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Voluntary Public

Date: 4/13/2012

GAIN Report Number:

Nigeria

Product Brief

International Brands Celebrate Growth in Nigeria's Spirits Market

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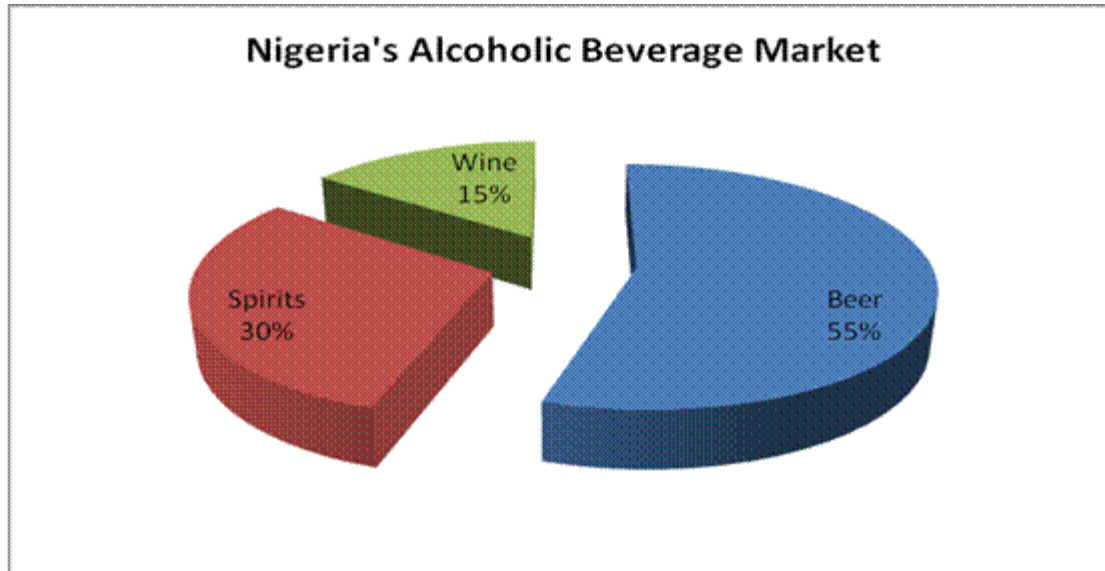
Report Highlights:

Nigeria's spirits market is estimated at \$2 billion and increasing at 6 percent average year –to-year since 2007. Imports accounted for approximately \$500 million in 2011. Local spirits continue to lead the market (75 percent) as they are cheaper than the imported brands. However, they do not meet the standards of the increasing high- and middle- class consumers preferred premium brands. Market opportunity is here for those prepared to take advantage of the growing consumption of premium brands.

Post: Lagos

Market Overview:

Nigeria's 160 million people provide a large market for alcoholic beverages worth more than \$6.5 billion. Spirits consumption constitutes about 30 percent, beer and wine share 55 percent and 15 percent respectively as represented below:



The market for spirits in Nigeria has increased steadily at an annual growth rate of 6 percent between 2007 and 2011 (industry source). Imports accounted for about 25 percent market share (approximately \$500 million).

Imports of spirits of different classifications (see list) including international brands have continued to overtake cheaper local spirits.

Nigeria's rising middle class and the emerging young consumers are adopting consumption patterns similar to Western countries and are increasingly developing preferences for premium imported brands. The country's increasing urbanization and the rising number of female alcohol drinkers, especially in the large cities, such as Lagos, Port Harcourt, and Abuja, is also resulting in a remarkable switch from consumption of relatively inexpensive local spirits to higher priced imported ones.

The EU and South Africa are the leading suppliers to the market. However, spirits from Russia, Mexico, United States, Brazil, Canada, etc. are also visible in traditional open markets, grocery stores, and super market shelves. U.S. exporters are encouraged to exploit the market opportunities in this booming market.

