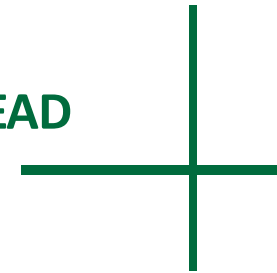




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# Nigeria's Daily Staple under Pressure

HOW THE WHEAT PRICE SURGE IMPACTS BREAD  
COSTS



2023

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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 mealy 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.

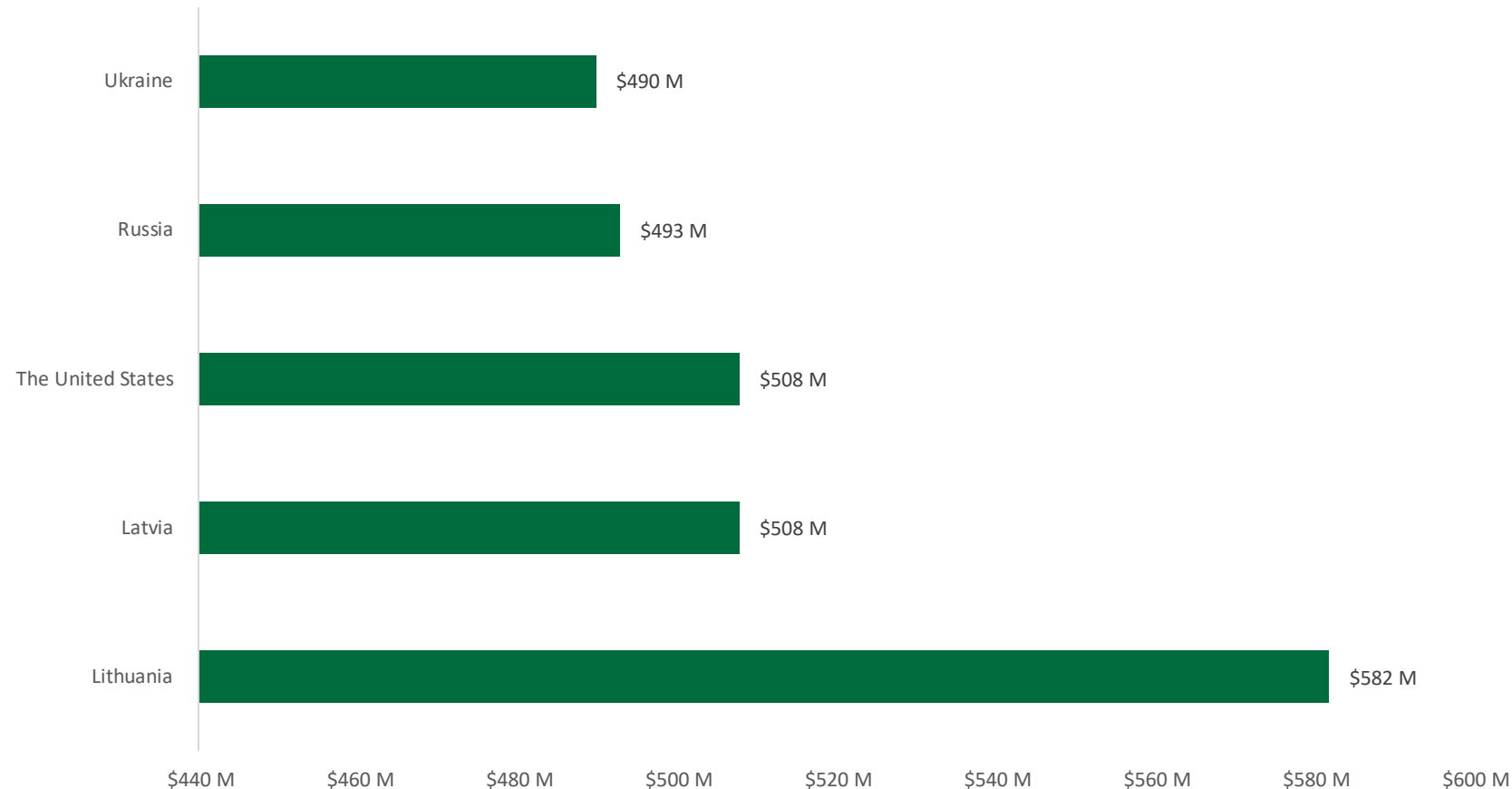


# Nigeria imported \$3.32 billion worth of wheat in 2021, becoming the world's second-largest importer.

**Nigeria's wheat consumption is projected to increase by 3.5 percent in 2022/23**

Wheat consumption in Nigeria has increased from 300,000 metric tons in 1970 to about six million metric tons as of 2021.

