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Strong Growth Persists in Nigeria's Wine Market

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Product Brief

Approved By:

Russ Nicely, Regional Agricultural Counselor

Prepared By:

Marcela Rondon, Regional AgAttache & Uche Nzeka,
Agricultural Marketing Specialist

Report Highlights:

Average wine consumption per capita jumped from 0.1 liters to more than 0.4 liters within 2004 and 2010. Still wine (red and white) category led the market—accounting for a share of more than 80 percent. Local wine processing is underdeveloped and high-cost. Nigeria's large and increasing population (over 150million), increasing health consciousness and upward social trends are assisting growth in wine exports to Nigeria. The EU, South Africa and other suppliers offering good quality and inexpensive wine products are the leading suppliers. Export growth of U.S. wine to Nigeria is astronomical (from \$120,000 to \$2.7m) between 2008 and 2010 but market share remains small. U.S. exporters are encouraged to exploit opportunities provided by the increasingly large wine demand to boost U.S. food and agricultural exports to Nigeria.

SECTION I: MARKET OVERVIEW

In Nigeria, alcoholic beverages are considered a type of food and alcohol consumption is mostly a social activity. With population, over 150 million, Nigeria provides a large market for alcoholic beverages estimated at \$4.0 billion.

Nigeria's beer market was worth \$2.7 billion (about 70% of total alcohol market) in 2009 representing over 15 million hectoliters of beer (lager and stout types) brewed locally by multi-national processors (Heineken, Guinness, South Africa Breweries, and a few small others). They are brewed mostly with imported barley, malt and hops.

The GON placed an import ban on beer to protect local industry in 2003 and only alcoholic wine and spirits can be exported to Nigeria. Domestic alcoholic wine production is grossly underdeveloped and the amount entering formal marketing channels is insignificant. Alcoholic wine valued about \$200 million (approx. 5% of total alcoholic beverages), are mostly imported.

Some pineapple-based wine products and distilled gins are also formally produced and sold in the market but their share of the wine and spirits market is insignificant. Wine and spirits from traditional alcoholic products are also widely produced and consumed but they do not pass through formal channel.

Nigeria's large wine market continues to show strong growth as a result of the increasing middle class as well as the gradual shift from beer to wine consumption as wine is generally perceived to be a healthier alcoholic beverage. This is creating export opportunities for U.S. wine exporters.

Advantages & Disadvantages

Advantages	Disadvantages
Nigeria's large population of more than 150 million growing at 3 percent per year provides U.S. exporter large and growing market for economic shipments and trade	Very small presence of U.S. agribusinesses in Nigeria and limited knowledge of the Nigerian market among many in the U.S. trade.
The U.S. favorable disposition to trade liberalization.	Import bans remain on some agricultural product imports, including beer and non-alcoholic wines.
U.S. processed foods recording increasing awareness and rising demand among Nigerian consumers; Also U.S. foods enjoy higher quality perception among Nigerian consumers.	Nigeria is predominantly a mass market and highly price-sensitive—it demands more of the low priced food and agricultural products.
Changing demographics including greater urbanization, more women working outside the home, and changing lifestyles of the large youth population, etc are expanding potential market for U.S. food and	Longer transit times, and relatively long port clearance procedures all sharply reduce shelve life of U.S. products in Nigeria.

agricultural products.	
Nigeria's rising income (average per capita income increased by nearly 200 percent to over \$1,000 in the last five years).	Negative perceptions about Nigerian businesses among some U.S. exporters and a reluctance to do business in Nigeria.
Increasing market similarity and ease of transaction with Nigeria's growing middle-class and western-style retail sector, rising incomes and a trend toward greater demand for healthy foods.	Competition from other suppliers, especially the EU and South Africa.
U.S. consolidators and exporters of food and agricultural products can sell mixed containers at relatively low-cost and low-risk since Nigeria's adoption of the 'Global Listing for Supermarket' (GLS) items.	U.S. freight rates are about 40-60% higher when compared with the EU and South Africa.
The consistent and reliable image of U.S. suppliers in terms of volume, standards and quality, among Nigerian buyers.	Inconsistent and poor implementations of GON policies.
U.S. superior and efficient agricultural production and processing.	High levels of unofficial transactions and procedures.

SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

Imports and Market Opportunities:

In 2003 GON placed a ban on imports of beer and all non-alcoholic wines and beverages into the country to protect local industries. The ban remains in place. Only alcoholic wines and spirits can be imported at 30 percent tariff in line with the ECOWAS regional tariff (CET). However, the government (GON) introduced a 20-percent levy towards the end of 2008—thus raising real duty on wine and spirits to 50 percent.

Despite this, average wine consumption per capita jumped 1236.2% to approximately 0.4 liters and increasing between 2004 and 2010. Still wines led the market—the category accounted for more than 80 percent share. Nigeria's large and increasing population (over 150 million) and underdeveloped/high-cost local wine create strong growth prospects for wine exports to Nigeria. Growth will be for Nigeria's market over the coming years. The expected growth will result from Nigeria's large population growing at an annual rate of 3% and providing an ever increasing consumer base. Nigeria's middle-class and income have also continued to increase for more than a decade. The positive outlook for Nigeria's democracy and economy also means consumer spending will increase and advance sales growth. Nigerians are also increasingly becoming health-conscious and accepting wine products as healthier than competing beverages such as, beer, spirits, soda, and others served at homes, bars and social activities. New brands and the entry of new players are beginning to result in increased competition, and lowered prices, aggressive marketing and fuel growth in sales.

Market Structure:

Nigeria is a mass consumer market and demand for wine and spirits is not driven by product quality—but mostly, by product prices, tastes and higher alcoholic contents. Nigeria's mass market prefers sweet wines. Low priced products with alcoholic contents at more than 6 percent also constitute greater than

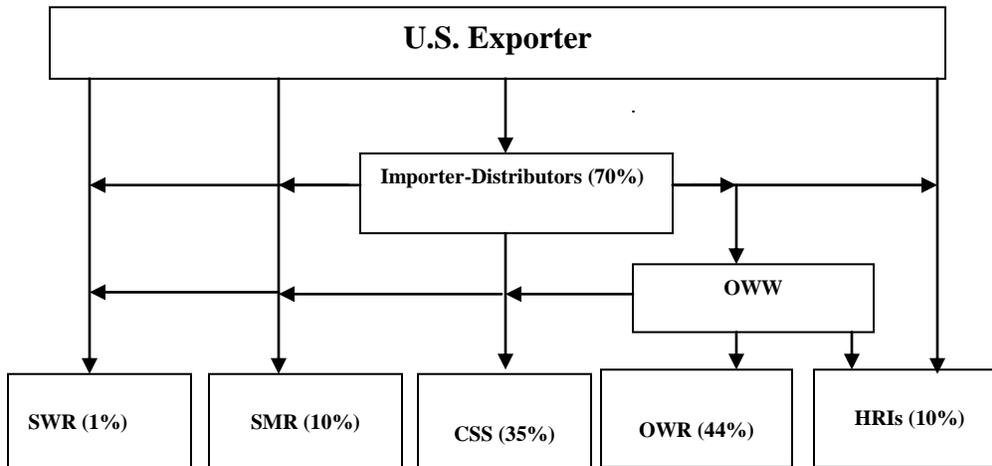
85 percent of the total.

Average prices of the 10 top selling wine range from \$30 to \$150 per carton (of 12 by 750 ml bottles). Products within the price range of \$30 to \$100 per carton (of 12 by 750 ml bottles) constitute over 70% of the total market. Compared to beer and other locally available alcoholic beverages, imported wine and spirits are 40-60% more expensive and were not as widely distributed. The bulk of wine used to be sold through supermarkets, convenience stores, some specialty stores as well as hotels, clubs, bars and restaurants (HRIs) patronized by the middle and high income consumers.

However, the recent and increasing shift from beer to wine consumption has continued to change wine distribution channels. More wine and spirits are now sold to the consumers and re-sellers through the wholesalers located in the traditional open wet markets (mostly patronized by the low and middle income consumers).

Currently, sales through traditional markets account for more than 60%. Wine consumption at bars and other food service outlets is small at less than 10 percent of the total. Sales through supermarkets, convenience store and supermarkets account for about 20 percent of the total.

