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**WHEAT VALUE CHAIN ANALYSIS IN NIGERIA**  
**WELCOME2AFRICA INTERNATIONAL**

**JULY 2020**



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## WHEAT VALUE CHAIN ANALYSIS IN NIGERIA WELCOME2AFRICA INTERNATIONAL

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## WHEAT VALUE CHAIN ANALYSIS IN NIGERIA WELCOME2AFRICA INTERNATIONAL

### EXECUTIVE SUMMARY

The importance of local production of food crops cannot be overemphasized, wheat, a highly consumed domestic and industrial crop in Nigeria has yet to be sufficiently produced despite the growing demands and opportunities in the value chain of the crop sector. This study will endeavor to highlight the current state of wheat production in Nigeria, the market opportunities, production level, the mapping, value chain analysis and recommendations on enhancing sustainable development of the wheat production crop sector.

## WHEAT VALUE CHAIN ANALYSIS IN NIGERIA WELCOME2AFRICA INTERNATIONAL

### INTRODUCTION

Wheat is a popular crop grown across the world, and its origin can be traced to Syria and Lebanon but however adapted through extensive scientific work and farmed in almost all the part of the world. Wheat accounts for the second largest grown cereal globally at 765 million metric tonnes. With China, India, Russia, U.S.A leading the world production 134.3 million tonnes, 98.5 million tonnes, 85.9 million tonnes and 47.3 million tonnes respectively. Nigeria is a major importer in Africa and third highest after Egypt and Algeria, the country imported 5.1 million tonnes of wheat in the year 2019, an increase of 515,000 tonnes from 2018 import of 4.5 million tonnes. Wheat production in Nigeria is not only low but can satisfy neither local domestic demand nor the increasing industrial use.

Wheat is essentially a carbohydrates food crop while it also contains other nutrients significant amounts at 71% carbohydrates, 13% water, 13% protein, 1.5% fat. While also rich in fiber and vitamin B, wheat is a high calorie content at about 327 calories per 100 gram. The Nigerian Agriculture sector has witnessed considerable development in the past years unfortunately some crop sectors have not witnessed the interventions to boost their production to sustainable levels and hence heavy dependence on importation to meet their high industrial demand, a typical example is wheat.

The demand for wheat is driven by growing industrial demand and domestic household consumption as the population increases and demand for processed food increases in Nigeria. Wheat is a major raw material in the making of most foods consumed in Nigeria, which includes whole Wheat Flour meal, bread, baking flour, spaghetti, noodles, biscuits, cakes and domestically consumed local meals like Fura, Tuwo, Danwake, Gurasa amongst others.



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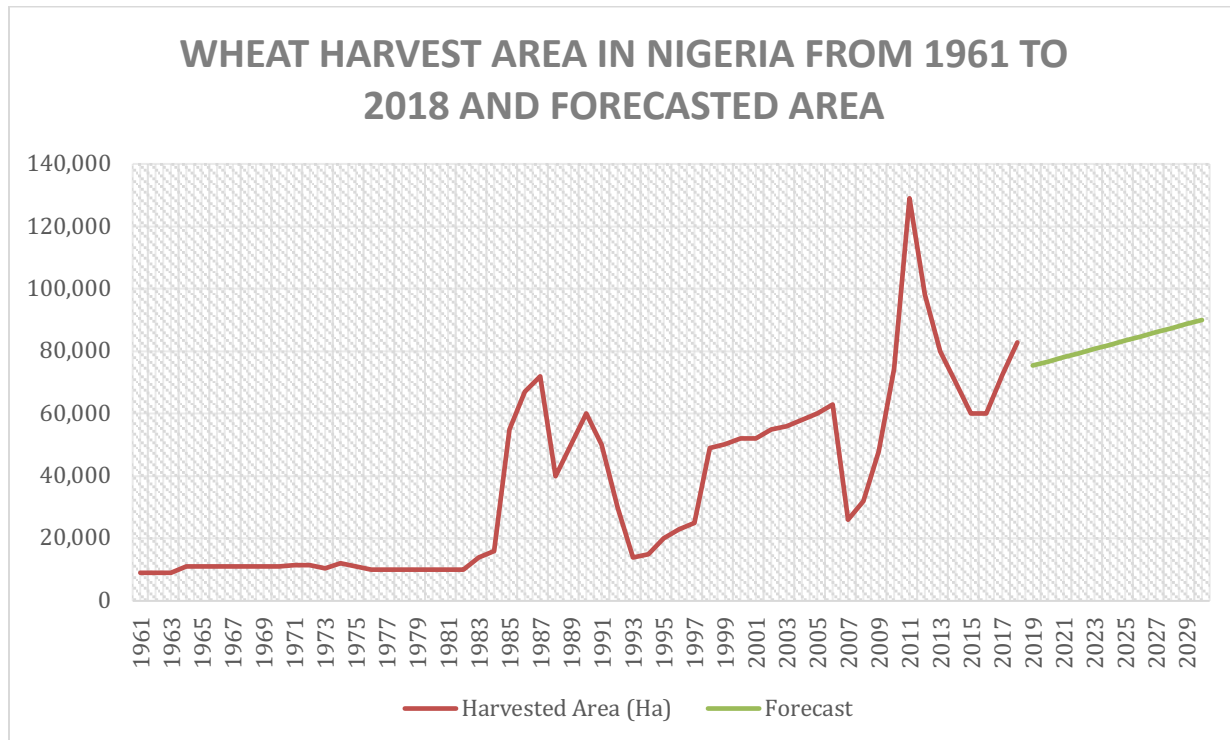
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### WHEAT PRODUCTION

