



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Scheduled Report - public distribution

Date: 2/28/2000

GAIN Report #NI0005

Nigeria

Oilseeds and Products

Oilseeds and Products Annual

2000

Prepared by:

David Rosenbloom, Agricultural Counselor

U.S. Embassy

Drafted by:

Ali Michael David, Agricultural Specialist

Report Highlights:

Nigeria's annual demand for vegetable oil exceeds domestic output by about 300,000 tons per year. Approximately 140,000 tons of palm olein was imported from Malaysia last year following the lifting of an import ban in January 1999. The rise in imported palm olein is creating stiff competition for local producers. The GON has proposed providing additional producer support by raising import duties.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Lagos [NI005]

Production

Nigeria's oil palm production in 2000 is forecast to increase 5 percent over the revised 1999 estimate of 760,000 tons. The palm fruit harvest has begun in earnest and should peak in late March. Palm oil production will benefit for the second year in a row from good rainfall distribution. Existing farms are undergoing expansion as farmers become increasingly aware of the economic potential offered by palm production. Despite a constraint on funds available to producers, virtually all palm estates visited during our recent field study reported some degree of field expansion.

Nigeria's overall oilseed production consists of palm kernel, peanut, cottonseed and soybeans. There also is a minor production of shea nuts and sunflower. However, most of Nigeria's vegetable oil production comes from processing oil palm fruit which accounts for more than 60 percent of total domestic oilseed consumption.

Nigeria has the potential to be a net exporter of oil palm products. However, production is unorganized and wild groves which account for almost 85 percent of total oil palm output, are under-exploited because of labor-related harvesting problems. Additionally, yield levels on organized estates tend to be low by international standards due largely to poor rainfall distribution patterns resulting from distinct wet and dry seasons in the palm belt. This prevents palm trees from bearing fruit continuously. Under the best cultural practices, Nigerian estates can achieve 14 tons of fresh fruit bunches (ffb) per hectare, but the average yield at present is no more than 10 tons ffb per hectare. In comparison, Malaysian estates yield more than 25 tons ffb per hectare because of a more even rainfall distribution. Inadequate fertilizer application, due to high costs and periodic shortages also adversely affect industry yield levels.

Smallholder palm production is on the increase thanks to support provided by the Government of Nigeria's National Accelerated Industrial Cash Crop Program. This program, which is World Bank supported, is designed to encourage increased smallholder planting of improved varieties in order to achieve higher rural incomes. Incentives under the program include: reduced customs duties on imported agricultural machinery, distribution of palm seedlings at subsidized rates and the provision of extension services to small-scale farmers. An estimated 2 million palm seedlings were raised and distributed to farmers by the Nigerian Institute for Oil Palm Research (NIFOR) in 1999, which is a good indication of the growing interest in palm production.

Consumption

Overall, per capita vegetable oil consumption in Nigeria has declined in recent years due to a sharp contraction of real consumer income. Independent sources estimate Nigeria's per capita consumption at 10.4 kilograms, which is one of the lowest in the region. Domestic production fails to adequately supply national requirements by an estimated 300,000 tons per year. This oil deficit is only partially covered by imports. Nigeria's large population, estimated at 120 million, is growing at 3 percent annually.

The combined installed processing capacity of oil palm mills in Nigeria is estimated at 3,000 tons ffb per hour. Most mills are old and subject to frequent breakdowns. They are unevenly distributed in the palm belt. Most mills are devoted to processing fruit produced by organized estates. Wild production generally is processed on-farm by crude means rather than being sent to the oil palm mills. With approximately 85 percent of national oil palm output coming from wild or non-commercially cultivated trees, the bulk of Nigeria's output is, therefore, processed by cottage-style industry which exhibit low oil extraction rates.

Excess capacity exists in downstream palm kernel crushing and oil refining. Investment in this sector is steadily increasing despite a low level of capacity utilization. This is due largely to low capital risk and a perceived quick return on investment. Currently, the industry's installed palm kernel crushing and refining capacity is in excess of 600,000 tons per year, which far exceeds total domestic palm kernel production forecast at 350,000 tons in 2000. Competition among palm kernel crushers is high, with average industrial capacity utilization falling below 60 percent. Soybeans, which provide a ready substitute for palm kernel processors, have been in short supply during the last two seasons because of reduced harvests.

