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Report Highlights:

The U.S. has a 90 percent share of Nigeria's 2.5 million ton market. Wheat is the leading U.S. agricultural export commodity to Nigeria. Consumption continues to expand due to increase demand for wheat flour for bread, pasta and biscuit production. In January 2005, the GON directed wheat millers to add ten percent cassava in wheat flour. Implementation is delayed because industry grade cassava is not available in commercial quantities. The poultry industry has been using wheat as a substitute for corn in feed production since the average price of corn has skyrocketed this year. Currently, wheat can be purchased for \$275 per ton while corn is about \$400 per ton. Nigeria's demand for rice is roughly four million tons. Rice imports remain at one third of consumption. Although unlikely, the press continues to report that the GON will ban rice imports in 2006.

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Executive Summary

Nigeria's imports of U.S. wheat in MY2005/06 are forecast at 2.4 million tons, up from 2.2 million tons this year. The Nigerian market has grown from six kilograms per capita in 1995 to 17 kilograms per capita in 2004. The industry as a whole has continued to expand due to increased demand for flour-based products as well as import bans on pasta and biscuits. Bakery operations in the country are being modernized and expanded to satisfy growing demand especially for bread. Nigeria's wheat imports are forecast to increase 13 percent in 2005/06 despite the recent GON directive that millers include ten percent cassava in flour. Nigeria is maintaining its position as the leading export destination for U.S. hard red winter wheat.

Currently, Nigeria is experiencing corn shortages. The poultry industry is using wheat as a substitute for corn in feed. Corn is not imported as it is basically banned in Nigeria. Government sources attribute the shortage in corn supply to increased domestic demand and exports.

Nigeria's domestic grain production in MY2005/06 is forecast to increase five percent. The forecast is based on the timely arrival of rains in the grain belt. President Obasanjo is promoting increased food production in the country through a new initiative called the "National Special Program for Food Security". The program aims at improving farmers' productivity and income. Field visits to northern grain production zones revealed that farmers are responding favorably to the new initiative.

Despite some benefits from these new initiatives, on average, Nigerian farmers' productivity is low due to lack of technology and organic fertilizer. The fertilizer subsidy continues to create scarcity and high prices. The retail price of a 50-kilogram bag of NPK increased to a record level of 4,500 Naira in 2004, up from an average of 3,000 Naira a year earlier. In addition, the absence of a buyer of last resort in Nigeria often leaves the farmers at the mercy of market forces. In 2003, corn farmers had a bumper harvest and corn prices crashed. Farmers incurred heavy losses as they were forced to sell below production cost.

Exchange Rate: US\$1 = 130.5 Naira

WHEAT

PSD Table: Wheat

Nigeria Wheat							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	35	35	35	35	0	35	(1000 HA)
Beginning Stocks	200	200	200	200	200	200	(1000 MT)
Production	55	55	55	60	0	65	(1000 MT)
TOTAL Mkt. Yr. Imports	2383	2383	2400	2400	0	2600	(1000 MT)
Jul-Jun Imports	2383	2383	2400	2400	0	2600	(1000 MT)
Jul-Jun Import U.S.	2164	2164	0	2285	0	2400	(1000 MT)
TOTAL SUPPLY	2638	2638	2655	2660	200	2865	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Jul-Jun Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	0	0	0	0	0	40	(1000 MT)
TOTAL Dom. Consumption	2438	2438	2455	2460	0	2665	(1000 MT)
Ending Stocks	200	200	200	200	0	200	(1000 MT)
TOTAL DISTRIBUTION	2638	2638	2655	2660	0	2865	(1000 MT)

Production

Nigeria's wheat production in 2005/06 is forecast to increase at 65,000 tons, up from 60,000 tons in 2004/04. Wheat production is not expected to expand beyond this level due to local climatic conditions, which are not suitable for wheat. Wheat is grown under irrigation in a few states in northern Nigeria.

NOTE: Production estimates used throughout this report have been revised to reflect more reliable data available from the Central Bank of Nigeria (CBN).