Wheat is an essential crop in Nigeria and its production and consumption transcends social classes due to its variety of uses. The demand has been growing steadily due to increase in population and especially in the consumption of its derivative products. The improvement in industrialization and processing activities in the agricultural sector has played a major role in rapidly increasing the demand for wheat which is a major component in the production of everyday food products like bread, baking flour, pasta, wheat whole meal, spaghetti, confectionery and domestically produced foods such as Tuwo, Dawanke, fura etc. The residue also called wheat offal is also used by livestock feed mills in compounding livestock feeds.

Wheat production is most adapted to the Northern part of Nigeria due to the climatic requirements of maximum temperatures below 32.5 degree Celsius (70-115 days) and minimum temperature below 15 degree Celsius (80 - 95 days) and it is best cultivated in Borno, Bauchi, Yobe, Jigawa, Kano, Gombe and Zamfara. These States present an opportunity for large scale and commercial wheat production considering their favourable climatic conditions. Currently, farmers in these States cultivate wheat on a small-scale at an average of less than 2 hectares of farmland and producing 65,433 tonnes of wheat in 2018 after cultivating a total of 82,882 hectares.

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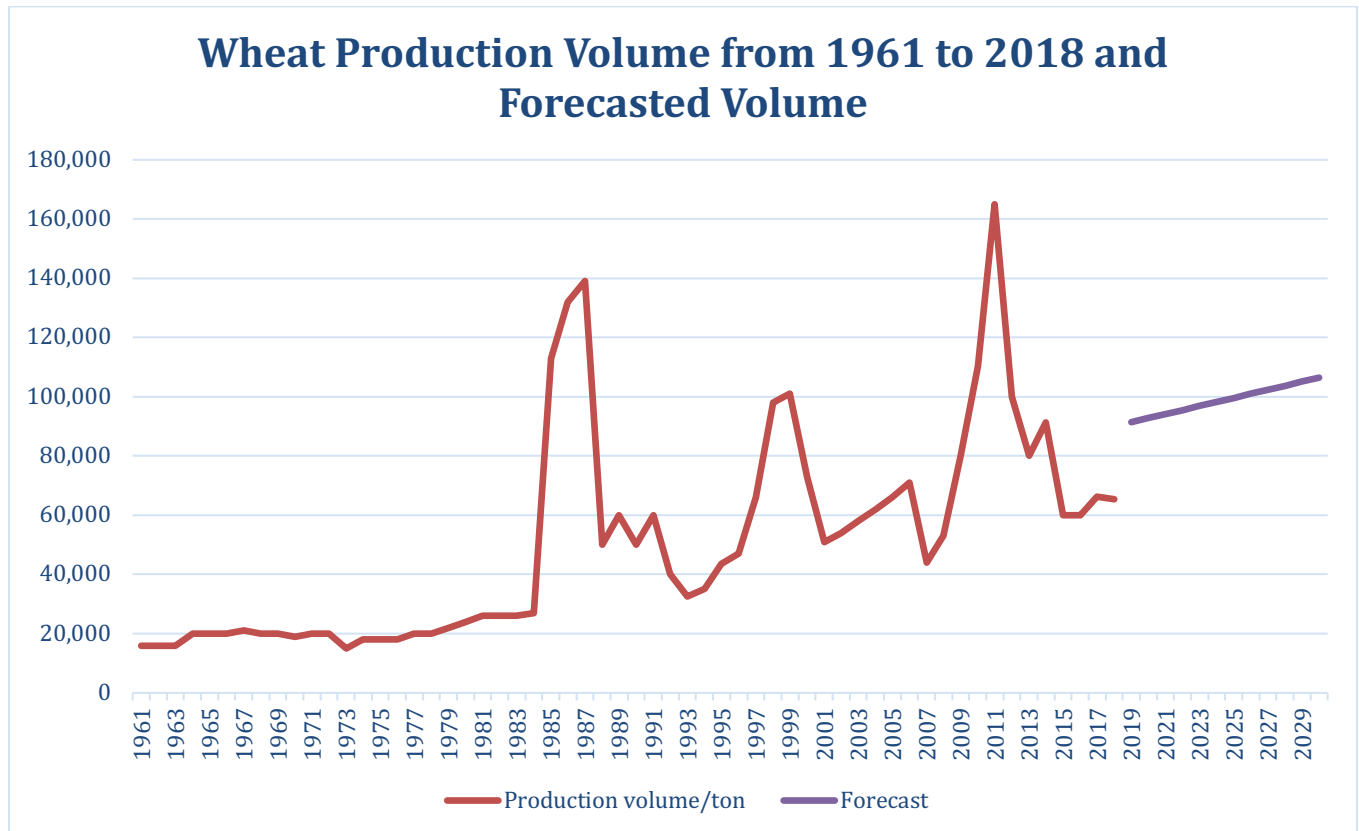
**Table 1:** Showing Wheat harvest area in Nigeria

**Source:** FAOSTAT,

The average yield per hectare stands at 0.79 tons per hectare. This shows a critical lack of productivity in the wheat crop sector in Nigeria when compared with the rest of the world. For instance, Kenya attained a yield of 2.5 tons per hectare, China achieved 5.5 tons per hectare and Egypt was 6.6 tons per hectare.

