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Global Agricultural Information Network

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Report Highlights

Nigeria's MY2018/19 wheat consumption is projected at 5.0 million tons, a 5 percent increase over last year's. The country's domestic rice production, estimated at 3.7 million metric tons, is not keeping pace with increasing domestic demand. The growing domestic demand for animal feed coupled with increasing foreign investment in the sector are expected to boost corn imports to 550,000 tons, nearly 40 percent increase compared to the preceding year. After Nigeria's economic recession that ended in late 2017, business activities are rebounding while forex supply is improving and stabilizing. However, the country's grain production is expected to be constrained mainly by lack of government financial support to farmers, inadequate basic infrastructure, rising cost of farming inputs and insecurity.

Economic Overview

With over 190 million people, Nigeria accounts for 47 percent of West Africa's population, which remains the largest oil exporter in the continent. It also has the largest natural gas reserves in addition to abundance of agricultural and other natural resources. Petroleum and Natural Gas exports account for about 11 percent of its GDP, 95 percent of total export earnings and about 85 percent of the federal government revenue.

Over the last 50 years, Nigeria's urban population grew markedly from 17.3 to 49.4 percent in 2017. However, the country's agricultural output is not keeping pace with the population growth, while per capita output mean score is estimated at 2.232 (± 0.056). The domestic food demand far outstrips the supply. Consequently, Nigeria relies on imported food to fill the deficit.

Oil prices continue to influence the country's growth pattern. The oil price that began to fall in mid-2016 resulted in the contraction of the economy in five consecutive quarters, but rebounded to growth in the second quarter of 2017. Recovering oil production and increasing prices of oil and gas in the international market generated more foreign exchange for Nigeria to support imports of goods and services. Recovery in the private sector, especially in the non-oil industries, including the agriculture sector contributed to the country's GDP growth of 4.29 percent in the fourth quarter of 2017. The overall economic forecast for the 2018 is estimated at 2.6 percent growth rate.

Consumer prices for Nigerians have continued to rise, mostly due to increases in the prices of bread and cereals, potatoes, yam and other tubers, coffee, tea and cocoa, milk, cheese, eggs, fish, oils and fats. Improved living conditions for most Nigerians also remains at bay even with global oil prices rebounding to US\$70 per barrel from less than \$40 per barrel the last two years. Analysts are pessimistic about the economy and the announced budget positive impact on ordinary Nigerians, as previous year's were not implemented while policies lack integrity. Decaying infrastructure, growing insecurity across the country and official corruption still abound, posing threats to the country's economic development.

Nigeria's Grain Prospects and Challenges to Food Security

The GON continues to promote the agricultural sector as its priority area for increased private and public sector investment. Its expectation is that the local currency stabilizing at an average of 360 Naira to the U.S. dollar will result in increased grain production. GON's monetary (forex) measures that technically ban direct shipment of imported rice into Nigeria and the earlier ban of imported rice entering through land borders remain. Nigeria's President Buhari, in his 2018 new year message, threatened to ban rice importation into the country.

Nigeria's animal feed sector, estimated at \$2 billion, remains underdeveloped mostly due to high production cost. Most poultry, aquaculture and other livestock operations in Nigeria spend about 70 percent of their operational costs on feed, indicating its huge demand in the sector. The major products used in animal feed are maize and soybeans. Groundnut, sorghum, cassava, cereals, fats and oils are also used for animal feed, albeit in small quantity.

Over the last 5 years, Nigeria's Animal Feed sector has continued to attract both local and foreign

investors, and it is expected to remain the leading grain user in the country. Late last year, Olam (the commodities and agribusiness giant), commissioned a 720,000 ton per annum feed milling operations in Nigeria that produces heat-treated mash and pelleted feeds. Ultra-modern hatchery is producing day old chicks for both layer and broiler at affordable prices to farmers. The firm also owns a fish feed manufacturing facility. Higher operational efficiency in these large-scale and modern feed mills in Nigeria is expected to reduce feed production cost and prices.

