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Grain and Feed

Annual

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Report Highlights:
Nigeria's grain harvest was disappointing this year. Efforts by the private sector to import have been blocked by the GON's import ban on sorghum and its 70 percent import duty for corn. U.S. wheat exports to Nigeria in 2000/01 increased nearly 30 percent to 1.4 million tons. Rice import purchasing activity has slowed following an increase in duty by the GON from 50 percent to 75 percent.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Nigeria's overall grain supply in 2000/2001 will fall short of consumption requirements due largely to poor rainfall distribution and poor input supply. Corn production declined markedly as a result of a decline in average crop yield, attributed to low fertilizer usage, and a drop in harvested area as growers switched to soybeans and cotton. Nigeria's tight grain supply situation is exacerbated by drought conditions in countries to the North of Nigeria. Buyers from Chad and Niger are entering northern Nigeria to purchase corn, sorghum and millet to meet the food needs of their own countries. Price levels for corn and sorghum have risen to record levels as sellers have reduced their sales volumes in anticipation that prices will continue their upward trend. The private sector is unable to initiate import purchasing because of the Government of Nigeria (GON's) ban on sorghum imports and a 70 percent duty which the GON recently imposed on corn imports. Poultry producers and the feed manufacturers have petitioned the GON to reduce the duty on corn. As yet, there has been no response from the Government which faces strong political opposition against private sector corn and sorghum imports from key growing zones in the north. Reportedly, the Government has

authorized the release of grain from its strategic reserves. This action is not likely to be adequate in reducing local grain prices because the GON's reserves are currently limited to no more than 25,000 tons of corn and less than 20,000 tons of sorghum. Feed manufacturers have partially shifted from locally-produced corn to imported feed wheat to sustain their operations.

In January 2001, the Nigerian Government (GON) re-introduced a 25 percent subsidy on fertilizer products and will now re-direct its fertilizer purchases from overseas suppliers to local producers. Government subsidies on fertilizer products in the past have created scarcity conditions and resulted in higher prices to growers and reduced application levels.

In January 2001, the GON increased the import duty on rice from 50 percent to 75 percent to protect the local rice industry against "massive importation". Rice import purchasing activity is off sharply as a result of the higher duty rates. The local market is now being supplied in large part by large carryover stocks which were accumulated in late 2000 in anticipation of the duty increase.

Nigeria is the most important market in Sub-Saharan Africa for U.S. wheat. With consumer purchasing power boosted by a 100 percent increase in minimum wage rates last year, wheat imports are projected to increase 6 percent to 1.7 million tons in marketing year 2001/2002. Import growth potential for wheat is softened somewhat by the imposition of GON's 5 percent value added tax on wheat flour produced from imported wheat in March 2000 and the marked devaluation of Nigeria's currency over the past year.

The National Council on Agriculture, Nigeria's highest agricultural policy making body, met in early April under the chairmanship of Mallam Adamu Bello, the Minister of Agriculture. The meeting reached a consensus on the following key issues:

- A review of Nigeria's Agricultural Policy is scheduled to be completed by November 2001. Federal, State and Local governments are involved in the review exercise along with the active participation of the private sector.

- The reinstatement of the GON's fertilizer subsidy and assistance given to farmers for production inputs such as tractors, improved seeds, and seedlings were strongly supported by all participants at the meeting.

- The meeting confirmed the establishment of three government-supported Agricultural Commodity Development and Marketing Companies. The Federal Government will have a 40 percent equity share in these companies and has directed states and local governments to acquire shares on behalf of farmers. One of these companies will engage in the domestic and external marketing of grain.

Exchange Rate: US$1 = 125 naira

Wheat

PSD Table : Wheat

PSD Table						
Country	Nigeria					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	35	35	35	35	0	35
Beginning Stocks	200	200	200	200	200	200
Production	45	45	45	45	0	50
TOTAL Mkt. Yr. Imports	1275	1275	1500	1600	0	1700
Jul-Jun Imports	1275	1275	1500	1600	0	1700
Jul-Jun Import U.S.	1087	1087	1400	1400	0	1500
TOTAL SUPPLY	1520	1520	1745	1845	200	1950
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	10	0	15	0	10
TOTAL Dom. Consumption	1320	1320	1545	1645	0	1750
Ending Stocks	200	200	200	200	0	200
TOTAL DISTRIBUTION	1520	1520	1745	1845	0	1950

Production

Nigeria’s wheat production in 2001/02 is forecast at 50,000 tons, up slightly from 45,000 tons a year earlier. Domestic production accounts for only 3 percent of the country’s wheat consumption requirements. Wheat production is not expected to expand significantly beyond current levels due to local climatic conditions which are not suitable for wheat. Wheat is a Fadama (lowland) crop grown under irrigation in northern Nigeria, especially in the Lake Chad basin.

