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Nigeria

Retail Food Sector

Report

2003

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Report Highlights:
The spate of GON bans on a number of HVP items, has apparently led to a slight drop in HVP imports compared to last year. According to industry estimates, in 2003, retail food sales will total approximately $14 billion with four percent ($560 million) consisting of imported high value products. Except for some items, processed food products' production in Nigeria remains negligible, therefore, imports are required to meet demand. Due to the uncertainties in the market place, plans for one retailer to add an additional supermarket outlet in Abuja has been suspended. However, smaller retail outlets in the more predominant traditional sector are gradually increasing in number. The majority of Nigerian consumers continue to rely on the traditional sector (wet markets) for their household needs. The traditional sector currently has an estimated 60 percent share of the imported HVP market compared to supermarkets and convenience stores at one and 39 percent, respectively.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Lagos [NI1]
[NI]

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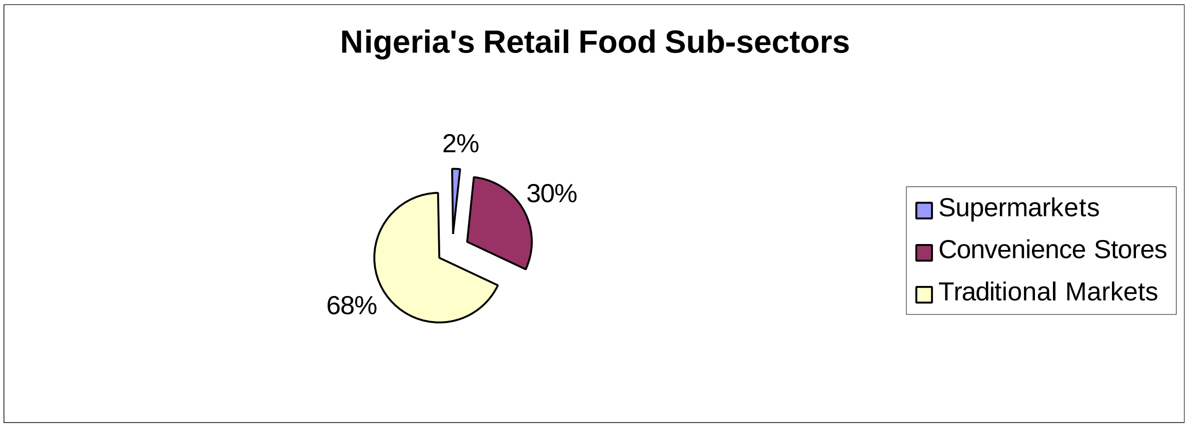
SECTION I. MARKET SUMMARY:

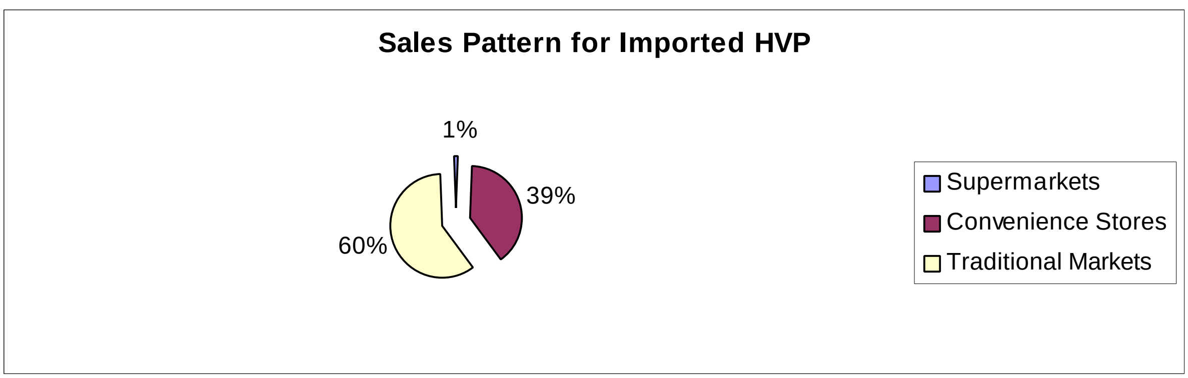
- According to industry sources, retail food sales will total $14 billion by the end of 2003. This consists of: i]. Imported High-Value Foods (four percent), ii]. Partly Processed, Packaged in Nigeria (28 percent), iii]. Totally Processed in Nigeria (10 percent) iv]. Local, Unprocessed Foodstuffs & Staples, including fresh fruits, vegetables, meat, frozen fish, etc (58 percent)

