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# Report Name: Sugar Annual

**Country:** Nigeria

**Post:** Lagos

**Report Category:** Sugar

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**Report Highlights:**

Nigeria's current 10-year Sugar Master Plan (NSMP) will end next year – likely moving on to another 10-year Phase Two Plan. The growth in sugar consumption is expected to be driven by the food processing sector. Nigeria is forecast to meet its consumption demands through imports. Annually, the Government of Nigeria (GON) sets the raw sugar import quota round 1.6 to 1.7 million metric tons (MMT). Post forecasts MY 2022/23 sugar production to be flat due to higher input costs and no substantial investment in sugarcane crushing operations. The country's sugar supply chain is vulnerable to excessive trade barriers.

**EXECUTIVE SUMMARY**

Nigeria is the largest economy in sub-Saharan Africa with an estimated population of 212 million (2021). After South Africa, the country is the second largest sugar market in sub-Saharan Africa. In per capita terms, Nigeria consumes about 8kg and produces less than 5% of the total consumed sugar. Over half of Nigeria's population live in urban areas; urbanization is growing at 4.23 percent annually. The country's population is projected to grow and reach 400 million by 2050 making Nigeria the world's fourth most populous country. This population is increasingly reliant on domestic and imported processed food products because of low investment in food production and a weak agricultural infrastructure. Demographic factors such as urbanization and a growing population influence sugar consumption in Nigeria. The neglect of the country's agricultural sector and weak infrastructure translates into a dependency on raw sugar imports – although Nigeria has lofty ambitions of becoming Africa's largest sugar exporter. https://www.nsdcnigeria.org/nigeria-sugar-master-plan-nsmp/

In 2012, the government approved the Nigeria Sugar Master Plan (NSMP), as a national strategy roadmap – to boost the sugar sub-sector. The plan is also a policy document that contains strategies for strengthening the sugar policy environment. The plan's main policy position is to attract investments in domestic production through a backward integration program, which expands sugar production by supporting extensive sugarcane plantations - while offering credit facilities and tax incentives to investors. At the same time, Nigeria imposes heavy duties on imported raw and refined sugar.

Nigeria Sugar Development Council (NSDC), which is an agency under the Federal Ministry of Industry, Trade, and Investment, is responsible for allocating yearly sugar import quotas to prospective companies according to milestones recorded in their various backward integration programs (BIP). According to Section 12.5 of the Plan, https://www.nsdcnigeria.org/nigeria-sugar-master-plan-nsmp/, sugar importation is strictly restricted and must be approved by the President on the recommendation of the Honorable Minister of Industry, Trade, and Investment. Refined sugar in retail packs is banned but refinery operators undertaking BIPs across the country are allowed to import specific quantities of raw sugar through the quotas system.

Nigeria will source more than 95 percent of its sugar consumption needs through imports. Raw sugar imports will stay flat for MY2022/23 at 1.8 million metric tons. NSDC will strictly monitor the import quota especially focusing on companies operating in the free trade zones. Consumption will increase marginally due to the food processing sector - while health concerns continue to play an integral part in sugar consumption. Export of refined sugar to West Africa and Sahel countries https://www.google.com/search?q=sahel+countries+map will continue as Nigeria eases border trade restrictions with neighboring countries.

On the policy front, the proposed 10% excise duty tax on soft drinks if implemented would negatively impact sugar consumption. Currently, the Nigeria beverage industry strongly opposes the proposed tax. In contrast, the government sees the tax as an immediate source of revenue.

## Sugarcane Production

### Table 1: Sugarcane Production, Supply and Distribution Table

| Sugar Cane for Centrifugal | 2020/2021 | | 2021/2022 | | 2022/2023 | |
|---|---|---|---|---|---|---|
| Market Year Begins | Nov 2020 | | Nov 2021 | | Nov 2022 | |
| Nigeria | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Area Planted** (1000 HA) | 0 | 100 | 0 | 100 | 0 | 120 |
| **Area Harvested** (1000 HA) | 0 | 85 | 0 | 75 | 0 | 90 |
| **Production** (1000 MT) | 0 | 1520 | 0 | 1320 | 0 | 1620 |
| **Total Supply** (1000 MT) | 0 | 1520 | 0 | 1320 | 0 | 1620 |
| **Utilization for Sugar** (1000 MT) | 0 | 1520 | 0 | 1320 | 0 | 1620 |
| **Utilizatn for Alcohol** (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Utilization** (1000 MT) | 0 | 1520 | 0 | 1320 | 0 | 1620 |
| (1000 HA) ,(1000 MT) | | | | | | |

