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Food Processing Ingredients Sector

Nigeria's Food Processing Ingredients Market

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Report Highlights:

Nigeria's food processing sector has seen some growth over the last few years, especially in the bakery, snack food and fruit juice sub-sectors. Foreign investment is greatest in the soft drink (including water), beer and fruit juice industries. Bulk commodities such as wheat and sugar hold the major value of imports used in this sector. There is demand for imported beverage bases (especially, fruit juice concentrate, pre-mixes & syrup), ice cream pre-mixes, spices, flavors, and nutrients/additives.

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SECTION I. MARKET OVERVIEW

Nigeria has a population of 134 million that is growing at an estimated three percent annually. GDP was estimated at \$95 billion in 2005 (Economist Intelligence Unit, Nov. 2005). Petroleum exports accounts for about one third of GDP, 98 percent of total export earnings and close to 80 percent of federal government revenue. (Economist Intelligence Unit, May 2005).

The GON has put together a reform-oriented economic policy outlined in the National Economic Empowerment and Development Strategy (NEEDS). Policy implementation has been poor due to the wide range of vested political interests in the country. Of particular concern to the US agricultural sector, is the protectionist policy with the wide range of import bans on many food items and recently, the implications and the control of Bird Flu outbreak in Nigeria since February 8, 2006.

Despite a restrictive trade regime, Nigeria is a food deficit country. The FAS Lagos estimates Nigeria imported \$2.5 billion of agricultural products in 2004. US agricultural exports (mainly wheat) to Nigeria increased by approximately 20 percent, from \$444 million in CY 2004 to about \$530 in CY2005. While the U.S. is the major supplier of wheat, Asia and Brazil supply products such as rice, and raw sugar, respectively.

SECTION II. MARKET SUMMARY

According to the Economist Intelligence Country Report 2005, Nigeria's manufacturing sector has accounted for less than 5% of its GDP in recent years. While no official data is readily available, the AgOffice estimates that about 50 percent of the manufacturing sector is food processing. Nigeria's food processing sector therefore, has a relatively small share of GDP and many of it is conducted in the informal sector despite the existence of major operations by many multinationals.

Over the last few years, the government of Nigeria has imposed a wide range of import bans to protect manufacturers, including food processors. The estimated average growth rate of the industry (offering limited product ranges) between 1999 and 2004 is ten percent. Nevertheless, the industry still faces a number of constraints including poor infrastructure, rising production costs, falling consumer demand, inconsistent policies and reforms.

Multinationals such as Guinness, Coca-Cola, Cadbury, Nestle, and others, have been established in Nigeria for years. However, a growing informal food processing that produces a range of comparatively lower quality items for the dominant mass market is making the sector more dynamic than reflected in the official statistics. Firms in the sector range from small Mom & Pop operations to large modern installations and their contributions to total industry output increased to 25 percent in 2005 from approximately 10 in 2004. Sourcing of inputs through informal methods and flexibility with standards and regulations are assisting them to reduce costs and to become competitive in Nigeria's mass market. Key players (including the multinationals) number less than 100 but strive at complying with the regulations and improving their product quality in order to meet export market requirements. They also contributed about 75 percent of total industry output in 2005. However, this represented a drop by 15 percent compared to 2004.

Nigerian firms are concentrated in the wheat flour, poultry and meat, brewing, milk canning and packaging, bakery and confectionary industries. There have been recent expansions in the biscuit, fruit juice and pasta sectors. Nigeria is primarily a bulk commodity market. However, demand for other ingredients grew between 1999 and 2004 and will likely continue

to grow despite the challenges in the market. (See Appendix II for list of major domestic processed foods and their ingredients.)

Nigeria began its phased-in implementation of the ECOWAS Common External Tariffs (CET) and scrapped the pre-shipment inspection during the last quarter of 2005. Ports Concessions; Consumer Protection Levy; Sugar input fortifications in beverage processing; and more—are all part of the GON-initiated policies and reforms in 2005. Most of these policies are, however, still in process. The recent bird flu outbreak in Nigeria and the speculations about Nigeria's presidential election in 2007—could influence the future shape of Nigeria's food processing sector.

Advantages & Disadvantages

Advantages	Disadvantages
The value of the dollar is weak and Nigerian manufacturers are keen at being introduced to U.S. suppliers.	Limited knowledge of the Nigerian market among the U.S. trade.
A continued massive rural-urban migration, increasing female workers and school-attending children, resulting in increasing demand.	Low consumer purchasing power.
GON's import ban on many HVP.	Limited infrastructure, limited operational capital requirement, high production cost and unstable GON import policy.
Nigerian food processors generally see U.S. suppliers as a reliable source, in terms of volume, standards and quality.	Limited contact; negative perceptions about Nigerian businesses among U.S. exporters and a reluctance to do business in Nigeria.
Relatively lower fob prices for higher quality U.S. ingredients.	Direct U.S. to West African shipping routes is infrequent—transshipments, often made at EU & South African ports add to cost and longer shipping time.
Growing Nigerian consumers demanding more varieties of hygiene and nutritious foods.	A general time-consuming L/C transactions and expensive custom clearance and inspection procedures at Nigerian ports.
Increasing scarcity and rising cost of domestic inputs.	Limited range of domestic processed foods.
Nigeria's phased-in implementation of ECOWAS Common External Tariff (CET).	Lack of capital.
Nigeria's adoption of Destination Inspection creating a level playing field for all-country exporters.	Increasing cost of energy resulting in higher shipment freight.

SECTION III. ROAD MAP FOR MARKET ENTRY

A. ENTRY STRATEGY

New-to-market U.S. exporters of intermediate foods can enter the market through 1) food processors/manufacturers 2) importers/distributors/agents and 4) Hotel and restaurant institutions (HRI) firms. Regardless of the option chosen, personal contacts with the market and players often are effective for understanding the specific requirements of the local importer-distributors as well as food processors.