- The retail food sector in Nigeria consists of supermarkets, convenience stores/small groceries, and traditional open-air markets—accounting for approximately two, 30, and 68 percent respectively, of total retail food sales



- The industry estimates retail sales of imported consumer-ready food products handled in Nigeria in 2002, by supermarkets, convenience stores and traditional markets at approximately three, 40 and 57 percent respectively

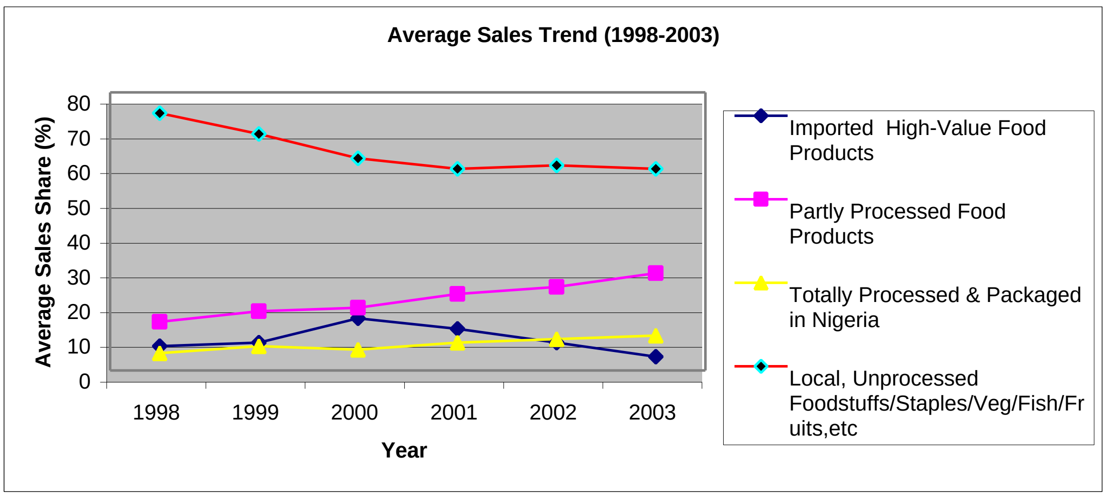
- However, by the third quarter of 2003, industry sources estimate that sales in supermarkets and convenience stores have dropped to a share of one and 39 percent, respectively compared to a 60 percent share in traditional markets. Apparently, the impact of the bans is greater on the first two outlets.



Features Describing Retail Food Outlets in Nigeria

	Supermarket	Convenience Stores	Traditional Markets
Average Size (sq. m)	20-300	15	5-10
Number of Outlets	130	2 million	2,500 (locations)
Market Size Served (%)	2	30	68
Average Annual Turnover ($)	2.8 mil.	7,000	5.6 mil./location
Location	Urban	8:2 (urban-rural)	7:3 (urban-rural)
Stock Level	Full-Line	Limited	Very Limited
Service Method	Self-Serve	1:4 (self-assisted)	Assisted

- The following chart illustrates the sales trend for food products sold in Nigeria's retail sector between 1998 and 2003



- HVP banned imports reportedly continue to enter Nigeria through cross-border smuggling activities and are mainly sold at convenience stores and traditional markets

- Nigerian consumers are price sensitive. Retailers prefer stocking relatively small-sized consumer-ready food products, prepared and packaged for one-time use. Consumer demand for these products is high due to their affordable packages

Suppliers' Pricing Pattern

Description	Domestic	Other Country	U.S. Products
Average retail mark-up (/100)	1	1.17	1.23
Average price ratio (/100)	1	1.30	1.40

Pricing pattern for the retail sector sub-groups

Description	S/Mkts	Convenience Shops	Traditional markets
Retail mark-up (Imports)	1.20	1.10	1
Retail mark-up (Domestic)	1.10	1.05	1

Pricing pattern among retail sector channel members:

Description	Importer	Wholesaler	Retailer	Consumer
Average Price Ratio (/100)	1	20	25	40

