

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Nigeria**

### **Grain and Feed Annual**

#### **Annual**

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**Report Highlights:**

Although Nigeria dropped from the number one export destination in the world for U.S. wheat in MY2010/11 to third position this year, it remains the most consistent and loyal customer. Sales as of April 1 are a record 3.5 million tons, up from 3.3 million tons last year. Consumption continues to expand due to increased demand for wheat flour for bread, noodles, pasta and biscuit production. Nigeria's rice imports from the U.S. are also trending upwards, largely based on quality. Local grain production is reported to be increasing. The increase is attributed to the steady availability of inputs and favorable weather conditions. Grain production in MY2011 is expected to increase due to the reported early arrival of rains in the grains' belt and the stimulus of the prevailing attractive grower prices.

**Executive Summary:**

Since the lifting of the wheat ban in 1992, imports have been increasing steadily due primarily to increased consumption of bread, biscuits, noodles and pasta. Per capita wheat consumption has more than tripled from 6 kg to 20 kg during the same period. Nigeria is a huge growth market for wheat, with U.S. sales this year at a record level of 3.5 million tons. The combination of a steady increase in domestic demand for flour based products and high prices for local substitutes is encouraging millers to bring more of the existing excess milling capacity into use. U.S. market share remains dominant at almost 90 percent. Competitors are Argentina, Canada and the EU.

Domestic rice production continues to increase due largely to incentives available to farmers under the Presidential Initiative on Rice. This initiative is part of the Government of Nigeria's (GON) efforts aimed at achieving self-sufficiency in rice production. Nevertheless, imports are expected to be steady and Nigeria will remain one of the world's largest rice importers. At present importers who established milling facilities in the country are taking advantage of the GON's lower duty on brown rice to import the product. Despite renewed efforts by the GON to curb smuggling, a substantial portion of Nigeria's rice imports continue to enter the country through the porous borders, especially from the Republic of Benin. Rice smuggling is fueled by the GON's high import tariffs.

Nigeria's aggregate grain production in 2011/12 is forecast to increase five percent. The forecast is based on a number of factors including expanded planted area as a result of the prevailing attractive grain prices, the GON's zero tariffs on imported agrochemicals, and the timely arrival of rains in the grains belt. It is election year in Nigeria and governments at local, state and federal levels have promised to provide fertilizers to farmers at a subsidized rate. Although fertilizer trade is deregulated, federal, state and local governments are involved in its distribution, applying differing levels of subsidies. In 2010, the subsidy was 25 percent at the federal level, 10-30 percent at the state level, and 10-15 percent at the local government level. Despite this multi-layer subsidy program, benefits rarely reach the intended farmers because of political interference in the distribution channels. The average street price of a 50-kilogram bag of fertilizer is 5,500 naira (\$37), compared to 2,000 Naira (\$13) for subsidized product. Fertilizer and agricultural tools/implements, which are essential for agricultural development, have zero import duty.

Despite the good corn crop in 2010/11, prices remain high due largely to the low carry over stock from the preceding year, rising domestic demand, and strong demand from the poultry and brewing sectors. Market sources indicate that prices will continue to rise until new supplies are available from new crop starting in August 2011. 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. Production of corn and sorghum is expected to increase in 2011/12 due to attractive producer prices this year and greater availability of inputs. Nigeria and the United States are the two largest producers of sorghum in the world.

The overall policy thrust of the GON is self-sufficiency in food production. Government policy is focused on three key objectives: provision of production inputs, such as improved seeds and agrochemicals; storage of at least 10 percent of grains production in the Strategic Grain Reserve; and the development of irrigation facilities to enhance all-year round cropping and value addition.

