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Report Highlights:

Nigeria's grain harvest in 2003/04 is forecast to increase by 4 percent in line previous years' growth trend. Growth in U.S. wheat exports to Nigeria weakened in 2002/03 due to a combination of sharply higher wheat prices and a marked devaluation of the local currency. Corn imports are constrained by GON actively discouraging importers to protect local producers, even though the product is not banned. Sorghum remains banned for imports.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

On average, Nigeria's overall grain production is forecast to increase 4 percent in 2003/04. Although planting is yet to commence for most grains, an improved season is anticipated. This will be helped by the timely arrival of rains in the grain's belt. The government of President Obasanjo is now focused on increasing food production in the country through its "Agriculture and Rural Transformation Program." In March 2003, the government in collaboration with the Food and Agricultural Organization embarked on a new initiative called the "National Special Program for Food Security." The program focuses on innovative approaches to soil conservation and fertility improvement and water use for crop production, crop intensification and diversification to attain food security and alleviate poverty. The program aims at improving farmers' productivity and income.

Farmers' access to fertilizer products has improved somewhat but it remains unaffordable to Nigeria's resource-poor peasants. Utilization of fertilizer products is limited by its high cost, often resulting in low crop yield levels. As in the past, the decision of the GON to apply 25 percent subsidy on fertilizers, has created scarcity conditions and resulted in higher product prices to growers. Middlemen are diverting subsidized fertilizer products from the official distribution channels. On average, subsidized fertilizer is offered at 1,000 naira per 50 kilogram bag, while the same is sold in the open market for about 2,000 naira.

Nigeria depends almost exclusively on wheat imports to satisfy local demand because local climatic conditions

are not suitable for profitable commercial wheat production. Nigeria is the leading export destination for U.S. hard red winter wheat and the third overall largest importer of U.S. wheat in 2002/03. Demand for soft wheat is expected to increase following the decision of the GON to ban imports of biscuits, crackers, and spaghetti to protect local producers of these products. U.S. wheat exports to Nigeria increased from 1.28 MMT in 2000 to approximately 1.9 MMT in the current marketing year. The rise in imports, fueled by rising consumption, indicates that bread is now established as a major staple among Nigerian consumers.

In 2000, the GON lifted its import ban on corn and imposed a duty of 70 percent. U.S. corn could be competitive in the Nigerian market. However, exports to Nigeria remain limited by the GON discouraging poultry producers from importing, despite a shortfall in domestic supply. Domestic corn prices averaged \$300 per ton over the past two years.

Exchange Rate : US\$1 = 130 naira

Wheat

PSD Table : Wheat

PSD Table						
Country	Nigeria					
Commodity	Wheat					
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	35	35	35	35	0	35
Beginning Stocks	200	200	200	200	200	200
Production	50	50	50	50	0	60
TOTAL Mkt. Yr. Imports	2500	2500	2500	2300	0	2500
Jul-Jun Imports	2500	2500	2500	2300	0	2500
Jul-Jun Import U.S.	1882	1882	0	1870	0	2100
TOTAL SUPPLY	2750	2750	2750	2550	200	2760
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	60	0	50	0	50
TOTAL Dom. Consumption	2550	2550	2550	2350	0	2560
Ending Stocks	200	200	200	200	0	200
TOTAL DISTRIBUTION	2750	2750	2750	2550	0	2760

Production

Nigeria's wheat production in 2003/04 is forecast at 60,000 MT, up from 50,000 MT in 2002/03. The increase in output is based on recent efforts by the GON to renovate river basins in the country. Wheat is a Fadama (lowland) crop grown under irrigation in northern Nigeria, especially in the Lake Chad basin. Domestic production accounts for less than 3 percent of the country's wheat consumption requirements. Wheat production is not expected to expand beyond current levels due to local climatic conditions, which are not suitable for wheat.

Consumption

Nigeria is principally a market for Hard Red Winter (HRW) wheat which is milled for the production of bread flour. U.S. soft wheat exports to Nigeria are on the upswing as demand for biscuit flour and pasta products is growing. Wheat import volumes have increased markedly due largely to a significant expansion in consumer demand for wheat products during the past 3 years. Nigeria's wheat processing capacity also is expanding rapidly. The new entrants into the industry, such as Dangote and Honeywell industries have embarked on a very ambitious expansion program. Overaged milling equipment in the old, established mills are being refurbished or replaced. Industry sources view these additional investments in new milling capacity as a sign of confidence in the growth potential of the industry. Currently, 20 mills are operational in the country with a combined annual processing capacity of approximately 3.5 MMT.

