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Nigeria

Grain and Feed Annual

Annual Report

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Report Highlights:
Although Nigeria's wheat imports from the US fell in 2011/12, it remains the most consistent, loyal customer for US wheat. Consumption continues to be firm due to sustained high demand for wheat flour for bread, noodles, pasta and biscuit production. The GON is aggressively pursuing an import substitution agricultural development strategy to increase food production and employment.

Executive Summary:

Nigeria is pursuing a new agricultural development strategy designed to increase food production and employment. The new initiative, tagged the Agriculture Transformation Action Plan (ATAP) is designed to significantly increase production of five key crops: rice, cassava, sorghum, cocoa and cotton. Under this plan the government intends to attain self-sufficiency in rice production by raising the duty on imports and increasing funding for domestic production to more than double production of paddy rice from 3.4 million metric tons presently to 7.4 million metric tons by 2015. The GON also plans to cut back on wheat imports by a policy requiring flour millers to substitute up to 40 percent of wheat flour produced in the country with cassava flour by 2015.

To drive the new initiative, Government will discontinue its direct involvement in fertilizer procurement and distribution by stimulating the private sector fertilizer industry to serve the market. All imports and distribution would be handled by the private sector. Conceptually, the new initiative is expected to get fertilizers to 95 per cent of farmers against 11 per cent under the old system. Over the last 15 years, the Government of Nigeria (GON) has been involved in the direct procurement and distribution of fertilizer at a 25 percent subsidy. The policy has been largely unsuccessful and has only caused distortion in the distribution channels. Inefficient and under-funded delivery systems prevented the subsidy from successfully reaching the intended small-scale farmers, as supplies were often sold to directly to those with political connections who would then resell the fertilizer at much higher prices in the market.

Nigeria is a huge growth market for wheat. Despite a slight decrease in US exports to Nigeria in MY2011/12, U.S. market share remains dominant at about 90 percent. U.S. sales to Nigeria this year (July 2011-June 2012) are estimated at 3.4 million tons, down from 3.7 million tons in MY2010/11. The combination of a steady increase in domestic demand for flour based products and high prices for local substitutes are encouraging millers to bring more of the existing excess milling capacity into use. Competitors are Argentina, Canada and the EU.

Despite the good corn crop in 2011/12, prices remain high due largely to the strong demand from the poultry and brewing sectors. Market sources indicate that the price of corn will continue to rise until new supplies are available from new crop starting in September 2012. In September 2008, the GON lifted the import ban on corn and local poultry producers are exploring import opportunities to cushion the impact of high prices. Corn is the preferred energy source and accounts for about 60 percent of compound feed. Feed millers are substituting imported wheat for corn utilizing the already established import channels for wheat. Potential corn importers also fear that Customs could block imports to support local producers.

Overall, there is a renewed drive to increase agricultural production to increase food production and generate employment. The GON has indicated that agriculture will now be treated as a business and no longer as a development project with a view to developing strategic partnerships with the private sector to stimulate investments in agriculture. The initiative is designed to give particular attention to fixing the value chains in sectors where Nigeria perceives comparative advantage.

Exchange Rate: US$1 = 158 Naira

Wheat

Production:
Nigeria's wheat production in 2012/13 is forecast to remain small at only 100,000 tons, the same as in 2011/12. Local climatic conditions in Nigeria are not suitable for profitable wheat production and the wheat that is produced is grown under irrigation in a few states in northern Nigeria.

Consumption:
Nigeria's wheat milling capacity increased slightly in 2011/12 to about 6.6 million tons, up from 6.5 million tons with some of the mills increasing their capacity. A new 500 ton per day mill is under construction and is expected to enter production in 2012. Capacity utilization is estimated at about 60 percent in 2011/12. The growth in Nigeria's wheat imports witnessed during the last few years could not be sustained this year because of the difficulties in moving products to the parts of the country affected by the incessant ethnic and religious crisis. Flour Mills of Nigeria continues to be the market leader by capacity but other millers, such as Dangote, Honeywell, and BUA, continue to increase market share. Competition among the millers is intense, based on price and quality. Additionally, the Nigerian baking industry continues to expand and upgrade its production facilities. There is a proliferation of small and large independent bakeries and retail in-store bakeries. Increased competition has resulted in an increase in the variety and quality of fresh baked products available to consumers.

