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FOOD & BEVERAGE INDUSTRY MARKET OVERVIEW

IN NIGERIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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FOOD AND BEVERAGE INDUSTRY

IN NIGERIA

MARKET OVERVIEW

30.10.2020

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2. COUNTRY OVERVIEW

2.1 DEMOGRAPHY

As of January 2020, Nigeria's preliminary estimated resident population (ERP) amounted to 202 million people, an increase of 2.9% since 2018. However, even with the country's diverse geographical area, 50.4% of its population is congregated in urban areas, marking just over half living in capital cities:

1. Lagos: 17.5 million
2. Kano: 9.5 million
3. Ibadan: 3.5 million
4. Abuja: 2.4 million
5. Port Harcourt: 1.1 million

This population consists principally of individuals born in Nigeria, illustrated by the statistic which revealed that as of 2019, only 1.2 million migrants (0.59% of the population) were living in Nigeria. The majority of these immigrants are from the neighbouring Economic Community of West African States (ECOWAS) countries (74%), such as Benin, Togo, Niger, Ghana, and Mali. The small but high-spending contingent of expatriate workers from Europe, the US and (increasingly) Asia, tend to be concentrated in the main cities. Nigeria has a young population with a median age of 18.6 years and a growth rate of 2.53% (for comparison, Belgium's is 0.4%).

Age Structure:

- 0-14 years: 41.7%
- 15-24 years: 20.27%
- 25-54 years: 30.6%
- 55-64 years: 4.13%
- 65 years and over: 3.3%
- Median Age: total: 18.6 years
- Population Growth rate (2020): 2.53%

2.2 ECONOMIC OVERVIEW

In 2019, Nigeria's GDP was USD 104.15 billion (N39.58 trillion) in nominal terms and USD 51.39 billion (N19.53 trillion) in real terms, largely fuelled by oil revenue. Nigeria's economy is relatively diversified with agriculture and trade the largest contributors to GDP and employment. Other strong sectors include telecom, finance and entertainment. However, the government depends on oil for fiscal revenue, while oil income is also by far the largest earner of foreign exchange. The dependency on oil weighs heavily in times like these, when a pandemic and drop in oil income reduce the FX available for imports and government investment. Therefore, and in a continuous effort to further diversify the economy and its oil-driven portfolio, the government is investing more in agriculture and food processing.

The food and beverage industry is essential for the Nigerian economy in both financial contributions and employment terms. In fact, food and beverage processing is Nigeria's largest manufacturing industry. Industry players are diverse in size – from multinationals producing large quantities of fast-moving consumer goods (FMCG) to smaller players with the flexibility to meet the lower middle class and more impoverished populations. The industry is very dynamic and driven by diversity, quality, value, and price.

However, Nigeria is ranked 131st out of 190 economies for ease of doing business according to the World Bank report in 2020. Though there have been improvements in this ranking in recent years, companies still struggle with a myriad of challenges including poor infrastructure, lack of electricity, and changing government policies. For such reasons, food producers in Nigeria have therefore found it difficult to compete favourably with imported products.

At present, the GDP growth rate is 2.9% with its foreign exchange rate at 1USD at ₦380, and 1EUR at ₦430¹.

- With a representation of 26.09% of the GDP, agriculture stands as a major contributor to the nation GDP, alongside, industries (20.27%) and services (53.64%).
- Official cash rate 13.50 % (following recent Monetary Policy Committee (MPC) meeting, retained the rate at 13.50%)

The Nigerian cost of living is among the highest in the world, with a Consumer Price Index (CPI) of USD 322 (in Belgium USD 109). As a practical example, compared to a USD 120 value shopping basket in Nigeria, you can buy the same products in Belgium for just USD 40 (approx. €106 versus €35). This figure is also an indication of the purchasing power of the naira, but also of the fact that Nigeria is import dependent and that the operating environment for companies is imperfect.

The COVID-19 pandemic has led to a sharp decline in oil prices. The rate of inflation has risen, driven by higher food prices and marking the end of the disinflationary trend seen in 2019. Real GDP is nevertheless expected to bounce back to 1.6% in 2021 and average around 2.6% per year in 2023-2027.

2.3 POLITICAL ENVIRONMENT

Nigeria has been a stable democracy since 1999. In 2015, the incumbent president even gave way to the opposition after his first term -the first time in Africa than such a peaceful transition was recorded after just one term in office.

The country is a federation with far reaching powers given to the governors of each of the 36 states. Abuja, within the Federal Capital Territory, is the seat of the federal government which decides on issues such as import policies.

¹ These exchange rates are used throughout the document. However, the exchange rate is highly volatile and there are various exchange rates applicable. Therefore, these rates are for reference only.

Nigeria has been a member of the WTO since 1 January 1995. Nigeria ratified the WTO Trade Facilitation Agreement on 20 January 2017 and the amended WTO Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 (TRIPS) Agreement on 16 January 2017.

Nigeria also signed a Joint Declaration on Cooperation with the European Free Trade Area (EFTA) on 12 December 2017 in Buenos Aires, on the margins of the 11th WTO Ministerial Conference. This Declaration sets the framework for Nigerian trade agreements with EFTA states.

Nigeria is a member of the African Continental Free Trade Area (AfCTA). This agreement is to establish a single market for goods and services across 54 countries, allow the free movement of business travellers and investments, and create a continental customs union to streamline trade and attract long-term investment. Full implementation of the agreement will take some time as negotiations covering trade, dispute settlement, investment, competition policy and intellectual property rights will have to be completed.

2.4 BILATERAL TRADE AGREEMENTS

Nigeria has bilateral investment agreements with 31 countries including Belgium, 15 of which are in force. Belgium and Nigeria have maintained diplomatic relations since 1960. The ties between Nigeria and Belgium have intensified since the transition of Nigeria to democracy. The country also has double tax treaties with 13 countries and is a signatory to 21 investment-related instruments, and nine memorandum of understanding agreements.

Belgium maintains an embassy in the federal capital of Abuja: www.nigeria.diplomatie.belgium.be
The Nigerian embassy in Belgium is located at the Avenue de Tervuren 288, 1150 Brussels. (tel: + 32 2 762 52 00).

3. THE FOOD & BEVERAGE INDUSTRY IN NIGERIA

3.1 OVERVIEW

According to data from the World Trade Organisation, Nigeria ranks as the largest foodstuff market in Africa, with both significant investment in the local industry and a high level of imports. Nigeria is the leading consumer of rice in Africa and the second largest globally.

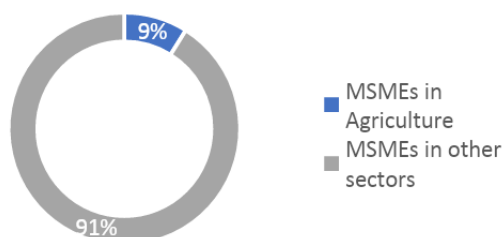
According to the FAO, fisheries is another significant sub-sector, accounting for 3-4% of the GDP, but 60% of the fish consumed is imported. The food and beverage sector is about 22.5% of the manufacturing industry, generating an estimated 1.5 million jobs and 4.6% of the country's GDP.

About 88% of Nigeria's top food and beverage companies are headquartered in Lagos State, with Ogun State, Osun State and Oyo State (all in the South-West region) increasingly housing manufacturing sites. 60% of the companies are in the food sub-sector, while 28% are in the beverage sub-sector. Spending on food in Nigeria was estimated at almost USD 44 billion in 2017.

