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Nigeria

Food Processing Ingredients Sector

Nigeria's Food Processing Ingredients Market

2005

Approved by:
Jamie Rothschild, Agricultural Attache
U.S. Consulate, Lagos

Prepared by:
Uche Nzeka

Report Highlights:
The food processing sector has seen some growth over the last few years, especially in the bakery and snack food areas. Foreign investment is greatest in the soft drink (including water) and beer industries. Coca-Cola Co. invested in a fruit juice production facility. Bulk commodities such as wheat and sugar hold the major value of imports used in this sector. There is demand for imported beverage bases (especially, fruit juice concentrate, pre-mixes & syrup), ice cream pre-mixes, spices, flavors, and nutrients/additives. Post will assist interested U.S. food ingredient suppliers in establishing business relationships with local importers and processors.

Includes PSD Changes: No
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SECTION I. MARKET OVERVIEW

Nigeria has a population of 130 million that is growing at an estimated three percent annually. GDP was estimated at $65 billion in 2004. Petroleum exports accounts for about one third of GDP, 98 percent of total export earnings and close to 80 percent of federal government revenue. (Economist Intelligence Unit, May 2005).

The GON has put together a reform-oriented economic policy outlined in the National Economic Empowerment and Development Strategy (NEEDS). Policy implementation has been poor due to the wide range of vested political interests in the country. Of particular concern to the US agricultural sector, is the protectionist policy with the wide range of bans and high tariff rates for many food items.

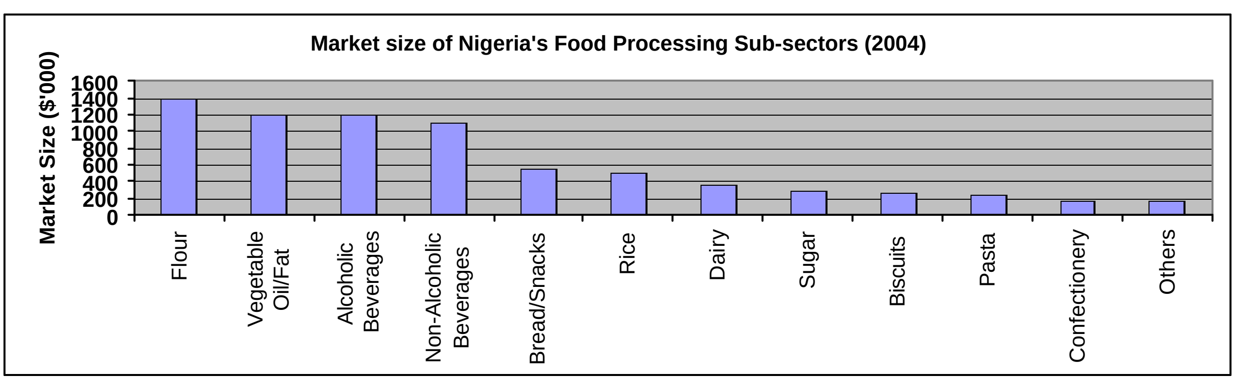
Despite a restrictive trade regime, Nigeria is a food deficit country. The AgOffice estimates Nigeria imported $2.5 billion of agricultural products in 2004. US agricultural exports to Nigeria increased to approximately $444 million in CY 2004, up from $322 million in CY2003. While the U.S. is the major supplier of wheat, Asia and Brazil supply products such as rice, and sugar, respectively.

SECTION II. MARKET SUMMARY

Nigeria's food processing sector has a relatively small share of GDP. While no official data is readily available, the AgOffice estimates that about 50 percent of the manufacturing sector is food processing. According to the Economist Intelligence Country Report May 2005, manufacturing had an estimated 4.4% share of GDP in 2003.

