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**Report Highlights:**

Nigeria's sugar industry is facing serious challenges despite efforts by the Government of Nigeria (GON) to create self-sufficiency in sugar production and reduce raw sugar imports. Entrenched interests in the sugar value chain are largely responsible for Nigeria's sugar production crisis.

## **Executive Summary**

Nigeria is the second largest sugar market in sub-Saharan African after South Africa. Nigeria has a population of over 202 million people and per capital consumption of about 8kg. In 2012, the Government of Nigeria approved and launched the National Sugar Master Plan (NSMP), a policy document that contains the strategic road map for the development of the sugar sector as well as the enactment of the conducive policy environment for its implementation. The policy positions the sector to attract investments in domestic production through backward integration program, offering credit facilities and tax incentives to investors, while at the same time imposing duties on imported raw and refined sugar.

The Nigerian government's sugar policies have not led to production increases. NSMP programs have proven to be ineffective at increasing outgrower activities. On paper, the NSMP that is supposed to provide 50% loan through the Sugar Levy Fund to ensure that 40% of the total cane required by sugar millers is sourced from outgrowers farms around sugar.

Similarly, the government's backward integration programs (BIP) have proved futile. Backward integration is a business model that calls for companies to invest and expand into supply chains. However, business experts point out that the government's BIP to enhance sugarcane production is significantly challenged due to weak infrastructure, poor policy formulation and implementation, limited funding, and insecurity in some of the sugarcane production areas. High transport and production costs for hauling harvested sugarcane to the mills, as well as low-capacity building are additional constraints. Despite these challenges, the country's ineffective BIP roadmap remains a key component of the NSMP.

Sugar price has been increasing due to devaluation of naira and scarcity of foreign exchange.

Over half of Nigeria's population live in urban areas; urbanization is growing at 4.23 percent annually. The population is projected to reach 400 million by 2050 making Nigeria the world's fourth most populous country. This population is increasingly reliant on domestic and imported processed food products. The neglect of the country's agricultural sector and weak infrastructure translates into a dependency on raw sugar imports – although Nigeria has lofty ambitions of becoming Africa's largest sugar exporter.

## **CANE SUGAR**

### **PRODUCTION**

FAS Lagos (Post) forecasts Nigeria's domestic cane sugar production in marketing year (MY) 2021/22 to reach roughly 70,000 metric tons (MT) (raw value), down about seven percent compared to MY 2020/21 figure of 75,000 metric tons (MT). Sugarcane is mostly grown in Northern Nigeria where the weather and soil condition are most conducive. Internal security across the country is a serious challenge to agricultural activities especially in the sugar cane production belt of Kwara, Adamawa,

Niger, Kebbi, Jigawa, Sokoto, Oyo and Taraba States. Land grabbing allegation against the sugar cane estate owners from the host communities is often a recurrent issue that is posing as a challenge to sugar cane production. Sugarcane farms are transitioning into residential housing developments. This is making it difficult for private investors to acquire lands for sugar-processing facilities

The Nigerian government's interventionist policies have not led to increases in sugar production. Major companies that are operating within the sugar value chain often attribute the following reasons for the sugar industry's underperformance. These factors range from host communities' hostility, estate encroachment by state governments, flooding, fire outbreak during dry season, and the lack of long tenured financing opportunities. Furthermore, investments by local companies in sugar plantations and production have not made a significant impact on Nigeria's sugar market.

Details of on-going sugar projects under the National Sugar Master Plan.