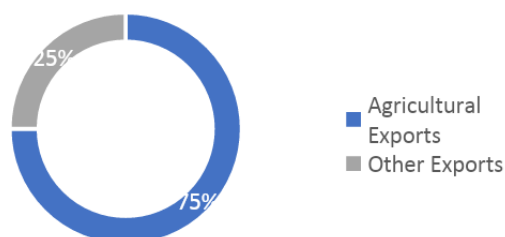
3.2 FOOD & BEVERAGE VALUE CHAIN IN NIGERIA

Agriculture

According to FAOSTAT, Nigeria has 70.8 million hectares of agricultural land, of which 37m ha is arable. The arable land comprises small, medium and large levels of farming in which the smallholders dominate the agricultural and livestock production landscape through their cultivation of (mainly) rice and cassava. In addition to these commodities, the smallholders also keep cattle, small ruminants, and poultry. With almost 100 million people actively involved in subsistence farming and contributing 21% of the GDP, it can be inferred that Nigeria is, quintessentially, an agrarian economy that slowly develops food manufacturing and service sectors.



8.9% of 37m micro-enterprises in Nigeria are in agriculture (KPMG, 2019)



Agriculture contributes 75% to non-oil exports (KPMG, 2019)

Crops

Crop production in Nigeria accounts for 88% of the total agricultural industry size. It is the primary driver of agrarian sector output, contributing an average of 90% to the overall agricultural sector output between 2012 and 2018, and growing at a CAGR of 3.6% over the same period.

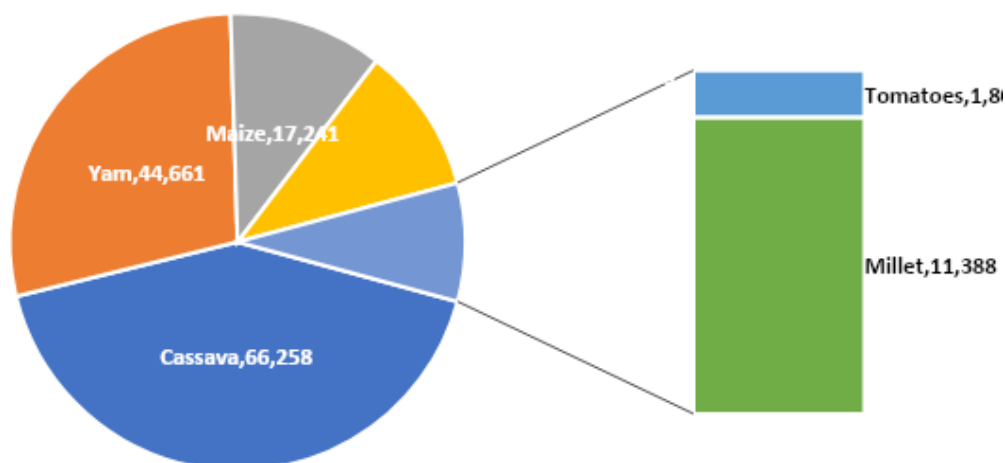
Crop production includes the production of cash crops (cocoa, rubber, etc.) and staple foods (Rice, Maize and Cassava) in a landmass of 82.0 million hectares out of the total landmass of 92.4 million hectares. Nigeria is the largest producer of cassava, yam and cowpea in the world. Other significant crops include groundnut, palm oil and cocoa.

With regards to specific crop production in the varying regions of the country, grains such as millet and wheat are found in the Northern part of the country while cassava, yam, and rice are popular in the Southern and South Western parts of Nigeria.

Top 5 Agricultural products - Production in (1000 tonnes)

Cassava	Yam	Maize	Sorghum	Tomatoes	Millet
66,258	44,661	17,241	16,360	1,800	11,388

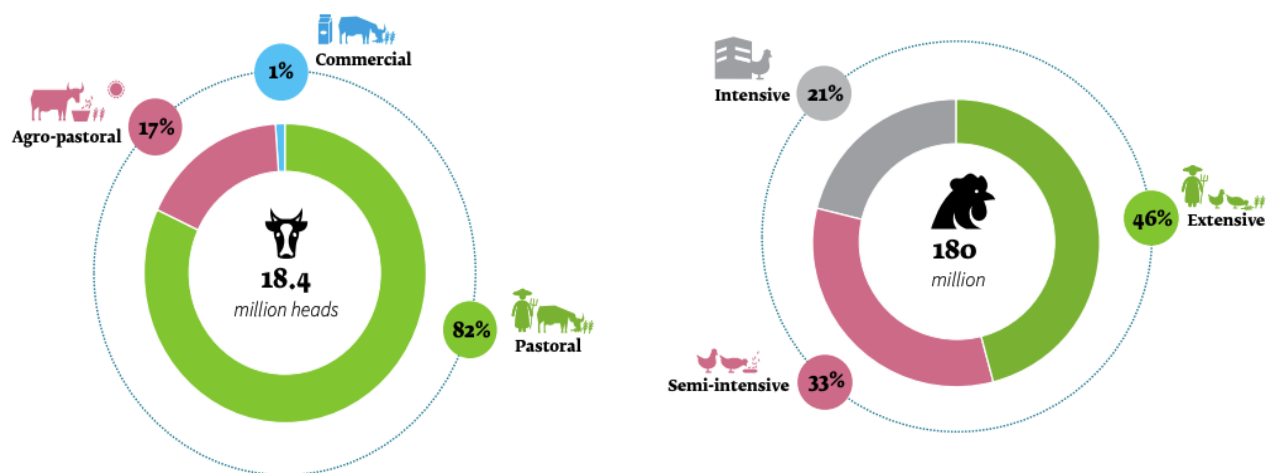
Nigeria is the largest producer of cassava globally, cultivating about 50 million metric tons per annum from an arable landmass of about 3.7 million hectares. Nigeria's cassava production also accounts for up to 20% of the world's cassava and about 34% of Africa's cassava.



Top 5 Agricultural products - Production in (1000 tonnes) PWC, 2019

Livestock

Livestock development is an essential component of Nigerian agriculture with huge economic potential. About 60% of the livestock population is found in the country's semi-arid zone and mostly managed by pastoralists. In addition, livestock represents around 1.7% of the national GDP and about 9% to agricultural value-added. Recent estimates indicate that Nigeria's national herd comprises 18.4 million cattle, 43.4 million sheep, 76 million goats, and 180 million poultry. Domestic production of livestock is considered far below the needs of the country.



Cattle

In Nigeria, cattle milk production amounts to 585 000 tonnes of milk per year that only covers 40 percent of the demand (ASL 2050, 2018). Reports from the FAO have stated that there are about 18.4 million heads of cattle that are predominantly managed in vast herds by semi-sedentary and transhumant pastoralists.

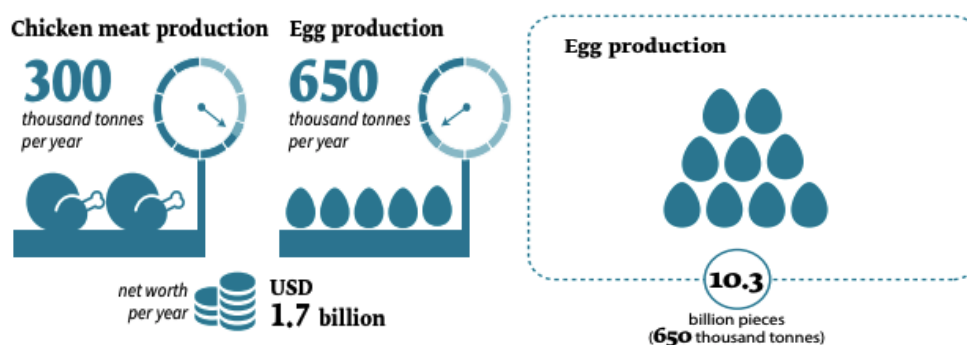
There are three cattle production systems in Nigeria:

- the extensive or pastoral system (82%)
- the semi-intensive or agro-pastoral system (17%)
- the intensive or commercial system (1%)

Poultry & Eggs

With an estimation of 42% of the Nigerian population owning Livestock, poultry and eggs represent one of the popular commodities within the food industry. The Nigeria poultry industry can be divided into three production systems; the extensive or free-range system (46% of the standing population), the semi-intensive (33%), and the intensive systems (21%).

The total annual production of poultry meat and eggs is estimated at 300 thousand tonnes and 650 thousand tonnes respectively (FAO, 2019).



