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Report Highlights:

The Federal Executive Council approved the extension of the National Sugar Master Plan (NSMP) by 10 years (2023-2033). NSMP is an effort of the Government of Nigeria to ensure self-sufficiency in local sugar production. Post forecasts an 8 percent increase in sugarcane production in MY 2023/24. Post foresees scaling-up of investments in sugarcane crushing operations. Meanwhile, increased demand for refined sugar across the West Africa region and other African countries will drive refined sugar exports in MY 2023/24.

EXECUTIVE SUMMARY

Nigeria is the largest economy in sub-Saharan Africa, with an estimated population of 216 million (2022). The country's population is projected to reach 400 million by 2050. Nigeria is the second largest sugar market in sub-Saharan Africa, behind South Africa. Over half of Nigeria's population live in urban areas; urbanization is growing at 3.92 percent annual rate. Demographic factors such as urbanization rate and a growing population influence sugar consumption in Nigeria. 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 self-sufficient in sugar production in the nearest future. The National Sugar Development Council (NSDC) stated that Lagos, Ogun, and Oyo states account for 80 percent of sugar consumed in the country. Dangote Sugar, BUA Foods, and Golden Sugar (a subsidiary of Flour Mills of Nigeria Plc) control over 95 percent of the sugar market in Nigeria.

In 2012, the government approved the Nigeria Sugar Master Plan (NSMP), as a national strategy roadmap – to enable the production of about 1.79 MMT of sugar by 2023. Recently, the government extended the Plan through 2033 with a framework to address varied implementation challenges, such as perennial disagreements between host communities and investors over land ownership, and other associated infrastructural impediments. NSMP has nonetheless forced indigenous companies to scale up investments in domestic sugarcane production and processing - Dangote Sugar, BUA Foods and Golden Sugar have made significant investments on this component of NSMP with a total combined investment of \$1 billion as of 2022, since enforcement of the Plan began.

Nigeria Sugar Development Council (NSDC), an Agency under the Federal Ministry of Industry, Trade, and Investment, was established to stimulate the development of Nigeria's sugar industry with a view to ensuring that Nigeria attains at least 70 percent self-sufficiency in her sugar requirement within the shortest possible time. The Agency is responsible for allocating yearly sugar import quotas to prospective companies according to milestones recorded in their various backward integration programs (BIP). The government strictly restricts sugar imports – for example, the President must approve all imports based on the Minister of Industry, Trade, and Investment recommendations. Refined sugar in retail packs is banned but refinery operators undertaking BIPs across the country can import specific quantities of raw sugar through the quota system.

Raw sugar imports will stay flat for MY2023/24 at 1.8 million metric tons. Consumption will decrease marginally due to high inflation, high input costs, and rising global and domestic commodity prices. Export of refined sugar to West Africa and other African countries will increase marginally as import from Nigeria becomes a cheaper alternative amid high import costs and rising global commodity prices brought about by a drop in Brazilian sugar production.

Sugarcane Production

Table 1: Sugarcane Production, Supply and Distribution Table

Sugar Cane for Centrifugal Market Year Begins Nigeria	2021/2022		2022/2023		2023/2024	
	Nov 2021		Nov 2022		Nov 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	100	100	120	120	0	130
Area Harvested (1000 HA)	75	75	90	90	0	95
Production (1000 MT)	1320	1320	1620	1620	0	1750
Total Supply (1000 MT)	1320	1320	1620	1620	0	1750
Utilization for Sugar (1000 MT)	1320	1320	1620	1620	0	1750
Utilizatr for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	1320	1320	1620	1620	0	1750

Post forecasts an 8 percent increase in sugarcane production in MY2023/24. The increment is due to the government's effort in persuading indigenous companies to significantly raise investments in sugar plantation farming on the strength of the backward integration policy (BIP). Currently, according to the second phase of the Nigerian Sugar Master Plan (NSMP), allocation of sugar import quota would be based on the extent of BIP performance in the preceding year, and no longer based on the refining capacity. These latest developments will increase investments in sugarcane production in MY 2023/24. On the other hand, insecurity limiting access to lands, communal hostilities, and land ownership tussles between host communities and operators are challenges facing BIP implementation.