Consumption patterns are changing in tandem with growth of the middle class. Production of bread flour continues to expand because bread is a standard item in the modern breakfast diet and it is a convenience food for many Nigerians. The rapid growth in the quick service restaurant industry offering pastries in recent years has also contributed to the increased wheat demand. At present, Nigeria is experiencing the greatest growth in the production of noodles as virtually all flour mills in the country have established noodle production facilities. The demand for noodles in Nigeria is very high and noodle imports are banned. Nigeria's noodle manufacturers have benefited from the removal of the ban on crude vegetable oil, a key component in instant noodle production and increased imports of palm oil has resulted in a drop in the cost of production. Noodle production is estimated to use up to 550,000 MT of Hard Red Winter Wheat (HRW) in MY2011/12. Although Nigeria is traditionally a market for Hard Red Winter, in recent years there has been a steady increase in demand for other types of wheat such as Soft Red Winter for use in biscuit production, Hard White Wheat for bread and noodle production, and Durum for pasta.

According to industry sources, Nigerian wheat flour is exported informally to the neighboring countries. Trade figures are not available for such exports, but industry sources estimate informal exports of wheat products at about 400,000 metric tons. Branded Nigerian flour can be found in several countries in West and Central Africa.

Trade:
Post forecasts Nigeria's overall wheat imports in 2012/13 to rise to 3.9 million tons, up slightly from the revised estimate of 3.8 million tons in 2011/12. Nigeria's wheat import remains flat since 2011 due to

the inability of flour millers to move products to north east of Nigeria affected by ethnic and religious crisis.

Nigeria remains a growth market for wheat imports because of its huge population of 167 million people and an annual population growth of 2.8 percent. The United States has a dominant market share of about 90 percent of Nigeria's wheat market. The demand for wheat products has remained strong because of high prices for other local staples. The U.S. has a strong reputation as a consistent and reliable supplier of wheat, especially for HRW.

Stocks:
Most flour mills in Nigeria are located at sea ports, where space for storage facilities is limited. Millers only have capacity to keep stocks that can sustain milling operations for one month, a maximum of 250,000 tons. Industry sources estimate actual stock holdings are at an average of 200,000 tons.

Policy:
The GON has announced plans to cut wheat imports by introducing a new policy compelling cassava flour inclusion in wheat flour. The GON is determined to commence implementation in 2012, starting with 10 percent cassava flour inclusion rate. The inclusion rate is expected to increase steadily to 40 percent by 2015. Part of their plan is to impose a levy of 15 percent on wheat grain imports, which will increase the effective duty from 5 percent to 20 percent. The government also plans to introduce fiscal incentives to stimulate increased domestic production and processing of cassava.

In September 2008, the GON lifted the import ban on wheat flour and introduced a tariff of 35 percent. Although substantial imports of wheat flour have not occurred since the lifting of the ban, millers remain vocal in their opposition to its removal. As part of this new policy to support cassava, the GON plans to implement a 65 percent levy on wheat flour imports to bring the effective duty to 100 percent, effective July 1, 2012.

The GON also requires wheat flour to be fortified with vitamin A.

Marketing:
U.S. Wheat Associates is very active in Nigeria in providing training opportunities and trade servicing for the Nigerian milling industry. They have a representative located in Lagos.

Production, Supply and Demand Data Statistics:

Wheat Nigeria	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: May 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	95	95	95	95		95
Beginning Stocks	200	200	200	200		200

Production	100	100	100	100		100
MY Imports	4,051	4,051	4,100	3,850		3,950
TY Imports	4,051	4,051	4,100	3,850		3,900
TY Imp. from U.S.	3,743	3,743	0	3,400		3,600
Total Supply	4,351	4,351	4,400	4,150		4,250
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	50	50	50	50		90
FSI Consumption	4,101	4,101	4,150	3,900		3,960
Total Consumption	4,151	4,151	4,200	3,950		4,050
Ending Stocks	200	200	200	200		200
Total Distribution	4,351	4,351	4,400	4,150		4,250
1000 HA, 1000 MT, MT/HA						

Corn

Production:

Post forecasts Nigeria's corn production in 2012/13 at 9.4 million tons, up from 9.2 million tons in 2011/12. Local sources indicate that corn area will increase, as the prevailing high prices encourage farmers to bring new land into production. Also, the introduction of early maturing varieties has allowed corn area to continue to expand into drier Northern growing areas. A modest increase in yield is also expected because of reported early arrival of rain in the grain belt and the hope of improved availability of fertilizer under ATAP.

