

Nestle ramps up Nigeria raw material sourcing as forex squeeze bites

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Food giant Nestle's businesses in Nigeria and other African countries are ramping up sourcing of local raw materials like starch and turmeric, a move that may help reduce foreign exchange exposure that has been a headache for the sector.



Source: Reuters.

In the wake of the Covid-19 pandemic and the supply chain problems it wrought across the world, consumer goods companies have stepped up efforts to bring production and raw material sourcing closer to their consumer markets.

Supply and demand

Growing debt in many African nations has put pressure on foreign reserves and created currency volatility that makes it harder and more expensive to import inputs. Last week, for instance, Nigeria's central bank allowed the naira currency to drop as much as 36% on the official market.

Nestle, which is replacing imported corn starch in Nigeria with cassava starch, told *Reuters* it has helped seven local suppliers to boost capacity to meet the company's supply needs.



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"(The) next step is to expand the localization journey across the region: Cote d'Ivoire, Cameroon and Senegal," the

world's biggest packaged food maker said in an emailed statement in response to questions.

The Swiss company, which makes Kit Kat candy bars and Nescafe coffee, has more than 2,000 brands including Maggi stock cubes and Nesquik milkshakes.

Onion and powder & tumeric

Nestle said it was working to develop local suppliers of vegetables and spices used in Maggi products, for instance onion powder in Nigeria and Senegal, and turmeric powder in Nigeria.

"In the area of grains, we have successfully developed local farmers and processors ... this has been achieved through (a lot of) training in good agricultural practices, harvesting, warehousing and cleaning practices.

"We are now taking this next step to introduce these farmers to regenerative agriculture as part of our sustainability journey and commitment."

Regenerative agriculture generally involves protecting and restoring soil health, which in turn helps capture more carbon from the atmosphere to reduce greenhouse gas emissions.

Nestle said it has in some cases given suppliers letters of intent, provided technical know-how, engaged with local authorities to set standards, and provided financial support through advance payments to resolve working capital challenges.

Last month, Nestle rival Unilever told *Reuters* that managing foreign exchange costs is largely what is driving its own shift to African suppliers from Asia, even though sourcing from the continent can cost more than buying from parts of Asia.

Nestle did not comment on whether its position in Nigeria would help insulate it from foreign exchange volatility, neither did it give an indication of the economic impact of the local sourcing.

Nestle's sales from the Middle East and Africa grew about 6% to 5.25 billion Swiss francs (\$5.9 billion) last year, accounting for about 6% of group annual sales of 94.4 billion francs.

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