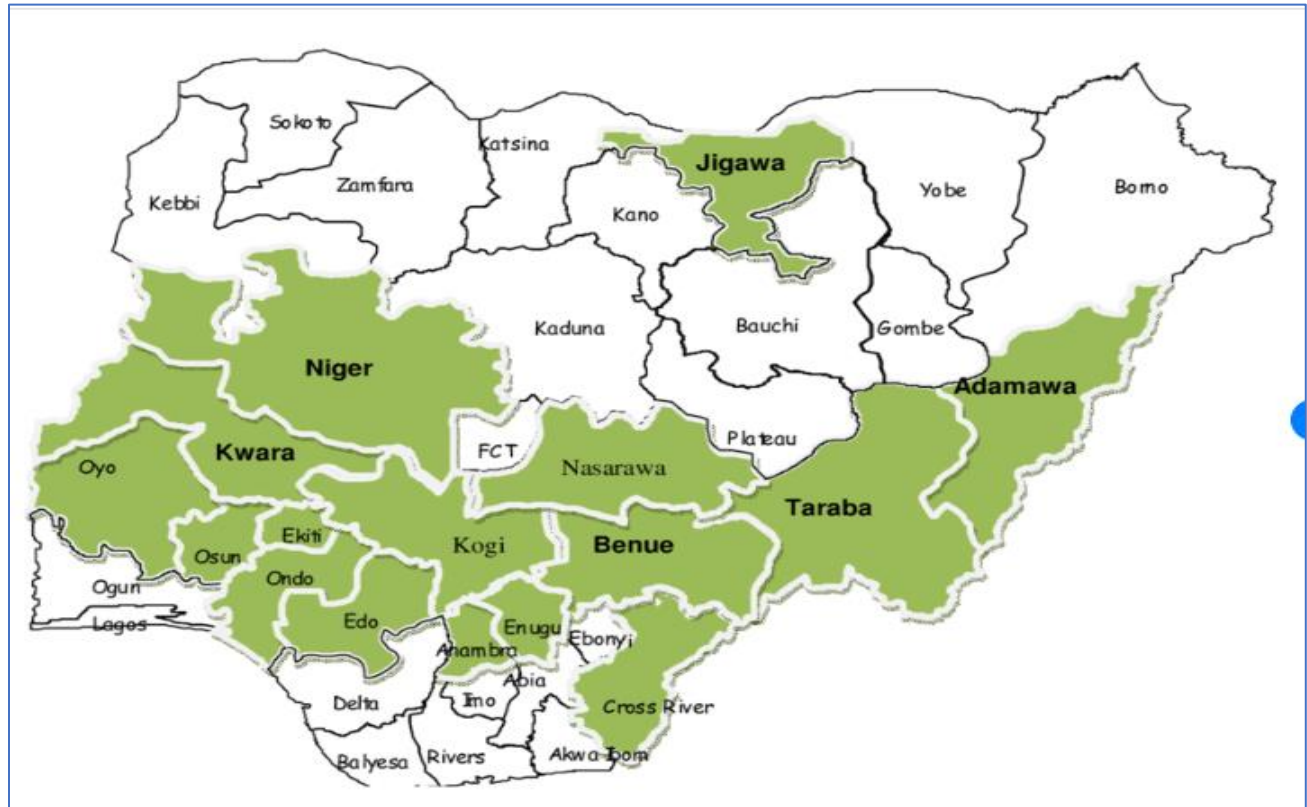
Across the sector, key players in the sector such as Dangote Sugar Refinery, BUA Sugar Refinery, Golden Sugar Refinery and Kia Africa Group are developing farmlands and strengthening independent sugarcane out grower supply chains for canes. Dangote Sugar Refinery has concluded plans to embark on a progressive increase of its Noman sugar plantation hectareage from the current land area under cane production of about 8,700 hectares (ha) in 2022 to nearly 24,200 ha within the next 7 years. Post forecasts Area Planted to increase to 130,000 ha in MY 2023/24 from the USDA's official estimate of 120,000 ha for the previous year. Post projects sugar cane Area Harvested in MY 2023/24 to increase by 6 percent compared to the USDA's estimate for the prior year.

In December 2022, the Federal Government of Nigeria (FGN) launched \$73 million intervention fund for sugar sector irrigation. The fund was to boost the development of irrigation infrastructure on BIP sugar plantations and sugarcane out grower farms. The six beneficiary BIP sugar plantations are in Numan – Adamawa state, Sunti – Niger state, Lafiagi – Kwara state, Bacita – Kwara state, and Toyo and Tunga – Nassarawa state.

