

“OPTIMIZING THE POTENTIALS OF NIGERIAN AGRICULTURAL SECTOR THROUGH VALUE CHAIN ADDITION”

PRESENTED BY HIS EXCELLENCY
SENATOR (DR. ABUBAKAR BUKOLA
SARAKI)

AN OVERVIEW OF THE ECONOMY AND AGRICULTURE

- A monolithic economy
- oil accounts for 95% of our exports (2.3m bpd and oil sales N8.026tr 2012)
- 75% of our consolidated budgetary revenues comes from oil (11.214tr 2013, 10.519 2014, 11.493 2015)
- Agricultural exports represent just about 0.2% of our total exports
- Agriculture employs about 70 per cent of Nigerian' working population
- In 1970 agriculture represents 41.3% of GDP dropped to 16.6% in 2004 (these figures relate to primary production and do not include agricultural value chain agro industries employ 1%)

AN OVERVIEW OF THE ECONOMY AND AGRICULTURE contd.

- Compared in the same period to oil, oil was 6.0% of GDP in 1970 and 48.2 in 2004
- 2013 Agriculture is 33.69 of GDP and oil is 14.75% of GDP
- Unemployment is at 23.9% 2012 (NBS)
- Agriculture focus states have the lowest unemployment rate (Kwara 7.1%, Cross Rivers 12.2% and Benue State 14.2)
- NESG conference this year focusing on agriculture and a fundamental profession like ICAN also escalating the issue

**Table 1 Structure of economy, 1974–2004, compare
2013 (percentage of GDP)**

Source: National Bureau for Statistics/IMF

SECTOR	1970	1980	1990	2000	2003	2004	2013
Oil sector	6.0	29.1	39.3	48.2	44.6	48.2	14.75
Non-oil sector	94.0	70.9	60.7	51.8	55.4	51.8	21.17
Agriculture	41.3	20.6	29.7	26.3	26.4	16.6	33.69
Industry	7.8	16.4	7.4	4.5	4.8	8.7	23.75
Services	45.0	33.8	23.6	21.0	24.2	26.5	6.66

THE DECLINE IN AGRICULTURAL

- 1960s, agricultural most important contributor to domestic production, employment and foreign exchange earnings.
- 1970s – 2013 Agriculture overtaken by oil
- 1970 – 1999 Agricultural sector allowed to stagnate from the oil boom decade of the 1970s,
- Nigeria has about 98.2m hectares of which 71.2m hectares are cultivable, only about 34.2m hectares have actually been cultivated and only about 1% of the arable land is irrigated

OUR FOOD IMPORT BILL

- Nigeria largest importer of wheat in the world (imports about **\$4bn** worth)
- Nigeria largest importer of rice in the world (imports about **\$2bn** worth)
- Nigeria spent about **\$623,830,318.15** yearly in the importation of dairy products
- Nigeria imports **\$312.5m** of fish
- Nigeria total import bill put at **\$10bn**
- Nigeria imports what it has comparative advantage to produce

SUCCESS EXAMPLES

Malaysia Palm Oil-

- Malaysia picked its palm fruits from Nigeria
- Malaysia raked in \$20.3bn in 2008, from oil palm only
- It is the world major producer and exporter of refined palm oil (including palm stearin and palm kernel oil), basic oleo (such as methyl ester, fatty acids, glycerine and fatty alcohol) and to a smaller extent, oleo-derivatives at primary level.
- Malaysia is the global centre for oleo- chemicals, producing about 20% of world basic oleo-chemical.
- Thousands of products have derivatives for such as detergents, cosmetic and personal care, textile, plastics and pharmaceuticals.
- Malaysia and Indonesia account for 85% of global palm oil production, where 4.5 million people earn a living from palm oil.
- 43% of oil palm in Indonesia is held by small holders. 40% of Malaysian palm oil is held by small holders. The industry was developed to provide livelihoods and raise living standards of previously impoverished landless workers. By creating jobs and income, exports and taxes, oil palm is one of the most successful crops ever at raising living standards and alleviating poverty.

SUCCESS EXAMPLES

- **THAILAND**
- The Thai government invested in irrigation, infrastructure, and other pro-rice projects.
- The World Bank provided finance for dams, canals, locks, ditches, and other infrastructure.
- Rice farmers and merchants took advantage of new rice varieties, strains, fertilizers, and other technological advances.
- The International Rice Research Institute (IRRI) was also disseminating knowledge, technology, new rice strains, and other information to rice producers in Thailand.
- There continues to a significant government interest in the development and further expansion of rice in Thailand.

LOCAL SUCCESS EXAMPLE; SHONGA PROJECT

- The shonga project is a local success story in kwara.
- The project is centered on three farming activities; mixed farming dairy and poultry farming.
- The Initially government project called Back-to-Farm Project was not hugely successful. This project was meant to encourage commercial agriculture in the state.
- The white farmers displaced by the Zimbabwean government, were invited and established to pilot the Shonga Farms involving 13 farmers, who have now relocated and settled in Shonga, Kwara State.

LOCAL SUCCESS EXAMPLE; SHONGA PROJECT Contd

- The farmers were each given 1,000 hectares of land under a twenty-five year renewable lease for commercial farming purpose.
- The state government provided equipment for land clearing and guaranteed initial credit facilities for the farmers.
- The government compensated the local community and further gave them incentives, in addition to relocating them to some other lands to farm.
- It was set up as a Special Purpose Vehicle to facilitate the public-private partnership arrangement.
- Through its subsidiaries engages in mixed, diary, and poultry farming. It produces commercial crops such as maize, rice, cassava, ginger, soya bean, milk and poultry meat.