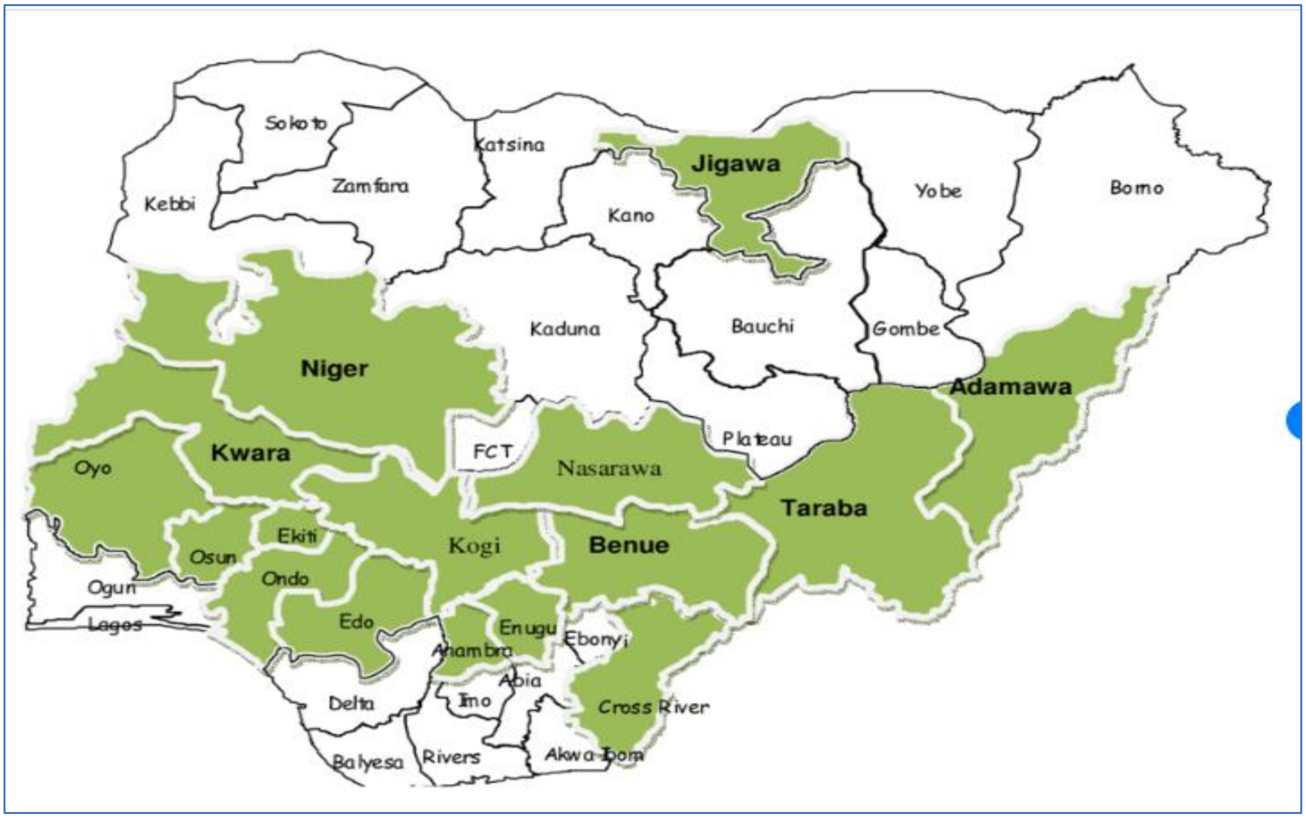
Post forecasts an increase of about 22 percent in sugarcane production in MY2022/23. The increment is due to maturation of new varieties and high-quality sugarcane. Currently, smallholder famers produce a larger quantity of the sugarcane crop in Nigeria while commercial plantations are investing in new varieties and land acquisitions.

