

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 11/20/2013

GAIN Report Number:

Nigeria

Food Processing Ingredients

Nigeria Food Processing Ingredients Market (2013)

Approved By:

Russ Nicely, Regional Agricultural Counselor

Prepared By:

Uche M. Nzeka, Agricultural Marketing Specialist

Report Highlights:

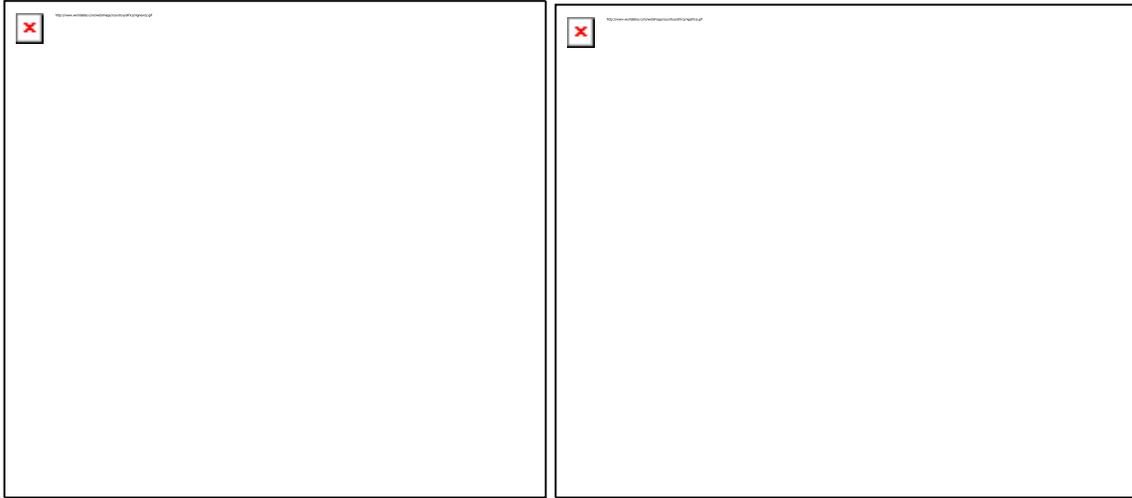
Nigeria's food processing sector remains underdeveloped despite large market potential. The country depends on imports to meet its demand for quality processed foods. Industry sources indicate that activities in the sector had more than doubled within the last decade, with the sector growing to nearly \$20 billion in sales in 2012. Despite high-cost production and poor infrastructure, there is increasing need for local food processors to differentiate their products in order to meet the growing tastes of the young and high-income consumers. Demand is high for imported intermediate foods and ingredients such as beverage bases and additives. Large multinational food processors such as Nestle, PZ Cussons, Olam, Tiger brands, OK Foods, etc, have continued to increase investment (especially through mergers and acquisitions) to exploit the opportunities in this sector. Post will assist interested U.S. food/ingredients suppliers in establishing business relationships with local buyers.

Post:

Lagos

SECTION I. MARKET OVERVIEW

Nigeria is the largest market in sub-Saharan Africa with approximately 170 million people and a population growth rate estimated at three percent annually. Petroleum exports account for about 20 percent of GDP, 95 percent of total export earnings and close to 85 percent of federal government revenue. Driven by a recovery in world oil prices, the country's GDP rose 6.9 percent in 2012 and GDP growth rate is projected to reach 8.5 percent for 2013.



Source: GraphicMaps.com

Despite the rapid growth of the oil industry over the years, agriculture still accounts for about 40 percent of the country's GDP and provides both formal and informal employment for more than 60 percent of the population. Agriculture remains largely subsistence-based, with about 80 percent of agricultural output coming from farmers who live on less than a dollar per day and farm less than one hectare. The country has about 50 million people directly involved in agriculture and no more than 30,000 tractors available. Crop production accounts for about 85 percent of all agricultural activities, with livestock and poultry accounting for another 10 percent, and fisheries and forestry less than one percent.

The major agricultural commodities produced in the country are cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava, yams, rubber, cattle, fish and timber. Nigeria's agricultural exports to the United States dropped by seven (7) percent to \$102 million in 2012 from about \$109 million in 2011 after taking a 60 percent jump in 2010. Analysts attribute this to the disruption in economic activities from Nigeria's major flood occurrence in 2012. Cocoa, rubber, tree nuts, spices and seafood (mainly shrimp) are the country's major agricultural exports. The principal export destinations are the United Kingdom, United States, Canada, France, and Germany.

Nigeria's food processing sector is underdeveloped in large part due in large part to the high costs of local food processing activities and poor infrastructure across the country. Many bulk, intermediate and processed inputs utilized by local food processors are imported. Mass market consumers with low purchasing power dominate the Nigerian marketplace, and they eat diets high in carbohydrates. To boost sales and increase market share, manufacturers focus on packaging and selling products in small

affordable units for one-time use.

The Nigerian economy is estimated to grow at more than 7 per cent for the next four years. An expanding middle-class with rising incomes are prompting increases in demand for low-carb, low-fat, and even sugar-free food and beverages. Growing consumer awareness and concerns over food safety and dietary quality are also increasing demand for higher quality products. Local processors are beginning to develop and improve products in order to meet the needs of this changing marketplace. Multinational companies have also increased investments in the sector during the past ten years but still remain a small component.

Industry sources estimate that the country's food processing sector will grow by 25 percent in 2013. This results from the following:

- Increasingly larger consumer incomes and a growing middle-class have resulted in demand for better quality food products. Processors continue to seek intermediate products/ingredients to meet these demand for better quality products;
- Nigeria's increasing urbanization and income are creating more sophisticated consumers who deviate from consumption of traditional Nigerian menu items and who seek greater number of convenience-type foods such as potato chips, tortilla chips, cereal snacks, pretzels, popcorn and various other snacks and fast foods;
- An increase in boutique hotels, restaurants, and investment in shopping malls in Lagos, Abuja, Port Harcourt and other cities, will help spur the growth in domestic demand for processed food.

SECTION II: MARKET SUMMARY

Nigeria's food processing sector is mostly composed of small and medium enterprises, although new entrance into the market and expansion of existing operations by large multinational food companies has been trending up rapidly in the last decade. However, this still accounts for a low share of GDP and the country remains dependent upon imports to meet the demand for quality processed foods.

Food processing in Nigeria is high-cost and underdeveloped due mainly to poor infrastructure (power, water, roads). There is also an increasing need by the local food processors to differentiate their products in order to meet the expanding tastes of increasing numbers of younger and high-income consumers who want new items to enjoy.

While there are no reliable statistics, industry estimates shows Nigeria is a huge net importer of agricultural products, with total imports of approximately \$8.0 billion in 2012. Imports are dominated by bulk/intermediate commodities such as wheat, rice, sugar, frozen fish, dairy products, vegetable oil and other intermediate and consumer-oriented products.

Estimate Proportion of Agricultural Imports By Volume (2012)

Products	Import Proportion (%)
Rice	35
Sugar	7
Wheat	14
Frozen Fish	11
Dairy	6
Vegetable Oil	4
Fruit Juice Concentrate	6
Finished Food (Processed) Ingredients	11
Other Intermediate/Ingredients	6
Total	100

Nigeria's Agricultural Imports By Value (2012)

Products	Estimate Import Value (\$ billion)
Rice	2.50
Sugar	0.50
Wheat	1.00
Frozen Fish	0.80
Dairy	0.45
Vegetable Oil	0.30
Fruit Juice Concentrate	0.40
Finished Food (Processed) Ingredients	0.80
Other Intermediate/Ingredients	0.40
Total	7.65

Source: Industry Estimate

The United States is a substantial exporter of agricultural products to Nigeria, with exports estimated at more than one billion (\$1.0b) in 2012. Although wheat accounts for about 90 percent of this, exports of other U.S. agricultural products, including value-added and consumer-ready products as well as intermediate foods/ingredients utilized by food processors, have maintained steady growth in recent years. Major suppliers for the Nigerian market are Europe, Asia, and South Africa. Nigeria's traditional trade links with Europe remain strong, and EU agricultural exports to Nigeria account for about 50 percent of total imports. South African firms are increasingly establishing a presence in the West African market. Imports from Asia, especially China, have grown markedly in recent years and investment from China in all sectors of the economy has experienced very rapid growth.

Regulation of food products is mostly shared by two agencies—1) The National Agency for Food and Drug Administration and Control (NAFDAC), and 2) The Standards Organization of Nigeria (SON). NAFDAC is the Government of Nigeria (GON) agency responsible for administering sanitary and phytosanitary (SPS) standards, which are mostly the application of the Codex Alimentarius Commission, European Union, and U.S. Food and Drug Administration standards. NAFDAC's responsibilities include protecting Nigerian consumers from fraudulent or unhealthy products. The

agency requires that all food products be registered in order to be allowed for entry into the Nigerian market. Food products manufactured by local processors are also regulated by NAFDAC. SON also registers and regulates standard marks and specifications for food products whereas NAFDAC provides testing and certification of imported and domestically produced food. SON and NAFDAC have some information regarding product certification available on the Standards Organization of Nigeria (SON) website: www.sononline-ng.org and National Agency for Food and Drugs Administration and Control (NAFDAC) website: www.nafdacnigeria.org.

Nigeria is an active participant in the Codex and WTO Committees. Beginning in 2005, Nigeria commenced the gradual implementation of the liberalized ECOWAS Common External Tariffs (CET). Unfortunately the GON's earlier commitment to phase out all import bans by January 2008 has not materialized as Nigeria continues to implement protectionist agricultural trade policies. Imports of several food and agricultural products, including intermediate foods for domestic food processing, are restricted either by import bans or significantly high duties. The country's powerful agricultural and industry interests have continued to hamper the GON's attempts at total trade liberalization. The country continues to pursue a trade protection regime but remains under international pressure to liberalize trade in conformity to its WTO commitments.

