

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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POLICY

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**GAIN Report Number:**

## **Nigeria**

### **Grain and Feed Annual**

#### **Annual**

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**Report Highlights:**

Post estimates U.S. 2015/16 wheat exports to Nigeria at 2.3 million tons, a 17 percent decrease largely due to existing import levies. The U.S. market share for Nigeria's wheat imports currently stands at about 55 percent. Farmers are expected to shift from corn production largely due to unprofitable market prices and lack of storage facilities. Given large carryover corn supplies, MY2015/16 corn imports are estimated at 300,000 tons. MY2014/15 rice ending stocks are at 1.3 million tons due to major importers purchasing higher-than-normal supplies to sell during the presidential election campaign and to stockpile in anticipation of policy changes to existing import quotas and levies by the new government.

## Commodities:

Wheat

Corn

Sorghum

Rice, Milled

## Agricultural Policies on Grain and Feed Products:

Post is closely monitoring current government policies, such as the Agriculture Transformation Agenda (ATA). This Agenda is designed to significantly increase production of five key crops (rice, cassava, sorghum, cocoa and cotton) and reduce all major food imports. Sources indicate that ATA's implementation has not been significantly successful in increasing domestic food production. For more ATA information, please see the 2014 Grain and Feed Annual Report at:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual\\_Lagos\\_Nigeria\\_4-4-2014.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Lagos_Nigeria_4-4-2014.pdf)

On March 28, 2015, Mr. Muhammadu Buhari was elected to be Nigeria's President, effective May 29. Sources note that agricultural policy is expected to be one of the priorities of his presidency, thus there could be modifications to the ATA and other agricultural policies.

## Wheat Production, Supply and Demand Data Statistics:

Wheat Market Begin Year Nigeria	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		May 2016	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	70	70	70	70	0	60
Beginning Stocks	200	200	200	200	0	200
Production	70	70	70	70	0	60
MY Imports	4,550	4,550	4,750	4,750	0	5,040
TY Imports	4,550	4,550	4,750	4,750	0	5,040
TY Imp. from U.S.	2,631	2,631	0	2,730	0	2,300
Total Supply	4,820	4,820	5,020	5,020	0	5,300
MY Exports	500	500	600	600	0	400
TY Exports	500	500	600	600	0	400
Feed and Residual	50	50	50	50	0	50
FSI Consumption	4,070	4,070	4,170	4,170	0	4,650
Total Consumption	4,120	4,120	4,220	4,220	0	4,700
Ending Stocks	200	200	200	200	0	200
Total Distribution	4,820	4,820	5,020	5,020	0	5,300

1000 HA, 1000 MT, MT/HA

## Production:

MY2015/16 wheat production is estimated at 60,000 tons, a decline of approximately 17 percent from the previous year of 70,000 tons. This is largely due to the dislocation of farmers by the Boko Haram insurgency and unfavorable climatic conditions in major wheat growing areas.

## Consumption:

Nigeria is a major wheat market for Hard Red Winter. There is also a growing demand for Soft Red Winter for biscuits and cookies; Hard White Wheat for breads and noodles; and Durum Wheat for pasta.

MY2015/16 wheat consumption is estimated at 4.7 million tons, a 17 percent increase from the current MY2014/15 figure of 4.2 million. Several factors are contributing to Nigeria’s growth in wheat consumption. In the marketplace, Nigeria’s most popular local food is called semolina, a wheat-meal product. For this product, local processors are now using more wheat (preferably imported) than locally sourced staples like cassava flour. This product is widely distributed throughout Nigeria and is becoming very popular in urban areas. Separately, with Boko Haram insurgencies in major growing regions for wheat substitutes, donor organizations are purchasing more wheat and wheat-based products to help feed more than one million Internally Displaced Persons (IDPs).

**Trade:**

*Imports*

MY2015/16 wheat imports are estimated at 5.0 million tons, a four percent increase due to rising demand for inexpensive and lower quality supplies from the global market. Sources note that the Boko Haram insurgency in northern Nigeria has generated the dislocation of over one million IDPs, mostly farmers. These individuals are settled in refugee camps, and they depend on food donations, which include wheat-based products mainly from imported wheat.

*Constraints to U.S. Exports*

U.S. trade year exports to Nigeria are estimated at 2.3 million tons for TY2015/16, a 17 percent decrease largely due to import levies. According to trade sources, the U.S. market share of Nigerian wheat imports currently stands at about 55 percent. Prior to mid-year 2012, the United States held more than 90 percent of Nigeria’s wheat market. This drastic change in market share is attributed to Nigeria’s wheat import reduction measures.

As noted in previous reports, a 15 percent levy on imported wheat grains from all origins pushed the effective duty from 5 to 20 percent. This generated market price increases for wheat and wheat-based products, but there are major challenges, particularly the devaluation of the Nigerian currency, that make it difficult for wheat millers to pass on rising prices to consumers. To remain competitive importers and millers have sought to reduce costs. Some importers have been purchasing inexpensive and lower quality wheat supplies from Ukraine, Russia, and Argentina; and flour millers are blending lower quality wheat with the high quality and more expensive U.S. wheat. The currency devaluation has reduced consumer purchasing power and increased demand for cheaper wheat-based products.

