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Report Highlights:

The oil-rich Nigeria relies heavily on food and agricultural imports (mostly wheat, rice, poultry, fish, food services, consumer-oriented foods, etc.), valued about \$10 billion to feed its more than 206 million people. Europe, Asia, USA, South America, and South Africa are the major competitors. However, low oil prices and the continuing consequences of the COVID-19 lockdown restrictions have continued to increase Nigeria's government debt. Currently, the economy is in a recession. To survive the recession, the government continues to borrow more as the economy struggles. This situation is unlikely to change in the short to medium term.

Market Fact Sheet: Nigeria

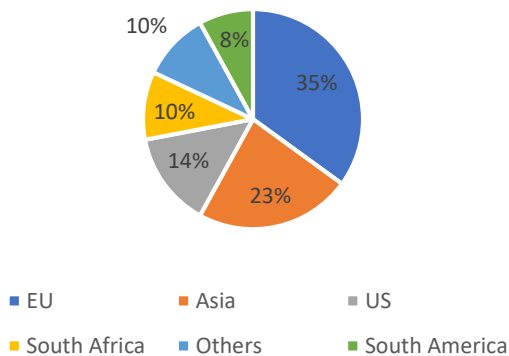
Executive Summary

Nigeria, an oil rich country and 207 million population accounts for 50 percent of West Africa’s population. The country population, forecast to reach 400 million by 2050, is a youthful with national median age approximately 18.4 years and 50% of total population live in the urban centers. In 2019, Nigeria’s GDP reached \$475billion, positioning the country as the largest economy in Africa. Nigeria agricultural sector is not well organized and developed. The country relies on imported processed food and agricultural products estimated at \$10billion. The US shared \$651.5m in 2019 up 85% compared to \$353.1m in the previous year. Low oil prices, COVID-19 induced economic fallout are increasing the country’s debt. The economy slid into economic recession in 2020 and likely to remain same until second quarter in 2021.

Imports of Consumer-Oriented Products

The value of recorded consumer-oriented food exports to Nigeria estimated \$450m in 2019 and the US contributed \$63m (about 14%). Nigeria’s large consumer base and growing demand will continue to make the country’s food market sector attractive to investors for a long time. The latter will continue despite challenging macroeconomic factors including ineffective policies, high-cost local production, weak infrastructure, insecurity, the COVID-19 pandemic etc.

Origins of Consumer-Oriented Food Products Exports to Nigeria, 2019



Source: Industry

Composition of Nigeria’s Food Market Sector

Retail Food Industry: forecast to exceed \$40b in 2021 and accounts for about 16.4% of GDP. 80% of food shopping is still conducted at traditional shops but, more consumers are gradually shifting to supermarkets and convenience stores.

Food Processing Industry: accounts for more than 65% Nigeria’s manufacturing sector and shares about 7% of GDP. The sector is dominated by small and medium enterprises as well as multinational food processing companies and is estimated at \$20bn.

Food Service Industry: worth over \$7bn with its Quick Service Restaurants (QSR) sub-sector growing at annual average of 25%. Snacks and fast-food consumption are also estimated at more than \$250m and grows at about 20% per year.

Quick Facts CY 2019

Imports of Consumer-Oriented Products (US \$450million)

List of Top 10 Growth Products in Host Country

- | | |
|-----------------------------|--------------------------|
| 1) Prepared Foods | 2) Wine |
| 3) Condiments & Sauces | 4) Dairy |
| 5) *Non-Alcoholic Beverages | 6) Breakfast Cereals |
| 7) Dog & Cat Foods | 8) Processed Vegetables |
| 9) Tree Nuts | 10) Beef & Pork Products |
- * excluding fruit juices

Top 10 Host Country Retailers

- | | | | |
|------------------|----------------|-------------|------------------------|
| 1) ShopRite | 2) SPAR | 3) Everyday | 4) Ebeano |
| 5) Market Square | 6) Game Stores | 7) HubMart | 8) Next Cash and Carry |
| 9) Genesis | 10) Citydia | | |