Nigeria 2021 Wheat Import by Country





## Nigeria currently spends about \$1.5 billion annually (5% of its entire import bill) on wheat importation to sustain this astronomical increase in consumption.

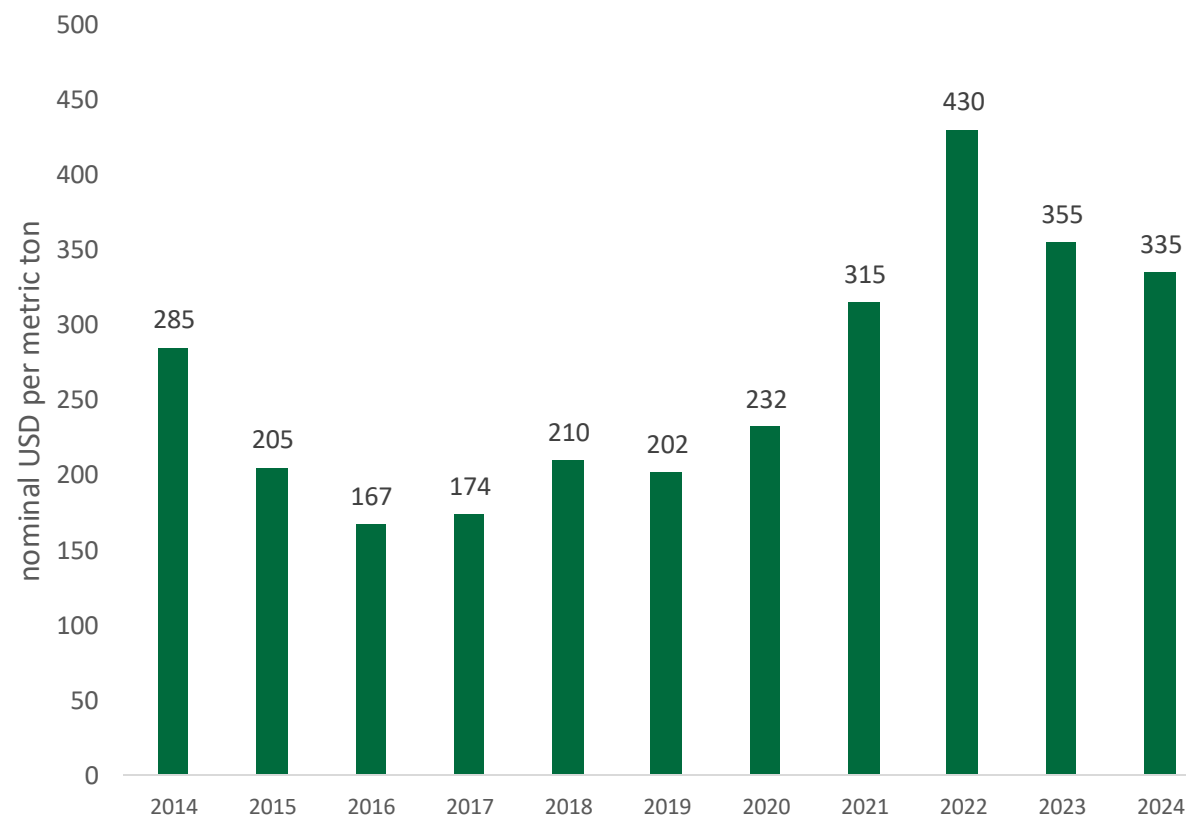
Wheat production in Nigeria is experiencing renewed attention from the government, the African Development Bank, and researchers.

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

The government focuses on reducing wheat imports by 50%. Consequently, the central bank is working closely with flour millers on backward integration projects to enhance wheat self-sufficiency.

