Agriculture in Nigeria

Farmers, processors and organisations

Agriculture is the most important sector in the Nigerian economy. It employs 60% of Nigerians, including many rural women, and contributes up to 35% of the country’s GDP. As in many other African countries, agriculture in Nigeria is largely focused on food crops for the domestic market, given the Nigerian population estimated at 150 million people. In spite of this reality, Nigeria remains a net importer of food, for many reasons. First of all, the majority of the agriculture-focused operations in the country are small-scale, with limited innovation regarding inputs, harvesting, processing, distribution, and access to markets. The vast majority of people engaged in agriculture operate at the subsistence level, are uneducated and have limited access to training. Moreover, 95% of the country’s exports are dominated by petroleum and related products, which has shifted focus away from agriculture. As a result, until recently, there has been severe under-investment in agriculture by the public and private sectors, civil society and bilateral and multilateral agencies. This has been intensified by weak, un-enforced, poorly implemented and often conflicting policies at all levels of the country.

What is your diagnosis of the agricultural sector in Nigeria?

Ndidi Okonkwo Nwuneli: Agriculture is the most important sector in the Nigerian economy. It employs 60% of Nigerians, including many rural women, and contributes up to 35% of the country’s GDP. As in many other African countries, agriculture in Nigeria is largely focused on food crops for the domestic market, given the Nigerian population estimated at 150 million people. In spite of this reality, Nigeria remains a net importer of food, for many reasons. First of all, the majority of the agriculture-focused operations in the country are small-scale, with limited innovation regarding inputs, harvesting, processing, distribution, and access to markets. The vast majority of people engaged in agriculture operate at the subsistence level, are uneducated and have limited access to training. Moreover, 95% of the country’s exports are dominated by petroleum and related products, which has shifted focus away from agriculture. As a result, until recently, there has been severe under-investment in agriculture by the public and private sectors, civil society and bilateral and multilateral agencies. This has been intensified by weak, un-enforced, poorly implemented and often conflicting policies at all levels of the country.

What are the respective roles of the public and private sectors for developing agriculture in Nigeria?

Ndidi Okonkwo Nwuneli: The public sector is responsible for creating an enabling environment for agriculture to thrive. It also needs to invest in addressing the key issues that currently hinder the sector by reinforcing trade policies and land tenure policies; investing in strong agricultural educational and research institutions; easing government engagement in fertiliser, seed and input supply, distribution, and financing; providing incentives for financial institutions, especially banks and insurance companies to support the private sector; ensuring strong and effective extension support services, and agriculture development programmes at the local government level; and providing adequate infrastructures, especially feeder road networks and consistent and affordable electricity. Moreover, agriculture needs to be recognised as a key business sector in Nigeria, and like other sectors, requires the engagement of the organised private sector across critical value chains. The sector presents tremendous opportunities for the emergence of small and medium-sized enterprises which can create value and jobs across critical value chains. The private sector can provide financing, support systems—including equipment, processing, transportation, distribution and marketing support.

What is required to strengthen the agricultural sector in Nigeria?

Ndidi Okonkwo Nwuneli: There is an urgent need for improvements in productivity, via access to improved seeds, fertilisers, water management techniques, equipment, financing, and markets. Today, only about 5% of Nigerian smallholders use improved seeds because there are significant problems with seed availability, quality and pricing. Four seed companies dominate seed production; and there is a significant amount of bad seed in the system due to the poor quality of produce from farmers. Furthermore, 60% of farmers receive extension services. Rudimentary technology is still used for cultivation, harvesting and processing, which increases overall production costs. Storage capacity is poor; there is limited access to good packaging and no organised warehouse systems, generating large post-harvest losses and wide price fluctuations. Packaging is inadequate and inappropriate, due to poor communication between the
different players across the chain and lack of awareness of the processors’ packaging needs. Direct and indirection distribution circuits are fragmented and often hastily improvised, at very high cost. In addition, high oil prices have dramatically increased the cost of transportation.

There is an urgent need to address the energy challenge in West Africa, particularly electricity supply. Energy is required for processing, packaging and storing agricultural produce. Unfortunately, electrification is limited in rural areas, and the provision of electricity is sporadic even in urban areas. Many processors are compelled to rely on generators, and to devote a large percentage of their operating expenses to paying for increasingly expensive petrol and diesel.

Alleviating these constraints will ensure that Nigerian produce is competitive relative to imports (today’s combination of low yields, averaging 1.7 tonnes/ha, and high labour costs results in paddy prices of around US$ 300/t, compared with $130-140 in Thailand) and affordable for local consumers. Beyond the issue of yields, considerable emphasis has to be placed on value chains, in order to ensure that they are not only efficient, but also effective.

**GDS:** What do you mean by “agribusiness”?

**NN:** The term “agribusiness” simply refers to the breadth of businesses engaged in all aspects of agriculture, from the provision of inputs such as seeds and fertiliser, to farming, processing, marketing, distribution and retail sales. It emphasises the notion that for agriculture to be sustainable, it needs to be viewed as a business.

**GDS:** Do you think agribusiness is the only way of increasing and developing agriculture in Nigeria?

**NN:** Yes I do. African farmers have lived and worked as subsistence farmers for far too long. At the subsistence level, we have shrinking and depleted farms, an ageing population with limited interest from the youth to engage in agriculture; there is an urgent need to explore the potential profitability of every agriculture investment and to determine whether it makes financial sense to proceed in the short, medium and long-term.

**GDS:** Are there interesting agribusiness undertakings in the field now?

**NN:** There are very few examples of thriving and efficient value chains in the Nigerian context. Companies such as Olam, Nestle and Nigerian Breweries successfully source their produce from smallholder farmers and support growth across the value chains. In the case of Olam, through support from USAID Markets, it has been demonstrated that coordinated and targeted interventions can generate significant increases in yields. By organising smallholder farmers into groups, providing training, extension services, and inputs on credit, the farmers experienced significant increases in yields, resulting in greater supply of rice for the Olam processing facility in Benue state, Nigeria.

**GDS:** What can be done for agribusiness? How can the private sector grow?

**NN:** It is important to recognise the need for comprehensive interventions to ensure sustainable growth and job creation. For example, the cassava value chain, one of the most important value chains in Nigeria, benefited from a presidential campaign for cassava and its products, including cassava chips, flour, etc. With minimal investment in research, provision of market information, access to subsidised fertiliser, and links to international markets, cassava received a major boost in the country between 2003 and 2007. This boost has resulted in a glut on the market, obviously disappointing farmers. This demonstrates that a focus on increasing yields, without investing in processing and other aspects of the value chain will lead to short-term gains, but not long-term sustainable growth and development for actors across the chain.

**GDS:** In your opinion, what types of farming should be encouraged?

**NN:** Both small-scale and large-scale farming should be encouraged. Every emerging economy needs both small-scale farmers and large-scale farmers working together and supporting each other. Family farms must be modernised and become more market-oriented. The government has recently launched a Commercial Agriculture Initiative to support the emergence of larger farmers. However, given that majority of the farmers in Nigeria operate farms that are less than one hectare, it is imperative that broad-based agriculture initiatives be implemented.