Corn is the most important cereals crop in Nigeria. It is widely produced across the country following the introduction of early and extra-early and medium maturing varieties that are tolerant to drought. These varieties are resistant to striga, and Downey meldew, diseases that are prevalent in the region.

Consumption:

The bulk of Nigeria's corn crop is used for direct human consumption as corn is a staple of the Nigerian diet. Owing to advances in research, maize has become indispensible for food security as well as an industrial crop. Brewery demand for corn grits is growing in step with growth in the sector. Feed utilization of corn is also increasing due to the steady growth in the poultry sector witnessed in recent years. Approximately 95 percent of all feed produced in Nigeria is poultry feed. Total corn usage for feed production in Nigeria is forecast at 1.85 million tons in 2012/13, up from 1.7 million tons in 2011/12.

Despite the good corn crop in 2011/12, prices remain high because of rising demand. At present, the price of corn in Northern growing regions is 63,000 naira per ton ($400), up from 55,000 Naira ($366) this same time last year. The cost of corn delivered to the main poultry growing areas in Southern Nigeria is substantially higher. Poultry producers are unable to get sufficient corn supplies from local sources and are looking to import. Feed millers also report switching to wheat to meet their energy needs because of the lower duty on wheat.

Trade:

Post forecasts Nigeria's corn imports in 20011/12 at 100,000 tons. Poultry production in the country is concentrated in Southwestern Nigeria near major urban centers (Lagos and Ibadan), and as such imported corn into Lagos has a transportation cost advantage to major poultry operations when compared with domestic supplies grown in the middle and northern regions. Nigeria's rail system is not functioning. This means that corn has to be transported by road from the north to the south. Road transportation on Nigeria's bad roads and the numerous check points often increases product cost by as much as 20 percent.

Stocks:
A major problem with grains production in Nigeria continues to be the lack of adequate storage facilities. On average 30 percent of Nigeria's grain output is lost due to spoilage, contamination, attack by insects and rodents, and physiological deterioration in storage (post harvest losses). This high loss translates to loss of revenue to Nigeria's peasant farmers. Recently USDA extended technical assistance to Nigeria in grain silo management under the Global Food Security Initiative Program, and the GON is boosting its strategic storage capacity. Additionally, Post utilized USDA's Cochran Fellowship Program to provide training for staff of the National Strategic Grain Reserve and the National Stored Products Research Institute.

Policy:
The GON's import ban on corn was lifted in 2008 and imports allowed at 5 percent tariff. Despite the removal of the ban, potential corn importers also fear that Customs could block corn imports in support of local producers.

Production, Supply and Demand Data Statistics:

Corn Nigeria	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,900	5,000	4,900	5,150		5,200
Beginning Stocks	266	275	406	250		250
Production	9,340	8,800	8,700	9,250		9,410
MY Imports	100	100	100	100		100
TY Imports	100	100	100	100		100
TY Imp. from U.S.	0	0	0	0		0
Total Supply	9,706	9,175	9,206	9,600		9,760
MY Exports	100	100	100	100		100
TY Exports	100	100	100	100		100
Feed and Residual	1,600	1,425	1,700	1,700		1,850
FSI Consumption	7,600	7,400	7,200	7,550		7,560
Total Consumption	9,200	8,825	8,900	9,250		9,410
Ending Stocks	406	250	206	250		250
Total Distribution	9,706	9,175	9,206	9,600		9,760
1000 HA, 1000 MT, MT/HA						

Sorghum

Production:

Sorghum production in 2012/13 is forecast at 6.9 million tons, up from 6.8 million tons in 2011/12. Crop yield has increased because of the growing acceptance by farmers of improved varieties developed by local research institutes. These include two sorghum varieties bred by the International Crops Research Institute for Semi-Arid Tropics (INCRISAT) which are higher yielding and earlier maturing. The earlier maturing trait is especially attractive to farmers due to the erratic nature of the late-season rains in the main northern growing areas.