Imports of all live cattle, beef, and beef products are not allowed due to BSE related concerns. Pork, Mutton, and Goat meat are also unilaterally banned. Nigeria also bans live poultry (excepting only day-old chicks under a limited licensing arrangement) and poultry meat, including fresh, frozen, and cooked poultry meat, due to concerns over their ability to enforce SPS standards on imported animals and goods. Industry sources indicate that the real reason behind the import bans is to protect local industries. These bans have limited the availability of many important intermediate foods and ingredients required for food processing, which has been a break on major product developments.

Raw sugar, wheat grain, and paddy rice are among the most significantly affected commodities. Over the last year, the GON has initiated restrictive new policy measures on these commodities that, among other things, impair productivity and efficiency within the food processing sector. The situation is expected to worsen if the GON continues to implement these policies. High tariffs and levies to protect local industries are at the center of these policy changes. While the protective measures are hoped to stimulate investment in local production, the outcome is highly uncertain.

The GON has privatized its port operations. Under this program the GON owns the port while private sector operators provide port operations. The GON adopted this policy because of perceived advantages of increased efficiency, increased return on assets, and smoother operations. Despite this effort, Nigeria's ports continue to present major obstacles to trade as importers still face inordinately long clearance procedures, high berthing and unloading charges and rampant official corruption. This is one of the major obstacles faced by Nigerian businesses in developing their market opportunities.

High freight costs have been a major constraint to increased U.S. agricultural trade with Nigeria. Freight costs from U.S. to Nigeria are 40-60 percent higher when compared to third-country suppliers. This is due mainly to the predominant direction of trade, from the U.S. to Nigeria. Here is little two-way trade. Although Nigeria's total agricultural exports is estimated at \$600 - \$700 million (with the United States taking \$102 million) in 2012, the figure remained only a minor contributor to the country's GDP for that year.

The combination of restrictive import measures (implemented by GON to protect domestic industries, e.g. food processors) as well as the initiation of Export Expansion Grants (EEG), an export rebate, has helped domestic food processing to grow at an average of 10 percent per annum during the last decade [https://www.customs.gov.ng/Guidelines/Industrial_Incentives/index.php]

Many Nigerian food processors continue to support the GON’s protective regime, claiming that the sector will become extinct if the country fully implements regional trade agreements such as the ECOWAS CET and Economic Partnership Agreement (EPA). The Nigerian textile industry underwent similar changes and serves as a lesson. They argue that Nigeria neither possess comparative advantage nor the necessary infrastructure that abound in other regions. These shortcomings make local food processing a high-cost activity. According to the estimation of key government agencies, the IMF, and the World Bank, Nigeria’s infrastructural gap will need over \$510 billion for the next 15 years to reach a state of adequacy.

Nigeria has bilateral investment agreements with the United Kingdom, Germany, Belgium, South Africa, Italy, Argentina, Egypt, South Korea, China, Jamaica, Sweden, Switzerland, Turkey, Uganda, and Romania. At present, Nigeria has no Free Trade Agreement and bilateral investment treaty with the United States. However, the country signed a Trade and Investment Framework Agreement (TIFA) with the United States which facilitates bilateral dialogue on trade and investment.

Third-country suppliers from the EU, Far-East Asia, South America as well as South Africa have been showing increased interest in the Nigerian food ingredients/intermediate products market and are quick to adapt to the requirements of this growing sector. Nigerian food processors perceive U.S. ingredient suppliers as reliable in terms of volume, standards, and quality but U.S. exporters are constrained by:

- Limited knowledge of the Nigerian ingredient market;
- Strong competition from South Africa, the EU and Asian suppliers;
- Limited local infrastructure, limited operational capital, high local production costs, and unstable GON import policies;
- A lack of knowledge of food ingredients available from the United States by Nigerian importers;
- Limited contact with and negative perceptions of Nigerian businesses among some U.S. exporters.

Increased export sales potential is present for the following inputs:

Bulk	Intermediate	Processed
-------------	---------------------	------------------

Edible and inedible Fats	Corn Starch	Baking mixes
Raw Sugar	Ethanol	Yeast & Baking Powder
Wheat	Fruit Juice Concentrate	Jam & Jellies
Paddy Rice	Fruit pre-mixes & syrup	Mayonnaise
	Ice Cream Pre-mixes	Salad Dressing
	Beverage Bases	Sauces
	Dairy Products	Spices
	Flavorings, Sweeteners	Tomato Ketchup
	Industrial Salt	Seasonings
	Micro-nutrients, Nuts, Dried Fruits	

Nigerian firms are concentrated in the wheat flour, poultry and meat, bakery and confectionary industries. Recently, there has been expansion in the biscuit, fruit juice and pasta sectors. Nigeria is primarily a bulk commodity market. However, demand for other ingredients has grown and should continue to grow despite the challenges in the market.

The following table shows size of Nigeria's food processing sector 2012:

Food Processing Sector by Categories	Proportion (%)
Tobacco (Cigarettes & Allied Products)	1
Food (Millers, Cookies, Confectionery, Sugar Refineries, Cocoa Beverages, Dairy Products, etc)	45
Drinks (Breweries, Bottlers and Distillers)	54
Total	100

Source: Industry

The table below show sub-sector composition and sizes of the sector in 2012:

Industry	Proportion (%)
-----------------	-----------------------

Flour	19
Vegetable Oil/Fat	16
Alcoholic Beverages	15
Non-Alcoholic Beverages	14
Bread/Snacks	7
Rice	8
Dairy/Milk Powder Re-composition, Canning & Packaging	4
Sugar Refining	6
Cookies/Crackers (Biscuits)	4
Pasta	3
Confectionery	2
Others	2
Total	100

Source: Industry

Effective October 1, 2008, the GON exempted local food processors in the 5-percent category from payment of excise duties. This category of food processors is considered to be manufacturing essential and basic food products and the decision was to reduce the burden for local manufacturing especially for food processors. Food products such as fruit juices, instant noodles and non-alcoholic drinks and beverages fall into this category as shown in the following table:

S/N	H.S CODE	TARIFF DESCRIPTIONS	DUTY
1.	2202.1000.00 - 2202.9000.91 - 2202.9000.99; 2009.1100.12 to 2009.9000.99	Non Alcoholic Beverages, Fruit Juice	5%
2.	2203.0010.00 and 2203.0090.00	Beer and Stout	20%
3.	2204.1000.00 – 2205.9000	Wines	20%
4.	1902.1100 – 1902.3000	Spaghetti/Noodles	5%
5.	2206.0000.00 - 2209.0000.00	Spirits/other alcoholic beverages	20%
6.	2402.1000 - 2402.9000 2403.1000 – 2403.9900.00	Cigarettes and tobacco	20%

Nigeria's agricultural and food processing sectors need to drive the liberalization of trade in compliance with its WTO agreement and also to participate actively in addressing Nigeria's food security challenges. Despite the difficult challenges of doing business here, U.S. exporters are encouraged to explore entering Nigeria's expanding market as the country's demographics and growing economy continue to offer rewarding market opportunities.

Advantages & Disadvantages

Advantages	Disadvantages
Nigeria's large population of about 170 million growing at 3 percent per year provides U.S. exporters	Very small presence of U.S. agribusinesses.

a large and growing market.	
Increasing awareness of U.S. processed/intermediate foods in Nigeria; the perception of U.S. foods among Nigerian consumers is also high.	There is limited knowledge of the Nigerian market among many in the U.S. trade. Import bans remain on some major food and agricultural products.
Changing demographics, including greater urbanization, more women working outside home, and changing lifestyles of the large youth population is increasing the Nigerian consumers' shift towards western food types and consumption patterns.	Both longer transit times and official bottlenecks at Nigeria's ports work to reduce shelf life for U.S. products.
U.S exporters are assisted by the USDA Ag. Office in Nigeria with finding credible buyers and obtaining market intelligence.	Negative perceptions about Nigerian businesses among some U.S. exporters and a reluctance to do business in Nigeria.
Nigeria's growing middle-class and western-style retail sector, rising incomes and a trend toward greater demand for healthy foods are creating market similarity and easing transaction.	Although Nigeria's middle-class is expanding the country's dominant and price-sensitive mass market oftentimes limits volume of U.S. exports. More than 70 percent of Nigeria's population lives on less than \$2 per day.
U.S. consolidators and exporters of food and agricultural products can sell mixed containers at relatively low-cost and low-risk as Nigeria has adopted the 'Global Listing for Supermarket' items.	Strong competition from other suppliers, especially the EU and Asia.
Nigerian buyers consider U.S. suppliers as consistent and reliable in terms of volume, standards and quality.	Often U.S. freight rates are significantly higher than those from the EU and South Africa.
The GON's recent import policy and port reforms (destination inspection and port concessions) are reducing port clearance time and invoicing costs.	Inconsistent and poor implementation of GON policies and high levels of unofficial transactions and procedures.
Increased U.S. to Nigeria direct and regular shipping route by Maersk Lines and other shipping lines.	Shipment freights from the United States are more than 40 percent higher than from the EU or Middle East.
Participation of U.S. ingredients manufacturers at related trade show event organized in the U.S. such as the IFT Show, SNAXPO, NRA, etc which are also attended by Nigerian buyers.	Weak infrastructure and increasing energy and production costs.
U.S. superior and efficient agricultural production and processing.	Security concerns in the northern Nigeria where the country's major agricultural activities take place are limiting farming as well as making distribution of goods in the region a high risk and expensive task.
Duty-free access to the U.S. market of Nigeria's food and agricultural products such as cotton, wine and a variety of agricultural products (under AGOA) is expected to increase a two-way trade between the	The poor response of Nigeria's entrepreneurs to AGOA and soaring cost of production limiting Nigeria's capability to maximize a two-way trade.

