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Nigeria

Sugar Annual

Annual

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Report Highlights:
Nigeria continues to depend almost exclusively on sugar imports despite the completion of the privatization of all government-owned sugar estates. Rehabilitation and expansion of these estates are on-going, albeit at a very slow pace and at present, only Savannah Sugar Company (Dangote) has resumed milling operations. The GON's low duty on raw sugar is encouraging expansion and new investments in refining capacity. These refineries depend exclusively on imported brown sugar, largely from Brazil.

Executive Summary:

Until 2005 all the sugar estates in Nigeria were government-owned and poorly managed. In order to improve their operational efficiencies, the Nigerian government (GON) decided to privatize the estates. The privatization was gradual and it was completed in 2008. The rehabilitation of the estates by the new owners has been very slow due largely to the huge capital outlay required. Of all the privatized estates, only Savannah Sugar Company, now owned by Dangote Industries, has resumed milling operations. Josepdam, the new owners of the Nigeria Sugar Company is expected to commence milling operations in 2011/2012. Rehabilitation of the other privatized estates are at various stages of completion. Savannah Sugar Company under is new management (Dangote) modestly increased local production and processing of sugar cane in MY2010/11.

The bulk of Nigeria's sugar requirement is satisfied through imports of raw sugar from Brazil that is refined locally. At present, there are only two major companies refining sugar in Nigeria: Dangote Sugar remains the dominant player with a refinery capacity of 1.44 million tons followed by BUA Sugar Refinery with a capacity of 720,000 tons per year. The combined capacity of the two refineries is 2.3 million tons of sugar per year, far exceeding national consumption estimated at 1.4 million tons. Despite the overcapacity, it is reported that two other investors plan to establish sugar refineries.

Because of Nigeria's beneficial tariffs on raw sugar, about 90 percent of all imports come as raw sugar and refined locally, while the remainder is imported in refined form.

Exchange Rate: \$1 = 150 Naira

Commodities:

Sugar, Centrifugal

Production:
Nigeria's domestic sugar production in MY2011/12 is forecast at 65,000 tons (raw value), up from the revised estimate of 60,000 tons in MY2010/11. Following the completion of the privatization of all government-owned estates, rehabilitation and expansion are on-going on the estates, albeit at a slow pace. Dangote-owned Savannah Sugar has completed the first phase of its rehabilitation program, with about 6,700 hectares of newly planted cane fields. Josepdam, the new owners of Nigeria Sugar Company, has embarked on an aggressive nursery establishment to produce enough cane seeds for field expansion. However, available raw material is not adequate for the company to commence milling operations. The company is expected to begin milling operations during the MY2011/12 season. Other state-owned sugar estates in Sunti and Lafiaji have also been privatized and have varying stages of rehabilitation. Privatization has undoubtedly improved management of these estates. However, new investments are hampered by the huge funds required to establish a sugar estate and the lack of long tenor investable funds.

Savannah Sugar reported a decrease in sugar cane yield from 75 tons per hectare in 2009 to 66 tons last year. The estates in collaboration with the National Sugar Development Council (NSDC), which is the GON's sugar sector development agency, have imported new cane varieties that are currently being evaluated. The average yield of refined sugar from a ton of cane is estimated at approximately 9 percent.

With the privatization exercise now completed, the NSDC has shifted focus to monitoring, research and development, promotion of mini plants, supporting uniform development of the out-grower program, and establishing a price support mechanism to ensure that farmers receive a fair deal from the estates. The NSDC is assisting farmers in the acquisition of fertilizers, pesticides and improved seed cane in collaboration with the Central Bank of Nigeria (CBN) and a local commercial bank. They have introduced a new scheme that will deliver inputs and credits to out-grower cooperatives at a low interest rate of seven percent. In addition, the estates are collaborating with the NSDC to develop a robust out-grower scheme with the local communities. Under this scheme, the estates will prepare the land; provide irrigation, seed cane, and other inputs to local farmers to produce cane that will be purchased and milled by the estate at an agreed upon price.

The NSDC has developed a new road-map for the development of the sector, tagged the Nigeria Sugar Master Plan, which is focused on private sector-led development of the sugar industry. Additionally, the NDSC is collaborating with other government agencies, such as the GON's River basin Development Authorities and the State Agricultural Development Projects, in organizing and supporting sugarcane farmers to expand and improve output.

