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## **Five years' performances of three key players in the restart journey of the Nigeria sugarcane and sugar industry**

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### **Abstract**

Nigeria with suitable land and excellent edaphic environment for sugar cane production has not been lucky in the sugar business. Even with the potential to produce up to 30 million metric tons of sugar cane yielding 3.0 million metric tons of sugar from well over 800,000 ha of suitable land for sugar cane cultivation, this has not been attained. The country's sugar industry totally collapsed in the late 20<sup>th</sup> century and was privatized between 1999 and 2002. Consequently, a deliberate sugar policy known as the backward integration (BIP) stemmed from the Nigeria Sugar Master Plan (NSMP) was conceived by the government through the National Sugar Development Council (NSDC) in 2012 to stimulate investment in the sugar industry. The implementation of the BIP was deliberately assigned to the three major privately owned sugar refineries in the country namely Dangote, BUA and Golden Sugar Company to drive its implementation in full. The Dangote group tagged its plan "Sugar for Nigeria Project" under the BIP plan to produce 1.5 to 2.0 MT/PA refined sugar from locally grown sugar cane in 10 years across various sites. The BUA Group invested in large scale sugar cane production in the country to deepen local sugar production through the acquisition of the Lafiagi Sugar Company Ltd in Kwara State in 2008. However, full transfer to BUA was not done till 2014. The Sunti Golden Sugar Company also initiated a five-year development plan in order to be fully integrated in the BIP plan and hit self-sufficiency in commercial sugar production by 2023. This paper highlights the growth status and challenges faced by the three pioneer sugar companies mid-way in their participation in the BIP to take Nigeria to the status of a sugar producing country by 2023.

***Keywords: Nigeria sugar industry; Total collapse; Commercial sugar production; Sugar self-sufficiency; Three pioneer sugar companies***

### **Introduction**

Nigeria has been in the sugar business since the mid 1960 and 1970s with the establishment of the first sugar company - the Nigerian Sugar Company

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(NISUCO) in 1964/65 and the Savannah Sugar Company, Limited, Numan in 1975. The two main sugar companies even at their highest production could not attain their installed capacities till their total collapse in 1999 and early 2002 respectively. The National Sugar Development Council set up in 1993 to stimulate local sugar production could not find its feet until in 2012 when it committed the federal Government to approve the Nigerian Sugar Master Plan (NSMP) to chart a roadmap for sugar development NSMP (2012). With the NSMP, a deliberate policy called Backward Integration Policy (BIP) was created to lure investors in the sugar business with a lot of incentives and waivers provided (Busari, 2017).

The BIP plan was started with the three major Sugar companies in Nigeria, namely, Dangote Group, the BUA Sugar Company Limited Lafiagi and the Sunti Golden Sugar Company, Sunti. The three key players in the restart journey by Nigeria in the sugar sector of the economy went to the field in 2014 and have made some strides in their quest to bring the country out of its sorry state in meeting domestic sugar production. The Dangote Group acquired the Savannah Sugar Company Ltd. Numan, while the Flour Mills Nigeria (FMN) group acquired the Sunti Sugar Company, Sunti and the BUA Group acquired the Lafiagi Sugar Company, Lafiagi. Of the three companies participating in the BIP, the Dangote Group has been the most advantageous in terms of established infrastructure for sugar cane and sugar production. However, the FMN group which owns the Sunti Golden Sugar Company has been the most determined in setting up needed infrastructure for sugar production. Having been deliberately set up and commissioned by the Federal Government, the NSDC has mechanisms to monitor their progress in order to identify non-compliance or otherwise in the execution of the sugar roadmap. Thus, at midway in their participation in the rescue operation for Nigeria in the sugar sector, the NSDC at

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a Sensitization Workshop in 2017 brought the three main players together to report where they were. As partners in the sugar business providing technical support and solutions, we have followed and reported here what the three sugar companies have done in the past five years to put Nigeria on the world map of sugar producers by 2023.

