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Grain and Feed Update 2018

Wheat and Rice Imports Up, with Rice Still Crossing the Land Border Despite Restrictions

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Report Highlights:

Nigeria's wheat imports in marketing year (MY) 2018/19 are forecast at 5.4 million metric tons (MMT), up 4 percent from the MY 2017/18 import figure of 5.2 million metric tons. FAS Lagos (Post) attributes the increase to millers' greater access to foreign exchange. Food import bans are the cornerstone of the Nigerian government's agricultural development and food security agenda. Nigeria imposes a 10 percent tariff and a 60 percent levy (totaling 70 percent) on imported rice (arriving by sea), when it authorizes the import. The official ban on rice imports through land borders remains, but is reportedly difficult to control. Post forecasts Nigeria's rice imports in MY 2018/19 at 2.5 MMT, up 25 percent compared to the MY 2017/18 figure of 2 million metric tons.

Executive Summary

FAS Lagos (Post) forecasts Nigeria's wheat production in marketing year (MY) 2018/19 (July-June) at 60,000 metric tons (MT). Planted area harvested at roughly 60,000 hectares remains unchanged. Post's forecast production figure remain unchanged from the U.S. Department of Agriculture's (USDA) official MY 2018/19 estimate.

Nigeria's wheat imports in MY 2018/19 are forecast at 5.4 MMT, up 4 percent from the MY 2017/18 import figure of 5.2 million metric tons. This figure is unchanged from the USDA official estimate. Post attributes the increase to millers' greater access to foreign exchange.

Post forecasts Nigerian (milled) rice production in MY 2018/19 (October-September) at 4.78 million metric tons. Planted area harvested is roughly 3.6 million hectares. Nigeria's rice imports are forecast in MY 2018/19 at 2.5 MMT, up 25 percent compared to the revised MY 2017/18 figure of 2 million metric tons. Imports are largely of parboiled rice. Thailand- and India-origin rice (long-grain varieties) dominate imports. Though Thai and Indian direct rice shipments to Nigeria have dropped in recent years, there have been large, officially reported increases to Nigeria's neighbors Benin (population 11.3 million), Cameroun (population 25.6 million), and Togo (population 8.1 million). These countries do not traditionally consume parboiled rice; porous borders facilitate transshipments to Nigeria. This less direct, circuitous route is augmenting and sustaining Nigeria's imports. Imported rice remains more affordable in southern urban markets than locally produced (northern) Nigerian rice that faces high internal transportation costs.

Food import bans in recent years are the cornerstone of the Nigerian government's agricultural development and food security agenda. Nigeria imposes a 10 percent tariff and a 60 percent levy (totaling 70 percent) on imported rice (arriving by sea). The official ban on rice imports through land borders remains, but is reportedly difficult to control. The Nigerian government's special foreign exchange policy bars importers from using formal and informal sources of foreign exchange for the import of rice. The measure aims to control the outflow of hard currency while promoting the domestic production of forty-one items.

FAS Lagos forecasts Nigeria's corn production in MY 2018/19 (October-September) at 11 million metric tons. Planted area harvested at roughly 6.5 million hectares remains unchanged. Nigeria's corn imports in MY 2018/19 remain unchanged at 400,000 MT compared to the previous year. The reduction in consumer purchasing power over the past three years is influencing poultry consumption. This is leading to a reduced demand for corn as animal feed.

Nigeria's sorghum production in MY 2018/19 (October-September) is forecast at 6.8 MMT, up 3 percent compared to the previous marketing year. Planted area harvested at roughly 5.8 million hectares remains unchanged. Industrial demand for sorghum by beverage, cereal, and confectionery producers is the major driver in the sorghum market. Nigeria imposes a 5 percent tariff on sorghum imports. In 2011, the Nigerian government removed the ban on sorghum export to neighboring countries (namely Niger and Chad). More than 100,000 MT of Nigerian sorghum is sold informally in the Sahel, especially in Niger and Chad where desertification continues to threaten food security.

WHEAT

Wheat Production, Supply and Demand Data Statistics

Wheat Market Begin Year Nigeria	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
	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	4972	4972	5200	5200	5400	5400
TY Imports	4972	4972	5200	5200	5400	5400
TY Imp. from U.S.	1633	0	975	0	0	0
Total Supply	5232	5232	5460	5460	5660	5660
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	4582	4582	4810	4810	5010	5010
Total Consumption	4632	4632	4860	4860	5060	5060
Ending Stocks	200	200	200	200	200	200
Total Distribution	5232	5232	5460	5460	5660	5660
Yield	1	1	1	1	1	1
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production:

FAS Lagos (Post) forecasts Nigeria's wheat production in marketing year (MY) 2018/19 (July-June) at 60,000 metric tons (MT). Planted area harvested at roughly 60,000 hectares remains unchanged. Post's forecast production figure remain unchanged from the U.S. Department of Agriculture's (USDA) official MY 2018/19 estimate.

