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Nigeria

Grain and Feed Annual 2019

Nigeria's Imports of Wheat and Rice to Rise

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Report Highlights:
FAS Lagos (Post) forecasts Nigeria's wheat imports in MY 2019/20 at 5.6 MMT, up almost four percent compared to MY 2018/19 based on growing food, seed and industrial (FSI) usage. The rise in FSI wheat consumption is attributable to population growth of about 2.54 percent (2015-20), with Nigerians increasingly shifting to consuming greater amounts of wheat-flour based products. Post forecasts Nigeria's rough rice production in MY 2019/20 at 7.4 MMT, down about three percent or 200,000 MT lower than the MY 2018/19 estimate of 7.6 million metric tons.

Executive Summary:

Nigeria's population accounts for nearly half of West Africa's population. More than half of Nigeria's population (estimated at 203.4 million – Central Intelligence Agency, July 2018) live in urban areas (urbanization is growing at a rate of 4.23 percent annually). It is also Africa's largest oil and gas exporter. Petroleum and natural gas exports account for about 11 percent of the national gross domestic product (GDP), 95 percent of its total export earnings, and about 85 percent of federal government revenue. It is Africa's second largest economy.

FAS Lagos (Post) forecasts Nigeria's wheat production in marketing year (MY) 2019/20 (July-June) to reach 60,000 metric tons (MT), unchanged from the production figure for marketing year 2018/19. Post forecasts wheat imports in MY 2019/20 at 5.6 MMT, up almost four percent compared to MY 2018/19 based on growing food, seed and industrial (FSI) usage. The rise in FSI wheat consumption is attributable to population growth of about 2.54 percent (2015-20), with Nigerians increasingly shifting to consuming greater amounts of wheat-flour based products.

Flour millers favor imports, indicating that local wheat has a higher protein content, lower moisture, and lower gluten; citing characteristics not well suited for bread production. Despite Nigerian millers' preference for imported wheat, the government (commencing in 2017) is aiming to reduce wheat imports by 50 percent. To reduce imports, the government is requiring millers to purchase local wheat at a fixed price of $400 per metric ton.

FAS Lagos forecasts Nigeria's corn (maize) production in MY 2019/20 (October-September) at about 10.5 MMT, down less than two percent or about 200,000 MT lower than Post's MY 2018/19 estimate of 10.7 million metric tons. Post forecasts Nigeria's corn imports in MY2019/20 at 400,000 MT, unchanged from the MY 2018/19 estimate. Decreases in consumer incomes is lowering demand for poultry meat and eggs. Demand for animal feed, which normally absorbs over 60 percent of the national production, is down.

FAS Lagos forecasts Nigeria's rough rice production in MY 2019/20 at roughly 7.4 MMT, down about three percent or 200,000 MT lower than Post's MY 2018/19 estimate of 7.6 million metric tons. Nigeria is Africa's largest producer of rice and among the top 15 producers globally. Post expects however that the high cost of rough, paddy rice, as well as high operational costs to constrain large-scale/integrated rice mills from producing at prices that are more competitive. Post forecasts Nigeria's rice imports in MY 2019/20 at 2.4 MMT, up nine percent or 200,000 MT higher than the MY 2018/19 estimate of 2.2 million metric tons. Imports largely comprise parboiled rice (also known as converted rice and easy-cook rice). Thai and Indian-origin rice (long-grain varieties) dominate imports.

FAS Lagos forecasts Nigeria's sorghum production in MY 2019/20 (October-September) at 6.9 MMT, up almost two percent or 130,000 MT higher than the MY 2018/19 estimate of 6.8 million metric tons. Post forecasts area harvested at 5.9 million hectares, with yields at 1.174 MT/ hectare compared 1.172 MT in the MY 2018/19 estimate.

WHEAT

Wheat Production, Supply and Demand Data Statistics

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jul 2017		Jul 2018		Jul 2019	
Nigeria	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	5085	5200	5200	5400	0	5600
TY Imports	5085	5200	5200	5400	0	5600
TY Imp. from U.S.	975	0	0	0	0	0
Total Supply	5345	5460	5460	5660	0	5860
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	4695	4810	4810	5010	0	5210
Total Consumption	4745	4860	4860	5060	0	5260
Ending Stocks	200	200	200	200	0	200
Total Distribution	5345	5460	5460	5660	0	5860
Yield	1	1	1	1	0	1
(1000 HA) ,(1000 MT) ,(MT/HA)						

PRODUCTION:

FAS Lagos (Post) forecasts Nigeria's wheat production in marketing year (MY) 2019/20 (July-June) to reach 60,000 metric tons (MT), unchanged from the production figure for marketing year 2018/19. Post forecasts area harvested to remain at 60,000 hectares, with yields holding steady at one metric ton per hectare. Low yields are attributable to poor soil quality combined with limitations on suitable production areas.

