

Required Report: Required - Public Distribution

Date: May 19, 2023

Report Number: NI2023-0007

Report Name: Sugar Annual

Country: Nigeria

Post: Lagos

Report Category: Sugar

Prepared By: Iheanyi Orji, Agricultural Marketing Specialist

Approved By: Gerald Smith

Report Highlights:

The Federal Executive Council approved the extension of the National Sugar Master Plan (NSMP) by 10 years (2023-2033). NSMP is an effort of the Government of Nigeria to ensure self-sufficiency in local sugar production. Post forecasts an 8 percent increase in sugarcane production in MY 2023/24. Post foresees scaling-up of investments in sugarcane crushing operations. Meanwhile, increased demand for refined sugar across the West Africa region and other African countries will drive refined sugar exports in MY 2023/24.

EXECUTIVE SUMMARY

Nigeria is the largest economy in sub-Saharan Africa, with an estimated population of 216 million (2022). The country's population is projected to reach 400 million by 2050. Nigeria is the second largest sugar market in sub-Saharan Africa, behind South Africa. Over half of Nigeria's population live in urban areas; urbanization is growing at 3.92 percent annual rate. Demographic factors such as urbanization rate 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 self-sufficient in sugar production in the nearest future. The National Sugar Development Council (NSDC) stated that Lagos, Ogun, and Oyo states account for 80 percent of sugar consumed in the country. Dangote Sugar, BUA Foods, and Golden Sugar (a subsidiary of Flour Mills of Nigeria Plc) control over 95 percent of the sugar market in Nigeria.

In 2012, the government approved the Nigeria Sugar Master Plan (NSMP), as a national strategy roadmap – to enable the production of about 1.79 MMT of sugar by 2023. Recently, the government extended the Plan through 2033 with a framework to address varied implementation challenges, such as perennial disagreements between host communities and investors over land ownership, and other associated infrastructural impediments. NSMP has nonetheless forced indigenous companies to scale up investments in domestic sugarcane production and processing - Dangote Sugar, BUA Foods and Golden Sugar have made significant investments on this component of NSMP with a total combined investment of \$1 billion as of 2022, since enforcement of the Plan began.

Nigeria Sugar Development Council (NSDC), an Agency under the Federal Ministry of Industry, Trade, and Investment, was established to stimulate the development of Nigeria's sugar industry with a view to ensuring that Nigeria attains at least 70 percent self-sufficiency in her sugar requirement within the shortest possible time. The Agency is responsible for allocating yearly sugar import quotas to prospective companies according to milestones recorded in their various backward integration programs (BIP). The government strictly restricts sugar imports – for example, the President must approve all imports based on the Minister of Industry, Trade, and Investment recommendations. Refined sugar in retail packs is banned but refinery operators undertaking BIPs across the country can import specific quantities of raw sugar through the quota system.

Raw sugar imports will stay flat for MY2023/24 at 1.8 million metric tons. Consumption will decrease marginally due to high inflation, high input costs, and rising global and domestic commodity prices. Export of refined sugar to West Africa and other African countries will increase marginally as import from Nigeria becomes a cheaper alternative amid high import costs and rising global commodity prices brought about by a drop in Brazilian sugar production.

Sugarcane Production

Table 1: Sugarcane Production, Supply and Distribution Table

Sugar Cane for Centrifugal Market Year Begins Nigeria	2021/2022		2022/2023		2023/2024	
	Nov 2021		Nov 2022		Nov 2024	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	100	100	120	120	0	130
Area Harvested (1000 HA)	75	75	90	90	0	95
Production (1000 MT)	1320	1320	1620	1620	0	1750
Total Supply (1000 MT)	1320	1320	1620	1620	0	1750
Utilization for Sugar (1000 MT)	1320	1320	1620	1620	0	1750
Utilizatr for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	1320	1320	1620	1620	0	1750
(1000 HA) ,(1000 MT)						

Post forecasts an 8 percent increase in sugarcane production in MY2023/24. The increment is due to the government's effort in persuading indigenous companies to significantly raise investments in sugar plantation farming on the strength of the backward integration policy (BIP). Currently, according to the second phase of the Nigerian Sugar Master Plan (NSMP), allocation of sugar import quota would be based on the extent of BIP performance in the preceding year, and no longer based on the refining capacity. These latest developments will increase investments in sugarcane production in MY 2023/24. On the other hand, insecurity limiting access to lands, communal hostilities, and land ownership tussles between host communities and operators are challenges facing BIP implementation.