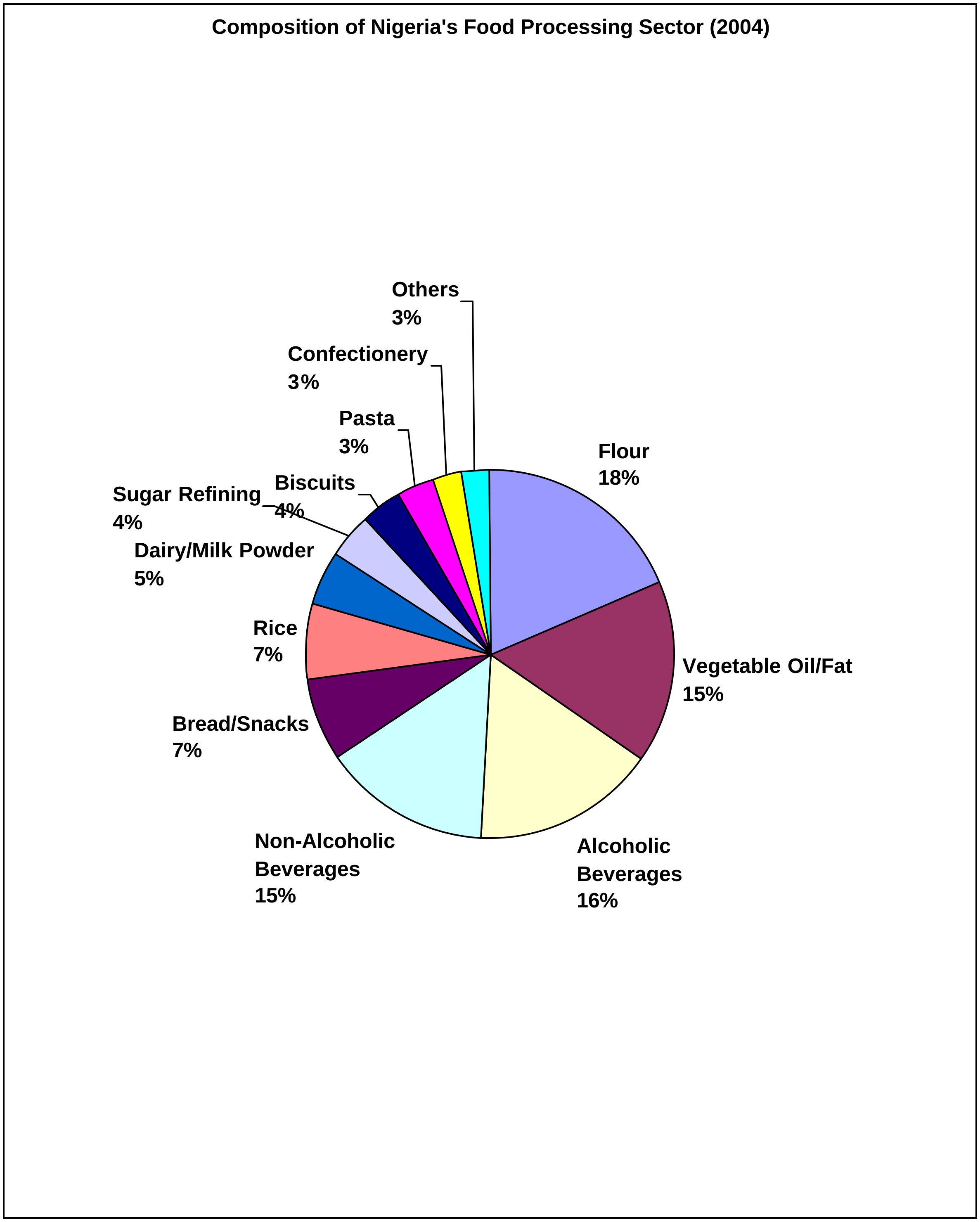
Over the last few years, the government of Nigeria has imposed a wide range of import bans to protect manufacturers, including food processors. The estimated average growth rate of the industry over the last five years is ten percent. Nevertheless, the industry still faces a number of constraints including poor infrastructure.

Multinationals such as Nestle and Cadbury have been established in Nigeria for years. 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. (See Appendix II for list of major domestic processed foods and their ingredients.) The increase in boutique hotels, restaurants, and investment in several shopping malls should help spur the growth in domestic demand for processed food.
The market size of the major sub-sectors is shown below:



Source: Industry/AgOffice Estimate

Chart below show sub-sector composition and sizes of the sector (See Appendix 1 for sub-sector components):



Source: Industry

Firms in the sector range from small Mom & Pop operations to large modern installations. The key players number less than 100 but contribute about 90 percent of total industry output.

Advantages & Disadvantages

Advantages	Disadvantages
The value of the dollar is weak and Nigerian manufacturers are keen at being introduced to U.S. suppliers.	Limited knowledge of the Nigerian market among the U.S. trade.
A continued massive rural-urban migration, increasing female workers and school-attending children, resulting in increasing demand.	Low consumer purchasing power quality.
GON's import ban on many HVP and high tariffs on HVPs ranging 100-150 percent.	Limited infrastructure, limited operational capital requirement, high production cost and unstable GON import policy.
Nigerian food processors generally see U.S. suppliers as a reliable source, in terms of volume, standards and quality.	Limited contact; negative perceptions about Nigerian businesses among U.S. exporters and a reluctance to do business in Nigeria.
Relatively lower fob prices for higher quality U.S. ingredients.	Direct U.S. to West African shipping routes is infrequent—transshipments, often made at EU & South African ports add to cost and longer shipping time.
Availability of USDA's Credit facility (GSM 102).	A general time-consuming L/C transactions and expensive custom clearance and inspection procedures at Nigerian ports.
Growing Nigerian consumers demanding more varieties of hygiene and nutritious foods.	Limited range of domestic processed foods.
Availability of Supplier Credit Guarantee Program in Nigeria.	Lack of capital.

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 4) HRI firms. Regardless of the option chosen, personal contacts with the market and players often are effective for understanding the specific requirements of the local importer-distributors as well as food processors.