Food Processing

Nigeria's food processing sector remains underdeveloped despite considerable market potential. At present, the country depends on imports to meet its demand for quality processed foods. The typical Nigerian crops that are processed include rice, cassava, yam, maize, oil palm, guinea corn, and groundnut as well fruits and vegetables such as plantain, banana, oranges, mangoes, pawpaw, cashew, and carrot, etc. The country's processed food industry is expected to grow by several tens of billions of dollars by 2050.

Milk Production

The aggregate demand for milk and dairy products is estimated at 1.3 million tonnes, out of which only 0.5 million tonnes are covered by domestic production. Consequently, 1.3 billion USD is spent annually on the importation of milk products. Dairy production is mainly subsistence-oriented, and milk production per cow per annum is about 213 litres.



Meat Processing

The processed meat industry is far from mature and is expected to continue to see potential growth in retail volume and value sales in 2020. This growth is driven by growing urbanisation, an increase of work-informal environments, and an associated need for convenience food.

For meat in particular, N1.19 trillion was expended on meat in 2019 and total meat production in 2018 reached 1,451,207 tonnes, representing an annual growth rate of 2.79%. Sales of processed meat and seafood are also expected to be driven by the growth of new grocery retailing in Nigeria, such as supermarkets chains and local shops, along with an increase in middle-income consumers who shop in these stores. Production is estimated to increase by 159% for small ruminant meat and 233% for beef, with annual growth rates of 2.8 to 3.5% respectively, a direct result of larger animal population and improved productivity. Products such as frozen processed poultry are currently restricted from import and mostly smuggled into the country.

Seafood Processing

Nigeria's seafood industry, which is estimated at about \$1billion, still remains largely untapped as low technical knowhow and weak cold chain infrastructure have continued to hinder investments. By way of illustration, the total fish demand for Nigeria based on the 2014 population estimate of 180m was 3.32m Metric tonnes. At the same time, the domestic fish production from Aquaculture, Artisanal and Industrial fisheries for 2014 was 1.123m. Shrimps and prawns in particular have an inshore production of 17,654 metric tons annually.

Local businesses have developed a strong distribution value chain, allowing SMEs to deliver live or frozen catfish and tilapia products to their destinations. Over 30% of Nigeria forms a suitable market. According to the NBS, the average price of Titus fish in August 2020 was N 1022.70 (USD2.69) per kilogram. Highest price was recorded in Delta state - N 1354.43 (USD 3.56) and the lowest price in Osun state - N745 (USD 2).

Nevertheless, international manufacturers and brands dominate processed seafood in Nigeria as the products are primarily imported by local franchise holders and manufacturers' representatives in the country. Using sardines as an example, manufacturer Unimer Group continues to lead processed seafood in value terms in 2020. The company benefits from the popularity of the 'Titus' canned sardines' brand, which has been available in Nigeria for many years. International brands are disadvantaged by high tariffs on imported brands and restrictions on products imported into the country.

Fruits & Vegetables

International manufacturers and brands dominate processed fruit and vegetables in Nigeria. As with other products, such as processed meat and seafood, the products are mostly imported by local distributors and in-country representatives for the manufacturers. However, processed fruit and vegetable sales are expected to decline in 2020 as consumers opt for fresh, home-grown substitutes. This decline is expected because many expatriate workers have exited Nigeria during the COVID-19 crisis.

With most processed fruit and vegetables not being essential to cooking in the country, a decline in retail volume and value growth is forecasted, due to the depreciation of the local currency. Fresh fruit

and vegetables are expected to continue to dominate the market and will drive growth in the period after the pandemic. Consumers tend to prefer shelf-stable products to frozen products, due to the belief that they are inherently more nutritious.

Kraft Heinz Co continues to lead the value share of processed fruit and vegetables in Nigeria, although it has seen slow growth. The company benefits from Heinz's brand popularity, which has an established base in Nigeria and is widely available. However, the company has seen a decline in its share price in 2020 due to increasing competition in the industry. Its products are generally placed towards the premium end of the price spectrum and as such, have suffered negatively due to the global pandemic and a weakening economy.

Milling

There is a tendency for millers to purchase equipment made in Nigeria as the imported equipment stands at a much higher price point. However, most commercial millers purchase equipment from Europe, as they are not satisfied with the efficacy of the equipment manufactured in Nigeria. The most significant players in the food processing sector are Dangote, Honeywell, Olam, Crown Flour Mills, Tolaram Group, and BUA).

The Nigerian milling industry as a whole operates as an oligopoly. Flour Mills of Nigeria (FMN) stands as Nigeria's largest flour miller, as well as being the world's second-largest flour miller. It is the country's largest importer of Soft Red Wheat (SRW), Hard Red Winter (HRW), and Hard White (HW) wheat types. Dufil Nigeria Limited is another milling company of notable worth. In an effort to further consolidate the milling industry, Dufil acquired Standard Flour Mills, Pure Flour Mills, and Valleumbra Flour Mills, combining them into a significant HRW importer. Other notable players in the industry include Dangote, Honeywell, Olam International (which acquired Crown Flour Mills and BUA), and the Seaboard Group. Seaboard's Life Flour Mill in Sapele has 1,200 MT/day milling capacity, specializing in bread flour and semolina. Furthermore, there is projected growth in the industry with Honeywell's commissioning of a 350,000 MT/day mill near Lagos (population 13.4 million) and the construction of a flour mill in Port Harcourt which is due to be commissioned before the end of 2020.

Pasta

Nigerian pasta consumption is growing, accounting for about 15 percent of wheat flour usage, up from virtually zero in 1999. Flour Mills of Nigeria (FMN) pioneered pasta production in 1999; since then, it expanded pasta production capacity from 40,000 MT (1999) to 350,000 MT (2019). Dangote similarly expanded its milling capacity from 15,000 MT/year in 2000 to a total installed capacity of 800 MT/day. Other significant players in pasta production include Honeywell Flour Mill and OLAM/Crown Flour Mills. In 2008, the government did lift this tariff as the local manufacturing industry took off.

Bread

In partnership with Flour Mills of Nigeria (FMN), Leventis Bakery is Nigeria's sole surviving mass-scale bread producer. Leventis and Flour Mills of Nigeria (FMN) have installed new silos at their Lagos plant. Lagos state counts with more than 18,000 small- to medium-scaled independent bakery operations, retail in-store bakeries, and informal baker/entrepreneurs. Competition from these bakeries, combined with

The high production costs, has forced many automated bakery plants out of business. Bread demand in Nigeria remains elastic.

Biscuits

Biscuit manufacturing took off in 2003, with the government's introduction of a 100 percent tariff on imported biscuits; 2008 saw these tariffs eliminated. In 2020, Nigeria is Africa's largest manufacturer of biscuits. According to sources, the biscuits industry grew 2% between 2004 and 2009; and by 10% in 2012. This growth has now levelled off in the past three years. Nigeria's leading biscuit manufacturers include OK Biscuits (OLAM International), Yale Biscuits, Niger Foods, Beloxxi Biscuits, and Energy Foods. Beloxxi, makers of the Cream Crackers brand, had in 2017 received an investment of about USD80 million from a group of private equity investors led by a rock star, Bob Geldof.

3.3 FOOD IMPORTS

Food processing in Nigeria is underdeveloped due to poor infrastructure (power, water, roads) and high operating costs. As a result, the country remains dependent on imports to meet the demand for quality processed foods. In 2018, food imports for Nigeria represented 10.9% of the total merchandise imports. Nigeria is a substantial net importer of agricultural products, with total imports of over USD 5.81 billion (N2.21 trillion) in 2018. Imports are dominated by bulk/intermediate commodities such as wheat, rice, sugar, frozen fish, dairy products, vegetable oil, and other medium and consumer-oriented products.