The wheat planting campaign commences in the fall, with the harvest occurring normally in April. Wheat production lands during the rainy season (late April-September) are under cultivation with rain-fed crops. Rice is sometimes double-cropped with wheat. Both wheat and rain-fed crop farmers are dependent on timing of when rains commence and end. Farmers for over a decade now have been struggling to predict when rains will come; this is adversely affecting farming operations. Flooding during July to October 2018, ravaged farms nationwide undermining Nigeria's food security.

Sources indicate that some agribusinesses are increasing their number of contracted wheat farmers. With the aim of boosting yields and quality, agribusinesses are extending training to their contract wheat farmers. The incentive is leading to some production increases.

Nigeria's traditional wheat producing regions are located in the country's northeast region and in the highlands. Wheat production in the northeast region (i.e., states of Adamawa, Bauchi, Borno, Gombe, Taraba, and Yobe) has been declining in recent years due to Islamist insurgencies. Sources comment that for production levels to increase, in order to come close to meeting local demand needs, this will require long-term private sector investment along with massive infrastructure development and greater access to untitled (free) lands.

Domestic Wheat Purchase Incentives, Not Working: Flour millers favor imports, indicating that locally produced wheat tends to have higher protein content, lower moisture and lower gluten; citing

characteristics not well suited for bread production. Notwithstanding Nigerian millers' preference for imported wheat, the government (commencing in 2017) is aiming to reduce wheat imports by 50 percent. To reduce imports, the government is requiring millers to purchase local wheat at a fixed price of $400 per metric ton.

The Central Bank of Nigeria (CBN) effectively devalued the Nigerian naira (NGN) in February 2017, when it authorized private individuals to buy U.S. dollars at almost 20 percent above the normal rate for travel, some school fees and medical bills. This sly devaluation resulted in driving up the price of locally produced wheat to $420 per metric ton. At the same time, one metric ton of Nigerian wheat in the neighboring, drought-stricken Sahel region (i.e., Niger, Chad, Mali, and Burkina Faso) commands prices of around $600 per metric ton.

The Nigerian government, along with humanitarian relief organizations, and non-governmental organizations (NGO) routinely purchase local wheat at roughly $500/MT, paying a $100/MT premium. This wheat goes to Nigerians (living in camps) displaced by the Boko Haram insurgency. Wheat farmers are refusing to sell at the mandated $400/MT rate to millers, preferring to sell to the institutional buyers and or export at premium rates.

CONSUMPTION:

FAS Lagos forecasts Nigeria's wheat consumption in MY 2019/20 at 5.26 million metric tons (MT), up nearly four percent or 200,000 MT higher than from Post's MY 2018/19 estimate of 5.06 million metric tons. Post is revising upwards the U.S. Department of Agriculture (USDA) official MY 2018/19 estimate by 200,000 MT, attributing the increase to an uptick in imports combined with an increase in food, seed and industrial (FSI) usage. The rise in FSI wheat consumption is attributable to population growth of about 2.54 percent (2015-20).

More than half of Nigeria's population (estimated at 203.4 million – Central Intelligence Agency, July 2018) live in urban areas (urbanization is growing at a rate of 4.23 percent annually). The country has largest population of any African nation. Significant population clusters are scattered throughout the country, with the highest density areas in the south and southwest. The population, projected to grow to 392 million by 2050, will make Nigeria the world's fourth most populous country. This population is increasingly reliant on domestic and imported processed food products. Bread, semolina, and durum pastas and other wheat flour-based products are major stables in Nigeria's urban areas.

Seventy percent of the flour milled from wheat goes into bread production; pasta and other wheat flour-based products (including semolina) account for the balance. Sources comment that wheat byproducts (e.g., wheat bran) goes into animal feed. Russia, the United States, Canada, and Australia supply the bulk of Nigeria's wheat imports destined for milling and product production. Sources indicate that the flour milled from local wheat is not economically suitable for the manufacture of bread, pasta, and noodles. Local wheat flour is however, nonetheless used in the preparation more traditional/customary meals in Nigeria and in the Sahel region.

