

# Unlocking Nigeria's Agricultural Exports



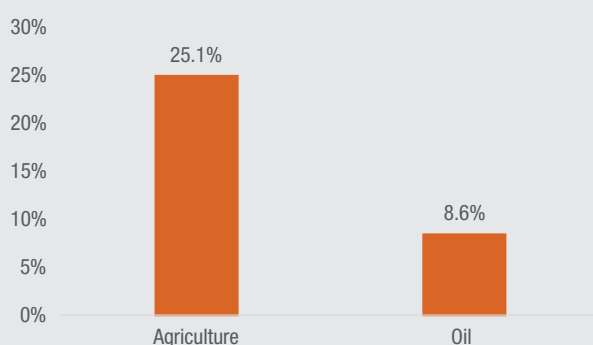
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## Overview

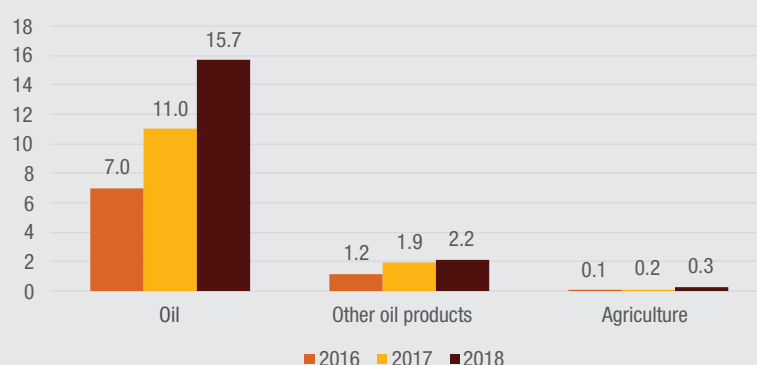
Despite the steady growth in the value of Nigeria's agriculture exports over the last three years (2016 to 2018), the country's agriculture exports to total exports remained below 2%. Consequently, oil revenue continue to account for more than 80% of total value of annual exports. However, the agriculture

industry contributed approximately 25% to total GDP in 2018 while the oil sector's share of total economic output was 8.6% over the same period. Since the agriculture sector is the largest contributor to Nigeria's GDP, unlocking the potential of agricultural exports is key.

**Agriculture and Oil sectors' contribution to GDP in 2018**



**Nigeria's Oil and Agriculture export (N' trn)**



Source: NBS, PwC analysis

Between 2016 and 2018, the country's total agriculture exports was driven by export of sesame seeds, fermented cocoa beans, cashew nuts, ginger, crude palm kernel oil, soya beans, frozen shrimps and prawns, among other commodities. Cumulatively, the country earned N0.53 trillion from agriculture

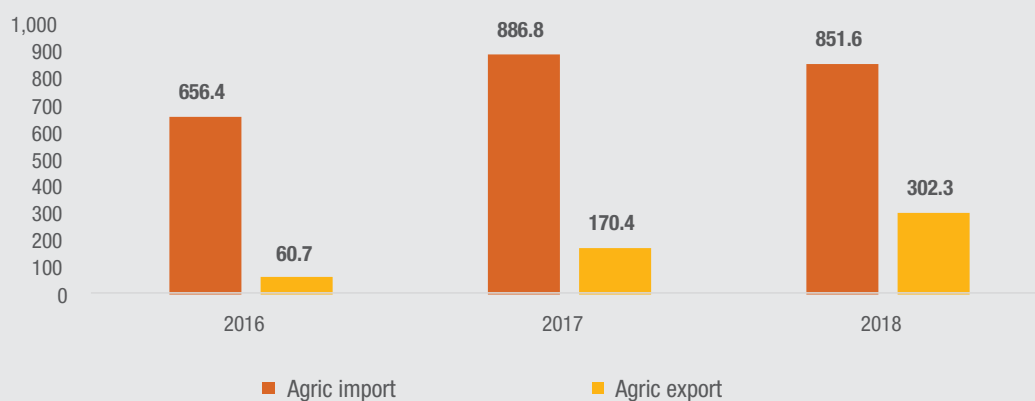
export between 2016 and 2018. In contrast, Nigeria's total agriculture import bill over the same period stood at N2.39 trillion. As a result, agriculture trade deficit stood at N1.86 trillion. Thus, the country is a net food importer.



