

TRADE POTENTIAL BETWEEN SOUTH AFRICA AND NIGERIA

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SUMMARY OF THE STUDY TO DETERMINE THE TRADE POTENTIAL BETWEEN SOUTH AFRICA AND NIGERIA

This trade potential study examines agricultural trade flows between Nigeria and South Africa in order to identify existing trade patterns and scan for potential opportunities. This study represents one specific country study in a broader intra-Africa study. Nigerian country facts are provided to give a broad outline of several key features of the country. A brief historical background is then provided. An overview of the Nigerian economy and the country's infrastructure is also provided. The study continues with a discussion on South Africa's agricultural trade relations with West Africa in general and Nigeria in particular. The key features of Nigerian agricultural and trade policy are examined. A detailed list of and discussion on a range of trade barriers employed by Nigeria is also examined. The trade analysis examines the existing agricultural trade structure between Nigeria and South Africa. South Africa's leading agricultural exports to and imports from Nigeria are identified and discussed. This is done with the aid of trade databases. Products with the greatest trade potential are then identified and discussed.

The study finds that because Nigeria is the second largest economy in Sub-Saharan Africa and given its wealth of natural resources and the size of its population; it is an important role player in determining African economic performance. The Nigerian economy is almost entirely dominated by the oil sector, which has resulted in other sectors being neglected. Political reform and a democratic government in recent years have resulted in other sectors, particularly agriculture, being placed high on the country's development agenda. Nigeria is also committed to broader African development as envisaged in the NEPAD objectives.

South Africa's current agricultural trade profile with West Africa reveals that little significant trade currently exists with this region. Exports of agricultural products to the ECOWAS community represent only 3% of South Africa's total agricultural exports whilst imports from the region represent less than 1% of South Africa's total agricultural imports. The composition of the South African export profile to the various countries that constitute ECOWAS varies considerably. However, several leading products were identified, these include: beverages, tobacco, sugars, preserved foods and edible fruits and nuts. In contrast to this relatively diverse export profile, imports from ECOWAS is almost entirely dominated by cotton and cocoa products. In addition, South Africa exports to all but two of the sixteen ECOWAS member whilst only importing products from seven of them.

Nigeria represents the leading market for South African agricultural exports in West Africa accounting for approximately 44% of total agricultural exports to the region and generating a revenue of R174 million. In 2004, Nigeria ranked as the eighth largest African export destination for South African agricultural products. In contrast, agricultural imports from Nigeria, worth an estimated R15.5 million represent only 12% of imports from the region.

South Africa's leading exports to Nigeria in 2004 included: miscellaneous food preparations, tobacco, sugar and beverages. In addition to an expansion in trade of the leading products already listed, the following products also show significant trade potential: dairy and milling products.

The current leading imports from Nigeria include cocoa and food industry residue and waste. The relatively underdeveloped nature of Nigerian agriculture limits the import potential. However opportunities do exist in the cocoa, cotton and palm oil sectors.

Nigeria employs a range of trade barriers and significant market access constraints exist for exporters wanting to access the Nigerian market. Several tariff peaks exist for products of strategic importance for South Africa. Import requirements are stringent and often cumbersome. Automatic licensing measures, technical measures and price control measures are all used or available to be used by Nigerian authorities to control imports. Nigeria also makes extensive use of import prohibitions, which are aimed at stimulating the development of local industries. Prohibitions apply on a large number of agricultural products. Restrictions facing imports of Nigerian products into South Africa are primarily in the form of non tariff measures. Technical barriers as well sanitary and phytosanitary measures serve as the greatest restriction facing Nigerian exporters.

The leading competitors in the Nigerian agricultural market include the United Kingdom, the United States, and the Netherlands. Other important competitors and potential competitors include Ireland, Brazil and China. However, as an African country, South Africa enjoys a strategic advantage over these competitors given the close political connection between the countries arising from the leading role each occupies on the continent and in the promotion of NEPAD objectives.

In conclusion, the study reveals that the current agricultural trade structure between Nigeria and South Africa is heavily biased in favor of South Africa. This pattern is consistent with most South Africa's trade structure with most African trading partners and reflects the relatively underdeveloped nature of agricultural sectors in those countries relative to South Africa. South Africa's imports from Nigeria, and the rest of Africa is generally limited to primary agricultural commodities whilst it exports to Africa are dominated by value added products. Reducing these imbalances and changing this trade pattern requires innovative approaches that shift away from trade dependent solely on comparative advantage rooted in climatic and favorable growing conditions. Linking businesses and providing accurate and relevant information on real trading opportunities represents one such approach.

It should also be noted that another vital area in terms of exports is the exports of skills and services. South Africa's developed commercial farming sector and experience in marketing and processing places the country in a unique position on the continent in terms of available human capital and expertise. These resources provide a valuable opportunity for South African farmers, producers, processors and managers to export their skills not only to Nigeria but also to the rest of Africa. The export of skills and investment in African agriculture can contribute significantly to the revolution of African agricultural production. This may in turn serve to reduce trade imbalances as Africa economies link themselves in the value chain.

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LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific Island Countries
AU	African Union
CAADP	Common African Agricultural Development Programme
CAP	Common Agricultural Policy of the European Union
CBN	Central bank of Nigeria
CITES	Convention on International Trade in Endangered Species
ECOWAS	Economic Community of West African States
EU	European Union
FAO	Food and Agricultural Organization
FOB	Free on Board
GDP	Gross Domestic Product
GSTP	Global System of Trade Preferences
HS	Harmonized System of Tariff Classification
IDR	Import Duty Report
IMF	International Monetary Fund
ITC	International Trade Center
LC	Letter of Credit
MFN	Most Favored Nation
NACB	National Agricultural and Co-operative Bank
NAFDAC	National Agency for Food and Drug Administration and Control
NEEDS	National Economic Empowerment and Development Strategy
NEPAD	New Partnership for African Development
SACU	Southern African Customs Union
SADC	Southern African Development Community
SON	Standards Organization of Nigeria
WTO	World Trade Organization

1. INTRODUCTION

The largely rural and underdeveloped nature of large parts of the African continent places agriculture at the forefront in any discussion on the economics of African development or growth. The agricultural sector directly accounts for over 60% of the total labor force; more than 20% of total merchandise exports and approximately 20% of total GDP for Africa as a region. In addition to providing the primary source of foreign exchange earnings, agriculture plays the vital role of often providing the only source of livelihoods for a large percentage of the continents population. Any attempts at broad based development across the region therefore have to take cognizance of both the contribution agriculture is likely to make and the role agriculture needs to play in development initiatives. This realization is reflected in the Common African Agricultural Development Programme (CAADP) initiated by NEPADⁱ in terms of which member states commit to contributing 10% of GDP to agricultural development initiatives.

The CAADP also recognizes that agricultural trade acts as one of the primary pillars upon which agricultural development needs to be based. African agricultural trade performance has declined significantly over the past three decades. Africa's share in global agricultural trade has declined from 8% during the 1970 to 1980 period to approximately 3.4% in 2000. This dramatic decline is not confined to agriculture and is reflected across a range of industries, with the continents share in total global trade declining from 6% in 1980 to just over 2% in 2004. Explanations for Africa's poor trade performance and increasing marginalization in global trade are numerous and range from traditional demand considerations of protectionist policies and limited access to the markets of developed economies to supply side and structural considerations of poor infrastructure, inadequate institutions and lack of diversification in production structures.

South Africa occupies the role of the leading economic power on the continent. This entails a measure of latitude in policy choice but also places a great responsibility on South Africa to drive African development, trade and investment initiatives. The promotion of regional integration and South Africa's leading role in the NEPAD initiative is evidence of the commitment South Africa has to African development. From an agricultural trade perspective, South Africa has to play a leading role in promoting intra-Africa trade. Given the difficulties identified above, the promotion of intra-Africa trade can to some extent promote endogenous growth thereby reducing reliance on developed countries as the primary sources and engines of growth.

This study focuses on examining agricultural trade with Nigeria as a component of a broader intra-Africa trade study. Nigerian country facts are provided to give a broad outline of several key features of the country. A brief historical background is then provided. This is followed by a brief overview of the Nigerian economy and the countries infrastructure. Nigeria's multilateral, bilateral and regional trade activities are then outlined.

The study continues with a discussion on South Africa's agricultural trade relations with West Africa in general and Nigeria in particular. The key features of Nigerian agriculture and trade policy are discussed. This is followed by a discussion on the range of trade barriers employed in Nigeria. The next section examines the existing agricultural trade structure between Nigeria and South Africa. South Africa's leading export products to

and import products from Nigeria are identified and discussed with the aid of trade databases. Thereafter, a *Trade Potential Index* is constructed and employed to identify products that provide the greatest trade potential for both exporters and importers. In the final section a conclusion is provided.

2. COUNTRY FACTSⁱⁱ

Nigeria is situated in the West African region of the Gulf of Guinea. The country shares borders with four African states: to the north it is bordered by the Republics of Niger and Chad; to the east the Republic of Cameroon, to the west the Republic of Benin and to the South the Atlantic Ocean.

Nigeria has a land mass of 923,768 sq. km., with 910,770 sq. km of that being land area and a coast line of 853 km. Land use is divided along the following patternsⁱⁱⁱ:

- Arable land 33%
- Permanent Crops 3%
- Permanent Pastures 44%
- Forest and Woodland 12%
- Other 8%

The country's climate varies with equatorial conditions in the South, tropical conditions in the Centre and arid conditions in the North.

In 2003 Nigeria's total population was estimated at over 135^{iv} million, making it the continents most populous nation. The population is made up of about 374 ethnic groups. Three of these groups, the Hausa, Ibo and Yoruba are the major groups and account for more than 40% of the population. The official language of the country is English. However, the major ethnic groups each have their own indigenous languages. Half of the population is Muslim, 40% Christian with the remaining 10% following indigenous belief systems.

In addition to its huge population, Nigeria is also endowed with mineral resources. Although oil and gas are the most important minerals, Nigeria also possesses tin, iron ore, coal, limestone, lead and zinc. Arable land is used for the production of cash crops of maize, rice, sorghum, millet, cassava and yams. Livestock, fishing and forestry resources are also extensively exploited^v.

The Nigerian government is based upon a three tier structure comprising a Federal Government, 36 State Governments and 774 Local Government Administrations. In 1991 Abuja replaced Lagos as the country's capital. However, Lagos does remain the commercial centre of the country. Other important commercial centers include: Ibadan, Kano, Onitsha, Port Harcourt and Benin.

The official currency of Nigeria is the NAIRA. 100 Kobo = 1 Naira. (Exchange rates at April 2005: 1 South African Rand = 21.54 Naira; 1 US Dollar = 133 Naira).

Map 1: Nigeria



3. HISTORICAL BACKGROUND

At the end of the 19th Century Nigeria was colonized by Britain. The first move toward decolonization occurred post World War II with the introduction of a federal system of government. In 1960 full independence from Britain was achieved. The first post-independence government was a coalition of members of the Northern People's Congress and the Eastern-based National Council for Nigeria and the Cameroon. Since then the

country has endured numerous changes of government in which the most important factor has almost always been the influence of the military.

The federal government was military led for a period of 15 years from December 1983 until May 1999. Successive military coups and oppressive regimes culminated with the sudden death of then leader General Sani Abacha in June of 1998. At this point Nigeria had already been widely criticized by the international community for human rights violations and had been largely isolated from the international community. General Abdusalam Abu Baker took control upon Abacha's death and in February 1999 Nigeria held its first democratic elections. President Olusgun Obasanjo representing the Peoples Democratic Party (PDP) emerged victorious with almost two thirds of the vote. Although concerns over potential violence, political instability and military interference persisted, Nigeria's commitment to democratic reform was reaffirmed when President Obasanjo was re-elected for a second term in 2003.

Continued political reform and stability will depend heavily on the government's ability to balance the interest of all stakeholders. Christian and Muslim conflict, slow progress on infrastructural and economic development and persistent corruption continue to represent serious threats to political stability in Nigeria.

4. ECONOMIC OVERVIEW

After South Africa, Nigeria is the second largest economy in Sub-Saharan Africa. Table 1 provides a comparison of selected social, demographic and economic indicators for 2003^{vi}. The size of its population and its wealth of natural resources makes Nigeria an important role player in African economic performance. The country sustains a vibrant market and the government is increasingly liberalizing the economy and shifting toward a market driven economy with a reduced role for the state.

Emphasis on private sector led growth is reflected in the National Economic Empowerment and Development Strategy (NEEDS). Games (2004)^{vii} states that NEEDS rests on four core strategies:

- Reforming the way government and institutions work
- Boosting the private sector
- Implementing a social charter for the people
- Re-orientating people's values.

In 2003, Nigeria's nominal GDP rose to an estimated US \$52,6 billion, with real growth estimated at 3.5%. Growth rates were higher than anticipated due to favorable agricultural growth, higher oil prices, increased oil production and increased government expenditure. GDP per capita remains low at \$383 for 2003 with inflation declining to average 12% for the year. Single digit inflation remains a policy objective of the Central Bank of Nigeria. In order to achieve this, the bank has adopted a tighter monetary policy approach since 2001.

Table 1: Comparative Data Profiles of South Africa and Nigeria 2003

INDICATOR	NIGERIA	SOUTH AFRICA
Social Indicators		
Total Population (millions)	135.7	45.3
Urban Population (as percentage of total population)	47%	50%
Gross National Income (GNI – US \$ billions)	43.7	125.9
GNI per capita (US \$)	320	2780
Economic Indicators		
GDP (US\$ billions)	52.6	159.9
Gross Domestic Investment/GDP	22.7%	14.9%
Export of Goods and Services/GDP	50%	27.6%
GDP Growth	10.7%	1.9%
GDP per capita growth	8.4%	2.7%
Export Growth	32.4%	4.5%
Structure of Economy (% of GDP)		
Agriculture	26.4%	3.8%
Industry	49.5%	31%
Manufacturing	4%	18.9%
Services	24.2%	65.2%
Private Consumption	44.9%	67.3%
General Government Consumption	23.3%	13.8%
Imports of Goods and Services	40.9%	23.7%
Average Annual Growth		
Agriculture	4.1%	-5.2%
Industry	22.4%	0.5%
Manufacturing	6.2%	-1%
Services	9.4%	3.2%
Private Consumption	-17.1%	2.7%
General Government Consumption	10.2%	6%
Gross Domestic Investment	-11.5%	-2%
Imports of Goods and Services	10.8%	-0.7%

Adapted from World Bank Country Data

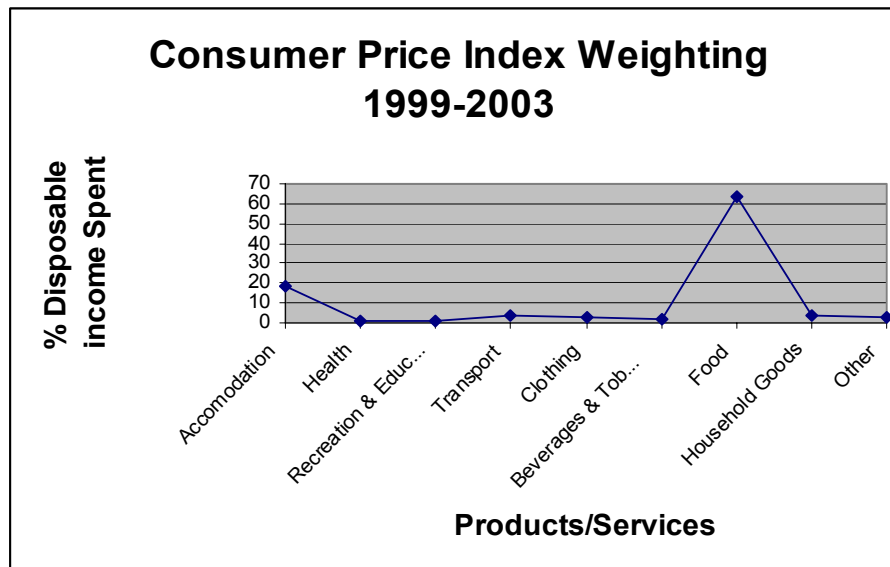
Nigeria has a large labour force, workers aged 15-59 constitute 40% of the population. The only available data measures the level of unemployment in 1991 at 28%.

