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Global Agricultural Information Network

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Report Highlights:

Nigeria is a huge export market for wheat and rice. High demand for wheat flour for the production of bread, noodles, pasta and biscuits (cookies) contributes to Nigeria's wheat market worth approximately \$1 billion in U.S. to Nigeria exports. Domestic wheat production is low and the U.S. wheat market share is over 85 percent. Rice production in Nigeria is very low but the country imports rice worth about \$3 billion per year, making it one of the largest rice importing countries in the world. Demand for other grains such as corn, sorghum, millet, is very high. The GON has initiated an Agricultural Transformation Agenda (ATA) to increase agricultural productivity by 2020. Unfortunately, this effort utilizes punitive taxes and import bans to stimulate import substitution. The GON is persisting with import substitution policies despite heightening food insecurity resulting from flooding that destroyed farmlands, crops, seeds and households in 2012 and the increasing state of insecurity caused by the Boko Haram (BH) Islamic sect in northern Nigeria.

Executive Summary:

As the largest market in West Africa, Nigeria plays a pivotal role in the regional economy, and policies implemented in the country often have had far-reaching effects on the economic positions of countries throughout the region. The country is also of significant strategic importance for the United States in the non-oil trade. Nigeria's Agriculture Transformation Agenda (ATA) is a new Government of Nigeria (GON) initiative designed to significantly increase production of five key crops: rice, cassava, sorghum, cocoa and cotton, and reduce food imports.

Nigeria is among the world's largest importers of U.S. wheat, with purchases valued at nearly one billion dollars (\$1b) in 2012. As part of the measures to cut back on imports and grow local agriculture and create employment, the GON initiated a policy mandating cassava flour inclusion in wheat flour, starting with a 10 percent cassava flour inclusion rate. The inclusion rate is expected to increase steadily to 40 percent by 2015. Bakeries are allowed 18 months (until July 2013) to comply with the new requirements. Some fiscal incentives, such as duty-free import of related equipment and machinery, have also been introduced.

The GON aims to increase marginal growth in the country's Gross Domestic Product (GDP) by this step and save the country foreign exchange. This has generated friction among the policy makers, flour millers and bakers. The bakers indicate they are not able to produce their usual bread products with such flour, while flour millers are still struggling with a one to three percent cassava flour inclusion to produce flours acceptable to the local bakers. The GON has maintains that 10 percent cassava flour blend is achievable and is not expressing willingness to accommodate the millers or bakers.

Flooding of arable lands under cultivation in 23 out of Nigeria's 36 states in September through October 2012 negatively impacted agriculture and grain supply/prices. Consumers saw a general 30 percent increase in food prices as of mid January 2013 when compared to the same period in 2012. The floods destroyed livestock and farmlands of rice and other food crops such as sorghum, millet, groundnuts and cotton in the north and plantain, oil palms, cocoyam etc. across several northern states in Nigeria.

The activities of the Islamic group BH pose major security concerns and have caused problems for farms in the food-producing northern region. BH activities have adversely impacted social and economic activities in widespread areas across northern Nigeria. Other security challenges such as kidnapping in the south-east of Nigeria and militancy in the Niger Delta region also limit large-scale farming of grains and other food and agricultural products within these regions. These problems hamper food production/distribution and are generating concerns for Nigeria's food security.

The corn crop in 2011/12 was good in Nigeria as well as in some neighboring corn supplying countries not affected by floods. Prices remained high due largely to the strong demand from the poultry and brewing sectors. The GON tapped supplies held by Nigeria's Strategic Grain Reserve unit of the country's Federal Ministry of Agriculture (equivalent of USDA). Stocks were released to stabilize market prices during Nigeria's flooding. Corn prices had increased 15 percent from \$435 per metric ton as of March 2012 to approximately \$500 per metric ton for the same period in 2013.

