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Nigeria Begins Import Quota Policy for Fish

Report Categories:

Fishery Products

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Report Highlights:

Nigeria has begun the implementation of a new import quota regime for fish. The aim is to stimulate the country to become self-sufficient in fish production over the next four years through a 25 percent annual fish import cut. An annual baseline fish import figure has been set at 700,000 tons for 2014 which reduces the allowable quantity of imported fish to 500,000 tons for the year. Except for fish species farmed in the country (catfish, tilapia and croaker) which are now strictly regulated and under prohibition from being imported without control, other fish species are free for entry within the set quota. The GON also aims to sanitize the fish importing from some importers' identified marketplace malpractices through this policy.

Post: Lagos

Introduction of Fish Import Quota:

In October 2013, Nigeria's Minister of Agriculture Adesina announced that the Government of Nigeria (GON) would ban fish imports over four years, and raise the import duty up from 10 per cent to 50 per cent, and possibly as high as 100 per cent beginning January 1, 2014. The report also stated that the GON would compel fish importers to start operating domestic fish farms. The aim is to replace imports with domestic production. However, following a public outcry about anticipated scarcity of this important food, the GON replaced that policy proposal with the current import quota version.

Nigeria's Director of Nigeria's Federal Department of Fisheries (FDF) Folake Areola, confirmed that GON has begun the implementation of the new import quota policy for fish. At this initial stage, the quota system aims at reducing Nigeria's frozen fish import by 25 percent and stopping the import of fish species (such as catfish, tilapia and croaker) that are produced in Nigeria through local aquaculture and capture fisheries. Director Areola also stated that the GON did not propose an import ban as widely published by local media late last year and may consider importers' request for a review to free croaker for entry as the croaker fish species is not farmed in Nigeria and its local capture is very limited.

Approach to the New Fish Import Policy :

The GON decided to approach the quota administration through the control over the use of foreign exchange. Foreign exchange is regulated in Nigeria. Fish importers, like other importers, apply to the Central Bank of Nigeria (equivalent of Federal Reserve in the United States) to obtain the foreign exchange required to pay for their fish imports by completing a "Form M" document. The "Form M" applications are made attaching letters of clearance for foreign exchange to import fish issued by the FDF (the section of Nigeria's Federal Ministry of Agriculture responsible for supervising and regulating the production, import and distribution of fish and fishery products) indicating among other things, the quantities and values of fish to be imported. The importers pay their suppliers with the requested foreign exchange after Central Bank's approval. Fish importers clear their consignment upon arrival after duty payments to Nigerian Customs prior to importers taking delivery to their cold storage facilities. Nigerian Customs charge duties on import values which are expected to tally with amount of foreign exchange applied for and approved by the Central Bank for the imported fish.

The Association of Fish Suppliers of Nigeria (AFISUN) is Nigeria's association of fish businesses and about 95 percent of Nigeria's fish importers belong to this association. The FDF also issues letters of clearance for foreign exchange to import fish to both AFISUN members and a few others who are not members. Nigerian Customs inspects imports upon arrival. Speculations had lingered for many years as to the actual figures of fish imported into country. The GON agencies had many times in the past accused fish importers of manipulating import volumes and values in order to reduce customs duty payable on imported fish during customs clearances at the Nigerian ports and to obtain large amount of foreign exchange for purposes other than fish imports. An early version of the new quota policy had based the import quota on the average fish import figures (total quantities) from the Nigerian Customs data between 2010 and 2012 rather than basing it on FDF or AFISUN (importers) records.

The New Import Quota Baseline:

In order to deal with this perceived issue, the GON had consulted with AFISUN members to work out a revised quota. The fish to be imported could be any species other than those (catfish and tilapia)

indicated earlier as not permitted for imports. Reports from AFISUN sources indicate that the GON and importers have settled on an annual baseline fish import figure to be at 700,000 tons and to set the quota for 2014 at 500,000 tons, representing a 25 percent reduction against the new baseline figure. A majority of the importers were reported to show satisfaction with the new quota policy, indicating that it would assist with minimizing sharp marketplace practices which had provided advantages to a few larger controlling importers.

Market Situation since New Quota Policy:

Some major importers reportedly had stockpiled imported fish in order to create artificial scarcity to hike prices. Recently, a large quantity of rotting “Alaska Pollock” from Russia that was stockpiled in a cold storage facility of one of Nigeria’s big fish importers was seized and destroyed. Nigeria’s Agriculture Minister Adesina continues to direct law enforcement agents to locate importers stockpiling imported fish in order to seal and/or destroy stocks that are no longer fit for human consumption. At this time, fish prices remain about the same when compared to the same period last year. Industry sources indicate that this action is accountable for the relatively stable fish price as importers are compelled to release products to the market and avoid confiscation.

Meanwhile, there are no indications that new import orders have been processed since the new policy revision began at the start of the new calendar year. Market analysts argue that Nigeria’s actual fish imports generally exceed one million tons and there is nothing in place to increase local production to fill the market supply gap. They are also concerned that there will be significant supply shortfalls within the next one month as current available stocks continue to deplete. Other fish market stakeholders fear that importers will fully turn to routing new fish supplying for the Nigerian market through informal cross-border trade and cause the GON to lose huge revenues from customs duties and ports services. This implies that imported inexpensive fish will continue to enter the Nigerian market far beyond the set quota through informal trade.

Government Efforts for Boosting Fish Production:

The Nigeria Agriculture Minister has said, “In 2013, a total of 3.6 million juveniles, 36,000 bags of 15 kilograms of feed and 200 water testing kits were provided to fishermen in ten states, at a total cost of N1.5 billion Naira.” While many fish farmers indicate they are yet to see and/or get these items, market analysts state that these are grossly inadequate to make any impact on boosting production to cover the import cut. Nigeria’s marine waters are also unsafe with serious security challenges which hamper fish and shrimp trawling. Nigeria’s Niger Delta areas used to be the hub of the country’s fishing and fishery production. But that status has been overwritten since Nigeria’s oil and gas discovery in that region. Water pollution from oil and gas exploration activities in the region has continued to deplete the region for fishery activities.

Conclusions/Recommendations:

Generally, many industry watchers indicate that Nigeria’s fish quota regime can only increase food inflation and open up channels for profiteering by politically-connected importers and individuals with privileged access to top GON officials. This will fuel smuggling and the corruption of port officials, as well as increase the risk of disease in domestic fish farming as pond will be overtaxed as fish farmers try to boost production. They advise that the government should consider reducing only imports of species currently farmed in Nigeria, and channel duties on imported fish towards subsidizing fish eggs for aquaculture farmers, and establishing a fisheries development fund to help build up the domestic

industry.