Milling Sector: Major millers aim to operate at productive levels, adjusting inputs to maximize profits. The country's bakers are increasingly proficient at blending different wheat flour types. Post does not

foresee a shift away from wheat flour-based products. Consumption of products like bread, a major staple, will continue to grow.

Flour Mills of Nigeria (FMN) is Nigeria's largest flour miller; it is also now the world's second largest flour miller. It is the country's largest importer of Soft Red Wheat (SRW), Hard Red Winter (HRW), and Hard White (HW) wheat types. DUFIL, Nigeria's noodle giant, acquired Standard Flour Mills, Pure Flour Mills, and Valleumbra Flour Mills, transforming it into a major HRW importer. Other major players include Dangote, Honeywell, OLAM International (which acquired Crown Flour Mills and BUA), and the Seaboard Group. Seaboard's Life Flour Mill in Sapele has 1,200 MT/day milling capacity, specializing in bread flour and semolina. In 2018, Honeywell Flour Mills, one of Nigeria's largest flour millers, commissioned a 350,000 MT/day mill near Lagos (population 13.4 million). A new flour mill, under construction in Port Harcourt (Nigeria's oil port, population 2.3 million), is slated for commissioning in 2019.

Pasta Consumption: Nigerian pasta consumption is growing, accounting for about 15 percent of wheat flour usage, up from virtually zero in 1999. Flour Mills of Nigeria pioneered pasta production in 1999; since then it expanded pasta production capacity from 40,000 MT (1999) to 350,000 MT today. Dangote similarly expanded its own milling capacity from 15,000 MT/year in 2000 to a total installed capacity of 800 MT/day currently. Other major players in pasta production include Honeywell Flour Mill and OLAM/Crown Flour Mills. Expansion began in earnest in 2003 following the government imposing a 100 percent tariff on imported pasta and biscuits. In 2008, the government did lift this tariff as the local manufacturing industry took off.

Bread: Leventis Bakery, in partnership with FMN, is Nigeria's sole surviving mass-scale bread producer. Leventis and FMN have installed new silos at their Lagos plant. Lagos state counts with more than 18,000 small- to medium-scaled independent bakery operations, retail in-store bakeries, and informal baker/entrepreneurs. Competition from these bakeries, combined with the high production costs has forced a number of automated bakery plants out of business. Bread demand in Nigeria remains elastic.

Biscuits: Biscuit manufacturing took off in 2003, with the government's introduction of a 100 percent tariff on imported biscuits; 2008 saw these tariffs eliminated. Today, Nigeria is Africa's largest manufacturer of biscuits. According to sources, the biscuits industry grew two percent between 2004 and 2009; and by 10 percent in 2012. This growth has now leveled off. Nigeria's leading biscuit manufacturers include OK Biscuits (OLAM International), Yale Biscuits, Niger Foods, Beloxxi Biscuits, and Energy Foods.

TRADE:

FAS Lagos forecasts Nigeria's wheat imports in MY 2019/20 at 5.6 MMT, up almost four percent or some 200,000 MT higher than Post's MY 2018/19 estimate of 5.4 million metric tons. Post is revising upwards the USDA official MY 2018/19 estimate by 200,000 MT, attributing the increase volume to an uptick in imports facilitated by millers' increased access to foreign exchange.
The market share of U.S.-origin wheat has been declining over the past decade; falling from a high of 91 percent in MY 2010/11 to a low of 27 percent in MY 2017/18. The drop in U.S.-origin wheat's market share is due to increasing competition from cheaper priced wheat imports from Russia, Australia,

Canada, and Argentina. Although Nigeria has sought out cheaper priced wheat in the wake of the economic downturn triggered by the 2014 crash in oil prices and the subsequent foreign currency crisis, local millers have over time become accustomed to improving Russian wheat quality.

CHART 1: Nigeria, Imports, Wheat-Origin by Metric Tons, Calendar Years (CY) 2016-18

Source: Global Trade Atlas, FAS Lagos office research.

