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Post: Lagos

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Report Highlights:

FAS-Lagos forecasts a 12 percent increase in raw sugar imports in marketing year (MY) 2025/26 compared to the prior year. This is due to increased foreign exchange availability, appreciation of the naira, and the projected increase in consumption. Sugarcane area harvested is expected to increase by about five percent in MY 2025/26 to 100,000 hectares compared to the prior year's estimate. This is due to continued public-private investments in sugarcane production. Despite the prohibition on refined sugar imports, imports increased in the last marketing year.

Sector Outlook and Policy Summary

Nigeria is the second largest raw sugar importer in Sub-Saharan Africa, behind South Africa. Sugar consumption decreased in 2023 and 2024 due to the weakened purchasing power of consumers, high food inflation, removal of the fuel subsidy, and a weakened naira. The high cost of sugar led to decreased production in bakeries and increased bakery good prices, leading many consumers to forgo traditional sweetened breads. [Economists are anticipating](#) an improved economic situation in 2025 due to increased oil production, the naira's stabilization, reduced pressure on foreign exchange, and a decrease in the cost of fuel. These factors are expected to improve consumer purchasing power and reduce the cost of production for sugarcane producers.

Sugarcane production is anticipated to rise in MY 2025/26 due to ongoing public-private sector initiatives. The Niger state government announced the goal of increasing sugar production by 2.5 MMT and creating 250 million liters of ethanol from sugarcane in the next three years, although production has not yet begun. Domestic sugarcane production contributes to about six percent of total sugar consumption. Nigeria's refined sugar exports to West Africa and other African countries are expected to remain unchanged at 375,000 MT in MY 2025/26. This is attributed to the expected increase in domestic consumption. [Nigeria's Sugar Master Plan \(NSMP\)](#) is still encouraging domestic companies to increase investments in sugarcane production and processing. Dangote Sugar, BUA Foods, and Golden Sugar have made significant investments since the NSMP began. The government restricts sugar imports by requiring the President to approve all imports based on the Minister of Industry, Trade, and Investment's recommendations.

SUGARCANE

Table 1: Sugarcane Production, Supply and Distribution

Sugar Cane for Centrifugal Market Year Begins Nigeria	2023/2024		2024/2025		2025/2026	
	Nov 2023		Nov 2024		Nov 2025	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	130	130	130	130	0	130
Area Harvested (1000 HA)	85	95	95	95	0	100
Production (1000 MT)	1750	3325	1750	3325	0	3500
Total Supply (1000 MT)	1750	3325	1750	3325	0	3500
Utilization for Sugar (1000 MT)	1750	3325	1750	0	0	3500
Utilization for Alcohol (1000 MT)	0	0	0	3325	0	0
Total Utilization (1000 MT)	1750	3325	1750	3325	0	3500
(1000 HA), (1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

PRODUCTION

Post forecasts MY 2025/26 sugarcane production at 3.5 million metric tons (MMT) or a 100 percent increase compared to the previous year's USDA official estimate (Table 1). The 100 percent increase does not indicate a significant growth in sugarcane production year-on-year; rather, it is the result of yield estimates being adjusted from the 18 MT/ha that had been previously used to derive production to the new estimate of 35 MT/ha. According to industry contacts, yields in Nigeria range from the low end of 30 MT/ha for dryland smallholder farmers to about 40 MT/ha for irrigated plantations, it is however rare for yields to be as low as 18 MT/ha.

Post expects sugarcane area harvested in MY 2025/26 to increase to 100,000 MT, a 5 percent increase compared to the prior year's estimate. This increase is attributed to the expected increase in domestic demand for sugar, continued private sector-government investment, and reductions in agricultural input and fuel prices.

Sugarcane production lasts for around 12 months, starting and ending in November. The major sugarcane-producing states are Kaduna, Niger, Kano, and Adamawa. Nigeria grows two types of sugarcane: industrial cane, which is processed into sugar, and soft (chewing) cane, which is consumed raw for its sweet juice or processed into crude sugar products. Chewing sugarcane accounts for 70 percent of Nigeria's total sugarcane production. Industrial cane makes up 30 percent, and it is mainly produced commercially by large sugar estates who are owned, or in offtake agreements with, Dangote Sugar Refinery, BUA Sugar Refinery, and Golden Sugar Refinery. Major cane producers are reportedly planning to increase planted area, however insecurity, communal hostilities, and land ownership disputes between host communities and operators have challenged these plans.

