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Report Name: Grain and Feed Update

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Post: Lagos

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Report Highlights:

Post estimates marketing year (MY) 2023/24 wheat consumption to decrease to 4.5 million metric tons (MMT) or 10 percent from USDA's official estimate. Imports for MY 2023/24 are also forecasted to decrease by 9 percent to 4.8 MMT. Consumption and imports are forecasted to decrease due to a weakening naira raising the cost of imported wheat, the ending of the national fuel subsidy that has eroded consumer purchasing power, and soft consumer demand for wheat-based products in favor of lower-cost alternatives. Corn production and consumption in MY 2023/24 is also expected to decrease by 7.3 percent to 11.8 MMT and 4.6 percent to 12.3 MMT, respectively, due to continued insecurity and violence in northern producing regions and high production costs. However rice consumption is expected to increase about 4 percent to 7.8 MMT due to low or no-cost government rice provisions to food insecure populations and an influx of unofficial rice imports.

Market Overview

In marketing year MY 2022/23, grain and feed production were hindered by flooding, increasing prices for agricultural inputs, insecurity in production areas, and trade disruptions from Russia's full-scale invasion of Ukraine. According to the National Agricultural Extension and Liaison Services and the National Emergency Management Agency, floods destroyed about \$1.5 billion of investment in the agricultural sector, displaced over 2.4 million people, and ruined 656,000 farms in MY 2022/23. According to the [National Bureau of Statistics August report](#), the country's consumer price index increased 25.80%, with the food inflation rate reaching 29.34%. Food prices remained high, likely caused by steady demand, lower supplies, the removal of the national fuel subsidy, and higher agricultural input prices, and a weakening naira. Additional contributing factors also included continued insecurity and violence by armed groups and closure of the Nigeria-Niger border following political instability in Niger.

In May, President Tinubu declared a state of emergency on food security which moved food and water availability issues within the National Security Council's scope. The government also announced the release of low or no-cost agricultural inputs and food commodities from strategic reserves to state governments for distribution to smallholder farmers and agribusinesses. For example, [the government directed](#) the release of 200,000 MT of grains from strategic reserves to moderate prices and food inflation.

Wheat

Production

FAS-Lagos estimates MY 2023/24 production at 110,000 metric tons (MT), in line with Post's production estimate for MY 2022/23, and lower than USDA's official estimate of 120,000 MT for MY 2022/23 (Table 1). The estimated production decrease is attributed to high input costs and continued insecurity in the north's wheat producing region. In addition, producers are expected to also contend with stem borer infestation, hot and dry conditions during the sowing season, and challenging access to farm credit. Yield per hectare in MY 2023/24 is forecasted at 1.1 MT/ha, a marginal increase from the USDA official estimate of 1.09 MT/ha.