In marketing year 2018/19, Nigeria's imports of Russian-origin wheat total about 1.9 MMT, compared to imports of U.S.-origin wheat of 1.7 million metric tons. Nigeria imports five classes of wheat from the United States: Hard Red Winter (HRW), Hard Red Spring (HRS), Soft Red Winter (SRW), Hard Winter, and durum. Of the 5.4 MMT of wheat imported by Nigeria in MY 2018/19, HRW accounted for 3.1 MMT; SRW accounted for 920,000 MT; HW, 700,000 MT; durum 432,000 MT, and HRS, 216,000 metric tons. Nigeria in MY 2018/19 was the third largest importer of HRW in the world.

POLICY:

Nigeria imposes a five percent tariff on wheat imports, plus an additional 15 percent levy (earmarked for the national wheat development program) for a total 20 percent duty. The government's policy on composite flour (i.e., substitution of cassava flour for wheat flour for use in bread making and other flour-based products) remains in place. The policy offers a 12 percent tax rebate to bakers willing to blend cassava flour with wheat flour for bread making.

Industry sources however note that full enforcement of the composite flour policy is unlikely until flour millers, bakers, and other stakeholders, overcome technical challenges in developing an appropriate mix of wheat and cassava flours.

Wheat is not on the list of 41 items ineligible for foreign exchange access. However, the dollars required for wheat purchases are not always available, compelling Nigerian wheat traders to turn to the higher-rate parallel market instead of the Central Bank of Nigeria's lower rate.

As of the moment, the multiple exchange rate policy remains with a significant differential between the official (government) and the dominant market-determined informal market rates (unofficial) rates—the most realistic for general transactions, investments and trade activities. However, the Nigerian naira has been relatively stable at an estimated average of NGN 305 per $1.00 (the official rate) and NGN 360 (parallel/black market rate). Analysts foresee that the existing multiple exchange rate system will be sustained in 2019—at least, through the next (second) four-year term of the current administration.

Nigeria's Domestic Agriculture, Trade Policies and Implications: In 2018, a number of Nigeria's state governments along with some large-scale private sector organizations successfully accessed the Nigerian government's Anchor Borrower Program (ABP). The program provides farmers single-digit loans to boost domestic production. However, many rural/small holder farmers and cottage agri-businesses who produce over 80 percent of the country's agricultural products indicate they remain cutoff from the program.

Some sources also regard the ABP as "merely an off-taker program," which is not effectively linking farmers to the agribusiness value chain. They indicate the ABP is simply supporting subsistence farming, resulting in increase in rice production—without significant impact on mechanized farming as well as expanded milling capacity. According to them, 90 percent of agriculture is still subsistence-based, while the rice sub-sector contributes about 10-12 percent of total agricultural production.

The modified Growth Enhancement Scheme (GES), an agricultural support program, initiated to assist farmers obtain inputs at subsidized costs has yet to be fully implemented. Due to limited funding availability, many farmers lack adequate inputs to increase their production. Access to fertilizer remains a challenge for small- and medium-scale farmers, constraining efforts to increase grain production despite growing demand.

Nigeria continues to employ trade restrictive measures, including high tariffs, foreign exchange controls, levies and import bans to protect its domestic agricultural production (including grains), despite its membership in the World Trade Organization (WTO). Import trade data analyzed by Nigerian government agencies are usually, sourced from Nigeria Customs Service (NCS) and they are not truly reflective of the volume of imports, as NCS data does not account for contraband/smuggled products.

CORN

Corn Production, Supply and Demand Data Statistics

Corn	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	6500	6500	6500	6300	0	6200
Beginning Stocks	269	269	269	469	0	169
Production	11000	11000	11000	10700	0	10500
MY Imports	200	400	400	400	0	400
TY Imports	200	400	400	400	0	400
TY Imp. from U.S.	64	0	0	0	0	0
Total Supply	11469	11669	11669	11569	0	11069
MY Exports	100	100	100	100	0	100
TY Exports	100	100	100	100	0	100
Feed and Residual	1900	6660	1900	6780	0	6440
FSI Consumption	9200	4440	9400	4520	0	4260
Total Consumption	11100	11100	11300	11300	0	10700
Ending Stocks	269	469	269	169	0	269
Total Distribution	11469	11669	11669	11569	0	11069
Yield	1.6923	1.6923	1.6923	1.6984	0	1.6935
(1000 HA) ,(1000 MT) ,(MT/HA)						

PRODUCTION:

FAS Lagos forecasts Nigeria's corn (maize) production in MY 2019/20 (October-September) at about 10.5 MMT, down less than two percent or about 200,000 MT lower than Post's MY 2018/19 estimate of 10.7 million metric tons. Post forecasts area harvested to fall to 6.2 million hectares in MY 2019/20, dropping some 100,000 hectares (or over 1.5 percent) from the MY 2018/19 estimate of 6.3 million hectares. Decreases in consumer incomes is lowering demand for poultry meat and eggs. Demand for animal feed, which normally absorbs over 60 percent of the national production, is down. Farmers are shifting away from planting corn in favor of cultivating crops such as cassava.