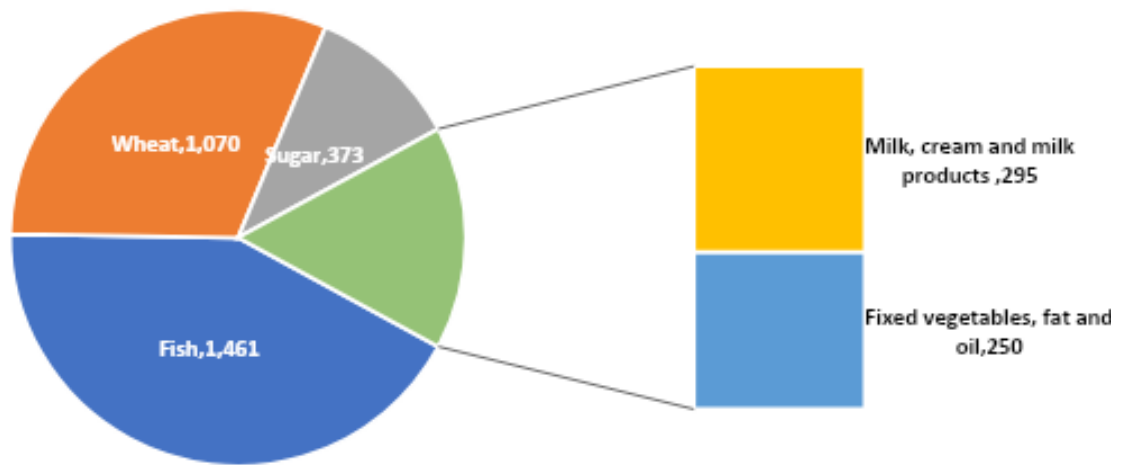
The top partner countries from which Nigeria imports food products are Brazil, China, United States, United Kingdom, Indonesia, and South Africa. Nigeria's trade links with the United States remain strong, and South African firms are increasingly establishing a presence in the West African market. Imports from Asia, especially China, have grown markedly in recent years, and China's investment in all sectors of the economy has experienced rapid growth.

Over the last few years, the government has initiated restrictive new policy measures under food commodities that impair productivity and efficiency within the food processing sector. Raw sugar, wheat grain, and paddy rice are among the most significantly affected products. The situation is expected to worsen as the government continues to implement these policies, high tariffs and levies to protect local industries are at the centre of these policy changes. While the protective measures are expected to stimulate investment in domestic production, the impact this may have on total local food production is unknown.

Top 5 Food imports (PWC)

				Unit: USD million
Fish	Wheat	Sugar, molasses, and honey	Milk, cream and milk products	Fixed vegetables, fat and oil
1461	1070	373	295	250

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3.5 NIGERIAN FOOD IMPORTS FROM FLANDERS

Belgium exports to Nigeria totalled USD 2.76 billion in 2019, according to the United Nations Comtrade database on international trade. Belgium is a substantial exporter of food and beverage products to Nigeria, with exports estimated at USD 112 million in 2019. Although wheat and other milling products account for about 44% of the total, exports of other Belgian food products, including value-added and consumer-ready products and intermediate foods/ingredients utilized by food processors, have continued to grow in recent years.

Unit: USD

Imports of unprocessed food & raw material from Belgium *	
Cereals	1,491
Edible vegetables and certain roots and tubers	212,408
Lac, gums, resins, vegetable saps and extracts	65,353
Live animals, meat and edible meat offal	89,274
Milling products, malt, starches, inulin, wheat gluten	48,819,374
Oilseed, oleagic fruits, grain, seed, fruit	5,287
Total Unprocessed food & raw material	49,193,187
Processed food **	
Beverages, spirits, and vinegar	19,696,618
Cereal, flour, starch, milk preparations, and products	5,390,441
Cocoa and cocoa preparations	267,224
Coffee, tea, mate, and spices	16,027
Dairy products, eggs, honey, edible animal products	34,344,196
Meat, fish and seafood food preparations	25,891
Sugars and sugar confectionery	780,185
Vegetable, fruit, nut, etc. food preparations	2,535,632
Total Processed food imported	63,056,214
Total imported	112,249,401

* Unprocessed food & raw material products are those that have undergone minimal or no transformation. Also, natural materials that are products used for further processing of food.

** Processed food products are primary products that have undergone a higher stage of processing.

Data source: UNcomtrade, 2019

Note: all data is based on reporting from Belgium for 2019.

3.6 FOOD EXPORTS

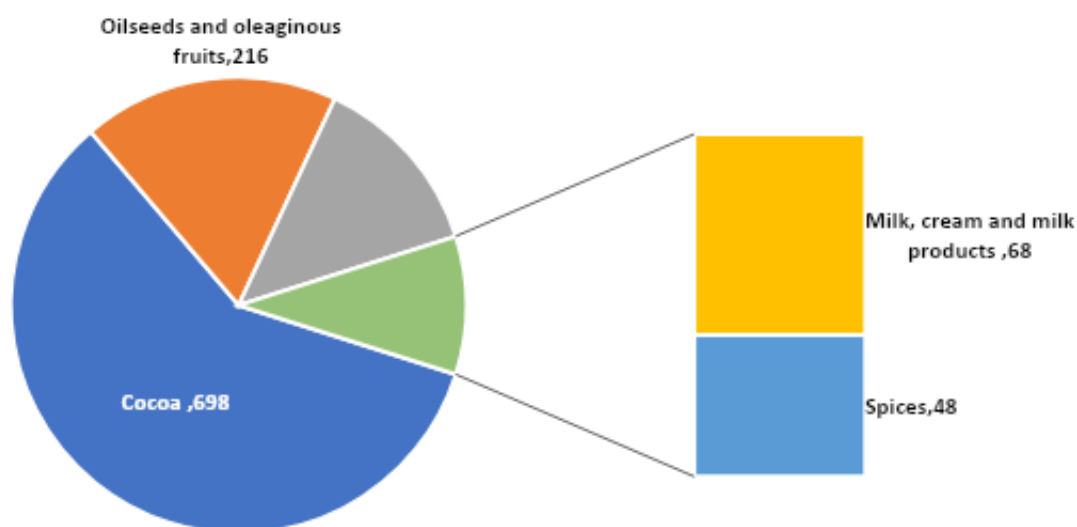
Nigeria's economy is a middle-income, mixed economy and emerging market, with expanding manufacturing, financial, service, communications, technology, and entertainment sectors. Although this may be true, the need to diversify the country's economy in terms of non-oil exports still persists.

Nigeria's largest food export products are sesame seeds, cocoa beans, cashew nuts, frozen shrimps and prawns. In 2018, the Netherlands imported USD79.7 million (N30.3 billion) worth of fermented cocoa beans from Nigeria, which surpassed the combined two-year export value of the other top four importers, i.e. Germany, Indonesia, Malaysia, and Belgium. For the most part, the major export destinations of Nigeria's fermented cocoa beans are the Netherlands, Germany, Indonesia, Malaysia, and Belgium.

Top 5 Food exports (PWC)

Unit: USD million

Cocoa	Oilseeds and oleaginous fruits	Fruits and nuts	Milk, cream and milk products	Spices
698	216	156	68	48



Top 5 Food exports - Exports in USD million, PWC 2019

4. THE NIGERIAN CONSUMER

Nigeria is a complex market: food companies need to cater to the demands of those who want value and at the same time to those who are aspirational and want quality, premium products. The Nigerian consumer is evolving and contributing to the shift in retail dynamics, they want value and assortment when they shop. They are also price-conscious; with more than 70% aware of prices and 95% noticing price changes.

Nigeria has a vast market of consumers that is only set to grow in the next few decades. Overall, Nigeria is a market with widespread opportunity, as the population of the country is young and growing.

4.1 INSIGHTS ON THE NIGERIAN CONSUMER

In contemporary Nigeria as elsewhere, occupation differentiated people, incomes, and life-styles. At the national level the total household expenditure on food and non-food for 2019 was N40,207 billion (N21,620 billion in 2009/10). Of this total, 56.65% (60.2% in 2009/10) of total household expenditure in 2019 was spent on food with the balance of about 43.35% (39.8 % in 2009/10) spent on non- food items. Total household expenditure in urban areas in 2019 stood at N19,113 billion (N8,412 billion in 2009/10), relative to N21,093 billion in the rural areas (N9,364 billion in 2009/10).

