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## **Nigeria**

### **Market Development Reports**

#### **Consumer Food & Beverages Market Overview**

**1999**

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**Report Highlights:**

**The importance of the Nigerian market for U.S. consumer-ready food exports is likely to grow due to Nigeria's rapidly growing population, inefficiencies in domestic production, distribution and processing of locally produced food crops and the growing taste for imported food products from the higher income group.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Trade Report  
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## **GENERAL MARKET OVERVIEW**

Agriculture remains the major activity of most Nigerians despite the huge revenue contribution of the oil sector to the Gross Domestic Product(GDP).

Nigeria's GDP increased by 2.4 per cent to U.S. \$1.13 billion in 1998. Agricultural production contributed 40.4 per cent; oil sector, 11.6 per cent; industrial sector including the oil sector, 18.1 per cent; other major sector including wholesale and retail trade, 11.6 per cent. Decrease in the oil sector contribution in the year was mostly caused by dwindling oil revenue due to global decrease in international crude oil prices as well as communal unrest at the locations of the oil wells. Per Capita Income estimates at U.S.\$300. Domestic inflation rose by 10.0 per cent and private consumption expenditure declined by 2.8 per cent to U.S. \$0.8 billion. The food index, which accounted for 69.1per cent of the total household expenditure, rose by 6.3 per cent resulting from good harvest. Urban Consumer Price Index also increased by 5.8 per cent although some of its other components recorded price declines as follows: drink, tobacco and kola (2.3%); food (0.1%); et cetra.

Nigeria's population of about 110 million growing at about 2.8 percent per annum, inefficiencies in the production, processing and distribution of locally produced food crops, and the growing taste for imported food products from higher income groups, present enormous opportunities for US consumer-ready food exports. The European Union (EU) is the principal supplier of an estimated \$650 million worth of consumer-ready food products that are imported into Nigeria every year though Nigerian consumers view U.S. food products as higher quality items.

## **THE CONSUMERS**

Nigerian consumers' taste, styles and preferences for food and beverages are changing steadily towards the Western cultures.

Shift from traditional eat in-home to eat-out has continued to grow. About 7.5 per cent of the population are in the middle and upper income class and they share similar consumption patterns with Europeans and Americans. An expatriate community of about 500,000 mostly working in the petroleum and construction industries is another consumer of imported food products. Approaches to economic recovery and reforms by the new democratic Government of Nigeria (GON) are expected to expand and improve the incomes of the middle income consumer class.

The number of women employed is increasing although unemployment rate is high. Most food purchase decisions are made by women but children influence these choices. More women and children of the middle and high income group pick food choice and styles from commercials and programs in international broadcasting/print media as well as the Internet. About 90 percent of the Nigerian consumers are in the low-income group. Energy supply is insufficient and unreliable. Domestic appliances are mostly used by the middle and high income group. Urbanization has continued to increase and the rural dwellers constitute more of the aged and the handicapped. Consequently, agricultural production is reduced.

## **U.S. MARKET POSITION**

U.S. consumer-ready food products with the most potential in Nigeria include fast/snack foods ; cookies; condiments; fruit preparations; canned vegetables; pastas; alcoholic and non-alcoholic beverages; skimmed and whole milk powder; ice cream; spices; breakfast cereals; bakery and other food preparation ingredients.

The market share for imported U.S. food products in Nigeria is 5 per cent. U.S. consumer-ready food products share this low market position because they are:

- not readily available in Nigeria
- relatively unknown to local populace
- neither subsidized nor carried out with concessionaire credit

Failure of competition due to high import tariffs, higher freight cost, subsidies and concessionaire credit sales by competitor countries especially the EU and Asian countries, lack of a direct U.S. to West Africa shipping route, a negative view of Nigeria by U.S. firms and non-benefitting from export credit programs of U.S. Department of Agriculture such as the GSM programs (U.S. decertified Nigeria for ineffective drug fighting efforts) contribute to the low position.

However, Nigerian consumers view U.S. food products as higher quality items. More Nigerian importers now request from their EU and Asian manufacturers/suppliers a brand that suggests the products are made in U.S. Such importers have reported higher demand for the products.