Post advises U.S. exporters desiring to enter the Nigerian market to follow the steps below:

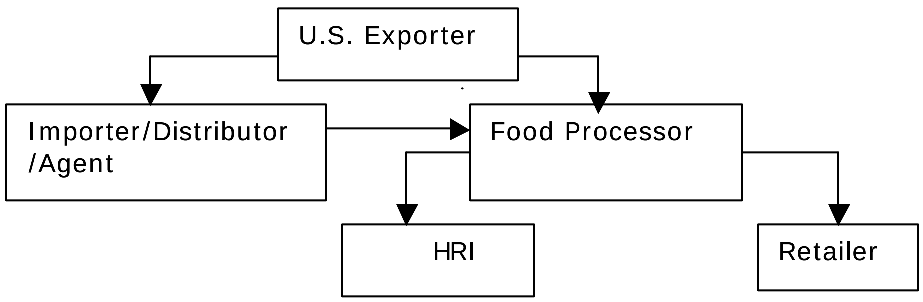
1. Contact the Agricultural Attaché, U.S. Consulate, Lagos-Nigeria for assistance in finding an importer or processor for their products.
2. Directly contact the selected importer with sales catalogs. Product samples could be sent when necessary. U.S. exporters could demand from the prospective buyer a payment for the samples and shipment.
3. Seek the assistance of the Agricultural Attaché in arranging visits to, and in verifying prospective importer information.
4. Identify and sell through brokers and consolidators based in the U.S. who are serving the West African region. Such consolidators usually have better understanding of local practices.

5. Exhibit, especially at trade shows in the U.S. such as SNAXPO, IFT, FMI, NRA and similar trade events that are attended by Nigerian processors/importers and where follow-up contacts can be made.
6. Offer flexible shipping volumes and packaging, indicating readable manufacture date 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 as shown in the flowchart below:

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 their ingredient needs and sell to other local firms.

C. SUB-SECTOR/COMPANY PROFILES:

Company data are difficult to obtain. Industry and AgOffice estimates are utilized in describing the sub-sectors below:

Beer & Stout: Nigeria is Africa's number two beer market following South Africa. Nigeria's per capita beer consumption is 6.5 liters. Market size was 11.1 million hectoliters valued at more than $1.3 billion in 2004. Nigerian Breweries (NB) controls 60 percent (by volume) of the market followed by Guinness, 25 percent and Consolidated Breweries, 9.5 percent.

Nigeria's beer market is projected to grow by four percent per annum until 2010. Increasing spiritualism and health-consciousness among Nigerians will likely result in increased demand for non-alcoholic beer. Consumption of canned beer is also convenient and fashionable among the high- and middle-income beer consumers. Local investors are setting up facilities that will seal beer and other liquid products in imported cans, to meet the needs of these consumers (See Post Report #: NI3022)

Beverage (Food) Drinks: Nigeria's beverage food drink market is estimated at $120 million in 2004. In the cocoa-based category, Nestle and Cadbury share 80 percent of the market with the 'Milo' and 'Bournvita' brands respectively. Nestle controls more than a 90 percent share of coffee-based products with its 'Nescafe' brand. Unilever's 'Lipton' tea brand leads the tea market with a 55 percent share. Beverage bases/pre-mixes, vitamins, nutrients, flavors, etc have significantly become the 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.

Biscuits: Currently, about 300,000 MT of biscuits (produced mostly for the low-income mass market and valued at approximately $280 million) are produced in Nigeria each year. The value of local biscuits was estimated at $70 million prior to the import ban in 2003. The soft wheat market is growing to meet the increasing demand of local biscuit producers. Sumal Foods and Niger Biscuits are the key players in the sub-sector with market shares of 40 and 25 percent respectively.

Bread & Snacks: About 450 million (950 gram) loaves of bread valued at $400 million was produced Nigeria in 2004. The value of snacks consumed per annum is estimated at more than $150 million. Large and automated as well as medium-to small-scale bakeries are being established to meet the increasing bread demand. Snack consumption, especially sausages, grew 52 percent in 2004 over 2003. Bread and sausages are now staple items in the Nigerian breakfast and are eaten throughout the day as the convenience food of choice by the general public.

Confectioneries: Nigeria's confectionery sub-sector is estimated at more than 72,000 MT and valued approximately $180 million each year. Nigeria's confectioneries comprise mainly of hard candy (50%), bubble gum (30%) and toffees/others (20%). Nigeria's confectionery sub-sector had grown 15-20 percent per annum over the last five years. Nigeria lifted the import ban on chocolate in 2005. Chocolate bars are imported with Cadbury and Nestle brands sharing the greater market.