GDP/Population

Population (millions): 201 (2019)
 GDP (billions USD): 475 (2019)
 GDP per capita (USD): 2,363 (2019)

Sources: Economic Data (<https://www.focus-economic.com>)

Advantages	Disadvantages
Huge market of more than 200m people	Small physical presence of U.S agribusinesses in Nigeria
Increasing urbanization and rising levels of females working outside their homes	U.S food shelf life seldom carry readable “Best Before” dates
In country US Food trade shows such as National Restaurant Association Show and the Institute of Food Technologist (IFT) Food Ingredient Show regularly attract large number of Nigerian buyers	Many of U.S food products are much higher priced when compared to prices of competitors’ products

SECTION I. MARKET OVERVIEW

Population and Key Demographic Trends

Nigeria's population of over 206 million (in 2020) accounts for about 50 percent of West Africa's 400 million people. Over half of the country's population resides in urban areas, and urbanization growing at four percent annually. The country's population is estimated to reach 400 million by 2050 with about 20 percent of the population within 15-24 years cohort, and national median age approximately 18.4 years.

Size of the Economy

Oil and gas exports account for about 11 percent of the national GDP, 95 percent of its total export earnings, and about 85 percent of the country's total revenue. Gross domestic product (GDP) averaged at about \$440 billion over the last 5 years. In early 2020, falling oil prices caused decline in government revenue. In 2020, the economy shrank by -8.9 percent because the country's budget was 90 per cent funded by revenue from oil and gas exports. Low oil prices and the continuing COVID-19 economic fallout are increasing the country's government debt and the country's economic recession since November 2020. The current recession could stretch into the second quarter of 2021.

Nigeria's Agricultural Sector; Huge Potential but Less Growth

Nigeria is a net importer of food and agricultural products as its agricultural sector remains neglected since oil discovery over five decades ago. Over the decades, the Government of Nigeria (GON)'s policies and measures including the current Agricultural Transformation Agenda (ATA) and Agricultural Promotion Policy (APP), the Anchor Borrower Scheme; etc. remains unsuccessful for improving and protecting domestic agriculture and food processing. GON also adopted various types of trade protectionist measures including hindering importers of many food and agricultural commodities access to foreign exchange despite membership of pro free-trade bodies such as World Trade Organization (WTO), Economic Community of West African States (ECOWAS) - including the recently ratified African Continental Free Trade Agreement (AfCFTA), which was launched in January 2021. Land borders with neighboring countries, which are major sources of food supply to Nigeria through gray channels, were closed in August 2019 to prevent entry of food and agricultural products were re-opened in the middle of December 2020.

The COVID-19 Lockdown Coincided with Planting Season

Nigeria initiated lockdown measures beginning March 30, 2020, after a 28-percent currency devaluation from 360 Naira to the dollar to about 460 Naira to one dollar. The coronavirus lockdown also coincided with planting period (March to May) for many important agricultural commodities grown in the country. The lockdown also resulted in farmers' inability to access funds, especially the low-interest GON intervention loan known as the Anchor Borrowers Program (ABP) funds, which had supported them to increase production the last few years.

Nigeria Entered Economic Recession

On November 20, 2020, Nigeria slid into a recession after recording a contraction of 3.62 percent in the third quarter of 2020. This was the second consecutive quarterly GDP decline since an earlier recession of 2016. The collapse in crude oil prices and the negative impact of COVID-19 lockdown on economic activities early in Q2 plunged the country's economy into a recession.

As a result, inflation rate in Nigeria also jumped to 14.23 per cent in October from 13.71 per cent in September. Food prices increased by more than 30 percent in the last quarter of year 2020 compared to same period the previous year. In August 2020, according to the Central Bank of Nigeria (CBN), unemployment rate rose to 27.1 per cent in Q2 of 2020 from the 23.1 per cent recorded in Q3 of 2018, while underemployment rate increased to 28.6 per cent from 20.1 per cent.