Nigeria is Africa's leading oil producer. Games (2004) reports the oil and gas sector "contributes an estimated 50% of GDP, accounts for 80% of federal government income and more than 90% of export revenue." In 2003 the industrial sector grew by a meager 1% and the sector continues to be plagued by infrastructural inadequacies. Poor management and widespread corruption also continue to limit the potential of the industrial sector.

The size of the Nigerian market and the wealth of resources provide vast economic potential, which as yet is unfulfilled. GDP per capita remains low and an estimated two thirds of the population live on less than a dollar a day. Social indicators place Nigeria

151 out of 177 nations on the Human development Index for 2004. This translates into a lack of purchasing power for the average Nigerian citizen as illustrated in figure 1^{viii}.

Figure 1: Purchasing Power - Nigeria



Source: WESGRO Country Profiles

International trade data^{ix} shows that in 2003 the total value of Nigerian exports amounted to an estimated \$25.5 billion whilst imports amounted to \$12.5 billion. Both Nigerian exports and imports are dominated by oil. Nigeria's leading trade partners for imports include: China, United Kingdom, The United States, France and the Netherlands—South Africa ranks as the twelfth largest exporter for goods imported by Nigeria. Nigeria's leading export destinations include: The United States, Spain, Brazil, France and Japan—South Africa ranks as the tenth largest importer for goods exported by Nigeria.

5. INFRASTRUCTURE^x AND COUNTRY RISK^{xi}

Years of neglect have taken their toll on Nigeria's transport infrastructure. Nigeria possesses 107 990 km of road of which only 30 019 km are tarred. The main Ports are located at Apapa, Warri, Calabar, Lagos, Port Harcourt, Sapeland and Tin Can Island^{xii}. Nigeria has a 3500km rail network but offers minimal rail services.

There are 80 airports in Nigeria, of these 20 are main airports and are all under the jurisdiction of the Federal Airports Authority of Nigeria. The international airport is located at Lagos. Egypt Air, Kenya Airways, Emirates, Ethiopian Airlines, South African Airways, Virgin Atlantic, British Airways, Lufthansa and Air France all fly to Nigeria.

Telecommunications is expanding rapidly. In 2002 Nigeria had 702 000 main lines and 1 633 000 cellular subscribers. There were 800 000 personal computers and 200 000 internet users.

The largest financial institutions operating in Nigeria include: First Bank of Nigeria, Union Bank of Nigeria (formerly Barclays Bank) and the United Bank for Africa. The Credit Guarantee Insurance Corporation (CGIC) Country rating for Nigeria is currently 3C (3=high political risk; C=high commercial risk). The World Bank's International Risk Guide (ICRG) 2003, scores Nigeria 57 out of 100 (where 0 out of 100 represents the highest risk). Transparency International scored Nigeria 1.6 out of 10 in 2004 on their Corruptions Perceptions Index (where '10' is 'highly clean' and '0' is 'highly corrupt'). Nigeria was ranked the third most corrupt country out of 146 countries surveyed.

6. REGIONAL INITIATIVES AND INTEGRATION

The rationalization of intergovernmental organizations in the West African region led to the recognition of the Economic Community of West African States (ECOWAS) as the primary economic community in West Africa. Established in 1975 ECOWAS is a regional organization of 15 West African nations^{xiii}. The main objective of the organization is to achieve economic integration and shared development with the goal of forming a unified economic zone in West Africa. Through the promotion of cooperation and integration in economic, social and cultural activity, ECOWAS aims at achieving an economic and monetary union between member states. Economic cooperation, macroeconomic stability and governance are all directed toward promoting economic development and raising the living standards of people in the region and across the continent.

As of 1994 all non-tariff barriers between member states were eliminated. Finished manufactured goods originating within the community are subject to tariff reductions based on criteria such as the level of industrial development of each country and the transportation problems affecting island and land locked countries. The revised ECOWAS treaty of 1993 envisages the forming of a regional market or trading bloc with a common external tariff in the near future. Increased market size, improved institutional and governance structures and a commitment to economic and infrastructural development are all likely to stimulate investment in the region. The integration of states also provides the region with greater bargaining strength in the global trading environment.

The successful achievement of the stated objectives of ECOWAS depends heavily on the performance of the Nigerian economy, which is the largest economy in the region and accounts for almost 47% of the region's total population and 41% of the region's GDP.

In a broader African context, Nigeria is committed to promoting the objectives contained in the New Partnership for Africa's Development (NEPAD) initiative. This is evidenced by Nigeria's active involvement in developing an integrated socio-economic development framework for the continent. As a member of the African Union (AU), Nigeria has ratified the treaty establishing the African Economic Community^{xiv}. This treaty aims at creating a pan-African economic and monetary union over a 34 year period^{xv}. At a bilateral level, Nigeria has concluded bilateral agreements with the following countries: Benin, Bulgaria, Equatorial Guinea, Jamaica, Niger, Romania, Turkey, Uganda and Zimbabwe.

Nigeria is also a partner to the June 2001 Cotonou Agreement between the European Union and African, Caribbean and Pacific States (ACP). This partnership agreement requires parties to conclude compatible trading arrangements that should take effect no later than 1 January 2008. The partnership agreement is valid for 20 years and is subject to revision every five years. Nigeria was also a partner to the Cotonou Agreements predecessor, the Lome Convention, an agreement between the European Union and developing countries of sub-Saharan Africa, the Caribbean and the Pacific area. According to the convention Nigeria is granted duty free access to the EU market for all exports of industrial and agricultural products which are not subject to a common market organization in the framework of the EU's Common Agricultural Policy (CAP).

Nigeria is also a signatory to the Agreement on the Global System of Trade Preferences (GSTP) among developing countries. Nigeria concedes lower tariffs for imports from other participating countries on a certain number of products, including pharmaceutical products and certain machinery.

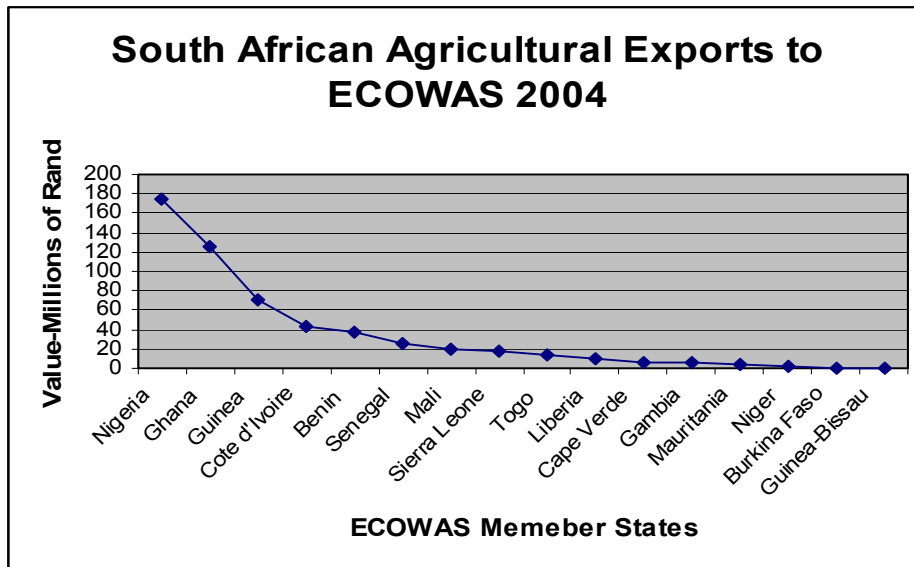
At the multilateral level Nigeria is also committed to the multilateral trading system as is evidenced by its membership in the World Trade Organization (WTO) since the 1 January 1995. In addition, as a signatory to the Agreement on the Global System of Trade Preferences (GSTP) among developing countries, Nigeria grants tariff reductions in relation to Most Favored Nation (MFN) rates of tariff bindings to other developing countries participating in the agreement.

7. OVERVIEW OF AGRICULTURAL TRADE^{xvi} WITH ECOWAS

Figure 2 and 3 provide an overview of the agricultural trade flows between South Africa and the West African states constituting the ECOWAS economic community for the period 2004. Exports of agricultural products to the ECOWAS community represent approximately 3% of South Africa's total agricultural exports whilst imports from the region represent less than 1% of South Africa's total agricultural imports.

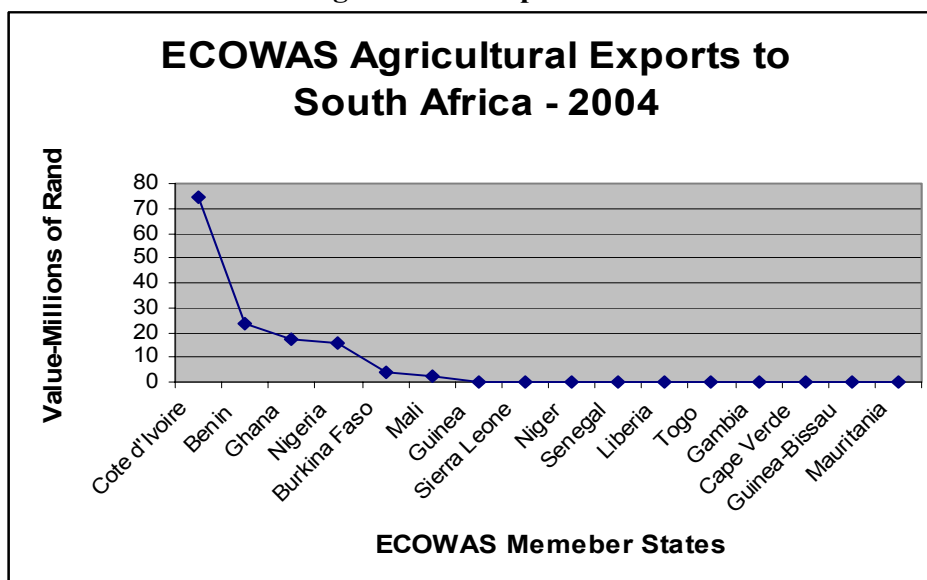
The composition of the South African export profile to the various countries that constitute ECOWAS varies considerably. However, several product nomenclatures appear to dominate the export profile to the region, these include: *beverages, perfumery and cosmetics, edible fruit and nuts, tobacco, sugars and preserved food*. South Africa exports to almost all of the ECOWAS member states^{xvii}. Nigeria represents the leading market for South African agricultural exports in the ECOWAS community. In addition, during 2004 Nigeria ranked as the eight largest African market for South African agricultural exports.

Figure 2: Value of South African Agricultural Exports to ECOWAS 2004



Nigeria is South Africa's largest trade partner in West Africa. South African agricultural exports to Nigeria amounted to approximately R174 million in 2004 and accounted for approximately 44% of total South African agricultural exports to the West African Region. In contrast agricultural imports from Nigeria only amounted to approximately R15.5 million during the same period and represent approximately 12% of South Africa's total agricultural imports from the region.

Figure 3: Value of ECOWAS Agricultural Exports to South Africa-2004



In contrast to its relatively diverse export profile to the region, South Africa's agricultural imports from the ECOWAS region is almost entirely dominated by trade in the *cocoa and cotton product* nomenclatures. Agricultural import trade is also limited to a select few trading partners in the region^{xviii} with Cote d'Ivoire representing the largest supplying country for South African imports from West Africa (figure 3). Imports from Cote d'Ivoire are almost entirely concentrated in the *cocoa* and *cotton* sectors

8. NIGERIAN AGRICULTURE

The agricultural sector continues to be a priority sector for the government with a special emphasis on boosting both food production and food security. The agricultural sector employs about 70% of the labour force and contributes almost 40% to GDP (Games (2004)). In 2003 the agricultural sector grew by 6.5% and growth is expected to continue as government commits further resources to developing agriculture. The investment needed over 1997-2010 to expand production has been valued by the authorities at over US\$12 billion. Even though government is committed to devoting resources to agricultural development, policy indicates that this will not take the form of direct public sector involvement in agricultural production but rather the provision of a "conducive and enabling environment". This is intended to encourage private investment that is projected to accommodate 60% of the agricultural investment required^{xix}.

The National Agricultural and Co-operative bank (NACB) is the main institution providing financial support for the production, processing and marketing of agricultural produce. The NACB is mandated to invest in agricultural and agro-allied industries and provide guarantees in order to raise funds from both local and external sources.

Nigeria's soils and climate allows for the cultivation of a wide variety of food crops. Some of these include *cassava* (for which Nigeria is the world's largest producer), *millet*, *sorghum* and *maize*. Growth in agricultural output averaged 3.5% over 1993-97, higher than the population growth rate. This compares with a period of stagnation in the first half of the 1980s when growth averaged just 0.5%, due to low producer prices, marketing restrictions and drought. Agriculture picked up after the economic reforms introduced in 1986, which included trade liberalization, dissolution of price-fixing marketing boards and improved producer prices facilitated by a devaluation of the Naira.

Growth in the sector averaged 3.8% over the period 1986-92, and there was a burst of activity in the cash crop sector, with many farmers returning to previously abandoned fields. However, the renewed interest was not sustained and did not result in increased investment in cash crop production, which was mostly carried out by smallholders. Improved food crop production contributed to a sharp fall in food imports from 19.3 per cent of total imports in 1983 to 7.1 per cent in 1991, although this crept back up to 13.1 per cent in 1996.

Much of the increase in agricultural output in recent years has resulted from an expansion of the area under cultivation rather than from increased productivity (Africa Recovery: 1999). The sector has been hampered by lack of investment in improved farming technology. Over-farming of fragile soil has worsened the problem of soil degradation. Infrastructural inadequacies, including water and energy shortages, credit constraints,

transport and telecommunication problems and poor knowledge of potential markets have contributed to only 10% of agricultural production being industrially processed in the country^{xx}.

The share of agricultural products in total exports has plummeted from over 70% in 1960 to less than 2% currently. This decline was largely due to the phenomenal rise of oil shipments, but also reflects the fall in output of products like *cocoa, palm oil, rubber and groundnuts* (products for which Nigeria was once a leading world producer). For example, production of *cocoa*, currently Nigeria's biggest non-oil export earner has remained at around 160,000 tonnes per year since 1995, compared with an annual average of 400,000 tonnes at its peak prior to the oil boom. Government has made some efforts to encourage private investment in agriculture and agro-industries by providing incentives such as tax breaks, finance credit and extension services, but these initiatives have yielded little success.

Nigeria's agricultural policy objectives are as follows^{xxi}:

- Increase production of food;
- Increase production of industrial raw materials as inputs for the economy;
- Promote cash crop production as a source of export diversification.

In order to promote these objectives Nigerian trade policy employs a mix of high tariffs and import prohibitions aimed at discouraging imports and promoting local production.