Flour: Wheat flour milling is the largest food processing sub-sector. The Nigerian market has grown from six kilograms per capita in 1995 to 17 kilograms per capita in 2004. Outputs of flour milling activities are estimated at $1.4 billion in 2004. The industry continues to expand due to increased demand for flour-based products (bread, pasta, semolina, meat pies, sausage rolls, etc). Demand for soft wheat is also growing following import bans on pasta and biscuits although more than 95% of Nigeria's wheat imports are Hard Red Winter. Local flour millers increased capacities from 2.2 MT in 2003 to more than 6.0 million MT by the end of 2004. The major sub-sector players include Nigerian Flour Mills and Dangote Flour Mills with capacities of 4,000 tons/day and 3,000 tons/day respectively. (See Post's report #: NI5005).

Fruit Juice / Fruit Juice Concentrate / Fruit Drinks: Nigeria's demand for imported fruit juice concentrate and premix was estimated at 17,000 MT (valued US$50 million) in 2004 from 1,500 MT in 2002 stimulated by the ban on consumer pack fruit juice as well as a lower tariff (10%) on fruit juice concentrate. Domestic fruit juice production was estimated at 270 million liters (valued approximately $400 million) in 2004. Orange, pineapple, apple, berry, and mango are the key concentrate demanded. (See Post's report #: NI4022). Coca-Cola, CHI, Fumman and Danico, are among the dominant players.

Dairy / Milk Powder: Nigeria's diary market is estimated at 240,000 MT worth about $360 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. 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.

Imported milk powder is also the principal input for local **ice cream** production. Nigeria's ice cream market is estimated at 8 million liters valued approximately $20 million. UAC Foods (producing 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 about six million dollars on an ice cream production facility recently. The fast food chains and the numerous small/informal firms are major processors and vendors of the 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 (51%), FAN Milk (23%), Golden Scoope (18%) and others (10%).

Pasta (Spaghetti): Current local spaghetti production is approximately 180,000 MT per annum (valued $250 million). The import ban, changing consumption pattern, increasing demand for more nutritious and easy-to-cook foods; and the more expensive local substitutes, have mostly contributed to the growing demand of domestic pasta products. Pasta production is expected to double by the end of 2005 with the increasing capacities and the entrance of new investors.

Poultry/Red Meat: Poultry meat processing is developing and has grown by over 40 percent per annum since 2002. About 2,000 MT of poultry meat worth approximately $100 million are locally processed. This represents about two percent of total local poultry meat production. 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 resulted in increased demand for ingredients such as spices, sauces, seasonings, colors, etc. UAC Foods (56%); Zartech (24%); CHI (4%); and OFN (3.5%) are the key players for poultry food processing. Best Foods, UAC Foods, UTC, and a few others, are the major red meat processors in the formal sector.

Rice: Nigeria's per capita rice consumption is 30 kg and its rice market is predominantly parboiled long grain rice. About 1.3 million MT of rice valued at more than $300 million, are imported whereas local production is estimated at 2.7 million MT (See Post's report #: NI5005). The GON increased the duty on imported parboiled rice and lowered the tariff on imported paddy rice to 50 percent to encourage local rice processing. Investments in modern rice milling operations are increasing. Demand for imported paddy rice for local processing is also rising. Two Nigerian rice mills with the GON approval to import paddy rice, have installed capacities of 120,000 tons each per year. This is offering export sales opportunities for U.S. paddy rice to local rice millers.

Soft Drinks: The market share of carbonated soft drinks is approximately one billion liters (valued approximately $230 million). Coca-Cola (78 percent) and Seven-Up (17 percent) are the key players in this sub-sector. 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.

Sugar: Sugar is a major input in processing soft drinks, pharmaceuticals, beverages, and in the manufacture of confectionery products. Of Nigeria's 1.4 billion tons National Sugar Requirements in 2004, the food processing industry consumed over 560 million tons (industry source). See Post GAIN report #: NI5004

Table Water: Nigeria is a market for 1.4 billion liters of table water estimated at more than $500 million. The current production is estimated at 500 million liters valued at approximately $180 million in 2004. This has grown at an average of 16 percent over the last five years. Nigeria's table water is predominantly sold in plastic bottles and pouch. Coca-Cola's "Eva" brand (56 percent) and Ragolis (15 percent) are the major players.

Increasing urbanization; inadequate provision of hygienic pipe-borne water in the urban and rural areas; changing lifestyle; increasing health-conscious consumers; etc will likely remain for sometime and will continue to increase demand. (Nestle has proposed to launch the 'Pure Life' table water by the mid 2005).