FAS-Lagos estimates that Golden Sugar has planted sugarcane on about 5,000 hectares of the 15,000 of land available, Dangote has planted 6,000 of the 23,000 hectares available, and BUA Sugar has planted 5,000 of the 20,000 hectares available. Post estimates that Golden Sugar and Dangote are harvesting much of the planted hectares for further refining, however BUA is using much of the planted sugarcane to replant and expand and not using it to refine.

POLICY

In September 2022, the Federal Executive Council approved the NSMP extension by 10 years to 2033. The second phase of the NSMP (NSMP II) aims to produce around 1.7 to 1.8 MMT of refined sugar a year, provide 300,000 ha of irrigated land in nine states, and onboard new sugar mills and refineries in Nasarawa, Kwara, Adamawa, Oyo, Niger, Taraba, Ondo, Sokoto, and Bauchi states. [The National Sugar Development Council \(NSDC\) reported that NSMP II](#) has ensured a “protective tariff regime” that is consistent with the various protocols to which Nigeria is a signatory and meant to protect the market for investors who are implementing backward integration plans.

CANE SUGAR

Table 2: Sugar Production, Supply and Distribution

Sugar, Centrifugal Market Year Begins	2023/2024		2024/2025		2025/2026	
	May 2023		May 2024		May 2025	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	100	100	100	95	0	80
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	75	100	80	100	0	105
Total Sugar Production (1000 MT)	75	100	80	100	0	105
Raw Imports (1000 MT)	1800	1800	1700	1700	0	1900
Refined Imp. (Raw Val) (1000 MT)	130	130	120	120	0	130
Total Imports (1000 MT)	1930	1930	1820	1820	0	2030
Total Supply (1000 MT)	2105	2130	2000	2015	0	2215
Raw Exports (1000 MT)	0	0	0	0	0	0
Refined Exp. (Raw Val) (1000 MT)	355	365	375	385	0	375
Total Exports (1000 MT)	355	365	375	385	0	375
Human Dom. Consumption (1000 MT)	1600	1620	1500	1500	0	1700
Other Disappearance (1000 MT)	50	50	50	50	0	50
Total Use (1000 MT)	1650	1670	1550	1550	0	1750
Ending Stocks (1000 MT)	100	95	75	80	0	90
Total Distribution (1000 MT)	2105	2130	2000	2015	0	2215
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