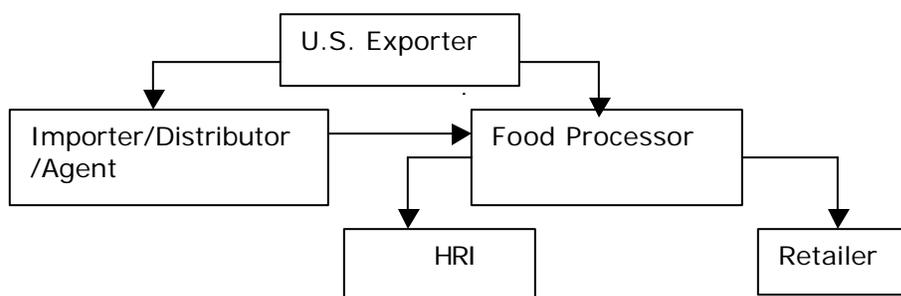
Post advises U.S. exporters desiring to enter the Nigerian market to follow the steps below:

1. Contact the office of Agricultural Affairs, U.S. Consulate, Lagos-Nigeria for assistance in finding an importer or processor for their products.
2. Directly contact the selected importer with sales catalogs. Product samples could be sent when necessary. U.S. exporters could demand from the prospective buyer a payment for the samples and shipment.
3. Seek the assistance of the office of Agricultural Affairs in arranging visits to, and in verifying prospective importer information.
4. Identify and sell through brokers and consolidators based in the U.S. who are serving the West African region. Such consolidators usually have a better understanding of local practices.
5. Exhibit, especially at trade shows in the U.S. such as SNAXPO, IFT, FMI and similar trade events that are attended by Nigerian processors/importers and where follow-up contacts can be made.
6. Offer flexible shipping volumes and packaging, indicating readable manufacture date and date of expiration.

B. MARKET STRUCTURE

Food processors/manufacturers may source their intermediate foods and ingredients directly or they may purchase them through local importers, distributors or agents who are local representatives of foreign suppliers as shown in the flowchart below:

Exporter Entry Flowchart for Intermediate Food & Ingredients



More Nigerian food processors, including the large-scale processors, are increasingly buying their inputs from local importers.

To have control over product quality and availability, some large processors register subsidiary firms that source their ingredient needs and sell to other local firms.

C. SUB-SECTOR PROFILES & TRENDS

Nigeria's food processing sector had shown some growth over the recent past. The growth is influenced by one or more of these factors: 1) GON's protectionist policy 2) A large and growing population (134 million) 3) Increasing health-conscious consumers 4) Increasing Foreign Direct Investment (FDI), 5) The GON's Export Rebate, etc.

The GON's protectionist policy is providing opportunities for Nigeria's food processing sector to expand. Based on available industry data, FAS Lagos estimated that the average industry capacity utilization grew by approximately 14 percent between 1999 and 2004.

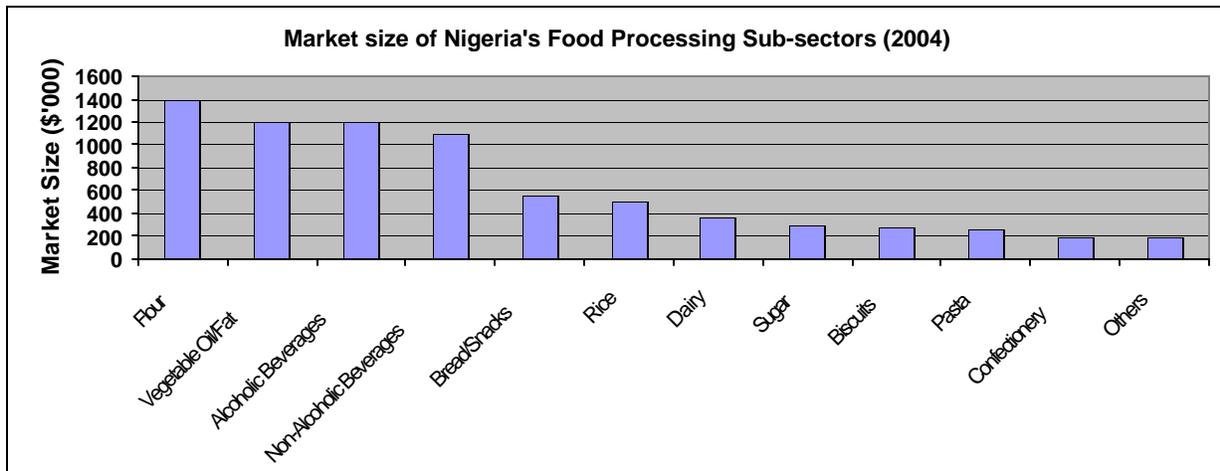
Nigeria is predominantly a mass sales market due to low consumer purchasing power. Manufacturers are increasing sales and market share by packaging and selling products in affordable small units for one-time use. The standard Nigerian diet is high carbohydrate but the number of discerning consumers requiring low-carb, low-fat, sugar-free food and beverages is increasing. There are also, growing concerns (among the high- and middle-income Nigerian consumers), regarding food safety and dietary quality. Many local processors are developing and improving products to meet the needs of this consumer niche.

According to industry sources, the stock of foreign direct investment (FDI) in Nigeria (concentrated in the oil and gas sector) was estimated at more than \$24 billion in 2004. The GON's claim that FDI in the non-oil sector in 2004 was more than \$1 billion has not yet been confirmed. Although FAS Lagos is unable to estimate the total FDI in the food sector, industry sources are reporting an increasing trend. Seaboard Inc. (USA) owns 80 percent equity in Seaboard Group (Nigeria) producing poultry feeds and milling wheat flour. Coca-Cola recently invested over \$200 million in the sector, which includes a "Five-Alive" fruit juice processing and packaging plant in 2002 and an investment in concentrate plant and citrus/ pineapple farms. Heineken (Netherlands) with Unilever had invested \$700 million in Nigerian Breweries in 2002 to hold a 54.2% controlling stake; Heineken has also recently acquired 50.05 percent stake in Consolidated Breweries; Tetra-Pak has upgraded its Nigerian office to better serve the growing liquid food packaging in Nigeria. Some multi-national food processing firms also manage medium-large sized operations.

The GON's introduction of a 40-percent rebate on exported local agricultural products [Export Expansion Grant (EEG)] in 2002 is motivating local firms toward improving product quality and packaging, to meet international standards. More than 15 large processors in the formal sector (including West African Milk, Guinness, Nigerian Breweries, Nestle, etc), export to the EU, Asia and other African countries (industry source). With many Nigerians migrating to other countries and continents, there is equally a demand for their indigenous food products. Thus items such as Cassava and Yam Flours, alcoholic and other beverages mostly processed by Nigerian firms in the informal sectors, are marketed within 'African Stores' in Europe, America, Asia, and elsewhere outside of Nigeria.

