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Adding value to local commodities: The beer industry in Nigeria

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
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The Beer Sector’s Economic Impact in Africa

2019 figures

Gross Value Add (GVA)
- $13.9bn
- $11 bn -> Brewers’ GVA
- $2.6 bn -> Downstream supply chain

Govt. Revenue
- $6.4 bn
- $1.8bn -> Brewers
- $2bn -> Tax on beer sales

Employment
- 2.8 million Jobs
- 0.2% - 3.7% of national employment
- 1 Brewery job creates 93 jobs

*Oxford Economics: Beer’s Global Economic Footprint (January 2022)
Beer’s Value Chain

The beer journey begins with local farmers growing raw materials such as sorghum, cassava, barley & hops.

89% of Economic activity happens where the beer is produced

The beer industry is a major contributor to the domestic manufacturing industry, with significant innovation and investment.

Beer is 90% water: it is bulky, heavy, perishable, and fragile, needing protection from light, heat, and oxygen.
Beer in Africa: The Potential for Commodities

Worldwide Brewing Alliance

Scope for Economic Impact
Agricultural Impact

Agriculture is Africa’s largest economic sector. More than 60 percent of the population of sub-Saharan Africa is smallholder farmers, and about 23 percent of sub-Saharan Africa’s GDP comes from agriculture*.

The Beer industry has a proven track record of investing in the agricultural sector to maximize this potential and develop responsible agricultural supply chains.

Partnering with local suppliers brings benefits for everyone including:

- Providing access to training, improved farming practices and drought resistant crops increases profitability and productivity;
- Creating a formal markets and sustainable source of income for smallholder farmers;
- Replacing imports with local production stimulates the economy and brings FOREX savings to business.

*McKinsey & Company 2019
Case Study: Nigerian Breweries’ Sorghum Story

Federal Government of Nigeria places high tariffs on barley importation

Barley importation is banned by the Federal government

NB ventures into farming of sorghum after its identification as a suitable substitute raw material, with a farm in Gbakogi

NB pioneers research and development in sorghum and sorghum malting in Nigeria

NB builds a robust supply chain system around sorghum Development of Third-Party Maltsters

Ban on Barley importation lifted

Beer Industry Value-Add to Sorghum Development

- Research & Development
- Provision of inputs
- Contract farming
- Production of Sorghum Maltose Syrup (SMS)
- Higher yields & greater commercialization

Development and Release of first NB’s sorghum varieties (CSR01 and CSR02)

Development and Release of other sorghum varieties- hybrid CSR03H and CSR04H)

SMS development and use

Cassava Value Chain development and use
Challenges with optimizing local commodities

*Farmers

Climate Change

Technology

Education

Finance

Infrastructure

*World Economic Forum 2016
Challenges with optimizing local commodities

Industry
Key Takeaways

• There is ample scope for adding value to local commodities
• There are challenges, but these can be addressed

Opportunities to enhance value include:
• Policy and regulatory interventions
• Infrastructure and financing support for farmers
• Elimination of Barriers to Trade
Thank you!