



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/22/2003

GAIN Report #NI3022

Nigeria

Product Brief

Nigerian Beer Market

2003

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Report Highlights:

The GON has added beer to the growing list of food items banned for imports, effective July 1, 2003. Notwithstanding the ban, we have prepared this report to highlight Nigeria's market potential for beer, hoping that the ban will be lifted in due course. Despite its relatively lower alcoholic content, U.S. beer products have market potential based upon consumer's perception of these products as high quality if the ban were lifted. The majority of imported lager beer is retailed in the traditional open markets.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Lagos [NI1], NI

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SECTION I. Market Overview

While Post was in the process of preparing this report in response to a U.S. industry request, the Government of Nigeria (GON) announced a ban on imports of bottled beer, effective July 1, 2003. Local sources suggest that the GON implemented the ban to protect recent new investments in the local brewing industry. Importers of beer in the country are likely to resort to cross-border, undocumented (smuggling) trade to satisfy demand for foreign canned beer products. We have prepared this report in case the ban is rescinded.

Nigeria's beer imports are relatively small, accounting for less than three percent of national demand. However, prospects for U.S. beer exports to the country is attractive based upon consumers' appreciation of U.S. product as high in quality and value. Following is basic information, vital to Nigeria's beer production, consumption and trade:

- Nigeria's population is 120 million growing at three percent per annum.
- Per capita beer consumption is estimated at seven liters.
- Market size is approximately ten million hectoliters and it is projected to increase by 5 percent annually until 2010.
- Demand for beer, both local and imported, increased markedly following the return of the country to democratic rule in 1999 and a marked improvement in economic conditions. Annual sales of beer increased on average by ten percent from 1999 to 2002. About 20 million Nigerians, 16 years and above consume beer, but less than ten percent of them are women.
- Bottled lager and stout are beer types produced and consumed in Nigeria. Currently, domestic beer is not canned. Imported canned beer is fashionable among high-income, upwardly mobile Nigerian beer consumers.
- Stout beer costs twice as much as lager beer and approximately 46 percent of beer consumers drink stout.
- Nigerian consumers prefer beer with comparatively higher alcoholic contents. The alcoholic contents by volume of the locally produced beer exceed seven percent, compared to about five percent for imported products.

Advantages and Challenges:

Advantages	Challenges
Nigeria's population of more than 120 million is growing at an annual rate of 3 percent.	Effective July 1, 2003, the GON implemented an import ban on lager beer. Prior to July 2003, the import duty on beer was as high as 100 percent.
Nigerian consumers view of U.S. branded beer products as high-quality and a generally fast changing lifestyle, including their consumption pattern along the western cultures.	U.S. freight rates are significantly higher than those from the EU and Asian countries.
Per capita beer consumption is steadily increasing, thanks to the air of freedom ushered into the country by the return to democratic rule since 1999.	Infrequent direct U.S. to West Africa shipping routes. Transshipments, often made in the EU and recently in South Africa, result in added cost and longer shipping periods.
About 20 million Nigerians, 16 years and above, consume beer, only ten percent of them are women.	Weak consumer purchasing power, with the average per capita income, estimated at \$350.
U.S. lager beer exporters can use USDA's export credit programs to finance exports to Nigeria to enhance competitiveness	A poor imagery position of Nigerian businesses among U.S. exporters and banks.

SECTION II. Market Sector Opportunities and Challenges**a. Domestic Production**

Nigerian Breweries is by far the largest beer producer in Nigeria, accounting for approximately 60 percent of the total. In 2002, the company produced approximately five million hectoliters of beer. Heineken recently invested \$700 million in Nigeria Breweries. By this investment, Heineken has secured control of Nigeria largest brewer. This is by far the biggest foreign investment in Nigeria in recent years, outside the oil and gas sector. The funds invested by Heineken will be used to build a sixth brewery as well as renovate the company's five existing breweries. The investment is designed to reposition the company to take advantage of the rapid growth in consumer demand for beer. Post gathered that the new production line will on the long-run be used to bottle and/or can Heineken brands in Nigeria.

