

Expanding Nigeria's Agribusiness A Proposal for the Incoming Administration

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The incoming federal administration in Nigeria (2015) has indicated that agriculture would be one of its major engines for economic development. This Policy Brief argues that the current leadership at the Federal Ministry of Agriculture and Rural Development has created a foundation for the development of Nigeria's agriculture. This document presents twenty actionable points for consideration in creating an agriculture policy focused on wealth and job creation.

ISSUE STATEMENT

What should be the agenda for developing Nigeria's agricultural sector?

This Policy Brief examines the challenges with agribusiness in Nigeria; presents the key elements of the current agricultural policy, and the top twenty (20) actionable items the incoming administration should focus on.

CHALLENGES WITH AGRIBUSINESS

Nigeria's agricultural sector faces two main challenges: lack of competitiveness with global production systems, and low diversification of output. These challenges are amplified by a number of structural and institutional factors including:

- Lack of access to low interest finance
- Lack of access to land titles and ownership of agricultural investments
- Lack of access to equitable market opportunities for both producers and processors of agricultural goods
- High rate of post-harvest losses
- Poor extension services for improved farming methods and agribusiness practices
- High exposure to shocks and stresses from conflicts and climate change
- Low access to quality seeds and fertiliser
- Cheaper imported food products
- Poor access to modern equipment and mechanization services
- Inadequate attention to the needs of women and youth who work in the sector and who make up more than half of its workforce

Issue Statement: What should be the agenda for developing Nigeria's agricultural sector?

Challenges: Nigeria has both structural and institutional challenges with its agricultural sector including access to finance, land title, markets, post-harvest issues, etc.

Nigeria Agricultural Policy: The policy is built on five pillars:

1. Value chain approach
2. Growth Enhancement Support Scheme
3. Staple Crop Processing Zones
4. Marketing Corporations
5. Access to Finance

Change Agenda: The new administration can build its change agenda for agriculture on a foundation that has been erected by the current administration. This document outlines 20 points to be considered.

Conclusion: The current administration has put in place a comprehensive strategy for Nigeria's agribusiness. The incoming administration is enjoined to consider these programmes in defining its change agenda for agriculture.

- Weak institutional capacity in both the public and private sectors to work together to grow the sector

FOUNDATIONS OF A CHANGE AGENDA FOR AGRICULTURE

The current agricultural policy in Nigeria was designed from the ground up to address all the challenges listed above. The policy direction supports the development of businesses along the agricultural value chain, from smallholders on less than a hectare of land to large commercial ones over thousands of hectares.

The agricultural policy is built on five pillars:

The Value Chain approach: A system that identifies opportunities for value addition and commercial opportunities in the development of foods from the farm (production) to the table (consumption).

The Growth Enhancement Support (GES) Scheme: This is a system that aims to provide targeted support *directly* farmers and participants across the agricultural value chain. The system has captured the database of smallholder farmers in the country with location, size and type of crops grown on farms. This system eliminates rent-seeking middlemen and wholesale corruption in the subsidy system.

The Staple Crop Processing Zones (SCPZ): The Government intends to use the SCPZ to attract private sector agribusinesses to set up processing plants in zones of high food production, to process commodities into food products. Government would enable these gains by putting in place appropriate fiscal, investment and infrastructure policies.

Marketing Corporations: These private sector driven institutions, focused on specific value chains have been designed to replace the old marketing boards, to guide the growth of the sectors. Unlike the Marketing Boards that set artificial prices for cash crops, Marketing Corporations will create markets for the food produce and transfer the value created to the farmers. Marketing Corporations have been developed for cassava, cocoa, cotton and grains.

Access to Finance: There is need to increase the flow of financial resources to farmers to scale up their investments along the value chains. These agribusinesses require a low interest regime to thrive. Hence, the current focus is on utilising risk-sharing mechanisms by leveraging the balance sheets of banks to reduce commercial interest rates.

