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Nigeria

Retail Food Sector

Report

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Report Highlights:

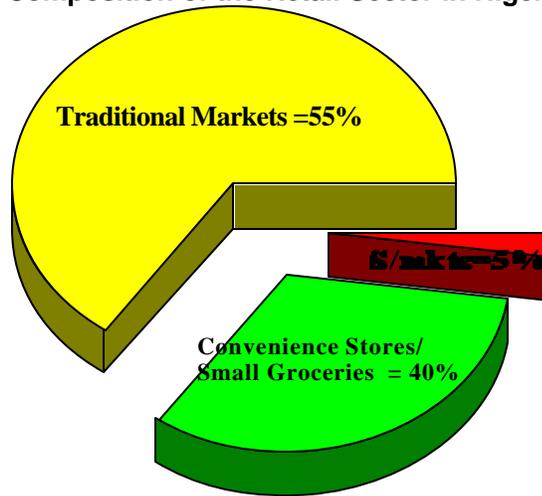
Import duties on food products have increased significantly since last year's report. Nigeria's retail food sector however, still offers excellent sales opportunities for U.S. consumer-ready food products. U.S. exporters however, must invest the necessary time and energy to successfully enter and develop this market. Establishing meaningful trade relationships with experienced local importers is the key to doing business in the growing Nigerian market.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
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Composition of the Retail Sector in Nigeria



SECTION I. MARKET SUMMARY:

A. More than 20 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 5 percent, 40 percent and 55 percent respectively, of total retail food sales.

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	102	5%	\$ 2.2 million	urban	Full-Line	Self-serve
Convenience/ Small Groceries	<10	Over 1.5 Million	40%	\$ 3,600	80%-urban, 20% - rural	Limited	15%-Self 85%-Assisted
Traditional Markets	<5	>2,000 Locations	55%	\$ 4 million (Aggregate figure for all retailers in a given market)	70%-urban 30%-rural	Very Limited	Assisted

D. Industry sources reported more than \$12 billion overall retail food sales in Nigeria in 2001. This consisted:

Type of Food Product	%
Imported consumer-ready food products	5
Partly processed, packaged in Nigeria	26
Totally processed in Nigeria	12
Local staple foodstuffs, fresh fruits and vegetables, meat and fish	57
Total	100

Comparing Nigeria's retail food sales trend in year 2000:

(i) Volumes of Imported consumer-ready food products and food partly processed, packaged in Nigeria dropped 5 percent (valued approximately \$600 million) and 26 percent respectively in 2001. This was largely due to GON's initiation of a duplicate port inspection procedure since May 2001 which resulted in severe port congestion, higher duty payments and a marked slowdown in import volume for high-value, processed foods. Retail inventories of all imports were depleted and prices rose sharply. Many importers too, were unable to clear their goods because the new procedures wasted time and involved higher duty payments. Please, see Report No. NI1016 of 7/31/2001 for details.

(ii) Volumes of food totally processed in Nigeria increased by 5 percent. A significantly higher increase would have resulted if Nigeria's inefficient domestic food processing sector were improved. Sales of local staples, foodstuffs, fresh fruits and vegetables also increased by 12 percent.

E. Industry estimates reported that 20 percent of all retail sales of imported consumer-ready food products in Nigeria in 2001 were handled by supermarkets. Traditional markets merchandised approximately 40 percent of all imported consumer foods, while convenience stores accounted for the remaining 40 percent.

F. Retail pricing in Nigeria:

Description	Domestic Products	Imported Products	Imported Products from USA
Average retail mark-up (/100)	100	117	123
Average price ratio(/100)	100	130	140

--Prices of processed food products originating from the U.S. are higher compared to domestic products and those imported from the other countries due mainly to higher freight rates for shipments from the U.S. and lack of local trade competition for US products as fewer Nigerian importers buy from the U.S. food exporters.

--Also, the Nigerian consumer view U.S. food products as high-quality items and are willing to buy at premium prices.

Description	Super-markets	Convenience Shops	Traditional Markets	
Retail mark-up for imports (/100)	120	110	100	
Retail mark-up for domestic products(/100)	15	10	5	
	Importer	Wholesaler	Retailer	Consumer
Average price ratio for distribution members (/100)	100	120	125	140

G. Trends in retail business in Nigeria:

- # Supermarkets are expanding but, outlets of less than 5 square meters in size clustered in an open area (referred to by the local populace) as 'shopping complexes' or 'shopping centers' are predominant and are increasing more. These shopping complexes, often are large buildings, partitioned into smaller units and leased out to independently-owned food retailing outlets.
- # Retailers prefer stocking 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 percent during the mid to late 1990's. This resulted from political and economic instability. Retail food sales grew 12 percent in 2000 but declined 5 percent in 2001 due largely to the GON's initiation, in May 2001, of the dual import inspection policy. This inspection policy requires all imports to Nigeria to pass through two port clearance inspections- i) a pre-shipment inspection (PSI) in the country of export by a GON-appointed PSI agent prior to shipping and, ii) a 100 percent destination inspection at Nigeria's port of entry. GON has announced that from January 01, 2003, only inspection (ii) will be implemented.