**Corn Production, Supply and Demand Data Statistics:**

Corn Market Begin Year Nigeria	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		May 2016	
	USDA Official	New post	USDA Official	New post	USDA Official	New post

<b>Area Harvested</b>	4,250	4,250	4,250	4,150	0	3,800
<b>Beginning Stocks</b>	246	246	246	246	0	350
<b>Production</b>	7,700	7,700	7,500	7,515	0	7,000
<b>MY Imports</b>	200	100	200	300	0	300
<b>TY Imports</b>	200	100	200	300	0	300
<b>TY Imp. from U.S.</b>	31	50	0	100	0	0
<b>Total Supply</b>	8,146	8,046	7,946	8,061	0	7,650
<b>MY Exports</b>	100	100	100	200	0	250
<b>TY Exports</b>	100	100	100	200	0	250
<b>Feed and Residual</b>	1,900	1,800	1,900	1,950	0	1,750
<b>FSI Consumption</b>	5,900	5,900	5,700	5,561	0	5,550
<b>Total Consumption</b>	7,800	7,700	7,600	7,511	0	7,300
<b>Ending Stocks</b>	246	246	246	350	0	100
<b>Total Distribution</b>	8,146	8,046	7,946	8,061	0	7,650
1000 HA, 1000 MT, MT/HA						

### **Production:**

MY2015/16 corn production is estimated at 7.0 million tons, a seven percent decrease from the previous year, based on sizeable carryover supplies and declines in market prices. The Government of Nigeria proposed to purchase carryover supplies from farmers, but lowered global oil prices reduced government revenue. As a result, limited government purchases of corn supplies have been made to date. Moreover, Boko Haram's insurgency across Nigeria's main corn producing areas cut off transportation routes for food supplies within Nigeria and across borders to neighboring African countries.

Farmers are expected to shift away from corn cultivation in MY2015/16 as lack of storage facilities, limited funds and lowering prices continue to cut into their earnings. The current average corn price for MY2014/15 is \$230 per ton, which is \$130 lower than the average MY2012/13 price of \$360 per ton.

### **Consumption:**

MY2015/16 corn consumption is expected to drop more than seven percent to 7.3 million tons from 7.8 million in MY2014/15. In the past year, feed utilization had increased due to the steady growth in the poultry and aquaculture sectors; however, with the currency devaluation and weakened consumer purchasing power, poultry farmers and food processors (the major users) are reducing their corn usage levels.

## Trade

*Imports:* Given large carryover supplies, MY2015/16 corn imports are estimated at 300,000 tons, a 50 percent decrease from the current MY2014/15 figure.

Nigeria's MY2014/15 corn imports are revised to 300,000 tons. Major commercial poultry operations reported large purchases for immediate use. Traders were concerned about the availability of domestic food supplies after Nigeria's presidential election, so additional purchases were made pre-election to help rebuild privately-held stocks.

*Exports:* There is high demand for Nigerian corn among food processors in both Nigeria and other West African countries. Farmers are concerned with low domestic prices, so Nigerian corn suppliers are expected to seek external markets in neighboring West African countries for better pricing, thereby increasing MY2015/16 exports to 250,000 tons.

## Sorghum Production, Supply and Demand Data Statistics:

Sorghum Market Begin Year Nigeria	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	5,000	5,000	5,000	5,500	0	5,300
Beginning Stocks	208	208	208	220	0	220
Production	6,500	6,592	6,300	6,700	0	6,150
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	6,708	6,800	6,508	6,920	0	6,370
MY Exports	50	50	50	100	0	50
TY Exports	50	50	50	100	0	0
Feed and Residual	150	150	150	150	0	150
FSI Consumption	6,300	6,380	6,100	6,450	0	5,970
Total Consumption	6,450	6,530	6,250	6,600	0	6,120
Ending Stocks	208	220	208	220	0	200
Total Distribution	6,708	6,800	6,508	6,920	0	6,370

1000 HA, 1000 MT, MT/HA

### Production:

Post's 2015/16 sorghum production estimate is 6.2 million tons, a minimal decrease of two percent from the 2014/15 figure of 6.3 million tons. The sorghum harvest area has been reduced due to increasing Boko Haram insurgency in the sorghum-producing areas.

### Consumption:

The 2015/16 consumption estimate is 6.1 million tons, a decrease of nearly eight percent from the current 2014/15 estimate, due to declining demand for sorghum-based consumer goods and recent import of low-cost cereal derivatives by food processors as substitutes for sorghum-based ingredients.

Sorghum is a major food and industrial crop for producing malt drinks, breakfast cereal, weaning formula, cookies and other products. With sorghum as the primary food crop in the northern region of Nigeria, research had been intensified on sorghum uses and their outcomes, resulting in new and expanded uses/usage. Sorghum use in poultry feed in Nigeria had been limited; however, a recent research found a formula for safety and nutritious sorghum use to substitute corn in poultry feed formulation.