Advantages and Disadvantages

Advantages	Disadvantages
Nigeria's large population of about 160 million growing at 3 percent per year.	Nigeria is predominantly a mass market and highly price-sensitive—it demands more of low priced spirits, making domestic products control the significant market share.
A favorable disposition to trade liberalization for these kinds of products. U.S. superior and efficient agricultural production and processing.	Tariff and levy on spirits are high totaling 50 percent which encourages cross-border smuggling and product concealment.
U.S. processed foods recording increasing awareness and rising demand among Nigerian consumers; Also U.S. foods enjoy higher quality perception among Nigerian consumers.	Very small presence of U.S. agribusinesses in Nigeria and limited knowledge of the Nigerian market among many in the U.S. trade.
Changing demographics including greater urbanization, more women working outside the home, and changing lifestyles of the large youth population, etc. are expanding potential market for U.S. spirits.	Longer transit times and relatively long port clearance procedures all sharply reduce shelf life of U.S. products in Nigeria.
The positive outlook for Nigeria's democracy and economy also means consumer spending will increase and advance sales growth for spirits.	High volume production and consumption of domestic gin distilled from local palm wine as it is inexpensive and affordable for the low-income consumers.
Increasing urbanization and the rising number of female alcohol consumers especially in the urban areas. Night clubs, bars, lounges, etc. are also developing rapidly and well patronized by the emerging young rich consumers.	Increasing spirituality and abstinence as many Nigeria's religious organizations continue to discourage alcohol consumption.
Increasing market similarity and ease of transaction with Nigeria's growing middle-class and western-style retail sector, rising incomes and a trend toward greater demand for healthy foods.	The EU and South African suppliers are the leading suppliers, and brands from these regions are more visible in Nigerian market
Nigerians are increasingly becoming health-conscious and accepting imported spirit products as healthier than locally made alcoholic and non alcoholic beverages consumed at home, bars, during social gatherings, and family parties.	Local gin distilled in the rural and semi-urban areas (from palm trees), is not healthy for direct human consumption due to their higher alcohol volume, it is consumed by the majority despite the health risks.
New brands of spirits and the entry of new players including multinational spirits companies are beginning to result in increased competition and lowered prices.	The bulk of spirits consumed is sold through the traditional markets, grocery stores, and supermarkets-and other informal outlets—where sales are not usually recorded.
U.S. consolidators and exporters of food and agricultural products can sell mixed containers at relatively low-cost and low-risk since Nigeria's adoption of the 'Global Listing for Supermarket' (GLS) items.	U.S. freight rates are about 40-60% higher when compared with the EU and South Africa.

The consistent and reliable perception of U.S. suppliers in terms of volume, standards and quality among Nigerian buyers.	The negative perceptions about Nigerian businesses among some U.S. exporters and reluctance to do business in Nigeria due to inconsistent and poor implementation of GON policies.
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SECTION II: MARKET SECTOR OPPORTUNITIES AND THREATS

Imports and Market Opportunities:

Imported spirits principally come in whiskey, brandy, vodka, rum, gin, schnapps, and various liqueurs, and are mostly sold through the formal distribution channels. Others such as tequila, etc. are very insignificant and are often grouped within the major categories sharing the market as shown in the following table:



Whiskeys, brandy and rum have greater market share and consumers have continued to request the super-premium and premium products. This growth is fueled by:

- Nigeria's huge population growing at 3 percent per year; a large and growing consumer base of educated young adults—they also see spirits as a healthier option than beer and other alcoholic beverages;
- Nigeria's economy has maintained a steady growth over the last five years mainly due to increasing revenue from oil/gas prices in the international market;
- Consumers' high discretionary income and ability to spend on the more expensive alcoholic beverages, including spirits;
- Nigeria's rising middle class and the evolving young consumers are also adopting consumption

- patterns from the United States, Europe, and other developed countries;
- Increasing loyalty and preference for premium brands; urbanization; and the increasing number of female alcohol consumers;
- Remarkable switching from the traditional local gins to imported spirits;
- Increasing aggressive marketing activities by manufacturers and distributors of imported brands and influx of various international brands into Nigeria has been significant the last five years intensifying consumer demand for premium brands;
- Marketing activities that include billboards, on line advertising, and patronage of restaurants, pubs, night clubs, and other social-gathering venues have also continued to grow especially in the larger metropolitan areas, such as Lagos and Port Harcourt. These venues are increasingly being utilized by spirits manufacturers, importers and distributors to launch and promote their brands.