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)





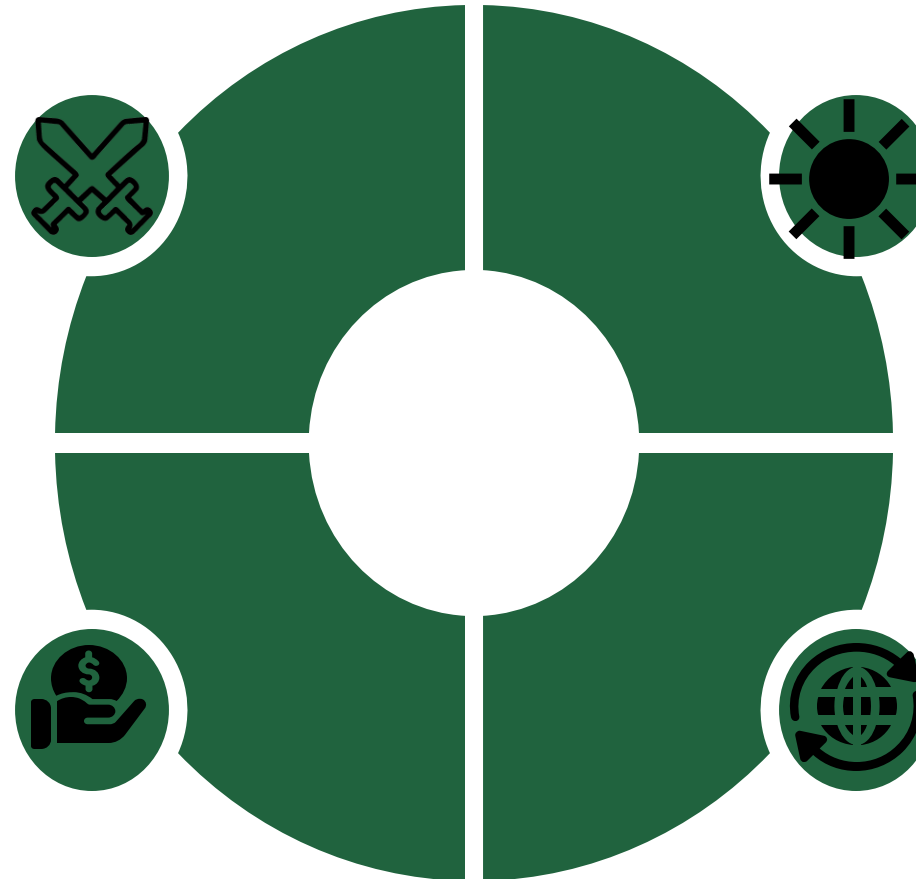
# Factors Influencing Wheat Prices

## 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

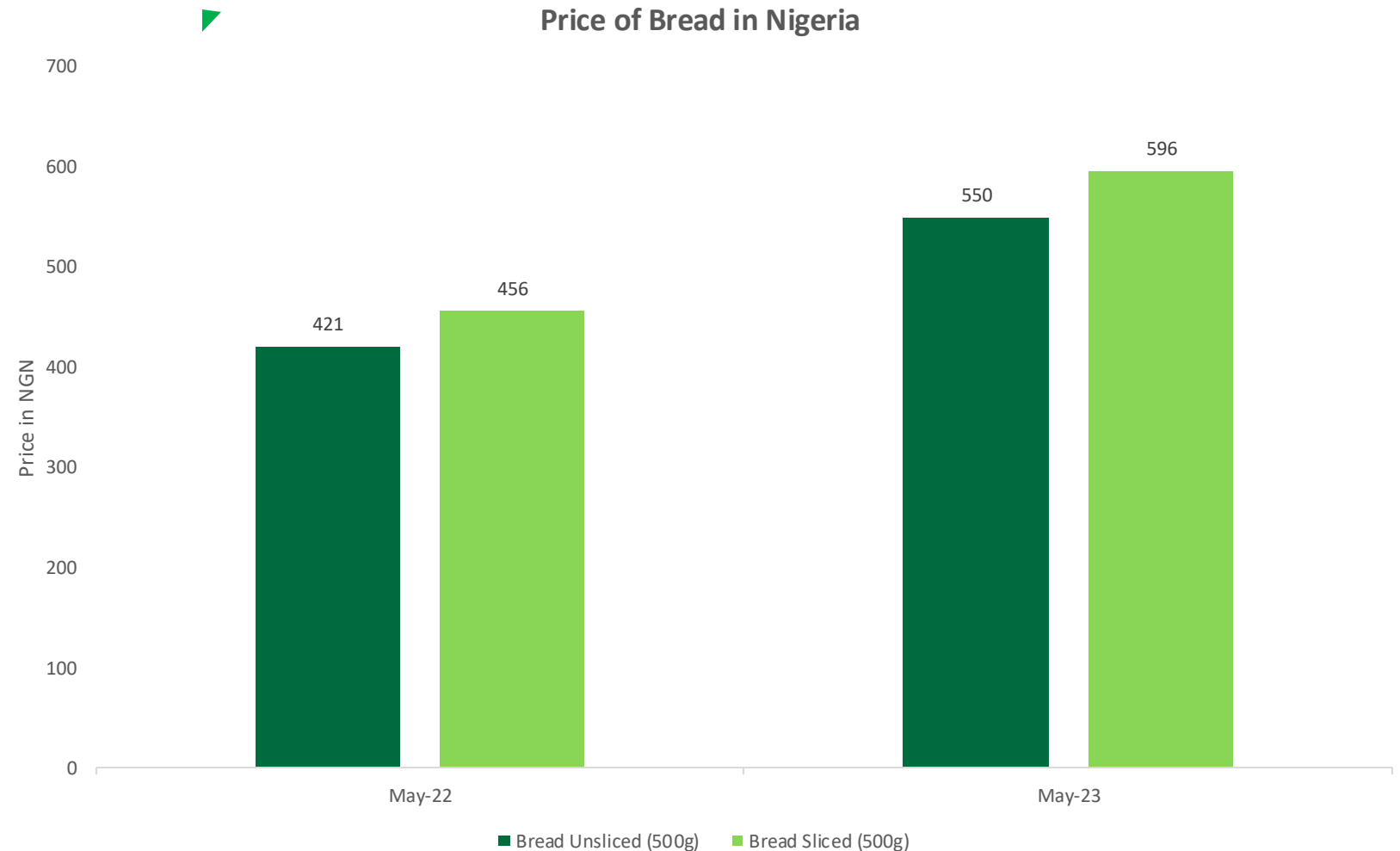


# The cost of bread escalated by 30.70% year-on-year, reaching N596.11 per loaf in May 2023

## Implication of Wheat Price Fluctuation on Bread Industry in Nigeria

The cost of 500g sliced bread escalated by 30.70% year-on-year, reaching NGN 596 per loaf in May 2023 compared to the NGN 456 in May 2022 .

