

NATIONAL SUGAR POLICY



NATIONAL SUGAR DEVELOPMENT COUNCIL
Federal Ministry of Industry
Abuja

May 2003

INTRODUCTION:

Sugar is a strategic and essential commodity, which is an important food item that is also a critical raw material in food, beverage and pharmaceutical industries. Since Nigerian Sugar is derived from sugarcane, the potential of the by-product industry is enormous. The current consumption of sugar is in excess of 1 million tonnes. The two major integrated sugar plants at Bacita (Nigerian Sugar Company, (NISUCO) and Numan (Savannah Sugar Company SSCL) were respectively established in 1961 and 1977. They have a combined installed capacity of 105,000 tonnes/annum or about 10% of the country annual requirement. Production however has oscillated around 50,000 tonnes. Nigeria consequently produces slightly less than 5% of its annual requirement. Due to some rather complex factors the major existing companies at Bacita and Numan whose combined installed capacity was expected to climb to 165,000 after the expansion programme by 2002 could not fulfill these expectations. Besides Bacita and Numan, the other two sugar estates at Suntì and Lafiagi are mini works producing insignificant amounts of sugar.

The Nigerian Sugar sub-sector is largely underdeveloped with untapped resources and potentialities. The four existing sugar companies are government owned and they are characterized by low productivity occasioned by managerial, financial and infrastructural constraints among others. The abysmally low production by the existing sugar companies could only satisfy about 5 percent of the nation's requirement and the wide gap between sugar requirement and production is usually filled through massive importation of sugar with huge amount of foreign exchange. With the dwindling fortune of government resources, the existing sugar companies wallow in low capacity utilization due to lack of capital for both recurrent expenditure and new investment. This situation further deepens the fortunes of local sugar production since all the sugar companies are government owned and there is little or no private sector involvement in the sub-sector.

In order to accelerate sugar production therefore the National Sugar Development Council was established by Decree 88 [National Sugar Development Council Decree of 1993]. The NSDC gradually set the target of achieving the production of 70% of the country's sugar requirement by the year 2010.

From its inception and reflecting the Government's policy of direct participation and investment in the Sugar Industry, the NSDC has concentrated on implementing the following strategies.

- i. Expansion and Rehabilitation of NISUCO, Bacita and SSCL, Numan.
- ii. The establishment of 5 medium scale and many mini plants.
- iii. The organization of Sugarcane Outgrowers as adjunct to sugar mills
- iv. The establishment of Sugarcane Research Development and Training Centre.

Given the economic climate under which the Council has had to operate since inception it only recorded mixed successes with the above strategies namely in the establishment of several outgrower schemes and mini sugar plants across the country. It also played a catalyzing role in the commencement of development of a private 7000 TCD plant in Jigawa State, while formal consultation and project document have also been concluded on the Sugarcane Research, Development and Training Centre (SRDTC). With the new Federal Government's overall macro and micro economic re-orientation which emphasizes privatization and commercialization through divestment of government interests from all publicly owned companies (including sugar companies) it becomes imperative for NSDC to review the Sugar Policy Strategies in accordance with the law establishing the Council. The new socio-economic environment notwithstanding, self-sufficiency in sugar production still remains the primary objective of the sugar policy. This revised policy with modified strategies and targets are aimed at achieving this objective. The policy is consistent with global practices and it complies with regulations and guidelines of International Sugar Organization (ISO), General Agreement on Trade and Tariff (GATT) and World Trade Organization (WTO).

VISION STATEMENT:

NSDC is committed to making Nigeria a notable player in the global sugar trade through policies and strategies that will harness our abundant natural and material resources to ensure national self-sufficiency in sugar with surplus to export to earn foreign exchange.

MISSION STATEMENT:

The Council shall accelerate the development and growth of the local sugar industry in order to achieve a target of at least 70 percent self-sufficiency in national sugar requirement by the year 2010.

POLICY OVERVIEW:

- i. Re-structuring the Operations of the Existing Sugar Companies;
- ii. Promoting the Establishment of New Sugar Plants;
- iii. Organisation of an Effective and Functional Outgrowers Scheme;
- iv. Establishment and Promotion of Mini Sugar Plants;
- v. Establishment and Coordination of Sugar Training Research and Development Centre.