Sugarcane is majorly grown and processed for sugar. It is perennial crop that is resilient, resistant to most diseases. The crop has a high potential for biomass production and can be used to control soil erosion. In addition, sugarcane is a critical ingredient in ethanol and biofuel production, electricity generation, soil fertility, and improvement. Potentially arable lands that could support

sugar cane production in Nigeria are over 800,000 ha, particularly along the entire length and breadth of the Niger and Benue Rivers.

Figure 1: Potential Areas for sugar cane cultivation in Nigeria



Source: International Standard Journal: Sugarcane production problems in Nigeria by Wada *et. al.*, 2017.

Research and Development in Sugarcane Production

Currently, the National Cereals Research Institute Badeggi (NCRI) is making significant progress in sugarcane research. The institute is active in improving sugarcane varieties. Smallholder farmers and large estates are cultivating these varieties across the country. NCRI developed a 10 tons per day brown sugar processing technology to enhance increased sugar production. In line with their mandate, they have also done intercropping studies, yield evaluation trials, and weed control experiments in sugarcane, the knowledge of which has boosted sugarcane production in no small measure.

The government established the National Sugar Development Council (NSDC) to bring about rapid development in the sugar sector, providing an efficient and effective research and development support while strengthening self-sufficiency. The Nigeria Sugar Institute (NSI), located in Ilorin, Kwara state, is the research arm of NSDC with the responsibility to discharge

all research and development as well as capacity building functions of the Council. In addition, NSI provides genetically clean and pure seed cane for growers.

Table 2: Sugar Production, Supply and Distribution

Sugar, Centrifugal Market Year Begins	2021/2022		2022/2023		2023/2024	
	May 2021		May 2022		May 2023	
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)	70	70	70	70	0	75
Total Sugar Production (1000 MT)	70	70	70	70	0	75
Raw Imports (1000 MT)	1800	1800	1800	1800	0	1800
Refined Imp.(Raw Val) (1000 MT)	130	130	150	150	0	130
Total Imports (1000 MT)	1930	1930	1950	1950	0	1930
Total Supply (1000 MT)	2100	2100	2120	2120	0	2105
Raw Exports (1000 MT)	0	0	0	0	0	0
Refined Exp.(Raw Val) (1000 MT)	350	350	350	350	0	355
Total Exports (1000 MT)	350	350	350	350	0	355
Human Dom. Consumption (1000 MT)	1600	1600	1620	1620	0	1600
Other Disappearance (1000 MT)	50	50	50	50	0	50
Total Use (1000 MT)	1650	1650	1670	1670	0	1650
Ending Stocks (1000 MT)	100	100	100	100	0	100
Total Distribution (1000 MT)	2100	2100	2120	2120	0	2105
(1000 MT)						

CANE SUGAR

PRODUCTION

FAS Lagos forecasts Nigeria's domestic cane sugar production in marketing year (MY) 2023/24 to increase by 7 percent from the USDA's estimate of the previous year. This situation is due to growing investment in all parts of the sector as raw sugar global prices reached their highest level in a decade. Dangote Sugar Refinery (DSR) has continued to expand its production capacity as the company targets to produce over 170,000 tons of sugar next season. DSR is making massive investments in expanding its Numan sugar refining capacity.

Meanwhile, BUA is currently developing its own subsidiary, Lafiagi Sugar Company (LASUCO). LASUCO is an integrated milling factory with a 10,000 tons cane milling capacity per day and a refining capacity of 220,000 metric tons (MT) per annum. On the other hand, Golden Sugar Company, on the other hand, are developing their sugar estate and investing on refining capacity expansion. In 2021, the sector witnessed the complete takeover and overhaul of the defunct Nigeria Sugar Company Bacita by KIA Africa Group Limited. The ongoing infrastructural development will increase milling and refining capacity in MY 2023/24. The company's target is to reach 176,000 MT of milled sugar by 2025.

Existing domestic demand and increasing demand potential for refined sugar across West Africa also encourage investments in cane sugar production. Sugar accounts for a significant percentage of the revenue for several large Nigerian food processing companies, (e.g., Dangote, BUA, and Flour Mills of Nigeria) who are key investors in the sector. As such, these companies are eager to increase investments - to take advantages of new opportunities, satisfy market demands and penetrate new markets. However, the difficulties securing foreign exchange to import capital assets still need to be solved. In addition, high import costs, inadequate basic community infrastructure, and long gestion period of sugar business investments impede investment flows into the sector.