### **Participation in the backward integration policy by three sugar companies in a rebirth mission to attain sugar self-sufficiency:**

#### **Nigeria's installed refining capacity by three major refineries:**

The three major refineries participating in the Sugar roadmap with their installed capacities are as follows:

The Dangote Sugar Refinery was set up in 1999 with 1.44 million tons installed refining capacity. The BUA Sugar Refinery was set up in 2009 with 750,000 tons installed refining capacity and. The Golden Sugar Company was set up in 2012 also with 750,000 tons installed refining capacity thus giving a total for the country of 2.940 million tons. The above three sugar companies were deliberately chosen by the NSDC to be lead participants in the BIP of the NSMP or sugar roadmap having been operational in sugar business in Nigeria before the total collapse of the sugar industry. The proceeding section has update about their performances in the last 4-4.5 years in the BIP.

#### **Efforts made by Dangote group:**

The Dangote Group keyed into the Nigerian Sugar Master Plan (NSMP), introduced in 2012, as the roadmap to national sugar sufficiency with the determination to produce 1.7 million MT sugar by 2020 from locally grown sugar cane and to create job opportunities, to produce ethanol and generate electricity. The group also aimed to discourage importation of raw and cube or packed sugar and to encourage maximum participation by tax holidays while

doing business according to the BIP plan. It embarked on its own sugar backward integrated policy investments as illustrated in the proceeding section.

### **Dangote Sugar backward integrated policy investments:**

The Dangote sugar group embarked on five large sugar factories where 108,000 ha of land is under cultivation, aimed to produce 1.08 million of refined sugar from locally grown sugar cane per annum with the production cost at around 16 USc/lb and production of 130 million liters of ethanol potential across all the five sites. The five factories will also produce animal feeds and surplus power generation capacity which are to be sourced from cane fiber. The five sites will generate over 75,000 jobs. At present Savannah Sugar Company (SSC) acquired by DIL in 2002, is the only company producing sugar in Nigeria, with over 4,500 employees. This is, however, quite inadequate as its acquired estate has all the needed infrastructure for sugar cane and sugar production.

### **Challenges and opportunities:**

In spite of the huge investments in the BIP by Dangote Industry Limited (DIL), key challenges of land acquisition, changes in government and demands by host communities have stalled the rapid stride that could have been taken by DIL in the execution of the sugar self-sufficiency by 2020 for Nigeria. The DIL has, however, strategized in a revised 6 year phase 1 as shown in Table 1 and phase 2 involving two states of the country as shown in Table 2. The various stages of negotiation, approvals and progress made in the company's BIP are as indicated in Tables 1 and 2.

**Table 1. Dangote Revised Sugar Master Plan, Phase 1: Year 1- Year 6**

Site	Type of development	Hectarage	Refined sugar MT	State
Savannah	Rehabilitate and expand	16,600	166,000	Adamawa
Guyuk	Greenfield	6,400	64,000	Adamawa
Lau/Tau	Greenfield	25,000	250,000	Taraba
Tunga Nasarawa	Greenfield	60,000	600,000	

**Table 2. Dangote Revised Sugar Master Plan, Phase 2 involving two States of Nigeria.**

Niger State Sugar Project	Kwara State Sugar Project
Signed MoU for 16,000ha land	Site evaluation and technical analysis underway
Commercial negotiation ongoing	Site approval obtained
Concluded development timetable	Soil and topographical surveys concluded
Commenced site evaluation and technical design work	Land acquisition being finalized
Environmental and social impact assessment in progress	

### **Strides by BUA BIP perspective 2017 - 2023**

As a response to Nigeria’s Backward Integration Policy in the Sugar Industry, the BUA Group invested on large scale within the country to deepen local sugar production through the acquisition of the Lafiagi Sugar Company Ltd in Kwara State in 2008. However, full transfer to BUA was not done till 2014.

For now the entire area has been planned to have the cane. Thus plantations, the factory/milling area, housing estate, the irrigation canals, natural

water area, airstrip building and runway and some satellite villages within the estate have been completed at BUA, Lafiagi as shown in the revised action plan 2017-203 (Fig. 1) .

The four key areas the company has set as targets for achieving its goals are depicted in Fig .2. As shown, the company's total land availability is over 20,000ha while the total cultivable land is 17,500 ha. The BUA group also has expected land area for out grower scheme of 5,000 ha. The company hopes for additional land of 12,000ha to be sourced for further expansion.