U.S. and Nigeria and reduce freight costs.	
The U.S. has a Trade and Investment Framework Agreement (TIFA) with Nigeria where both countries discuss bilateral trade policy issues.	The United States has no Free Trade Agreement and bilateral investment treaty with Nigeria.

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 3) HRI firms. Regardless of the option chosen, personal contacts within the market are critical for understanding the specific requirements of the local importer-distributors as well as food processors.

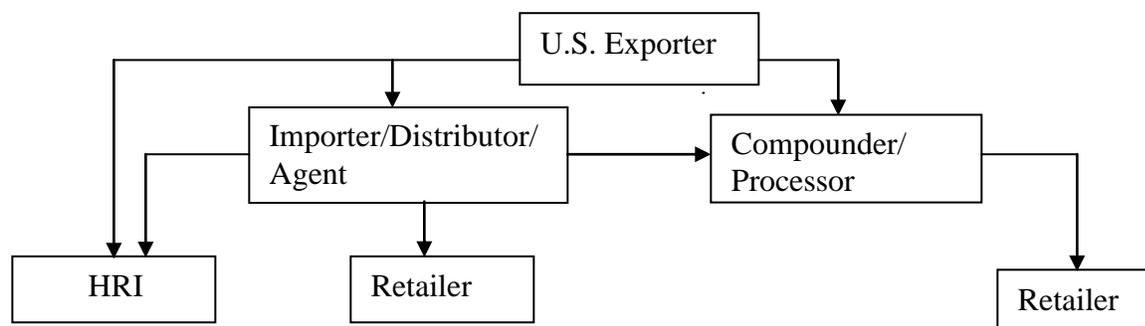
Post advises U.S. exporters of ingredients or intermediate foods desiring to enter the Nigerian market to follow the steps below:

1. First contact the Office of Agricultural Affairs, U.S. Consulate, Lagos-Nigeria for assistance with finding potential buyers of their products;
2. Directly contact the selected importer with product information and marketing materials;
3. Product samples can be sent when necessary and will be required before import;
4. U.S. exporters can request the prospective buyer to pay for the samples and shipment costs;
5. Seek the assistance of the Agricultural Affairs Office in arranging visits to, and in verifying prospective importer information;
6. Identify and sell through brokers and consolidators based in the U.S. who serve the West African region. Such consolidators usually have better understanding of local business practices;
7. Exhibit at trade shows in the U.S. such as SNAXPO, IFT, FMI, NRA and similar trade events the United States, the EU and Asia that are attended by Nigerian processors and importers and where follow-up contacts can be made;
8. Offer flexible shipping volumes and packaging, indicating readable manufacture dates 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.

Exporter Entry Flowchart for Intermediate Food & Ingredients

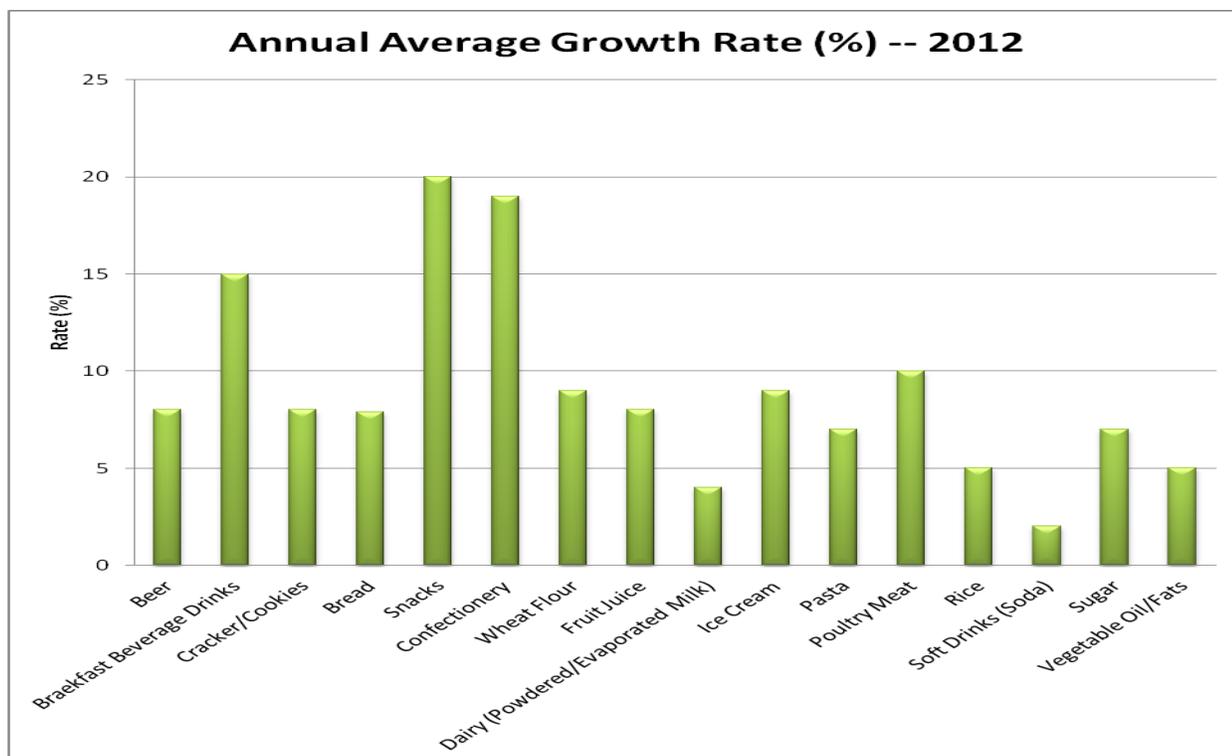


More Nigerian food processors, including the large-scale processors, are increasingly buying their inputs from local importers.

To have control over product quality and availability, some large processors register subsidiary firms that source intermediate foods and ingredients they need; they sell the remaining stocks to other local firms.

C. SUB-SECTOR/COMPANY PROFILES:

Firms in the sector number hundreds of thousands but range from small Mom & Pop operations to large, modern installations. The key players number less than 150 and contribute about 90 percent of total industry output



Source: Industry

The major sub-sectors and profiles are as briefly described below:

Beer

Nigeria's per capita beer consumption is 10 liters. Large market potential still exists. The country's beer market is projected to grow at an average of 8 per cent over the next 5 years. The country's informal beer market is about \$3 billion due mainly to consumers' low-level of disposable income.

As income grows and the affordability and availability of beer choices improves, consumers will trade up from informal alcoholic beverages to commercial beverages. This leaves Nigeria as one of the countries with the most potential for growth in Africa's beer market. Increasing spiritualism and health-consciousness among Nigerians will likely result in increased demand for non-alcoholic beers as well. Consumption of canned beer is also convenient and more fashionable among high- and middle-income beer consumers.

Nigerian Breweries (NB) and Guinness have long operated in Nigeria, controlling about 85 per cent of the market (Guinness with its stout brand and Nigerian Breweries with its Star lager beer). Both are owned by world beer giants, Heineken and Diageo respectively, these two have wielded control of the market competing only with each other. Nigerian Breweries (NB)/Heineken currently control 60 percent (by volume) followed by Guinness at 25 percent. However, the entry of South African Breweries (SABMiller) into the Nigerian market in 2008 has increased competition and is steadily re-shaping Nigeria's beer market share ratio.

Nigerian Breweries (NB) is the only Nigerian brewer producing beer from mostly imported barley and malt. Others brew from local maize and sorghum. Other Nigerian brewers are considering reverting to

barley and malt technology due to the increasing prices of local maize and sorghum. Although the three major Nigerian breweries use central purchasing from their parent countries in their countries of origin, the input requirements of these domestic breweries will offer export sales opportunities for suppliers from other countries, especially the United States.

Beverage (Food) Drinks

There is significant growth potential across Nigeria's food and drink sector for all variety of food processing. The country's market for beverage food drinks more than doubled within the last decade and is estimated to exceed \$350 million in 2012.

Nestle's and Unilever are the leading players. With incomes rising up and more people able to afford products from Nestlé and Unilever, there is a lot of room for growth. Beverage bases/pre-mixes, vitamins, nutrients, flavors, etc. have significantly all become major selling points for beverage drinks. Consumer demand for nutritious beverage drinks is expected to grow by 40 percent per annum over the next five years. Other major factors in the sector's growth include:

1. Consumers in their work environments are increasingly drinking hot beverages for refreshment and when hosting visitors; hot drinks are also increasingly playing a part at breakfast time—much of this has developed in response to manufacturers' vigorous marketing activities;
2. Coffee, tea and other hot drinks have continued to grow as the processors become more innovative and as new players enter the market to compete with traditional brands. In coffee, fresh coffee consumption is growing the fastest and newer categories in instant coffee, such as 3-in-1 and milky coffee, have appeared. Unilever's Lipton tea has a strong and innovative presence in the market, and other tea types such as fruit/herbal tea, green tea and instant tea are growing rapidly. Promasidor, a South African food processor, is continually innovating in the more mature black tea category with products such as round tea bags. Cadbury Nigeria has also re-launched its repackaged Bournvita brand to offer consumers more convenience while also improving its aesthetic appeal;
3. Nestlé Nigeria remains the clear leader in the Nigerian hot drinks market in 2012 with over 38% market share. The company benefits from its longstanding presence in Nigeria and a reputation for quality, thus enjoying appreciable consumer loyalty. The company also benefits from a strong distribution network. Multinational companies dominate the hot drinks market in Nigeria, with the three leading players Nestlé Nigeria, Cadbury Nigeria, and Unilever Nigeria, commanding a combined off-trade value share of more than 65 percent in 2012. Promasidor's competitive pricing and innovative product range is steadily assisting it to grab a good share of the market, especially in the low lower-income segment;
4. Grocery retailers remained the leading distribution channel for hot drinks in Nigeria in 2012. Supermarkets and hypermarkets are increasing market share the last few years as Shoprite and Spar (multinational supermarket firms) have opened more outlets in the country. Independent small grocers and retailers continue to lead the market in 2012 holding about 80 percent of the market, followed by non-grocery retailers with 10 percent, and then all other grocery retailers with a seven (7) percent market share. Mobile kiosk retailing is also starting up in Nigeria, a trend where retailers present items to consumers in kiosks and trucks for people who want coffee while they are on the go.