Despite growing demand for wheat and higher prices, insecurity (i.e., arising from Islamist group Boko Haram activities) continues to limit access to farmland in Nigeria's main wheat production areas (i.e., the states of Yobe, Borno, Gombe, and Adamawa). The average production cost of wheat hovers at roughly \$420 per metric ton (MT), selling at \$600/MT in the Sahel region (i.e., Niger, Chad, Mali and Burkina Faso). High production costs are driving farmers and private sector investors to prioritize production for export, where they can obtain higher returns.

Consumption:

FAS Lagos forecasts Nigeria's total wheat consumption in MY 2018/19 at 5.06 million metric tons (MMT), up roughly 4 percent from the MY 2017/18 figure of 4.86 million metric tons. Post attributes the uptick to an increase in imports combined with a rise in food, seed and industrial use (FSI) consumption.

More than half of Nigeria's population (203.4 million – Central Intelligence Agency, July 2018 estimate) lives in urban areas (urbanization is 50.3 percent and growing at a rate of 4.23 percent). The country has largest population of any African nation (growing at 2.54 percent – 2015-20). There are significant population clusters scattered throughout the country, with the highest density areas in the south and southwest. Projections are that the population will grow to 392 million by 2050, making Nigeria the world's fourth most populous country. This population is reliant on domestic and imported processed food products.

Bread, semolina and durum pastas, and other wheat flour-based products are major staples in Nigeria’s urban areas. Local manufacturers utilize imported wheat from Russia, the United States, Canada, and Australia to produce these products. Flour produced from local wheat is not economically suitable for the manufacture of bread, pasta, and noodles. Customary/traditional meals in both Nigeria and in the Sahel region do however continue to use flour from local wheat.

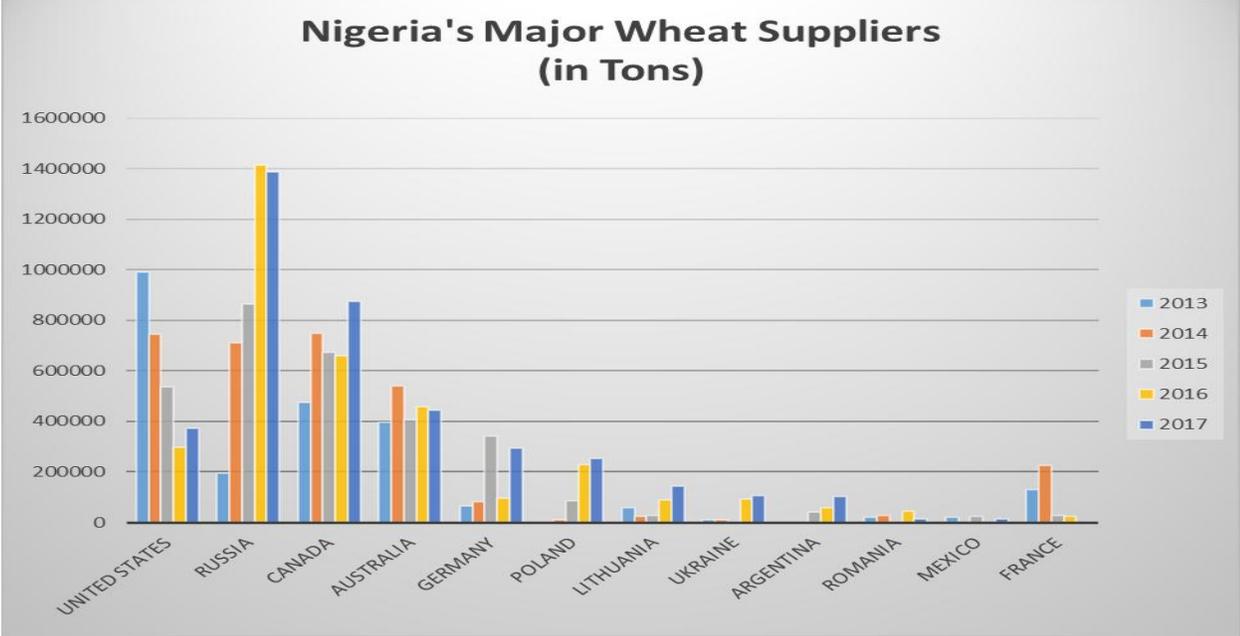
Consumer income has stagnated over the past five years. Readily available and affordable wheat flour products such as bread, doughs, and pastas are a mainstay for consumers. Reportedly the consumption of these products will continue to grow through the country’s electoral cycle (presidential and legislative elections are scheduled for February 2019). Candidates often gift these type of products to win over the electorate.