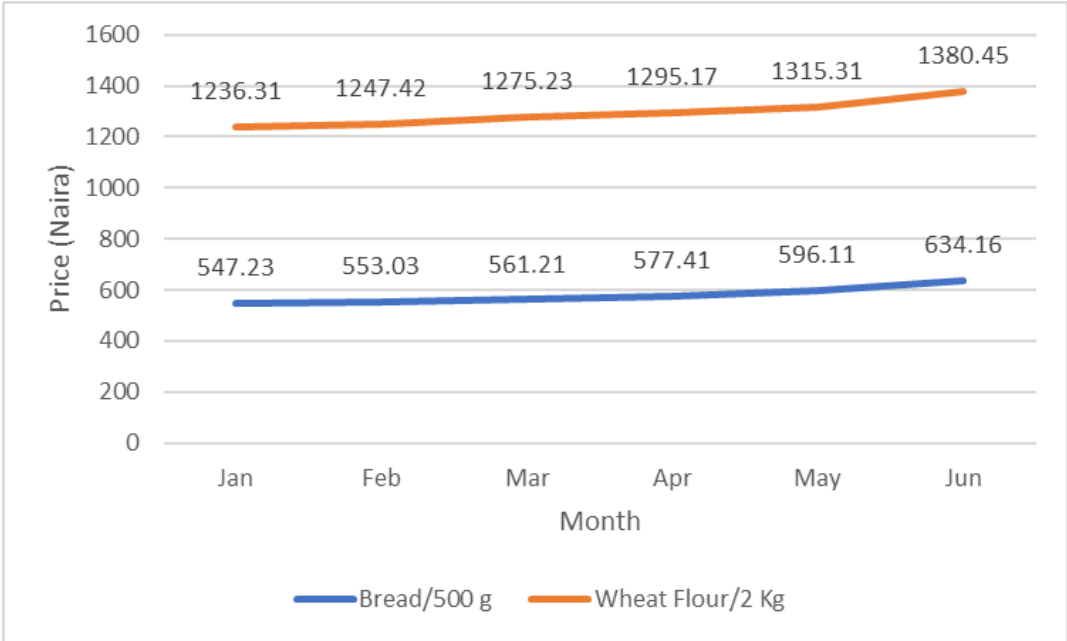
Consumption

FAS-Lagos projects MY 2023/24 wheat consumption at 4.5 MMT, 10 percent lower than the USDA official estimate. Food processing contacts reported that soft consumer demand for wheat-based foods, such as bread, pasta, and noodles, due to wheat flour price increases. Contacts further note that high food prices across all categories have made it difficult for consumers to switch from wheat-based products to alternatives. Consumers have had their purchasing power eroded from high inflation, the removal of the fuel subsidy which resulted in a near four-fold increase in fuel at filling stations, and weakening of the naira. Millers across Nigeria are operating at 50 percent or below capacity due to deteriorating macroeconomic

conditions, high costs of production and distribution (i.e., transportation), reduced consumer sales, and the Nigeria-Niger border closure.

Contacts note that bakers are increasing bread prices, while others are blending high quality imported wheat flour with cheaper lower import quality (or locally sourced) wheat flour and alternative flours. Prices of wheat flour rose by about 12 percent in June compared to January 2023 (Figure 1), while bread prices increased by 15 percent within the same period. In July 2023, the Association of Master Bakers, and Caterers of Nigeria (AMBCON) announced plans to further increase bread prices across the country by 15 percent owing to the prevalent unfavorable economic situation of the country impacting negatively on operating costs.

Figure 1. Wheat Flour and Bread Prices (January – June 2023)



Source: National Bureau of Statistics (NBS)

TRADE

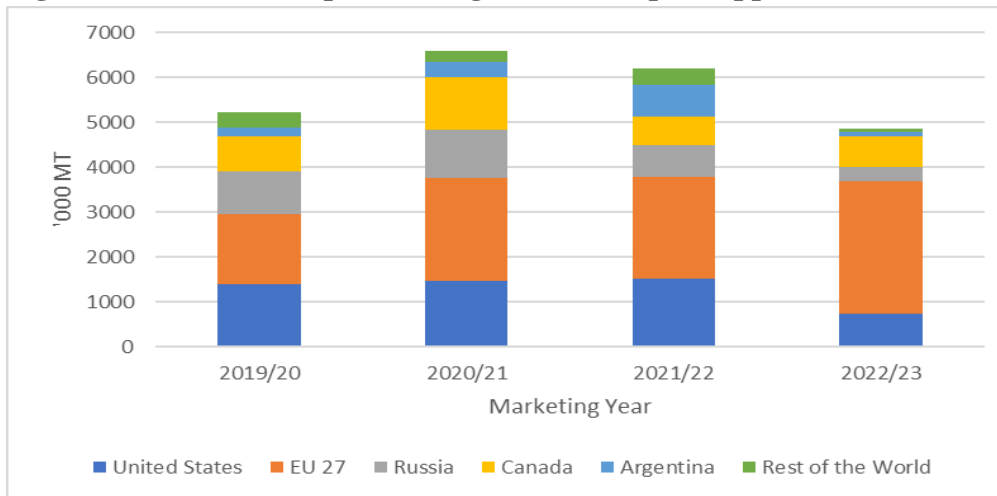
Imports

FAS-Lagos forecasts MY2023/24 wheat imports at 4.8 MMT, about 9 percent decrease from the USDA official estimate for the same period. In June 2023, the Central Bank of Nigeria (CBN) abolished the country's multiple exchange rate system and effectively floated the naira currency to trade freely against foreign currencies. However, after the official exchange rate briefly converged with the parallel market in June, the two rates have again diverged, and the naira has continued to weaken as traders search for scarce foreign currency.