The cost of 500g unsliced bread escalated by 30.64% year-on-year, reaching NGN 550 per loaf in May 2023 compared to the NGN 421 in May 2022 .





**The food inflation rate in December 2022 was 23.75% on a year-on-year basis, which was 6.38% higher than the rate recorded in December 2021 (17.37%),**

### 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

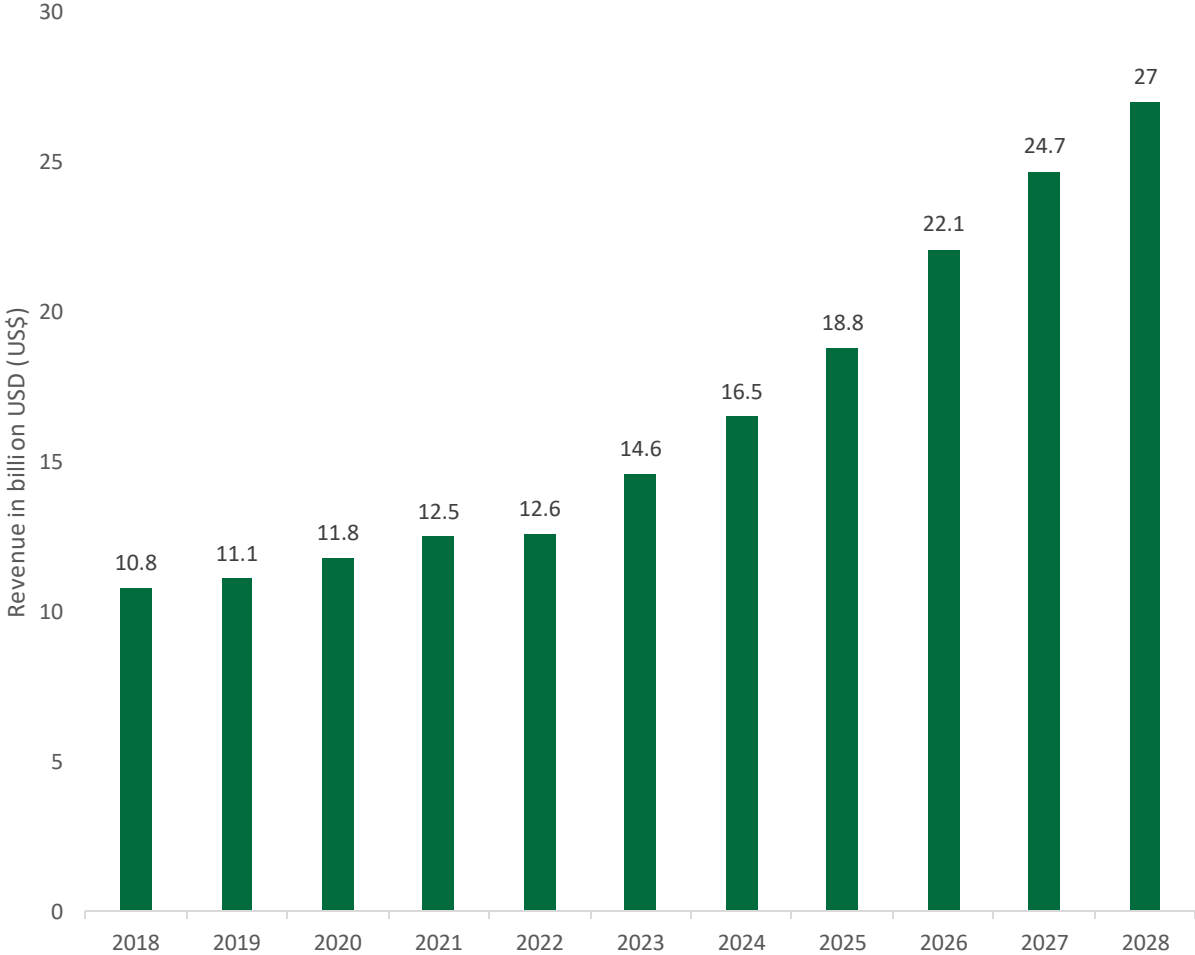
The removal in fuel subsidy saw the fuel price increase by over 177%. As a result, transportation fare across the country equally increased. This, coupled with the fact that some bakeries run on diesel and gasoline run engine led to a significant increase in bread cost per unit.