Consumption

Nigeria's overall milling capacity is currently estimated at about 6.0 million tons, up from 4.0 million tons in 2002. Many millers are expanding capacity to meet growing demand. In 2005, a new investor is expected to commission two mills of 150,000 tons capacity each. Most of the expansion is for the production of bread flour, but some is for the growing domestic pasta industry and for crackers and biscuits. The GON's import ban on pasta, spaghetti and biscuits introduced in 2004, has spurred local producers to increase capacity.

Following the entrance of aggressive new millers in recent years, the industry has become competitive with respect to price and quality. A number of the mills now have their own in-house bakeries to provide market support for their products. Millers give inducements to retain customers' loyalty. Some of the mills are unable cope with the competition and have scaled back their operations significantly.

The baking industry in Nigeria is expanding with new investments in mechanized bakery equipment. One large bakery, recently commissioned a new automated plant, the first of its kind in Nigeria. Medium to large-scale bakeries are also expanding outside Lagos. Bread is

a staple item in the Nigerian breakfast and is eaten throughout the day as the convenience food of choice by the general public.

Trade

Nigeria's overall wheat import volume in MY2005/06 is forecast at 2.6 million tons, up from 2.4 million tons in 2004/05. The higher volume projected for 2005/06 is based upon the growth in bread consumption as well as increased pasta and biscuit production. This is reflected in the growth of U.S. soft and durum wheat imports from 12,000 tons in 2000 to approximately 100,000 tons in 2005.

Nigeria is Africa's most populous country and is a growth market. In the current MY2004/05, Nigeria is the third largest importer of all classes of US wheat, up from the fourth position a year ago. It is also the world's leading importer of U.S. HRW. U.S. wheat exports to Nigeria in 2004/05 increased by about eight percent over a year earlier. The rising level of U.S. wheat exports to Nigeria has also been helped by a relatively stable exchange rate, competitive wheat prices, high crude oil prices and modest economic growth. Industry sources indicate that U.S. wheat exports are likely to exceed 3.5 million tons within the next five years. Canada and Argentina are the principal competitors in this market.

Stocks

Stock estimates in this report are residuals of production, imports and consumption. Industry sources indicate that stock capacity can sustain milling operations for about a month.

Policy

Nigeria's wheat import tariff is five percent. Imported wheat also is subject to port surcharges (equal to seven percent of the duty value), and the GON's Combined Import Supervision Scheme fee, which is equal to one percent of FOB value. The GON's five percent value added tax, also is applicable to wheat flour. Millers are required to fortify flour with vitamin A.

Effective January 1, 2005, the GON directed that all flourmills must blend 10 percent cassava into the flour to support local production. Industry sources indicate that the directive cannot be implemented at this time because there are no commercial mills to process industry grade cassava. Wheat millers have expressed concern that including cassava in flour would induce undesirable changes in color and smell. It would also reduce the shelf life of bread from five to two days. Cassava flour is currently being sold at \$500 per ton.

CORN

PSD Table: Corn

Nigeria Corn							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	3700	3700	3700	3700	0	3800	(1000 HA)
Beginning Stocks	119	119	119	119	119	100	(1000 MT)
Production	5150	5500	5200	6500	0	7500	(1000 MT)
TOTAL Mkt. Yr. Imports	50	50	50	50	0	30	(1000 MT)
Oct-Sep Imports	50	50	50	50	0	30	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	5319	5669	5369	6669	119	7630	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	40	0	30	(1000 MT)
Oct-Sep Exports	0	0	0	40	0	30	(1000 MT)
Feed Dom. Consumption	300	400	325	650	0	800	(1000 MT)
TOTAL Dom. Consumption	5200	5550	5250	6529	0	7500	(1000 MT)
Ending Stocks	119	119	119	100	0	100	(1000 MT)
TOTAL DISTRIBUTION	5319	5669	5369	6669	0	7630	(1000 MT)

Production

Post has revised corn production estimates upwards over the last three years under review to reflect updated information from the Central Bank of Nigeria (CBN). We also believe yields increased in 2004/2005 due to sufficient and timely rainfall. Although private sources indicate that domestic output in MY2004/05 may have actually declined, citing the prevailing high prices, Post believes that the CBN estimates are the most accurate. Government sources attribute the current scarcity of corn to factors such as the food aid to Sudan, an increase in domestic demand, and cross-border exports.

