

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain and Feed Update

Update

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Report Highlights:

Nigeria's wheat consumption continues to increase as prices of other major locally grown staples remain higher than those for wheat products. MY2016/17 wheat consumption is estimated at 4.6 million tons, a 15 percent increase over last year's. Increasing prices and prohibitive foreign exchange measures for rice imports in MY2016/17 resulted in a 12 percent drop in consumption from 6.0 million tons reported the previous year. With Nigeria's market remaining price-conscious, the weakening purchasing power of consumers is expected to continue to impact grains consumption negatively. Limited Government of Nigeria (GON) support to farmers, inadequate basic infrastructure, rising cost of farming inputs and insecurity are hampering agricultural development and productivity in the country.

Post: Lagos

Overview:

Nigeria's Grain Prospects and Challenges to Food Security

The Government continuous promotion of Nigeria's agricultural sector as key priority area for increased private and public investment, as well as the appreciation of the local currency during the reporting period, resulted in increased grain production. However, prices of domestic grain related products remained high.

According to the FEWS-NET report for the month of September 2017 (<http://fews.net/west-africa/nigeria/special-report/september-2017-0>), maize and imported rice prices were above their 2016 levels while the purchasing power of most households in Nigeria remains frail. Prices of Nigerian grains also remain relatively less expensive for consumers in neighboring countries around the Sahel region thus spurring continuous demand for the products.

Nigeria's grain producers are predominantly subsistence farmers with very limited financial resources, particularly access to inputs and storage facilities. Moreover, increasing production costs for farming inputs such as fertilizers, labor, and agro-chemicals, limit the size and scope of the farms, while lack of GON direct support for foreign market development and entry of Nigerian agricultural products limit their access to export markets. Consequently, only few farmers and agribusiness brokers are able to export their produce.

Massive infrastructural development challenges across the country have also continued to result in high production costs, constraining agricultural development and productivity. Limited Federal Government budget allocation (about 2% of total appropriation) for agricultural development has also constrained agricultural projects' development and implementation across the country.

Foreign Exchange Measures

Over the past few months, the GON has revised its foreign exchange interbank trading window and reintroduced a market-driven flexible interbank forex program that has boosted foreign exchange supply and eased forex shortage. Business activities have increased by more than 25 percent since the forex revision. The official and parallel market exchange rates have also become fairly stable at an average of 320 Naira to \$1 and 360 Naira to \$1, respectively. Early in September, GON announced the end of the recession in the country. Local media (print and broadcast) reported Nigeria's economy had rebounded by 15-25 percent and some Economists speculated that the country's economy will grow by about 1.8 percent in 2018. Despite these positive outlook, forex scarcity remains and most imports and business operations remain largely funded from forex purchased in the informal market at higher rates, resulting in higher operational cost for most businesses.

While introducing forex restriction policy, GON excluded importers of forty-one (41) selected goods from forex access. Some essential food and agricultural products (including rice) are among the products. However, following its review of Forex policies, GON has continued to maintain the list of

products excluded from forex, except for rice imports. As a result, while forex can be sourced from the parallel market to fund imports of excluded goods, GON requires that rice import (which is among the excluded goods) must be purchased with forex allocated by Central Bank of Nigeria (CBN).

Domestic Agricultural Policies

Nigeria continues to employ trade restrictive measures such as high tariffs, levies, import bans and other measures to protect its domestic agricultural products, despite the country's membership in the World Trade Organization (WTO). Such current measures which are expected to continue include a restriction on imports of essential grains (such as rice) and levies imposed on wheat imports. The import ban on corn lifted 10 years ago still requires "special Government approval" prior to imports; while forex supply remains inadequate.

Rural/small holder farmers and cottage agri-businesses still contribute over 80 percent of the country's agricultural production, despite the GON's re-launch of the Growth Enhancement Scheme (GES) that provides farmers subsidized agricultural inputs to increase production. However, private sector agribusinesses are increasingly entering into out-grower partnerships with farmers (especially, the industrial users) by providing farmers inputs such as chemicals and improved seeds, and storage and processing facilities, as well as credits, etc., which to some extent are boosting grain production across the country.

