

AfCFTA WORKSHOP

Current State of Nigeria Agriculture and Agribusiness Sector



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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%.

36%

The agricultural sector remains the largest employer in Nigeria, employing more than 36% of the labour force

N40bn

Only about N40 billion was earmarked by the government for agricultural research and development (R&D) in 2019

>80%

More than 80% of Nigeria's farmers are smallholder farmers (SHFs). These numbers accounts for 90% of Nigeria's agricultural produce

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.

1.8%

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.

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.

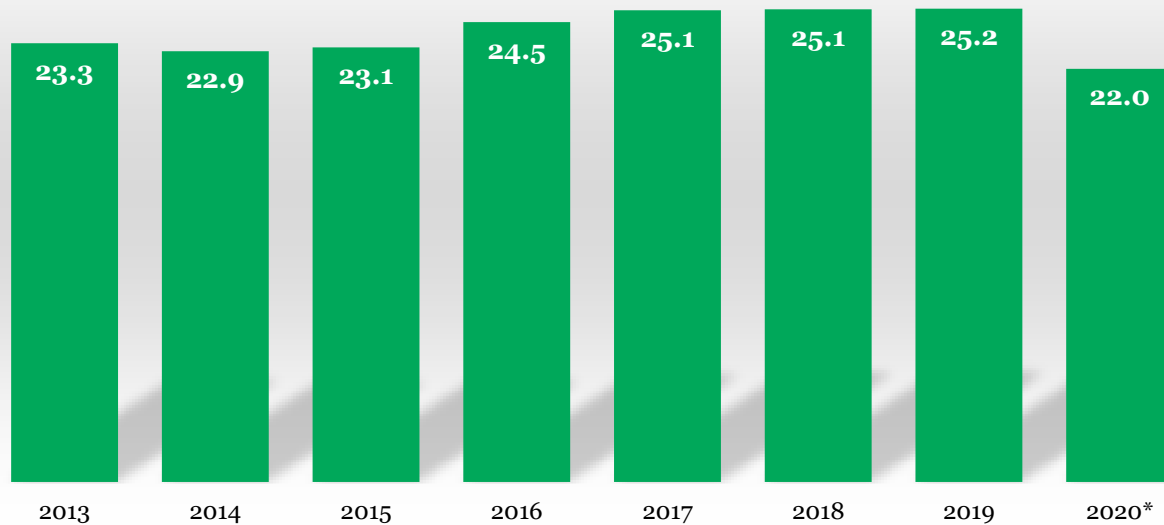
N22.8trn

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

State of the Nigerian agricultural sector

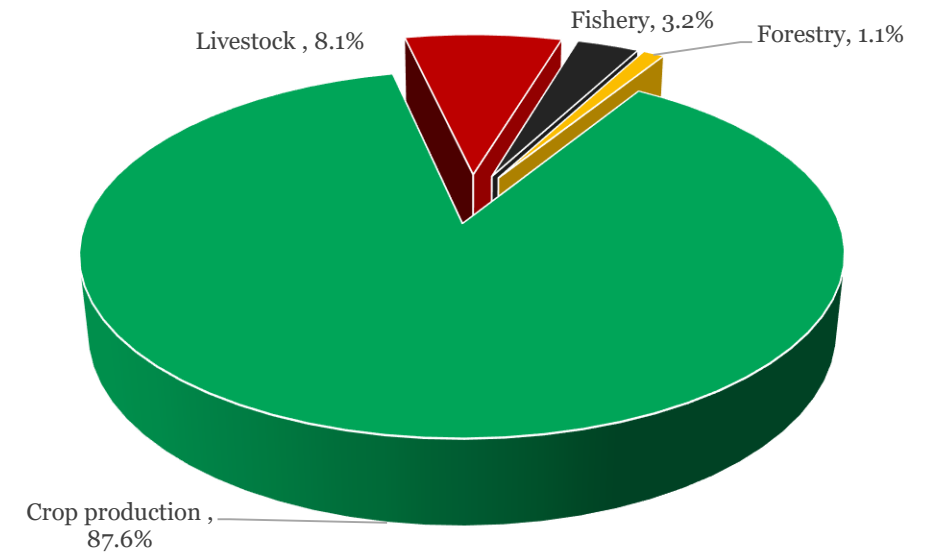
Agriculture is broadly divided into four sectors in Nigeria—crop production, fishing, livestock and forestry. Crop production remains the largest segment and it accounts for about 87.6% of the sector's total output. This is followed by livestock, fishing and forestry at 8.1%, 3.2% and 1.1% respectively. 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.