Back in September 2008, the GON lifted the import ban on corn, but local poultry producers to date have failed to successfully explore import opportunities to cushion the impact of high domestic corn prices. Corn is the preferred energy source and accounts for about 60 percent of compound feed. Feed

millers increasingly substitute imported feed wheat for corn utilizing already established import channels for wheat. Potential corn importers fear that Nigeria's customs may arbitrarily block any corn imports upon arrival at Nigeria's ports in support of domestic producers.

Overall there is a renewed drive under ATA to increase agricultural production in order to increase food production and generate employment. The GON has indicated that agriculture will now be treated as a business and no longer as a development project with a view to developing strategic partnerships with the private sector to stimulate investments in agriculture. The initiative is designed to give particular attention to fixing the value chains in sectors where Nigeria perceives comparative advantage. The government intends to attain self-sufficiency in rice production by raising the duty on imports and increasing funding for domestic production to more than double production of paddy rice from 3.4 million metric tons presently to 7.4 million metric tons by 2015.

Exchange Rate: US\$1 = 160 Naira

Commodities:

Wheat

Production:

Nigeria's wheat production is expected to drop 20 percent from 100,000 tons in MY2011/2012 to 80,000 tons in MY 2012/2013. Local climatic conditions in Nigeria are not suitable for extensive wheat production and the wheat that is produced is grown under irrigation in a few states in northern Nigeria. Nigeria's northern states of Bornu, Yobe, Jigawa, Kano, Zamfara, Katsina, Adamawa, Sokoto, Kebbi, etc. are wheat growing areas. BH activities are strong in many of these areas and this has created impediments for wheat production and distribution during the year. Farmers there are under pressure and the loss of crops, seeds, income and lack of financial assistance will limit domestic wheat production in MY2013/2014, to 85,000 tons.

Consumption:

Nigeria's wheat milling capacity increased in 2012/13 to about 8.0 million tons, up from 6.6 million tons. However, capacity utilization dropped 10 percent to approximately 50 percent in 2012/13 as compared to the previous year. The growth in Nigeria's wheat imports witnessed during the last few years could not be sustained this year because of the difficulties in moving products to parts of the country affected by the incessant social strife, especially in the north.

The increase in FSI consumption (3.8 million tons) for in 2012/2013 is unusual as flooding led to shortfalls of local produced staples and caused demand for wheat-based foods to increase to augment domestic food needs. This is expected to fall back to nearly within normal levels in 2013/2014. The increased levy on imported wheat grains and the other GON policies including the cassava inclusion requirement have resulted in rising prices for wheat flour and other flour-based products. Flour millers indicated at the time of this report that market resistance to higher prices is strong and they have not been able to pass on increasing costs to the consumers.

Flour Mills of Nigeria (FMN) continues to be the market leader by capacity but other millers, such as Dangote, Honeywell, and BUA, keep increasing market share. Competition among the wheat millers is

intense, based on price and quality. Additionally, the Nigerian baking industry continues to expand and upgrade its production facilities. There is a proliferation of small and large independent bakeries and retail in-store bakeries. The increased competition has resulted in a more diverse selection and increase in the variety and quality of fresh baked products available to consumers.

Consumption patterns are changing in tandem with growth of the middle class. Production of bread flour continues to expand because it is a standard item in the modern breakfast diet and it is convenient for many Nigerians. The rapid growth in the quick service restaurant industry (fast food) offering savory pastries in recent years has also contributed to increased wheat demand. At present, Nigeria is experiencing the greatest growth in the production of pasta (noodles) as virtually all flour mills in the country have established noodle production facilities.

The demand for pasta in Nigeria is very high as noodle imports are banned by the government. Nigeria's noodle manufacturers have also benefited from the removal of the ban on crude vegetable oil, a key component in instant noodle production. Increased imports of cheap palm oil have resulted in a drop in the cost of production. Noodle production is estimated to use up to 560,000 metric tons of Hard Red Winter (HRW) wheat in MY2012/13. Although Nigeria is traditionally a market for HRW, in recent years there has also been a steady increase in demand for other types of wheat such as Soft Red Winter (SRW) for use in cookies (biscuit) production, Hard White Wheat (HWW) for bread and noodle production, and Durum (wheat) for pasta.

