

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary - Public

Date: 8/6/2009

GAIN Report Number: NI9011

Nigeria

Post: Lagos

U.S. Rice Returns to Nigeria

Report Categories:

Grain and Feed

Approved By:

Ali Abdi, Agricultural Attaché

Prepared By:

Levin Flake, Michael David

Report Highlights:

Nigeria's rice purchases from the U.S. in 2009 have reached the highest level in 25 years.

General Information:

In September 2008, the Government of Nigeria (GON) reduced the duty on fully milled rice to 30 percent, while the duty on brown/paddy rice was reduced to only 5 percent. The GON implemented this to allow importers that have invested in milling facilities to initially import these supplies until that time that they can source sufficient domestic supplies to operate the mills at capacity.

Recognizing that the U.S. is one of the few countries with exportable supplies of paddy and brown rice, Post saw this as an emerging new market opportunity and conducted a number of marketing activities.

In the first half of 2009, Nigeria imported 15,000 metric tons of U.S. brown rice, which represents the first bulk commercial sale of U.S. brown rice in a quarter of a century and makes Nigeria the largest importer of brown long-grain rice from the U.S. this year. In addition, Nigeria also purchased 9,000 tons of branded milled long-grain U.S. rice. These combined purchases represent that largest purchases of U.S. rice since 1983/84.

Despite the lower duty on rice, undocumented cross-border smuggling is reported to be trending upwards. Local trade sources estimate that more than 40 percent of Nigeria's projected imports of 1.6 million tons in CY 2009, will be smuggled through Nigeria's porous borders. Cross border smuggling is fuelled by the GON's high benchmark price of \$590 per ton used for duty valuation for imports of all origin. This compares unfavorably to the \$100 per ton benchmark price used by the Republic of Benin at the Cotonou port (which is only 80 miles from Lagos). In addition, the Lagos port is congested, often leading to long delays in berthing.

Nigerian imports have been slow during the first half of 2009, but this is consistent with Nigeria's seasonal import patterns for rice (see chart below) in which imports are much higher during the second half of the CY. Local sources attribute this trend to two major reasons. First, the local rice harvest begins in October and thus local supplies are readily available during the first half of the year but then begin to become more scarce by June of the year after harvest. Second, importers tend to increase import purchases in the second half of the year to satisfy increased demand often associated with the end of the year festivities. Post still estimates imports for MY and TY 2009 to be at 1.6 million tons.

Nigerian Seasonal Rice Import Patterns
(2000-2008 Monthly Average)

