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Nigeria

Oilseed and Products

Soybeans Situation Report

1999

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Report Highlights: Local production of soybeans falls short of industrial and human consumption requirements by 100,000 tons. Although import demand exists for soybeans, sales opportunities for U.S. exporters are best for soybean meal and oil in this market. The GON recently lifted its import ban on vegetable oils while imports of U.S. soybean meal were recently recorded for the first time in a decade.

Includes PSD changes: Yes

Includes Trade Matrix: No

Unscheduled Report

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Executive Summary

Recent growth trends for domestic soybean consumption in Nigeria have outstripped increases in farm output. Direct human consumption of soybeans is being promoted in Nigeria as an inexpensive source of protein and is gaining widespread acceptance among malnourished low-income groups. Soybeans are used for the production of soy milk, soy yorghut, infant food formula and the fortification of local carbohydrate-rich food staples in the Nigerian diet such as pounded yam, acha, akara. Additionally, the local oilseed crushing industry is unable to meet a growing demand for soybean meal for feed formulation and for soybean oil which is preferred over palm oil by many urban consumers. Available estimates indicate that Nigeria's soybean production falls short of consumption levels for finished products by more than 100,000 tons (bean equivalent). Domestic market prices for soybeans and products have risen markedly in recent months and are now significantly above international price levels. Although soybean meal imports in recent years have been supplied by the EU, local feed manufacturers did turn to the United States this year, for the first time during the past decade, to meet part of their import requirements. The Government lifted its ban on vegetable oil imports in January 1999. The recent authorization of USDA's Supplier Credit Guarantee Program (SCGP) for West Africa and a planned seminar in Lagos in early 2000 to promote the utilization of both SCGP and GSM-102 should create new sales opportunities for U.S. soybean oil in Nigeria.

Exchange Rate : \$1 = 95 Naira

Production

Table : Oilseed, Soybean

PSD Table						
Country	Nigeria					
Commodity	Oilseed, Soybean					(1000 HA)(1000 MT)
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		12/1997		12/1998		12/1999
Area Planted	86	180	86	130	0	160
Area Harvested	650	180	650	130	0	160
Beginning Stocks	5	5	5	10	5	5
Production	200	220	200	140	0	160
MY Imports	0	0	0	10	0	10
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	205	225	205	160	5	175
MY Exports	0	10	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	30	155	30	110	0	120
Food Use Dom. Consump.	40	40	40	35	0	40
Feed,Seed,Waste Dm.Cn.	130	10	130	10	0	10
TOTAL Dom. Consumption	200	205	200	155	0	170
Ending Stocks	5	10	5	5	0	5
TOTAL DISTRIBUTION	205	225	205	160	0	175
Calendar Year Imports	0	0	0	10	0	10
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	10	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Despite attractive producer prices, soybean production in Nigeria in the 1999/2000 marketing year is forecast to increase only modestly to 160,000 tons, up from 140,000 tons in 1998/99. Early season expectations that record grower prices in 1998/99 would lead to a marked increase in production were not realized due to a scarcity of planting seeds which limited an expansion in planted area. Additionally, a fertilizer shortage created by the GON's decision to re-activate its subsidy program for fertilizer imports led to a shortage of this essential input for farmers, contributing to disappointing crop yield levels. Farmers usually secure their planting seeds from their previous year's harvest. Last year, however, most growers reportedly sold all of their production in order to take advantage of record prices. Additionally, the supply of seeds available from the Government's National Seed Service was inadequate, especially in

Benue State which accounts for almost 80 percent of national production.

The re-introduction of the GON's subsidy on fertilizer soon after President Obasanjo took office last May created a scarcity situation for this important production input. The Government took this action largely for political reasons. The subsidy program was supposed to work by setting importer resale prices at approximately 25 percent below the going market price. The GON promised importers that it would make direct payments to them for the sales price difference. Concerned about the new sales arrangements, many importers cut back on their import programs and elected to market their fertilizer through informal marketing channels. Prices rose sharply, from 1,000 Naira per 50 kilogram bag to about 1,800 Naira, and supplies delivered to farmers fell markedly. Farm sources indicate that soybean yields for the 1999/2000 season will be poor, reflecting low input utilization. Other constraints to increased soybean production in Nigeria focus upon inadequate cultivation practices utilized by predominantly small-scale, peasant farmers.