In addition to the informal Nigerian beer and stout exports, one of the leading manufacturers in Nigeria is exporting a modest amount of bottled beer and stout to Europe, utilizing Nigeria's Export Expansion Grant of 40 percent of the FOB value. The main attraction for Nigerian lager beer in this niche market is the higher level of alcoholic content.

Basic Industry Statistics

2001

2002

2003P

Nigeria's total beer consumption requirement	9.4 Million Hectoliters	10.0 Million Hectoliters	10.7 Million Hectoliters
Overall national beer production	7.8 Million Hectoliters	8.0 Million Hectoliters	9.5 Million Hectoliters
Per capita beer consumption	6.5 liters	7.0 liters	7.3 liters
Imports	180,000 hectoliters	195,000 hectoliters	N/A

Source : Local Industry Sources

Market share of Nigeria's beer market

Company	Market Share
Nigeria Breweries PLC	60%
Guinness Nigeria PLC	25%
Others	12%
Imports	3%

Source :Local Industry Sources

Comparative Price Table

Brand Name	Country	Weight (CL)	Alcohol Content (%)	Retail Price (\$)	Price/Liter (\$)
Star Lager	Nigeria	60	5	0.75	1.25
Gulder Lager	Nigeria	60	7.5	0.75	1.25
Guinness Stout	Nigeria	60	7.5	1.20	2.0
Legend Stout	Nigeria	60	7.5	0.90	1.5
Heineken lager	Holland	33	5	0.9	2.7
Becks Lager	Germany	33	5	0.8	2.4
Castel Lager	S. Africa	33	5	0.70	2.1

Sources: Supermarkets and other retail outlets

b. Imports and Foreign Competition

The Nigeria import market for lager beer is relatively small, however, it is growing to meet the needs of the middle to high income groups. An estimated 195,000 hectoliters, valued at more than \$35 million of bottled beer were imported in 2002. Major imported beer brands in Nigeria are Heineken, Becks, Corona, Carlsberg, Budweiser, Castle and Amstel lager. Heineken beer is the most dominant, accounting for close to 50 percent of Nigeria's lager beer imports. Heineken is imported into the country and distributed by their Nigerian partners;

the Nigeria Breweries. On average, imported lager beer is retailed at double the price of locally produced items.

A large portion of imported beer products enters the Nigerian market through cross-border smuggling to evade the high duty payment. Beer is also imported in mixed containers as well as by several firms holding exclusive distribution rights.

Industry sources indicate that modest competition exists from home-brewed beer in terms of "share of throat" reduction and in providing some alternative enjoyment and pleasure benefits. When the price of lager beer increases, some marginal consumers drop off to home-brewed burukutu, pito and palm wine. Production from the home-brewed beer sector is difficult to measure

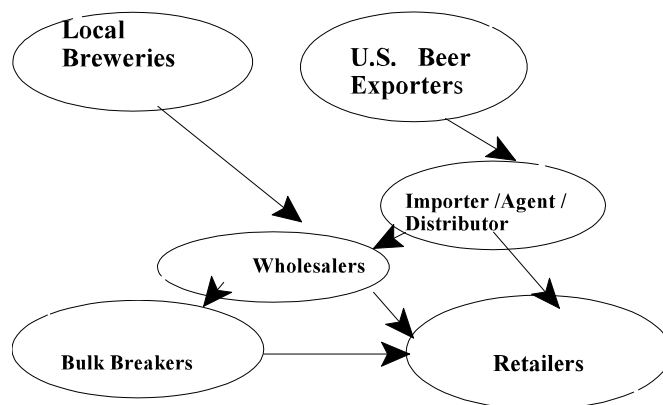
Distribution Channels

There are two broad segments in beer distribution channels in Nigeria, namely: primary and secondary.

Primary distribution is that segment of the marketing chain that is controlled directly by the breweries and importers. This entails direct physical distribution of bottled beer from the breweries and importers to wholesalers. Most breweries and importers use either company-owned trucks or trucks supplied by independent transport companies.

