

OPPORTUNITIES FOR SRI LANKAN RICE BASED VALUE ADDED PRODUCTS IN NIGERIA



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High Commission of Sri Lanka
Nigeria
February 2017

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1. SUMMARY

Rice is the staple food in Nigeria though there are several others such as yam, cassava, millet, wheat and sorghum.

Rice importation through the borders is banned at present and only permitted through ports. Also the Nigeria Customs Service has advised the Federal Government to stop all rice imports by 2017 to encourage local production.

Though there are significant efforts to boost rice production, one cannot be sure the country would be self-sufficient in rice production by 2017.

Pasta as well as refined forms of oil are stopped at present (no specific mention of rice bran oil). However, it can be imported in its raw state.

Please note that because Rice based Pasta and Bran Oil are not common in Nigeria, the analysis is based on wheat/durum sources for Pasta and palm kernel and peanut based oil industries which is available locally.

The scarcity of Foreign exchange and the falling rate of Naira to dollar are two of the factors that need to be considered at present. Also in such a scenario, investors need to plan how to repatriate their earnings out of Nigeria. Many investors export commodities as a means of repatriation of their funds.

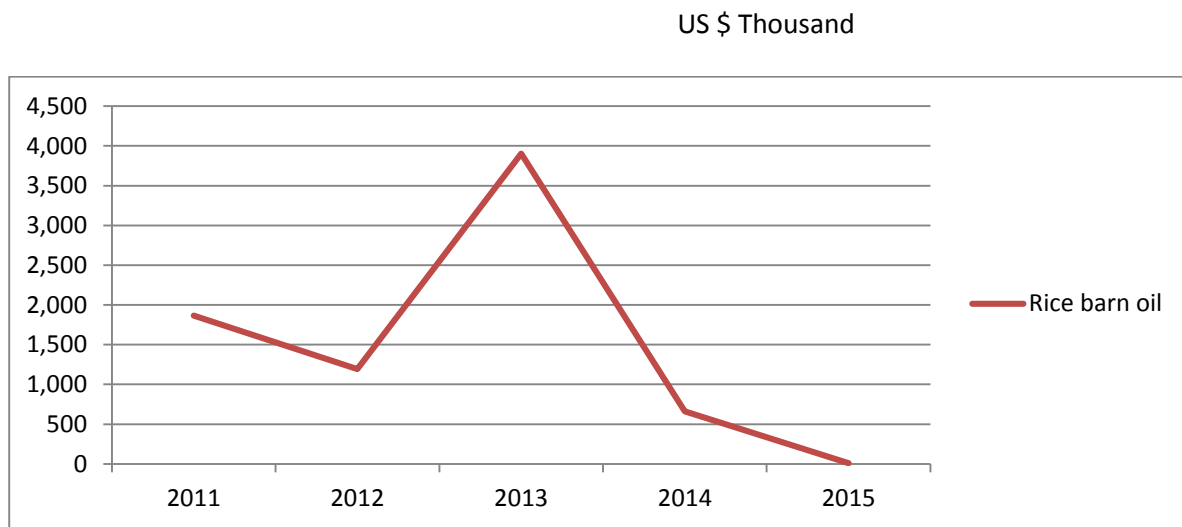
2. MARKET DESCRIPTION

2.1 Demand and Supply

Most varieties of pasta or noodles consumed locally are manufactured in Nigeria. Also, the majority of oils consumed are produced locally from oil palm and peanuts. However, rice bran oil is a relatively new concept in Nigeria.