SHONGA PROJECT IMPACT

- The Shonga farms have greatly enhanced food production in Kwara State. Currently, the Farm's chicken processing plant produces 2,500 processed frozen chickens per day, but at full operational capacity will produce 10,000 chickens per day.
- The diary farm has the capacity to process up to 50,000 liters of milk per day.
- The farm supplies 2500 litres of raw milk to WAMCO (producers of PEAK MILK) daily.
- The poultry farm, currently supplies chicken to the fast food company Kentucky Fried Chicken (KFC) in Lagos.

SHONGA PROJECT IMPACT

- It also supplies banana to Shoprite.
- Shonga Farm boosted employment in the sector
- Its helping local farmers learn new agricultural best practises.
- Through the farm alone, up to 3,000- 4,000 are employed during the harvesting season.
- The residents in the neighboring villages now enjoy power supply, water and access to healthcare facilities. Several investors like WAMCO and Olam are currently operating in Kwara State.

WHERE WE CAN BE

- Can raise food production by 5m tonnes a year
- Good climate and 70% arable land
- Comparative advantage in relation to Rice, Groundnuts, Cocoa, Sorghum, Cassava, Cotton, Maize, Oil Palm, Soyabean, Tomato, Onions, Fish and livestock.

ADDING VALUE TO OUR CROPS

- Nigeria is said to be losing about \$10bn worth of export in agriculture annually due to the absence of value addition to our agricultural produce.
- Nigeria loses so much to the international livestock market due to the stringent conditions on health and condition certification of livestock
- Value addition is the key

RICE VALUE CHAIN ADDITION

- Getting better with 17 rice mills having 210,000 metric tonnes of processing capacity or 10% of our rice import
- Consumption 5.5m mt/annum (no data on current local production but ministry projects 6.0m metric tons per annum up till 2015 to achieve self sufficiency.
- Opportunities; packaging and modifications
- Regional market penetration (second largest producer in Africa)
- Room for expansion
- Available market
- opportunities for tractor and post harvest machineries.
- opportunities for construction of warehouses for pre-shipment storage to neighboring countries.

CASSAVA VALUE CHAIN ADDITION

- Largest Cassava producer but account for 0% of global trade in value added cassava products
- Cassava Bread Flour Substitution (Nigeria could save about N254bn to cassava flour substitution policy)
- Cassava subsector expected to reach a net worth of \$8.5b before 2020
- Improved variety (pro Vitamin A Cassava) from Cassava Resource & Tech Transfer Centre Ilorin

OIL PALM VALUE CHAIN ADDITION

- Capacity to replace importation of 300,000 metric tonnes of vegetable oil worth about (\$50m) annually
- Rising global demand for oil palm
- Products include, margerines, cooking oils, baked foods, soap, cosmetics, bio-diesel

DAIRY VALUE CHAIN ADDITION

- Nigeria spent about N100 billion yearly in the importation of dairy products
- Increase dairy production 469,000 mt to about 1.1m mt over 4 years.
- Raise income of dairy producers' households by at least US\$ 285 million (30% import substitution in 2013).
- These will create wealth for more than 12 million pastoralists.
- Increase the productivity level of the national herd (indigenous cows).
- promotion of consumption of locally produced fresh milk
- Supply lines for fresh milk are developed.
- Households economically empowered and nutritionally strengthened

OTHERS

- **SORGHUM**
- substitute Barley 9.3m metric tonnes to 11.3m metric tonnes
- Can be used in producing malt and other beverage drinks including dawa malt, maltina, ovaltine, milo etc
- **COTTON**
- Annual business revenue in excess of N100b
- Investment in value chain expected to create about 1m jobs and contribute over N25bn to national economy

OTHERS

- **LIVESTOCK**
- 5th highest producer of sheep and goat
- Does not export live animals due to OIE (world organisation for animal health), CODEX (**Codex Alimentarius** Commission- international **food standards** setting body recognized by World Trade Agreements)
- **FISH**
- Nigeria production potential 3.2m with further room for expansion
- Demand for fish increased approximately 1.392m tons to 1.889m tons 2004- 2012
- Only 20% of this demand is locally met

KEY CHALLENGES & WHAT WE NEED TO DO

- THE POLICY DIRECTION- agriculture as business
- GOVERNMENT ACTION & INVESTMENT- the Maputo Declaration of 10% of Budget.
- FINANCING GAP-the Kwara agric policy experience
- INFRASTRUCTURE DEFICIT-
Cultivation, harvesting, packaging, labeling, transportation, storage, all these things require a certain level of technological infrastructure to enable the market evolve.

WHAT NEEDS TO BE DONE

- Structural changes, including Tax & Tariff Incentives
- Investment in Research and Development
- Deregulation of inputs especially fertilizer
- Marketing reforms
(processing, packaging, value addition)
- Innovative financing
- New agricultural investment framework

THE DIVERSIFICATION ATTEMPT

THE NEEDS VISION

- Agriculture has the greater potential to expand employment market
- Agriculture has the greater ability to produce rural goods,
- provide food security and supply of industrial raw
- There is need to change paradigm

CONCLUSION

- Compared to oil agriculture hold the key to our future
- Self Sustainability
- Key to industrialization
- Tool for greater social and political harmony
- Key to sustainable fiscal and economic diversification
- Power tool for rural development and reverse urban migration
- Employment generation