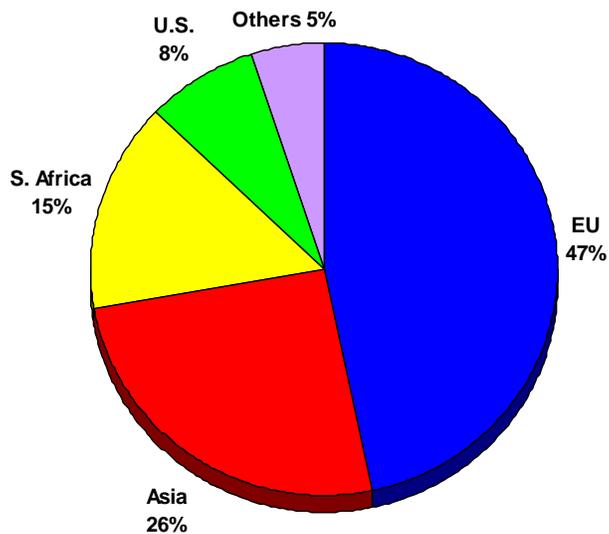
The GON has introduced some measures to minimize informal imports of consumer-oriented products, more products still enter the market undervalued, concealed and unrecorded or through cross border smuggling activities.

In 2010, consumer-oriented food imports are estimated at \$750 million and industry sources forecast the

figure will increase by 20 percent in 2011.

Industry estimates of the origin of imported processed food products in 2010 are shown below:

Nigeria's Suppliers of Consumer-Oriented Products (2010)



U.S. market share is low but increasing 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 that more than \$60 million worth of U.S. consumer-oriented foods was exported to Nigeria in 2010—about half of the products reportedly enter the market through cross border smuggling or other informal means. USDA's BICO report indicated that the value of U.S. consumer oriented food exports to Nigeria increased by more than 40 percent in 2010 from about \$17 million in 2009 to over \$30 million. Wine and beer, dairy products, breakfast cereals, processed fruits and vegetables, tree nuts, fruit juices, and mixed grocery items make up most of these imports.

Nigeria's middle-class and income have also continued to increase for more than a decade and expatriate community keeps expanding. The positive outlook for Nigeria's democracy and economy are providing comfortable environment to increase competition and advance sales growth. The partial

adoption of the more liberalized ECOWAS CET is also encouraging imports. U.S. food product exports are projected to continue to increase following the recent commencement of a direct shipping route from the United States to Nigeria. This will reduce ordering and shipping time. GON's import 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 also require the services of freight consolidators based in the United States.

Food Processing (FP), Intermediate Foods & Ingredients

About 65 percent of Nigeria's manufacturing sector is food processing, and according to industry sources, manufacturing had an estimated 4.0 percent share of Nigeria's GDP.

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.

According to industry sources, imported processed food products contribute only 4 percent of Nigeria's total food supply estimated at \$15 billion. The locally semi-processed and unprocessed foods contribute a huge 60 percent. According to industry sources, Nigeria's market size for imported intermediate foods and ingredients (nutrients, flavors, colors, vitamins, etc) for use in local food processing, was estimated at more than \$6 billion in 2010. Approximately, \$2.6 billion of this is imported.

Industry sources estimate that the country's food processing sector will be more than 20 percent up and demand for intermediate foods and ingredients can exceed \$7.5 billion by 2011. This will result from the following:

- The recent GON's seeming commitment to improving domestic infrastructure—especially, electricity and the country's continued export drive in the non-oil sector
- Nigerian consumers are becoming increasingly discerning and demanding better quality food products, more local food processors perceive U.S. intermediate products/ingredients as the highest quality products
- The desire to explore the U.S. sources for food ingredients to differentiate their products
- Nigeria's increasing urbanization and income are also creating more sophisticated consumers deviating from consumption of traditional menus and seeking convenience-type foods such as potato chips, tortilla chips, cereal snacks, pretzels, popcorn and various other snacks.

Nigeria's recent and continuing shift toward convenience-type foods largely accounts for the increasing number of snack and fast food processors and outlets. The value of snacks consumed in Nigeria per annum is estimated at more than \$170 million and Nigeria's snack consumption grows approximately 20 percent per annum. And, the U.S. snack food exports to Nigeria had grown over 200 percent from \$100,000 in 2006 to about \$400,000 in 2010 over the last five years.