According to industry sources, Nigerian wheat flour is exported informally to neighboring countries. Trade figures are not available for such exports, but industry sources estimate informal exports of wheat products at about 400,000 metric tons. Branded Nigerian flour can be found in several countries in West and Central Africa. Export figures fell drastically in 2012/2013 as production was channeled towards feeding Nigerians displaced during the floods to meet domestic food needs. Border closures due to the escalating BH crises in the northern Nigeria also stopped wheat flour from entry into markets in the neighboring countries.

Trade:

Post estimates total imports at 4 million tons in 2012/2013. This is expected to remain unchanged in 2013/2014 due to increasing prices for wheat flour and flour-based products. The GON began the implementation of a 15 percent levy on imported wheat grains which pushed the effective duty from 5 to 20 percent in July 2012 and led to the price increases. The GON also started enforcing its policy that millers must include cassava flour in wheat flour beginning with a 10 percent cassava flour inclusion rate, increasing steadily to 40 percent by 2015. Flour millers and bakers are reluctant to invest to comply with this directive, generating a rift between them and the GON agencies responsible for enforcement. This has had a negative impact on wheat purchases by the millers this year. However, the shortfall in the domestic food supply resulting from Nigeria's flooding last year continues to hold up demand for wheat as more consumers turned to the available flour-based products.

Nigeria remains a growth market for wheat imports because of its huge population of about 170 million people, with annual population growth of 3 percent. The United States has enjoyed a dominant market share of over 85 percent of Nigeria's wheat market through the last decade but the U.S. market share dropped to about 70 percent market share this last year. Nigeria's wheat imports from the United States fell over 12 percent from an average 3.2 million tons to 2.9 million tons estimated in 2012/2013. It has

been challenging for millers to pass the rising wheat prices to consumers so far and there is no evidence that flour millers are complying with the GON's cassava inclusion requirement. The declining U.S. market share can be attributed to a gradual shift by flour millers to inexpensive wheat from third-country suppliers.

However, the demand for wheat flour-based products has remained strong because of high prices for other local staples and weaker domestic supplies. The U.S. has a strong reputation as a consistent and reliable supplier of high quality wheat, especially for HRW. Market analysts view that over time consumers will insist on demanding higher quality, wheat flour-based products which will cause U.S. wheat market share to rebound.

Stocks:

Most flour mills in Nigeria are located at sea ports, where space for storage facilities is limited. Millers only have capacity to keep stocks that can sustain milling operations for one month, a maximum of 250,000 tons. Industry sources estimate actual stock holdings are at an average of 200,000 tons.

Policy:

In order to reduce wheat imports, the GON introduced a new policy compelling cassava flour inclusion in wheat flour beginning in 2012. Inclusion starts with a 10 percent cassava flour inclusion rate which is expected to increase steadily to 40 percent by 2015. As part of the plan, the GON has imposed import tax (levy) of 15 percent on wheat grain (which has increased the effective duty from 5 percent to 20 percent). The government also introduced fiscal incentives to local industry to stimulate increased domestic production and processing of cassava.

The GON has promoted cassava bread as "healthier" than white flour wheat bread. The National Agency for Food and Drug Administration and Control (Nigeria's FDA equivalent) has reportedly fully certified cassava bread as healthy and safe for consumers. Nigeria's Agriculture Minister Adesina was quoted as expressing great happiness that these wheat import substitution policies have reduced the importation of wheat flour into the country from about 4 million metric tons in 2010 to 3 million tons in 2012 and has saved "scarce foreign exchange".

The GON has also imposed a 65 percent levy on wheat flour imports to bring the effective duty to 100 percent, since mid-2012, as part of this new policy. The GON earlier introduced a policy requiring wheat millers to fortify wheat flour with vitamin A. However, Nigeria does not import wheat flour. Industry analysts' view is that if cassava inclusion into bread was actually feasible, Nigeria would still be unable to meet the demand of the wheat flour milling industry due to the country's lack of adequate cassava production, existing infrastructure and unstable policies.