Agriculture's contribution to GDP (%)



Source: NBS, PwC analysis

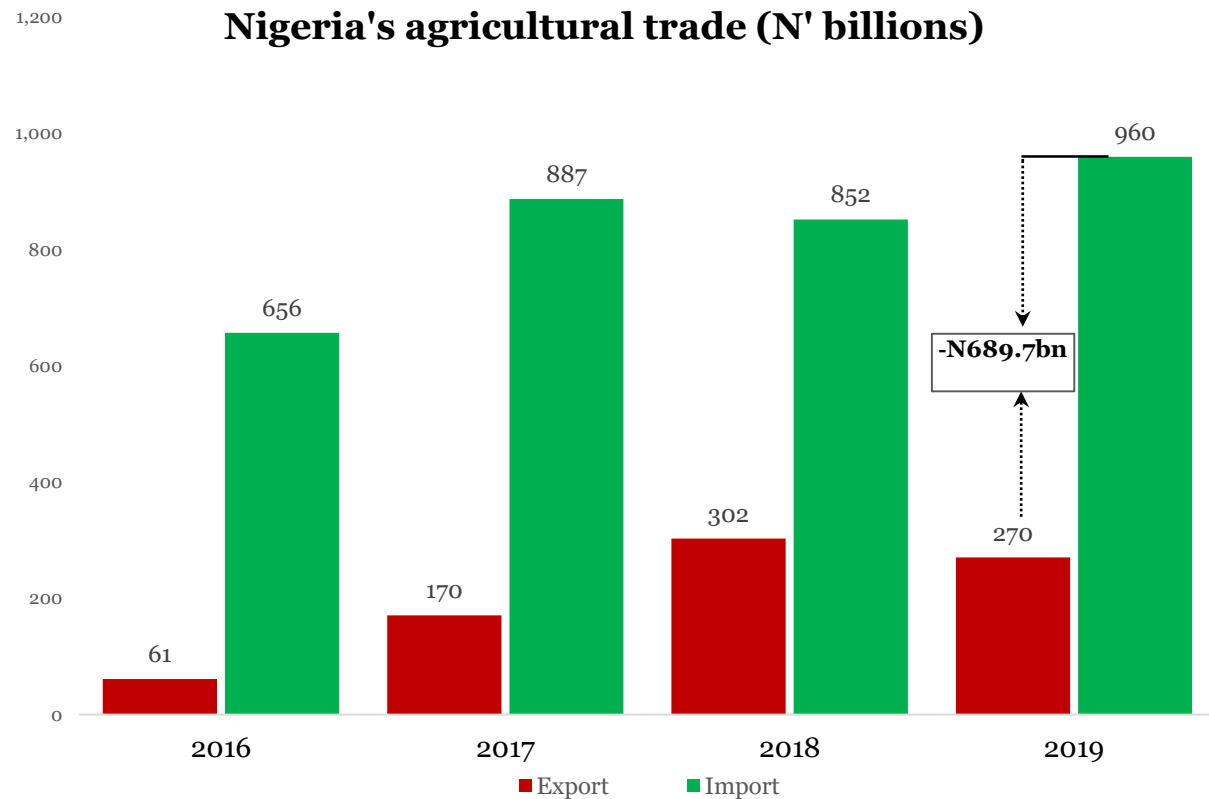
Size of the different segment of the agricultural sector



Source: NBS, PwC analysis

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.



Source: NBS, PwC analysis

- 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.

Challenges of the Nigerian agricultural sector...

