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THE PUZZLE OF NIGERIAN AGRICULTURE

The opportunities for Nigerian agriculture are vast but the components complex. It takes focus, commitment, hard work and expertise to succeed in converting endless potential into sustainable business. **WORDS** *Eric Stambler*

The earth in Nigeria is rich, and the markets want its products. There is no shortage of viable crops – Value chain analysis of rice, cassava, maize, and cocoa illustrates that costs of production and productivity of these crops can be competitive with international prices. Rice has the largest profit potential for all sized farming operations, while commercial scale farmers can profitably grow other crops if farming practices are well-managed. Well-organized projects can deliver on this promise.

The problems of agriculture in Nigeria are in 4 areas: an inefficient credit system; inadequate infrastructure (irrigation facilities, roads, storage services, etc); limited availability of appropriate varieties and crop management packages; and underdeveloped input and output markets.

Farming entrepreneur Chris Okeke has pointed out that lessons can be learned from agricultural development efforts worldwide, including the so-called “Green Revolution” in Asia, the tremendous development in Brazil, and government initiatives in Turkey. Okeke is second-generation in his family in agribusiness. Based on the original processing factory established by his father, he has amassed a considerable land bank across Nigeria, and has traveled around the world to learn the best methods for deploying it. He has engaged an international Farm Management company to operate large farms in Nigeria that will provide adequate supply of raw materials to his processing facilities, both in the East and in Kwara State.

Recent government policies have shown results: between 2003 and 2007 the agricultural sector is reported to have grown by 7 per cent a year.

Improvements have particularly been seen in the poultry sector, as quantities of Nigerian-produced chicken have increased significantly and quality has dramatically improved.

But there is much room for improvement. According to the Food and Agriculture Organization of the United Nations (FAO), the area of land under cultivation in Nigeria could be increased by as much as 100 per cent.

Increased poultry production requires increased feed. The country’s farming production has not kept pace, resulting in major increases in soy meal imports. Many people know that the country imports 3 million tons of rice annually, at a cost of close to \$700 million. Perhaps fewer are aware that 100,000 tons of soy valued at over \$50 million is imported to feed livestock. Soy imports have risen almost 10 times in the past 5 years, from around 11,000 tons in 2005. There is no reason that this volume cannot be produced in Nigeria.

The country has 79 million hectares of cultivable land, just over 3 million of which is under irrigation. Out of this, less than 50,000 hectares is currently in production for rice. The country’s rice consumption is growing rapidly, and demand is expected to reach 6 million tons within the next 5 years. Just as poultry imports decreased dramatically from 2003 to 2005 because of a policy focus on local production, rice trends can follow the same path if the right initiatives are introduced.

Financing For Agriculture

Efforts to support agriculture include a number of funding programs.

The Central Bank of Nigeria established the

Planting the Seeds
Piecing together the complex components of agribusiness will set Nigeria on the road to success



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Commercial Agricultural Credit Scheme (CACs), which has made N200 billion available to the sector. The program provides access to long-term funds at low interest rates.

Funding to aid agricultural processing may also be available under a Bank of Industry program to aid manufacturing. Support of the processing sector should lead to increased activity on the farming side.

These programs are critical, but must be complemented by an additional piece to the puzzle from the Nigerian commercial banks. The critical feature is that financing cannot be only short-term. It must be matched to crop cycles, and to capital investments in long-term production, storage, and land improvements.

The Importance Of Infrastructure

Okeke says, "Rather than invest billions of Naira in subsidizing fertilizer, through programs that can easily be corrupted and abused, or purchasing tractors for distribution to farmers that should be acquired through long term loans to serious farmers and their associations, government ought to invest its limited resources in developing infrastructure, to reduce transaction costs involved in agriculture and stabilise prices."

Land of Opportunity
Resources should be allocated to developing infrastructure and stabilising prices

The FAO concurs, observing that neglect of rural infrastructure affects agricultural profitability. The lack of rural roads impedes the marketing of commodities, prevents farmers from selling their produce at reasonable prices, and leads to spoilage. Limited accessibility cuts small-scale farmers off from sources of inputs, equipment and new technology and this keeps yields low.

Irrigation now covers only 7 per cent of irrigable land.

