

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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GAIN Report Number:

Nigeria

Sugar Annual 2015

Annual

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Report Highlights:

MY2015/16 domestic sugar production is estimated at 70,000 tons (raw value), a decline of over seven percent from the 2014/15 estimate of 75,000 tons. Without improved infrastructure, local supplies will not meet Nigeria's rising sugar consumption over the next five years. Nigeria's sugar requirements are mainly met through imports of raw sugar that are refined locally. MY2015/16 raw sugar imports are estimated at 1.3 million tons, an increase of 5,000 tons over that for MY2014/2015. An import quota for raw sugar has been adopted. For local sugar refineries to import raw sugar, they must also produce raw sugar locally. Brazil continues to be the largest raw sugar supplier to Nigeria.

Production:

MY2015/16 domestic sugar production is estimated at 70,000 tons (raw value), a decline of over seven percent from the 2014/15 estimate of 75,000 tons. Post is not expecting major changes in 2015/16 largely based on the prevailing poor state of Nigeria's infrastructure, which is needed to stimulate local sugarcane production.

As mentioned in previous reports, Nigeria's New Sugar Master Plan (NSMP) is aimed at encouraging raw sugar milling. The success of this Plan hinges mostly on the provision of infrastructure. Without improved infrastructure, local supplies will not meet Nigeria's rising sugar consumption over the next five years. The expectation of rising consumption is largely attributed to increasing middle class and income as well as continuous growth in the food processing sector. The average yield of refined sugar from a ton of cane is estimated at approximately 10 percent.

Despite its 70 percent market share, Dangote Sugar, the largest sugar producer in Nigeria, continues to invest in its operations. It acquired 95 percent of Savannah Sugar Company Limited (SSCL) in December 2012 as part of Nigeria's Backward Integration Programme (BIP). This expansion is expected to increase Dangote's sugar milling capacity from 50,000 to nearly 250,000 tons.

Policy:

The National Sugar Development Council has implemented an out-grower program, which runs across all 14 sugar producing locations in Nigeria. The out-grower program will deliver inputs and credits to cooperatives at a lower interest rate of seven percent compared to the prevailing financial market lending rates of up to 28 percent or more.

Although the Nigerian government privatized all its sugar estates in 2008, the rehabilitation of these estates has been stalled due to the huge capital required and limited power supplies to operate sugar mills.

Consumption:

Sources note that Nigeria's per capita sugar consumption is currently estimated at 9.5 kilograms, which is drastically lower than the global average of 32 kilograms.

With no competing alternatives, such as high-fructose corn syrup, local sugar demand is expected to grow from 1.3 to 1.7 million tons by 2017. With increasing gross domestic products, burgeoning middle class, and expanding disposable income, experts continue to project that sugar demand will increase over the next five years.

Trade:

Imports

Raw Sugar

Nigeria continues to be a large sugar consumer, but current domestic supply does not meet rising demand. MY2015/16 raw sugar imports are estimated at 1.345 million tons, an increase of 5,000 tons over that for MY2014/2015. Brazil is the largest raw sugar supplier to Nigeria.

Refined Sugar Capacity

Nigeria's sugar requirements are mainly met through imports of raw sugar that are refined locally. Annual sugar refining capacity has reached 2.9 million tons, exceeding national consumption demand of roughly 1.6 million tons per year. Sugar refineries located in Lagos still dominate the scene of sugar processing in Nigeria. Companies are making use of imported raw sugar from Brazil and have a combined processing capacity of about 3.0 million metric tons. Given the commencement of NSMP implementation, refineries signed-on to a Backward Integration Programme with definite plan/projections for the development of local sugarcane plantation and sugar production within the 10-year NSMP plan period.

An import quota for raw sugar has been adopted. For local sugar refineries to import raw sugar, they must also produce raw sugar locally.

Import Policy

As mentioned in previous reports, Nigeria revised the sugar tariff structure to help revitalize its sugar estates, boost domestic raw sugar production, and create local employment. Sources note that the following measures imposed by the Nigerian government will bring new investments towards backward integration in the sugar value chain:

- A zero per cent import duty on machinery and spare parts intended for local sugar manufacturing industries;
- A five year tax holiday for investors in the sugar value chain;
- A 10 percent import duty and 50 percent levy on imported **raw** sugar;
- A 20 percent duty and 60 percent levy for imported **refined** sugar.
- A three year (2013-2015) concessionary tariff of a five percent import duty and five percent levy on imported raw sugar is imposed on the refineries who signed-on to the abovementioned Backward Integration Programme.

Exports

Sugar refined in Nigeria is known to be exported to West and Central African countries. Given this growing demand, investors are establishing sugar refineries to supply neighboring countries.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Market Begin Year Nigeria	2013/2014		2014/2015		2015/2016	
	May 2013		May 2014		May 2015	
	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	75	75	0	70
Total Sugar Production	70	70	75	75	0	70
Raw Imports	1,345	1340	1,345	1,340	0	1345
Refined Imp.(Raw Val)	125	125	125	125	0	125
Total Imports	1,470	1465	1,470	1,465	0	1465
Total Supply	1,640	1540	1,645	1,540	0	1640
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	200	200	200	200	0	200
Total Exports	200	200	200	200	0	200
Human Dom. Consumption	1,290	1,295	1,295	1,295	0	1290
Other Disappearance	50	50	50	45	0	50
Total Use	1,340	1345	1,345	1,340	0	1340
Ending Stocks	100	100	100	100	0	100
Total Distribution	1,640	1645	1,645	1,640	0	1640
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