Consumption

Approximately 95 percent of all wheat consumed in Nigeria is Hard Red Winter (HRW) for the production of bread flour. However, a growing import volume of SRW is evident, in response to increased investment in pasta production facilities. Wheat import volumes have increased due, in part, to a significant expansion in the industry’s milling capacity during the past 2 years. The Dangote Group opened a new mill in December 1999 in Lagos with a daily processing capacity of 500 tons of grain. The group commenced construction on a 1,500 ton mill in the northern Nigerian city of Kano. Flour Mills of Nigeria, the current industry leader, assumed management of a state-owned mill located in eastern Nigeria under a 7-year contract. These additional investments in new milling capacity are viewed as a sign of confidence in the growth potential of the industry and in the economic and political stability of the country. Currently, 20 mills are operational in the country with a combined annual processing capacity of approximately 3.1 million tons.

Prices

Wheat millers under the umbrella of Flour Millers Association of Nigeria meet frequently to deliberate on issues affecting the industry and to agree on ex-factory prices for their products. Most millers, especially the new entrants into the industry, do not keep to agreed prices. The new entrants have adopted aggressive pricing policies and have consistently shown a willingness to undercut the going market price. Millers also compete on the basis of credit and by offering other sales inducements to their distributors. Some mills have in house bakery training facilities and conduct seminars for bakers on how to use their flour.

Following the GON’s decision to apply its 5 percent value added tax to wheat flour in March 2000 and a substantial devaluation of the local currency in recent months, the average retail price of flour increased to 2,300 naira, up from 2,050 naira per 50 kilogram bag in February 2001. Bakers, determined to absolve themselves of any blame for bread price increases, stopped operations for two days to protest the increase in the price of wheat flour. Most bakers resumed operations and introduced a 25 percent increase for the price of bread in March 2001. Some within the industry anticipate that the marked devaluation of the local currency may again compel millers to increase the price of wheat flour.

Trade

Post forecasts Nigeria’s overall wheat imports for the 2001/2002 marketing year at 1.7 million tons, up from 1.6 million tons in 2000/2001. U.S. wheat exports to Nigeria are forecast to increase from 1.4 million tons in 2000/01 to 1.5 million tons in 2001/2002. Nigeria’s imports of HRW wheat continue to increase as bread has firmly established itself as a staple food for the Nigerian masses. Imports of soft wheat also are increasing to satisfy a growing demand for biscuits, crackers and pasta products. Nigeria is the leading market in Sub-Saharan Africa for U.S. wheat. In 1999/2000, Nigeria retained its position as the sixth largest importer of U.S. wheat and the third largest importer of U.S. HRW. U.S. wheat exports to Nigeria in 2000/2001 increased nearly 30 percent over a year earlier and the U.S. share of Nigeria’s wheat imports rose to 88 percent, the highest level since the mid-1990's. Canada and Argentina are the principal competitors in the Nigerian market. In general, local millers regard Canadian wheat to be of higher quality than U.S. wheat due to lower dockage. However, millers are very price sensitive and are reluctant to pay a significant premium for Canadian grain over U.S. wheat. European soft wheat is now being imported as a substitute for corn in feed formulation.

Nigeria’s rapid population growth and the economic recovery program of the new democratic government suggests that the country has the potential to increase wheat imports from the United States beyond the 1.9 million tons peak level recorded in the 1980's. Industry sources indicate that the level of U.S. exports to Nigeria could exceed 2 million tons in the next four years and 3 million tons over the next 8 to 10 years. Existing industry milling capacity is adequate to support this increased grain utilization. Post collaborates with U.S. Wheat Associates to provide necessary technical and marketing support to the local industry. This past year, two Nigerian millers and two bakers benefitted from training in the U.S. geared to their operations under USDA’s Cochran Fellowship Program. Sixteen Nigeria banks were approved over the past year to participate in USDA’s GSM-102 Program. In total, they enjoy an approved credit limit of $24.5 million.