Advantages and Disadvantages

Advantages	Disadvantages
Nigeria's huge domestic market of more than 206 million population and the additional regional West African market of another 200 million people provide expanded market opportunity for Nigeria.	Very small physical presence of U.S. agribusinesses in Nigeria and limited knowledge of the Nigerian market among many in the U.S. trade.
Nigeria's increasing urbanization and rising levels of female employment supporting demand for convenience food and retail food shopping in supermarkets and weather-controlled environments.	U.S. food products have shorter shelf life and worsens with long transit/clearing times; seldom carry readable "Best Before" dates as required by GON's food regulations while Nigeria's regulators prefer the day/month/year order for "best before dates.
Nigeria's large middle-class and western-style retail sector, and a trend toward greater demand for healthy foods are creating market similarity and easing transaction.	Many U.S. products are much higher priced when compared to competitor products while Nigeria is a price conscious market; strong competition from Asian and EU suppliers remains; Nigeria's traditional trade links with Europe also remain strong; and Chinese marketing efforts and presence in all sector of the economy continues to increase.
Nigerian consumers are becoming increasingly discerning and demanding better quality food products, more local food processors perceive imported intermediate products/ingredients as the highest quality products.	High tariffs, levies, quotas, and permits employed to restrict trade, and items (especially rice, poultry, beef, and pork) remain prohibited for imports; many essential foods and agricultural commodities are excluded from accessing foreign exchange from the lower-rate Central Bank of Nigeria source.
Nigerian small business entrepreneurs have increasingly begun processing and packaging shelf-stable foods Nigeria using low-technology food processing unit operations over the last two decades, which promotes U.S. exports of intermediate foods and ingredients in Nigeria.	Importers are unable to utilize GSM-102 because of stringent local bank requirements and lack of bank-to-bank relationship between U.S. and Nigerian entities while third country banking can be (and have been) used for shipments to Nigeria.
The rapid growth in Hotel Restaurant Institution (HRI) sectors has increased demand for	GON's currency devaluations, lowering income and high unemployment continue to cause more

intermediate products and ingredients.	Nigerian consumers to either trade down or shift to less expensive and basic food products.
U.S. Agricultural Trade Shows (National Restaurant Association Show and IFT Ingredients' Show) regularly attract Nigerian importers.	Higher U.S. to Nigerian freight compared to Europe, Asia, and South Africa.
FAS/Lagos has good working relationship with GON policy officials and representatives of the key private sector trade and industry associations. FAS provides first-hand market intelligence for U.S. interests.	Inadequate and unreliable power and communications services, and substantial bureaucratic inefficiencies constrain ease of doing business in Nigeria.
Insecurity limits land for farming and continues to promote a shift to ranching, which increases demand for fodders and other animal feed.	Multiple port inspection agencies, unnecessary bureaucracies and poor infrastructure still delay port clearances at Nigerian ports.
The U.S. has a bilateral TIFA and Binational Commission (BNC) with Nigeria, which provides a forum for dialogue on outstanding trade issues.	The poor response of Nigeria's entrepreneurs to AGOA as well as soaring cost of domestic production resulting from weak infrastructure and increasing energy costs