Table 3: Details of Sugar Companies in Nigeria

S/N	NAME	LAND DEVELOPED (Ha)	MILL CAPACITY (TCD)
Large Scale Sugar Companies			
1.	Savannah Sugar Company Numan, Adamawa state – Dangote Sugar	10,500	6,000
2.	Sunti Golden Sugar Estate Ltd, Sunti – Niger state – Nigeria Flour Mills	3,455	3500
3.	BUA Sugar Company Lafiagi, Kwara state	6,500	10,000
Small Scale Sugar Companies			
1.	Oyo Sugar Processors Ltd, Iseyin, Oyo state.	N/A	300
2.	Goronyo Sugar Company, Goronyo, Sokoto state	N/A	600
3.	Dangote Nasarawa Sugar Project, Tunga, Nasarawa state.	660	N/A
4.	Great Northern Agribusiness Ltd, Gagarawa, Jigawa state.	300	N/A

Source: Nigeria Sugar Development Council

Key players in the sector own farms across the country – to supply their refineries with raw sugar. Meanwhile, the government distributes the annual raw sugar import permits based on companies' compliance the National Sugar Master Plan BIP implementation – see details 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 at a refinery located in Adamawa, while the Lagos State refinery processes imported raw sugar.
- Golden Sugar operates a sugar estate in Sunti, Niger State, with one refinery in Lagos State. The refinery has a production capacity of 750,000 tons per annum.
- 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 1.5 million metric tons per annum. BUA Port Harcourt Refinery (850,000mt) is in Bundu Free Zone in Port Harcourt, Rivers State.

In addition, other ongoing greenfield sugar projects under the NSMP include the Gagarawa Sugar Project in Gagarawa, Jigawa State, the Contec Global Project in Isanlu Esa, Kogi State, Gummi Sugar Project in Zamfara State, Sean-Zara Sugar Project in Kwara State, Crystal Sugar Project in Jigawa State, Oyo State Sugar Processors Ltd, Iseyin, Oyo State, Goronyo Sugar Project in Goronyo, Sokoto State and Cocaset Sugar, Ondo State.

Table 4: Sugar Refineries in Nigeria and web address.

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

The government encourages smallholder farmers to produce sugarcane for mills. However, two leading outgrower associations contribute a small segment of domestic sugar cane - Savannah Sugar and Oyo Sugar-cane Processors. These associations include independent small-scale farmers who sell their products to key players. Packaging companies are Golden Sugar Company Limited, Dogan's Sugar Company, and McNichols Cubing Company.

CONSUMPTION

FAS Lagos forecasts Nigeria's sugar consumption in MY 2023/24 at 1.6 million metric tons (MMT), down by 1 percent from the 1.62 MMT recorded in the marketing year 2022/23. This is due to high inflation, recent introduction of the sugar tax, scarcity of foreign exchange – including the adverse effect of high input costs on industrial sugar consumers. NSDC indicated that household consumption of sugar is less than 20 percent, while industrial consumption by the soft drinks and the food and beverages sector, the bakery and confectionary, pharmaceutical and dairy sectors, are the largest. According to the Council, companies such as Cadbury, Breweries, Dangote, and BUA consume the lion's share.

High inflation weakened consumption. Nigeria's inflation has been increasing, exacerbated by foreign exchange liquidity challenges and the economic downturn caused by the Russia-Ukraine crisis. In addition, the recent introduction of a 'sugar tax' on all non-alcoholic and carbonated sugar-sweetened beverages has increased retail prices of most sugar-sweetened drinks. In general, the majority of Nigerian consumers are price sensitive. As a result, the market will experience a marginal reduction in sugar consumption in MY 2023/24.

With more advocacies ongoing against the consumption of sugar for health benefits, and for further increase of the sugar tax to discourage consumption, consumers especially the middle-income earners are avoiding sugar consumption and opting to use other alternatives like honey as sweetener. Moreso, soft-drink companies are adjusting and combining formulations to reduce sugar content. These latest trends, together with the rising sugar prices will adversely impact, domestic consumption of the commodity in MY 2023/24.

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 controls, 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 government authorizes 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. The BIP dates to 2013 and seeks to harness Nigeria's sugarcane resources while creating jobs and reducing imports.

