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Nigeria

Sugar Annual

Annual

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Report Highlights
Nigeria depends almost exclusively on sugar imports in the form of brown sugar, largely imported from Brazil (98 percent) despite privatization of all government -owned sugar resources. The Nigerian sugar industry has been reinvigorated by privatization; however, production remains insufficient to meet Nigeria’s consumption needs. Sugar refining has flourished as new entrants increased competition in the sugar industry and refining capacity is estimated at 2.1 million tons while total demand is estimated at 1.45 million tons. The five percent duty on imported raw sugar continues to promote expansion and new investments in refining capacity, but not production.

Executive Summary

In order to improve Nigeria's sugar subsector, the Nigerian government (GON) decided to privatize all its sugar estates. The National Sugar Development Council (NSDC) was set up in 1993 and its first task was to arrange the privatization of the country's nationalized sugar companies. The rehabilitation of the estates has been very slow due largely to the huge capital required and lack of electricity/power to run sugar mills. The privatization process was completed in 2008 and the NSDC next aims to implement an out-grower program that will eventually run in all 14 sugar producing locations in the country. However, to date, the program has only been launched at the Savannah Sugar Company Limited, which is currently the only sugar producer in Nigeria, and also at Josepdam Sugar Company. The rehabilitation of the other sugar estates is at various stages of development.

Nigeria's sugar requirements are mainly met through imports of raw sugar from Brazil (95%) that is refined locally. Currently, there are only two major companies refining sugar in Nigeria: Dangote Sugar remains the dominant player with an installed refinery capacity of 1.44 million tons; followed by the BUA Group with a capacity of 720,000 and they are also working on regenerating the infrastructure at Lafiaji in Kwara State; Flour Mills of Nigeria is doing the same in Sunti and has a second refinery coming on line in June 2012. The combined refinery capacity to date is 2.3 million tons of sugar per year, far exceeding national consumption needs estimated at 1.45 million tons. Despite the overcapacity, it is reported that two other investors are planning on establishing addition sugar refineries, potentially with the aims at export markets.

Because of Nigeria's beneficial tariffs on raw sugar (subject to a duty of just 5% and exemption from the development levy) about 98 percent of all imports come in the form of raw sugar and refined locally while the remainder is imported is refined sugar.

Exchange Rate: $1 = 158 Naira

Commodities
Sugar, Centrifugal

Production
Nigeria's domestic sugar production in MY2012/13 is forecast at 65,000 tons (raw value), up from the estimate 60,000 tons in MY2011/12. Dangote-owned Savannah Sugar has completed the first phase of its rehabilitation program, with about 6,700 hectares of newly planted sugar cane fields. Josepdam Sugar Company has embarked on an aggressive nursery establishment to produce enough sugar cane seeds for field expansion. Currently it has 1,250 hectares of seed cane; however, the available raw material is not adequate to start operations. It is expected that milling operations will begin during MY2012/13. Other sugar estates are in varying stages of rehabilitation. For example, Golden Sugar Company (Sunti) owned by Flour Mills of Nigeria (FMN) has developed 2,000 hectares of land and planted over 1,000 hectares of sugarcane (which uses a center-pivot irrigation) but also are not at the minimal level for the milling stage.
FMN also expects to start milling at a second refinery in Lapos during June 2012, but will utilize imported brown sugar.

Savannah Sugar reported a decrease in sugar cane yield from 66 tons per hectare in 2011/12 to 60 tons in 2010/11. The average yield of refined sugar from a ton of cane is estimated at approximately 0.961 or 9 percent.

With privatization completed, the NSDC has shifted its focus to support the development of the industry, including monitoring, research and development, promotion of mini plants, supporting an out-grower program, and establishing a price support mechanism to ensure that farmers receive a fair price from the newly privatized estates. The NSDC aims to implement an out-grower program that will eventually run in all 14-sugar producing locations in Nigeria. The NSDC, in collaboration with the private operations, aims to assist farmers in the acquisition of fertilizers, pesticides and improved seed cane with the help of the Central Bank of Nigeria (CBN) and local commercial banks. The out-grower program will deliver inputs and credits to cooperatives at a low interest rate -7 percent compared to up to 28 percent or at more traditional lending rates.

