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## **Nigeria**

## **GRAIN**

## **Grain and Feed Annual**

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**Report Highlights:**

Nigeria's grain production is steadily increasing. The increase is attributed to the steady availability of inputs at affordable prices and favorable weather conditions. Grains production in 2009/10 is expected to increase due to the reported early arrival of rains in the grain's belt and the prevailing attractive grower prices. At present, grain prices are high because of increased demand and low carry-over stock from last year.

**Executive Summary:**

Nigeria's aggregate grain production in MY 2009/10 is forecast to increase five percent. The forecast is based on a number of factors including expanded planted area as a result of the prevailing attractive grain prices, the GON's implementation of zero tariffs on imported agrochemicals, and reported timely arrival of rains in the grains belt. In addition, the perennial scarcity and high prices of fertilizer is expected to ease following the resumption of domestic fertilizer production at the Notore Chemical Industries. This plant has reopened following more than eight years closure and the company plans to produce three million tons of fertilizer production by 2010. Fertilizer and agricultural tools/implements, which are essential for agricultural development, have zero import duty.

After falling in MY 2007/2008 due to very high import prices, Nigeria's wheat imports in 2008/09 have returned the path of steady growth and this is expected to continue into MY 2009/10. The combination of lower international wheat prices and lower freight rates has dropped the import price of wheat into Lagos, encouraging millers to bring more of the existing excess milling capacity into use. Currently, Nigeria is the second largest export destination for U.S. wheat and the leading export destination for Hard Red Winter wheat. U.S. market share currently remains dominant at about 85 percent, although this is down from last year due to larger competitor supplies.

Despite the good corn crop in 2008/09, prices have remained high due largely to the low carry over stock from the preceding year and rising domestic demand. Market sources indicate that prices will continue to rise until new supplies are available from the next harvest, which begins in August 2009. In September 2008, the GON lifted the import ban on corn and local poultry producers are exploring import opportunities to cushion the impact of high prices. Corn is the preferred energy source and accounts for about 60 percent of compound feed. Production of corn and sorghum is expected to increase in 2009/10 due to attractive producer prices this year and greater availability of inputs. Nigeria is the world's largest producer of sorghum.

Domestic rice production continues to increase due largely to incentives available to farmers under the Presidential Initiative on Rice. The initiative is part of GON's efforts aimed at achieving self-sufficiency in rice production. Despite increased production, imports are expected to be steady and Nigeria will remain one of the world's largest rice importers. The GON, between May – October 2008, temporarily eliminated the duty on rice imports to cushion the impact of escalating food prices. This resulted in importers building large stockpiles of rice, and has reduced imports for the first half of MY 2008/09 (October 2008-September 2009). When the duty was reinstated in November 2008, the duty was reduced from 109 percent previously to 30 percent on milled rice and 5 percent on paddy/brown rice.

Exchange Rate: US\$1 = 150 Naira

**Commodities:**

Wheat

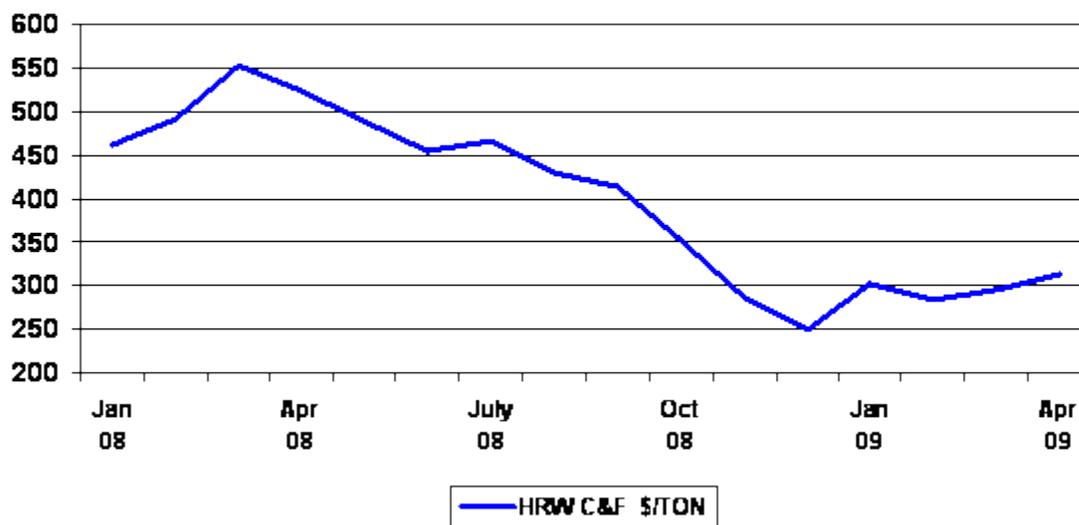
**Production:** Nigeria's wheat production in 2009/10 is forecast to remain small at only 100,000 tons, the same as in 2008/09. Local climatic conditions in Nigeria are not suitable for profitable wheat production and the wheat that is produced is grown under irrigation in a few states in northern Nigeria.