Distribution Flowchart for Wine Products



Keys:

- Open Wet Market Wholesalers (OWW)
- SWR (Specialty Wine Retailer)
- SMR (Supermarket Retailer)
- CSS (Convenience & Street Stores)
- OWR (Open Wet Market Retailer)
- HRI (Hotel, Restaurant, Bars, Clubs & Catering Industries)

There are also outlets specializing in retail sales of imported wine and spirits but their number and sales are insignificant. However, majority of these specialty stores stock mostly selections of the more expensive premium brands.

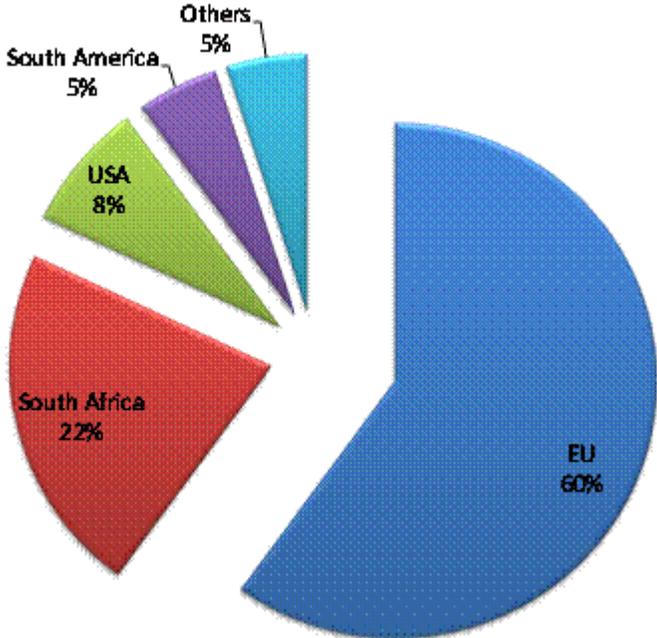
Generally, 70 percent of imported wine and spirits enter the market through importer-distributors. The

remaining products pass through direct sale to retailers and HRI institutions. Wholesalers in the traditional open wet market distribute more than 80 percent of imports by the importer-distributors.

Competition:

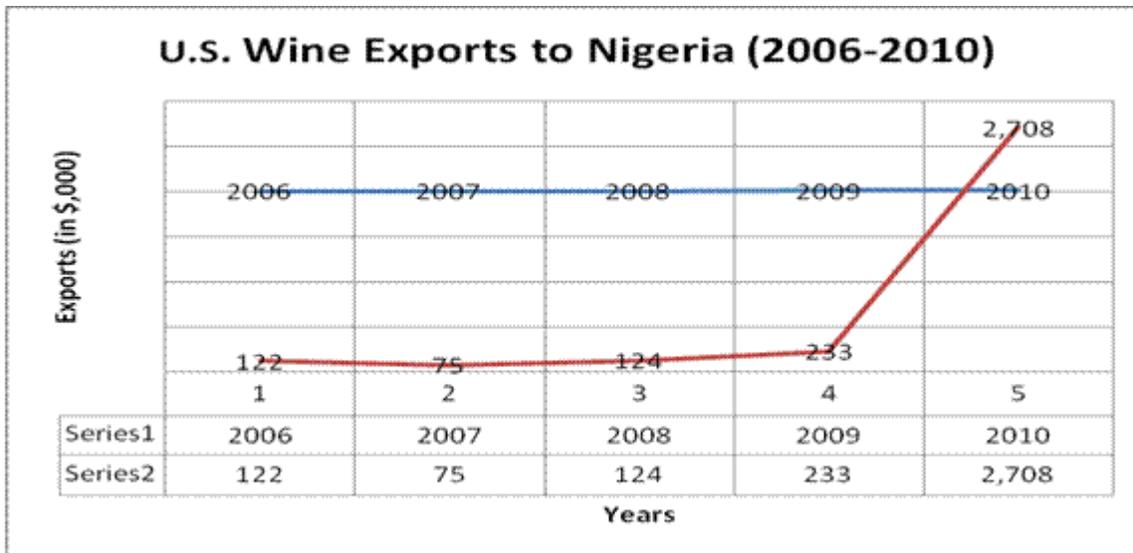
The EU countries (Spain, Italy, France, etc) and South Africa are the major wine suppliers to Nigeria.