Vegetable Oils/Fats: Nigeria's domestic vegetable oil production is estimated at 1.3 million MT in 2004 whereas National Consumption Requirements was 1.6 million MT the same year. The difference of about 300,000 MT (18 percent) of total requirements (valued about $220 million), were met by imports. Domestic production comprised palm oil, palm kernel and others (peanut, cottonseed and soybeans oils) contributing 50 percent, 17 percent and 15 percent, respectively. Nigeria's major processors of peanut, cottonseed and soybeans oil types include--Grand Cereal & Oils Ltd and Affcott Ltd sharing approximately 60 percent and 20 percent respectively. Nigeria's domestic oilseed processing is expected to grow at an annual average of five to ten percent in the next five years with the increasing demand for "low and free cholesterol" vegetable oil products. (See Post's Report #: NI5002)

D. SECTOR TRENDS

Nigeria's food processing sector is growing. The growth is influenced by one or more of these factors: 1) GON's protectionist policy 2) A large and growing population (130 million) 3) Increasing health-conscious consumers 4) Increasing Foreign Direct Investment (FDI) 5) The GON's Export Rebate, etc.

The GON's protectionist policy is providing opportunities for Nigeria's food processing sector to expand. Based on industry data, the AgOffice estimates that the sector grew approximately 30 percent between 1999 and 2004. The average industry capacity utilization also grew by approximately 14 percent over the same time period.

Nigeria is predominantly a mass sales market due to 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 carbohydrate 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.

The AgOffice is unable to estimate the total FDI in the sector. Industry sources are reporting an increasing trend. 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 on-going 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% controlling stake; Heineken has also recently acquired 50.05 percent stake in Consolidated Breweries; Tetra-Pak has upgraded its Nigerian office to better serve the growing liquid food packaging in Nigeria; Schwepps is reportedly withdrawing its franchise from Cadbury (Nigeria) for a direct investment; etc. Some multi-national food processing firms also manage medium-large sized operations.

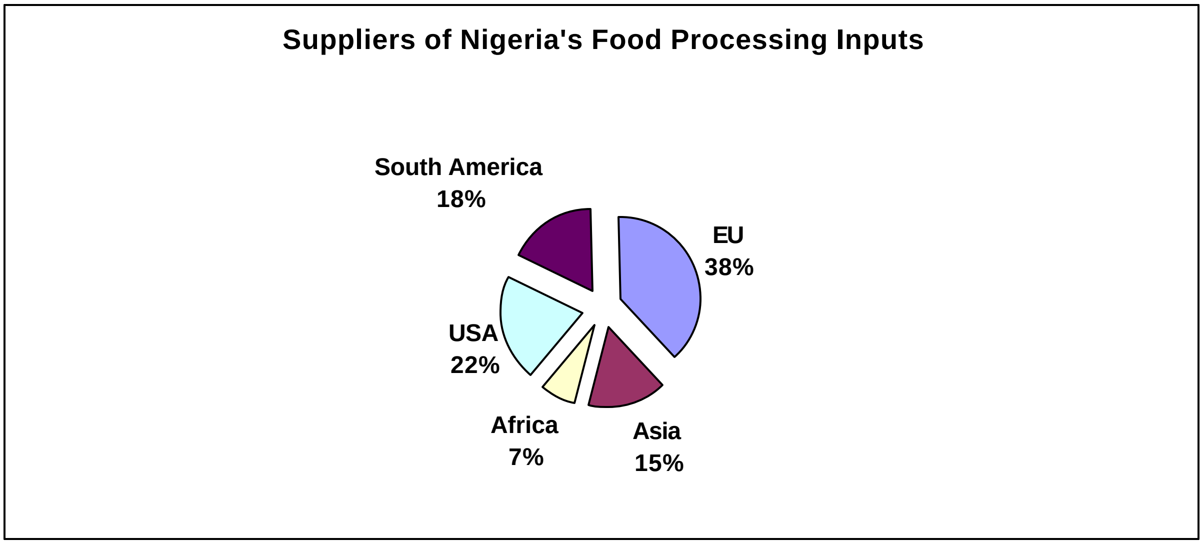
The GON's introduction of a 40-percent rebate on exported local agricultural products [Export Expansion Grant (EEG)] in 2002 is motivating local firms toward improving product quality and packaging, to meet international standards. About 15 large processors (including West

African Milk, Guinness, Nigerian Breweries, Nestle, etc), export to the EU, Asia and other African countries (industry source).

Nigeria's increasing eat-out culture has resulted in the significant growth of the fast food chains. Industry sources estimate the total revenue of fast food operations at approximately $385 million in 2004 and the annual growth rate at an average of 40 percent over the past five years. The trend is assisting in increasing local demand for processed 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. (See Post GAIN report #: NI4023)

