

**Required Report:** Required - Public Distribution

**Date:** September 16, 2020

**Report Number:** NI2020-0002

## **Report Name:** Grain and Feed Update

**Country:** Nigeria

**Post:** Lagos

**Report Category:** Grain and Feed

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### **Report Highlights:**

Nigeria will rely on imports to meet its national requirements for grains (especially, wheat, corn, rice) in MY2020/21. Several factors are responsible for this dire situation - coronavirus lockdown restrictions, currency devaluations, insecurity, and climate change. These factors are contributing to the country's lower grain production in the out-year. Rising food inflation, heightening unemployment, and lowering household incomes are expected to reduce grain consumption during the period. Meanwhile, Nigeria's ineffective trade policies are constraining local food supply chains, elevating food inflation and increasing pressure on food security.

## **MARKET OVERVIEW**

Nigeria is Africa's largest economy, and a major oil producer with population of over 202 million people. Falling oil prices continue to cause declining government revenues and the economy is projected to shrink by -8.9 percent in 2020. The country's budget is 90 per cent funded by revenue from oil and gas exports. Over the past 8 years, the country experienced a 4 percent averaged GDP annual growth rate. However, the growth is too low to lift the bottom half of the population out of poverty according to the World Bank.

On February 27, 2020, Nigeria recorded its first case of COVID-19. On March 30, the Government of Nigeria (GON) initiated measures to contain the spread which included lockdown restrictions of economic activities. Prior to the lockdown restrictions - beginning March 2020, Nigeria's currency was also depreciated – reaching more than 460 Naira to one dollar from about 360 Naira to one dollar, about 28 percent drop. At the same time, the COVID-19 lockdown restrictions coincided with the rice planting period (mid-March to mid-April). GON's declining revenues are also expected to constrain farmers' access to funds, including the availability of Anchor Borrowers Program (ABP) funds to rice farmers. Declining government revenues along with the heavy economic cost of lockdown restrictions have worsened the country's food supply chain.

Nigeria's agricultural policy prioritizes domestic food and agricultural production through protective trade policies amid low productivity. Earlier in August 2019, Nigeria's President Buhari ordered that borders with the country's neighbors be closed mostly to prevent imported food from entering Nigeria. One year later (in September 2020), President Buhari called for a ban on dollars for food imports and adding fertilizers in the restricted items. This action is forcing importers, such as wheat importers to source dollars at higher rates through the parallel markets. High foreign exchange rates add to the cost of flour – leading to rising prices and declining consumption of bread and other wheat flour-based products during the out-year.

The GON started easing lockdown restriction in September 2020. However, Nigeria's food security situation remains precarious. The share of households experiencing moderate or severe food insecurity remaining as high 68 percent in August 2020.

## WHEAT

### Production, Supply and Distribution Table

Wheat Market Year Begins Nigeria	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	60	60	60	60	60	50
Beginning Stocks (1000 MT)	200	200	200	200	209	209
Production (1000 MT)	60	60	60	60	60	55
MY Imports (1000 MT)	4659	4659	5249	5249	5100	4900
TY Imports (1000 MT)	4659	4659	5249	5249	5100	4900
TY Imp. from U.S. (1000 MT)	1834	1834	1382	0	0	0
Total Supply (1000 MT)	4919	4919	5509	5509	5369	5164
MY Exports (1000 MT)	400	400	400	400	400	500
TY Exports (1000 MT)	400	400	400	400	400	500
Feed and Residual (1000 MT)	50	50	50	50	50	50
FSI Consumption (1000 MT)	4269	4269	4850	4850	4710	4425
Total Consumption (1000 MT)	4319	4319	4900	4900	4760	4475
Ending Stocks (1000 MT)	200	200	209	209	209	189
Total Distribution (1000 MT)	4919	4919	5509	5509	5369	5164
Yield (MT/HA)	1	1	1	1	1	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 2020/2021 = July 2020 - June 2021

### PRODUCTION:

MY2020/21 production is forecast at 55,000 tons, eight (8) percent lower compared with the previous year. Area harvested the same marketing year is also expected to drop by 10,000 hectares, from 60,000 hectares the previous year. In Nigeria, farmers do not live on the farms and wheat is planted by November and harvested at about April. The lockdown measures across Nigeria, which started on March 30, 2020, restricted access to farms and resulted in higher post-harvest losses including high harvesting and transportation costs.

