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Strong Demand Continues Expanding Fish Exports to Nigeria

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Fishery Products

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Report Highlights:

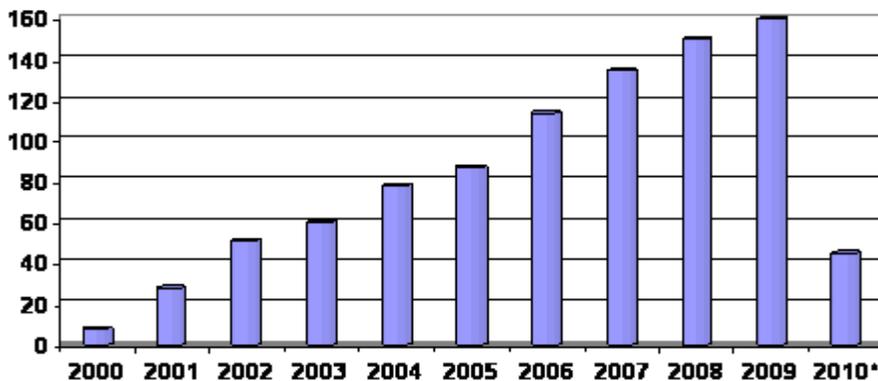
Imported frozen fish (especially mackerel, herring and croaker) accounted for more than 800,000 tons (valued at \$900 million) in 2009. Depending on fish availability, imports are expected to exceed one million tons by the end of 2010. The combination of low domestic production, high poultry prices, and increasing incomes are driving import demand. The EU, South America, South Pacific, and some Asian and African countries are the principal suppliers. Scandinavian exporters also supply about 160,000 tons of stockfish worth more than \$400 million yearly. Earthquake and Tsunami events disrupted coastal fisheries in Peru and Chile during the year and significantly reduced the usual fish supply to Nigeria. This report provides background on Nigeria's fish market and discusses opportunities for U.S. exporters.

SECTION I: MARKET OVERVIEW

Nigeria is the largest market in sub-Saharan Africa with a population of more than 150 million people, and a population growth rate estimated at three percent annually. Petroleum exports account for 20 percent of GDP, 95 percent of total export earnings, and close to 85 percent of federal government revenue. Domestic manufacturing is low with an average capacity utilization of 40 percent (2009). This is so mainly due to the high cost and unreliability of electricity and underdeveloped infrastructure. The market is dominated by low-income consumers. Nigeria remains a large food importing country (over \$3 billion) despite some limited growth in the agricultural sector over the last few years.

Nigeria is a huge market for fish and has the potential to consume 2.6 million tons. Industry sources approximate the country's fish demand at nearly 2.0 million MT (valued at more than \$1.8 billion) in 2009, leaving approximately 600,000 metric tons of untapped market potential. Of this, about 800,000 metric tons, valued at approximately \$900 million, were imported fresh and frozen fish (mostly frozen mackerel, herring and croaker). Most of the products are sourced from the EU, South American, the South Pacific zone and some African countries. In addition to fresh and frozen fish, around 160,000 MT of higher-value stockfish (unsalted fish dried by sun and/or wind on wooden racks or specially constructed drying houses) valued at over \$400 million are typically imported from Scandinavian suppliers. The frozen fish products from the Latin America (Chile, Peru) that reliably provided alternative supply sources recently became grossly inadequate after the earthquake in Chile and related tsunamis for Chile and Peru in 2010. The shrinking of the global fish supply contributes to the supply gap in fish for Nigeria.

Declared South American Seafood Exports to Nigeria
[Thousand MT; (*)= Estimate; Source (Industry)]



The GON's encouragement and investments in fisheries and aquaculture by private firms and international agricultural development bodies, including the World Bank, have pushed domestic production (including aquaculture) up about half a million tons.