Currently, 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 essential inputs and are all imported.

EU firms are 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 as higher and the logistics of buying directly from the U.S. firms are also more difficult than sourcing from the EU or Asia. Export of sugar/sweeteners/beverage bases, animal fats, vegetable oil (soybean extract), feeds and fodders, etc, are significant. 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. (Please visit: <http://www.fas.usda.gov/gats/BicoReport.aspx?type=country>, for more information)

Crackers/Cookies (Biscuits)

Over 500,000 MT of biscuits (produced mostly for the low-income mass market value averaging \$400 million) are produced in Nigeria each year. Large and automated as well as medium-to small-scale biscuits factories have been established to meet increasing biscuits demand. The soft wheat market is growing to meet the increasing demand of local crackers or cookies producers.

Crackers have shown strong growth over the last decade. The crackers market in Nigeria increased at a compound annual growth rate of 8.5 percent between 2006 and 2012: the plain crackers segment led the crackers (that is, savory crackers/cookies biscuits which can be produced as sweet cookies, nuts, candies, etc.) in Nigeria in 2009, with a share of 31.8 percent. The leading player in this niche in Nigeria is Burtons Foods Ltd.

Local players dominate the biscuit market in Nigeria. Sumal foods remained the leading player, with a retail value sales share of 21 percent in 2010. This is followed by Niger Biscuits Ltd. 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 20 percent and are imported from the EU (50 percent), Asia (40 percent) and others, including the United States (10 percent). Manufacturers and importers want to cut costs and source cheaper intermediate ingredient products. Retail value sales of crackers/cookies are expected to decline by one percent as a result.

Late in 2010, a major South African manufacturer, Tiger Brands, acquired the third ranked player, Deli Foods Nigeria, to enter the Nigerian crackers/cookies market. Crackers and cookies in small and more affordable packs are consumed by children/low-income consumers and have greater market share. Beloxi, Niger, and others are increasing capacity to meet a steady rising demand. However, school children/low-income consumers remain the dominant consumers. After an earlier ban in 2008, crackers/cookies became eligible for import and the current market for higher quality crackers/cookies is largely met by imports at the moment.

Bread

Bread is the staple item in the modern, urban Nigerian breakfast and is eaten throughout the day as the convenience food of choice by the general public. About 550 million (950 gram) loaves of bread valued at approximately \$700 million were produced in Nigeria in 2012. Large, automated, as well as medium-to small-scale, bakeries are being established to meet the increasing bread demand. The bread market in Nigeria increased at a compound annual growth rate of 7.9 percent between 2004 and 2012. Large Nigerian companies such as Leventis, UTC, Big Treat, and many other have since the last decade have divested into bread production, but informal and small to medium-scale bakery operations remain

the dominant players.

Wheat flour is the major input for bread and is 100 percent purchased from local sources. More than 90 percent 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, United States, etc.

Beginning 2012, the GON began to implement a policy mandating cassava flour inclusion in wheat flour, starting with a 10 percent cassava flour inclusion rate, to increase steadily to 40 percent by 2015. Some fiscal incentives, such as duty-free import of related equipment and machinery, were also introduced. Flour millers and bakers are still struggling to produce composite (blended wheat and cassava) flour and bread, respectively in compliance with this directive. These resulted in rising prices for wheat flour, bread and other wheat based foods.

Snacks

Nigeria's continuing shift toward convenience-type foods largely accounts for the increasing number of snack and fast food processors and outlets. The value of snacks consumed in Nigeria per annum is estimated at more than \$300 million and Nigeria's snack consumption grows approximately 20 percent per year. The value of U.S. snack food exports to Nigeria increased by about 25 percent in 2012 from \$0.6 million in 2011 to \$0.8 in 2012.

Import tariffs on most food products in Nigeria are generally high. In order to reduce market price and be competitive, many local importers conceal or undervalue the snack food imports or ship them to ports in neighboring countries from where they enter the market through informal cross-border trade. Hence, the approximately \$0.8 million U.S. snack food formally exported to Nigeria in 2012 is by far more than the actual figure that enters the market. The five categories of savory snacks that are leading the way are nuts and seeds, potato chips, popcorn, processed snacks, and other savory snacks such as batter and dough-based confectionery, cakes, snack bars and chocolate confectionery.

According to industry sources, Nigeria's food service sector is worth over \$3 billion and the Quick Service Restaurants (QSR) sub-sector is growing at an annual average of 25 percent. Because Nigerians perceive that processed food and ingredients from the U.S. are of higher quality. They see additional value in using items sourced from the United States, and local food processors also see U.S. suppliers as more reliable. They continue to seek U.S. suppliers of ingredients such as seasonings, colors, spices, coatings, flavors as well as other intermediate products to produce a variety of snacks and other more convenient, easy-to-eat foods from local staples. Leading QSR firms differentiate their offerings with ingredients imported from the United States and competing firms desire to follow suit.

Wheat flour and meat are the major inputs for local bread and snack products and are 100 percent purchased from local sources. Other inputs such as flavors, baking powder and mixes, and other ingredients and additives are imported from the EU, Asia, South Africa, USA, and so on. Consumption is growing in Nigeria but the market is constrained by import bans on red and poultry meat. Much of the beef consumed in Nigeria are from cows brought in from Nigeria's neighboring countries (Chad and Niger Republic). Domestic poultry products are relatively expensive and very often supply is limited, and the quality of these proteins is serving as a brake on growth.

Confectioneries

Nigeria's confectionery sub-sector is estimated at more than 120,000 MT in volume and valued at approximately \$250 million each year. Nigeria's confectioneries comprise mainly of hard candy (50 percent), bubble gum (30 percent) and toffees/others (20 percent). The sub-sector has grown 15-20 percent per annum over the last five years, after Nigeria lifted the import ban on chocolate in 2005. Chocolate bars are imported with Cadbury and Nestle brands sharing the greater market.

Olam, a Singaporean-based commodity trading, ingredients and intermediate foods firm, has acquired Titanium Holding Company (makers of OK biscuits and Nigeria's second largest biscuits and candy maker in Nigeria with \$162 million turnover in 2011), for \$167 million. OK Foods has an 18 percent share of Nigeria's biscuit market and 28 percent of the sugar candy segment. The Olam conglomerate proposes to grow the business by \$100 million in additional revenues by 2016 utilizing OK Foods' existing resources.

Major inputs for Nigeria's confectionery products are sugar (50 percent), raw material base (45 percent) and additives (5 percent). 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 report that local manufacturers see U.S. flavors as higher quality.

Wheat Flour

Increasing demand for flour-based products such as bread, pasta, semolina, meat pies, sausage rolls, and so on etc has continued expand market for wheat flour. Flour Mills of Nigeria continues to be the market leader by capacity but other millers, such as Tiger, Honeywell and BUA, continue to increase market share. Competition among the millers is intense, based on price and quality. The Nigerian baking industry also has continued to expand and upgrade its production facilities. There is a proliferation of small and large independent bakeries and retail in-store bakeries. Increased competition has resulted in an increase in the variety and quality of fresh baked products available to consumers.

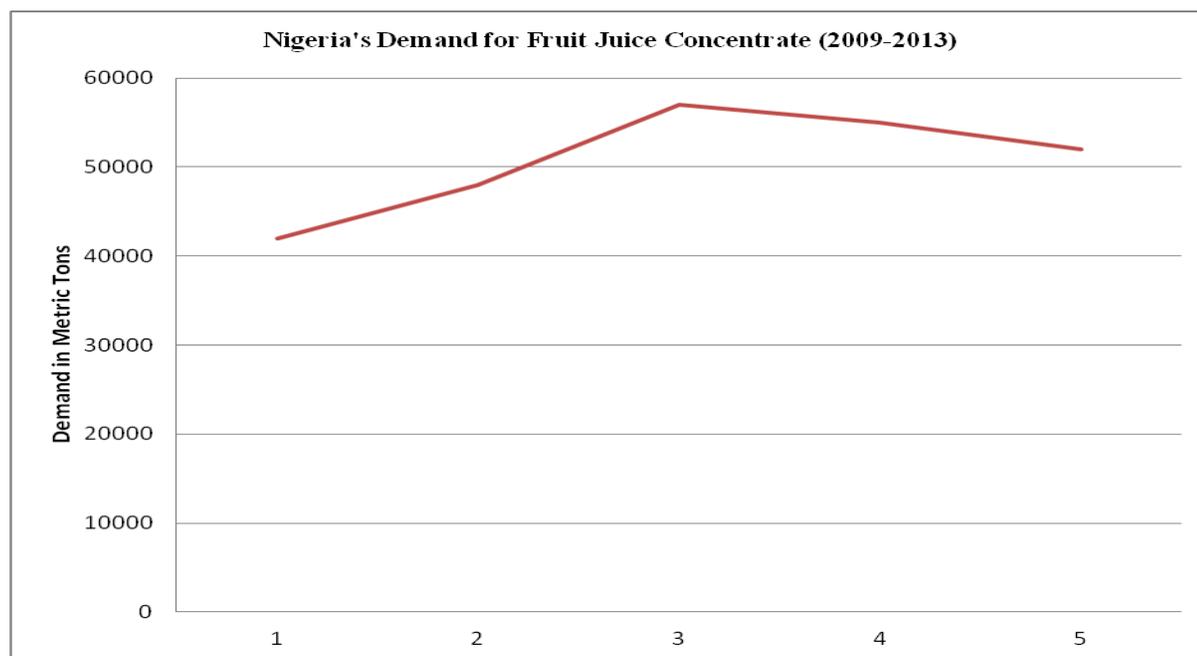
Wheat millers are increasing development of new production lines for pasta, which in turn is increasing the import of soft wheat. Current local pasta production is approximately 300,000 MT per annum valued at more than \$450 million. Producers, especially De-United, came up with a variety of flavors to meet the needs of different consumer segments. Golden Penny, Dangote, Honeywell, Chikki, May & Baker, and others, are significant market players. Manufacturers also engaged in intensified and direct marketing campaigns which resulted into over 20 percent market growth.

