Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 12/21/2000

GAIN Report #NI0029

Nigeria

Grain and Feed

Grain and Feed Voluntary Report

2000

Approved by:
David Rosenbloom, Agricultural Counselor
U.S. Embassy, Lagos
Prepared by:
David Rosenbloom, Agricultural Counselor & Ali Michael David, Agricultural Specialist

---

Report Highlights:
Recent progress in liberalizing Nigeria's import market is now being threatened by new protectionist policies. Although import bans on agricultural products are officially being eliminated, they are being replaced with high import duty rates. The GON continues to maintain that it must support its local growers through import controls. A lack of transparency and inconsistency among GON agencies regarding import guidelines and regulations is limiting growth in Nigeria's agricultural trade.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Lagos NI0029

Table of Contents

Executive Summary

Import bans on several commodities have been lifted in recent years, but the GON continues to implement protectionist policies highlighted by prohibitive import duties. A lack of transparency and consistency among key Government agencies involved in agricultural import activity also poses a serious problem to importers. Nigerian importers of agricultural products routinely seek to avoid payment of duties or circumvent import bans through under-invoicing schemes or collusion with local officials. Those importers that have successfully avoided the payment of import duties/taxes have usually become key players in this market. Local importers often give a preference to those exporters which can best assist in supplying the "special" documentation needs of the local trade. Although high level Nigerian Government officials routinely call for an elimination of corruption, increased trade, and the recovery of the local agricultural sector through new foreign investment, significant progress is not yet noted in these areas.

According to press reports, President Obasanjo recently stated that "the Government will increase the tariff on rice to boost local production". Although the President's announcement does not threaten to diminish U.S. sales, because the Nigerian import market is dominated by low-priced imports from Asian suppliers, this protectionist attitude marks a return to old, established polices of President Obasanjo, who enacted import bans for several agricultural commodities when he was the military Head of State between 1976 and 1979. Post's efforts to remove Nigeria's import ban on corn did result in the lifting of this ban which goes back to the mid-1980's. The announcement was made at the inaugural meeting of the U.S. - Nigeria Trade and Investment Framework Agreement (TIFA) in June 2000. However, the GON quickly placed a 70 percent import duty on this grain which effectively blocks trade. Post has discussed this situation with GON officials and representatives from the local feed manufacturing sector given this year's marked decline in corn production. The current corn crop is forecast at 4.1 million tons, down from 5.0 million tons a year ago. FAS/Lagos has successfully intervened to overcome the industry's concern that the lifting of the ban will not be respected by Nigerian Customs. The removal of some import bans has not yet been officially gazetted, while some of those that have, are not being enforced. With a high degree of uncertainty prevailing along with a prohibitive duty rate, the local trade anticipates that only a modest import volume, if any, for corn will be possible during the upcoming year.

Nigeria is the most important market in Sub-Saharan Africa for U.S. wheat. Wheat imports during the 1999/2000 (July-June) marketing year fell 15 percent from a year earlier due in part to a doubling of Nigeria's import duty rate from 7.5 percent to 15 percent in January 1999. With corn supplies tight, and an increase in purchasing power thanks to a 100 percent increase in minimum wages for federal and state employees, wheat import demand is projected to recover during the current 2000/2001 year to 1.4 million tons. The United States is expected to enjoy an 85 percent share of this year's Nigerian wheat import market.

Exchange Rate: US$1 = 106 naira

Corn

PSD Table : Corn

PSD Table						
Country:	Nigeria					
Commodity:	Corn					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Harvested	3400	3400	3450	3450	3450	3200
Beginning Stocks	100	100	100	100	100	100
Production	4950	4950	5000	5100	5000	4000
TOTAL Mkt. Yr. Imports	0	0	0	0	0	10
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	5050	5050	5100	5200	5100	4110
TOTAL Mkt. Yr. Exports	0	0	0	0	0	30
Oct-Sep Exports	0	0	0	0	0	30
Feed Dom. Consumption	250	150	250	175	250	200
TOTAL Dom. Consumption	4950	4950	5000	5100	5000	3980
Ending Stocks	100	100	100	100	100	100
TOTAL DISTRIBUTION	5050	5050	5100	5200	5100	4110

Production

Nigeria’s corn production in 2000/2001 is estimated at 4 million tons, down from 5.1 million tons a year earlier. Corn area and average crop yield both fell markedly. Based upon Post’s field survey, we attribute this year’s poor harvest to:

- Poor grower prices for the 1999 corn crop, resulting from a good harvest, encouraged growers to switch this season to soybeans and cotton in northern growing regions.

- Brewery demand for corn grits continues to weaken as the beer industry modifies its beer formulation back to barley malt following the lifting of the import ban on this commodity. Nigerian Breweries, the largest brewing operation in Nigeria has reportedly reduced its corn grit requirements by more than 50 percent over the past year.