The previous year in MY2019/20, production was estimated at 60,000 tons, the same as the previous year. Production and yield however, have not increased the past recent years despite collaborations among government of Nigeria (GON), Flour Millers Association of Nigeria (FMAN) and Wheat Farmers Association of Nigeria (WFAN). These collaborations since the last 10 years, were aimed at increasing local wheat production and reducing wheat import by 50 percent in the medium-term.

Under the program, FMAN supported WFAN with inputs, tractors, and capacity building activities to improve yield and production figures. But Nigeria's currency devaluations and foreign exchange scarcity have continued to result to rising input costs. The country's persistent economic woes have also persisted to limit FMAN resources and capacity to participate fully in the GON's backward integration project. Nigeria's growing political insecurity in the North is also impacting wheat production negatively. Poor soil fertility, desertification, and drying of the Lake Chad basin (which provides water for irrigation in the major wheat-producing northeast region), will challenge the country's wheat production goals in the upcoming years.

## CONSUMPTION:

MY2020/21 consumption is forecast at 4.5 million tons (MT), a decline by eight (8) percent compared with the previous year. Increasing production costs and high prices amid worsening household incomes and rising unemployment propelled by the COVID-19 pandemic, are expected to continue to suppress consumption during the period.

GON continues to struggle with dwindling foreign exchange (forex) reserves. Over the recent years, GON has been initiating policies that force local flour mills to source foreign exchange to pay for their imported wheat at parallel markets where rates are significantly higher, which further increase production costs. In September 2020, it advised the Central Bank of Nigeria (CBN) to suspend forex approval from the lower-rate official CBN sources, for food and fertilizer imports. A following CBN policy required buyers wishing to import any food (not banned for imports) to source their forex from the higher-rate informal forex markets. A weaker Nigerian currency means rising prices for imported products by domestic food processors while the Nigerian consumers remain price sensitive.

Consequently, both flour millers and bakers are finding it challenging to pass on costs to struggling consumers who are losing ground due to declining household incomes over the last year. This situation is expected to increase wheat and flour prices and contribute to declining consumption during the out-year. It is also expected to increase the practice by Nigerian flour millers to blend the higher quality U.S. wheat with the low-priced, lower quality of wheat from the Black Sea region, to keep costs down. This practice has also significantly contributed to lowering U.S. wheat export to Nigeria over the last 5 years. Despite these, FAS Lagos is not foreseeing any major shift away from bread and wheat flour-based products in the medium and long-term but, expects consumption to rebound upwards mostly due to Nigeria's burgeoning population.

According to the World Bank, Nigeria's population is projected to grow to 392 million by 2050. The country will increasingly be reliant on imported foods because local agriculture is unable to keep up with surging food demand. Bread, semolina, and durum pastas and other wheat flour-based products are major staple in Nigeria's urban areas, and seventy percent of flour milled from wheat goes into these products, which are expected to remain less expensive and more readily available especially in urban areas. Demographic changes will influence consumption trends - more than 70 percent of Nigerians are below 30 years, forming the bulk of the fast-growing market for noodles and pasta.

The three major flour millers listed on the Nigerian Stock Exchange (NSE) are - Flour Mills of Nigeria (FMN), Honeywell and Northern Nigeria Flour Mills Plc. These companies recorded a total revenue of about N181.9 billion between April and June 2020, a 20 percent increase compared to N153 billion realized the same period in 2019. BUA Group, producers of IRS flour brand recently opened a new 2,000 tons/day flour mill operation in Port Harcourt and is constructing a new 2,500 tons/day capacity

mill in Lagos. Over the last four years, Olam International has entered the Nigerian flour mill sector by acquiring existing indigenous flour mills. Recently, the firm also acquired the Dangote flour mills.

Currently, Nigeria maintains import bans on poultry meat, beef, and other red meat to protect the country's domestic poultry industry. The country also restricts imports of major dairy products to encourage domestic ranching and dairy sectors. The aim of these restrictive policies is to increase wheat flour production while reducing cost by producing value-added by-products – such as wheat bran. The latter is considered a major by-product and an important ingredient in animal feed.

Generally, the price of bread impacts its consumptions. In early October, Nigerian bakers went on strike to press the GON in subsidizing the production costs of bread and wheat-flour products. The GON recognizing the food security implications of the bakers demands, intervened, and negotiated an acceptable price increase for bread, noodles, and pasta. The market absolved the price increase without major shock on consumption.