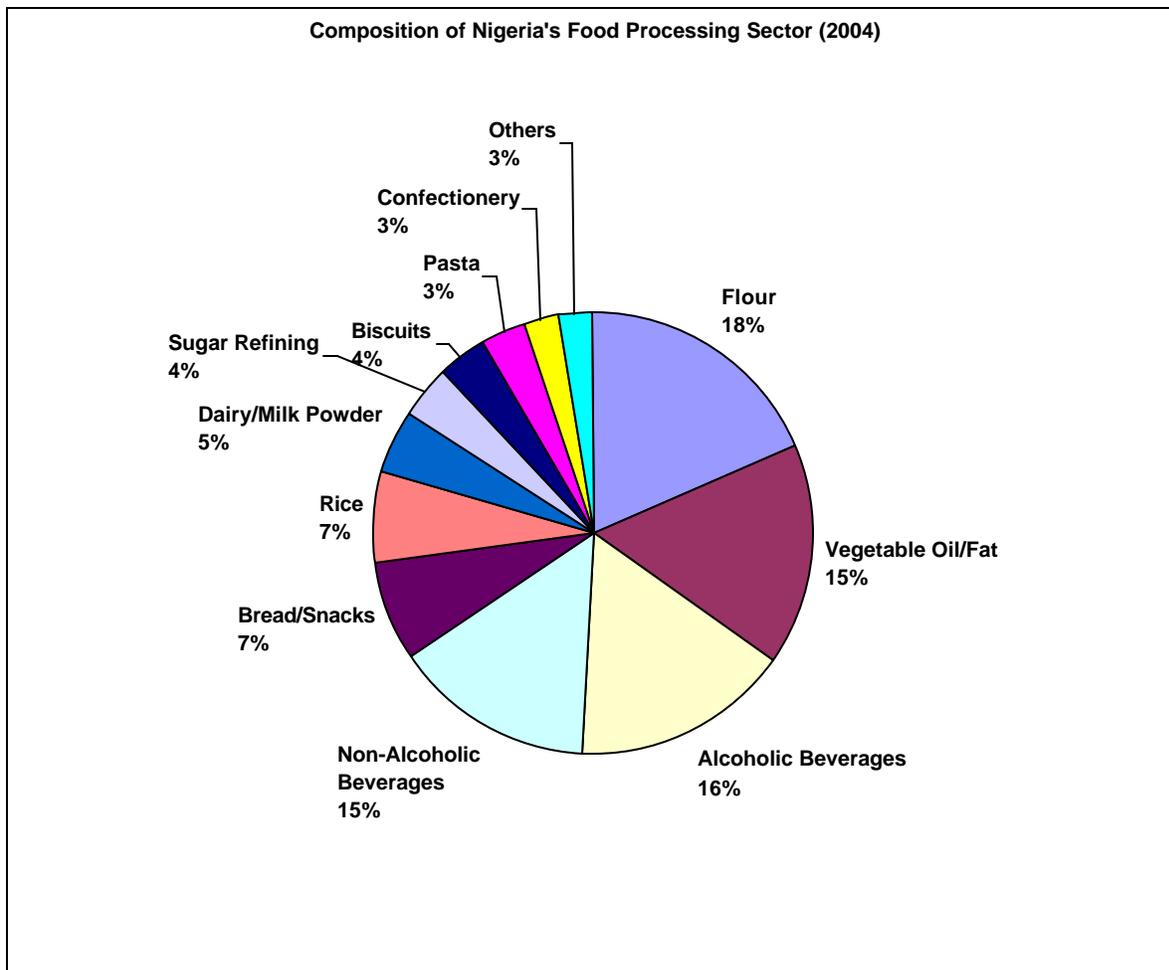
Nigeria's increasing eat-out culture has resulted in the significant growth of the fast food chains. Industry sources estimated the total revenue of fast food operations at approximately \$500 million in 2005 and the annual growth rate at an average of 40 percent over the past five years. The trend assisted in increasing local demand for processed potato chips, sauces, seasonings, pastry mixes, seafood, canned foods, wine, ice cream, and mostly processed poultry meat (See Post GAIN report #: NI4023). Industry sources and FAS Lagos report a significant drop in poultry meat consumption since the bird flu outbreak. This will likely reduce revenue from that sector by more than 20 percent if the current consumer attitude is not reversed.

The market size of the major sub-sectors is shown below:



Source: Industry/FAS Lagos Estimate (2004)

Chart below show sub-sector composition and sizes of the sector (See Appendix 1 for sub-sector components):



Source: Industry Estimate (2004)

Company data are difficult to obtain due mainly from the effects of the various on-going GON policies and reforms. Industry and FAS Lagos estimates obtained from CY2004 growth rates as well as population growth rate are applied in deriving figures for 2005. FAS Lagos will make in-depth studies and monitor trends in the respective sub-sectors and, will report them accordingly.

Following are some sub-sector and product summaries:

Beer & Stout: Nigeria is Africa's number two beer market following South Africa. Nigeria's per capita beer consumption is 6.5 liters. Market size was 11.5 million hectoliters valued at more than \$1.4 billion in 2005. Nigerian Breweries (NB) controls 60 percent (by volume) of the market followed by Guinness, 25 percent and Consolidated Breweries, 9.5 percent.

Nigeria's beer market is projected to grow by four percent per annum until 2010. Increasing spiritualism and health-consciousness among Nigerians will likely result in increased demand for non-alcoholic beer. Consumption of canned beer is also convenient and fashionable among the high- and middle-income consumers. Local investors are setting up facilities that will seal beer and other liquid products in imported cans, to meet the needs of these consumers (See Post Report #: NI3022)

Beverage (Food) Drinks: Nigeria's beverage food drink market is estimated at \$168 million in 2005. In the cocoa-based category, Nestle and Cadbury share 80 percent of the market with the 'Milo' and 'Bournvita' brands respectively. Nestle controls more than a 90 percent share of coffee-based products with its 'Nescafe' brand. Unilever's 'Lipton' tea brand leads the market with a 55 percent share. Beverage bases/pre-mixes, vitamins, nutrients, flavors, etc have significantly become the major selling points for beverage drinks. Consumer demand for nutritious beverage drinks is expected to grow by 40 percent per annum over the next four years.

Biscuits: Currently, about 300,000 MT of biscuits (produced mostly for the low-income mass market and valued at approximately \$280 million) are produced in Nigeria each year. The value of local biscuits was estimated at \$70 million prior to the import ban in 2003. The soft wheat market is growing to meet the increasing demand of local biscuit producers. Sumal Foods and Niger Biscuits are the key players in the sub-sector with market shares of 40 and 25 percent respectively.

Bread & Snacks: About 465 million (950 gram) loaves of bread valued at approximately \$415 million was produced Nigeria in 2005. 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 are being established to meet the increasing bread demand. Snack consumption, especially sausages, grew by three percent in 2005 over 2004. Bread and sausages are now staple items in the Nigerian breakfast and are eaten throughout the day as the convenience food of choice by the general public.

Confectioneries: Nigeria's confectionery sub-sector is estimated at more than 85,000 MT and valued approximately \$212 million each year. Nigeria's confectioneries comprise mainly of hard candy (50%), bubble gum (30%) and toffees/others (20%). Nigeria's confectionery sub-sector had grown 15-20 percent per annum over the last five years. Nigeria lifted the import ban on chocolate in 2005. Chocolate bars are imported with Cadbury and Nestle brands sharing the greater market.

