

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

## Nigeria

**Date:** 4/6/2017

**GAIN Report Number:**

## Grain and Feed Annual

### Annual

**Approved By:**

Ryan Scott

**Prepared By:**

Uche Nzeka & Joshua Taylor

**Report Highlights:**

Post's combined estimates of Nigeria's MY2017/18 production for wheat, rice, corn and sorghum is set at about 16.3 million tons, representing a slight drop from the current MY2016/17 estimate of nearly 16.5 million tons. Overall MY2017/18 imports will likely decline by nearly three percent to 6.6 million tons from 6.8 million tons in MY2016/17. MY2017/18 exports are noted at 850,000 tons, an increase of more than 21 percent over that of MY2016/17 due to growing demand in neighboring landlocked countries. Limited GON support to farmers over recent years, rising cost of farming inputs, and insecurity are limiting private efforts at increasing agricultural productivity. Additionally, unfavorable foreign exchange measures and weakening purchasing power combined are causing declines of local consumption and imports of food and agricultural imports. After USDA's year-long efforts, its Export Credit Guarantee Program (GSM-102) has increased U.S. wheat sales to Nigeria of 216,000 tons (valued at \$50 million) at the date of this report.

## **Executive Summary:**

### **Nigeria's Grain Prospects and Challenges to Food Security**

Nigeria's grain production began to stagnate with GON's lowering support to agricultural efforts over the last two years. The country's devaluing currency is expected to sustain rising domestic food prices. Interestingly, the same factor makes food prices relatively cheaper for consumers in neighboring countries, resulting in increasing demand for Nigerian grains in countries around the Sahel region. These emerging developments could indicate potential threats to Nigeria's food security.

Sources indicate that competition from neighboring countries has promoted informal exports of Nigerian grains by 40 percent; reportedly, the country's highest agricultural export level over the last 15 years.

Over the last two years, market prices have been doubling just as costs of farming inputs such as fertilizers, farm labor, and agro-chemicals. Declining purchasing power and GON's lack of funds to continue with grain purchasing for strategic grain reserve are also discouraging farmers from increasing production. There are few farmers who are able to export to neighboring countries, where prices are higher and cover local production costs; however, the majority remains to be mostly subsistence farmers.

### **Foreign Exchange Measures**

The GON continues to face challenges with conserving the country's depleting value of its local currency (the Naira), despite measures initiated by Central Bank of Nigeria (CBN) in 2015 that excluded importers of 41 selected goods (including rice) and services from officially accessing foreign exchange. The excluded items classified as 'Not Valid for Forex' would not be funded at the interbank from proceeds of exports or supported with port clearance documents issued by CBN—even when foreign exchange is procured from the legitimate market at high costs. This translated into a technical barrier to trade for the affected products.

In June 2016, GON reviewed the earlier foreign exchange policy and replaced it with the current "single rate flexible" forex measure. Through this action, the government aimed to increase its forex supply. However, rising demand continued to outpace the increasing supply, leading to continued local currency (The Naira) depreciation in the informal market. Presently, the exchange rate on the informal market is around ₦500 to \$1 compared to the official rate of ₦320 to \$1.

### **U.S. Wheat Exports to Nigeria increase through USDA's Export Credit Guarantee Program (GSM-102)**

After a year-long effort made by USDA headquarters, its FAS Ghana/Nigeria offices and the U.S. wheat industry, reports note that U.S. exporters registered nearly 216,000 tons (\$50 million) in U.S. wheat exports to Nigeria under the GSM-102 program. This success reflects a concerted effort to reverse a several year decline in U.S. exports to Nigeria, a market in which U.S. wheat once held a 90 percent market share. To accomplish these sales, USDA expanded the number of eligible Nigerian financial institutions, but limited these institutions to financing sales of U.S. commodities to only Nigeria.

### **Domestic Agricultural Policies**

Nigeria continues to employ trade restrictions such as high tariffs, levies, import bans and other measures to protect its domestic agriculture, despite the country's membership to the World Trade Organization (WTO). The

country's current trade-threatening measures on essential grains (such as rice, wheat, and maize) will likely continue in the upcoming year. Levies continue to be imposed on wheat imports, and this will likely remain in force along with the technical import ban on rice and other food/agricultural items classified as "Not Valid for Forex". Import ban on corn was lifted about 10 years ago; however, "special clearances" are required before any buyer could import corn—a situation that is expected to remain during MY2017/18.