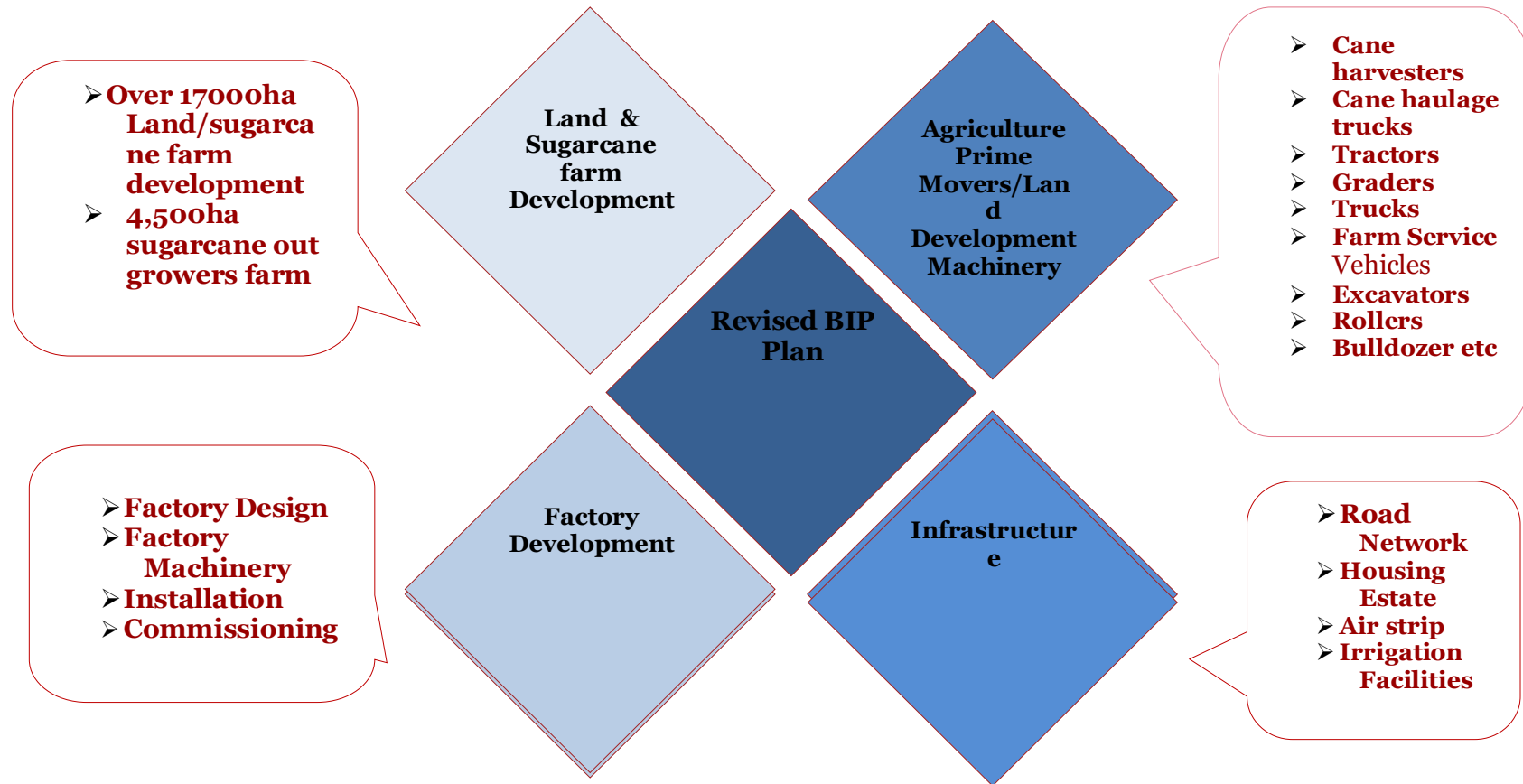
The company has an Integrated Plant- Mill, Refinery, Ethanol and Power with a Mill construction of 10,000 tcd capacity.

**Essential requirements for good refining operations** Essential requirements for good refining operations of a sugar industry are adequate quality water supply; quality steam supply; preventive and corrective maintenance of equipment; adequate power supply, good materials, warehouse and logistics management system which have been provided at LASUCO Lafiagi. A feasibility study for the company was done by BIP Technical Consultants, Messr Booker Tate, UK. All the highlights of the feasibility report planned to have the cane, the sugar cane plantations, the factory/milling area, housing estate, the irrigation canals, natural water area, airstrip building and runway and some satellite villages within the estate have been developed.

