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## **Nigeria**

# **Retail Food Sector In Nigeria**

## **1999**

Prepared by:

**David Rosenbloom**

**U.S. Embassy**

Drafted by:

Uche M. Nzeka

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### **Report Highlights:**

**Nigeria's retail food sector offers excellent sales opportunities for U.S. consumer-ready food products. U.S. exporters, however, need to invest time and energy in entering and developing this market. As trade relationships with local importer develop, initial negative impressions and reservations about doing business here will be overcome.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Annual Report Nigeria (NI)

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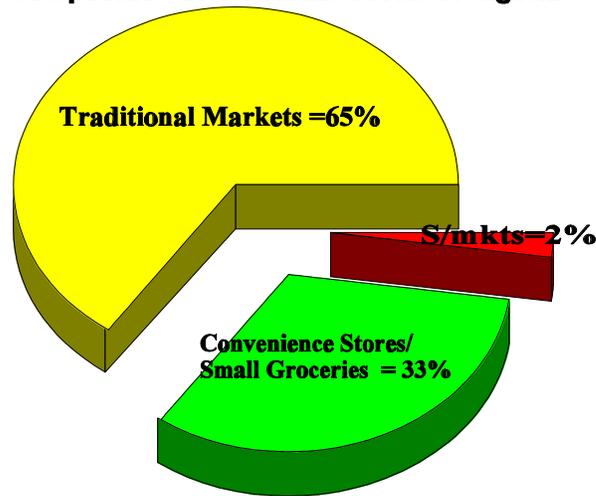
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**SECTION I. MARKET SUMMARY:**

**A.** More than 60 million people are engaged in one form or another of Nigeria’s retail food business.

**B.** The retail food sector in Nigeria consists of large supermarkets, convenience stores and small groceries, and traditional open air markets. These sub-groupings account for 2%, 33% and 65% respectively, of total retail food sales.

**Composition of the Retail Sector in Nigeria**



**C.** Features of Retail Food Outlets in Nigeria:

Retail Outlet Type	Av. Size (sq. m)	Number	Mkt. size served	Av. Annual Turnover	Location	Stock Level	Service Method
Supermarkets	10-200	80	10%	\$ 2 million	urban	Full-Line	Self-serve
Convenience/ Small Groceries	<10	Approx. one million	30%	\$ 3,000	80%-urban, 20% - rural	Limited	15%-Self 85%-Assisted
Traditional Markets	<5	>2,500 Locations	60%	\$ 2 million (Aggregate figure for all retailers in a given market)	70%-urban 30%-rural	Very Limited	Assisted

**D.** Overall retail food sales in Nigeria in 1998 averaged \$7.5 billion, consisting of:

Type of Food Product	%
Imported consumer-ready food products	12
Partly processed and packaged in Nigeria	35
Totally processed in Nigeria	05
Local staple foodstuffs, fresh fruits and vegetables, meat and fish	48
Total	100

**E.** Only 15 percent of all retail sales of imported consumer-ready food products in Nigeria in 1998 were handled by supermarkets. Traditional markets merchandised approximately 50 percent of all imported consumer foods, while convenience stores accounted for the remaining 35 percent.

**F.** Retail pricing in Nigeria:

	Domestic Products	Imported Products		Imported Products from USA	
Average retail mark-up(%)	10	13		17	
Average price ratio(/100)	100	120		140	
		Super-markets	Convenience Shops	Traditional Markets	
Retail mark-up for imports (%)		30	20	15	
Retail mark-up for domestic products(%)		15	10	5	
		Importer	Wholesaler	Retailer	Consumer
Average price ratio for distribution members (/100)		100	115	118	125

**G.** Trends in retail business in Nigeria:

- # Although supermarkets are expanding, outlets of less than 5 square meters in size clustered in an open area and a fixed building site dominate food retailing.
- # Retailers prefer to stock relatively small-sized consumer-ready food products, prepared and packaged for one-time usage. Consumer demand for these products is high.
- # Several large supermarket chains with national coverage have gone out of business in recent years. Smaller, independent supermarkets are emerging.

