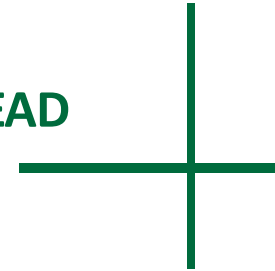




Solutions

Nigeria's Daily Staple under Pressure

HOW THE WHEAT PRICE SURGE IMPACTS BREAD
COSTS



2024

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Wheat is the third most widely consumed grain in Nigeria after Maize and Rice



The growing population, urbanisation, and changing dietary habits have contributed to the increased consumption of wheat products in Nigeria. Wheat is a staple food in Nigeria, and it is used to produce various food products such as bread, pasta, biscuits, and pastries.

**Nigeria produces 2%
of the wheat it
consumes**

Over 90 percent of the wheat supply in Nigeria is used to produce wheat flour, which is mostly used in making bread, pasta, and noodles staple foods in today's Nigeria.



**Nigeria's wheat production
is measly 60 tons, which is
a stark contrast to its
consumption of over 5
million tons.**

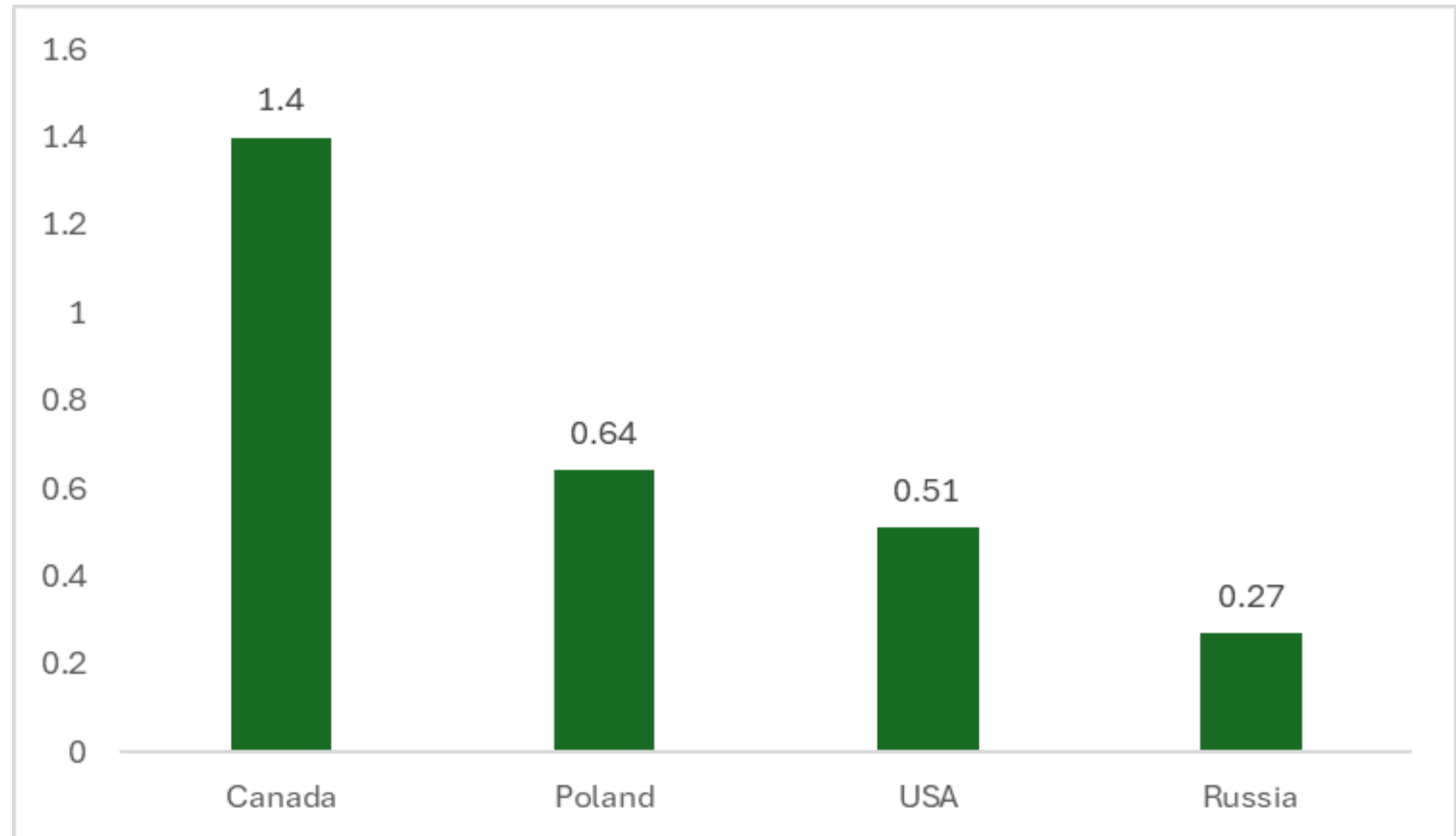
To meet the growing demand, Nigeria imports wheat primarily from countries like Russia, the United States, and Canada.