As a result, despite the decline in global wheat prices in MY 2022/23, Nigerian wheat importers are spending relatively more on wheat imports since they must source foreign currency using

naira that has weakened nearly 100 percent. In addition, traders noted difficulties in getting letters of credit from Nigerian banks to import Russian wheat and challenges in getting vessels to deliver Russian wheat which have led to declining Russian wheat imports (Figure 2). However, imports from Russia are gradually picking up amid Russia’s strong exports and competitive prices.

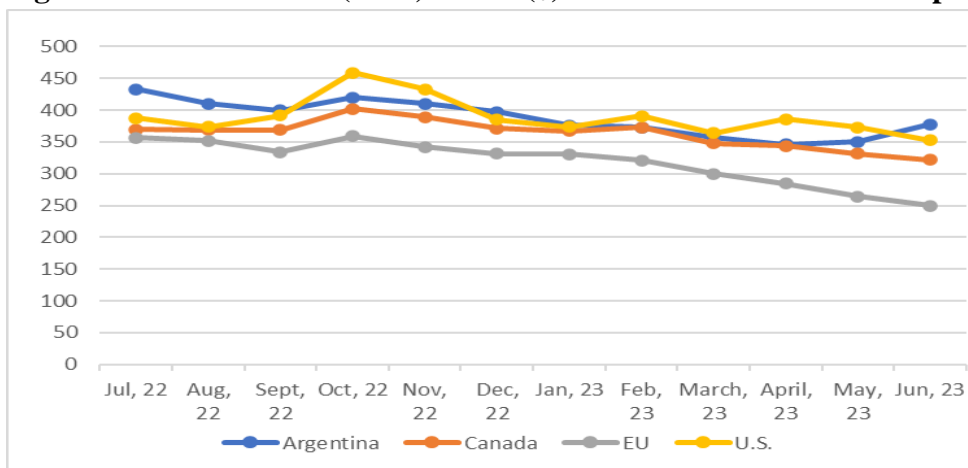
Figure 2. Volume of Exports to Nigeria from top 5 Suppliers (2019/20 - 2022/23)



Source: Trade Data Monitor, LLC & NBS

Wheat imports from Poland, Latvia, and Lithuania remain strong. The flour milling industry is consolidating into larger foreign owned mills that now control about 80 percent of the milling market. Their global footprint may enable them to source wheat from other exporting countries. Flour milling companies have focused on reducing the cost of production and keeping prices of wheat products low. This has led them to source relatively cheaper and lower quality European wheat to blend with higher quality U.S. wheat (Figure 3).

Figure 3. Free on Board (FOB) Prices (\$) of Wheat from Selected Exporters



Source: USDA Global Markets and Trade

Exports

Exports in MY 2023/24 are forecasted at 350,000 MT. The closure and strict monitoring of all land borders with Niger Republic by the GON is expected to negatively impact export along the trans-Saharan trade corridor. This trade corridor borders about seven wheat producing northern Nigerian states and is a major informal trade route for Nigerian wheat and wheat products into landlocked neighboring Sahel countries.

Table 1. Wheat Production, Supply and Distribution

Wheat	2021/2022		2022/2023		2023/2024	
Market Year Begins	Jul 2021		Jul 2022		Jul 2023	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	80	80	100	100	110	100
Beginning Stocks (1000 MT)	791	791	618	618	360	360
Production (1000 MT)	90	90	110	110	120	110
MY Imports (1000 MT)	6187	6187	4782	4782	5300	4800
TY Imports (1000 MT)	6187	6187	4750	4750	5300	4800
TY Imp. from U.S. (1000 MT)	1510	1510	743	743	0	0
Total Supply (1000 MT)	7068	7068	5510	5510	5780	5270
MY Exports (1000 MT)	600	600	400	400	500	350
TY Exports (1000 MT)	600	600	400	400	500	350
Feed and Residual (1000 MT)	50	50	0	0	0	0
FSI Consumption (1000 MT)	5800	5800	4750	4750	5000	4500
Total Consumption (1000 MT)	5850	5850	4750	4750	5000	4500
Ending Stocks (1000 MT)	618	618	360	360	248	420
Total Distribution (1000 MT)	7068	7068	5510	5510	5748	5270
Yield (MT/HA)	1.125	1.125	1.1	1.1	1.0909	1.1