Nigeria's current regulatory environment characterised by export prohibitions, complex inspection procedures and foreign exchange repatriation requirements makes it difficult to promote exports. In recognition of this the government has begun removing certain export prohibitions and the pre shipment inspection system is under review.

Agricultural exports are dominated by *cocoa beans, rubber, cotton, palm kernels, yam, hides and skins*. Nigeria's main export destinations for agricultural products are the USA, France, Germany, Brazil, Italy, Spain and India. Some of the main agricultural imports are: *wheat, sugar, milk, live animals, animal and vegetable oils and fats, beverages and tobacco*. Nigeria's major suppliers include the Netherlands, USA, Brazil, Germany, France and Spain.

9. TRADE BARRIERS^{xxii}

9.1 Tariff Structure

Nigeria applies a six digit tariff nomenclature based on the Harmonized System (HS) used for tariff classification purposes. Legislation governing customs and excise in Nigeria is the *Customs and Management Act of 1990*. This act establishes the main customs regulations and procedures. Under the seven-year plan established on 1 March 1995, tariff rate adjustments are allowed at any time. Duties take the form of either specific duties or ad valorem duties, depending on the commodity. The customs tariff comprises 5,147 lines with exclusive use of ad valorem tariffs. This implies that imports in this category all receive MFN treatment.

The most frequently applied rates of customs duty are 10% (26% of lines), 5% (13% of lines), 45% (12% of lines), 15 and 30% (both 8% of lines). Some 375 items (10% of lines) are subject to import duties exceeding 50%, including *poultry and eggs, cut flowers, sorghum and millet, pasta, beverages and tobacco*.

Excise duties that were eliminated in 1998 were restored with the 1999 budget. These duties apply on range of products including, *sparkling wine coolers champagne* (100%); *cotton* (60%); *fruits and fruit juices* (55%); *rice* (50%); *cigarettes, cigars, tobacco, beer and spirits* (40%); *jute* (10%); *day-old chicks and parent stock* (5%) and *fertilizers* (5%).

9.2 Para-Tariff Measures

All imports are subject to an administrative charge of 1% of the Free on Board (FOB) value. A 7% port development surcharge is also levied on imported goods. An ECOWAS levy of 0.5% applies to some imports.

A value added tax rate of 5% is levied on all domestic and imported goods with the exception of medical and pharmaceutical products; basic food items (beans, yams, cassava, maize, millet, rice, meat, fish and infant food); books and educational materials including exercise books; laboratory equipment; newspapers and magazines; products used exclusively for infants; commercial vehicles and their spare parts, agricultural equipment and products, fertilizer and veterinary medicine, machinery and equipment using gas. In 1999 excise duties were restored. These duties apply to a range of products and vary from 5% to 100%.

9.3 Import Requirements and Documentation

It is not necessary for importers to register to import goods. However, in terms of the Companies and Allied Decree of 1990, the Corporate Affairs Commission must register all companies.

Documents required for imports include a bill of entry, a bill of lading, signed and attested invoices, a certificate of origin, a certificate of value, a packing list, a clean report of findings, the Import Duty Report, a customs duty bank receipt, an insurance certificate and the registered Modified Form M. Additional documents are required for the clearance of food, beverages, tobacco, chemicals and cosmetics.

A modified Form M is used to initiate import procedures. In practice, a bank on the basis of the invoice obtained from the foreign supplier, specifying whether foreign exchange is required or whether the imports are funded externally approves this form. The bank can issue a letter of credit (LC) to the exporter's bank only once the Central Bank of Nigeria (CBN) has allocated the Modified Form M. A Modified Form M is available from inspection agents, Nigerian embassies, Nigerian banks locally and overseas and their correspondent banks.

9.4 Price Control Measures

Although Nigeria has never instituted antidumping or countervailing actions the *Customs Duties Act of 1958* permits the imposition of a special duty on any goods that are deemed to be dumped in the country or subsidized by any Government or authority outside the country. This act aims to protect the establishment of potential domestic industries.

9.5 Finance Measures

The Ministry of Finance is responsible for basic exchange control policy and issues directives for the operation of the autonomous foreign exchange market. However, the Central Bank of Nigeria is the principal administrator of exchange transactions with the responsibility of appointing authorized dealers in foreign currency and supervising and monitoring the operation of the autonomous foreign exchange market.

Letters of credit or cash payments are mandatory for all imports. Import payments covered by confirmed letters of credits are made on presentation of specified documents to the overseas correspondents, on the understanding that the goods paid for will arrive in Nigeria and that all shipping documents will be lodged, by the importers, with an authorized dealer as agents of the Nigerian Government. This needs to be done within 21 days of the negotiation of the specified documents.

9.6 Automatic Licensing Measures

Food and drug items, pharmaceuticals and cosmetics offered for sale in Nigeria must be registered with the Federal Food and Drugs Administration.

Nigeria is a party to the Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988) in terms of which it is required to establish and maintain a system to monitor international trade in substances listed in tables I and II of the Convention.

9.7 Quantity Control Measures

Nigeria abolished import control measures in 1986. However, specific licensing requirements remain in place for a number of restricted products. Those relevant to agricultural trade include:

- Imports of un-manufactured leaf tobacco require a tobacco importer's license issued by the Nigerian Customs Service. The license expires on the 31 December each year and is renewable every year. Licenses are issued as per guidelines in the *Customs and Excise Notice No. 22 of 1959*.
- Fish may only be imported when caught from boats holding specific authorization by Nigerian authorities.

- In accordance with the *Diseases of Animal Act of 1917 and 1962*, the import of animal and specifically dogs must be covered by import permits issued by the Director of the Federal Department of Veterinary Research or Chief Veterinary Officer of any of the states of Nigeria.
- Nigeria has ratified the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). As a party Nigeria maintains import controls on a number of animals and plants, including their parts and derivatives.

9.8 Prohibitions^{xxiii}

All items under prohibition require a permit by the Head of State on the recommendation of the Tariff Review Board before they can be imported in conjunction with the *Excise Tariff (Consolidation) Decree No. 4 of 1995*.

Prohibitions are set on the following agricultural imports: *meat, poultry, fish, eggs (except for hatching), fresh and preserved vegetables and fruits, rice, maize, vegetable oils, mineral water, soft drinks, fruit juices, beer, malt, barley, sparkling wine, sorghum, millet, wheat flour* and most recently *raw sugar*.

Imports of *meat and certain spirits* are prohibited for health, safety or moral reasons.

9.9 Technical Measures

All standards and other technical regulations that have a bearing on health and safety and environmental protection are mandatory. Standards for processed food and beverages are related to the National Agency for Food and Drug Administration and Control (NAFDAC) who are responsible for the control and regulation of these products. The *Drugs and Related Products Decree of 1993* requires imported products comprising all processed food, beverages, tobacco and cosmetics to be registered with NAFDAC. The Standards Organization of Nigeria (SON) is involved in the quality inspection of goods entering Nigeria.

A sanitary or phytosanitary certificate, as appropriate, is required for imports of *meat and meat products*. A free sale certificate (i.e. certificate stating that the commodities in question are in free circulation in the country of origin) is required for imports of *food, drugs, cosmetics and pesticides*. A sanitary or phytosanitary certificate, as appropriate, is required for the importation of certain *animals and animal products, meat and meat products*. The import of *plants, seeds and soils* are subject to a phytosanitary requirement stating that the plant material was inspected and found free from pests and that treatment was done, where applicable, in line with the International Plant Protection Convention of the Food and Agricultural Organization (FAO).

Imported goods in containers must be homogenous and must also be accompanied by a packing list (showing all items imported in the container) certified by the producer.

All goods imported into Nigeria must be labeled in English, in addition to any other languages or translations deemed necessary. In addition, all items entering the country

must be labeled in metric units or will be refused entry. Manufactured products are required to bear the name or identification mark of the manufacturer. Labels of food products must indicate the expiry date, names and quantities of additives and weight in metric units. Special labeling requirements with respect to weight, measure etc., apply to pre-packed products such as flour, salt, soap, sugar and crochet cotton and yarns.

A Certification analysis from the manufacturer in the country of origin is required for the imports of *food, drugs, cosmetics* and *pesticides*. In the same context, a laboratory test certificate is also required for imported *chemicals, food* and *beverages*.

Shipments of *animals, hatching eggs, poultry, animal products (eggs, milk, semen or any other part of an animal), biological and infectious agents* are subject to inspection in a designated quarantine station.

9.10 Pre-Shipment Inspection

The Nigerian government restored its pre-shipment inspection requirement in 1996. Guidelines for imports stipulate that all imports to Nigeria regardless of value are subject to pre-shipment inspection to verify quality, quantity, value for customs purposes, customs classification and import eligibility. The pre-shipment inspection order is valid for six months for general goods and one year for machinery. An inspection company is required to check whether the goods and prices in question are in conformity with the pro forma invoice and, if so, it will then issue a ‘clean report of findings’ and an ‘import duty report’. Live animals are exempt from pre-shipment inspection.

Inefficiencies borne of this requirement have hampered Nigerian trade and in recognition of this the Nigerian government has begun reviewing its pre shipment inspection system. Several countries, including South Africa are exempted from having to undertake pre shipment inspection for products exported to Nigeria^{xxiv}.

9.11 Special Customs Formalities

An Import Duty Report (IDR) issued by the pre-shipment inspection agency must accompany all imports into Nigeria. All containerized cargo and imports valued at US\$1,000 and not covered by an IDR will be impounded. Therefore, all imports into Nigeria must carry a Clean Report of Finding (CRF) that verifies the quantity, quality and price of shipments imported, and an IDR, for goods to be cleared through customs.

10. BILATERAL TRADE STRUCTURE AND PRODUCT ANALYSIS

10.1 Introduction

The data in this analysis is sourced to the HS classification. The International Trade Center’s (ITC) Trade Map is evaluated with reference to bilateral trade between Nigeria and South Africa using specifically identified leading trade products. The analysis is based on COMTRADE statistics accessed via software packages developed by the ITC.

This is complemented by use of the World Trade Atlas database. The extent of the database analysis is limited to obtaining trade data, examining trade trends and identifying trade opportunities between the trading nations.

10.2 South African Exports

The analysis of South African exports to Nigeria on the 2HS level reveals that the leading export clusters to Nigeria include: *miscellaneous edible preparations, essential oils, tobacco, sugars and beverages*. Annex 2(a) provides a complete list of the agricultural exports, includes the relevant HS codes, a product description and the corresponding Rand values of the exports. The annex also provides comparative data for 2002 and 2003. The products are ranked in order of trade value for the year 2004. The three leading product nomenclatures for 2004 as contained in the annex also provide the basis for the export analysis that follows. The selection of products is based on the definition of agricultural products as covered by the WTO Agreement on Agriculture^{xxv}.

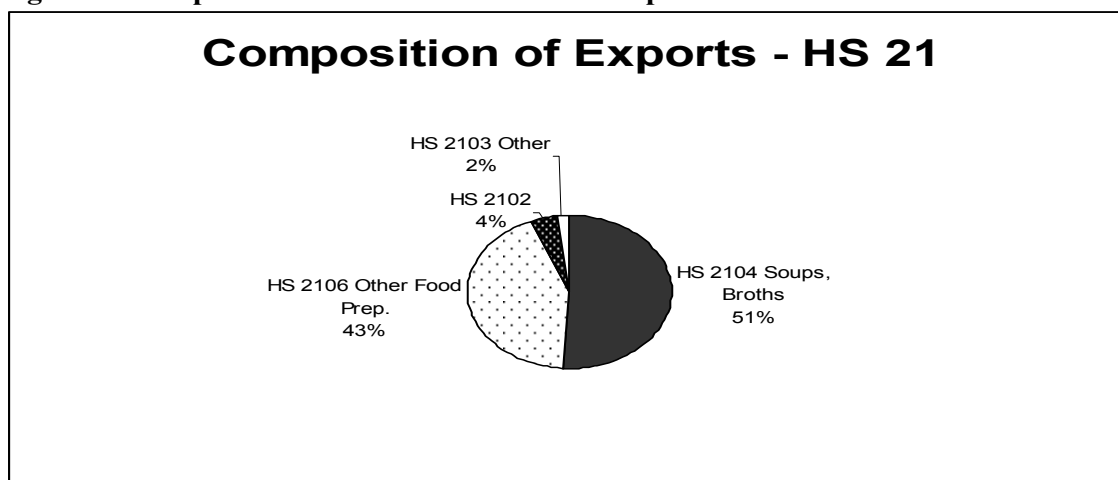
10.2.1 Miscellaneous Food (HS21)

In 2004 *miscellaneous edible preparations (HS21)*, represented the largest category of agricultural exports to Nigeria. An estimated 2.2 million kilograms of food preparations was exported to Nigeria at an average price of R16 per kilogram. This generated an estimated R35.5 million worth of revenue and accounted for almost 20% of total agricultural exports to Nigeria. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals exports of miscellaneous food preparations to Nigeria has been growing steadily. From 2002 to 2003 trade in this category of products grew by an estimated 76%. This trend continued over the period 2003 to 2004 with trade growing at an estimated 75% over this period.

In 2004 *miscellaneous food preparations* replaced both *tobacco and beverages* as the leading category of agricultural exports to Nigeria. The composition of the export profile within this category is represented in *figure 4*, which provides the product nomenclature disaggregated to the 4HS level.

Within the category of *miscellaneous edible preparations (HS21)* the leading products exported are: *soups, broths and preparations thereof*, and *other food preparations*, which accounts for 94% of total exports in this category. These two categories of products provide the basis for trade analysis that follows.

Figure 4: Composition of Miscellaneous Food Exports



(a) Soup, Broth; Other Preparations (HS 2104)^{xxvi}

Within the *miscellaneous food preparation* nomenclature, the leading exports are *soups, broth and other preparations*. In 2004 an estimated 1.7 million kilograms of these products were exported at an average price of R16 per kilogram. In value terms this amounted to approximately R18 million. This represents approximately 51% of the trade within this category and 10% of total agricultural exports to Nigeria. Disaggregated to the 6 HS level this category is dominated by exports of *soups and broth and preparations thereof* (HS210410) which accounted for over 99% of trade in this sub category. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 2.

Table 2: Export Performance of Product Code- HS 210410 from SACU to Nigeria

	Jan-Dec 2002	Jan-Dec 2003	Jan-Dec 2004
Value of Trade (<i>millions of Rand</i>)	4.17652	6.544615	18.078566
Quantity Traded (<i>kilograms</i>)	243 040 kg.	684 380 kg.	1 722 461 kg.
Average Price (<i>Rand per kilogram</i>)	17.18	9.56	10.5
Growth in Value (<i>relative to previous year</i>)	407%	58%	176%

Source: World Trade Atlas

As Table 2 indicates exports of *soups and broths and preparations thereof* have grown significantly over the three year period examined. A reduction in the average price paid per kilogram in 2003 appears to be strongly correlated to the increased demand that year. However, in 2004 exports continued to grow even though there was a marginal increase in price. The fall in average price may either be explained as an increase in exports of a

product of lower value, more cost effective domestic production systems or more efficient cross border business transactions.