OBJECTIVES OF THE POLICY

The objectives of the policy shall be to:

- a. Progressively reduce the level of sugar importation by increasing local production so as to achieve 70 per cent self-sufficiency by the year 2010.
- b. Encourage greater private sector participation in the local production of sugar while at the same time reducing direct government involvement.
- c. Popularize sugar processing technologies in Nigeria to generate employment for skilled and unskilled labour;
- d. Develop the rural areas through the provision of infrastructures and the establishment of cottage industries.
- e. Provide an effective and efficient R&D support that will catalyze developments in the sugar sub-sector.

POLICY IMPLEMENTATION STRATEGIES

Policy Implementation Agency

The major strategy by which Government intends to achieve the objectives of the sugar sub-sector policy is the establishment of the National Sugar Development Council. The

National Sugar Development Council was subsequently established by Decree No. 88 of 1993.

It has a Governing Board Composed of representatives of the following bodies:

- i. Federal Ministry of Industry;
- ii. Federal Ministry of Agriculture and Rural Development;
- iii. Federal Ministry of Water Resources;
- iv. Sugar Producers;
- v. AFBTE of MAN;
- vi. Federal Ministry of Finance;
- vii. Nigeria Customs Services; and
- viii. The outgrowers' scheme.

The National Sugar Development Council shall have an Executive Secretary. The Chairman of the Board shall be nominated by the Ministry of Industry. Also, the Federal Ministry of Industry shall be the supervising Ministry.

Functions of the Council:

The Council is charged with responsibility for implementing the strategies:

- i. drawing up policy guidelines and action programmes on sugar development and providing guidance on the development of sugar estates and the organization of sugarcane outgrower schemes to enhance viability of sugar plants;
- ii. resuscitate existing sugar companies to produce at optimal capacity and promote private development of additional medium sized sugar processing plants at sites already identified;
- iii. assistance to the production of sugarcane through outgrower schemes which will sell their sugarcane to the existing and new sugar processing mills;
- iv. promotion of private development of mini sugar plants at locations where sugarcane is heavily grown by local farmers;
- v. establishment of Sugarcane Development and Training Centre that will coordinate the provision of improved and high-yielding sugarcane varieties and training of skilled manpower for the expanding sugar industry;
- vi. coordinating of and assistance in the provision of basic infrastructure such as irrigation water, road and electricity to various new sugarcane sites identified for

- development in collaboration with relevant ministries and agencies like Federal Ministry of Works, Federal Ministry of Power and Steel, Federal Ministry of Water Resources and Rural Development etc;
- vii. Advising Government on the rate of tariff to be charged on imported sugar based on improvement on local sugar production.
 - viii. Monitoring and certifying the exact quantities of sugar imported into the country at all the entry ports in collaboration with Standard Organisation of Nigeria (SON) and National Food and Drug Administration Control (NAFDAC).

Funding of the Council

The main source of revenue for the Council shall be a levy on the CIF value of imported sugar. This levy shall be 10% CIF of ALL imported sugar. In addition to the levy, appropriate tariff of not less than 40% shall be imposed on all imported sugar. The proceeds of the levy shall be domiciled in the Council's Account in designated banks for easy accessibility.

RESTRUCTURING THE OPERATIONS OF THE EXISTING SUGAR COMPANIES

Preamble:

The common phenomenon with the existing Sugar Companies has always been to combine sugarcane production with factory processing operations. This has contributed to inefficiency in management due to a number of complex factors. The integrated sugar works is therefore to give way to a more coordinated management framework in which the operations of the existing sugar estates shall be segmented into separate units with autonomous management.

Policy Statement:

The Council shall encourage the restructuring of operations and management of the existing sugar companies in order to enhance efficiency of both cane production and sugar processing.

Objectives:

The various objectives of the factory operations and management restructuring policy include:

1. Ensuring an efficient use of the available resources through division of labour (namely land for cane production, factory for processing and farm implements administration) in a mutually beneficial manner that will ensure a sustainable operation of each autonomous unit.
2. Generating employment opportunities for both skilled and unskilled manpower particularly in the cane production unit.
3. Reducing the management overhead expenditure and inefficiencies associated with integrated works.
4. Facilitating skill development through research development and training.