Farmers express concern about potential resurgence of pest infestation. The Fall Army Worm **(***Spodoptera exempta***)** devastated corn crops across the region over the past 3-4 years. Many farmers are reluctant to return to corn production after having lost entire crops to the destructive pest. This fear remains despite increased collaborations between donor agencies, research centers (including the International Institute of Tropical Agriculture - IITA), the U.S. Agency for International Development (USAID), and other agricultural stakeholders (in both Nigeria and in surrounding West African countries) aiming reduce corn crop damage.

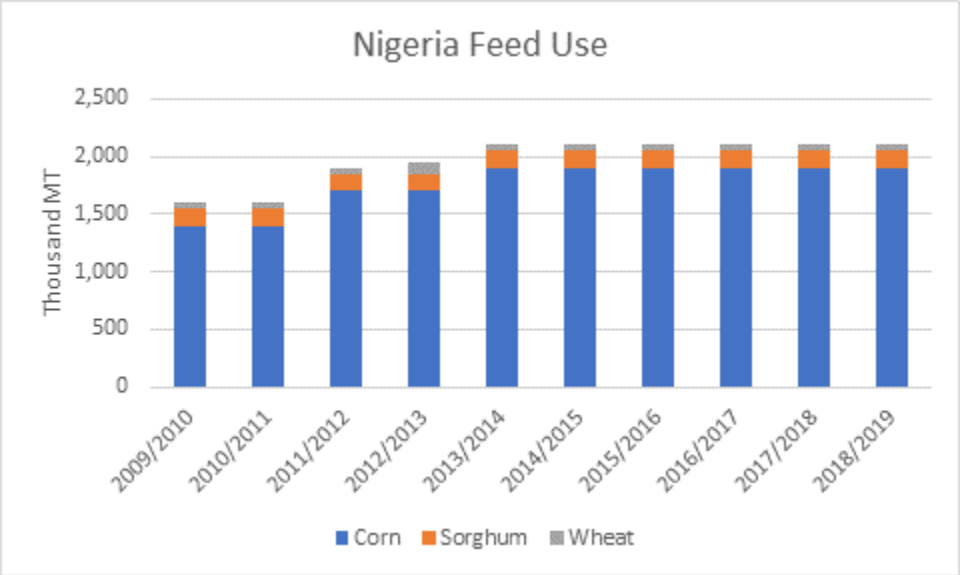
CONSUMPTION:

FAS Lagos forecasts Nigeria's corn consumption in MY 2019/20 at 10.7 MMT, down over five percent or 600,000 MT lower than Post's MY 2018/19 estimate of 11.3 million metric tons.

Corn consumption occurs in the form of maize flour for feed mills (i.e., for animal feed), confectionary, roasted corn, boiled or prepared as porridge. Green (fresh) maize is also boiled—or, roasted on its cob, and served as a snack. Over 60 percent of Nigeria's production goes into animal feed, especially for

poultry; 10-15 percent is directly consumed by individuals in households. The balance of the corn production goes to raw material/ingredient utilization in food manufacture.

Animal Feed Sector: Nigeria's animal feed sector is underdeveloped, mostly due to high production cost. Most poultry, aquaculture and other livestock operations in Nigeria spend about 70 percent of their operational costs on feed, reflecting the huge demand for feed in the sector. The major products used in animal feed are maize, soybeans and wheat. Groundnut, sorghum, cassava, cereals, fats and oils are also inputs for animal feed, albeit in small quantity.



Source: FAS Lagos office research.

Assuming moderate feed costs, analysts project Nigeria's poultry meat consumption will increase tenfold by 2040 and, domestic poultry production is expected to increase by 8 billion eggs and 100 million kilograms of poultry meat per annum. Nigeria's yearly fish consumption is estimated at about 2.0 MMT, with over 20 percent supplied through land-based aquaculture production. Nigeria's animal feed sector currently estimated at more than $2 billion continues to attract significant local and foreign investment in large-scale feed mill operations.