SECTION II. EXPORTER BUSINESS TIPS

- All food and agricultural products undergo registration, testing and approval processes by appropriate GON agencies to be allowed entry. NAFDAC is the lead agency for registering and regulating processed food and agricultural products in Nigeria. The Nigerian Customs Service (NCS) inspects all good destined to Nigeria at the point of entry as well as collects duties and levies for GON. Some food and agricultural products are also regulated by more than one GON's department or agency.
- Clearing procedures are not always followed as written. Exporters usually face huddles requiring unclear flexibilities, bureaucracies and business practices when dealing with officials – resulting in the use of local specialists to handle paperwork and red tape. Prior to exporting, U.S. exporters are also required to partner with credible local firms to perfect their export documentations, approvals, inspections and clearing of consignments. FAS/Lagos supports prospective U.S. exporters to recommend local representatives.
- Commerce and businesses are becoming more IT driven as the use of mobile phones for businesses increases exponentially. On-the-go consumers (especially, the teeming youth population) increasingly prefer to eat out and modern consumer outlets are increasingly offering more affordable foods through modern outlets. Online purchasing and home delivery services are also gradually growing in Nigeria.
- More consumers and households buy food in small quantities for one-time use and prefer to patronize localized retail stores offering essential grocery, pharmaceutical and clothing items in their neighborhoods. This supports consolidated shipping of mixed container of food/grocery products as opposed to the practice requiring buyers to place order for large volumes of containers of a particular food item at a time.

- Persons and businesses intending to import or deal in GE products must ensure they first apply for a biosafety permit and receive approval prior to shipping.

SECTION III: IMPORT FOOD STANDARDS & REGULATIONS AND PROCEDURES

Food Registrations, Approval, and Import Procedures: In Nigeria, all food and agricultural products undergo registration, testing and approval processes by appropriate GON agencies to be allowed entry. GON has established institutions and laws that regulate the country's food supply system from farm to table as global trade in food and agricultural products continues to integrate significantly. Goods destined for Nigeria's ports are inspected by the Nigerian Customs Service (NCS) at the point of entry (destination inspection). NCS also collects duties and levies for GON. For details:

<https://www.fas.usda.gov/data/nigeria-fairs-country-report-2>

Export Regulations and Certificates/Permits: Prospective U.S. exporters need to obtain approvals, permits, export certificates and licenses after product testing and certifications by the competent authority in the exporting country or an independent accredited body. Visit the following for website for details: <https://www.fas.usda.gov/data/nigeria-fairs-export-certificate-report>.

Biotechnology, Biosafety Certificate and Gene Editing: The National Biosafety Management Agency is Nigeria's focal point and authority on biosafety, providing oversight for the use of biotechnology and regulating the commercialization of biotechnology products. Visit the following for website for details: <https://www.fas.usda.gov/data/nigeria-agricultural-biotechnology-annual-4>; <https://www.fas.usda.gov/data/nigeria-fairs-export-certificate-report>; <https://nbmagov.ng/wp-content/uploads/2019/11/National-Biosafety-Regulations-2017-final-signed-Pdf.pdf>)

Restrictive Trade Measures: Nigeria employs restrictive trade measures such as import bans, high tariffs, permits/license, and quotas. The aim is to protect its domestic agriculture and food processing sectors. Many of the measures, however, contravene the WTO agreement which the country signed as a member. Essential food and agricultural commodities (such as rice, poultry meat, beef, etc.), are prevented from entry into the market. For details: <https://www.fas.usda.gov/data/nigeria-fairs-country-report-2>;

Forex Restrictions on Dairy and Milk Derivatives: Early February 2020, the CBN imposed foreign exchange (Forex) restriction on the importation of milk and its derivatives into the country. Only milk importing companies with adequate evidence of investment and activities in domestic dairy production are approved for access to forex to import milk and other dairy products. Click link for details: <https://punchng.com/cbn-approves-six-firms-for-milk-importation-bars-others/>

SECTION IV: MARKET SECTOR STRUCTURE AND TRENDS

Nigeria's food market structure comprises the: 1) retail food, 2) food processing, and 3) food service or hotel, restaurant, Industries (HRI). The structure is shaped by factors such as high population growth, rapid urbanization, oil-dependent economy, poor infrastructure with low agricultural investment, ineffective policy formulation and implementation, insecurity, the COVID-19 pandemic, etc.

