



## Sub-Saharan Africa Dairy Trade Outlook

Recognizing member interest in the long-term potential for U.S. dairy exports around the world, USDEC launched a research project in early 2021 to explore opportunities and potential barriers to trade in the Sub-Sahara Africa region. The full report can be found [here](#).

This report is a joint initiative by USDEC's Trade Policy and Strategic Insights teams to better understand the demand for dairy products and potential limitations that may exist in markets largely untapped by U.S. exporters. Growing populations and rising wages in Sub-Saharan Africa indicate a burgeoning market opportunity for American dairy exports. This analysis takes a deeper dive into what products are demanded in the top importing countries and the subsequent roadblocks that are in the way.

Although Sub-Sahara Africa appears as a distant and difficult market to access, this region offers varying degrees of opportunity for U.S. dairy commodity exports, with South Africa presenting the most and other top-five markets for dairy export potential identified as Nigeria, Angola, Senegal, and Ethiopia. Promising products include skim milk powder (SMP), whey, cheese, lactose, infant formula, whole milk powder (WMP) and condensed/evaporated milk. Given fierce protectionism from the domestic African dairy industries, tariffs and quotas exist on most of these products. Notwithstanding European Union (EU) trade agreements with some in the region, U.S. dairy products generally compete on a level playing field for tariffs. U.S. Free Trade Agreements (FTAs) with these countries that lower tariffs would facilitate export opportunities.

### Top Five Countries for Export Opportunities

USDEC examined export opportunities in Sub-Saharan Africa, focusing on the most promising five markets. Forty-six of Africa's 54 countries are classified as Sub-Saharan. A previous [canvass](#) of the export opportunities in Kenya was conducted last year in the midst of the then-ongoing U.S.-Kenya trade talks.

Nigeria, Senegal, and South Africa consistently rank in the top five importing countries by volume and value of dairy imports, with Angola also in the top five based on its five-year averages. Ethiopia also performs in the top five in terms of volume, excluding fluid milk.

## Top Sub-Saharan African Dairy Importing Countries

Top 5 countries incl. fluid milk		Top 5 countries excl. fluid milk	
Volume (metric tons)		Volume (metric tons)	
1. Nigeria		1. Nigeria	
2. Angola		2. Senegal	
3. Senegal		3. Angola	
4. South Africa		4. South Africa	
5. Mauritania		5. Ethiopia	
Value (USD Millions)		Value (USD millions)	
1. Nigeria		1. Nigeria	
2. Senegal		2. Senegal	
3. South Africa		3. South Africa	
4. Angola		4. Angola	
5. Côte d'Ivoire		5. Côte d'Ivoire	

## Tariffs/Trade Agreement Considerations

The top five countries are all, to varying degrees, integrated into regional African trade agreements as well as the African Continental Free Trade Area (AfCFTA). The EU has or is negotiating regional Economic Partnership Agreements that currently cover South Africa and could cover Nigeria and Senegal at some point. However, thus far, these agreements have largely left in place African dairy duties and tariff-rate quotas (TRQs) that U.S. exporters also face, with the notable exception of whey in South Africa.

Comparisons of trade tariffs in top 5 countries: U.S. vs EU

Country	0404.10		0402.10		0406		0402.21/0402.29		1901.10		1901.90		0402.91	
	Whey		SMP		Cheese		WMP		Infant formula		FFMP		Cond/evap milk	
	USA	EU	USA	EU	USA	EU	USA	EU	USA	EU	USA	EU	USA	EU
South Africa	450c/ kg with a max of 96%	Free	450c/ kg with a max of 96%	450c/ kg with a max of 96%	500c/ kg with a max of 95%	500c/ kg with a max of 95%								
Nigeria			5%	5%			5%	5%	5%	5%	5%+7.5% VAT applicable	5%+7.5% VAT applicable	10%	10%
Angola							Avg - 6% Min - 2% Max - 10%	Avg - 6% Min - 2% Max - 10%	2%	2%	20%	20%		
Senegal	5%	5%									5%	5%	≥25kg at 10%, < 25kg at 20%	≥25kg at 10%, < 25kg at 20%
Ethiopia			5%	5%				20%			30% + 15% VAT	30% + 15% VAT		

\* South Africa - Every kg of imports will be subject to 450 cents import duty; thus, it is ZAR 4.5 duty per kg, which approximately equates to US\$0.33 (33 US cents). This tariff applies up to 96% of the government import quota on this commodity.

- Avg, min and max are bound vs applied rates, and the same rules (bound & applied) apply for both EU and USA. No EU advantage over USA.

- Nigeria, Angola, Senegal and Ethiopia - This is ad valorem tax - a tax based on the assessed value of imported items.

## South Africa

SMP, whey, cheese and lactose offer favorable export opportunities in South Africa due to its high reliance on imports and potential future demand, driven both by domestic consumption and by exports to neighboring countries. SMP offers the most attractive opportunity, with a growing import share through 2025 projected at 188%, with some imports destined to neighboring countries as re-exports. Whey's import share is projected to end 2025 at 77% and, as with SMP, imports will remain critical to meeting supply. Cheese

is a more mature category, but also shows promise as domestic production is not expected to keep pace with consumption.