The total land availability is over 20,000 ha with total cultivatable land of 17,5000 ha (Fig. 2), where the entire area housing the company is as shown in **Fig . 3.**

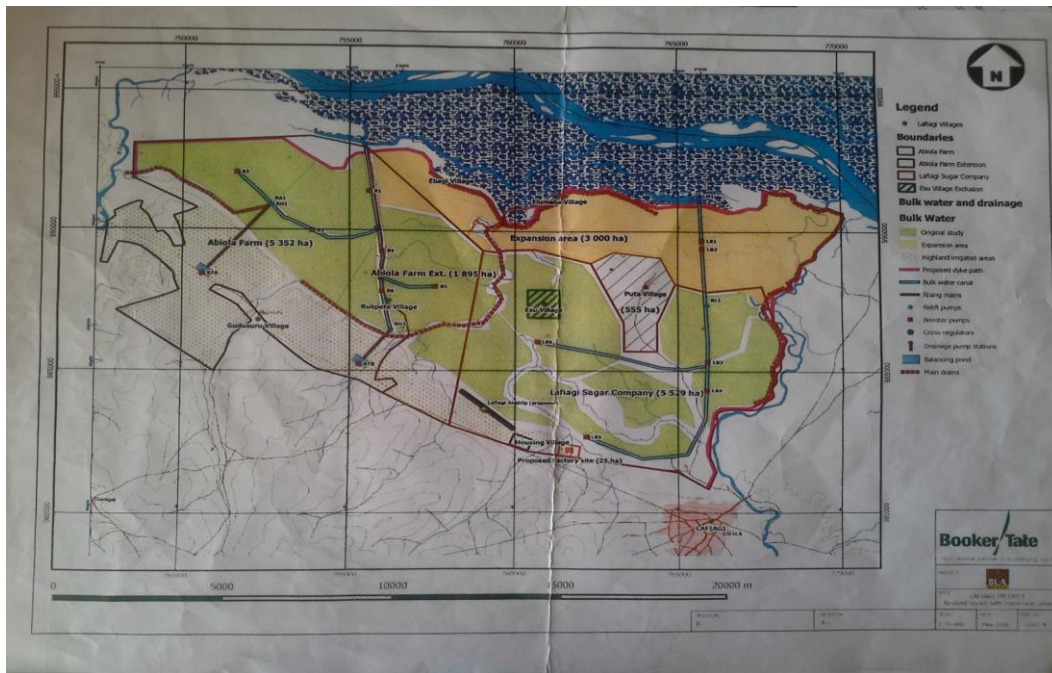
Area of focus	Action plan	Year						
		2017	2018	2019	2020	2021	2022	2023
<b>Tasks</b>								
<b>Field/Nursery Development</b>	<i>Land/Sugar Cane Field Expansion</i>							
	<i>Acquisition of Additional Agricultural/Construction Equipment</i>							
	<i>Finalization of factory/irrigation design</i>							
<b>Agricultural /Infrastructure/Factory Development</b>	<i>16000 ha sugarcane field development/Planting</i>							
	<i>4500 ha sugarcane out growers field development/planting</i>							
	<i>Construction of roads and irrigation canals</i>							
	<i>Construction of housing estate and other infrastructure</i>							
	<i>Acquisition of Factory Machinery/Equipment and Commencement of Factory Civil works .</i>							
<b>Factory Installation /Commissioning</b>	<i>Factory Installation and Commissioning</i>							

**Fig. 1. Action Plan of BUA Revised BIP Perspective: 2017 -2023**



**Fig. 2 Four focused areas of the BUA Revised BIP Plan**





**Fig.3. Map of BUA Sugar Company, Lafiagi showing the entire area for plantation, factory and other infrastructure development.**

**Out grower scheme :**

The expected land area for out grower scheme at Lafiagi is 5,000 ha, while additional land to be sourced for further expansion is 12,000 ha.

**Factory sites :**

These are made up of an Integrated Plant for the Mill, Refinery, Ethanol and Power: A mill construction of 10,000 tcd capacity is ongoing (Plate 1). The Front End Engineering Design (FEED) arising from the study is completed and submitted. The BIP plan implementation had kick started with the development of 500 ha nursery. In May 2016 the sugar cane nursery planting programme has started. The seed canes were sourced through the National Sugar Development Council from the Oyo State Sugar cane Farmers Association in Isheyin, Oyo State.