## **MAJOR U.S. CONSUMER-ORIENTED FOOD PRODUCTS IMPORTS**

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Key Import Products	Current Value of Imports From All Suppliers (\$Million) (1995-1998 avg.)	Projected Rate of Import Growth From All Suppliers (%) 1998-2003	Current Value of Imports From U.S. (\$Million) (1995-1998 (avg))	Current U.S. Competitive Position (Relative US Market Share. U.S. Share divided by share of largest or next largest supplier	Absolute U.S. Market Share (%) 1993 1998	Goal for U.S. Export Growth Rate (%) 1998-2003
Milk and Cream	48	12%	0.3	0.2	3% 3%	7%
Edible Food Preps	15.5	15%	0.8	.4	1% 5%	8%
Cereals	15	10%	8	6	60% 70%	10%
Spices	2.5	5%	0.3	0.5	1% 5%	7%
Snack Foods	2	7%	0.35	0.5	5% 15%	10%
Alcoholic Beverages	9.2	10%	0.6	0.2	4% 5%	10%
Butter and Cheese	1.5	10%	0.3	0.5	7% 15%	10%
Fruit Preps and Juices	1.2	5%	0.3	5	20% 30%	5%
Ice Cream	1.2	6%	.4	1.1	50% 55%	10%

## **DOMESTIC AND THIRD-COUNTRY COMPETITION**

Consumer-ready food products partly processed and packaged in Nigeria are about 35 percent and less than 5 percent of these are totally manufactured in Nigeria. The rest are imported and their origin/market position are: EU (80%), Asia (10%), U.S. (5%) and others (5%). The low U.S. market share is due partly to the higher freight costs for U.S. imports and partly because U.S. exporters are less responsive to Nigeria's peculiar market requirements than their European and Asian counterparts. This most often will require a personal approach to marketing.

Added to the requirements of the regulatory agencies, Nigerian importers:

- prefer buying mixed containers of a wide varieties of food products
- would want to save traveling cost and therefore, need the services of freight consolidators in the U.S. to handle their ordering and shipment
- expect the understanding of their American suppliers when they request that their orders be under-invoiced to reduce duties as this contributes to making their prices competitive
- require exclusive distribution agreement from the manufacturer/exporter.

More Nigerian importers employ the services of freight consolidators located in the EU countries. These freight consolidators interact constantly with both the Nigerian importers and manufacturers/exporters in the EU for market information and purchases. Nigerian importers also find it easier to register their subsidiaries in the EU countries which source their requirements.

Freight for shipments from the U.S. is about 200 per cent higher than from Europe. Asian firms are highly adjustable to importers' requests, especially on quality, packaging, documentation, contracts, and so on. The Asian firms (their personnel and/or appointed representatives) are in constant and direct interaction with the Nigerian market and are able to obtain an earlier primary information about the market requirements.

## **CONSUMER-READY PRODUCT MARKET TRENDS AND OPPORTUNITIES**

The activities of the Nigerian consumers are becoming more hectic. More housewives seek paid employment to support their families economically. More families have their children at school and lack time to prepare family meals.

Snacks/fast food businesses are booming in the urban areas in Nigeria. Large and small firms including the multi-nationals are divesting into snacks/fast food businesses and have reported huge profits. Women and children constitute over 75 per cent of their clientele. Quality of the products are however, comparatively much lower than offers from U.S. firms. U.S. fast foods, ice cream and dessert exporters may wish to explore franchise agreements for outlets in the major cities of Nigeria.

Restaurants are fast becoming fashionable. More young men and women, especially the professionals and corporate executives prefer to treat their contacts at restaurants. The socially-mobile group would want to define class by the type of restaurant they patronize. However, only few restaurants meet the service and environmental requirements of this growing group. Mobile restaurants and caterers are developing and they render in-house as well as outdoor services in

homes, offices and at social gatherings. Tourism too, is growing. The democratic GON has consequently created a Department of Tourism. Hotels of international standard are very few and hotel management is still poor. The new federal capital of Nigeria - Abuja is the most fertile for investors in this area.