Consumption:
Sorghum is a major food and industrial crop. Sorghum is the primary food crop in virtually all parts of northern Nigeria. Demand from industry is the main driver of sorghum production. Sorghum also is used extensively in brewing, and industrial demand for beer manufacturing is rising steadily, in tandem with rising demand for beer. Beer had been produced exclusively in Nigeria from sorghum and corn following a ban placed on barley and barley malt importation in the mid-1980s. Although the ban was lifted in 1999, breweries have continued to use sorghum and corn as the key raw materials. Sorghum use in poultry feed is limited by its high tannin content.

The GON has signed a Memorandum of Understanding with an indigenous bio-fuel producer- Global Biofuels Limited for the construction of 15 integrated bio-fuel plants in Nigeria valued at $750 million. The project is a collaborative work and research of Global Biofuels with indigenous Research Institutes, China, Brazil and India. The project is an agro-based industrial activity involving the production of ethanol, biomass electric power and food using sorghum as raw materials. The pilot project is expected to be concluded in Ekiti State in 2012 and would subsequently be replicated in 14 sorghum growing states. If the project is implemented as planned, it could significantly increase demand for sorghum in Nigeria but will not affect sorghum availability for food. The project would in fact improve sorghum production as it uses everything but the grain.

Trade:
Nigeria does not import any sorghum at the moment. However, market opportunities exist for imports of sorghum by breweries located in southern Nigeria. Market opportunities also exist in Nigeria for U.S. tannin-free sorghum for feed use. Minimal amounts are exported informally to neighboring countries.

Policy:
The GON import ban on sorghum was lifted since 2008 and a tariff of 5 percent was implemented. The GON is also encouraging the utilization of sorghum to produce nutritious fortified foods, typically blended with soybeans for school feeding programs and the World Food Program food aid to Chad, Niger and Mali.

Marketing:
Following the lifting of the import ban on sorghum in 2008, the U.S. Grains Council has been active in exploring market opportunities with breweries and feed millers in Nigeria.

Production, Supply and Demand Data Statistics:

Sorghum Nigeria	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	7,600	5,400	7,600	5,500		5,550
Beginning Stocks	200	200	200	200		200
Production	11,700	6,750	11,500	6,850		6,900
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	11,900	6,950	11,700	7,050		7,100
MY Exports	50	60	50	60		70
TY Exports	50	60	50	60		70
Feed and Residual	150	150	150	150		150
FSI Consumption	11,500	6,540	11,300	6,640		6,680
Total Consumption	11,650	6,690	11,450	6,790		6,830
Ending Stocks	200	200	200	200		200
Total Distribution	11,900	6,950	11,700	7,050		7,100
1000 HA, 1000 MT, MT/HA						

Rice, Milled

Production:
Nigeria's rice production in 2012/13 is forecast at 2.8 million tons, up from a revised 2.7 million tons in 2011/12. The GON has unveiled plans to boost domestic rice production and to make the country self-sufficient by taking advantage of the country's vast arable land. Under ATAP which has listed rice as one of the five commodities to attract special focus to increase production, the GON plans to stimulate increased rice production from the current is 3 million ton to 7 million by 2015 and generating one million additional jobs. This initiative involves the promotion of the New Rice for Africa (NERICA) variety. This variety is resistant to the African Rice Gaul Midge disease and is higher yielding than existing varieties.

Field visits to the major rice growing areas revealed that there is a renewed interest in increasing rice production, supported by the respective state governments. However, processing facilities are inadequate and far from farmers. Also, the quality of locally milled rice needs to improve to enhance competitiveness with imported products. Most mills visited are using Asian processing equipment with varying degrees of efficiencies.