Production is further hampered by the lack of infrastructures, most importantly irrigation facilities for farmers to engage in all year-round production. Wheat requires moisture during the growth stage; however, the northern climatic condition is characterized by erratic rainfall patterns, a short rainy season that limits production to a short time frame.

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**Table 2:** Showing wheat Production Volume in Nigeria

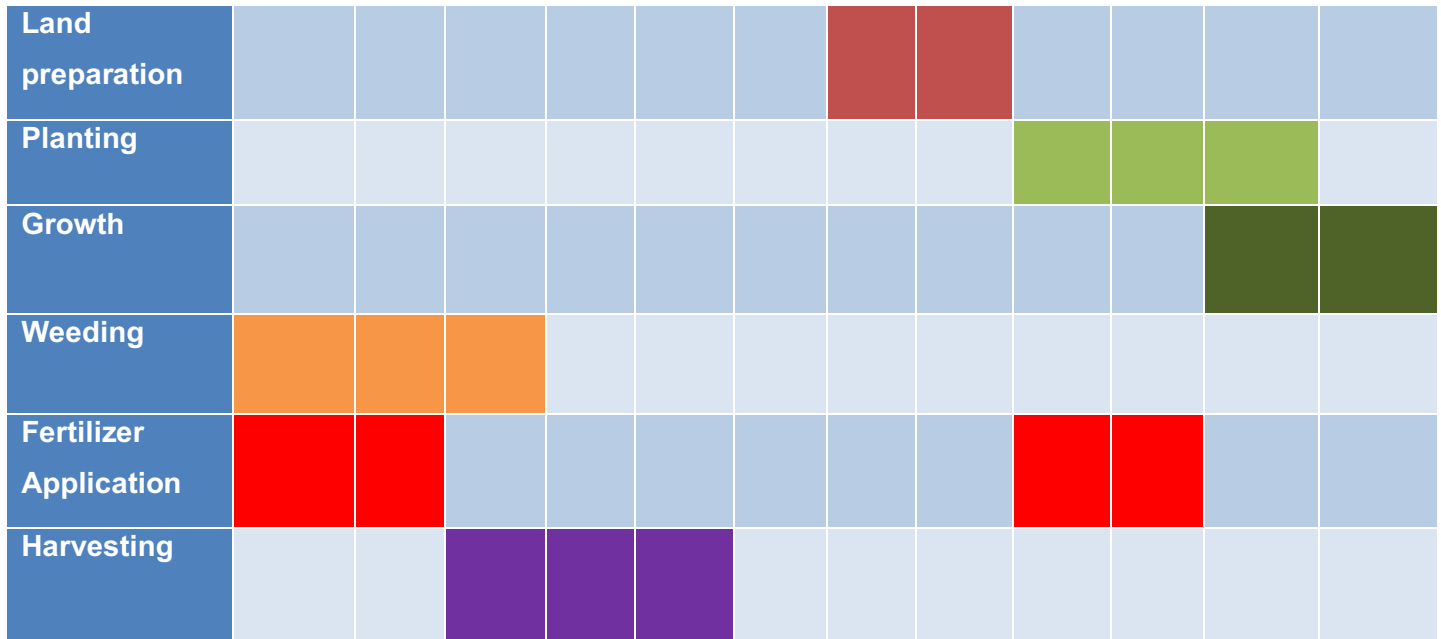
**Source:** FAOSTAT,

Table 1 reveals the wheat production in Nigeria from 1961 to 2018 and forecasted volume to 2030. It was established that there was a spike in 1985, 1986, 1987, 1998, 1999, 2010, 2011 and 2012. These spikes were as a result of various government interventions supporting the Wheat value chain.

**SEASON CALENDAR**

Activities	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec

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**VALUE CHAIN ACTORS**

The wheat value chain consists of several actors from the pre planting stage to the end consumer. However, there is high inefficiency and low productivity in the crop sector making it to be one of the least desirable agricultural value chains in Nigeria to engage, this situation presents an opportunity to stakeholders, investors, Government agencies and development organizations. The crop sector remains untapped with a high potential for returns on investment in socio-economic and financial terms.

**INPUT SUPPLIER**

The actors involved provide basic inputs to the farmers, which are essentially seeds and in some cases fertilizer. The input suppliers in the wheat sector typically trades input for other crops and cereals and especially has basic knowledge on input use, which serves as technical support to wheat farmers. Payment for their goods are either received in cash or sold on credit. The input suppliers are mostly small scale/retailers in nature with shops in the open markets. They play a