Flour: Wheat flour milling is the largest food sub-sector. The Nigerian market has grown from six kilograms per capita in 1995 to 17 kilograms per capita in 2004. Outputs of flour milling activities are estimated at \$1.4 million in 2004. The industry continues to expand

due to increased demand for flour-based products (bread, pasta, semolina, meat pies, sausage rolls, etc). Demand for soft wheat is also growing following import bans on pasta and biscuits although more than 80% of Nigeria's wheat imports are Hard Red Winter. Local flour millers increased capacities from 2.2 MT in 2003 to more than 6.0 million MT by the end of 2004. Nigeria's demand for wheat imports is estimated at 4.0 million tons by the middle of 2006. The major sub-sector players include Nigerian Flour Mills and Dangote Flour Mills with capacities of 4,000 tons/day and 3,000 tons/day respectively. (See GAIN report #: NI5005 & NI5019).

Fruit Juice/Fruit Juice Concentrate/Fruit Drinks: Nigeria's demand for imported fruit juice concentrate and premix was estimated at 20,000 MT (valued at approximately US\$30 million) in 2005 from 1,500 MT in 2002 stimulated by the ban on consumer pack fruit juice as well as a lower tariff (10%) on fruit juice concentrate. Domestic fruit juice production was estimated at 320 million liters (valued approximately \$480 million) in 2005. Orange, pineapple, apple, berry, and mango are the key concentrate demanded. (See Post's report #: NI4022). Coca-Cola, CHI, Fumman and Danico, are among the dominant players.

Dairy/Milk Powder: Nigeria's dairy market is estimated at 247,000 MT worth about \$370 million in 2005. Imported milk powder is the dominant input in the sub-sector. Manufacturers reconstitute and sell milk powder in three categories—powdered, evaporated and condensed milk; packaged in metal cans and sachets of different weights. Imported skimmed milk powder is also an input for the food drink manufacturers. The practice of processing yoghurt from milk powder is growing. WAMCO, an affiliate of Royal Friesland Foods of Netherlands is Nigeria's leading milk manufacturer and its 'Peak' brand controls more than 60 percent market share. Promasido, PZ Industries, CHI, FAN, etc are also significant in the sub-sector.

Imported milk powder is also the principal input for local **ice cream** production. Nigeria's ice cream market is estimated at 8.2 million liters valued approximately \$20.5 million. UAC Foods (producing Supreme brand) and FAN milk are the major ice cream and yoghurt processors (though for the low- and middle-end consumers), respectively. UAC Foods invested about six million dollars on an ice cream production facility recently. The fast food chains and the numerous small/informal firms are major processors and vendors of the soft-serve ice cream. These have assisted in the rising demand for ice cream ingredients (especially milk powder) and premixes and additives such as flavors, colors, sweeteners, etc. The domestic ice cream market is controlled by UAC Foods (51%), FAN Milk (23%), Golden Scoop (18%) and others (10%).

Pasta (Spaghetti): Current local spaghetti production is approximately 360,000 MT per annum (valued \$500 million). The import ban, changing consumption pattern, increasing demand for more nutritious and easy-to-cook foods; and the more expensive local substitutes, have mostly contributed to the growing demand of domestic pasta products. Pasta production doubled in 2005 compared to 2004, with the increasing capacities and the entrance of new investors.

Poultry/Red Meat: Poultry meat processing is developing and has grown by over 40 percent per annum since 2002. More than 2,000 MT of poultry meat worth over \$100 million (about two percent of total local poultry meat production) were locally processed in 2005. Growth in this sub-sector had resulted in increased demand for ingredients such as spices, sauces, seasonings, colors, etc. Zartech (70%); CHI (15%); OFN (5%) and Others (10%); are the key players for poultry food processing. Demand has, however, dropped by more than 80 percent since the bird flu outbreak was confirmed in Nigeria on February 2008. Demand for processed red meat has continued to grow due mainly to increasing demand for

sausages and meat-filled snack food products. Best Foods, UAC Foods, UTC, and a few others, are the major red meat processors in the formal sector.

Rice: Nigeria's per capita rice consumption is 30 kg and its rice market is predominantly parboiled long grain rice. About 1.5 million MT of rice valued at more than \$300 million, is imported whereas local production is estimated at 2.8 million MT (See Post's report #: NI5019). Imported parboiled rice attract a-50% tariff and a-50% tax bring total amount payable to 100 percent whereas tariff on imported paddy rice was reduced to 5 percent to encourage investors in local rice milling. As a result, investments in modern rice milling operations are increasing. Demand for imported paddy rice for local processing is also rising. Two Nigerian rice mills with the GON approval to import paddy rice, have installed capacities of 120,000 tons each per year. This could create export sales opportunities for U.S. paddy rice to local rice millers.

Soft Drinks: The market share of carbonated soft drinks was approximately one billion liters (valued approximately \$230 million) in 2004. Coca-Cola (78 percent) and Seven-Up (17 percent) are the key players in this sub-sector. Nigeria's soft drink sub-sector had maintained a one-percent growth over the last five years. This is mainly due to the increasing consumer health concern over products' sugar content and consumers' demand for nutritious beverages. Although FAS Lagos has not yet obtained the current market figure, industry sources indicated that production dropped in 2005 as manufacturers continue to face the challenge of complying with GON's policy of utilizing only sugar fortified with Vitamin A, effective January 1, 2005 (See GAIN report #: NI5004).

Sugar: Sugar is a major input in processing soft drinks, pharmaceuticals, beverages, and in the manufacture of confectionery products. Of Nigeria's 1.4 million tons National Sugar Requirements in 2004, the food processing industry consumed over 560,000 tons (industry source). Sugar consumption has continued to increase by four percent per annum with growth in population and increasing size of local food and beverage firms utilizing sugar as raw materials. Currently, there is only one sugar refinery operating in Nigeria. The refinery is the sole importer of raw sugar. Its current installed capacity is 1.3 million tons per annum sufficient to supply total demand. The company's dominance in the sugar sector is further strengthened by the GON directive (effective January 1, 2005) that all sugar consumed in Nigeria should be fortified with vitamin A. Technically, the requirement prevents refined sugar from being imported legally, since Vitamin A fortified sugar is not traded internationally. See Post GAIN report #: NI5004.

