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Report Name: Nigeria Officially Lifts Foreign Exchange Dairy Import Restrictions

Country: Nigeria

Post: Lagos

Report Category: Dairy and Products, Trade Policy Monitoring

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Report Highlights:

On March 14, the Central Bank of Nigeria (CBN) officially noted the lifting of restrictions on sourcing foreign exchange to import dairy products. Previously, only six designated companies could source foreign exchange from the government to import dairy products. According to the latest CBN circular, all importers are now eligible to source foreign exchange to import dairy products. This circular clarifies the previous announcement in October 2023 which lifted foreign exchange restrictions to import 43 items, including several food and agricultural products. Although domestic dairy product prices remain high and consumption continues, imports may not increase due to soft consumer purchasing power and continued difficulty sourcing foreign exchange.

Government Lifts Restrictions on Sourcing Foreign Exchange for Dairy Products

On March 12, 2024, the CBN published a circular that superseded three previous CBN circulars, including one from February 2020 limiting the allocation of foreign exchange from official sources to import dairy products to only six companies: Nestle Nigeria PLC, Friesland Campina WAMCO Nigeria, Chi Limited, TG Arla Dairy Product Limited, Promasidor Nigeria, and Integrated Dairies Limited. While the government did not restrict other companies from importing dairy products, this policy provided a significant discount to the six listed companies, due to multiple exchange rates. Companies not listed as eligible for allocation could source foreign exchange to import from the parallel (unofficial) currency exchange markets at rates 30 to 40% more expensive than the official rates. For more information about the previous foreign exchange restrictions, please see the FAS GAIN report.

Impacts of the Imposition and Lifting of Foreign Exchange Restrictions on Dairy Imports

Nigeria's imports of dairy products were valued at $568 million in 2023. Foreign exchange restrictions were originally imposed on 41 products in 2015, and according to the CBN, meant to conserve foreign exchange reserves and promote local production. Approximately 80 percent of dairy products consumed domestically are imported. In February 2020, dairy products were added to the list of products. However, imports increased by 10 percent, from $766 to $840 million, between 2020 and 2021, suggesting that the restrictions might not have had the government's desired effect. According to contacts, the policy was never fully implemented as intended, as some of the six importers who had waivers forged deals with other companies to make purchases on their behalf to take advantage of the favorable foreign exchange rate not available to the other companies.

After the formal lifting of restrictions, FAS-Lagos expects that imports may slightly increase due to a more predictable policy landscape. As of March 2024, the official and parallel exchange rates have converged, and the naira has appreciated modestly from N1650 to N1450/$1USD, making imports more feasible. Food prices remain high, with food inflation averaging 35 percent year-over-year. For example, the price of evaporated tinned milk increased by 62 percent year-over-year, according to FAS-Lagos analyses of Nigeria's Bureau of Statistics data. While domestic food prices remain elevated, demand for imports may continue to be tempered by weak consumer purchasing power and scarce foreign exchange.

Attachments:

No Attachments.