Nigeria's National Sugar Master Plan: In September 2022, the Federal Executive Council approved extended the National Sugar Master Plan (NSMP) by 10 years – starting 2023 through 2033. The second phase of the NSMP aims to produce around 1.7 to 1.8 MMT of sugar a year and create 110,000 jobs, while eliminating the \$350,000 spent annually on importation of raw sugar. Providing 300,000 hectares (ha) of irrigated land in 9 states of the Federation and onboarding new sugar mills and refineries are all included in the new 10-year sugar master plan. In line with the new NSMP, the governors of these 9 states are expected to release land and provide infrastructure for smooth takeoff. The states are: Nassarawa, Kwara, Adamawa, Oyo, Niger, Taraba, Ondo, Sokoto and Bauchi.

Sugar Tax: Nigeria began imposing a new tax on sugar-sweetened beverages on June 1, 2022. The tax rate of N10 per liter applies to all sugar-sweetened non-alcoholic and carbonated drinks produced, imported, distributed, and sold in the country. The aim is to discourage consumption. Data shows that Nigeria ranked 4th highest soft drink consuming country globally and has the highest number of people living with diabetes in Africa. According to the Federal Government, the Sugar Tax aims to curb the prevalence of obesity, diabetes, and other diet-related non-communicable diseases.

TRADE

Imports

FAS Lagos forecasts Nigeria's raw sugar imports in MY 2023/24 at 1.8 MMT, the same figure as the 1.8 MMT volume reported in marketing year 2022/23. Nigeria imports raw sugar but stopped importation of refined sugar. However, the country has the refining capacity to meet most its domestic sugar requirements. The BIP aims to discourage the indiscriminate importation of sugar. In 2021, the CBN issued a circular that only sugar refining companies with reasonable progress in complying with an agreed backward integration plan will be allowed to source foreign exchange from the official window to import sugar.

Nigeria Still Dependent on Raw Sugar Imports: Brazil is the largest supplier of raw sugar to Nigeria with over 97 percent market share. According to trade data, Nigeria spent N387.6 billion (\$842.7 million) at N460=\$1 to import brown sugar from Brazil in 2022. The value of Nigeria's sugar imports was the second highest for food items after wheat in 2022.

FAS Lagos forecasts Nigeria's refined sugar imports in MY 2023/24 at 130,000 MT, a 13 percent decrease from the MY 2022/23 figure of 150,000 MT. The Federal Government has stopped refined sugar imports into the country. As a result, all local sugar packaging and cubing companies source their refined sugar domestically - unless there is a justifiable reason the condition must be satisfied through importation. In that case, the government requires the companies to submit their 3-5 years projected sugar needs and other compliance requirements. In addition, high global sugar prices and persistent insecurity along Northern border communities hinders unofficial trade.

Approved Guideline for Raw Sugar Importation:

NSDC requires refineries importing raw sugar for their operations to comply with the following:

- Companies wishing to import have to formally apply for the quantity of the raw sugar required.
- Sugar import approvals are valid for one year only and are not transferable.
- Companies granted approval to import sugar must commence or already have investment in BIP on local sugar production.
- No refinery importing raw sugar is allowed to expand its capacity without government approval.
- A body comprising of SURMIC Monitoring Unit and Local Sugar Manufacturers are to jointly monitor and evaluate compliance with these guidelines and have the authority to recommend revocation of approval.
- Recommendation on import quota allocation to refineries "shall" be through a transparent process involving the applicants.

Duties and Levies: The National Sugar Development Council through the NSMP has pushed through a measure that allows raw sugar imports starting 2019 through 2023. Raw sugar imports face a 10 percent duty, plus an additional 30 percent levy.

The high tariff structure, according to the NSMP aims 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.
- 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). In general, a high duty seeks to promote sugar production to benefit employment, 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 2023/24 at 355,000 metric tons (MT), a 1 percent increase from USDA’s official estimate of 350,000 MT for the previous year. This situation is due to an increased demand for refined sugar across the West African region and other African countries - as import from Nigeria becomes a cheaper alternative amid high import costs and rising global commodity prices brought about by a drop in Brazilian sugar production. BUA recently contracted a shipping vessel, MV Bundu, to facilitate its sugar export expansion plans.

STOCKS

FAS Lagos forecasts Nigeria’s ending stocks in MY 2023/24 at 100,000 MT, a volume unchanged from the MY 2022/23 figure. The Nigerian government’s sugar policies have not yet led to significant production increases that can increase stock levels. Post does not anticipate substantial changes to ending stock levels soon.

Attachments:

No Attachments