

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Voluntary - Public

Date: 11/20/2009

GAIN Report Number: NI9010

Nigeria

Post: Lagos

Despite Large Harvests Nigerian Grain Prices Remain High

Report Categories:

Grain and Feed

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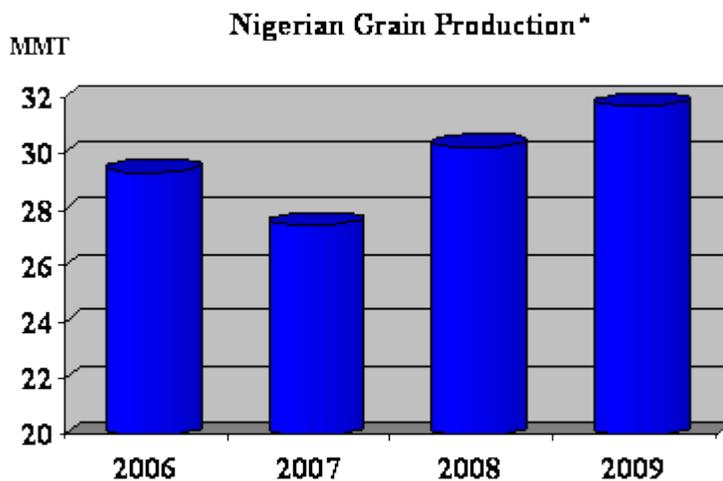
Report Highlights:

Grain production in Nigeria rose this year as farmers expanded planted area and beneficial rainfall patterns improved yields. Despite these larger crops, strong demand continues to support high grain prices in Nigeria

General Information:

Another Good Grain Harvest

Nigeria is experiencing bumper crops for the second straight year in 2009, and harvest has commenced or completed for most of these crops. Combined production of corn, rice, millet, sorghum, and soybeans is expected to reach a record 31.7 million tons this year, up from 30.2 million in 2008 and 27.4 million in 2007.



*FAS/Lagos Estimate Includes Corn, Rice, Millet, Sorghum, and Soybeans

Increased production this year is the result of two major factors:

1. Expanded Planted Area

With tight supplies and strong demand, grain prices soared earlier this year, with corn prices reaching as high as 75,000 naira (\$500) per ton in southern Nigeria and soybean prices climbing to as high as 125,000 naira (\$833) per ton in these areas. These very high prices encouraged farmers in the North to expand planted area, with most of this expansion being new land brought into production. Two crops which continued to have the greatest increase in area are corn and soybeans. Corn area continues to expand into the drier Northern region as new early-maturing varieties are adopted. In fact, a decade ago corn was absent from the northern part of Nigerian states such as Kano and Katsina, but today is

readily grown in these areas. Better yields and returns compared to sorghum or millet (even despite higher fertilizer costs for corn) also contributed to expanded plantings.

For soybeans, high prices and robust demand from the domestic poultry industry and oil producers continue to encourage Nigerian farmers to expand area, albeit from still a relatively small base.

Soybean oil consumption continues to rise, replacing groundnut oil in many diets. Farmers are also boosting soybean area due to reduced need for fertilizer application.

2. Beneficial Rainfall Patterns

The rainfall pattern in northern growing areas this year was better than average and although rains began late in some areas, rainfall was widespread and relatively uniform throughout the growing area and growing season. This helped maintain strong yields again this year. The only negative impact of crop weather was that the plentiful rains continued later than typical and delayed harvest of some crops.

However, Prices Remain High

Despite larger grain production this year, grain prices in Nigeria remain higher than typical for this time in the harvest season. For example, millet and sorghum and soybean prices are currently being quoted for 20 percent above this time last year. Industry sources from the feed mill and oilseed crushing sector also expect that, despite higher production, higher prices will remain throughout this year (see chart below).

Estimated Average Yearly Price in Key Growing Areas (naira per ton).

	2007/08	2008/09	2009/10 Forecast
Corn	47,000	53,000	56,000
Millet	43,000	45,000	46,000
Sorghum	45,000	46,000	48,000
Soybeans	67,000	75,000	77,000

Note: Feed Milling/Oil Crushing Industry Estimate

High grain prices this year are due to a number of reasons:

1. Late Rains Delaying Harvest

As mentioned, rains in northern Nigeria continued into November, which is unusual for this region.

This late rain has delayed harvest of late-planted crops, and for those crops already harvested it has delayed marketing (as most crops are dried on the field and rains delay this drying process). So despite larger production, less grain is currently being marketed by farmers, which has supported prices.

2. Low Stocks

High prices during the past two seasons have led to a large drawdown in grain stockpiles by farmers and the private sector and the government. The Government of Nigeria has a National Grain Storage Policy which encourages 5 percent of domestic production to be stored by the Federal Government, 10 percent by individual State governments, and the remaining 85 percent by farmers and the private sector. Despite this plan, actual storage of grain by the Federal and State governments has been only a fraction of this target. These governments have been hesitant to buy during times of very high prices and it has even been difficult in the past few years to source sufficient grains for these stores.

3. Continued Strong Demand

While the combination of low carry-in stocks and delayed grain marketing has supported prices in the near term, continued strong demand could buoy prices throughout the year. Domestic demand for grains is supported by continued robust population and economic growth. In addition, the poultry industry continues to expand, boosting the sector's need for corn and soybeans. One of the key demand driven factors behind high grain prices, however, is increased buying from neighboring countries. While cowpea is the only major staple imported in Nigeria from nearby countries (primarily Niger), grains such as sorghum, millet, rice, and maize are regularly exported to Niger, Chad, Cameroon and others. Interviews with traders in major Northern grain markets, including Dawano Market in Kano (the largest grain market in West Africa), indicated that current shipments of grain to these countries is very robust. This strong buying is primarily due to poor crops in these countries, as Niger has experienced early cessation of rains which caused below-average yields for sorghum and millet, especially in the North of the country. This has led the USAID-Funded Famine Early Warning System Network (FEWSNET) to classify Niger to be a moderately to highly food insecure country for the near to medium term. With a similar situation in Chad, demand from these countries is expected to continue to boost Nigerian grain prices.