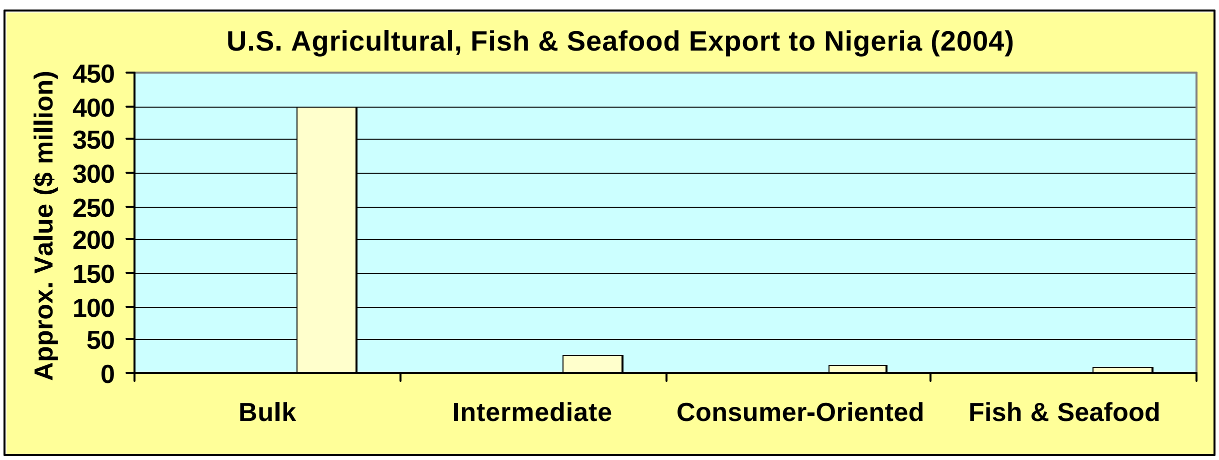
SECTION IV. COMPETITION

Origins and market shares are as indicated in the chart below:



Source: Industry & AgOffice Estimates

US agricultural exports to Nigeria increased to approximately $444 million (mainly wheat) in 2004, up from $322 million in 2003. Analysis of US agricultural exports to Nigeria in 2004 is as follows-- bulk agricultural products ($400 million); intermediate foods ($26 million); consumer-ready food products ($11 million); and seafood ($8 million) as illustrated in the table below:



Source: (http://www.fas.usda.gov/scriptsw/bico/bico.asp?Entry=lout&doc=525)

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

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; etc.

The AgOffice estimates that 65% of inputs used in the food processing industry are imported. The total value of these imports is estimated at $2 billion. Analysis of selected sub-sector ingredients, markets and sizes as well as competition are described as follows:

Beer: Nigerian Breweries (NB) is the only Nigerian brewer producing beer from mostly imported barley and malt; others brew from local maize and sorghum. Heineken, Netherlands is NB's technical partner and a major influence on suppliers of NB's barley and malt requirements. Prospective suppliers are unable to supply at prices lower than Heineken's. Other Nigerian brewers are considering reverting to barley and malt technology due to increasing prices of local maize and sorghum. This is expected to open export sales opportunities for suppliers from other countries; including the USA.

Beverage (Food) Drinks: 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 the essential inputs and are imported. The EU firms are also, 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 higher and the logistics of buying directly from the U.S. firms are also, difficult. About $1.4 million worth of U.S. intermediate sugars, sweeteners and beverage bases (an increase by approximately 48 percent compared to 2003) were exported to Nigeria in 2004. 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.

Biscuits: 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 10 percent and are imported from the EU (50%), Asia (40%) and others, including USA (10%). The intermediate inputs are imported bulk, raw materials that are processed locally.

Bread & Snacks: Wheat flour is the major input for bread and snack products and is 100% purchased from local sources. More than 90% 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, USA, etc. Consumption of meat-filled sausages is growing in Nigeria but the market is constrained by the import ban placed 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 at times, supply is limited.

Confectioneries: Major inputs for Nigeria's confectionery products comprise of sugar (50%), raw material base (45%) and additives (5%). Additives including colors, flavors, etc constitute 15 percent value of total inputs and, are mainly imported from Germany, UK, Swiszerland, 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 indicated that local manufacturers see U.S. flavors as of higher quality.

Dairy/Milk Powder: 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 ice cream market are met through: 1) imported ice cream [45%], 2) Domestic products [45%], 3) Soft-Serve [10%]. Imported ice creams originate mostly from the EU and U.S. Local ice cream is produced for the mass market with the following inputs: 1) Imported milk powder (mostly from Denmark and United Kingdom), [45%]; 2) Fat and water, [45%]; 3) Flavors, Colors & Additives (mostly from the EU and Asia), [10%].

Fruit Juice Concentrate & Pre-mixes: Nigeria's demand for fruit juice concentrate and pre-mixes is met from suppliers in South Africa (45%), the EU (30%), South America (10%), and others (including the U.S.A.). Dollar devaluation with the keenness of Nigerian manufacturers to utilize U.S. inputs offers competitive advantage to the U.S. suppliers. (See Post's report #: NI4022).

Rice: About half of Nigeria's rice requirements (approximately 2.2 MT) are imported. Nigeria's major rice suppliers are Thailand (60 percent), India (30 percent) and USA (nine percent). Nigerians consider U.S. rice as premium quality rice but their prices are higher whereas price is the primary competitive factor. The GON recently increased the (CIF) price for assessing the 100% import duty on imported parboiled rice from $230 to $365 per metric ton for Thai rice and, from $205 to $330 per metric ton for Indian rice. Thai (#1) and U.S. (#2) at $284 and $345 per ton, respectively have helped to increase the competitiveness of U.S. parboiled rice – it is about 20 percent more expensive compared to 70 percent before the recent increase.