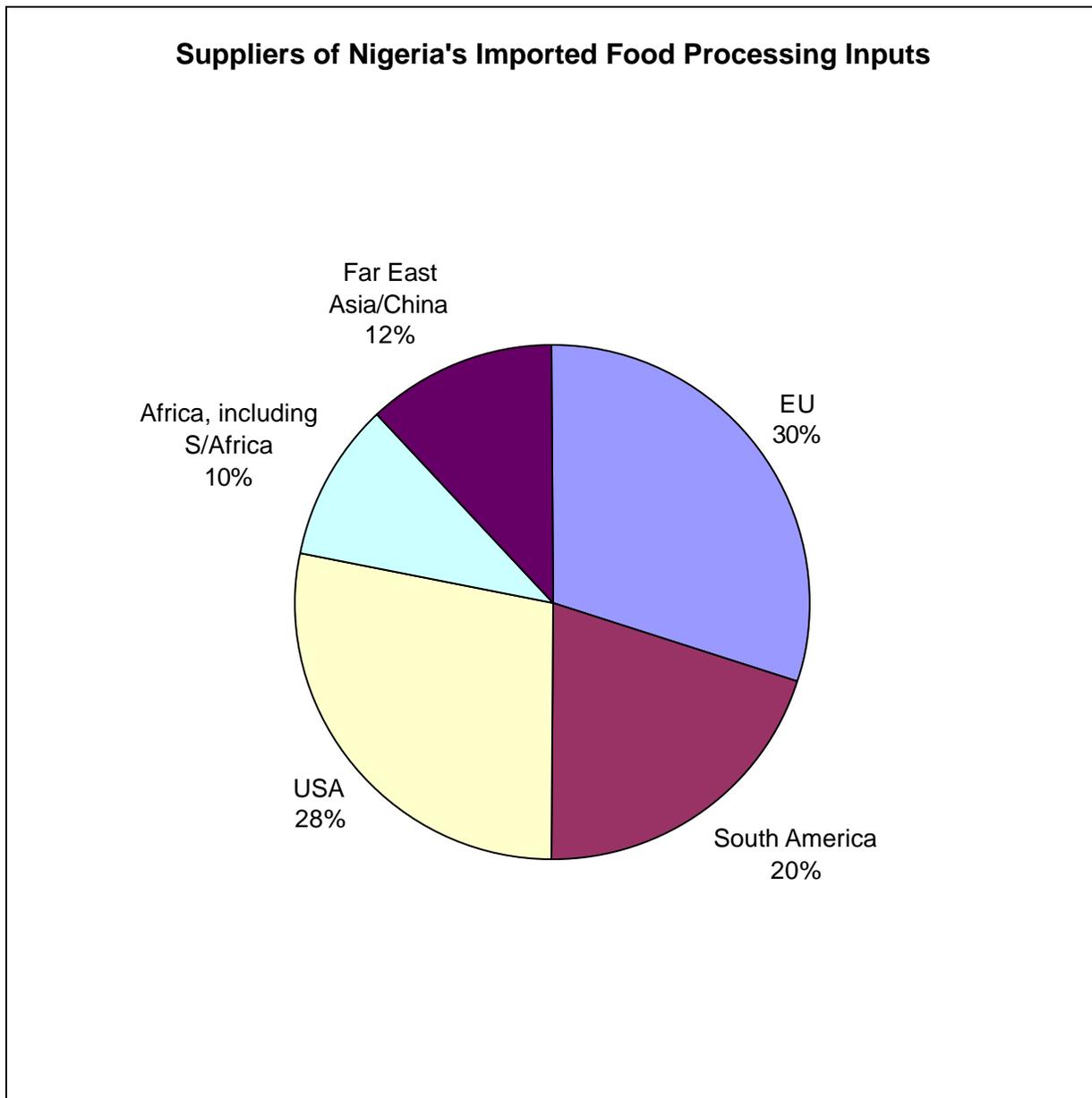
Table Water: Nigeria is a market for 1.4 billion liters of table water estimated at more than \$500 million. Production was estimated at 500 million liters valued at approximately \$180 million in 2004. This had grown at an average of 16 percent over the last five years. Nigeria's table water is predominantly sold in plastic bottles and bags. Coca-Cola's "Eva" brand (56 percent) and Ragolis (15 percent) are the major players. Nestle introduced the 'Pure Life' table water by the last quarter of 2005. Increasing urbanization; inadequate provision of hygienic pipe-borne water in the urban and rural areas; changing lifestyle; increasing health-conscious consumers; etc should increase demand. Industry sources however, reported a drop by 20-30 percent in 2005 due mainly to the increasing cost of production and distribution and principally, by rising energy cost and market resistance.

Vegetable Oils/Fats: Nigeria's domestic vegetable oil production was estimated at 1.3 million MT in 2004 whereas National Consumption Requirements was 1.6 million MT the same year. Domestic demand remains higher than supply by 300,000 tons (18 percent of total requirements and valued about \$220 million) in 2005. Nigeria imported approximately 200,000 tons of edible oil despite GON's import ban. (See GAIN report #: NI6001). Domestic production comprised palm oil, palm kernel and others (peanut, cottonseed and

soybeans oils) contributing 50 percent, 17 percent and 15 percent, respectively. Nigeria's major processors of peanut, cottonseed and soybeans oil types include--Grand Cereal & Oils Ltd and Affcott Ltd sharing approximately 60 percent and 20 percent respectively. Nigeria's domestic oilseed processing is expected to grow at an annual average of five to ten percent in the next five years with the increasing demand for "low and free cholesterol" vegetable oil products. (See Post's Report #: NI5002)