Sugarcane is a perennial crop that is extremely sensitive to climate, soil type, irrigation, and harvest period. The crop has long stems, which are produced in multiples and grows into cane stalk, the stalk is fibrous and stout jointed, and is rich in the sugar sucrose (used to provide about 70-80% of the world's sugar). Sucrose accumulates in the stalk internodes. The stalk consists of 14%, 68%, 15% and 3% more or less of fiber, water, soluble sugar, and non-sugar, respectively.

Successive governments have consistently expressed interest in boosting sugar cane production. However, sugarcane production in Nigeria reached low levels in the early 2000 because of the collapse of two Federal Government owed sugar factories. Several constraining factors have contributed to low sugarcane productivity – lack of good varieties, dependence on rain-fed production, excessive cost of inputs, lack of appropriate technology, minimal use of good agricultural practices, and lack of access to credit facilities.

Sugarcane is a water intensive crop. As a result, the Government of Nigeria (GON) is trying to harness about 800,000 ha of land along the Benue and Niger rivers. Strengthening outgrower programs within the host communities, will provide long term local support that will guarantee a sustainable sugar productivity.

**Figure 1: Sugarcane producing areas**




**Source: International Standard Journal: Sugarcane production problems in Nigeria by Wada etal**

**Research and Development in Sugarcane Production**

Currently, the NSDC is collaborating with the University of Ilorin Sugar Research Center and Ahmadu Bello University, Zaria to set up sugarcane bio-factories within the institutions. The main aim of setting up the sugarcane bio-factories is to make effective use of tissue culture in producing and multiplying sugarcane varieties thereby ensuring the provision of pure, clean, and superior quality sugarcane seeds for the growth of the sugar industry in Nigeria.

Additionally, the sugarcane bio-factory will ensure rapid propagation of superior plant, eliminate diseases from plant propagative materials, accelerate variety development and distribution, ensure increased industry capacity to minimize loss from diseases and pests and guarantee prompt and effective means of transporting seed materials.

Private companies have steered Nigeria's sugarcane cultivation, and the results have been less than promising. Several private companies have huge tracts of land acquired through the GON designated for sugarcane cultivation. However, these companies have negligible operations in terms of plantations and BIPs. There have been reports that these companies have not developed nurseries and neglected their obligations to establish plantations. This indifference forced the GON to develop the NSMP – to step up sugarcane cultivation. NSDC through its statutory authority is reinforcing monitoring and evaluation to ensure that companies are implementing the backward integration plans according to NSMP's guidelines.

**Table 2: Sugar Production, Supply and Distribution**

| Sugar, Centrifugal | 2020/2021 | | 2021/2022 | | 2022/2023 | |
|---|---|---|---|---|---|---|
| Market Year Begins | May 2020 | | May 2021 | | May 2022 | |
| Nigeria | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Beginning Stocks** (1000 MT) | 100 | 100 | 100 | 100 | 0 | 100 |
| **Beet Sugar Production** (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Cane Sugar Production** (1000 MT) | 75 | 75 | 70 | 70 | 0 | 70 |
| **Total Sugar Production** (1000 MT) | 75 | 75 | 70 | 70 | 0 | 70 |
| **Raw Imports** (1000 MT) | 1750 | 1750 | 1800 | 1800 | 0 | 1800 |
| **Refined Imp. (Raw Val)** (1000 MT) | 130 | 130 | 130 | 130 | 0 | 150 |
| **Total Imports** (1000 MT) | 1880 | 1880 | 1930 | 1930 | 0 | 1950 |
| **Total Supply** (1000 MT) | 2055 | 2055 | 2100 | 2100 | 0 | 2120 |
| **Raw Exports** (1000 MT) | 0 | 0 | 0 | 0 | 0 | 0 |
| **Refined Exp. (Raw Val)** (1000 MT) | 300 | 300 | 350 | 350 | 0 | 350 |
| **Total Exports** (1000 MT) | 300 | 300 | 350 | 350 | 0 | 350 |
| **Human Dom. Consumption** (1000 MT) | 1610 | 1610 | 1600 | 1600 | 0 | 1620 |
| **Other Disappearance** (1000 MT) | 45 | 45 | 50 | 50 | 0 | 50 |
| **Total Use** (1000 MT) | 1655 | 1655 | 1650 | 1650 | 0 | 1650 |
| **Ending Stocks** (1000 MT) | 100 | 100 | 100 | 100 | 0 | 100 |
| **Total Distribution** (1000 MT) | 2055 | 2055 | 2100 | 2100 | 0 | 2120 |
| (1000 MT) | | | | | | |