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## Value of agriculture goods exported and imported, Nigeria (N' bn)

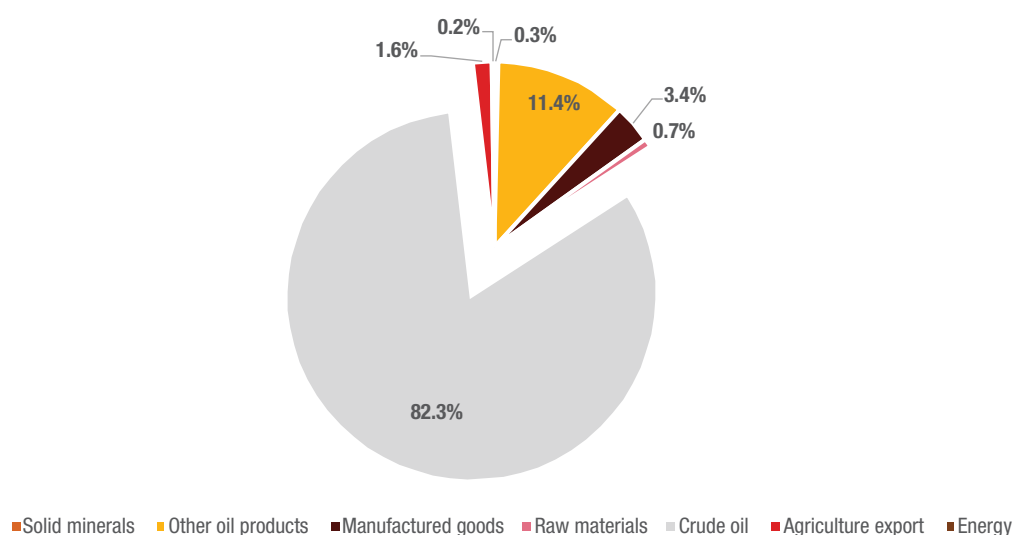


Source: NBS, PwC analysis

In 2016, total agriculture exports stood at N60.7 billion or 0.7% of total exports for the period. In 2017, total agricultural exports grew by 180.7% over the previous year to close at N170.4 billion and it accounted for 1.3% of total exports. By 2018, agriculture exports increased by 77% over 2017 to close at N302.3 billion, and accounted for 1.6% of total exports.

The country's total exports has been driven by crude oil exports. In 2018, crude oil exports accounted for 82.3% of total export revenues while agriculture exports accounted for just 1.6%. With the Federal Government's intent on diversifying the economy away from oil, there has been renewed interest in the agricultural sector as a critical sector to lead the charge.

## Breakdown of total value of exports in 2018



Source: NBS, PwC Analysis

## Regional destinations of Nigeria's agricultural exports

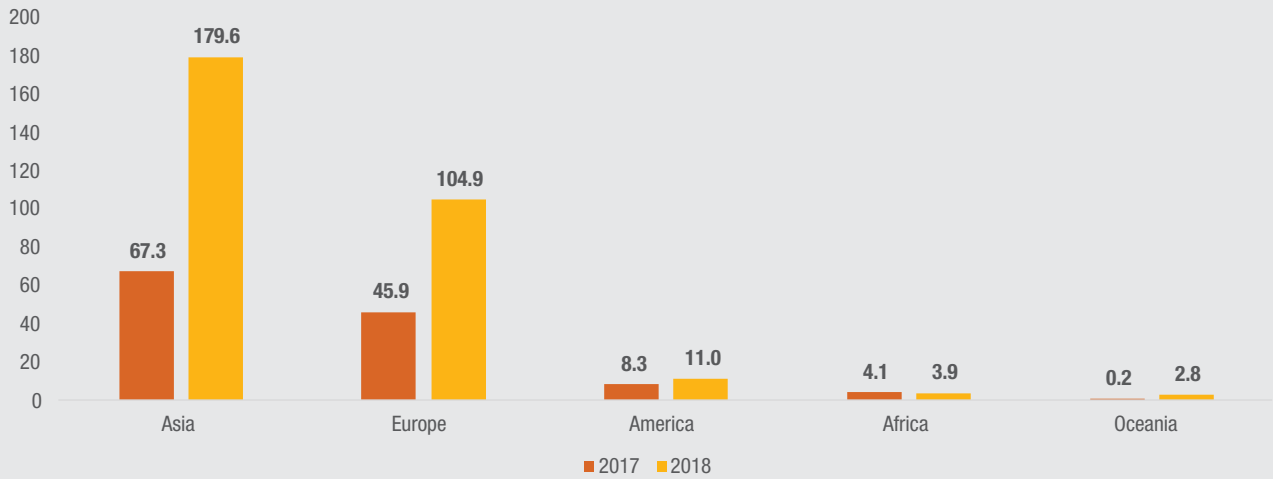
The Asia region is the leading importer of Nigeria's agricultural commodities. The region accounted for 59% of total exports in 2018 (2017: 52.7%). Europe - 34.5% and America - 3.6% are the second and third biggest markets for Nigeria's agricultural goods in 2018. However, both regions' share of exports in 2018 dropped from 35.9% and 6.5% respectively recorded in 2017.