A Trade Map analysis^{xxvii} of exports of soups, broths and other preparations reveals that South Africa is the largest exporter of these products to Nigeria, accounting for approximately 37% of Nigeria's total imports. In turn the Nigerian market imports 13% of South Africa's total exports for this product. Over a five year period ranging from 1999-2003 the total Nigerian import demand for these products has grown by an average of 39%. Over this same period Nigerian import demand for South African products has grown by over 500%. Of the leading export nations to Nigeria, this represents the largest average growth over the five year period. This growth is also significantly higher than the growth in South Africa's exports to the rest of the world, which averaged 33%.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2003 Trade Map data provides that South African exports to the rest of the world amounted to US\$ 6.7 million. Isolating South African trade capacity therefore implies that South Africa has the capacity to supply US\$ 6.7 million worth of *soups, broth and other preparations*. Nigeria's import demand for these products during the same period totaled approximately US\$ 2.3 million; of this demand South Africa supplied approximately US\$ 870 000 worth of *soups, broth and other preparations*. Given this, the theoretical potential trade between Nigeria and South Africa is US\$ 1.4 million (US\$ 2.3 million minus US\$ 870 000).

The second largest exporter of these products to Nigeria, and by implication South Africa's leading competitor, is *Switzerland*, which accounts for almost 33% of total Nigerian imports worth an estimated US\$ 776 000 in 2003. In contrast to South African exports to Nigeria that have grown by well over 100% during 2003, Swiss exports grew by only 32%. Given the current value of trade between Switzerland and Nigeria, the similarity in trade value with South Africa and the magnitude of Nigerian demand, the trade potential between these nations is almost identical to the trade potential that exists between South Africa and Nigeria, an estimated US\$ 1.5 million. The significant point here is reflected in the differences in import demand between the countries with Nigerian demand for Swiss products growing at a significantly lower rate than compared to demand for South African products.

The third largest exporter of *soups, broths and preparations* to Nigeria is *Spain*. Spanish exports account for 16% of total Nigerian imports. Even though Spain has a relatively small market share in Nigeria compared to South Africa, its exports showed significant growth in 2003 and measured 427%. *Italy* that ranks as the fourth largest supplier to Nigeria shows the largest growth in the Nigerian market with growth estimated at over 12000%. This phenomenal growth may reflect new entry into the Nigerian market.

In addition to the general trade barriers listed in section 9, *specific trade barriers* faced by exporters of this product to Nigeria include:

- MFN Tariffs (applied rate) – 20% ad valorem tariff,
- Human health requirements of prior surveillance,

- Product characteristics required for human health purposes,
- Testing and inspection of product required for human health purposes.

(b) Food Preparations (HS 2106)

Other food preparations represent the second largest category of exports within the miscellaneous food nomenclature. Exports of food preparations generated approximately R15 million in revenue and accounts for 43% of exports within this category and 8% of total agricultural exports to Nigeria. Disaggregating this category to the 6HS level reveals that exports of food preparations (*HS 210690*) accounted for over 98% of trade in this sub category. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 3.

As Table 3 indicates Nigerian imports of food preparations have grown significantly over the three year period examined even though the average price paid has increased. This may reflect demand for higher value products.

Table 3: Export Performance Product Code-*HS 210690* from SACU to Nigeria

	<i>Jan-Dec 2002</i>	<i>Jan-Dec 2003</i>	<i>Jan-Dec 2004</i>
Value of Trade (<i>Millions of Rand</i>)	4.022141	11.341915	14.994760
Quantity Traded (<i>Kilograms</i>)	148 329 kg	320 298 kg	344 698 kg
Average Price (<i>Rand per kilogram</i>)	27.12	35.41	43.50
Growth in Value (<i>relative to previous year</i>)	5%	182%	32%

Source: World Trade Atlas

A Trade Map analysis of exports of food preparations reveals that South Africa is the fifth largest exporter of these products to Nigeria, accounting for approximately 4% of Nigeria's total imports. In turn the Nigerian market imports 5% of South Africa's total exports for this product. Over a five year period ranging from 1999-2003 the total Nigerian import demand for these products has grown by an average of 15% in value terms. Over this same period Nigerian import demand for South African products has grown by over 45%. This indicates that South Africa is gaining market share in a growing market. However, of the five leading export nations to Nigeria, South Africa's growth ranks third and is significantly lower than the growth rates of both the United States and the United Kingdom as measured over the five year period. This growth is also significantly higher than the growth in South Africa's exports to the rest of the world, which averaged 12%.

Isolating South African trade capacity and Nigerian demand reveals that South Africa has the capacity to supply US\$ 33 million worth of food preparations. Nigeria's import demand for these products during the same period totaled approximately US\$45 million; of this demand South Africa supplied approximately US\$ 1.5 million. Given this, the theoretical potential trade between Nigeria and South Africa is US\$ 31.5 million (US\$ 33 million minus US\$ 1.5 million).

The largest exporter of these products to Nigeria, and by implication South Africa's leading competitor, is *Ireland*, which accounts for almost 55% of total Nigerian imports worth an estimated US\$ 23 million in 2003. In contrast to South African exports to Nigeria that have grown by 45% over the five-year period of 1999-2003, Irish exports grew by only 5%. The second largest supplier to the Nigerian market is the *United States*, with a market share of 12%. Of the leading five nations the *United States* has witnessed the strongest growth averaging 109% over the five years. The *Netherlands*, which is the third largest supplier to the Nigerian market with a market share of 9%, has averaged growth of 30% over the five year period. Nigeria's fourth largest supplier is the *United Kingdom* who like South Africa supplies 4% of Nigeria's import demand. The *United Kingdom* has averaged growth of 83% over the five-year period. However, in 2003 the *United Kingdom* experienced a large decline in import demand with a negative growth rate of 64%. This represents the only decline in import demand across the leading supplying markets. Three countries registered phenomenal growth over the 2003 period and represent serious threats to existing market share, in order of growth rates, these are: *Brazil, India and China*.

In addition to the general trade barriers listed in section 9, *specific trade barriers* faced by exporters of this product to Nigeria include:

- MFN Tariffs (applied rate) – 5% ad valorem tariff,
- Human health requirements of prior surveillance,
- Product characteristics required for human health purposes,
- Testing and inspection of product required for human health purposes.

10.2.2 Tobacco (HS24)

In 2004 *tobacco* represented the second largest agricultural export to Nigeria. South Africa exported approximately 1.5 million kilograms of tobacco products to Nigeria at an average price of R 22 per kilogram. The total value of exports amounted to approximately R34 million. Tobacco exports, in value terms, therefore represented more than 19% of the total agricultural exports to Nigeria.

Contrasting the 2004 trade data against data from the two preceding years reveals the following:

In 2002 *tobacco* exports accounted for 43% of total agricultural exports and replaced beverages to rank as the largest agricultural export product to Nigeria. 2003 witnessed a significant decline in tobacco exports to Nigeria with tobacco exports accounting for only 24% total agricultural exports. Tobacco did however remain the leading agricultural export in 2003. 2004 witnessed a continued reduction in *tobacco* exports to the point where it represented only 20% of total agricultural exports. However, *tobacco* does still maintain its position as one of the leading agricultural export to Nigeria.

(a) Cigars, Cigarettes (HS 2402)

Within the *tobacco* nomenclature, exports are dominated by *cigarettes* (HS 240220), which accounted for approximately 60% of total tobacco exports. Analysis at the product specific level (6 HS level) reveals that trade in *cigarettes* totally dominates this sub-cluster with no other product featuring in this category. In value terms at the disaggregated 6HS level *cigarettes* continue to represent South Africa's single largest agricultural export to Nigeria for the period 2004. Approximately 1 million kilograms of cigarettes at an average price of R20 per kilogram was exported to Nigeria, generating revenue of approximately R20 million. Table 4 contrasts this performance with the export performance for *cigarettes* over the period 2001-2003.

Table 4: South African Cigarette Exports to Nigeria 2001-2003 from SACU to Nigeria

	Jan-Dec 2002	Jan-Dec 2003	Jan-Dec 2004
Value of Trade (<i>Millions of Rand</i>)	224.459	52.509	19.858
Quantity Traded (<i>Kilograms</i>)	2 985 369 kg	1 171 140 kg	1 003 472 kg
Average Price (<i>Rand per kilogram</i>)	75.19	44.84	19.79
Growth/Decline in Value (<i>relative to previous year</i>)	489%	- 133%	-62%

Source: World Trade Atlas

Trade Map analysis of South African *cigarette* exports to Nigeria reveals that South Africa is the second largest exporter of *cigarettes* to Nigeria, accounting for approximately 8% of Nigeria's total cigarette imports in 2003. In turn the Nigerian market imports approximately 19% of South Africa's total *cigarette* exports. Over a five year period ranging from 1999 to 2003, Nigerian imports of *cigarettes* has grown by an average of 81% in value terms whilst at the same time South Africa's total exports to the world has declined by an average of 24%.

Isolating South African trade capacity implies that South Africa has the capacity to supply US\$ 35 million worth of *cigarettes*. Nigeria's import demand for *cigarettes* during the same period totaled approximately US\$ 90 million; of this demand South Africa supplied approximately US\$ 7 million worth of *cigarettes*. Given this, the theoretical potential trade between Nigeria and South Africa is US\$ 28 million (US\$ 35 million minus US\$ 7 million).

The largest exporter of *cigarettes* to Nigeria is the *United Kingdom*, which accounts for almost 90% of total Nigerian imports worth an estimated US\$ 81 million in 2003. In contrast to South African exports to Nigeria that have declined by 61% in 2002-2003, *United Kingdom* exports grew by 10%. Given the current value of trade between the *United Kingdom* and Nigeria and the magnitude of Nigerian demand, the trade potential between these nations is low at an estimated US\$ 9 million (US\$ 90 million minus US\$ 81 million). The third largest exporter of cigarettes to Nigeria is *Greece*. Their exports account for only 1% of total Nigerian imports. Even though *Greece* has a small market share in Nigeria, its exports showed significant growth in 2003 and measured 65%. *Cyprus* that ranks as the sixth largest supplier to Nigeria shows the largest growth in the

Nigerian market with growth estimated at 375%. However, *Cyprus* still has less than 1% market share in Nigerian imports.

The Nigerian import market grew by an estimated 11% in 2003. Over the five-year period (1999-2003) the market grew by an average of 81% in value terms. Of the leading six supplying nations, South Africa is the only partner who witnessed a decline in exports to Nigeria in 2003. Growths in import demand for products from the *United Kingdom, Greece and Cyprus* have clearly displaced demand for South African cigarettes. Significant factors in explaining South Africa's decline may be the appreciation of the South African Rand over the past two years, stricter domestic tobacco legislation and European Union subsidies on tobacco. However, a sector specific study may be required to identify the key factors contributing to this decline in trade.

In addition to the general trade barriers listed in section 9, *specific trade barriers* faced by exporters of this product to Nigeria include:

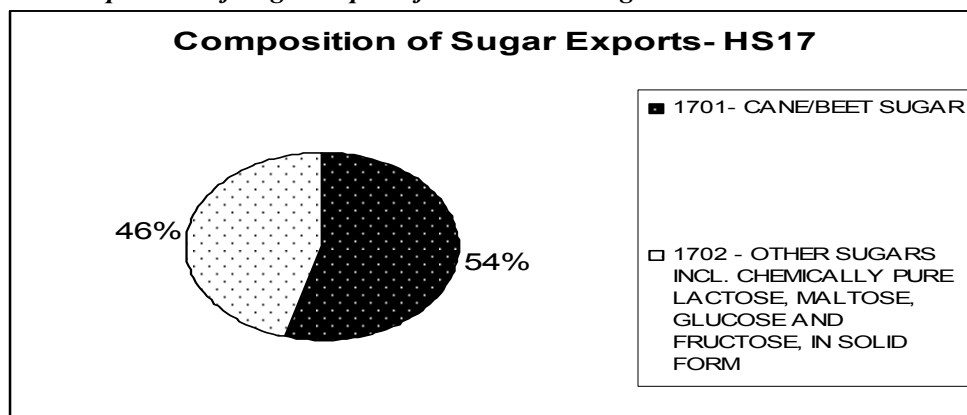
- MFN tariff of 150%

10.2.3 Sugars and Sugar Confectionary (HS17)

In 2004 *sugars and sugar confectionary (HS17)*, represented the third largest category of agricultural exports to Nigeria. An estimated 7.5 million kilograms of *sugars and sugar confectionary* was exported to Nigeria at an average price of R4 per kilogram. This generated an estimated R31.5 million worth of revenue and accounted for 18% of total agricultural exports to Nigeria. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals exports of *sugars and sugar confectionary* to Nigeria has been declining. Over the period 2002 to 2003, trade in this category of products declined by an estimated 4%. This trend continued over the period 2003 to 2004 with trade declining by an estimated 44%.

The composition of the export profile within this category is represented in figure 5, which provides the product nomenclature disaggregated to the 4HS level.

Figure 5: Composition of Sugar Exports from SACU to Nigeria-2004



Source: World Trade Atlas

Within the category of sugars and sugar confectionary (*HS17*) the leading products exported are: *cane and beet sugar (HS1701)* and *other sugars (HS 1702)*, which accounts for approximately 100% of total exports in this category. These two categories of products provide the basis for trade analysis that follows.

(a) Cane and Beet Sugar (HS 1701)

Within the *sugars* nomenclature, the leading exports were *cane and beet sugar*. In 2004 an estimated 690 000 kilograms of these products were exported at an average price of R25 per kilogram. In value terms this amounted to approximately R17 million. This represents approximately 54% of the trade within this category and 9% of total agricultural exports to Nigeria. Disaggregated to the 6 HS level this category is dominated by exports of *refined cane or beet sugar, containing added flavoring or coloring, in solid form (HS170191)*, which accounted for over 99% of trade in this sub category. The performance of this category of products in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 4.

Table 5: Export Performance Product Code-*HS 170191* from *SACU* to *Nigeria*

	<i>Jan-Dec 2002</i>	<i>Jan-Dec 2003</i>	<i>Jan-Dec 2004</i>
Value of Trade (<i>Millions of Rand</i>)	12.063168	15.454603	17.099431
Quantity Traded (<i>Kilograms</i>)	396 895 kg	680 881 kg	689 702 kg
Average Price (<i>Rand per kilogram</i>)	30	23	25
Growth/Decline in Value (<i>relative to previous year</i>)	n/a	28%	10.6 %

Source: *World Trade Atlas*

The dominance of product *HS170191* within this category is in a large part due to the prohibition on raw sugar imports into Nigeria^{xxviii}.

A Trade Map analysis of exports of *refined cane or beet sugar* reveals that South Africa is the largest exporter of these products to Nigeria, accounting for approximately 81% of Nigeria's total imports. In turn the Nigerian market imports 30% of South Africa's total exports for this product.

Isolating South African trade capacity and Nigerian demand reveals that South Africa has the capacity to supply US\$ 6.9 million worth of refined sugars. Nigeria's import demand for this product during the same period totaled approximately US\$2.5 million; of this demand South Africa supplied approximately US\$ 2 million. Given this, the theoretical potential trade between Nigeria and South Africa is low at an estimated US\$500,000 (US\$ 2.5 million minus US\$2 million).

South Africa's largest competitor in the Nigerian market is *China*. Although the second largest supplier to Nigeria, *Chinese* refined sugar accounts for only 19% of total Nigerian imports worth an estimated US\$ 497,000 in 2003. However, Chinese exports have shown phenomenal growth over the past year with estimates placing growth beyond the 1000%

mark. No other trade data is available for this category of Nigerian imports. Potential competitors include *India, Singapore, U.S and Germany*; these countries represent the leading four global exporters for this product. South Africa ranks as the fifth largest global exporter.