Advantages	**Challenges**
Nigeria's population of more than 130 million is growing at three percent per annum	Average per capita income is estimated at $350
A continued massive rural-urban migration increasing demand for imported HVPs	U.S. HVPs are not as readily available and known in Nigeria as HVPs from EU, Asia and South Africa
Nigerian consumers' perception of U.S. HVPs as higher quality items	U.S. freight costs are significantly higher than those from the EU, Asian & South African suppliers
Nigerian consumers readily adapting U.S. tastes and preferences especially for convenience-typed foods and snacks	Direct U.S. to West African shipping routes are infrequent—transshipments, often made at EU & South African ports add to cost and longer shipping time
Increasing local demand for consolidated, mixed containers of grocery products	U.S. exporters are not as flexible about packaging and documentation as their competitors
Increasing female workers and school-attending children	Duplicate inspections and longer clearing time at Nigerian ports
Domestic food processing remains under-developed due to inefficient infrastructure and ineffective policies	GON's import ban on many HVP and high tariffs on HVPs ranging 100-150 percent
Extension of Supplier Credit Guarantee Program to Nigeria	Bad perception of Nigerian businesses in the U.S.
Adoption of NAFDAC's 'Global Listing for Supermarket' items offering relatively low cost, low risk market-entry window for HVPs not banned for imports	A lack of freight consolidators in the U.S. to handle the Nigerian importers' ordering and shipping requirements
The huge Nigerian market also, serves the more than a-30 million market in the neighboring West African countries	Short shelf lives and coded (not readable) 'best before dates' on U.S. HVPs.

SECTION II. ROAD MAP FOR MARKET ENTRY

- The major players for distributing imported HVP in Nigeria are:i) Importer-distributors ii) Agents/Sole Representatives iii) Wholesalers iv) Sub-Wholesalers/Super-retailers v) Retailers

- The importer-distributor is central and the first contact for entry into Nigerian market. The U.S. exporters can follow one or a combination of these strategies to enter the Nigerian market:

  I: (i) Contact the Agricultural Attache at the USDA/FAS office located in the U.S. Consulate at Lagos-Nigeria, to assist in selecting one or more importer-distributors (ii) Directly contact the selected importer-distributor/s with sales catalogs. (Product samples could be sent when necessary. The local importer-distributors usually register for products the GON's food regulatory agency, NAFDAC

  II: Identify and sell through consolidators based in the U.S. who are serving the West African region. Such consolidators usually have better understanding of local practices

  III: Exhibit, especially at the FMI supermarket trade show in Chicago, which is well attended by Nigerian importers and where follow-up contacts can be made

  IV: Offer flexible shipping volumes and small-sized packaging, indicating readable manufacture date and date of expiration

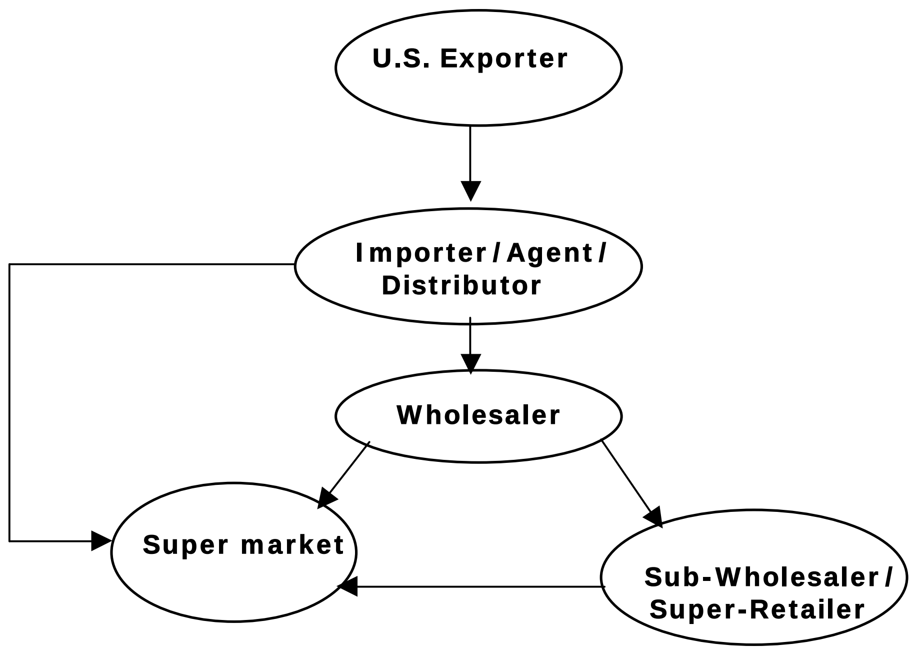
  V: Send sample products and sales catalogs of importable HVP to Post during local promotions of U.S. high-value foods.

