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Nigeria

Sugar Annual

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Report Highlights:
MY17/18 sugar production is forecast to increase to 80,000 tons mainly due to adjustments by the Government of Nigeria (GON) now offering sugar industry stakeholders more favorable means to access foreign exchange. Raw sugar imports, mostly from Brazil, are expected to rise in MY17/18 by about 30 percent to 1.7 million tons. Nigeria's refined sugar exports are also forecasted to increase, going primarily to neighboring countries that are attracted by favorable exchange rates against the weak Naira currency. Despite GON's backward integration programs for sugar production, enormous challenges remain for the country to be self-sufficient.

Economic Overview

***Foreign Exchange Measures**:*

The Government of Nigeria (GON) continues to face challenges conserving the country's depleting foreign exchange (forex) earnings despite measures initiated by the Central Bank of Nigeria (CBN) to exclude 41 goods and service items from officially accessing foreign exchange. In June 2016, the CBN replaced the earlier policy of "fixed currency exchange rate" with the current "single rate flexible" forex measure. This single rate flexible forex measure was introduced to narrow the gap between the official and parallel (informal) forex rates. However, the tight forex situation continues. Reportedly, forex availability is not meeting up to half of the country's rising forex demand. This situation has led to a 40 percent reduction in the value of the local currency (The Naira) and increasing costs for essential imported items, including food (rice, wheat, sugar, legumes, and edible oils) and non-food items. Purchasing power has also been significantly weakened and the combination has caused a continued overall decline in consumption and imports of food and agricultural products.

Imported raw sugar (mostly from Brazil) for local refining constitutes more than 80 percent of Nigeria's supply. Raw sugar from domestic cane production is insignificant. Sugar is not among the food products affected by forex access restriction. However, private sources report that sugar importers are only able to obtain about 20 – 30 percent of their foreign exchange demand from official sources while the remaining 70-80 percent is sourced from the high-cost parallel market. Sources now indicate that CBN created a so called "clean line facilities" (the supply of foreign exchange liquidity in the market) that has brought improvements in forex sourcing to some major raw sugar importers and refiners. The CBN continues to keep a tight grip on the naira's value. Presently, the exchange rate on the informal market is around ₦420 to $1 compared to the official rate of ₦320 to $1.

Security

The Boko Haram and migrant herdsmen insurgencies in the Northeast sugar consuming region of Nigeria had dislodged the population with majority settled in camps as internally displaced persons and are living on donated food items. GON's recent containment of insurgencies and physical reclaim of territories formerly occupied by insurgents is beginning to regrow the market, including export markets in countries bordering this Nigerian region.

Slow Implementation of Agricultural Policies

Sources note that government has yet to provide adequate funding to support sugar development policies.

Refined Sugar Capacity/Tariff Structure

For more information on refined sugar and tariff structure, please review the following report: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Sugar%20Annual_Lagos_Nigeria_6-4-2015.pdf

Sugar Production, Supply and Demand Data Statistics:

Sugar, Centrifugal	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**May 2015**		**May 2016**		**May 2017**	
Nigeria	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks	100	100	100	100	0	100
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	70	70	70	75	0	80
Total Sugar Production	70	70	70	75	0	80
Raw Imports	1345	1345	1310	1700	0	1750
Refined Imp.(Raw Val)	125	125	120	120	0	120
Total Imports	1470	1470	1430	1820	0	1870
Total Supply	1640	1640	1600	1995	0	2050
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	200	200	200	300	0	300
Total Exports	200	200	200	300	0	300
Human Dom. Consumption	1290	1290	1250	1550	0	1600
Other Disappearance	50	50	50	50	0	50
Total Use	1340	1340	1300	1600	0	1650
Ending Stocks	100	100	100	100	0	100
Total Distribution	1640	1640	1600	2000	0	2050
(1000 MT)						

Production:

MY2017/18 domestic sugar production is projected at 80,000 tons (raw value), about a 14 percent increase compared to 70,000 tons estimated in MY2016/17. The forecast increase in production is expected following recent government support to the sugar sector through CBN's Anchor Borrowers Program (ABP). The ABP is a Central Bank of Nigeria policy initiative aimed at increasing Nigeria's agricultural production output while at the same time improving capacity utilization of integrated mills and other related industries. The Program's ultimate target is to reduce food imports, create more jobs and diversify the nation's economy.