Strategies:

- i. Encourage the private investors in existing sugar businesses to consider the division into management units the operations of the sugar estates as follows:
 - Sugar Manufacturing Unit (solely for factory operations).
 - Cane Production Unit (solely for field production operations)
 - Machinery and Equipment Leasing Unit (to provide field mechanization services for cane producers).
- ii Provide a well coordinated support to the cane production unit in the form of technical/professional advice on the setting up of outgrower schemes.
- iii Provide training opportunities of technical and academic nature for research and development.
- iv Provide effective research support and training for efficient running of sugar processing units.

PROMOTING THE ESTABLISHMENT OF NEW SUGAR PLANTS

Preamble:

Investment in sugar production is capital intensive. This is more so for big integrated sugar works. Other activities that are required to be carried out before the project takes off like the production of detailed feasibility studies and infrastructural development etc also required a huge capital outlay. In addition to this, the long gestation period of investment in sugar also act as a disincentive to prospective investors. In order to attract new investment in the sugar sub sector therefore, there must be a concerted effort on the part of the Council to carry out some of these activities as an incentive to would be investors in line with the statutory functions of the Council. Moreover, sugarcane has been the only sugar crop promoted in the country. In view of the availability of other crops from which sugar may be cheaply obtained Council will encourage the diversification of the sugar industry.

Policy Statement:

The Council shall commit its financial resources to providing an enabling environment for active private sector participation and diversification of the sugar sub-sector.

Objectives:

The main policy objectives in promoting the Establishment of New Sugar Plants will be to:

- i. Reduce cost of investment in establishing sugar estates/factory by private entrepreneurs.
- ii. Encourage an increased private sector investment in the sugar sub-sector for an enhanced domestic production of sugar.
- iii. Increase employment opportunity at the rural areas for an improved standard of living and rural development
- iv. Encourage the manufacturing of sugar from sources other than sugarcane such as High Fructose Corn Syrup (HFCS) through diversification.

Strategies:

- i. In line with its statutory duty NSDC shall conduct full feasibility studies including Environmental Impact Assessment Studies (EIAS) for all proposed sugar projects sites across the country and offer this for a token to prospective investors.
- ii Council shall promote investment in the manufacturing of high Fructose Corn Syrup (HFCS) and other sweeteners as a means of diversifying sugar production and satisfying the industrial and domestics sugar needs of the country.
- ii. Council shall coordinate and assist in the provision of basic infrastructure such as irrigation facilities, road and electricity to various new sugarcane sites identified for development.
- iii. Council shall ensure and facilitate the delivery of appropriate incentive package as specified for the sugar sub-sector.

ORGANIZATION OF AN EFFECTIVE AND FUNCTIONAL OUTGROWER SCHEME

Preamble:

One of the reasons the existing sugar companies are inefficient is because farm operations are combined with factory processing activities. This is contrary to what is obtainable in countries with well-developed sugar sector. The agricultural operations are usually separated from manufacturing process. In the light of the current privatization programme, Council shall encourage all privately owned sugar companies to concentrate on sugarcane processing while it will encourage the supply of sugarcane raw material through the productive activities of outgrower farmers who will be organized into associations and cooperative group.

Policy Statement:

The Council shall be actively involved in the development of outgrower schemes around the existing and new sugar plants for the purposes of supplying sugarcane to these companies for processing. Also, outgrower schemes shall be organized for crops other than sugarcane as long as it is grown solely for sugar production e.g. maize for High Fructose Corn Syrup (HFCS) production.

Objectives:

- i. To reduce the companies' overhead expenditure associated with farm operations for sugarcane production.
- ii. As a further incentive to private sector participation in sugar production, to ensure adequate and timely production of raw material.
- iii. Enhance the factory processing efficiency and increased sugar output.
- iv. Provision of employment opportunities for rural communities.
- v. Ensuring an improved standard of living for farmers residing around the existing and proposed sugar plants through the enhancement of rural incomes.

- vi. Opening up the rural areas for better accessibility and rural development through the provision of basic infrastructure.

Strategies:

- i. Council will encourage and assist farmers living in and around the existing and proposed sugar plants to organize themselves into cooperatives or function within an existing Fadama Users Association (FUA) to benefit from the provisions of the Outgrower Scheme.
- ii. Council shall facilitate the provision of the needed infrastructure for sites of new sugar estate and also assist in the provision of initial seed cane of recommended varieties for a token from the established cane nurseries at designated locations.
- iii. Council shall also support the outgrower scheme with the provision of agro inputs, credits and research advice as may be required.