Marketing:

U.S. Wheat Associates is active in Nigeria in providing training opportunities and trade servicing support for the Nigerian milling industry. They have a representative located in Lagos.

Production, Supply and Demand Data Statistics:

Wheat Nigeria	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	95	95	80	95	85	85
Beginning Stocks	200	200	200	200	200	200
Production	100	100	80	100	85	85
MY Imports	3,874	3,900	4,000	3,950	4,000	3,950
TY Imports	3,874	3,900	4,000	3,900	4,000	3,950
TY Imp. from U.S.	3,073	3,510	0	2,850	0	2,800
Total Supply	4,174	4,200	4,280	4,250	4,285	4,235
MY Exports	480	480	250	100	400	500
TY Exports	480	480	250	100	400	500
Feed and Residual	50	50	100	100	50	50
FSI Consumption	3,444	3,470	3,730	3,850	3,635	3,485
Total Consumption	3,494	3,520	3,830	3,950	3,685	3,535
Ending Stocks	200	200	200	200	200	200
Total Distribution	4,174	4,200	4,280	4,250	4,285	4,235

1000 HA, 1000 MT, MT/HA

Commodities:

Corn

Production:

Post estimates Nigeria's corn production in MY2013/14 at 7.7 million tons, up from 7.6 million tons in 2012/13. In July through October 2012, flooding destroyed many households, farmlands, crops and seeds. This resulted in dropped output from 9.3 million tons in 2011/2012. Activities of the BH religious sect across most of Nigeria's corn producing areas are also posing serious security challenges and impeding corn production and distribution across the country.

Production in 2013/2014 will also be limited by the scarcity and high cost of seeds. However, the prevailing high prices as well as improved availability of fertilizer under Nigeria's ATA are expected to encourage farmers to expand cultivated land area, resulting in some increases in 2013/2014. Corn is the most important cereal crop in Nigeria. It is widely produced across the country following the introduction of early and extra-early and medium maturing varieties that are tolerant to drought. These varieties are resistant to striga and Downey mildew diseases that are prevalent in the region. The major producing areas remain in the central region.

Consumption:

Corn has become indispensable for food security as well as an industrial crop. Brewery demand for corn grits is growing in tandem with growth in the beer sector. Feed utilization of corn is also increasing due to the steady growth in the poultry sector witnessed in recent years. Approximately 95 percent of all feed produced in Nigeria is poultry feed. The total corn use for feed production in Nigeria is forecast at

1.8 million tons in 2013/14, up from 1.7 million tons in 2012/13. The corn crop is also used for direct human consumption as corn is a staple within the Nigerian diet. The impact of the 2012 flooding and worsened security concerns across Nigeria’s major corn-growing region has caused prices to remain high and demand continues to rise in 2012/13.

At present, the price of corn in Northern growing regions is 80,000 Naira per ton (\$500), up from 72,000 Naira (\$450) the same period last year. The cost of corn delivered to the main poultry growing areas in Southern Nigeria is substantially higher. Poultry producers are unable to get sufficient corn supplies from local sources and are looking to import. Some feed millers had to use wheat because of the low duty. But the recent GON measures increasing wheat costs are causing them to revert to corn.

Trade:

Post forecasts Nigeria’s corn imports in MY2013/14 at only 100,000 tons. Poultry production in the country is concentrated in southwestern Nigeria near major urban centers (Lagos and Ibadan), and imported corn into Lagos has a transportation cost advantage for major poultry operations when compared with domestic supplies grown in the middle and northern regions. This means that corn has to be transported by road from the north to the south.

Roads and drainages are not well maintained in Nigeria, and numerous road check points, especially since the BH security challenge, also contribute to increase final product costs by as much as 20 percent. The GON’s recent import-substitution policies regarding wheat imports have created further pressure on corn demand. However, corn harvests across countries in the West African region were generally good and have assisted significantly in stabilizing corn prices in Nigeria despite other factors negatively impacting agricultural production and distribution in the country.