Exchange Rate: US\$1 = 150 Naira

### **Commodities:**

Wheat

### **Production:**

Nigeria's wheat production in 2011/12 is forecast to remain small at only 100,000 tons, the same as in 2010/11. 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 overall milling capacity is currently estimated at about 6.5 million tons, up from 6.0 million tons. Capacity utilization is estimated at about 60 percent in 2010/11. The additional investment in capacity is an indication of investor confidence in the future growth of the milling industry. Flour Mills of Nigeria continues to be the market leader by capacity but new entrants into the market, such as Dangote, Honeywell, and BUA, continue to increase market share. The entrance of these new and aggressive millers into the Nigerian flour milling industry has increased competition 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 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 have also contributed to the increase in 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 500,000 MT of Hard Red Winter Wheat (HRW) in 2010/11. 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.

Nigeria is a price sensitive market. The price of wheat in the international market increased considerably in 2010/11 due to tight global supplies. Millers have not passed onto consumers the full price increase because of market resistance.

According to industry sources, informal wheat flour exports to the neighboring countries is estimated at approximately 400,000 metric tons (570,000 MT of wheat), representing 15 percent of total flour production in Nigeria. Branded Nigerian flour can be found in several countries in West and Central

Africa. Post is consulting with key industry operators for a more concise and accurate estimate of flour exports to include in the PSD.

**Trade:**

Nigeria remains a growth market for wheat imports because of its huge population of 150 million people and an annual population growth of three percent. Nigeria’s overall wheat import volume in 2010/11 fell due to the tight global supply situation and resulting sharp increase in price. However, with three more months remaining in the marketing year, U.S. wheat exports to Nigeria are expected to increase to 3.5 million tons, up from 3.2 million tons last year. In addition, Post forecasts Nigeria’s overall wheat imports in 2011/12 to rise to 4.1 million tons, up from the revised estimate of 3.8 million tons in 2010/12. The higher volume projected for 2011/12 is based on the assumption that the global wheat supply will improve and prices will moderate and more of the excess milling capacity in Nigeria will be utilized.

The United States has a dominant market share of about 90 percent of Nigeria’s wheat market. Import levels have remained largely stable despite the significant increase in the price of wheat in recent months, as a result 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 lifted the import ban on wheat flour and biscuits in September 2008 and imposed tariffs of 35 percent and 25 percent, respectively. Although substantial imports of these products have not occurred since the lifting of the ban, millers and biscuit manufacturers remain vocal in their opposition to its removal.

Nigeria’s wheat import duty is five percent, and imported wheat is also subject to port surcharges (equal to seven percent of the duty value), and the GON’s Combined Import Supervision Scheme fee, which is equivalent to one percent of FOB value. A five percent value added tax is also applicable to wheat flour and millers are also required to fortify flour 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	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	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

<b>Production</b>	100	100	100	100		100
<b>MY Imports</b>	4,079	4,079	3,700	3,800		4,100
<b>TY Imports</b>	4,079	4,079	3,700	3,800		4,100
<b>TY Imp. from U.S.</b>	3,256	3,256	0	3,500		3,630
<b>Total Supply</b>	4,379	4,379	4,000	4,100		4,400
<b>MY Exports</b>	0	0	0	0		0
<b>TY Exports</b>	0	0	0	0		0
<b>Feed and Residual</b>	50	50	50	50		50
<b>FSI Consumption</b>	4,129	4,129	3,750	3,850		4,150
<b>Total Consumption</b>	4,179	4,179	3,800	3,900		4,200
<b>Ending Stocks</b>	200	200	200	200		200
<b>Total Distribution</b>	4,379	4,379	4,000	4,100		4,400
1000 HA, 1000 MT						

## Commodities:

Corn

### Production:

Post forecasts Nigeria's corn production in 2011/12 at 9.2 million tons, up from the revised 8.8 million tons in 2010/11. 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 improved availability of fertilizer. Planting is expected to commence in May 2011.

### Consumption:

The bulk of Nigeria's corn crop is used for direct human consumption as corn is a staple of the Nigerian diet. 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 1.5 million tons in 2011/12, up from 1.2 million tons in 2010/11.