(1000 HA) ,(1000 MT) ,(MT/HA)
 MY = Marketing Year, begins with the month listed at the top of each column
 TY = Trade Year, which for Wheat begins in July for all countries. TY 2023/2024 = July 2023 - June 2024

Corn

PRODUCTION

FAS-Lagos estimates MY 2023/24 corn production at 11.8 MMT, a decrease of about 7.3 percent compared to the 12.735 MMT estimate for MY2022/23 (Table 2). This decrease is due to continued insecurity, high production costs, and communal violence in production areas. Insecurity continues to escalate in the North with a spike on the frequency of attacks on farmers amplifying fear and limiting mobility. Nigeria's corn

production areas are predominant in the North - Northwest, Northeast, and Northcentral states. Violent attacks and perennial clashes between farmers and herders restrict farmer access to fields.

MY 2023/24 area harvested is forecasted at 5.7 million hectares, or a slight decrease from the 5.8 million hectares in MY 2022/23. Corn producers are facing high input prices due to the weakening naira. As a result, yields are expected to decrease as producers will not be able to purchase the same amounts of inputs this MY compared to the prior year.

CONSUMPTION

Household consumption accounts for 10-15 percent of total corn consumption. Corn is an essential part of many families' diets in the northern half of the country. It can be consumed as corn flour, roasted or boiled whole, or prepared as porridge. About 20 percent of production goes into animal feed, particularly poultry feed. The food and beverage industry uses the remainder as a food and beverage processing ingredient.

MY2023/24 total consumption is projected at 12.3 MMT, a 4.6 percent decrease compared to Post's prior MY's 12.9 MMT estimate. Consumption is expected to decrease due to food and beverage manufacturing slowdowns, decreasing sales due to the Nigeria-Niger border closure, and soft consumer demand.

In poultry feed formulation, corn comprises about 60-65 percent of feedstock. As a result, upsurging corn prices are challenging for poultry farmers and processors. Some poultry farmers have reportedly abandoned their businesses amid the persistent rise in feed prices. Prices of poultry feed rose due to insecurity issues hampering corn production, scarcity of available corn caused by speculative buying, high cost of diesel and logistics, and a weakening naira. Additionally, the government confirmed an avian influenza outbreak in 28 states and the Federal Capital Territory (FCT). The Federal Ministry of Agriculture depopulated more than one million birds and destroyed more than 110,000 crates of eggs.

TRADE

Imports

Post forecasts imports for MY2023/24 at 150,000 MT, a 50 percent increase compared to Post's MY2022/23 estimate. In general, the CBN still has corn on the list of import restricted products – prohibiting banks from issuing import form (Form M) to importers. However, the CBN has the option to issue limited waivers to allow corn imports. Some traders expect that the government might consider issuing waivers for corn imports to cushion the effects of food shortages across the country.

Exports

FAS-Lagos forecasts MY2023/24 corn exports at 50,000 MT in line with the previous MY estimate. The Customs Service prohibits corn exports. In addition, high domestic prices and restricted access to the Sahel region and its neighboring West Africa countries through the Nigeria-Niger Republic border community markets is expected to discourage exports.

POLICY

Nigeria maintains a 5 percent tariff on imported corn and strictly regulates import permit requirements. Efforts towards the varietal release and commercialization of genetically engineered (GE) TELA maize hybrids are on course. Currently, multiplication trials are on-going. TELA maize is engineered to resist the fall armyworm and stem-borer, and to withstand mild drought.

STOCKS

Post estimates MY2023/24 beginning and ending stocks at 1.347 MMT and 947,000 MT, respectively. Contacts note that despite high prices, producers are expected to hoard stocks amid price volatility.