## CANE SUGAR

## PRODUCTION

FAS Lagos forecasts Nigeria's domestic cane sugar production in marketing year (MY) 2022/23 to be flat (70,000 MT). This is due to the country's ineffective crushing capacity over the past 12 months. Two new companies entered the sugar sector within the last 2 years – KIA Africa Group and Lee Group (Hong Kong based company). KIA Africa Group bought Bacita Sugar Company from Josepdam Nig Limited. Prior to the deal, Bacita was the premier sugar producing company in Nigeria. On the other hand, the Lee Group (Hongkong registered company) is a green field company operating under Great Northern Nigeria Agribusiness Limited, located in Gagarawa, Jigawa State – situated in the Northwest region of the country.

Northern Nigeria is a main sugarcane producing area due to its conducive weather and soil conditions. Internal security across the country is a serious challenge to agricultural activities especially in the sugar cane production belt of Kwara, Adamawa, Niger, Kebbi, Jigawa, Sokoto, Oyo and Taraba States. The cost of sugar cane production is higher in Nigeria due to the absence of infrastructure. Investors bear the cost of constructing roads, dykes, airstrips, and installing irrigation systems.

Sugar companies are also challenged by their inability to access foreign exchange required for importing machinery and equipment. Foreign exchange scarcity causes delays in procuring modern machinery - required to increase productivity. There are also delays in clearing the imported machinery and equipment. These delays significantly disrupt the installation timelines of modern machinery – negatively impacting sugar production targets.

Land grabbing **(i.e.,** land acquisition without paying the required compensation to the rightful owners) allegation against the sugar cane estate owners by host communities is often a recurrent issue that poses a serious challenge to sugar cane production. In addition, high land cost is transitioning suitable sugarcane farms into residential housing developments. This situation exacerbates the problems for private investors in acquiring lands for sugar-processing facilities

Ta**ble 3: Details of on-going sugar projects under the National Sugar Master Plan**

| S/No | Company Name | Available Land (Ha) | Land Developed (Ha) | Land Under Cane (Ha) | Mill Capacity (TCD) |
|---|---|---|---|---|---|
| 1 | Dangote Sugar | | | | |
| | Savanah Sugar, Numan | 12,500 | 10,500 | 7,090 | 6,000 |
| | Tunga, Nasarawa | 40,000 | 660 | 65 | 12,000 |
| 2 | BUA Sugar | | | | |
| | Lafiagi Sugar, Kwara State | 19,950 | 6,500 | 2,220 | 10,000 |
| | Shonga | 10,000 | N/A | N/A | N/A |
| 3 | Golden Sugar | | | | |
| | Sunti, Niger State | 7,000 | 3,455 | 3,205 | 3,500 |
| | Toyo, Nasarawa State | 13,500 | | | |
| 4 | Great Northern Agric – Lee Group | 12,900 | 300 | 100 | 5,000 |
| 5 | Bacita Sugar - KIA Group | More than 4,000 | N/A | N/A | N/A |
| 6 | Oyo State Sugar Processor | N/A | N/A | N/A | 300 |
| 7 | Goronyo Sugar, Sokoto | N/A | N/A | N/A | 600 |
| 8 | Cocaset - Sugar & Ethanol | N/A | N/A | N/A | N/A |
| | **Total** | **119,850** | **21,415** | **12,680** | **37,400** |

**Source: Nigeria Sugar Development Council**

Sugar refineries capacity in Nigeria increased from 2.75 million metric tons per annum in 2019 to 3.4 million metric tons per annum in 2020 but operating at less than 70% capacity. Currently, Nigeria has 210 percent refinery capacity over the annual import quota. Key players own farms across the country supplying their refineries with raw sugar. The farms and their respective refineries are located as explained below:

- Dangote Sugar operates three plantations: Savannah in Adamawa State, Lau Tau in Taraba State and Tunga in Nasarawa State. Products from these farms are processed by the refinery located in Adamawa, while the Lagos State refinery processes imported raw sugar.
- Golden Sugar operates a sugar estate in Sunti, Niger State, with one refinery in Lagos State.
- BUA Group owns two plantations, Lasuco in Kwara State and Bassa in Kogi. The company's two refineries are in Lagos and Port Harcourt with a combined installed capacity of 1.44 million

metric tons per annum. BUA Port Harcourt Refinery (850,000mt) is in Bundu Free Zone in Port Harcourt, River State.