Late 2016, OLAM commissioned a 720,000 MT per annum feed milling operations that produces heat-treated mash and pelleted feeds. Its ultra-modern hatchery is producing day-old chicks for both layer and broiler at affordable prices to farmers. The firm also owns a fish feed manufacturing facility. Higher operational efficiency in these large-scale and modern feed mills in Nigeria is expected to reduce feed production cost.

Growth in the sector has however slowed down over the last 2-3 years due to reduced consumer income following Nigeria's economic recession and subsequent major currency devaluation in 2016. Poultry meat and egg consumption has declined substantially.

TRADE:

FAS Lagos forecasts Nigeria's corn imports in MY 2019/20 at 400,000 MT, unchanged from Post's MY 2018/19 estimate. Post forecasts Nigeria's corn exports in MY 2019/20 at 100,000 MT, unchanged from Post's MY 2018/19 estimate.

Influential feed millers and major poultry farmers are occasionally able to obtain import permits to purchase foreign corn when they anticipate major local corn supply shortfall. Post anticipates that import control measures, including difficulty in obtaining import permits and foreign exchange will continue to limit imports.

Nigeria's corn export volumes are not completely accurate, given that Sahel regional trade often goes unreported. The "Dawanu" market in Kano state (northern Nigeria) is the major center for the informal corn exports; making it in the process one of Africa's largest grain markets.

POLICY:

For over a decade, Nigeria has maintained a five percent tariff on imported corn in addition to stringent import permit requirements. The government is concluding a concession arrangement for 20 out its 33 silos. The government aims to liquate its 1.3 MMT strategic grain reserve.

RICE

Rice Production, Supply and Demand Data Statistics

Rice, Milled	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3600	3600	3600	3600	0	3500
Beginning Stocks	1738	1738	1300	1300	0	1088
Milled Production	4662	4662	4788	4788	0	4655
Rough Production	7400	7400	7600	7600	0	7389
Milling Rate (.9999)	6300	6300	6300	6300	0	6300
MY Imports	2000	2000	2200	2200	0	2400
TY Imports	2000	2000	2200	2200	0	2400
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8400	8400	8288	8288	0	8143
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	7100	7100	7200	7200	0	7100
Ending Stocks	1300	1300	1088	1088	0	1043
Total Distribution	8400	8400	8288	8288	0	8143
Yield (Rough)	2.0556	2.0556	2.1111	2.1111	0	2.1111
(1000 HA) ,(1000 MT) ,(MT/HA)						

PRODUCTION:

FAS Lagos forecasts Nigeria's rough rice production in MY 2019/20 at roughly 7.4 MMT, down about three percent or 200,000 MT lower than Post's MY 2018/19 estimate of 7.6 million metric tons. The drop is attributable to a nearly three percent reduction in forecasted area harvested, representing a falloff of around 100,000 hectares compared to MY 2018/19.

In the wake of Nigeria's February 2019 presidential elections, there is a lull in economic activity and policy implementation. Until the presidential inauguration occurs on May 29, 2019, rice farmers and the rice agribusiness sector remain hesitant to invest in the rice value-chain. There is a generalized concern that the new government might implement new agricultural policies adversely affecting their operations.

Farmers are consequently shifting to planting more traditional crops (e.g., cassava, yams, and millet), as well as animal husbandry in order not to leave fields idle. Many farmers had depended on some sort of government support/funding of their activities (e.g., Anchor Borrowers Program, input subsidization) to increase rice production and achieve national rice self-sufficiency. With the elections over, farmers now fear that the government may halt and/or divert program funding to other sectors.

Rice is planted April-May in the south and harvested in August-September. The production season extends to June-July in the north with a November-December harvest. There is a second off-reason production in the south in the November-December time-period, with a harvest in March-April. In the north, the off-season production runs from January-February with a May-June harvest. Rice cultivated in Nigeria includes *Fadama* rice (irrigated, flooded field, *Oryza sativa*), *Ofada* (heritage varieties grown in southwest Nigeria), FARO 44 (a semi-dwarf cultivar), and upland and lowland rice types. Local rice varieties (i.e., short-grain heritage types) are a traditional staple food consumed within the rice-producing communities. A portion of the harvest does make its way to consumers in the neighboring Sahel markets through gray channels.

