



Foreign Agricultural Service

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## Nigeria

## Exporter Guide

### 1999

Prepared by:

**David Rosenbloom**

**U.S. Embassy**

Drafted by:

Uche M. Nzeka

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#### **Report Highlights:**

**Opportunities exist for increased sales of U.S. high-value food products in Nigeria. U.S. exporters, however, must overcome the negative images regarding this market that have developed in recent years when the country was under military rule. Now that a democratically-elected government is in place, the business environment is becoming more positive for U.S. exporters.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Annual ReportNigeria (NI)

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**SECTION I. MARKET OVERVIEW**

' Nigeria has a population of more than 110 million that is growing at approximately 3% per annum. Nigeria offers U.S. exporters a bonus market of about 20 million in neighboring countries. Excellent potential exists for the sale of U.S. high-value consumer food products.

' The value of retail food sales in Nigeria during calendar 1998 is estimated at about \$7.5 billion, consisting of:

Type of Food Product	%
Imported High-Value Food Products (HVP)	12
Partly processed and packaged in Nigeria	35
Totally processed in Nigeria	05
Locally-produced foodstuffs, including: fresh fruits and vegetables, meat, and fish	48
Total	100

- ' HVP sales grew 10 percent in 1998. Higher growth rates are projected for 2000 and subsequent years because of:
- # A rapidly growing population.
  - # Improved income levels due to an expanding economy and the enforcement of minimum wage laws.
  - # A relatively large and growing expatriate community.
  - # The recent emergence of a democratically-elected government which is supporting economic reforms and an improved business environment.
  - # A Nigerian trend toward lower tariffs and relaxed customs policies.
  - # The expectation that the local food processing sector will remain inefficient.
- ' The EU together with Asian suppliers dominate the imported HVP business in Nigeria. Although the U.S. share of the import market is growing, it remains low.
- ' Opportunities exist for increased sales 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. As trade relationships with local importers develop, initial negative impressions and reservations about doing business here will diminish.
- ' U.S. exporters are urged to consult with FAS/Lagos before initiating business with potential importers to confirm that they are reliable and legitimate.

**Advantages and Challenges:**

Advantages	Challenges
Nigeria's population of 110 million is growing at an annual rate of 3%. Continued urbanization will increase the demand for imported HVP.	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 with the new democratic Government of Nigeria (GON).	U.S. food products are not readily available in Nigeria, are relatively unknown to local consumers and imports 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 snacks and convenience-type foods.	Importers comment that U.S. exporters are not as responsive as EU and Asian competitors to importer requests regarding packaging and documentation.
Consumers increasingly view shopping in supermarkets and convenience stores as cleaner, more enjoyable, time saving.	Inadequate direct U.S. to West Africa shipping routes. Transshipments result in added cost and longer shipping periods.
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 being 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 underdeveloped.	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 from 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. EXPORTER BUSINESS TIPS

