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## **Nigeria**

### **Sugar Annual 2019**

#### **Uptick in Nigeria's Sugar Consumption and Imports**

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**Report Highlights:**

FAS Lagos (Post) forecasts Nigeria's domestic cane sugar production in marketing year (MY) 2019/20 (May-April) to reach 75,000 metric tons (MT) (raw value), down about six percent compared the MY 2018/19 figure of 80,000 metric tons. Post forecasts Nigeria's sugar consumption in MY 2019/20 at 1.62 MMT, up less than one percent from the 1.61 MMT recorded in marketing year 2018/19. FAS Lagos forecasts Nigeria's raw sugar imports in MY 2019/20 at 1.76 MMT, up over one percent from the 1.74 MMT volume reported in marketing year 2018/19. Post attributes the uptick to increasing industrial demand, expanding population, and growing middle-class income.

## **Executive Summary:**

FAS Lagos (Post) forecasts Nigeria's domestic cane sugar production in marketing year (MY) 2019/20 (May-April) to reach 75,000 metric tons (MT) (raw value), down about six percent compared the MY 2018/19 figure of 80,000 metric tons. The Nigerian government's sugar policies have not led to production increases. Sources comment that the government's backward integration program (BIP) for sugarcane production is significantly challenged; namely due to weak infrastructure, poor policy formulation and implementation, limited funding, and insecurity in some of the sugarcane production areas. High transport and production costs for hauling harvested sugarcane to the mills, as well as low capacity building are additional constraints.

Post forecasts Nigeria's sugar consumption in MY 2019/20 at 1.62 MMT, up less than one percent from the 1.61 MMT 2018/19 estimate. Nigeria's per capita sugar consumption in 2019 is about eight kilograms, lower than the global average of roughly 36 kilograms per person.

Nigeria continues to employ trade restrictive measures despite being a member of the World Trade Organization (WTO). These include high tariffs and foreign exchange control, as well as levies, import bans, and other measures to protect its domestic agricultural production. Nigeria's current domestic supply is not keeping pace with rising demand, despite government incentives to boost local production.

FAS Lagos forecasts Nigeria's raw sugar imports in MY 2019/20 at 1.76 MMT, up over one percent from the 1.74 MMT volume reported in marketing year 2018/19. Post attributes the uptick to increasing industrial demand, expanding population, and growing middle-class income. Imported brown sugar, but refined locally, meets most of Nigeria's sugar requirements. FAS Lagos forecasts Nigeria's refined sugar imports in MY 2019/20 at 130,000 MT, a volume unchanged from the MY 2018/19 estimate.

Nigeria's population (estimated at 203.4 million – Central Intelligence Agency, July 2018) accounts for nearly half of West Africa's population, while also Africa's largest oil and gas exporter. Over half of Nigeria's population live in urban areas; urbanization is growing at 4.23 percent annually. The population, projected to grow to 392 million by 2050, will make Nigeria the world's fourth most populous country. This population is increasingly reliant on domestic and imported processed food products while revenue from crude oil and gas exports constitute over 80 percent of the country's revenue. The neglect of the country's agricultural sector and weak infrastructure translates into high-cost and under-developed domestic food processing.

Living conditions for most Nigerians have not improved despite the rebound of global oil prices—from the less than \$40 per barrel the last two years to average US\$70 per barrel. The country's economy, forecast to grow by about 1.9 percent in 2019, is down from the 2.1 percent recorded in 2018 due largely to the effects of uncertainties from the national elections conducted mid-February through mid-March 2019, which limited business activities—including industrial investments and services. The 2019 year-on-year inflation rate forecasts at about 13.9 percent, is up from 12.2 percent in 2018 resulting from the weakening currency and high consumer prices. Growth in 2018 was also constrained by limited consumer demand and a relatively high inflation.

## CANE SUGAR:

### PRODUCTION:

FAS Lagos (Post) forecasts Nigeria's domestic cane sugar production in marketing year (MY) 2019/20 (May-April) to reach roughly 75,000 metric tons (MT) (raw value), down about six percent compared the MY 2018/19 figure of 80,000 metric tons. Production is concentrated largely in the states of Katsina, Taraba, Kano, and Adamawa.