The average yield of refined sugar (per ton of sugar cane) remains at approximately 10 percent. Combined with Nigeria's infrastructure challenges and limited government support, makes domestic sugar production costs high when compared to imported brown sugar.

Nigeria's three main sugar processors are Flour Mills of Nigeria, BUA Group, and Dangote Group. However, Dangote Sugar remains the largest sugar processor with its 70 percent market share and continues to invest in its operations.

Consumption:

MY2017/18 consumption is projected at 1.6 million tons, a slight increase of 3 percent compared with 1.55 million tons estimated in MY 2016/17. Despite lowering purchasing power, demand for sugar by Nigeria's food processors to produce soft drinks, bread, confectionery and related products continues to grow. These products are considered as the less expensive alternatives among the majority of Nigerians, especially in the urban areas. Sources note that this year's Nigeria per capita sugar consumption is estimated at an average of 10 kilograms, much lower than the global average of 34 kilograms, indicating room for much more market potential.

Boko Haram insurgencies had dislodged the population of the Northeastern sugar consuming region. Reportedly, now with insurgencies significantly contained and Northeastern territories regained, demand for sugar is rebounding and contributing to rising consumption.

Trade:

Imports

MY2016/17 imports at 1.7 million tons indicate about a 30 percent increase from approximately 1.3 million tons estimated for the year. MY2017/18 imports are projected to increase by 3 percent to 1.75 million tons compared to the current year.

Nigeria's sugar requirements are mostly met through imported raw sugar refined locally. Brazil is the largest supplier (over 80 percent share) with an estimated value at $500 million. The CBN is assisting some firms in the agricultural sector (including sugar) providing access to forex at the lower official rate to pay for their raw sugar imports. This may allow importers enough leverage to pay for their raw sugar which in turn contributes to increased imports.

Exports

MY2016/17 exports are estimated to increase by 50 percent to 300,000 tons from 200,000 tons recorded the previous year. The increase is expected to remain unchanged in the out-year. Nigeria's lingering currency devaluation is making Nigeria's refined sugar exports less expensive and resulting in higher demand from Niger, Chad, Mali and other neighboring West and Central African countries. However, most of this export trade occurs informally.

Policy

Nigeria's sugar sector is driven by The National Sugar Master Plan (NSMP), a backward integration program with projections for the development of local sugarcane plantation and sugar production over a 10-year period. Sources note that the National Sugar Development Council Act was amended in June 2015 to further support the Nigeria Sugar Master Plan. According to public and private sources, the effectiveness of those amendments is still being monitored as GON funding remains inadequate to support the development of Nigeria's sugar industry.

Nigeria's current domestic supply has not met the rising demand despite incentives offered by GON to boost local production. The GON had revised the sugar tariff structure as an incentive to boost domestic raw sugar production by offering a zero per cent import duty on machinery and spare parts for local sugar manufacturing firms. The following have also been granted as incentives to boost local production:

- 5-year tax holiday for investors in the sugar value chain;
- 10 percent import duty and 50 percent levy on imported raw sugar;
- 20 percent duty and 60 percent levy for imported refined sugar.

  Additionally, a 3-year concessionary tariff of a five percent import duty and five percent levy on imported raw sugar was imposed between 2013 and 2015 on the refineries that signed-on to the government's Backward Integration Program.

Stocks:

Declines in both supply and consumption prompts Post to maintain its MY2017/18 ending stock estimate at 100,000 tons.