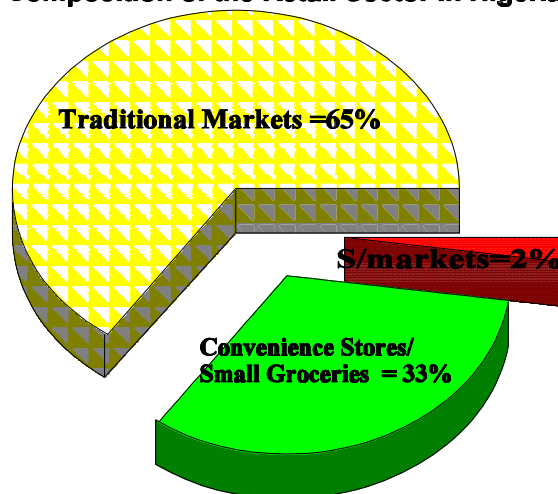
- ' Importer preference is evident for HVP with the following characteristics:
  - # Relatively small-sized products, prepared and packaged for one-time use.
  - # Bulk products that can be re-packaged locally.
  - # Perishable food products processed and packaged for long shelf life without refrigeration.
- ' All imported HVP must be registered with the National Agency for Food and Drugs Administration and Control (NAFDAC) prior to exporting them to Nigeria. NAFDAC is the GON regulatory body for food product manufacturing, importation, advertisement and distribution in Nigeria.
  - # Please see FAIRS report (Import Regulations) for details.
- ' The Nigerian Customs Service (NCS) is the GON agent for import duty collection.
  - # Import duty rates for HVP range from 20 to 75%, with many falling below 35%.
  - # All HVP imports are assessed a 5 percent Value Added Tax (VAT).
  - # There is a port surcharge assessed at 7 percent of the duty rate.
- ' All HVP exported to Nigeria are subject to Pre-Shipment Inspection (PSI).
  - # Goods are inspected in the country of origin and a report of inspection is issued prior to shipment.
  - # All countries are divided into four zones.
  - # Each zone is assigned to one PSI agent appointed by the GON to handle PSI activities on its behalf.
  - # The United States belongs to Zone C which is assigned to Swede Control/Intertek.
  - # The shipper or exporter arranges for the PSI to be done.
  - # Please see FAIRS report (Import Regulations) for details.
- ' The importer must apply for his foreign exchange requirements from the Central Bank of Nigeria (CBN) by completing a 'Form M' document. The 'Form M' document requires importation details such as: value, volume, country of origin, etc.
  - # The importer takes the 'Form M' to his bank which then bids on his behalf for the foreign exchange from the CBN.
  - # If the bid is successful, the bank opens a Letter of Credit for the importer.
  - # Opening letters of credit in Nigeria is relatively expensive and can be a time consuming affair and is therefore inconvenient to both Nigerian importers and their suppliers.
  - # Many Nigerian importers pay their overseas suppliers through bank transfer documents after acquiring the needed foreign exchange through informal channels.
- ' There are times when legal barriers do not fully affect the availability of food products in the Nigerian market.
  - # Importers often purchase imported foods that have been smuggled into Nigeria.
  - # A large proportion of HVP exported to other West African countries is destined for entry into Nigeria. Nigerian importers may purchase these items directly from overseas suppliers or they may purchase from importers of neighboring countries. Often, specialized firms (smugglers) operate to transport these food items into Nigeria without following Nigerian laws.
  - # Importers also manipulate documentation to reduce or avoid duty payments.

# Goods that are legally prohibited from entering Nigeria often are evident in the market.

### SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

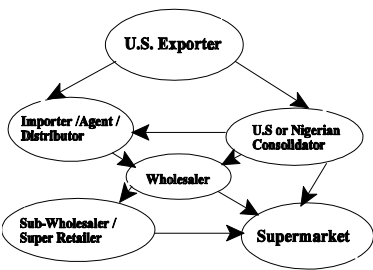
- ' The retail food sector in Nigeria consists of large supermarkets, convenience stores/small groceries, and traditional open air markets. These groups account for 2%, 33% and 65% respectively, of total retail food sales.
- ' Only 15 percent of all retail sales of imported consumer-ready food products in Nigeria in 1998 were handled by supermarkets. Traditional markets merchandised approximately 50 percent (by value) of all imported consumer foods, while convenience stores accounted for the remaining 35 percent.
- ' The major players in Nigeria for merchandising of imported HVP are:
  - # Importers
  - # Agents/Sole Representatives
  - # Consolidators
  - # Wholesalers
  - # Sub-Wholesalers/Super Retailers
  - # Retailers

**Composition of the Retail Sector in Nigeria**

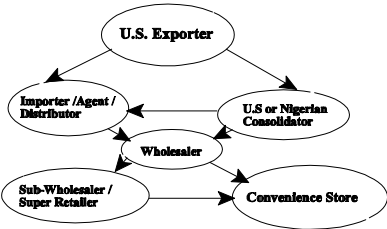


- ' The following illustrates the inter-relationship of these players in merchandising imported HVP in Nigeria:

Distribution Flowchart for Supermarkets



Distribution Flowchart for Convenience Stores



Distribution Flowchart for Traditional Markets



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Hotels and food catering services represent a small but growing outlet for imported HVP. Sales potential in this area exists as the recently-elected democratic government brings forth an improved environment for business and tourism.