## **TRADE:**

### ***Imports***

FAS Lagos projected MY2020/21 wheat import at 4.9 million tons, a decline by about 6 (six) percent compared to the previous year. GON's foreign exchange restrictions on imported agricultural commodities such as wheat, continues to add to the increasing cost of flour, rising food prices and reducing consumption of bread and other wheat flour-based products.

The price of wheat influences market share of major suppliers. Russia, U.S., Black Sea countries, Canada and Australia are the major wheat suppliers to Nigeria for flour milling. Black Sea wheat exports to Nigeria have increased over the past years due to lower prices. To reduce domestic price of wheat flour and sustain profitability, most Nigerian flour mills have shifted to buying cheaper wheat from Latvia and Lithuania. Mills are blending cheap low-quality wheat with more expensive high-quality Hard Red Winter from the United States. Consequently, the U.S.-origin wheat's market share has declined over the past decade – falling from a high of 91 percent in MY2010/11 to an average of 35 percent in MY2019/20.

### ***Exports:***

Nigeria does not export wheat. However, there are informal sales outflow of Nigerian wheat flour through major trade centers in northern Nigeria into landlocked neighboring Sahel countries. This practice has been increasing mostly amid Nigeria's currency devaluation that is resulting in attractive prices – low prices for Nigerian flour across the Sahel. However, there are informal exports of local wheat also to the Sahel countries where they are utilized in preparing traditional meals just as in the northern Nigeria.

## **POLICY:**

Nigeria imposes a five percent tariff on wheat imports, plus an additional 15 percent levy (earmarked for the national wheat development program) for a total 20 percent duty. Despite Nigerian millers' preference for imported wheat, there is a constant government focus on reducing wheat imports by 50 percent. To reduce imports, the government is requiring millers to purchase local wheat at a fixed price of \$400 per ton (above international prices) but, the WFAN prefers to sell their limited output to the more attractive Sahel countries and NGOs - the latter feeds internally-displaced persons in the crisis-torn northern regions. However, FMAN has continued to support the WFAN to show solidarity with the GON's backward integration project. The GON's campaign to encourage local ranching operations and restrict foreign exchange for major dairy products is also expected to increase demand for feed-grade wheat.

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. Full enforcement of the composite flour policy is unlikely until flour millers, bakers, and other stakeholders, overcome technical challenges in developing an appropriate mix of wheat and cassava flours. Market analysts also do not foresee the GON imposing import ban/restrictions on wheat, considering the major challenges confronting wheat production in Nigeria.

## **STOCKS**

FAS Lagos forecasts MY2020/21 stocks be maintained at 209,000 tons and 189,000 tons for opening stocks and closing stocks, respectively. Despite forex challenges, importers are optimistic the market will still be able to absorb some wheat flour price increases in the upcoming years. This optimism is based on the reality that wheat flour products are expected to remain less expensive staple options for the steadily growing Nigerian population, especially the urban dwellers.

## **CORN**

## Production, Supply and Distribution Table

Corn Market Year Begins Nigeria	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	6500	6500	6500	6500	6500	4950
Beginning Stocks (1000 MT)	322	322	322	269	222	222
Production (1000 MT)	11000	11000	11000	11500	11500	9000
MY Imports (1000 MT)	400	400	400	400	500	500
TY Imports (1000 MT)	400	400	400	400	500	500
TY Imp. from U.S. (1000 MT)	14	0	0	0	0	0
Total Supply (1000 MT)	11722	11722	11722	12169	12222	9822
MY Exports (1000 MT)	100	100	100	100	100	150
TY Exports (1000 MT)	100	100	100	100	100	150
Feed and Residual (1000 MT)	1900	1900	1900	2147	2000	1900
FSI Consumption (1000 MT)	9400	9453	9500	9700	9800	7503
Total Consumption (1000 MT)	11300	11353	11400	11847	11800	9403
Ending Stocks (1000 MT)	322	269	222	222	322	269
Total Distribution (1000 MT)	11722	11722	11722	12169	12222	9822
Yield (MT/HA)	1.6923	1.6923	1.6923	1.7692	1.7692	1.8182

(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 2020/2021 = October 2020 - September 2021

### PRODUCTION:

FAS Lagos forecasts Nigeria's MY2020/21 corn production at 9.0 million tons, roughly 13 percent drop compared to 11.5 million tons USDA's forecast for the same year. The decline is expected due to the negative effect of COVID-19 lockdown measures on productivity. In Nigeria, corn production is rain-fed, and the planting season starts in mid-March through mid-June every year - (March/April in the South and May/June in the North). The crop matures within 3–4 months of planting. The country's currency devaluations as well as the country's 10 percent increase in gas pump price, have continued to cause soaring input prices and distribution costs, which also impact production negatively.