In absolute term, export value of agricultural goods to Asia in 2018, grew by 167%, from N67.3 billion in 2017 to N179.6 billion. The growth was mainly driven by demands from Japan, India and China.

Trade in agricultural goods between Nigeria and the rest of Africa is still relatively small compared to other regions of the world. Agricultural exports to other African countries declined by 6%, from N4.1 billion in 2017 to N3.9 billion in 2018.



Nigeria agriculture export by region (N' bn)



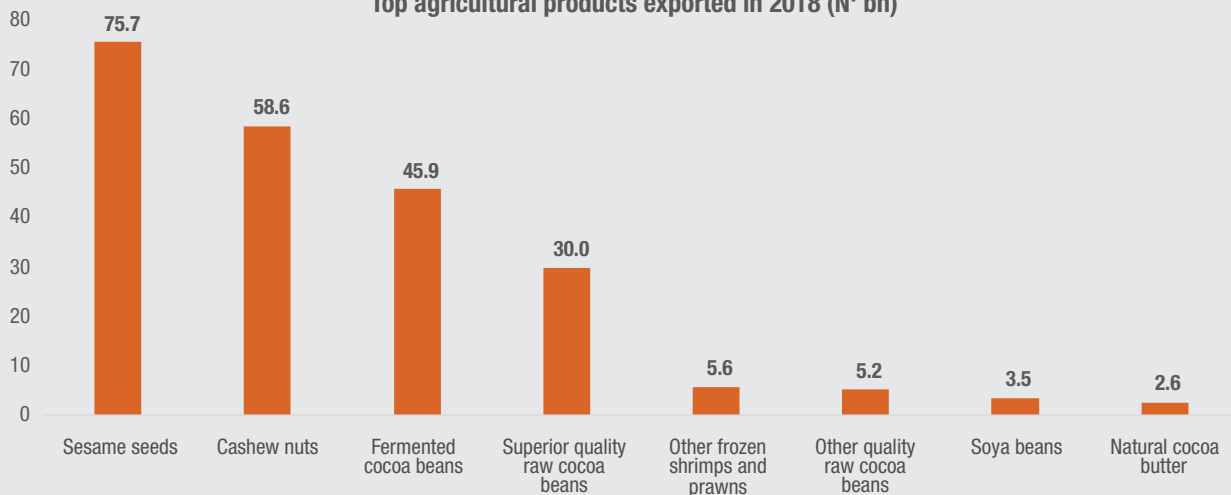
Source: National Bureau of Statistics, PwC Analysis

## Major agricultural goods exported from Nigeria

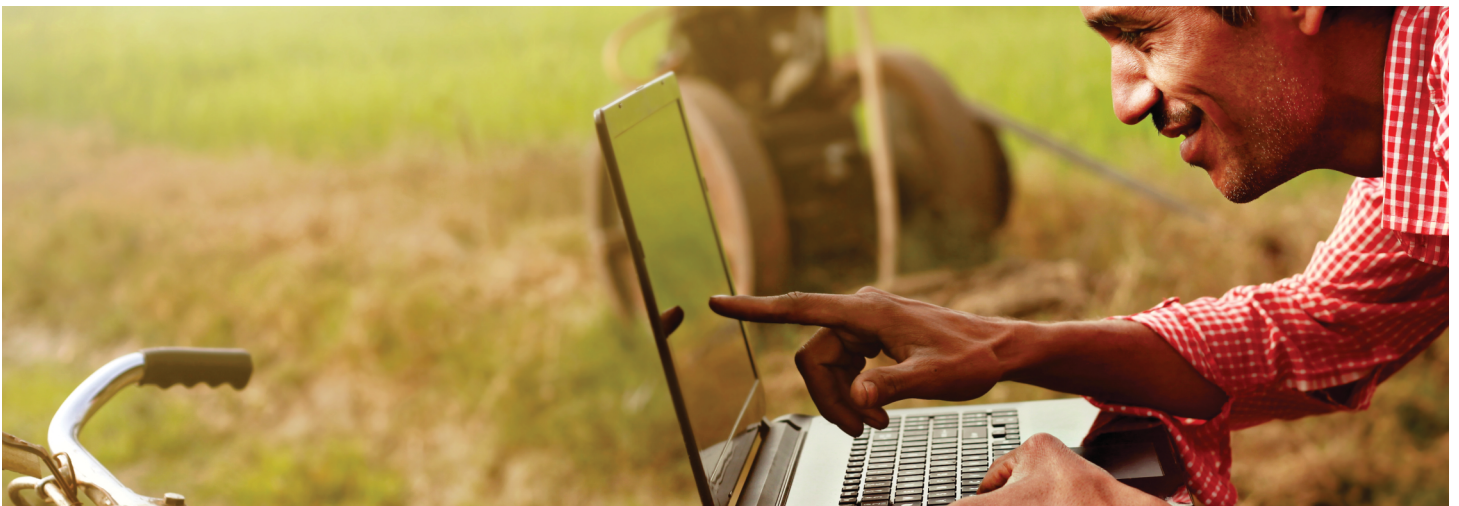
Sesame seeds, cashew nuts, fermented cocoa beans and superior quality raw cocoa beans – with combined total export value of N210.2 billion accounted for 69.5% of total agriculture exports in 2018.



