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Nigeria

Sugar

Annual

2002

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Report Highlights:
Nigeria relies almost exclusively on imported sugar to satisfy consumer demand. Domestic sugar production suffers from both low cane yields in the field and poor factory performance. Nigeria's first private sugar refinery is now operating at full capacity and is redirecting sugar imports from refined to raw form. The refinery is being expanded to process 1.2 million tons of raw sugar.

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

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Executive Summary

Nigeria's domestic sugar production in 2002/2003 is forecast at 25,000 tons, same as the current year. The forecast is based on the anticipated inability of the industry to complete in a timely fashion the African Development Bank (ADB) funded rehabilitation and expansion of government-owned mills and sugar plantations. The ADB's program was originally scheduled for completion during the 2000/01 season. Non-compliance with ADB's financing terms by the private contractor handling the project, however, compelled the bank to issue a stop order to development activities. The GON is urging the ADB to re-initiate disbursement of program funds and authorized the release of $9 million of its own funds to avoid a complete halt to rehabilitation efforts. Domestic sugarcane production in 2001/2002 was revised to 270,000 tons due in part to a shortage of water for irrigation which adversely impacted cane yields and therefore, the amount of cane available for processing. With growers well aware of mill deficiencies, they are cutting back on fertilizer usage. Cane yields are projected to remain low next season.

Nigeria's domestic sugar production currently satisfies no more than 2 percent of national consumption. Private sector investment in cane cultivation is virtually non-existent. Industry sources suggest that prospective investors are waiting for the implementation of the privatization of government-owned estates at Bacita and Numan. The privatization of these estates which was originally scheduled for 2001 has been delayed by the inability of the ADB financed rehabilitation and expansion program to move forward. Sugarcane production in Nigeria is almost entirely dependent upon the government-owned and operated estates. Private sector investment in the sector is confined to small outgrowers for the estates, a few mid-sized cane farmers, and the new refinery in Lagos port which is processing imported raw sugar.

Nigeria's first privately owned sugar refinery is now reported to be operating at full capacity. Work has commenced on expanding the refinery's capacity from 700,000 tons of raw sugar per annum to 1.2 million tons. Construction of the refinery was completed in late 2000 and it has been used exclusively to process imported raw sugar. Import volumes of refined sugar are falling while raw sugar imports are on the rise.

Exchange Rate : US$1 = 114.20 Naira

PSD Table : Sugar Cane For Centrifugal

PSD Table						
Country	Nigeria					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		11/2000		11/2001		11/2002
Area Planted	24	24	24	24	0	24
Area Harvested	24	24	24	24	0	24
Production	600	225	480	270	0	270
TOTAL SUPPLY	600	225	480	270	0	270
Utilization for Sugar	540	210	460	250	0	250
Utilizatn for Alcohol	60	15	20	20	0	20
TOTAL UTILIZATION	600	225	480	270	0	270

Production

Nigeria's sugar production in 2001/02 fell far short of Post's initial forecast due largely to a sharp reduction in cane production and a resulting decline in the tonnage of sugarcane available for processing. On average, Nigeria's sugar mills are expected to produce 1 ton of sugar per 10 tons of cane processed during the current year. This milling yield is expected to be unchanged next season. Milling operations are restricted by the poor state of Nigeria's mills. In some cases, new milling equipment purchased under the ADB financing arrangement has been delivered, but installation activity has been halted. Although the industry maintains that it has the installed capacity to produce 100,000 tons of sugar annually, output during the current year will not exceed 25,000 tons. Following are constraints to sugar production in existing government-owned sugar estates:

NISSUCO -- Failure to complete the rehabilitation of the existing factory and to initiate of the installation of a second unit.

Savannah -- Failure to complete the ADB financed cane field and factory rehabilitation and expansion program.

LASUCO -- Inefficient factory operations. Lack of irrigation infrastructure restricts expansion of cane area.

Sunti -- Construction of this mill has begun, but work was halted due to inadequate GON funding. Cane produced by this estate must be delivered to NISSUCO for processing results in reduced sugar yields. Field work to prevent flooding has been halted.

Nigeria's low domestic sugar production is a reflection of the general poor state of Nigeria's agro-industrial sector which is characterized by low capacity utilization and high production costs. Specific constraints to growth in the sector include: inadequate electrical power supply, erratic water availability for irrigation, and lack of capital needed for investment in infrastructure, land development, and factory maintenance.