Trade

Post forecasts Nigeria's overall wheat imports in MY2003/04 at 2.5 MMT, up from the revised 2002/03 estimate. U.S. share of the market is projected to reach 2.1 MMT, up from the revised figure of 1.87 MMT this year. Post revised Nigeria's import estimate in MY2002/03 to 2.3 MMT, down from 2.5 MMT due largely to the dampening effect of rising international wheat prices on consumer demand. Profit margins in the industry have narrowed considerably, due partly to stiff consumer resistance to price increases and intense competition within the industry. Most millers, especially the new entrants into the industry have adopted aggressive pricing policies and have consistently shown a willingness to undercut the going market price. Millers also compete on the basis of credit and by offering other sales inducements to their distributors. Some mills have in house bakery training facilities and conduct seminars for bakers on how to use their flour to encourage customer loyalty. The average retail price of a 50-kilogram bag of wheat flour rose from 2,300 naira in May 2002 to about 2,600 naira in March 2003, reflecting the higher international price of wheat. Consequently, bakers raised the price of 450 gram bread from 100 naira to 120 naira over the same period. The moderation in the price of wheat in recent weeks is now translating to a reduction in flour prices down to 2,400 naira per 50-kilogram bag.

Nigeria is the leading market in Sub-Saharan Africa for U.S. wheat. Nigeria is now third largest overseas market for U.S. wheat sales, up from the sixth position in 2000/01. Nigeria's continues to be the leading export destination for U.S. HRW wheat for bread, which has firmly established itself as the preferred staple food for the Nigerian masses. Nigeria's import demand for soft wheat should increase as the GON banned imports of biscuits, crackers and spaghetti. Local producers are increasing their processing capacities. Canada and Argentina are the principal competitors in the Nigerian market. Some millers who switched to Ukrainian wheat are now faced with market rejection because of poor quality. However, this wheat is now competing with U.S. soft wheat as a substitute for corn in feed formulation. To maintain the U.S. dominant share of Nigeria wheat import market, U.S. product must remain price competitive.

Nigeria has the potential to increase annual wheat imports beyond 3 MMT in the near term. Existing industry milling capacity and the ongoing expansion programs are adequate to support this increased grain utilization. As in previous years, FAS Lagos will utilize USDA's Cochran Fellowship Program to provide training to four Nigerians in flour milling and grains purchasing in 2003. The training programs are tailored to improve milling efficiency and profitability. Additionally, Post is now encouraging millers to utilize USDA's GSM-102 Program to finance wheat purchases from the United States. Post worked closely with USDA Export Credits to increase the tenor of GSM-102 for Nigeria from 90 days to 180 days to enhance program usage.

Policy

Nigeria's wheat import tariff was reduced from 15 percent *ad valorem* to 5 percent in March 2002. Imported wheat also is subject to port surcharges (equal to 7 percent of the duty value), and the GON's Combined Import Supervision Scheme fee which is equal to 1 percent of FOB value. The GON's 5 percent value added tax, also is applicable to wheat flour. Millers are required to fortify flour with vitamin A.

Sorghum

PSD Table : Sorghum

PSD Table						
Country	Nigeria					
Commodity	Sorghum					
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	6750	6750	6750	6770	0	6800
Beginning Stocks	200	200	200	200	200	200
Production	7800	7800	7850	7850	0	8000
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	8000	8000	8050	8050	200	8200
TOTAL Mkt. Yr. Exports	0	50	0	50	0	50
Oct-Sep Exports	0	50	0	50	0	50
Feed Dom. Consumption	250	250	250	130	0	150
TOTAL Dom. Consumption	7800	7750	7850	7800	0	7950
Ending Stocks	200	200	200	200	0	200
TOTAL DISTRIBUTION	8000	8000	8050	8050	0	8200

Production

Sorghum production in 2003/04 is forecast at 8.0 MMT, up from 7.85 MMT in the current year. The projected increase in output is based upon anticipated favorable weather conditions and a 2 percent increase in area planted. Average crop yields continue to increase thanks to the growing acceptance by growers of improved varieties developed by local research institutes. Two sorghum varieties bred by the International Crops Research Institute for Semi-Arid Tropics (INCRISAT) in 1999 are popular among farmers and have been widely adopted. Sorghum is Nigeria's most widely cultivated grain, accounting for about 40 percent of total planted area due in part to its relatively low fertilizer usage requirements. Sorghum cultivation spans the North to the Middle-belt zones of the country where precipitation and soil moisture levels are low.