MARKET STRUCTURES:

A. Supermarkets:

- An importer may be the U.S. exporter's appointed agent and sole representative. He can act as a local consolidator who sells relatively large quantities to wholesalers

Distribution Flow Chart for Supermarket Market



- The wholesaler sells to sub-wholesalers or super-retailers in large quantities and at discounted prices

- Supermarkets procure goods directly from the wholesalers or local consolidators depending on size and financial leverage

- Importers own most supermarkets in Nigeria. They usually register trading/importing firms distinct from their supermarket operations for sourcing the supermarkets' merchandising requirements and selling to competing retailers

- Supermarkets purchase more than 90 percent of their HVP stocking from importers and wholesalers located in the traditional, open markets

Company Profiles of Major Supermarkets

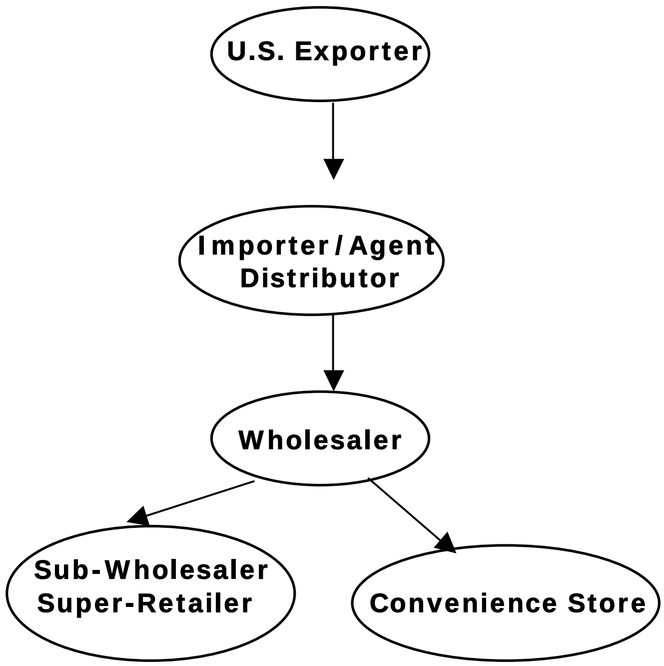
Retailer	Ownership	Sales($Mil)	No. of Outlets	Location(City)	Purchasing Agent Type
Park 'N' Shop	Indian/Resident in Nigeria	15.0	6	Lagos, Abuja & Port Harcourt	Importer-distributor
Goodies	Lebanese/Resident in Nigeria	9.0	3	Lagos	Importer-distributor
Esco	Nigerian	7	1	Warri	Importer-distributor
Bestway	Nigerian	5.5	3	Port Harcourt	Importer-distributor
Chanrai's	Indian/Resident in Nigeria	4.0	2	Port Harcourt	Importer-distributor
BG-Mart	Nigerian	3.0	2	Lagos	Importer-distributor
Legend	Lebanese/Resident in Nigeria	2.8	1	Abuja	Importer-distributor
Amigos	Lebanese/Resident in Nigeria	2.7	1	Abuja	Importer-distributor
Choice	Lebanese/Resident in Nigeria	2.5	1	Port Harcourt	Importer-distributor

B. Convenience Stores/Grocery Shops/Kiosks/Gas Marts

- Convenience shops are including mini-supermarkets, about 500,000 small grocery stores, about 2,000 gas marts, numerous kiosks, and roadside stalls

- Convenience stores have limited capitalization and significant space limitations. Most of these stores buy from sub-wholesalers or super-retailers located in the traditional market. Others, with relatively large capital, buy from wholesalers. I sometimes sell directly to the convenience stores for promotional reasons

Distribution Flow Chart for Convenience



- Kiosks typically are located at prime locations where high sales potential exists and where municipal authorities issue only temporary building permits. They are fewer in number than roadside stalls

- Gas marts are growing rapidly. Their food sales are minimal. Product prices at these outlets are usually markedly higher than charged by other convenience store retailers

- Due largely to poor and irregular electricity supply, less than two percent of convenient stores sell frozen foods.