**Plate.1. Construction work at BUA LASUCO Company, Lafiagi, Nigeria**

The nursery planting programme (Plate 2) lasted for over 3 months with over 500 seasonal workers participating and a total of 345 ha was planted during the exercise (*Yaro., 2017*)

**The next phase of the plan focuses on sugar cane field expansion :**

In November, 2016, land preparation for 5000 ha sugar cane field expansion had kicked off (Plate 2). As part of the plan, additional heavy duty machinery for land development were acquired. By April, 2017, a total of 2,650 ha had been cleared, while a total of 1,650ha was fully developed, harvested, ploughed, harrowed and planted.



**Plate 2: 2017 land preparation in progress at LASUCO, Lafiagi**

**Seed cane nursery development at LASUCO, Lafiagi**

Plates 3 & 4 show some aspect of seed cane development at LASUCO, Lafiagi.



**Plate 3. Cross section of seed cane nursery at LASUCO, Lafiagi, 2017**



**Plate 4. Cross section of seed cane nursery at LASUCO, Lafiagi, 2017**

Another critical aspect of LASUCO's BIP plan is infrastructure development. Thus, in January 2017, City International Dimensions Construction Nigeria Limited was awarded the contract for the construction of key infrastructure for the sugar plantation. This comprised the road network;

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irrigation canals/pump stations and dyke for flood control. The project is for the duration of 18 months.

Road construction is divided into 4 categories (A B C & D). The class A road goes alongside the major irrigation canals. The road network will connect about 15 village/communities. Thus, areas already completed are feeling the impact (*Yaro, 2017*). Drainage channels are being constructed along the road and design for irrigation canals and adrainage channels are also in progress.

This aspect of infrastructure project has already generated employment for over 500 people. The construction of housing units is another key deliverable and it has commenced and 200 units are to be constructed and divided into 4 camps. The camps are located close to major villages. Healthcare and educational facilities are to be constructed alongside the camps (*Yaro, 2017*).

The housing construction project has already engaged over 500 direct and indirect labour and local businesses are already being boosted with these projects. The first set of housing units was delivered at the end of 2017 with 36 flats (*Yaro, 2017*).

The design of the 20 km long irrigation canals is being finalized. The canals with pump stations are to enable the lifting of water from River Niger into the sugar estate. In this respect the company has engaged NETAFIM which is a major supplier of irrigation solutions for agriculture to design 4,000 ha of drip irrigation system for the estate. Acquisition of MWI Pumps for mini irrigation work has also been carried out (*Yaro. 2017*).

### **Challenges and opportunities**

The LASUCO, Lafiagi sugar faces similar challenges like the other two players in restart journey of the Nigerian dsugar cane and sugar industry, but it has got some opportunities unlike the other two.

The challenges LASUCO faces include lack of skilled manpower, challenges in synchronizing huge projects and activities that face the juvenile sugar industry; shortage in financing the projects. Others include gap in choosing the right technology. community Issues where the youths of the community that is yet to release land for the project went on violent protests and properties belonging to the Traditional ruler and some individuals were destroyed and the perceived supporters of the sugar project from their community were attacked (*Yaro, 2017*) In the crisis week, part of the plantation was set on fire late at night by unknown persons and it was the timely intervention of the staff and well-wishers in Lafiagi that saved the entire nursery from being gutted by fire.

The company, however, has some opportunities such as availability of huge human and natural resource, suitable climate and irrigable land, conducive political will and policy climate unlike obtains at Savannah, Numan. This will enable 1000, 000 citizens to be engaged in the project by the end of 2023.

### **Progress by Sunti Golden Sugar Company (SGSC):**

Sunti Golden Sugar Estate is situated on the banks of the Niger River near Mokwa in Niger state (Plate 5).

At Sunti 2,000 ha have been cultivated with sugar cane using pivot, sprinkler and furrow irrigation. There is also continuous development of the area under cane to satisfy current mill capacity.