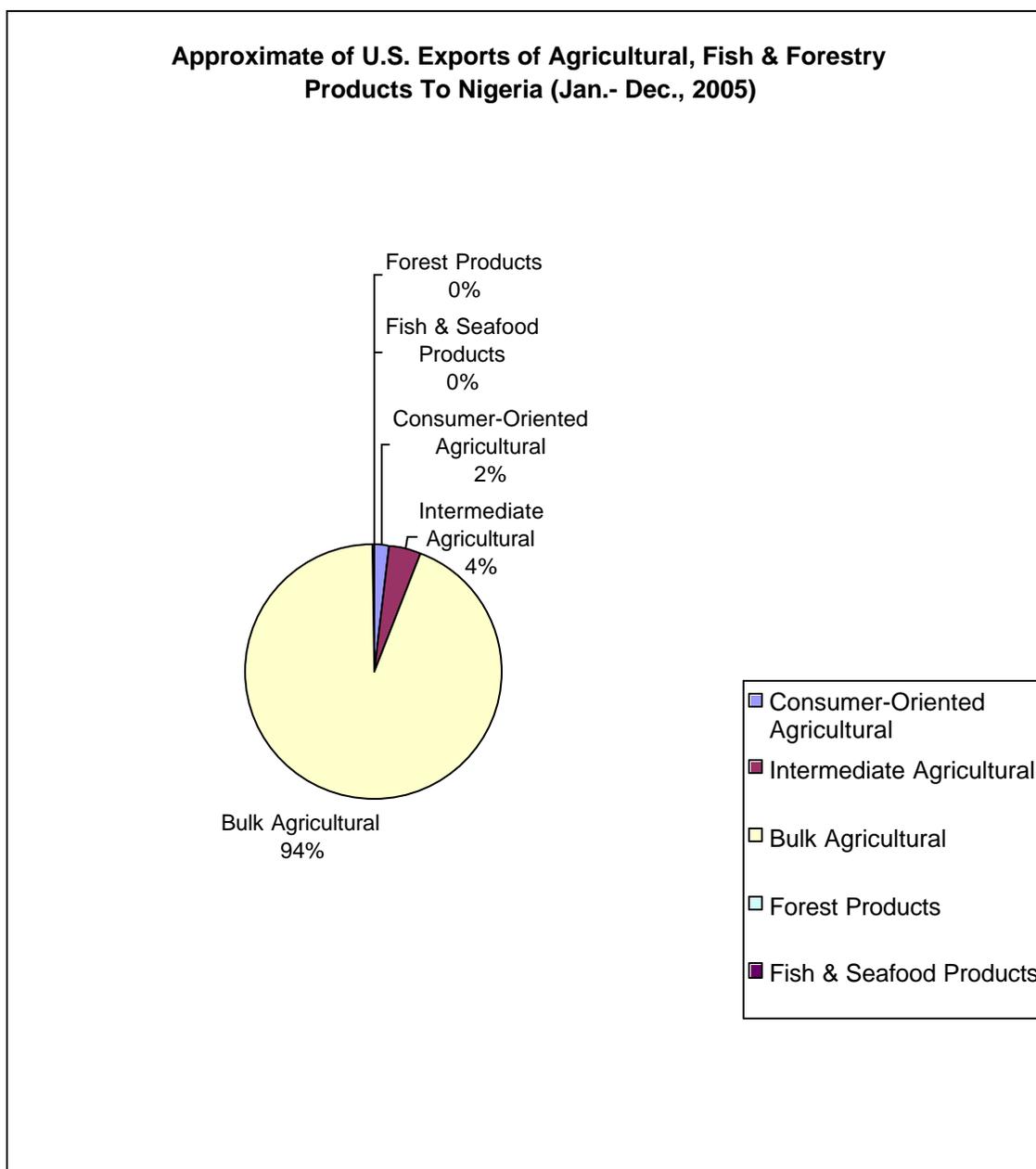
SECTION IV. COMPETITION

FAS Lagos estimates that 65% of inputs/ingredients used in the food processing industry are imported. The total value of these imports is estimated at \$2 billion. Origins and market shares are as indicated in the chart below:



Source: Industry & FAS Lagos Estimates (2005)

US agricultural exports to Nigeria increased to approximately \$554 million (wheat accounting for approx. 92 percent) in 2005, up from about \$444 million in 2004. An approximate of total US agricultural exports to Nigeria in 2005 is as follows-- bulk agricultural products (\$523 million); intermediate foods (\$22 million); consumer-ready food products (\$9 million); forestry (\$0 million) and seafood (\$0 million) as illustrated in the table below:



Source: (<http://www.fas.usda.gov/scriptsw/bico/bico.asp?Entry=lout&doc=525>)

Nigerian food processors generally perceive U.S. ingredients suppliers as a reliable source, in terms of volume, standards and quality. U.S. ingredients exports are however, constrained by Nigeria's restrictive trade regime; lack of adequate market knowledge; limited contacts between Nigerian processors/importers and U.S. suppliers; competition from EU and Asian countries; relatively higher US freight cost; negative image of Nigerian businesses in the U.S. and; low consumer purchasing power, etc. However, Nigeria's adoption of destination

inspection by the GON will likely reduce the under-invoicing activities of third country competitors and also, assist in enhancing the competitiveness of US exports (See FAIRS NI4015).

The GON began the phased-in implementation of its Common ECOWAS Common External Tariff (CET) agreement in October 1, 2005. Accordingly, the GON plans to fully phase out all import bans and reduce Nigeria's existing 20 different tariff categories into five, by 2007. This implies a general tariff reduction for inputs and removal of inconsistencies associated with tariff calculations during customs clearance. The tariff categories are as shown below:

Category	Tariffs	Products
Category 1	0%	Necessities such as books, medicines, newspapers etc
Category 2	5%	Raw materials and capital goods
Category 3	10%	Intermediate goods and other inputs
Category 4	20%	Finished goods
Category 5	50%	Products currently banned for imports

Analysis of selected sub-sector ingredients, markets and competition are described as follows:

Beer: Nigerian Breweries (NB) is the only Nigerian brewer producing beer from mostly imported barley and malt; others brew from local maize and sorghum. Heineken, Netherlands is NB's technical partner and a major influence on suppliers of NB's barley and malt requirements. Prospective suppliers are unable to supply at prices lower than Heineken's. Other Nigerian brewers are considering reverting to barley and malt technology due to increasing prices of local maize and sorghum. This is expected to open export sales opportunities for suppliers from other countries; including the USA.

Beverages: Local brands dominate Nigeria's beverage/food drink market and their price differentials are not wide relative to the imported brands. Beverage bases/pre-mixes, nutrients and additives such as flavors, colors, vitamins, sugar, emulsifiers, sweeteners, etc are the essential inputs and are imported. EU firms are also, the dominant suppliers of food nutrients followed by Asian and U.S. suppliers. U.S. ingredients and additives are desired but their prices are perceived higher and the logistics of buying directly from the U.S. firms are also, difficult. About \$1.2 million worth of U.S. intermediate sugars, sweeteners and beverage bases (a drop by approximately 26 percent compared to 2004) were exported to Nigeria in 2005. Effective implementation of policies with more aggressive marketing and the willingness of U.S. suppliers to do business with the Nigerian processors/importers will assist in gaining market shares for the U.S. beverage nutrients and additives.