**Consumption:**

Nigeria's overall milling capacity is currently estimated at about 6.2 million tons, with only about 52 percent of this capacity being utilized in 2008/09. Utilization, however, has been increasing especially as some mills that closed operations because of high wheat prices, intense competition, and slack demand for flour during the MY 2007/08 have resumed operations. Despite excess milling capacity, existing facilities continue to be upgraded and new capacities are being added as most investors still see bright long-term prospects for the milling industry. While the production of bread flour continues to expand, one of the areas that is experiencing the greatest growth is the production of noodles. In 2006, there was only one producer of noodles in Nigeria and currently this has risen to ten, with additional facilities expected to come online in the near future. Nearly all of the major flour millers have or are currently developing the capacity to make noodles and demand for these products in Nigeria is very high and noodle imports are banned. Nigerian noodle manufactures have benefited from the removal of the ban on crude vegetable oil, a key component in instant noodle production, and increased imports of palm oil has caused a large drop in the cost of production. Noodle production is estimated to use up to 250,000 MT of Hard Red Winter Wheat (HRW) in 2009/10. Although Nigeria is traditionally a market for Hard Red Winter, in recent years there has been a steady increase in demand for other types of wheat such as Soft Red Winter for use in biscuit production. Also, in MY 2008/09 a major mill imported about 60,000 tons of U.S. Hard White, and reported very positively on its milling characteristics.

**Prices**

### Landed U.S. HRW Wheat Prices in Nigeria Drop



#### Trade:

Nigeria remains a growth market for wheat imports as its huge population continues to expand and per capita consumption of wheat expands from a low base. Nigeria's overall wheat import volume in MY2009/10 is forecast at 3.4 million tons, up from the revised estimate of 3.2 million tons in 2008/09. The higher volume projected for 2009/10 is based on the assumption that global wheat prices will remain stable.

The United States has a dominant market share of about 85 percent of Nigeria's wheat market. At present, Nigeria is the second largest export destination for U.S. wheat (after Japan) and the largest market for Hard Red Winter, a spot it has held for 8 years. The United States is expected to remain the dominant supplier in 2009/10. Industry sources indicate that wheat flour from Nigeria is exported informally and can be seen in several countries in West and Central Africa

**Stocks:** Because of favorable prices, most millers have stepped up buying and some mills have even reported buying in excess of their storage and milling capacities, forcing them to look elsewhere to store their imported wheat. However, although stocks are currently very large, by the end of the MY 2008/09 stocks are expected to have returned to more normal levels.

#### Policy:

On September 28, 2008, the GON lifted the import ban on wheat flour and biscuits and imposed tariffs of 35 percent and 25 percent, respectively. Although substantial imports of these products have not occurred since the lifting of the ban, millers and biscuit manufacturers have been vocal in their opposition to its removal.

Nigeria's wheat import tariff is five percent, and imported wheat is also subject to port surcharges (equal to seven percent of the duty value), and the GON's Combined Import Supervision Scheme fee, which is equivalent to one percent of FOB value. A five percent value added tax is also applicable to wheat flour and millers are also required to fortify flour with vitamin A.

Additionally, the GON made it mandatory for flour mills to include 5 percent cassava into the flour in an effort to support local cassava production. Although the policy is not strictly enforced by the current administration, millers are apprehensive that the GON could arbitrarily close down the mills. In 2007, the GON closed virtually all of the flourmills in the country for a short period, citing non-compliance with the 5 percent requirement.

**Marketing:**The U.S. Wheat Associates is very active in Nigeria in providing training opportunities and trade servicing for the Nigerian milling industry and have a representative located in Lagos.