When finally completed, the ADB rehabilitation and expansion program offer the potential to increase Nigeria's annual sugar production capacity to 300,000 tons. The GON's National Sugar Development Council (NSDC) initiated intervention measures last year as part of efforts aimed at ensuring that Nigeria attains 70 percent self-sufficiency in sugar production by 2010. The Council is assisting Sunti Sugar Company in establishing a mini sugar mill capable of processing 250 tons of cane daily and an expansion of the Lafiaji sugar mill to 200 tons of cane per day. Six mini sugar mills were purchased by the Council and leased to cane farmers. The mini mills have been installed and are now operating in Kano, Edo, Taraba, Kebbi, and Kogi States.

Consumption

Nigeria's overall sugar consumption is expected to increase to 800,000 tons in 2002/03, up almost 10 percent over the current year. The forecast is based on an increased demand for both industrial and direct human consumption. Trends in industrial activity utilizing sugar as a processing input, such as for soft drinks, pharmaceuticals, beverages and in the manufacture of confectionary products, suggest that sugar demand will continue to rise. Industrial usage accounts for almost 35 percent of the total sugar consumption in Nigeria. Soft drink production alone accounts for about half of total industrial usage.

Trade

The Dangote Group established a sugar refinery in 2000 primarily to process imported raw sugar. Milling operations at this refinery are reported to be at full capacity, with an annual processing capacity put at 700,000 tons. The Dangote group plans to increase the processing capacity of its mill to 1.2 million tons in order to regain its dominant position in sugar importing and distribution in Nigeria. The Dangote Group was granted authority under Nigeria's investment code to import raw sugar at a discounted duty rate of 5 percent. In contrast, imported refined sugar is assessed a 10 percent duty.

Nigeria's imports of refined sugar are forecast to decline further in 2002/03 to 75,000 tons (raw sugar equivalent) due largely to the proposed increase in the refining capacity of the Dangote mill during the current year. Imports of raw sugar are forecast to increase to 800,000 tons reflecting an anticipated increase in the Dangote Group's refining capacity.

Post forecasts undocumented cross-border refined sugar exports in 2003/03 at 100,000 tons (raw sugar equivalent), the same level as in the current marketing year. Most of this movement is expected to be directed to the land-locked countries of Chad and Niger. The Dangote Group is attempting to take advantage of the ECOWAS trade liberalization scheme to export its refined sugar output to countries within this regional trade block.

Policy

The stated policy of the Nigerian government is to move Nigeria quickly from dependence on imports to at least 70 percent self-sufficiency in domestic sugar production by 2010. The GON, through the NSDC, provides support for private investors in local sugar production. Existing government-owned, fully integrated sugar companies have been listed for privatization but have not yet been offered for sale by the GON. When achieved, this should yield improved management and production output levels within the industry.

Tariffs

Imported refined sugar attracts a duty of 10 percent ad valorem. A development levy equal to 5 percent of the cif value is assessed against bagged sugar, plus port surcharges equal to 7 percent of the value of the duty. The effective duty on refined sugar imports, therefore, is close to 15 percent. The Dangote Group obtained a concession from the GON to import raw sugar classified as an industrial raw material which attracts a duty of only 5 percent. Dangote's raw sugar imports also are exempted from the 5 percent development levy which is imposed on refined sugar. This exemption was granted with the conditionality that the Dangote group embark on backward integration into sugarcane production. To date, there is no evidence of such investment, but the Group may express interest in existing government-owned sugar estates when they are made available for privatization by the GON.

PSD Table : Centrifugal Sugar

PSD Table						
Country	Nigeria					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		11/2000		11/2001		11/2002
Beginning Stocks	216	216	130	130	100	100
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	21	21	40	25	0	25
TOTAL Sugar Production	21	21	40	25	0	25
Raw Imports	500	500	600	615	0	800
Refined Imp.(Raw Val)	214	214	160	160	0	75
TOTAL Imports	714	714	760	775	0	875
TOTAL SUPPLY	951	951	930	930	100	1000
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	100	100	100	100	0	100
TOTAL EXPORTS	100	100	100	100	0	100
Human Dom. Consumption	721	721	730	730	0	800
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	721	721	730	730	0	800
Ending Stocks	130	130	100	100	0	100
TOTAL DISTRIBUTION	951	951	930	930	0	1000