In the first half of 2023, Nigeria's wheat trade has seen some fascinating shifts. Nigeria's wheat imports have been essential in meeting domestic demand. With a growing population and changing dietary preferences.....

The country has had to look beyond its borders for high-quality wheat.

Nigeria imported 0.14 million tons of Wheat from Canada in July 2023, followed by Poland (64,365 tons), Russia (51,080 tons), and the United States (27,000 tons).





Nigeria currently spends about \$3.3 billion annually (5% of its entire import bill) on wheat importation to sustain this astronomical increase in consumption.

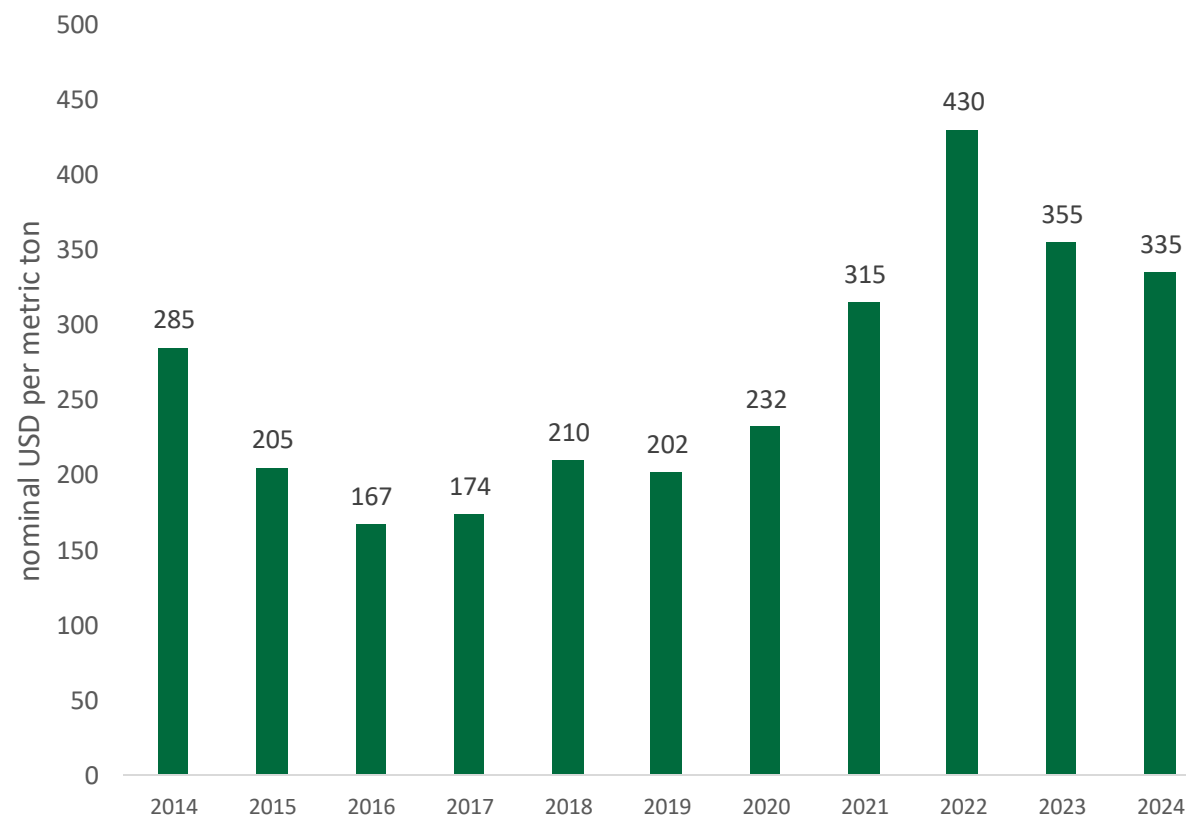
Wheat production in Nigeria is experiencing renewed attention from the government, the African Development Bank, and researchers.