In addition to the general trade barriers listed in section 9, specific trade barriers faced by exporters of this product to Nigeria include:

- MFN Tariffs (applied rate) – 15% ad valorem tariff,
- Human health requirements of prior surveillance,
- Product characteristics required for human health purposes,
- Testing and inspection of product required for human health purposes

(b) Other Sugars (1702)

Other sugars represent the second largest category of exports within the sugars nomenclature. An estimated 6.8 million kilograms of these products were exported at an average of R2 per kilogram. Exports of *other sugars* generated approximately R14 million in revenue and accounts for 45% of exports within this category and 8% of total agricultural exports to Nigeria. Disaggregating this category to the 6HS level reveals that exports of *dry glucose (HS170230)* accounted for over 96% of trade in this sub category. The performance of this category of products (*HS170230*) in 2004 as contrasted with the performance in 2002 and 2003 is shown in table 5.

Table 6: Export Performance of Product Code-HS 170230 from SACU to Nigeria

	<i>Jan-Dec 2002</i>	<i>Jan-Dec 2003</i>	<i>Jan-Dec 2004</i>
Value of Trade (<i>Millions of Rand</i>)	21.083351	16.053892	13.858945
Quantity Traded (<i>Kilograms</i>)	6 650 600	6 927 090	6 753 190
Average Price (<i>Rand per kilogram</i>)	3.17	2.32	2.05
Growth/Decline in Value (<i>relative to previous year</i>)	16%	- 22%	-14%

Source: *World Trade Atlas*

As table 5 reveals, exports of *dry glucose*, after a period of growth, have declined over the past two years. However, in volume terms this decline has not been as pronounced measuring only 2.5 % from 2003 to 2004, and showing growth from 2002 to 2003 even though growth in value terms declined by 22%. This performance can in part be explained by the significant drop in average price, which indicates that South African exports, measured in volume terms have remained relatively constant but the average price charged for those exports has been declining consistently over the period of analysis.

A Trade Map analysis of exports of *dry glucose* reveals that South Africa ranks as the second largest exporter of this product to Nigeria, accounting for approximately 24% of

Nigeria's total imports. In turn the Nigerian market imports 27% of South Africa's total exports for this product. Over a five-year period ranging from 1999-2003 the total Nigerian import demand for these products has grown by an average of 53%. Over this same period Nigerian import demand for South African products has grown by over 60%. Of the leading export nations to Nigeria, this represents the largest average growth over the five-year period. This growth is also higher than the growth in South Africa's exports to the rest of the world, which averaged 47%.

Isolating South African trade capacity therefore implies that South Africa has the capacity to supply US\$ 7.8 million worth of dry glucose. Nigeria's import demand for this product during the same period totaled approximately US\$ 8.8 million; of this demand South Africa supplied approximately US\$ 2.1 million worth of dry glucose. Given this, the theoretical potential trade between Nigeria and South Africa is US\$ 5.7 million (US\$ 8.8 million minus US\$ 2.1 million).

The largest exporter of these products to Nigeria, and by implication South Africa's leading competitor, is the *Netherlands*, which accounts for almost 52% of total Nigerian imports worth an estimated US\$ 4.6 million in 2003. In contrast to South African exports that have grown, Dutch exports have declined by 12% in 2003. The third largest exporter of dry glucose to Nigeria is *Brazil*. Brazilian exports account for only 17% of total Nigerian imports. *Bulgaria* that ranks as the fourth largest supplier to Nigeria shows the largest growth in the Nigerian market in 2003 with growth estimated at over 66%. This growth has allowed Bulgaria to acquire 5% of the Nigerian market and may reflect the trade benefits associated with the trade arrangement concluded between the nations.

In addition to the general trade barriers listed in section 9, *specific trade barriers* faced by exporters of this product to Nigeria include:

- MFN Tariffs (applied rate) – 15% ad valorem tariff,
- Human health requirements of prior surveillance,
- Product characteristics required for human health purposes,
- Testing and inspection of product required for human health purposes.

11. SOUTH AFRICAN IMPORTS FROM NIGERIA

The analysis of South African imports from Nigeria on the *2HS* level reveals that the leading agricultural import clusters comprise of: *cocoa and related products, food industry residues and waste, coffee, tea and spices*. Annex 2(b) provides a list of selected agricultural imports, includes the relevant HS codes, a product description and the corresponding Rand values of the imports. The table also provides comparative data for 2002 and 2003. The products are ranked in order of trade value for the year 2004. The leading product nomenclatures for 2004 as contained in the annex also provide the basis for the analysis that follows.

11.1 Cocoa and Cocoa Preparations (HS18)

In 2004 *cocoa and cocoa preparations (HS18)*, represented the largest category of agricultural imports from Nigeria. An estimated 258 000 kilograms of *cocoa and cocoa preparations* was imported at an average price of R31.76 per kilogram. This cost South African importers an estimated R 8.2 million. Imports of *cocoa* accounted for approximately 53% of total agricultural imports from Nigeria. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals imports of *cocoa* from Nigeria has been growing steadily. From 2002 to 2003 trade in this category of products grew by an estimated 8.5%. This trend continued over the period 2003 to 2004 with trade growing at an estimated 7%.

In 2004 *cocoa and cocoa preparations* maintained its position as the leading category of agricultural imports from Nigeria. The composition of the export profile within this category reveals that *Butter, Fat and Oil (HS180400)* dominate trade within this product nomenclature, accounting for over 99% of trade in this category. The analysis is therefore confined to this category of products. The performance of Nigeria's Cocoa exports to South Africa over a three-year period is outlined in table 7.

Table 7: Export Performance to-Product Code HS180400 from Nigeria to SACU

	<i>Jan-Dec 2002</i>	<i>Jan-Dec 2003</i>	<i>Jan-Dec 2004</i>
Value of Trade (<i>Millions of Rand</i>)	7.061437	7.650260	8.194120
Quantity Traded (<i>Kilograms</i>)	239 925	304 000	258 000
Average Price (<i>Rand per kilogram</i>)	29.43	25.17	31.76
Growth/Decline in Value (<i>relative to previous year</i>)	n/a	8.3%	7.1%

Source: World Trade Atlas 2004

Cocoa: butter, fats and oils accounted for over 50% of the total agricultural imports from Nigeria in 2004. This represents consistent growth measured over a three-year period. In 2002 and 2003 imports of *cocoa products (HS180400)* accounted for approximately 31% and 40% of total agricultural imports from Nigeria respectively. Table 7 also reveals that although the average price of the products as well as the volume demand has shown inconsistency, Nigeria has continued to experience a steady growth in the value of cocoa exports to the South African market.

Trade Map analysis of South African cocoa imports from Nigeria reveals that South Africa is the sixth largest importer of *cocoa butter, oils and fats* from Nigeria, accounting for approximately 4% of Nigeria's total exports in 2003. In turn, imports from Nigeria account for approximately 11% of South Africa's total imports.

Over a five year period ranging from 1999 to 2003, Nigerian exports of these products to the rest of the world has declined by an average of 4% in value terms whilst at the same time South Africa's import demand from the rest of the world has grown by an average of 5%.

Isolating Nigerian trade capacity therefore implies that Nigeria has the capacity to supply US\$ 28.2 million worth of cocoa butter, oils and fats. South Africa's import demand for these products during the same period totaled approximately US\$ 9.1 million; of this demand Nigerian imports accounted for approximately US\$ 1 million worth. Given this, the theoretical potential trade between Nigeria and South Africa is US\$ 8.1 million (US\$ 9.1 million minus US\$ 1 million).

The largest supplier of these products to South Africa is *Malaysia*, which accounts for almost 40% of total South African imports worth an estimated US\$ 3.6 million in 2003. Nigeria's second largest competitor in the South African market is *Indonesia*, which provides 27% of South Africa's imports in this category. *Nigeria, Malaysia and Indonesia* all witnessed an increase in import demand from SACU in 2003, with Indonesian imports registering the greatest growth with a five year average measured at over 140%.

South Africa has no trade barriers in place to limit imports of this category of products. The MFN tariff rate is 0% and no other special requirements need to be complied with for imports of this category of products.

11.2 Food Industry Residue and Waste (HS23)

In 2004 *food industry residue and waste (HS23)* represented the second largest category of agricultural imports from Nigeria. An estimated 12.5 million kilograms of food industry residue and wastes imported from Nigeria at an average price of R0.34 per kilogram. This cost South Africa importers an estimated R 4.2 million. Imports of *food residue and waste* accounted for approximately 27% of total agricultural imports from Nigeria. Contrasting the trade data of 2004 with that of 2002 and 2003 reveals imports of *food residues and wastes* from Nigeria has been consistently declining. From 2002 to 2003, imports in this category of products declined by a massive 65%. This trend continued over the period 2003 to 2004 with trade declining by an estimated 20%.

The composition of the export profile within this category reveals that *cotton seed (HS230610)* dominates trade within this product nomenclature, accounting for over 88% of trade in this category. The analysis is therefore confined to this category of products. The performance of Nigeria's cottonseed exports to South Africa is outlined in table 8.

Table 8: Export Performance to South Africa-Product Code HS230610 from Nigeria to SACU

	Jan-Dec 2002	Jan-Dec 2003	Jan-Dec 2004
Value of Trade (<i>Millions of Rand</i>)	13.561758	4.115000	3.351423
Quantity Traded (<i>Kilograms</i>)	24 414 884	10 702 583	9 075 849
Average Price (<i>Rand per kilogram</i>)	0.56	0.38	0.37
Growth/Decline in Value (<i>relative to previous year</i>)	n/a	70%	18.5%

Source: World Trade Atlas 2004

Table 8 reveals that even though the average price of the products has fallen, import demand for Nigerian *cotton seed* continues to decline.

Trade Map analysis of South African *cotton seed* imports from Nigeria reveals that South Africa is the largest importer of *cotton seed* from Nigeria, accounting for approximately 72% of Nigeria's total exports in 2003. In turn, Nigerian imports account for approximately 11% of South Africa's total imports and Nigeria ranks as the fourth largest supplier to South Africa. Over a five year period ranging from 1999 to 2003, Nigerian exports of these products has grown by an average of 4% in value terms whilst at the same time South Africa's import demand from the rest of the world has grown by an average of 9%.

Isolating total demand and total export capacity provides a rough estimate of how much countries could 'theoretically' trade between themselves. The Trade Map database captures this in estimating "indicative trade potential" between trading nations. 2003 Trade Map data provides that Nigerian exports to the rest of the world amounted to US\$ 767 000. Isolating Nigerian trade capacity therefore implies that Nigeria has the capacity to supply US\$ 767 000 worth of *cotton seed*. South Africa's import demand for these products during the same period totaled approximately US\$ 5.1 million; of this demand Nigeria imports accounted for approximately US\$ 550 000 worth. Given this, the potential trade between Nigeria and South Africa is US\$ 217 00 (US\$ 767 000 minus US\$ 550 000).

The largest supplier of these products to South Africa is one of Nigeria's ECOWAS partners, *Benin*, which accounts for almost 42% of total South African imports worth an estimated US\$ 2.1 million in 2003. In contrast to Nigeria's declining export performance to South Africa, *Benin* has shown consistent growth, measured at over 35% for the period ranging from 1999 to 2003.

Nigeria's second largest competitor in the South African market is *Zimbabwe*, which provides 14% of South Africa's imports in this category. Just as Nigeria has witnessed a decline in South African import demand over a five-year period, so to has *Zimbabwe*, with a five-year average decline measured at over 9%. The decline in demand for *Zimbabwean* products may be attributed to the current political and economic problems in the country that contribute to negative perceptions thereby increasing the risk and costs associated with concluding business transactions. The third largest supplying market for South African imports is *Tanzania*, which provides 12% of South Africa's total imports. Of the leading supplying nations *Tanzanian* exports to South Africa has shown the greatest growth over the 2002 and 2003 period, measured at over 180%. This growth may in part reflect a shift in demand from *Zimbabwean* to *Tanzanian* products since both nations enjoy preferential market access as a result of their SADC membership.

Trade barriers for importers of cottonseed include:

- MFN tariff of 6.6%
- SADC members enjoy a preferential tariff of 0% (no tariff)
- EU members enjoy a preferential tariff of 5%

12. TRADE OPPORTUNITIES

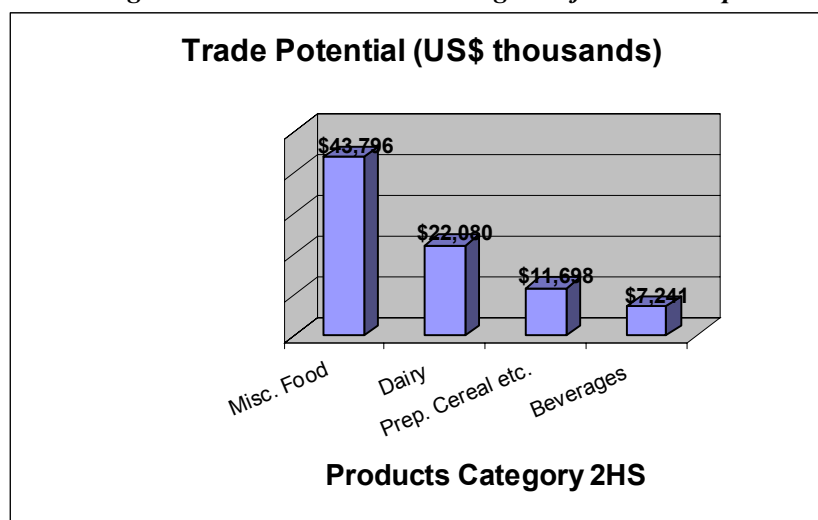
12.1 Introduction

The identification of potential trade opportunities between Nigeria and SACU was conducted using the ITC's Trade Maps and in particular the Trade Map estimates of "indicative trade potential". A trade potential index^{xxix} was developed at the 6HS level to assist in identifying agricultural products that show the greatest potential for future trade (annexure 3). In terms of the index the products listed below represent some of the products providing the greatest potential for trade between the nations. Limited information necessitated a widening of the research to include all SACU members in determining trade potential. The table therefore represents trade potential between SACU and Nigeria. Since South Africa is the leading trading nation in SACU and only limited data is available on bilateral flows between South Africa and Nigeria these tables are taken as an indication of the nature of trade flows between the countries. The values contained therein will therefore overestimate trade values. The product specific discussion that follow will however, focus almost entirely on South Africa exports, since this data is available through the World Trade Atlas.

12.2 Potential for SACU Exporters^{xxx}

In terms of export potential, the trade potential index reveals a number of products that present valuable export opportunities. 50 of the leading export potential products are identified in annex 3(a). Four export clusters at the 2 HS level that provide the greatest trade potential are identified. These include *HS21 Miscellaneous Food*, *HS04 Dairy*; *HS19 Prep. Cereal, Flour, Starch or Milk* and *HS22 Beverages*. The value of the trade potential of these clusters is represented in figure 5. These clusters account for 58% of the products identified as having the greatest trade potential.

Figure 5: *Leading Trade Potential Product Categories for SACU exports to Nigeria*



The clusters are investigated on the basis of existing trade flows and subsequently disaggregated to their relevant *6HS* levels to identify specific products within them that hold the greatest export potential^{xxxii}. The leading three products per product nomenclature (*6HS*) level will then be discussed. In addition, a selected number of products that provide the greatest trade potential but that do not fall into one of the above listed clusters will also be discussed. Annex 4 provides a list of trade barriers for these and other selected products of importance to South African exporters at the *6HS* level. These barriers are then aggregated at the *2HS* level for the products listed.