ESTABLISHMENT AND PROMOTION OF MINI SUGAR PLANTS

Preamble:

Many private investors are unable to actualize their investment motives because of the high capital outlay involved in establishing a large capacity sugar-processing factory. In view of this, NSDC focus shall be to encourage the establishment of mini sugar plants which can be effectively maintained by locally available engineering outfits through the provision of spare parts and support by the existing financial institutions designated for small scale industrial development funding such as Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), Bank of Industry (BOI) and other development banks. In addition the mini plants concepts falls in line with the government initiative in Small and Medium Scale Enterprise for which a coordinating agency (SMIDA) is being established.

Policy Statement:

Council shall encourage prospective private investors to establish mini sugar plants (with 30 – 100 TCD capacity), in locations where surveys show availability of adequate raw materials for the production of raw sugar to meet the requirement of the big refinery already commissioned by a private investor so as to reduce importation by half come 2005.

Objectives:

- i. To ensure an increased local production of sugar through the popularization of mini sugar plant technology.
- ii. To encourage the production of raw sugar to service the existing large sugar refinery in order to reduce importation of same to conserve foreign exchange expenditure.
- iii. Revive the nations engineering outfits particularly in the production of spare parts and fabrication of mini sugar plants and thereby help to generate more employment opportunities.

Strategies:

- i. Council shall intensify efforts on its enlightenment campaign through participation in local and International Trade Fairs in order to showcase available incentives in the sugar sub sector as a means of attracting private investment in local sugar production.
- ii. Council shall serve as link and facilitators between interested investors and the existing engineering outfits to fabricate the mini plants of the required capacity.
- iii. Council shall support the application of serious and committed private investors for loanable funds from the development finance institutions such as Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), Bank of Industry (BOI) etc.

ESTABLISHMENT AND COORDINATION OF SUGAR TRAINING, RESEARCH AND DEVELOPMENT CENTRE.

Preamble:

As statutorily required the Council is to establish, maintain and coordinate the activities of a functional Sugar Training Research and Development Centre. Suffice it to say that, no real industrial development can be achieved in this contemporary age without advancement in science and technology. Countries with advanced cane and sugar sectors have had to invest heavily in science and technology and have equally reaped bountifully from such investment. To that extent, NSDC shall adopt a proactive approach in the development of the sugar sub-sector in Nigeria.

Policy Statement:

National Sugar Development Council shall establish a full-fledged Sugar Training, Research and Development Centre (STRDC), which will serve the needs of the sector for both technological advancement, and human resource development through skill acquisition.

Objectives:

- i. To develop a pool of adaptable high yielding indigenous varieties of sugar cane to replace the existing poorly performing ones and supply suitable commercial clones for new sugar projects across the country.
- ii. To ensure the introduction of sustainable agronomic practices to both preserve and enhance the productivity of the available soil resources.
- iii. To ensure an effective pest and disease (including weed) management practices through an improved cultural, mechanical and chemical control measures, at least cost.
- iv. To facilitate the collection and analysis of wide range of data and information on sugar and sugarcane related matter for better planning purposes as well as improvement of production efficiency.

- v. To facilitate cane and sugar quality assessment and improvement through a concerted research effort that will set acceptable quality standards for both sugar and cane.
- vi. To enable Nigeria benefit from research efforts of similar outfits through collaboration and cooperation with countries with well established sugar sectors.
- vii. To ensure an effective human resource development for better performance of both skilled and semi skilled manpower of the sugar sector through periodic and continuous training.
- viii. To build comprehensive information center on all technical and policy issues relating to sugar for the use of scientists, instructors and trainees of the STRDC.
- ix. To set in motion mechanism for the formation of Sugar Technologists Association of Nigeria (STAN) with its attendant benefits.