Origins of Imported Wine Products to Nigeria, 2010



Source: Industry

Although France, Italy, and Spain in the EU as well as the U.S. (California) are the traditional wine countries, Nigerians import mostly from South Africa, Chile, Argentina and all other sources that produce wine products that are perceived to be good quality and also offered at affordable prices.



Data Source: BICO Report

U.S. wine and spirits exports to Nigeria had grown from \$120,000 in 2008 to \$2.7m in 2010 (BICO report). However, industry sources indicate that U.S. official export data do not capture much of U.S. wine exports to Nigeria as many products (especially those attracting high duty such as wine) still pass through port clearance either under-valued or undeclared at Nigeria's ports. Many of such products also enter the market through cross-border smuggling activities.

Market Access:

Alcoholic wines and spirits are free for entry into Nigeria at 30 percent tariff plus a 20-percent levy both of CIF—bringing real duty to 50 percent on CIF. Like all food products exported to Nigeria, wines and spirits must be registered with NAFDAC (Nigeria's FDA equivalent) in order to be legally exported and sold in Nigeria for marketing and consumption. For details, please click: [\[Food and Agricultural Import Regulations and Standards - Narrative Lagos Nigeria 7-20-2010\]](#).

Entry Strategy:

U.S. wine and spirits exporters interested in entering the Nigerian market:

- . Can contact the Office of Agricultural Affairs, U.S. Consulate, Lagos, Nigeria for assistance in selecting a local importer-distributor or agent;
- . Must appoint local importer-distributors, agents or institution in Nigeria to process certifications with the GON regulatory bodies, introduce the product, and develop consumer demand;
- . May exhibit at the annual International Wine, Spirits & Beer Event at the NRA Show which holds every third week of May in Chicago. Nigerian wine importer-distributors and hotel, restaurant and bar operators organized by FAS/USDA in Lagos attend the event. This is expected to offer opportunities to meet the Nigerian buyers and make follow-up contacts.

SECTION III: COSTS AND PRICES

Average Retail Market Prices (Top 10 brands in sales ranking):

Brand	Sales Ranking	Average Retail Price / carton of (12x750ml bottles) \$	Country of supply
Baron de Val	1	37.00	Spain
B & G Cuvee Speciale	2	55.00	France
Andre Brut	3	100.00	USA
Carlo Rossi	4	75.00	USA
Cape Maclear	5	40.00	South Africa
Traffic Red	6	40.00	South Africa
J.P. Chanet	7	65.00	France
Kagor	8	100.00	Moldovia
Mounton Cadet	9	145.00	France
Don Valls	10	35.00	South Africa

Note:

- A bottle contains 750 milliliters (ml)
- A case (carton) contains 12 bottles
- Per carton (case) prices stated

Average Wholesale Selling Prices of Selected Brands of Wines & Spirits (\$):