Investments in modern rice milling operations are also increasing. Local paddy production is inadequate and demand for imported paddy rice is expected to increase. Thailand does not permit paddy rice exports whereas U.S. paddy sells at $170 per tom (fob gulf) compared to $190-$220 per ton for domestic and Indian paddy. Prospects are high for the export of U.S. paddy to Nigeria.

Sugar: Nigeria's major supplier of raw sugar is Brazil. The percentage of raw sugar imports has been steadily increasing since the establishment of a private-owned sugar refinery in 2000. About 60% of total sugar imports entered the country in raw form in 2003, up from zero level in 1999. Local sugar processing will increase significantly with the privatization of government-owned sugar companies. With the recent tariff increase on refined sugar to 40%, U.S. beverage bases and sweeteners could provide the local food and beverage manufacturers with low-cost substitutes for sugar.

Table Water: Raw material for table water is basically water from local sources processed pure for human consumption. Water packaged in pouch accounts for 68 percent of total commercial water and is consumed by the low-income group. Bottled water and flavor water/drinks are banned for imports into Nigeria. Bottled water manufacturers are beginning to offer flavored, colored, sweetened and fortified water in plastic bottle packaging. This is also providing the U.S. nutrients and beverage bases suppliers with huge export sales opportunities.

Vegetable Oil: About 300,000 MT of vegetable oil consumption valued at approximately $220 million is met by imports despite import ban on bulk vegetable oil. Palm oil and palm kernel oil are mostly imported from Malaysia and Indonesia (See GAIN Report #: NI5002). Local processors of edible vegetable oil seek higher quality flavors, nutrients and processing agent to produce for export and domestic markets. The U.S. suppliers also, have opportunity to sell flavors and other additives in this sub-sector.

Wheat Flour: Nigeria's wheat flour milling is of significant importance to the U.S. Imported Hard Red Winter wheat is the sub-sector's major input. The U.S. HRW wheat accounted for about 97 percent (valued over $388 million) of Nigeria's total wheat imports and considered the best quality by Nigerian millers. The demand for durum wheat has continued to grow, to meet the increasing demand by biscuit manufacturers. The marketing efforts of the U.S. Wheat Associates are assisting in maintaining the dominant market share for the U.S. wheat. Canada, the EU and Argentina are the principal third-country competitors.

The table below provides some information about Nigeria's major imported inputs:

Food Processing Ingredient Suppliers						
Input	**Market Size** (MT)	**Domestic Prod-uction** (MT)	**Import** (MT)	**Import Value ($M)**	**Imp. Duty (%)**	**Origin**
Barley/ Malt & Hops	N/A	N/A	N/A		35 25	UK, France, Germany, USA
Major Suppliers Advantages over the U.S: Nigerian Breweries reportedly often buys from technical partner (Heineken); Other suppliers hardly beat Heineken's prices.						
Ethanol	150,000	2,000	133,000	85	30	South Africa, Brazil, Spain
Major Suppliers Advantages over the U.S: Higher quality Brazilian products sold at lower prices. South Africa's proximity and aggressive marketing.						
Fruit Juice Concentrate & Pre-mixes	85,000	2,000	17,000	50	10	South Africa, EU, South America, U.S.A
Major Suppliers Advantages over the U.S: Lower South African prices and freight; Market proximity and better contact/market understanding by the EU and South Africa; High quality of EU products sold at competitive prices. Local production is grossly insignificant.						

Food Processing Ingredient Suppliers (Continued)						
Input	**Market Size** (MT)	**Domestic Prod-uction** (MT)	**Import** (MT)	**Import Value ($M)**	**Imp. Duty (%)**	**Origin**
Milk Powder	240,000	300	200,000	360	5	The EU (Netherlands, Denmark, UK), USA
Major Suppliers Advantages over the U.S: Local production is insignificant; Lower EU prices; and strong control of the Nigerian market by Royal Friesland Milk (Netherlands) via partnership with Nigeria's WAMCO; etc						
Nutrients/Flavors/ Beverage bases/Additives	50,000	N/A	16,000	20	18	EU (Germany), Asia, USA, etc
Major Suppliers Advantages over the U.S: Lower prices of Asian products; Proximity of the EU firms and their better knowledge and understanding of the Nigerian market; relatively lower freight for shipments from the EU and Asia, etc						
*Rice	4.0 Million	2.7 Mil.	+1.3 Mil.	300	50	Thailand, India, USA
Major Suppliers Advantages over the U.S: Thailand does not export paddy rice. U.S. paddy is expected to be competing with the more expensive and inadequate domestic paddy.						
**Sugar	1.4 Mil.	730.00	300,000	336	40	Brazil, EU, Guatemala, etc
Major Suppliers Advantages over the U.S: Products' high quality and availability and competitive prices; better market knowledge; etc. Increasing prices are expected to also create demand for U.S. sweeteners/sugar substitutes.						
Salt	600,000	375,000	225,000	16	20	Brazil, Tunisia, Namibia, Eritrea & Senegal
Major Suppliers Advantages over the U.S: Lower prices and freight; better market knowledge and a willingness to trade with Nigerian firms; etc						
Wheat	2.46 Mil.	60	2.4 Mil.	660	5	USA, Argentina & Canada
Major Suppliers Advantages over the U.S: USA controls more than 90% market share; Hard Red Winter (HRW) wheat from the U.S. is the most preferred by local millers; Marketing activities and aggressiveness of the U.S. Wheat Associates in Nigeria.						