Stocks:

A major problem with grain production in Nigeria continues to be the lack of adequate storage facilities. On average 30 percent of Nigeria’s grain output is lost due to spoilage, contamination, attacks by insects and rodents, and physiological deterioration in storage (post harvest losses). This high loss translates to loss of revenue for Nigeria’s peasant farmers.

Policy:

The GON’s import ban on corn was lifted in 2008 and imports are allowed at 5 percent tariff. Despite the removal of the ban, potential corn importers also fear that Nigeria’s customs agency is likely to block corn imports in support of local producers. To many, the status of import ban on corn seems uncertain. No shipment of large quantity corn into the country has been recorded. Smaller shipments cross in informal trade in many border locations. Potential buyers have been unusually hesitant about exploring this opportunity. Unofficial sources comment the reason for no major imports to be political reasons.

Production, Supply and Demand Data Statistics:

Corn Nigeria	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5,150	5,150	4,160	4,160	4,250	4,250
Beginning Stocks	266	266	266	266	146	146
Production	9,250	9,250	7,630	7,630	7,700	7,700

MY Imports	100	100	100	100	100	100
TY Imports	100	100	100	100	100	100
TY Imp. from U.S.	26	20	0	0	0	0
Total Supply	9,616	9,616	7,996	7,996	7,946	7,946
MY Exports	100	100	50	50	100	100
TY Exports	100	100	50	50	100	100
Feed and Residual	1,700	1,700	1,700	1,700	1,800	1,800
FSI Consumption	7,550	7,550	6,100	6,100	5,900	5,900
Total Consumption	9,250	9,250	7,800	7,800	7,700	7,700
Ending Stocks	266	266	146	146	146	146
Total Distribution	9,616	9,616	7,996	7,996	7,946	7,946
1000 HA, 1000 MT, MT/HA						

Commodities:

Sorghum

Production:

Sorghum production in 2012/13 is estimated at 5.9 million tons, down from 7 million tons in MY2011/12. Crop yield had increased some years earlier because of the growing acceptance by farmers of improved varieties developed and introduced by local research institutes. These include two sorghum varieties bred by the International Crops Research Institute for Semi-Arid Tropics (INCRISAT) which are higher yielding and earlier maturing.

The earlier maturing trait is especially attractive to farmers due to the erratic nature of the late-season rains in the main northern growing areas. However, about 14% of Nigeria's sorghum producing areas was lost to flooding in 2012. Insecurity around these areas is also high and is negatively affecting sorghum production and marketing.

Consumption:

Sorghum is a major food and industrial crop. Sorghum is the primary food crop in virtually all northern Nigeria. Demand from industry is the main driver of sorghum production. Sorghum also is used extensively in brewing, and industrial demand for sorghum for beer manufacturing is rising steadily, as beer demand rises.

Beer has been produced exclusively in Nigeria from sorghum and corn grits following a ban placed on barley and barley malt importation in the mid-1980s. Although the ban was lifted in 1999, breweries have continued to use sorghum and corn grits as the key raw materials.

Sorghum use in poultry feed is limited by its high tannin content. Although harvesting starts October/November, sorghum prices have remained high at \$450 to \$500 per metric ton by March 2013. This is about 35 percent higher than prices last year at this time.

The GON has signed a Memorandum of Understanding with an indigenous bio-fuel producer- Global Biofuels Limited for the construction of 15 integrated bio-fuel plants in Nigeria valued at \$750 million.

The project is a collaborative work and research of Global Bio-fuels with indigenous Research Institutes, China, Brazil and India.

The project is an agro-based industrial activity involving the production of ethanol, biomass electric power and food using sorghum as the raw material. The pilot project is expected to be concluded in Nigeria’s Ekiti State soon and would subsequently be replicated in 14 sorghum growing states of the country. If the project is implemented as planned, it could significantly increase demand for sorghum in Nigeria but will not affect sorghum availability for food. The project is expected to boost sorghum utilization as it uses everything of the plant but the grain.