In addition, other greenfield sugar projects being developed under the NSMP include the Gagarawa Sugar Project in Gagarawa, Jigawa State, the Contec Global Project in Isanlu Esa, Kogi State, Gummi Sugar Project in Zamfara State, Sean-Zara Sugar Project in Kwara State, Crystal Sugar Project in Jigawa State, Oyo State Sugar Processors Ltd, Iseyin, Oyo State, Goronyo Sugar Project in Goronyo, Sokoto State and Cocaset Sugar, Ondo State.

**Table 4: Sugar Refineries in Nigeria and web address**.

| S/No | Sugar Refinery | Web Address |
|---|---|---|
| 1. | Dangote Sugar Refinery, Lagos State | www.dangote.com/ourbrands/sugar.aspx |
| 2. | Golden Sugar Company Limited, Lagos State | www.fmnplc.com/sugar |
| 3. | BUA Sugar Refinery, Lagos State | www.buagroup.com/index.php/our-business/foods |

The government is encouraging smallholder farmers to produce sugarcane for mills. Two main outgrower associations produced a small segment of domestic sugar cane - Savannah Sugar and Oyo Sugar-cane Processors. These associations include independent small-scale farmers who sell their products to key players.

## CONSUMPTION

FAS Lagos forecasts Nigeria's sugar consumption in MY 2022/23 at 1.62 million metric tons MMT, up by 1 percent from the 1.60 MMT recorded in marketing year 2021/22. Nigeria's population grows by 3% annually. Majority of sugar consumption in Nigeria is going into industrial use for food manufacturing. However, latest trends show the rate of sugar consumption is flat.

The per capita sugar consumption in 2021 is around eight kilograms, much lower than the global average of roughly 36 kilograms per person. Due to health concerns, consumers especially the middle-income earners are avoiding sugar consumption and opting to use other alternatives like honey as sweetener. The northern states of the country dominate the retail markets as they consume close to 65% portion of sugar. The market extends up to Niger and Chad Republics. However, a persistent insurgency is hindering active sugar product penetration, but the unofficial trade is still active.

Food processing is the fastest growing segment of the sugar value chain in Nigeria. This is due to changing demographic and the growing consumer acceptance of processed foods across the country. The NSDC indicates that the soft drinks and the food and beverages sector accounted for over 60 percent of the country's total industrial sugar consumption. The bakery and confectionary, pharmaceutical, and dairy sectors account for 40 percent of sugar consumption. The sugar industry is growing, albeit slowly; subsectors that rely on the industry for inputs are positioning themselves to meet growing demand, driven by an expanding middle class that demands a greater choice of processed foods.

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

## POLICY

Nigeria continues to employ trade restrictive measures despite being a member of the World Trade Organization (WTO). These burdensome policies include high tariffs and foreign exchange controls, 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 government authorizes 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. The BIP dates to 2013 and seeks to harness Nigeria's sugarcane resources while creating jobs and reducing imports.

**Nigeria's National Sugar Master Plan:** The plan aims to produce around 1.79 MMT of sugar by 2023. The major sugar refineries in Nigeria consistently show strong commitment towards BIPs – a requirement for receiving an import quota. The Nigeria Sugar Development Council is presently reviewing the Master Plan and will later seek approval from the Federal Executive Council (FEC) for another 10 years (2023-2033) – a Phase Two implementation plan.

**Probable Policy Changes in the Making**: Early in the year, the Federal Minister of Finance hinted about the possibility of imposing 10 percent excise duty on soft drinks. The Minister said the decision is based on empirical evidence of increase in the cases of obesity and diabetes in Nigerians. Data shows that Nigeria ranked 4$^{th}$ highest soft drink consuming country globally. Epidemiological studies report that obesity is associated with a higher rate of mortality in patients with COVID-19. Industry experts agree that a 10% tax on carbonated drinks will reduce the consumption of soft drinks.