12.2.1 Miscellaneous Food^{xxxiii} (HS 21)

World Trade Atlas data reveals that even though South African agricultural exports to Nigeria have declined consistently over the past three years, the export of miscellaneous food has been growing steadily over this period^{xxxiii}. 18% of the leading 50 trade potential products fall within this product nomenclature. In order of greatest trade potential these include:

(a) Sauces and Preparations (HS 210390)

The Trade Potential Index reveals that of the *HS21* category products, *sauces and preparations* provides the greatest trade potential for SACU exporters. Exports have grown by an average of 34% over a five year period from 1999 to 2003, which is significantly higher than the 5% growth in Nigerian import demand. In 2004, it is estimated that 27 568kg of sauces at average price of R18 per kilogram was exported, this generated an income of approximately R279 000. However, World Trade Atlas data reveals that in 2004 trade in this category of product declined by over 24% in value terms. In volume terms this decline was more pronounced and measured 74%. Examining the average price paid per kilogram provides insight to one of the possible reasons for this large decline. In 2004 prices increased by over 150%, rising from R7.26 to R18 per kilogram.

South Africa enjoys a 1% market share in the Nigerian market. Leading competitors include the *United Kingdom* with a market share of 25%, *Indonesia* with a market share of 24%, *Singapore* with a market share of 13% and the *Netherlands and the USA*, each with a market share of 12%.

(b) Protein Concentrates (HS 210610)

Protein concentrates represent the second most valuable trade opportunity within this category of products. Trade Map data measures SACU export growth at 189% for the five year period 1999 to 2005. In 2004 South Africa exported approximately 22 135 kg of protein concentrates to Nigeria. At an average price of R5 per kilogram these exports generated an income of approximately R109 000. This represents a decline in value terms

of 66% compared to 2003 and is almost identical to 67% decline in volume of exports for the same period. This decline in exports cannot be adequately explained by price fluctuations since the average price only increased marginally during this period.

The largest exporter of this product to Nigeria and by implication South Africa's leading competitor is the *Netherlands* with a 60% share of the Nigerian import market. *Germany*, which is the world's seventh largest supplier of these products ranks second with a market share of 17%. The world's largest supplier, the *United States* ranks third with a market share of 12%. *France* and the *United Kingdom* follow with market shares of 6% and 3% respectively. South Africa currently enjoys a market share of less than 1%.

(c) Homogenized Composite Food Preparations-Baby Food (HS 210420)

Although ranking low in terms of trade potential value, *baby food* scores high on the trade potential index. Over a five year period (1999 to 2003) exports to Nigeria have grown by 52% outstripping the growth in Nigerian import demand, which only measured 28%. However, World trade Atlas data reveals that this growth trend was reversed in 2004 with exports declining by just over 41%. In 2004 an estimated 2917kg of *baby food* at an average price of R33 per kilogram was exported. This generated an income of approximately R96 000. The decline in trade value was consistent with the 46% decline in trade volume, and can to some extent be explained by the 11% increase in average price.

The leading supplier of this product to Nigeria is the *United Kingdom*, which totally dominates the Nigerian market with a market share of 87%.

(d) Other Miscellaneous Products

- *HS 210690 Food Preparations*
- *HS 210210 Yeasts*
- *HS 210320 Tomato ketchup*
- *HS 210230 Baking powders*
- *HS 210500 Ice Cream*
- *HS210120 Tea or mate extracts*

These six products represent the remainder of the *HS21* category products that featured in the top 50 Trade Potential Index. Of these only three products registered growth in export value in 2004. *Ice cream*, *yeasts* and *food preparations* exports grew by 116%, 53% and 29% respectively. Exports of *tea or mate extracts* and *tomato ketchup* declined by 99% and 9% respectively, whilst no *baking powders* were traded in 2004.

12.2.2 Dairy (HS 04)

A 71% decline in *dairy* exports in 2004 results in *dairy* products not featuring significantly in the aggregated trade analysis. However, the Trade Potential Index reveals that dairy products continue to hold enormous potential for South African exporters with 24% of the products identified in the Trade Potential Index falling within the dairy products nomenclature. In order of greatest trade potential these include:

(a) Fats and Oils Derived from Milk (HS 040590)

In terms of the Trade Potential Index, *fats and oils derived from milk* ranks as the product with the greatest trade potential within the *dairy* nomenclature. Existing trade in this product coupled with growth in Nigerian demand provides an opportunity for entrenching and expanding trading relations in this product. In 2004 South African exports of this product declined dramatically with almost no products being traded. This followed impressive trade volumes in 2003 when South Africa ranked as the fifth largest supplier to the Nigerian market with a market share of 4%. Leading competitors included the *Netherlands*, *Ireland* and *New Zealand* each with a market share of 42%, 20% and 17% respectively. The reasons underlying the dramatic decline in trade are not clear since import prohibitions are not listed for this product^{xxxiv}.

(b) Butter Milk, Curdled Milk and Cream (HS 040390)

No existing trade in this product is currently recorded. However, the trade potential index does reveal that Nigerian imports have grown by an average of 7% over a five year period (1999 to 2003). During this same period SACU exports have grown by 40%. The existence of demand and the capacity to supply as reflected by the data implies that potential does exist for trade in this product. In 2003 Nigerian imports totaled US\$ 876 000. The leading suppliers of this product to Nigeria and as a result the leading competitor should South Africa pursue this opportunity is the *Netherlands*. The *Netherlands* enjoys a 45% market share in Nigeria and are followed by *Ireland* with a 34% market share. The third largest supplier is *China* with a 7% market share. A significant point here is that each of the five leading suppliers enjoyed positive growth in exports to Nigeria over the five year period from 1999 to 2003.

(c) Processed Cheese (HS 040630)

Over a five year period from 1999-2003 Nigerian demand for *processed cheese* grew at the phenomenal rate to average 247%. This growth is also reflected in the increased demand for South African products. However, in 2004 South Africa only exported 980kg of processed cheese to Nigeria at an average price of R44 per kilogram. This generated an

income of R43 120. This represents a decline in trade value of 44%. This decline occurred even though the average price per kilogram declined by 12%.

The Nigerian market is totally dominated by *Italian* cheese products, with *Italy* enjoying a market share of over 99%. However, existing trade links coupled with growth in Nigerian demand makes this market an attractive prospect for South African exporters.

(d) Other Dairy Products

- *HS 040221 Unsweetened milk and cream powder*
- *HS 040229 Sweetened milk and cream powder*
- *HS 040210 Milk Powder <1.5% fat*
- *HS 040120 Milk not concentrated and unsweetened*
- *HS 040510 Butter*
- *HS 040310 Yoghurt*
- *HS 040490 Products consisting of natural milk*
- *HS 040900 Honey*

Of the products listed here, the three *milk powder products* deserve specific mention. Although the Nigerian demand for all three of these products has been declining consistently the market potential for these products remains large in value terms. Isolating indicative trade potential, these products provide the greatest opportunity for maximizing trade value in the *dairy* nomenclature. The consistent growth in SACU exports also reflects the ability to supply this market. The leading competitors in this market include the *Netherlands, Belgium, France* and the *United Kingdom*.

11.2.3 Baking Related (HS 19)

Prepared cereal, flour, starch or milk is one of the few product categories that recorded growth in spite of a decline in total agricultural trade in 2004. Exports of this category of product grew by over 38% in 2004 relative to 2003. Four products within this nomenclature feature in the Trade Potential Index with two of the four products receiving a maximum scoring of 5 out of 5. These include:

(a) Malt Extract and Food Preparations (HS 190190)

The Trade potential Index reveals this category of product as the product with the leading trade potential within the *HS19* nomenclature and is largely responsible for this category registering positive growth. Over a five year period from 1999 to 2003 SACU exports to Nigeria have grown by phenomenal 314%. This growth outstrips Nigerian import demand that grew by 161% over the same period. In 2004 South Africa exported 277 268

kg of these products to Nigeria at an average price of R23 per kilogram. This generated an estimated R6.4 million in income and represents a 444% increase in the value of exports as compared to 2003. This increase is also reflected in trade volume with volume exported increasing by 488%, this in response to a marginal decline in average price of 6%.

In spite of the phenomenal growth in trade, South Africa only ranks as the 16th largest supplier to Nigeria with a market share of only 1%. Leading competitors include *Ireland* with a 47% market share, *New Zealand* with a 10% market share, the *United States* with a 9% market share and the *United Kingdom* and *Netherlands* each with an 8% share. However, of the leading suppliers only *Ireland* recorded a higher growth rate than South Africa over the five year period from 1999 to 2003. This implies that South Africa is increasingly gaining market share in a growing and relatively competitive market.

(b) Prep. Food Obtained by Swelling or Roasting of Cereal (HS 190410)

SACU exports of this product have grown by an average of 131% over the five year period from 1999 to 2003, this in spite of the decline in Nigerian import demand from the rest of the world. However, this trend was reversed in 2004 when both export quantity and value declined by 97%.

The leading supplying nations of this product to Nigeria include the *United Kingdom* and *Belgium* with market shares of 81% and 2% respectively.

(c) Preparations of Flour, Cereals for Infant Use (HS 190110)

This category of product holds enormous trade potential as evidenced by the indicative trade potential measure. However, there currently exists very little trade in this product between South Africa and Nigeria. Nigerian import demand has been declining by an average of 17% for the five year period 1999 to 2003. In 2004 South African exports to Nigeria declined 88%. South Africa does however remain the 10th largest supplier to the Nigerian market with a market share of 2%. Leading competitors include the *United Kingdom* and the *Netherlands*, each with a market share of 28%.

12.2.4 Beverages (HS 22)

Consistent with the decline in total agricultural exports, the export of *beverages* has also witnessed a marked decline. In 2002 beverage exports were the leading category of exports to Nigeria. After two years of successive trade decline beverages now occupy the fourth spot in export ranking (annex 2(a)). 2003 witnessed a decline in exports of 44% and this trend continued in 2004 with exports declining by a further 59%. A significant contributor to this decline in export performance is the imposition of import bans on selected beverage products (e.g. fruit juices). However, beverages continue to represent an important category of exports to Nigeria accounting for over 16% of total agricultural

exports. The categories of products within this nomenclature that provide the greatest trade potential include:

(a) Grape Wines (HS 220421)

The trade potential for this category of product is evidenced in the growth of Nigerian import demand that averaged 44% for the five year period from 1999 to 2003. During this period South African exports to Nigeria also witnessed growth of 8%. Although this growth is significantly lower than the growth in Nigerian import demand it does reveal that South African exporters have taken advantage of a growing market. Within the *beverages* nomenclature *wine* exports also represent the only category of products that witnessed export growth in 2004. Exports of *wines* (HS2204) grew by an estimated 14% whilst the export of beverages in total declined by 59%. During this period exports of *grape wines* grew by over 21% to generate estimated revenue of R3.5 million.

South Africa's leading competitors in the Nigerian market are the *United States*, *Korea* and *Italy* who enjoy a combined market share of 80% of the Nigerian market.

(b) Whiskies (HS 220830)

Nigerian import demand for whiskies has grown by an average of 47% for the period 1999 to 2003. South Africa does currently export whiskies to Nigeria and has witnessed export growth of 8% over the same period. Potential to increase supply to Nigeria therefore does exist. However, exports witnessed a sharp decline of over 90% in 2004 with no significant export quantity or value being recorded. The leading supplying nations to Nigeria are *Korea* with a market share of 47% and the *United States* with a market share of 32%.

(c) Cider, Perry, Mead and Other Fermented Beverages (HS 220600)

Over a five year period for 1999 to 2003 Nigerian import demand for this category of product has grown by 18%. During this same period South African exports have grown by an average of 16%. In 2003 South African exports to Nigeria generated an estimated R200 000 in revenue. In 2004 these exports declined in by approximately 64%. Nigerian imports are totally dominated by the imports from two nations; they are the *United Kingdom* with a market share of 53% and the *United States* with a market share of 46%.

12.2.5 Market Access Constraints

Significant market access constraints exist for exporters to Nigerian market. Annexure 4 reveals the presence of a number of tariff peaks^{xxxv} for the products identified as having trade potential.

The category of products with the highest constraints is beverages with an average tariff for the three identified products averaging 90%. The miscellaneous food nomenclature contains the second highest tariff constraints with five of the nine listed products exhibiting tariff peaks in excess of 25%. The average for the nine products averages 48%.

Baking related products ranks third with two of the three products exhibiting tariff peaks and the average for the three products being 45%. Dairy represents the category with the lowest average tariff. However, butter and processed cheese each face tariffs of 100%. The average tariff for the listed dairy products is measured at 28%.

13. POTENTIAL FOR SOUTH AFRICAN IMPORTERS^{xxxvi}

As was previously stated, the Nigerian economy is primarily dependant on oil exports as a source of foreign exchange earnings. The development of oil exports has negatively affected the Nigerian agricultural sector resulting in a relatively underdeveloped and uncompetitive agricultural sector. This has contributed to limit Nigeria's agricultural production capacity and as a result Nigeria's agricultural export profile. The import opportunities from Nigeria are therefore limited. However, several opportunities do exist and some of these are listed below:

13.1 Cocoa Butter, Fat and Oil (HS 180400)

This category of products represents not only the category with the greatest trade potential but also the category of products that is currently the leading agricultural import from Nigeria. Nigeria ranks as the third largest supplier of these products to South Africa with a market share of 11%. Over the period 1999 to 2003 South African demand for Nigerian products has grown by approximately 7%. This growth is higher than the growth in imports from the rest of the world which measured only 2% over the same period. In 2004 South Africa imported approximately 258 000 kg. of this product from Nigeria. At an average price of R31.76 per kg. these imports cost South Africa approximately R8 million. This represents an increase in value of imports of over 7% as compared to 2003 even though the import quantity declined by 15%. An increase in average price per kilogram from R25.17 to R31.76 explains the increased trade value.

Nigeria's leading competitors in the South African market include Malaysia and Indonesia, each with a market share of 40% and 27% respectively. Malaysian imports are of a marginally higher value (4.5% higher) than Nigerian imports whilst Indonesian imports are of a lower value (7% lower). Over the five year period from 1999 to 2003 import demand for Malaysian products grew at a modest 6%, which is almost identical to the growth in import demand for Nigerian produce. In contrast to this, import demand for

Indonesian products grew phenomenally averaging 164% for the five year period. This reflects an increase in demand for lower value products.

13.2 Cotton, Not Carded or Combed (HS 520100)

Although Nigeria does not currently export this product to South Africa the trade potential index highlights that trade in this product represents an opportunity. In terms of the indicative trade potential measure this product provides the most lucrative trade opportunity in terms of potential trade value. The leading supplying nations to South Africa are Zimbabwe, Zambia and Mozambique with market shares of 41%, 39% and 4% respectively. These countries also enjoy preferential access to the South Africa market as SADC member states.

13.3 Cotton Seed Oil (HS 230610)

Cotton seed oil represents the third largest agricultural product currently imported from Nigeria and also one of the products that provides the greatest trade potential from the import side. South African import demand for this product has grown by an average of 6% over the five year period from 1999 to 2003. Over this same period Nigerian exports have grown by 9%. Nigeria currently ranks as the fourth largest supplier to South Africa with a market share of 11%. The leading suppliers of this product to South Africa are Benin, Zimbabwe and Tanzania, with market shares of 42%, 14% and 12% respectively. Import demand for Zimbabwean products registered the highest growth over five years measuring 127%. Benin registered the second highest growth in import demand measuring 73%. As can be seen demand for products from competing countries has far outstripped demand for Nigerian produce.