Local millers in recent months have complained about low protein content and high dockage levels in their import shipments of U.S. wheat. The improving quality profile of Argentine wheat and its relatively low price following harvest makes it attractive to millers in Nigeria. Low-priced non-U.S. wheat may become more of a competitive threat to U.S.

grain in response to the declining value of Nigeria's currency. Over the past year, the value of the Naira has fallen about 25 percent.

Wheat Import Trade Matrix

Import Trade Matrix			
Country	Nigeria		
Commodity	Wheat		
Time period	Jul - Jun	Units:	Tons
Imports for:	1998		1999
U.S.	1,249,000	U.S.	1,087,000
Others		Others	
Canada	124,000		96,520
Argentina	84,000		91,465
EU			15
Total for Others	208000		188000
Others not Listed	9000		0
Grand Total	1466000		1275000

Policy

Nigeria's wheat import tariff was increased from 7.5 percent *ad valorem* to 15 percent in January 1999. Imported wheat also is subject to port surcharges (equal to 7 percent of the duty value), and the GON's Combined Import Supervision Scheme fee which is equal to 1 percent of FOB value. The GON's 5 percent value added tax was extended to wheat flour, effective March 2000.

Sorghum

PSD Table : Sorghum

PSD Table						
Country	Nigeria					
Commodity	Sorghum				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Harvested	6600	6600	6700	6700	0	6750
Beginning Stocks	200	200	200	200	200	200
Production	7500	7500	7800	7600	0	7800
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	7700	7700	8000	7800	200	8000
TOTAL Mkt. Yr. Exports	0	50	0	100	0	50
Oct-Sep Exports	0	50	0	100	0	50
Feed Dom. Consumption	200	100	250	120	0	130
TOTAL Dom. Consumption	7500	7450	7800	7500	0	7750
Ending Stocks	200	200	200	200	0	200
TOTAL DISTRIBUTION	7700	7700	8000	7800	0	8000

Production

Sorghum production in 2001/02 is forecast at 7.8 million tons. The projected increase in output is based on indications that farmers will expand cultivated area in response to record high market prices for sorghum and its relatively low fertilizer usage requirements. Average crop yield continues to increase thanks to the growing acceptance by growers 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 cultivation spans the North to the Middle-belt zones of the country where precipitation and soil moisture levels are low. Production conditions in 2000 were normal, except for localized flooding reported in northeastern Nigeria. This year’s sorghum crop suffered little from pests and diseases.

Consumption

Sorghum enjoys a large and growing domestic demand because of its extensive use as a food crop in virtually all parts of northern Nigeria. Sorghum also is used extensively in brewing home-made local beer. Industrial demand by beer manufacturers is declining following the lifting of the import ban on barley and barley malt in 1998. Beer had been produced exclusively in Nigeria from corn and sorghum after barley and barley malt importation was banned in the mid-1980's. Millers are presently paying 34,000 naira per ton for sorghum delivered to their plants compared to 16,000 naira a year earlier.

Trade

Nigeria is nearly self-sufficient in sorghum. There are no official statistics on exports, but drought conditions to the North of Nigeria has markedly increased undocumented, cross-border movement this year to about 100,000 tons. Post's recent visit to the Dawanu grains market, located in the outskirts of the northern commercial city of Kano, revealed that no fewer than 5 trailer loads of sorghum is moving daily across the border into Niger and Chad. This movement has curtailed domestic availabilities and pushed prices to record highs.

Rice

PSD Table : Rice

PSD Table						
Country	Nigeria					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Area Harvested	1660	1660	1650	1650	0	1660
Beginning Stocks	375	375	525	525	775	625
Milled Production	2000	2000	2000	2000	0	2100
Rough Production	3333	3333	3333	3333	0	3500
MILLING RATE (.9999)	6000	6000	6000	6000	0	6000
TOTAL Imports	950	950	1200	1250	0	1050
Jan-Dec Imports	1200	950	1000	1250	0	1050
Jan-Dec Import U.S.	0	1	0	1	0	0
TOTAL SUPPLY	3325	3325	3725	3775	775	3775
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	2800	2800	2950	3150	0	3250
Ending Stocks	525	525	775	625	0	525
TOTAL DISTRIBUTION	3325	3325	3725	3775	0	3775

Production

Rice farming is widespread in Nigeria. Post's recent field survey indicates that overall crop yield improved in 2001 due largely to increased grower usage of improved varieties. Nigeria has the capacity to be self-sufficient in rice production, as virtually all ecologies in the country are suitable for rice cultivation. Domestic production is constrained by inadequate input supply and poor agronomic practices by Nigeria's resource-poor, small-scale rice farmers. Locally-milled rice is of poor quality and quantity falls far short of demand. Imported parboiled rice competes effectively against other basic food staples and import volumes have trended upwards in recent years.