- Nigeria’s recurring fertilizer scarcity problem also contributed to this year’s disappointing corn crop. Corn is highly fertilizer-dependent, requiring a relatively heavy fertilizer application to achieve optimum yield results. GON policy inconsistencies on fertilizer production and distribution resulted in curtailed availabilities and high prices to growers. The GON eliminated its fertilizer subsidies in 1997, but re-introduced them soon after President Obasanjo took office last May 1999. In January 2000, the subsidy was again eliminated. Fertilizer supplies tightened and prices increased markedly. Several state governments continue to provide their own subsidy programs although volumes offered were limited. Growers paid an average of 2,000 naira per 50 kilogram bag this season for fertilizer obtained from commercial dealers, up nearly 35 percent over a year earlier.

Consumption

The bulk of Nigeria's corn crop goes 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 resulting from the lifting of the import ban for this commodity in 1998.

Feed utilization of corn is trending upward thanks to the recovery of the poultry sector. Approximately 95 percent of all feed produced in Nigeria is poultry feed. Total corn usage for feed production in Nigeria is forecast to increase to 200,000 tons during the current year. About one-third of all feed in Nigeria is produced by the 4 largest feed manufacturers, with the remainder produced by small-scale operators and poultry producers. Although the industry ideally would like their poultry feed to consist of nearly 65 percent corn, this year's tight supplies and high corn prices is forcing producers reformulate in favor of other grains such as sorghum, wheat, and millet. Feed manufactures also will be maximizing corn and wheat by-products from the milling process as well as soybean oil as a substitute source of energy. Currently, feed manufacturers are paying 21,000 naria per ton for local corn delivered to their plants, up from less than 10,000 naira at the beginning of December 1999. In contrast, locally-produced sorghum and millet are being sold at sold at 16,500 naria per ton.

Trade

The GON announced the lifting of the import ban on corn during the inaugural meeting of the U.S. - Nigeria Trade and Investment Framework Agreement (TIFA) in June 2000. A formal directive was issued immediately following this meeting to the relevant GON agencies. Although the ban has been removed, corn imports remain effectively blocked by a prohibitive duty of 70 percent imposed on the commodity 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 total tax collected on corn imports is estimated at more than 80 percent. The c&f cost of delivering #2 yellow corn from the U.S. to Nigeria is estimated at approximately $125 - 130 per ton. This compares favorably with local corn priced at nearly $200 per ton. Once the above taxes are assessed, however, the import cost of U.S. corn exceeds $230 per ton. Based upon this analysis, feed manufacturers are clearly motivated to turn to other alternative grain inputs for their feed formulation needs.

FAS/Lagos has discussed the corn situation with GON officials and representatives of the local feed industry. We anticipate that the feed industry will request a waiver or reduction on the duty for corn imports. Without such relief, imports are likely to be minimal. One of Nigeria's largest feed manufacturers also operates a wheat milling operation. This U.S.-owned company enjoys the possibility of placing some U.S. corn on one of its vessels carrying U.S. wheat to Nigeria. We think that it might import a modest volume of U.S. corn this year. This may prove to be a modest testing of the water, with larger sales volumes to follow. Import duty relief will prove beneficial to potential importers who seek U.S. corn for meeting the human consumption requirements of Nigeria.

Drought conditions in areas to the north of Nigeria has increased the cross-border movement of corn, sorghum, and millet to Niger and Chad. This undocumented trade probably does not exceed 30,000.

Wheat

PSD Table : Wheat

PSD Table						
Country:	Nigeria					
Commodity:	Wheat					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		7/1998		7/1999		7/2000
Area Harvested	35	35	35	35	35	40
Beginning Stocks	50	50	200	200	200	200
Production	40	40	45	45	45	50
TOTAL Mkt. Yr. Imports	1466	1466	1275	1275	1275	1400
Jul-Jun Imports	1466	1466	1275	1275	1275	1400
Jul-Jun Import U.S.	1249	1249	1275	1087	1275	1200
TOTAL SUPPLY	1556	1556	1520	1520	1520	1650
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	10	0	10
TOTAL Dom. Consumption	1356	1356	1320	1320	1320	1450
Ending Stocks	200	200	200	200	200	200
TOTAL DISTRIBUTION	1556	1556	1520	1520	1520	1650

Production
Nigeria's wheat production in 2000/01 is retained at 50,000 tons. 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 wheat for the production of bread flour. However, a growing import volume of SRW is evident with resulting from increased investment in pasta production. There are about 20 wheat mills in Nigeria, with a combined annual milling capacity of 4.1 million tons. Currently, only 16 mills which together possess an annual processing capacity of 3.1 million tons are operational. Despite the excess milling capacity in Nigeria, investment in this sector has been growing. The Dangote Group opened a new mill in December 1999 in Lagos with a daily processing capacity of 500 tons of grain. The group has also 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.