Wheat:

Wheat Production, Supply and Demand Data Statistics:

| Wheat Market Begin Year | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|----------------------------|---------------|----------|---------------|----------|---------------|----------|
| | Jul 2015 | | Jul 2016 | | Jul 2017 | |
| Nigeria | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 60 | 60 | 60 | 60 | 60 | 60 |
| Beginning Stocks | 200 | 200 | 200 | 200 | 200 | 200 |
| Production | 60 | 60 | 60 | 60 | 60 | 60 |
| MY Imports | 4410 | 4410 | 4972 | 4972 | 5000 | 5000 |
| TY Imports | 4410 | 4410 | 4972 | 4972 | 5000 | 5000 |
| TY Imp. from U.S. | 1450 | 0 | 1633 | 0 | 0 | 0 |
| Total Supply | 4670 | 4670 | 5232 | 5232 | 5260 | 5260 |
| MY Exports | 400 | 400 | 400 | 400 | 400 | 400 |
| TY Exports | 400 | 400 | 400 | 400 | 400 | 400 |
| Feed and Residual | 50 | 50 | 50 | 50 | 50 | 50 |
| FSI Consumption | 4020 | 4020 | 4582 | 4582 | 4610 | 4610 |
| Total Consumption | 4070 | 4070 | 4632 | 4632 | 4660 | 4660 |
| Ending Stocks | 200 | 200 | 200 | 200 | 200 | 200 |
| Total Distribution | 4670 | 4670 | 5232 | 5232 | 5260 | 5260 |
| Yield | 1 | 1 | 1 | 1 | 1 | 1 |

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

Consumption

MY2016/17 Feed, Seed, Industrial (FSI) consumption is estimated at 4.6 million tons, a 15 percent increase over the 4.0 million tons recorded the previous year. MY2017/18 FSI consumption is expected to increase by 28,000 tons compared to MY2016/17. Bread, semolina, pasta and other wheat flour-based products are staples in Nigeria. Prices of major domestic staples such as "garri" (a

local cassava product), millet, and others remain higher than wheat flour products' prices; while consumer's incomes have generally remained low. As a result, wheat products such as bread, doughs, noodles and spaghetti, remain readily available and more affordable substitute—especially in the urban areas—resulting in increased wheat consumption.

Trade

Imports: MY2016/17 imports are estimated at 4.9 million tons, about 13 percent increase over the previous year's imports. MY2017/18 imports are projected at 5.0 million tons, a 28,000 tons increase over the preceding year's. Domestic production remains small at about 60,000 tons while increasing imports are stalled by increasing production costs, insufficient and high-cost as well as weakening purchasing power. While millers only recently had increased access to forex to fund wheat imports compared to the previous year, forex remains insufficient relative to its demand. However, wheat imports continue to increase mostly as wheat flour products remain less expensive relative to many other locally-grown staple.

U.S. wheat market share is estimated at 40 percent. However, U.S. wheat continues to sell at a premium price because of its higher protein content. U.S. freight rate of approximately \$32 per ton is about 40 percent higher than the \$23 per ton freight cost of wheat shipments from the Black Sea region. Purchasing power also remained low while consumers are unable to absorb price increases, thus constraining the growth rate of U.S. wheat market share in Nigeria. To be competitive, millers in Nigeria have continued to blend the higher quality U.S. wheat with the less expensive, lower quality wheat from other countries, including Russia.

However, more discerning youthful consumers are also increasingly requesting better quality products which can only be achieved from high quality wheat flour. As a result, Nigerian millers are increasingly seeking wheat flour specifically for pizza, pasta, dough, etc. These wheat flour-based products are relatively new to the Nigerian consumers but the demand for the products has been growing steadily over the past decade.