The Nigerian oilseeds market can be categorized into four components:

- ' Direct consumption--Palm oil in both crude and refined form is a major component of the diet of many Nigerians. In the wild groves, harvesting is undertaken primarily for immediate cooking use and secondarily for cash, either by sale of fruit or crude oil.
- ' Refining of edible oils for domestic distribution and sale. Combined, these two account for more than 80 percent of consumption demand.
- ' Processing for manufacture of industrial products accounts for 20 percent.
- ' Export of palm kernel meal. More than 90 percent of all palm kernel meal production is exported to Europe because of low domestic demand by the animal feed industry.

Industrial consumption of vegetable oil in 1999 is estimated at 160,000 tons. This includes 120,000 tons utilized by the soap and detergent industries and 40,000 tons used in producing bakers fat, margarine etc. Industrial demand could be much higher. It is constrained by poor consumer demand resulting from low purchasing capacity for end products. Real consumer purchasing power has declined almost 90 percent over the last decade and a half.

Trade

Local vegetable oil producers enjoyed non-price support from an import ban imposed on vegetable oil in 1986. This created intense competition among processors for an inadequate supply of domestically produced oilseeds. Prior to 1999, the domestic price levels for oilseeds and products in Nigeria were more than double international price levels. Following the lifting of the ban on all forms of vegetable oil by the GON in 1999, an estimated 140,000 tons of palm olein was reportedly imported, largely from

Malaysia. Consequently, the price of refined vegetable oil fell markedly from 106,000 Naira per ton in January, 1999, to 60,000 Naira in January, 2000. This eliminated nearly all profit margins enjoyed by local producers. Industry sources indicate that imports have markedly affected demand for locally-produced vegetable oil because imports are priced significantly below locally-produced products.

Local trade sources indicate that imported palm olein is low-priced reflecting its low quality. Post is informed that in some cases, products received in Nigeria have been rejected by other markets. Additionally, comments within the industry indicate that importers routinely under-invoice imported palm olein as a means of reducing import duty payment. Post also is informed that many importers allegedly falsely declare the palm olein imports to local custom authorities as industrial raw materials to avoid full duty payment. Nigeria's import duty for industrial raw materials is 15 percent of the CIF value compared to 55 percent for vegetable oil. The GON proposed an increase in the vegetable oil duty to 65 percent in the 2000 Federal budget. Local producers are encouraging the GON to take this action as a means of reducing the cost competitiveness enjoyed by importers. Domestic vegetable oil producers are now experiencing a buildup of unsold inventories. Most of their principal customers face large stocks of imported palm olein. Anecdotal reports suggest that some crushers, especially small-scale producers that could not bear the competition, have closed their operations.

Marketing

Market opportunities exist for U.S. exporters of inedible tallow, which is a close and preferred substitute for palm oil in soap manufacture. Available U.S. export data show 20,000 tons of inedible tallow shipped to Nigeria in 1999 versus 7,298 tons in 1998. Although this is a positive picture, U.S. tallow exports to Nigeria in the early 1990's reached 60,000 tons. U.S. exports of tallow to Nigeria are constrained by the duty free importation of crude red palm oil from Ghana and the Ivory Coast under the ECOWAS Trade Liberalization Scheme. The bulk of this oil from neighboring West African countries is destined for use in soap and detergent production. Nigeria's duty on tallow imports is 15 percent. U.S. exporters can also share in the marketing opportunities created by the domestic production deficit of more than 300,000 tons of vegetable oil, but must compete with low-cost imports of palm olein from Malaysia and Indonesia. Small amount of high quality U.S. vegetable oil do enter Nigeria through neighboring countries. To a large extent this represents undocumented trade