The import ban, changing consumption patterns, increasing demand for more nutritious and easy-to-cook food and the more expensive local substitutes, all have also contributed to the growing demand of domestic pasta products. For further details visit: [http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual Lagos Nigeria 4-17-2012.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual%20Lagos%20Nigeria%204-17-2012.pdf).

Nigeria does not import wheat flour. However, the GON since beginning of 2012 requires that wheat flour processed in Nigeria will contain 10 to 40 percent of cassava flour. For details, visit

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual Lagos Nigeria 5-23-2013.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual%20Lagos%20Nigeria%205-23-2013.pdf). The GON also imposed a 65 percent levy on wheat flour imports into the country to bring the effective duty to 100 percent, since mid-2012. The GON earlier introduced a policy requiring wheat millers to fortify wheat flour with vitamin A.

Fruit Juice/Fruit Juice Concentrate/Fruit Drinks/Flavors



Source: Post Estimate

The Nigerian market provides huge export market opportunities for U.S. exporters of fruit juice concentrate. In 2002 the GON placed an import ban on fruit juice in consumer packs and lowered the tariff on concentrates from 10 percent to 5 percent. Nigeria then shifted from being a market for consumer pack fruit juice to almost entirely importing large amounts of juice concentrate (In 2002, Nigeria's imports of consumer pack fruit juice reached 200 million liters valued at \$250 million. This represented about 90 percent of total fruit juice consumption that year).

With a large population, an expanding middle-class and rising incomes, Nigeria has the potential to be a huge market for juice and juice concentrate. More Nigerians can now afford to take fruit juice as part of their menu while many more (even among the dominant low-income group) are recognizing the nutritional values of fruits and are trying to eat healthier. Also, the trend growth of hotels, restaurants and institutional (HRI) firms is also boosting demand.

Nigerians are traditionally heavy consumers of fresh fruit and vegetables. With a growing need for convenience among a larger working population, which is also more educated and therefore more health-conscious, fruit/vegetable juices in packaged formats have increased in popularity during the last decade. Furthermore, given the growing incidence of hypertension and diabetes in the country, younger middle- and higher-income consumers are keen to stave off these diseases by consuming fruit/vegetable juices which they consider healthier than carbonated soft drinks. Manufacturers are using the health

benefits of fruit drinks as a strategy to drive growth.

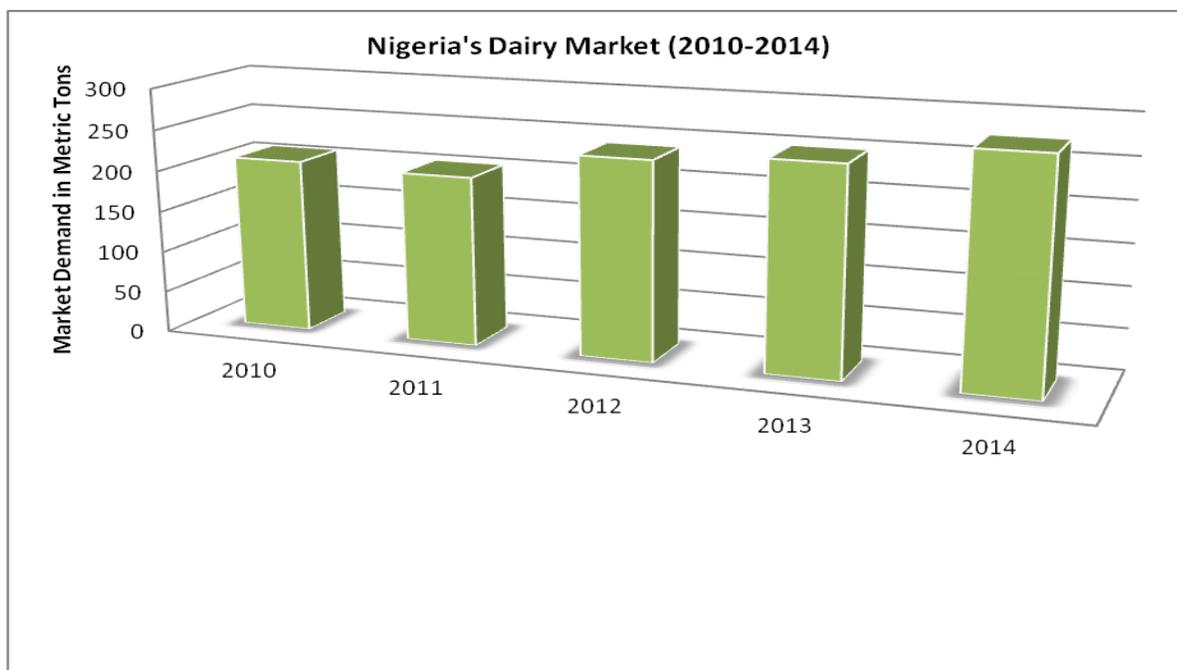
In addition, the GON initiated a 40 percent rebate for exported fruit juice products. These actions were introduced in order to promote greater local production/processing/packaging. As a result of the import ban, investment in local and fruit juice processing increased. However, local fruit production remains severely underdeveloped in Nigeria and the country is unable to meet demand from domestic processors. As a result, imports of fruit juice concentrate and premix have soared. Nigeria's demand for imported fruit juice concentrate and premix was estimated at about 58,000 MT in 2012 valued about \$200 million from 1,500 MT in 2002. The key flavors are orange, pineapple, mixed fruit, apple, grape and mango.

CHI, Coca-Cola, Fumman and Danico are among the dominant players. Chi Nigeria Ltd led fruit/vegetable juice in Nigeria with 40 percent market share in 2012. The company cashed in on the ban placed on imported fruit/vegetable juice in Nigeria. It is expected that Coca-Cola's "5-Alive" juice will eventually overrun Chi in market share considering its more efficient research and development (R&D) and marketing as well as financial resources.

Although in 2008 the GON reviewed its import tariff book and eliminated some of the major agricultural import bans, the import ban on consumer pack fruit juice remains in place and the tariff on fruit juice concentrate remains at 5 percent. Key suppliers of these products include South Africa (45 percent), the EU (30 percent), South America (10 percent), and others—including the United States (15 percent). U.S. market share is currently low but local processors perceive U.S. supply as reliable and of high quality and they continue to seek sourcing from U.S. suppliers for concentrates and ingredients/additives.

Processed fruit juice consumption has begun to slow because consumers have the perception that fruit juice processed in Nigeria is not as healthy and contain more sugar and flavors than competing beverages made elsewhere. Growth in the sector dropped from 10 percent in 2011 to less than 8 percent in 2012. Increasing production costs and consumer resistance to slightest upward price review have also continued to slow growth.

Dairy Products/Milk Powder & Dairy Product Ingredients



Source: Industry

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 dairy market is estimated at 340,000 MT worth about \$480 million. 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, biscuits, etc. 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.

Smaller packaging units for one-time use are common for milk powder and lately, liquid evaporated milk. This has become an important factor to drive growth in milk drink products. Manufacturers have Nigeria's low-income, mass consumer market and the challenge of extended use due to the country's poor electricity. Packaging comes in small sachets of 10g, 20g and 35g and therefore appeals to consumers with lower purchasing power. Promasidor Nigeria Ltd (from South Africa) led 2012 sales with more than 20 percent retail value share. The firm concentrated on smaller packaging for inexpensive milk to appeal more to the predominant price-sensitive consumers and children of school age. The lower unit prices of its products appeal to all levels of consumers. Advertising and schools event sponsorship has assisted with building a broad-based loyalty and increased volume and value sales.

The market is forecast to grow 3 percent in 2013 despite squeezed consumer incomes and manufacturers will need to be more innovative to increase market share by increasing product varieties

and packaging. Consumption of flavored milk drinks with fruit juice is also growing steadily and will assist in the growth of demand over the forecast period.

Growing population, increasing urbanization, and rising per capita income are expected to stimulate rising demand for dairy based products. At the moment, domestic production remains insufficient due to increasing production/processing costs, non-competitiveness of the industry, and the failure to incorporate more advanced technologies.

The more efficient dairy processing in the United States should provide U.S. suppliers greater advantage over third-country suppliers in exporting processed dairy products to this market, especially higher quality and specialized dairy product ingredients for Nigeria's food processing industry. These include—

- Butter: salted and unsalted Butter Fat, Butter Oil and Butter Solids.
- Casein: for example Ammonium Caseinate, Calcium caseinate, Casein Hydrolysate, Iron Caseinate, Magnesium Caseinate, Paracasein, Potassium Caseinate, Rennet Casein, Sodium Caseinate, and Zinc Caseinate.
- Cheese: including Brie, Cheddar, Chevre, Cream Cheese, Feta, Gouda, Mascarpone, Mozzarella, Parmesan, Ricotta, Roquefort, and Swiss, and so on.
- Cream: such as the Clotted Cream, Crème Fraiche, Half and Half (Coffee Creamer), Heavy Whipping Cream, Light Cream and Sour Cream.
- Curd: Liquid Whey, Cottage Cheese (actually a form of curd).
- Delactosed: a high-protein food ingredient derived from whey.
- Lactalbumin: whey-derivative and the albumin component in milk (Albumins are emulsifying and binding agents in animal proteins, and have a similar function in food products; eggs are often the albumin component in food products and recipes.)
- Lactoglobulin: a whey protein which functions as a gelling and stabilizing agent. It is most commonly found in clear sports beverages.
- Lactose and Lactase: also referred to as “milk sugar,” lactose is the disacharide component in milk and naturally-occurring enzyme required to digest lactose.
- Milk Derivatives: buttermilk, buttermilk solids, dry milk powder, dry milk solids, evaporated milk, hydrolyzed milk protein, milk fat, milk powder, milk protein, milk solids and sweetened condensed milk.
- Recaldent: a casein-derivative, recaldent commonly found in dental products, and used in chewing gum manufacturing.
- Whey and Whey Proteins: including sweet whey, whey powder, whey protein, whey protein concentrate, and whey protein hydrolysate.