International brands of the giant multi-national firms such as Diageo, Louis Vuitton Moët Hennessy (LVMH), Pernod Ricard, etc. maintain significant presence; others are joining them to take advantage of the strong growth in Nigeria's spirits market.

Local spirits processing and distribution had shown significant growth in the past two decades, but has continued to meet mostly the needs of the low-income consumers. The production and consumption of domestic gin distilled from local palm wine is also increasing and its distribution is unrecorded. Local distilled gin contains a high alcohol volume (51 to 53 percent) but it is cheaper, more affordable and is consumed by low-income local consumers. A large segment of local spirit drinkers are growing old and consumption has slowed down among this group in order to avoid the increased health risks the locally distilled product may present.

Within the imported spirits, Diageo leads by 25 percent in the rum segment, Pernod Ricard controls the market for vodka and brandy by approximately 26 percent and 41 percent respectively; Davide Campari-Milano S.p.A has 10-15 percent control of the market share in the liqueurs category, LVMH leads in the Super-premium and Premium classifications (especially cognac) by average 27 percent.

Major players and leading brands in Nigeria's spirits market include--

Diageo (UK):

Johnnie Walker, Smirnoff vodka, Johnnie Walker and J&B whiskey, Gordon's and Gilbey's gin, and Baileys liqueurs, Crown Royal, Buchanan's, Windsor and Bushmills whiskies, Cîroc and Ketel One vodkas, Baileys, Captain Morgan, Jose Cuervo, Tanqueray, others.

Louis Vuitton Moët Hennessy (France):

Hennessy, Moët Hennessy champagne and Cognac

Pernod Ricard (France):

Whiskeys- Aberlour Scotch Whisky, Ballantine's Scotch Whisky, Chivas Regal Scotch Whisky, Jameson Irish Whiskey, Longmorn Scotch Whisky, Middleton Irish Whiskey, Paddy Irish Whiskey, Powers Irish Whiskey, Redbreast Irish Whiskey, Scapa Single Malt Scotch Whisky Strathisla Scotch Whisky, The Glenlivet Single Malt Scotch Whisky, Tormore Single Malt Scotch Whisky, etc.

Clear Spirits- Absolut Vodka, Beefeater Gin, FRIS Vodka, Level Vodka, Plymouth Gin, Seagram's

Gin , Seagram's Gin & Juice

Cordials, Liqueurs, Flavored Rum & Tequila- Hiram Walker, Ricard Pastis, Soho Lychee, Tequila Avi3n, Kahlúa Coffee Liqueur, Malibu Rum; Pernod Anise, etc

Cognac & Brandies- Azteca de Oro Mexican Brandy, Martell Cognac, Presidente

Davide Campari-Milano S.p.A (Italy):

Campari, SKYY Vodka, Wild Turkey, Cynar, Aperol, CampariSoda, Glen Grant, Ouzo 12, Zedda Piras, Dreher, Old Eight, Drury's, Mondoro, Riccadonna, Sella & Mosca, Teruzzi & Puthod, Crodino, Lemonsoda, Cinzano, Campari Mixx, Aperol Soda, Biancosarti, Barbieri, Enrico Serafino, Oransoda e Pelmosoda, and Cabo Wabo. Aperol, Cabo Wabo, GlenGrant, Ouzo 12, Mondoro, Riccadonna and Liebfraumilch, etc.

Barcardi-Martini (UK):

Bacardi Rum, Grey Goose Vodka, DEWAR'S Blended Scotch whisky, BOMBAY SAPPHIRE gin, MARTINI vermouth, CAZADORES tequila, etc.