Prices
Despite GON's decision to apply its 5 percent value added tax to wheat flour last March and a substantial

devaluation of the local currency, the retail price of flour over the past one year has remained fairly stable within a narrow price band of 1,940 and 2,100 naira per 50 kilogram bag. This price stability reflects stiff competition among millers and has resulted in a shrinking of miller profit margins. As the Dangote mill has attempted to gain market share, it has consistently shown a willingness to undercut the going market price by as much as 5 percent. In addition to price, millers compete on the basis of credit and other sales inducements to their distributors.

Trade

Nigeria is the most important market in Sub-Saharan Africa for U.S. wheat. Nigeria was ranked as the 7th largest export market for U.S. wheat last year. Post continues to work together with U.S. Wheat Associates to provide technical and marketing information support to the local industry. This past year, two Nigerian millers received training in the United States while two bakers benefitted from training geared to their operations under USDA's Cochran Fellowship program. Additionally, USDA's GSM-102 program became operational in Nigeria for the first time ever in September 2000, with the initial approval of five local banks. Seminars geared to the local banking industry for using the GSM-102 program were conducted this year and several banks have been targeted for finance training during the coming year under the Cochran program.

Wheat Import Trade Matrix

Import Trade Matrix			
Country:		Units:	Tons
Commodity:			
Time period:	Jul-Jun		
Imports for	1998		1999
U.S.	1,249,000	U.S.	1,087,000
Others		Others	
Canada	124,000		85,000
Argentina	84,000		70,000
Australia	9,000		
EU			33,000
Total for Others	217000		188000
Others not listed			
Grand Total	1466000		1275000

Nigerian wheat imports during the first half of the current 2000/2001 marketing year are up nearly 9 percent over the same 6-month period a year earlier. Approximately 90 percent of all wheat imports consist of HRW for making bread flour. A growing volume of SRW is evident. About 150,000 tons of soft wheat was imported last year for making pasta and biscuits products. One of Nigeria's largest mills imported 35,000 tons of Argentine wheat early in 2000. This mill was not pleased with the quality of the grain received and has indicated that it is not programming additional quantities of Argentine wheat.

Policy--Tariffs

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 a port surcharge (equal to 7 percent of the duty value), and Combined Import Supervision scheme fee of 1 percent of the FOB value. A value added tax of 5 percent is assessed on wheat flour effective in March 2000. When combined with recent local currency devaluation, the total dollar increase in the cost of imported wheat is substantial. Millers find it difficult to pass on these additional costs to bakers due to intense competition among millers.

Imports

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 level 3.1 tons import level in the 1980's. Existing industry milling capacity is adequate to support this increased grain utilization. Local wheat production is not expected to expand significantly beyond current levels despited efforts of the GON.

The United States is the dominant supplier of wheat to Nigeria, with our market share estimated at approximately 86 percent this year. Major competitors in the Nigerian market include Canada and Argentina. Nigerian millers occasionally shift suppliers in search of price bargains. This was particularly true in the 1996/97 season, when the landed price of U.S. wheat reached a high of $280 per ton. In that year, U.S. wheat lost market share as well as falling in tonnage terms. In general, local millers regard Canadian wheat to be of higher quality than U.S. wheat. However, millers are very price sensitive and are reluctant to pay a significant premium for Canadian grain over U.S. wheat.

Sorghum

PSD Table : Sorghum

PSD Table						
Country	Nigeria					
Commodity	Sorghum				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Harvested	6600	6600	6600	6600	6601	6700
Beginning Stocks	200	200	200	200	200	200
Production	7300	7300	7500	7500	7800	7800
TOTAL Mkt. Yr. Imports	20	20	0	0	0	0
Oct-Sep Imports	20	20	0	0	0	0
Oct-Sep Import U.S.	18	18	0	0	0	0
TOTAL SUPPLY	7520	7520	7700	7700	8000	8000
TOTAL Mkt. Yr. Exports	0	0	0	0	0	50
Oct-Sep Exports	0	0	0	0	0	50
Feed Dom. Consumption	200	100	200	100	100	120
TOTAL Dom. Consumption	7320	7320	7500	7500	7800	7750
Ending Stocks	200	200	200	200	200	200
TOTAL DISTRIBUTION	7520	7520	7700	7700	8000	8000

Production

Sorghum production in 2000/2001 is forecast at 7.8 million tons, up from 7.5 million tons a year earlier. This year's larger crop reflects an increase in harvested area combined with a slight improvement in average crop yield due in part to an increased acceptance by growers of improved varieties developed by research institutes. Sorghum is Nigeria's most widely cultivated grain, accounting for more than 45 percent of total grain 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. 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. Industrial demand by beer manufacturers is declining somewhat following the lifting of the import ban on barley and barley malt in 1998. Beer was previously produced exclusively in Nigeria from corn and sorghum when barley and barley malt importation was banned. The reduced industrial demand for sorghum is reflected in lower sorghum prices. Millers are presently paying 16,500 naira per ton for sorghum compared to 22,000 naira a year earlier.