Ice Cream Pre-mixes, Fats, Flavors & Colors

A growing number of Nigeria's supermarkets and other retail outlets, including quick service restaurants, are requesting Post's assistance to find them U.S. suppliers for ice cream, pre-mixes, and other varieties of these products to sell in supermarkets and fast food outlets. Nigeria's ice cream market is growing steadily and is estimated at 40 million liters valued at approximately \$90 million. This is about a 40 percent demand jump over the last 5 years. This has meant a rising demand for ice cream ingredients (especially milk powder) and premixes and additives such as flavors, colors, sweeteners, etc. Imported milk powder is the principal input for local ice cream production. Some ice

cream, chocolate milk, yoghurt, and long life milk are produced locally. The quick service style chains and numerous small/informal firms are major vendors of soft-serve ice cream. Additionally, more supermarkets and retail organizations now process and/or sell ice cream and related products.

Imported milk powder is also the principal input for local ice cream production. UAC Foods (producing the 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 more than six million dollars on an ice cream production facility within the last 5 years. The fast food chains and the numerous small/informal firms are the major processors and vendors of soft-serve ice cream. These have assisted in the rising demand for ice cream bases (especially milk powder) and premixes including ingredients and additives such as flavors, colors, sweeteners, etc. The domestic ice cream market is controlled by UAC Foods (57 percent), FAN Milk (20 percent), Golden Scoop (13 percent) and others (10 percent).

Nigeria's ice cream demand is met through: 1) imported ice cream (45 percent), 2) Domestic products (45 percent), 3) Soft-Serve (10 percent). Imported ice creams originate mostly from the EU and United States. Local ice cream is produced for the mass market with the following inputs: 1) Imported milk powder—mostly from Denmark and United Kingdom, (45 percent);

2) Fat and water (45 percent); 3) Flavors, Colors & Additives—mostly from the EU and Asia (10 percent).

Poultry and Meat Processing and Ingredients

Poultry meat processing is developing in Nigeria and has grown by over 60 percent per annum since 2002. Demand for processed poultry is expected to reach 650,000 MT in 2013 from about 610,000MT in 2012. Demand is also high for poultry meat processing ingredients that improves taste, texture and appearance; produces no aftertaste; increases yield; provides outstanding source of protein; reduces formulation costs; delivers desired crispness when hydrated and then baked; and possesses unique, meat-like fibrous structure when hydrated; and so on.

Increasing demand for poultry meat products is expected to continue in line with the steady growth in the economy, averaging 6 percent in the last five years. The convenience that frozen processed food offers Nigeria's urbanizing consumers remained a major demand driver in 2012. Also, the rise of disposable income levels after a period of economic recession increased demand for frozen processed food in 2012 in Nigeria. The rapid growth in quick service restaurants (QSR) featuring chicken in their menu and growth in sales through institutional catering facilities serving foreign companies operating mostly in the petroleum sector is also assisting in increasing demand. These resulted in retail sales value growth of 15 percent.

However, demand for poultry meat in Nigeria outweighs its supply. Domestic supply shortfall is estimated at approximately 160,000 MT in 2012. The deficit would likely reach 180,000 MT valued more than \$500 million by end of year 2013. Domestic production has also been sliding and is estimated to drop 7-10 percent in 2013 from about 465,000MT in 2012. The growth momentum is being slowed by high production costs due mainly to the persistent scarcity and high cost of major feed inputs such as corn and soybean meal. Corn and/or soybeans constitute 60-70 percent costs of raw materials for poultry feed but local prices for the products are higher than international market prices. Domestic corn and soybean prices over the past three years have averaged \$400 per ton.

Despite supply shortfall, the GON maintains a ban on legal frozen poultry imports, primarily to protect local producers. As poultry meat is free for export to the neighboring Benin Republic, the substantial market gap is met through Benin to Nigeria informal cross-border trade—often entering the Nigerian market out of the cold chain over days.

Zartech remained the leading player in frozen processed poultry as of 2012, accounting for a retail value sales share of 25 percent. The company operates its own farm and has a good reputation for quality among distributors. The company leverages the concessions that the government offers domestic producers of poultry products, such as tax exemptions and import waivers, as well as import ban on poultry meat, to increase its production and profit margins. Other key players for poultry food processing include UAC Foods, CHI, OFN, and so on.

Demand for processed red meat is also growing due to increasing demand for sausages and meat-filled snack food products. Growth in this sub-sector has also resulted in increased demand for ingredients such as spices, sauces, seasonings, colors, etc. Best Foods, UAC Foods, UTC, and a few others, are the major red meat processors in the formal sector.

Paddy Rice

Nigeria's rice market is projected to be a 36 million MT market by 2050 and the country is the world's second largest rice importers at the moment. Par boiled rice constitutes more than 95 percent of Nigeria's rice demand. Of Nigeria's 79 million hectares of cultivable land about 4.6 million hectares is suitable for rice production, with only about 1.8 million hectares (39%) used for rice cultivation. On the average Nigeria produces about 2.21 million tons of milled (par boiled) rice worth about \$2.5 billion, against an annual demand estimated at about 6 million tons. The market gap of 2.79 million tons is met by imports mostly from India, Thailand, and Brazil, and sometimes with U.S. product when pricing permits.

The GON announced new tariff measures for several commodities, including rice, in the 2012 which included a 30 percent levy on imported brown rice and a 50-percent (starting on July 1, 2012) levy on imported polished/milled rice (mainly par boiled). Later that year (by December 31, 2012), the GON raised the levy again to 100 percent. Prior to this, the import duty on seed, paddy and brown rice was set at five percent while the import duty for semi and wholly milled rice was 30 percent. The import duty on seed and paddy remains at five (5) percent without additional levy to encourage local value addition by importers with milling facilities.

Although the GON recently announced that all rice imports would be completely banned by January 2015 in order to grow domestic rice production, analysts believe it would take the country far, far beyond 2015 to become self-sufficient in rice production. With import duty on paddy rice at five (5) percent against total import duty of 110 percent on milled/polished rice, Nigeria provides a huge market for paddy rice for local milling.

Soft Drinks/Beverage Bases

Nigeria's per capita consumption for soft drinks is about 35 liters, indicating a huge market potential (about 6 billion liters) with its large population. Retail pack water, fruit drinks and juices, milk drinks, carbonated soft drinks, and others constitute this beverage category. The soft drinks sub-sector

therefore provides large market for such ingredients as: carbonated water, sugar (sucrose or high-fructose corn syrup depending on country of origin), caffeine, phosphoric acid, caramel color, natural flavorings, and so on.

Carbonated soft drinks make up 60 percent of commercial beverages in Nigeria. The market share of carbonated soft drinks is approximately one billion liters (valued approximately \$700 million). Coca-Cola (72 percent) and Seven-Up Bottling Co. plc (13 percent) are the key players in this sub-sector. Warm climate and expanding economy are driving growth in the industry. Nigeria's soft drink sub-sector has 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.

PET bottles and smaller packaging, mostly Tetra Paks, to meet the demands of children/young adults and price-sensitive consumers continue to lead market demand. Branding is also more visible in the PET bottle segment. La Casera, C-Way, CHI, Lucozade Boost in sports and energy drinks, all have products packed this way and are increasingly preferred to the hitherto dominant can and larger Tetra Pak packaging. For further industry detail, please visit:

<http://www.euromonitor.com/soft-drinks-in-nigeria/report>;

http://www.just-drinks.com/analysis/focus-nigeria-offers-growth-out-of-stability_id96948.aspx

Raw/Brown Sugar

Sugar is a major input in processing soft drinks, pharmaceuticals, beverages, and in the manufacture of confectionery products. The country's domestic sugar production in 2012 is forecast at 65,000 tons (raw value), up from the revised estimate of 60,000 tons in 2011. Nigeria's overall sugar consumption in 2012 is forecast to rise to 1.34 million tons, up from the revised estimate of 1.3 million tons in 2011.

Nigeria depends almost exclusively, about 90 percent, on raw sugar imports, shipped mostly from Brazil, which are then refined by the local domestic sugar industry. The bulk of Nigeria's refined sugar supply also comes from Brazil. Post forecasts Nigeria's raw sugar imports in 2012 will rise to 1.5 million tons from 1.2 million tons of raw sugar.

GON plans to place an import ban on sugar of any form into Nigeria by January 2015. Since January 2013, only producers and manufacturers (sugar millers) are being licensed to import raw sugar to the level of their installed sugar refining capacities. Nigeria's Minister of Trade and Investment, Mr. Olusegun Aganga has indicated that the GON aims to achieve 100 percent backward integration for sugar by 2015, which costs an average U.S. \$400 million annually in foreign exchange. However, Nigeria's food processing sector continues to grow and demands more sugar while local sugar production remains insignificant despite the privatization of GON sugar interests. Nigeria imports about \$500 million raw sugar which are utilized in the food processing sector for different food products valued at \$3 billion.