Brown-Forman (USA):

Jack Daniels, etc.

Intercontinental Distillers Ltd (Nigeria):

Eagle Schnapps, Chelsea London Dry Gin, Squadron Dark Rum, Bull London Dry gin, Bull Dark Rum, Samba coconut liquor, etc.

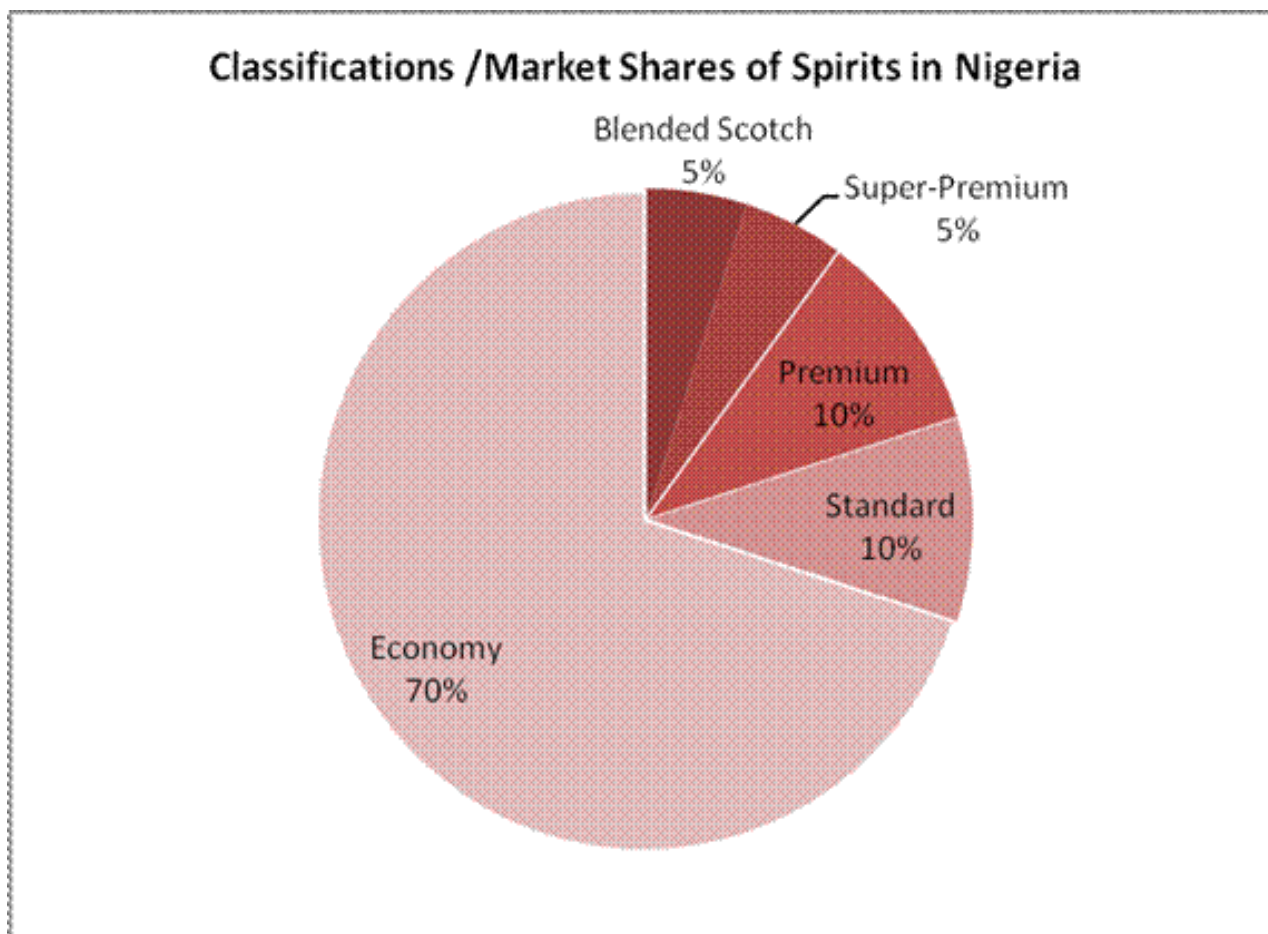
Nigeria Distilleries Limited (Nigeria):