Top agricultural products exported in 2018 (N' bn)



Source: NBS, PwC Analysis



## Overview of Nigeria's major exported agricultural products

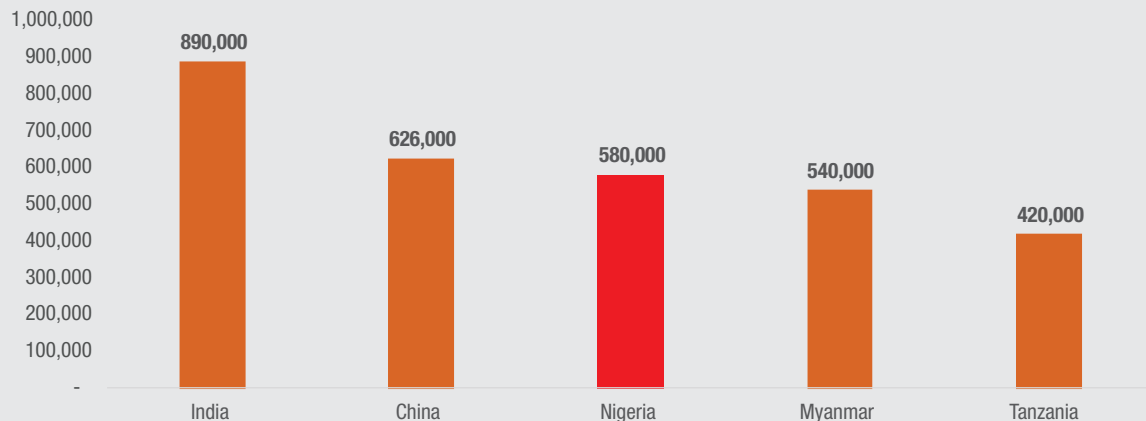
Below are highlights of exported agricultural products in Nigeria:

### i. Sesame seeds

Nigeria is the third largest producer of sesame seeds in the world after India and China and the largest in Africa with production capacity in excess of 500,000 metric tonnes as at 2017<sup>1</sup>. According to the Nigerian Institute of Food Science and Technology, about 95% of sesame output in Nigeria is exported.