- # An increasing number of middle-aged Nigerians, especially educated professionals, prefer to meet their business contact at restaurants.
- # A small but growing number of restaurants offer food products and services demanded by these affluent consumers.
- # An increasing number of food caterers offering mobile service in homes, offices and at social gatherings.
- # Fast food establishments offer the greatest opportunity for sales growth.
- # Tourism is on the increase. The GON has, for the first time, recently created a Department of Tourism.
- # Hotels meeting international standards are very few and hotel management tends to be poor.
- # Abuja, Lagos and Port Harcourt are the ideal cities in Nigeria for focusing our sales efforts to the HRI sector.

Domestic food processing is under-developed in Nigeria.

- # Capacity utilization within this sector averages no more than 30%.
- # Decaying infrastructure and inappropriate economic policies have impeded the growth of domestic food processing.
- # Competition from imported HVP has tended to stifle growth in the domestic food processing industry.



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

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 Nigerian importer demands regarding documentation and product specifications.

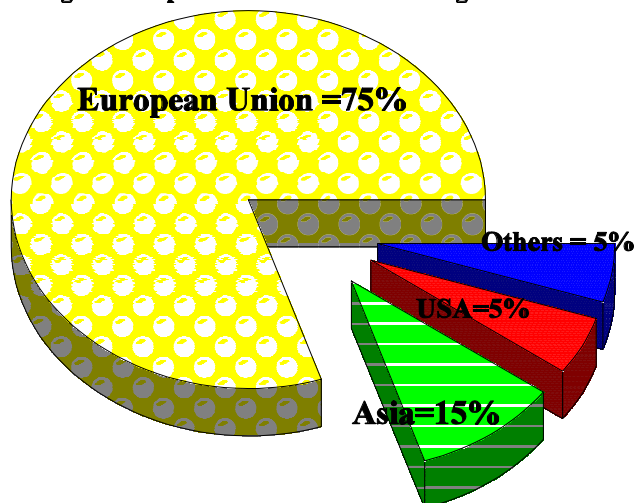
Nigerian importers:

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

New-to-market exporters should consider the following market entry strategies and tactics:

- # 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 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.

**Origins of Imported Food Products in Nigeria**



**SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS**

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

Aaaa = Highest Demand

Aaa = Higher Demand

Aa = High Demand

A = Demand

**SECTION IV: 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>

## EXPORTER GUIDE

### APPENDIX I. STATISTICS

**TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION**

Agricultural Imports From All Countries (\$Mil) / U.S. Market Share (%) <sup>1/</sup>	1,500 / 15
Consumer Food Imports From All Countries (\$Mil) / U.S. Market Share (%) <sup>1/</sup>	900 / 5
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%) <sup>1/</sup>	n/a
Total Population (Millions) / Annual Growth Rate (%)	110 / 3
Urban Population (Millions) / Annual Growth Rate (%)	65 / 3.1
Number of Major Metropolitan Areas <sup>2/</sup>	20
Size of the Middle Class (Millions) / Growth Rate (%) <sup>3/</sup>	5 / 2
Per Capita Gross Domestic Product (U.S. Dollars)	356
Unemployment Rate (%)	6.3
Per Capita Food Expenditures (U.S. Dollars)	246
Percent of Female Population Employed <sup>4/</sup>	n/a
Exchange Rate (US\$1 = X.X local currency) <sup>5/</sup>	1 = 96.5

**Footnotes**

1/ FAS' web-enabled UN Trade database.

2/ Population in excess of 1,000,000

3/ Middle class is the proportion of the population earning an average annual income of \$600 to \$2,000.

4/ Percent against total number of women (15 years old or above).

5/ Note, if necessary, any significant exchange rate movements since the previous year.

**NOTE:** This report does not include Tables B and C since the FAS web-enabled UN TRADE Database does not contain statistics for Nigeria.