**Production, Supply and Demand Data Statistics:**

Wheat Nigeria	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	95	95	95	95	95	95		95	95
Beginning Stocks	200	200	200	100	100	100		100	100
Production	100	100	100	100	100	100		100	100
MY Imports	2,632	2,700	2,700	3,100	3,200	3,200		3,400	3,400
TY Imports	2,632	2,700	2,700	3,100	3,200	3,200		3,400	3,400
TY Imp. from U.S.	2,472	2,500	2,500	0	2,600	2,600		2,600	2,600
Total Supply	2,932	3,000	3,000	3,300	3,400	3,400		3,600	3,600
MY Exports	0	0	0	0	0	0		0	0
TY Exports	0	0	0	0	0	0		0	0
Feed Consumption	50	50	50	50	50	50		50	50
FSI Consumption	2,782	2,850	2,850	3,100	3,250	3,250		3,450	3,450
Total Consumption	2,832	2,900	2,900	3,150	3,300	3,300		3,500	3,500
Ending Stocks	100	100	100	150	100	100		100	100
Total Distribution	2,932	3,000	3,000	3,300	3,400	3,400		3,600	3,600
Yield	1.	1.	1.0526	1.	1.	1.0526		1.	1.0526

**Commodities:**

Corn

**Production:**

Post forecasts Nigeria's corn production in MY 2009/10 at 8.3 million tons, up from 7.9 million tons in MY2008/09. Private sources indicate that corn area will increase, as the prevailing record high prices encourage farmers to switch area from cotton to corn, as well as bring new land into production. A modest increase in yield is also expected because of reported early arrival of rain in the grain belt and the commitment of the government to

make fertilizers readily available this year. Notore, the new owners of the now privatized National Fertilizer Company resumed production in December 2008, and as a result, fertilizer supplies are expected to improve significantly this cropping season. Planting is expected to commence in May 2009.

**Consumption:**

Despite the good corn crop in MY 2008/09, prices have remained high because of rising demand coupled with the low carry-over stocks from the poor crop of the preceding year. At present, the price of corn in Northern growing regions is 60,000 naira per ton (\$400) about the same as in April 2008, but three times the price in 2007. The cost of corn delivered to the main poultry growing areas in Southern Nigeria is substantially higher.

The bulk of Nigeria’s corn crop is used for direct human consumption and corn is a staple of the Nigerian diet. Brewery demand for corn grits is growing in step with growth in the sector. Feed utilization of corn is also increasing, thanks to the steady growth in the poultry sector witnessed in recent years. Approximately 95 percent of all feed produced in Nigeria is poultry feed. Total corn usage for feed production in Nigeria is forecast at 1.1 million tons in MY 2009/10, up from 1.0 million tons in MY 2008/09.

**Trade:**

Post forecasts Nigeria’s corn imports in MY 2009/10 at 200,000 tons, the same level as in 2008/09. On September 25, 2008, the GON lifted the import ban on corn, which was imposed in 2005. Now that corn imports is allowed (at a tariff of 5 percent), poultry producers in the country are looking to imports, especially as many have reported difficulty in even sourcing sufficient quantities of domestic corn. The poultry industry in Nigeria is concentrated in Southwestern Nigeria near major urban centers (Lagos and Ibadan), and as such imported corn into Lagos has a transportation advantage to major poultry operations when compared with domestic supplies grown in the middle and northern regions of Nigeria.

Although official trade figures are not available, informal cross-border exports to Niger, Chad and Sudan are forecast at 100,000 tons, the same as in 2008/09. Along with certain wood products, corn is the only other agricultural commodity which is officially banned by the GON for export.

**Stocks:**A major problem with grains production in Nigeria continues to be inadequate storage. On average, 30 percent of Nigeria’s grains output is lost due to spoilage, contamination, and attack by insects, rodents and physiological deterioration in storage (post harvest loses). This high loss translates to loss of revenue to Nigeria’s resource poor peasant farmers.

**Marketing:**

Following the removal of the import ban on corn, Post collaborated with the U.S. Grains Council and organized a three-day trade activity in Washington D.C. in February, 2008 for eight leading Nigerian poultry producers and feed millers. The activity was designed to reestablish linkages between Nigerian importers and U.S. exporters of grains, especially corn. The team is currently working as a group to import U.S. corn.

**Production, Supply and Demand Data Statistics:**

<b>Corn Nigeria</b>	<b>2007</b>		<b>2008</b>		<b>2009</b>	
	<b>2007/2008</b>		<b>2008/2009</b>		<b>2009/2010</b>	
	<b>Market Year Begin: Oct 2007</b>		<b>Market Year Begin: Oct 2008</b>		<b>Market Year Begin: Oct 2009</b>	
	<b>Annual Data</b>	<b>New</b>	<b>Annual Data</b>	<b>New</b>	<b>Annual Data</b>	<b>Jan</b>