Analysts project Nigeria's poultry meat consumption will increase 10 times by 2040, assuming moderate feed costs, while domestic poultry production is expected to increase by 8 billion eggs and 100 million kilograms of poultry meat per annum. Nigeria's yearly fish consumption is estimated at 2 million tons, with over 20 percent supplied through land-based aquaculture production.

Although improving, the purchasing power of most households in Nigeria is expected to remain frail. Nigerian grains are also expected to remain relatively less expensive for consumers in neighboring countries, thus spurring continuous demand for the products. Nigeria grain producers are predominantly subsistence farmers with very limited financial resources and access to inputs and storage facilities. Moreover, increasing production costs for farming inputs such as fertilizers, labor, and agro-chemicals, have continued to limit the size and scope of the farms, while lack of GON support for foreign market development for Nigerian agricultural products continue to limit their access to export markets. Consequently, only few farmers and agribusiness brokers are able to export their produce.

Currently, private sector agribusinesses even with their limited resources are driving Nigeria's agricultural sector. The agribusinesses are increasingly entering into out-grower partnerships with grain farmers (especially, the industrial users) by providing them inputs, which to some extent are boosting grain production across the country. This practice is expected to continue.

However, Analysts do not foresee any significant increases in Nigeria's grain production as massive infrastructural development challenges across the country continue to result in high production costs, constraining agricultural development, including grain production. Poor budget implementation is also expected to continue to limit grain and other agricultural products development across the country.

Foreign Exchange Measures

Since August 2017, business activities have been rebounding as forex supply improves and exchange rates between the Nigerian naira and the major trading currencies, especially the United States dollar (USD), stabilized at an average of 360 Naira to \$1, after their substantial devaluation in mid-August 2014. Other major macro-economic indicators have continued to show improvement in GON earnings from crude oil sales. Since January 2017, OPEC has also exempted Nigeria from oil sales quota allocation—allowing the country to increase production. A drastic reduction in the militancy in the Nigeria's oil-producing Niger Delta region is expected to create a safer environment for Nigeria to increase crude oil exports and generate more revenue.

Domestic Agricultural Policies

Nigeria continues to employ trade restrictive measures, including high tariffs, forex control, levies and import bans, and other measures to protect its domestic agricultural production, despite the country's

membership in the World Trade Organization (WTO). Levies imposed on essential grains (rice, corn and wheat), as well as restrictive import permits limit grain imports.

Rural/small holder farmers and cottage agri-businesses contribute over 80 percent of the country's agricultural production, despite the GON's re-launch of the Growth Enhancement Scheme (GES) intended to provide farmers subsidized agricultural inputs to increase production. However, the program is yet to be implemented. The small holder farmers are expected to continue planting the traditional adulterated low-yielding rice seeds as the GES implementation remains on hold.

GON's Anchor Borrowers program introduced in the last quarter of 2016 provides funds to the large-scale operators in the rice sector. Most farmers have continued to indicate their inability to access the fund. However, it has been reported that the major beneficiaries have diverted it to supporting out-grower schemes with small-scale rural farmers around communities usually where modern rice mills are located. This pattern is also expected to continue in the coming years.

GON has not commenced the implementation of its agricultural policy branded Agricultural Promotion Policy (APP) announced in August 2016, due to lack of funds. In the past, farmers had always depended on GON incentives, such as subsidized improved seeds, fertilizers, on-the-farm training, etc. Recently, the GON announced it will no longer subsidize fertilizers and other inputs. Access to fertilizer continues to remain a major challenge for small and medium scale farmers, constraining their efforts to increase grain production despite increasing demand.

Efforts by donor organizations to control the severe outbreak of Fall Army Worm (*Spodoptera spp.*), in Nigeria and the neighboring countries, is expected to assist farmers increase their grain production in MY2018/19. Encouraged by increasing prices, many corn farmers are also expected to increase production.