Trade

Nigeria is self-sufficient in sorghum. Given the scenario of increasing production and declining industrial demand, imports are not likely in the near term. There are no official statistics on exports, but an estimated

50,000 tons of sorghum will cross the border to neighboring countries this year because of the drought conditions in the countries to the north of Nigeria. This cross-border trade is not captured by official trade data.

Rice

PSD Table : Rice

PSD Table						
Country:	Nigeria					
Commodity:	Rice, Milled					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Harvested	1650	1650	1650	1650	1660	1700
Beginning Stocks	200	200	200	200	200	200
Milled Production	1850	1850	1900	1900	2000	2000
Rough Production	3083	3083	3167	3167	3333	3333
Milling Rate(.9999)	6000	6000	6000	6000	6000	6000
TOTAL Imports	800	800	800	950	1000	1000
Jan-Dec Imports	800	800	800	950	1000	1000
Jan-Dec Import U.S.	0	1	0	1	0	1
TOTAL SUPPLY	2850	2850	2900	3050	3200	3200
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	2650	2650	2700	2850	3000	3000
Ending Stocks	200	200	200	200	200	200

Production
Rice farming is widespread in Nigeria. Post's recent field survey indicates that overall crop yield improved in 2000 due to favorable weather conditions and increased grower usage of improved varieties.

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

Consumption
Rice imports account for approximately one-third of Nigeria's total rice supplies. Rice imports in calender year 2000 are estimated at 1 million tons, up from of 950,000 tons a year earlier. Imported parboiled rice traditionally has been directed at meeting consumer demand in urban areas where incomes are highest. In recent years, however, imported parboiled rice has gained increased sales volume in rural areas. This growth in rural sales of imported rice is based upon its price competitiveness with locally-grown product.

Trade
According to press reports, President Obasanjo recently stated during an early December visit to a rice mill in Abakaliki in southeastern Ebonyi state that the Government will increase Nigeria's import tariff on rice. President Obsanjo explained that he did not intend to ban current massive imports but that he "would increase the duty on it to save Nigerian farmers from unfair competition from their foreign counterparts". President Obasanjo identified the rice Abakaliki rice mill as an "industrial establishment which requires the cooperation and support of the state and federal government."

The GON's ban on rice imports was lifted in 1995 and a duty of 100 percent was immediately imposed.. The duty was reduced to 50 percent in 1996. Domestic production is of poor quality and quantity falls far short of demand. Imported parboiled rice competes effectively against other basic food staples for the average Nigerian and has shown a steady rise in recent years.

Prices
The Nigerian rice market is price sensitive. Since it is a basic staple of the masses and because real purchasing power has declined over the past year, rice prices have been fairly stable over the past year. The average retail price of an imported 50 kilogram bag of parboiled rice in early December 2000 was 2,700 naira, almost the same as a year earlier. Importers usually extend generous credit terms to distributors to retain their market share. Local trade sources indicate that the delivered cost of Thai parboiled rice is now at about $270 per ton compared to $450 for U.S. product. Post understands that U.S. exportable supplies of parboiled rice have been very tight over the past year which partly explains the price differential. Additionally, vessels transporting Asian rice to West Africa usually are very old, often not allowed to berth non-African ports. A ship carrying 13,000 tons of rice from Thailand to Nigeria reportedly sank last May due to its un-sea worthiness. Importers sell

Policy--Tariffs
The customs duty on rice is currently 50 percent ad valorem. It also is subject to a port surcharge equal to 7 percent of the value of the assessed duty. Rice imports also are taxed under the GON's Combined Import Supervision Scheme 1 percent of the FOB value. The effective import duty on rice is approximately 55 percent.

Although most importers maintain that they fully pay the taxes assessed on rice imports, most knowledgeable sources regarding this business maintain that import duty avoidance is a key element in the business. Those importers that are successful in the avoidance of the above taxes usually become key players in this market while those that are not soon disappear.

U.S. Rice Sales Potential
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 and strong consumer acceptance. Many Nigerians still 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 brand in the Nigerian market in the late 1990's has generated interest among Nigerian consumers. 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 may wish to consider exporting in bulk, with the product re-bagged after arrival. Sales opportunities also exist for U.S. parboiled rice packaged in 50 kilogram bags and consumer ready packages. Exporters should seek to utilize the Supplier Credit Guarantee and the recently approved GSM-102 programs in making sales in this price sensitive market.