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Poultry and Products

Poultry Update

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Report Highlights:

Over the last few years, consumer demand for poultry products has risen due to expansion in fast food chains. Currently, the Agoffice estimates a supply deficit of 25,000 MT. Despite a ban, imports of frozen poultry continue albeit undocumented. Recent growth in domestic poultry production is creating export opportunities for U.S. soybeans, corn, soft wheat and poultry genetics.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Lagos [NI1], NI

Executive Summary

Nigeria's poultry production is expanding but is not keeping pace with rapidly increasing domestic consumption requirements. The domestic supply shortfall is estimated at 25,000 MT per annum. Despite the supply shortfall, the Government of Nigeria (GON) imposed a ban on legal frozen poultry imports in July 2002 to support local production. Prior to the new ban, apparently virtually all poultry meat imports entered the country unrecorded.. Nigerian poultry producers are unlikely able to compete with illegal frozen poultry imports because of the high cost of inputs such as domestic corn which has averaged over US\$300/MT over the last three years.

Despite the ban, field visits to several major market depots revealed that poultry products are still available. Local traders reported that imported frozen poultry is being transported via land borders. The volume of such imports has however, declined due to increased surveillance and seizure by the regulatory authorities. As a result, availability of poultry products in the market is somewhat curtailed and prices have increased.

Local poultry producers have applauded the GON for implementing the import ban, but are quick to add that the real threat to local production is illegal imports, not legal imports. With President Obasanjo seeking reelection in 2003, industry sources believe that the import ban on frozen poultry will likely continue. Trade sources indicate that illegal cross-border imports will continue to thrive due largely to the large domestic supply shortfall. In the mean time, the ban has put on hold recent efforts by importers of frozen poultry to reinstate legal import purchases from the United States.

Exchange Rate : US\$1 = 127 Naira

Production

Nigeria's poultry sector grew rapidly over the past three years after more than a decade of decline. The growth is attributed to GON's decision to liberalize the imports of vital inputs such as, day-old chicks, parent breeding stock, barley and malted barley since 1998 and corn in 2000. Between 1960 and the early 1980's, Nigeria's poultry sector grew rapidly, supported by significant foreign and domestic investment. The period, 1986 to the late 1990's witnessed a dramatic decline in poultry production, with the population of commercially reared birds falling from a peak of 40 million in 1982 to a mere 10 million in 1997.

Commercial poultry production has reached approximately 30 million birds or about 40,000 MT in CY2001. Old and abandoned farms are being revitalized and new large scale operations are being established all over the country. There is also a resurgence of small-scale backyard operations. Egg production in Nigeria also is increasing. The industry average is 220 eggs/layer/year. Some well managed farms achieve as much as 250 eggs/layer/year. FAS Lagos' field investigation revealed that the demand for day-old chicks has increased markedly in recent months as local poultry farmers attempt to expand broiler production for the Christmas season and to fill the supply gap created by the ban on imports. Breeder and hatchery operations in the country are increasing rapidly to satisfy a rising demand for day-old chicks.

The growth in Nigeria's poultry sector is constrained by the persistent scarcity and high cost of major feed inputs such as corn and soybean meal. A major problem of the local poultry industry is the irregular and limited supply of all raw materials that are grown in Nigeria. Prior to 2000, white maize and other Nigerian grown cereals were the main components of the ration, however with the reduced production of white maize coupled with increased consumption for humans, a grain shortage developed. The GON lifted the import ban on corn in 2000 but imposed a duty of 70 percent to discourage imports. Corn prices over the past three years have averaged close to \$300/MT. A majority of feed millers in the country are turning to imported soft wheat to satisfy their energy requirement in feed rations as alternative to corn.

Feed Production

Nigeria's feed production is expanding rapidly in step with growth in the poultry industry. Poultry feed accounts for approximately 98 percent of the total feed produced in Nigeria. Post estimates Nigeria's compound feed production in CY2001 at 800,000 MT, up from 500,000 MT a year earlier, reflecting the rapid growth in the poultry industry in more recent years. Feed manufacturers in the country can be categorized into the following three groups:

- large-scale commercial feed millers
- on-farm self millers
- and the toll millers

Nigeria has five commercial feed millers with a combined output of approximately 350,000 MT of compound feed in CY2001. Their market share has decreased from 70% share to 40% due to two reasons. First, the majority of the medium to large-scale poultry farms are buying mostly premixes to produce their own feed. Secondly, a growing number of the small-scale poultry producers are using

the services of toll millers in an effort to reduce cost.

The structure of the Nigerian poultry industry is different from most other countries. Layer feed constitute the bulk of production (70%), with 20% starter layer and 10% broiler diets. All feed produced in the country are sold in bags. Of the five leading mills operating in Nigeria, only two pellet their feed, while the other major players are producing mash feed.