Seaman's Aromatic Schnapps, Regal and Lord's Dry Gin, Calypso coconut Liqueur, etc

Euro Global Foods and Distilleries Ltd (A sub. of Sona Breweries Ltd-Nigeria):

Seaking Schnapps, Sbrina Gin & Braveheart Dark Rum, etc.

Nigeria's spirit classifications and market shares are as shown in the following graph:



Competition:

The EU countries (UK, France, Italy, etc), South Africa, South America, United States, etc. are the major spirits suppliers to Nigeria. Local spirits dominate the spirits market with 75 percent but imported spirits of different classifications including the international brands however, continue to have preference among Nigeria's growing young and educated middle class.

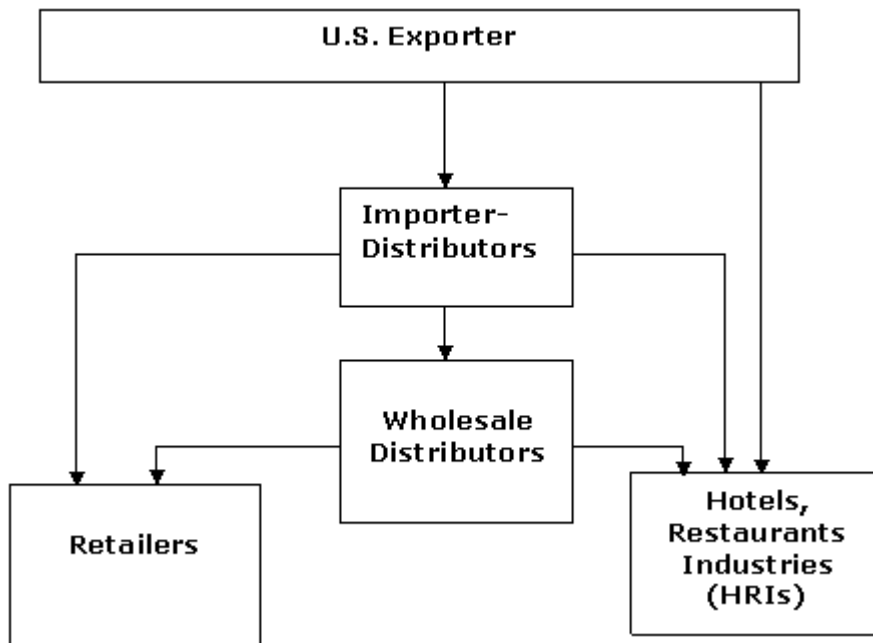
Market Structure:

Distribution-

Spirits consumption is socio-cultural in Nigeria and imported liquor dominates at many social and cultural events. The traditional open air markets remain the largest distribution for spirits in Nigeria. Though still low, the sale of spirits through formal retailers have continued to increase in recent years and it is expected that the bulk of spirits will be sold in Nigeria through off-trade outlets such as supermarkets, grocery retailers, and open markets since spirits are mostly consumed at home or during parties and other social gatherings.

Imported spirits are sold to consumers through the distribution channels as shown in the graph below:

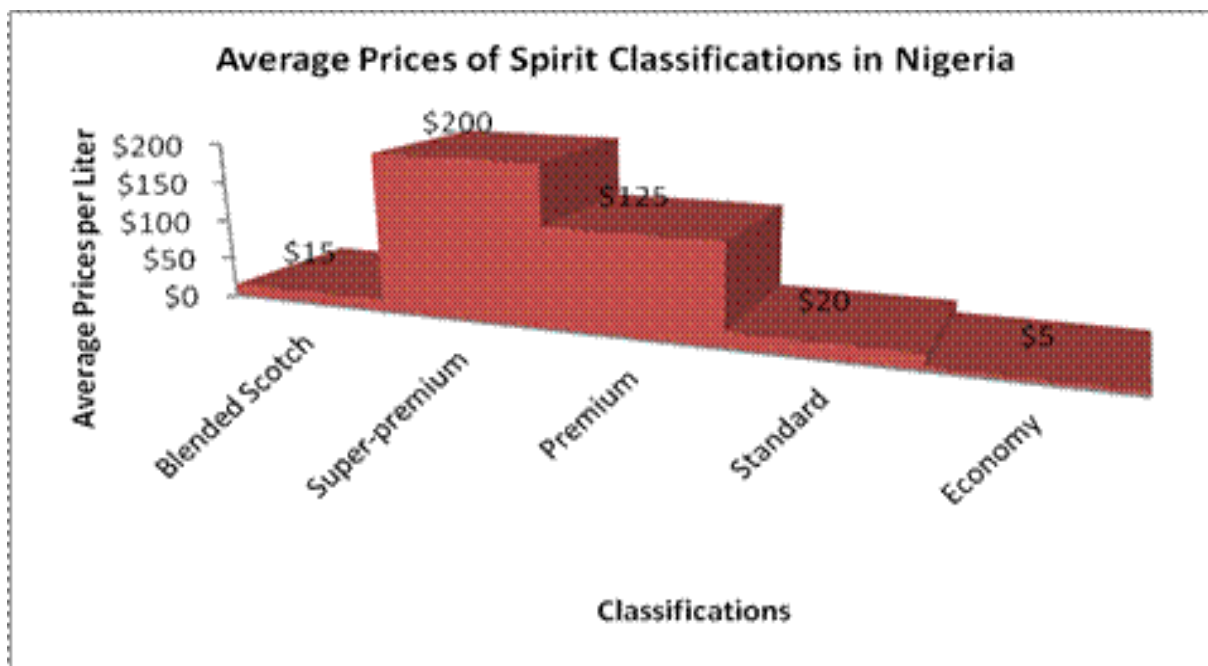
Distribution Flowchart for Imported Spirit Products



Night clubs, bars, lounges, etc. are also developing rapidly and well patronized by the emerging young rich consumers. Spirit manufacturers and importer-distributors are beginning to target these outlets to enter the market. More bars also now blend spirits with non-alcoholic beverages to meet widening consumer tastes and preferences. Industry analysts forecast that sale of spirits through this channel will become significant in the long-run as this trend continues.

Pricing:

Nigeria is dominated by mass consumers and many manufacturers of both local and imported spirits now bottle and pack in small units (3cl to 20cl bottles and sachets) for one-time use. Hence, the standard and economy classifications share larger proportion of the market as shown in table below:



Average Pricing Ratios within Retailers

Descriptions	Traditional Markets	Super Markets	Convenience Shops	Clubs, Bars, Restaurants
Retail mark-up (Imported Products)	1.00	1.20	1.10	1.50
Retail mark-up (Domestic Products)	1.00	1.15	1.05	1.10

Pricing pattern among retail sector channel members

Description	Importer	Wholesaler	Retailer
Average Price Mark-up	1.00	1.15	1.40

Average Suppliers' Pricing Pattern

Description	Domestic	Other Country	U.S. Products
Average retail mark-up (/100)	1.00	1.30	2.00
Average market cost ratio (/100)	1.00	1.10	1.60

Brand Profiles of Nigeria's Spirit Market

Product Category	Market Share (%)	Average Alcoholic Content (%)	Top Brands/Countries of Origin/Av. Retail Price (Naira) Per 70/75 cl Bottle
Whisky	25	45	Johnnie Walker Jack Daniels (USA) Blue Label (UK) – Green Label (UK) - Chivas Regal (France) Black Label (UK) Red Label (UK) J&B Grants King Roberts Wild Turkey American Honey (USA) Jameson (Ireland) Glenfiddich (UK), others
Vodka	15	45	Ciroc Belvedere Absolut Greygoose Skyy) Smirnoff Blue (USA) Smirnoff Red (USA) Stolichanaya (Russia), others
Brandy	20	25	Hennessy XO Hennessy VSOP Hennessy VS Courvoisier VSOP (France) Courvoisier VS (France) Martel Remy Martins Camus E&J (USA) Dreher (Brazil) Dubaron (UK) St. Remy (France) Praying Mantis Alonso (Spain) Klipdrift (South Africa) Hennessy (France) Brigadier (Spain), others
Gin	10	40	Gordon Dry (UK) Bombay Sapphire (UK) Beefeater (UK)