Commercial production of soybeans is possible in most areas of Nigeria which receive rainfall between June and October. An estimated 10 million hectares of Nigeria's arable land are deemed suitable for soybean cultivation. At present, however, no more than 160,000 hectares are planted with soybeans. Virtually all soybean production in Nigeria is from smallholders, working plots which average about ½ hectare. Production is non-mechanized and labor is usually provided by family members. Past attempts to engage in large-scale production by private investors have all failed for an assortment of reasons.

Although Benue state is the dominant producing area, soybeans are grown in several other states and growers are showing interest in the crop throughout Nigeria. Nigeria's soybean crop was exceptionally good in 1997/98, with production reaching a record 220,000 tons. Grower prices that year, however, were poor which led to a shift to corn production in 1998/99. Grower prices rose markedly in response to a reduced output in 1998/99, and growers would have planted significantly more than the 160,000 hectares shown in the PS&D for 1999/2000 if not for shortages in planting seed.

Production Policy

The Government, through its Nationally Co-ordinated Research Projects (NCRPs) program, provides funding for agronomic and varietal evaluation studies on soybeans conducted by relevant research institutes. Through collaborative multi-location trials, superior soybean varieties have been developed with desirable traits such as early maturity, seed longevity, disease and insect resistance, lodging and shattering resistance and higher yields. The activities of the NCRPs have in large part been responsible for the increased soybean production attained in Nigeria during recent years.

In Nigeria, soybean cultivation starts in May/June with land clearing, and ends in December when threshing and winnowing activity is concluded. Harvesting normally starts in late October and runs through December. The crop is harvested 3 - 4 months after planting, depending on the time of sowing and seed variety.

Yields

In general, average crop yield levels have improved somewhat in recent years. However, crop yield this year is likely to fall to about 1 ton per hectare in 1999/2000. Yields are low in Nigeria due to poor husbandry practices, mixed cropping and low input utilization. Research institutes have developed 10 improved soybean varieties that are now commercially available. These new varieties can produce up to 2.6 tons per hectare under ideal local conditions. It is

estimated that more than 80 percent of Nigeria's farmers now use these improved varieties in place of the low-yielding Malayan variety which was commonly used through the 1980's.

Consumption

Soybean processing facilities in Nigeria have been expanding over the past decade. Installed annual processing capacity now stands at approximately 200,000 tons. This increase in processing capacity has helped allow for increased marketing opportunities for soybean products in Nigeria. The 8 largest processors account for nearly 90 percent of Nigeria's soybean crush. Soybeans now represent a major complement to palm oil in the domestic supply picture for edible vegetable oil. The soap industry is a major user of soybean oil although significant quantities are also utilized by the local paint industry, for making printing ink and cosmetic products, and for other industrial uses. Soybean meal is the dominant protein ingredient in local poultry feed rations.

Direct human consumption of soybeans is significant in Nigeria, especially among low-income groups that cannot afford other alternative protein sources such as meat, fish and eggs. Soybeans have the potential of accounting for almost one-third of the WHO recommended 65 gram daily protein intake for Nigeria. At present, soybeans are commonly utilized as a key ingredient by the food processing industry in Nigeria, particularly in regions where this is an important crop.

Prices

The rapid expansion of soybean processing capacity combined with the deregulation of internal marketing of agricultural products has boosted grower prices markedly. The average seasonal price of soybeans rose from 15,000 Naira per ton in 1995 to 20,000 Naira in 1998. In the 1998/99 season, producer prices reached a record 40,000 Naira due to a sharp curtailment in domestic availabilities. Soybean prices are usually lowest in the December - January harvest period, and peak June - July during the planting season.

