Current State of Nigeria Agriculture and Agribusiness Sector
Prepared and Presented by

Taiwo Oyaniran
Associate Director,
PwC Nigeria
State of Agriculture in Nigeria
Nigeria’s key agricultural statistics...

| **-22%** | The share of agricultural contribution to GDP as at Q1 2020 stood at approximately 22%. |
| **>80%** | More than 80% of Nigeria’s farmers are smallholder farmers (SHFs). These numbers accounts for 90% of Nigeria’s agricultural produce |
| **N40bn** | Only about N40 billion was earmarked by the government for agricultural research and development (R&D) in 2019 |
| **0.27 hp/hectare** | Nigeria’s tractor density is put at 0.27 hp/hectare which is far below the FAO’s recommended tractor density of 1.5 hp/hectare. |
| **N689.7bn** | Nigeria’s agricultural trade deficit widened by N689.7 billion in 2019 compared to N549.3 billion in 2018. |
| **N3.35trn** | In four years (2016–2019), Nigeria’s cumulative agricultural imports stood at N3.35 trillion, four times higher than the agricultural export of N803 billion within the same period. |
| **N22.8trn** | Nigerians spent about N22.8 trillion on food items in 2019, representing more than half (56.7%) of the total household expenditure of N40.2 trillion |

The agricultural sector remains the largest employer in Nigeria, employing more than 36% of the labour force. Agriculture budget represents 1.8% (or N183 billion) of the total 2020 budget size. This significantly falls short of the 10% specified in the Maputo Declaration.
Agriculture is broadly divided into four sectors in Nigeria—crop production, fishing, livestock and forestry. Crop production remains the largest segment and it accounts for about 87.6% of the sector’s total output. This is followed by livestock, fishing and forestry at 8.1%, 3.2% and 1.1% respectively. Agriculture remains the largest sector in Nigeria contributing an average of 24% to the nation’s GDP over the past seven years (2013 – 2019). In addition, the sector employs more than 36% of the country’s labour force, a feat which ranks the sector as the largest employer of labour in the country.
Nigeria’s agricultural trade deficit continues to widen amid government’s push for self-sufficiency in the sector...

In four years (2016–2019), Nigeria’s cumulative agricultural imports between 2016 and 2019 stood at N3.35 trillion, four times higher than the agricultural export of N803 billion within the same period.

- The share of agriculture in Nigeria’s total export earnings remains small compared to crude oil exports. For instance in 2019, agriculture accounted for less than 2% of total exports relative to crude oil (76.5%).
- Nigeria’s major agricultural imports include wheat, sugar, fish and milk, while the main agricultural exports include sesame seeds, cashew nuts, cocoa beans, ginger, frozen shrimp and cotton.
- Sesame, cashew nuts and cocoa account for more than half of the nation’s agricultural exports. While wheat dominates agricultural imports.
- Agricultural export declined by about 11% from N302.2 billion in 2018 to N269.8 billion in 2019.
- Nigeria’s agricultural imports rose by 12.7% from N851.6 billion to N959.5 billion during the same period, the highest value ever recorded in the country.
- Nigeria remains a net food importer — the agricultural trade deficit has widened with imports exceeding exports by N689.7 billion in 2019 compared to N549.3 billion in 2018.

Source: NBS, PwC analysis
Challenges of the Nigerian agricultural sector...

**Lack of access to finance**
Although the Nigerian government has provided several facilities through the Central Bank of Nigeria (CBN) such as the Anchor Borrower’s Programme to help provide small-scale farmers with adequate financing, the farming industry still lacks adequate access to finance.

**Resource shortages**
Over the past years, Nigeria has dealt with very low yields per hectare due to shortages in the supply of inputs such as seedlings and fertilisers as well as inadequate irrigation and harvesting systems, which hinders productivity and yield rates.

**Violent conflict**
Due to the desertification and water depletion in the northern part of Nigeria, nomadic herdsmen are now shifting towards the south of the country in search of grazing fields and water for their animals. This has resulted in violent conflict with crop farmers in the south. Increased violence in the food producing states is causing decline in Nigeria’s food production output.

**Insufficient supply to meet population growth and food demand**
With a population of roughly 200 million people, Nigeria’s agricultural productivity is insufficient to meet the food demanded of its growing population thus increasing the demand and supply gap in Nigeria.

**Absence of value addition and supply-chain linkages**
Nigeria focuses mostly on food production, thus neglecting the processing and manufacturing segment of the value chain. The chain reaction that arises from shortages of resources, lack of financing for small-scale farmers and inefficient transport systems, exacerbates the development of food production along the value and supply chain.

**Outdated system of agriculture**
Outdated methods of agriculture such as the use of hoes and cutlasses reduce efficiency as these methods are costly and time consuming. Nigeria’s failure to adopt advanced mechanised systems has reduced the quality of its agricultural products.
AfCFTA and the promise of agricultural boom

- Africa’s food import bill stood at about **US$35 billion** in 2016 and its projected to rise to **US$110 billion** by 2025. In addition, Africa’s agribusiness sector is projected to reach **$1 trillion** in 2025, driven by the continent’s rapidly growing middle class.

- Weak inter-regional integrations and poor output growth has dampened the prospect of intra-Africa trade which stood at **16.6%** in 2017 relative to peers such as Europe (**68%**) and Asia (**59%**).

- Africa’s agricultural sector is bedeviled with weak value chain. For instance, out of the **US$62 billion** in agricultural products exported by Africa in 2017, only **US$12 billion** were classified as processed goods.

- About **90%** of Africa’s agricultural export to non-African market are dominated by primary or semi-processed products while about half of intraregional trade is associated with processed products. With AfCFTA, these gains can be strengthen at a much higher pace.

