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Nigeria

Oilseeds and Products

Annual

2006

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Report Highlights:

Domestic demand for vegetable oil continues to outstrip supplies by approximately 300,000 tons. Unofficial sources estimate that Nigeria imported approximately 200,000 tons despite GON's import ban. Local prices are artificially high and local soap manufacturers are turning to tallow. Nigeria will require more than 60,000 tons of tallow imports in CY2006.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
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Executive Summary

Nigeria's overall domestic vegetable oil production in MY2006 is forecast at 1.35 million tons, up slightly from 1.3 million tons in MY 2005. Consumption demand is estimated at 1.6 million tons, representing a supply deficit of 300,000 tons. Despite the shortfall, the Government of Nigeria (GON) continues to implement an import ban on vegetable oil. Unofficial sources estimate that about 200,000 tons of vegetable oil were smuggled into the country in MY2005. In addition, vegetable oil processors in the country reportedly imported an estimated 35,000 tons of palm kernel in CY2005 from the West African Sub-region, especially Ivory Coast.

Although Nigeria has long since left the export trade in palm produce and is now a net importer, the oil palm industry remains an important contributor to the nation's economy. The sector is a major source of income for farmers in the palm belt, accounts for close to 70 percent of total vegetable oil consumption in Nigeria, and supplies a growing demand by the local industry for raw material for the manufacture of edible oil, soap, and detergents. Other important oilseeds produced in Nigeria include peanuts, cottonseed and soybeans.

Nigeria's Vegetable Oil Profile

Commodity	Quantity	Percentage share
Palm oil	800,000	50
Palm Kernel oil	270,000	17
Other Vegetable oil	260,000	16
Deficit/Imports	270,000	17
National Requirement	1,600,000	100

Exchange Rate: 130 Naira = 1 US\$

PSD Table: Palm Oil

Nigeria Oil, Palm							
	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		10/2004		10/2005		10/2006	MM/YYYY
Area Planted	2710	2710	2710	2710	0	2710	(1000 HA)
Area Harvested	2630	2630	2630	2630	0	2635	(1000 HA)
Trees	280000	280000	280100	280100	0	280100	(1000 TREES)
Beginning Stocks	25	25	26	26	27	27	(1000 MT)
Production	790	790	800	800	0	810	(1000 MT)
MY Imports	200	200	210	210	0	220	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1015	1015	1036	1036	27	1057	(1000 MT)
MY Exports	4	4	4	4	0	9	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	185	185	200	200	0	210	(1000 MT)
Food Use Dom. Consump.	800	800	805	805	0	810	(1000 MT)
Feed Waste Consumption	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	985	985	1005	1005	0	1020	(1000 MT)
Ending Stocks	26	26	27	27	0	28	(1000 MT)
TOTAL DISTRIBUTION	1015	1015	1036	1036	0	1057	(1000 MT)
Calendar Year Imports	50	50	70	70	0	100	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Price Table: Palm Oil

Prices Table

Country Nigeria

Commodity Oil, Palm

Prices in per uom

Year	2004	2005	% Change
Jan	135,000	120,000	-11%
Feb	136,000	126,000	-7%
Mar	106,000	126,000	19%
Apr	103,000	130,000	26%
May	108,000	130,000	20%
Jun	111,000	132,000	19%
Jul	114,000	136,000	19%
Aug	125,000	136,000	9%
Sep	131,000	137,000	5%
Oct	129,000	137,000	6%
Nov	125,000	140,000	12%
Dec	120,000	141,000	18%

Exchange Rate Local Currency/US \$Date of Quote MM/DD/YYYY

Production

Nigeria's palm oil production in MY2006 is forecast to rise to 810,000 tons, up from 800,000 tons in MY2005. The projected increase is based on increased smallholder activities in response to Federal and State government incentives and the on-going expansion and rehabilitation of existing facilities. This partly reflects the modest impact of the GON's Vegetable Oil Development Program (VODEP). The VODEP is a Presidential initiative aimed at developing one million ha of oil palm and rehabilitating 125,000 ha of existing plantations within five years. AgOffice field visits in January 2006 revealed that the four new private large plantations have commenced planting, while the existing estates have embarked on field expansion and out-grower schemes.

Nigeria's oil palm production can be categorized into upstream and downstream sectors.

A. The upstream sector comprises of primary production activities, ranging from the development of seedlings to producing red palm oil and palm kernel. This includes palm oil and kernel produced from 2.25 million hectares of wild palm groves, 400,000 hectares of small-scale holdings and 50,000 hectares from large estates.

- Wild groves---Oil palm output from unorganized wild groves is well below optimum due largely to the low efficiency milling techniques used by local farmers. Post notes an increased exploitation of wild palms by rural farmers in the palm belt spurred by attractive producer prices.

- Large estates---AgOffice field visits revealed that four new privately owned estates commenced planting activities in the last two years. Existing estates have embarked on the rehabilitation and expansion of their plantations.
- Smallholders---Palm production from this sector is on the increase, due largely to the activities under the Presidential Initiative on VODEP. Incentives under the program include: reduced customs duties on imported agricultural machinery, distribution of palm seedlings at subsidized rates, and the provision of extension services to farmers.

Overall, Nigeria's upstream oil palm production is expanding but at a relatively slow pace and output continues to lag behind national consumption requirements. The slow pace is attributed to poor implementation of government development programs. For instance, the supply of subsidized seedlings is not backed by adequate extension services, often resulting in low rate of establishment.