Biscuits: Major intermediate products for biscuits are wheat flour, sugar and vegetable fat. They constitute approximately 80 percent of total input and are purchased from local sources whereas ingredients such as flavors, colors, salt and other additives form 10 percent and are imported from the EU (50%), Asia (40%) and others, including USA (10%). The intermediate inputs are imported bulk, raw materials that are processed locally. Flour is made from 90 percent U.S. wheat and raw sugar is dominantly from Brazil, Guatemala and the EU (See GAIN Report #: NI5004). Nigeria imported more than 200,000 tons of vegetable oil/fat despite GON's import ban (see GAIN Report #: NI6001)

Bread & Snacks: Wheat flour is the major input for bread and snack products and is 100% purchased from local sources. More than 90% of the flour is milled from U.S. wheat. Other

inputs are proportionately small and are mostly sourced from domestic suppliers and processors except flavors, baking powder and mixes, and other ingredients and additives which are imported from the EU, Asia, South Africa, USA, etc. Consumption of meat-filled sausages is growing in Nigeria but the market is constrained by the import ban placed on red and poultry meat. Much of the beef consumed in Nigeria are however, from cows brought in from Nigeria's neighboring countries (Chad and Niger Republic). Domestic poultry products are relatively expensive and at times, supply is limited.

Confectioneries: Major inputs for Nigeria's confectionery products comprise of sugar (50%), raw material base (45%) and additives (5%). Additives including colors, flavors, etc constitute 15 percent value of total inputs and, are mainly imported from Germany, UK, Switzerland, Spain, Brazil, etc. Gum-base for bubble gum manufacturing is mostly imported from Italy. Cocoa-base intermediate products, is partly sourced from local processors and partly imported. Cadbury (Nigeria's leading confectioneries processor) owns a sister firm—'Starmark' that processes its cocoa-based raw materials. Industry players indicated that local manufacturers see U.S. flavors as of higher quality.

Dairy/Milk Powder: Nigeria's dairy processors rely on combining and reconstituting milk powder imported mostly from the EU (Netherlands, Denmark, etc). Ice cream, chocolate milk, yoghurt, and long life milk are produced locally. Infant formula, cheese, butter as well as ice cream are imported.

Nigeria's ice cream market are met through: 1) imported ice cream [45%], 2) Domestic products [45%], 3) Soft-Serve [10%]. Imported ice creams originate mostly from the EU and U.S. Local ice cream is produced for the mass market with the following inputs: 1) Imported milk powder (mostly from Denmark and United Kingdom), [45%]; 2) Fat and water, [45%]; 3) Flavors, Colors & Additives (mostly from the EU and Asia), [10%].

Fruit Juice Concentrate & Pre-mixes: Nigeria's demand for fruit juice concentrate and pre-mixes is provided by, suppliers in South Africa (45%), the EU (30%), South America (10%), and others (including the U.S.A.). Dollar devaluation with the keenness of Nigerian manufacturers to utilize U.S. inputs offers competitive advantage to the U.S. suppliers. (See Post's report #: NI4022).

Rice: About 35 percent of Nigeria's 4.3 million tons rice demand, are imported. Nigeria's major rice suppliers are Thailand (60 percent), India (30 percent) and USA (nine percent). Nigerians consider U.S. rice as premium quality rice but prices are higher and price is the primary competitive factor. The GON recently increased the (CIF) price for assessing the 100% import duty plus tax, on imported parboiled rice from \$230 to \$365 per metric ton for Thai rice and, from \$205 to \$330 per metric ton for Indian rice. Thai (#1) and U.S. (#2) at \$284 and \$345 per ton, respectively have helped increase the competitiveness of U.S. parboiled rice – it is about 20 percent more expensive compared to 70 percent before the recent increase. The GON has initiated a special rice project to promote self-sufficiency in rice production. (See GAIN report #: NI50019).

Sugar: Nigeria's major supplier of raw sugar is Brazil, Guatemala and the EU. The percentage of raw sugar imports has been steadily increasing (4 percent per annum) since the establishment of a private-owned sugar refinery in 2000. About 60% of total sugar imports entered the country in raw form in 2003, up from zero level in 1999. Sugar imports will likely be replaced 70 percent through local sugar processing (See GAIN report #: NI5004).

Table Water: Raw material for table water is basically water from local sources processed pure for human consumption. Water packaged in plastic bags accounts for 68 percent of

total commercial water and is consumed by the low-income group. Bottled water and flavor water/drinks are banned for imports into Nigeria. Bottled water manufacturers are offering flavored, colored, sweetened and fortified water in plastic bottle packaging. This is also providing the U.S. nutrients and beverage bases suppliers with huge export sales opportunities. However, rising cost of production/distribution with market resistance constrains production.

Vegetable Oil: About 300,000 MT of vegetable oil consumption valued at approximately \$220 million is met by imports despite import ban on bulk vegetable oil. Palm oil and palm kernel oil are mostly imported from Malaysia and Indonesia (See GAIN Report #: NI5002). Local processors of edible vegetable oil seek higher quality flavors, nutrients and processing agent to produce for export and domestic markets. The U.S. exported vegetable oil valued \$244,000 to Nigeria in 2005, an increase by 1333.9 percent compared to 2004 (See USDA's BICO report) despite import ban on the product. The U.S. suppliers also, have opportunity to sell flavors and other additives in this sub-sector.

Wheat Flour: Nigeria's wheat flour milling is of significant importance to the U.S. The Hard Red Winter (HRW) wheat type, from the U.S. is considered the best quality for flour milling. The U.S. HRW wheat exports to Nigeria, valued over \$508 million in 2005 represented more than 31 percent increase compared to 2004. This is more than 90 percent share of the market. The figure will likely increase significantly, in 2006 due to Nigeria's food support to neighboring countries and low tariff (5%) on wheat imports. The demand for durum wheat has continued to grow, to meet the increasing demand by biscuit manufacturers. The marketing efforts of the U.S. Wheat Associates are assisting in maintaining the dominant market share for the U.S. wheat. Canada, the EU and Argentina are the principal third-country competitors.

The table below provides some information about Nigeria's major imported inputs:

Food Processing Ingredient Suppliers						
Input	Market Size (MT)	Domestic Production (MT)	Import (MT)	Import Value (\$M)	Imp. Duty (%)	Origin
Barley/ Malt & Hops	N/A	N/A	N/A	N/A	5	UK, France, Germany, USA
Major Suppliers Advantages over the U.S: Nigerian Breweries reportedly often buys from technical partner (Heineken); Other suppliers hardly beat Heineken's prices.						
Ethanol	150,000	2,000	133,000	85	5	S/Africa, Brazil, Spain
Major Suppliers Advantages over the U.S: Higher quality Brazilian products sold at lower prices. South Africa's proximity and aggressive marketing.						