C. Traditional Markets

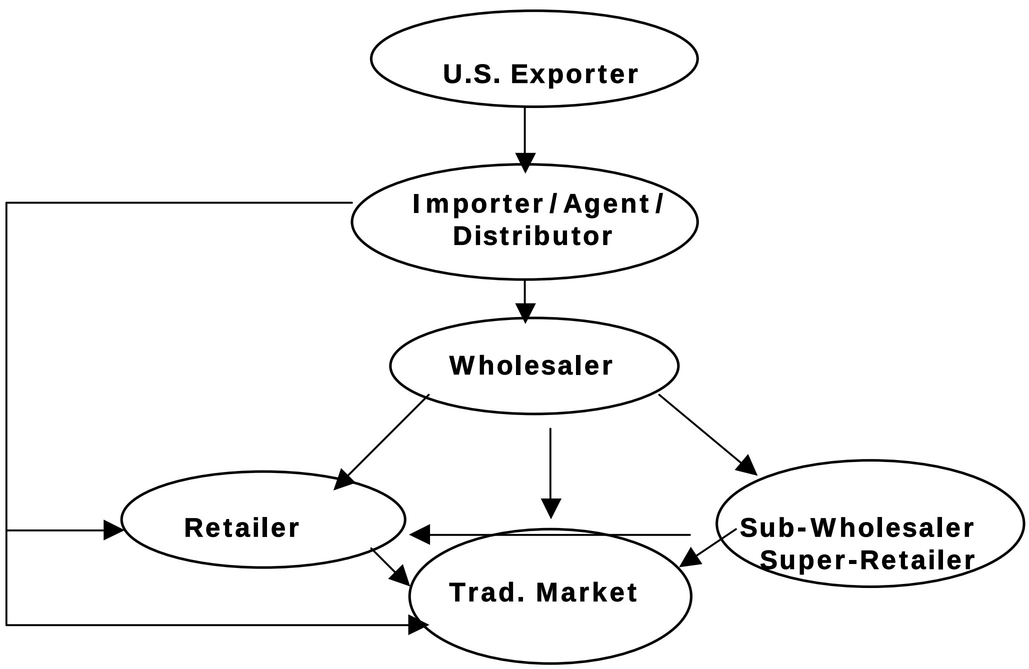
- Retailers buy from sub-wholesalers or super-retailers due to limited capital

- More than 90 percent of imported HVP are sold through channel members located in Nigeria's traditional market

- About 85 percent of all wholesalers, sub-wholesalers and super-retailers are located in the traditional markets

- Product prices are about 20% lower than in alternative retail outlets
- Pricing often is not fixed and ultimate sales price is negotiated on the spot
- More than 98 percent of the local staple foodstuffs, including fresh fruit and vegetables, meat and frozen fish (imported or local), are sold to ultimate consumers at Nigeria's traditional markets
- Retail outlets consist of small stalls clustered in a large grouping under a single roof or open venue
- Promotional activities organized at traditional markets tend to have significant consumer impact

Distribution Flow Chart for Traditional Market



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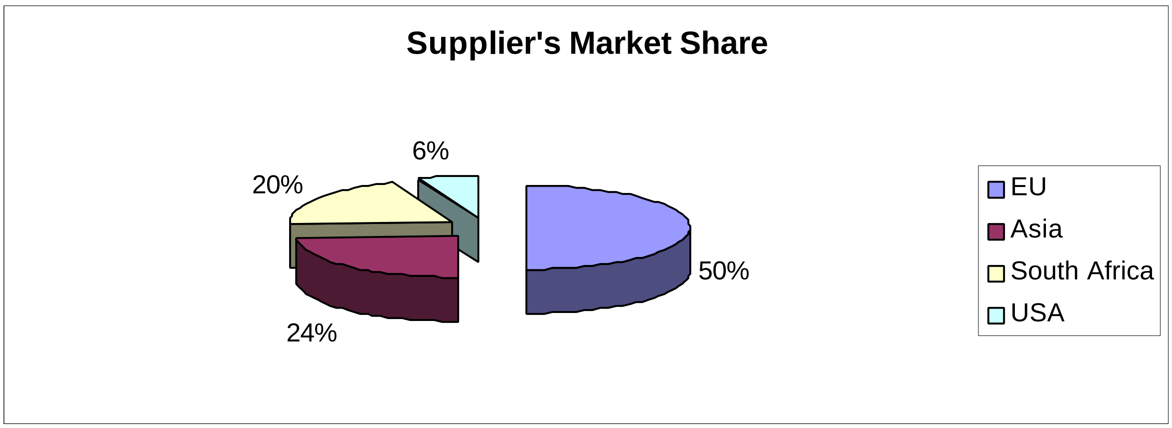
SECTION III. COMPETITION

