

Potential for New Zealand's Dairy Expansion in Nigeria



A recent Kellogg report explored the growth of Nigerian dairy consumption analysing the impact of socio-economic and demographic variables that will shape future demand.

Words **ANNA GOWER-JAMES, COMMERCIAL INSIGHTS ANALYST AT OPEN COUNTRY DAIRY.**

New Zealand dairy exports are concentrated in a handful of markets, with more than half (54.1%) of NZ dairy exports sold to China, Indonesia, Australia, the United States and Japan in 2022 (Sense Partners, 2022).

While these markets have grown both in volume and value, this limited diversity has seen the NZ dairy sector exposed to the volatility of the global commodity market.

Historically, NZ has sought growth in China dairy exports, but the slowdown in their demand and declining population highlights the importance of continuing to develop market opportunities.

Nigeria has emerged as an attractive market due to its rapid population growth, economic landscape and urbanisation trends (Yeboua et al., 2022).

By 2050 Nigeria's population is set to reach 400 million people and will surpass the US as the world's third most populous country (United Nations, 2022). The size and scale of the country's population growth

is systematically important and a promising frontier to grow our dairy trade.

For an exporting nation that is deeply reliant on international trade, forward-thinking strategies are crucial, amidst global market volatility and geopolitical uncertainties. NZ must continue to invest in market diversification to aid the country's ability to adapt, navigate market volatility and protect our interests.

STRUCTURE AND DYNAMICS OF THE NIGERIAN DAIRY SECTOR

Nigeria's dairy sector stands at a crossroads; grappling with productivity challenges, import dependencies, and the influence of multinational corporations and government initiatives.

Despite its size, the dairy sector is unproductive and inefficient. Pastoralists practise nomadic methods and account for 95% of raw milk production while commercial dairy farmers contribute the remaining 5%. Annually, Nigeria produces 530,000t

of cattle milk. The lack of proper storage, transport, infrastructure, and distribution conditions means growth remains elusive (Trader Africa).

Nigeria's aggregate demand for milk and dairy products sits around 1.7 million tonnes, with local production only fulfilling approximately 31% of demand. The deficit is met through imports which represents the greatest share of milk supply.

The country's domestic dairy sector cannot meet the increasing demand for dairy, necessitating imports to bridge the gap and provide a solution to addressing the nation's food insecurity challenges.

Recognising this dependency and leveraging its dairy production expertise, NZ can provide insights into improving milk yield, animal health and breeding, rather than solely focusing on selling dairy products.

This exchange of knowledge can help build relationships and differentiate NZ from other international trading partners.

EXPLORING FURTHER DAIRY GROWTH IN NIGERIA – RECOMMENDATIONS

Establish relationships

The Ministry of Foreign Affairs and Trade to proactively build relationships in Nigeria and West Africa through establishing representation across the country to prepare for future growth opportunities.

Cultivate market familiarisation

New Zealand Trade and Enterprise to invest in building expertise and knowledge to gain a greater understanding of the Nigerian market.

Prioritise Nigeria as a long-term future trading partner. The Ministry of Foreign Affairs and Trade to develop a strategic plan to build engagement with Nigeria by dedicating resources and diplomatic presence.

Facilitate exchange and capacity building

Industry bodies to facilitate the exchange of knowledge and expertise by bringing Nigerian dairy stakeholders to NZ to familiarise themselves with NZ dairy processes, quality standards and market dynamics.

KEY IMPACTS ON THE DEMAND FOR DAIRY PRODUCTS IN NIGERIA: FOUR DRIVERS OF NIGERIAN DAIRY CONSUMPTION/DEMAND

Driver 1 – Population growth

The force of Nigeria's population growth and changing demographics positions Nigeria to emerge as one of the largest countries in the world and a major player in the global food system. Over the next 30 years there will be an additional 200 million people in Nigeria. This expansion is driven by the projected increase in the working-age population, expected to comprise 60% of the population by 2050, serving as a catalyst for economic development and presenting significant opportunities for further expansion in the dairy market.

The demographic dividend, denoting the economic benefits that result from a greater proportion of working-age individuals relative to dependents, holds considerable economic significance. Research interviewees drew parallels between the macroeconomic growth witnessed in East Asian countries as they capitalised on their demographic window. For Nigeria, the crucial consideration is timing, with projections from the United Nations indicating that Nigeria will unlock its demographic window by 2060.

'Because of the population you need to be there, there are only a few markets where you can send high volumes of dairy powders that will be consumed, in Nigeria it will be consumed.'

TRADER AFRICA

Driver 2 – Economic growth

Economic growth stimulates a country's demand for food products, with GDP per capita income a key indicator. Nigeria's projected GDP per capita income growth positions it to surpass lower middle-income countries in Africa by 2050. This indicates that Nigeria's economic growth is expected to be greater than many of its African neighbours, highlighting the nation's potential.

The expanding middle class in Nigeria is the driving force behind the nation's economic trajectory, bringing financial stability, prosperity and shaping the dynamics of food demand.

'The growth of the middle class results in more disposable income, this means that more people will start using dairy in their daily life as it is an appreciated source of protein and fat.'

TRADER AFRICA

Driver 3 – Political environment

Nigeria has long been considered an attractive market; however, the political risks have historically overshadowed the potential rewards. The political instability creates a high-risk profile for the country, hindering investment and economic recovery. Nigeria's corrupt political landscape is the key obstacle to unlocking the country's full potential and was echoed by all interviewees across the dairy value chain.

While Nigeria may not be NZ's current primary focus for a future dairy trading partner, it holds the potential to become a valuable opportunity in the future. In the face of global market volatility and geopolitical uncertainties, NZ's dedication to forward-thinking strategies and market diversification is vital, underscoring the significance of engagement with Nigeria to ensure that future growth opportunities remain open.

'The political instability is the biggest challenge and constraint at the moment and causes issues getting payment out of countries, putting stock into market and creates uncertainty where the economy is headed.'

MARKET MANAGER AFRICA

Diversify commodity offerings

Encourage NZ dairy processors to consider expanding their product range to include Fat Filled Milk Powder to target a broader and growing consumer base.

Driver 4 – Urbanisation

Of the four drivers, urbanisation will have perhaps the most dramatic impact on dairy demand. The rural to urban migration globally is the most significant migration in human history. Consumption patterns and consumer preference changes due to the population shift from rural to urban areas were a common theme in interviews conducted during research.

'Traditional dairy consumption in Nigeria was centred around fresh milk and fermented products in rural areas. The milk migration from rural to urban areas has resulted in a shift towards processed dairy items such as cheese and yoghurt.'

TRADE AND COMMERCIAL ADVISER

To read Anna's full report visit ruralleaders.co.nz