## TRADE

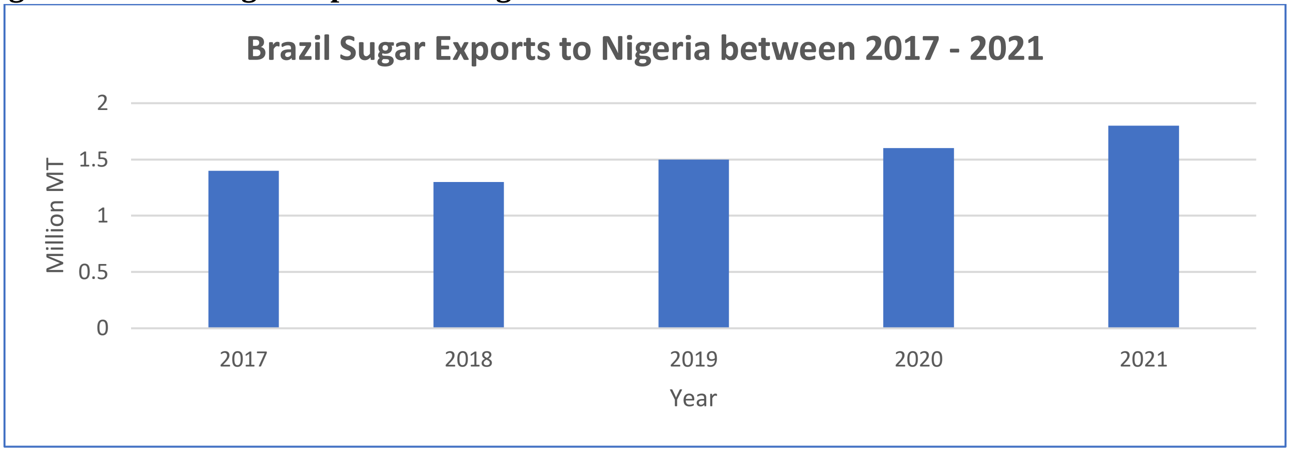
### Imports

FAS Lagos forecasts Nigeria's raw sugar imports in MY 2022/23 at 1.8 million metric tons (MMT), same figure from the 1.8 million metric tons (MMT) volume reported in marketing year 2021/22. Nigeria imports brown sugar. However, the country refines sugar domestically – to meet most its sugar requirements.

**Nigeria Still Dependent on Raw Sugar Imports:** Brazil is the largest supplier of raw sugar to Nigeria with over 95 percent market share. According to Foreign Trade Report, Nigeria spent N425.6 billion ($1.02 billion) at N415=$1 to import brown sugar from Brazil in 2021. The value of Nigeria's sugar imports was the second highest for food items after wheat in 2022.

FAS Lagos forecasts Nigeria's refined sugar imports in MY 2022/23 at 135,000 MT, a 15 percent uptick from the MY 2021/22 figure. There are varied brands of refined sugar in the retail market. Several companies are even fortifying refined sugar with vitamins to attract targeted consumers. Dogan's, a subsidiary of Ukraine-based Ata Company Limited, imports refined sugar from Europe and has a significant share of the Nigerian retail market.

**Figure 2: Brazil Sugar imported to Nigeria between 2017- 2021**




**Source: Trade Data Monitor**

**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 for sugar imports. This has improved the sourcing of foreign exchange by major raw sugar importers and refiners. There is a yearly raw sugar allocation for the 3 major companies – Dangote, BUA, and Golden Sugar. Dangote takes almost 50 percent of quota, and the rest is allocated to the two companies. Additional imports by food manufacturing companies must go through one of these 3 entities.

**Duties and Levies:** The National Sugar Development Council through the NSMP has pushed through a measure that allows raw sugar imports starting 2019 through 2022. Raw sugar imports face a 10 percent duty, plus an additional 30 percent levy. On the other hand, refined sugar imports (2019-2022) face 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 engage promptly in backward integration and thereby stop paying stiff tariff duties
- Highlight the little value addition of refined sugar imports as opposed to refining raw sugar in-country.
- 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 2022/23 to be flat at 350,000 metric tons (MT). Currently, there are sales outflow of refined sugar through major trade centers in northern Nigeria into landlocked neighboring Sahel region including West and Central Africa markets.

## STOCKS

FAS Lagos forecasts Nigeria's ending stocks in MY 2022/23 at 100,000 MT, a volume unchanged from the MY 2021/22 figure. 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 soon.

## Attachments:

No Attachments