Lack of access to finance

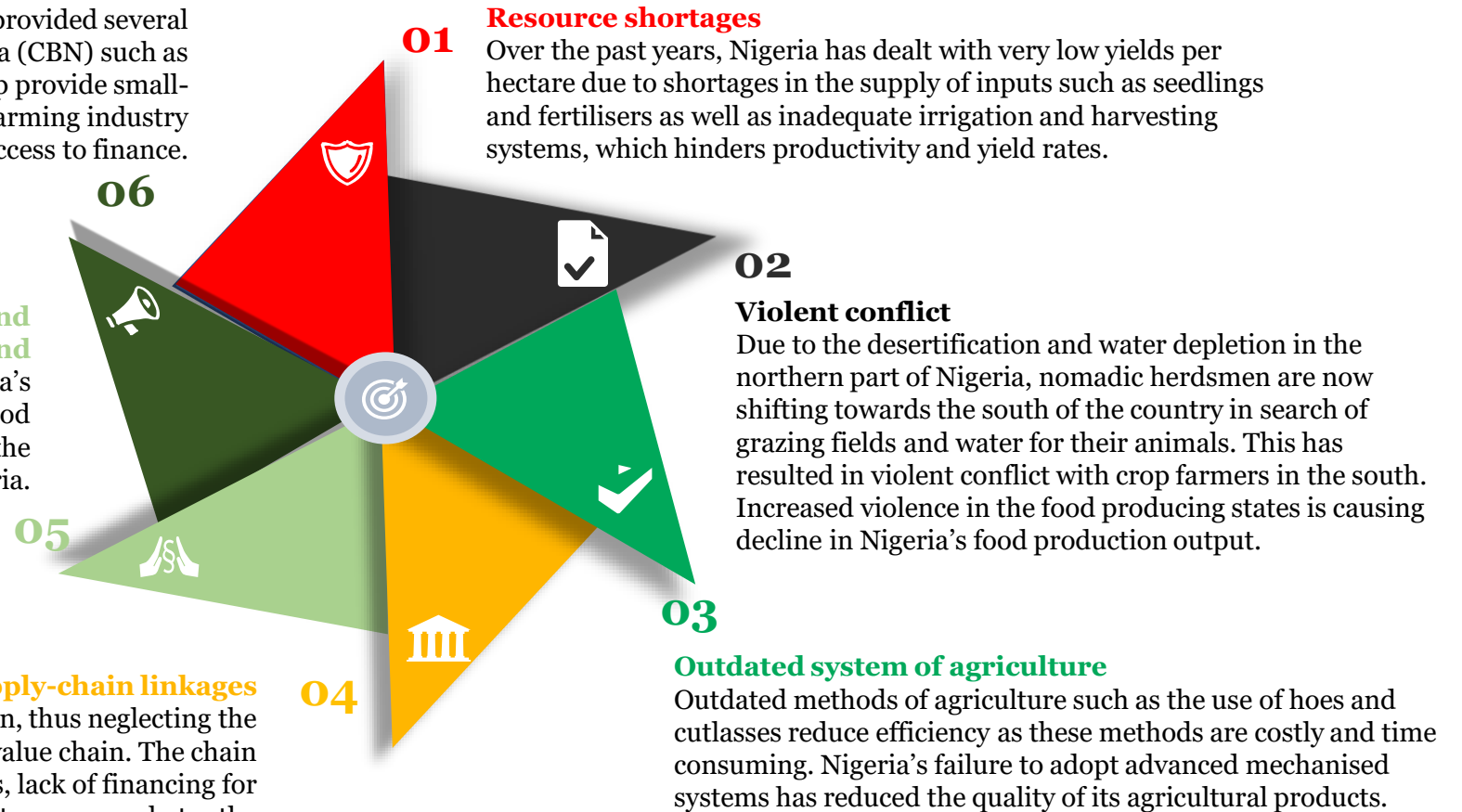
Although the Nigerian government has provided several facilities through the Central Bank of Nigeria (CBN) such as the Anchor Borrower's Programme to help provide small-scale farmers with adequate financing, the farming industry still lacks adequate access to finance.

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



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...