S/No	Company	Estimated Milling Capacity/annum	Land size (Ha)
1	Savanah Sugar Company Numan, Adamawa State - Dangote	Phase 1: 85,000MT Phase 2: 120,000MT	32,000
2.	Sunti Golden Sugar Estate Limited, Sunti Niger State – Flour Mills	50,000MT	7,000
3.	BUA Sugar Company Limited, Lafiagi, Kwara State	120,000MT	6,500
4.	Oyo Sugar Processors Limited, Iseyin, Oyo State	N/A	N/A
5.	Goronyo Sugar Company, Goronyo, Sokoto State	N/A	N/A
6.	Dangote Nasarawa Sugar Project, Tunga, Nasarawa State	180,000MT	40,000
7.	Great Northern Agribusiness Limited, Gagarawa, Jigawa State	75,000MT	12,900

Sugar refineries capacity in Nigeria increased from 2.75 million metric tons per annum in 2019 to 3.4 million metric tons per annum in 2020 but operating at less than 70% capacity. Nigeria presently has 210 percent refinery capacity over the annual import quota. Key players own farms across the country supplying their refineries with raw sugar. The farms and their respective refineries are located as explained below:

- Dangote Sugar operates three plantations: Savannah in Adamawa State, Lau Tau in Taraba State and Tunga in Nasarawa State. Products from these farms are processed by the refinery located in Adamawa, while the Lagos State refinery processes imported raw sugar.
- Golden Sugar operates has sugar estate in Sunti, Niger State, with one refinery in Lagos State.
- BUA Group owns two plantations, Lasuco in Kwara State and Bassa in Kogi. The company's two refineries are in Lagos and Port Harcourt with a combined installed capacity of 1.44 million metric tons per annum. BUA Port Harcourt Refinery (850,000mt) is in Bundu Free Zone in Port Harcourt, River State.

Sugar Refineries in Nigeria and web address.

S/No	Sugar Refinery	Web Address
1.	Dangote Sugar Refinery, Lagos State	<a href="http://www.dangote.com/ourbrands/sugar.aspx">www.dangote.com/ourbrands/sugar.aspx</a>
2.	Golden Sugar Company Limited, Lagos State	<a href="http://www.fmnplc.com/sugar">www.fmnplc.com/sugar</a>
3.	BUA Sugar Refinery, Lagos State	<a href="http://www.buagroup.com/index.php/our-business/foods">www.buagroup.com/index.php/our-business/foods</a>

A small segment of domestic sugar cane is contributed by two main outgrower associations: Savannah Sugar and Oyo Sugar-cane Processors. These associations are made up of independent small-scale farmers, whose products are then sold to the key players.

### **Sugarcane Production**

Sugarcane is a perennial crop that is very sensitive to climate, soil type, irrigation, and harvest period. The crop has long stems, which are produced in multiples and grows into cane stalk, the stalk is fibrous and stout jointed, and is rich in the sugar sucrose (used to provide about 70-80% of the world's sugar). Sucrose accumulates in the stalk internodes. The stalk consists of 14%, 68%, 15% and 3% more or less of fiber, water, soluble sugar, and non-sugar respectively.

Successive governments have consistently expressed interest in boosting sugar cane production. However, sugarcane production in Nigeria reached low levels in the early 2000 because of the collapse of two Federal Government owned sugar factories. Several constraining factors have contributed to low sugarcane productivity – lack of good varieties, dependence on rain-fed production, high cost of inputs, lack of appropriate technology, minimal use good agricultural practices, and lack of access to credit facilities.

The NSMP report reveals that the country has less than 6,000 ha of active sugar cane production in 2010. One of the major objectives of the NSMP is to increase sugarcane acreage to 224,000 ha in 2020/21. Increasing sugarcane acreage is feasible in Nigeria. Currently, four sugarcane growing potential areas have been identified and classified based on similarity of development, ease of project implementation, and readiness to start production.

Sugarcane is a water intensive crop. As a result, the GON is trying to harness about 800,000 ha of land along the Benue and Niger rivers. Strengthening outgrower programs within the host communities, will provide a long term of local support that will guarantee a sustainable sugar productivity.

### **Sugarcane Improved Varieties and Nursery Development**

In 2010, the National Sugar Development Council (NSDC) secured a grant of \$2.1 million from an intergovernmental finance agency of the United Nations, the Common Fund for Commodities (CFC) to support sugarcane production in Nigeria. The CFC and other partners including the National Center for Agricultural Research in Abidjan, National Cereals Research Institute in Badeggi, and the Unilorin Sugar Research Institute in Ilorin financed a regional project titled “the West Africa Sugar Development Project” (WASDP). The Project was supervised by International Sugar Organization (ISO). It has two major objectives:

- to develop higher yielding, disease, and pest free sugarcane varieties
- to enhance the economic status of the sugarcane farming communities.

