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Nigeria

Sugar Annual

2018

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Report Highlights:
MY2018/19 Nigeria sugar production is estimated to remain at 80,000 tons, the same figure reported the previous year. MY 2018/19 imports are forecast to remain relatively constant at 1.8 million tons. The Government of Nigeria (GON) policies on sugar have not resulted in increased production. Domestic sugar consumption is expected to increase slightly from 1.6 million tons to 1.61 million tons. Although the Nigerian Government continues to offer sugar industry stakeholders access to foreign exchange, the still rebounding economy from recession has not resulted in increased purchasing power of most households in Nigeria. Moreover, the GON's backward integration programs for sugar production still remain significantly challenged, due to weak infrastructure, poor policy formulation/implementation, limited funding and insecurity.

Economic Overview

Foreign Exchange Measures:

Since August 2017, business activities in Nigeria have been increasing, mostly due to availability of forex supply, as well as the stabilization of the Nigeria currency (naira) at an average of 360 Naira to $1.00

Imported raw sugar (mostly from Brazil) for local refiners constitutes more than 80 percent of Nigeria's supply. Raw sugar from domestic cane production is relatively insignificant. Sugar is not among the food products affected by forex access restriction. The Central Bank of Nigeria (CBN) created "clean line facilities" (that make the supply of foreign exchange more accessible in the market), which has brought improvements in forex sourcing for some major raw sugar importers and refiners. Purchasing power is expected to remain weak. Consequently, sugar import forecast is expected to remain at last year's level with a slight increase in consumption.

Improved living condition for most Nigerians also remains at bay even with global oil prices rebounding to US$70 per barrel from the less than $40 per barrel the last two years. Analysts are pessimistic about the economy and the announced budget positive impact on ordinary Nigerians, as previous year's policies were not implemented effectively. Decaying infrastructure, growing insecurity across the country and official corruption still abound, posing threats to the country's economic development.

Security:

The Boko Haram (BH) insurgencies and the pastoralist-farmers' conflicts in the sugar producing north east and north central regions of Nigeria have continued to escalate. Consequently, population displacement, trade restrictions, limited market access, and an influx of refugees to camps have continued to cause severe acute food insecurity in the areas.

Over 2 million people in the region are now depending on donated food items. Although FAO and other humanitarian agents are supporting the farmer-dominated population, fears of attacks have continued to constrain access to farms in the regions.

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 Market Begin Year	2016/2017 May 2016		2017/2018 May 2017		2018/2019 May 2018	
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	75	75	80	80	0	80
Total Sugar Production	75	75	80	80	0	80
Raw Imports	1700	1700	1750	1750	0	1740
Refined Imp.(Raw Val)	120	120	120	120	0	130
Total Imports	1820	1820	1870	1870	0	1870
Total Supply	1995	1995	2050	2050	0	2050
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	300	300	300	300	0	300
Total Exports	300	300	300	300	0	300
Human Dom. Consumption	1545	1550	1600	1600	0	1610
Other Disappearance	50	50	50	50	0	40
Total Use	1595	1600	1650	1650	0	1650
Ending Stocks	100	100	100	100	0	100
Total Distribution	1995	2000	2050	2050	0	2050
(1000 MT)						

Production

MY2018/19 domestic sugar production is estimated at 80,000 tons (raw value), the same figure recorded in MY2017/18. Government sugar policies have not translated into increased production. Moreover, the GON's backward integration programs for sugar production remain significantly challenged, mostly due to weak infrastructure, poor policy formulation/implementation, limited funding and insecurity in some of the sugar producing area.

Currently, Nigeria's three main sugar processors: Dangote Group, BUA Group and Golden Sugar Refineries dominate sugar processing in Nigeria. However, Dangote Group remains the largest sugar processor with 70 percent market share, while it continues to invest in its operations.

Consumption

MY2018/19 sugar consumption is projected at 1.61 million tons, a slight increase from 1.6 million tons recorded the previous year. Although the Government of Nigeria (GON) continues to offer sugar industry stakeholders the means to access foreign exchange, the country's recent economic rebound has not resulted in increased purchasing power of most households in Nigeria.

Nigeria per capita sugar consumption in 2018 is estimated at 10 kilograms, much lower than the global average of 36 kilograms.

Boko Haram (BH) insurgencies mostly in the northern part of the country continue to cause population displacement, trade restrictions, limited market access, and an influx of refugees in the sugar producing region.

Trade

Imports:

MY2018/19 imports of raw sugar are forecast at 1.74 million tons down 0.1 percent from 1.75 million tons in the previous year. Domestic production remains constant at 80,000 tons. Increase in production costs and weakening purchasing power continue to limit consumers' ability to absorb price increases.

Nigeria's sugar requirements are mostly met through imported brown sugar refined locally. Brazil is the largest supplier (over 80 percent market share) with an estimated value at $500 million.

Exports:

MY2018/19 exports are projected to remain at 300,000 tons, the same volume recorded the previous year. Nigeria's lingering currency devaluation is making domestic refined sugar exports less expensive, resulting in higher demand in Niger, Chad, Mali and other neighboring West and Central African countries.

Policy

Nigeria continues to employ trade restrictive measures, including high tariffs, forex control, levies and import bans, and other measures to protect its domestic agricultural production, despite the country's membership in the World Trade Organization (WTO).

Nigeria Government incentives to boost local production:

- a five-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.

A three-year concessionary tariff of a five percent import duty and five percent levy on imported raw sugar is also being imposed on the refineries that signed-on to the government's Backward Integration Program.

Nigeria's sugar sector is driven by The National Sugar Master Plan (NSMP)—a backward integration program for the development of local sugarcane plantation and sugar production over a 10-year period. 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 these 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 kept pace with the rising demand despite the incentives offered by GON to boost local production. The GON had revised down the sugar tariff structure as an incentive to boost domestic raw sugar production by offering a zero percent import duty on machinery and spare parts for local sugar manufacturing firms.

Stocks

Nigeria Government policies on sugar are yet to translate into increased production as the country is still recovering from recession. Consequently, Post expects MY2018/19 ending stock to remain the same as last year’s at 100,000 tons.