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## **Nigeria**

### **Sugar Annual**

#### **Sugar Imports to Resume Strong Growth**

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**Report Highlights:**

Nigeria continues to depend almost exclusively on sugar imports despite the completion of the privatization of all government-owned sugar estates. Rehabilitation and expansion of these estates are on-going, albeit at a very slow pace and at present, only Savannah (Dangote) Sugar has resumed milling operations. The sharp increase in the price of sugar last year affected the operations of some industrial consumers and slowed the growth of imports. Household consumption, however, has remained firm.

**Executive Summary:**

The rapid growth in Nigeria's sugar imports slowed this past year as a result of the significant increase in price of sugar. The price of imported sugar increased sharply by about 35 percent during the MY2009/10 marketing year. Industrial sugar users and distributors were the most affected by the increase, while household consumption has remained largely unchanged. With international prices beginning to ease, it is expected that import growth will resume in the late half of MY2009/10 as well as in MY2010/11.

The bulk of Nigeria's sugar requirement is satisfied through imports of raw sugar from Brazil that is refined locally. At present, there are only two major companies refining sugar in Nigeria: Dangote sugar remains the dominant player in Nigeria's sugar sector with a refinery capacity of 1.44 million tons while BUA Group has a capacity of 720,000 tons per annum. The combined capacity of the two refineries is 2.3 million tons of sugar per year, which far exceeds national consumption estimated at 1.4 million tons. Despite the overcapacity, it is reported that about 20 licenses were granted to investors by the GON last year to establish sugar refineries and one of the licensees has commenced preliminary work to establish a sugar refinery.

Domestic sugar production from the now privatized estates is trending upwards, albeit at a slow pace. Savannah Sugar Company under the new management (Dangote) modestly increased local production and processing of sugar cane in MY2009/10. Dangote has an ambitious plan to increase local sugar production in the future. Rehabilitation works on the other privatized estates are at various stages of completion. The privatization of sugar estates should result in a boost in domestic sugar cane production in the long term. Currently, less than 5 percent of consumption is from locally produced sugar.

Because of Nigeria's beneficial tariffs on raw sugar, about 90 percent of all imports come as raw sugar and refined locally, while the remainder is imported in refined form.

Exchange Rate: \$1 = 150 Naira

**Commodities:**

Sugar, Centrifugal

**Production:**

Nigeria's domestic sugar production in MY2010/11 is forecast at 60,000 tons (raw value), up from the revised estimate of 50,000 tons in MY2009/10. Following the completion of the privatization of all government owned estates, rehabilitation and expansion are on-going on the estates. Dangote-owned Savannah Sugar commenced production in 2007 and is currently the only domestic producer of sugar.

Savannah is expanding its field operations and has also developed an out-grower scheme to reduce mill downtime and provide economic support to the local community around the estate. Under the scheme, Savannah Sugar will prepare the land; provide irrigation, seed cane and other inputs on a cost recovery basis. The first phase of the out-grower scheme has about 500 farmers with average farm size of two hectares.

Josepdam, the new owners of Nigeria Sugar Company in Bacita have intensified the rehabilitation and expansion of cane fields and are expected to commence milling operation during the MY2010/11 season. Other sugar companies/estates in Sunti and Lafiaji have also been privatized and are at varying stages of rehabilitation. The privatization of government-owned, fully integrated sugar companies is a key element of GON's overall strategy of achieving private sector participation in sugar production. Privatization has undoubtedly improved the management of these estates.

With the privatization exercise now completed, the National Sugar Development Council (NSDC), which is the GON's sugar sector development agency, has shifted focus to monitoring, research and development, promotion of mini plants, supporting a uniform development of out-grower program and establishing a price support mechanism to ensure that farmers receive a fair deal from the estates. The Council is assisting farmers in the acquisition of fertilizers, pesticides and improved seed cane. The NSDC in collaboration with the Central Bank and a local bank have introduced a new scheme that will deliver inputs and credits to out grower cooperatives at a low interest rate of seven percent. At present, the Council is drawing up a "sugar master plan" that will involve private sector participation in the development of the sugar industry. Additionally, the NDSC is collaborating with other government agencies, such as the GON's River basin Development Authorities and the State Agricultural Development Projects in organizing and supporting sugarcane farmers to expand and improve output.