**H.** Annual retail food sales declined approximately 3% during the mid to late 1990's. This resulted from political and economic instability. Retail food sales grew 10 percent in 1999.

**I.** The enforcement of minimum wages, the recent emergence of a democratically-elected government, and the acquisition and the re-opening of large superstore outlets by small, independent retailers are contributing to the growth of Nigeria's retail food sector.

**J.** A rapidly growing population, improved income levels, relaxed tariff and customs policies, and continuing inefficiency in local food processing are all factors which bode well for growth in retail food sales of imported consumer-ready food products in Nigeria.

**K.** The EU together with Asian suppliers dominate the imported consumer-ready food business in Nigeria. Although the U.S. share of the import market is growing, it remains low. Supermarket ownership and management is dominated by Indian and Lebanese nationals resident in Nigeria.

**L.** Opportunities exist for increased sales volumes of U.S. food products in Nigeria, but U.S. exporters must express a heightened interest in this market. To a large extent, this means overcoming the negative imagery that Nigeria has developed over the years under military rule.

**M.** U.S. exporters are urged to consult with FAS/Lagos before initiating business relations with potential importers to confirm that they are reliable businessmen. All U.S. exporter should be aware that business fraud is widespread in Nigeria.

#### Advantages and Challenges:

Advantages	Challenges
Nigeria's population of 110 million is growing at an annual rate of 3%. The continued migration of the rural population to urban areas.	Average per capita income is estimated at \$300. The monthly minimum wage in Lagos is approximately \$30.
Increased minimum wage, economic reforms, and relative political stability in the new democratic Government of Nigeria (GON).	U.S. food products are not readily available in Nigeria, are relatively unknown to local consumers, and are not purchased with concessionary credit.
The Nigerian consumer views U.S. food products as high-quality items.	Freight costs for U.S. products are significantly higher than those shipped by the EU and Asian countries.
Nigerian consumers readily adapt U.S. tastes, and preferences for food consumption and shopping.	U.S. exporters are not as responsive as their EU and Asian competitors to importer requests. This is especially true for importer requests regarding packaging and contract documentation.

Consumers increasingly view shopping in supermarkets and convenience stores as cleaner, time-saving, and enjoyable.	Inadequate direct U.S. to West Africa shipping routes. Added cost and longer shipping periods due to transshipping.
The GON is liberalizing trade in line with its WTO obligations to phase out import bans.	Nigeria's climate is tropical and the traditional open markets often are not conducive for displaying imported food products.
There is an increase in female employment and children attending schools. Middle-and high-income groups are exposed to commercial advertising for imported foods through international broadcasting, print media, and the internet.	Many retail food outlets in Nigeria are family-owned and lack adequate capital for expansion and training.
Domestic food processing is not well developed.	A negative view of Nigeria by U.S. firms and the lack of approved local banks under USDA's export credit programs.
U.S. grocery items entering Nigeria enjoy a bonus market of about 20 million in neighboring countries.	Lack of freight consolidators in the U.S. to handle Nigerian importer ordering and shipping requirements.
Many imported products are not produced domestically.	Infrastructure for storage and distribution of perishable products is limited.

## SECTION II. ROAD MAP FOR MARKET ENTRY

### A. SUPERMARKETS

#### Entry Strategy:

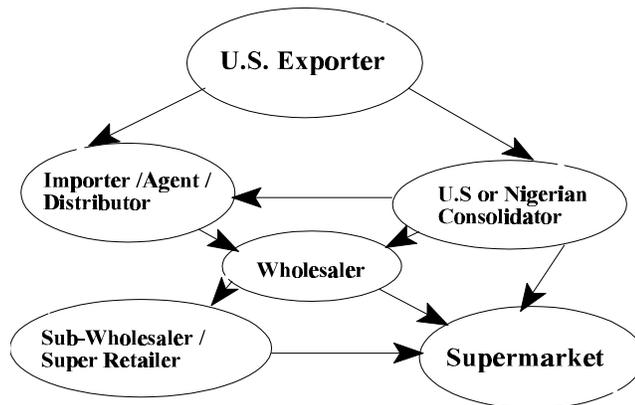
- # Contact the Agricultural Counselor, American Embassy, Lagos, Nigeria for assistance in selecting a local distributor/agent.
- # Appoint a local distributor/agent in Nigeria to register products with appropriate GON regulatory bodies, introduce the product, and develop consumer demand.
- # Identify and sell through consolidators based in the U.S. serving West Africa.
- # Exhibit, especially at the FMI supermarket trade show in Chicago, which is well attended by Nigerian importers and where follow-up contacts can be made.