[Honeywell Flour Mills](#), one of Nigeria’s largest flour millers, recently commissioned a new 350,000 MT/day mill near Lagos (population 13.4 million). In 2019, a new mill (already under construction) will open in Port Harcourt (Nigeria’s oil port, population 2.3 million).

Trade:

FAS Lagos forecasts Nigeria’s wheat imports in MY 2018/19 at 5.4 MMT, up 4 percent from the MY 2017/18 import figure of 5.2 million metric tons. The latter remains unchanged from the USDA official estimate. Post attributes the increase in imports to millers’ growing access to foreign exchange to pay for imports.

CHART 1: Nigeria, Imports, Wheat-Origin by Metric Tons, Calendar Years (CY) 2013-17



Source: Global Trade Atlas, FAS Lagos office research.

Reportedly annual consumer price inflation is expected to stay in double-digit territory, dropping from 12.1 percent in 2018 (September) to 11.3 percent in 2019. Consumers will continue saddled with exchange-rate pass-through for imports and high food, energy, and production costs. Nigeria’s

economic recovery is expected to pick up pace through the end of 2018, but will remain constrained by the non-oil sector's growth; oil and gas sector performance remains vulnerable to global price volatility, as well as potential militant attacks to infrastructure. The official exchange rate is set at U.S. dollar 1.00 to Nigerian Naira 320.00; on the parallel market (international exchange rate), the current rate is U.S. dollar 1.00 to Nigerian Naira ~364.22.

Policy:

Nigeria imposes a 5 percent tariff on wheat imports, it levies an additional 15 percent charge (i.e., as part of the national wheat development program), for a 20 percent duty total. The government's policy on composite flour (i.e., substitution of cassava flour for wheat flour for use in bread making and other flour-based products) remains in place. The policy offers a 12 percent tax rebate to bakers willing to blend cassava flour with wheat flour for bread making.

Sources comment that the composite flour policy may not be enforceable. Flour millers, bakers, and other stakeholders, have yet to overcome technical challenges in developing an appropriate mix of wheat and cassava flours.

Wheat is not on the list of forty-one items ineligible for access to foreign exchange. However, the dollars required for wheat purchases are not always available. This forces wheat traders to turn to the higher-rate parallel market instead of the (lower rate) Central Bank of Nigeria.

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	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Nigeria						
Area Harvested	3170	3170	3600	3600	3600	3600
Beginning Stocks	1528	1528	1738	1738	1300	1300
Milled Production	4410	4410	4662	4662	4788	4788
Rough Production	7000	7000	7400	7400	7600	7600
Milling Rate (.9999)	6300	6300	6300	6300	6300	6300
MY Imports	2500	2500	2000	2000	2400	2500
TY Imports	2500	2500	2100	2100	2400	2500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8438	8438	8400	8400	8488	8588
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	6700	6700	7100	7100	7400	7500
Ending Stocks	1738	1738	1300	1300	1088	1088
Total Distribution	8438	8438	8400	8400	8488	8588
Yield (Rough)	2.2082	2.2082	2.0556	2.0556	2.1111	2.1111

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

Production:

FAS Lagos forecasts rough rice production at about 7.6 MMT, up nearly 3 percent compared the MY 2017/18 figure of 7.4 million metric tons. Post's production number are unchanged from the USDA official MY 2018/19 estimate. We reckon planted area harvested at 3.6 million hectares, with yields of

rough rice estimated at 2.11 MT per hectare. Nigeria is Africa's largest producer of rice, placing it among the top 15 producers globally.

Nigeria's (milled) rice production is forecast in MY 2018/19 (October-September) at 4.78 MMT, up over 2.5 percent from the revised MY 2017/18 figure of 4.66 million metric tons. We expect the high cost of rough rice, as well as high operational costs, to constrain Nigeria's large-scale/integrated rice mills from producing at competitive prices.

Rice plantings occur April-May (main season in the south) and harvested in August-September. The production season extends to June-July (main season in the north) with a November-December harvest. There is a second off-season production campaign in the south running in the November-December time-period, with a harvest in March-April. In the north, the off-season production campaign runs January-February with a May-June harvest. Rice is cultivated in almost all of the country's administrative states. Rice is cultivated during both the wet season (April-December) and irrigated during the dry season (October-June).