Nigeria's Cereals Research Institute continues to introduce improved rice varieties for the various ecological zones found in Nigeria. Available varieties are medium to long grain and are tolerant to blast which is the most damaging rice disease in Nigeria.

Consumption

Rice is a basic staple of the masses in Nigeria. Imports in calender year 2000 are estimated at 1.3 million tons and consists largely of low-quality, low-priced Asian rice. Rice imports account for approximately one-third of Nigeria's total rice supplies. Imported parboiled rice is directed at meeting consumer demand in urban areas where incomes are highest.

Trade

President Obasanjo promised in early December 2000 to "increase the GON's duty on rice in order to protect Nigerian farmers from unfair competition from imports". In January 2001, the GON increased the duty on rice from 50 percent to 75 percent. When the value added tax, port surcharges and other tax assessments are included, the effective duty rate on rice increases to more than 85 percent. Major rice importers placed large import orders in the last quarter of 2000 and held large carryover stocks into year 2001 in anticipation of the increase in duty. Trade sources indicate that importers are currently supplying the market largely from stocks held over from last year. The average retail price of rice is expected to increase from 2,600 naira per 50 kilogram bag to 3,050 naira when importers resume import purchasing activity, reflecting the higher duty rate. The increase in the duty on rice may dampen legal documented imports and encourage cross-border smuggling through neighboring countries.

The GON is now sanitizing port operations to speed-up clearance of imported goods. This exercise makes it increasingly difficult for importers, especially of bulk commodities, to avoid their duty payment obligations by utilizing under-invoicing schemes. Importers who effectively evaded paying import taxes in the past are now being penalized. Rice imports are forecast to fall to 1.05 million tons in 2001, down from 1.25 million tons in 2000 as a result of the higher import duty and heavier than normal beginning stocks.

Prices

The Nigerian rice market is price sensitive. Since this grain is a basic food staple of the masses and because consumer purchasing power is relatively weak, rice prices tend to be fairly stable. The average retail price of an imported 50 kilogram bag of parboiled rice in late March 2001 was 2,600 naira, almost the same as a year earlier. Additionally, importers usually extend generous credit terms to distributors to retain their market share. The increase in the duty will likely result in higher domestic rice prices in the coming months as importers factor this additional cost into their sales prices.

Marketing

Although American rice has not made major sales inroads into the Nigerian market to date, it does have market potential based upon its high quality. Many Nigerians remain familiar with U.S. rice from the oil boom era of the 1970's and early 1980's when branded Uncle Ben's rice was a household name. The return of the Uncle Ben's brand to the Nigerian market in the late 1990's generated interest among Nigerian consumers, particularly upper-income groups who enjoy the ability to pay for high-quality U.S. rice. To date, however, rice imports from the United States consist entirely of consumer-packaged product and total less than 1,000 tons. U.S. exporters should consider exporting in bulk, with product re-bagged after arrival. Sales opportunities exist for U.S. parboiled rice packaged in 50 kilogram bags. Exporters should seek to utilize the Supplier Credit Guarantee and the GSM-102 Programs in making sales in this price sensitive market.

Corn

PSD Table : Corn

PSD Table						
Country	Nigeria					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		10/1999		10/2000		10/2001
Area Harvested	3450	3450	3200	3200	0	3400
Beginning Stocks	100	100	100	100	100	40
Production	5100	5100	4000	4000	0	5000
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	5200	5200	4100	4100	100	5040
TOTAL Mkt. Yr. Exports	0	0	0	60	0	10
Oct-Sep Exports	0	0	0	60	0	10
Feed Dom. Consumption	250	250	200	200	0	250
TOTAL Dom. Consumption	5100	5100	4000	4000	0	4930
Ending Stocks	100	100	100	40	0	100
TOTAL DISTRIBUTION	5200	5200	4100	4100	0	5040

Production

Post forecasts Nigeria’s corn production in 2001/2002 at 5 million tons. The projected increase is based on indications that farmers will devote more land area to corn in response to the stimulus of record high prices this season. Corn production in 2000/2001 fell markedly due to reductions in harvested area and average crop yield. This year’s harvest has fallen far short of domestic requirements, pushing prices to record high levels. Post’s recent field survey revealed that this year’s poor harvest is attributable to a combination of the following factors:

- Poor rainfall distribution. Rains arrived late in many parts of the country and were erratic at the beginning of the season.