The average cost of producing a broiler in Nigeria (live weight of 1.7 - 1.8 kilograms/dressed weight of 1.2 - 1.3 kilograms) is estimated at 240 naira (\$2.00) for large-scale producers. With the average wholesale price for whole, frozen birds (1.3 kilograms) running at 390 naira (\$3.07), profit margins exist only for the most efficient producers. Controlling animal feed costs is critical in this industry given that it represents approximately half of broiler production costs. Nigerian poultry producers are high cost producers due largely to high input costs. A kilogram of the local chicken meat is retailed for \$4.50, compared to 80 cents in the United States

Feed manufacturers in the country have responded by adopting a "least cost" approach for their feed formulation. This calls for the substitution of lower priced energy sources such as sorghum and wheat offal for corn. Feed quality in Nigeria is generally low due to the high cost of vital inputs. Wheat bran accounts for 15 to 28 percent of feed formulation because it is cheap- only 6,500 naira per ton. Soybean meal inclusion is low due to its high cost. The inclusion level ranges from as low as 10 percent to 18 percent of feed ration for layers and 15 to 25 percent of feed formulation for broilers. Many within the local industry have turned to imported soft wheat as an alternative energy source to corn. The decision of the GON to reduce its import duty on wheat from 15 percent to 5 percent in January 2002, is encouraging many more feed millers to turn to imported soft wheat. FAS Lagos utilized USDA's Cochran Program to provide training in poultry nutrition, with emphasis on alternative energy sources to corn in feed compounding. This activity helped the industry to overcome initial fear of the digestibility of wheat in bird rations, and is now encouraging many poultry producers to substitute a significant portion of their corn requirement with imported feed wheat.

Consumption

Post forecasts Nigeria's total poultry meat consumption in 2002 at approximately 120,000 MT, up from 100,000 MT last year. Noncommercial or backyard production accounts for as much as 55,000 MT of this figure, while commercially-reared birds produced in Nigeria add another 40,000 MT. The remaining 25,000 MT of poultry meat consumed in Nigeria consists of imports. Chickens make up the lion's share of all poultry consumed in Nigeria. Per capita chicken consumption for Nigeria's 120 million population does not exceed 1 kilogram (equivalent to about two-third of a chicken). Per capita egg consumption is estimated at 20, reflecting the negative attitude in traditional societies which regard egg consumption as a luxury. According to the World Health Organization, Nigerians consume less than 20 percent of the minimum daily requirement for animal protein, which helps to explain the country's widespread malnutrition.

Demand for poultry products has increased markedly over the past three years, thanks to the rapid

growth in the number of fast food restaurants featuring a chicken menu in major urban areas and growth in sales through institutional catering facilities serving foreign companies operating in the petroleum sector. This growth trend is expected to continue as the Nigerian economy continues on its recovery path.

A characteristic of the poultry meat market is that low-income Nigerians prefer the tougher spent hens from laying operations, while the higher income and the expatriate community favour the tender broiler meat. This preference in taste results in relatively high prices being paid for the spent layers. Most locally-produced broilers are marketed to higher income groups in the major cities of Port Harcourt, Lagos and Abuja. This market segment takes frozen, whole birds produced locally. In contrast, imported chicken consists almost entirely of frozen leg quarters. As much as two-thirds of all imported leg quarters are derived from spent hens. Following the import ban on frozen poultry, most supermarket outlets have stopped carrying imported frozen poultry to avoid becoming targets of the regulatory authorities. Imported poultry products are however, available in the local markets.

Trade

At present, a majority of the poultry meat imported into Nigeria enters the country illegally and evades duty payment. Most imported frozen poultry are being supplied by European exporters, such as the Netherlands, France and Belgium. U.S. poultry meat comes enters this market occasionally. Prior to the ban, legal poultry imports were discouraged by the GON's decision to increase the duty from 55 percent to 75 percent in January 2001.

Nigerian traders routinely buy from importers situated in neighboring countries. Despite the large import volumes of frozen poultry in CY2001, the Nigerian Customs Service has no record of any importer who shipped products legally and paid the required duty. Frozen poultry enter through Nigerian borders without official payment of duties. Additional costs are however, incurred in unofficial payments to Nigerian border officials (unofficial payments have increased following the announcement of the ban). After purchasing at a cold storage facility in the neighboring country, boxes of chicken are ferried across the border on the heads of laborers. After clearing the border point, the chicken is reloaded onto trucks or other vehicles and moved to interior consumption points. Imported chicken often is transported and handled without refrigeration, with food quality and safety becoming a major concern.

Marketing

FAS Lagos is working in close collaboration with major stakeholders in poultry production and trade to put pressure on the GON to lift the ban on poultry imports. The Nigerian poultry industry possesses enormous capacity for growth in the medium to long-term. The continued expansion of the Nigerian poultry industry offers sales opportunities for U.S. soybeans/soybean meal, soft wheat and corn. Soybean meal imports in calendar 1999, 2000 and 2001 were 12,000, 30,000 and 40,000 MT respectively. U.S. products accounted for about 40 percent of these volumes. At least 60,000 MT of wheat is being imported this year for feed compounding. About a half of this amount is likely to be supplied by the United States.