Nigeria is Africa's largest producer of rice and among the top 15 producers globally.

CONSUMPTION:

FAS Lagos forecasts Nigeria's rice consumption in MY 2019/20 at 7.1 MMT, 100,000 MT lower than Post's MY 2018/19 estimate of 7.2 million metric tons.

Post attributes the projected decrease in consumption to higher prices coupled with weaker purchasing power—reducing rice per capita consumption to about 32 kilograms in MY 2019/20, down from an average 34 kilograms recorded over the past five years.

Post expects however that the high cost of rough, paddy rice, as well as elevated operational costs will constrain Nigeria's large-scale/integrated rice mills from producing at more competitive prices.

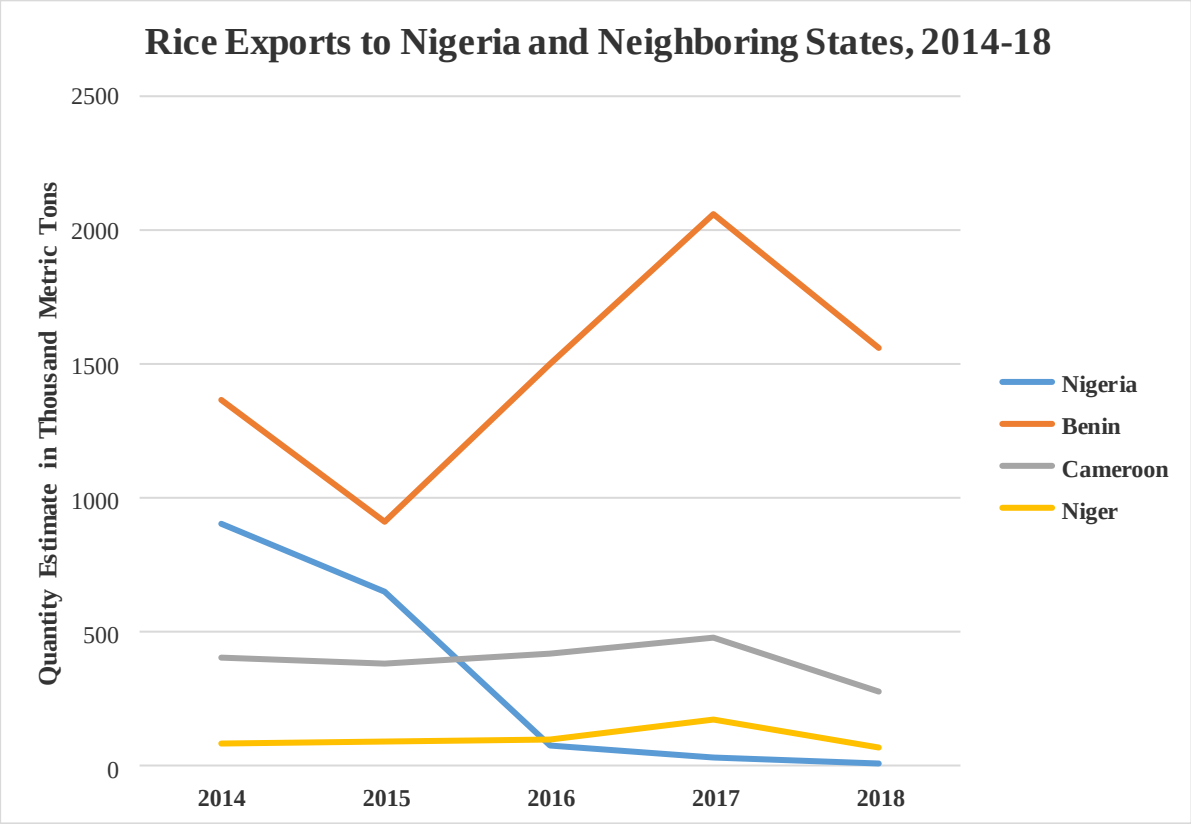
TRADE:

FAS Lagos forecasts Nigeria's rice imports in MY 2019/20 at 2.4 MMT, up nine percent or 200,000 MT higher than the MY 2018/19 estimate of 2.2 million metric tons. Imports largely comprise parboiled rice (also known as converted rice and easy-cook rice). Thailand- and India-origin rice (long-grain varieties) dominate imports.