Despite the good corn crop in 2010/11, prices remain high because of rising demand. At present, the price of corn in Northern growing regions is 55,000 naira per ton (\$366). 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. Also, if the price of feed wheat falls below \$200 per ton as was the case in 2009, poultry producers will likely switch from corn to wheat to fulfill their needs.

### Trade:

Post forecasts Nigeria's corn imports in 2011/12 at 100,000 tons, same as in 2009/10. Imports are largely informal cross-border trade. The GON's import ban on corn was lifted in 2008 and imports allowed at 5 percent tariff. Poultry producers are having difficulty sourcing sufficient quantities of domestic corn and are looking to import. Poultry production in Nigeria 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.

Although corn is banned for export, there are large volumes of informal cross-border exports to Niger, Chad and Sudan.

**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. Last year 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:**

Following the removal of the import ban on corn, the U.S. Grains Council has become active in Nigeria in market promotion and technical trainings.

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

Corn Nigeria	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,900	4,900	4,900	5,000		5,150
Beginning Stocks	116	116	275	275		250
Production	8,759	8,759	8,700	8,800		9,250
MY Imports	100	100	100	100		100
TY Imports	100	100	100	100		100
TY Imp. from U.S.	0	0	0	0		20
Total Supply	8,975	8,975	9,075	9,175		9,600
MY Exports	100	100	100	100		150
TY Exports	100	100	100	100		150
Feed and Residual	1,300	1,300	1,400	1,425		1,500
FSI Consumption	7,300	7,300	7,400	7,400		7,700
Total Consumption	8,600	8,600	8,800	8,825		9,200
Ending Stocks	275	275	175	250		250
Total Distribution	8,975	8,975	9,075	9,175		9,600

1000 HA, 1000 MT

**Commodities:**

Sorghum

**Production:**

NOTE: Post has adjusted the area and production data used in this report in line with new data series released by the GON.

Sorghum production in 2011/12 is forecast at 6.85 million tons, up from 6.75 million tons in 2010/11. 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 the primary food crop in virtually all parts of northern Nigeria. Sorghum also is used extensively in brewing, and industrial demand for sorghum by beer manufacturers is rising steadily, in tandem with rising demand for their products. 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.

**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 ban on sorghum imports has been lifted since 2008 and the tariff is currently at 5 percent.

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

Sorghum Nigeria	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,500	5,200	7,600	5,400		5,500
Beginning Stocks	200	200	200	200		200
Production	11,500	6,600	11,700	6,750		6,850
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	11,700	6,800	11,900	6,950		7,050
MY Exports	50	50	50	60		60

<b>TY Exports</b>	50	50	50	60		60
<b>Feed and Residual</b>	150	150	150	150		150
<b>FSI Consumption</b>	11,300	6,400	11,500	6,540		6,640
<b>Total Consumption</b>	11,450	6,550	11,650	6,690		6,790
<b>Ending Stocks</b>	200	200	200	200		200
<b>Total Distribution</b>	11,700	6,800	11,900	6,950		7,050
1000 HA, 1000 MT						

### **Commodities:**

Rice, Milled

### **Production:**

NOTE: Post has adjusted the area and production data used in this report in line with new data series released by the GON.

Nigeria's rice production in 2011/12 is forecast at 2.7 million tons, up from a revised 2.6 million tons in 2010/11. The GON is aggressively promoting rice cultivation under a Presidential initiative to increase rice production to 6.0 million tons within three years. This initiative involves the promotion of the New Rice for Africa (NERICA) variety. This variety is resistant to the African Rice Gall Midge disease and is higher yielding than currently used varieties. Government sources indicate that 1.3 billion Naira (\$8.5 million) was released by the GON for the dissemination of improved varieties at a 50 percent subsidy.