In late January 2017, GON re-launched the Growth Enhancement Scheme (GES) to provide support to farmers through subsidized agricultural inputs. Despite this news, rural/small holder farmers and cottage agri-businesses, who contribute to over 80 percent of the country's agricultural production, continue to note the absence of government support which helped increase agricultural productivity under previous administrations and better economic conditions. Conversely, the few large-scale agri-businesses note that GON's withdrawal of support, especially the Growth Enhancement Scheme, allows them to better plan as government support was typically provided towards the end of the production season when it was least beneficial.

## **Commodities:**

Wheat

Rice, Milled

Corn

Sorghum

**Wheat**

### Wheat Production, Supply and Demand Data Statistics:

Wheat Market Begin Year Nigeria	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	60	60	60	60	0	60
Beginning Stocks	200	200	200	200	0	200
Production	60	60	60	60	0	60
MY Imports	4410	4410	4500	4500	0	4400
TY Imports	4410	4410	4500	4500	0	4400
TY Imp. from U.S.	1450	0	0	0	0	0
Total Supply	4670	4670	4760	4760	0	4660
MY Exports	400	400	400	400	0	400
TY Exports	400	400	400	400	0	400
Feed and Residual	50	50	50	50	0	50
FSI Consumption	4020	4020	4110	4110	0	4010
Total Consumption	4070	4070	4160	4160	0	4060
Ending Stocks	200	200	200	200	0	200
Total Distribution	4670	4670	4760	4760	0	4660

(1000 HA) ,(1000 MT)

### Production

Despite increases in local production costs, MY2017/18's area harvest and production continue to be estimated at 60,000 hectares and 60,000 tons, respectively. Sources note that production costs for local wheat have doubled to approximately \$420 per ton over the last six months. Domestic wheat prices (per ton) are currently \$420 in the local markets and \$600 for regional export markets. Public officials note that there have been government/humanitarian purchases at \$500 per ton for feeding Nigerians living in camps who are internally displaced from Boko Haram insurgencies. As a result, wheat farmers are only encouraged to maintain production because of institutional purchases and the lucrative export sales to regional markets in countries within the Sahel region (Niger, Chad, Mali, and Burkina Faso).

### Consumption

MY2017/18 FSI Consumption estimate is marked 100,000 tons lower at about 4.0 million tons compared to 4.1 million tons from the previous year. Bread, semolina, pasta and other wheat flour-based products are staples in Nigeria. Consumption is expected to stall due to Nigeria's economic downturn— including increasing production costs and weakening purchase power. In the rural areas, these factors and others continue to induce market resistance and shift consumers to less expensive domestic staples such as garri (local cassava product), yam, plantain, cocoyam, millet and other localized staples produced and consumed in nearby communities.

In urban areas, wheat flour usage for bread, semolina and pasta are estimated at 65 percent, 20 percent and 15 percent, respectively. Wheat products, such as bread, noodles and spaghetti, are expected to remain the more convenient and readily available. Flour millers and bakers find it challenging to increase market prices in order to offset rising production costs. Nigeria's local wheat quality is not desirable for bread making; however, in Nigeria, it is a popular staple for traditional meal powder prepared for consumption with soup.

### Trade

**Imports:** MY2017/18 wheat imports are estimated at 4.4 million tons, a decline of 100,000 tons from the preceding year. This is due to continued declines in purchasing power and access to foreign exchange.

U.S. wheat sells at a premium because of its higher protein content. The price difference is about \$60 per ton compared to Russian wheat. In 2016, the difference between the import price per ton for U.S. wheat compared to that of Canada and Australia was about \$21, and \$24 respectively. Lowering consumer purchase power is not able to absorb any price increase, so flour millers continue to blend U.S. wheat with Russian wheat in order to minimize rising production costs and to stay competitive, a key reason for the observed lost market share by U.S. wheat over the past few years.