Post forecasts Nigeria's corn production in 2005/06 at 7.5 million tons, up from the revised 6.5 million tons in MY2004/05. Private sources indicate that the prevailing record high corn prices will likely encourage farmers to switch from cotton to corn. The early arrival of rain in the grain belt will also encourage growth in output. However, only a modest increase in yield is expected because of the high cost of fertilizer products. Planting is expected to commence in May 2005.

Consumption

The bulk of Nigeria's corn crop is directed for human consumption. Brewery demand for corn grits is growing in step with growth in the sector. Feed utilization of corn is also increasing, thanks to the rapid growth in the poultry sector witnessed in recent years. Approximately 98 percent of all feed produced in Nigeria is poultry feed. Total corn usage for feed production in Nigeria is forecast at 800,000 tons, up from revised estimate of 610,000 tons in MY2004/05. The upward revision in corn use in feed reflects the more reliable data from the feed industry, which is collaborated by the rapid growth in the poultry sector. The surge in demand for corn has resulted in product shortages. Although the industry would like its poultry feed to consist of nearly 60 percent corn, the high price of corn is making producers to reformulate in favor of other grains such as sorghum, wheat, and millet.

Trade

In January 2005, local newspapers reported that the GON had imposed an import ban on corn to support local growers. However, when AgOffice sought official confirmation, officials at the Federal Ministry of Finance indicated that the ban has not yet been implemented. In the past, imports were limited not necessarily by the high duty of 70 percent, but by the government unofficially discouraging poultry producers from importing. Despite acute shortages and the prevailing record high price of corn, there has not been any corn imports. In real terms, the GON's import ban on corn largely serves the interest of middlemen, not farmers. The middlemen buy corn from resource-poor farmers during harvest when prices are low and speculate for high returns during the off-season.

Marketing

The Nigerian poultry industry has enormous capacity for growth in the medium to long-term. Growth in the industry offers growing market opportunities for U.S. exporters of poultry inputs. However, non-tariff barriers currently limit access to the market.

SORGHUM
PSD Table: Sorghum

Nigeria Sorghum							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	6800	6800	6800	7200	0	7300	(1000 HA)
Beginning Stocks	200	200	200	200	200	200	(1000 MT)
Production	8000	9000	8050	10000	0	10800	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	8200	9200	8250	10200	200	11000	(1000 MT)
TOTAL Mkt. Yr. Exports	50	50	50	50	0	60	(1000 MT)
Oct-Sep Exports	50	50	50	50	0	60	(1000 MT)
Feed Dom. Consumption	150	150	150	150	0	160	(1000 MT)
TOTAL Dom. Consumption	7950	8950	8000	9950	0	10740	(1000 MT)
Ending Stocks	200	200	200	200	0	200	(1000 MT)
TOTAL DISTRIBUTION	8200	9200	8250	10200	0	11000	(1000 MT)

Production

Sorghum production in 2005/06 is forecast at 10.8 million tons, up from the revised 8.0 million tons this year, in line with CBN estimates. The projected increase in output of ten percent is based largely on anticipated improvement in crop yield, thanks to the growing acceptance by farmers of improved varieties developed by local research institutes. Sorghum is Nigeria's most widely cultivated grain, accounting for more than 45 percent of total planted area. Sorghum production is attractive to farmers because of favorable market prices and 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. The early maturing varieties are very suitable to the semi-arid conditions in the extreme northern parts of Nigeria with very short rainy season. Production conditions in 2004 were generally normal.

Consumption

Sorghum enjoys a large and growing domestic demand because of its extensive use as food in virtually all parts of northern Nigeria. Sorghum also is used extensively in brewing homemade local beer. Industrial demand for sorghum by beer and feed manufacturers is rising steadily, in step with growth in these sectors. Some brewing factories in Nigeria produce beer exclusively from corn and sorghum. The use of sorghum in animal feed is increasing due to the scarcity of corn.

Trade

Nigeria is nearly self-sufficient in sorghum. There are no official statistics on exports, but drought conditions to the north of Nigeria encouraged undocumented, cross-border exports of about 50,000 tons into Niger and Chad in MY2004/05.