MY2020/21 area harvested is forecast at roughly 5.0 million hectares (MH), about 24 percent drop compared with 6.5 million hectares registered the preceding two years. These are expected to be the case as growing insecurity (caused by Boko Haram insurgency, herdsman-farmers crisis and kidnapping) continues to limit land area under cultivation during the out-year. Heavy July floods across many corn-producing areas also destroyed lands under cultivation at a time of soaring input costs and when many farmers lack capital for replanting.

MY2020/21 yield per hectare is expected to increase slightly to 1.82 tons per hectare from approximately 1.77 tons per hectare recorded the previous years. FAS Lagos expects forecasts increasing yields during the upcoming years due to the 5 years of GON's increased collaboration with seed councils, agricultural research institutes and reputable seed companies, for developing and introducing improved seeds to farmers. The seeds and seedlings are also resistant to the crop-destroying Fall Army Worm (*Spodoptera exempta*), which has constrained corn productivity across Nigeria and the entire West African region for more than 5 years.

## **CONSUMPTION:**

MY2020/21 Consumption is projected at roughly 9.4 million tons, about 20 percent drop, compared to USDA's official 11.4 million tons projection for MY2019/20. This will result from recent GON policies, which continues to result in high demand and hiked prices of corn needed for food and animal feed production in the out-year. As an example, Nigeria's border closure has continued to mount pressure on the supply of essential staple (such as rice, etc.) and cause food inflation amid declining purchasing power. The GON's persistent implementation of import bans on poultry products, red meat (including beef) and pork as well as recent policies restricting foreign exchange for major dairy imports in order to promote domestic ranching and local dairy operations are also mounting pressure on available corn for animal feed production.

Nigeria's corn consumption occurs in the form of corn flour for animal feed, confectionery, roasted corn, boiled or prepared as porridge. Green (fresh) corn is also boiled—or, roasted on its cob, and served as a snack. Over 60 percent of Nigeria's corn production goes into animal feed, especially for poultry feed. Household consumption accounts for 10-15 percent, while the remaining goes to feed raw material and ingredient for food manufacture. Corn prices have almost doubled from average of 95,000 Naira to about 170,000 Naira since June 2020 due mainly to heightened demand and short supply since COVID-19 pandemic. Nigeria's poultry sector is the most threatened by high corn prices as consumers resist any increase in poultry products' prices.

## **TRADE:**

### ***Imports:***

Post forecasts MY2020/21 Imports at 500,000 tons, about 25 percent increase compared to 400,000 tons recorded each of the last two marketing years. Supply shortfalls due to COVID-19 pandemic lockdown, currency devaluations, increasing insecurity and flooding events are expected to pressure the GON to increase corn import approvals during the marketing year. The poultry industry had indicated it would need to import about 5.6 million tons of corn to satisfy its feed demand during the out-year (MY2020/21). But the lack of storage capacity and the suspension of imports since July 2020, would likely limit the import volume. Post's forecast is based on the approved import volume.

Meanwhile, the country's increasing populations and demand for poultry and other animal feed continue to grow. This situation is promoting commercial activities that increase the demand for corn – especially for animal feed production. Earlier this year, the Nigeria's Maize Growers and Processors Association of Nigeria (MAGPAN) indicated it would be unable to meet its production level under current economic environment.

### ***Exports:***

FAS Lagos forecasts MY2020/21 corn exports at 150,000 tons as against 100,000 tons estimated the previous year. Despite constraining factors such as the border closure, high transportation-cost and insecurity, traders are capitalizing on exports. The prices of the latter are considerably higher than domestic prices - resulting from Nigeria's dual currency devaluations. Overall, the devaluations have also made Nigerian corn less expensive in the Sahel markets. Market sources however, indicated that Nigeria's corn exports are significantly not captured as the corn exports are mostly informal across countries in the Sahel region.