Table 2. Corn Production, Supply and Distribution

Corn	2021/2022		2022/2023		2023/2024	
Market Year Begins	Oct 2021		Oct 2022		Oct 2023	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	6000	6000	5800	5800	5700	5700
Beginning Stocks (1000 MT)	1167	1167	1462	1462	1347	1347
Production (1000 MT)	12745	12745	12735	12735	12000	11800
MY Imports (1000 MT)	200	200	100	100	100	150
TY Imports (1000 MT)	200	200	100	100	100	150
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	14112	14112	14297	14297	13447	13297
MY Exports (1000 MT)	50	50	50	50	50	50
TY Exports (1000 MT)	50	50	50	50	50	50
Feed and Residual (1000 MT)	2600	2600	2800	2800	2600	2500
FSI Consumption (1000 MT)	10000	10000	10100	10100	10100	9800
Total Consumption (1000 MT)	12600	12600	12900	12900	12700	12300
Ending Stocks (1000 MT)	1462	1462	1347	1347	697	947
Total Distribution (1000 MT)	14112	14112	14297	14297	13447	13297
Yield (MT/HA)	2.1242	2.1242	2.1957	2.1957	2.1053	2.0702

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

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Corn begins in October for all countries. TY 2023/2024 = October 2023 - September 2024

Rice

PRODUCTION

Rough rice production in MY 2023/24 is forecast to decrease to 8.095 MMT from 8.5 MMT the prior MY (Table 3). This lower production estimate is based on higher fertilizer prices, reduced access to farmlands in conflict-prone areas, and an increase in unrecorded rice imports of cheaper paddy that is making local paddy less competitive.

CONSUMPTION

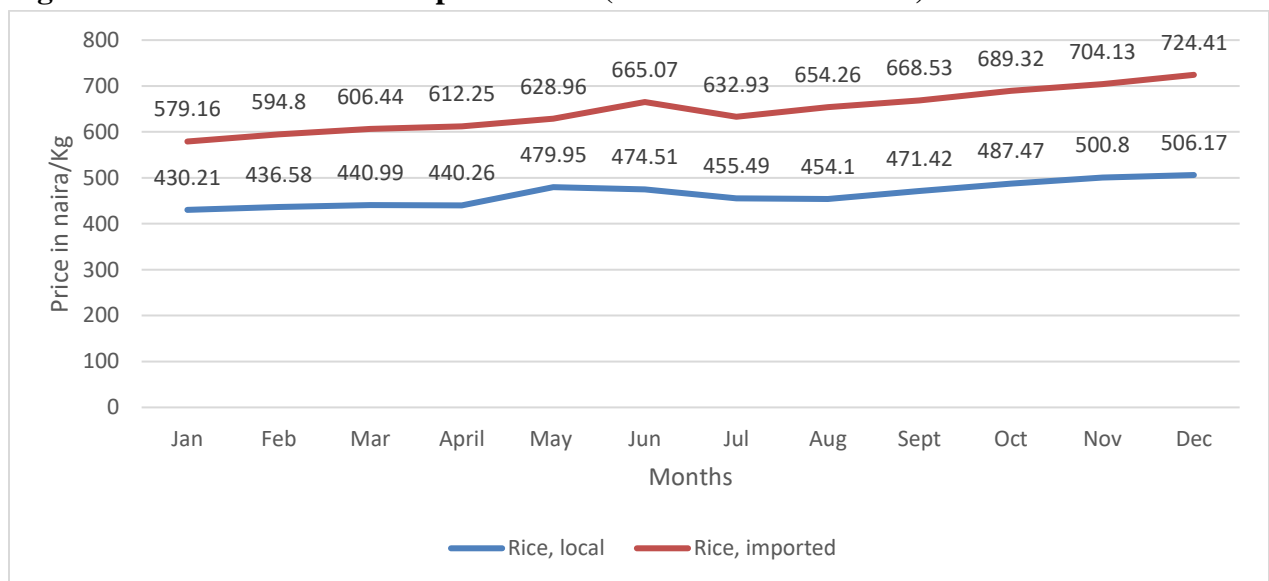
Post forecasts MY 2023/24 rice consumption at 7.8 MMT, about 4 percent increase from MY 2022/23 estimate of 7.5 MMT. Market sources attribute this increase in demand driven in part by local governments providing low or no-cost rice to the public following the central government's decision to remove the petrol subsidy policy. The government approved \$235 million for its 36 states to procure food and other staples to cushion the effects of food shortages across the country. Local processors are unable to meet rising demand and there are reports of excessive rice prices and increases in smuggling of foreign brands.