Food Processing Ingredient Suppliers (Contd.)						
Input	Market Size (MT)	Domestic Production (MT)	Import (MT)	Import Value (\$M)	Imp. Duty (%)	Origin
Fruit Juice Concentrate & Pre-mixes	85,000	2,000	20,000	30	20	South Africa, EU, South America, U.S.A
Major Suppliers Advantages over the U.S: Lower South African prices and freight; Market proximity and better contact/market understanding by the EU and South Africa; High quality of EU products sold at competitive prices. Local production is grossly insignificant.						
Milk Powder	247,000	300	207,000	370	5	The EU (Netherlands, Denmark, UK), USA
Major Suppliers Advantages over the U.S: Local production is insignificant; Lower EU prices; and strong control of the Nigerian market by Royal Friesland Milk (Netherlands) via partnership with Nigeria's WAMCO; etc						
Nutrients/Flavors/Beverage bases/Additives	50,000	N/A	16,000	20	20	EU (Germany), Asia, USA, etc
Major Suppliers Advantages over the U.S: Lower prices of Asian products; Proximity of the EU firms and their better knowledge and understanding of the Nigerian market; relatively lower freight for shipments from the EU and Asia, etc						
*Rice	4.3 Million	2.8 Mil.	1.5 Million	300	100 & 5 (See Foot-Notes)	Thailand, India, USA
Major Suppliers Advantages over the U.S: Thailand does not export paddy rice. U.S. paddy is expected to be competing with the more expensive and inadequate domestic paddy.						
**Brown/Raw Sugar	1.4 Mil.	730.00	300,000	336	5	Brazil, EU, Guatemala, etc
Major Suppliers Advantages over the U.S: Products' high quality and availability and competitive prices; better market knowledge; etc. Increasing prices are expected to also create demand for U.S. sweeteners/sugar substitutes.						

Food Processing Ingredient Suppliers (Contd.)						
Input	Market Size (MT)	Domestic Production (MT)	Import (MT)	Import Value (\$M)	Imp. Duty (%)	Origin
***Salt	600,000	375,000	225,000	16	See Foot-notes	Brazil, Tunisia, Namibia, Eritrea & Senegal
Major Suppliers Advantages over the U.S: Lower prices and freight; better market knowledge and a willingness to trade with Nigerian firms; etc						
Wheat	3.4 Mil.	55	3.4 Mil.	850	5	USA, Argentina & Canada
Major Suppliers Advantages over the U.S: USA controls more than 90% market share; Hard Red Winter (HRW) wheat from the U.S. is the most preferred by local millers; Marketing activities and aggressiveness of the U.S. Wheat Associates in Nigeria.						

Footnotes:

- (*) Tariffs on consumer-ready rice and paddy rice are 100% and 5% respectively
 (**) Tariffs on consumer-ready sugar and raw sugar are 50% and 5% respectively
 (***) Raw (5%), Intermediate (10%) and Finished (20%)
 (+) Potential paddy rice import

Source: Industry

SECTION V. BEST PRODUCT PROSPECTS**A. Products with Good Sales Potential**

Bulk	Intermediate	Processed
Barley and Malt Edible Fat Raw Sugar Refined Sugar Vegetable Oil Wheat**	Corn Starch Ethanol Fruit Juice Concentrates, pre-mixes & syrup Ice Cream Pre-mixes Milk powder Nutrients & Additives	1) Baking mixes, Yeast & Baking Powder 2) Jam & Jellies 3) Mayonnaise 4) Salad Dressing 5) Salt 6) Sauces, Spices 7) Tomato Ketchup, etc

** Wheat flour is banned for import

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

Paddy rice; beverage bases & Nutrients (including Flavors, Beverage Bases, Additives); fish flavor; egg powder; processed foods; ready-to-heat & microwave-able foods and meals; products that are packaged for longer shelf life without refrigeration; etc.

The following placed under import ban have good sales potential but are not present in significant quantities:

1. Poultry/red meat
2. Vegetable oil and fats
3. Corn

SECTION VI. POST CONTACT AND FURTHER INFORMATION

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APPENDIX II:

Nigeria's food products and ingredients:

Products	Ingredients
Beer	Malt, Sorghum, Maize, Hops
Beverage/Food Drinks	Malt extract, skimmed milk powder, sugar, cocoa powder, glucose syrup, Eggs, milk protein, Emulsifiers, Vegetable oil
Biscuits	Flour, sugar, vegetable oil, salt, glucose, lecithin, leavening agent (sodium bicarbonate & bicarbonate of ammonia), flavoring, colors,
Bread & Snacks	Flour, yeast, warm water, margarine, sugar, salt, flavors, etc
Cake	Flour, butter, egg, sugar, baking powder, flavor, icing sugar, etc.
Cereal Meal	Maize flour, sucrose, soybean flour, calcium carbonate, sodium chloride
Confectioneries	Sugar, glucose syrup, menthol, butter oil, lecithin, caramel, mint (optional), colors, etc
Cornflakes	Maize, sugar, salt, malt, Niacin, Iron, riboflavin, thiamine, vitamin B12
Custard Powder	Edible Starch, salt, color and flavor
Evaporated Milk	Fluid milk, Vitamin D3, calcium & Phosphorus
Fruit Juice	Fruit Juice or concentrates, water, citric acid, flavor, stabilizer, preservatives, antioxidant, color, calcium phosphate, calcium, lactate, etc
Ice Cream	Milk (evaporated), Flavor, salt, sugar, water, etc
Infant Cereal	Whole maize flour, skimmed milk, sucrose, vegetable oil, malt extract, calcium carbonate, ferrous, fumarate, flavor,, vitamins, etc
Malt Drink	Maize, sorghum, malt extract, sucrose, Hops
Margarine	Vegetable oil & fat, water, salt, milk, emulsifier, preservative, vitamins (A, D, E, Niacin, Folic acid, B6, B12, flavor, colors
Milk Powder	Powdered Whole Milk, Lecithin, Vitamin A, D3
Noodles	Wheat flour, refined palm oil, iodized salt, sodium carbonate, guar gum, potassium carbonate, tartrazine C119140
Pasta (Spaghetti)	100% Semolina & nutrients
Poultry/Red Meat	Sauces, seasonings, flavors, spices, colors, etc
Sausages	Flour, butter, baking powder, tomatoes, salt, sugar, onion, pepper, water, meat, seasoning, vegetable oil, etc
Seasonings	Iodized salt, vegetable fat, Monosodium, Glutamate, edible starch, sugar, flavor, caramel, ribotide, riboflavin, spices, vitamins
Soft Drinks	Carbonated water, sugar, caramel, color, phosphoric acid, flavor, caffeine, etc
Table Water	Water
Flavored Drinks	Water, Flavor, sugar, vitamins
Edible Oil (Neutralized/bleached/deodorized)	Soybean, Peanut, Palm fruit, Palm Kernel, Vitamin A, Lipides (100%)
Wine/Spirits	Ethanol, Water, Sugar, Flavor, color
Yoghurt	Skimmed milk, sucrose, stabilizer, water, flavors

Source: Industry/FAS Lagos