Four out of the 40 test varieties were selected for breeding program among the local breeders. The project also helped to enlarge the genetic pool and breeding germplasm available in the country.

The project generated promising results and delivered higher yielding and disease tolerant varieties to sugarcane farmers. Furthermore, due to the project all sugarcane estate owners and cooperatives are mandated to have thriving nursery sites where sugarcane will be raised before transferring to permanent fields.

Land under sugarcane cultivation for commercial production in Nigeria.

S/N	Name	Land Under Sugarcane Production (000, Ha)
1	Savannah Sugar	7.1
2	Nasarawa Tunga	0.66
3	Lafiagi Sugar Company	2.22
4	Sunti	3.3
5	Great Northern Nigeria	0.1
6	Oyo State Sugar Processors	0.2
	<b>Total</b>	<b>13.58</b>

Generally, private companies have steered Nigeria's sugarcane cultivation, and the results have been less than promising. Several private companies have huge tracts of land acquired through the GON designated for sugarcane cultivation. However, these companies have negligible operations in terms of plantations and BIPs. There have been several reports that these companies have not developed nurseries and neglected their obligations to establish plantations. This indifference forced the GON to develop the NSMP – to step up sugarcane cultivation. However, ineffective supervision and monitoring of the NSMP has caused several companies to abandon their commitments to increase cultivation.

Finally, away from agro-industrial cultivation is sugarcane farming, which is a way of live for many Nigeria farmers. Smallholder sugarcane farming is solely for human consumption (chewing). Smallholder farms are scattered across ecological areas across the country.

**Sugar Production, Supply and Distribution Table**

Sugar, Centrifugal	2019/2020		2020/2021		2021/2022	
Market Begin Year	May 2019		May 2020		May 2021	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	100	100	100	100	0	100
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	75	75	75	75	0	70
<b>Total Sugar Production (1000 MT)</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>75</b>	<b>0</b>	<b>70</b>
Raw Imports (1000 MT)	1760	1760	1750	1750	0	1800
Refined Imp. (Raw Val) (1000 MT)	130	130	130	130	0	130
<b>Total Imports (1000 MT)</b>	<b>1890</b>	<b>1890</b>	<b>1880</b>	<b>1880</b>	<b>0</b>	<b>1930</b>
<b>Total Supply (1000 MT)</b>	<b>2065</b>	<b>2065</b>	<b>2055</b>	<b>2055</b>	<b>0</b>	<b>2100</b>
Raw Exports (1000 MT)	0	0	0	0	0	0
Refined Exp. (Raw Val) (1000 MT)	300	300	300	300	0	350
<b>Total Exports (1000 MT)</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>0</b>	<b>350</b>
Human Dom. Consumption (1000 MT)	1620	1620	1610	1610	0	1600
Other Disappearance (1000 MT)	45	45	45	45	0	50
<b>Total Use (1000 MT)</b>	<b>1665</b>	<b>1665</b>	<b>1655</b>	<b>1655</b>	<b>0</b>	<b>1650</b>
Ending Stocks (1000 MT)	100	100	100	100	0	100
<b>Total Distribution (1000 MT)</b>	<b>2065</b>	<b>2065</b>	<b>2055</b>	<b>2055</b>	<b>0</b>	<b>2100</b>

**CONSUMPTION**

FAS Lagos forecasts Nigeria's sugar consumption in MY 2021/22 at 1.6 million metric tons MMT, down by less than one percent from the 1.61 MMT recorded in marketing year 2020/21. Nigeria's population grows by 3% annually. However, recent trends show the rate of sugar consumption is declining. The per capita sugar consumption in 2020 is around eight kilograms, much lower than the global average of roughly 36 kilograms per person. Due to health concerns, a lot of people especially the middle-income earners are avoiding sugar consumption and opting to use other alternatives like honey as sweetener. The northern states of the country dominate the retail markets as they consume close to 65% portion of sugar. The market extends up to Niger and Chad Republics. However, a persistent insurgency is hindering active sugar product penetration, but the unofficial trade is still active.