Rice:

Rice Production, Supply and Demand Data Statistics:

| Rice, Milled Market Begin Year Nigeria | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|--|---------------|----------|---------------|----------|---------------|----------|
| | Oct 2015 | | Oct 2016 | | Oct 2017 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 3100 | 2500 | 3200 | 3200 | 3200 | 3200 |
| Beginning Stocks | 1770 | 1770 | 1398 | 579 | 1352 | 1352 |
| Milled Production | 3528 | 2709 | 3654 | 3654 | 3654 | 3654 |
| Rough Production | 5600 | 4300 | 5800 | 5800 | 5800 | 5800 |
| Milling Rate (.9999) | 6300 | 6300 | 6300 | 6300 | 6300 | 6300 |
| MY Imports | 2100 | 2100 | 2400 | 2400 | 2300 | 2300 |
| TY Imports | 2100 | 2000 | 2400 | 2400 | 2300 | 2300 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 7398 | 6579 | 7452 | 6633 | 7306 | 7306 |
| MY Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TY Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Consumption and Residual | 6000 | 6000 | 6100 | 5281 | 6200 | 6200 |
| Ending Stocks | 1398 | 579 | 1352 | 1352 | 1106 | 1106 |
| Total Distribution | 7398 | 6579 | 7452 | 6633 | 7306 | 7306 |
| Yield (Rough) | 1.8065 | 1.72 | 1.8125 | 1.8125 | 1.8125 | 1.8125 |

Production

MY2016/17 area harvested is estimated at 3.2 million hectares, a three percent increase over the previous year's. MY2016/17, area harvested is estimated to remain unchanged at 3.2 million hectares during the upcoming MY2017/18. MY2016/17 milled production is estimated at 3.7 million tons, a 4 percent increase over the 3.5 million tons recorded the previous year. Reported production increase is attributable to rising price of imported rice and increasing prices of domestic rice traded informally in neighboring countries.

Consumption

MY2016/17 rice consumption estimated at 5.3 million tons represents about 12 percent decrease from the 6.0 million tons recorded the previous year. Beginning stocks also dropped significantly by about 70 percent to nearly 580,000 tons in MY2016/17 compared to the previous year. Market price for imported rice entering from neighboring countries nearly doubled at average Naira16,000 (\$45) per 50-kg bag compared with \$24 per 50-kg bag in the past 12 preceding months. The increasing prices are attributable to GON stringent forex policies which restrict rice imports. Consequently, consumers have continued to substitute imported rice with some less expensive staples such as bread, wheat flour products, millet and some localized staples consumed within the production communities.

MY2017/18 consumption is projected to increase to 6.2 million as the economy is beginning to show signs of improvement and more consumers—especially, in the urban areas continued to prefer imported parboiled rice; perceiving it as the more convenient and easy-to-cook. Nigeria's numerous porous borders also continue to provide easy entry of imported rice into the country through informal cross border channels.

Trade

Imports: MY2016/17 imports are estimated 2.4 million tons, about 14 percent increase over the 2.1 million tons recorded the previous year. MY2017/18 imports are estimated at 2.3 million, a 4 percent decrease over the preceding year's. The market gap (more than 2 million tons) is most likely to be filled by imported parboiled rice entering through informal cross-border channels. Stakeholders maintain that it would take several years of effective policy implementation, better seed development and paddy production, infrastructure improvement, etc. for Nigeria to attain self-sufficiency in rice.

Corn:

Corn Production, Supply and Demand Data Statistics:

| Corn Market Begin Year Nigeria | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|--------------------------------------|---------------|----------|---------------|----------|---------------|----------|
| | Oct 2015 | | Oct 2016 | | Oct 2017 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 3800 | 3800 | 4000 | 4000 | 3800 | 3800 |
| Beginning Stocks | 361 | 361 | 161 | 161 | 161 | 161 |
| Production | 7000 | 7000 | 7200 | 7200 | 6900 | 6900 |
| MY Imports | 300 | 300 | 350 | 350 | 400 | 400 |
| TY Imports | 300 | 300 | 350 | 350 | 400 | 400 |
| TY Imp. from U.S. | 98 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 7661 | 7661 | 7711 | 7711 | 7461 | 7461 |
| MY Exports | 200 | 200 | 200 | 200 | 100 | 100 |
| TY Exports | 200 | 200 | 200 | 200 | 100 | 100 |
| Feed and Residual | 1800 | 1800 | 1850 | 1850 | 1700 | 1700 |
| FSI Consumption | 5500 | 5500 | 5500 | 5500 | 5500 | 5500 |
| Total Consumption | 7300 | 7300 | 7350 | 7350 | 7200 | 7200 |
| Ending Stocks | 161 | 161 | 161 | 161 | 161 | 161 |
| Total Distribution | 7661 | 7661 | 7711 | 7711 | 7461 | 7461 |
| Yield | 1.8421 | 1.8421 | 1.8 | 1.8 | 1.8158 | 1.8158 |
| (1000 HA) ,(1000 MT) ,(MT/HA) | | | | | | |

Production

MY2017/18 production is estimated to drop by 300,000 tons (about 4 percent) from 7.2 million tons in MY2016/17 to 6.9 million tons. Farmers have continued to shift away from corn production because of lack of GON support schemes and inconsistent policies—especially the inadequately funded new GON's Anchor Borrowers Program originally introduced to support farmer's purchases of inputs. Farmers also reported the absence of any intervention program/efforts to address the army worm (*Spodoptera exempta*) infestation that has continued to destroy corn production across the country for the past few years.

Trade & Policy

The halt in GON grain procurement from local farmers, for supplies to government-owned strategic reserves is resulting in farmers' downsizing production. Poultry farmers, who are usually the principal corn consumers, have also been downsizing or closing operations due mainly to rising production costs and declining incomes. Some major poultry and feed milling operations are also able to import corn mostly to stabilize their operating feed stock.

Sorghum:

Sorghum Production, Supply and Demand Data Statistics:

| Sorghum Market Begin Year | 2015/2016 | | 2016/2017 | | 2017/2018 | |
|------------------------------|---------------|----------|---------------|----------|---------------|----------|
| | Oct 2015 | | Oct 2016 | | Oct 2017 | |
| Nigeria | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested | 5300 | 5300 | 5300 | 5300 | 5350 | 5350 |
| Beginning Stocks | 150 | 150 | 200 | 200 | 210 | 210 |
| Production | 6150 | 6150 | 6500 | 6500 | 6550 | 6550 |
| MY Imports | 0 | 0 | 10 | 20 | 0 | 0 |
| TY Imports | 0 | 0 | 10 | 20 | 0 | 0 |
| TY Imp. from U.S. | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 6300 | 6300 | 6710 | 6720 | 6760 | 6760 |
| MY Exports | 50 | 50 | 100 | 100 | 100 | 100 |
| TY Exports | 50 | 50 | 100 | 100 | 100 | 100 |
| Feed and Residual | 150 | 150 | 150 | 150 | 150 | 150 |
| FSI Consumption | 5900 | 5900 | 6250 | 6270 | 6300 | 6300 |
| Total Consumption | 6050 | 6050 | 6400 | 6420 | 6450 | 6450 |
| Ending Stocks | 200 | 200 | 210 | 210 | 210 | 210 |
| Total Distribution | 6300 | 6300 | 6710 | 6730 | 6760 | 6760 |
| Yield | 1.1604 | 1.1604 | 1.2264 | 1.2264 | 1.2243 | 1.2243 |

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

Private Sector Drives Stabilizing Production

Over the last two years, encouraged by increasing commodity prices and demand for agricultural products especially for industrial use, as well as the diminishing Boko Haram threats in Northern Nigeria where sorghum is mostly grown, farmers have been increasing their production. Industrial consumers' increasing partnership with farmers, specifically providing them farming input such as chemicals and improved seeds, storage and processing facilities, as well as credits through some out-grower arrangements are motivating farmers to sustain and increase their production.