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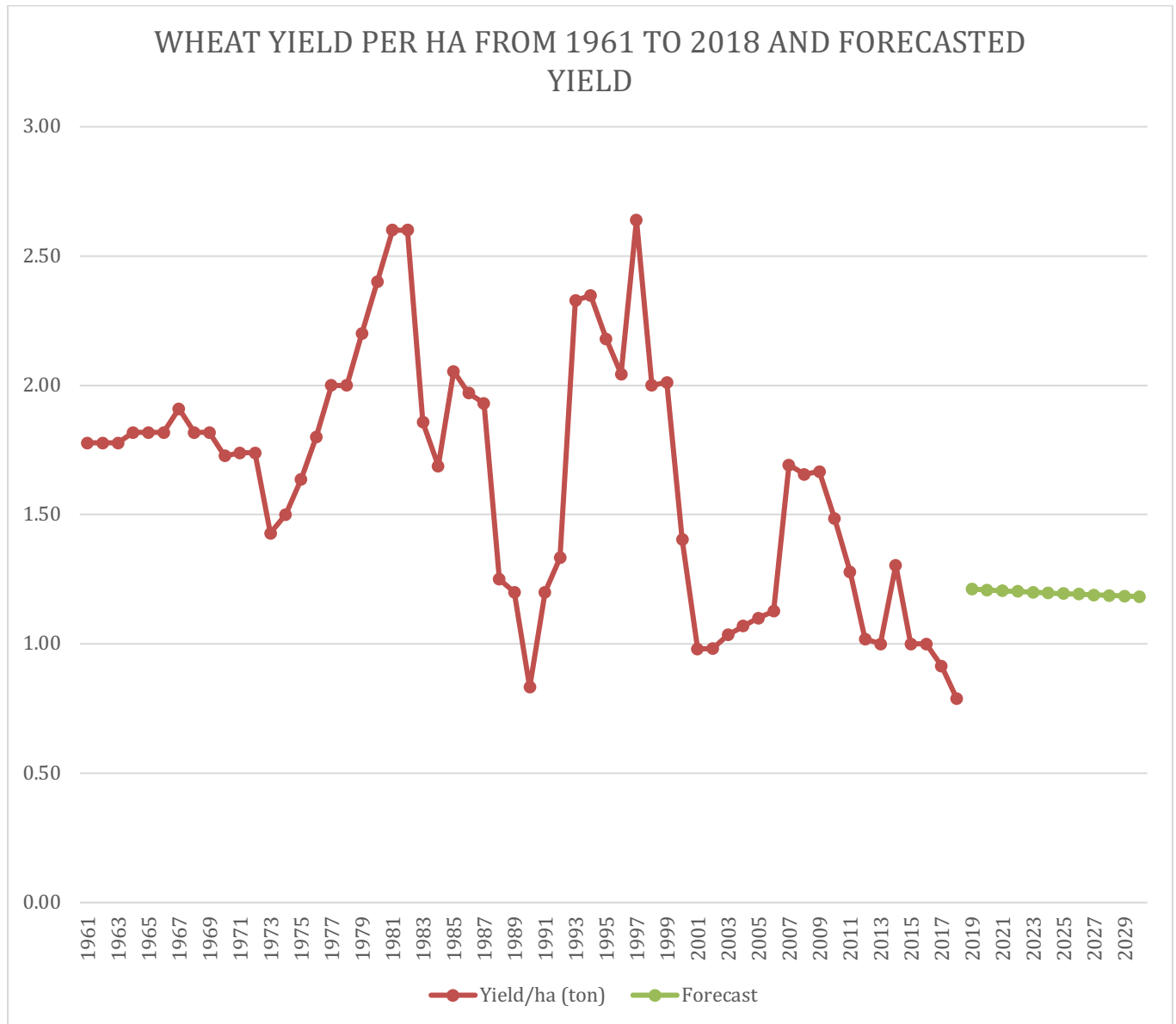
## WHEAT VALUE CHAIN ANALYSIS IN NIGERIA WELCOME2AFRICA INTERNATIONAL

significant role in input financing for farmers, which is facilitated by credit extension to farmers who are unable to pay upfront. Men dominate this segment of value chain actors.

### PRODUCERS

The producers majorly consist of smallholder farmers who farm on less than 2 hectares of land. Wheat is often cultivated alongside other crops. In 2018, the total area cultivated by farmers in Nigeria is 82,882 hectares of farmland. Productivity of wheat producers is still very low at an average of 0.7 tons per hectare.

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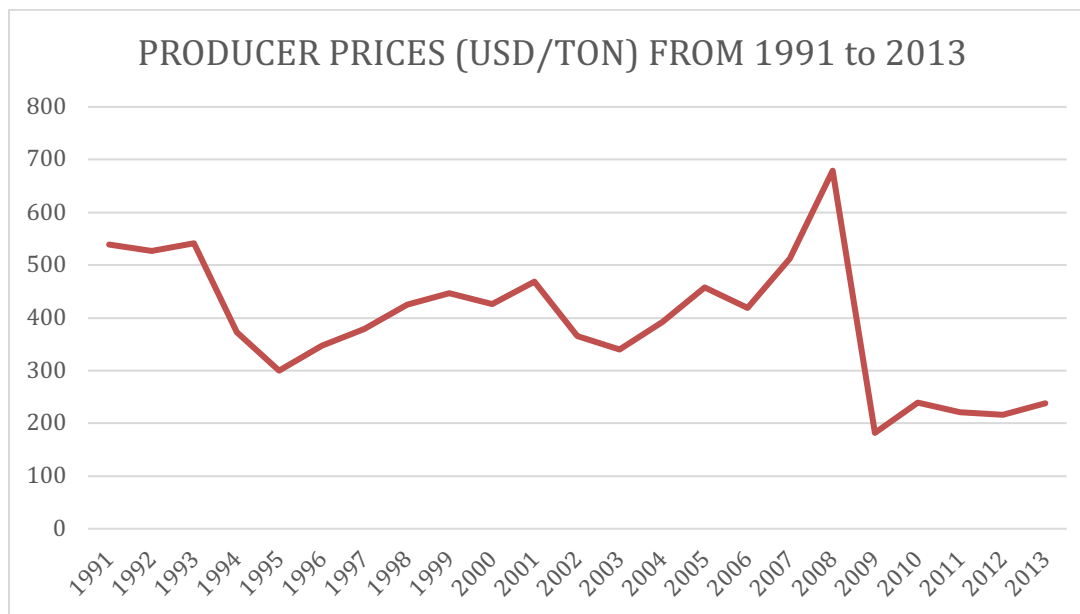
**Table 3: Showing Wheat yield and forecasted yield**