Though Thailand- and India-origin direct rice shipments to Nigeria have dropped off in recent years, there have been large, officially reported increases in rice exports to Nigeria's neighbors Benin (population 11.3 million), Cameroun (population 25.6 million), Niger (population 19.8 million), and Togo (population 8.1 million). These are countries with lower import tariffs and porous borders,

creating conditions favorable for transshipments. Gray channel imported rice remains more affordable in Nigeria's southern urban markets than locally produced (northern) Nigerian rice.

CHART 2: Rice Exports to Nigeria and Neighboring States, CY 2014-18



OBS: HS Code 1006.30, rice, semi- or wholly milled, polished etc., or not.
Source: Global Trade Atlas, FAS Lagos office research

Nigerians' demand for foreign rice is strong despite the restrictions placed on the importation of rice. Sources estimate that overall, there are five bags of imported rice for every bag of local rice sold in the market. Nigerians' preference for imported rice creates a market gap for nearly three million metric tons between rice demand and local supply.

Imported rice is also cheaper than locally produced rice, further driving consumer demand for foreign rice. A bag of imported rice (50 kilograms) averages Nigerian naira 13,500, while an equivalent size bag of clean, parboiled local rice retails for Nigerian naira 15,500. High internal transportation costs to the south of the country is one of the major constraints to locally produced rice.

POLICY:

Nigeria imposes a 10 percent tariff, plus a 60 percent levy (totaling 70 percent) on imported rice (arriving by sea). The official ban on rice imports through land borders remains, but is difficult to control. The Central Bank of Nigeria (Nigeria Federal Reserve equivalent) has introduced monetary measures that technically ban direct imports of rice into the country. The Nigerian government's foreign exchange policy bars importers from using formal and informal sources of foreign exchange for rice imports. The measure aims to control the outflow of hard currency while promoting domestic production of 41 items (see Central Bank of Nigeria Circular – TED/FEM/FPC/GEM/01/010 of June 23, 2015).

Food import bans are the cornerstone of the government's agricultural development and food security agenda. High production costs, due to high input costs, low quality seeds, and inadequate infrastructure make domestic rice not price competitive. Private sector investors are keen to invest in rice production given support programs and protective trade policies.

SORGHUM

Sorghum Production, Supply and Demand Data Statistics

Sorghum	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5800	5800	5800	5800	0	5900
Beginning Stocks	175	175	125	125	0	125
Production	6300	6300	6800	6800	0	6930
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	6475	6475	6925	6925	0	7055
MY Exports	100	100	100	100	0	100
TY Exports	100	100	100	100	0	100
Feed and Residual	150	150	150	150	0	150
FSI Consumption	6100	6100	6550	6550	0	6680
Total Consumption	6250	6250	6700	6700	0	6830
Ending Stocks	125	125	125	125	0	125
Total Distribution	6475	6475	6925	6925	0	7055
Yield	1.0862	1.0862	1.1724	1.1724	0	1.1746
(1000 HA) ,(1000 MT) ,(MT/HA)						

PRODUCTION:

FAS Lagos forecasts Nigeria's sorghum production in MY 2019/20 (October-September) at 6.9 MMT, up almost two percent or 130,000 MT higher than the MY 2018/19 estimate of 6.8 million metric tons. Post forecasts area harvested at 5.9 million hectares, with yields at 1.174 MT/ hectare compared 1.172 MT in the MY 2018/19 estimate.

Increased out grower arrangements is assisting farmers in the form of funds, improved seeds, and training in modern farm management techniques. These efforts are helping to sustain production levels despite major security challenges in growing regions. Poor infrastructure constrains production.

CONSUMPTION:

FAS Lagos forecasts Nigeria's sorghum consumption (including FSI) in MY 2019/20 at 6.8 MMT, up about two percent or 130,000 MT higher than Post's MY 2018/19 estimate of 6.7 million metric tons.

Industrial demand for sorghum by beverage, cereal, and confectionery producers is the major driver in the sorghum market. Industrial sorghum users are utilizing less expensive sorghum-based intermediate products to lower costs. Poultry feed manufacturers have also overcome the challenge of high tannin in sorghum feeds, which should reduce costs and boost production.

TRADE:

Nigeria imposes a five percent tariff on sorghum imports. Nigeria does not import sorghum. However, over 100,000 MT of informal exports of sorghum go to the Sahel, especially to Niger and Chad where desertification threatens food security.