	Displayed		Post	Displayed		Post	Displayed	
			Data			Data		Data
Area Harvested	4,000	4,000	4,000	4,700	4,700	4,700	4,900	4,900
Beginning Stocks	246	246	246	96	96	96	296	296
Production	6,500	6,500	6,500	7,900	7,900	7,900	8,300	8,300
MY Imports	0	0	0	200	200	200	200	200
TY Imports	0	0	0	200	200	200	200	200
TY Imp. from U.S.	0	0	0	0	150	150	150	150
Total Supply	6,746	6,746	6,746	8,196	8,196	8,196	8,796	8,796
MY Exports	100	100	100	100	100	100	100	100
TY Exports	100	100	100	100	100	100	100	100
Feed Consumption	750	750	750	1,000	1,000	1,000	1,200	1,200
FSI Consumption	5,800	5,800	5,800	6,800	6,800	6,800	7,200	7,200
Total Consumption	6,550	6,550	6,550	7,800	7,800	7,800	8,400	8,400
Ending Stocks	96	96	96	296	296	296	296	296
Total Distribution	6,746	6,746	6,746	8,196	8,196	8,196	8,796	8,796
Yield	2.	2.	1.625	2.	2.	1.6809	2.	1.6939

### Commodities:

Rice, Milled

### Production:

Nigeria's rice production in MY2009/10 is forecast at 3.4 million tons, up from a revised 3.2 million tons in MY2008/09. The GON is aggressively promoting rice cultivation under a Presidential initiative to increase rice production to 6 million tons within three years. The initiative involves the promotion of the New Rice for Africa (NERICA) variety. The variety is resistant to the African Rice Gall Midge disease and it is higher yielding than currently used varieties. Government sources indicate that 1 billion Naira (\$8.5 million) was released by the GON for the dissemination of these improved varieties at a 50 percent subsidy.

The GON also is encouraging the expansion of domestic rice milling capacities as part of efforts to boost production. A number of the major rice importers in Nigeria have made significant investment in milling capacities, and examples of these private sector initiatives are: Veetee Rice in Ogun State, Olam in Benue, Nasarawa and Kwara States, and Stallion in Lagos. As part of a backward integration program, these companies are at various stages of developing nucleus estates that would use local farmers as out growers to supply rice to the mills. It is anticipated that this will encourage more farmers to expand into rice production. As an incentive to these companies, the GON has granted a concessionary duty of five percent on brown and paddy rice that will initially allow them to import these supplies until that time that they can source sufficient domestic supplies to operate their mills at capacity. The Federal Ministry of Agriculture continues to indicate that Nigeria can

be self-sufficient in rice production, as virtually all-ecological zones in the country are suitable for rice cultivation.

**Consumption:**

Population growth and rising incomes are expanding rice consumption in Nigeria. Imported parboiled rice competes effectively against other basic food staples, which explains why import volumes have remained large. Rice is a regular item in the Nigeria diet, largely because of the convenience and the variety of ways it can be prepared. Imported parboiled rice is directed at meeting consumer demand in urban areas where incomes are highest, while locally milled rice is consumed mainly in the rural areas. The quality of the locally produced rice has improved considerably. For example, the locally produced Ofada rice is a national delicacy and is offered to consumers at a premium.

The Nigerian currency (Naira), which has been relatively stable over the past five years, has depreciated sharply over the past five months. As a result, the price of rice in the local market has remained high despite the moderation in international prices. Year on year, the price of a 50-kilogram bag of rice increased from an average of 9,000 Naira (\$61) per 50-kilogram bag in April 2008 to 10,000 naira (\$68) in April 2009.

**Trade:** Post forecasts Nigeria's rice imports in MY 2009/10 (note: Marketing Year is October-September) to grow slightly to 1.6 million tons, 200,000 tons above MY 2008/09 levels. Between May and October 2008, the GON suspended all levies and duties on rice imports to cushion the impact of rising food prices. As a result, during this time importers built huge stockpiles of inventory prior to the duty reinstatement. These large stocks reduced the need for imports during the first half of MY 2008/09, and trade flows have been quite small. Even five months after the duty was reinstated the inventory stockpile has not yet been exhausted.

**Policy:**

On September 25, 2008, the GON reduced the duty on rice from 109 percent to 5 percent for seed, paddy and brown, and to 30 percent for semi and wholly milled rice. The lower duty for paddy and brown rice is to encourage local value addition by importers who have established milling facilities in the country.

Despite reduced tariffs, industry sources report that the GON is implementing a reference price of \$690 per ton for all rice imports for the purpose of import duty calculation, despite the fact that this figure is far above the actual price of the rice. Importers have expressed their confusion over government policy and for now are tentative about importing because of this uncertainty.

**Marketing:**

Following the decision of the GON to apply a lower duty on paddy and brown rice, one importer indicated that they have commenced the importation of brown rice from Thailand. Under the new tariff regime introduced in September 2008, paddy and brown rice attracts a lower duty of five percent, while fully milled rice attracts a duty of 30 percent. Local importers have indicated interest in importing U.S. brown rice if the price is competitive. U.S. exporters desiring to explore this emerging market opportunity should please contact FAS/Lagos.