Consumption

Sorghum enjoys a large and growing domestic demand because of its extensive use as a food crop in virtually all parts of northern Nigeria. Sorghum also is used extensively in brewing homemade local beer. Industrial demand for sorghum by beer manufacturers is rising steadily, in step with rising demand for their products. Beer had been produced exclusively in Nigeria from corn and sorghum after barley and barley malt importation was banned in the mid-1980's. The ban was lifted in 1999, but breweries are still using sorghum and corn as key ingredients.

Trade

Nigeria is nearly self-sufficient in sorghum. There are no official statistics on exports, but undocumented, cross-border movement to neighboring countries in MY2003/04 is forecast at 50,000 MT, the same as the

current year. Post's recent visit to the Dawanu grains market, located in the outskirts of the northern commercial city of Kano, revealed a steady cross border movement of sorghum into Niger and Chad Republics.

Rice

PSD Table : Rice

PSD Table						
Country	Nigeria					

Commodity	Rice, Milled		2002	Estimate	(1000 HA)(1000 MT)	
	2001	Revised			2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	1650	1650	1660	1660	0	1800
Beginning Stocks	1024	1024	1480	1480	1652	1652
Milled Production	2100	2100	2200	2200	0	2500
Rough Production	3500	3500	3667	3667	0	4167
MILLING RATE (.9999)	6000	6000	6000	6000	0	6000
TOTAL Imports	1906	1906	1822	2000	0	1900
Jan-Dec Imports	1822	1822	1700	2000	0	1900
Jan-Dec Import U.S.	18	18	0	5	0	13
TOTAL SUPPLY	5030	5030	5502	5680	1652	6052
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	3550	3550	3850	4028	0	4400
Ending Stocks	1480	1480	1652	1652	0	1652
TOTAL DISTRIBUTION	5030	5030	5502	5680	0	6052

Production

The government of President Obasanjo set up a national rice security task force, primarily to boost local production, enhance post harvest processing and storage, and to discourage importation. The government is promoting the adoption of the new hybrid rice varieties developed by the West African Rice Development Association to help boost rice production. These new varieties are high yielding, early maturing, disease resistant, and high in protein content.

Nigeria's rice production in 2003 is forecast to rise by 12 percent to 2.5 MMT over a year earlier. The increased forecast is based on price incentives to growers due to the GON increase in the duty on rice. Rice farming is widespread in Nigeria. Post's recent field survey indicates that overall crop yield improved in 2002 due largely to increased grower usage of improved varieties. Sources at the Ministry of Agriculture indicate that Nigeria has the capacity to be self-sufficient in rice production, as virtually all ecological zones in the country are suitable for rice cultivation. Domestic production is constrained by inadequate input supply and poor agronomic practices by Nigeria's resource-poor, small-scale rice farmers.

Consumption

Rice imports account for approximately half of Nigeria's total rice supplies. Imported parboiled rice is directed at meeting consumer demand in urban areas where incomes are highest. Locally-milled rice is of poor quality and is consumed mainly in the rural areas. Imported parboiled rice competes effectively against other basic food staples, which explains why import volumes have trended upwards in recent years.

Trade

Post forecast Nigeria's rice imports in MY2003 at 1.9 MMT, down from the revised MY2002 estimate of 2 MMT. The lower forecast is due partly to the increase in duty from 75 percent to 100 percent and partly due to controversies surrounding the February 14, 2003 decision of the GON that all statutory charges on imported rice should be calculated on \$270 per ton. Several rice importers have gone to court to challenge the new policy which is retroactive to October 2002. Rice imports are currently disrupted as several vessels with rice, some of which arrived the country since January 2003 have not been cleared.