Source: FAOSTAT,

Irrigation structure is a major component of wheat farming, which unfortunately is in short supply to the majority of the farmers who are smallholders. This forces production to be restricted to short

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wet season. Farmers are quite knowledgeable in the local production of wheat due to several years of cultivation; however, a major way to boost their productivity is via training on modern production techniques and specifically Good Agricultural Practices in wheat production. The producers sell to the traders and to household consumers.



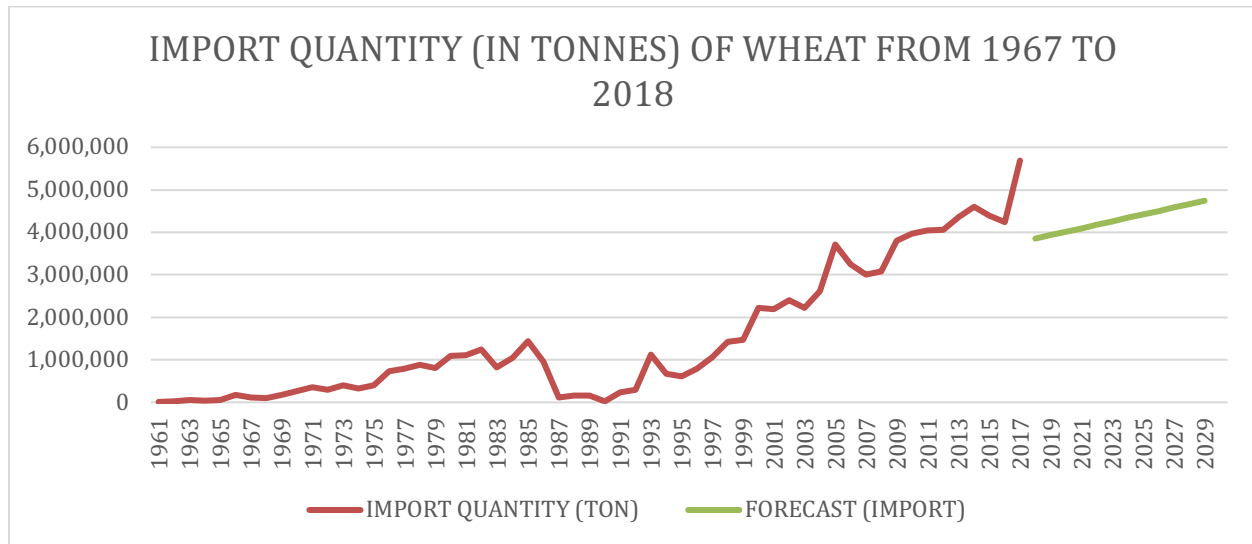
**Table 4: Showing Wheat producers' prices**

Source: FAOSTAT,

### TRADERS

The traders/aggregators move around the various farms to gather wheat from farmers and purchased, this is taken in turn, or directly to flour mills. Aggregators also sell to the domestic households. Sadly, a larger chunk of wheat is imported into the country and export quantities are negligible.

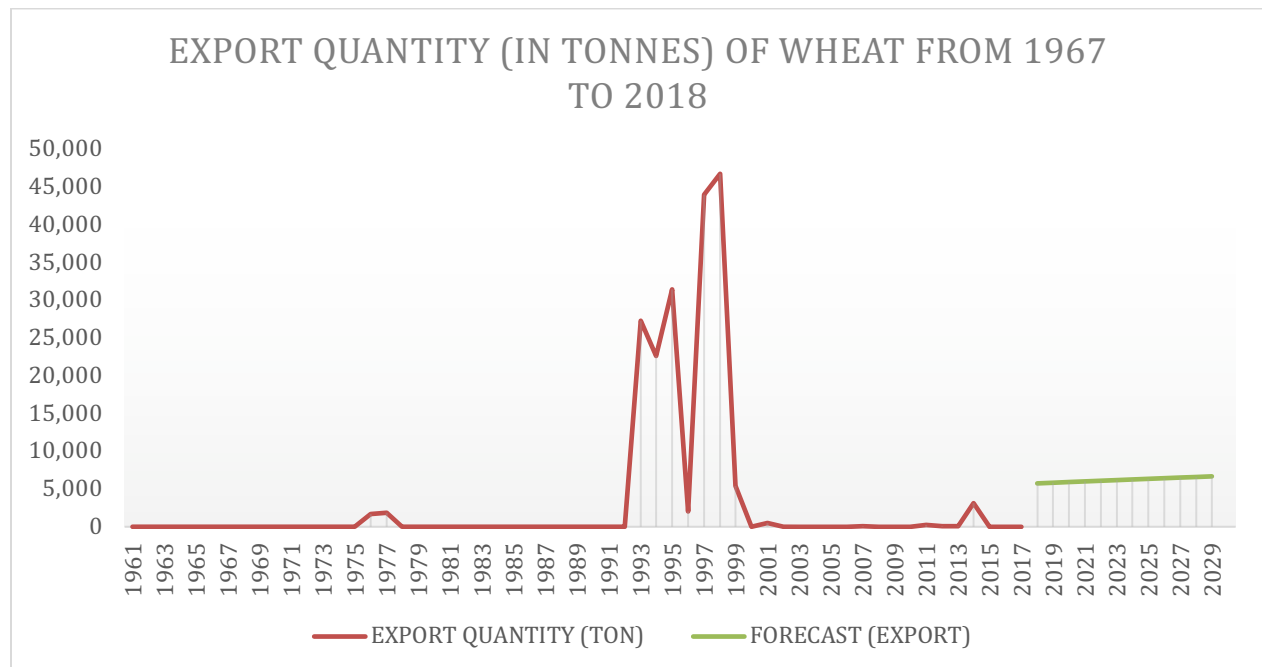
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**Table 5: Showing Wheat import quantity and forecasted quantity**