Expenditure on food in urban areas stood at N9,847 billion in 2019 (N3,654 billion in 2009/2010), while in rural areas it was N12,929 billion (N9,364 billion). Both areas spent mostly on food outside the home, Starchy foods, tubers, plantains and rice representing about 37.96% for rural and about 42.59% for urban areas of total expenditure on food.

In the non-food section education, transport, services and rent represented the highest expenditure for urban households while expenditure on health, transport, education and services dominated non-food household expenditure in 2019.

Share of Urban population in total population

Date	Share of urban population in total population (%)
2019	51.16
2018	50.34
2017	49.52
2016	48.48
2015	47.84
2014	46.98
2013	46.12
2012	45.25
2011	44.37
2010	43.48
2009	42.59

Nigerians are price sensitive

Price is important to Nigerians, especially when it comes to food, as the majority of Nigerians earn a daily income and also shop daily. They are willing to spend more time and energy searching for discount products to ensure that they purchase the items they need at the lowest rate possible as disposable income is generally low. The covid-19 pandemic has adversely impacted the purchasing power of Nigerian consumers, with consumers now having low purchasing power and unable to afford the quantity of goods or services they used to purchase before the pandemic.

Rural Nigerians are loyal to brands

Brand loyalty is high among rural Nigerians. With almost a 100 million Nigerians living in rural areas, lower-income consumers tend to maintain brand loyalty due to an unwillingness to try new things. Higher income consumers on the other equate well-known brands with higher quality goods. Urban consumers are open to trying new things and are more likely to defect from a current brand choice.

Nigerians desire quality & convenience

They value convenient, modern, hassle-free shopping and loyalty rewards. Higher income consumers are particularly interested in stores with a wide range of products and a comfortable environment and are willing to pay for these features. Lower income consumers primarily choose stores based on price offers, but item selection and in-store experience are still important.

Urban Nigerians are critical and well informed - including about brands

Over the last 50 years, urban population of Nigeria grew substantially from 17.8 to 51.2 % (2019) rising at an increasing annual rate. With a rapid pace of urbanization, urban Nigerians are critical, as they aspire to fulfil possibilities unavailable in less advanced rural areas. Most urban homes have access to the internet; with the help of smartphones and TVs, they are exposed to various products and brands.

Nigerians like to spend on premium brands that can be seen by others

Nigerians like to display their wealth and would spend more on premium brands that can be seen by others (e.g. champagne at a wedding) than at items they only use at home (e.g. breakfast cereals). Nigeria's vibrant popular culture reflects great changes in inherited traditions and adaptations of imported ones. Establishments serving alcoholic beverages are found everywhere except where Islamic laws prohibit them. Hotels and nightclubs are part of the landscape of the larger cities. Movie theatres, showing mostly Indian and American films, are popular among the urban middle- and low-income groups. Radio, television, and other forms of home entertainment (e.g., recorded music and movies) have also grown in popularity, though their use is dependent on the availability of electricity.

5. FOOD & BEVERAGE TRENDS IN NIGERIA

5.1 READY MEALS TO GROW WELL OVER THE FORECAST PERIOD

Ready meals in Nigeria remain a relatively niche market with very moderate sales. Storing the products at frozen or chilled temperatures is hampered by inadequate electricity supply, which limits both consumer demand and the ability of retailers to preserve products. The significant product within this market remains frozen pizza and potato fries, benefiting from the growing interest in international cuisines among Nigerians.

With the growth in middle-income families and a rising need for convenience food among time-restricted urban consumers, ready meals are predicted to grow well over the forecast period. The expected improvement in electricity supply from 2021 (a consequence of the World Bank's intervention) will also mean that local manufacturers are also likely to see better opportunities than in previous years.

5.2 STRONG DEMAND FOR BREAKFAST CEREALS

Before the 2020 pandemic, breakfast cereals saw strong demand due to urbanisation, increased child population, increased professional employment, and the adoption of Western eating habits. As the economy stagnates, there is still hope that continued population growth (particularly amongst the young urban population) will help to sustain demand for breakfast cereals in these hard times.

As children's breakfast cereals showed the second most substantial value growth in 2019, healthy competition is expected, even though manufacturers face challenges in supply chain destruction and foreign currency shortage. Manufacturers have been innovative in providing small pack sizes that help with the affordability of brands among lower-income consumers while also increasing the range of products, with a wide choice of flavours which are appealing to young people.

Nestlé Nigeria Plc continues to lead breakfast cereals in value terms in 2020, after taking top place from Kellogg Co in the 2016 economic crash, thanks partly to the ongoing popularity of its Golden Morn brand. They also led the way in innovation from 2019 to 2020, as its popular Golden Morn specifically targeted children with the new Golden Morn Puffs, packaged in the standard folding carton pack with aims of competing against children's breakfast cereals brands that have performed well such as Kellogg's Coco Pops.

5.3 BREAD REMAINS THE MOST SIGNIFICANT PRODUCT WITHIN BAKED GOODS

Population growth, particularly within the urban population, is spurring growth in baked goods in Nigeria. This upward trajectory is due to bread being a primary staple food, with pastries a significant on-the-go snack choice for urban commuters.

Bread remains the most significant product in both volume and value terms within baked goods and is the critical driver of growth. Moreover, even with this substantial consumption of bread in Nigeria, there is still potential for growth. During the period of weak disposable incomes in the first half of 2020, consumers have preferred cheaper unpackaged leavened bread to packaged leavened bread. Unpackaged bread, however, has demonstrated limited varieties and has been also of lower quality.

Artisanal producers continue to lead value sales of baked goods in Nigeria, as consumers generally prefer unpackaged artisanal baked goods due to their freshly-baked quality and value for money. Additionally, unpackaged products tend to be more widely distributed in inhabited urban areas. There has also been an increase in the number of small brands available, with leading companies such as Leventis Foods Ltd and Nourish Foods Pty Ltd losing their preponderance in the market. There are numerous bakeries across Nigerian cities now providing bread brands that have low sales individually, but which have regional or local distribution through which they have stolen value-share from some leading bread companies.

There is aggressive competition among pastry brands as manufacturers strive to tap into the strong demand for packaged pastries amongst on-the-go consumers. While UAC Foods Plc has traditionally led and continues to lead the bake goods subsector with a substantial value share, it has lost a sizable chunk of market share to a variety of newer brands, led by CHI Ltd's Superbite brand.

5.4 GROWTH OF CAFÉS & BARS

A rise in disposable income levels and an expanding urban population of young adults has driven the growth of cafés & bars over the past ten years. Bars and pubs in particular have suffered from the COVID-19 lockdown implemented across Nigeria, with consumers minimising non-essential spending in early 2020.

The COVID-19 pandemic and the prevailing economic conditions will affect the growth of cafés/bars in 2020 and 2021, with a reduction in spending on social aspects and nightlife. However, it is predicted that a return to a more robust economic growth will see a growing investment in cafés/bars in the fall of 2021 and early 2022. More urban consumers are expected to seek attractive nightlife options when the pandemic subsides.

Bars/pubs continue to be characterised by many independent outlets across the country, with most being small and basic. No operator has yet seen the benefit of owning a large number of outlets, mainly

because of its low margins and the high cost of operations. However, with regards to coffee culture, there are still only a few outlets present in specialist coffee and tea shops in Nigeria's principal cities. Although the number of outlets increased before the 2020 economic recession, the pandemic, as well as exorbitant prices of the coffee shops, resulted in numerous permanent closures of outlets.