Growing Insecurity and Food Security

The Boko Haram (BH) insurgencies and the pastoralist-farmers conflicts in the north east and north central regions of Nigeria have continued to escalate. Consequently, population displacement, trade restrictions, limited market access, and an influx of refugees, especially in the north-east region, have continued to cause severe acute food insecurity in the areas. Over 2 million people in the region are now depending on food assistance. Although FAO and other humanitarian agents are supporting the farmer-dominated population, mainly with fertilizer and seeds for vegetable and rice production, fears of attacks have continued to constrain access to farms in the regions.

Wheat:

Wheat Production, Supply and Demand Data Statistics:

Wheat Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	60	60	60	60	0	60
Beginning Stocks	200	200	200	200	0	200
Production	60	60	60	60	0	60
MY Imports	4972	4972	5200	5200	0	5400
TY Imports	4972	4972	5200	5200	0	5400
TY Imp. from U.S.	1633	0	0	0	0	0
Total Supply	5232	5232	5460	5460	0	5660
MY Exports	400	400	400	400	0	400
TY Exports	400	400	400	400	0	400
Feed and Residual	50	50	50	50	0	50
FSI Consumption	4582	4582	4810	4810	0	5010
Total Consumption	4632	4632	4860	4860	0	5060
Ending Stocks	200	200	200	200	0	200
Total Distribution	5232	5232	5460	5460	0	5660
Yield	1	1	1	1	0	1
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

MY2018/19 area harvested and production are estimated at 60,000 hectares and 60,000 tons, respectively. Persistent and intensified efforts by the private sector as well as increasing informal trading in the Sahel region (Niger, Chad, Mali, and Burkina Faso)—where prices remain higher—have largely leveled production over the last two years. Industry sources note that production costs remain almost at par with local market prices at \$420 per ton, while it sells at an average of \$600 per ton in the regional markets. There have also been government/humanitarian purchases at an average of \$500 per ton for feeding Nigerians living in camps, who are internally displaced from Boko Haram (BH) insurgencies and clashes. As a result, majority of the farmers lack funds, and are constrained to selling their produce in institutional and/or regional markets. Moreover, BH insurgencies within the wheat-producing belt have also continued to constrain access to land.

Consumption

MY2018/19 Feed, Seed, Industrial (FSI) use is projected to increase by 4 percent from 4.8 million tons recorded the previous year to 5.0 million tons. More than half of Nigeria's population live in the urban centers; the country's agricultural sector is underdeveloped while its huge food deficit is met through imports. Bread, semolina, pasta and other wheat products remain major staples in Nigeria. Generally, consumers' incomes have remained low and wheat products such as bread, doughs, noodles and spaghetti, are also expected to remain readily available and affordable in the more populated urban areas. Compared to major domestic staples such as "garri" (a local cassava

product), millet, yam, plantain and others; they are more convenient and less expensive staples in Nigeria.

Trade

Imports: MY2018/19 imports of wheat are projected to increase by 200,000 tons from 5.2 million tons in 2017/18 to 5.4 million tons. Domestic production remains small at about 60,000 tons. Locally produced wheat is not economically suitable for milling wheat flour for producing bread, spaghetti, etc. consumed in Nigeria's urban areas. Traditionally, Nigeria's wheat is mostly utilized for specialized local meals consumed mostly in northern Nigeria and the neighboring Sahel countries.

Compared to the previous year, millers now have increased access to forex to fund wheat imports. However, insecurity continues to cause more people in farming communities in the northern region to live in camps, and depend on donated foods, including wheat products such as semolina, bread, doughs, etc. Catering for refugees in camps limit farming activities and also put pressure on the available local products. Wheat imports readily fill the supply gap and are expected to increase slowly relative to demand. However, increasing production costs and weakening purchasing power continue to limit consumers' ability to absorb price increases.

