

FOREIGN EXCHANGE RESTRICTIONS ON IMPORTATION OF MILK AND DAIRY PRODUCTS

Financial Services Newsletter from Jackson, Etti & Edu



The Central Bank of Nigeria (CBN) recently put in place foreign exchange restrictions on importation of milk and dairy products into Nigeria. The CBN in its circular dated 11th February, 2020 restricted access to the CBN official foreign exchange market to five (5) companies that have participated in the CBN backward integration programme to enhance the companies' capacity to improve local milk production in Nigeria.

The companies that have participated in the CBN backward integration programme include: -

- a.) FrieslandCampina WAMCO Nigeria Limited;
- b.) Chi Limited
- c.) TG Arla Dairy Products Limited
- d.) Promasidor Nigeria Limited
- e.) Nestle Nigeria Plc
- f.) Integrated Dairies Limited

The implication is that companies not listed above cannot access the official foreign exchange market to obtain foreign exchange for the purpose of importation of the milk and dairy products. Such companies will have to resort to the parallel market to meet their foreign exchange needs. Access to foreign exchange in the parallel market will be subject to availability and price. Further implications of the restrictions are inflation in price of dairy-related products and possible reduction in demand of the products which may result in reduced revenues for producers of dairy or dairy-related products. In low-income communities, there may also be implications of nutrition issues in infants.

In addressing the impact of the CBN restrictions, companies not listed above may have to: -

- (a.) seek local alternative to imported dairy products in order to bridge any gaps in supply;
- (b.) seek an avenue to be part of the local initiatives to improve local milk production in Nigeria; and
- (c.) partner with local producers to develop local capacity for the production of milk and dairy products.

For further enquiries, contact:

Kunle Soyibo
Partner

email: kunlesoyibo@jacksonettiandedu.com
www.jacksonettiandedu.com



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