I. A growing expatriate community and tourism since the emergence of a democratically-elected government in May 1999, the acquisition and the re-opening of large superstore outlets by small, independent retailers, increasing Internet Telecommunications and globalization and a growing population of sophisticated and cosmopolitan Nigerians are all contributing to the growth of Nigeria's retail food sector.

J. Inefficiencies in Nigeria's domestic food processing have in addition, bode well for growth in retail food sales of imported consumer-ready food products in Nigeria.

K. The EU together with Asian suppliers is the dominant supplier of imported consumer-ready food business in

Nigeria.

L. Industry sources report the U.S. market share at 5 percent in 2001, a one percent increase compared to 2000. Although growing, it still remains low. The low U.S. market share is partly attributed to higher freight costs and to a tendency of U.S. exporters to be less responsive to the Nigerian importer demands especially, on documentation and product specifications.

M. Whereas supermarket ownership/management is still dominated by Indians and Lebanese resident in Nigeria, many Nigerians are now investing more in the supermarket businesses.

N. 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. U.S. food exporters therefore, require perseverance in their business relationships with local importers.

O. U.S. exporters should however, consult with USDA/FAS office located in Lagos-Nigeria before initiating business relations with potential importers to confirm that they legally exist in Nigeria.

Advantages and Challenges:

Advantages	Challenges
Nigeria's population of more than 120 million is growing at an annual rate of 3 percent.	Average per capita income is estimated at \$350.
There is massive rural-urban migration. Continued urbanization increases demand for imported HVPs.	U.S. food products are not as available and as well known in Nigeria compared to food products from the EU and Asia.
The Nigerian consumer's view of U.S. food products as high-quality items and a generally fast changing lifestyle, including their consumption pattern along the western cultures.	U.S. freight rates are significantly higher than those from the EU and Asian countries.
Nigerian consumers readily adapt U.S. tastes and preferences for snacks and convenience-type foods.	U.S. exporters are not as flexible as their EU and Asian counterparts regarding importer requests on packaging and documentation.
More Nigerian consumers now view shopping in supermarkets and convenience stores as cleaner, more enjoyable and time saving.	Infrequent direct U.S. to West Africa shipping routes. Transshipments, often made in the EU and recently in South Africa, result in added cost and longer shipping periods.
An increase in female employment and children attending schools and an increasing exposure especially, of the middle-and high-income groups, to commercial advertising for imported foods through international broadcasting, print media and the Internet.	GON's dual import inspection policy (both pre-shipment and destination running concurrently) since May 2001, takes longer shipment and port clearance time.
Domestic food processing is underdeveloped. Expectations are high that the local food processing sector will remain inefficient and many of the imported HVPs do not have sufficient locally-produced substitutes.	Import duties for processed foods now run as high as 100-150 percent. GON's ability to stop cross-border smuggling and under-valuation remains suspect.
Approval of local banks for the USDA's GSM export credit programs and the extension of Supplier Credit Guarantee Program to Nigeria since 1999.	A poor imagery position of Nigerian businesses among U.S. exporters.

GON's destination inspection policy will remove the advantage of under-valuation which Nigerian importers have allegedly received from other supplier-countries if well enforced.	Lack of freight consolidators in the U.S. to handle Nigerian importer ordering and shipping requirements.
U.S. grocery items entering Nigeria enjoy a bonus market of about 20 million from neighboring countries.	Most retail food outlets in Nigeria are family-owned and lack adequate capital for expansion and training.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. SUPERMARKETS

Entry Strategy:

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

- # Contact the Agricultural Attache at the USDA/FAS office located in the American Consulate, Lagos- Nigeria for assistance in selecting a local distributor/agent or representative.
- # Appoint a local distributor/agent or representative in Nigeria to register the products with the appropriate GON regulatory bodies, to introduce their products, and to develop consumer demand.
- # Identify and sell through consolidators based in the U.S. who are serving the West African region.
- # 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.
- # Offer food product shipment in mixed-lot containers.
- # Offer flexible shipping volumes.
- # Support activities for in-store and point-of-sale promotions in numerous small-sized outlets.
- # Adopt a pricing strategy which encourages importers to initiate buying activity with U.S. suppliers.
- # Send sample products and sales catalogs to Post during local promotions of U.S. high-value foods.
- # Request Post assistance in finding local importer-distributors for product registration and marketing.