Shift towards bulk packaging of 10 to 25 kilograms and bit/small packaging of 5 to 1000 grams in flexible packs is remarkable. Local retailers prefer breaking bulk and re-packing into affordable bits. More third-country firms have installed less sophisticated packaging machines and plants in Nigeria to improve on this practice and they have recorded huge success.

Exporters should consider product packaging that 1) reduces cost, 2) permits end-user purchase for one-time use. The first is applicable to the industrial and institutional consumers representing about 25 and 5 percent of the total market respectively while the second pertains to the retail consumers who represent about 70 per cent of the market. They should also select distributors or representatives and support their promotions.

### **DISTRIBUTION SYSTEMS FOR CONSUMER-READY FOOD PRODUCTS**

Distribution pattern in Nigeria can be represented as 70 per cent, 5 per cent and 25 per cent for wholesale/retail, institutional and industrial respectively.

Retail distribution for consumer-ready food products in Nigeria can be expressed as 8%, 90%, 2% for supermarkets, convenience/variety shops and specialty stores respectively. About one per cent of the supermarkets are over 100 square meter in size and are located in about six major cities; about 4 per cent are between 10 to 100 square meters in size and about 95 per cent are below 10 square meters in size. Less than 5 per cent of them however, sell frozen food product due to poor and irregular electricity supply. Institutional distributors comprise certain government sections/bodies and corporate firms, hotels and restaurants. Industrial consumers include thousands of small, medium and large-scale bakery/confectionery, dessert, beverage and other manufacturers in both the urban and rural areas.

Most importers are wholesalers. Some supermarkets are however, owned by importers. Such importers register trading/importing firms distinct from the supermarkets, which source and supply their merchandising requirements as well as sell to other wholesalers and supermarkets. Some institutions, especially the hotel and restaurant institutions order directly from the foreign suppliers; others contract local suppliers. Nigerian importers choose to enter into exclusive distribution contracts with the foreign manufacturers of such products to protect their investments in introducing and developing product/s in the local marketplace.

Average price ratio for consumer-ready food products is 100 : 105 : 110 for local products, imported products and imported products from U.S. respectively. Prevailing mark-ups for distribution members are 100 : 115 : 120 : 125 for importers, wholesalers, retailers and consumers respectively.

## DOMESTIC FOOD PROCESSING SECTOR

Most local food processing facilities in Nigeria are comparatively small-scale and weak due largely to the high cost of foreign exchange to acquire machinery, poor state of infrastructures and especially, energy crisis over the past five years. Capacity utilization was estimated at 32.40 per cent in 1998.

Considering abundant local raw materials, manufacturers of food processing ingredients and machinery have a wide market opportunity.

Contracting with local packaging firms or investing in packaging operations would increase competitiveness in this price-sensitive market.

## IMPORT REGULATIONS FOR CONSUMER-READY FOOD PRODUCTS

### Food Safety:

The National Agency for Food and Drugs Administration and Control (NAFDAC) is the regulatory body for food product manufacturing, importation, advertisement and distribution in Nigeria. Imported food products must be registered by NAFDAC for sale, distribution and advertising in Nigeria.

The following are NAFDAC's requirements for imported product registration:

- manufacturers/exporters must be represented by a company registered in Nigeria
- upon applying to register any food products, the U.S. exporters must file an evidence of power of attorney through their representative Nigerian firm which has to be notarized identifying the Nigerian firm
- fifteen samples of the product(twenty in the case of dairy products) must be submitted along with the completed registration form for physical / laboratory analysis and vetting which takes about four to seven weeks
- U.S. manufacturers/exporters must show evidence that the company is licensed to manufacture the imported food product for sale in the U.S.(Manufacturer's Certificate). Such evidence of free sale in U.S. must be issued by the responsible Health Authority in U.S. and authenticated by the Nigerian Mission in US
- the products must have a certificate of analysis which NAFDAC will examine to assure absence of radioactive contaminants (potassium bromate as bread improver and use of non-nutritive sweeteners, particularly saccharin and cyclamate in food products are not permitted)
- products must be labeled.
- labeling must be informative and accurate and include the following minimum requirements:
  - :: Name of product-brand name or common name(where applicable), must appear in bold letters.
  - :: Full location address of the manufacturer.
  - :: Batch number, date of manufacture and best before date.
  - :: Net contents of essential ingredients in metric weight units in case of solids, semi-solids and aerosols and metric volume in case of liquids.
  - :: The ingredients must be listed by their common name in order of their prominence by weight.
  - :: Food additives and colors must be declared on the label. Spices, flavors and colors may be