The secondary segment of the chain involves product distribution from the wholesalers to bulk breakers (in some cases), to retailers and to the ultimate consumers. Breweries and importers in Nigeria are developing strategic alliances with wholesalers and key retailers to ensure that products get to the consumers at very reasonable prices. Mini vans are supplied to key wholesalers on a cost recovery basis to ease product distribution and in some cases to eliminate bulk breakers from the distribution chain. Industry sources estimate beer retailers in the country at approximately 500,000. Retail outlets include the traditional open markets, beer parlors and restaurants. Others are the institutional retailers such as the hotels, supermarkets and convenience stores. The traditional open markets accounts for approximately 60 percent of imported beer retail trade. Supermarkets and convenience stores account for about 25 percent, while restaurants and beer parlors account for the remaining 15 percent.

Distribution Flowchart



SECTION III. MARKET ENTRY STRATEGY

When the ban is lifted, new-to-market U.S. lager beer exporters should adopt strategies and tactics which are effective for selling to the traditional market. The challenges are daunting, but the market offers excellent opportunities and prospects of an attractive return on investment. Following are suggested market entry strategies:

- Contact the Agricultural Attache, American Consulate, Lagos-Nigeria for assistance in selecting reputable local distributor(s)/agent(s).
- Visit the country to meet with carefully selected distributors, retailers and other key market operators to better understand the market and prepare a more effective entry strategy. Personal contact with buyers

is essential to initiate the selection of distributors/agents.

- Appoint and motivate local distributors/agents in Nigeria to process certifications with the GON regulatory bodies, introduce the product, and develop consumer demand.
- Offer flexible shipping volumes.

b. Trade Services Available and Events

Prospective U.S. beer exporters to Nigeria should consider using a variety of USDA's marketing tools to effectively distribute their products in Nigeria. These promotional activities could include:

- Participating in FAS/Lagos' sponsored U.S. pavilions in major international trade shows in the country(see NI2019),
- Participating in Post organized in-store promotion in the leading supermarkets across the country. They could also utilize free samples and other forms of direct merchandising for new-to market products,
- Preparing brochures and promotional materials in English,
- Utilizing USDA's export credit programs to enhance product competitiveness in this price sensitive market.

SECTION IV. IMPORT REQUIREMENTS

a. Tariffs and Taxes

Effective July 1, 2003, the GON banned the importation of bottled lager beer. Prior to this time, imports attracted a duty of 100 percent and a five percent value added tax. Other taxes include a port surcharge assessed at 7 percent of import duty and a 1 percent Customs Service inspection charge.

b. Import Certifications

The following regulations govern imported food products, beer inclusive:

- All imported food products must be registered with National Agency for Food and Drug Administration and Control (NAFDAC) to be legally importable. NAFDAC defines food as any "article manufactured, processed, packaged, sold or advertized for use as food or drink for human consumption
- An application form duly completed by the local agent (import) for the registration of the regulated product.
- Foreign manufacturers, must be represented in Nigeria by a duly registered company or individual with the capacity to affect a product recall if necessary.
- NAFDAC considers the local importer to be acting as a representative of the foreign manufacturer. In practice, it is the local representative that handles/coordinates the registration processes for imported foods.
- The Nigerian importer/distributor must file evidence of a Power of Attorney from the manufacturer which authorizes him to represent his principal on all matters relating to the imported product. The original Power of Attorney must be notarized in the country of origin and submitted to NAFDAC.
- Fifteen product samples must be provided to NAFDAC for physical/laboratory analysis and vetting which takes about four to eight weeks. Samples may be shipped by DHL or other express mail and are not subject to standard food import regulations.
- A certificate of manufacture and a certificate of free sale, issued by a competent health authority, a product license or evidence of product registration in the country of origin, and a certificate of laboratory analysis performed in the country of origin must be provided to complete NAFDAC's product registration process.

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/Fax: 234 -1 - 261-3926, 7750830
e-mail:- aglagos@fas.usda.gov
Website:- <http://www.fas.usda.gov>

2. National Agency for Food & Drug Administration & Control

Plot 1057, OFF Moshood Abiola Road
By Oyo Road, Area 2
Garki, Abuja-Nigeria
Tel: 234-9-2346380-3
Website: www.NAFDAC.org

3. Nigeria Customs Service

Customs Headquarters
3-7, Abidjan Street
off Sultan Abubakar Way, Wuse Zone 3
Garki-Abuja-Nigeria
Tel: 234-9-5236394, 2534680
Fax: 234-9-5236394, 5234690