- Consequently, it is expected that the establishment of AfCFTA would help to support Africa’s agri-business, create new regional markets for farmers, strengthen the agro-value chains and significantly reduce agricultural imports from outside the continent.

AfCFTA aims to foster agricultural transformation and advancement in Africa in order to promote food security and competitiveness through the improvement of regional agricultural value chains and investments in production and marketing infrastructure. It is believed that the easy access to regional importation of food products can help countries achieve food security.
The government, in an attempt to enhance local trade and exports, has introduced some policies and programmes...

- Enhancing access to market information through a National Agricultural Information System
- Creating specialised export market support teams to enhance export capacity

**NATIPP** is a programme jointly launched by the African Export-Import Bank, Nigerian Export-Import Bank and the Nigerian Export Promotion Council. The aim of NATIPP is to facilitate the expansion of Nigeria's trade and investment into Africa.

- The Presidential Economic Diversification Initiative (PEDI) aims to enhance trade capacity in Agriculture by facilitating new investments in the Agricultural and Agro-allied industries, reducing regulatory bottlenecks and enabling access to credit.

- The Zero Reject Initiative was launched to enhance the acceptability of Nigerian products internationally. It is aimed at improving Agricultural exports through the institution of global quality standards and product standardisation.

- The Government has placed trade barriers on select Agric. goods to protect local producers and stimulate growth of the industry.
- In addition, several economic incentives are offered to Agric. Investors in Nigeria including income tax relief, zero import duty on equipment, VAT exemptions, etc.

**Economic and Export Promotion Incentives**
In addition, trade rules were put in place to protect local manufacturers and enhance export capacities.

<table>
<thead>
<tr>
<th>Banned Imports</th>
<th>Restricted Dollar Access</th>
<th>Key Trade Rules</th>
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</thead>
<tbody>
<tr>
<td>Poultry, Pork, Beef, Eggs</td>
<td>Poultry and eggs</td>
<td>Rules of Origin</td>
</tr>
<tr>
<td>Refined vegetable oil and fat</td>
<td>Palm kernel/palm oil products/vegetable oils</td>
<td>NAFDAC or SON product registration</td>
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<tr>
<td>Spaghetti, sugar and fruit juice</td>
<td>Meat and processed meat</td>
<td>Registration with MAN and NACCIMA</td>
</tr>
<tr>
<td>Sugar Cane</td>
<td>Rice, Tomatoes</td>
<td>NEPC Registration</td>
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  - Meat and processed meat
  - Rice, Tomatoes
Despite interventions from the government, agricultural trade remains constrained by poor infrastructure.

Nigeria has significantly poor transport infrastructure and services (road and rail), particularly in the rural areas. The lack of cold chain logistics also contributes to a decreased trade capacity through losses from spoilage and impinged time to market.

ICT and e-commerce infrastructure play a critical role in the availability of market information and rapidity of reaction. Despite recent improvements in the state and quality of digital and telecommunications technologies, ICT infrastructure in Nigeria still requires significant improvement to enable trade efficiently.

Nigeria’s six seaports are limited by capacity constraints and aging infrastructure. In addition to this, customs and border administration processes are relatively inefficient, with multiple bottlenecks. These negatively impact the cost, and the ease and efficiency of cross-border trade.

Source: FAO, IFPRI, Global Alliance for Improved Nutrition, NBS, World Economic Forum

Red boxes indicate WEF Ease of Trading Index scores.
Government initiatives in Agricultural infrastructure

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<tr>
<td><strong>Establishment of Special Agro-Industrial Processing Zones</strong></td>
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<td>• The Federal government is establishing Special Agro-Industrial Processing Zones to concentrate agro processing activities</td>
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<tr>
<td>• The SAPZs are aimed at boosting productivity, integrating production and enhancing the processing and exporting of select commodities</td>
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<td>• As part of its plans to aid the free flow of goods, the Government is in constructing rail lines across the country</td>
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<tr>
<td>• Once complete, these would serve as an alternative to road transport and enhance the distribution of goods and commodities within the country</td>
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<td>• In addition to its development of Railway infrastructure, the Federal government is also investing in the rehabilitation and construction of roads linking numerous parts of the country</td>
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<td>• A key example is the ongoing rehabilitation of the Lagos Badagry expressway which serves as a key component of the West African Trade Routes</td>
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<th>Enhancement of Ports Infrastructure</th>
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<td>• In addition to the six existing seaports, the government has commenced the development of additional ports in Akwa Ibom and Lagos to enhance its maritime capabilities</td>
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<td>• The Nigerian Ports Authority has also signed a MOU with the Royal Port of Antwerp to enhance</td>
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Source: WEF
Various authorities with mandates of standard development, regulation, monitoring, control and finance play across the agriculture value chain

**National Agricultural Quarantine Service (NAQS)**

Harmonize plants, veterinary and aquatic resources to promote and regulate sanitary measures in connection with the import and export of agricultural products

**National Agency for Food and Drug Administration and Control (NAFDAC)**

Responsible for regulating and controlling the manufacture, importation, exportation, distribution, advertisement, sale and use of regulated products

**Standards of Organization (SON)**

SON’s mandate includes the preparation of Standards related to products, measurements, materials, processes and services, amongst others; their promotion at national, regional and international levels;

**Nigerian Export Promotion Council**

Ensure the promotion, development and diversification of exports from the country. It coordinates all export promotion and administration activities and trade capacity building

**National Export Processing Zones Authority**

Responsible for promoting the economic development and diversification in Nigeria through establishing and regulating free zone areas within the country

Source: Federal Ministry of Agriculture and Rural Development, BOA, ARMTI, NAFDAC, SON
Thank You