Top 5 producers of sesame in the world (metric tonnes), 2017

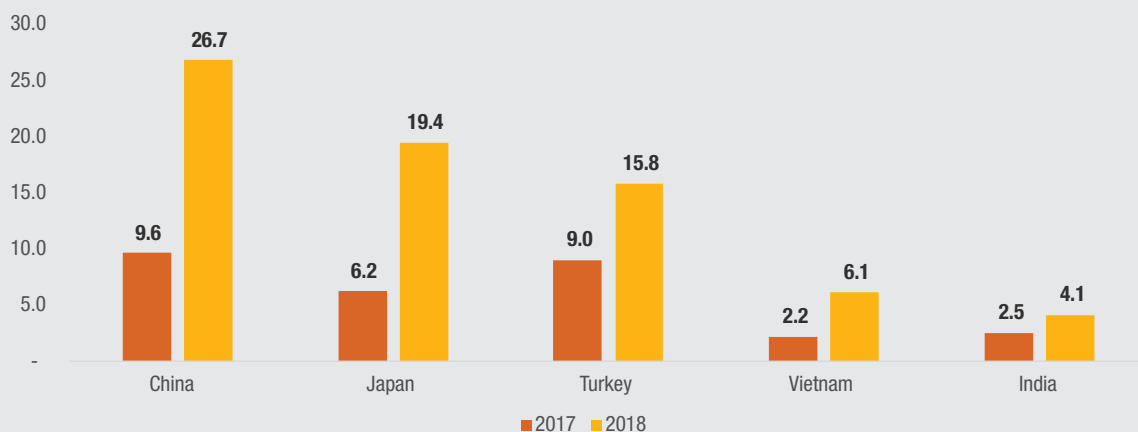


Source: Proshare, PwC

Together, these five countries accounted for 83.3% (2017: 75.9%) of global total export value of sesame seeds in 2018. In Nigeria, sesame seeds are grown mostly in Taraba, Benue, Jigawa and Nasarawa states. Total Nigeria's export value of sesame of N89 billion in 2018 was more than twice the value in 2017 of N41.5 billion.

China remains the largest importer of Nigeria's sesame seeds with purchases of N26.7 billion worth of sesame seeds from Nigeria in 2018 compared to N9.6 billion purchased in 2017.

Top five importers of sesame seeds from Nigeria (N' bn)



Source: NBS, PwC Analysis

### ii. Cashew nuts

According to the National Cashew Association of Nigeria (NCAN), Nigeria ranks as the sixth largest producer of cashew nuts in the world with average production capacity of 120,000 metric tons per annum. Cashew is grown in about 19 states of the country comprising: Abia, Anambra, Akwa Ibom, Benue, Cross River, Delta, Ebonyi, Edo, Ekiti, Enugu, Imo, Kogi, Niger, Nassarawa, Ogun, Osun, Oyo, Taraba and Kwara.

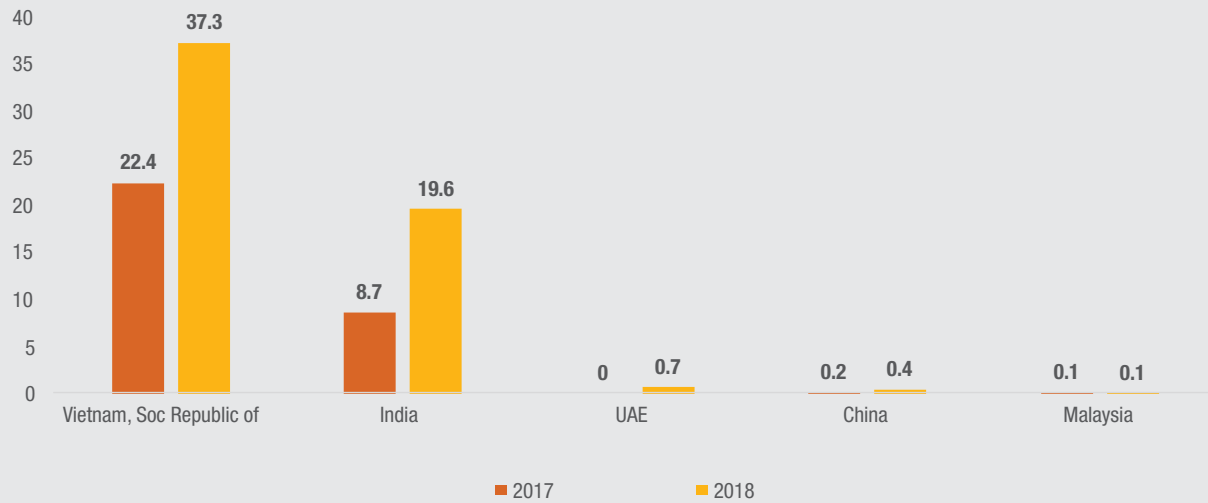
The export value of cashew nuts in Q2 2018 was N37.9 billion, representing 47.5% of the combined export value of cashew nuts for 2017 and 2018. The export value of cashew nuts was the highest among all agriculture products exported in Q2 2018.

The top export destinations of Nigerian cashew nuts are the Asian countries. Vietnam and India remained the largest market for Nigerian cashew nuts.