Retail Food Sector

The sector accounts for about 16.4 per cent of total GDP and forecast to reach \$40 billion in 2020 due to expectations of long-term economic and population growth in Nigeria. However, about 80 percent of shopping are still conducted at the traditional shops but more consumers are gradually shifting towards purchasing consumer food at supermarkets and convenience stores.

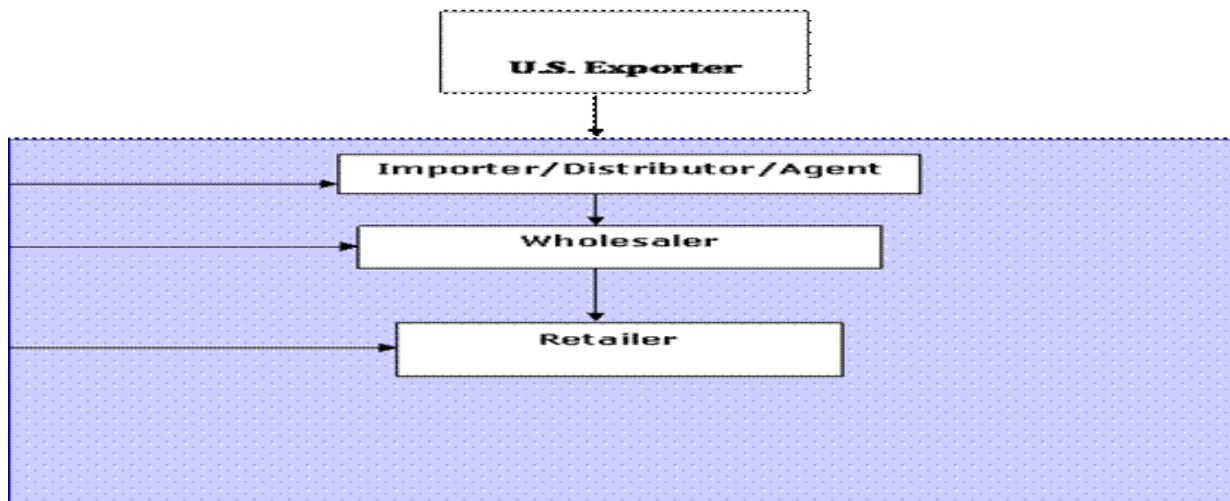
Since the 2000s, growing middle-class, high oil prices and strong macroeconomic indices supported a rebound of Nigeria's large scale, high-end regional and mixed-use retail operations. Multinational supermarkets in large shopping mall such as ShopRite from South Africa, SPAR, GAME (a South African retail chain acquired by Walmart), etc. also expanded operations across the country.

However, the sector is currently threatened by several challenges including - macroeconomic volatility, current recession, the continuing rapid currency depreciations as well as the negative impacts of COVID-19 pandemic lockdown. These are mostly responsible for the recent trend towards smaller-sized operations serving neighborhoods and the growing shopping in kiosks and street shops. Analysts indicate the trend is mostly discouraging more consumers from patronizing the traditional open markets while not killing supermarket sales.

Composition of Nigeria's Retail Food Sector

Nigeria's retail food sector consists of supermarkets, convenience stores/small groceries, and traditional, open-air markets sharing 2.0 percent, 25 percent, and 73 percent of total retail food sales, respectively.

Typical Distribution Channel in Nigeria's Retail Food Sector



An importer may either be the U.S. exporter's appointed agent and sole representative, or he may be buying mixed-grocery containers from various consumer-oriented food exporters and wholesale/retail outlets around the globe.

- The wholesaler sells to retailers in large quantities and at discounted prices. Retailers purchase more than 80 percent of their stock of consumer-oriented foods from importers and wholesalers located in the traditional, open markets.