The GON earlier announced a new tariff for raw and refined sugar which became effective January 1, 2013. A zero per cent import duty on machinery and spare parts imported for local sugar manufacturing industries was instituted as well. There will also be a five year tax holiday for investors in the sugar value chain. The proposed sugar tariff regime seeks to boost the development of sugar cane production towards meeting Nigeria's raw sugar needs for existing and new domestic sugar refining

companies.

Despite international prices, sugar use in industrial activities such as manufacturing soft drinks, pharmaceuticals, biscuits, other beverages and confectionery products is rising steadily and there is no competing High-Fructose Corn Starch (HFCS) in the market as sugar is preferred now. Demand for direct household consumption also remains strong. Agro-industrial analysts maintain that Nigeria's ability to attain her sugar self-sufficiency is doubtful considering the country's poor infrastructure and high-cost of domestic production, so industrial and domestic sugar consumers may therefore be looking towards low-cost sugar substitutes such as HFCS in the future. For further details, please visit: <http://www.nairaland.com/1135745/fg-ban-packaged-sugar-importation>; <http://allafrica.com/stories/201212180264.html>.

Vegetable Oils/Fats

Although palm and soybean oil are produced in Nigeria, domestic production of these vegetable oils has failed to pace with rising demand. Beginning in September 2008, the GON removed the import ban on crude vegetable oil, and imports have continued to rise every year. (Note that imports of all vegetable oil in retail packs remain banned.)

Nigeria's current domestic vegetable oil production is estimated at 1.3 million MT while the National Consumption Requirement is projected to be 1.6 million MT valued about \$960 million. The difference of about 300,000 MT (19 percent) between total requirements (valued over \$220 million) is met by imports. Palm oil and palm kernel oil are mostly imported from Malaysia and Indonesia. Domestic oil production, valued about \$740 million, is comprised of palm oil, palm kernel oil and others (peanut, cottonseed and soybeans oils) contributing 50 percent, 17 percent and 15 percent, respectively. Nigeria offers growing market opportunities for exporters of soybeans, soybean meal, crude soybean oil and value-added soy products and soy-based ingredients. Local processors of edible vegetable oil seek higher quality flavors, nutrients and processing agents to produce for export and domestic markets. U.S. suppliers also have opportunities to sell flavors and other additives in this sub-sector.

A few new small-scale oil seed crushing facilities have been established in the last two years. Nigeria's major processors of peanut, cottonseed, and soybeans oil types are Grand Cereal & Oils Ltd and Affcott Ltd producing approximately 60 percent and 20 percent respectively. Nigeria's domestic oilseed processing is expected to grow at an annual average of ten percent in the next five years with increasing demand for "low and cholesterol free" vegetable oil products.

Soybeans are crushed to obtain oil (for industrial and refined for food use) and the left-over soybean meal/cakes used for animal feed. At present, soybean oil is a major complement to palm oil in the domestic supply equation for edible vegetable oils. The major producers have reported a rise in demand for soybean oil as Nigerians become more familiar with the higher quality and health benefits of soybean oil. For further details, visit: <http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Soybeans%20and%20Products%20Lagos%20Nigeria%2011-1-2011.pdf>

Trends In Nigeria's Food Processing Sector

Despite challenges such as woeful shortages of a reliable energy supply and certain essential economic

infrastructure such as a good road network, oil-rich Nigeria is becoming more popular with global investors due mainly to the country's rapidly expanding and urbanizing population and growing middle class.



Processed and unprocessed food items displayed sold at open air markets

The United Nations reported that Africa's population is expected to double to 2 billion people by 2050 and Nigeria will constitute about 20 percent of Africa by population then. The changing demographic profile, increasing urbanization of the population, and greater discretionary spending power are driving strong growth in Nigeria's processed packaged food segments.

Nigeria also presents some favorable aspects regulatory environment such as liberal exchange controls, foreigners' ability to own 100 percent of a local company, and a favorable tax regime. As a result, the country is reported to have been ranked by World Bank as among the top third of countries in terms of investment policy and investor protections.

Nigeria has continued to diversify its economy by promoting the non-oil sector. With robust global crude oil prices, the country's GDP exceeded US\$414.5 billion (about 60 percent of GDP in western Africa) during 2007-11. This also contributes to the strong growth of the Fast Moving Consumer Goods (FMCG) sector in the country.

The following characterize trends in Nigeria's food processing sector:

Changing Tastes

Nigeria is predominantly a market dominated by 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 in carbohydrates 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. Local processors are developing and improving products to meet the needs of this consumer niche but remain in need of ideas and products.

Nigeria's Fast Moving Consumer Goods (FMCG) sector has also shown strong growth since the

country's return to democracy in 1999. The country's FMCG sector involves the manufacture, marketing and consumption/usage of soaps, detergents, home and personal care products, and electrical goods, as well as food and nutritional products. Major consumer companies in Nigeria include Cussons-PZ, Nestle, Unilever, Procter and Gamble (P&G), Coca-Cola, 7-UP Bottling Company, Reckitt Benckiser (RB), De-United Foods (Indomie noodle producers), Promasidor, Dangote, and others.

Measured in speed of expansion, Nigeria's FMCG market was reported to have increased by 15.6 percent between 2001 and 2010, coming second after Russia on a global rating. The Nigerian FMCG market is also expected to grow to 8.7 percent between 2011 and 2020, increasing to approximately US\$125 billion. This is also the second-largest market for packaged foods in Africa and demand is still growing.

Multinational Entries and Alliances / Increasing Foreign Investment

More multinational food processors are now located in Nigeria and they compete for share in packaged foods, with no major dominant company. Most of these leading companies are local players, such as Promasidor, De-United Foods Industries and Sumal Foods. Multinational food processors such as Cadbury and Nestlé are well established in the country and they maintain a strong presence in the marketplace. Foreign brands such as Indomie and Peak are brand leaders for noodles and dairy, respectively. Over the last decade, more large international companies seek to minimize market entry risks and have increasingly leveraged on existing marketing and distribution resources of local companies by forming alliances with Nigerian companies to repackage and/or market their products in Nigeria.



Food Processing Operation in Nigeria



Nestle also a giant in Nigeria's Food Processing

Nigeria also remains attractive to foreign investors as the country's expanding and urbanizing population has been maintaining steady increases in income as well as growth of the middle class segment. Generally, the growth experienced within Nigeria's food processing sector over the last decade can be attributable to the following factors:

- Nigeria's increasing oil revenue and GON's resolve to grow the non-oil sector—GDP rose significantly in 2007 to 2012 to exceed US\$270 billion;
- GON's protectionist (import substitution oriented) policy;
- A large and growing population (approx. 170 million);
- Increasing health-conscious consumers;
- Increasing Foreign Direct Investment (FDI);
- GON's Export Expansion Grant (EEG): The GON's introduction of a 40-percent rebate on

exported local agricultural products in place since 2002, is motivating local firms toward improving product quality and packaging to meet international standards;

- Nigeria's increasing eat-out culture has resulted in the significant growth of the quick service chains. Industry sources estimate the total revenue of quick service operations to have reached \$500 million in 2012 and annual growth rate has averaged 40 percent over the past five years. The trend means increasing local demand for potato chips, sauces, seasonings, pastry mixes, seafood, canned foods, wine, ice cream and other processed foods that are utilized by the fast food sub-sector.

The AgOffice is unable to estimate total FDI for the sector. Industry sources are reporting FDI is increasing rapidly:

- Seaboard Inc. (USA) owns 80 percent equity in Seaboard Group (Nigeria) producing poultry feeds and milling wheat flour;
- Coca-Cola has reportedly invested over \$200 million in the sector which includes, a "Five-Alive" fruit juice processing and packaging plant in 2002, an investment in beverage canning, concentrate plant and citrus/ pineapple farms;
- Heineken (Netherlands) with Unilever had invested \$700 million in Nigerian Breweries in 2002 to hold a 54.2 percent controlling stake; Heineken has also recently acquired a 50.05 percent stake in Consolidated Breweries;
- South African Breweries (SABMiller) entered into the Nigerian market since 2008 acquiring some major breweries in southern Nigeria;
- Tetra-Pak has upgraded its Nigerian office to better serve the growing liquid food packaging market in Nigeria;
- Schwepps reportedly has withdrawn its lines from Cadbury (Nigeria) for a direct investment in Nigeria;
- Olam International (Singapore firm) recently acquired Nigerian dairy firm Kayass Enterprises for US\$66.5m;
- The Nestlé's Flowergate Factory was commissioned in February 2011;
- Cadbury's pre-tax profit in Nigeria reportedly rose 50.46 percent to about \$10 million in the first half of 2012, thus lifting its shares by almost 5 percent;
- Flour Mills of Nigeria plans to invest more than \$600 million over the next five years in Nigeria due mainly to the rising demand for pasta, bread, and fast food;
- Dangote Sugar Refinery nearly doubled its half-year pretax profit year-on-year to over U.S. \$53 million, compared with about U.S. \$27.5 million in 2011;
- Increasing number of large processors (including West African Milk, Guinness
- Dangote Flour Mills (DFM), one of Nigeria's leading wheat flour milling companies with a market share of about 30 percent 40 percent in the flour milling and pasta, respectively, has sold 63.5 percent of its equity share to Tiger Brands—a leading South African FMCG company;
- Tiger Brands' acquired the 100 per cent of Nigeria's third largest biscuit manufacturer, Deli Foods Nigeria Limited;
- Tiger Brands (South Africa) also acquired a 49 per cent joint venture interest in UAC of Nigeria Plc's food and beverage businesses in 2011. UAC is one of Nigeria's own Nigeria's largest bakery and sausage rolls operations. The South African firm indicated that this transaction would substantially add scale to its existing Nigerian businesses and strategically position the company to take advantage of the market opportunities within the Nigerian milling sector and related essential food categories.