1. <https://www.proshareng.com/news/Commodities/Sesame-Seeds---A-Diamond-In-The-Rough/40403>



Top buyers of Nigerian cashew nuts (N' bn)



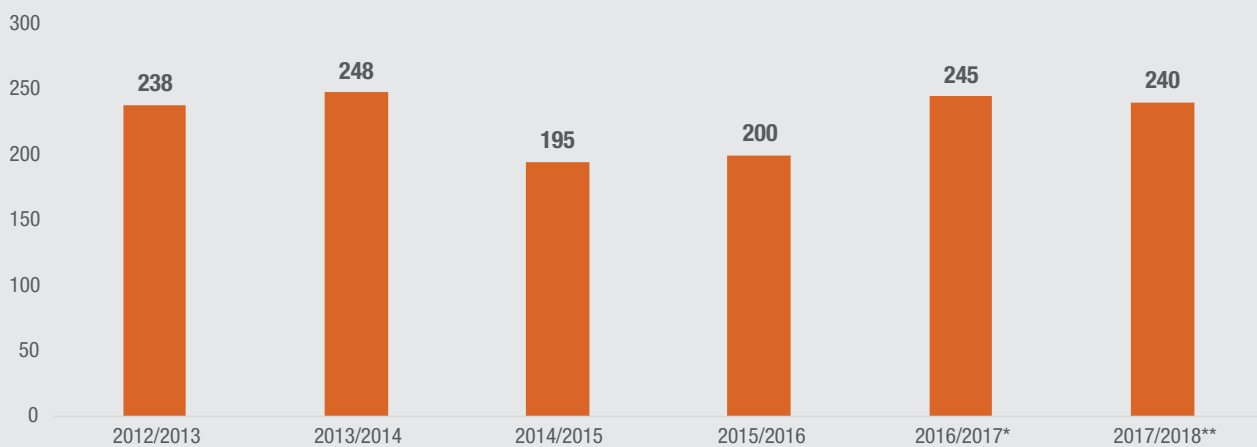
Source: NBS, PwC analysis

### lii. Cocoa – fermented and raw cocoa

West Africa accounts for about 70% of global cocoa output. Cote d'Ivoire and Ghana combined, account for more than half of the world's total production. Nigeria is the third largest cocoa producer in Africa. Data estimates from Statista, a statistics online portal, puts the country's total cocoa production at 245,000 tonnes in 2016/2017 which is less than one-third of Ghana's production level.



Cocoa production in Nigeria ('000 tonnes)



Source: Statista, PwC analysis

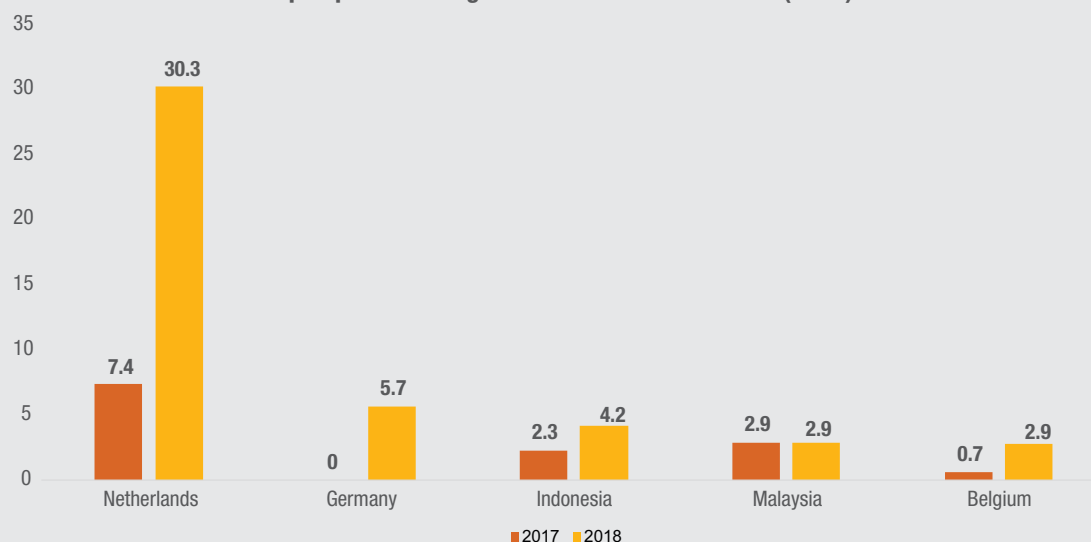
\*Estimated value\*\* Forecast as of May 31st 2018

The major export destinations of Nigeria's fermented cocoa beans are the Netherlands, Germany, Indonesia, Malaysia and Belgium.

In 2018, the Netherlands imported N30.3 billion worth of fermented cocoa beans from Nigeria, which surpassed the combined two-year export value of

the other top four importers. The significant cocoa demand from the Netherlands is driven by the boom in that country's chocolate market fueled by increased popularity of specialty chocolates.