- There are growing instances where middlemen such as the wholesalers/agents are bypassed in Nigeria's distribution channel for consumer-oriented foods.
- Processors, manufacturers, and importer-distributors seek competitiveness by selling large volumes directly to retail food outlets under the changing retail environment, which is now attractive to multi-national supermarkets/hypermarkets and food service firms.
- Online retailing is still at its infancy in Nigeria but, consumers (especially the young population) are increasingly leveraging on the growing internet penetration and increased adoption of smartphones, to move towards online retailing. However, this is not expected to dislodge patronage for formal retail outlets in the immediate future as majority of Nigerian consumers still desire the mall experience.
- Increase in the range of in-store offerings for consumers such as fresh foods (including local foodstuff, fruits, and vegetables), take-away food service, bakery, and confectioners' corners, etc. Many supermarkets outlets are also dedicating corners for these new offerings, and in most cases, supply of local foodstuff, fresh fruits and vegetables are contracted to local food producers.
- Street/stalls kiosks and similar outlets offer low prices and attract more consumers especially during the current economic downturn.
- Nigeria's large consumer base and growing demand for modern outlets will continue to make the retail food sector attractive to investors for a long time despite challenging negative macroeconomic factors.

Food Processing (FP), Intermediate Foods & Ingredients

Nigeria's manufacturing sector share estimated 7.0 percent of Nigeria's GDP while about 65 percent of the country's manufacturing sector is food processing (industry sources). Worth of the country's food processing sector is estimated at \$20 billion and offers huge available market for processed and ready-to-eat foods (meals, snacks, and beverages). But the sector is still dominated by small and medium enterprises, as well as multinational food companies.

Food Service (HRI) Sector

According to industry sources, revenues of Nigeria's food service consisting of full-service hotels, restaurants, quick service restaurants, cafes, and bars, 100% home delivery, etc. reached \$13 billion in 2019.

- The Quick Service Restaurants (QSR) sub-sector is growing fastest at annual average of 25 percent with more than 200 brands operating several hundred outlets across the country.
- Annually, the value of snacks consumed in Nigeria is estimated at more than \$250 million with a 20 percent growth rate.
- Increasing urbanization is responsible for Nigeria's continuing shift toward convenience-type foods.
- The trend in convenience foods largely accounts for the increasing number of snack and fast-food processors and outlets.

Nigeria's foodservice operations are grouped as:

Type: Full-service hotels, restaurants, quick service restaurants, cafes, and bars, 100% home delivery, etc.

Structure: Independent outlets and chained outlets.

Operation: Traditional small-size, individual operations, open-air outlets, bicycle, tricycles, and, cart and truck services, online and home delivery services, etc.

There are the standardized/regulated and the traditional unregulated food service operations. The standardized/regulated operations are formalized with business names and organized structures, whose operations are usually in the urban areas, large-scaled and certified by appropriate regulating authorities. Some are single-branch eateries while others are chained quick service restaurants that provide minimal table service to customers.