			Lord's Tanquerai (UK) Seagrams (France) Chelsea (Nigeria)
Schnapps	5	40	Seamans (Nigeria) Aromatic Peach Flavour
Rum	15	40	Bacardi (Germany) Bikini (Holland) Captain Morgan (UK) St. James (Jamaica) Eliot (Spain) Squadron (Nigeria)
Liqueurs	10	20	Contreau Alize Lichao Bailey's Bouley Amarula (South Africa) American Honey (USA) Malibu Triple Sec (UK) TIA Maria, others

Market Access:

Tariffs on spirits total 50 percent and are comprised of a 20 percent import tariff and a 30 percent special levy. Like all food products exported to Nigeria, spirits must be registered with NAFDAC (Nigeria's FDA equivalent) in order to be legally exported and sold in Nigeria for marketing and consumption. For details, please click: [\[Food and Agricultural Import Regulations and Standards - Narrative Lagos Nigeria 12-14-2011\]](#).

Entry Strategy:

Our office can assist U.S. exporters of spirits interested in entering the Nigerian market:

1. Contact the Office of Agricultural Affairs, U.S. Consulate, Lagos, Nigeria for assistance in selecting a local importer-distributor or agent;
2. Appoint a local importer-distributor or agent in Nigeria to process certifications with the GON regulatory bodies, introduce the product, and develop consumer demand;
3. Exhibit at the Annual International Wine, Spirits & Beer Event at the NRA Show which holds every May in Chicago. Nigerian wine importer-distributors and hotel, restaurant and bar operators organized by FAS/USDA in Lagos attend the event. This is expected to offer opportunities to meet the Nigerian buyers and make follow-up contacts.

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
E-mail: <http://www.nigeria.gov.ng/>

5. Association of Food, Beverage & Tobacco Employers

Elephant Cement House (6th Floor Wing A)
ASSBIFI Road, Alausa, Ikeja
Lagos, Nigeria
Tel: 234-1-7741624/5
Fax: 234-1-288-2564
E-mail: afbte@yahoo.com

Appendix I: Nigeria's Economic Structure (Annual Indicators)

	2006**	2007	2008	2009	2010
GDP (US\$ bn)	116.6	142.4	179.5	352.3##	369.8
Real GDP growth (%)	5.6**	6.2*	11.6*	5.8**	6.8
Consumer price inflation (av; %)	7.5	5.4*	15.1*	12.4**	13.9
Population (m)	144.0	146.2*	152.2	154##	158+
Per Capita Income (\$)	1,036.2	2,220	2,300	1,180	2,748^^
Exports of goods fob (US \$ b)	58,872	61.8	76.8	48.1**	76.33
Imports of goods fob (US\$ b)	- 27,402	38.8	45.5	31.7**	34.18
Current account balance (US\$ b)	1.5	2.2	2.7	11.9**	27.77
Foreign exchange reserves excluding gold (US\$ m)	42,277	59,700^	--	16,956	43.36
Total external debt (US\$ bn)	6.5	7.8	8.3	9.7**	11.02
Debt-service ratio, paid (%)	1.8	3.4	--	--	--
Exchange rate (av.) N: US\$	127.38	125.00*	118.5*	150.0	160

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

'N', represents Naira (Nigeria's currency). ^ Industry sources. # - CIA estimates.

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

2010 figures are estimates from CIA World Factbook, 2011, ^^The 2010 World Bank Development Report