Currently, U.S. milled parboiled rice can only compete for a share of the top niche segment of the Nigerian market because of its price premium. In the last quarter of 2008, a local trader imported 1,000 tons of U.S. rice to test market. The intrinsic quality of the rice is appreciated by the middle to high income Nigerian consumers. Despite the initial market

resistance to the higher price, the importer has indicated commitment to developing a niche market for this high quality U.S. rice. Given the right packaging and appropriate marketing support, U.S. rice exports to Nigeria could increase substantially in the near term.

**Production, Supply and Demand Data Statistics:**

Rice, Milled Nigeria	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Harvested	2,200	2,200	2,200	2,300	2,300	2,300		2,400	2,400
Beginning Stocks	597	470	470	497	770	770		470	470
Milled Production	3,000	3,000	3,000	3,300	3,200	3,200		3,400	3,400
Rough Production	5,000	5,000	5,000	5,500	5,333	5,333		5,667	5,667
Milling Rate (.9999)	6,000	6,000	6,000	6,000	6,000	6,000		6,000	6,000
MY Imports	1,550	1,800	1,800	1,600	1,400	1,400		1,600	1,600
TY Imports	1,600	1,600	1,600	1,700	1,600	1,600		1,600	1,600
TY Imp. from U.S.	1	1	1	0	1	1		1	1
Total Supply	5,147	5,270	5,270	5,397	5,370	5,370		5,470	5,470
MY Exports	0	0	0	0	0	0		0	0
TY Exports	0	0	0	0	0	0		0	0
Total Consumption	4,650	4,500	4,500	4,800	4,900	4,900		5,100	5,100
Ending Stocks	497	770	770	597	470	470		370	370
Total Distribution	5,147	5,270	5,270	5,397	5,370	5,370		5,470	5,470
Yield (Rough)	2.	2.	2.2727	2.	2.	2.3187		2.	2.3613

**Commodities:**

Sorghum

**Production:** Sorghum production in MY2009/10 is forecast at 11.5 million tons, up from 11.0 million tons in MY2008/09. Crop yield is expected to increase because of the growing acceptance by farmers of improved varieties developed by local research institutes. These include two sorghum varieties bred by the International Crops Research Institute for Semi-Arid Tropics, which are higher yielding and earlier maturing. The earlier maturing trait is especially attractive to farmers due to the erratic nature of the late-season rains in the main Northern growing areas.

**Consumption:**

Sorghum is the primary food crop in virtually all parts of northern Nigeria. Sorghum also is used extensively in brewing, and industrial demand for sorghum by beer manufacturers is rising steadily, in step with rising demand for their products. Beer had been produced

exclusively in Nigeria from sorghum and corn following a ban being placed on barley and barley malt importation in the mid-1980s. Although the ban was lifted in 1999, breweries have continued to use sorghum and corn as the key ingredients.

**Trade:** Nigeria is self-sufficient in sorghum and exports informally small volumes to neighboring countries. There are no official statistics on exports, but undocumented, cross-border movement in MY2009/10 is forecast at 50,000 tons, the same level as the current year.

**Policy:** On September 25, 2008, the GON lifted the import ban on sorghum and the tariff is currently at 5 percent.

### Production, Supply and Demand Data Statistics:

Sorghum Nigeria	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		Jan Data
Area Harvested	7,400	7,400	7,400	7,400	7,400	7,400		7,500	7,500
Beginning Stocks	200	200	200	200	200	200		200	200
Production	10,000	10,000	10,000	11,000	11,000	11,000		11,500	11,500
MY Imports	0	0	0	0	0	0		0	0
TY Imports	0	0	0	0	0	0		0	0
TY Imp. from U.S.	0	0	0	0	0	0		0	0
Total Supply	10,200	10,200	10,200	11,200	11,200	11,200		11,700	11,700
MY Exports	50	50	50	50	50	50		50	50
TY Exports	50	50	50	50	50	50		50	50
Feed Consumption	100	100	100	150	150	150		150	150
FSI Consumption	9,850	9,850	9,850	10,800	10,800	10,800		11,300	11,300
Total Consumption	9,950	9,950	9,950	10,950	10,950	10,950		11,450	11,450
Ending Stocks	200	200	200	200	200	200		200	200
Total Distribution	10,200	10,200	10,200	11,200	11,200	11,200		11,700	11,700
Yield	1.	1.	1.3514	1.	1.	1.4865		2.	1.5333