The Nigerian government's sugar policies have not led to production increases. Sources comment that the government's backward integration program (BIP) for sugarcane production is significantly challenged; namely due to weak infrastructure, poor policy formulation and implementation, limited funding, and insecurity in some of the sugarcane production areas. High transport and production costs for hauling harvested sugarcane to the mills, as well as low capacity building are additional constraints.

A challenge limiting increased sugar production is the issue of land acquisition. Sugarcane farms are transitioning into residential housing developments. Sources comment that this is making it difficult for private investors to acquire lands for sugar-processing facilities.

Nigeria's three main sugar processors are the Dangote Group, BUA Group, and Golden Sugar Refineries; these dominate sugar processing. The Dangote Group is the largest sugar processor, controlling over 70 percent market share. Dangote is actively investing in its operations; Savannah Sugar Company, its integrated production facility at Numan (Adamawa state) counts with installed factory capacity of 50,000 MT, covering 32,000 hectares with room for expansion. Working through [Nigeria's National Sugar Master Plan](#) (NSMP), it aims to end most sugar imports, replacing these with 1.5 to 2 million metric tons (MMT) of local production in 10-years.

### Sugar Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Market Begin Year Nigeria	2017/2018		2018/2019		2019/2020	
	May 2017		May 2018		May 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	100	100	100	100	0	100
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	80	80	80	80	0	75
Total Sugar Production	80	80	80	80	0	75
Raw Imports	1750	1750	1740	1740	0	1760
Refined Imp.(Raw Val)	120	120	130	130	0	130
Total Imports	1870	1870	1870	1870	0	1890
Total Supply	2050	2050	2050	2050	0	2065
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	300	300	300	300	0	300
Total Exports	300	300	300	300	0	300
Human Dom. Consumption	1600	1600	1610	1610	0	1620
Other Disappearance	50	50	40	40	0	45
Total Use	1650	1650	1650	1650	0	1665
Ending Stocks	100	100	100	100	0	100
Total Distribution	2050	2050	2050	2050	0	2065

(1000 MT)

### CONSUMPTION:

FAS Lagos forecasts Nigeria's sugar consumption in MY 2019/20 at 1.62 MMT, up less than one percent from the 1.61 MMT recorded in marketing year 2018/19. Nigeria's per capita sugar consumption in 2019 is about eight kilograms, much lower than the global average of roughly 36 kilograms per person.

The [Nigeria Sugar Development Council](#) (NSDC) indicates that in 2016, the soft drinks and the food and beverages sector accounted for over 60 percent of the country's total industrial sugar consumption. The bakeries and confectionaries, pharmaceuticals, and dairy sectors account for 40 percent of sugar consumption. The council foresees demand for sugar breaking through the 1.7 MMT mark by 2020. The sugar industry is growing, albeit slowly; subsectors that rely on the industry for inputs are positioning themselves to meet growing demand, driven by population growth and an expanding middle class, for consumer-oriented staples.

Nigeria's sugar industry, despite over 50-years of existence, is largely in its infancy – supplying less than five percent of national demand by some estimates.

#### **POLICY:**

Nigeria continues to employ trade restrictive measures despite being a member of the World Trade Organization (WTO). These include high tariffs and foreign exchange control, as well as levies, import bans, and other measures to protect its domestic agricultural production. Nigeria's current domestic supply is not keeping pace with rising demand, despite government incentives to boost local production.

The Nigerian government, seeking to boost local sugar production, implemented the NSMP in 2013 that provides:

- A five-year tax holiday for investors in the country's sugar added-value chain
- A 10 percent duty, plus a 50 percent levy on imported sugar
- A 20 percent, plus a 60 percent levy for imported refined sugar

The government is authorizing a three-year concessionary import duty tariff of five percent, with a five percent levy, on imported raw sugar for those refineries that participate in its backward integration program. This program dating back to 2013, seeks to harness Nigeria's sugarcane resources while creating jobs and reducing imports.

The National Sugar Master Plan (NSMP) drives Nigeria's sugar sector. The plan is a backward integration program for the development of local sugarcane plantation and sugar production over a 10-year period. In June 2015, amendments to the National Sugar Development Council Act further the Nigeria Sugar Master Plan. Both public and private sources question the effectiveness of the amendments; government funding is apparently inadequate to support the development of Nigeria's sugar industry.