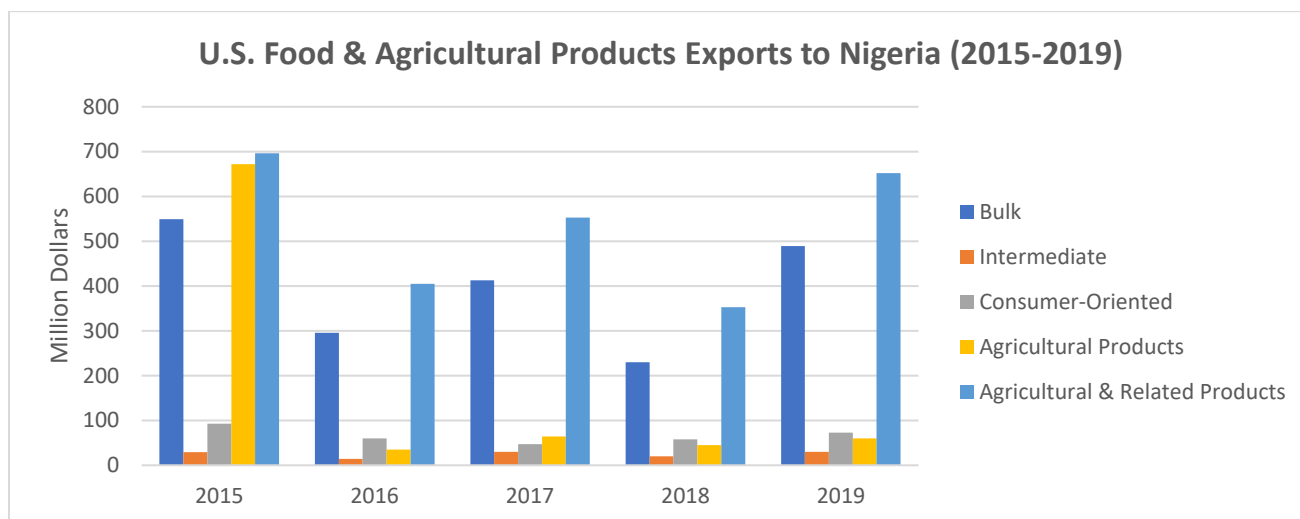
- On-the-go consumers are continuing to eat out and foodservice offers have remained more affordable and available at modern outlets as well as the in-store foodservice operations in dedicated corners at major supermarkets.
- Online and efficient delivery services supporting the sector are resulting in steady growth of independent (third-party) delivery platforms and operations, which are creating jobs.
- Major Nigerian food service operators are looking for franchises to represent U.S. companies in Nigeria, especially in the quick restaurant sector.
- The indigenous brands are dominant and, there are QSR chains from the United States including KFC, Pizza Hut, Crispy Cream, and Cold Stone.
- Most International QSR firms such as McDonalds, Burger King, Subway, and such other operations, still find Nigeria unattractive for business due to the high cost of doing business in the country and the perceptions of elevated political risk.
- Nigeria's HRI sector faces insecurity challenges. Budget hotels (mostly the unrated but modern and those that can be grouped in the in the one-to-three-star rating) are operated by both Nigerians and investors from South Africa.
- Many upscale restaurants serving continental or ethnic (steak houses, Asian, Tex-Mex, Lebanese, etc.) cuisine, have also been increasingly established over the last past two decades. Some are associated with newly established "boutique" hotels.

SECTION 5: AGRICULTURAL AND FOOD IMPORTS

Nigeria relies on imports to meet its food and agricultural product needs (mostly wheat, rice, poultry, fish, food services, consumer-oriented foods, etc.) worth about \$10 billion.

- This makes trade in food and agricultural products an important component in achieving the country's food security needs. Europe, Asia, USA, South America, and South Africa are the major competitors.
- The country primarily exports cocoa beans, feeds and fodders, cashew/tree nuts, spices as well as seafood products to the World including the United States.
- Nigerian exports to the US dropped insignificantly by one percent from about \$55.4 million in 2018 to \$54.7 million in 2019.

Summary of U.S. Agricultural trade with Nigeria:



USDA BICO report

U.S. Exports to Nigeria in Calendar Year 2019 (January - December) – U.S. food, agricultural and related product exports to Nigeria reached \$651.5 m, up 85% compared to \$353.1 million in 2018.

Wheat accounted for 73 percent of Nigeria’s total imports of U.S.-origin food, agricultural and related products, and its export to Nigeria also jumping exponentially from \$193.3 in 2018 to \$473.3 in 2019. U.S. consumer-oriented food exports to Nigeria include prepared foods, wine, condiments & sauces, dairy, Non-Alcoholic Beverages (excluding fruit juices which is banned for export to Nigeria), breakfast cereals, dog, and cat foods, processed vegetables, etc.

U.S. Imports from Nigeria in Calendar Year 2019 (January – December) U.S. imports of Nigeria food and agricultural products reached \$54.7 million, down one percent compared to \$55.4 in 2018. Major U.S. imports of Nigeria-origin food and agricultural products include cocoa beans, tea, and herbal products, processed vegetables, feeds and fodders, cashew/tree nuts, spices, as well as seafood products (especially, shrimp).