#### Identification of opportunity with forecast scenarios – SMP (South Africa)

Import volume growth scenario (tons) - market growth at 3.2% CAGR														
	2019		2020		2021f		2022f		2023f		2024f		2025f	
SMP	14,203		15,430		15,924		16,561		17,075		17,587		18,079	
Top importers	volume	% share	volume	% share	volume	% share	volume	% share	volume	% share	volume	% share	volume	% share
France	3,114	22%	2,959	19%	2,901	18%	2,866	17%	2,807	16%	2,747	16%	2,682	15%
Belgium	2,531	18%	2,785	18%	2,731	17%	2,698	16%	2,642	15%	2,586	15%	2,525	14%
Sweden	1,700	12%	2,052	13%	2,012	13%	1,988	12%	1,947	11%	1,905	11%	1,861	10%
Others	6,227	44%	6,862	44%	6,688	42%	6,525	39%	6,264	37%	5,952	34%	5,587	31%
U.S. opportunity	631	4%	772	5%	1,592	10%	2,484	15%	3,415	20%	4,397	25%	5,424	30%

EU whey suppliers currently benefit from duty-free treatment and tariff-rate quotas (TRQs) for other dairy products, but other imports from New Zealand are subject to the same duties as those from the United States.

#### Nigeria

Nigeria also presents promising export opportunities for U.S. dairy commodities. Nigeria is Africa's most populous country and its rich oil resources could potentially and quickly increase consumer purchasing power. The ability of Nigerian dairy processors to meet domestic demand is constrained by low supply volumes of fresh processed milk and its low quality. Imports are not regarded as sensitive and are expected to drive the Nigerian market over the next several years.

Infant formula, SMP, and WMP form an increasing part of Nigerian diets and offer the best U.S. export opportunities. All infant formula products are imported, and consumption volume showed 108.6% growth from 2015-2019. SMP and WMP have an increasing presence in local supermarkets and kiosks. The local supply chain is unable to meet demand.

At the same time, U.S. exporters are advised to monitor Nigerian currency risks, as well potential future currency restrictions. In the short-and medium-term, there is little prospect for an FTA.

#### Market overview - Nigeria

Opportunity summary - dairy categories							
	Import CAGR 2015-19	Import share 2019	Import share 2025	Consumption		Comments	Opportunity level
				CAGR 2015-19	CAGR 2020-25		
Infant formula	108.6%	100.1%	100.1%	108.5%	7.8%	Huge growth over the review period, 100% import share. High fertility rate, increasing purchasing power and increasing number of working mothers support the category's growth.	
SMP	7.9%	100.0%	100.1%	7.9%	5.0%	100% import share with high imported volume reaching 122,286 tons in 2020, provides a good opportunity for US exporters.	
WMP	0.0%	100.3%	100.1%	0.6%	1.3%	100% import share, stable import demand and high imported volumes reaching 137,171 tons in 2020 offers a good opportunity.	

#### Angola

Angola's demand for dairy outpaces its local supply of milk and dairy ingredients, but the government has taken steps to protect its domestic industry through a number of nontariff barriers, including regulations requiring all dairy commodities to be imported in bulk and repacked in-country. The business environment is also marred by corruption, customs delays, and other non-tariff barriers. With these caveats in mind, there may be an opportunity to export WMP, which has seen huge consumption growth, both for processing and for direct consumption as reconstituted drinking milk. The import share of consumption is projected to be 100% from 2020-25, with the consumption CAGR at 6.4% over the same period. Imports are forecast to reach nearly 34,000 tons by 2025.

## Senegal

Senegal presents export opportunities in whey and condensed/evaporated milk for U.S. exporters. Demand has been growing, in particular as competitively priced imports have expanded access to dairy to a wider segment of the community. Local milk supplies only 30% of demand.

Whey has seen strong growth, albeit from a small base. Future growth is forecast at 24.4% CAGR from 2020-25. Likewise, condensed milk will see strong growth, with consumption expected to rise at 5.5% CAGR from 2020-25.

Challenges that U.S. exporters would face include poor infrastructure and existing competition from European suppliers who already have extensive distribution networks and strong local relationships. One approach to relationship-building used by these players that U.S. exporters could also adopt would be to work with local producers and the government on initiatives to improve local production, a government priority.

## Ethiopia

Export prospects in Ethiopia are largely longer term in nature. The dairy market is growing along with population and urban growth, but many tariff and non-tariff barriers will need to come down, and challenges including undeveloped dairy supply chains and poorly developed infrastructure addressed. In the short-term, fat-filled milk powder (FFMP) offers the greatest opportunity for dairy imports, yet the United States is not currently positioned well to become a FFMP supplier. Consumption is expected to grow at a 4.5% CAGR from 2020-25. FFMP represented 90% of imports by volume from 2015-2019.

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