Sorghum is also widely used in producing malt that the beverage industry uses to produce beverage drinks such as malt drinks and breakfast beverages. Also common are meal preparations from sorghum and other grains such as wheat (up to 2%) to bake bread, up to 40% to produce noodles, macaroni, couscous, pancake breakfast buns, biscuits, etc.

There are also fortified sorghum foods. Fortified foods are used mostly for the Home Grown School Feeding (HGSF) program and the World Food Program (WFP) food aid programs in neighboring countries like Chad, Niger, Mali, etc.

Trade:

Nigeria does not import any sorghum at the moment. However, market opportunities exist for import of sorghum by breweries located in southern Nigeria. Market opportunities also exist in Nigeria for U.S. tannin-free sorghum for feed use. Minimal amounts are exported informally to neighboring countries. There was significant shortfall in supply in 2012/2013 due also to farmlands destruction by flood as much of domestic products remaining were consumed locally.

Policy:

The GON import ban on sorghum was lifted since 2008 and a tariff of 5 percent was implemented. The GON is also encouraging the utilization of sorghum to produce nutritious fortified foods, typically blended with soybeans for school feeding programs and the World Food Program food aid programs for Chad, Niger and Mali.

Marketing:

Following the lifting of the import ban on sorghum in 2008, the U.S. Grains Council has been active in exploring market opportunities with breweries and feed millers in Nigeria.

Production, Supply and Demand Data Statistics:

Sorghum Nigeria	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,090	7,090	4,773	4,773	5,000	5,000
Beginning Stocks	190	190	215	190	233	190
Production	6,900	6,900	5,943	5,943	6,500	7,500
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	7,090	7,090	6,158	6,133	6,733	7,690
MY Exports	75	70	75	0	50	30

TY Exports	75	70	75	0	50	30
Feed and Residual	150	150	150	200	150	150
FSI Consumption	6,650	6,680	5,700	5,743	6,300	7,320
Total Consumption	6,800	6,830	5,850	5,943	6,450	7,470
Ending Stocks	215	190	233	190	233	190
Total Distribution	7,090	7,090	6,158	6,133	6,733	7,690
1000 HA, 1000 MT, MT/HA						

Commodities:

Rice, Milled

Production:

Nigeria's milled rice production in MY2013/14 is forecast at 3.1 million tons, up from a revised 2.4 million tons in 2012/13. Of the estimated 2.58 million hectares harvest forecast for 2012/13, only about 2 million hectares were actually harvested. Flooding that destroyed farmland (including rice farmlands) July thru October 2012 accounted for the low figure of rice area harvested.

The GON's ATA has listed rice as one of the five commodities to attract special focus to increase production. This initiative also involves the promotion of the New Rice for Africa (NERICA) variety. This variety is resistant to the African Rice Gall Midge disease and is higher yielding than existing varieties.

A number of the major rice importers in Nigeria have invested in milling capacity. Examples of these private sector initiatives are: Veetee Rice in Ogun State; Olam in Lagos, Benue, Nasarawa and Kwara States; and Stallion in Lagos. As part of a backward integration program, some of the companies have developed nucleus estates that would use local farmers as out growers to supply rice to the mills.

Milled rice production dropped to 2.4 million tons in MY2012/2013 from approximately 2.9 million tons recorded the previous year. Floods which destroyed the road network across the country and deteriorating security situation caused the decline. However, processing facilities are inadequate and far from farmers. Also, the quality of locally milled rice needs to improve to enhance competitiveness with imported products.

Nigeria's fertile land and rich agro-climatic conditions provides enormous potential to feed its population, generate jobs and income for its people (170 million). However, the country's local rice production still accounts for less than 50 percent of its total consumption and the demand gap has been filled by polished/milled rice imported mostly from India, Thailand, and Brazil.

