



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 11/12/1998

GAIN Report #NI8015

Nigeria

Grain and Feed

Nigeria's wheat import situation 1998

Prepared by:

Fred Kessel

U.S. Embassy

Drafted by:

Ali Michael David

Report Highlights:

Nigeria's wheat imports have firmed up considerably due to increased consumer demand for wheat products. Consequently, capacity utilization in the milling industry has increased and new mills are coming on streams. Post has revised upwards Nigeria's wheat import forecast for the 1998/99 season by 30 percent.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
, NI

<< Table of Contents will generate here >>

Consumption

Post has revised the 1998/99 wheat import forecast upwards to 1.3 million tons from the revised 1.0 million tons in 1997/98 season. Available figures indicate an increase of 30 percent in wheat imports in the first half of 1998/99 season over the corresponding period of 1997/98. The increase is traceable to the moderation in the international price of wheat, the stability in the exchange rate of the local currency and a sustained consumer demand for wheat-based products. Furthermore, Nigeria's flour milling sector has shown noticeable improvement in the past few months as capacity utilization in the industry has increased to 40 percent in 1998, compared to 30 percent in 1997. For the first time in many years, two new mills are expected to commence operation soon. When the two are operational, probably by fall of 1999, it will add 500 tons per day to Nigeria's existing 2.7 million tons per annum installed milling capacity.

Competition amongst flour millers has been keen, and it has ensured competitive pricing and also guaranteed better quality wheat flour. From a peak of 2,500 Naira in 1996, the price for wheat flour fell to Naira 2,000 in 1997 and currently to 1,780 Naira per 50 kilogram bag. The decline in prices follows from a moderation in the international price of wheat beginning in 1996. The price reduction is also attributed to the government's 1998 fiscal policy, which removed excise duties formally paid by firms, wheat millers inclusive. In addition, millers have extended the frontier of competition to quality considerations. The quality of flour from the mills in terms of baking characteristics, has improved considerably.

Although bread prices have not followed the substantial reduction in local flour prices, bread consumption has increased substantially. The increase is attributed to the relative stability in bread prices vis-a-vis prices of local substitutes. Bread is a preferred convenience food in Nigeria to substitute yams, which is not only seasonal but more costly. Anecdotal reports suggest that bread consumption is expanding beyond the metropolitan centers to the rural areas.

Efforts by the flour millers to lower bread prices and increase consumption has had little success. Local bakers have appropriated the gains of reduced flour prices and retained bread prices at previous levels. However, the increased profit margin has stimulated activities in the bakery sub-sector; many new bakeries are springing up to take advantage of improved margin. In addition, many of the bakeries which closed operations at the height of Nigeria's wheat import ban, have resumed production.

The key to increasing Nigeria's wheat imports to its previous peak of 1.75 million tons or even beyond, is to reduce the price of bread and increase consumption. Post envisages that the increasing entry of new bakeries into the system and the reactivation of old ones will in the near term render the current cartel pricing difficult to the advantage of consumers.

Trade

US wheat exports enjoy a leading share of about 80 percent of all wheat imports to Nigeria.

There is an increasing presence of Canadian wheat which is of generally higher quality compared to US wheat in this market. A smaller quantity of Argentine wheat is also entering this market at a much lower price. Industry sources have indicated that the CIF Lagos port value of Argentine wheat exports to Nigeria is US\$20 per ton lower than U.S. wheat exports. However, milled flour from the Argentine wheat is not well received by bakers because of its poor milling characteristics. Such millers are reported to be blending U.S. wheat with lower quality Argentine wheat to improve market acceptance.

Marketing

The USWA is becoming more active in the Nigerian, in response to the increased importance of Nigeria as the largest U.S. wheat market in sub-saharan Africa. Post supports USWA efforts at providing training for local bakers through Cochran fellowships. Nigeria has the potential to import two million tons a year. In order to maintain its market share, US wheat exporters must strive for higher quality and competitive pricing in this price sensitive market.

PSD Table							
Country:	Nigeria						
Commodity:	Wheat						
		1996		1997		1998	UO
	Old	New	Old	New	Old	New	
Market Year Begin		07/1996		07/1997		07/1998	(MONT
Area Harvested	30	30	30	30	30	30	(1000 H
Beginning Stocks	50	100	50	100	50	100	(1000 M
Production	35	35	20	20	20	20	(1000 M
TOTAL Mkt. Yr. Imports	956	700	1100	1000	1200	1300	(1000 M
Jul-Jun Imports	956	700	1100	1000	1200	1300	(1000 M
Jul-Jun Import U.S.	607	695	0	817	0	1000	(1000 M
TOTAL SUPPLY	1041	835	1170	1120	1270	1420	(1000 M
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 M
Jul-Jun Exports	0	0	0	0	0	0	(1000 M
Feed Dom. Consumption	0	0	0	0	0	0	(1000 M
TOTAL Dom. Consumption	991	735	1120	1020	1220	1320	(1000 M
Ending Stocks	50	100	50	100	50	100	(1000 M
TOTAL DISTRIBUTION	1041	835	1170	1120	1270	1420	(1000 M
Export Trade Matrix							
Country:	Nigeria	Units:					
Commodity:	Wheat						
Time period:							
Exports for	1996		1997				
U.S.		U.S.					
Others		Others					

Total for Others	0		0				
Others not listed							
Grand Total	0		0				
Import Trade Matrix							
Country:	Nigeria	Units:	'000 mt				
Commodity:	Wheat						
Time period:	JUL - JUN						
Imports for	1996		1997				
U.S.	695	U.S.	817				
Others		Others					
Canada	100		185				
Argentina	40		95				
Australia			20				
EU			25				
Total for Others	140		325				
Others not listed			8				
Grand Total	835		1150				
Prices Table							
Country:	Nigeria						
Commodity:	Wheat						
Year:	1998						
Prices in (currency)	Naira	per (uom)	50 KG of Wheat Flour				
Year	1997	1998	% Change				
Jan	3000	2000	-33.3%				

[illegible]