Policy

Nigeria allows wheat imports at 5 percent tariff, in addition to 15 percent levy (totaling 20 percent duty). GON indicated that the levy was initiated to generate revenue for developing domestic wheat production.

GON's policy on composite flour (substitution of certain cassava flour for wheat flour utilized for bread and other flour-based products) remains. The policy also offers a 12 percent tax rebate to bakers that will blend cassava flour with wheat flour for bread. However, the full enforcement of cassava substitution policy is likely to stay on hold until GON, flour millers, bakers, and other stakeholders, are able to develop composite flour for processing quality flour-based products consumed by Nigerians.

GON's foreign exchange (forex) policy also excludes wheat from the essential commodity list—implying that wheat importers will continue to source much of their forex needs from the high-rate parallel market as opposed to the lower rate, offered by the Central Bank of Nigeria (U.S. Federal Reserve equivalent).

Marketing

Over the last two decades, the U.S. wheat industry (through the U.S. Wheat Associates) invested in numerous capacity-building activities for Nigeria's flour millers, bakers and pasta manufacturers through training in the United States and Nigeria. As a result, the U.S. market share reached about 90 percent in 2011. However, market share for U.S. wheat has dropped over the last 5 years to about 35 percent in 2017. In order to stay competitive in Nigeria's price sensitive market, flour millers increasingly blend the lower quality/lower cost wheat mostly from the Black

Sea region, with the higher quality/high cost U.S. wheat. Freight paid on wheat imports from the Black Sea is also lower compared to that from the United States.

Rice:

Rice Production, Supply and Demand Data Statistics:

Rice, Milled Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3200	3200	3200	3200	0	3200
Beginning Stocks	1398	1398	1352	1352	0	1206
Milled Production	3654	3654	3654	3654	0	3654
Rough Production	5800	5800	5800	5800	0	5800
Milling Rate (.9999)	6300	6300	6300	6300	0	6300
MY Imports	2500	2500	2600	2600	0	2900
TY Imports	2500	2500	2600	2600	0	2900
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	7552	7552	7606	7606	0	7760
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	6200	6200	6400	6400	0	6650
Ending Stocks	1352	1352	1206	1206	0	1110
Total Distribution	7552	7552	7606	7606	0	7760
Yield (Rough)	1.8125	1.8125	1.8125	1.8125	0	1.8125

(1000 HA) ,(1000 MT) ,(MT/HA)

Production

MY2018/19 area harvested and production are projected to remain unchanged at 3.2 million hectares and 3.7 million tons, respectively. More than 6 million hectares of land are reportedly available in Nigeria for rice production. However, only about 3.2 million hectares are currently under cultivation, producing approximately 3.7 million metric tons per year, meeting about 50 percent of its local demand. Production is also mostly by small scale farmers who plant low-yielding seeds and employ old planting/milling methods. Major cultivation states include Kebbi, Sokoto, Ogun, Ebonyi, Enugu, Anambra, Niger, and Kogi. Planting is done in May and June while the peak of harvest is November/December.

Increasing humanitarian-feeding of refugees caused by resurging Boko Haram (BH) attacks, pastoralist-farmers clashes and GON's insistence on halting rice imports, continue to encourage domestic rice production. Nigeria's currency devaluations over the past 2 – 3 years resulted in

general prices increases for domestically-produced commodities in neighboring Sahel markets where Nigeria's local rice constitute part of their meal. Farmers (mostly small-to medium-scale farmers) are increasing production to meet the rice demand in neighboring countries. However, the integrated rice milling operations are unable to purchase paddy from the dominant local farmers as paddy prices are too high for products of the formal/integrated mills to be competitive relative to those of the more preferred imported rice entering the market through numerous informal border routes. As a result, the entering of imported rice at much lower cost continues to limit the potential for increased domestic rice production.