- Poor grower prices for the 1999 corn crop encouraged growers to switch this past planting season to soybeans and cotton in northern growing regions. A weakened industrial demand for corn grits by breweries due to a gradual shift back to barley malt was a factor in weakening grower prices.

‘ Nigeria’s recurring fertilizer scarcity problem also contributed to this year’s disappointing corn crop. Corn requires a relatively heavy fertilizer application level to achieve optimum yield results. GON policy inconsistencies on fertilizer production and distribution resulted in curtailed availabilities and higher prices to growers. The GON eliminated its fertilizer subsidies in 1997, but re-introduced them soon after President Obasanjo took office in May 1999. In January 2000, the subsidy was again eliminated. Fertilizer supplies tightened and prices increased markedly. Growers paid an average of 2,000 naira per 50 kilogram bag of fertilizer this past season supplied by commercial dealers, up nearly 35 percent over a year earlier.

Corn supplies in the market are tight throughout Nigeria. The supply and price situation is aggravated by drought conditions to the North of Nigeria which is attracting corn, sorghum and other grains into Niger and Chad. Additionally, the shortfall in supply is exacerbated by transport problems and speculative buying behavior which is limiting market supplies in anticipation of yet higher prices.

Consumption

The bulk of Nigeria’s corn crop is directed for human consumption. Until 1999, breweries in Nigeria were the leading industrial users of corn and their purchasing activity was a principal price determinant. Brewery demand for corn grits is falling, reflecting a shift back to imported barley malt following the lifting of the import ban on the commodity in 1998.

Feed utilization of corn is trending upward thanks to the recovery of the poultry sector. Approximately 98 percent of all feed produced in Nigeria is poultry feed. Total corn usage for feed production in Nigeria is forecast to increase to 250,000 tons during the 2001/2002 marketing year. About one-third of all feed in Nigeria is produced by the 4 largest feed manufacturers. The remainder is produced by small-scale feed operators and poultry producers. Although the industry would like its poultry feed to consist of nearly 65 percent corn, this year’s tight supplies and high corn prices is forcing producers to reformulate in favor of other grains such as sorghum, wheat, and millet. Feed manufacturers are maximizing usage of corn and wheat milling by-products along with soybean oil as substitute sources of energy in their feed formulas. At present, feed manufacturers are paying 34,000 naira per ton for local corn delivered to their plants, up from an average of 15,000 naira a year earlier.

Trade

Post was successful in lifting the GON’s import ban on corn last year. Corn import demand, however, suffers from a prohibitive import duty of 70 percent imposed after the ban was lifted. In addition to the duty, corn imports are subject to: 1) a port surcharge equivalent to 7 percent of the duty amount, 2) a customs administrative charge equal to 1 percent of the FOB value, 3) an ECOWAS levy equal to 0.5 percent of the import duty, and 4) and a value added tax of 5 percent. The effective duty on corn imports is estimated at more than 80 percent.

Local feed manufacturers have requested a duty waiver or a reduction in the duty from the GON. The GON has not yet responded probably because of opposition to private sector grain imports from political constituencies in northern grain growing areas. President Obasanjo ordered the release of grain from the GON’s strategic reserves at subsidized rates for household consumption. The action is not likely to have a significant impact on rising grain prices given that the

GON is holding only about 55,000 tons of total grains in its reserve. There are indications that the GON may seek to import directly to address the current supply problem. Feed manufacturers have reduced their corn utilization in favor of low-priced, feed quality wheat imported from Europe to maintain operating levels.

Cross-border movement of corn, sorghum, and millet, to Niger and Chad has increased in recent months due to crop shortfalls in these countries due to dry growing conditions. This undocumented trade in 2000/2001 is estimate to include 60,000 tons of corn.