Nigeria's food service sector worth over \$3 billion has its Quick Service Restaurants (QSR) sub-sector

growing at annual average of 25 percent. Nigerians also perceive processed food and ingredients from the U.S. as higher quality whereas local food processors see U.S. suppliers as more reliable and have also continued to seek for U.S. suppliers of ingredients such as seasonings, colors, spices, coatings, flavors as well as other intermediate products to produce a variety of snacks and other more convenient, easy-to-eat foods especially, from the local staples. Leading QSR firms are found to differentiate their offerings with ingredients imported from the United States and competing firms desire to follow suit.

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 5 years. However, key sector players including the Manufacturers Association of Nigeria, report more recently that Nigeria’s food processing sector has resumed its declining trend due mainly to poor infrastructure (especially power), multiple taxation and GON’s inconsistent policies—allegedly, often initiated on political basis.

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 as the ECOWAS CET and EPA. They argue that Nigeria does not have the comparative advantage and the necessary infrastructure that abound in other regions which 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).

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

Bulk	Intermediate	Processed
Barley and Malt	Corn Starch	Baking mixes, Yeast & Baking Powder
Edible and inedible Fat	Ethanol	Jam & Jellies
Raw Sugar	Fruit Juice Concentrate	Mayonnaise
Refined Sugar	Fruit pre-mixes & syrup	Salad Dressing
Wheat	Ice Cream Pre-mixes	Sauces, Spices
Paddy Rice	Other Beverage Bases	Tomato Ketchup
	Dairy Products	Seasonings, etc
	Flavors, Sweeteners	
	Industrial Salt, other micro-nutrients, other ingredients for food and feedstuff processing, edible tallow, 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 by Nigerian importers.
- 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 caterers (HRI) was estimated to exceed US\$4 billion in 2010. 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 preference 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.

Dairy Products

Nigeria is a potential market for 1.3 million tons of milk worth about \$3 billion but its domestic production that enters through formal marketing channels is approximately 600,000 tons, estimated at about \$1.5 million. Domestic fresh milk production is insufficient.

According to industry sources, more than 75 percent of local dairy product consumers and dairy-related food processors (including biscuit, snacks and ice cream manufacturers) also rely almost entirely on imported powdered milk worth about \$225 million annually. For instance:

- About 300,000 MT of biscuits (produced mostly for the low-income mass market—value averagely \$280 million) are produced in Nigeria each year;
- The value of snacks consumed per annum is estimated at more than \$155 million;
- Large and automated as well as medium-to small-scale bakeries have been established to meet increasing bread and biscuits demand;
- Snack consumption in Nigeria grows by approximately five percent per annum;
- And, imported milk powder is the principal input for local ice cream production with Nigeria's ice cream market estimating 8.2 million liters valued approximately \$20.5 million per year.

Demand for other value-added dairy products such as butter, cheese, ice cream, yoghurt and other milk beverages is also huge and growing.

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. Additionally, there is export potential for livestock genetics, foddors and dairy-based food processing inputs which will likely increase.

The EU (Netherlands, Denmark) is the dominant dairy product suppliers and many U.S. firms are apprehensive of doing business in Nigeria due to perceived negative business image of Nigerian firms among the U.S. trade. U.S. dairy product exports (mainly, high-value dairy products) exceeded \$8 million (approx. 4 percent of total market) in 2008. It dropped to about \$2 million in 2010 but first quarter (2011) export has shown about 69 percent increase compared to same period in 2010.

The more efficient dairy processing in the United States should provide U.S. suppliers an advantage over third-country suppliers in exporting processed and intermediate dairy products to this market. USDA/FAS office in Lagos (Nigeria) assists U.S. firms with identifying legitimate Nigerian businesses and encourages U.S. exporters to persevere in this market. As business relationships with Nigerian firms endure, the apprehension of doing business in this country will be overcome.

Seafood

Seafood is the cheapest form of animal protein in Nigeria and consumption has been increasing. However, due to insufficient domestic catches and aquaculture production, Nigeria depends on large volumes of imports to satisfy demand. Nigeria is a potential market for approximately 2.5 million MT of fish. Of the country's 1.5 million MT fish demand, approximately 1.0 MT is imported.

According to industry sources, imports significantly dropped more than 31 percent in 2009 due to the impact of global financial crises and increasing costs. The restructuring of Nigeria's banking sector in 2009 also impacted negatively on lending for seafood imports into the country.

Due to the scarcity and rising price of Atlantic species from the major suppliers (the Netherlands), Nigerian buyers are looking to other supply sources, including the United States, for especially mackerel, herring and croakers. High energy cost translating to higher U.S. freight charges as well as the dominant one-way seafood trade contributing to low U.S. market share.