Advantages and Challenges:

Advantages	Challenges
Nigeria's large population of more than 150 million growing at 3 percent per year provides U.S. exporter large and growing market for economic shipments in large reefer vessels.	Reportedly more than 70 percent of Nigeria's population lives on less than \$2.00 per day.
Herring is an underutilized resource within the U.S. fishing sector.	Price of herring ranges between \$700-\$800 and many brokers in the EU consolidate frozen herring from suppliers across the world, and sell large volumes shipped in 3,500-5,000 MT reefer vessels, thereby reducing ocean freight costs.
Nigeria is now the second largest importer of low-end frozen whole herring in the world.	Insufficient knowledge of the Nigerian market by the U.S. producers and exporters.
The USDA/FAS Office in Nigeria is able to assist the U.S exporters with finding credible buyers and obtaining market intelligence.	Limited presence of U.S. agribusinesses in Nigeria.
Sharp drop in supply of low-cost Pacific pelagic fish from Chile, Peru, etc; formerly Nigeria's major suppliers.	Nigeria's mass market is highly price- sensitive and demands more low priced fish.
Nigeria's rising income (average per capita income increased by nearly 200 percent, to over \$1,000, in the last five years).	Although Nigeria's middle-class is expanding, the market for higher-value processed fish products such as frozen filets, as well as stockfish (dried fish) remains a growing niche market.
U.S. superior and efficient fish and seafood production and processing.	Shipment freight costs from the United States are about 60% higher than from the EU.
Nigerian consumer's favorable perceptions of U.S. food.	Limited consolidators and inadequate large vessels continue to contribute to high freight costs.
USDA's GSM-102 credit program can provide a competitive tool for penetrating Nigeria's price-sensitive market.	The Nigerian financial system still has some bottlenecks impeding easy access to the USDA's GSM-102 program by local buyers.
Nigeria's certification for shrimp imports can assist in increasing frequency of reefer containers/vessels between Nigeria and the U.S. and reduce freight charges. Recently, a direct US-Nigeria shipping route has been established.	Nigeria's shrimp production and export volume is limited due to insecurity along the country's coasts and waterways and from an underdeveloped aquaculture industry.

SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

Imports and Market Opportunities:

Nigeria remains a rapidly expanding market for frozen pelagic fish imports, despite an import tariff increase from 5 to 10 percent since November 2005.



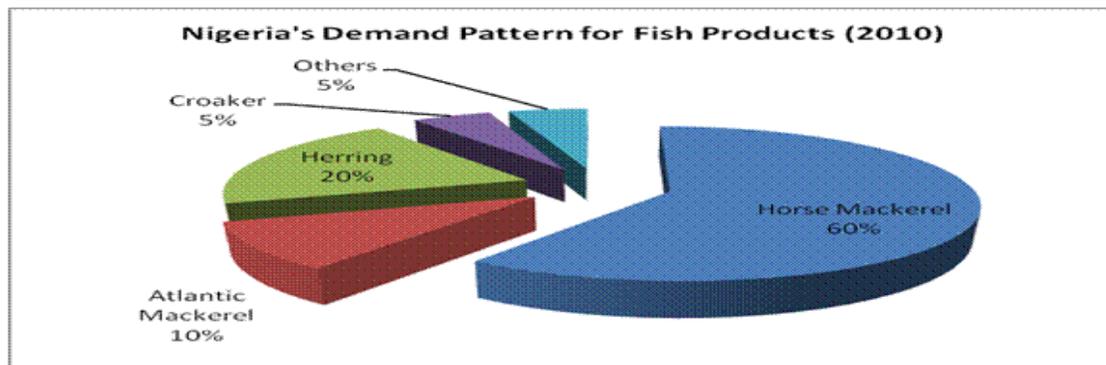
Small pelagic fish suppliers across the world are readying themselves for a fight over the growing Nigerian market. (Photo: FIS)

Industry estimates show that Nigeria's frozen fish imports would exceed 1.0 million tons by the end of CY2010, if products are available. The strong growth in fish imports in Nigeria is driven by a number of factors:

1. **Low-level of Domestic Fish Production:** The domestic fishing industry production remains low at an average of 500,000 metric tons during the past four years. Insecurity along Nigeria's coasts and waterways, higher energy costs (especially diesel), over-fishing and high-cost/low-yield of local aquaculture production largely account for this. At the local market, the average price of a kilogram of fish from local aquaculture ranges between \$4 and \$5 while catches from artisanal and deep-sea trawling are priced 30-50 percent higher. In the face of strong consumer demand and dwindling global fish stocks, the Government of Nigeria (GON) continues to collaborate with local and external stakeholders to increase local aquaculture and fish supply. Despite this, aquaculture remains small and contributes only about 100,000 MT per year, less than one percent of the total fish consumed in the country. Catfish and tilapia are the major species farmed by local fish farmers. Deep-sea shrimp farming is growing, but shrimp is expensive and mostly destined for the export market;
2. **Rising Incomes:** Economic growth, driven especially by oil revenue, is creating more purchasing power for some Nigerian consumers. While distribution of this wealth is skewed, a growing middle-class is expanding the market for higher-value processed fish products such as filets and stockfish (dried fish). Hence, these products remain a growing niche market;
3. **High Price of Other Sources of Protein:** Despite economic growth, Nigeria remains dominated by consumers that remain very price sensitive. These consumers have boosted their consumption of fish as it remains the cheapest form of animal protein. Poultry prices have risen in Nigeria as domestic production is insufficient to meet consumer demand and in addition, a ban on poultry imports was put in place in 2002. The average price of a kilogram of poultry meat is approximately \$5.00 compared to just \$1.60 for imported frozen fish.

According to the Norwegian Seafood Export Council, "In 2007 herring exports to Nigeria was hardly noticeable, but it has now become our third largest market for herring, ...Nigeria is now the second largest importer of frozen whole herring in the world and the Norwegian Spring Spawning Herring has

become a substitute for imports of mackerel, horse mackerel and North Sea herring”.



Nigeria's Frozen Fish Demand (industry sources)

Frozen Horse mackerel, Atlantic mackerel, Herring, Croaker and others are the major species imported into Nigeria. They are mostly sourced from the EU, South America, and some African countries. EU countries, primarily the Netherlands, are the dominant suppliers and account for more than 60 percent of market share. Brokers in the EU consolidate frozen seafood from suppliers across the world, including the United States, and are able to sell large volumes, shipped in 3,500-5,000 MT reefer vessels, thereby reducing ocean freight costs.

Imported frozen fish are shipped in branded boxed packages of 10kg, 15kg, 20kg, 25 kg, and 30kg. The number of fish per box varies with fish sizes (small, medium or large), ranging from 6 to 52 units. Small-to medium-scale local importers often are unable to compete with large volume importers for popular varieties of fish and seek to import containerized shipments of low-price mixed fish containers (by-catches) known among the local fish trade as “African-mix”. Croaker is the most preferred type of fish in the Nigerian market, but is priced at a premium thus it is expensive for many consumers. Some croaker is produced locally—however they are typically even more expensive than imports.

Industry sources indicate that fish imports from the United States are small, and direct shipments are negligible. Many U.S. processors are unaware of the Nigerian market opportunities or they prefer selling to the U.S. and other, more sophisticated markets. Industry sources indicate that U.S. freight rates are about 60 percent higher than South America and EU freight charges. Some industry sources indicate that U.S. firms sometimes ship to brokers and consolidators based in the EU to enter the Nigerian market. Nigerian buyers report that individual U.S. quantities are usually not adequate for economic shipments in large reefer vessels, and a very limited number of EU brokers offer consolidation services for the volume they require.

Nigeria offers U.S. frozen fish exporter potential market opportunities, especially if the U.S. producers can increase the production of low-price pelagic fish and ship larger volumes in reefer vessels to reduce freight costs. U.S. fish exports to Nigeria could also increase if Nigerian buyers could more easily locate efficient, willing brokers to consolidate these seafood products in the United States. According to industry sources, infrequency (resulting from the one-way U.S.-to-Nigeria trade flow) is the major cause of higher U.S.–Nigeria freight costs. Nigeria was re-certified to export shrimp to the United States in 2007. This could potentially increase the frequency of reefer containers/vessels movement and contribute to reducing freight charges on fish shipments to Nigeria if shrimp exports from Nigeria became significant.