The policy aims to improve access to international markets by:

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

Agriculture Promotion Policy

- 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

Nigeria–Africa Trade and Investment Promotion Programme

- 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

Presidential Economic Diversification Initiative

- 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

Zero Reject Initiative

- 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

Banned Imports



Poultry, Pork, Beef, Eggs



Refined vegetable oil and fat

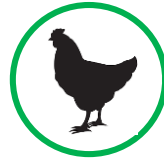


Spaghetti, sugar and fruit juice

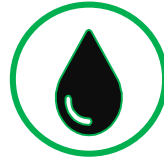


Sugar Cane

Restricted Dollar Access



Poultry and eggs



Palm kernel/palm oil products/vegetable oils



Meat and processed meat



Rice, Tomatoes

Key Trade Rules



Rules of Origin



NAFDAC or SON product registration

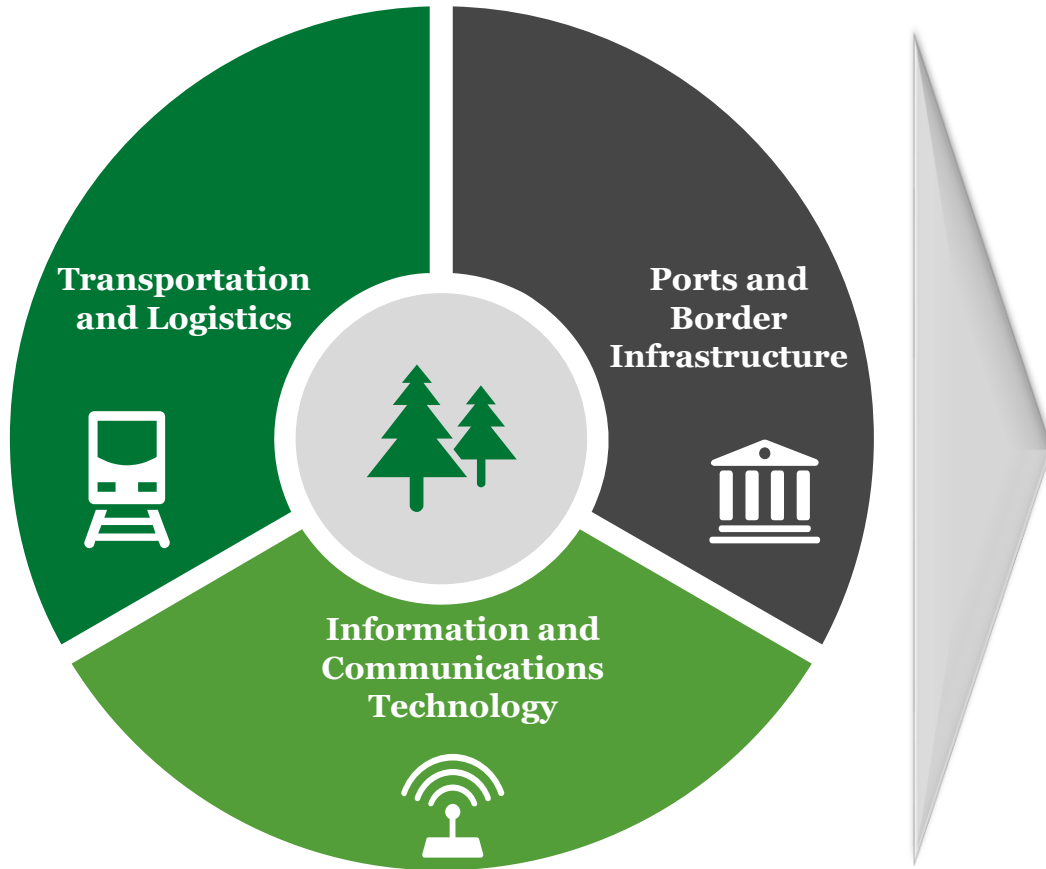


Registration with MAN and NACCIMA



NEPC Registration

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

2.6 / 7



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

3.4 / 7



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

2.6 / 7

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



Government Initiatives

- The Federal government is establishing Special Agro-Industrial Processing Zones to concentrate agro processing activities
- The SAPZs are aimed at boosting productivity, integrating production and enhancing the processing and exporting of select commodities

Establishment of Special Agro-Industrial Processing Zones

- As part of its plans to aid the free flow of goods, the Government is in constructing rail lines across the country
- Once complete, these would serve as an alternative to road transport and enhance the distribution of goods and commodities within the country

Development of Railway Infrastructure

- 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
- A key example is the ongoing rehabilitation of the Lagos Badagry expressway which serves as a key component of the West African Trade Routes

Development of Road Infrastructure

- 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
- The Nigerian Ports Authority has also signed a MOU with the Royal Port of Antwerp to enhance

Enhancement of Ports Infrastructure

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