Rice

PSD Table: Rice

Nigeria Rice, Milled							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Harvested	1800	1800	1850	1850	0	2000	(1000 HA)
Beginning Stocks	1353	1353	1153	1153	553	553	(1000 MT)
Milled Production	2200	2200	2300	2300	0	2700	(1000 MT)
Rough Production	3667	3667	3833	3833	0	4500	(1000 MT)
MILLING RATE (.9999)	6000	6000	6000	6000	0	6000	(1000 MT)
TOTAL Imports	1600	1600	1350	1350	0	1500	(1000 MT)
Jan-Dec Imports	1350	1350	1400	1400	0	1500	(1000 MT)
Jan-Dec Import U.S.	0	0	0	15	0	10	(1000 MT)
TOTAL SUPPLY	5153	5153	4803	4803	553	4753	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	4000	4000	4250	4250	0	4350	(1000 MT)
Ending Stocks	1153	1153	553	553	0	403	(1000 MT)
TOTAL DISTRIBUTION	5153	5153	4803	4803	0	4753	(1000 MT)

Production

Nigeria's rice production in MY2005/06 is forecast at 2.7 million tons, up from 2.3 MMT in MY2004/05. The projected increase is based on a combination of improved input supply and favorable weather outlook. Area and yield are expected to increase. President Obasanjo has a new special initiative to promote self-sufficiency in rice production. A key element of the initiative is the GON's subsidy on basic farm inputs, especially improved rice varieties. The government is promoting the adoption of the new hybrid rice varieties to help boost rice production. These new varieties are high yielding, early maturing, disease resistant, and high in protein content. Despite this initiative, however, Nigeria will continue to depend on imports to satisfy consumer demand.

Consumption

Rice imports account for close to a third 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.

Over the past year, the retail price of rice increased by about 30 percent reflecting significantly higher international prices. Accordingly, imports declined from 1.6 million in 2003/04 to 1.3 million tons in 2004/05. Lower-income consumers switched to local staple foods. However, rice remains a regular item in the diet of most Nigerians, largely because of the convenience and the variety of ways it can be prepared.

Trade

Post forecast Nigeria's rice imports in MY2005 at 1.5 MMT, up from the revised MY2004 estimate of 1.3 million tons. The projected increase is due to limited supply of locally produced rice and other alternatives such as yams and beans. Although the local press continues to report that the GON will ban rice imports in 2006, Post believes that it is unlikely because of the domestic supply shortfall. However, local sources indicate that importers will stock rice in anticipation of the ban.

Trade estimates of Nigeria's imports used in this report include all parboiled rice destined for Niger, Chad and Benin Republics. Nigeria is the only market for parboiled rice in the West African sub-region; neighboring countries are markets for regular milled white rice.

The GON's prohibitive duty on rice imports is encouraging cross-border smuggling of the product. The import duty on rice is 100 percent. When port charges and other taxes are assessed, the effective duty on rice entering Nigeria through Nigerian ports is 119 percent. On the other hand, imports to Benin Republic attract only 35 percent duty, representing a \$200 per ton price advantage over imports through Nigerian ports. Nigerian importers simply land their imports in Benin and then smuggle them into the country. Some importers ship to Cotonou port (Benin) and declare them as transit goods destined to the land-locked countries of Niger and Chad. Transit goods attract only five percent duty in Benin. The rice is subsequently smuggled into Nigeria.

Marketing

Currently, U.S. milled parboiled rice can only compete for a share of the top niche segment of the Nigerian market. U.S. rice exporters are encouraged to collaborate with leading Nigerian importers to boost sales of their products. Promotional activities should target the growing middle to high-income consumers. These segments of the market are willing and able to pay for premium quality U.S. rice. Given appropriate marketing support, this market segment can increase commercial import purchases from the U.S. to 100,000 tons annually, up from the current level of less than 5,000 tons within three years. In 2002, a rice trader imported 5,000 tons of premium quality U.S. rice to test market. Encouraged by the result, the company shipped another 5,000 tons of U.S. rice in December 2004.