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Grain and Feed

Annual

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Report Highlights:

Nigeria's wheat milling industry is undergoing expansion. New entrants are relying exclusively on U.S. wheat. The U.S. share of Nigeria's wheat import market is forecast to rise to 90 percent in marketing year 1999/2000, up from 80 percent in 1998/1999. Nigeria's wheat importation in 2000/01 are forecast at 1.8 million tons and expected to double over the next 5 to 10 years.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Lagos NI0011

Executive Summary

Nigeria's wheat imports are forecast to increase to 1.8 million tons in 2000/01, up from 1.6 million tons a year earlier. Although U.S. wheat faces stiff competition from Canada and Argentina, the U.S. share of Nigeria's wheat import market is projected to reach 90 percent, in marketing year 1999/2000, up from 80 percent last year. Nigeria is the most important market for U.S. wheat in sub-Saharan Africa and the 6th largest overseas buyer in the world.

Post forecasts Nigeria's overall grain production at 35 million tons, up 4.5 percent over last year. Although planting is yet to commence for most grains, an improved cropping season is anticipated. This will be helped by the earlier than usual arrival of rains in the grains belt last month. Yield levels are projected to improve thanks to the better precipitation and higher fertilizer application. The GON decision announced in January 2000 that it will discontinue its fertilizer subsidy program. In the past subsidies created fertilizer subsidies and led to low usage levels.

Exchange Rate: US\$1 = 101.3 Naira

Wheat

PSD Table						
Country:	Nigeria					
Commodity:	Wheat					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		7/1998		7/1999		7/2000
Area Harvested	35	35	35	35		40
Beginning Stocks	50	50	50	50	50	100
Production	40	40	45	45		50
TOTAL Mkt. Yr. Imports	1466	1466	1500	1600		1800
Jul-Jun Imports	1466	1466	1200	1600		1800
Jul-Jun Import U.S.	1249	1249	1200	1400		1600
TOTAL SUPPLY	1556	1556	1595	1695	50	1950
TOTAL Mkt. Yr. Exports	0	0	0	0		0
Jul-Jun Exports	0	0	0	0		0
Feed Dom. Consumption	0	0	0	10		0
TOTAL Dom. Consumption	1506	1506	1545	1595		1850
Ending Stocks	50	50	50	100	50	100
TOTAL DISTRIBUTION	1556	1556	1595	1695	50	1950

Production

The domestic wheat harvest in 2000/01 is forecast to increase to 50,000 tons. Nigeria continues to rely on imports to satisfy milling demand. Wheat is a Fadama (lowland) crop grown under irrigation in several northern states.

Consumption

About 95 percent of all wheat consumed in Nigeria is for the production of bread flour. Nigerian millers are importing U.S. Hard Red Winter (HRW) wheat to supply a growing flour demand by bakers.

There are about 20 wheat mills in Nigeria, with a combined annual milling capacity of 4.1 million tons. Currently, only 16 mills with a combined annual capacity of 3.1 million tons are operational. On average, most Nigerian mills operate at about 45 percent of the installed capacity. The industry hopes to increase this to more than 50 percent next year. Local investment in milling is growing. The Dangote Group opened a new mill in the last quarter of 1999 in Lagos which has a daily processing capacity of 500 tons of grain. Nigerian Flour Mills, the current industry leader, assumed management of a State-owned mill located in eastern Nigeria under a 7-year contract. Ideal Flour Mills purchased and moved an existing small mill from northern Nigeria to Lagos for milling soft wheat for biscuits. Additionally, the Dangote Group opened a new pasta plant in late 1999. This plant will use soft wheat flour produced by its parent wheat mill.

Prices

Competition among wheat flour millers in Nigeria is intense, resulting in only modest flour price increases over the past year. New entrants into the industry have adopted aggressive pricing policies as part of their market entry strategies. The ex-factory price of flour offered by these new mills is set at approximately 200 Naira per ton below that of the bigger, more established producers. The older mills now depend largely on established distribution agreements and brand loyalty for their flour sales. They are unable to compete with the newer mills on a price basis because of their higher production costs. Bakers maintain that higher bread prices reflect rising costs of other bakery inputs.

In March 2000, flour prices were increased from 1,980 Naira to 2,005 Naira per 50 kilogram bag due largely to the imposition of the GON's Value Added Tax (VAT) and the recent devaluation of the local currency from naira 95/\$1 to 101/\$1. Prices may increase further in the near-term following the new GON directive that millers must fortify their wheat flour with vitamin A. Millers have indicated that the increase in their production costs will be passed on in higher flour prices.