Top importers of Nigerian fermented cocoa bean (N' bn)

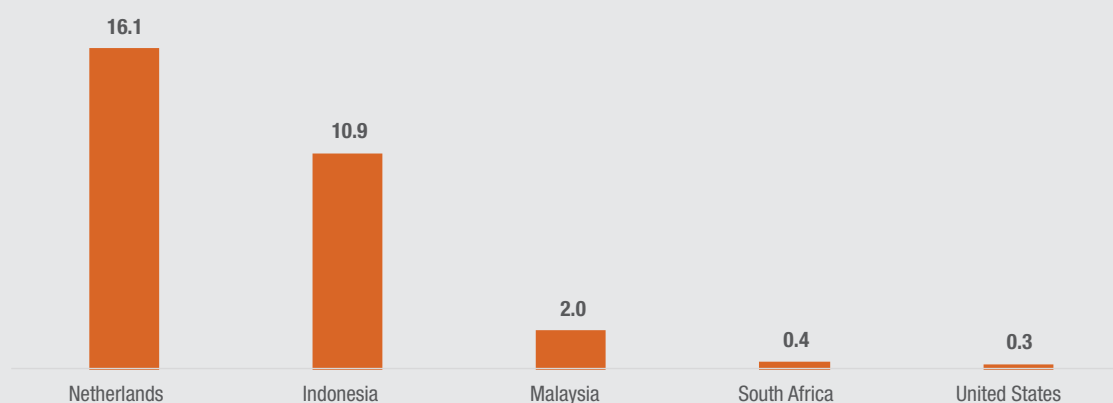


Source: NBS, PwC analysis

Similarly, Netherlands imported N16.1 billion worth of superior quality raw cocoa from Nigeria in 2018, while Indonesia purchased superior raw cocoa beans from Nigeria worth N10.9 billion in the same period.



Top importers of Nigerian superior quality raw cocoa in 2018 (N' bn)



Source: NBS, PwC Analysis

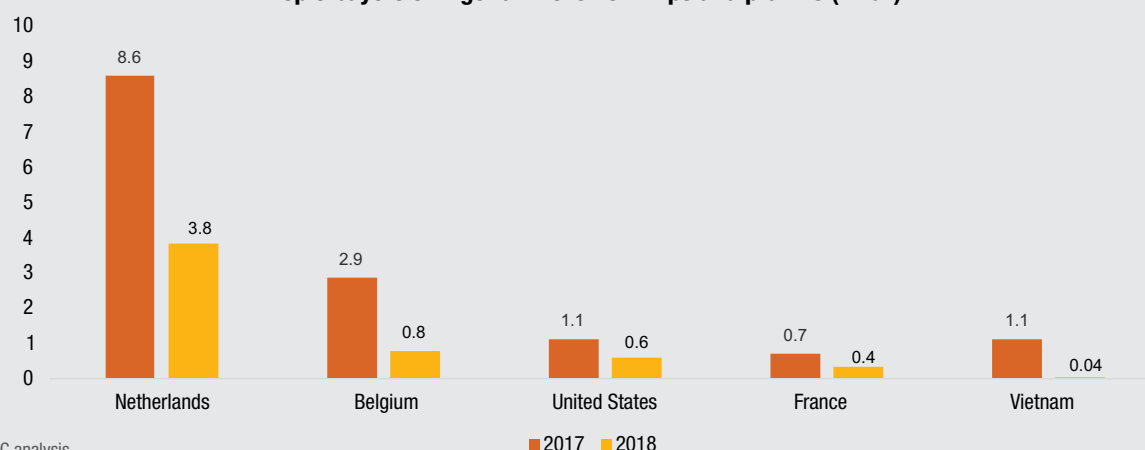
#### iv. Frozen shrimps and prawns

Total export value of frozen shrimps and prawns declined by 61.6% to N5.6 billion in 2018 from N14.6 billion in 2017. Though the value of shrimps and prawns exported to the Netherlands decreased by 55.4% to N3.8 billion in 2018 from N8.6 billion in 2017, the country remains the largest market for

Nigeria's frozen shrimps and prawns with over N12 billion worth of frozen shrimps and prawns exported to the Netherlands in the last two years.

The total value of frozen shrimps and prawns exported to Belgium, Nigeria's second largest importer was N0.8 billion and 2.9 billion in 2018 and 2017 respectively.