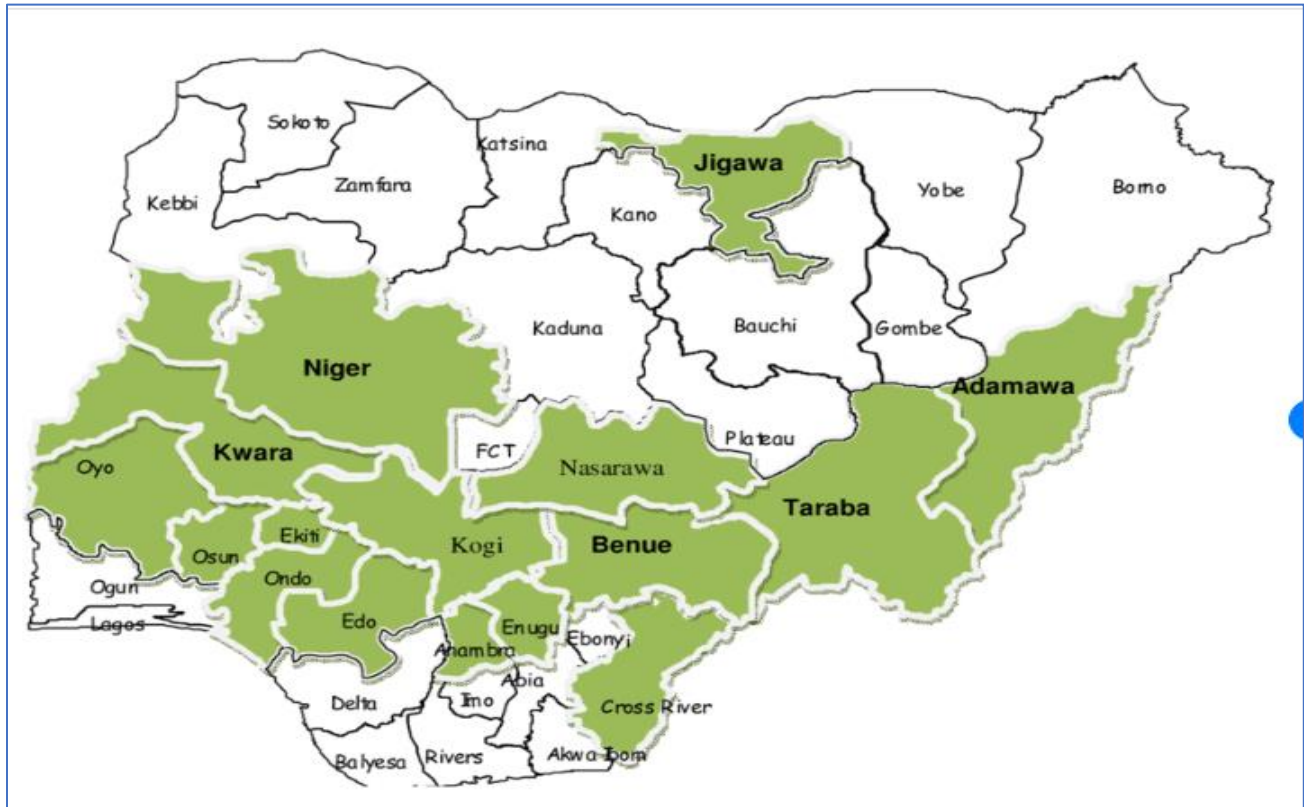
Across the sector, key players in the sector such as Dangote Sugar Refinery, BUA Sugar Refinery, Golden Sugar Refinery and Kia Africa Group are developing farmlands and strengthening independent sugarcane out grower supply chains for canes. Dangote Sugar Refinery has concluded plans to embark on a progressive increase of its Noman sugar plantation hectareage from the current land area under cane production of about 8,700 hectares (ha) in 2022 to nearly 24,200 ha within the next 7 years. Post forecasts Area Planted to increase to 130,000 ha in MY 2023/24 from the USDA's official estimate of 120,000 ha for the previous year. Post projects sugar cane Area Harvested in MY 2023/24 to increase by 6 percent compared to the USDA's estimate for the prior year.