#### Market Structure:

- # An importer may be the U.S. exporter's appointed agent and sole representative. He can act as a local consolidator who sells relatively large quantities to wholesalers.

- # The wholesaler sells to sub-wholesalers or super-retailers in relatively large quantities and at discounted prices.
- # Supermarkets procure goods directly from wholesalers or local consolidators depending on size and financial leverage.
- # Consolidators, especially in the EU and Asian countries, supply needs of some local wholesalers and supermarkets.
- # Most supermarkets are owned by importers. Importers usually register as trading/importing firms distinct from their supermarket operations. The trading arm of the parent company sources and supplies the supermarket’s merchandising requirements and also sells to competing retailers.

**Distribution Flowchart for Supermarkets**



**Company Profiles of Major Supermarkets:**

Retailer Name & Outlet Type	Ownership	Sales (\$Million)	No. of Outlets	Location (city)	Type of Purchasing Agent
Park ‘n’ Shop	Indian/Resident in Nigeria	2.8	5	Lagos	Importers/Distributors
Chanrai’s	Indian/Resident in Nigeria	2.1	3	Lagos/Port Harcourt	Importers/Distributors
Goodies	Lebanese/Resident in Nigeria	2.4	3	Lagos	Importers/Distributors/ Agents
Bestway	Nigerian	2.1	3	Port Harcourt	Importers/Distributors
Payless	Indian/Resident in Nigeria	1.8	2	Lagos	Importers/Distributors /Agents
Choice	Lebanese/Resident in Nigeria	2.0	1	Port Harcourt	Importers/Distributors/Agents
Legend of Abuja	Lebanese/Resident in Nigeria	2.1	1	Abuja	Importers/Distributors/Agents
Fantasy	Lebanese/Resident in Nigeria	1.9	1	Kano	Importers/ Agents
Arcade	Russian /Resident in Nigeria	2.0	1	Lagos	Importers/ Agents

## B. CONVENIENCE STORES/GROCERY SHOPS/KIOSKS/GAS MARTS

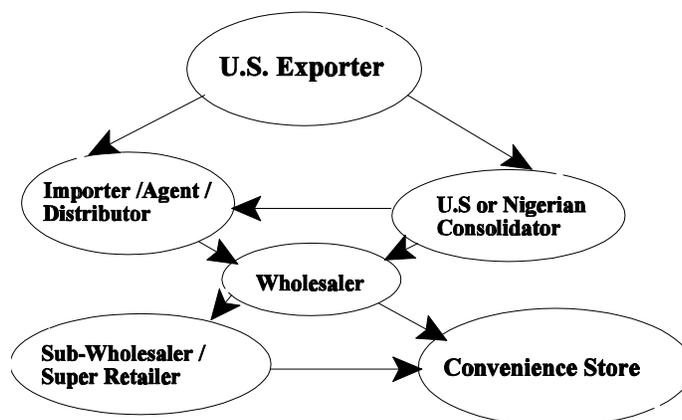
### Entry Strategy:

- # Contact the Agricultural Counselor, American Embassy, Lagos, Nigeria for assistance in selecting a local distributor/agent.
- # Appoint a local distributor/agent in Nigeria to register products with the appropriate GON regulatory bodies, introduce the product, and develop consumer demand.
- # Identify consolidators based either in the U.S. or in Nigeria.
- # Offer food product shipment in mixed-lot containers.
- # Support activities for in-store and point-of-sale promotions in numerous small-sized outlets.