The price of rice has remained persistently high, fueled by speculative hoarding and paddy scarcity as millers struggle for available paddies amid the closure of the Nigeria – Niger border. This border region is an informal trade route through which paddy is imported to bridge Nigeria's supply gap. In addition, contacts reported the market is volatile as global rice prices reached an all-time high due to [India's rice export ban](#) on non-basmati white rice might be extended to other rice varieties. As a result, suppliers are reportedly holding on to stocks.

The quality of most locally produced rice is low due to impurities such as rocks, dirt, and rice husks. As a result, consumers prefer imported brands from Thailand, Vietnam, and India. Local rice is cheaper than imported rice (Figure 4), but the price margin is not significant enough to compensate for the difference in quality. Prices in Figure 7 include imported rice entering the country officially and unofficially. Nigerians generally prefer long-grain parboiled rice. Market sources in urban areas indicate an increasing shift in middle class consumer preference toward basmati rice.

Nigerian rice millers, both integrated and small scale, are cutting down production due to high operating costs, primarily [due to high diesel](#) and paddy costs. Mills also face additional constraints including a weakening Naira and increasing smuggling of foreign brands through land borders making domestic production less profitable. The government has made moves to upgrade rice milling operations to lower rice prices. In January 2023, the Lagos State Government commissioned the 32 MT per hour Imota Rice Mill which was estimated to have an annual paddy requirement of over 240,000 MT and a production capacity of about 2.5 million bags of 50 kg rice per year. However, according to a briefing by Lagos State’s Ministry of Agriculture, the mill is reported to have only succeeded in producing about 50,000 50 kg bags of rice, seven months after inauguration.

Figure 4. Price of Local and Imported Rice (Jan to December 2022)



Source: National Bureau of Statistics 2022

TRADE

Imports

Post estimates MY 2023/24 imports at 2.3 MMT, a 10 percent increase from the 2.1 MMT estimate for MY 2022/23. Insecurity in farming areas, high input prices, and inadequate mechanization favors rice imports over the possibility of encouraging more production due to higher prices. In addition, increasing demand for foreign rice coupled with high production costs has made local rice uncompetitive, especially in terms of quality. It is expected that demand for higher quality rice will continue to sustain parboiled long grain rice imports through unofficial channels. In general, the high 70 percent duty curbs foreign rice imports through official channels. However lower rice import tariffs in neighboring countries are expected to fuel unofficial trading into the country.

In 2015, the [CBN imposed restrictions](#) that prohibited the use of official foreign exchange to import 41 (later expanded to 43) products, including rice. The policy intended to curb imports and support domestic production. For importing paddy, the government imposes a 10 percent import duty and a 50 percent levy. However, an integrated rice miller with a confirmed backward integration program (i.e., to begin producing domestically) is eligible to pay 10 percent import duty and a 20 percent levy, respectively.

POLICY

The government intervenes in the domestic rice market through the National Rice Development Strategy II (NRDS II) and the Competitive Rice Platform (CARP) to scale up paddy production by 2030. The NRDS II is a ten-year plan which aims to achieve the government’s rice self-sufficiency goals.

In addition, the government and stakeholders continue highlighting the successes and the failures of the Anchor Borrowers Program (ABP). The ABP, which was celebrated as the vehicle to ensure Nigeria’s self-sufficiency in rice production, was derailed by myriads of challenges as the government is still struggling to recoup a large chunk of disbursed loans from defaulters. [News outlets reported in September](#) that President Tinubu called for government offices to recoup the N577 billion that has not been repaid.