5.5 FAST FOOD EXPECTED TO GROW DESPITE SHOCKS FROM THE COVID-19 PANDEMIC

This growth will be driven by urbanisation and the increasingly fast lifestyles of Nigerians, which encourages them to choose a quick fix for their meal requirements. While most fast food consists of local indigenous meals, consumers are increasingly interested in international foods (such as pizza and chicken & chips) offered by numerous fast food chains. Therefore, fast food chicken, ice cream, and pizza fast food are expected to be the most dynamic channels in 2021. Traditional indigenous brands such as Mr. Bigg's, Tantalizers, and Sweet Sensation, which led ten years ago, have become less competitive as newer fast-casual international operators like Domino's Pizza and KFC introduce a broader range of innovative foods.

Generally, Nigerian consumers prefer to go out to eat rather than order a takeaway or delivery. However, the COVID-19 pandemic has resulted in a marked change in this trend. There has been a significant increase in takeaway orders and the use of fast food delivery services such as Jumia food.

5.6 AN INCREASE IN HEALTH AWARENESS CAMPAIGNS

Health awareness is rising in Nigeria, particularly highlighted by the health benefits of consuming fruit and vegetables daily. Coupled with increasingly busy lifestyles, which can make it difficult for people to spend time shopping for and preparing fresh fruit and vegetables, this trend drives the growing demand for healthy foods. This led to juice/smoothie bars seeing the strongest current value growth in 2019.

An increase in health awareness campaigns is likely in the next few years, with this being a key focus area of World Bank funding in 2020. As a result, consumers are expected to increasingly seek healthy diets, particularly among urban mid- and high-income groups.

5.7 MOVE FROM TRADITIONAL MARKET TO PRE-PACKAGED FOOD

Packaged food is one of Nigeria's best performing industries, despite the impact of the economic crisis and declining consumer spending power from the pandemic. Building on improved economic performance in 2019, the trend has continued into 2020 as consumers order packaged foods rather than buy ingredients to prepare a meal as usual. However, the consumer buying power for international

brands is relatively weak, mainly due to the high prices caused by the steep depreciation of the local currency.

Nevertheless, the packaged food industry remains competitive but dominated by foreign companies whose imported brands are well known, with the leaders continuing to be Nestlé and Friesland Campina. The steep depreciation of the local currency in 2020 has however led to higher prices for imports, leading to much higher consumer prices for imported brands. Open markets and kiosks, included in other grocery retailers, and independent small grocers, remain the leading distribution channels for packaged food in Nigeria and together dominate sales. However, modern grocery retailers see strong growth in market share, with convenience stores, supermarkets, and hypermarkets all expanding in number.

5.8 MORE LOCAL BRANDS COMPETING WITH FOREIGN BRANDS

Nigeria is home to several local and international manufacturers in the food and beverage sector. Interestingly, the local manufacturers of biscuits are holding their own in the struggle for market share. The price of a pack of biscuits in the country can go for as low as USD 0.050 (N20) – USD 0.30 (N100), which is relatively affordable for consumers. However, some imported brands go for as high as USD 2.50 (N1000) per pack. In spite of the current challenges, the outlook is positive, driven by product affordability, ease of purchase and Nigeria's large and growing population.

5.9 MOVE FROM PREMIUM BRANDS TO VALUE BRANDS

The economic contraction in Nigeria has hit premium brands hard, with consumers resorting to cheaper (value) brands as an alternative. This preference for value brands is also due to the high inflation rate, which has reduced the purchasing power of consumers. Consumers now face challenges that run from fragile economic growth, to increased VAT, border closure and foreign exchange restriction for food imports all of which have elevated food prices.

5.10 INTRODUCTION OF SINGLE USE (SACHET) PACKAGING FOR ALCOHOLIC BEVERAGES

Producers of alcoholic drinks are increasingly adopting single use packaging to deepen market share for their products as a response to socio-economic factors such as inflationary reductions in purchasing power. This product segmentation strategy is therefore designed to enhance customer patronage for their brands, as it makes the product easily affordable. In addition to these, increasing urbanization and the rising number of female alcohol drinkers, especially in large cities, such as Lagos, Port Harcourt, and Abuja have also offered expansion opportunities for the alcoholic drinks market. The populous vibrant youth and growing middle class also contributed to the growth witnessed in the sector.

6. OPPORTUNITIES/ THE MARKET FOR BELGIAN FOOD & BEVERAGE PRODUCTS & SERVICES

6.1 ALCOHOLIC BEVERAGES

Alcoholic drinks remained dynamic in Nigeria in 2020 despite COVID-19 and have strong growth prospects despite the weak economic conditions affecting sales since the 2016 recession. With a population of nearly 202 million, Nigeria provides a large market for alcoholic beverages estimated at USD4 billion. Market data indicates that beer is the most widely consumed alcoholic beverage with a 55% market share, followed by spirits (30%) and wine (15%).

Spirits in Nigeria are seeing good total volume growth due to the affordability of local brands. For many low-income consumers in the country, indigenous branded spirits are affordable alternatives to more expensive products. Vodka was one of the best performing products within spirits in total volume terms in 2019. Overall, leading producers of spirits have acknowledged that consumers' low purchasing power is threatening volume sales of their major brands.

Wine is sold in Nigeria through mostly the off-trade sales channels. Many consumers in the country make their purchases via grocery stores such as supermarkets and hypermarkets. Wine is primarily imported into Nigeria, and manufacturers concerned about consumers' price sensitivity will ensure that there are no sharp or sudden price increases to maintain their shares and remain in business. Economy brands dominate volume sales of wine in Nigeria, with brands such as Baron Romero and Baron de Valls popular for their affordability; hence, they are expected to continue to drive growth. Carlo Rossi (with its vineyards in California) is also one of the leading brands in Nigeria. Spain and South Africa are the leading countries importing wine into Nigeria, with South African brands making up at least a fifth of all wine brands in Nigeria and are still growing well.

Nigeria's large and increasing population, increasing health consciousness, and the rising number of young, vibrant, and educated Nigerians with a strong desire to move up the social ladder are supporting growth in wine exports to Nigeria. The EU, South Africa, and other suppliers offering low quality and inexpensive wine products are the leading suppliers. Although the market share for Belgian wine and spirit remains insignificant, Belgian wine and spirits exports to Nigeria grew appreciably from USD9.4 million in 2015 to USD13.9 million in 2019.

With regards to beer, economy lager was the growth driver in 2019 and continues to remain dominant in terms of total volume growth in 2020. On the other hand, mid-priced beer performed poorly in 2019 and shows no signs of improving. Overall, however, the beer market has seen a steady growth in consumption as consumers have purchased cheaper economy brands instead of being hindered by lower purchasing power and economic uncertainty. The key drivers of this growth have been the fast rate of urbanisation and the increase in formal employment, alongside a steady rise in the young adult population. Importation of beer in commercial quantities as at the time of writing this report is banned.

Belgian exporters are encouraged to develop opportunities provided by the increasingly large wine and spirit demand to boost exports of Flemish food and beverage to Nigeria. It should be noted however, that alcoholic beverages carry high excise duties of up to 20% or more.

6.2 FROZEN FOODS

The rise in the fast-food industry has greatly facilitated the increase in the importation of frozen potato fries into the country. Belgian frozen potato fries' exports to Nigeria grew significantly from USD 763,194 in 2015 to USD 2.5 million in 2019, an over 200% increase.

We believe that the country's position as a growing importer of frozen potato fries will continue as demand both in quick service restaurants and at homes increases. However, there is still a lack of cold chain infrastructure and low private sector investment in the frozen foods value chain, which will suppress the market below potential. We observe (modest) improvements though, and thus believe the growth will remain healthy in the next few years. This includes growth in frozen meats and vegetables, while most of the ice cream market is served by local manufacturers.

	2015	2016	2017	2018	2019
Potatoes, prepared, frozen	763,194	1,134,461	887,129	1,576,182	2,531,211

Data source: Uncomtrade, 2019

6.3 MALT

Nigeria imported USD50 million worth of malt in 2019 from Belgium and the country remains a growth market for malt imports because of its vast population. The demand for malt-based products has remained strong because of the lack of a stable domestic supply of sorghum malting and sorghum-based extract. High demand for malt for the production of beer, whiskey, malted milk, and flavoured drinks like Ovaltine and Milo, and some baked goods, such as Rich Tea biscuits, also contribute to Nigeria's malt market.