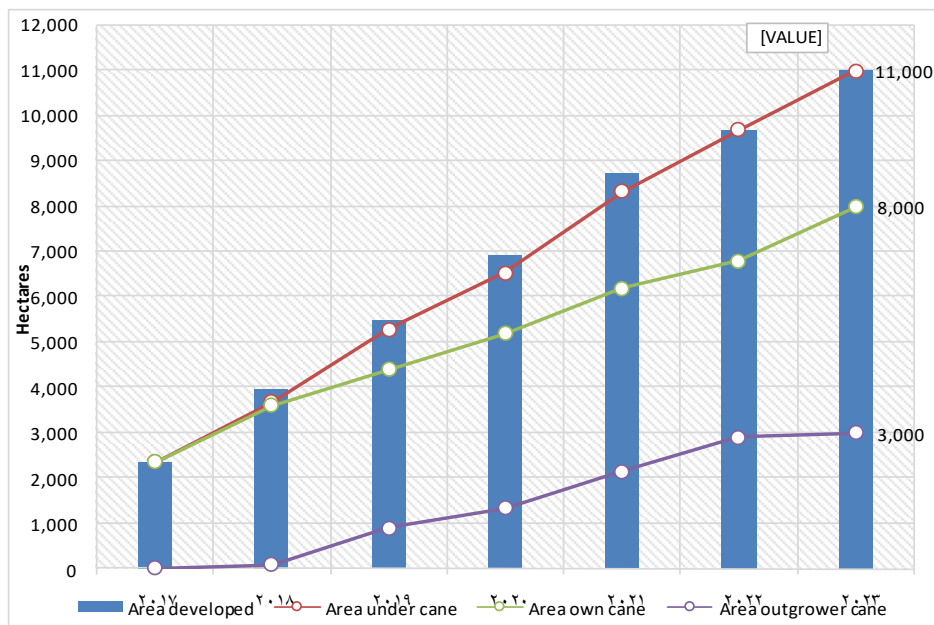
The Flour Mills of Nigeria (FMN) group constructed and commissioned a sugar mill in April 2016 with a capacity to crush 3,000 tons of cane per day, thus producing 60,000 tons of sugar in a season.



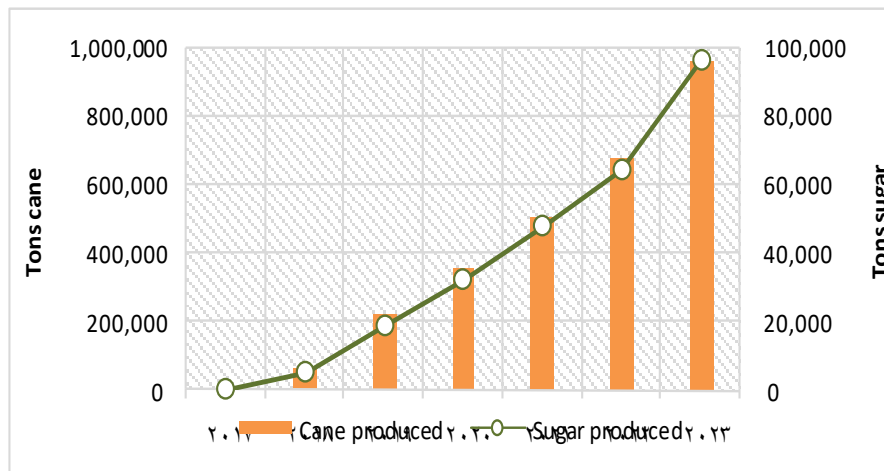
**Plate 5. Site of Sunti Golden Sugar Company, Sunti, (Anon, 2017) .**

A five year development plan depicted in **Fig. 4a&b** shows the ambitious strides SGCS has taken under the BIP to achieve increased sugar cane and sugar production between 2017 and 2023 (*Anon, 2017*).

**a)**



b)



**Fig. 4 . Golden Sugar Company’s 5 year development plan:( Anon,17)  
a).Projected sugar cane production in five years,and b). Projected sugar  
production in five years**

### **Corporate Social Responsibility Initiatives CRSI) :**

The FMN group is aware of its CSR and has provided work and career opportunities to the host community and the general staff. The Company has also provided road infrastructure, clean water, school building and educational support for staff and the immediate host community.

During the past four years of the BIP, the company has worked on flood protection, developed the out grower scheme (plate 6 ) and provided sports and social events in the Estate environment.