Trade

Import Trade Matrix			
Country:		Units:	Tons
Commodity:			
Time period:	Jul-Jun		
Imports for	1998		1999
U.S.	800,000	U.S.	1,249,000
Others		Others	
Canada	183,000		124,000
Argentina	92,000		84,000
Australia	25,000		9,000
Total for Others	300000		217000
Others not listed			
Grand Total	1100000		1466000

Nigerian wheat import purchases for March through June 2000 support a general increase in imports for the current market year over a year earlier and an increased U.S. market share. Total Nigerian wheat imports are forecast to increase to 1.8 million tons in 2000/01, up from 1.6 million tons in for 1999/2000. Nigeria is principally a hard red winter wheat buyer, the bulk (90 percent) of which is milled for the production of bread flour. A growing volume of

SRW, estimated at about 150,000 tons, for pasta and biscuits is also evident. Post marketing efforts in collaboration with U.S. Wheat Associates are responsible for increasing U.S. market share from 80 percent in 1998/99 to 90 percent in 1999/2000. One of Nigeria's largest mills imported 35,000 tons of Argentine wheat early in 2000. This mill reports that it is having problem in marketing the flour produced from the wheat. They are now trying to blend the low quality Argentine wheat with U.S. wheat in the ratio of 5 percent Argentine to 95 percent American. The mill has indicated that it will not purchase additional wheat from Argentina.

Nigeria is the most important market in Sub-Saharan Africa for U.S. wheat, accounting for some 70 percent of all U.S. shipments to the region. Nigeria was ranked 6th in 1998/1999 among the top ten export markets for U.S. wheat, up from the 9th position a year earlier. Nigeria is also the 3rd largest market overseas for U.S. HRW wheat. Nigerian millers purchase U.S. grain on a cash basis. No local banks are approved for participation in USDA's GSM Program.

Post is working in conjunction with U.S. Wheat Associates to provide millers technical and marketing information assistance to facilitate efficient purchasing and execution of contracts. Complaints by Nigerian millers in the past regarding the quality of U.S. wheat in large part can be traced to an inability to correctly draft their purchasing contracts. Marketing efforts focus on designing programs to increase flour usage and modernization among the bakery trade. An operational GSM-102 program in Nigeria will be advantageous in sustaining U.S. share in this price sensitive market. This will assist local millers in overcoming constraints in gaining adequate working capital. A USDA review of Nigerian banks is now under way.

Policy

Tariffs

The Nigerian wheat import tariff was increased from 7.5 percent *ad valorem* in 1998 to 15 percent in 1999. Imported wheat also is subject to a surcharge (equal to 7 percent of the duty value) and a 1 percent customs administrative charge. A value added tax of 5 percent is assessed on wheat flour.

The doubling of the import duty for wheat represent an important element in the cost structure for Nigerian flour millers. When combined with currency devaluation, the total dollar increase in the cost of imported wheat is substantial. The full impact of this increase has not been passed on to bakers, however, due to low international wheat prices and intense competition among millers.

Effective November 1, 1999, Nigeria re-instituted pre-shipment inspection of all imports after a brief but unsuccessful experiment (April to October, 1999) with destination inspection.

Marketing

Nigeria's rapid population growth and the economic recovery program of the new democratic government suggests that the country has the potential to increase wheat imports from the United States to 2.5 million tons over the next five to ten years. Strengthening the purchasing power of consumers for convenience foods such as bread is critical for realizing an increased import demand for wheat. Existing industry milling capacity is adequate to support this increased grain utilization.

Major competitors in the Nigerian market include Canada and Argentina. U.S. market share remains dominant, but

subject to fairly large fluctuations. Nigerian millers occasionally shift suppliers in search of price bargains. This was particularly true in the 1996/97 season, when the landed price of U.S. wheat reached a high of \$280 per ton. In that year, U.S. wheat lost market share as well as falling in tonnage terms. In general, Canadian wheat is regarded by local millers to be of higher quality than U.S. wheat. However, millers are very price sensitive and are reluctant to pay a significant premium for Canadian grain over U.S. wheat.

Sorghum

PSD Table						
Country	Nigeria					
Commodity	Sorghum					
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Harvested	6600	6600	6600	6600	0	6601
Beginning Stocks	200	200	200	200	200	200
Production	7300	7300	7500	7500	0	7800
TOTAL Mkt. Yr. Imports	20	20	0	0	0	0
Oct-Sep Imports	20	20	0	0	0	0
Oct-Sep Import U.S.	18	18	0	0	0	0
TOTAL SUPPLY	7520	7520	7700	7700	200	8000
TOTAL Mkt. Yr. Exports	0		0	0	0	0
Oct-Sep Exports	0		0	0	0	0
Feed Dom. Consumption	200	200	200	200	0	250
TOTAL Dom. Consumption	7320	7320	7500	7500	0	7800
Ending Stocks	200	200	200	200	0	200
TOTAL DISTRIBUTION	7520	7520	7700	7700	0	8000

Production

Sorghum is the most widely cultivated grain in Nigeria, accounting for more than 45 percent of total grain area. Sorghum cultivation spans the North to the Middle-belt zones where precipitation and soil moisture levels are low. Production conditions in 1999 were normal. Except for localized flooding reported in northeastern Nigeria, sorghum as well as other grain crops suffered little from pests and diseases.

