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Nigeria

Grain and Feed

Grain Prices Climb

2007

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Report Highlights:

Nigeria's grain production this year is down sharply from the bumper crops of 2006, especially for corn, as farmers reduced acreage and yields were impacted by late-season dryness. This has led to a surge in grain prices in recent weeks, boosting the cost of feed and consequently leading to higher poultry meat and egg prices. Meanwhile, imports of corn remain banned.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Lagos [N1]
[N1]

Except for sorghum, the harvest of most grains is in progress or completed in Nigeria. FAS/Lagos visited Nigeria's grain belt (Kano, Katsina, Kaduna, Plateau State, and Abuja) in late October to assess the crop situation.

Grain Production Drops

Grain production in Nigeria this year is down significantly from the bumper harvests of 2006. This drop is especially acute for corn, and was caused by two major factors:

1. **Reduced Planted Area:** Prices for corn were very low last year as a result of a bumper crops and abundant supplies. In addition, prices were also pressured by reduced demand from the poultry industry as a result of AI outbreaks. Because of this, farmers received poor returns and many shifted area into other crops such as soybeans, rice, and cotton. High fertilizer costs also influenced farmers' decisions to shift area out of corn.

2. **Late-Season Dryness:** Insufficient and erratic rainfall in the Northern grain growing areas was another factor impacting the corn crop, as well as the other major grains including sorghum (of which Nigeria is the world's second largest producer) and to a lesser extent millet. Although rains came early (beginning in April), this was followed by a long dry spell in some areas which forced many farmers to plant (or in some cases replant) later than is usual. After this dry spell, rain was quite good and the crops became well established and prospects were for another good harvest. Beginning in mid-September, however, the rains ceased abruptly, and this stoppage of rain occurred about 3 weeks earlier than in 2006. This was a key growing period for many of the crops, especially because of the planting delays. The dryness has impacted yields especially of late-planted corn and sorghum. For corn, the impact is especially severe in the far North, such as the states of Kano, Katsina, Zamfara, and Sokoto. While in the past corn was not prevalent in these states, the introduction of early varieties has resulted in more corn being planted in these dryer northern areas. Lower yields, combined with lower area, have reduced corn production by as much as 30 percent year on year. Millet is expected to be the least effected of these grains as much of the crop was harvested before the impact from the dryness. Although increasing, irrigated dry season (Oct-Apr) production of grain remains small, and will be unlikely to significantly curb any supply problems this year.

Days of Precipitation in Kano, Nigeria

Month	2006	2007
May	5	5
June	8	11
July	8	8
August	10	13
September	10	4
October (thru 20th)	2	0

Prices Jump

Dryness and fears of a grain shortfall this year has lead to climbing grain prices. In addition, production in neighboring countries such as Niger was also effected by the lack of rain, boosting demand there for Nigerian supplies. These rising prices come at a time when prices typically decline from post-harvest pressure of grain coming into the market. Most of the increase in prices occurred in October, shooting prices way above last year. (See below).

**Prices at Dawanau International Grains Market
Kano, Nigeria**

Grain	03/07	10/12/07	11/01/07
White Corn	24,000	27,000	42,000
Yellow Corn	25,000	27,100	42,000
Millet	24,000	25,000	40,000
Sorghum	24,000	28,000	40,000

Higher grain prices have a strong impact on average Nigerian consumers, as grains typically constitute a large portion of their diet, especially in the North. These high prices are squeezing consumers at a time when bread prices are also extremely high as a result of rising international wheat prices

(see report NI7025 – <http://intranetapps/GainFiles/200709/146292506.doc>)

Feed/Poultry Sector Impacted

Although most grain in Nigeria is consumed directly, higher grain prices is also boosting the cost of feed, impacting livestock and especially poultry production. One major feed miller in southern Nigeria reported that the current cost of corn (including transportation from Northern growing areas), is currently 48,000 naira per ton (\$400) this year, compared to just around 33,000 (\$265) last year. Exacerbating these price increases, and higher input costs for poultry producers, is the government of Nigeria's ban on imports of corn. The current cost of landed U.S. corn into southern ports is estimated at approximately \$300 per ton.

In addition to rising corn prices, two other factors are contributing to boost the cost of compound feed this year. First, while in past years of high corn prices many feed millers would substitute imported wheat, with international wheat prices at such high levels this is not an option this year. Additionally, wheat bran prices (also included in most feeds), are more than double last years level, and many feed millers report difficulty in finding sufficient quantities as flour mills are running far below last year's level. Second, soybean prices are also higher (albeit only slightly compared with grains), despite much larger area. Production was also hit by the same dryness than affected corn, reducing yields. Prices at the Dawanau grain market were 56,000 naira per ton as of November 1, 2007, compared to 49,000 in March 2007.

This rise in feed costs is squeezing poultry producers at a time when most are trying to expand flocks after AI outbreaks last year. It is consequently boosting the cost of poultry meat and eggs on the Nigerian market, and prices of these goods have risen significantly.