(*) Tariffs on consumer-ready rice and paddy rice are 100% and 50% respectively
(**) Tariffs on consumer-ready sugar and raw sugar are 40% and 5% respectively
(+) Potential paddy rice import

Source: Industry

SECTION V. BEST PRODUCT PROSPECTS

A. Products with Good Sales Potential

Bulk	Intermediate	Processed
Barley and Malt Edible Fat Raw Sugar Refined Sugar Vegetable Oil Wheat**	Corn Starch Ethanol Fruit Juice Concentrates, pre-mixes & syrup Ice Cream Pre-mixes Milk powder Nutrients & Additives	1) Baking mixes, Yeast & Baking Powder 2) Jam & Jellies 3) Mayonnaise 4) Salad Dressing 5) Salt 6) Sauces, Spices 7) Tomato Ketchup, etc

**** Wheat flour is banned for import**

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

Paddy rice; beverage bases & Nutrients (including Flavors, Beverage Bases, Additives); fish flavor; egg powder; processed foods; ready-to-heat & microwave-able foods and meals; products that are packaged for longer shelf life without refrigeration; etc.

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

1. Poultry/red meat
2. Vegetable oil and fats
3. Corn

SECTION VI. POST CONTACT AND FURTHER INFORMATION

Agricultural Affairs Office
American Consulate
2, Walter Carrington Crescent
Victoria Island, Lagos-Nigeria
Telephone: (234) 1 261-3926, 775-0830
Fax: (234) 1 261-3926
e-mail: aglagos@usda.gov
Website: http://www.fas.usda.gov/
See Post reports #s: NI4015 and NI4019

Dr. Dora Akunyili
Director-General
National Agency for Food & Drug Administration & Control (NAFDAC)
Plot 204, Olusegun Obasanjo Way
Wuse Zone 7
Abuja-Nigeria
Telephone: (234) 9 234-6383, 234-6405-6
Fax: (234) 9 269-5163, 234-8382
e-mail: nafdac.lagos@alpha.linkserve.com
Website: www.NAFDAC.org

Comptroller-General
Nigeria Customs Service
Customs Headquarters
3-7, Abidjan Street
off Sultan Abubakar Way, Wuse Zone 3
Garki-Abuja, Nigeria
Tel: (234) 9 523-6394, 253-4680
Fax: (234) 9 523-6394, 523-4690

Mr. Remi Adegboyega
The Executive Secretary
Association of Food, Beverage & Tobacco Employees
Elephant Cement House (6th Floor Wing A)
ASSBIFI Road, Alausa, Ikeja
Lagos, Nigeria
Tel: 234-1-7741624/5
Fax: 234-1-288-2564
E-mail: afbte@yahoo.com

APPENDIX I:

Analysis of Sub-sector categories, components, outputs and suppliers

Sub-sector Category	Sub-sector Components	**Output ($ Mil.)**
Flour	Wheat	1,400
Vegetable Oil/Fat	Palm oil/fat; palm kernel oil/fat; others (soybean, peanut, cottonseed) oil/fat; margarine, etc	1,200
Alcoholic Beverages	Beer, stout, wine, spirits & other liquor	1,200
Non-Alcoholic Beverages	Fruit juice & drinks; soft drinks; table water; flavored water; food drinks; malt drinks & others.	1,100
Bread/Snacks	Bread, snack foods, sausages, cakes & other flour-based products	550
Rice	Paddy rice milling	500
Dairy	Milk (evaporated, powder & condensed); ice cream; & yoghurt	360
Sugar	Sugar refining	300
Biscuits	Crackers, digestive, malted, cabin	280
Pasta	Spaghetti/Noodles	250
Confectionery products	Hard-boiled candy, bubble gum, toffees, chocolate, etc	180
Others	Red & poultry meat processing, salt, seasonings, sauces; etc	180
Total	N/A	7,500

Source: Industry/AgOffice Estimates

APPENDIX II:

Nigeria's food products and ingredients

Products	**Ingredients**
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, guargum, 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