



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

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## Nigeria

### Grain and Feed

## Wheat Flour Prices rise in Nigeria 2004

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**Report Highlights:**

Nigerian wheat millers have jointly implemented a 20 percent increase in the price of flour following sustained increase in export ocean freight rates in recent months. The price of bread to cash-trapped Nigerian consumers is gone up by 10 percent. The forecast of Nigeria's wheat imports in 2003/04 is retained at current levels because the price of local substitutes remains high. Nigeria remains the third largest export destination for U.S. wheat.

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

**Executive Summary**

Following a sustained increase in export ocean freight rates in recent months, Nigerian flour millers, through a joint action increased the retail price of flour to 2,850 naira per bag of 50 kilograms in January 2004, up approximately 20 percent from the previous level. Freight rates from U.S. gulf to Nigeria are running \$70-75 a ton compared to an average of \$26 over the past five years. Wheat millers in the country indicate that the sharp increase in freight rates could no longer be absorbed in their cost structure. In response, the bakers have increased the price of bread on average by 10 percent. By this increase, a 950-gram loaf of bread is now sold for 150 naira, up from 120 naira previously. Bakers in the country indicate that they are unable to pass on the full impact of the flour price increase to cash-trapped Nigerian consumers due to stiff consumer resistance. Despite the increase in price, industry sources indicate that wheat imports will continue to increase because of the high cost of local substitutes. Forecast of Nigeria's wheat imports from the U.S. in MY2003/04 is retained at the current level of 2.2 million tons. Nigeria remains a consistent buyer and already stands out as the leading export destination for U.S. hard red winter wheat. Demand for soft wheat is increasing to satisfy a growing demand by biscuits, crackers, and spaghetti manufacturers.

Exchange Rate:       \$1/132 Naira