**Nigeria's National Sugar Master Plan (2012-2020):** Nigeria's strategic policy is to grow its sugar sector by means of the Nigerian National Sugar Master Plan. It is aiming to produce around 1.79 MMT of sugar in 2020-23. FAS Lagos understands that major sugar refineries in Nigeria recently signed the revised edition of the backward integration program for the sugar sector. The Dangote Group reportedly is investing \$334.1 million; the BUA Sugar Refinery is spending \$107 million; and Golden Sugar Refinery is devoting \$142.4 million to expansion. Post hears that the [Central Bank of Nigeria](#) (CBN) is also supporting improved sugarcane production through its [Anchor Borrowers' Program](#).

**Probable Policy Changes in the Making:** Nigeria's President Muhammadu Buhari was re-elected to a second four-year term after winning the national elections in February 2019. Over the last four years under his presidency, the government has sought to diversify the economy away from reliance on oil revenues; this is still pending. Anticipations are rampant that there will be major cabinet changes and policy shifts/adjustments setting new targets during the new four-year term (beginning May 29, 2019).

## **TRADE:**

### **Imports**

FAS Lagos forecasts Nigeria's raw sugar imports in MY 2019/20 at 1.76 MMT, up over one percent from the 1.74 MMT volume reported in marketing year 2018/19. Post attributes the uptick to increasing industrial demand, expanding population, and growing middle-class income. Imported brown sugar, but refined locally, meets most of Nigeria's sugar requirements. Brazil is the largest supplier with over 80 percent market share. FAS Lagos forecasts Nigeria's refined sugar imports in MY 2019/20 at 130,000 MT, a volume unchanged from the MY 2018/19 estimate.

**Nigeria Still Dependent on Raw Sugar Imports:** In 2018, Nigeria relied on about 1.6 MMT of raw sugar coming from its major suppliers (i.e., Brazil, Thailand and the United States) to meet local demand. In Nigeria, annual raw sugar production averages 80,000 MT despite consumption in the 1.7 MMT range. Imports of raw sugar, about 80 percent coming from Brazil, for local refining fills the shortfall. Smuggling along the country's porous borders, flooding, and insecurity in areas where raw sugar production is concentrated accounts for low production. Decaying infrastructure, insecurity in large swathes of the country, and corrupt practices hinder economic development.

**Incentives to Raw Sugar Importers:** Sugar is not among the food products affected by foreign exchange access restriction. The Central Bank of Nigeria created "clean line facilities," making the supply of foreign exchange more accessible in the market. This has brought improvements in foreign exchange sourcing for some of the major raw sugar importers and refiners. The government is targeting raw sugar production to reach 800,000 MT by 2022. The concession agreement granted (August 2018) to sugar producers requires these to produce some 200,000 MT locally refined sugar.

**Duties and Levies:** The National Sugar Development Council through the NSMP has pushed through the measure that requires raw sugar imports (2016-18) to be assessed a 10 percent duty, plus an additional 80 percent levy. Refined sugar imports are assessed a 20 percent duty, plus an additional 85 percent levy. For 2019-20, raw sugar imports are assessed a 10 percent duty, plus an additional 30

percent levy. Refined sugar imports (2019-20) are assessed a 20 percent duty, plus an additional 75 percent levy.

The high tariff structure, according to the NSMP seeks to:

- Promote local production as opposed to imports
- Prevent dumping of cheap sugar and protect “infant industry” local producers
- Send a clear message to sugar refiners/importers to backwardly integrate promptly and thereby stop paying stiff tariff duties
- Take cognizance of the little value addition by refiners who import and refine raw sugar as against importation of finished goods (refined sugar)
- Reduce current over reliance on imported raw sugar (accounting for over 98 percent of total sugar imports). Seeks to promote sugar production to benefit employment creation, foreign exchange savings, renewable energy production (ethanol and electricity), rural poverty alleviation, and rural development.

## **Exports**

FAS Lagos forecasts Nigeria’s refined sugar exports in MY 2019/20 at 300,000 MT, a volume unchanged from the MY 2018/19 estimate. Despite Nigeria’s huge domestic demand for sugar, the 2016 currency devaluation makes Nigeria refined sugar for export attractive in the Sahel region, as well as in West and Central Africa markets.

## **STOCKS:**

FAS Lagos forecasts Nigeria’s ending stocks in MY 2019/20 at 100,000 MT, a volume unchanged from the MY 2018/19 estimate. The Nigerian government’s sugar policies have not yet led to production increases that can increase stock levels. Post does not anticipate major changes to ending stock levels in the near future.