### Market Structure & Profiles:

- # Convenience shops include: mini-supermarkets, about 300,000 small grocery stores, about 2,000 gas marts, numerous kiosks, and roadside stalls.
- # Convenience stores have limited capitalization and significant space limitations. Most buy from sub-wholesalers or super-retailers. Others, with relatively large capital, buy from wholesalers.
- # Kiosks typically are located at strategic points where high sales potential exists and where municipal authorities issue only temporary building permits. They are fewer in number than roadside stalls.
- # Gas marts are growing rapidly, although their food sales are minimal and product prices at these outlets are usually markedly higher than charged by other retailers.
- # About 10 percent of all convenience stores/grocery shops/kiosks stock only a single product label of a given item.
- # Less than 5 per cent of these outlets sell chilled and frozen food products due to poor and irregular electricity supply.

**Distribution Flowchart for Convenience Stores**



## C. TRADITIONAL MARKETS

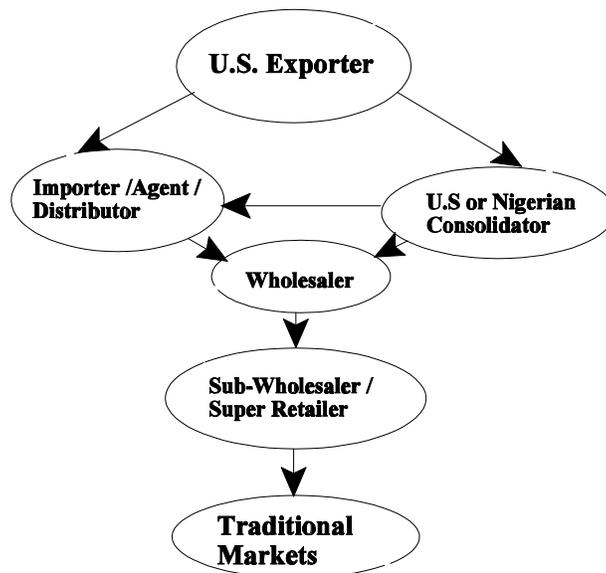
### Entry Strategy:

- # Contact the Agricultural Counselor, American Embassy, Lagos, Nigeria for assistance in selecting a local distributor/agent.
- # Appoint and motivate a local distributor/agent in Nigeria to register products with the GON regulatory bodies, introduce the product, and develop consumer demand.
- # Identify consolidators based either in the U.S. or in Nigeria.
- # Offer flexible shipping volumes.
- # Support activities for in-store and point-of-sale promotions in numerous small-sized outlets.
- # Adopt a pricing strategy which allows importers to initiate buying patterns with U.S. suppliers.

**Market Structure & Profiles:**

- # Retailers buy from sub-wholesalers or super-retailers due to limited capital.
- # About 70% of all wholesalers, sub-wholesalers and super-retailers are located in these markets.
- # Most Nigerian food importers own food outlets located primarily in urban centers.
- # Product prices are about 20% lower than in alternative retail outlets.
- # Pricing often is not fixed and ultimate sales price is negotiated on the spot.
- # Local staple foodstuffs, including fresh fruit and vegetables, meat and fish, are the principal foods sold in these retail outlets.
- # These retail outlets consist of small stalls clustered in a large grouping under a single roof or open air venue.
- # About 55% of the traditional markets stock only a single product label for a given item.
- # Promotional activities organized at traditional markets tend to have significant consumer impact.

**Distribution Flowchart for Traditional Markets**



**SECTION III. COMPETITION**

**Origin/Market Share Position:**

Origin and supplier for imported consumer-ready food products is as follows:- EU(75%), Asia(15%), USA(5%) and others(5%).