Source: FAOSTAT,

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**Table 5: Showing Wheat import quantity and forecasted quantity**

Source: FAOSTAT,

## PROCESSORS

The processors consist of food processing companies such as flour mills and other wheat processing establishments. They buy from the aggregators; some also enter into backward integration and contract farming with wheat producing communities/farmers. Usually the domestic production cannot sufficiently meet the demand of processors across the country. The bulk of the wheat grains utilized by the processors are supplied via imports from other countries spectacularly U.S.A, Russia, Canada.

### Major wheat processors in Nigeria

Processor	Capacity/day	Ownership.
Flour mills of Nigeria	8,000	Flour mills of Nigeria plc
Dangote flour mills	7,300	Olam Nigeria limited



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Crown flour mills	6,140	Olam Nigeria limited
Honeywell mills	2,6100	Honeywell Group
Life mills	1,200	Seaboard group
Ideal mills	850	Chagoury Group
Jos mills	450	N/A
Valleumbra mills	900	Valleumbra Group
Port Harcourt mills	650	Chagoury Group

Source KPMG



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### VALUE CHAIN ACTORS' SWOT ANALYSIS

VALUE CHAIN ACTOR	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
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<p>Producer</p>	<ul style="list-style-type: none"> <li>• Availability of vast arable area of land and climatic conditions suitable to for wheat production</li> <li>• The number of years of experience in cultivating wheat is considerably high</li> <li>• Availability of young population that can work as farm hands</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced cultivated land due to desertification and encroachment of herdsmen</li> <li>• Lack of capital to finance inputs</li> <li>• Inadequate water supply and limited irrigation infrastructures</li> <li>• Poor quality seed</li> <li>• Low knowledge of modern and good agricultural practices leading to low yield.</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing demand for household and industrial use occasioned by the growing Nigeria's population of over 200 million people and the improvement in industrialization of the agriculture sector.</li> <li>• Job creation for the teeming unemployed youth population</li> </ul>	<ul style="list-style-type: none"> <li>• Competition for land with other cereal crops especially rice and maize.</li> <li>• Consumer preference for foreign wheat</li> <li>• Insecurity along the northern region axis</li> <li>• Climate change</li> </ul>
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<p><b>Traders</b></p>	<ul style="list-style-type: none"> <li>• The number of years of experience in trading is considerably high</li> </ul>	<ul style="list-style-type: none"> <li>• Low supply of farm produce from the farmers.</li> <li>• Lack of capital</li> </ul>	<ul style="list-style-type: none"> <li>• Job creation for youths (men and women)</li> <li>• Extremely high demand.</li> <li>• Availability of trucks and trailers in large numbers for transportation of goods.</li> <li>• Availability of labor</li> <li>• Favourable government policies for agribusinesses in Nigeria</li> </ul>	<ul style="list-style-type: none"> <li>• Competition with imported wheat.</li> <li>• Consumer preference for imported wheat</li> <li>• Price fluctuation</li> <li>• Insecurity</li> <li>• Poor road infrastructure</li> </ul>
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<p><b>Processor</b></p>	<ul style="list-style-type: none"> <li>• High market demand for processed wheat products</li> <li>• Vast area of land for production of raw materials</li> </ul>	<ul style="list-style-type: none"> <li>• Low supply of raw materials due to low productivity of the crop sector</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to expand processing industries e.g. wheat offal production in the formulation of livestock feed</li> <li>• Improved productivity through using modern processing and packaging of products.</li> </ul>	<ul style="list-style-type: none"> <li>• Inadequate raw material due to low supplies.</li> <li>• Unfavorable Government policies.</li> <li>• Poor quality local wheat supplies.</li> </ul>
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<p><b>Input suppliers</b></p>	<ul style="list-style-type: none"> <li>• The number of years of experience in supplying inputs is considerably high.</li> <li>• Input suppliers are strategically situated in the markets to enable easy access all through the year.</li> </ul>	<ul style="list-style-type: none"> <li>• Low technical expertise of the sellers.</li> </ul>	<ul style="list-style-type: none"> <li>• Availability of market in most farming community</li> <li>• The wheat crop sector has the potential to expand due to increasing demand hence production invariably will need more supply of inputs.</li> </ul>	<ul style="list-style-type: none"> <li>• Price fluctuation of inputs supplied as a result of changes in market situations</li> <li>• Competition with other crop sectors shrinks the wheat value chain sector</li> <li>• Poor road infrastructure connecting towns that increase costs of doing business in the study areas.</li> </ul>
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## WHEAT CROP SECTOR SWOT ANALYSIS