On April 2, 2012 the Minister of Trade and Investment, Dr. Olusegun Aganga, announced that that the long waited Nigerian Sugar Master Plan (NSMP) had been finalized. According to Minister Aganga, the NSMP policy will ensure an increased annual sugar production of 1.797 million tons of sugar. (Note sugar production in 2011/12 is estimated at 65,000 tons, Nigeria produces less than 2 percent of its total consumption). The Federal Government of Nigeria has not unveiled the details of the ambitious plan but it is expected that the policy document will target industrial infrastructure development, improvement of the business environment through simplified regulations, development of appropriate technologies, and the focus on creating a structure for institutionalized capacity building skill development that will provide jobs to youths.

Government of Nigeria incentives in the sugar sector include:

- A low duty of 2.5% on the import of machinery for the industry, chemicals for sugar production have zero duty;
- An import duty of 20% on refined sugar, as well as a development levy of 10% and VAT of about 5%;
- Provision of infrastructure 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;
- Providing a credit support scheme for sugarcane growers in collaboration with the Central Bank of Nigeria (CBN) and commercial banks.

Consumption

Nigeria's overall sugar consumption in MY2012/13 is forecast at 1.265 million tons, unchanged from MY2011/12. The forecast is based on population growth as well continued industrial demand. Sugar use in industrial activities such as manufacturing soft drinks, pharmaceuticals, biscuits, other beverages and confectionary products demand is steady, 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 205,000 Naira ($1,297) per ton to 230,000 naira ($1,455) in tandem with rising international prices. During the same period, the price of sugar cane also increased from $26.80 per ton to $28.50 to the delight of local farmers.

Trade

Post forecasts Nigeria's raw sugar imports in MY2012/13 to rise to 1.45 million tons, up unchanged from the revised estimate in MY2011/12. The bulk of Nigeria's sugar imports are shipped as raw sugar and refined locally. In MY2010, Nigeria imported 1.4 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. Nigerian sugar exports to neighboring countries are expected to continue in MY2012/13, especially as Dangote refinery exports refined sugar to Ghana, Niger and Senegal. Sugar refined in Nigeria can be found in most West and Central African countries.

Policy

The government of Nigeria aims to move quickly from dependence on imports of raw sugar to eventually producing 100 percent, with at least 70 percent of domestic sugar production by the medium term. The privatization of government-owned, fully integrated sugar companies is a key element of GON's overall strategy of achieve this goal. Privatization has undoubtedly improved the management of the sugar refineries, but has not stimulated new substantial investments in production, infrastructure, etc.

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 producing estates and to encourage new investments in local refining capacity. Raw sugar imports attract a much lower duty (only 5 percent) and are exempted from payment of the sugar development levy.

The refining industry is further helped by the government's public health policy of requiring all sugar intended for direct consumption to be fortified with Vitamin A as part of a national effort to eradicate Vitamin A deficiency, which costs about 750 Naira ($5) per ton. However, local refineries are allowed to supply non-fortified sugar to industrial users, such as the Coca Cola Company, which led the industrial user complaints stating that fortified sugar induces undesirable changes in color, taste, and appearance in their products.

Production, Supply and Demand Data Statistics

Sugar, Centrifugal Nigeria	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: Nov 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	75	75	75	75		75
Beet Sugar Production	0	0	0	0		0
Cane Sugar Production	60	60	65	65		65
Total Sugar Production	60	60	65	65		65
Raw Imports	1,400	1,253	1,400	1,325		1,325
Refined Imp.(Raw Val)	100	146	125	125		125
Total Imports	1,500	1,399	1,525	1,450		1,450
Total Supply	1,635	1,534	1,665	1,590		1,590
Raw Exports	0	0	0	0		0
Refined Exp.(Raw Val)	200	200	200	200		200
Total Exports	200	200	200	200		200
Human Dom. Consumption	1,310	1,209	1,340	1,265		1,265
Other Disappearance	50	50	50	50		50
Total Use	1,360	1,259	1,390	1,315		1,315
Ending Stocks	75	75	75	75		75
Total Distribution	1,635	1,534	1,665	1,590		1,590
1000 MT						