Post forecasts a 5 percent increase in sorghum production in 2000/01 to 7.8 million tons. Although planting is yet to commence, a normal cropping season is expected. This will be helped by the earlier than usual arrival of rains throughout the grains belt last month. Yield levels will improve due to an increased acceptance of hybrid varieties developed by local research institutes.

Consumption

Sorghum enjoys a large and growing domestic demand because of its extensive use as a food crop in rural areas. Industrial demand by biscuit and beer manufacturers is declining somewhat following the lifting of the import ban on barley and barley malt in 1999. Local beer was previously produced exclusively in Nigeria from corn and sorghum when barley and barley malt importation was banned. The reduced industrial demand for sorghum is reflected in lower sorghum prices. The grower price for the 1999/2000 harvest peaked at 15,000 Naira per ton compared to 24,000 Naira for the harvest a year earlier.

Trade

Nigeria is self-sufficient in sorghum. An official import ban on sorghum remains in place. Given the scenario of increasing production and declining industrial demand, the GON may be encouraged to lift its import ban in the near future. There are no official statistics on exports, but an estimated 50,000 tons of sorghum is believed to move into neighboring countries as normal, cross-border trade.

Rice

PSD Table						
Country:	Nigeria					
Commodity:	Rice, Milled					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Harvested	1650	1650	1650	1650	0	1660
Beginning Stocks	200	200	200	200	200	200
Milled Production	1850	1850	1900	1900	0	2000
Rough Production	3038	3038	3167	3167	0	3333
Milling Rate(.9999)	6000	6000	6000	6000	0	6000
TOTAL Imports	800	800	800	950	0	1000
Jan-Dec Imports	800	800	800	950	0	1000
Jan-Dec Import U.S.	0	0	0		0	20
TOTAL SUPPLY	2850	2850	2900	3050	200	3200
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	2650	2650	2700	2850		3000
Ending Stocks	200	200	200	200	200	200

Production

Rice farming is widespread in Nigeria. Our field survey indicates average crop yield will improve in 2000 due to increased fertilizer application.

Nigeria's Cereals Research Institute, Badeggi, which is responsible for the genetic improvement of rice continues to introduce improved rice varieties for the various ecological zones in Nigeria. Available varieties are medium to long grain and are tolerant to blast, which is the most devastating disease of rice in Nigeria.

Consumption

An increase in Nigeria's rice imports to 1 million tons in calendar 2000 is forecast, up from 950,000 tons last year. Imported parboiled rice traditionally has been directed at meeting consumer demand in urban areas where incomes are highest. In recent years, however, imported parboiled rice has gained increased sales volume even in rural areas. This growth in rural sales is explained by the competitive pricing of imported parboiled rice.

Trade

The liberalization of rice trade has continued to encourage increased importation of parboiled rice largely from

Southeast Asia. A growing demand for imported parboiled rice is attributed to its price attractiveness relative to other basic food staples.

The GON's ban on rice imports was lifted in 1995. Sales competition among importers has narrowed the price gap between imported parboiled rice and locally-grown rice. High costs of production combined with low domestic output and competitive import prices have resulted in growing import volumes.

Prices

Competition among rice importers is intense. The average retail price of imported rice fell from 2,700 Naira per 50 kilogram bag in April 1999 to 2,500 naira in March 2000. The Nigerian rice market is price sensitive because of weak purchasing power among most Nigerian consumers.

Policy

Tariffs

The customs duty on rice is currently 50 percent ad valorem. A 7 percent port surcharge on the value of the duty is also assessed against rice imports.

Marketing

American rice has market potential in Nigeria based on its high quality and strong consumer acceptance. The return of the Uncle Ben brand in the Nigerian market has generated a lot of interest among Nigerian consumers. Most believe that this brand represents U.S. rice although its origin is Brazil. U.S. exporters can take advantage of high quality image enjoyed by U.S. rice in Nigeria and the marketing success of the Uncle Ben label. U.S. exporters may wish to consider exporting in bulk with the product re-bagged after arrival. Sales opportunities also exist for U.S. parboiled rice packaged in 50 kilogram bags and consumer ready packages. Exporters should seek to utilize the Supplier Credit Guarantee Program (SCGP) in making.

Corn

PSD Table						
Country:	Nigeria					
Commodity:	Corn					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Harvested	3400	3400	3450	3450	0	3500
Beginning Stocks	100	100	100	100	100	100
Production	4950	4950	5000	5000	0	5500
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	5050	5050	5100	5100	100	5600
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	250	250	250	250	0	300
TOTAL Dom. Consumption	4950	4950	5000	5000	0	5500
Ending Stocks	100	100	100	100	100	100
TOTAL DISTRIBUTION	5050	5050	5100	5100	100	5600

Marketing

Breweries have begun a gradual shift from the use of corn to barley malt following the official lifting of the import ban on barley and barley malt in 1998.

Although the GON is talking of lifting the import ban for corn, it remains in force as of report date.