Nigeria was Belgium's second-largest export destination for malt grains in 2019. The COVID-19 pandemic's impact is expected to lower export figures for Belgian malt to Nigeria in 2020. However, Belgium has a strong reputation as a consistent and reliable supplier of high-quality malt products. It is expected to weather the impact of the economic challenges of the pandemic.

Unit: USD

	2015	2016	2017	2018	2019
Malt	28,421,773	27,864,610	30,262,171	25,955,374	45,506,296
Malt extract, flour, dairy preparations	4,076,367	4,128,683	6,423,209	5,739,217	4,615,182
Total imports from Belgium	32,498,140	31,993,293	36,685,380	31,694,591	50,121,478

Data source: Uncomtrade, 2019

6.4 DAIRY

Imported milk powder is the primary ingredient in Nigerian dairy products. 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, biscuits, etc, while the practice of processing yogurt 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% market share. Promasidor, PZ Industries, CHI, and FAN are also significant in the sub-sector.

In 2019, dairy continued to be dominated by concentrated or condensed milk, with most other dairy types remaining negligible. However, it should be noted that most of the brands present in condensed milk in Nigeria are evaporated milk rather than pure condensed milk.

Since the 2020 Coronavirus pandemic crisis, the slowdown in the economy has negatively affected the performance of condensed milk, which was made even worse by the government clampdown on imported milk. However, the CBN exempts six companies from the milk, dairy products importation ban. These are companies that have invested significantly in local production and backward integration. Though the economy is expected to recover in 2021, the future of dairy export to Nigeria remains uncertain.

Belgian dairy exports to Nigeria grew significantly from USD9.4 million in 2015 to USD34 million in 2019, a near four-fold increase.

Imports	2015	2016	2017	2018	2019
Milk & cream, neither concentrated nor sweetened	441,275	361,872	399,086	213,675	584,657
Milk and cream,	6,320,429	14,764,543	14,758,161	16,930,431	27,916,340

concentrated or sweetened					
Buttermilk, cream, & yogurt	2,370,642	1,569,033	2,240,259	2,325,895	5,450,637
Cheese and curd	229,469	155,471	234,590	328,592	375,586
Total imports from Belgium	9,361,815	16,850,919	17,632,096	19,798,593	34,327,220

Data source: Uncomtrade, 2019

6.5 COCOA & CHOCOLATES

Chocolate is not one of the ingredients in Nigerian cooking. Despite that, Nigeria still has an essential link with the product since it is the fourth-largest cocoa producer in the world. Production reaches 250.000 tons, which is 12% of the worldwide total. Cocoa trees are cultivated mostly in the southwest and eastern regions of Nigeria. Belgian chocolate exports to Nigeria grew appreciably from USD142,743 in 2015 to USD259,229 in 2019, a 45% increase.

Imports	2015	2016	2017	2018	2019
Chocolate and other foods containing cocoa	142,743	398,975	129,732	148,435	259,299

Data source: Uncomtrade, 2019

7. GOVERNMENT POLICIES & REGULATIONS

7.1 OVERVIEW

Over the years, Nigeria's trade policy has oscillated between liberal and protectionist tendencies. Tariffs, import substitution measures, and domestic support (e.g. fertilizer subsidies and central bank finance incentives) constitute the main trade policy instruments. Nigeria has aligned its taxes with the Economic Community of West African States (ECOWAS) common external tariff (CET). It also applies several additional duties to reduce the country's reliance on imports.

Nigeria has taken steps to protect its local industry by placing high tariffs and levies on imports -or even by banning imports altogether. A comprehensive overview of banned items is listed on the Nigerian Customs Service website (www.customs.gov.ng) and is subject to regular change. In recent years the country has removed items from the banned list, but instead implemented FX non-tariff barriers through the central bank or imposed high import tariffs.

However, it still imports most of what it consumes despite the high taxes. Prohibitive tariffs have mainly been reserved to discourage non-food imports as high tariffs are seen as the only way to protect a domestic industry that cannot compete with cheap imports.

In 2019, Nigeria signed the African Continental Free Trade Area (AfCTA), which aims to increase intra-African trade, facilitate free trade, and achieve greater regional integration.

7.2 TARIFF BARRIERS

Nigeria is a “procurement economy” and imports a large part of what it consumes. Despite this, subsequent Nigerian governments have imposed high import tariffs and banned goods altogether – a few types of food products such as rice, fresh meat, fish (a decision partially lifted a few months later), and poultry. Unfortunately, this has not prevented the smuggling of prohibited goods into the country.

Although Nigeria has signed the African Continental Free Trade Agreement (AfCTA), the country is becoming increasingly protectionist. However, the country is still heavily dependent on imports of essential commodities, as the agriculture sector cannot feed the population.

Tariff barriers - Nigeria Customs Service Tariff

Below are the import duties, taxes, and levies of a selected few food and beverage commodities.

Product	Value Added Tax	Import Duty	Levy	Excise Duty
Biscuits	5	35	-	-
Buttermilk, cream, yogurt	5	5	-	-
Food supplements	7.5	20	-	-
Frozen Vegetables	5	20	-	-
Grape wines (including fortified)	5	20	50	20
Liqueur & spirits	5	20	50	20
Malt		5	-	-
Malt extract, flour, dairy preparations	5	5	25	
Milk & cream, neither concentrated nor sweetened	5	20	-	-
Milk and cream, concentrated or sweetened	5	5	-	-

What this means for Belgium

Belgium plays actively in the food and beverage sector. It is important to note that the government's protectionist trade measures weigh heavily on importers of "finished" products.

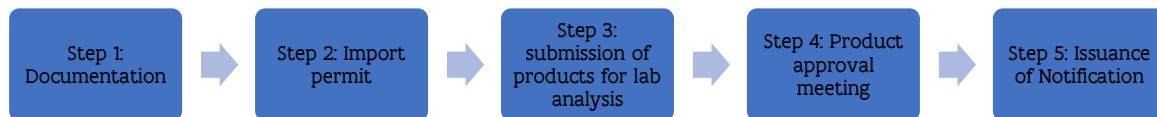
However, importers of primary raw materials (food additives, egg powder, etc.), are primarily exempted or have lower trade restrictions because the government wants to encourage local food processing.

7.3 NON-TARIFF BARRIERS

NAFDAC Regulations

The **National Agency for Food and Drug Administration and Control (NAFDAC)** is a federal agency under the Federal Ministry of Health. It is responsible for regulating and controlling the importation, advertisement, distribution, sale, and use of food and related food products or chemicals in Nigeria.

There are five steps to register a product with NAFDAC successfully.



- Only locally registered companies can deal directly with NAFDAC.
- Foreign companies who are not registered in Nigeria will have to give a “Power of Attorney or Contract Manufacturing Agreement” for imported products to a locally registered entity (representative).
- The timeline for product registration from acceptance of submissions to issuance of the Registration number is **120 working days** (about four months).
- A successful application will be issued a Certificate of Registration with a validity period of **5 years**.
- Registration of a product does not automatically confer Advertising Permit. A separate application and subsequent approval by the agency shall be required.

Note:

- The registration process can take more than three months, so planning is essential.
- We advise that product registration be left to experienced parties.
- As regulations tend to be subject to change, we recommend that exporters double check current requirements on www.nafdac.gov.ng

Product packaging regulations

- The Nigerian government requires that all imported food be labelled under the provisions of the NAFDAC Pre-packaged Food, Water and Ice Labelling regulation of 2019

For more information, see: <https://www.nafdac.gov.ng/resources/guidelines/>

8. MARKET ENTRY STRATEGY

8.1 OVERVIEW

Nigeria accounts for over 40 percent of imports in the sub-region and ranks among Africa's largest consumer markets. As a gateway to fifteen smaller West African countries and a net importer, Nigeria can be profitable for Belgium companies. Flemish firms who take the time and effort to understand Nigeria's complex market conditions and opportunities more often than not succeed in finding the right partners and clients. Taking a long-term approach to market development can be highly beneficial.