Table 3. Rice Production, Supply and Distribution

Rice, Milled	2021/2022		2022/2023		2023/2024	
Market Year Begins	Oct 2021		Oct 2022		Oct 2023	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	3650	3650	3500	3500	3500	3500
Beginning Stocks (1000 MT)	1690	1690	2045	2045	2000	2000
Milled Production (1000 MT)	5255	5255	5355	5355	5229	5100
Rough Production (1000 MT)	8341	8341	8500	8500	8300	8095
Milling Rate (.9999) (1000 MT)	6300	6300	6300	6300	6300	6300
MY Imports (1000 MT)	2450	2450	2100	2100	2000	2300
TY Imports (1000 MT)	2400	2400	2100	2100	2000	2300
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	9395	9395	9500	9500	9229	9400
MY Exports (1000 MT)	0	0	0	0	0	0
TY Exports (1000 MT)	0	0	0	0	0	0
Consumption and Residual (1000 MT)	7350	7350	7500	7500	7600	7800
Ending Stocks (1000 MT)	2045	2045	2000	2000	1629	1600
Total Distribution (1000 MT)	9395	9395	9500	9500	9229	9400

Yield (Rough) (MT/HA)	2.2852	2.2852	2.4286	2.4286	2.3714	2.3129
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2023/2024 = January 2024 - December 2024						

Sorghum

PRODUCTION

Post forecasts sorghum production in MY 2023/24 at 6.8 MMT, a marginal increase from MY 2022/23 (Table 4). Area harvested in MY2023/24 is forecast at 5.8 million hectares, about a 2 percent increase from the MY 2022/23 estimate. This can be attributed to the growing demand of sorghum as an industrial raw material in brewing and milling industries. Sorghum is relatively a low maintenance crop for northern farmers facing rising farm input costs.

CONSUMPTION

Post estimates total consumption in MY 2023/24 at 6.75 MMT, a 1.5 percent increase compared to the 6.65 MMT estimate for MY 2022/23. This estimated increase is due to food manufacturer awareness of substituting sorghum for wheat, given soft consumer demand for higher priced wheat products and lower priced sorghum compared to wheat. Industrial demand has been growing for sorghum’s use in beverages, breakfast cereals, and confectioneries.

In the wake of high food prices, consumers in the North consume sorghum as a cheaper grain alternative. Sorghum is consumed in various forms, either as porridge, in a dough eaten with soup, fermented pancakes, flour paste, or roasted grain. Traditionally, Nigerians use fermented sorghum grain for malting and in making local brewing products. In recent years, an increasing amount of the grain has found its way into animal feed.

TRADE

Post estimates MY2023/24 exports at 70,000 MT. Nigeria is self-sufficient in local demand for sorghum and is making progress in strengthening sorghum production and developing large-scale exports. [According to one news article](#), the NBS showed that Nigeria exported sorghum in the first quarter of 2023 and market sources confirmed the prospect of growing exports. However, the country primarily exports sorghum to its neighbors mostly through informal channels.

Table 4. Sorghum Production, Supply and Distribution

Sorghum	2021/2022		2022/2023		2023/2024	
Market Year Begins	Oct 2021		Oct 2022		Oct 2023	
Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	5700	5700	5700	5700	5700	5800
Beginning Stocks (1000 MT)	107	107	132	132	174	174
Production (1000 MT)	6725	6725	6742	6742	6700	6800
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	0	0	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	6832	6832	6874	6874	6874	6974
MY Exports (1000 MT)	50	50	50	50	50	70
TY Exports (1000 MT)	50	50	50	50	50	70
Feed and Residual (1000 MT)	150	150	150	150	150	150
FSI Consumption (1000 MT)	6500	6500	6500	6500	6500	6600
Total Consumption (1000 MT)	6650	6650	6650	6650	6650	6750
Ending Stocks (1000 MT)	132	132	174	174	174	154
Total Distribution (1000 MT)	6832	6832	6874	6874	6874	6974
Yield (MT/HA)	1.1798	1.1798	1.1828	1.1828	1.1754	1.1724
(1000 HA) ,(1000 MT) ,(MT/HA) MY = Marketing Year, begins with the month listed at the top of each column TY = Trade Year, which for Sorghum begins in October for all countries. TY 2023/2024 = October 2023 - September 2024						

Attachments:

No Attachments