The devaluation of the country's currency has resulted in incremental increases in sugar prices. The rise in the price of sugar has also affected the prices of other products that depend on sugar for their production including bread, and soft drinks. According to National Bureau of Statistics (NBS), Nigerians who are already spending half of their earnings on food have started to cut down on consumption because of stagnant earnings and inflation. NBS notes that 50 percent of all households sampled last year reported reduced consumption between July and December 2020.

The key buyer of industrial is the food processing sector. The NSDC indicates that the soft drinks and the food and beverages sector accounted for over 60 percent of the country's total industrial sugar consumption. The bakery and confectionary, pharmaceutical, and dairy sectors account for 40 percent of sugar consumption. The sugar industry is growing, albeit slowly; subsectors that rely on the industry for inputs are positioning themselves to meet growing demand, driven by an expanding middle class that demands a greater choice of processed foods.

Nigeria's sugar industry, despite over 50-years of existence, is largely in its infancy – supplying less than five percent of national demand.

## **POLICY**

Nigeria continues to employ trade restrictive measures despite being a member of the World Trade Organization (WTO). These burdensome policies include high tariffs and foreign exchange control, as well as levies, import bans, and other measures to protect its domestic agricultural production. Nigeria's current domestic supply is not keeping pace with rising demand, despite government incentives to boost local production.

The Nigerian government, seeking to boost local sugar production, implemented the NSMP in 2013 that provides:

- A five-year tax holiday for investors in the country's sugar added-value chain
- A 10 percent duty, plus a 50 percent levy on imported sugar
- A 20 percent, plus a 60 percent levy for imported refined sugar

The government is authorizing a three-year concessionary import duty tariff of five percent, with a five percent levy, on imported raw sugar for those refineries that participate in its backward integration program. This program dating back to 2013, seeks to harness Nigeria's sugarcane resources while creating jobs and reducing imports.

The National Sugar Master Plan (NSMP) drives Nigeria's sugar sector. The plan is a BIP for the developing local sugarcane plantation and sugar production over a 10-year period. In June 2015, amendments to the National Sugar Development Council Act further the Nigeria Sugar Master Plan. Both public and private sources question the effectiveness of the amendments; government funding is apparently inadequate to support the development of Nigeria's sugar industry.

**Nigeria's National Sugar Master Plan (2012-2020):** Nigeria's strategic policy is to grow its sugar sector by means of the Nigerian National Sugar Master Plan, which aims to produce around 1.79 MMT of sugar by 2023. The major sugar refineries in Nigeria consistently show strong commitment towards BIPs for the sugar sector. The Dangote Group reportedly is investing \$334.1 million; the BUA Sugar Refinery is spending \$107 million; and Golden Sugar Refinery is devoting \$142.4 million to expansion. The Central Bank of Nigeria (CBN) is also supporting the participating companies with long term funding through (Commercial Agricultural Credit Scheme (CACS) and Real Sector Support Finance

(RSSF)) to purchase equipment and Anchor Borrower Program window for the outgrowers to produce quality sugar cane.

**Probable Policy Changes in the Making:** With the advent of new leadership at the Nigerian Sugar Council, it is expected that new reforms/policies will be introduced into the National Sugar Master Plan if the target of sugar self-sufficiency can be achieved in 2023. Industry sources opined that allocation of raw sugar importation to the participating companies must be done based on progress made on BIPs. The problem with NSMP is not in its design and structure, but lack of effective monitoring of sugar producers.

On April 26, 2021, the Ministry of Industry, Trade, and Investment issued a directive to the Nigeria Custom Services banning refined sugar and other sugar derivatives flows from the Free Trade Zones into the Nigerian Customs Territory. According to the government directive, some companies, operating within the Free Trade Zones are using their approvals as a decoy to import refined sugar into the country. The Ministry stated that this unauthorized action threatens the effectiveness of the NSMP in increasing sugarcane cultivation.

