



USDA Foreign Agricultural Service

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Nigeria

Grain and Feed

Price of Bread Increased

2007

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Report Highlights:

Effective January 27, 2007, Nigerian bakers increased the price of bread by about 15 percent following sustained increase in the market price of wheat. The increase has further dampened consumer demand. Nigeria's wheat imports in the first seven months of MY2006/07, declined by about 40 percent. However, Nigeria remains a dominant market for U.S. wheat. On February 4, 2007, the GON closed down twelve wheat mills due to alleged non-compliance with government directive to the industry to include five percent cassava in flour. The mills have been reopened with little or no effect on production and trade.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Lagos [NI1]
[NI]

Executive Summary

Following sustained increase in wheat prices since the first quarter of 2006, the prices of wheat flour and bread in Nigeria have been increased. The price of Wheat was increased from an average \$190 per ton to \$260 per ton, representing an increase of about 40 percent from a year ago. Wheat flour prices have also increased from approximately \$22 per 50 kg bag to about \$25 per 50 kg bag (14 percent) within this period. On January 27, 2007, Nigeria's Association of Master Bakers and Caterers implemented 15 percent increase in price of bread.

On average, 450-gram loaf now costs \$1.15 up from about one dollar. Bread is staple food items for most Nigerians, especially low-income consumers. Overall, Nigeria's wheat imports in the first six months of MY 2006/07 declined by about 30 percent compared to the corresponding period a year ago. Wheat importers have cut back on imports and in some cases shifted from the U.S. to other suppliers. Wheat imports from the U.S. in the first seven months of MY2006/07 reflect about 40 percent decline from the corresponding period of 2005/06. Industry contacts attribute the decline directly to increases in wheat prices and higher freight costs, and attractive prices of local substitute staples due to bumper harvest.

Despite the decline in market share, the U.S. has a dominant share of Nigeria's wheat market. At present, Nigeria is the second largest overseas market in the world for U.S. wheat, down from the first position in MY2005/06. Most millers are blending high-quality U.S. wheat with wheat from other sources. Wheat processing remains Nigeria's largest food processing sub-sector. Total installed milling capacity is estimated at 6.2 million tons per year, while utilized capacity is currently estimated about 50 percent. Intense competition has considerably reduced profit margins because of the rising price of wheat and freight costs on the one hand and bakers' resistance to price increases, on the other.

On February 4, 2007, the GON closed down twelve out of the twenty flourmills in the country, citing non-compliance with government directive to include cassava in wheat flour. The mills were reopened within 24 hours with a directive to comply fully by April 2007. The GON also announced the reduction in the cassava inclusion rate from ten percent to five percent. Even at that, millers have indicated that there are no processors of industry grade cassava flour in the country to satisfy demand. Industry sources indicate that the closure was too short to have had any meaningful impact on production and imports.