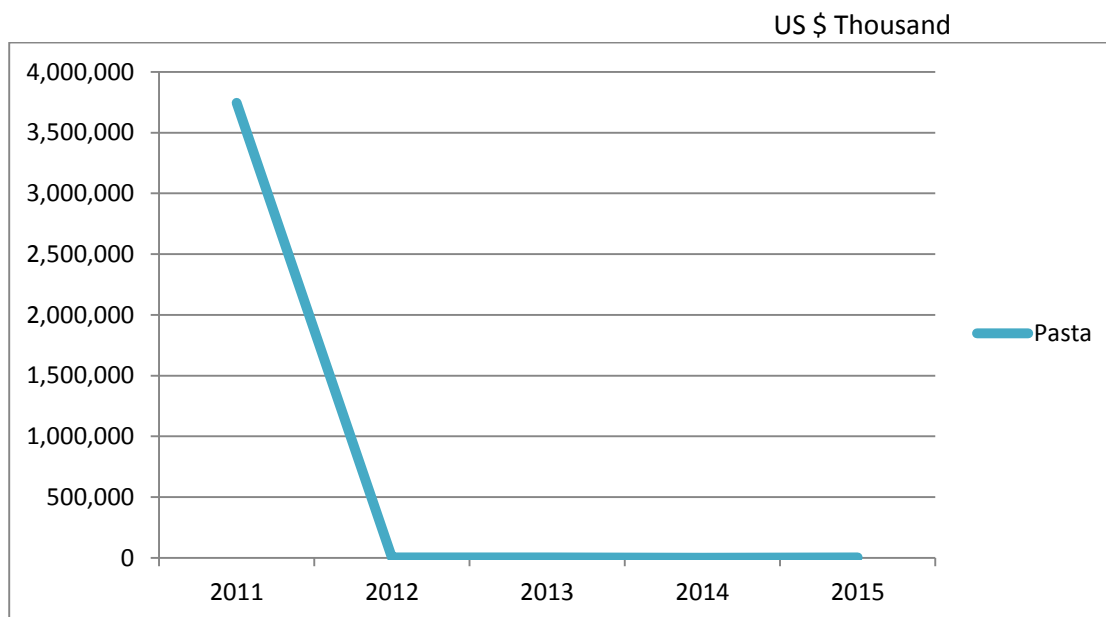
If rice bran oil can be imported in its raw form or produced from rice in Nigeria, it would definitely be of demand as a raw material for cosmetics, confectionery, shoe creams and polishing compounds. The population of over 180 million people in Nigeria and the dependence of other West African countries on Nigerian goods make it a viable option.

Figure: Rice Barn Oil (HS 2302) Import Trend by Nigeria



Source: Trade map

Figure: Pasta (HS 1902) Import Trend by Nigeria



Source: Trade map

2.2 Consumer behavior

Urbanization and a rising middle class contribute largely to increased spending capacity of Nigerians. Food security remains a priority and any product that can be designed to meet the taste of the indigenous would be accepted. Also, health benefits of low cholesterol products are currently being embraced more due to massive nationwide campaigns of certain cholesterol free brands.

2.3 Standards, certificates and registration

Several Certifications and Registrations need to be conducted in the following institutions in stages.

| | | |
|--------|---|---|
| CAC | - | Corporate Affairs Commission (www.new.cac.gov.ng) |
| FIRS | - | Federal Inland Revenue Service (www.firs.gov.ng) |
| PENCOM | - | Pensions Commission (www.pencom.gov.ng) |
| ITF | - | Industrial Training Fund (www.itf.gov.ng) |
| BPP | - | Bureau of Public Procurement (www.bpp.gov.ng) |
| SON | - | Standards Organization of Nigeria (www.son.gov.ng) |
| MAN | - | Manufacturers Association of Nigeria (www.manufacturersnigeria.org) |

(This may not be an exhaustive list)

2.4 Business practices relating to product

The supply chain for Pasta and oils from local industries/factories is well established across the 36 States and the Federal Capital Territory.

It is expected that once a channel is established, goods can be bought at a ceiling credit facility.

Being able to meet delivery expectations would go a long way in breaking the monopoly of existing players in the market.