- A South African firm, Wimpy and Mugg & Bean has acquired a 49 percent share in UAC Restaurants (owners of Nigeria's largest fast food chain, Mr. Bigg's). UAC Restaurants is reported as selling about 25,000 pieces of chicken daily and has moved more than 635 million meat pies since Mr. Bigg's was founded 25 years ago. There has also been influx of multinational food brands into Nigeria including Domino's Pizza, KFC, Cold Stone Creamery, Famous Brand's Debonairs Pizza, and many others.

Agro-Industries and Value Addition

Agriculture and agro-industry remain vital components of Nigeria's drive for economic development, contributing more than 40 percent to GDP in 2012 and employ approximately 70 percent of the country's population.

This is mostly related to the processing of raw products and thus presents a good potential for value addition and the growth of agro-industries. Major agricultural commodities produced in the country are cocoa, peanuts, palm oil, banana, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber, cattle, fish and timber.

Local Manufacturers' Protection

Over the last few years, the GON has imposed a wide range of import bans to protect manufacturers, including food processors, and this has assisted in the estimated average growth rate of 10 percent in the food processing sector over the last five years. However, the industry still faces a number of constraints including poor infrastructure and the resultant high-cost production.

Steady Growth of Nigeria's Retail Food Sector

Strong demand for packaged and processed foods in Nigeria continues into 2013. This is due to the increasing shift away from consumption of unpackaged, unbranded foods to more processed and packaged branded products. The overall population size as well as urbanization of that population is also increasing. More processors are innovating their packaging of noodles, dairy and bakery items and have strong marketing strategies as competition increases.

Multinational retailers (supermarkets/hypermarkets) have continued to enter the Nigerian market. ShopRite, a multi-national supermarket firm from South Africa is the biggest grocery outlet in Africa. It had opened outlet in the Lagos city of Nigeria for more than 5 years ago. It has so far opened over 6 outlets in Nigeria and planning to many more within the period. It announced in 2003 that it would build 44 outlets over the next three to four years in Nigeria.



South Africa's supermarket firm increasing outlets in Nigeria

SPAR: s Dutch giant also savoring in Nigeria's retail food sector

SPAR has also partnered with a Nigerian supermarket firm to launch its first outlet in Lagos in 2010. It has opened more outlets across Nigeria since then (<http://www.howwemadeitinafrica.com/the-changing-face-of-retail-in-nigeria/3869/>). SPAR is a Dutch-based supermarket giant founded in 1932 with global revenues in excess of 27 billion Euros, and is reputed to be the world's largest food retailer with approximately 20,000 stores in 35 countries. SPAR's presence is expected to step the competition within Nigeria's retail food sector and further the changing shape of the country's retail food merchandising. Industry experts project a quick boost in Nigeria's supermarket/food retailing as about 200 million additional customers are expected to utilize the hypermarkets within the next one year.

Walmart, the U.S. giant, has entered into Nigeria through Massmart's Game Stores from South Africa. Game is a discount retailer of general merchandise FMCG, and non-perishable groceries for home, leisure and business use, operating throughout South Africa and in twelve major cities in sub-Saharan Africa. Walmart had recently purchased a controlling share of Massmart.

Smaller chains, which largely sell packaged foods, are also increasing in number of outlets. The modern retail chains (better facilities) are better equipped to store products such as chocolate confectionery, traditionally a difficult feat in Nigeria due to poor electricity supply and the hot climate. In line with this growth in modern retailers, more domestic food processors are challenged to improve production methods to meet growing demand for novel western-style products among the younger Nigerian population, whose tastes have also continued to move towards international products away from traditional foods.

Strong Open Market and Growing Modern Retail Outlets

Open markets remain strong for distributing processed foods while modern channels are experiencing fast growth. Modern channels, such as supermarkets/hypermarkets, are small but they have grown very rapidly over the last ten years. These are expected to continue to show strong growth and they encourage growth in western-style foods.

Emergence of Young, Rich and Sophisticated Consumers

The composition and increasing sophistication of younger and rich consumers is stimulating competition among local food processors for improved quality of products. This will also be a

significant growth driver for future demand. Furthermore, food items that are quick to prepare and convenient, such as pasta and noodles, will continue to experience dynamic growth in Nigeria due to a young, mobile, demanding population.

The U.S. agricultural exports to Nigeria were estimated at \$1.1 billion (mainly wheat) in 2012. Bulk, Intermediate and finished products which can also go as food processing ingredients constitute only about 90 percent, 4 percent and 4.5 percent respectively. Wheat share more than 98 percent of the bulk category.

Nigerian food processors generally perceive U.S. ingredient suppliers as reliable sources, in terms of volume, standards and quality. U.S. ingredient exports are constrained by Nigeria’s restrictive trade regime, a lack of adequate market knowledge among U.S. suppliers, limited contacts between Nigerian processors/importers and U.S. suppliers, competition from EU and Asian countries, relatively higher U.S. freight cost, negative image of Nigerian businesses in the U.S. and low consumer purchasing power.

Generally, third-country suppliers have the following advantages over U.S. suppliers: 1) better knowledge and understanding of Nigeria’s market and local practices; 2) flexibility regarding importers’ requirements (quality, packaging and documentation, etc); 3) more aggressive marketing; 4) lower freights.

The AgOffice estimates that 65 percent of inputs used in the food processing industry are imported. The total value of these imports is estimated at over \$7 billion.

SECTION V. BEST PRODUCT PROSPECTS

A. Products with Good Sales Potential

Bulk	Intermediate	Processed Food Ingredients
Edible Fat, Raw Sugar, Wheat, Paddy Rice, Oilseeds & Oils, Livestock, Coarse Grains Dairy Products (bulk), Tomato Paste, Mozzarella Corn, Soybeans, Oat, Rye, Fruits and Vegetables, Marine Products Fermentation Products (i.e. ethanol, distillers grains) Minerals (Mineral Products), etc.	Corn Starch Ethanol Fruit Juice Concentrates pre-mixes & syrup Ice Cream Pre-mixes Milk powder Nutrients & Additives Vegetable Oil Brown Sugar	Baking mixes, Yeast & Baking Powder Jam & Jellies Mayonnaise Salad Dressing Salt Sauces, Spices Tomato Ketchup, etc Refined Sugar Creams

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

- Corn

- Paddy Rice
- Beverage Bases & Nutrients (including Flavors, Beverage Bases, Additives)
- Fish Flavor
- Egg Powder and Liquid Eggs
- Processed Foods
- Ready-to-heat & microwave-able foods and meals; products that are packaged for longer shelf life without refrigeration; etc.

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

- Poultry/Red meat/Pork
- Refined Vegetable Oil and Fats
- Fruit Juice in retail packs

SECTION VI: POST CONTACT AND FURTHER INFORMATION

1. Agricultural Affairs Office

U.S. Consulate General
 2, Walter Carrington Crescent
 Victoria Island, Lagos, Nigeria
 Tel: +234-1-460-3577
 e-mail: aglagos@fas.usda.gov
 Website: http://nigeria.usembassy.gov/foreign_agric_service.html
 Attache Reports, visit:
<http://fasintranetapps-gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>
 Visit: <http://www.fas.usda.gov/country/Nigeria/Nigeria.asp>

2. National Agency for Food & Drug Administration & Control (NAFDAC)

Plot 204, Olusegun Obasanjo Way
 Wuse Zone 7, Abuja-Nigeria
 Telephone: (234) -9-671-8008, (234)-1-473-0643
 E-mail: nafdac@nafdac.gov.ng
 Website: www.nafdac.gov.ng

3. Nigeria Customs Service

Customs Headquarters
 3-7, Abidjan Street
 Off Sultan Abubakar Way
 Wuse Zone 3
 Garki-Abuja, Nigeria
 Tel: 234-9-523-4694, 523-6394, 2534680
 E-mail: info@customs.gov.ng; pro@customs.gov.ng
 Website: www.customs.gov.ng

4. Federal Ministry of Agriculture & Water Resources

Federal Secretariat, FCDA

PMB 135, Area 11
Garki-Abuja, FCT
Nigeria
Tel: (234) 9-314-1931, 314-2405
Fax: (234) 9-314-2532
E-mail: <http://www.nigeria.gov.ng/>

	2008	2009	2010	2011***	2012
GDP (US\$ bn)	179.5	352.3##	369.8	273.04	272.6***
Real GDP growth (%)	11.6*	5.8**	6.8	7.2	6.9+
Consumer price inflation (av; %)	15.1*	12.4**	13.9	10.8	12.1**
Population (m)	152.2	154##	158+	160+	170
Exports of goods fob (US \$ b)	76.8	48.1**	76.33	42.0	37+
Imports of goods fob (US\$ b)	45.5	31.7**	34.18	22.1	17.4+
Current account balance (US\$ b)	2.7	11.9**	27.77	11.6	10.8+
Foreign exchange reserves excluding gold (US\$ m)	--	16,956	43.36 (incl. gold)	33.0	42.8***
Total external debt (US\$ bn)	8.3	9.7**	11.02	41.9	10.1***
Debt-service ratio, paid (%)	--	--	--	--	--
Exchange rate (av.) N: US\$	118.5*	150.0	150.88	160	161

Notes: *Actual. ** Economic Intelligence Unit estimates. *** Official Estimates. ##EconoWatch 'N', represents Naira (Nigeria's currency). ^ Industry sources. # - CIA estimates. +African Economic Outlook, 2012

Sources: 2008 figures obtained from Economist Intelligence Unit, Country Report (Nigeria)—May, 2009
The 2010 figures are estimates from CIA World Factbook, 2011
National Bureau of Statistics (Nigeria), 2011 African Economic Outlook, 2012

APPENDIX I:

Nigeria's food products and ingredients

Products	Intermediate Foods/Ingredients/Additives
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/AgOffice