ASPIRING FOR ZERO REJECTION OF NIGERIAN NON-OIL EXPORTS

PRESENTED AT THE

CBN SENSITIZATION SEMINAR FOR EXPORTERS, REGULATORS UNDER NESS.

AT THE SHERATON HOTEL, IKEJA, LAGOS

ON

22 NOVEMBER 2016

CARMINE ASSAYER

"ASPIRING FOR ZERO REJECTION OF NIGERIAN NON-OIL EXPORTS"

Table of Contents

CARMINE ASSAYER

... table of contents continued

BACKGROUND

In the same way as other Countries all over the World, Nigeria engages in cross-border trading in a wide range of goods from agricultural produce and raw materials to manufactured goods.

All countries aspires to focus on the development of the areas in which they have a comparative advantage over others. This is to maximize prices, maximize foreign exchange earnings and to ensure that the earnings derived are properly repatriated in order to grow the home economy.

Nigeria is blessed with variety of exportable products which originate from domestic agriculture, mineral resources, and semi / finished manufactured goods.

BACKGROUND *continued*

It is common knowledge that foreign exchange earnings from a well organized export market enhances growth and brings prosperity to the nation.

At the present time Nigeria is in serious need of foreign exchange and, as such, the Government's resolve to focus on the development of Non-oil exports is timely and commendable.

When Government promotes the development of exports, Exporters as well as the Country benefit from economic growth.

NIGERIA EXPORT SUPERVISION SCHEME (NESS)

The Federal Government of Nigeria enacted the **Pre-Shipment Inspection of Exports Act.10 in 1996**, which required that all export cargoes, apart from those specifically excluded, must undergo Physical Inspection and Certification prior to shipment.

The Inspection process provides for all export goods be subject to Quality, Quantity and Price verification prior to export, and upon successful inspection, to be issued with a **Clean Certificate of Inspection (CCI)**. Or if deficient, a Non—Negotiable Certificate of Inspection (NNCI).

The purpose of the Scheme is to ensure that exporters correctly declare their exports and that the Country can rely upon those exports to be of a quality, which is acceptable and competitive in the international market, as well as ensuring that the proceeds of the exports are returned to Nigeria to ensure national prosperity.

This gave rise to the Nigerian Export Supervision Scheme (NESS).

NESS *cont'd*

CARMINE ASSAYER LTD is engaged by the Federal Government of Nigeria to carry out Pre-Shipment Inspection of Exports in the South-Western Zone of Nigeria.

In this regard, Exporters within this Zone are mandated to present their consignments for Inspection of quality and quantity and to have export prices verified and to obtain Certification before approaching Nigeria Customs posts.

The Data gathered during inspections in the various Zones provides a comprehensive profile of the trading patterns throughout the Country.

This Forum, provides a good platform for the exchange of ideas and to share experience on how to improve the quality of our exports so as to achieve zero rejection of our products by international markets.

REJECTION

In International trade, claims for non-conformity or outright rejection of exports are unfortunately a common occurrence.

Rejection will usually emanate from two sources:

- ❖ The Government of the Receiving Country
- ❖ The Overseas Buyer.

Either way, rejection of products will cause losses to the Exporter and it will invariably reflect badly on the Exporting country.

In this context every Exporter has a responsibility to both his own business and his Country to ensure that his products are of merchantable quality.

… *rejection cont'd*

In extreme cases, regular rejection of goods, of which agricultural products are the most prone to critical analysis upon arrival at destination, can tarnish the exporting country's image as a whole in the International Trading Community.

REASONS FOR REJECTION

REJECTION BY THE GOVERNMENT OF RECEIVING COUNTRIES

i. Prohibition.

ii. Failure to comply with designated standards of Quality.

iii. Premature Harvesting.

iv. Inappropriate, or poor standards of Packaging.

v. Diplomatic trade embargo.

i. **PROHIBITION**

All countries have respective lists of prohibited items for imported/exported goods. Hence the import/export of such goods becomes illegal either at point of entry or exit as the case may be.

… reasons for rejection cont'd

ii. QUALITY STANDARDS

Failure to meet minimum standards of quality expected by the importing country can result in outright rejection of export goods.

On record recently are major reject alerts on Nigerian agricultural produce stemming from the problem of Aflatoxin and pesticide residues. Aflatoxin is a global issue and the process requires correct application and Certification.

Aflatoxins are a post harvest air-borne condition, produced by moulds and fungi, which, if not properly treated, can easily contaminate other products.

… reasons for rejection continued

During inspection, Carmine Assayer ensures that samples of agricultural produce are collected for testing for Aflotoxin in the Company's Laboratory prior to issuance of CCI.

iii. PREMATURE HARVESTING

Premature harvesting, improper storage, poor transportation and careless handling of the finished product are major causes of quality reduction and rejection.

… reasons for rejection continued

iv. PACKAGING STANDARD

Every country has its own packaging standard which are based on quality, safety, purity or blend without losing sight of the ***net weight*** of the consignment.

v. DIPLOMATIC TRADE EMBARGO

Unfavorable relations between two or more countries can affect bilateral trade, this will result in rejection of exports between the feuding parties.