The major challenge to local wheat production however is the preferences of Nigerian millers for imported wheat.

In the marketing year 2024-25, Nigeria is estimated to import around 4.7 million tonnes of wheat, which represents a slight increase from previous years despite efforts to boost local production

In May 2022, wheat prices reached a peak of approximately \$400 per metric ton, driven by war-related supply disruptions.

Price of wheat in nominal USD per metric ton (2014 – 2024)





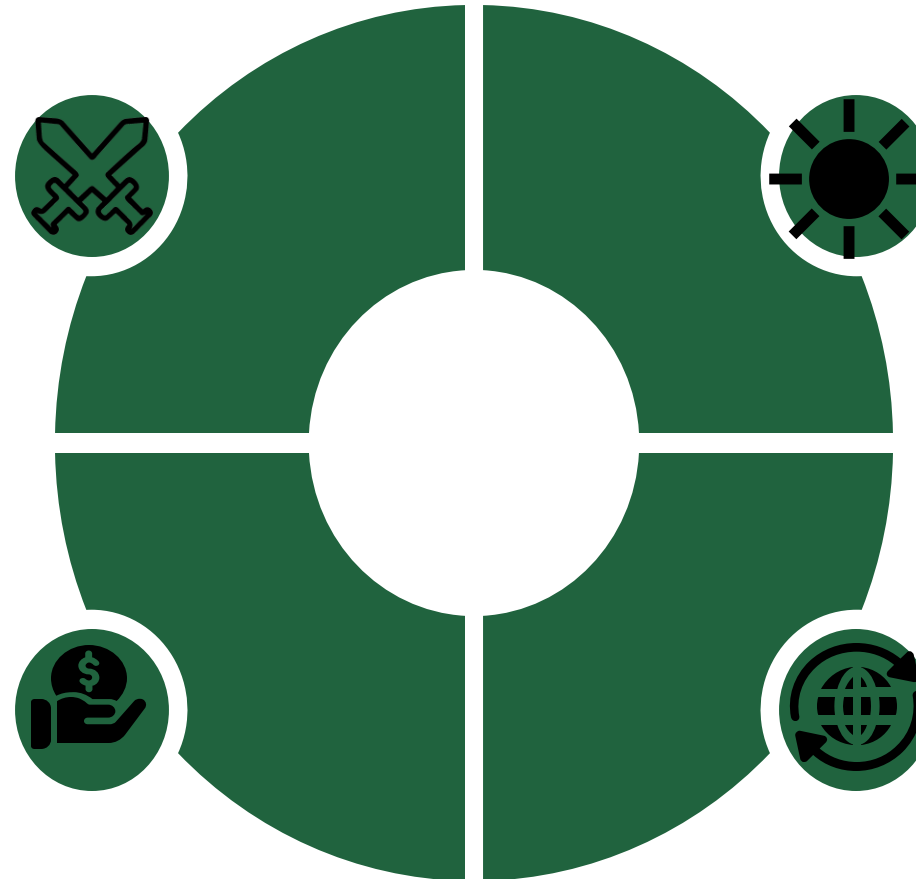
Factors Influencing Wheat Prices

Geopolitical Tensions

The ongoing Russia-Ukraine war has disrupted wheat exports from both countries, contributing to higher prices and causing supply shortages and uncertainty in global markets.