Post believes that Nigeria's position as one of the world's largest importers of rice will not suddenly reverse in the short term or even by 2015. Lack of infrastructure and low private sector investment in the rice sector value chain certainly cannot support such a large production jump.

Consumption:

Nigeria consumes nearly 6 million tons of rice annually, and more than half of this (over 3 million tons) is imported mostly from India, Thailand, and Brazil. Rice is the primary substitute food consumers eat when their usual staples are not available, as due to flood losses this past year. Tariff on imported rice had been 10 percent but in December 2011, the GON announced it would impose a levy at 30 percent on imported brown rice in July 1, 2012 and a 100 percent levy on polished/white rice effective January 1, 2013.

As a result, imports jumped to 3.2 million tons MY2011/2012 due to stockpiling by Nigerian rice importers. Importers stockpiled rice to get ahead of the expected price increase. The floods that followed the first levy introduction in July resulted in food scarcity across the country and imported parboiled rice became the major readily available staple for people.

Stock levels were also high due to earlier stockpiling. The excess rice imports recorded in the last half of 2012 (and increased cross-border smuggling) is helping to stabilize food prices in Nigeria. Since domestic staple crop production is expected to rebound, consumers will become more responsive to price increases so imports of parboiled rice are expected to drop to about 2.9 million tons in MY2012/2013.

The year 2015 is Nigeria's election year and rice is a major item for influencing the poor who are the majority of the electorate. Politicians usually distribute bags of rice among voters to influence/win their votes as elections approach. Also a diversion of attention towards electioneering campaigns/activities will result in less anti-smuggling enforcement at the borders, and duty waiver arrangements on imported rice at the Nigerian ports by agents of the ruling political parties will come into play as well. Hence, Post expects imports will reach 2.8 metric tons in TY2013/2014.

Population growth, urbanization and rising incomes are expanding rice consumption in Nigeria. Urban consumers prefer long grain, polished and de-stoned imported rice over local varieties. Imported parboiled rice also competes effectively against other basic food staples while domestic production supplements the input supply. This explains the reason import volumes have remained large.

Rice is a regular item in the Nigerian diet, largely because of the convenience it provides and the variety of ways it can be prepared. Imported parboiled rice is also directed at meeting consumer demand in urban areas where incomes are highest, while locally milled rice is consumed mainly in the rural areas. The quality of locally produced rice has improved considerably. For example, the locally produced "Ofada" rice is a national delicacy and is offered to consumers at a premium.

Trade:

Post had revised upwards estimates of Nigeria's imports in TY2011/12 to 3.4 million tons of polished/milled rice. Nigeria's rice imports increased significantly in the last quarter of 2011 caused by GON's announcement of high levies to be imposed twice within year 2012 and came after the production shortfall after the flooding.

India's removal of its export ban on non-basmati rice also contributed as the return to the market of the cheaper Indian rice created a major buzz among importers. (The bulk of Nigerian rice imports used to come from Thailand followed by India). This pattern has changed and India is now the leading supplier. Post has also observed an increased presence of Brazilian and Chinese rice in the Nigerian market.

Rice is firmly established as a basic staple in the diet of the average Nigerian. Local staple crop alternatives such as yam, cowpea, and corn are in short supply and cost more than in years past and rice is where consumers have turned. Despite recent efforts to boost domestic production, trade sources indicate it is very unlikely to significantly affect imports in the near-term.

Policy:

The Government of Nigeria (GON) introduced new tariffs for rice (effective July 1, 2012) which brought a 30 percent levy on imported brown rice and a 100 percent levy on imported polished/milled rice effective December 31, 2012 and subsequently announced that rice imports will be banned in two years. The new tariffs resulted in increased stockpiling of rice by importers and increased cross-border trade in rice (with Benin and Cameroon) during the second half of 2012.