STRENGTH	OPPORTUNITY
<ul style="list-style-type: none"> <li>• Adequate knowledge of local production due to long years of experience in cultivation.</li> <li>• Availability of vast arable land suitable for cultivation</li> </ul>	<ul style="list-style-type: none"> <li>• High and unmet wheat demand for household consumption and processors.</li> <li>• Increasing population and consumer preference for wheat based foods.</li> <li>• Targeted interventions by the government, private sector and NGOs in ensuring productivity and sustainability in the Agricultural sector</li> <li>• Government incentives to develop the wheat crop sector by reducing imports by 50% while encouraging processors to buy locally produces wheat.</li> <li>• Availability of government assisted programs for Agriculture such as presidential fertilizer initiatives (PFI) BOI Loans, Anchor borrowers' program etc.</li> <li>• Availability of youth population that can serve as labor for Agricultural activities.</li> </ul>
WEAKNESS	THREATS
<ul style="list-style-type: none"> <li>• Low productivity and inability to meet local and national demand for food consumption and industrial processors.</li> <li>• Wheat of low quality are produced</li> <li>• Use of crude inputs and traditional cultivation practices leading to</li> </ul>	<ul style="list-style-type: none"> <li>• Climate change leading to irregular rainfall patterns, unpredictability of weather, flood etc.</li> <li>• Fluctuations in market price of wheat.</li> <li>• Stiff competition in resource allocation with other cereals e.g. rice and maize.</li> <li>• Pests and diseases outbreak.</li> <li>• Processors preference for imported wheat.</li> <li>• Relatively high cost of input.</li> </ul>



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inability to benefit from economies of  
scale and achieving profitability.



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### WHEAT DEVELOPMENT INITIATIVES IN NIGERIA

In the last 40 - 50 years, there have been different interventions to reverse the high dependence of Nigeria on imported wheat, however the challenges of the crop sector is a microcosm of the larger agricultural industry rife with low productivity from long years of neglect. However, the urgent need to diversify the economy in the wake of the oil industry crash has reawakened interests of the Nigeria Federal government, foreign and local development institutions and the private sector in developing the potentials in the Agricultural sector. **Some of the programs aimed at improving wheat production in the past includes**

- **Accelerated wheat production program.**
  - The accelerated wheat production program was launched in the wheat producing Northern state in Nigeria under the structural adjustment program (SAP) of 1987. The program encouraged the backward integration by flour mills producers using wheat as raw materials. The aim of the structural adjustment program under the agricultural sector is to boost local production to meet demands and position the country as a net wheat exporter. The program aimed fostering large-scale production by providing stimulus for local producers and ban on imported wheat.

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- **Wheat Transformation Agenda**

This is a Federal Government of Nigeria initiative on developing the wheat crop sector. The aim is to boost local production and significantly reduce imports. Under the program, inputs such as seeds and fertilizers were distributed to producers at no cost.

- **Growth Enhancement support scheme. (GES)**

The scheme by the federal government of Nigeria provided support to vulnerable farmers in the area of improved inputs distribution.

- **Anchors Borrowers Programme (ABP)**

The anchors borrowers program was geared towards increasing financial inclusion to farmers. The ABP provides a market linkage platform between farmers and off takers (processors).

Other interventions include, the Nigeria incentive risk based sharing for Agricultural lending system, and Agricultural credit guarantee scheme fund.

### MARKET OPPORTUNITY

Nigeria has a massive market for wheat and is the third largest importer of wheat in Africa, after Egypt and Algeria representing 10% of total wheat import in Africa. Interestingly, the country hosts some of the biggest flour mills companies in the world who are also directly responsible for imports and processing into wheat-based foods.

However, only a negligible fraction of the wheat market size is captured by local production, which stands at average 65,000 tonnes. The country spent 1.6 billion dollars importing 4.6 million tonnes of wheat in 2018; this consumption level has been forecasted to increase by 38% to 6.35 million tonnes in the 10 years between 2018 and 2028. The critical supply gap in the wheat crop sector presents an opportunity for target investment along the wheat supply chain. Currently, the local wheat supply accounts for less than 2% of national consumption; a situation which is caused by long years of neglect of the wheat crop sector, unavailability of appropriate seeds suitable for the

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northern climatic condition, lack of financial support and input financing and lack of essential infrastructures such as irrigation necessary for basic production.

The market opportunities for wheat will be further discussed under the subtopics of the Demand, consumption and population.

### DEMAND

The high demand for wheat in Nigeria dated back to the late 1960s and it is suffice to say that the nation has never at any point attained self-sufficiency in production, neither has it ever met local demands without importation. According to Agricultural Extension and Research Liaison Services, Nigeria imported 730,000 tonnes of wheat in 1976 at a cost of 97 million naira, the continuous importation of wheat amidst other sectoral challenges such as lack of access to finance, infrastructural deficit (most especially irrigation), lack of access to quality inputs (especially seeds), poor technical know-how, low quality of produce etc. All these have led to the underdevelopment of the crop sector. This scenario presents an opportunity in the present day to exploit the local production of wheat to meet demand.