- NIRSAL: The [Nigeria Incentive-based Risk Sharing for Agricultural Lending](http://www.nirsal.com) is a risk sharing fund designed to identify, redefine, measure, re-price and evolve strategies for the risks of lending to the Nigerian agriculture value chain. The Fund will create incentives and catalyse processes to encourage the growth of formal credit for the agriculture value chain, as a strategy for wealth creation among participants.¹
- FAFIN: The [Fund for Agricultural Finance in Nigeria](http://www.fafinnigeria.com) is an innovative agriculture-focused investment fund that provides tailored capital and technical assistance solutions to commercially viable small and medium-sized enterprises and Intermediaries across the agricultural sector in Nigeria.²
- YEAP: The [Youth Entrepreneurship in Agriculture Program](http://www.fmard.gov.ng/hmevent_inside/Launching-of-the-Youth-Employment) is a programme that aims to develop a new cadre of 740,000 market-oriented young agricultural producers in rural areas. They will develop businesses along the entire agricultural value chains, from the farm, storage, processing and value addition, financial services and logistics.³

¹ www.nirsal.com

² <http://www.fafinnigeria.com>

³ http://www.fmard.gov.ng/hmevent_inside/Launching-of-the-Youth-Employment

NIGERIA'S AGRICULTURAL POLICY

Policy continuity has been a bane to development in Nigeria. There is need for the incoming administration to take a critical, dispassionate review of the policies and programmes that have been put in place by the outgoing leadership team at the Federal Ministry of Agriculture and Rural Development. These are good foundations to improve Nigeria's global competitiveness and diversification of the agricultural sector.

Below are twenty (20) ideas the incoming administration should consider retaining and expanding to realise the full potential on the on-going reform of Nigeria's agricultural sector:

1. **Database of all smallholder farmers in Nigeria:** Improve the existing database through rigorous validation during enumeration and redemption to eliminate duplicate entries and expedite migration of data into the National Identity database. This database will be invaluable in managing the entire agricultural value chain.
2. **Growth Enhancement Support (GES) for input subsidies:** Expand the scheme to cover all priority-food value chains to meet nutrition and food security goals. Implement a structured plan to phase out subsidies over a 1-2 decade period as farmers increase their demand for quality inputs. Leverage on the E-wallet platform to administer targeted support to farmers. Leverage technology to develop radio, television, and mobile apps for e-extension services to farmers at all levels. Back-end the technology with a revamp of the extension personnel at the Federal and state levels. There should be less emphasis on increasing the number of extension agents and more emphasis on developing and disseminating content to farmers through the ICT channels.
3. **Liberalisation of the Seed and Fertiliser sectors:** Improve quality control measures on seed and fertiliser certification and use the Growth Enhancement Support (GES) as the primary driver for demand of improved seed, which give optimal yields.
4. **Rice Policy:** Increase the domestic production and milling capacity of rice and make domestically milled rice globally competitive to position Nigeria as a net rice exporter. Much progress has been achieved in this regard with access to improved seedlings, finance, agricultural equipment, off-take by rice processing mills, etc.
5. **Composite flour/domestic wheat production Policy:** Utilize policy instruments for composite flour inclusion with wheat. Increase cultivation of tropic wheat varieties. This will reduce the food import bill and free up funds for investments within the country.
6. **Mechanisation:** Create more Agricultural Equipment Hiring Enterprises (AEHE) in all areas of high production. These franchises will enable access for smallholder farmers to mechanization services through leasing arrangements. Government must resist the urge to take on the responsibility of purchasing such mechanisation services for farmers.
7. **Food Policy:** Retain a Food Policy Advisory Group to provide advice to the sitting Minister on the policy direction as well as national, regional and global perspectives on food policy.
8. **Land titling and registration:** Scale up the land-titling program which was piloted in Benue and Kogi states based on a model adopted from Rwanda. Liaise with the National Assembly to reform the Land Use Act for easier land titling.
9. **Agricultural financing:** Create more instruments to increase farmers' access to affordable finance for agriculture, both at the smallholder level and larger scale, commercial level. NIRSAL and FAFIN should be studied and supported.
10. **Agricultural Resilience:** Implement the National Agricultural Resilience Framework to ensure that the agriculture sector is able to absorb and cope with shocks and stresses

from conflicts and climate change and is able to bounce back to previous production levels. Restructure the agricultural insurance framework to focus on increasing the number of products available to farmers, the number of private insurance companies providing services to farmers and encouraging farmers to take up insurance as a prerequisite for accessing government subsidies and grants in the sector.