Consumption

MY2018/19 rice consumption is projected to increase by 4 percent to 6.7 million tons from the 6.4 million tons recorded in MY2017/18. Compared to the past few years, forex rates are expected to continue to be more stable and available in MY2017/18. Prices of imported rice entering from neighboring countries have dropped to an average Naira14,000 (\$39) per 50-kg bag compared to the Naira16,000 (\$45) per 50-kg bag in the preceding year. Nigerians continue to prefer imported parboiled rice from Thailand and India to domestic rice. Many consumers also see the imported rice as better milled, more convenient to prepare and less expensive compared to rice produced locally. While the economy continues to improve, Nigeria's numerous porous borders still provide easy entry of imported rice into the country through informal channels.

Nigeria's increasing rice consumption is mostly driven by population growth, increasing urbanization as well as substitution away from traditional coarse grains. The consumption of traditional cereals, mainly sorghum and millet, has dropped significantly, and their share in cereals used as food also decreased, while the share of rice consumed has grown over the last 4 decades. Rice is a more convenient and easy staple to prepare compared to other traditional cereals across income levels in the urban areas.

In Nigeria, free rice gift to rural inhabitants who constitute the majority of the voters at election, remains an effective tool for winning votes. Larger volumes of rice are expected to enter the country for give-away to potential voters as part of political campaign activities ahead of the 2019 national election. Imported rice is expected to enter either through import waiver or via informal cross border channels.

Trade

Imports: MY2018/19 imports (mostly parboiled rice from Thailand and India) entering through informal cross-border channels) are expected to increase by about 12 percent to 2.9 million tons, from 2.6 million tons reported in MY2017/18. This increase is expected despite GON's intensified campaign (over the last decades) for Nigeria to become self-sufficient in rice production.

Policy

GON continues to maintain import ban on rice through land borders. Recently, it initiated a policy of not allowing imported rice into the country without official approvals irrespective of whether or

not the foreign exchange for the purchase was approved by the Central Bank or sourced from the informal forex market. The earlier tariff differentials for supporting domestic rice producers over rice traders have been abolished. These measures are primarily aimed at preventing the entry of imported rice into Nigeria.

Over the past many years, import ban remained the major thrust of GON agricultural development and food security agenda. However, Industry Analysts have continued to argue that the policy's goal is not achievable in view of the country's low private sector participation in the rice sector value chain. Additionally, low-yielding seeds; lack of general infrastructure, including inadequate electricity, poor roads, and limited access to finance for the majority small-scale farmers, make domestic rice production not economically competitive relative to imported rice.

Corn:

Corn Production, Supply and Demand Data Statistics:

Corn	2016/2017		2017/2018		2018/2019	
	Market Begin Year		Market Begin Year		Market Begin Year	
	Oct 2016		Oct 2017		Oct 2018	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5800	5800	5800	5800	0	6000
Beginning Stocks	214	214	319	319	0	219
Production	10755	10755	10500	10500	0	10880
MY Imports	650	650	400	400	0	550
TY Imports	650	650	400	400	0	550
TY Imp. from U.S.	254	254	0	0	0	0
Total Supply	11619	11619	11219	11219	0	11649
MY Exports	200	200	100	100	0	100
TY Exports	200	200	100	100	0	100
Feed and Residual	1900	1900	1700	1700	0	1700
FSI Consumption	9200	9200	9200	9200	0	9500
Total Consumption	11100	11100	10900	10900	0	11200
Ending Stocks	319	319	219	219	0	349
Total Distribution	11619	11619	11219	11219	0	11649
Yield	1.8543	1.8543	1.8103	1.8103	0	1.8133
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

MY2018/19 Area Harvested is projected to increase by 200,000 hectares (about 4 percent) to 6.0 million hectares from 5.8 million hectares the previous year. MY2018/19 Production is projected at nearly 11 million tons, about a 4 percent increase, compared to that of MY2017/18.

Despite the absence of GON support and inconsistent policies (especially the inadequately funded Anchor Borrowers Program) originally introduced to support farmers' purchases of inputs, as well as measures to deal with the menace of the Fall Army Worm (*Spodoptera exempta*) infestation,

production is projected to increase in the upcoming years. High local demand and increasing prices, as well as the GON's controlled imports (import permit policy), are expected to spur the growth.