After a year-long effort made by USDA headquarters, its FAS Ghana/Nigeria offices and the U.S. wheat industry, reports note that U.S. exporters registered nearly 216,000 tons (\$50 million) in U.S. wheat exports to Nigeria under the GSM-102 program. To accomplish these sales, USDA expanded the number of eligible Nigerian financial institutions, but limited these institutions to financing sales of U.S. commodities to Nigeria only.

**Exports:** MY2017/18 exports are expected to remain at the 400,000 tons. Countries in the Sahel region (such as Niger, Chad, Mali, and Burkina Faso) continue to rely on Nigeria's grains. Cross border trade in agricultural commodities continues even amidst insecurity across Nigeria's northeastern borders which are among the major export routes for wheat flour and products.

## Stocks

MY2017/18 wheat stocks are unchanged. Millers continue to maintain low supplies on hand due to continuing foreign exchange challenges. There was also no evidence of GON-held stocks.

## Policy

The import tariff remains at five percent, plus a 15 percent levy. Imports of wheat flour, pasta, including noodles and spaghetti, remain banned.

GON continues to pursue its new agricultural policy, the Agricultural Promotion Policy (APP), which aims at a 50 percent cut of wheat imports by 2018. Analysts and market insiders continue to be skeptical about the effectiveness of government policies, particularly its ability to implement proposed actions with limited funds.

The GON's cassava inclusion policy in wheat flour remains, but the inclusion percentage is much lower than initially envisaged. Cassava consumption and prices have also increased significantly among the mass consumers, which makes the cassava inclusion policy not feasible even in the foreseeable future.

## Rice

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

Rice, Milled	2015/2016	2016/2017	2017/2018
--------------	-----------	-----------	-----------

Market Begin Year Nigeria	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2500	2500	2500	2500	0	2580
Beginning Stocks	992	992	601	601	0	301
Milled Production	2709	2709	2700	2700	0	2800
Rough Production	4300	4300	4286	4286	0	4444
Milling Rate (.9999)	6300	6300	6300	6300	0	6300
MY Imports	2100	2100	2000	2000	0	2000
TY Imports	2000	2000	1900	1900	0	1900
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5801	5801	5301	5301	0	5101
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	5200	5200	5000	5000	0	4800
Ending Stocks	601	601	301	301	0	301
Total Distribution	5801	5801	5301	5301	0	5101

(1000 HA) ,(1000 MT)

## Production

MY2017/18 area harvested is projected to increase by three percent to about 2.6 million hectares from 2.5 million hectares in MY2016/17. MY2017/18 milled production is projected at 2.8 million tons increasing by four percent compared to 2.7 million tons the previous year.

GON's backward integration for rice led to private investment in domestic rice milling with capacity totaling 1.2 million tons. With exception to the integrated operations, the dominant small holder farmers are mostly planting traditional low-yielding and the adulterated rice seeds.

During the last quarter of 2016, GON supported major integrated rice mills under its new Anchor Borrowers program to pursue its backward integration agenda. Although 80 percent of the mills run at less than 25 percent capacity mainly due to paddy scarcity, the Anchor Borrower program is expected to provide funds to the large-scale operators in local rice sector. This is reported to have been deployed by many beneficiaries to support out-grower schemes with small-scale rural farmers around communities usually where modern rice mills are located. Integrated mills are also assisting the out-grower farmers with capacity building, seeds and other inputs which are improving yield and overall production.

Despite these developments, Nigeria's rice sector is still driven by small/cottage mills operating outdated mills and applying mostly traditional methods. Millers prefer to sell to government and humanitarian buyers due to consistent purchases at favorable prices. Sources note that Nigeria's paddy price is currently selling at ₦250,000 (\$500) per ton and its local market price for milled rice is ₦260,000 (\$520) per ton. Integrated mills indicate that the difference is insufficient to cover milling and marketing costs.

To attain self-sufficiency in rice, stakeholders note that it would take several years of effective policy implementation, funding in seed development and paddy production, and infrastructure investment. According to rural farmers, many investors in integrated rice farming/processing also serve as major rice importers in the region.

## Consumption

MY2017/18 consumption is estimated at 4.8 million tons, a drop of about five percent from the 5.0 million tons in MY2016/17.