Strategies:

In order to achieve the policy objectives, the following strategies shall be adopted:

- i. NSDC shall assist the center to initiate the importation of fuzz or clones of new varieties from regions of the world similar to Nigeria. Concrete germplasm importation agreement/ exchange shall also be encouraged with organizations from nations with developed Sugar Sectors namely: Barbados, Cuba, Mauritius, India, Mexico, South Africa, Brazil etc.
- ii. NSDC shall assist the center to develop and keep a comprehensive record of the total genetic pool of sugarcane available in the country.
- iii. NSDC shall in conjunction with other stakeholders such as the plant Quarantine Service, design a faster programme of variety inspection, quarantine and release. The Council shall also assist the STRDC to construct modern green houses for this purpose.
- iv. Council shall assist the STRDC to establish a Tissue Culture Laboratory which will facilitate the importation of in-vitro cultures of cane genetic materials and reduce the period of quarantine.
- v. Extensive studies will be commissioned by the Council on: the soils of existing sugar estates as well as proposed ones in order to determine the problem of micro-

- nutrients and the impacts of management practices in terms of erodibility, soil compaction etc.
- vi. Council will also fund surveys and studies to determine the effect of weather conditions on the effectiveness of pesticides and the examination of pest and disease population dynamics (including weeds), which result from the frequent use of particular chemical or pest/disease management strategy.
 - vii. Council will fund a comprehensive socio economic studies and survey of the Nigeria Sugar markets and its segments, the outcome of which will guide the intervention policies of Council to sugar investors.
 - viii. NSDC shall encourage the utilization of the By-Products of sugar for the production of Industrial Alcohol, Ceiling boards etc as a way of enhancing the competitiveness of the sugar subsector.
 - ix. NSDC will collaborate with existing quality regulatory bodies such as NAFDAC, SON etc to formulate and update existing guidelines so as to ensure compliance with acceptable quality standards for sugar in Nigeria.
 - x. The STRDC shall design a comprehensive technical and managerial training programme for both skilled and semi skilled manpower in the sugar industry and embark on effective training within available resources.
 - xi. NSDC shall ensure that a modern library that is well stocked with technical books and publications and fully computerized with access to the most current titles and periodicals is established at the STRDC.
 - xii. Council will facilitate the setting up of a professional lobby group that will foster the interest of the sugar sub-sector.

INCENTIVES FOR PRIVATE SECTOR PARTICIPATION.

Following the Government policy of making the private sector the prime mover in the industrial/manufacturing sector, this policy has been designed to actively engage the private sector in the sugar sector. To this end the policy comes with a package of incentives that will create an investment-friendly environment for the private investor. NSDC in concert with other appropriate organs of Government is to ensure compliance or delivery of these incentives to would-be investors. They include the following:

Tariff Protection

Government shall maintain such a tariff level on sugar that will ensure adequate protection for local sugar production. The Council shall advise Government from time to time on the appropriate level of tariff to be imposed on imported sugar.

Levy on Imports

All sugar (raw and refined) imported into the country shall attract 10% surcharge, to discourage dumping of cheap imports and develop and protect domestic industry.

Land Acquisition and Feasibility

Government shall make land readily available for the cultivation of sugarcane and for building sugar processing factories. The feasibility study for such sites shall also be conducted for a minimal fee for prospective investors.

Support to Outgrower Scheme.

All participants in the cane outgrower scheme around sugar estates shall receive support from the Council in the form of research advice and visits, inputs including cane seeds, agro-chemicals etc.

Infrastructure

In view of the capital-intensive nature of sugar production, and the long period required to recoup investments, the cost of infrastructural facilities including access, roads, boreholes,

powerlines and health-care facilities for new sites will be borne by Government. The Council will coordinate the provision of such facilities to new sugar estates.

Import Duty Exemption

Imported machinery, capital equipment and raw materials excluding sugar in any form, approved by the Council for sugar production shall attract a maximum of 2.5 import duty and VAT.

Tax Holiday

Sugar manufacturing plants will enjoy a tax holiday for a minimum period of ten years after commissioning.

Investment Guarantee

Nigeria being a signatory to the Multi-lateral Investment Guarantee Agreement shall ensure that in the event of socio-economic changes affecting foreign investments, the repatriation of imported capital shall be guaranteed.

Development Finance

Council shall provide a soft loan for sugarcane development at not more than 5.0 percent interest rate to boost the outgrower scheme.

Policy Consistency

To sustain the development of the sugar industry, Government shall ensure policy consistency so that investors may be assured of a conducive enabling environment, appropriate tariff to protect against dumping, favourable exchange rate, reliable power supply and adequate security to life and property.

**National Sugar Development Council,
Abuja
December, 2002**