A ton of crude de-gummed soybean oil currently wholesales at 85,000 Naira per ton, while refined soybean oil is priced at 95,000 Naira per ton. The wholesale price of soybean meal in late October 1999, was about 43,000 Naira per ton. On average, domestic price levels run approximately 70 percent above prevailing international prices.

Trade

Nigeria exported about 10,000 tons of soybeans in 1997/98 to South Africa. This tonnage represented several export sales and resulted from a bumper crop which exceeded local demand. Exports in 1998/99 did not take place and are not anticipated for the 1999/2000 season due to lower production levels. In recent months, local oilseed processors have been reluctant buyers of locally-grown soybeans due to a sharp runup in market prices which have reached 40,000 Naira per ton. Processors diverted their activity from soybeans to other oilseed alternatives such as oil palm, cotton seed and peanuts.

Soybean meal imports during marketing year 1998/99 reached 15,000 tons. The European Union was the dominant supplier as U.S. product was not very price competitive in this market. Imports from the United States did reach nearly 2,000 tons this past year which was the first time that U.S. soybean meal has entered Nigeria for nearly a decade.

Imports of U.S. soybean meal during the upcoming year are projected to reach 5,000 tons. This reflects the possibility of commercial sales being supplemented by U.S. food assistance under a monetization scheme for funding development activities. Local feed manufacturers comment that the current bumper soybean crop is expected to meet local soybean meal requirements through mid-2000. At that time, importers may turn to U.S. product if it is priced attractively. The experience gained last year with U.S. soybean meal was favorable, with protein levels exceeding those commonly seen for EU product.

The Government of Nigeria's ban on imports of vegetable oil was lifted in January 1999. Soybean oil imports may reach 10,000 tons during the upcoming year. The recent authorization of USDA's Supplier Credit Guarantee program for West Africa along with the GSM-102 should assist U.S. exporters in selling soybean oil and soybean meal in this market. Post is currently programming seminars in Lagos during early 2000 to facilitate usage of these programs. Some consumer-packaged U.S. soybean oil is imported into Nigeria at present. Most of this trade represents undocumented, crossborder commercial activity.

Nigeria's import duty on vegetable oil is 35 percent. The import duty on soybean meal also is set at 35 percent. Recent reports indicate that the GON may be considering increasing its duty treatment for agricultural products as a general measure to support local producers.

Table : Meal, Soybean

PSD Table						
Country	Nigeria					
Commodity	Meal, Soybean				(1000 MT)(PERCENT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		12/1997		12/1998		12/1999
Crush	30	155	30	110	0	120
Extr. Rate, 999.9999	0.8	0.774194	0.8	0.772727	ERR	0.791667
Beginning Stocks		0	0	15	0	3
Production	24	120	24	85	0	95
MY Imports	55	5	75	15	0	15
MY Imp. from U.S.	0	0	0	2	0	5
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	79	125	99	115	0	113
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	79	110	99	112	0	108
TOTAL Dom. Consumption	79	110	99	112	0	108
Ending Stocks		15		3	0	5
TOTAL DISTRIBUTION	79	125	99	115	0	113
Calendar Year Imports	0	5	0	15	0	15
Calendar Yr Imp. U.S.	0	0	0	2	0	5
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Table : Oil, Soybean

PSD Table						
Country	Nigeria					
Commodity	Oil, Soybean					
					(1000 MT)(PERCENT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		12/1997		12/1998		12/1999
Crush	30	155	30	110	0	120
Extr. Rate, 999.9999	0.166667	0.212903	0.166667	0.209091	ERR	0.208333
Beginning Stocks	0	2	0	2	0	1
Production	5	33	5	23	0	25
MY Imports	0	0	0	0	0	10
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	5	35	5	25	0	36
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	15	0	11	0	15
Food Use Dom. Consump.	5	18	5	13	0	20
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	5	33	5	24	0	35
Ending Stocks	0	2	0	1	0	1
TOTAL DISTRIBUTION	5	35	5	25	0	36
Calendar Year Imports	0	0	0	0	0	10
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0