In addition to frozen and fresh fish, Nigeria is also a huge market for stockfish and imports about 160,000 tons of valued at more than \$400 million per year.



Stockfish (Photo Source: GlowImages)

Scandinavian exporters are the major stockfish suppliers, and Nigerian importers have been unable to find suppliers of this product from the United States. Nigeria's inadequate electricity supply constrains storage of frozen and seafood products, and creates market opportunities for U.S. suppliers of stockfish (which in turn creates market opportunity) and other seafood products not requiring refrigeration.

Market Structure:

Imported frozen fish and seafood products are inspected by the Federal Department of Fisheries (FDF), a section of Nigeria's Ministry of Agriculture, and NAFDAC (the GON food regulatory agency), and also subjected to customs destination inspections, valuations and clearance. After clearance the products are transported in refrigerated trucks to cold storage warehouses located within Lagos and other urban centers. Wholesalers usually either purchase as the product is offloaded or take stock from these importers' storage facilities.

Frozen fish imports are widely distributed throughout the country via a network of privately owned cold storage facilities. Wholesalers or retailers typically locate their cold storage facilities in traditional markets (open-air). It is in these markets where more than 90 percent of frozen fish (mostly displayed ambient market stalls and tables) are sold at prices usually negotiated on the spot. Prices are about 20-30 percent lower than in convenience stores and supermarkets. Retailers constitute over 80 percent of the distribution activities in the traditional markets. The cold chain systems are often loosely maintained as the products more off the vessels and through the distribution channels.



Roasted Fish, Fried Rice and Salad Served at Homes and Restaurants in Nigeria (Source: VirtualTourists)

Products from the Netherlands continue to constitute the largest share of imports, and local distributors comment that the packaging of frozen fish products from the Netherlands as more “distributor friendly” and more profitable than those from other suppliers. Industry sources indicate that some packaged seafood imported from the Netherlands might be repackaged products from other origins. Major fish exporters in the Netherlands reportedly have huge investments in trawling and fishing operations in other fish-producing countries, especially African countries.

Entry Strategy:

U.S. seafood product exporters interested in entering the Nigerian market can:

1. Contact the Office of Agricultural Affairs, U.S. Consulate, Lagos, Nigeria for assistance in selecting a local importer-distributor or agent;
2. Appoint local importer-distributors or agents in Nigeria to process certifications with the GON regulatory bodies, introduce the product, and develop consumer demand;
3. Participate in U.S. sales missions to Nigeria or West Africa which are organized by USDA/FAS;
4. Exhibit at the International Boston Seafood Show/Seafood Processing America Show in Boston MA during March 20-22, 2010. Nigerian seafood product importers and processors, organized by FAS/USDA in Lagos, will be attending the event. This is expected to offer opportunities to meet the Nigerian buyers and make follow-up contacts.



SECTION III: COSTS AND PRICES

Average Prices (C&F) Lagos:

Croaker (mostly from South America)	\$1,800 per MT
Horse Mackerel	\$1,300 per MT
Atlantic Mackerel (mostly from the Netherlands)	\$1,600 per MT (Grade A) \$950 per MT (Grade B)
Herring	\$750 per MT

Prices have increased 30-40 percent over the last 2 years

Average Freight:

United States	\$ 330 per MT
South America	\$ 200 per MT
EU countries	\$130 per MT (in containers) \$90 per MT (in vessels)
Africa	\$90 per MT (in vessels)

Industry sources

Clearing and Land Transportation Costs:

- Charged by the local clearing agents, averages 25 percent of cost.

