



Market and Trade Data

Protectionist Policies at Odds With Nigeria's Growing Food Processing Sector

By Uche Nzeka

The food processing industry in Nigeria has challenges in securing ingredients. Nonetheless, demand for processed foods is growing despite a wide range of governmental protectionist practices that include bans on importing some products and high tariff rates for many items.

Even with a restrictive trade regime, food-deficient Nigeria imports about 65 percent, or an annual \$2 billion worth, of the inputs used in its developing food processing industry.

Altogether, Nigeria bought \$2.5 billion worth of agricultural imports in calendar 2004; the United States accounted for about \$436 million worth, up a hefty 39 percent from the year before.

Why Look at Nigeria?

Nigeria remains primarily a mass sales market due to low consumer purchasing power. The development of the food processing sector has been influenced by sometimes competing factors: the protectionist policy of the government, a large and growing population, increasing health consciousness among consumers, increasing foreign direct investment and the government's export rebate. Since, 2002, the government reimburses 40 percent of the export value upon application and proof of export.

Trade barriers remain a significant factor in U.S. ingredient exports to Nigeria. However, Nigeria is one of 37 sub-Saharan countries benefiting from AGOA (the African Growth and Opportunity Act). These countries are eligible for U.S. trade capacity building programs that help develop regulations, policies, institutions and infrastructures that facilitate trade.

AGOA has already increased trade and investment between the United States and sub-Saharan Africa. U.S. agricultural exports to Nigeria have more than doubled since 2000. Nigerian agricultural exports to the United States have more than tripled in this same time frame, from \$4.3 to \$13.64 million.

Oil Still Main Income Source

Nigeria has a 130-million population, the largest in Africa; its GDP (gross domestic product) was estimated at \$65 billion in 2004. Petroleum exports accounted for about a third of the GDP, 98 percent

of total export earnings and close to 80 percent of government revenue.

Nigeria's food processing sector has an estimated 50-percent share of the manufacturing sector, which contributed only 4.4 percent of the country's GDP in 2003.

The 40-percent rebate on agricultural exports, a government incentive to help exporters become more competitive, has motivated local producers and firms to improve product quality and packaging to meet international standards.

Though not yet available, the government is working on statistics that will show how effective this program has been.

Most sector growth has concentrated in the bakery and snack food areas. Overall, food processing has been increasing about 10 percent a year by volume since 2000, but faces many constraints.

Foreign investment is greatest in the soft drink and beer industries. Multinationals such as Coca-Cola, Nestlé and Cadbury Schweppes have long been established in the country. Nigerian firms have concentrated in the wheat flour, poultry, meat, bakery and confectionery industries.

Recently, there has been marked expansion in biscuits, fruit juice and pasta.

Demand for ingredients should continue despite challenges in the market. Growth is being spurred by an increase in boutique hotels, restaurants and shopping malls.

Subsector Profiles

Official statistics are hard to come by, but industry and FAS personnel predict future growth in:

- Beer and stout (a dark, sweet ale)
- Beverage bases, tea, coffee, soft drinks, and bottled water
- Biscuits
- Bread and snacks
- Confectionery
- Flour milling
- Pasta

Market Entry

Personal contact is highly recommended for understanding the requirements of local importers, distributors and food processors. These steps are recommended:

- Check with the FAS Office of Agricultural Affairs in Lagos for help in finding an importer or processor.
- Contact the selected importer with sales catalogs. Send product samples if necessary.
- Arrange to visit a reputable importer through the FAS Lagos office.
- Identify brokers and consolidators based in the United States that serve the West African region.
- Exhibit at trade shows in the United States and other countries that Nigerian processors and importers attend.
- Offer flexible shipping volumes and packaging, with easy to understand manufacture and expiration dates. ■

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Agricultural Products With Good Sales Potential		
Bulk	Intermediate	Processed
Barley malt Edible fats Raw and refined sugar Vegetable oils Wheat Rice	Corn starch Ethanol Fruit juice concentrates, pre-mixes and syrups Ice cream mixes Milk and dairy powder Wheat flour Nutrients and additives	Baking mixes, yeast and baking powder Jams and jellies Mayonnaise and salad dressings Poultry and red meats Sauces, spices and condiments

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