**Plate 6. Cross section of out grower plantation at BUA, Lafiagi, (Yaro 2017).  
Challenges faced**

There has been challenges from flooding of cane fields (plate7) , i.e. , lack of available suitable land to develop; drawn-out and expensive procedure to acquire land; unresolved land disputes and lack of infrastructure thus impacting inbound and outbound logistics. There also exists the challenge from unsupportive/opportunistic local communities, i.e. , lack of available skilled staff, foreign exchange unavailability to import equipment, challenges to import critical equipment and spare parts forcing higher than required stock levels. There also exist the challenge of available quality maintenance spare parts in Nigeria and the in-smuggling of sugar in 50 kg bags as well as smuggling of St. Louis cube sugar.



**Plate 7. Flood prone areas earmarked for drainage channels at Golden Sugar Company, Sunti ( Anon- 2017).**

**Conclusion**

It is clear that the three pioneer sugar companies picked by the NSDC in the BIP have made tremendous strides in their quest to meet Nigeria's sugar self-

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sufficiency by 2023. While LASUCO and SGSC have engaged in infrastructure, social responsibility initiatives and rapid seed cane development, the Dangote Group which has several advantages over the two has moved at a very slow pace.

After about half way into the implementation of the NSMP using the BIP by the three core sugar investors, it is obvious that revising of the guidelines used by the BIP for better performance evaluation and raw sugar quota administration are necessary.

Mechanisms and political will should be provided by government to enforce strict administration of sanctions for the NSMP infractions. At present, it is observed that one of the major stakeholders in the BIP is not observing the NSMP strictly as evidenced by the low turnover of sugar produced by it of a paltry 166,000 mt.

Thus, the LASUCO, Lafiagi and SGSC, Sunti are taking the right steps to get Nigeria out of her present import dependent status in a very near future to a self-sufficient nation hopefully as from 2025.

### **Acknowledgement**

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## الملخص العربي

# تحسين أداء وإعادة تشغيل صناعة السكر خلال خمس سنوات لثلاثة عوامل أساسيين في نيجيريا

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نيجيريا مع الأراضي المناسبة والبيئة ممتازة Edaphic لإنتاج قصب السكر لم يحالفها الحظ في مجال السكر وحتى مع إمكانية إنتاج ما يصل إلى 30 مليون طن متري من قصب السكر، فإن إنتاج 3.0 مليون طن متري من السكر من أكثر من 800000 هكتار من الأراضي المناسبة لزراعة قصب السكر وهذا لم يتحقق. كذلك انهارت صناعة السكر في البلاد تمامًا في أواخر القرن العشرين وتمت خصصتها بين عامي 1999 و 2002. ونتيجة لذلك ، نشأت سياسة السكر المعروفة باسم التكامل الخلفي (BIP) من الخطة الرئيسية للسكر في نيجيريا (NSMP) التي وضعتها الحكومة من خلال المجلس الوطني لتطوير السكر (NSDC) في عام 2012 لتحفيز الاستثمار في صناعة السكر. تم تعيين تنفيذ BIP بشكل متعمد إلى مصافي السكر الثلاث الرئيسية الخاصة في البلاد وهي Dangote وBUA وشركة Golden Sugar لتنفيذ عملية التنفيذ بالكامل ووضعت مجموعة Dangote خطتها "مشروع السكر من اجل نيجيريا "في إطار خطة BIP لإنتاج 1.5 إلى 2.0 MT / PA من السكر المكرر من قصب السكر المزروع محليًا في 10 مواقع مختلفة. استثمرت مجموعة BUA في إنتاج قصب السكر على نطاق واسع في البلاد لتعميق إنتاج السكر المحلي من خلال الاستحواذ على شركة Lafiagi للسكر المحدودة في ولاية Kwara في عام 2008. ومع ذلك ، لم يتم النقل الكامل إلى BUA حتى عام 2014 وكذلك فان شركة سينتي الذهبية للسكر بدأت خطة تطويرية لمدة خمس سنوات من أجل دمجها الكامل في خطة BIP وضرب الاكتفاء الذاتي في إنتاج السكر التجاري بحلول عام 2023 لذا تسلط هذه الورقة الضوء على حالة النمو والتحديات التي تواجهها شركات السكر الثلاث الرائدة في منتصف مشاركتها في BIP لنقل نيجيريا إلى وضع بلد منتج للسكر بحلول عام 2023.