Rice area and production have increased during the past five years due to numerous government policies that promote increased rice area, production productivity, milling capacity, and dry season production. Increases in irrigated dry-season production have reportedly occurred in the major rice producing regions in the north-central, northwest, and northeast parts of Nigeria.

Rice cultivated in Nigeria includes *Fadama* rice (irrigated, flooded field, *Oryza sativa*), *Ofada* (heritage varieties grown in southwest Nigeria), FARO 44 (a semi-dwarf cultivar), and upland and lowland rice types.

Local rice varieties (i.e., short-grain heritage types) are a traditional staple food consumed within the rice-producing communities. A portion of the harvest reportedly is however making its way to consumers in the neighboring Sahel markets through porous borders.

Consumption:

FAS Lagos forecasts Nigeria's rice consumption in MY 2018/19 at 7.5 MMT, up over 5.5 percent compared to the previous marketing year. Post attributes the increase in consumption (despite lower income levels) to natural population growth (today expanding by some 5.2 million people per annum), as well as election year gifting of food by candidates to the electorate. Nigerian consumers are price sensitive, making gifted food particularly attractive.

Rice consumption has been growing as both urban and rural consumers are increasingly eating the cereal daily, switching away from traditional crops like cassava, sweet potatoes, and yams. FAS Lagos estimates per capita rice consumption at about 37 kilograms per person.

Trade:

FAS Lagos forecasts Nigeria's rice imports in MY 2018/19 at 2.5 MMT, up 25 percent compared to the revised MY 2017/18 figure of 2 million metric tons. Imports are largely of parboiled rice (also known

as converted rice and easy-cook rice). Thailand- and India-origin rice (long-grain varieties) dominate imports.

The Nigerian government has imposed various measures, from increased tariffs to restrictions on the use of foreign exchange to limitations on transport across land borders, in an attempt to reduce the quantity of imported rice. These have been effective to some extent, with direct imports of rice to Nigerian ports now down sharply.

Though Thai and Indian direct rice shipments to Nigeria have dropped in recent years, there have been large, officially reported increases to Nigeria's neighbors Benin (population 11.3 million), Cameroun (population 25.6 million), and Togo (population 8.1 million). These countries do not traditionally consume parboiled rice; porous borders facilitate transshipments to Nigeria. This less direct, circuitous route is augmenting and sustaining Nigeria's imports. Imported rice remains more affordable in southern urban markets than locally produced (northern) Nigerian rice that faces high internal transportation costs. We anticipate year-to-year import growth to persist as consumption continues to climb.

At the same time, Post hears of the possibility that Nigerian rice farmers may aim to increase rice exports to the relatively close by drought-stricken Sahel countries. There high food prices command a strong demand for Nigerian rice. Nigerian farmers, aiming to cut production costs and increase margins, are milling rice using small-scale cottage methods and less modern machinery.

Policy:

Food Import Bans: The cornerstone of the Nigerian government's agricultural development and food security agenda in recent years have been food import bans. Nigeria imposes a 10 percent tariff and a 60 percent levy (totaling 70 percent) on imported rice (arriving by sea). The official ban on rice imports through land borders remains, but is reportedly difficult to control.

The Nigerian government's special foreign exchange policy bars importers from using formal and informal sources of foreign exchange for the import of rice. The measure aims to control the outflow of hard currency while promoting the domestic production of forty-one items (see [Central Bank of Nigeria Circular – TED/FEM/FPC/GEM/01/010 of June 23, 2015](#)).

Post understands that due to high production costs, resulting from high input costs, low quality seeds, and inadequate infrastructure, domestically produced rice is not price competitive. Private sector investors however are keen to invest in large-scale local rice production given the Nigerian government's support programs, which include trade protective policies.

Anchor Borrowers Program (ABS): Nigeria's [Anchor Borrowers Program](#) (launched November 17, 2015, but only introduced in the last quarter of 2016) [provides funding](#) to the country's smallholder farmers. [The program](#) provides farm inputs in kind and cash (i.e., for farm labor) to increase the production of key agricultural commodities (including rice), stabilize the supply of inputs to agro-processors, and address the country's negative balance-of-payments on food. At harvest time, farmers exchange with the agro-processor (i.e., the Anchor) their production for a cash equivalent.

The Nigerian government over the past few years has been promoting the concept of greater self-sufficiency in rice by supporting local production and aiming to curtail foreign trade.