Trade

MY 2018/19 imports are projected at 550,000 tons, relative to 400,000 tons the previous year.

Industry sources indicate that feeds represent more than 70 percent of the cost of poultry production in Nigeria. Poultry producers are also the major employers of labor especially in rural areas. The improving economy is boosting demand for the more expensive local poultry meat, but GON's restrictive import permit regime for corn continues to threaten the poultry sector growth. As Nigeria's 2019 national elections draws near, GON is expected to relax its import permit administration to allow poultry producers to increase corn imports for their poultry feeds.

Policy

Nigeria imposes a 5 percent tariff on imported corn in addition to the stringent import permit measures that have been in place over the last decade.

For the past 3 years, the GON has halted grain procurement from local farmers, for supplies to government-owned strategic reserves, due to lack of funds. Moreover, it plans to privatize its more than 1.4 million capacity strategic grain reserves located across the country.

Sorghum:

Sorghum Production, Supply and Demand Data Statistics:

Sorghum Market Year	2016/2017		2017/2018		2018/2019	
	Begin		Begin		Begin	
	Oct 2016	Oct 2016	Oct 2017	Oct 2017	Oct 2018	Oct 2018
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5450	5450	5350	5350	0	5200
Beginning Stocks	180	180	190	190	0	190
Production	6887	6887	6550	6550	0	6800
MY Imports	10	10	0	0	0	0
TY Imports	10	10	0	0	0	0
TY Imp. from U.S.	6	6	0	0	0	0
Total Supply	7077	7077	6740	6740	0	6990
MY Exports	100	100	100	100	0	100
TY Exports	100	100	100	100	0	100
Feed and Residual	150	150	150	150	0	150
FSI Consumption	6637	6637	6300	6300	0	6570
Total	6787	6787	6450	6450	0	6720

Consumption						
Ending Stocks	190	190	190	190	0	170
Total Distribution	7077	7077	6740	6740	0	6990
Yield	1.2637	1.2637	1.2243	1.2243	0	1.3077
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

MY2018/19 area harvested is projected at 5.2 million hectares, a 3 percent decline relative to the 5.4 million hectares recorded in MY2017/18. The resurgence of Boko Haram (BH) activities in the major sorghum producing region is expected to limit area harvested with many farmers dislodged and access to farms risky.

MY2018/19 production is also forecast to increase by about 4 percent from 6.6 million tons reported in MY2017/18 to 6.8 million tons, while yield is also expected to increase from 1.2 tons per hectare in MY2017/18, to 1.3 tons per hectare, due to increased private sector partnership with farmers.

Private Sector Drives Stabilizing Production

The continuing partnership between the farmers and industrial consumers is expected to result in increased production to meet their raw material needs. As industrial demand for sorghum continues to increase, more users are expected to increase their partnerships with farmers: specifically, providing them farming input such as chemicals and improved seeds, storage and processing facilities, training on better farm management techniques, as well as funding through some out-grower arrangements.

Consumption

MY2018/19 Food, Starch and Industrial (FSI) consumption is projected to increase from 6.3 million tons recorded the previous year to about 6.6 million tons. More consumers are shifting from higher price grains to the less expensive sorghum flour foods. Sorghum is also being used for feed as Nigeria's poultry industry has overcome the earlier challenge with its tannin levels. Other sorghum uses include beverages: alcohol and non-alcohol.

Trade

In 2011, the Nigerian government removed its ban on sorghum export to neighboring countries, mainly Niger and Chad. Sorghum can now be imported into Nigeria at five (5) percent tariff. Increasing demand for local sorghum for human, industrial and animal consumption resulted in price increases for sorghum products. More than 60,000 tons of Nigerian sorghum are also traded informally in regional markets—especially, Niger and Chad where desertification continues to threaten food security.