Exchange Rates

Currency fluctuations can have an impact on the cost of wheat for importers and exporters, affecting international trade and pricing



Weather Conditions

Adverse weather events, such as droughts and excessive rainfall, can significantly affect wheat yields and production. These weather-related challenges have led to price spikes in recent years

Logistics

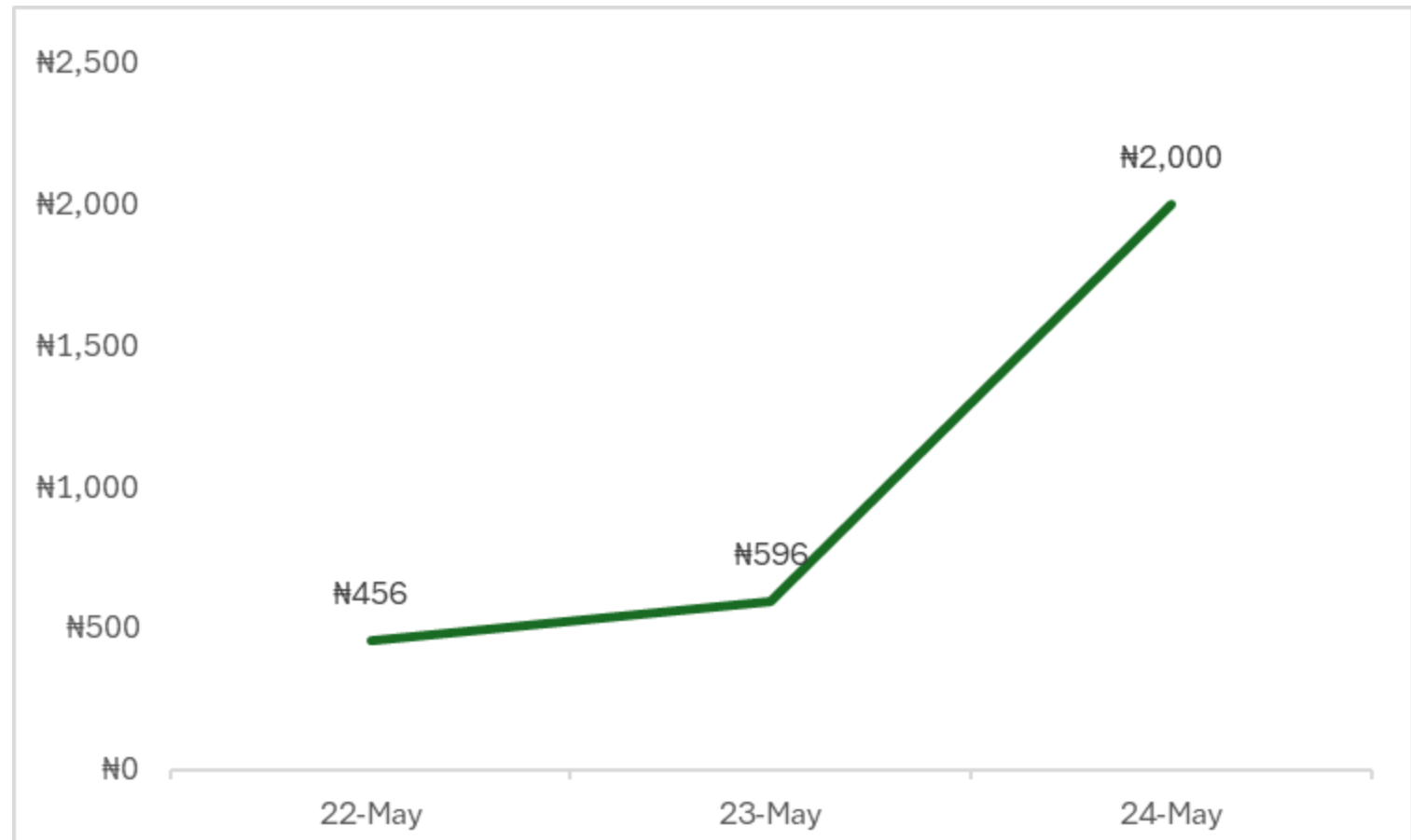
Transportation routes and infrastructure used for wheat exports were affected by the conflict, causing delays and increased transportation costs



The NBS data indicate that bread prices have risen by nearly 100% year-on-year

Implication of Wheat Price Fluctuation on Bread Industry in Nigeria

A piece of bread sold at Kubwa, Abuja, sold for N700 in May 2023 has had its price increased to N1,100 in May 2024, representing 58 percent increase. A piece of jumbo bread sold for N1,500 at Lagos stalls in 2023 are now sold for N2,500, indicating a 67% jump.