13.4 Other Products

- Cocoa Beans Whole or Broken – (*HS 180100*)
- Cocoa Paste – (*HS 180310*)
- Plants and Part of Plants used in Pharmaceuticals, Perfumes etc. – (*HS 121190*)
- Glycerol, Crude Waters and Lyes – (*HS 152000*)
- Sheep or Lamb Skins – (*HS 410221*)
- Cashew Nuts – (*HS 80132*)

The lack of current bilateral trade in these products coupled with the unavailability of trade data for these products limits the potential for analysis.

14. CONCLUSION

The current agricultural trade structure that exists between Nigeria and South Africa reveals that trade between the countries is heavily biased in favor of South Africa, with South African exports being more than tenfold the value of imports from Nigeria. This pattern is consistent with South Africa's trade structure with most African nations and reflects the divestiture in agricultural production profiles of most African nations relative to South Africa. Reducing the imbalance requires innovative approaches that shift away from trade dependent solely on comparative advantage rooted in climate and favorable growing conditions.

This is reflected in the Nigerian export potential to South Africa that is dominated by the already leading agricultural exports to the rest of the world (cocoa, food residue and cotton). The limited range of potentially exportable commodities reflects the relative underdeveloped nature of Nigerian agricultural production and is in stark contrast to the relatively diversified range of export products available from South Africa.

It should also be noted that another vital area in terms of exports is the exports of skills and services. South Africa's developed commercial farming sector along with marketing and processing abilities places the country in a unique position in Africa in terms of human capital and expertise. These resources provide a valuable opportunity for South African farmers, producers, processors and managers to export their skills to the Nigerian economy specifically and African economies in general. Management, marketing and business skills and experience could contribute significantly to advancing Nigerian agricultural development initiatives whilst at the same time establishing and cementing bilateral relations that may further reinforce trade. The export of South African skills and technologies and investment in African agriculture can contribute significantly to the revolution of African agricultural production. This may in turn serve to reduce trade imbalances as African economies promote trade based on created competitive advantages and not merely dependant comparative advantages.

The leading competing nations in the Nigerian market for agricultural products include the United Kingdom, the United States and the Netherlands. Other important competitors and potential competitors include Ireland, Brazil and China. However, as an African country South Africa enjoys a strategic advantage over these competitors given the close political connection between the countries arising from the leading roles each occupies on the continent and the leading role each occupies in the promotion of NEPAD objectives.

15. USEFUL CONTACTS

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Nigeria High Commission – Pretoria

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Fax: +27 12 343 1668

Email: nhep@iafrica.com

Consulate General – Johannesburg

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Lagos Chamber of Commerce and Industry

P.O. Box 109, Lagos

Tel: +234 1 262 3665/261 3917/ 774 6617

Fax: +234 1 262 3665/6

Email: inform@microcom.com.ng / inform@lagoschamber.com

Web Address: www.lagoschamber.com

Nigeria Export Promotion Council (NEPC)

Kumba Street, Wuse District, Zone 2

PMB 133, Abuja

Tel: +234 9 523 0938/523 3388

Fax: +234 9 523 0931

Email: nepc@operamail.com

Web Address: www.nigexport.org

Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture

15A Ikorodu Road, Maryland, Lagos

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Fax: +234 1 496 4737

Email: naccima@supernet300.com / naccima@pinet.com.ng

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Nigerian Investment Promotion Commission (NIPC)

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GOVERNMENT DEPARTMENTS

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Ahmadu Bello Way, Central Business Area, Abuja

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Federal Ministry of Agriculture and Natural Resources

PMB. 135, Garki, Abuja, FCT

Tel: +234 9 234 1931

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Federal Ministry of Foreign Affairs

PMB 130, Garki, Abuja

Tel: +234 9 5230185/5230186/5230189

Federal Ministry of Commerce and Tourism

PMB. 88, Garki, Abuja

Tel: +234 9 341689/234 1491

Federal Ministry of Labour and Productivity

2nd Floor, Block 4A, New Federal Secretariat Complex, Shehu Shagari Way, Abuja

Tel: +234 9 523 1694

LINKS

www.nigeria.gov.ng

www.nigeriabusinessinfo.com

www.nigexport.org

www.nipc-nigeria.orgA

ANNEXES

ANNEXURE 1

AGRICULTURAL PRODUCT COVERAGE

The WTO Agreement on Agriculture (Annex 1) provides that the agreement shall cover the following products:

- (i) HS 1 to 24 less fish and fish products, plus
- (ii)

HS Code	2905.43	(mannitol)
HS Code	2905.44	(sorbitol)
HS Heading	33.01	(essential oils)
HS Headings	35.01 to 35.05	(albuminoidal substances, modified starches, glues)
HS Code	3809.10	(finishing agents)
HS Code	3823.60	(sorbitol n.e.p.)
HS Headings	41.01 to 41.03	(hides and skins)
HS Headings	43.01	(raw furskins)
HS Headings	50.01 to 50.03	(raw silk and silk waste)
HS Headings	51.01 to 51.03	(wool and animal hair)
HS Headings	52.01 to 52.03	(raw cotton, waste and cotton carded or combed)
HS Heading	53.01	(raw flax)
HS Heading	53.02	(raw hemp)

**(Product descriptions in brackets are not necessarily exhaustive).*

ANNEXURE 2(A)

SOUTH AFRICAN EXPORTS TO NIGERIA (2HS LEVEL) 2002-2004

<u>HS CODE</u>	<u>PRODUCT DESCRIPTION</u>	<u>VALUE (MILLIONS OF RAND) AND PERCENTAGE OF TOTAL TRADE</u>			<u>TRADE GROWTH</u>	
		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2002/2003</u>	<u>2003/2004</u>
21	MISCELLANEOUS FOOD	11.613766 (2.2%)	20.707404 (6.3%)	35.514448 (20%)	78.30%	71.51%
24	TOBACCO	227.109383 (43.7%)	82.945776 (25.4%)	34.401116 (19.7%)	-63.48%	-58.53%
17	SUGARS	55.827188 (10.7%)	55.49619 (17%)	31.525702 (18%)	-0.59%	-43.19%
22	BEVERAGES	130.355022 (25%)	71.873103 (22%)	29.319186 (16.8%)	-44.86%	-59.21%
20	PRESERVED FOOD	41.309126 (8%)	29.584178 (9%)	12.409676 (7%)	-28.38%	-58.05%
19	BAKING RELATED	5.540122 (1%)	5.394906 (1.6%)	7.45648 (4%)	-2.62%	38.21%

02	MEAT	6.30623 (1.2%)	10.266145 (3%)	6.570877 (3.7%)	62.79%	-35.99%
11	MILLING;MALT;STARCH	26.819031 (5.2%)	12.772259 (4%)	5.956416 (3.4%)	-52.38%	-53.36%
08	EDIBLE FRUIT AND NUTS	0.574617	2.505995 (0.8%)	1.507755 (0.9%)	336.12%	-39.83%
06	LIVE TREES AND PLANTS	1.218892 (0.2%)	1.395443 (0.4%)	1.425188 (0.9%)	14.48%	2.13%
12	MISC GRAIN,SEED,FRUIT	0.385882	0.655762	1.25265 (0.7%)	69.94%	91.02%
23	FOOD WASTE; ANIMAL FEED	4.913272 (1%)	9.659062 (3%)	1.237735 (0.7%)	96.59%	-87.19%
15	FATS AND OILS	0.159489	4.806239	1.177409 (0.5%)	2913.52%	-75.50%
09	SPICES,COFFEE AND TEA	0.218328	1.136202	1.128252 (0.5%)	420.41%	-0.70%
04	DAIRY,EGGS,HONEY,ETC	2.092572	2.744885	0.80479	31.17%	-70.68%
16	PREPARED MEAT,FISH,ETC	0.67344	0.822463	0.730553	22.13%	-11.17%

3505	DEXTRIN;STARCH GLUE	0.208961	1.578535	0.655777	655.42%	-58.46%
18	COCOA	1.007307	2.063404	0.511738	104.84%	-75.20%
07	VEGETABLES	0.95919	1.340721	0.407134	39.78%	-69.63%
3301	ESSENT OIL RESINOID	0.072505	0.329657	0.143737	354.67%	-56.40%
01	LIVE ANIMALS	2.235456	7.864719 (2.4%)	0.080425	251.82%	-98.98%
13	LAC;VEGETABL SAP,EXTRCT	0.045746	0.276809	0.041189	505.10%	-85.12%
14	OTHER VEGETABLE	0.00025	0.009217	0.031984	3586.80%	247.01%
05	OTHER OF ANIMAL ORIGIN	0.018386	0.086866	0.028963	372.46%	-66.66%
10	CEREALS	0.161201	0.308916	0.025566	91.63%	-91.72%
290544	D-GLUCITOL (SORBITOL)	0	0	0	0%	0%
3501	CASEIN,CASEINATE,DERV	0	0.035714	0	0%	-100%
380910	OF AMYLACEOUS SUBST	0.243672	0	0	-100%	0%
4101	RAW BOVINE,EQUINE	0	0	0	0%	0%
4103	OTH RAW,FR/PRES,N TAN	0	0	0	0%	0%
5201	COTTON NOT CARDED/COMBED	0	0	0	0%	0%
5202	COTTON WASTE+YARN	0	0	0	0%	0%

	WASTE					
5203	COTTON CARDED/COMBED	0.033725	0	0	-100%	0%
5302	TRUE HEMP,RW,N SPN;T+W	0	0.000211	0	0%	-100%
	TOTAL AGRIC. TRADE	520.102759	326.660781	174.344746	-37.19%	-46.63%

Source: World Trade Atlas based on data from South African Revenue Service

ANNEXURE 2(B)

NIGERIAN AGRICULTURAL EXPORTS TO SOUTH AFRICA

		<u>VALUE (MILLIONS OF RANDS)</u> <u>AND PERCENTAGE OF TOTAL</u> <u>TRADE</u>			<u>TRADE GROWTH</u>	
HS CODE	PRODUCT DESCRIPTION	2002	2003	2004	2002/2003	2003/2004
18	COCOA AND COCOA PREPARATIONS	7.061437 (31%)	7.65026 (41%)	8.194282 (53%)	8.34%	7.11%
23	FOOD INDUSTRY RESIDUES & WASTE, ANIMAL FEED	15.02598 (67%)	5.303012 (28%)	4.218333 (27%)	-64.71%	-20.45%
09	COFFEE, TEA, MATE & SPICES	0.114814 (0.5%)	0.09774	1.448617 (9%)	-14.87%	1382.11%
08	EDIBLE FRUIT & NUTS	0.000527	0.002095	1.420784	297.53%	67717.85%
07	EDIBLE VEGETABLES	0.097354	0.031187	0.098621	-67.97%	216.22%
21	MISCELLANEOUS EDIBLE PREPARATIONS	0.007994	0.020332	0.040993	154.34%	101.62%
22	BEVERAGES	0.000737	0.01297	0.026261	1659.84%	102.47%
11	MILLING PRODUCTS	0.000299	0.000135	0.023853	-54.85%	17568.89%

12	OIL SEEDS ETC.	0.097429	0.003333	0.020178	-96.58%	505.40%
15	ANIMAL OR VEGETABLE FATS, OILS	0.016969	5.496443 (29%)	0.01991	32291.08%	-99.64%
20	PREP VEGETABLES, FRUIT, NUTS ETC.	0	0.002773	0.001569	0%	-43.42%
05	PRODUCTS OF ANIMAL ORIGIN	8.30E-05	0.001015	0.001132	1122.89%	11.53%
19	PREP CEREAL, FLOUR, STARCH OR MILK	0	7.00E-06	0.000976	0%	13842.86%
17	SUGARS	0.000118	9.10E-05	0.000591	-22.88%	549.45%
10	CEREALS	0	0	0.000315	0%	0%
16	EDIBLE PREPARATIONS OF MEAT, FISH, CRUSTACEANS	0.001601	4.50E-05	0.00029	-97.19%	544.44%
02	MEAT AND EDIBLE MEAT OFFAL	0	0	0.000241	0%	0%
3301	ESSENT OILS RESINOID	0	0.000163	0.00016	0%	-1.84%
3505	DEXTRINS ETC; GLUES BASED ON STARCHES	0	0	5.40E-05	0%	0%
24	TOBACCO	0.155704	0.046271	0	-70.28%	-100%
5201	COTTON, NOT CARDED OR COMBED	0	0	0	0%	0%
5202	COTTON WASTE (INCLUDING YARN WASTE ETC.)	0	0.0791	0	0%	-100%
04	DAIRY PRODS	0	4.00E-05	0	0%	-100%

14	VEGETABLE PLAINTING MATERIALS & PRODUCTS	0.000383	0	0	-100.00%	0%
	TOTAL AGRICULTURAL TRADE	22.581429	18.747012	15.51716	-16.98%	-17.23%

Source: World Trade Atlas 2004 based on data from South African Revenue Service

ANNEXURE 3

TRADE POTENTIAL INDEX

The Trade Potential Index uses a scoring system based on data obtained from the Trade Map database. This allows the analysis to focus on trade potential whilst taking cognizance of import demand, import trends, growth rates and unit values rather than focusing solely on trade potential values. A score of either 1 or 0 is assigned to five of the trade indicators contained in the database. This score is the aggregated to give a total score, which is measured against a final score of 5. A score of 1 would therefore represent the lowest end of the scale and the least trade potential whilst a score of 5 would indicate the greatest trade potential.

The criterion for scoring is as follows:

- The value of imports from a country: If current trade in the form of imports does exist, a score of 1 is allocated. The absence of trade is allocated a score of 0. The existence of a trade relationship is deemed a significant factor in furthering trade.
- Growth in import demand: If imports from the partner country have registered positive growth measured over the five year period from 1999 to 2003, a score of 1 is allocated. No growth or negative growth rates are awarded a score of 0. In the absence of trade or import data between countries import growth from the rest of the world is used as an indication of general import demand with positive growth allocated a score of 1 and no or negative growth a score of 0. The inclusion of this value in the table is also intended to indicate general import demand for the product as well as providing a basis for comparing demand for specific country products relative to demand for the same product from global sources.
- Export growth: Growth of exports from the exporting countries to the rest of the world is indicative of supply capacity, and increased demand for locally produced goods. A positive growth rate in the value of exports over a five year period from 1999 to 2003 is awarded a score of 1, whilst no or negative growth is awarded a score of 0.
- Indicative Trade potential: Indicative trade potential isolates total demand and total export capacity thereby providing a rough estimate of how much countries could 'theoretically' trade between them. A positive 'indicative trade potential' suggests that a trade opportunity exists. A threshold value of 100 000 is set for the allocation of a score of 1. Trade potential with a lower value or with no or negative trade potential values are allocated a score of 0.
- Unit Value: Unit value is determined on the basis of value and quantity of exports. Products with a high unit value ($\geq 1\$$) are allocated a score of 1. Products with a low unit value ($< 1\$$) are allocated a score of 0.

