

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Nigeria

Rice Trade - Quarterly

Nigeria's Rice Imports from the U.S. is Increasing

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Report Highlights:

Rice exports from the U.S. to Nigeria have continued to trend upwards and 2009/10 marketing year sales are at the highest level in 25 years. Total Nigerian rice imports are steady year to year, but there has also been a large upsurge in undocumented cross-border trade of rice from the Republic of Benin, fueled by the government of Nigeria's tariff and reference price policy.

Post:

Lagos

Executive Summary:

Rice exports from the U.S. to Nigeria have continued to trend upwards, due largely to competitive pricing of U.S. rice in recent times and the perception of Nigeria's discerning consumers of U.S. products as higher quality. Currently, 2009/10 marketing year sales of U.S. rice to Nigeria have climbed to 38,200 tons, while no sales were recorded during the corresponding period a year ago. This is the highest quantity of U.S. rice sold to Nigeria in 25 years. Of this quantity, about 20,000 metric tons is long-grain brown rice (making Nigeria the largest importer of brown long-grain rice from the U.S.), while the remaining 18,200 tons is milled long-grain U.S. rice. Post has also observed increased presence of Brazilian and Chinese rice in the Nigerian market.

While total Nigerian imports are steady year to year, there has also been a large upsurge in undocumented cross-border trade of rice from the Republic of Benin, fueled by the government of Nigeria's (GON) tariff policy. Cross-border smuggling of rice moves in tandem with changes in the GON's tariff policy (see graph below). From a duty of 109 percent in 2008, the GON temporarily eliminated the duty on rice imports, between May – October 2008, to cushion the impact of escalating food prices. As a direct result, rice exports to Benin declined steadily from the second quarter of 2008 to the first quarter of 2009 as smuggling became unprofitable. Rice exports to Benin stayed low even shortly following the reintroduction of the GON's import duty, as the duty was reduced from 109 percent to 30 percent for milled rice, and to only 5 percent for brown rice.

However, recently, the disparity between the tariff in Benin and Nigeria, as well as disparities in reference pricing, has resulted in a surge in undocumented cross-border trade. The GON recently raised the reference price on rice for duty valuation to \$640 per ton, up from \$590 in 2009. This, coupled with the 30 percent duty on milled rice, compares very unfavorably to the \$100 per ton reference price and 15 percent duty used by the Republic of Benin at the Cotonou port. The landed cost of smuggled rice is estimated to be \$200 lower than direct imports through Nigerian ports. Local traders who import directly through Nigerian ports are reporting that their inventory is piling up because they cannot compete with smuggled products. At present, a 50-kilogram bag of the smuggled rice is retailed for 6,500 Naira, while the landed cost of rice imported directly through Nigerian ports is estimated at 7,000 Naira per ton, with the retail cost substantially higher. It is reported that due to increased demand, cross border smugglers now use 70-ton trucks, compared to 30-ton trucks used previously, to ship the rice. It is projected that more than 50 percent of Nigeria's imports of 1.6 million tons in MY 2009/10 will be smuggled through Nigeria's porous borders.

Rice Exports to Benin (includes Thai, Brazilian, Chinese and U.S.)