## **TRADE**

### **Imports**

FAS Lagos forecasts Nigeria's raw sugar imports in MY 2021/22 at 1.8 million metric tons (MMT), up over three percent from the 1.75 million metric tons (MMT) volume reported in marketing year 2020/21. Post attributes the uptick to increasing foreign exchange earnings from export of refined sugar from Nigeria to neighboring West African and Sahel countries since the naira was devalued. Production systems and consumer patterns are increasing imports – rising industrial demand, expanding population with growing youthful demography. Nigeria imports brown sugar, but refined locally, meets most of Nigeria's sugar requirements.

**Nigeria Still Dependent on Raw Sugar Imports:** Brazil is the largest supplier of raw sugar to Nigeria with over 85 percent market share. According to Foreign Trade Report, Nigeria spent a massive N263.8bn (\$651.4m) at N405=\$1 to import brown sugar from Brazil in 2020.

FAS Lagos forecasts Nigeria's refined sugar imports in MY 2021/22 at 130,000 MT, a volume unchanged from the MY 2020/21 estimate. Smuggling along the country's porous borders, flooding, and insecurity in areas where raw sugar production is concentrated accounts for low production.

**Incentives to Raw Sugar Importers:** Sugar is not among the food products affected by foreign exchange access restriction. The Central Bank of Nigeria created "clean line facilities," making the supply of foreign exchange more accessible in the market. This has brought improvements in foreign exchange sourcing for some of the major raw sugar importers and refiners. However, on April 15, 2021, the CBN Governor intimated that the central bank would eventually place wheat on its foreign exchange restriction list.



**Duties and Levies:** The National Sugar Development Council through the NSMP has pushed through the measure that requires raw sugar imports (For 2019-2021), raw sugar imports are assessed a 10 percent duty, plus an additional 30 percent levy. Refined sugar imports (2019-2021) are assessed a 20 percent duty, plus an additional 75 percent levy.

The high tariff structure, according to the NSMP seeks to:

- Promote local production as opposed to imports
- Prevent dumping of cheap sugar and protect “infant industry” local producers
- Send a clear message to sugar refiners/importers to engage promptly in backward integration and thereby stop paying stiff tariff duties
- Highlight the little value addition of refined sugar imports as opposed to refining raw sugar in-country.
- Reduce current over reliance on imported raw sugar (accounting for over 98 percent of total sugar imports). Seeks to promote sugar production to benefit employment creation, foreign exchange savings, renewable energy production (ethanol and electricity), rural poverty alleviation, and rural development.

## **Exports**

FAS Lagos forecasts Nigeria’s refined sugar exports in MY 2021/22 to grow by 17 % percent at 350,000 metric tons (MT), higher than MY 2020/21 estimate. Post forecasts that the Nigerian Sugar Council will strictly implement the terms of approval given to companies operating within the Export Processing Zones. The export focused 850,000MT/annum BUA Sugar Refinery in the Bundu Free Trade Zone Port Harcourt, River State is primarily to refine imported raw sugar for export. On paper, exporting refined sugar seems beneficial because of foreign exchange earning opportunities. However, in the face of arbitrary price increment in the local market, the Export Processing Zone Act empowers the company to intervene in the local market. Currently, this is contributing to the “Sugar War” between two of the leading sugar companies. Entrenched interests in Nigeria’s sugar market have developed as production declined and imports increased over decades.

There are sales outflow of Nigerian refined sugar through major trade centers in northern Nigeria into landlocked neighboring Sahel regions including West and Central Africa markets. This practice is increasing amid successive naira devaluation, which is resulting in attractive prices for Nigeria sugar.

## **STOCKS**

FAS Lagos forecasts Nigeria’s ending stocks in MY 2021/22 at 100,000 MT, a volume unchanged from the MY 2020/21 estimate. The Nigerian government’s sugar policies have not yet led to production increases that can increase stock levels. Post does not anticipate major changes to ending stock levels soon.

**Attachments:**

No Attachments