The Agro-Pastoral Product Trade With Neighbouring Countries: What's at Stake?

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NIGERIA IS A CENTRAL ACTOR *in the trade of farm and livestock products between countries in the sub-region. This article presents and analyses intra-regional trade in West Africa.*

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TRADE between Nigeria and its neighbours in West Africa (Niger and Benin) and in Central Africa (Cameroon, Chad, Equatorial Guinea) is intense and long-standing. As a consequence of its economic importance (over 50% of GDP in ECOWAS), population (one out of every two West Africans is Nigerian), and contrasting levels of development compared to neighbouring countries, Nigeria accounts for more than 60% of intra-regional trade in West Africa.

This trade involves primarily agricultural products and manufactured goods, in large part hydrocarbons. Over 50% of the petroleum consumed in Benin and Niger is supplied by Nigeria. Farm trade is nonetheless of major importance, in particular the foodstuffs that are consumed by the population.

Trade in agricultural products between Nigeria and its neighbours has expanded greatly over the last thirty years, and now has a well-established structure, including both formal and informal elements. In addition to reciprocal trade that complies to some extent with current regulations, there are exchanges that exploit the opportunities created by the multiple trade, fiscal and monetary divergences between the Federation of Nigeria and its neighbours in the franc zone.

Nigerian Exports to Neighbouring Countries. As producer of 75% of the dry grains grown in western and central Africa, Nigeria is a net supplier of millet, sorghum and maize to Niger, Chad and occasionally northern Cameroon. Transactions with these three countries represent a volume of around 500,000 tonnes annually, and constitute a food safety valve for Niger and Chad, countries that regularly experience food shortages that are more or less severe.[1]

Root plants and tubers are the second largest category of products exported by Nigeria to neighbouring countries, in particular yams and cassava products (mainly gari). While total production is estimated at around 80 million tonnes, Nigerian exports of yams and cassava products do not reach the volume of grain exports.

The third category of Nigerian agricultural exports includes counter-seasonal crops, principally potatoes and tomatoes. Nigerian potatoes, that compete successfully with extra-African imports on markets in Benin, show that local products can find local outlets if production is encouraged by appropriate incentives, primarily better access to the production factors (inputs and irrigation) needed for cultivation. Potatoes are grown in several irrigated sectors that were initially intended for rice or wheat crops in northern states such as Kano and Jigawa.

Imports from the Surrounding Region. Only a limited range of farm and livestock products have been exported by neighbouring countries to Nigeria in recent years. The main imports are cowpeas (niebe) and tigernuts (souchet), mainly from Niger. Niger's cowpea exports have been erratic. In the 1970s and 1980s, they stood at around 300,000 tonnes per year, and then fell to under 100,000 tonnes in the 1990s. The policy deployed by the government of Niger over the 2000-2010 decade was based on better guidance for growers, price incentives, and organised harvest collection; it doubled production volume, estimated at over 1 million tonnes in 2008. Half of the crop is exported to Nigeria that implicitly supports cultivation of this legume in Niger by offering a sure and steady market outlet.

The market for live animals is also growing rapidly. On top of exports from Niger, Chad and Centrafrique, via Chad and northern Cameroon, to Nigeria there are now exports from Burkina Faso, via Benin. It is estimated that one million head of cattle are traded each year.

Informal Trade Fuelled by Nigeria's Protectionist Stance. The exchange of agricultural and pastoral products drives trade that is mutually beneficial for States and for the private sector. Trade development is hindered, however, by the unpredictable nature of Nigerian trade policy and by the numerous obstacles (periodic import and export bans on certain products, graft by inspection and enforcement officers) that relegate a portion of transactions to the informal sector or even to illicit trafficking.

Indeed, the outstanding feature of Nigeria's trade relations with its neighbours is the prevalence of informal (i.e. unrecorded) transactions for a certain number of products. This trafficking probably began with cocoa deals in the late 1960s and early 1970s. The civil war in Nigeria disrupted trade channels in Nigeria, facilitating contraband cocoa, much of which passed through Benin to reach the international market. Although Benin had no cocoa plantations on its territory, cocoa accounted for 40% of the country's official exports between 1968 and 1970.

The measures deployed by the Nigerian government to counter the effects of the second oil crisis, including rationing or outright embargoes on certain mass market commodities (rice, wheat, wheat flour) gave rise to an almost-legal form of smuggling: re-export trade. In this type of transaction, a country imports consumer products in excess of its domestic needs, and exports the surplus to other countries, taking advantage of differing protective trade tariffs. Unlike through-country trade that allows land-locked countries to receive supplies via coastal countries, re-export is a fraudulent activity. It involves products that are either banned or highly taxed as imports by the country of final destination. ➲

1. See article page 25.

The Underside of Intra-ECOWAS Trade

This contraband remains vigorous, and is stimulated by the market protection measures taken by the Nigerian government. For example, Nigeria's protection of the rice market went from an initial ban on imports, to a 300% duty in 1994, then 100% in 1998, and finally stabilised at a tariff around 50% at the beginning of the 2000s. Since the adoption of the Common External Tariff (CET) by ECOWAS, the rate of protection is now 30% for Benin and 31% for Niger, positioning these two countries as the largest re-exporters in the zone. Re-export volume is estimated to exceed 500,000 tonnes per year. After rice re-exports come butcher meat, in particular poultry cuts (over 50,000 tonnes traded) and golden apples.

Trade Driven by Opportunity and Opportunism. Trade in farm products and livestock is organised and carried out via structured merchant channels, sometimes on a regional scale. The economic, financial and strategic stakes are high for this trade, and the different stakeholders—States, economic operators and consumers—are not always all winners. The overall value of trade in agrifood products between Nigeria and neighbouring countries is estimated at more than $1 billion, broken down as follows: exported livestock on the hoof, $350 million; re-exports from neighbouring countries to Nigeria (rice, poultry cuts, apples), $300 million; locally grown grains, $200 million; and about $100 million for other contraband (cowpeas, yams, cassava flour, potatoes, tomatoes, onions, other spices) for the most part from Nigeria to neighbouring countries.

The added value of these transactions goes essentially to economic operators, some of whom have formed networks with very strong ties to complicit public authorities. This trade has allowed a class of prosperous businessmen to flourish, whose strategies constantly defy the rules set forth by regional integration organizations and by States.

The countries involved (Nigeria, Benin, Niger, Cameroon and Chad) do not share the same analysis of the effects and impacts of these transactions, even though all agree that they help consolidate the ongoing regional integration process. For Nigeria, the re-exportation situation is less a factor mitigating the effects of the economic and financial crisis that has diminished urban consumers' purchasing power, than it is a phenomenon that wipes out the government's efforts to jumpstart domestic agricultural and industrial production. Inversely, for Benin and Niger this type of transaction brings considerable financial resources, and their budgets, fuelled by various taxes levied on re-exported products, would be in serious trouble if re-exports were eliminated. The recent crisis between Benin and Niger that arose over the rationing of Niger's vegetable oil imports, in part re-exported to Nigeria, is a good illustration of how these two countries have internalised the economic stakes associated with this quasi-official contraband.

The creation of the ECOWAS customs union, with a five-band CET, will bring on a restructuring of the regional market and more fluid intra-community transactions. National fiscal regimes will have to be harmonised to accompany this union, however—Niger and Benin apply 18% VAT, compared to 5% in Nigeria—if it is to significantly reduce contraband and foster an attractive market zone. The hesitation and procrastination observed in the CET negotiations leave little room for hope that this will be achieved in the near future.