Unlocking the puzzle requires immediate attention to this piece. The Turkish government has recognized the limitations of its previous efforts to provide support, and has reduced input subsidies. It now designates about two-thirds of total public agricultural investment for land and water improvement, including irrigation infrastructure.

Varieties And Crop Management

Another puzzling aspect of agriculture is why certain crops grow better than others in different regions. This is normally due to an interaction of factors, including temperature, rainfall, soil composition, and appropriate seed varieties. Proper management of these factors, reliance on technology, and appropriate farming practices and proper timing of activities can often optimize yields.

Underdeveloped Input And Output Markets

Buying and selling efficiently depends on scale, logistics and timing.

Anyone who has driven through villages in Nigeria has seen the signs - young girls holding out bottles of red palm oil, tomato crops spoiling on the side of the road under the blazing sun, cassava chips drying in the sun are soaked by a sudden rainstorm. People's livelihoods depend on the ability to get their products to buyers. Small farmers in remote locations have many constraints, and any crop loss has significant impact.

The World Bank and donor agencies devote considerable time and resources to the challenge of small-scale agriculture in developing countries worldwide. This is due to the obvious poverty, health, and illiteracy in rural areas and the need to create jobs.

The uncomfortable truth, however, is that it is practically impossible for any country to meet its food supply needs by relying on small-scale agriculture. Farm size and land fragmentation are major obstacles to agricultural progress and efficiency. Surveys in Nigeria show that 44% of male farmers and 72% of female farmers across the country cultivate less than 1 hectare of land per household.

Even an agricultural powerhouse like Turkey has not been able to overcome the challenges of small farms. In 1999, two-thirds of all farmers in Turkey owned between 0.1-5 hectares of land (representing just over 20% of total agricultural land), while the remaining 75-80% was comprised of farms larger than 5 hectares. Small farm size and lack of economies of scale, coupled with increases in input prices, dependency on rain fed agriculture, and lack of efficient market mechanisms led to a rapid rural exodus. GDP per capita for agricultural households in Turkey was less than half of the national average.



For Nigeria to increase productivity on a large scale, the government must support progressive commercial farmers. This will result in greater utilization of best production technologies leading to increased productivity. This in turn creates a need for more processing mills and factories. A virtuous cycle with quality standards and fair pricing mechanisms will be established.

In the early 1970s, Brazil was a net importer of food; today Brazil is the second largest exporter of food after the USA. Brazil pursued increased diversification and productivity of crops as well as expansion of cropland. Soil research turned millions of hectares of formerly sterile land into some of the most productive agricultural land in the world.

Brazil's success story could not have happened through the public sector alone. The private sector received financial support from State and National governments to increase productivity, marketing, and exports. Large technologically sophisticated agricultural companies successfully mass-produced food products.

Cooperatives may be a solution in certain areas of Nigeria for particular crops. The Federal Government has massive land holdings that could be ceded to well-organized cooperatives. One initiative could be leading the way in a massive effort to grow rice in suitable areas, rather than turning a blind eye to the massive volumes of imports that are flooding the market.

How To Solve The Puzzle

In spite of the wishes of the international aid community, the solution in Nigeria to food production and rural employment is likely to be large-scale commercial farming. To deliver efficiency and sustainability, the industry needs to rely heavily on innovation – in farming practices, equipment, irrigation systems, seeds, fertilizers and crop protection. Large-scale operations are best positioned to implement such innovations.

Furthermore, large companies are able to be major employers of rural labor, can become significant taxpayers (thus facilitating government investments in infrastructure), and have a significant multiplier effect in the communities where they operate. Obasanjo Farms, for example, is said to employ over 6,000 people within its operations in several States. For every direct job created by improved farm productivity, at least 5 additional jobs are created in related sectors.

Other spin-off effects will be professional training of farmers and the dissemination of appropriate varieties. Increased productivity on smallholder farms can be driven through introduction of best crop varieties and production practices. This will enable farmers to establish decent, stable and predictable income streams that will allow them to think long term and to build wealth and security for themselves and their families.

With proper project management, an efficient credit system and training, improved infrastructure, and availability of crop varieties, Nigeria could be the next agribusiness success story.

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