### 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.

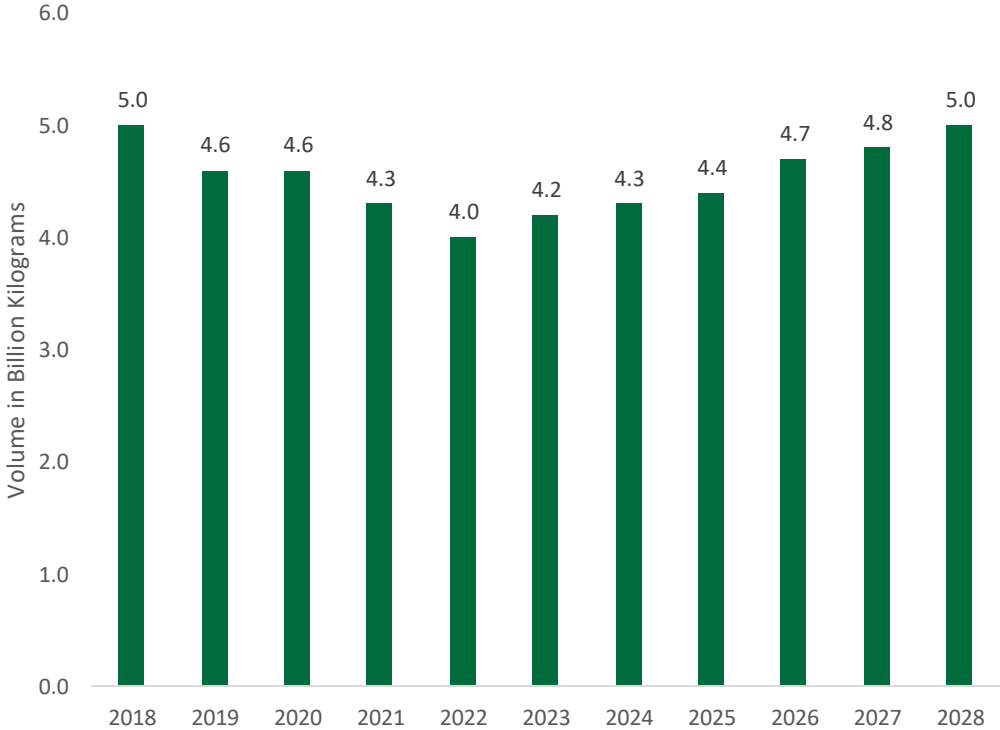
# Revenue in the bread market amounts to US\$14.6bn in 2023. The market is expected to grow annually by 13.10% (CAGR 2023-2028).

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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