In December 2022, the Federal Government of Nigeria (FGN) launched \$73 million intervention fund for sugar sector irrigation. The fund was to boost the development of irrigation infrastructure on BIP sugar plantations and sugarcane out grower farms. The six beneficiary BIP sugar plantations are in Numan – Adamawa state, Sunti – Niger state, Lafiagi – Kwara state, Bacita – Kwara state, and Toyo and Tunga – Nassarawa state.

Sugarcane is majorly grown and processed for sugar. It is perennial crop that is resilient, resistant to most diseases. The crop has a high potential for biomass production and can be used to control soil erosion. In addition, sugarcane is a critical ingredient in ethanol and biofuel production, electricity generation, soil fertility, and improvement. Potentially arable lands that could support

sugar cane production in Nigeria are over 800,000 ha, particularly along the entire length and breadth of the Niger and Benue Rivers.

Figure 1: Potential Areas for sugar cane cultivation in Nigeria



Source: International Standard Journal: Sugarcane production problems in Nigeria by Wada *et. al.*, 2017.

Research and Development in Sugarcane Production

Currently, the National Cereals Research Institute Badeggi (NCRI) is making significant progress in sugarcane research. The institute is active in improving sugarcane varieties. Smallholder farmers and large estates are cultivating these varieties across the country. NCRI developed a 10 tons per day brown sugar processing technology to enhance increased sugar production. In line with their mandate, they have also done intercropping studies, yield evaluation trials, and weed control experiments in sugarcane, the knowledge of which has boosted sugarcane production in no small measure.

The government established the National Sugar Development Council (NSDC) to bring about rapid development in the sugar sector, providing an efficient and effective research and development support while strengthening self-sufficiency. The Nigeria Sugar Institute (NSI), located in Ilorin, Kwara state, is the research arm of NSDC with the responsibility to discharge

all research and development as well as capacity building functions of the Council. In addition, NSI provides genetically clean and pure seed cane for growers.

Table 2: Sugar Production, Supply and Distribution

Sugar, Centrifugal Market Year Begins Nigeria	2021/2022		2022/2023		2023/2024	
	May 2021		May 2022		May 2023	
	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)	70	70	70	70	0	75
Total Sugar Production (1000 MT)	70	70	70	70	0	75
Raw Imports (1000 MT)	1800	1800	1800	1800	0	1800
Refined Imp.(Raw Val) (1000 MT)	130	130	150	150	0	130
Total Imports (1000 MT)	1930	1930	1950	1950	0	1930
Total Supply (1000 MT)	2100	2100	2120	2120	0	2105
Raw Exports (1000 MT)	0	0	0	0	0	0
Refined Exp.(Raw Val) (1000 MT)	350	350	350	350	0	355
Total Exports (1000 MT)	350	350	350	350	0	355
Human Dom. Consumption (1000 MT)	1600	1600	1620	1620	0	1600
Other Disappearance (1000 MT)	50	50	50	50	0	50
Total Use (1000 MT)	1650	1650	1670	1670	0	1650
Ending Stocks (1000 MT)	100	100	100	100	0	100
Total Distribution (1000 MT)	2100	2100	2120	2120	0	2105
(1000 MT)						

CANE SUGAR

PRODUCTION

FAS Lagos forecasts Nigeria's domestic cane sugar production in marketing year (MY) 2023/24 to increase by 7 percent from the USDA's estimate of the previous year. This situation is due to growing investment in all parts of the sector as raw sugar global prices reached their highest level in a decade. Dangote Sugar Refinery (DSR) has continued to expand its production capacity as the company targets to produce over 170,000 tons of sugar next season. DSR is making massive investments in expanding its Numan sugar refining capacity.

Meanwhile, BUA is currently developing its own subsidiary, Lafiagi Sugar Company (LASUCO). LASUCO is an integrated milling factory with a 10,000 tons cane milling capacity per day and a refining capacity of 220,000 metric tons (MT) per annum. On the other hand, Golden Sugar Company, on the other hand, are developing their sugar estate and investing on refining capacity expansion. In 2021, the sector witnessed the complete takeover and overhaul of the defunct Nigeria Sugar Company Bacita by KIA Africa Group Limited. The ongoing infrastructural development will increase milling and refining capacity in MY 2023/24. The company's target is to reach 176,000 MT of milled sugar by 2025.