ANNEXURE 3(A)

TRADE POTENTIAL INDEX- SACU EXPORT POTENTIAL TO NIGERIA

<u>HS Code</u>	<u>Product Description</u>	<u>SACU's Exports to Nigeria</u>		<u>Growth in Nigeria's imports from the World (1999-2003)</u>	<u>Growth in SACU's exports to the Rest of the World (1999-2003)</u>	<u>Indicative Potential Trade (US\$ Thousand)</u>	<u>Unit Value (P/Q)</u>	<u>Trade Potential Index Final Scoring</u>
		<u>Value 2003 (US\$ Thousand)</u>	<u>Annual Growth (1999-2003)</u>					
210390	Sauces and preparations and mixed condiments	90	34	65	5	7,292	1.59	5
190190	Malt extract and food preparations <50% cocoa	158	314	161	29	2,257	1.96	5
210610	Protein concentrates	44	189	31	17	377	1.55	5
230910	Dog or cat food put up for retail sale	48	13	75	34	142	1.16	5
200210	Tomatoes preserved	27	37	4	125	105	9.5	5
240220	Cigarettes containing tobacco	6,983		126	-19	31,154	4.6	5
210210	Yeasts	136		13	22	2,915	2.53	5
220421	Grape wines unfermented by adding alcohol	383	8	44	13	77	2.24	4
190410	Prep food obtained by swelling or roasting of cereal	40	131	-42	19	50	1.69	4
091099	Spices	65	128	-7	1	14	2.57	4

210420	Homogenized composite food prep. put up for retail sale	22	52	28	23	8	1.7	4
180610	Cocoa powder with added sugar	30		108	11	337	4.15	4
040590	Fats and oils derived from milk	23		5	5	314	1.83	4
220830	Whiskies	113		47	8	247	4.17	4
220600	Fermented beverages	26		18	16	142	1.16	4
210690	Food preparations	1,534	27	66	43	30,486		4
220300	Beer made from malt	1,924	130	43	22	10,963	0.50	4
190110	Preparations of flour, cereals for infant use	18		-17	17	9,265	3.03	4
240110	Tobacco not stemmed or stripped	958	68	5	-8	8,622	2.55	4
110812	Maize starch	1,684	22	151	9	5,917	0.29	4
170230	Glucose and glucose syrup	2,116	74	34	56	5,787	0.41	4
170290	Sugars	239	65	-9	13	985	0.75	4
210320	Tomato ketchup	14	38	147	10	961	0.12	4
020230	Bovine cuts, boneless, frozen	282	57	125	21	132	0.81	4
190530	Sweet biscuits, waffles & wafers	18	-8	-27	28	126	1.95	4
090240	Black tea >3kg	50		31	-5	6,105	1.47	4
210230	Baking powders	0		10	7	1,030	1.71	4
040390	Butter milk, curdled milk and cream	0		7	40	871	2.46	4
330129	Essential oils	0		11	1	728	4.38	4
330119	Essential oils of citrus	0		220	25	642	7.75	4
210500	Ice cream	0		46	3	626	1.48	4
020329	Swine cuts, frozen	66		27	-10	502	2.62	4
040630	Cheese processed	11		247	-4	491	4.14	4

330112	Essential oils of Orange	0		29	13	391	2.71	4
040310	Yoghurt concentrated	0		33	17	213	1.61	4
040490	Products consisting of natural milk	0		42	1	140	1.01	4
020714	Fowls, cuts and offal, frozen	16		39	1	82	1.55	3
200520	Potatoes prep. or preserved	10		-47	17	12	1.64	3
160250	Bovine meat & offal, prep. or preserved	32	136	-17	-7	8	1.58	3
040221	Milk and cream powder, unsweetened	0		-12	12	12,524	3.22	3
220710	Undenatured ethyl alcohol	2,501	-21	28	7	6,775		3
040229	Milk and cream powder, sweetened	15		-3	-21	3,972	2.25	3
040210	Milk powder ≤1.5% fat	0		-7	2	2,141	3.13	3
151710	Margarine, excluding liquid margarine	0		-1	15	1,500	1.29	3
040120	Milk not concentrated and unsweetened >1% < 6% fat	51	-3	13	2	820	0.63	3
040510	Butter	25			-9	426	2.38	3
230990	Animal feed prep.	126	37	85	-2	413	0.57	3
040610	Fresh Cheese	0			219	124	2.65	3
040900	Honey	0		74	120	44	3.66	2
210120	Tea or Mate extracts, concentrates	0		-22	47	98	5.75	2

ANNEXURE 3(B)

NIGERIAN EXPORT POTENTIAL TO SACU

<u>HS Code</u>	<u>Product Description</u>	<u>Nigeria's exports to South Africa</u>		<u>Growth in South Africa's imports from the World (1999-2003)</u>	<u>Growth in Nigeria's exports to the Rest of the World (1999-2003)</u>	<u>Indicative Potential Trade (US\$ Thousand)</u>	<u>Unit Value (P/Q)</u>	<u>Trade Potential Index Final Scoring</u>
		<u>Value 2003 (US\$ Thousand)</u>	<u>Annual Growth (1999-2003)</u>					
180400	Cocoa butter, fat and oil	1,023	7%	2%	-1%	8,157	3.24	4
520100	Cotton not carded or combed	0		33%	18%	17,548	1.70	3
180100	Cocoa beans	0		25%	31%	8,432	2.12	3
121190	Plants & parts of plants used in pharmacological, perfumery, insecticide etc.	0		-1%	97%	1,644	1.52	3
180310	Cocoa paste not defatted	0		15%	3%	1,357	2.35	3
090420	Fruits of the genus Capsicum or Pimenta	0		48%	1%	307	1.18	3
230610	Oil cake & other solid residues	550	0%	9%	6%	71,236	0.06	3
180500	Cocoa powder	0		66%	51%	205	2.15	3
410431	Bovine and equine leather	0		84%	6%	202	33.66	3
230230	Wheat bran, sharps & other residue	0		42%	29%	3,297	0.08	2
152000	Glycerol crude, waters and lyes	732		-16%		1,304	0.46	2

090111	Coffee, not roasted or decaffeinated	0		-6%	-52%	793	1.57	2
190530	Sweet Biscuits, waffles & wafers	0		10%	43%	779	0.36	2
180320	Cocoa paste, defatted	0		115%	-11%	424	2.22	2
170410	Chewing gum containing sugar	0		5%	27%	423	0.59	2
210410	Soups and broths and preparations thereof	0		-1%	28%	423	0.74	2
410221	Sheep or lamb skins, pickled without wool	0			-23%	392	8.16	2
100630	Rice - milled, polished or not	0		6%	131%	370	0.26	2
110100	Wheat or meslin flour	0		147%	9%	317	0.3	2
100590	Maize (corn) nes	0		74%	-28%	276	0.07	2
080132	Cashew Nuts without shell	0		-3%	-14%	261	2.18	2
520299	Cotton waste	11		-10%	-15%	215	0.65	2
091030	Tumeric	0		7%		201	1.18	2
080131	Cashew nuts, in shell	0		-10%	6%	189	0.52	2

ANNEXURE 4

NIGERIAN TARIFF STRUCTURE FOR PRODUCTS OF IMPORTANCE TO SOUTH AFRICAN AGRICULTURAL EXPORTERS

<u>HS Code</u>	<u>Product Description</u>	<u>Trade Regime</u>	<u>MFN Minimum</u>	<u>MFN Maximum</u>	<u>Applied Tariff</u>	<u>Total Ad Valorem Equivalent Tariff (estimated)</u>	<u>NTB</u>
210390	Sauces and Preparations	MFN Duties (Applied)	50%	50%	Ad Valorem 50%	50%	100%
210610	Protein Concentrates	MFN Duties (Applied)	5%	5%	Ad Valorem 5%	5%	100%
210420	Homogenized Composite Food Prep.	MFN Duties (Applied)	20%	20%	Ad Valorem 20%	20%	100%
210690	Food Preparations	MFN Duties (Applied)	150%	150%	Ad Valorem 150%	150%	100%
210210	Yeats	MFN Duties (Applied)	15%	15%	Ad Valorem 15%	15%	100%
210320	Tomato Ketchup	MFN Duties (Applied)	50%	50%	Ad Valorem 50%	50%	100%
210230	Baking Powders	MFN Duties (Applied)	15%	15%	Ad Valorem 15%	15%	100%
210500	Ice Creams	MFN Duties (Applied)	100%	100%	Ad Valorem 100%	100%	100%
210120	Tea or Mate Extracts	MFN Duties (Applied)	25%	25%	Ad Valorem 25%	25%	100%
<u>21</u>	<u>Miscellaneous Food</u>	<u>MFN Duties (Applied)</u>	<u>Average 48%</u>	<u>Average 48%</u>	<u>Ad Valorem Average 48%</u>	<u>Average 48%</u>	<u>Average 100%</u>
040590	Fats and Oils	MFN Duties (Applied)	n/a	n/a	Ad Valorem n/a	n/a	n/a
040390	Butter Milk, Curdled Milk and Cream	MFN Duties (Applied)	5%	5%	Ad Valorem 5%	5%	100%
040630	Processed Cheese	MFN Duties (Applied)	100%	100%	Ad Valorem 100%	100%	100%

040221	Unsweetened Milk and Cream Powder	MFN Duties (Applied)	10%	10%	Ad Valorem 10%	10%	100%
040229	Sweetened Milk and Cream Powder	MFN Duties (Applied)	5%	5%	Ad Valorem 5%	5%	100%
040210	Milk Powder < 1.5% Fat	MFN Duties (Applied)	5%	5%	Ad Valorem 5%	5%	100%
040120	Milk not Concentrated and Unsweetened	MFN Duties (Applied)	10%	10%	Ad Valorem 10%	10%	100%
040510	Butter	MFN Duties (Applied)	100%	100%	Ad Valorem 100%	100%	100%
040310	Yoghurt	MFN Duties (Applied)	25%	25%	Ad Valorem 25%	25%	100%
040490	Products Consisting of Natural Milk	MFN Duties (Applied)	25%	25%	Ad Valorem 25%	25%	100%
040900	Honey	MFN Duties (Applied)	25%	25%	Ad Valorem 25%	25%	100%
<u>04</u>	<u>Dairy</u>	<u>MFN Duties (Applied)</u>	<u>Average 28%</u>	<u>Average 28%</u>	<u>Average Ad Valorem 28%</u>	<u>Average 28%</u>	<u>Average 91%</u>
190190	Malt Extract	MFN Duties (Applied)	25%	25%	Ad Valorem 25%	25%	100%
190410	Food Prep.by Swelling or Roasting Cereal	MFN Duties (Applied)	100%	100%	Ad Valorem 100%	100%	100%
190110	Preparations of Flour, Cereals for Infant Use	MFN Duties (Applied)	10%	10%	Ad Valorem 10%	10%	100%
<u>19</u>	<u>Baking Related</u>	<u>MFN Duties (Applied)</u>	<u>Average 45%</u>	<u>Average 45%</u>	<u>Average Ad Valorem 45%</u>	<u>Average 45%</u>	<u>Average 100%</u>
220421	Grape Wines	MFN Duties (Applied)	100%	100%	Ad Valorem 100%	100%	100%
220830	Whiskies	MFN Duties (Applied)	80%	80%	Ad Valorem 80%	80%	100%
220600	Cider, Perry	MFN Duties (Applied)	90%	90%	Ad Valorem 90%	90%	100%
<u>22</u>	<u>Beverages</u>	<u>MFN Duties (Applied)</u>	<u>Average 90%</u>	<u>Average 90%</u>	<u>Average Ad Valorem 90%</u>	<u>Average 90%</u>	<u>Average 90%</u>

Adapted from UNCTAD Trains and Mac Map Database: www.macmap.org/southafrica

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- vi Data obtained from world bank development and economic indicators, available from www.worldbank.org
- vii Games, D. 2004 , An Oil Giant Reforms: The Experience of South African Companies Doing Business in Nigeria, Business in Africa Research Project, South African Institute of International Affairs, Sponsored by Royal Danish Embassy, Pretoria, available from www.saiia.wits.ac.za
- viii Wesgro, Country Briefs, Africa Market Series.
- ix Data obtained from COMTRADE database and Trade Maps.
- x Information obtained from Games, D. op cit. iv.
- xi Wesgro, Country Briefs, African Market Series.
- xii Refer to Map 1, page 1.
- xiii ECOWAS member states: Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Zambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. Until recently ECOWAS membership consisted of 16 nations. In 2002 Mauritania withdrew its membership.
- xiv Treaty ratified at the then Organization for African Unity (OAU) summit in Abuja, June 1991.
- xv This treaty is an extension of the Lagos Plan of Action adopted in 1980, which proposed the formation of an African Common Market in the year 2000.
- xvi Agricultural trade for the purposes of this study will be focus on trade in agricultural products as covered by the WTO Agreement on Agriculture. The scope of coverage as per this Agreement is provided in annex 1 of the agreement.
- xvii World Trade Atlas data reveals that of the 16 (refer to note x) ECOWAS member states, the only countries not importing South African agricultural products in 2003 were Mauritania and Guinea-Bissau.

xviii World Trade Atlas data reveals that in 2003 South Africa imported agricultural products from the following ECOWAS member states: Cote de'Ivoire, Benin, Nigeria, Ghana, Mali, Burkina Faso and Togo. No other agricultural imports from other ECOWAS member states were recorded during this period.

xix Source: WTO, Trade Policy Review Nigeria 1998, WTO Secretariat Document no. WT/TPR/S/39, available from www.wto.org

xx General features of Nigerian trade policy, available at <http://mkaccdb.eu.int>

xxi WTO Trade Policy Review, supra.

xxii The discussion on trade barriers is limited to general trade barriers relevant to agricultural trade. Product specific trade barriers are dealt with under the product specific analysis. Information on trade barriers is obtained and reproduced in part from the International Trade Centre Trade Maps and Mac Maps and is based on information from the UNCTAD TRAINS database. Information is also sourced from the WTO Trade Policy Review of Nigeria, Mac Map Database www.macmap.org/southafrica and <http://mkaccdb.eu.int>

xxiii Detailed information on prohibited tariff items is available on request from the Nigerian licensing authority.

xxiv WTO Trade Policy Review identifies the countries exempt from pre shipment inspection requirements, these include: African Countries, Australia, Bangladesh, China, Cyprus, U.K., Indonesia, Ireland, Japan, Malaysia, New Zealand, Pakistan, the Philippines, Singapore and Hong Kong.

xxv Refer to annex 1.

xxvi HS2104 is defined as, soups and broths and preparations thereof, food preparations consisting of finely homogenized mixtures of two or more basic ingredients, such as meat, fish, vegetables or fruit, put up for sale as infant food or for dietetic purposes, in containers =< 250 grams.

xxvii In contrast to the World Trade Atlas analysis that uses the South African Rand as a value measurement, the Trade Map analysis uses US Dollars as its basis. The use of US Dollars for value measurement is also adopted here since it allows for ease in conducting a comparative analysis across countries and competitors. The use of the Rand measure in the introductory section is aimed at providing a broad overview of the bilateral trade structure that exists between the countries. In addition, trade map data is only available for 2003 and all references to Trade Map data made in this study refers to 2003 trade data.

xxix The Trade Potential Index uses a scoring system based on data obtained from the Trade Map database. This allows the analysis to focus on trade potential whilst taking cognizance of growth rates and unit values rather than focusing solely on trade potential values. A score of either 1 or 0 is assigned to five of the trade indicators contained in the database. This score is the aggregated to give a total score with 1 representing the lowest end of the scale and therefore the least trade potential and 5 the highest end of the scale representing the greatest trade potential.

xxx Refer to annex 3 (a) for listing of products identified as having the greatest trade potential.

xxxi A detailed analysis of product performance, competitors etc. as contained in the product analysis for the leading exports and imports is available upon request from email: YusufD@nda.agric.za - Only a selected number of products are analyzed in this study.

xxxii Refer to 9.2.1 for an overview on the export performance of this product cluster.

xxxiii Refer to annex 2 (a).

xxxiv No information on whether an import prohibition was subsequently enacted is available .

xxxv For the purposes of this study a tariff peak refers to a total ad valorem tariff equal to or in excess of 20%.

xxxvi Refer to annex 3 (b) for listing of products identifies as having the greatest trade potential.