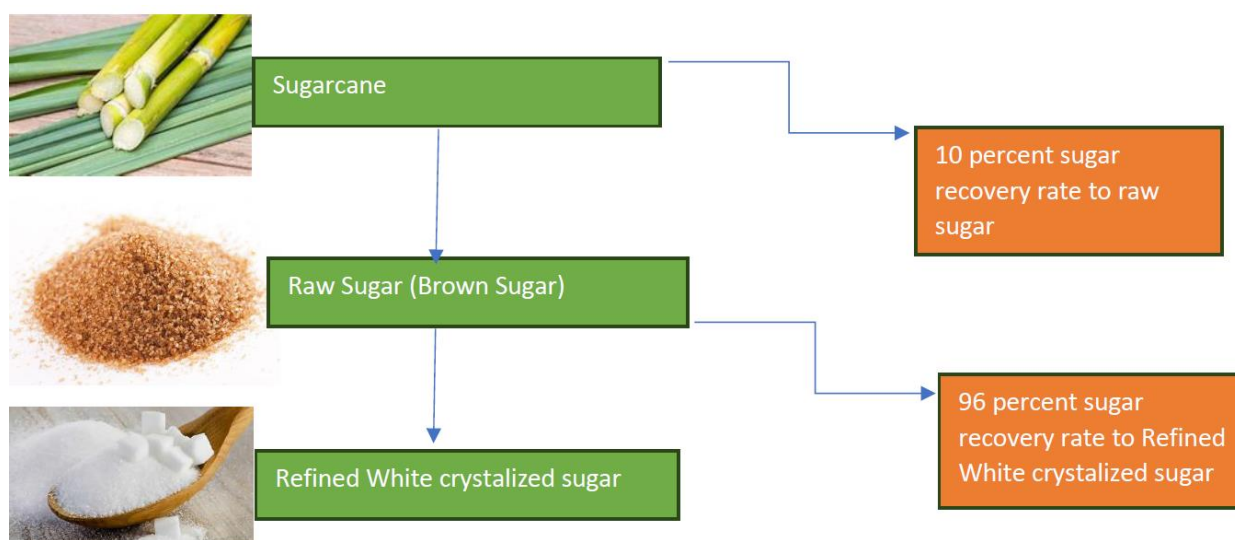
PRODUCTION

FAS-Lagos forecasts domestic sugar production at 105,000 MT in MY 2025/26, about a 31 percent increase compared to the previous year's estimate (Table 2). The 31 percent increase does not indicate a significant increase in sugar production; rather, it is the result of increasing the estimate of sugarcane yields.

According to contacts, only about 30 percent of sugarcane produced is refined into raw sugar, while the remaining 70 percent never enters refining. Post expects an increase in sugar production because of the expected increase in large-scale sugar company milling capacities and an improved sugar recovery rate.

The sugar recovery rate measures the percentage of sugar extracted from the raw material (sugarcane or raw sugar). According to sources, the sugar recovery rate of raw sugar produced from each ton of sugarcane is approximately 10 percent, and the sugar recovery rate of raw sugar to refined white crystalized sugar is 96 percent (Figure 1).

Figure 1. Refined Sugar Process in Nigeria



Source: FAS-Lagos

In addition, the increase in sugar production is attributed to stronger sugar consumption, raw sugar imports, sugarcane production, and anticipated improvements in sugar milling performance compared to the previous marketing year. Existing demand potential for refined sugar across West Africa also encourages investment in cane production.

Of the three large sugar producing companies, Dangote is the only firm that turns local sugarcane into white sugar. Golden Sugar's local sugarcane processing terminates in raw sugar. BUA, on the other hand, presently only refines imported raw sugar. About 92 percent of the sugar produced comes from imported raw sugar. Due to a shortage of acceptable-quality cane and raw sugar, it is estimated that these sugar companies do not refine at their full potential. Under the government's backward integration policy, the company's performance in domestic sugarcane production determines the quota for raw sugar imports. To meet the requirements for further increased raw sugar quota assignments, sugarcane production is continuously increasing among the large producers.

According to the NSMP, the government distributes annual raw sugar import permits based on company implementation of their backward integration plan. The three major sugar refineries are BUA, Dangote, and Golden Sugar.

- BUA has two plantations in Lafiagi, Kwara state, and Bassa, Kogi state as well as two sugar refineries in Apapa, Lagos state, and Port Harcourt, Rivers state. The sugar refineries have a combined installed refining capacity of 1.5 MMT.
- Dangote operates one refinery in Lagos state and three sugar plantations (Savannah in Adamawa state, Lau Tau in Taraba state, and Tunga in Nasarawa state) to supply raw sugar. It has a combined refining capacity of 1.44 MMT.

- Golden Sugar, a subsidiary of Flour Mills of Nigeria, has a sugar refinery in Lagos state with a production capacity of 750,000 metric tons. This refinery is not currently operating optimally, however, FAS-Lagos projects an increase in milling and refining capacity in MY 2025/26. This is attributed to the expected reduction in the cost of operations, fuel, and transportation.

According to the [NSDC](#), there are three “large scale” sugar companies, Savannah Sugar Company Numan, Adamawa state owned by Dangote, Sunti Golden Sugar Estate Ltd, Sunti, Niger state, owned by Flour Mills of Nigeria, and BUA Sugar Company, Lafiagi, Kwara state. There are four “small scale” companies including Oyo Sugar Processors Ltd, Iseyin, Oyo state, Goronyo Sugar Company, Goronyo, Sokoto state, Dangote Nasarawa Sugar Project, Tunga, Nasarawa state, and Great Northern Agribusiness Ltd, Gagarawa, Jigawa state. The three large scale companies are the only ones operating sugar refineries while the small scale companies are still in seeking investors to set up refineries.

The government encourages small-scale farmers to produce sugarcane for mills. However, two leading out grower associations contribute only a small portion of domestic industrial sugar cane to Savannah Sugar and Oyo Sugarcane Processors. These associations include independent small-scale farmers who sell their products to sugar refineries. Nearly all of the small-scale sugarcane production is meant for local chewing and traditional sweetening uses. Packaging companies are Golden Sugar Company Limited, Dogan’s Sugar Company, and McNichols Cubing Company.