Meanwhile, the higher import duty on rice is encouraging importers to establish modern rice milling operations to process imported rice paddy. An intergovernmental committee visited the locations of several local investors who have shown interest in establishing rice milling facilities to process imported paddy rice. The GON may grant special concessions to a few investors in rice mills to import paddy rice, as a "raw material" at a duty rate of only 5 percent over a 5-year period. The visit to Nigeria of a senior official of the U.S. Rice Producers Association in June 2002 was instrumental in establishing contacts with prospective importers of paddy rice who indicated interest in securing their import supplies from the United States.

Stocks

Nigerian rice importers tend to increase stock holding at year end in anticipation of GON's tariff increase which is announced at the beginning of each year. Post has revised its stock estimates upwards to reflect this.

Marketing

FAS Lagos encouraged a local importer to test market a 5,000 ton shipment of U.S. rice in 2002 to reestablish demand for high-quality U.S. product. Until now, rice imports from the United States since the 1980s were consumer-packaged product and totaled less than 1,000 MT. The USDA approved the monetization of 12,500 MT of U.S. rice for the development of a technology driven rice production project in Nigeria. The donation also was partly intended to enhance market access for U.S. rice. U.S. rice does have market potential based upon its high quality. If the GON approves it, it would open up sales opportunities for U.S. rice paddy for milling in Nigeria. A rice importer is in the process of establishing a facility that will be dedicated to processing imported rice paddy.

Corn

PSD Table : Corn

PSD Table						
Country	Nigeria					

Commodity	Corn				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	3400	3400	3500	3500	0	3700
Beginning Stocks	100	100	100	100	100	100
Production	5000	5000	5200	5200	0	5350
TOTAL Mkt. Yr. Imports	30	30	50	50	0	50
Oct-Sep Imports	30	30	50	50	0	50
Oct-Sep Import U.S.	30	30	0	50	0	50
TOTAL SUPPLY	5130	5130	5350	5350	100	5500
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	280	280	300	300	0	400
TOTAL Dom. Consumption	5030	5030	5250	5250	0	5400
Ending Stocks	100	100	100	100	0	100
TOTAL DISTRIBUTION	5130	5130	5350	5350	0	5500

Production

Post forecasts Nigeria's corn production in 2003/04 at 5.3 MMT, up from 5.2 MMT in 2002/03. The projected increase is based on anticipated favorable weather conditions in the grains belt. Field visits to Kaduna State in northern Nigeria, the leading corn producing state revealed that farmers participating in "Global 2000 Sasakawa Program" are prepared to increase production. Farmers participating in the program agree to follow prescribed agronomic practices and are getting crop yields of up 6 MT per hectare compared to a national average of 1.5 MT per hectare. Corn growers in the country are coping with the high cost of fertilizer products. Corn requires a relatively heavy fertilizer application level to achieve optimum yield results.

Consumption

The bulk of Nigeria's corn crop is directed for human consumption. Breweries in the country are the leading industrial users of corn and their bulk purchasing activity is the principal determinant of market price levels. Brewery demand for corn grits is increasing, spurred by rising consumer demand for beer.

Feed utilization of corn is trending upward, thanks to the rapid growth in the poultry industry. Industry sources indicate that growth in the poultry industry, measured by feed consumption is approximately 30 percent annually. This industry accounts for more than 95 percent of Nigeria's total animal feed usage. Total corn usage for feed production in Nigeria is forecast to increase to 400,000 MT, up from 300,000 MT in MY2002/2003. At present, feed manufacturers are paying 27,000 naira per ton for local corn delivered to their plants, down from 31,000 naira last year. The reduction in price reflects improved output of corn in MY2002/03.

Trade

The GON's import ban on corn was lifted in January 2000. However, imports are limited not necessarily by the high duty of 70 percent, but by the government discouraging poultry producers not to import. Northern corn growers are firmly opposed to imports, while poultry producers, concentrated in the south, favor imports. One of the leading feed millers in Nigeria imports small quantity of U.S. corn solely for their own operations. The importer has programmed to import 50,000 MT in CY2003.

Marketing

In support of the USG's efforts to assist the Nigerian Government in revitalizing its moribund agricultural sector, FAS Lagos is working closely with the local poultry industry. Post facilitated the participation of 50 Nigerian poultry operators at the International Poultry Exposition in Atlanta in January 2003. Twenty of the delegates received training in modern feed milling under USDA's Cochran Fellowship program. Post support for this activity is based on the realization that the Nigerian poultry industry possesses enormous capacity for growth in the medium to long-term. Growth in the industry is likely to be dependent on increased imports of U.S. grains.