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. As an incentive to these companies, the GON has granted a concessionary duty of five percent on brown and paddy rice that will initially allow them to import these supplies until that time that they can source sufficient domestic supplies to operate their mills at full capacity. The Federal Ministry of Agriculture continues to indicate that Nigeria can be self-sufficient in rice production, as virtually all-ecological zones in the country are suitable for rice cultivation.

### **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 forecasts Nigeria's rice imports in MY2011/12 (note: Marketing Year is October-September) to grow to 1.95 million tons, up slightly from the revised 1.9 million tons in MY2009/10. U.S. rice has returned to the Nigerian market although it still makes up only a small percentage of total imports. U.S. sales and shipments so far this year have climbed to nearly 52,000 tons, the highest level in over 20 years. This is due largely to the competitive pricing of U.S. rice during 2010 and the perception of Nigeria's discerning consumers of U.S. products as higher quality. There are three major importers of U.S. rice in Nigeria, one which imports fully milled long grain rice and two which use the beneficial tariff structure to import long grain brown rice to mill locally. Post has also observed increased presence of Brazilian and Chinese rice in the Nigerian market.

The GON's high tariff continues to fuel huge undocumented cross-border rice imports and it is affecting direct imports of rice from all sources. Cross-border smuggling of rice moves in tandem with changes in the GON's tariff policy. The GON temporarily eliminated the 109 percent duty on rice imports between May and October 2008 to cushion the impact of escalating food prices. Coincidentally, rice exports to Benin declined steadily from the second quarter of 2008 to the first quarter of 2009 as smuggling became unprofitable. Rice exports to Benin stayed low even shortly following the reintroduction of the GON's import duty, as the duty was reduced from 109 percent to 30 percent for milled rice, and to only 5 percent for brown rice.

However, recently, the disparity between the tariff in Benin and Nigeria has resulted in a surge in undocumented cross-border trade. This, coupled with the 30 percent duty on milled rice, compares very unfavorably to the \$100 per ton reference price and 15 percent duty used by the Republic of Benin at the Cotonou port. Smuggled rice in Lagos is estimated to be \$200 lower than direct legal imports through Nigerian ports. At present, a 50-kilogram bag of smuggled rice retails for 6,500 Naira, while the landed cost of rice imported directly through Nigerian ports is estimated at 7,000 Naira 50 kilogram bag, with the retail cost substantially higher.

**Policy:**

The import duty on seed, paddy and brown rice is five percent while for semi and wholly milled rice it is 30 percent. The lower duty for paddy and brown rice is to encourage local value addition by importers who have established milling facilities.

In January 2011, the GON issued a circular announcing a new benchmark price of \$560 for all types of imported rice and from all origins during the first quarter of 2011, down from \$640 in the last quarter of 2010. The duty on all rice imports is calculated based on the benchmark price, regardless of the actual FOB price. The GON stated that the price was 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. The circular dated January 28, 2011 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, the circular states that “importation of rice is restricted to the sea ports and importation of rice through the 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.

**Marketing:**

As a result of recent tariff changes and higher U.S. rice exports, the USA Rice Federation commissioned a market study and has initiated market promotion efforts in Nigeria.

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

Rice, Milled Nigeria	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,400	2,100	2,450	2,150		2,170
Beginning Stocks	570	570	470	470		470
Milled Production	3,400	2,600	3,600	2,670		2,700
Rough Production	5,667	4,333	6,000	4,450		4,500
Milling Rate (.9999)	6,000	6,000	6,000	6,000		6,000
MY Imports	1,750	1,750	1,900	1,900		1,950
TY Imports	2,100	2,100	1,900	1,900		1,950
TY Imp. from U.S.	74	74	0	60		70
Total Supply	5,720	4,920	5,970	5,040		5,120
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Consumption and Residual	5,250	4,450	5,500	4,570		4,650
Ending Stocks	470	470	470	470		470
Total Distribution	5,720	4,920	5,970	5,040		5,120

1000 HA, 1000 MT