CONSUMPTION

FAS-Lagos forecasts sugar consumption in MY 2025/26 at 1.7 MMT, about 13 percent increase compared to the forecast for MY 2024/25 at 1.5 MMT. This is attributed to the expected economic stabilization, which would further increase the demand for sugar by industries and households.

The NSDC indicated that household consumption of refined sugar accounts for less than 20 percent, while industrial use within the beverage, food processing, bakery and confectionary, and pharmaceutical sectors account for the other 80 percent. The expected economic stabilization is expected to result in a marginal cost reduction of sugar as a raw material for the manufacturers of consumer-oriented beverages in MY 2025/26. According to the Council, companies such as Cadbury, Dangote, and BUA are major buyers of sugar. The soft drinks sub-sector is the leading consumer of industrial sugar, followed by other food and beverage, bakery and confectionery, and pharmaceutical sub-sectors. The per capita consumption of sugar in Nigeria is about 9 kilograms per year, which is less than the average per capita sugar consumption of about 17 kilograms per year in Africa.

POLICY

Sugar Tax: On June 1, 2022, the government imposed a tax on sugar-sweetened beverages. The tax rate of N10 per liter applies to all sugar-sweetened non-alcoholic and carbonated drinks produced, imported, distributed, and sold. According to the government, the tax aims to curb the prevalence of obesity, diabetes, and other diet-related diseases and to broadly discourage excessive consumption of sugar.

TRADE

Imports

FAS-Lagos forecasts raw sugar imports in MY 2025/26 at 1.9 MMT, about 11 percent increase compared to the forecast for MY 2024/25 at 1.7 MMT. This is attributed to the expected increase in consumption of raw and refined sugar. Furthermore, the expansion of area harvested for sugarcane among companies who are beneficiaries of the backward integration policy might qualify them to receive an increased quota for raw sugar imports.

Imports of refined sugar in retail packs is prohibited. Nigeria imports raw sugar, but the government does not allow refined sugar imports to protect the sugar industry and boost local production. Dangote Sugar Refinery, BUA Sugar Refinery, and Golden Sugar Company are permitted to import raw sugar through the quota system because they are implementing backward integration plans.

Due to the government restrictions on refined sugar imports, local sugar packaging and cubing companies source their refined sugar domestically unless there is a justifiable reason to import. In that case, the government requires companies to submit their 3 to 5-year projected sugar needs and other requirements.

Approved Guidelines for Raw Sugar Importation

NSDC requires refineries importing raw sugar for their operations to comply with the following:

- Companies wishing to import must formally apply for the quantity of the raw sugar required.
- Sugar import approvals are valid for one year and are not transferable.
- Companies granted approval to import sugar must commence or already have investment in a backward integration plan on local sugar production.
- No refinery importing raw sugar is allowed to expand its capacity without government approval.
- A body comprising of SURMIC Monitoring Unit and Local Sugar Manufacturers are to jointly monitor and evaluate compliance with these guidelines and have the authority to recommend revocation of approval.
- Recommendation on imports quota allocation to refineries “shall” be through a transparent process involving the applicants.

Brazil is the largest supplier of raw sugar to Nigeria with over a 97 percent market share.

According to Trade Data Monitor (TDM), LLC, the imports of raw sugar decreased by about 5 percent in 2024. This is attributed to the high cost of operations resulting in refineries decreasing milling operations, and the difficulty in sourcing foreign exchange for imports.

Despite the prohibition of refined sugar imports, TDM showed about a 68 percent increase in imports in 2024 compared to the prior year. According to contacts, considering the HS codes of the refined sugar imported, the imports are for industrial purposes. To bypass the high tariffs on imports and because

refined sugar is on the import prohibition list, businesses have been known to declare sugar as another product during customs clearance.

Duties and Levies

Raw sugar imports face a 5 percent duty, plus an additional 5 percent levy to the Sugar Council, 1 percent charge on freight on board, and 7.5 percent value added tax (VAT) for those refineries that participate in its backward integration program. Importing refined sugar in retail packs is prohibited. Imports of refined sugar not in retail packs are taxed at a 20 percent duty, 50 percent development levy, plus an additional 7.5 percent VAT.

Attachments:

No Attachments