- Nigeria's domestic food processing is under-developed
    1. Capacity utilization within this sector averages no more than 35 percent
    2. Decaying infrastructure and inappropriate economic policies deter the growth of domestic food processing
    3. Domestic HVP supply, currently at about five percent, will not catch up with the growing and sophisticated Nigerian consumers' demand for HVP, for some time

- Industry estimates put the origin and supply of imported consumer-ready food products in 2002 are as tabulated below:



- The EU together with Asian and South African firms is the dominant suppliers of imported consumer-ready food business in Nigeria

- South Africa, like the EU, has begun an increased bilateral trade promotion with Nigeria. Its market share has, as a result, continued to grow

- Direct presence of the Asian firms, including their personal participation in distributing and promoting their HVP in all the sub-groups of Nigeria's retail food sector, are also assisting them in increasing their market share

- The low U.S. market share is mostly attributed to:
    1. Higher freight charges for shipments from the US
    2. Bad perception of Nigerian firms in the US
    3. U.S. exporters' less responsiveness to the Nigerian importer demands especially, on documentation and product specifications
    4. Lack of awareness of the availability of U.S. products in Nigeria, and
    5. Poor contact between Nigerian importers and the U.S. HVP exporters

- Unique Market Requirements by the Nigerian importers include:
    1. Prefer purchasing mixed containers
    2. Want to minimize shipping costs and, therefore, find the services of freight consolidators in the U.S. to handle their ordering and shipment

3. Anticipate that their foreign suppliers will meet their desire to under-invoice in order to reduce import duty payments
4. Seek also, exclusive distribution agreements from exporters

- Competitor Advantages are including:
  1. Nigerian importers easily and readily employ the services of freight consolidators located in the EU
  2. Nigerian importers find it easier to register subsidiary companies in the EU, Asian and other African countries for sourcing their import requirements
  3. A relatively lower freight on shipments from the EU, Asian and other African countries
  4. Asian firms are receptive to importer demands to especially, compromise on quality, packaging and documentation
  5. Asian firms (their personnel and/or appointed representatives) continuously and even, physically, interact with their Nigerian buyers to obtain essential marketing information.

SECTION IV. BEST PRODUCT PROSPECTS

A. Products with Good Sales Potentials

Breakfast Cereals, including Oatmeal, etc (AAAA)	Milk, Cream, Honey products (liquid or powdered) (AAAA)	Creamers Whiteners Sweeteners (AAA)	Mayonnaise Salad Dressing Tomato Ketchup Sauces (AAA)
Canned vegetables (A) Canned Soups (A)	Spirits, Liqueurs, etc (AAA)	Spices, Coffee, Tea (AAAA)	Herbal products (AA)
Baking mixes including Yeast & Baking Powder (AAA)	Baby Foods, including infant formula, cereal baby food (AAAA)	Powdered beverages, including powdered fruit juice (AAAA)	Bottled Vegetable/ Cooking oil (AAAA)
Canned beef, Fish & Ham (AAA)	Mixed Seasoning (AAA)	Wine, including sparkling wine (AAA)	Jam & Jellies (AA)
Health Food products (AAA)	Roasted Nuts (AAA)	Alcoholic beverages (AAA)	Corn Starch (AAAA)
Packaged rice (AAA)	Ice Cream (AAA)	Potato Chips (AAAA)	Snack Foods (AAAA)

Footnotes:

A======Sales Potential
AA=====High Sales Potential
AAA====Higher Sales Potential
AAAA====Highest Sales Potential

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

I] Egg Powder ii] Products that are packaged for longer shelve life without refrigeration iii] Products in (A) above which are packaged bulky for local re-packaging into smaller units, etc

C. Products Not Present Because They Face Significant Barriers

- Often, legal barriers do not fully affect the availability of food products in the Nigerian market due to cross-border smuggling activities. Importers ship their goods to neighboring countries where they easily enter the Nigerian market by road and, are freely sold

HVP Banned in Nigeria

Confectionery products & Chocolate Products	Flavored Yogurt Drink	Spaghetti and noodles
Fruit Juice Drinks	Fruit juice in retail packs	Biscuits of any type
Non-alcoholic Wines	Table water (sparkling and non-sparkling)	Canned beer

SECTION V. POST CONTACT AND FURTHER INFORMATION

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(Please, Read Post's Exporters Guide Report #: NI3025 and Post's FAIRS report #: NI3006)

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