Top 5 buyers of Nigerian frozen shrimps and prawns (N' bn)



Source: NBS, PwC analysis

## Challenges of agricultural exports in Nigeria

Several challenges are responsible for the low level exports of agricultural goods relative to total exports. Some identified constraints include:

### Logistic challenges at the ports

Nigeria's two major ports, Apapa and Tin Can ports, are responsible for processing the bulk of trading activities in the country, but infrastructure and logistics challenges continue to impact export, as well as import activities. A survey conducted in 2018 showed that Nigeria loses about \$10 billion on non-oil exports due to gridlock at the port<sup>2</sup>. The gridlock has led to refusal by buyers to renew contracts and in dire cases, outright cancellation of contractual agreements.

The Nigerian Cashew Association of Nigeria (NCAN) alleged that in March 2019, there was an incidence of delayed shipment of 50,000 tons of cashew valued at \$300 million due to gridlock in accessing the ports. Other agricultural products for export are affected too. The consequences of the gridlock include escalation in haulage costs, reduction in export prices due to degradation in the quality of produce while on extended transit to the port, and decline in foreign exchange accruable from non-oil exports.

### Inadequate storage facilities and poor distribution network

Lack of adequate modern storage facilities for agricultural produce has led to significant post-harvest losses on account of produce perishability. The Federal Institute of Industrial Research, Oshodi (FIRO) puts Nigeria's post-harvest losses at \$9 billion annually<sup>3</sup>. In the same vein, poor distribution

network of farm produce from the major food belts is equally hampering the quality and quantity of agricultural exports in the country.

### Poor quality of agricultural products for exports

The quality of agricultural products from Nigeria is relatively poor. This is due to poor handling of agricultural products (pre- and post-harvest period), diseases and pests attacks on crops and excessive use of pesticides for preservation purpose.

With growing globalization and increasing emphasis on the quality of agricultural products, which is benchmarked on international food safety procedures, it has become imperative for the Nigeria Agricultural Quarantine Services (NAQS) to put in place appropriate risk management measures and provide required guarantees on agricultural products leaving the shores of the country so as to avoid sour relationship with trading partners.

### Low value-addition to agricultural products

Lack of value-addition to agricultural goods exported has resulted to significant loss in earnings accruable to the country. According to the Food and Agriculture Organization (FAO), Nigeria's value-added per capita in agriculture, has risen by less than 1% annually, over the last 2 decades.

## Opportunities and prospects of agricultural exports in Nigeria



The Nigerian agricultural sector is replete with diverse opportunities. Being able to effectively harness these opportunities will drive agricultural development and expand agricultural export. For instance, analysis by the Nigerian Export Promotion Council (NEPC) shows that the total amount of estimated untapped potential by 2021 for Nigerian exports of cocoa beans to the ten best markets (Germany, Malaysia, Singapore, Turkey, Netherlands, Italy, Japan, France, Mexico and Indonesia) is around \$425 million.

In the same vein, the estimated worth of cocoa butter for the top ten markets was put at \$81.9 million, while the value for untapped potential in the market for cocoa paste by 2021 stood at \$6.3 million. The untapped market potential for sesame seeds to the top ten markets (China, Japan, South Korea, Mexico, Poland, France, Lebanon, the United States, Canada and the UK) is estimated at US\$170 million.

According to the NEPC, the largest estimated untapped potentials for Nigeria is in China, which accounts for an estimated 65% of total potential value. China is currently the third largest agricultural export destination, after Turkey and Japan.

Overall, agriculture experts are of the view that the country has the potential to generate US\$40 billion annually from export of agricultural goods.

### AfCFTA and the prospect of Nigeria's agricultural output

Though Nigeria is yet to sign the African Continental Free Trade Area (AfCFTA) agreement, some analysts posit that the arrangement offers a huge opportunity for Nigeria's burgeoning economy, vis-à-vis providing increased accessibility to a large market for the country's agricultural and other exportable goods.

The AfCFTA, being a common market arrangement, will encourage unhindered flow of Nigeria's agricultural goods to key markets in Africa that are in need of it. However, the country will need to improve on the issues and challenges impacting agriculture export growth in the short to medium term, in order to capitalize on the advantages of the untapped market potential that AfCFTA provides.

*"We have a lot of potential export growth across a range of key food commodities...but we need to address key barriers if we are going to succeed."*

2. <https://punchng.com/economic-cost-of-apapa-gridlock/>

3. <https://www.sunnewsonline.com/nigerias-post-harvest-losses-rise-to-9bn-fi-ro-dg/>

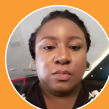
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