A number of the major rice importers in Nigeria have invested in milling capacity. Examples of these private sector initiatives are: Veetee Rice in Ogun State; Olam in Lagos, Benue, Nasarawa and Kwara States; and Stallion in Lagos. As part of a backward integration program, some of the companies have developed nucleus estates that would use local farmers as out growers to supply rice to the mills.

Consumption:
Population growth and rising incomes are expanding rice consumption in Nigeria.
Imported parboiled rice competes effectively against other basic food staples, which explains why import volumes have remained large. Rice is a regular item in the Nigerian diet, largely because of the convenience it provides and the variety of ways it can be prepared. Imported parboiled rice is directed

at meeting consumer demand in urban areas where incomes are highest, while locally milled rice is consumed mainly in the rural areas. The quality of locally produced rice has improved considerably. For example, the locally produced Ofada rice is a national delicacy and is offered to consumers at a premium.

Trade:
Post has revised upwards estimates of Nigeria's imports in MY2011/12 to 2.5 million. Nigeria's rice imports increased significantly in the last quarter of 2011 following India's removal of its export ban on non-basmati rice. The return to the market of the cheaper Indian rice created a buzz among importers. Imports in MY 2012/13 are forecast at 2.3 million tons. The bulk of Nigeria rice imports come from Thailand, followed by India. Post has also observed increased presence of Brazilian and Chinese rice in the Nigerian market.

Rice is firmly established as a basic staple in the diet of the average Nigerian. Local alternatives such as yam, cowpea, and maize, are in short supply and cost more than in years past. Despite recent efforts to boost domestic production, trade sources indicate it is very unlikely to significantly affect imports in the near-term.

Policy:
The import duty on seed, paddy and brown rice is five percent, while for semi and wholly milled rice is 30 percent. The lower duty for paddy and brown rice is to encourage local value addition by importers who have established milling facilities. The GON plans to increase the duty on brown and wholly milled rice to 20 and 50 percent respectively, to support local production

Periodically, the GON reviews the benchmark price for all types of imported rice and from all origins. The current benchmark price is $690 per ton. Import duty is calculated based on the benchmark price, regardless of the actual FOB price. The benchmark price is arrived at on the advice of the inter-Ministerial/Agency Committee, comprised of the Presidential Committee on Trade Malpractices; Federal Ministry of Agriculture; Federal Ministry of Commerce and Industry; Nigeria Custom Service; Federal Ministry of Finance; rice millers; importers and distributors in Nigeria. The price is inclusive of freight costs.

Following widespread reports that some importers were importing wholly milled rice and declaring it as brown rice (for the lower duty), the GON issued a circular clarifying the appropriate classification of brown rice. It states that "husked brown rice as described by the nomenclature is that which although de-husked, is still enclosed in the pericarp." Since husked brown rice almost always contains a small quantity of paddy it attracts a lower duty of 5 percent with no levy under HS Code 1006.2000.00. Any rice which does not conform to the above description would be treated as either semi-milled or wholly milled rice and classified under HS Code 1006.3010 at 10 percent duty rate and 20 percent levy.

Furthermore, rice importation remains restricted to the sea ports and importation of rice over land borders is prohibited. The GON took this decision in order to reduce smuggling and evasion of duty payments. The GON believes that this is the most viable way to ensure that the commodity continues to come into the country without anyone having the unfair advantage of not paying the required import duty.

Production, Supply and Demand Data Statistics:

Rice, Milled Nigeria	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,150	2,150	2,170	2,170		2,250
Beginning Stocks	486	486	471	471		480
Milled Production	2,615	2,615	2,709	2,709		2,850
Rough Production	4,151	4,151	4,300	4,300		4,524
Milling Rate (.9999)	6,300	6,300	6,300	6,300		6,300
MY Imports	2,400	2,300	2,300	2,500		2,300
TY Imports	2,550	2,300	2,200	2,450		2,250
TY Imp. from U.S.	0	0	0	0		0
Total Supply	5,501	5,401	5,480	5,680		5,630
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Consumption and Residual	5,030	4,930	5,000	5,200		5,150
Ending Stocks	471	471	480	480		480
Total Distribution	5,501	5,401	5,480	5,680		5,630
1000 HA, 1000 MT, MT/HA						