CORN

Corn Production, Supply and Demand Data Statistics

Corn 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	6500	6500	6500	6500	6500	6500
Beginning Stocks	304	304	309	309	309	309
Production	10755	10755	11000	11000	11000	11000
MY Imports	650	650	400	400	400	400
TY Imports	650	650	400	400	400	400
TY Imp. from U.S.	254	254	0	0	0	0
Total Supply	11709	11709	11709	11709	11709	11709
MY Exports	200	200	100	100	100	100
TY Exports	200	200	100	100	100	100
Feed and Residual	1900	1900	1900	1900	1900	1900
FSI Consumption	9300	9300	9400	9400	9400	9400
Total Consumption	11200	11200	11300	11300	11300	11300
Ending Stocks	309	309	309	309	309	309
Total Distribution	11709	11709	11709	11709	11709	11709
Yield	1.6546	1.6546	1.6923	1.6923	1.6923	1.6923
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production:

FAS Lagos forecasts Nigeria's corn production in MY 2018/19 (October-September) at 11 million metric tons. Planted area harvested at roughly 6.5 million hectares remains unchanged.

Increased collaborations between donor agencies, research centers (including the International Institute of Tropical Agriculture - IITA), the U.S. Agency for International Development (USAID) and, other agricultural stakeholders (in both Nigeria and other West African countries), are resulting in reduced damages to corn crops caused by the Fall Army Worm (*Spodoptera exempta*) pest infestation. Farmers however continue to express concern with the pest's potential resurgence; it devastated corn crops across the region over the past 3-4 years.

Consumption:

FAS Lagos forecasts Nigeria's corn consumption in MY 2018/19 to stabilize at 11.3 MMT, relative to the previous year due to higher input costs. Corn is locally consumed as a staple; however over 60 percent of the production goes into animal feed, especially for poultry.

Trade:

FAS Lagos forecasts Nigeria's corn imports in MY 2018/19 to remain unchanged at 400,000 MT compared to the previous year. The reduction in consumer purchasing power over the past three years is influencing poultry consumption. This is leading to a reduced demand for corn as animal feed. Post anticipates that import control measures, including difficulty in obtaining import permits and foreign exchange will continue to limit imports.

Policy:

Nigeria for over a decade has maintained a 5 percent tariff on imported corn in addition to stringent import permit requirements. For the past three years due to lack of funds, the Nigerian government has halted local grain procurement for its strategic reserves. The government has recently announced that it will sell off its 1.4 MMT strategic grain reserves.

SORGHUM

Sorghum Production, Supply and Demand Data Statistics

Sorghum Market Begin Year Nigeria	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5816	5816	5800	5800	5800	5800
Beginning Stocks	180	180	186	186	186	186
Production	6887	6887	6550	6550	6800	6800
MY Imports	6	6	0	0	0	0
TY Imports	6	6	0	0	0	0
TY Imp. from U.S.	6	6	0	0	0	0
Total Supply	7073	7073	6736	6736	6986	6986
MY Exports	100	100	100	100	100	100
TY Exports	100	100	100	100	100	100
Feed and Residual	150	150	150	150	150	150
FSI Consumption	6637	6637	6300	6300	6550	6550
Total Consumption	6787	6787	6450	6450	6700	6700
Ending Stocks	186	186	186	186	186	186
Total Distribution	7073	7073	6736	6736	6986	6986
Yield	1.1841	1.1841	1.1293	1.1293	1.1724	1.1724

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

Production:

FAS Lagos forecasts Nigeria's sorghum production in MY 2018/19 (October-September) at 6.8 MMT, up 3 percent compared to the previous marketing year. Planted area harvested at roughly 5.8 million hectares remains unchanged. Yields in MY 2018/19 are expected to increase to about 1.17 per hectare, up slightly from MY 2017/18's yield number of 1.13 per hectare.

Increased out grower arrangements between the industrial users and farmers are providing assistance to farmers, including funds, inputs as well as training in farm management techniques. However, the Boko Haram insurgency, low consumer income as well as inadequate government support programs, coupled with poor infrastructure will constrain production.

Consumption:

FAS Lagos forecasts Nigeria's total sorghum consumption (including FSI) in MY 2018/19 at 6.7 million tons, up about 4 percent to MY 2017/18's figure of 6.45 million metric tons.

Industrial demand for sorghum by beverage, cereal, and confectionery producers is the major driver in the sorghum market. Industrial sorghum users are utilizing less expensive sorghum-based intermediate products to lower costs. Poultry feed manufacturers have overcome the challenge of high tannin in sorghum feeds, which reduces costs and will boost production.

Trade:

Nigeria imposes a 5 percent tariff on sorghum imports. In 2011, the Nigerian government removed the ban on sorghum export to neighboring countries (namely Niger and Chad). More than 100,000 MT of Nigerian sorghum is sold informally in the Sahel, especially in Niger and Chad where desertification continues to threaten food security.