Brands	Pack x Size	PRICE (\$)
Wines		
Andre - Brut	12 x 75 cl	90.00
Andre - Rose	12 x 75 cl	90.00
Carlo Rossi - Red	12 x 75 cl	70.00
Carlo Rossi - Rose	12 x 75 cl	70.00
Carlo Rossi - White	12 x 75 cl	70.00
Carlo Rossi - Cabernet Sauv	12 x 75 cl	80.00
Carlo Rossi - Charodnnay	12 x 75 cl	80.00
Carlo Rossi - Red	6 x 1.5 L	65.00
Carlo Rossi - White	6 x 1.5 L	65.00
Carlo Rossi - Sangria	6 x 1.5 L	65.00
Carlo Rossi - Rose	6 x 1.5 L	65.00
Carlo Rossi - Red	4 x 3 L	75.00
Carlo Rossi - White	4 x 3 L	75.00
Carlo Rossi - Sangria	4 x 4 L	85.00
Ernest & Julio - L/s (V.S.)	12 x 70 cl	110.00
Ernest & Julio - L/s (V.S.O.P)	12 x 70 cl	125.00
Ernest & Julio - L/s (X.O)	12 x 70 cl	155.00
Ernest & Julio - Cask & Cream	12 x 75 cl	115.00
Ernest & Julio - Cask & Cream - Chocolate	12 x 75 cl	115.00
Ernest & Julio - Cask & Cream - Caramel	12 x 75 cl	115.00
Sierra Valley - Gallo Family - Merlot	6 x 75 cl	45.00
Sierra Valley - Gallo Family - Zinfandel	6 x 75 cl	45.00
Turning Leaf - Cabernet Sauv.	6 x 75 cl	50.00
Turning Leaf - Chardonnay	6 x 75 cl	50.00
Rubis Chocolate Velvet Ruby	6 x 50 cl	65.00
Spirits		
Chivas Regal Scotch Whisky - 12 Years Tin	12 x 75 cl	305.00
Chivas Regal Scotch Whisky - 18 Years	6 x 75 cl	305.00
Chivas Regal Scotch Whisky - 25 Years	3 x 75 cl	660.00
Royal Salute Cask - 21 Years	6 x 70 cl	990.00
Glenlivet Single Malt whisky - 12 years	6 x 70 cl	185.00
Jameson Irish Whiskey	12 x 70 cl	160.00
Absolut Vodka - Original	12 x 1 ltr	160.00
Absolut Vodka - Kurrant	12 x 1 ltr	160.00
Absolut Vodka - Citron	12 x 1 ltr	160.00
Absolut Vodka - Rasberri	12 x 1 ltr	160.00
Mumm Champagne Cordon Rouge	6 x 75 cl	240.00
Ricard	12 x 1 ltr	155.00
Pastis - 51	12 x 1 ltr	155.00
Malibu	12 x 75 cl	150.00
Kahlua	12 x 70 cl	160.00
Martell V.S. - Box	12 x 70 cl	260.00
Martell V.S.O.P - Box	12 x 70 cl	485.00
Olmecca Blanco Tequila	12 x 75 cl	170.00
Olmecca Gold Tequila	12 x 75 cl	180.00

Note:

Cl: centiliters (10 ml equal 1 cl)
L: Liters

SECTION V: POST CONTACT AND FURTHER INFORMATION:

1. Agricultural Affairs Office (USDA/FAS)

American Consulate General
2, Walter Carrington Crescent
Victoria Island, Lagos-Nigeria
Tel: 234 -1-460-3577; 775-0830
E-mail: aglagos@usda.gov
Website: www.fas.usda.gov

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/>

Appendix I: Nigeria's Economic Structure (Annual Indicators)

	2006**	2007	2008	2009	2010
GDP (US\$ bn)	116.6	142.4	179.5	352.3##	369.8
Real GDP growth (%)	5.6**	6.2*	11.6*	5.8**	6.8
Consumer price inflation (av; %)	7.5	5.4*	15.1*	12.4**	13.9
Population (m)	144.0	146.2*	152.2	154##	158+
Exports of goods fob (US \$ b)	58,872	61.8	76.8	48.1**	76.33
Imports of goods fob (US\$ b)	- 27,402	38.8	45.5	31.7**	34.18
Current account balance (US\$ b)	1.5	2.2	2.7	11.9**	27.77
Foreign exchange reserves excluding gold (US\$ m)	42,277	59,700^	--	16,956	43.36 (incl. gold)
Total external debt (US\$ bn)	6.5	7.8	8.3	9.7**	11.02
Debt-service ratio, paid (%)	1.8	3.4	--	--	--
Exchange rate (av.) N: US\$	127.38	125.00*	118.5*	150.0	150.88

Notes: *Actual. ** Economic Intelligence Unit estimates. *** Official Estimates. ##EconoWatch

'N', represents Naira (Nigeria's currency). ^ Industry sources. # - CIA estimates.

Sources: 2008 figures obtained from Economist Intelligence Unit, Country Report (Nigeria)—May, 2009.

2010 figures are estimates from CIA World Factbook, 2011