## **POLICY:**

Nigeria has maintained a five percent tariff on imported corn for more than a decade - the country also implements stringent import permit requirements. GON plans to eventually liquidate its total 1.3 million tons strategic grain reserve, and has begun by privatizing through concession, 20 out of its 33 silos. In 2019, GON also announced plans to ensure self-sufficiency in dairy production. It initiated a policy allowing milk and dairy imports only to few companies with proof of investment into backward integration project in the country. There is also an import quota on frozen fish aimed at promoting local aquaculture. These require more corn to produce animal feeds.

In June 2020, corn prices spiked from 95,000 Naira to 170,000 Naira, caused mostly by major multiple currency devaluations that began during the first quarter. The devaluations also resulted in hike in input costs. In Nigeria, farmers do not leave on their farms and the beginning of COVID-19 lockdown in March, which entailed movement restrictions unfortunately coincided with the start of corn planting season and limited farmers' access to their farms. Increasing insecurity (especially, the Boko Haram insurgency, farmer-herders conflict, and rampant kidnapping) increased hindrance to corn production. Heavy rains this year, have also combined to constrain corn farming and supply chain activities. Amid these challenging situations, the GON further suspended corn imports into Nigeria in July 2020.

The Poultry Association of Nigeria (PAN) pressured the GON to grant its members import permits to jointly purchase corn to avert an imminent collapse of local poultry industry. In September 2020, GON approved the release of 5,000 MT of corn to PAN from Nigeria's National Grain Reserve, at subsidized rate of 90,000 Naira per ton as against the prevailing market price of 170,000 Naira – aimed at supporting the industry. However, PAN indicated its members required about one million tons of corn to meet their feed needs at that time.

Meanwhile, while PAN was advocating with the GON for increased imports, the Central Bank of Nigeria (CBN) separately granted an emergency approval of 262,000 MT of corn to four major animal feed companies to bridge the poultry feed shortfall in the country. The companies allowed to import corn into Nigeria are - 1) Wacot Limited (60,000 MT); 2) Chi Farms Limited (60,000 MT); 3) Crown Flour Mills (22,000 MT); and 4). Premier Feeds Company Limited (120,000 MT). The CBN argued that the beneficiaries were the country's major feed miller whose combined operations would provide feeds to poultry operations across the country.

## STOCKS

Post forecasts MY2020/21 opening and closing stocks at 222,000 tons and 269,000 tons, respectively.

## RICE

### Production, Supply and Distribution Table

Rice, Milled Market Year Begins Nigeria	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	3350	3350	3500	3500	3500	3600
Beginning Stocks (1000 MT)	1584	1584	1222	1222	712	862
Milled Production (1000 MT)	4538	4538	5040	5040	5040	4890
Rough Production (1000 MT)	7203	7203	8000	8000	8000	7762
Milling Rate (.9999) (1000 MT)	6300	6300	6300	6300	6300	6300
MY Imports (1000 MT)	1900	1900	1000	1000	1200	1750
TY Imports (1000 MT)	1800	1800	1000	1000	1200	1750
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8022	8022	7262	7262	6952	7502
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)	6800	6800	6550	6400	6400	6770
Ending Stocks (1000 MT)	1222	1222	712	862	552	732
Total Distribution (1000 MT)	8022	8022	7262	7262	6952	7502
Yield (Rough) (MT/HA)	2.1501	2.1501	2.2857	2.2857	2.2857	2.1561

(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 2020/2021 = January 2021 - December 2021

### PRODUCTION:

MY2020/21 rough production is projected at 7.8 million tons, a drop by 200,000 tons (3 percent) compared to the previous year. The decline is resulting from COVID-19 lockdown restrictions which coincided with rice planting period (mid-March to mid-April), constrained access to farms, and disrupted distribution of inputs and equipment for rice farm operations. GON's declining revenues are also expected to limit fund availability to rice farmers, which had over the recent few years, supported them to purchase inputs such as fertilizers and improved seeds and seedlings.

Although MY2020/21 area harvested is forecast to increase by three (3) percent to 3.6 million hectares compared to 3.5 million hectares recorded the previous years, yield is MY2020/21 yield is forecast to decline to about 2.16 tons per hectare from estimated 2.29 tons per hectare reported in MY2019/20. The major drivers are the medium-to-large scale and the more financially stable integrated rice farming/milling operations in the private sector who continue to support many rice farmers with funds and inputs under out-grower arrangements. Amid increasing production costs and lowering demand, out-grower programs provide opportunities for smallholder farmers. Attractive prices of Nigerian rice in the Sahel region are spurring Nigerian rice farmers and millers to increase production for informal exports to neighboring countries.

