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Nigeria

Sugar

Annual

2005

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Report Highlights:
Nigeria depends exclusively on sugar imports to satisfy demand. In 2004/05, we estimate that at least 70 percent of the imports were refined locally. The major suppliers are Brazil, Guatemala and the EU. Sugar consumption is increasing steadily by four percent annually in step with growth in population and in industries utilizing sugar as raw material, such as food and beverages. Effective January 1, 2005, the GON banned imports of sugar not fortified with Vitamin A. Technically, the new directive prevents refined sugar from entering Nigeria legally. Coca Cola Co. and other industrial users of sugar whose operations are affected by the ban have requested import waivers from the GON. The duty on raw sugar is five percent and on refined sugar 40 percent.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Lagos [NI1]
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Executive Summary

Currently, there is only one sugar refinery operating in Nigeria. The refinery is the sole importer of raw sugar. Current installed capacity is 1.3 million tons per annum sufficient to supply total demand. The company's dominance in the sugar sector is further strengthened by the recent GON directive that all sugar consumed in Nigeria should be fortified with vitamin A. Technically, the requirement prevents refined sugar from being imported legally, since Vitamin A fortified sugar is not traded internationally.

The GON privatized the Savannah Sugar Company in 2002. Post understands that the rehabilitation of the estate by its new owners is nearing completion. Production should begin in MY2005/06 with a modest output of 10,000 tons. The remaining sugar facilities are in the process of being privatized and have negligible production. The GON views the privatization of these poorly managed government-owned estates as a key element of its goal of revamping the sugar industry.

Exchange Rate: US$1 = 130 Naira

PSD Table: Centrifugal Sugar

Nigeria Sugar, Centrifugal							
	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		09/2003		09/2004		09/2005	MM/YYYY
Beginning Stocks	100	100	100	100	100	100	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	0	0	0	0	0	10	(1000 MT)
TOTAL Sugar Production	0	0	0	0	0	10	(1000 MT)
Raw Imports	800	800	850	850	0	950	(1000 MT)
Refined Imp.(Raw Val)	350	350	350	350	0	300	(1000 MT)
TOTAL Imports	1150	1150	1200	1200	0	1250	(1000 MT)
TOTAL SUPPLY	1250	1250	1300	1300	100	1360	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	100	100	60	60	0	50	(1000 MT)
TOTAL EXPORTS	100	100	60	60	0	50	(1000 MT)
Human Dom. Consumption	1050	1050	1140	1140	0	1210	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	1050	1050	1140	1140	0	1210	(1000 MT)
Ending Stocks	100	100	100	100	0	100	(1000 MT)
TOTAL DISTRIBUTION	1250	1250	1300	1300	0	1360	(1000 MT)

Production

Nigeria's domestic sugar production in MY2005/06 is forecast at 10,000 tons, up from the zero level recorded in the last three years. Following the privatization of one of Government-owned sugar estates in 2002, the new owners have embarked on the rehabilitation of the estate. Sources at the company indicate that the facility will be back in operation during MY2005/06. The privatization of the other sugar estates in Bacita, Sunti and Lafiaji earlier scheduled for 2004 has been delayed. The delay is because the GON is unable to get core investors to take over the estates.

The stated policy of the Nigerian government is to move Nigeria quickly from dependence on imports to at least 70 percent self-sufficiency in domestic sugar production by 2010. The privatization of the existing government-owned, fully integrated sugar companies is a key element of GON's overall strategy of achieving self-sufficiency on the long run. Privatization will undoubtedly improve the management of these estates and stimulate new investments in the industry. However, it is unlikely that Nigeria will attain 70 percent self-sufficiency by 2010.

Consumption

Nigeria's overall sugar consumption requirement in MY2005/06 is forecast at 1.2 million tons, up from 1.1 million tons in 2004/05. The forecast is based on population growth and increasing industrial demand. Trends in the industries utilizing sugar as a processing input, suggest that sugar demand will continue to rise. The major users are the confectionary, pharmaceutical, and soft drinks industries.

Trade

Post forecasts Nigeria's raw sugar imports in 2005/06 at 950,000 tons, up from 850,000 tons in 2004/05. The sole importer of raw sugar is Dangote Group, the owner of a sugar refinery in Lagos. Capacity of this refinery is expected to increase by this summer to 1.5 MMT. Refined sugar imports are forecast at 250,000 tons, down from 300,000 tons in 2004/05. Importers of refined sugar are ED&F Man, an international trading company and Jeodam an indigenous trading company. The bulk of Nigeria's sugar imports, both raw and refined, come from Brazil, the EU and Guatemala. Informal trans-border sugar exports to the land-locked countries of Niger and Chad will decline in MY2005/06 because of the higher duty on refined sugar imports.

Policy

The import duty on refined sugar is 40 percent. When other taxes such as the port surcharge (7% of duty), development levy (10%), VAT (5%), CISS (1% of FOB) and the ECOWAS trade Liberalization Scheme Tax (0.5% CIF) are assessed, the effective duty is about 60 percent. Raw sugar imports attracts a lower duty of five percent and is exempt from payment of sugar development levy. Under existing investments laws, investors in local sugar production are exempt from the payment of the GON's sugar development levy for raw sugar imports and they also enjoy a significantly lower import duty. Post understands that some of the importers of refined sugar are planning to establish sugar refineries. The GON requires all sugar consumed in Nigeria have a minimum of 45 ICMSA

Effective January 1, 2005, the GON banned the importation of sugar not fortified with Vitamin A as part of efforts to eradicate Vitamin A Deficiency in the country. Coca Cola and other industrial users of sugar have indicated that the directive is inimical to the health of their businesses. In particular, fortification will induce undesirable changes in color, taste and appearance of internationally recognized brands. It could also reduce the shelf life of the final product. Industrial users of sugar under the umbrella of the Association of Food and Beverage Employers have requested a waiver to import unfortified sugar for their exclusive use. The request is currently under GON review.