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 large quantities and at discounted prices.

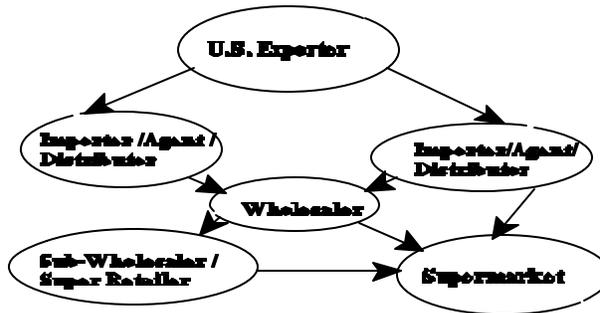
Supermarkets procure goods directly from wholesalers or local consolidators depending on size and financial leverage.

Oftentimes, consolidators in the EU and Asian countries, supply needs of some local wholesalers and supermarkets.

Most supermarkets are owned by importers. Importers 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	6.5	6	Lagos, Abuja & Port Harcourt	Importers/Distributors
Goodies	Lebanese/Resident in Nigeria	4.0	3	Lagos	Importers/Distributors/ Agents
Esco	Nigerian	3.3	1	Warri	Importers/Distributors
Bestway	Nigerian	3.0	2	Warri	Importers/Distributors
Chanrai’s	Indian/Resident in Nigeria	2.8	3	Lagos/PortHarcourt	Importers/Distributors
BG-Mart	Nigerian	2.5	2	Lagos	Importer-Distributor
Legend	Lebanese/Resident in Nigeria	2.3	1	Abuja	Importers/Distributors/Agents
Fantasy	Lebanese/Resident in Nigeria	2.2	1	Kano	Importers/Agents
Choice	Lebanese/Resident in Nigeria	2.0	1	Port Harcourt	Importers/Distributors/Agents

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

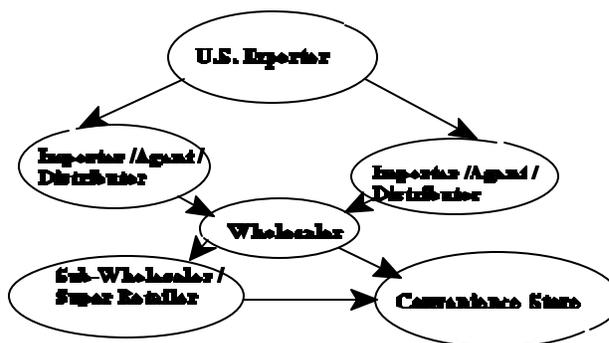
Entry Strategy:

- # Contact the Agricultural Attache, American Consulate, 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.
 - # Offer flexible shipping volumes.
 - # Support activities for in-store and point-of-sale promotions in numerous small-sized outlets.
 - # Adopt a pricing strategy which encourages importers to initiate buying activity with U.S. suppliers.
 - # Send sample products and sales catalogs to Post during local promotions of U.S. high-value foods.
 - # Request Post assistance in finding local importer-distributors for product registration and marketing.

Market Structure & Profiles:

- # Convenience shops are including mini-supermarkets, about 500,000 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.
- # Approximately 10 percent of all convenience stores stock, a single product label of a given item.
- # Less than 5 per cent of these outlets sell chilled and frozen food products. This is due largely to a poor and irregular electricity supply.

Distribution Flowchart for Convenience Stores



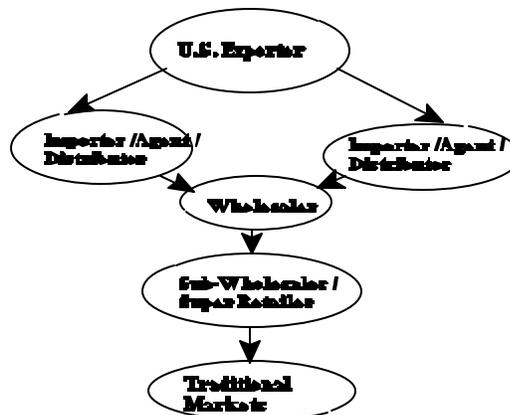
C. TRADITIONAL MARKETS

Entry Strategy:

- # Contact the Agricultural Attache, American Consulate, 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.
- # Offer flexible shipping volumes.
- # Support activities for in-store and point-of-sale promotions in numerous small-sized outlets.