Average Warehousing & Distribution Costs:

- 25 percent of C&F

Average Importer-distributor Mark Up:

- 25 percent of C&F

Pricing Analysis:

	Products from Domestic Sources	Imported Products From Other Countries	Imported Products From USA
Average Price Ratio (/100)	1.0	0.55	0.75

	Super-markets	Convenience Shops	Traditional Markets
Retail mark-up for imports (%)	30	20	5
Retail mark-up for domestic products (%)	10	7	3

	Importer	Wholesaler	Retailer
Average mark-up for distribution channel members (%)	2	5	10

SECTION IV: MARKET ACCESS

Regulations:

Federal Department of Fisheries (FDF) of the Federal Ministry of Agriculture and Water Resources (Nigeria's Department of Agriculture) and NAFDAC (Nigeria's food regulatory agency) regulate the importation of seafood products. Nigeria's FDF issues import licenses to local firms which apply with the necessary certifications, and licenses are then issued per import purchase/shipment. NAFDAC inspects the food hygiene and safety of imports and then clears the shipments.

Certification requirements include:

1. Certificate of Origin and Hygiene;
2. Proof of Ownership of efficient cold storage and trucking facilities.

Labeling requirements include:

1. Consignee's mark and port mark;
2. Containers must be numbered to correspond with numbers on invoices.

Effective January 2006, imported frozen fish and seafood are subjected to a 100 percent destination inspection at the Nigerian entry port by FDF, NAFDAC and Customs prior to release to the importers. For consignments loaded and arriving in reefer vessels, clearance duration would depend on the availability of berthing space at the Nigerian port of destination. Space is limited and it could take longer than 1-2 weeks for a vessel to berth. Inspection and port clearance for fish arriving in reefer containers take a maximum of 4 days.

Tariff: The Nigerian Customs Service is GON's agency for import duty collection. The tariff on all fishery products (including fin fish and invertebrates) is 10 percent on C&F. This is assessed as follows: Import duty (+) a port surcharge assessed at 7 percent of import duty (+) 1 percent of import duty (called Customs Service inspection charge).

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: 234 -1-460-3577; 775-0830
E-mail: aglagos@usda.gov
Website: www.fas.usda.gov

2. National Agency for Food & Drug Administration & Control (NAFDAC)

Plot 204, Olusegun Obasanjo Way
Wuse Zone 7, Abuja-Nigeria
Telephone: (234) -9-671-8008, (234)-1-473-0643
E-mail: nafdac@nafdac.gov.ng

Website: www.nafdac.gov.ng

3. Nigeria Customs Service

Customs Headquarters

3-7, Abidjan Street

Off Sultan Abubakar Way

Wuse Zone 3

Garki-Abuja, Nigeria

Tel: 234-9-523-4694, 523-6394, 2534680

E-mail: info@customs.gov.ng; pro@customs.gov.ng

Website: www.customs.gov.ng

4. Federal Ministry of Agriculture & Water Resources

Federal Secretariat, FCDA

PMB 135, Area 11

Garki-Abuja, FCT

Nigeria

Tel: (234) 9-314-1931, 314-2405

Fax: (234) 9-314-2532

Table: Nigeria's Economic Structure (Annual Indicators)

	2005**	2006**	2007	2008	2009
GDP (US\$ bn)	95.3	116.6	142.4	179.5	352.3##
Real GDP growth (%)	4.8	5.6**	6.2*	11.6*	5.8**
Consumer price inflation (av; %)	17.9	7.5	5.4*	15.1*	12.4**
Population (m)	139.8	144.0	146.2*	152.2	154##
Exports of goods fob (US \$ m)	51,897	58,872	61.8	76.8	48.1**
Imports of goods fob (US\$ m)	- 25,995	- 27,402	38.8	45.5	31.7**
Current account balance (US\$ b)	0.7	1.5	2.2	2.7	11.9**
Foreign exchange reserves excluding gold (US\$ m)	28,280	42,277	59,700^	--	16,956
Total external debt (US\$ bn)	22.2	6.5	7.8	8.3	9.7**
Debt-service ratio, paid (%)	16.1	1.8	3.4	--	--
Exchange rate (av.) N: US\$	131.20	127.38	125.00*	118.5*	150.0

Notes: *Actual. ** Economic Intelligence Unit estimates. *** Official Estimates. ##EconoWatch

'N', represents Naira (Nigeria's currency). ^ Industry sources.

Source: 2008 figures obtained from Economist Intelligence Unit, Country Report (Nigeria)—May, 2009.