listed as such, without naming the specific material, but any artificial color or flavor must be identified as such.

:: Food for special dietary uses with claims of disease prevention, treatment, mitigation, cure or diagnosis must comply with the guidelines for drugs and be registered as medicinal products.

:: The label must contain direction for safe use where appropriate or necessary on the information panel (IP) or on the package insert (PI).

:: Language of labeling must be English or an English translation on the label and package insert (where applicable).

NAFDAC issues a Certificate of Registration with a validity period of five (5) years to a successful applicant. This however, does not automatically confer an advertising permit for such product(s). A separate application and subsequent approval by the agency is required for any product to be advertised.

NAFDAC requires the following for food products to be advertised:

- evidence of the product's registration with NAFDAC
- a unit of the relevant advertisement/promotion materials - TV scripts, story boards, radio scripts, press artwork, etc, and
- two(2) units of the product's samples

#### **Shipping/Customs:**

In its 1999 budget, the Government of Nigeria (GON) announced measures to reform the nation's air and seaports. One of these was the replacement of pre-shipment inspection (PSI) for imports with destination inspection (DI).

DI for imports into Nigeria was scheduled to replace pre-shipment inspection on April 1, 1999. Two international firms - Bureau Veritas and Cotecna were appointed by GON as the Destination Inspection Agents (DIAs) to work in close collaboration with the officers of the Nigeria Customs Service(NCS) especially in these areas:

- Tallying of imported goods to ensure that the correct containers/volumes of goods are actually tallied, accounted for and assessed for duty
- Reconciliation of details on the manifests, bills of lading, tallying records, etc.
- Ensure that payment of duties and other relevant charges for all goods released have been made.

DI was expected to be fully operational by mid-May 1999, when the NCS was also expected to have completed computer, additional cargo handling and cargo inspection equipment installation at the ports. Up to the moment, the DIAs have still not started operations. Speculation is high that the GON would revert to the old pre-shipment inspection procedures which for the past twenty years has remained a major source of revenue to the government. Meanwhile, NCS ignores the DIAs and the DIA contract, and has continued to examine and release imported goods at the ports.

U.S. food product exporters intending to ship products to Nigeria should confirm the ability of their importer to process the clearing and release of imported goods with the NCS. Such food products must still comply with the requirements of NAFDAC.

Exporters to Nigeria are advised to insist on confirmed irrevocable letters of credit from Nigerian banks with correspondent banks in U.S. prior to shipment to avoid payment default. Exporters may also wish to contact the Agricultural Affairs Office of the USDA in Lagos, Nigeria(e-mail: [aglagos@fas.usda.gov](mailto:aglagos@fas.usda.gov)) for assistance in locating representatives and/or importers for their products.

### SUMMARY STATISTICS

Agricultural Imports (Million U.S. Dollars) 1/	\$1,500
Agricultural Imports as a percent of total imports	15%
U.S. Market share of Agricultural Imports (Percent)	15%
Consumer-ready food product imports (Quantity and Value) 2/	\$650 Million
Agricultural Trade Balance with the U.S. (U.S. Dollars)	N/A
Major metropolitan areas (number) 3/	Lagos, Kano, Port-Harcourt Kaduna
Total Population (Million)	108.2 Million
Population Growth rate (percent) 4/	2.83%
Urban population (Millions)	65 Million
Urban Population Growth Rate (Percent) 4/	3.1%
Percent of Female Population employed	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	\$356
Per Capital Food Expenditures (U.S. Dollars)	\$246