Food Inflation in Nigeria averaged 13.65 percent from 1996 until 2024, reaching an all-time high of 40.87 percent in June of 2024

The Russia-Ukraine war

Ukraine and Russia are two important wheat producers and exporters in the world, accounting for 12% and 17% of the world's wheat exports, respectively. The war affects both supply and demand dynamics and conversely the rise in the price of bread.

Nigeria's foreign exchange challenges

Many wheat importers are sourcing their foreign exchange, especially dollars from the parallel market – about 30-35 percent more than the official rate. Consequently, there is an increase in the price of wheat getting to the bakers and this in turn leads to bread price increment



Fuel subsidy removal

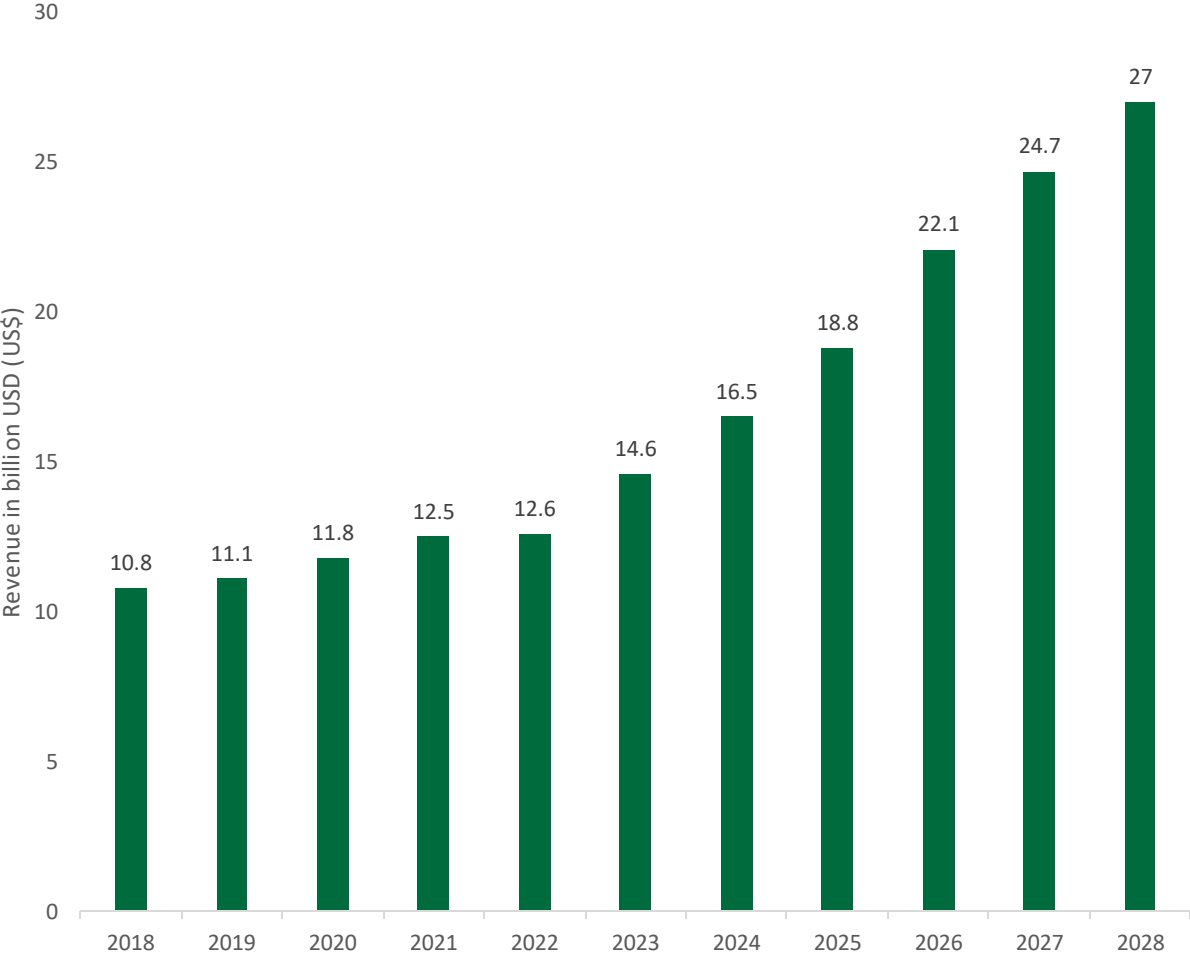
The removal in fuel subsidy saw the fuel price increase by over 177%. As a result, transportation fare across the country equally increased. This, coupled with the fact that some bakeries run on diesel and gasoline run engine led to a significant increase in bread cost per unit.

