



## Market and Trade Data

### Nigeria No. 1 Market for U.S. Wheat; Potential for Other Grains and Feeds

**By Michael David**

With sales at 3.2 million metric tons, Oil-rich Nigeria, with its 132 million residents, became the top market for U.S. wheat exports in calendar 2005, with the promise of continued strong market share next year.

The world's leading importer of hard red winter wheat is forecast to import 4.3 million metric tons of wheat in marketing year 2006/07 (July 2006 - June 2007). Nigeria will be buying about 90 percent, or 3.8 million tons, of that wheat from the United States.

Canada, the European Union, and Argentina provide the principal competition in this market — trailing with total market sales of 500,000 tons.

The rising level of U.S. wheat exports to Nigeria has been boosted by a relatively stable exchange rate, competitive wheat prices, high crude oil prices, and modest economic growth. With favorable conditions continuing, industry sources expect annual U.S. wheat sales to Nigeria to exceed 5 million tons within the next 3 years.

Between 1995 and 2005, per capita wheat consumption in Nigeria more than tripled — from 6 to 20 kg (1 kilogram = 2.2046 pounds). And demand has not topped out — wheat imports are expected to be up another 500,000 tons in marketing year 2006/07.

New mills are coming online in Nigeria, while existing millers are expanding to meet new demand for bread, pasta, and baked products. Bakery operations are being modernized and expanded to satisfy this growing demand, especially for bread.

#### **Cassava Mandates for Wheat Flour**

Nigeria's government directed millers to alter their production of wheat flour to include 10-percent cassava flour by July 1, 2006. The government introduced the mandate to increase grower income from this Nigerian staple. Cassava flour, derived from dried cassava tubers, is widely used in foods across the country. Although mills have tried to comply, there is a shortage of cassava flour. To meet the spirit of the mandate, millers set up a \$3.9 million fund to encourage cassava growers and processors. While millers will follow the mandate when they can, there are concerns over the undesirable changes in shelf-life, color, odor and taste that cassava brings to bread.

Nigeria's overall milling capacity is around 6.1 million tons per year, up from 4 million tons in 2002. Though most production is for bread flour, Nigeria's ban on importing cookies, crackers, and pasta in 2004 and an increasing consumer fondness for pasta have led to expansion of local production rapidly.

#### **Wheat Crop Falls Short of Other Grains**

Nigeria's total grain production in marketing year 2006/07 is forecast to rise 5 percent, given good weather conditions, and several government initiatives (low-interest loans, protection from imports, and subsidies for inputs like seeds and fertilizers) that improve productivity and income. However, Nigerian farmers continue to face low productivity due to a lack of basic farm inputs and inadequate training in the latest technology; farmers are also often at the mercy of Nigeria's volatile market.

Domestic wheat production is forecast at 60,000 tons, the same as marketing year 2005/06. Production is not expected to increase much beyond this capacity due to unfavorable growing conditions.

In addition to human consumption, wheat for feed use is forecast at 130,000 tons, up from 125,000 tons in marketing year 2005/06. The scarcity and high cost of corn is encouraging poultry feed producers to switch to soft wheat, mainly from Argentina and Kazakhstan.

#### **Prospects for Rice**

While wheat is the headliner for U.S. exports to Nigeria, other grains have potential for increased sales. With promotional activities that target the growing number of middle-to-high income

consumers, U.S. milled parboiled rice could easily compete for a share of the top niche segment of the Nigerian market now held by Southeast Asian countries. Industry representatives estimate that with appropriate market support, U.S. rice sales could increase from 12,000 tons to 100,000 tons annually.

Domestic rice production continues to trend up, forecast at 2.8 million tons in marketing year 2006/07, 100,000 tons more than the year before. The government has taken several steps to achieve self-sufficiency, including incentives and a 100-percent duty on rice imports, designed to protect fledgling rice producers.

Despite the high duty, rice imports continue to rise because local output is inadequate. Another aspect of the market is large-scale cross-border smuggling that is encouraged by the high duty.

There is one sanctioned way to get around the 100-percent tariff — develop a business relationship with the two import companies that hold licenses to import 100,000 tons of brown rice a year at a 20-percent duty.

#### **Breweries, Poultry Feed Fuel Demand for Corn**

At 7.35 million tons, the Nigerian corn production forecast for marketing year 2006/07 is up from 7 million tons last year. This increase is based on early rains, not improved inputs or cultivation techniques. Most of the crop is destined for human consumption, fueled by increased brewery demand. However, feed utilization is also increasing, thanks to rapid growth in the

poultry industry. Total feed usage is expected to be 810,000 tons, up from 800,000 in marketing year 2005/06.

#### **Sorghum Best Crop for Nigeria**

Sorghum, Nigeria's most widely cultivated grain, accounts for 45 percent of crop acreage. Production in marketing year 2006/07 is forecast at 10.6 million tons, up slightly from the year before, mostly due to improved local seed varieties.

Sorghum enjoys a large and growing domestic demand based on its extensive use as food in all parts of northern Nigeria and in brewing homemade beer. The use of sorghum in animal feed is also trending upwards because of tight corn supplies. ■

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