According to Nigeria's Patriotic Rice Association of Nigeria (PRAN), "massive and incessant smuggling of Nigeria had thrown the rice industry into turmoil with severe consequences for government revenues, the economy and future plans for rice self-sufficiency". PRAN reported that there is allegedly more than 400,000 metric tons of rice already in the market, with about 200,000 metric tons waiting to be landed in ports in neighboring Benin and Cameroon, from where it will eventually enter the Nigerian market as a result of the imposition of exponential levies on rice imports by the GON.

The GON maintains rice imports will be banned by 2015. This is despite the impact on food security of Nigeria's worst flood in 50 years. The flood destroyed about 400,000 hectares of arable land including rice farmland that was under cultivation during the MY2011/2012 season. The floods destroyed livestock, sorghum, millet, groundnuts and cotton, plantains, oil palms, etc across several states in Nigeria.

Religious and ethnic crises in the north, kidnapping in the south-east and militancy in the Niger Delta are also posing major security challenges within the major and minor rice crop lands in Nigeria and deterring rice production and distribution. Media reports indicated that food prices of main staples as of mid March were up 20-30 percent as compared to the same time last year.

Periodically, the GON reviews the benchmark price for all types of imported rice and from all origins. The current benchmark price is \$690 per ton. Import duty is calculated based on the benchmark price, regardless of the actual FOB price. The benchmark price is arrived at on the advice of the inter-Ministerial/Agency Committee, comprised of the Presidential Committee on Trade Malpractices; Federal Ministry of Agriculture; Federal Ministry of Commerce and Industry; Nigeria Custom Service; Federal Ministry of Finance; rice millers; importers and distributors in Nigeria. The price is inclusive of freight costs.

Following widespread reports that some importers were importing wholly milled rice and declaring it as brown rice (for the lower duty), the GON issued a circular clarifying the appropriate classification of brown rice. It states that "husked brown rice as described by the nomenclature is that which although de-husked, is still enclosed in the pericarp."

Since husked brown rice almost always contains a small quantity of paddy it attracts a lower duty of 5 percent (with 30 percent duty under HS Code 1006.2000.00. Any rice which does not conform to the above description would be treated as either semi-milled or wholly milled rice and classified under HS Code 1006.3010 at 10 percent duty rate and (now with 100 percent levy).

Furthermore, rice importation remains restricted to the sea ports and importation of rice over land borders is prohibited, although it still occurs. The GON took this decision in order to reduce smuggling and evasion of duty payments.

Industry analysts report that Nigeria's rice self-sufficiency debate has been around for a long time, yet Nigeria remains one of the leading importers of rice today. They are of the opinion that Nigeria's rice policies are obviously very important but the policies should be workable and sustainable by making Nigeria's rice globally competitive. They indicate there have been significant improvements in rice produced locally but the market costs are higher and it is still offered to consumers at a premium over imported rice.

In addition, the average Nigerian consumer prefers imported rice and increased domestic production should eventually drop prices of local rice and make it more affordable to the low-income consumers. This depends upon Nigeria's infrastructural and security challenges being overcome so as to permit such local rice reach the urban markets at lower and more competitive prices.

Production, Supply and Demand Data Statistics:

Rice, Milled Nigeria	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,580	2,170	2,000	1,575	2,500	1,650
Beginning Stocks	438	471	1,115	480	685	450
Milled Production	2,877	2,709	2,370	2,370	3,100	2,800
Rough Production	4,567	4,300	3,762	3,762	4,921	4,444
Milling Rate (.9999)	6,300	6,300	6,300	6,300	6,300	6,300
MY Imports	3,200	2,900	2,900	2,900	2,900	2,500
TY Imports	3,400	2,900	2,900	2,800	2,900	2,800
TY Imp. from U.S.	23	0	0	0	0	0
Total Supply	6,515	6,080	6,385	5,750	6,685	5,750
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	5,400	5,600	5,700	5,300	5,900	5,480
Ending Stocks	1,115	480	685	450	785	270
Total Distribution	6,515	6,080	6,385	5,750	6,685	5,750

1000 HA, 1000 MT, MT/HA						