As a consequence of the prevailing market conditions, it suffices to say that the majority of international exporters prefer to export through local partners (importers/ distributors) and a smaller share of them focus on critical potential clients.

8.2 CHALLENGES

While Nigeria offers Belgian companies export opportunities in the food & beverage sector, it can pose some daunting challenges. These challenges may include inadequate energy and transportation infrastructure, weak regulatory institutions, the threat of crime and endemic corruption, and recurring episodes of regionalized political instability and violence. Market challenges such as these can lead to high operating costs. To mitigate these challenges, we encourage Flemish companies to appoint and work with competent local partners before establishing a local presence. Flanders Investment and Trade (FIT) has recommendations and tools for small- and medium-sized firms.

A large number of food products are grown in the north. Flemish firms planning to do business in this region of Nigeria should factor in security costs as they decide upon and pursue their market development strategies before appointing local partners or establishing a local presence in Nigeria.

There are no legal barriers preventing entry into the business, except the minimum qualifications required by The National Agency for Food & Drug Administration & Control (NAFDAC). Flemish companies seeking to do business in Nigeria are expected to do so with incorporated companies or otherwise incorporate their subsidiaries locally.

Flemish firms interested in the Nigerian market are strongly advised to seek the assistance of experienced commercial lawyers. For advice on legal firms, contact the Flanders Investment and Trade Antenna Office in Lagos (lagos@fitagency.com).

Enforcement of intellectual property rights remains a problem in Nigeria despite existing copyright laws and enforcement efforts. As mentioned earlier, the clearance of goods at the ports can be slow, cumbersome, and highly bureaucratic. Reports indicate that corruption and congestion also are significant issues at the ports.

8.3 DOING BUSINESS IN NIGERIA (EXPORTING TO NIGERIA)

Flanders Investment and Trade Antenna Office in Lagos is the front-line Flemish trade agency in Nigeria. Its professional team, headed by a Dutch-speaking country representative and an experienced Nigerian commercial specialist network, is ready and willing to support Flemish suppliers and manufacturers interested in this growth market. The Economic Section at the Belgian Embassy in Abuja is similarly prepared to support and advocate for Belgian business on a more official level. Opportunities abound in Nigeria for Flemish exporters in the food and beverage industry.

Nigeria has many honest, well-educated, and prepared business people eager to form partnerships with Flemish counterparts. However, like consumers, business partners will be price sensitive as well as critical regarding the Belgian proposition. Below are options to consider before exporting to or doing business in Nigeria:

8.4 AGENT OR DISTRIBUTOR

Doing business in Nigeria, as in many developing markets, requires preparation and an effort to understand the country's business practices, cultural nuances, and multiple trade channels consisting of formal and informal market segments. At times, this can overwhelm even the most experienced exporter. To assist Flemish suppliers and manufacturers, the FIT antenna office in Lagos, in partnership with Naijalink Limited, can help identify potential partners and clients.

Using an agent or distributor is advisable for Flemish companies wishing to penetrate the Nigerian market. This approach gives Belgian firms, especially those new to this complex commercial environment, access to local market experience and time to understand local business practices.

Some things to keep in mind:

Engage a lawyer to draft an agreement and if given exclusivity, the conditions for ending the contract if targets are not met, need to be stipulated clearly.

Partners may request for samples. Small quantities can be sent but if there are requests for substantial samples, we recommend to sell and then discount it against the first real invoice. That way the exporter will know the partner is serious and does not just aim to obtain goods for free.

Request for upfront payment for products to avoid exposure to FX volatility or liquidity issues.

When appointing a local partner, it is crucial to invest in developing a good relationship and to support the partner as much as possible. Good local partners will also have other international partners and will dedicate most resources to the lowest hanging fruit. We also recommend visiting the partner regularly.

8.5 DIRECT SALES

Some Nigerian clients would prefer to procure directly from abroad to avoid the mark-up a local partner would charge. However, it is often more complicated for the exporter and therefore a less popular option than appointing a local distributor.

The market tends to be fragmented while achieving sales requires frequent follow up and visits. Moreover, there are logistic challenges to consider. This makes direct sales more expensive. Apart from cost, it can also take more time to develop relationships and get in front of the right potential clients.

Currently, Flemish companies can sell directly to large multinationals either through branch offices in Europe or to subsidiaries in Nigeria. Those multinationals tend to take care of logistics such as the clearing at the port.

8.6 OPENING AN OFFICE

Foreign companies cannot operate through a branch office in Nigeria. Rather, the business must be incorporated locally in Nigeria. Flemish firms wishing to do business in Nigeria other than through incorporated local companies acting as representatives, agents, distributors, or partners must therefore establish a local presence.

The link below outlines the procedure for incorporating a company in Nigeria: www.nipc.gov.ng.

The FIT Antenna Office encourages Flemish companies to employ the services of experienced commercial lawyers in completing the incorporation process and in dealing with providers of ground support services such as housing and tenancy agreements.

8.7 TENDER BOARDS

The federal and state governments of Nigeria buy products and services through their own "Tender Boards" (kindly note this is NOT the "Tenders Committee" mentioned in fraud letters that come out of Nigeria). Tender Boards usually comprise senior government officials and may include local consultants or foreign firms with representatives in Nigeria. The Central Bank of Nigeria (CBN) does not buy products and services for the Nigerian government or its agencies.

Public tender announcements are often a scam. If there is any question about the legitimacy of a business deal or government tender, please contact the FIT Antenna Lagos (lagos@fitagency.com) to help ascertain legitimacy.

The inflation of contract values by government officials continues to be one of Nigeria's most difficult corrupt business practices. Moreover, many contracts have been awarded to 'connections' even before the tender process is officially completed. We therefore recommend any Flemish company to proceed with caution if they wish to respond to a government tender, and only do so with the support of a strong local partner.

8.8 OTHER FACTORS TO CONSIDER

Pricing

Nigeria is a price-sensitive market and pricing is thus a crucial determinant of success in Nigeria. It is a significant challenge for European firms doing business in Nigeria due to two critical factors: the low purchasing power of Nigerians and the availability of often more inexpensive alternate choices from Asian suppliers.

Getting paid

It is customary to request for 100% upfront payment to new clients, taking the risk entirely away from the Flemish company. Once a more structural relationship has been established, it is possible to discuss selling on credit as this will endear the partner/client to the Flemish exporter. Finance within Nigeria is very expensive thus such credit lines can make a huge difference. However, tread with caution as there are frequent foreign exchange liquidity or volatility issues.

Packaging

Nigerian consumers react positively to European brands, having been preserved as high quality. To elicit consumer interest, manufacturers should ensure that all sales materials are in English. The name and address of the manufacturer and country of origin should also be indicated clearly on the product/packaging. Specific product content and expiry dates should be legible. Many Nigerians demonstrate a stronger inclination to purchase EU made products if the EU flag is printed on the package. NAFDAC also issues guidelines on the mandatory parts of the packaging.

Sales Support/Customer Service

An excellent customer service package and after-sales support is a significant driver of buyer patronage in the Nigerian market. Flemish companies must be willing to do as much as they can to support their local representatives and respond positively to customer complaints. Moreover, the support to the partner itself is critical, as mentioned above. There is increasing competition in the market and the level of service and support will become an increasingly important differentiating proposition.

Due Diligence

We recommend that Flemish companies carry out due diligence on prospective partners or opportunities.

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9. CONCLUDING NOTES/RECOMMENDATION

To establish a presence in Nigeria, we recommend that Flemish firms use an agent/distributor relationship with a locally registered company. Many foreign manufacturers and suppliers appoint one or more agents/distributors to accommodate Nigeria's geographical size and ethnic diversity. In Nigeria's complicated environment, all relevant terms and conditions of such arrangements must be carefully negotiated. Flanders Investment and Trade (FIT) Lagos strongly recommends using experienced commercial attorneys to craft a mutually beneficial agreement.

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