February 28, 2000 Exchange rates: US\$1 = 101.5 Naira

PSD Table for Palm Oil

PSD Table						
Country:	Nigeria					
Commodity:	Oil, Palm					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Planted	2610	2610	2610	2610	0	2615
Area Harvested	2605	2605	2505	2605	0	2610
Trees	260000	260000	260000	260000	0	270000
Beginning Stocks	20	20	20	20	20	40
Production	760	740	800	760	0	800
MY Imports	120	110	160	140	0	160
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	900	870	980	920	20	1000
MY Exports			0	0	0	0
MY Exp. to the EC			0	0	0	0
Industrial Dom. Consum.	180	150	200	150	0	200
Food Use Dom. Consump.	700	700	760	730	0	750
Feed Seed Waste Dm.Cn.	0	0	0	0	0	0
Total Dom. Consumption	880	850	960	880	0	950
Ending Stocks	20	20	20	40	20	50
TOTAL DISTRIBUTION	900	870	980	920	20	1000
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Vegetable Oil Import Matrix Table

Import Trade Matrix			
Country:	Nigeria	Units:	Tons
Commodity:	Vegetable oil		
Time period:	1998		
Imports for	1998 \1		1999 \2
U.S.	0	U.S.	0
Others		Others	
Malaysia			120
Ghana	40		10
Ivory Coast	40		10
Total for Others	80		140
Others not listed			
Grand Total	80		140

\1 All imports in 1998 consist of crude red palm oil used by soap manufacturers

\2 Imports in 1999 consist of 120,000 tons of refined palm olein from Malaysia and 20,000 tons of crude palm oil from neighboring West African countries.

Palm oil Price Table

Prices Table					
Country:	Nigeria				
Commodity:	Palm Oil				
Year:	1999				
Prices in (currency)	Naira	per (uom)	Ton		
Year	1998	1999	% Change		
Jan	42,000	55,000	31.0%		
Feb	42,000	55,000	31.0%		
Mar	42,100	50,000	18.8%		
Apr	45,000	50,000	11.1%		
May	45,000	48,000	6.7%		
Jun	46,000	48,000	4.3%		
Jul	48,000	46,000	-4.2%		
Aug	48,550	43,000	-11.4%		
Sep	51,000	43,000	-15.7%		
Oct	55,000	42,000	-23.6%		
Nov	60,000	42,000	-30.0%		
Dec	62,000	40,000	-35.5%		

PSD Table: Palm Kernel

PSD Table						
Country	Nigeria					
Commodity	Oilseed, Palm Kernel			(1000 HA)(1000 TREES)(1000 MT)		
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Planted	2610	2610	2610	2610	0	2615
Area Harvested	2605	2605	2605	2605	0	2610
Trees	260000	260000	260000	260000	0	270000
Beginning Stocks	10	10	10	10	10	30
Production	350	350	350	340	0	350
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	360	360	360	350	10	380
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	350	350	350	320	0	340
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	0	0	0	0	0	0
TOTAL Dom. Consumption	350	350	350	320	0	340
Ending Stocks	10	10	10	30	0	40
TOTAL DISTRIBUTION	360	360	360	350	0	380
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

Price Table for Palm Kernel

Prices Table			
Country	Nigeria		
Commodity	Oilseed, Palm Kernel		
Prices in	Naira	per uom	Ton
Year	1998	1999	% Change
Jan	27000	31660	17.26%
Feb	21500	34688	61.34%
Mar	22500	25400	12.89%
Apr	21500	26000	20.93%
May	21000	24200	15.24%
Jun	21500	23400	8.84%
Jul	23500	24000	2.13%
Aug	26200	24400	-6.87%
Sep	25900	23100	-10.81%
Oct	28600	23000	-19.58%
Nov	31300	23400	-25.24%
Dec	32300	18000	-44.27%
Exchange Rate	101.5/1	Local currency/US \$	

PSD TABLE: Peanuts

PSD Table						
Country	Nigeria					
Commodity	Oilseed, Peanut				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		10/1998		10/1999		10/2000
Area Planted	750	1190	800	1200	0	1210
Area Harvested	750	1190	800	1200	0	1210
Beginning Stocks	0	0	0	5	0	5
Production	375	1430	400	1450	0	1470
MY Imports	0	0	0	0	0	0
My Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	375	1430	400	1455	0	1475
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	175	500	200	510	0	510
Food Use Dom. Consump.	100	650	150	650	0	670
Feed,Seed,Waste Dm.Cn.	100	275	50	290	0	290
TOTAL Dom. Consumption	375	1425	400	1450	0	1470
Ending Stocks	0	5	0	5	0	5
TOTAL DISTRIBUTION	375	1430	400	1455	0	1475
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0