In 2007, the U.S. recertified Nigeria for shrimp exports to the United States. As a result, it is possible that reefer containers used to transport shrimp to the United States could be available for shipping seafood and other perishable foods back to Nigeria at reduced freight costs.

Aquaculture/Fish Feed Market

Total domestic production is low at about 500,000 metric tons and aquaculture contributes about 100,000 MT per year, or less than one percent of the total fish consumed in the country.

With Nigeria's strong demand for seafood, dwindling global fish stocks and the Government of Nigeria (GON) continued pursuit for increased local aquaculture and fish supply, Nigeria's aquaculture should

contribute significantly to the country's Gross Domestic Products (GMP). However, aquaculture feedstuffs constitute about 70 percent of total production cost and discourage investment in the sector.

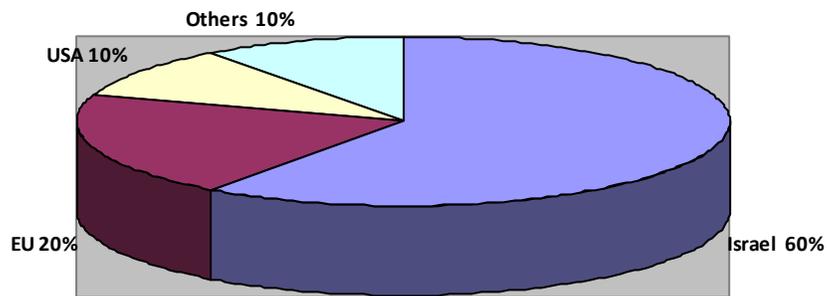
Most domestic fish feed productions are not formal--many local fish farmers formulate fish feeds for use in the fish farms but there are some local firms producing pelletized fish feeds.

The local fish feeds are inexpensive but they do not meet farmers' requirements for desired fish yield.

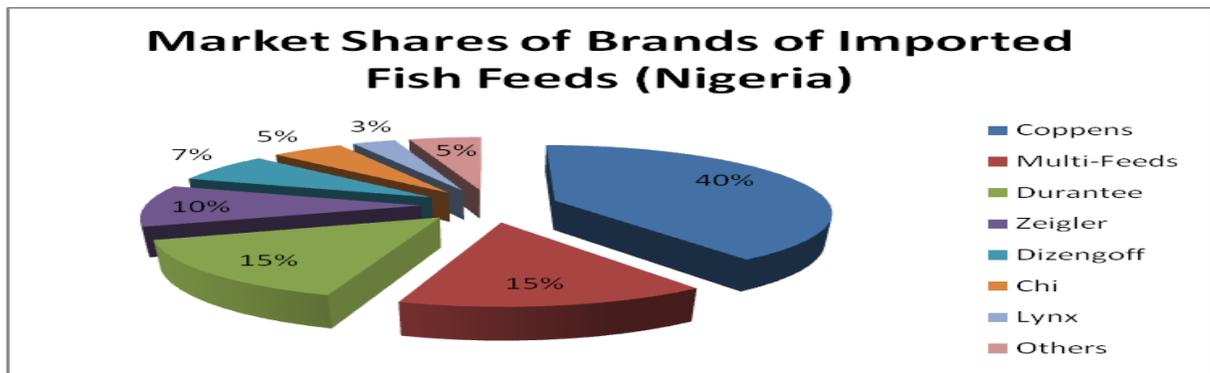
Nigeria imports approximately 40,000 tons of fish feed (significantly for catfish and tilapia production) valued at \$60 million per year. All imported feeds are floating and come in 15 kg and 20 kg bags and in the following [(2, 3, 4 5 6.5, 8, and 9) millimeters (mm)]. Average market price is \$1,500 per ton.

Aquaculture feedstuffs are imported into Nigeria from suppliers in different countries as shown in the chart below:

Origins of Imported Aquaculture Feeds in Nigeria



Following chart shows market shares of available brands of imported fish feeds in Nigeria:



Legally, fish feed products are registered by NAFDAC (Nigeria's equivalent of FDA) prior to market and consumption. Product registration by NAFDAC gives the local company registering the product an exclusive distribution right to import the product/brand into Nigeria.

Wine & Spirits

In 2003 GON placed a ban on imports of beer and all non-alcoholic wines and beverages into the country to protect local industries. The ban remains in place. Only alcoholic wines and spirits can be imported at 30 percent tariff in line with the ECOWAS regional tariff (CET). However, the government (GON) introduced a 20-percent levy towards the end of 2008—thus raising real duty on wine and spirits to 50 percent.