Nigeria consumes parboiled rice exclusively. Domestic market price for imported rice through neighboring countries hiked by almost 50 percent, increasing from about ₦12,000 (\$24) to about ₦18,000 (\$36) per 50-kg over the last six months. As purchasing power continues to decline, consumers are shifting to less expensive local staples such as bread and other wheat flour products, garri (a cassava-based staple), yam, plantain, millet with other localized staples grown and consumed within the growing communities

Although local rice sells at ₦13,000 per 50kg (\$26), about 28 percent less than the imported rice at ₦18,000 (\$36), the quality of locally milled rice is poor as compared with imported rice causing majority of rice consumers, especially in the urban areas, to still patronize the available but higher-cost imported rice. Local rice is mostly consumed by the low income and rural people living around the producing areas. Many low income earners in the urban dwellers are not able to afford imported rice and prefer to consume other inexpensive staples rather spending time to de-stone and cleaning local rice.

## Trade

**Imports:** MY2017/18 imports are noted at 2.0 million tons, the same figure as compared with the previous year.

Despite increasing prices, Nigeria’s urban consumers still prefer imported rice as they consider it to be more convenient and easy-to-cook as compared with other staples. During the last quarter of 2016, GON amended its forex measures to exclude rice from its import and port clearance documentations. This implies technical import ban placed on rice as the commodity will not be issued the required document for port clearance even when its import purchase is funded through the parallel foreign exchange market. As a result, most rice consumed in Nigeria enters the market through informal cross-border rice trade.

## Policy

The differential tariff between importers who have domestic rice production and the exclusive traders remain at 30 percent and 70 percent, respectively. With that said, rice is still among the 41 items excluded by CBN for accessing forex to pay for its import purchases. Moreover, rice importers must show evidence of their CBN forex allocation document before the consignment can be cleared at ports.

The forex measures, the Agricultural Promotion Policy (APP), the Anchor Borrowers Program and other GON’s import-substitution policies have not translated into increasing supply of rice paddy for economic operation of the large-scale integrated rice mills.

## Corn

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

Corn Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3800	3800	4000	4000	0	3800
Beginning Stocks	361	361	161	161	0	161

<b>Production</b>	7000	7000	7200	7200	0	6900
<b>MY Imports</b>	300	300	300	300	0	200
<b>TY Imports</b>	300	300	300	300	0	200
<b>TY Imp. from U.S.</b>	98	0	0	0	0	0
<b>Total Supply</b>	7661	7661	7661	7661	0	7261
<b>MY Exports</b>	200	200	200	200	0	300
<b>TY Exports</b>	200	200	200	200	0	300
<b>Feed and Residual</b>	1800	1800	1800	1800	0	1800
<b>FSI Consumption</b>	5500	5500	5500	5500	0	5000
<b>Total Consumption</b>	7300	7300	7300	7300	0	6800
<b>Ending Stocks</b>	161	161	161	161	0	161
<b>Total Distribution</b>	7661	7661	7661	7661	0	7261
(1000 HA) ,(1000 MT)						

## Production

MY2017/18 area harvested and production figures are estimated at 3.8 million hectares and 6.9 million tons, respectively, resulting in about 4 percent production decline as compared with MY2016/17 figure. Farmers indicate that they are shifting away from corn production because of lack of GON support schemes and inconsistent policies. In the past, farmers had largely depended on GON's support through the Government Enhancement Scheme; however, this government support has been on hold since mid-2014. According to farmers, the Anchor Borrowers Program has been made available to a few corn-growing states in Northern Nigeria and is grossly inadequate to increase corn production.

The army worm (*Spodoptera exempta*) continues to destroy corn production across the country for the past few years. With limited government intervention, farmers increasingly perceive corn farming as a high-risk venture. Farmers are also sustaining huge losses because the GON has stopped purchasing corn supplies for strategic reserves, and operators in the poultry sector, who are principal consumers, are either downsizing or closing operations.

## Consumption

MY2017/18 consumption is projected at 6.8 million tons, a drop by 500,000 tons as compared with the 7.3 million tons recorded in MY2016/17. Production costs have more than doubled over the last two years and GON's supports for the agricultural sector—including the GES—have remained dormant over that time. Current corn prices have increased nearly 300 percent from ₦40,000 (\$80) per ton to about ₦154,000 (\$300) over the last two years. Corn is a leading crop for human and animal consumption. The poultry sector is the major user of corn for feed, and many poultry farms are increasingly struggling with rising feed costs.