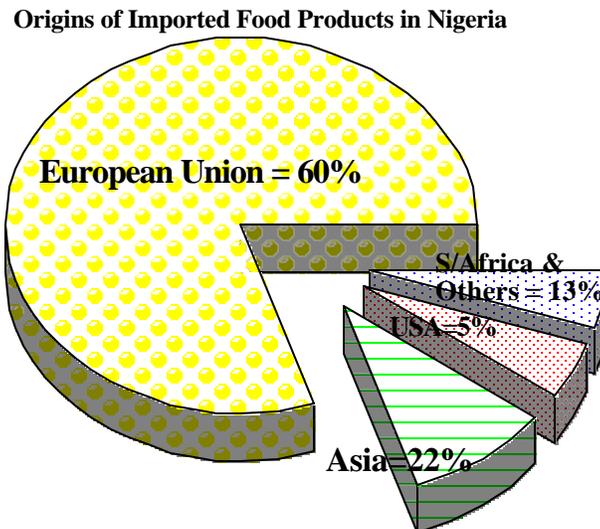
Market Structure & Profiles:

- # Retailers buy from sub-wholesalers or super-retailers due to limited capital.
- # About 70 percent of all wholesalers, sub-wholesalers and super-retailers are located in the traditional 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.
- # Promotional activities organized at traditional markets tend to have significant consumer impact.

Distribution Flowchart for Traditional Markets

SECTION III. COMPETITION

' From industry estimates, origin and supply of imported consumer-ready food products in 2001 are as follows:- EU (60 percent), Asia (22 percent), USA (5 percent) and South Africa/ Other African countries & Australia (13 percent) as illustrated below:



' Unique Market Requirements by the Nigerian importers include:

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.

' Competitor Advantages are the following:

Nigerian importers easily and readily employ the services of freight consolidators located in the EU.

Nigerian importers find it easier to register subsidiary companies in the EU and Asian countries 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:

fish products (Aaaa)	pasta products (Aaa)	snack foods/ice cream (Aaa)	breakfast cereals (Aaa)
alcoholic beverages (Aaa)	fruit juices & Concentrates (Aaaa)	frozen poultry (Aaaa)*	non-alcoholic beverages (Aa)
canned vegetables (A)	Frozen Prepared Foods (Aa)	spices (Aaa)	bakery and food preparation ingredients (Aaa)
cooking oil (Aa)	beer (Aa)	candy (A)	powdered beverages (Aaa)
tomato purees (A)	Cookies (Aaa)	margarine (Aa)	wine (Aa)

(A) = Prospect (Aa) = High Prospect (Aaa) = Higher Prospect (Aaaa) = Highest Prospect
(Aaaa*) = Highest Prospect but banned for imports

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/services.
- # Fruit Juice Concentrates.
- # Bulk, processed foods for local re-packaging.
- # Processed food products, 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 smuggling activities across the many porous Nigerian borders. Often, importers ship their goods to neighboring countries where they are easily transported by road to the Nigerian market.

SECTION V: FOOD SAFETY AND REGULATIONS

- ' All imported HVP must be registered with the National Agency for Food and Drug Administration and Control (NAFDAC) to be legally importable into Nigeria.
 - # NAFDAC is the GON regulatory body for food product manufacturing, importation,

advertisement and distribution in Nigeria.

Please see FAS Lagos' FAIRS Report (Import Regulations) for details.

- ' The Nigerian Customs Service (NCS) is the GON agent for import duty collection. All HVP exported to Nigeria are subject to both Pre-Shipment Inspection (PSI) and Destination Inspection(DI) since May 2001. GON has however, announced that only destination inspection will be in effect by January 1, 2003 .
- ' The importer normally applies and bids for his foreign exchange requirements from the Central Bank of Nigeria (CBN) by completing a 'Form M' document. However, most Nigerian importers prefer and utilize bank transfer method to pay their overseas suppliers; in which case they simply purchase foreign exchange through the commercial or merchant banks or through the informal channels which saves them the time and rigor associated with payments through the Form M.
- ' Please, read also the EXPORTER GUIDE REPORT (NI2021 of 10/24/02) for details.

SECTION VI. POST CONTACT AND FURTHER INFORMATION

1) Agricultural Affairs Office
American Consulate General
#2, Walter Carrington Crescent
Victoria Island, Lagos-Nigeria
Tel/Fax: 234 -1 - 261-3926, 7750830
e-mail:- aglagos@fas.usda.gov

2) National Agency for Food & Drug Administration & Control (NAFDAC)
Plot 1057, OFF Moshood Abiola Road
By Oyo Road, Area 2
Garki, Abuja-Nigeria
Tel: 234-9-2346380-3
Website: www.NAFDAC.org

3) Nigeria Customs Service
Customs Headquarters
3-7, Abidjan Street
off Sultan Abubakar Way, Wuse Zone 3
Garki-Abuja-Nigeria
Tel: 234-9-5236394, 2534680