While many rice farmers in the northern region were unable to engage in farming activities, others shifted to planting millet and sorghum which are planted later in May-June – as Nigeria began to ease lockdown restrictions. Many farmers in the middle-belt and southern Nigeria also moved to cultivating yam, cassava and other staples that grow around their regions. Increasing Boko Haram insurgency and large-scale population displacements also continue to severely affect agricultural activities in the conflict-affected areas, most of which are Nigeria’s major rice-producing northern regions. In these areas, most rice-farming households face serious challenges cultivating rice in 2020. The flooding events in the rice-producing low-land areas since June, led to loss of thousands of hectares of cultivated rice farms.

Development partners operating in Nigeria such as the International Institute for Tropical Agriculture (IITA), Feed the Future Nigeria Integrated Agriculture Activity of United States Agency for International Development (USAID), the International Crops Research Institute for the Semi-Arid Tropics and Catholic Relief Services (CRS) and others, have recently intensified support for especially the many vulnerable relocated farmers in the crisis-ridden areas. The support includes improving rice farming practices by provision of improved rice seeds and seedlings as well as developing best rice farming practices. The GON has also prioritized improved seeds provision as key to increasing rice production. The government has continued to increase support to the country’s seed development and regulatory agency (NASC) and to engage more internationally reputable seed companies for quality seeds through NASC.

## **CONSUMPTION:**

MY2020/21 rice consumption is projected to reach 6.8 million tons, six (6) percent higher than USDA official forecast of 6.4 million tons the same year. Market sources indicate that drop in consumption would largely be expected from increasing prices amid lowering consumer purchasing power, job losses and declining household incomes. These factors are already causing more Nigerian households to cut down their rice consumption, and shift to foods that are more affordable such as millet, sorghum, yam, cassava, plantain, and other less expensive staples grown within their communities.

Nigeria’s food supply chain also continues to suffer disruption since COVID-19 lockdown as domestic food supply suffered as well as food imports. GON’s recent gasoline and electricity tariff increase with the persisting border closure also continues to fuel rice prices hike. A-50kg bag of imported rice which sold for 12,000 Naira prior to border closure in August 2019, jumped to 23,000 Naira, and to the current price of 28,000 Naira. Prices of 50kg bag of local rice also increased by 33 percent, from 18,000 Naira prior to lockdown to the current 24,000 Naira.

Investors are projecting rice demand to increase as Nigeria’s population and urbanization maintain higher growth rates. On the other hand, prices for both paddy and milled rice are expected to drop when yield increases with expanding area harvested. More households, especially in the urban areas are also expected to find rice as the more convenient and less expensive staple.

## **TRADE:**

### ***Imports:***

FAS Lagos projects MY2020/21 imports to reach 1.75 million tons as against USDA’s 1.2 million tons forecast for the year. This is as Nigerian rice consumers still prefer parboiled long grain rice from Thailand and India, which continues to enter the Nigerian market through grey channels and are freely sold in the dominant traditional open-air markets and street/corner shops. The recent hike in electricity tariff and gasoline (gasoline), both required to run production plants and facilities, are expected to increase milling cost and hike local rice prices even beyond the prices of imported parboiled rice. However, informal exports to Sahel region are expected to increase because communities across the border share cultural food types and consumption similarities with northern Nigeria states.

**POLICY:**

Nigeria continues to pursue a rice self-sufficiency policy. On several occasions and at different local and international fora, GON representatives continue to express the success of ABP, the forex ban on rice imports and border closure in achieving self-sufficiency.

Recently, Nigeria’s Central Bank received a Presidential directive not to approve foreign exchange to fund any food import. The directive advised traders desiring to import food and agricultural commodities (not banned for import) would have to source their foreign exchange outside the CBN. Currently, the country lacks sufficient ABP fund to support increase production at lower cost. Market watchers indicate that the current rice import policies will remain but, the country lacks the resources to control its porous land borders effectively.