CARMINE ASSAYER

… reasons for rejection cont'd

REJECTION BY OVERSEAS BUYERS

i. Failure to meet Specification of the Buyer
ii. World trade price fluctuations
iii. Fraudulent behaviour of Buyers
iv. Tricks of the Trade
v. Misunderstanding of INCOTERMS

i. SPECIFICATION OF THE BUYER

This is when an Exporter fails to supply goods in accordance with the Buyer's specification, usually as indicated in the purchase order. It is a basic issue but often ignored by exporters who try to turn a blind eye to the issue and take a chance.

ii. FLUCTUATION IN PRICE

Large orders can often take Exporters longer than anticipated to fulfil, and this can lead to an attempted mid-supply change in terms of trade.

If there have been significant market price movements a Buyer will sometimes look for any reason to reject the consignment. This form of rejection is commonly referred to as "Market-itis" !!

In many instances, this involves the trading parties in serious dispute, and often results in outright rejection at destination. Exporters will invariably be in a better position if they have observed high standards in the country of origin and are properly informed of their rights in international trade.

… reasons for rejection continued

iii. FRAUDULENT PRACTICE ON THE PART OF BUYERS

These are instances where the exporter supplies to correct quality and quantity specification, but fraudulent overseas buyers may try to reject in order to force a re-negotiation of the purchase contract. This scenario can occur even when both parties' Banks are involved.

iv. TRICKS OF THE TRADE

When two or more countries compete to sell similar products in international market, defamation of product quality can occur in order to gain a sales advantage. This is a significant problem being experienced by Nigeria in the West African sub-region.

… reasons for rejection continued

Nigeria's prolific production capacity can pose a significant trading threat to smaller neighboring countries.

In some cases seminars are organized, and misleading news is published with the aim of defaming or stigmatizing Nigerian agricultural produce. However, these same malefactors will buy Nigerian products, import them into their own countries and then re-label them for export to other international destinations.

v. MISUNDERSTANDING OF *INCOTERMS*

Parties in inter-border trade sometimes do not give proper respect to the Terms of Agreement or simply do not understand trading terms.

For example, instances occur when Exporters misinterpret "EX-WORKS" as Free-On-Board (FOB).

ASPIRING FOR ZERO REJECT

WAY FORWARD

1. ADEQUATE TRAINING

Proper and adequate training is essential, especially for local farmers. The areas of focus should include such matters as :

- Soil testing
- Pesticide chemical application.
- Storage and Transportation

2. MODERN FACILITIES AND TECHNOLOGY

Provisions of Metal Silos will reduce the necessity for chemical pesticides.

3. COMPREHENSIVE SENSITIZATION PROGRAMME

This is to ensure that international quality requirements and protocols are understood by Exporters. This would be the most valuable Government initiative to promote international trade.

4. PACKAGING

The use of correct packaging materials with clear marking of contents is essential. In many instances jute bags are preferable and should replace polythene bags for improved safety and preservation. However, Exporters need to be educated in the accepted practices in other countries and this will ensure that Nigeria is not regarded as being deficient in this respect.

5. PRE SHIPMENT SAMPLE ANALYSIS

Testing for moisture, oil content, impurity content, ash content and microbial findings are also important for raw and semi-finished products to ascertain and prove their acceptability at destination.

6. ADHERENCE TO EXPORT GUIDELINES & PROTOCOLS

There is an urgent need for improved export information lines to confirm that Certificates issued by representatives of Government Agencies are respected to prevent the forgery and misuse of documents. Exporters who circumvent legally imposed protocols jeopardize the integrity and good name of all Exporters in Nigeria.

7. DESPATCH DEPOTS

The Federal Government could promote “Centralized Dispatch Depots” for commodities in designated areas where individual commodities can be consolidated correctly prior to shipment. This would help to improve the efficiency of logistics, quality control and delivery for shipment.

CONCLUSION

As a designated Pre-shipment Inspection Agent (PIA) CARMINE ASSAYER LTD is fully focused on ensuring that Nigerian Exports meet with Buyers expectations whilst primarily discharging its duties in accordance with the rules of NESS. In this regard the Management confirms its readiness to work with all Stakeholders to tackle and to eliminate problems of rejection of Nigerian Export produce. This is particularly relevant to the perishable and sensitive nature of Agricultural produce.

All improvements will encourage an increase in employment and productivity and this will promote maximum foreign exchange earnings which are a vital asset to national prosperity.

CONCLUSION (*zero rejection)*

CARMINE ASSAYER LIMITED is always pleased to receive enquiries through the company website:

(www.carmineassayer.com.ng)

or individual trading issues can be e-mailed to the Company with any questions on NESS at:

(enquiries@carmineassayer.com.ng)

The Company's Website provides a regular update of newsworthy features to enlighten Stakeholders of changes and relevant updates within the NES Scheme.

THANK YOU