The high demand is driven majorly by flour millers and processors, who rely heavily on wheat to produce a wide range of wheat-based products like Spaghetti, Biscuits, Noodles, whole-wheat meals, baking flour and a variety of others. Flour mill of Nigeria at a processing capacity of 8,000 metric tonnes of wheat daily is the largest flour mill in Nigeria and the second largest in the world. Other large scale users includes Dangote flour meal with a capacity of 7300 metric tonnes, Honeywell flour mills with a capacity of 2,610 Metric tonnes, Crown flour mills, Olam Nigeria limited with a processing capacity of 6,140 metric tonnes daily, UAC, life flour mills, ideal flour mills, Jos flour mills, Niger delta flour mills, Port-Hacourt flour mills, pure flour mills, valuembra flour mills and others.

### CONSUMPTION

The consumption of wheat in Nigeria is majorly driven by its industrial use, which is predominantly characterized by the processing of the grains into wheat-based foods, flour and livestock feed. The wheat offal is a major component in the formulation of livestock feed. This dual-purpose use



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in man and livestock food production is a major factor in the increasing consumption level of wheat in Nigeria. Wheat as a raw material is the major backbone of the pastries and confectionery industry in Nigeria. The food items produced from wheat flour (Bread, wheat meal, pasta, Biscuits, Semolina) are everyday food heavily consumed across all the social classes hence the increasing demand.

The country consumed 4.8 million tonnes of wheat in 2019, an increase of 615, 000 tonnes from 2018 domestic consumption of 4.2 million tonnes. Consumption is expected to rise to about 6.8 million by 2028 due to the steady population growth and consumer's trend of preference for wheat based products. The table below shows the domestic consumption level of wheat over a period of 12 years. Consumption increased by over 1.5 million tonnes in the 12 years period between 2008 and 2019. The increasing domestic consumption and current low production presents a viable market opportunity to develop a viable investment framework to promote the wheat value chain.

NIGERIA	Year	Domestic Consumption MT
	2019	4860000
	2018	4245000
	2017	4829000
	2016	4632000
	2015	4070000
	2014	3935000
	2013	4160000
	2012	4018000
	2011	3586000
	2010	3582000
	2009	3540000
	2008	3020000

Source: USDA. (United States Department of Agriculture)

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**CURRENT PRODUCTION NIGERIA**

NIGERIA	Year	Production	Area cultivated	yield
	2018	65,433	82,882	0.78
	2017	66,151	72,287	0.91
	2016	60,000	60,000	1.0
	2015	60,000	60,000	1.0
	2014	91,300	70,000	1.3
	2013	80,000	80000	1.0
	2012	100,000	98,148	1.01
	2011	165,000	128,992	1.27
	2010	110,441	74399	1.488
	2009	80,000	48,000	1.667

Source: FAOSTAT

**RECOMENDATIONS.**

In 2018, Nigeria spent about 1.8 billion dollars to import 4.5 million tonnes of wheat. In that same year, Nigeria produced a paltry 60,000 tonnes of wheat. What should stakeholders do to reposition the wheat crop sector in Nigeria towards ensuring wheat self-sufficiency?

- High level research and development

Stakeholders should commit to developing wheat varieties that will perfectly adapt to the peculiarities of Northern Nigeria where cultivation can be successfully carried out.

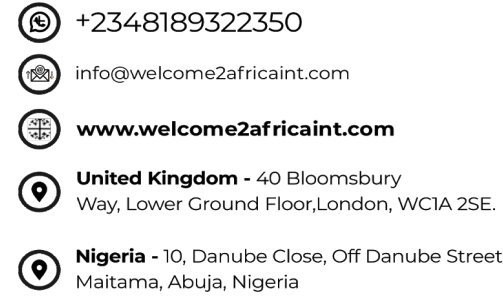
- Increase Production of Wheat

Currently, there is a deficit of 3.9 million tonnes of wheat that is imported to satisfy local consumption. Hence, this deficit has created opportunity in the production of wheat in Nigeria, having the appropriate inputs and yield to commensurate farmers' efforts.

- Massive infrastructural development



FACILITATING  
TRADE AND  
INVESTMENTS



## WHEAT VALUE CHAIN ANALYSIS IN NIGERIA WELCOME2AFRICA INTERNATIONAL

Nigeria records one of the lowest yields of wheat in the World and Sub-Saharan Africa, this situation can be easily attributed to the lack of essential infrastructures such as irrigation facilities. Wheat is a high water requirement crop during the growth stage hence interventions must prioritize farmer's access to water.

- Financial Inclusion

Input financing and access to capital is critical to unlocking the potentials in Agriculture crop sectors. The prevalent low yield is partly due to crude inputs used by farmers because of their inability to afford improved inputs (seeds, fertilizers). In order to optimize the wheat value chain, it is necessary to develop a framework that will promote financial inclusion to enable farmers access improved inputs.

**WHEAT VALUE CHAIN ANALYSIS IN NIGERIA  
WELCOME2AFRICA INTERNATIONAL**

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