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Nigeria

Sugar

Annual

2006

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Report Highlights:
Nigeria is expected to resume sugar production this year with a modest 40,000 tons after four consecutive years of depending exclusively on imports. Savannah Sugar Company, which was privatized in 2002, is expected to resume milling operations in May 2006 under a new management. Nigeria's sugar consumption is increasing steadily in step with growth in population and in industries utilizing sugar as raw material. The bulk of Nigeria's sugar requirement is imported raw and refined locally. Brazil is the dominant supplier of brown and refined sugar to Nigeria.

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

The Government of Nigeria (GON) has privatized all its four sugar estates after several years of mismanagement. The new investors have taken over the management of these estates and have embarked on the rehabilitation and expansion of the cane fields and the mills. According to the GON, the privatization of these estates is a key element of revamping the sugar industry and increasing local production.

Local production has been at zero level since 2001 when the GON commenced the privatization of government-owned sugar estates. In what appears to be a major success story for Nigeria's privatization exercise, Dangote Group, the new owner of Savannah Sugar Company has completely rehabilitated the cane fields and the mill. Field visits by the Agricultural Affairs Office to the estate site in Numan in the North Eastern State of Adamawa revealed that the facility has been completely revamped and milling operation is expected to resume in May 2006. The other sugar estates in Bacita and Sunti have all been privatized but are yet to resume operation.

Now that virtually all government-owned sugar estates have been privatized, the National Sugar Development Council (GON's sugar sector development agency) has shifted focus to research and development, supporting a uniform development of the out-grower scheme and establishing a price support mechanism to ensure that farmers receive a fair deal from the estates. The NSDC has two seed cane location in Hadejia and Kano to support small-scale farmers.

At present, the bulk of the sugar consumed in the country (about 80 percent) is imported as brown sugar and refined locally. The remainder is imported in refined form. Nigeria has only one sugar refinery operating with an installed capacity of 1.5 million tons per annum, sufficient to satisfy total demand. Another investor plans to commission a second refinery later in 2006. The GON makes it mandatory for all sugar directed at household consumers to be fortified with vitamin A. Non-fortified sugar imports are exclusively for industrial use.

Exchange Rate: US$1 = 128 Naira

PSD Table: Centrifugal Sugar

Nigeria Sugar, Centrifugal							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		09/2004		09/2005		09/2006	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	40	0	80	(1000 MT)
TOTAL Sugar Production	0	0	0	40	0	80	(1000 MT)
Raw Imports	800	800	850	850	0	1100	(1000 MT)
Refined Imp.(Raw Val)	350	350	350	350	0	300	(1000 MT)
TOTAL Imports	1150	1150	1200	1200	0	1400	(1000 MT)
TOTAL SUPPLY	1250	1250	1300	1340	100	1580	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	100	100	60	100	0	100	(1000 MT)
TOTAL EXPORTS	100	100	60	100	0	100	(1000 MT)
Human Dom. Consumption	1050	1050	1140	1140	0	1380	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	1050	1050	1140	1140	0	1380	(1000 MT)
Ending Stocks	100	100	100	100	0	100	(1000 MT)
TOTAL DISTRIBUTION	1250	1250	1300	1340	0	1580	(1000 MT)

Production

Nigeria's domestic sugar production in MY2006/07 is forecast at 80,000 tons, up from 40,000 tons this year. Field visit by the Agricultural Affairs Office to Savannah Sugar Company in Adamawa State, the first estate to be privatized in 2002, revealed that the Dangote Group, the new owners of the estate have completely rehabilitated the cane fields and the mills. Currently, the company has 3,000 hectares of cane fields at varying stages of maturity. Harvesting and milling operations are expected to commence in May 2006. Savannah (Dangote) Sugar Company has a total of 32,000 hectares of land available with excellent irrigation facility and plans to expand very quickly to use all the land. Also, the company in partnership with the National Sugar Development Council is developing a robust out-grower scheme to provide economic support to the local community around the estate. The first phase of the out-grower scheme will involve 400 farmers with average farm size of two hectares. Under the scheme, Savannah sugar will prepare the land, provide irrigation water, seed cane and other inputs on a cost recovery basis. The other estates in Bacita and Sunti are at varying stages of rehabilitation under new managements and could resume milling operations in 2006/07.

The privatization of government-owned, fully integrated sugar companies is a key element of GON's overall strategy of achieving self-sufficiency in the long run. Privatization will undoubtedly improve the management of these estates and stimulate new investments in the industry.

Consumption
Overall sugar consumption in MY2006/07 is forecast at 1.3 million tons, up from 1.1 million tons in 2005/06. The forecast is in line with growth trends in population and industrial demand. Trends in industrial activity utilizing sugar as input, such as for soft drinks, pharmaceuticals, beverages and confectionary products, suggest that demand for sugar will continue to rise. Industrial usage accounts for almost 35 percent of the total sugar consumption in Nigeria. Soft drink production alone accounts for about half of total industrial usage.

Trade
Post forecasts Nigeria's raw sugar imports in 2005/06 at 1.1 million tons, up from 850,000 tons in 2005/06. Dangote Group, the owner of a sugar refinery in Lagos is the sole importer of brown sugar. The refinery has an installed capacity of 1.5 million tons. Another investor is expected to commission the second sugar refinery in late 2006. Refined sugar imports are forecast at 300,000 tons (raw equivalent), down from 350,000 tons in 2005/06 due to increasing refining capacity. 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 are projected at 100,000 tons annually.

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. However, following complaints by industrial users of sugar that fortified sugar will induce undesirable changes in color, taste and appearance in their products, the GON approved imports of non-fortified sugar exclusively for industrial use. All sugar for household consumption is required to be fortified with vitamin A. At present, Dangote refinery is the only supplier of fortified sugar in Nigeria.