In order to encourage investment in local sugar production, the following incentives are provided by the GON through the NSDC:

- Provision of infrastructural facilities including access roads, boreholes, power lines, land acquisition and health care facilities for new sugar estates
- 100 percent foreign ownership of sugar complexes is allowed
- Capital equipment for sugar production will attract 5 percent duty. Similarly, agricultural chemicals for sugar production attract zero duty.

**Consumption:** Nigeria's overall sugar consumption in MY2010/11 is forecast to rise to 1.4 million tons, up from the revised 1.3 million tons in MY 2009/10. This forecast is based on population growth, as well as increasing industrial demand and lower expected sugar prices. The use of the product in industrial activities such as manufacturing soft drinks, pharmaceuticals, biscuits, other beverages and confectionary products is rising steadily, while the demand for direct household consumption remains firm. Soft drink production alone accounts for about half of total industrial usage.

**Trade:** With lower expected sugar prices, Post forecasts Nigeria's raw sugar imports in MY2010/11 to rise to 1.4 million tons, up from 1.3 million tons in MY 2009/10. The bulk of Nigeria's sugar imports are shipped in raw and refined locally. In MY2009, Nigeria imported 1.2 million tons of raw sugar and only 100,000 tons of refined sugar. The bulk of Nigeria's sugar imports, both raw and refined, come from Brazil. Trans-border formal and informal sugar exports to neighboring countries is expected to continue to increase in MY2010/11, especially as the management of Dangote refinery indicate that they

have concluded plans to commence formal sugar exportation to Ghana, Niger and Senegal. Sugar produced in Nigeria can be found in most West and Central African countries.

**Policy:**

The import duty on refined sugar is 20%, and when other taxes, such as development levy (10%), VAT (5%) are assessed, the effective duty is about 35%. The GON imposed the high duty on refined sugar to protect the local refineries and sugar estates and to encourage new investments in local refining capacity. Raw sugar imports attract a much lower duty of only 5 percent and are exempted from payment of sugar development levy. The GON requires all sugar consumed in Nigeria to have a minimum of 45 ICMSA.

As part of a national effort to eradicate Vitamin A deficiency, the GON made it mandatory for all sugar intended for direct consumption to be fortified with Vitamin A. Fortification costs about 700 Naira per ton. For industrial use, however, the refineries are allowed to supply non-fortified sugar. This exception was made following complaints by industrial users that fortified sugar induces undesirable changes in color, taste and appearance in their products.

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

Sugar, Centrifugal Nigeria	2009			2010			2011		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Nov 2008			Market Year Begin: Nov 2009			Market Year Begin: Nov 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		New Post
			Data			Data			Data
Beginning Stocks	50	185	50	75	185	75		75	
Beet Sugar Production	0	0	0	0	0	0		0	
Cane Sugar Production	50	50	50	60	60	60		65	
Total Sugar Production	50	50	50	60	60	60		65	
Raw Imports	1,200	1,200	1,200	1,200	1,300	1,300		1,400	
Refined Imp.(Raw Val)	50	350	50	50	350	100		125	
Total Imports	1,250	1,550	1,250	1,250	1,650	1,400		1,525	
Total Supply	1,350	1,785	1,350	1,385	1,895	1,535		1,665	
Raw Exports	0	0	0	0	0	0		0	
Refined Exp.(Raw Val)	150	250	150	150	300	200		250	
Total Exports	150	250	150	150	300	200		250	
Human Dom. Consumption	1,085	1,310	1,085	1,110	1,360	1,210		1,280	
Other Disappearance	40	40	40	50	50	50		60	
Total Use	1,125	1,350	1,125	1,160	1,410	1,260		1,340	
Ending Stocks	75	185	75	75	185	75		75	
Total Distribution	1,350	1,785	1,350	1,385	1,895	1,535		1,665	
TS=TD			0			0		0	