Click the following searchable USDA trade data link for details:

<https://apps.fas.usda.gov/gats/BicoReport.aspx?type=country>.

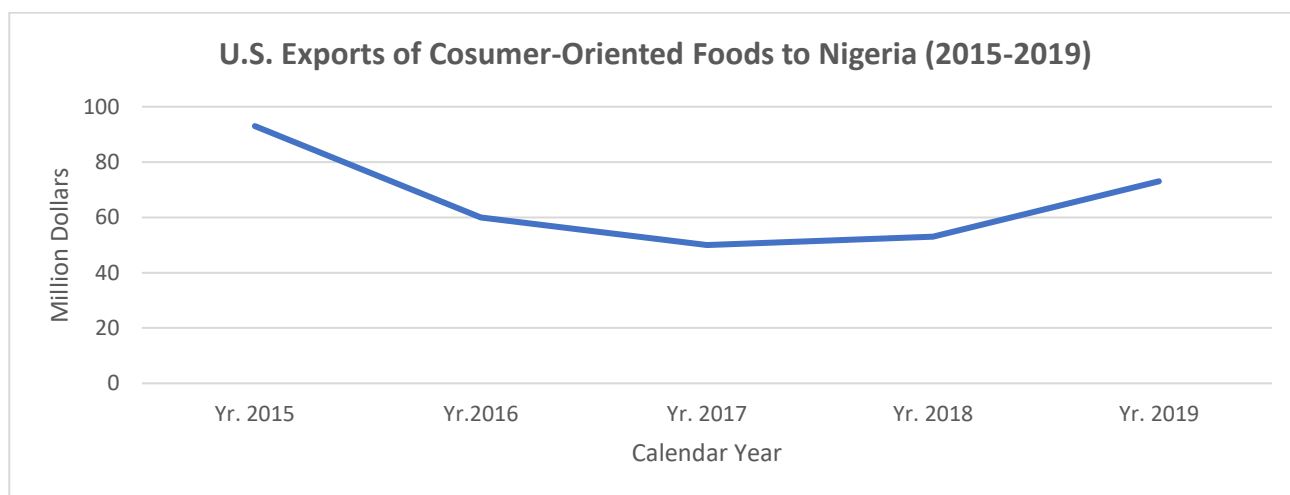
In 2019, consumer-oriented food imports reached \$450 million, and the U.S exports contributed \$63 million.

- Industry sources estimated the actual total consumer-oriented foods that entered Nigeria reached \$780 million in 2019.
- Most Nigerian importers clear and move products into the market either unrecorded/undervalued/concealed or they enter through informal cross-border trade channels.
- Informal entry of consumer-oriented food products is high because Nigeria’s high-tariff and protective trade regimes encourage importers to evade the payment of high official tariffs to make their products competitive in the local market.

U.S. market share is low but increasing mostly due to:

- Higher freight rates for shipments from the United States.
- Unfavorable perception of Nigerian firms by some in U.S. trade.
- Some U.S. exporters' reluctance to meet Nigerian importer demands, especially on documentation and product specifications.
- Lack of sufficient contacts between Nigerian importers and U.S. consumer-oriented food exporters.

According to USDA's BICO export report, the value of official U.S. consumer-oriented food exports to Nigeria increased nearly 22%, from about \$60 million in 2016 to nearly \$73 million dollars in 2019.



USDA BICO Report

Top U.S. consumer food exports to Nigeria in 2019 included prepared foods, wine, condiments & sauces, dairy, non-alcoholic beverages (excluding fruit juices which are banned for export to Nigeria), dog and cat foods, breakfast cereals, etc.

SECTION 6: KEY CONTACTS AND FURTHER INFORMATION

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For further contacts, click: <https://www.fas.usda.gov/data/nigeria-fairs-export-certificate-report>

Attachments: No Attachments