B. Downstream oil palm processing consists of the crushing of palm kernel, the refining of crude palm kernel oil into vegetable oil, and red palm oil into palm oil. Despite excess capacity in the downstream sector, investment is steadily increasing. The increase in investment is due largely to a perception of low capital risk and a quick return on investment. The industry's annual installed palm kernel crushing capacity is estimated at more than 850,000 tons in MY2005, far exceeding total available palm kernel, which is estimated at 660,000 tons. Palm kernel crushers reportedly imported about 35,000 tons of palm kernel from Ivory Coast during CY2005 to increase utilized capacity.

Consumption

The bulk of vegetable oil produced in Nigeria is for direct human consumption. Red palm oil is a major component of the diet of most Nigerians. Red palm oil and palm kernel oil also are refined into palm oil and vegetable oil, respectively for human consumption. Combined, these two account for approximately 70 percent of total vegetable consumed in the country. Industrial consumption of red palm oil and palm kernel oil in MY2005 is estimated at 180,000 tons and 50,000 tons, respectively. Industrial utilization includes: soap, detergent, baker's fat, margarine, etc. Soap manufacturers in the country are increasingly turning to imported tallow, because the prices of palm oil and palm kernel oil are significantly above world market prices level. Approximately 55 percent of all palm kernel meal produced in Nigeria is exported to the EU because of low domestic demand by the animal feed industry. Producers of palm kernel meal are looking for U.S. importers of this inexpensive source of animal feed.

PSD Table: Palm Kernel

Nigeria Oilseed, Palm Kernel							
	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		10/2004		10/2005		10/2006	MM/YYYY
Area Planted	2710	2710	2710	2710	0	2710	(1000 HA)
Area Harvested	2630	2630	2630	2630	0	2635	(1000 HA)
Trees	281000	280100	280100	280100	0	280100	(1000 TREES)
Beginning Stocks	0	0	0	0	0	5	(1000 MT)
Production	650	650	650	650	0	665	(1000 MT)
MY Imports	0	30	0	30	0	30	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	650	680	650	680	0	700	(1000 MT)
MY Exports	6	6	5	5	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Crush Dom. Consumption	634	660	635	660	0	670	(1000 MT)
Food Use Dom. Consump.	0	0	0	0	0	0	(1000 MT)
Feed,Seed,Waste Dm.Cn.	10	14	10	10	0	20	(1000 MT)
TOTAL Dom. Consumption	644	674	645	670	0	690	(1000 MT)
Ending Stocks	0	0	0	5	0	10	(1000 MT)
TOTAL DISTRIBUTION	650	680	650	680	0	700	(1000 MT)
Calendar Year Imports	0	35	0	30	0	35	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

PSD Table: Palm Kernel Oil

Nigeria Oil, Palm Kernel							
	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		10/2004		10/2005		10/2006	MM/YYYY
Crush	634	660	635	660	0	670	(1000 MT)
Extr. Rate, 999.9999	0.410095	0.412121	0.411024	0.412121	0	0.410448	(PERCENT)
Beginning Stocks	10	10	10	10	10	10	(1000 MT)
Production	260	272	261	272	0	275	(1000 MT)
MY Imports	1	1	1	1	0	1	(1000 MT)
MY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	271	283	272	283	10	286	(1000 MT)
MY Exports	1	1	1	1	0	1	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	86	86	86	86	0	86	(1000 MT)
Food Use Dom. Consump.	174	186	175	186	0	189	(1000 MT)
Feed Waste Dom. Consum	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	260	272	261	272	0	275	(1000 MT)
Ending Stocks	10	10	10	10	0	10	(1000 MT)
TOTAL DISTRIBUTION	271	283	272	283	0	286	(1000 MT)
Calendar Year Imports	0	0	0	50	0	0	(1000 MT)
Calendar Yr Imp. U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Price Table: Palm Kernel Oil

Prices Table

Country Nigeria

Commodity Oil, Palm Kernel

Prices in per uom

Year	2004	2005	% Change
Jan	156,000	127,000	-19%
Feb	128,000	128,000	0%
Mar	135,000	150,000	11%
Apr	124,000	140,000	13%
May	122,000	152,000	25%
Jun	119,000	150,000	26%
Jul	122,000	152,000	25%
Aug	129,000	152,000	18%
Sep	130,000	137,000	5%
Oct	130,000	137,000	5%
Nov	133,000	137,000	3%
Dec	133,000	140,000	5%

Exchange Rate Local Currency/US \$Date of Quote MM/DD/YYYY

Trade

Industry sources estimate Nigeria's total informal imports of red palm oil and palm Olein in MY2005 at approximately 210,000 tons, up from the revised estimate of 200,000 tons a year earlier. Many importers reportedly circumvent the GON's import ban on vegetable oil by declaring to local customs that their red palm oil imports as other industrial raw material. Such a categorization also offered a reduced duty payment to customs.

Marketing

Marketing opportunities exist for U.S. exporters of inedible tallow, which is a close and preferred substitute for palm oil in soap manufacture. Soap manufacturers use crude palm oil when available. However, the increasing demand for palm oil to be used as edible product and a GON's import ban has resulted in a shortage of palm oil. The shortage, combined with the GON's import ban on soap has increased import demand for tallow. Additionally, local palm oil tends to have a high free fatty acid (FFA) level. The High FFA level, coupled with a very deep red color means incurring additional bleaching costs, thus giving tallow about \$20 per ton premium. Local soap manufacturers also indicated preference for tallow because of its better foaming ability.

Available U.S. export data show 40,000 tons of U.S. inedible tallow entered Nigeria in CY2005, up from 29,600 tons a year earlier. Post expects US exports to increase above 60,000 tons in CY2006, especially following increased contacts generated by the visit of a five-man Nigerian trade team to the U.S. in 2005. The National Renderers Association sponsored the team. The major competitors for Nigeria's growing tallow market are Canada, EU and Australia. The GON's import duty on tallow is 15 percent.