## Trade

**Imports:** MY2017/18 corn imports are expected to decline by more than 33 percent to 200,000 tons compared to 300,000 tons noted for the previous year. Despite high and increasing domestic prices, importers lack the foreign exchange to purchase corn (See the Policy section)

**Exports:** MY2017/18 corn exports are also projected at 300,000 tons, a 50-percent increase as compared with 200,000 tons estimated during MY2016/17. Corn prices have become relatively inexpensive to Nigeria's neighbors in the midst of the country's currency devaluation. Currently, farmers and agribusinesses with

operational capacity to export to regional markets are mostly the ones that have remained in commercial corn production and distribution.

## Policy

Import tariff for corn remains five (5) percent.

Corn is included under the APP's prioritized agricultural products and constitutes over 60 percent of poultry feed inputs. According to farmers, GON announced agricultural support programs following the APP, but they remain skeptical of the effectiveness of these programs at this initial stage.

## Sorghum

### Sorghum Production, Supply and Demand Data Statistics:

Sorghum Market Begin Year Nigeria	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5300	5300	5300	5300	0	5350
Beginning Stocks	150	150	200	200	0	200
Production	6150	6150	6500	6500	0	6550
MY Imports	0	0	0	20	0	30
TY Imports	0	0	0	20	0	30
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	6300	6300	6700	6720	0	6780
MY Exports	50	50	100	100	0	150
TY Exports	50	50	100	100	0	150
Feed and Residual	150	150	150	150	0	150
FSI Consumption	5900	5900	6250	6270	0	6330
Total Consumption	6050	6050	6400	6420	0	6480
Ending Stocks	200	200	200	200	0	150
Total Distribution	6300	6300	6700	6720	0	6780

(1000 HA) ,(1000 MT)

### Production

MY2017/18 area harvested is expected to increase marginally by 50,000 hectares to 5.35 million hectares as compared with 5.3 million hectares in MY2016/17. Production is marked at 6.55million tons, a minimal increase from the previous year. Similar to other grains, there has been no GON support to farmers since the mid-2014. Sorghum production also occurs mostly within the northeastern part of Nigeria where Boko Haram insurgencies continue to limit land for sorghum production.

However, farmers have continued to be encouraged by increasing prices and rising sorghum demand –both for food and for industrial use—over the last two years. Private sector industrial consumers are also expected to increase their supports to farmers through some out-grower arrangements that will support local farmers with inputs, improved seeds/ seedlings, storage and processing facilities, credits, etc. These are expected to assist with some increasing production during the out year.

### Consumption

MY 2017/18 consumption is projected at 6.5 million tons, a 2 percent increase as compared with MY2016/17. Increasing demand in the regional markets and the continuously growing use of sorghum by Nigeria's beverage industry—both for alcoholic and non-alcoholic beverages— remains the major stimuli for sustained consumption despite increasing prices.

Sorghum prices increased nearly 90 percent from ₦80,000 (\$160) per ton in 2014 to ₦150,000 (\$300) per ton in 2016. Market analysts indicate that Nigeria has potential to exceed per capita sorghum consumption of 40 kilograms within the next 2-3 years. Import purchases were observed over the first four months of the MY2016/17 after many years of self-sufficiency. This is mainly due to increasing consumption amidst increasing prices and lowered purchasing power. However, rising prices have continued to diminish expected demand (especially by the poultry sector).

### **Trade**

**Imports:** MY2017/18 is projected at 30,000 tons. For the first time in recent years, Nigeria imported about 20,000 tons of U.S. sorghum to meet local demand as Boko Haram insurgencies continue to limit access to Nigeria's dominant sorghum-growing areas.

**Exports:** MY2017/18 sorghum export is estimated to 150,000 tons, an increase of 50 percent as compared with 100,000 tons projected to be exported in MY2016/17. With Nigeria's lingering currency devaluation, sorghum produced locally attracts higher demand from Niger, Chad, Mali and Burkina Faso.

### **Policy**

GON removed its sorghum export ban in 2011. Sorghum is imported into Nigeria at five percent tariff. There is also no report of any GON-held stocks of sorghum.