In order to stimulate new investments in local sugar production, the following incentives are provided by the GON through the NSDC:

- Provision of infrastructural facilities including access roads, boreholes, power lines, land acquisition, and health care facilities for new sugar estates;
- 100 percent foreign ownership of sugar complexes is allowed;
- Capital equipment for sugar production will attract 5 percent duty. Similarly, agricultural chemicals for sugar production attract zero duty;

- Providing a credit support scheme for sugarcane out growers in collaboration with the Central Bank of Nigeria (CBN) and commercial banks.

Consumption:

Nigeria's overall sugar consumption in MY2011/12 is forecast to rise to 1.34 million tons, up from the revised estimate of 1.3 million tons in MY2010/11. The forecast is based on population growth as well as increasing industrial demand. Sugar use in industrial activities such as manufacturing soft drinks, pharmaceuticals, biscuits, other beverages and confectionary products is rising steadily, while demand for direct household consumption remains firm despite rising international prices. Soft drink production alone accounts for about half of total industrial usage. Last year the price of sugar in the domestic market rose from 186,800 Naira ($1,243) per ton to 230,000 naira ($1,533) in tandem with rising international prices. During the same period, the price of sugar cane also increased from $27 per ton to $30 to the delight of local farmers.

Trade:

Post forecasts Nigeria's raw sugar imports in MY2011/12 to rise to 1.5 million tons, unchanged from MY2010/11. The bulk of Nigeria's sugar imports are shipped as raw sugar and refined locally. In MY2009, Nigeria imported 1.2 million tons of raw sugar and only 100,000 tons of refined sugar. The bulk of Nigeria's sugar imports, both raw and refined, come from Brazil. Trans-border formal and informal sugar exports to neighboring countries is expected to continue to increase in MY2011/12, especially as the management of Dangote refinery indicate that they have concluded plans to commence formal sugar exportation to Ghana, Niger and Senegal. Sugar produced in Nigeria can be found in most West and Central African countries, albeit unofficially.

Policy:

The stated policy of the government is to move Nigeria quickly from dependence on imports to at least 70 percent self-sufficiency in domestic sugar production in the medium term. The privatization of government-owned, fully integrated sugar companies is a key element of GON's overall strategy of achieving this goal. Privatization has undoubtedly improved the management of these estates, but has not stimulated new investments in the industry.

The import duty on refined sugar is 20%, and when other taxes, such as the development levy (10%) and VAT (5%) are assessed, the effective duty is about 35%. The GON imposed the high duty on refined sugar to protect the local refineries and sugar estates and to encourage new investments in local refining capacity. Raw sugar imports attract a much lower duty of only 5 percent and are exempted from payment of the sugar development levy.

As part of a national effort to eradicate Vitamin A deficiency, the GON made it mandatory for all sugar intended for direct consumption to be fortified with Vitamin A. Fortification costs about 750 Naira ($5) per ton. However, refineries are allowed to supply non-fortified sugar to industrial users. This exception was made following complaints by this group led by Coca Cola, that fortified sugar induces undesirable changes in color, taste, and appearance in their products.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Nigeria	2009/2010	2010/2011	2011/2012
	Market Year Begin: Nov 2009	Market Year Begin: Nov 2010	Market Year Begin: Nov 2011

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	210	210	210	75		75
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	60	60	65	60		65
Total Sugar Production	60	60	65	60		65
Raw Imports	1,300	1,300	1,400	1,400		1,400
Refined Imp.(Raw Val)	100	100	125	100		125
Total Imports	1,400	1,400	1,525	1,500		1,525
Total Supply	1,670	1,670	1,800	1,635		1,665
Raw Exports	0	0	0	0		0
Refined Exp.(Raw Val)	200	200	250	200		200
Total Exports	200	200	250	200		200
Human Dom. Consumption	1,210	1,345	1,280	1,310		1,340
Other Disappearance	50	50	60	50		50
Total Use	1,260	1,395	1,340	1,360		1,390
Ending Stocks	210	75	210	75		75
Total Distribution	1,670	1,670	1,800	1,635		1,665
TS=TD		0		0		0
Comments						
AGR Number						