Despite this, average wine consumption per capita jumped 1236.2% to approximately 0.4 liters and increasing between 2004 and 2010. Still wines led the market—the category accounted for more than 80 percent share. Increasing demand results largely from:

- Nigeria's large and increasing population (over 150 million) and underdeveloped/high-cost local wine create strong growth prospects for wine exports to Nigeria.
- Growth will be for Nigeria's market over the coming years. The expected growth will result from Nigeria's large population growing at an annual rate of 3% and providing an ever increasing consumer base.
- Nigeria's middle-class and income have also continued to increase for more than a decade. The positive outlook for Nigeria's democracy and economy also means consumer spending will increase and advance sales growth.
- Nigerians are also increasingly becoming health-conscious and accepting wine products as healthier than competing beverages such as, beer, spirits, soda, and others served at homes, bars and social activities.
- New brands and the entry of new players are beginning to result in increased competition, and lowered prices, aggressive marketing and fuel growth in sales.

Market Structure for Wine & Spirits

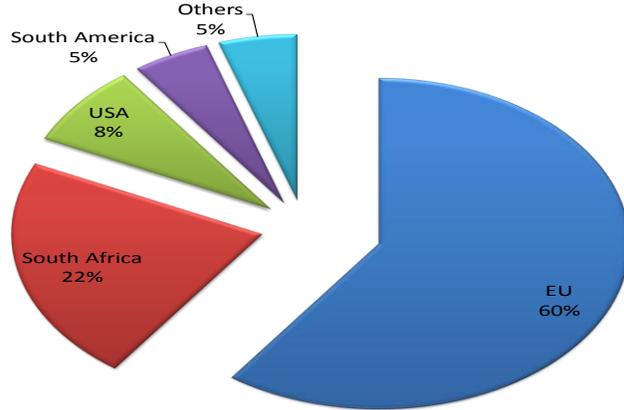
Nigeria's market for imported alcoholic wine products is driven by product prices and higher alcohol contents. The bulk of wine used to be sold through retailers (supermarkets, grocery retailers and open markets) as well as bars and restaurants patronized by the middle and high income consumers.

However, the recent increase in wine consumption has significantly shifted wine distribution channels more to the traditional open wet markets (mostly patronized by the low and middle income consumers). Currently, sales through traditional markets now account for about 70% of the total. Wine consumption at bars and other food service outlets is small, less than 10 percent of the total.

Competition

The EU countries (Spain, Italy, France, etc) and South Africa are the major wine suppliers to Nigeria.

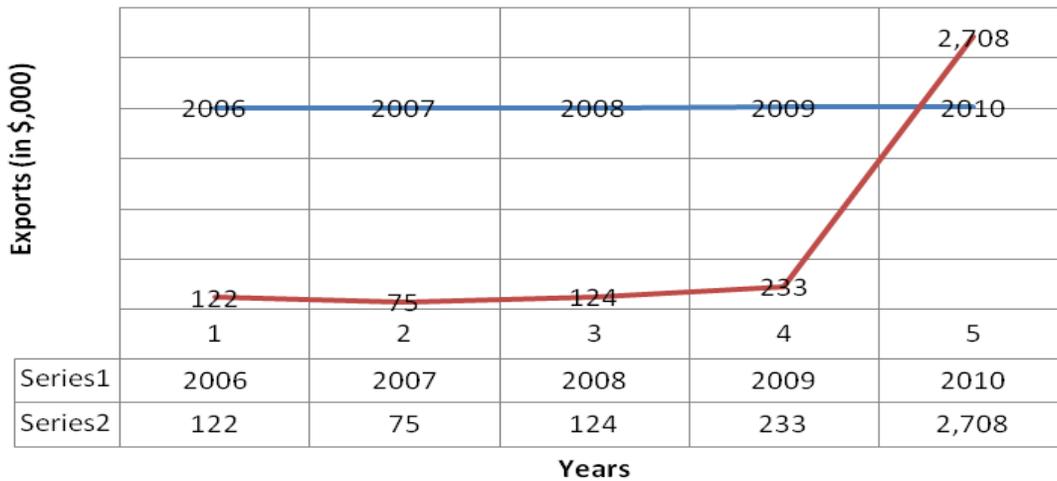
Origins of Imported Wine & Spirits Products to Nigeria, 2010



Source: Industry

Although France, Italy, and Spain in the EU as well as the U.S. (California) are the traditional wine countries, Nigerians import mostly from South Africa, Chile, Argentina and all other sources that produce wine products that are perceived to be good quality and also offered at affordable prices.