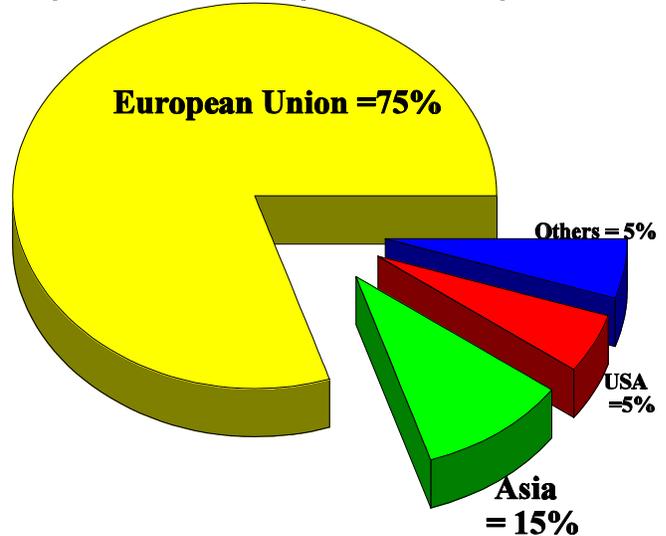
The low U.S. market share is due partly to the higher freight costs for moving U.S. products to Nigeria, and because U.S. exporters tend to be less responsive to Nigeria's unique market requirements.

### Nigerian Importer Requirements

Nigerian importers:

- # Prefer purchasing mixed containers.
- # Want to minimize shipping costs and, therefore, find the services of freight consolidators in the U.S. to handle their ordering and shipment.
- # Anticipate that their foreign suppliers will meet their desire to under-invoice in order to reduce import duty payments.
- # Seek exclusive distribution agreements from exporters.

Origin / Market Share Position for Imported Food Products in Nigeria



### Competitor Advantages:

- # Nigerian importers easily and readily employ the services of freight consolidators located in the EU.
- # Nigerian importers find it easier to register their subsidiary companies in the EU for sourcing their import requirements.
- # Lower freight for shipments from the EU and Asian countries.
- # Asian firms are receptive to importer demands especially on quality, packaging and documentation.
- # Asian firms (their personnel and/or appointed representatives) continuously interact with their Nigerian buyers to obtain essential marketing information.

## SECTION IV. BEST PRODUCT PROSPECTS

A. Products in the Market which have Good Sales Potential are tabulated below:

skimmed and whole milk powder	pastas products	snack foods	breakfast cereals
alcoholic beverages	fruit preparations and juices	ice cream	non-alcoholic beverages
canned vegetables	liquid milk	spices	bakery and other food preparation ingredients
cooking oil	beer	candy	powdered beverages
tomato purees	frozen fish & poultry	margarine	wine

### **B. Products Not Present in Significant Quantities but which have good sales potential:**

- # Ice cream, dessert products, and egg powder.
- # Snacks foods and HRI products.
- # Perishable food products processed and packaged for longer shelf life without refrigeration.

### **C. Products Not Present Because They Face Significant Barriers:**

Often, legal barriers do not fully affect the availability of food products in the Nigerian market due to:

- # Importers often purchase imported foods that have been smuggled into Nigeria.
- # Goods that are prohibited can still be imported into the Nigerian market with the assistance of corrupt GON officials at ports of entry.

## **SECTION V: FOOD SAFETY AND REGULATIONS**

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

Beginning September 01, 1999, the GON reverted to Pre-Shipment Inspection (PSI) for all imports into Nigeria. Under new PSI procedures, all countries were divided into four zones and four PSI agents were appointed by the GON to handle PSI activities on its behalf. Each zone was assigned to one PSI agent. The United States belongs to Zone C which is assigned to Swede Control/Intertek. The new PSI procedures require all goods (except personal effects, used motor vehicles and perishables including day-old chicks) exported to Nigeria to be inspected in the country of origin and an appropriate report of inspection issued before shipment.

Please, see FAIRS report (Import Regulations) for details.

## **SECTION VI. POST CONTACT AND FURTHER INFORMATION**

Agricultural Affairs Office  
American Embassy  
2, Walter Carrington Crescent  
Victoria Island, Lagos, Nigeria  
Tel / Fax #: 234-1-261.3926  
e-mail: [aglagos@fas.usda.gov](mailto:aglagos@fas.usda.gov)  
Website: <http://www.fas.usda.gov>