11. **Reduce post-harvest losses:** Concession or privatize the existing network of grain silos (1.2 million MT capacity) and create incentives for the private sector and agricultural cooperatives to establish a network of food storage warehouses in areas of high food production to reduce post-harvest losses. Create an efficient warehouse receipt system for commodities trading and access to domestic and global markets for farmers.
12. **Build on existing regional security partnerships:** Create an economic development plan in partnership with Niger, Chad and Cameroon. The development plan should have agriculture at its core.
13. **Scale up affirmative action for women and youth:** Expand YEAP (and related programmes) to support women and youth who constitute the highest population in the agribusiness value chain. The programmes should provide access to finance that should be bundled with education, health and training opportunities.
14. **Focus on scaling up nutrition:** Stunting and malnutrition remain significant public health challenges for children in their first 1,000 days (between conception and age 2). Bundle education and health programs for school feeding as well as the promotion of the cultivation of biofortified foods through the Growth Enhancement Support Scheme to eliminate malnutrition and stunting.
15. **Initiate a holistic policy on market infrastructure:** This is to ensure a fair return for grain farmers and a competitive price for local users. This will include warehouse receipts, aggregation centres, pricing, grading, and the marketing corporations. This should replace the minimum guaranteed price (MGP) being contemplated by the incoming administration. The Nigerian Government cannot afford to guarantee to buy up the entire 25 million MT of grains produced annually. Government should not be directly involved in setting prices as this distorts the market. The MGP is a proven unsound policy as it recently bankrupted the government in Thailand when MGP was applied to the rice sector for political patronage. This led to the popular uprising in 2013 that subsequently brought down the government of Prime Minister Yingluck Shinawatra.
16. **Diversification of the economy via agricultural export:** Support should be given to expanding commercial opportunities in the horticulture (fruits and vegetables), grain, and poultry product sectors. Interventions should include accreditation of suppliers, quality control, quarantine, traceability, finance, technical support, etc.
17. **Strengthen and streamline development partnerships:** Work closely with the Agriculture Donor Working Group - comprised of all major international donor agencies operating in the agriculture sector - to share the medium to long-term policy vision and ensure that donors align their funds with the government's objectives. Donor funds provide a buffer to supplement public investments in the sector.
18. **Strengthen partnerships with Federal and State Ministries, Departments and Agencies (MDAs):** Improve the partnerships between the MDAs at the Federal and state levels for synergies in delivering services to farmers. Use the developed State Agricultural Transformation Agenda (SATA) template to engage with state governments to build capacity and business-focused, farmer supportive programs at the state level.
19. **Complete the restructuring of the Agricultural Research systems:** The Agricultural Research Council (ARC/N) is currently undergoing a major restructuring to model it in a

similar way to Empresa Brasileira de Pesquisa Agropecuária (EMBRAPA) (Brazilian Corporation of Agricultural Research). EMBRAPA is the state-owned company affiliated with the Brazilian Ministry of Agriculture that is devoted to pure and applied research on agriculture. Evolve a competitive funding window for the ARCN institutions. Funding will be based on research priorities that have resulted in sustained productivity gains as decided annually by the ARCN.

20. **Strengthen partnerships with the Private Sector:** Support the growth and development of the Nigerian Agri Business Group (NABG), farmers cooperatives and other medium to large scale private sector organisations to establish feedback mechanisms which will ensure that policies evolve to reduce barriers and expand economic opportunities for the private sector.

CONCLUSION: BUILD ON CURRENT FOUNDATION

The Federal Ministry of Agriculture and Rural Development, under the leadership of Dr. Akinwumi Adesina, took a grounds-up, and comprehensive approach to the transformation of the Nigeria's agricultural sector. Many of the programmes have started delivering the desired results while the rest are at the cusp of change. The incoming administration is invited to dispassionately consider these policies and programmes and build on the ones that hold promise for enhancing Nigeria's agricultural sector to create wealth and jobs.

Author – Bio

Dr. 'Debisi Araba is an environmental policy and strategy specialist. He is currently the Technical Adviser on Environmental Policy to the Honourable Minister, and Team Leader of the Environment and Climate Change Unit of the Ministry of Agriculture and Rural Development in Nigeria. He holds a Doctorate degree from the Centre for Environmental Policy, Imperial College London.

'Debisi is also passionate about education and community development. He is a co-founder of the *Visiola Foundation*, which is focused on developing partnerships and providing support to girls and young women in financial need to study Science, Technology, Engineering and Math (STEM) at the tertiary level. He is also a founding member of the *Every Nigeria Child Project*, an education policy advocacy group that blends the knowledge, skills and contacts of Nigerians in Diaspora with the knowledge, skills, networks and capacity of people and organisations in Nigeria working to improve the quality and effectiveness of Nigeria's education System.



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