U.S. Wine Exports to Nigeria (2006-2010)



Data Source: BICO Report

U.S. wine and spirits exports to Nigeria had grown from \$120,000 in 2006 to \$2.7m in 2010 (BICO report). However, industry sources indicate that U.S. official export data do not capture much of U.S. wine exports to Nigeria as many products (especially those attracting high duty such as wine) still pass through port clearance either under-valued or undeclared at Nigeria’s ports. Many of such products also enter the market through cross-border smuggling activities.

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
- Sugar confectioneries (sweets and chocolate), biscuits, candy products, etc
- Snacks Foods
- 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
- Fresh fruits and Vegetables
- Chocolate, etc

Product type offering the most sales potential in Nigeria

- Agricultural-based food ingredients
- Aquaculture Feeds
- 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
- Nutrition/health food products
- Relatively small-sized imported or domestic-processed HVPs, prepared and packed for one-time use, etc

Products Currently Banned for Exports to Nigeria

Wheat flour	-	HS Code 1101.0000
Sorghum	-	HS Code 1007.0000
Vegetable oil	-	HS Codes 1507.1100-1516, 2000
Frozen poultry and poultry products	-	HS Codes 0207.0000-0207.3600
Cassava and cassava products	-	HS Codes 0714.1000, 1106.2000, 1108
Bottled water (sparkling and non-sparkling)	-	HS Codes 2201.0000-2202.0000
Noodles (including spaghetti)	-	HS Codes 1902.1100 – 1902.4000
**Fruit juice in retail packs	-	HS Codes 2009.1100 – 2009.9000
Beer (bottled and canned)	-	HS Code 2203
Millet	-	HS Code 1007.0000
Pork and pork products, beef and beef products, mutton, lamb, and goat meat	-	HS Codes 0210.1900, 1602.4900, 0202.2000, 1602.5000, 0204.4200, 0204.4300, 1602.9000, 0204.1000, 0204.2200, 0304.3000, 0204.4200, 0204,4300, 0210.7900, 0204,5000, 0208.9000, 0210.9900 and 1602.9000
Live or dead birds	-	HS Codes 0106.3100-0106.9000, 0208.9000 and 0210.9900

** Fruit juice may be imported in concentrates or drums only.

SECTION VI: POST CONTACT AND FURTHER INFORMATION

1. Agricultural Affairs Office (USDA/FAS)

American Consulate General
 2, Walter Carrington Crescent
 Victoria Island, Lagos-Nigeria
 Tel: 234 -1-460-3577; 775-0830
 E-mail: aglagos@usda.gov
 Website: www.fas.usda.gov

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

Plot 204, Olusegun Obasanjo Way
 Wuse Zone 7, Abuja-Nigeria
 Telephone: (234) -9-671-8008, (234)-1-473-0643
 E-mail: nafdac@nafdac.gov.ng
 Website: www.nafdac.gov.ng

3. Nigeria Customs Service

Customs Headquarters
 3-7, Abidjan Street

Off Sultan Abubakar Way
Wuse Zone 3
Garki-Abuja, Nigeria
Tel: 234-9-523-4694, 523-6394, 2534680
E-mail: info@customs.gov.ng; pro@customs.gov.ng
Website: www.customs.gov.ng

4. 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
E-mail: <http://www.nigeria.gov.ng/>

Nigeria's Economic Structure (Annual Indicators)

	2006**	2007	2008	2009	2010
GDP (US\$ bn)	116.6	142.4	179.5	352.3##	369.8
Real GDP growth (%)	5.6**	6.2*	11.6*	5.8**	6.8
Consumer price inflation (av; %)	7.5	5.4*	15.1*	12.4**	13.9
Population (m)	144.0	146.2*	152.2	154##	158+
Exports of goods fob (US \$ b)	58,872	61.8	76.8	48.1**	76.33
Imports of goods fob (US\$ b)	- 27,402	38.8	45.5	31.7**	34.18
Current account balance (US\$ b)	1.5	2.2	2.7	11.9**	27.77
Foreign exchange reserves excluding gold (US\$ m)	42,277	59,700^	--	16,956	43.36 (incl. gold)
Total external debt (US\$ bn)	6.5	7.8	8.3	9.7**	11.02
Debt-service ratio, paid (%)	1.8	3.4	--	--	--
Exchange rate (av.) N: US\$	127.38	125.00*	118.5*	150.0	150.88

Notes: *Actual. ** Economic Intelligence Unit estimates. *** Official Estimates. ##EconoWatc

'N', represents Naira (Nigeria's currency). ^ Industry sources. # - CIA estimates.

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

The 2010 figures are estimates from CIA World Factbook, 2011