The devaluation of naira

The devaluation makes foreign products relatively more expensive for domestic consumers, thus discouraging imports. However, Nigeria rely heavily on wheat importation because the local wheat production is significantly below the needed wheat for bread production.

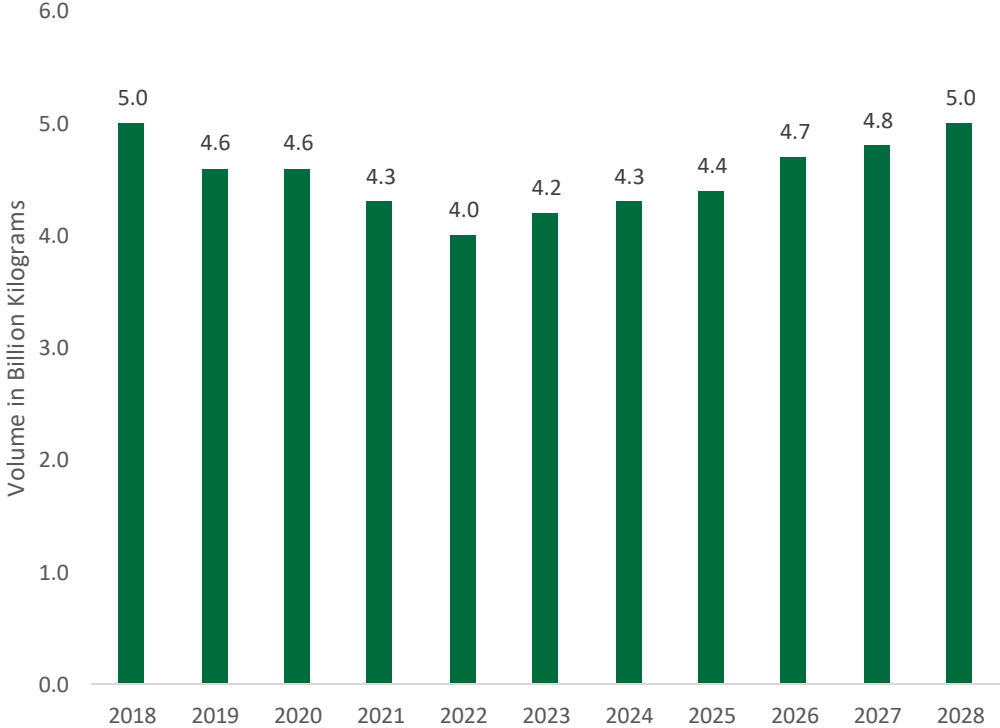
Revenue in the bread market amounts to US\$14.6bn in 2023. The market is expected to grow annually by 13.10% (CAGR 2023-2028).

Revenue of Bread in Billion USD (US\$)



Bread market volume in Nigeria is expected to amount to 5.0bn kg by 2028 and the market is expected to show a volume growth of 2.6% in 2024

Volume of Bread Consumed in Billion Kilograms





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