Nigeria will need to produce about 12 million tons of paddy to meet domestic demand while production has continued to fall short. Unconfirmed sources indicate that the country is planning to import paddy rice to be milled locally considering high cost of paddy production and rising food inflation currently threatening Nigeria’s food security.

Imported rice attracts a 10 percent duty and an additional 60 percent levy totaling 70 percent tariff. The GON indicates that rice is not banned for imports. However, importers are prohibited to ship rice to any Nigerian port irrespective of the source of foreign exchange. This translates to a technical ban.

**SORGHUM**

**Production, Supply and Distribution Table**

Sorghum	2018/2019	2019/2020	2020/2021
Market Year Begins	Oct 2018	Oct 2019	Oct 2020

Nigeria	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	5800	5800	5900	5900	5900	5600
Beginning Stocks (1000 MT)	181	181	152	231	117	196
Production (1000 MT)	6721	6800	6665	6665	6900	6570
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)	6902	6981	6817	6896	7017	6766
MY Exports (1000 MT)	100	100	50	50	50	100
TY Exports (1000 MT)	100	100	50	50	50	100
Feed and Residual (1000 MT)	150	150	150	150	150	150
FSI Consumption (1000 MT)	6500	6500	6500	6500	6700	6385
Total Consumption (1000 MT)	6650	6650	6650	6650	6850	6535
Ending Stocks (1000 MT)	152	231	117	196	117	181
Total Distribution (1000 MT)	6902	6981	6817	6896	7017	6766
Yield (MT/HA)	1.1588	1.1724	1.1297	1.1297	1.1695	1.1732

(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 2020/2021 = October 2020 - September 2021

## PRODUCTION:

FAS Lagos forecasts Nigeria's sorghum production in MY 2020/21 (October-September) at roughly 6.6 million tons, down almost 10 percent or 300,000 tons compared to USDA official 6.9 million tons estimate for the same marketing year. Post forecasts MY2020/21 area harvested at approximately 5.6 million hectares compared to 5.9 million hectares forecast USDA official figure recorded the previous year. MY2020/21 yield per hectare is forecast at roughly 1.17 tons, a marginal increase compared to USDA official forecast of roughly 1.13 tons for MY2020/21.

Over the years, the private sector has increased collaborations with GON agencies, agricultural research institutes as well as reputable seed companies to develop improved seeds. Two new drought-resistant and nutritionally high varieties have been developed and being introduced to farmers. Their yields are about double the local varieties and maturing at short duration, which allow farmers adapt better to climate change.

Despite increased private sector participation, industry sources indicated expected productivity this marketing year would not be realized. Sorghum is not a focus product for GON's low-interest ABP funds, which help farmers reduce input costs. Sorghum production is in a precarious position because the government banned fertilizers imports in early September 2020. With the fertilizer import restriction policy, more farmers are expected to plant sorghum without using fertilizers – this is expected to undermine potential yields and curb production prospects in MY2020/21.

## CONSUMPTION:

FAS Lagos forecasts Nigeria's total sorghum consumption (including FSI) in MY 2020/21 at 6.5 million tons, a drop by three (3) percent, compared to approximately 6.7 million tons recorded the previous year. The decline is due to increasing sorghum prices and dwindling consumer demand. Sorghum prices

reached their highest levels in July and have continued to increase significantly in the past few months, supported by the effects of COVID-19 pandemic and strong domestic demand.

Sorghum is widely consumed by most households, especially in the north, and the cereal is widely used by various industries. Industrial end users are predominantly companies producing beverages, cereals, and confectionery; a small percentage of the grain is also used for animal feeds. Industrial demand for sorghum by beverage, cereal, and confectionery producers is the major driver in the sorghum market. Industrial sorghum users are increasingly utilizing the less expensive sorghum-based intermediate products to lower costs. Poultry feed manufacturers have also overcome the challenge of high tannin in sorghum feeds and can blend some quantities with corn to reduce costs. Moving forward, analysts forecast increase in production and consumption figures in the years following the pandemic.

**TRADE:**

Nigeria does not import sorghum but, imposes a five percent tariff on sorghum imports (HS Code: 100700). Post forecasts MY2020/21 exports at 100,000 tons against 50,000 tons projected by USDA for the marketing year. Currency devaluation resulted in competitive prices of Nigeria's sorghum in the Sahel region (especially, to Niger and Chad) where the sorghum is also a widely consumed staple.

**Attachments:**

No Attachments