Sorghum is also used for meal preparations and food fortifications. As mentioned in last year’s Annual report, fortified sorghum foods are mostly used for the Home -Grown School Feeding (HGSF) program and World Food Program (WFP) food aid programs in neighboring countries like Chad, Niger, and Mali.

**Trade:**

*Imports:* In 2008, Nigeria lifted its import ban and instituted an import tariff of five percent. Insignificant trade is reported as domestic production is used to meet the national demand. Sources note that the growing practice by many local Nigerian food processors of importing cereal derivatives, such as malt extracts and glucose syrup, is replacing sorghum products and causing sorghum farmers to shift to other crops.

*Exports:* In 2011, the Nigerian government removed its export ban on sorghum. Sources note that there have been larger-than-normal MY2014/15 purchases made by Chad, Niger, and other neighboring countries.

**Rice Production, Supply and Demand Data Statistics:**

Rice, Milled Market Begin Year Nigeria	2013/2014		2014/2015		2015/2016	
	Oct 2013		Oct 2014		Oct 2015	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	2,500	2,500	2,300	2,700	0	2,000
Beginning Stocks	885	885	657	607	0	1,300
Milled Production	2,772	2,772	2,550	2,700	0	2,300
Rough Production	4,400	4,400	4,048	4,500	0	4,000
Milling Rate (.9999)	6,300	6,300	6,300	6,300	0	6,300
MY Imports	2,800	3,000	3,500	4,500	0	3,000
TY Imports	3,200	3,000	3,500	4,500	0	3,000
TY Imp. from U.S.	0	10	0	0	0	0
Total Supply	6,457	6,657	6,707	7,807	0	6,600
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	5,800	6,000	6,100	6,507	0	6,000
Ending Stocks	657	657	607	1,300	0	600
Total Distribution	6,457	6,657	6,707	7,807	0	6,600

1000 HA, 1000 MT, MT/HA

**Production:**

Post estimates that Nigeria’s 2015/16 milled rice production will decline to nearly 2.3 million tons due to unfavorable domestic prices in relation to current global prices. For example, the price of domestic rough rice is over \$370 per ton compared to the global price of about \$300 per ton. High production

and processing costs, coupled with limited finance options for small-scale farmers further restrict local rice production.

Through the ATA policy, the Government of Nigeria sets 2017 as the new target year for Nigeria's self-sufficiency in rice production.

### **Consumption:**

MY2015/16 consumption is estimated at 6.0 million tons. MY2014/15 rice consumption is revised at 6.5 million tons compared to 6 million tons the preceding market year, largely due to rice donations during national elections.

Nigeria's national election in March and April 2015 increased rice demand and import figures. Nigerian politicians employed rice gifts to build goodwill from voters in the country's general elections. Rice importers and distributors also hoarded supplies in anticipation of limited food supplies following a potential post-election crisis.

As mentioned earlier in this report, Boko Haram's insurgency resulted in the displacement of over one million people in northern Nigeria. Similar to wheat and corn, these Internally Displaced Persons depend on rice donations by the government and donor organizations. The MY2014/15 consumption estimate is higher than normal to reflect this unusual high demand.

### **Trade:**

#### *Imports*

MY2015/16 imports are estimated at 3.0 million tons. Reportedly, investors in local rice production and distribution are skeptical that current rice import policies and implementations would continue with Nigeria's new government.

MY2014/15 rice imports are revised to 4.5 million tons, up by 1.0 million metric tons. Investors in local rice production enjoy a 40 percent reduction of the 70 percent duty on imported rice. Rice traders without any commitment in domestic rice production however pay the full 70 percent duty. Therefore, investors in local rice production can offset their losses from domestic operation costs and investments by taking advantage of the import quotas and import duty differential policies. (See the Import Policy Section below for more information.)

#### *Constraints for U.S. Exports*

U.S. rice is highly priced and not competitive in the Nigerian market. Thailand, India, Brazil, and China are the major suppliers to this market.

**Import Policy:**

On May 26, 2014, the Government of Nigeria approved a new rice policy to promote local investments in rice production/milling. This policy introduced an import duty differential on rice (brown or polished) favoring imports of local rice investors against rice traders with no local rice investment. Investors that have milling capacity with verified Domestic Rice Production Plans (DRPP) enjoy an import duty of 10 percent and a levy of 20 percent. Rice traders (with no commitment in local rice production) will pay an import duty of 10 percent and a levy of 60 percent. This new rice policy also states that importation of brown or polished rice should be limited to the National Supply Gap (NSG) for import-grade rice which a GON ministerial committee determined to be 1.5 million tons. Rice import quotas at the preferential duty of 10 percent and levy 60 percent for 80 percent or more of the NSG will be issued to existing and new rice millers/producers.

**Stocks:**

MY2015/16 beginning stocks will be boosted by large amounts of MY2014/15 rice imports. Post estimates that Nigeria's MY2014/15 ending stocks will reach 1.3 million tons. Major rice importers purchased larger-than-normal supplies for several reasons: to sell during the presidential election campaign; to reserve supplies in anticipation of a national food price crisis after election; and to ensure adequate stocks in fear of a policy change on import quotas and levies by the new government.