2.5 Buyer preferences

Information on the above mentioned can be accessed through the following-

- Standards Organization of Nigeria (SON)
- Manufacturers Association of Nigeria (MAN)
- NAFDAC- National Agency for Food and Drug Administration and Control (www.nafdac.gov.ng)
- Federal Ministry of Environment (www.environment.gov.ng)
- Federal Ministry of Industry, Trade and Investment (www.fmiti.gov.ng)

2.6 Price Situation

An independent market survey may be very useful in this regard.

The following market survey may prove useful too.

<http://www.authorityngr.com/2015/11/Nigerian-Pasta-Market--How-brands-capture-consumers/>

2.7 Import Tariffs FTA/PTA concessions/regulations/ and NTBs

Contact

NCS- Nigerian Customs Service- (www.customs.gov.ng/)

3. POSITION OF SRI LANKAN GOODS

There are no report specific data available regarding the value added rice products exported to Nigeria from Sri Lanka.

4. ACTIVITIES OF COMPETITION

3.1 Major suppliers

- OILS

-Power oil, Devon king are major producers

-www.finelib.com/agriculture/-vegetable-oilsOILS

-Nigeria Cooking Oil Manufacturers

-Vegetable Oil Nigeria - List of Nigeria Vegetable Oil companies

Table: Top 5 exporters of Barn oil to Nigeria

| Exporters | US \$ thousand | | | | |
|--------------------|----------------|-------|-------|-------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| France | 701 | 1,561 | 1,104 | 1,202 | 581 |
| Korea, Republic of | 0 | 201 | 36 | 106 | 43 |
| Lebanon | 0 | 0 | 4 | 0 | 25 |
| Germany | 0 | 0 | 0 | 0 | 10 |
| China | 0 | 50 | 17 | 0 | 1 |

Source: Trade map

- PASTA

-Dangote, Olam and Golden Penny, Indomie, ChikiChiki and Tummy Tummy are major producers

-<http://www.world-grain.com/Supplier-Info/Technical-Papers/2015/3/Nigerias-Passion-for-Pasta.aspx?cck=1>

Table: Top 5 exporters of Pasta to Nigeria

US \$ thousand

| Exporters | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------|------|------|------|------|------|
| South Africa | 12 | 7 | 1 | 191 | 71 |
| United Kingdom | 723 | 0 | 0 | 40 | 60 |
| Italy | 0 | 0 | 22 | 16 | 46 |
| Turkey | 0 | 0 | 0 | 0 | 6 |
| United States of America | 6 | 0 | 132 | 8 | 5 |

Source: Trade map

3.2 Competitive advantages

Low pricing, consistency in maintaining quality, credit facility availability and direct delivery to buyer would be advantageous.

4.3 Special market access tools applied by the competitors

Patronage of trade fairs, sales and marketing departments reaching out to retailers as well as promotions conducted for end users especially schools as Indomie brand has successfully done.

Incentives if factories are to be set up in Nigeria

Inquiries to be made at the;

- Ministry of Trade and Investment,
- Manufacturers Association of Nigeria (MAN)
- State Government Liaison offices in Abuja

4.4 Advantages and disadvantages of setting up factories in Nigeria

Advantages

- Most manufacturing companies have dedicated transformers as well as generators with back-ups for factories due to irregular power supply. Hence this could act significantly to production costs.
- Secondly, access to foreign exchange poses a challenge at present. Contingency plans in terms of credit lines with banks may be necessary for continued operations.

Disadvantages

- However, the market potential is massive as Nigerians are known to have a huge appetite for Pasta and related products.

5. CONCLUSION AND RECOMMENDATIONS

- A comprehensive market survey is always a key prior to investment in an economy such as Nigeria.
- A good knowledge of the government/civil service and contacts within and outside the system are crucial. Patronage is almost a cultural norm. Knowing whom to approach rather than following set protocols can make a big difference.
- It is also advisable to cover all legal considerations from the onset.
- Aggressive marketing is a key as opportunities abound and competition is building.

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