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Nigeria's New Agricultural Strategy

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Report Highlights:

Nigeria is pursuing a new agricultural development strategy designed to increase food production and employment. The strategy will focus on significantly increasing production of five key crops: rice, cassava, sorghum, cocoa and cotton.

General Information:

In August 2011, the new government of President Goodluck Jonathan inaugurated a new National Economic Management Team (EMT) headed by Dr. Ngozi Okonjo-Iweala as the coordinating Minister for the Economy and Minister of Finance to fast-track a holistic and orderly economic development approach for the country. In recognition of the vital role of agriculture as the leading economic activity in the country, the team unveiled the Agriculture Transformation Action Plan (ATAP) in August 2011, designed to create a total of 3.5 million jobs in the next four years. The aim of this new plan is to make agriculture a business rather than a development issue with emphasis on public private sector partnership (PPP). ATAP will focus on five crops (rice, cassava, sorghum, cocoa and cotton) and is expected to inject a total of N300 billion (\$2 billion) additional income into the hands of Nigerian farmers.

To drive the program, the government would remove its subsidy on fertilizer. Dr. Okonjo-Iweala explained that the decision to remove the subsidy on fertilizer is to get “fertilizers to 95 per cent of farmers against the current 11 per cent.” Over the last 15 years, the Government of Nigeria (GON) has implemented a 25 percent subsidy on fertilizer products supplied to farmers. The policy has been largely unsuccessful and has only caused distortion in the distribution channels. Inefficient and under-funded delivery systems prevented the subsidy from successfully reaching the intended small-scale farmers and supplies were often sold to directly to those with political connections who would resell the (discounted) fertilizer at higher prices in the market.

The newly appointed Minister of Agriculture, Dr. Adewunmi Adesina, is the Chairman of ATAP. He noted that the end game is to diversify the economy from the dominant oil sector and to attain food security. Dr. Adewunmi noted that the GON would adopt an import substitution policy to increase domestic production of key food staples by 20 million metric tons by 2015. About N350 billion (\$2.2 billion) is expected to accrue to economy during the period through self-sufficiency in rice production, while over N60 billion (\$400 million) would be generated from a policy of substituting 10 percent of wheat flour produced in the country with cassava flour. This policy was first attempted in 2005. In 2007, the GON closed down twelve out of the twenty flourmills in the country, citing non-compliance with the directive to include cassava in wheat flour. The mills were reopened within 24 hours with a directive to comply fully. The policy failed because millers could not get industry grade cassava flour in the country to buy because of limited processing capacity.

Under this plan, the government intends to increase the production of paddy rice from 3.4 million metric tons presently to 7.4 million metric tons by 2015, with one million additional jobs in that sector. Cassava tuber production is expected to increase from 34 million metric tons (12.5 metric tons per hectare) to 51 million metric tons (25 metric tons per hectare) creating additional 1.2 million jobs by 2015. Sorghum production is expected to rise from 9.3 million metric tons and a yield of 0.75 metric tons per hectare to 11.3 million metric tons and a yield of 2.5 metric tons per hectare with 150,000 jobs created.

Cocoa bean production is projected to increase from 250,000 metric tons with a yield of 300 kilograms/Ha to 500,000 metric tons with 500 kilograms/Ha, with a job target of 360,000 by 2015. For the cotton lint sub-sector, the agriculture ministry aims to achieve a record increase of 140,000 metric

tons with 400 kilograms/Ha yield and a job projection level of 125,000 from its present dismal production level of 20,000 metric tons and a 150 kilogram yield. (These figures are government estimates).

The Minister further said ATAP will use four key principles in executing the plan. First, ATAP would collaborate with the states to identify the value chain for the commodities in focus- a bottom-up approach. That way, everybody knows what they are accountable for. Second, ATAP will work in partnership with the private sector, civil society, and particularly with farmers. Third, agribusinesses will be positioned as investments that must generate a return. Finally, ATAP will produce an agricultural scorecard to monitor the progress made throughout the entire value chain. The monitoring will go beyond the Federal Ministry of Agriculture to other Ministries that are critical to making agriculture work such as power and rural infrastructure.

In order to ensure the overall success of the new initiative, Dr. Adesina has approached Congress to increase budgetary allocation to agriculture from the current 3 percent to 10 percent of total budget in line with the commitment of the GON to the Comprehensive Africa Agricultural Development Program (CAADP). CAADP was established by the AU assembly in 2003 with a focus on improving food security, nutrition, and increasing incomes in Africa's largely farming based economies. It aims to do this by raising agricultural productivity by at least 6% per year and increasing public investment in agriculture to 10% of national budgets per year.

In addition, the ministry of Agriculture would collaborate with the Central Bank of Nigeria to ensure improved access to credit for Nigerian farmers under the newly established Nigerian Incentive Based Risk Sharing for Agricultural Lending (NIRSAL). The CBN established NIRSAL in June 2011 to de-risk and un-lock agricultural financing for the entire agricultural value chain. It comes with a regime of incentives for lending banks, capacity building, agricultural insurance and risk sharing to encourage banks to lend into the value chains from their balance sheets and without recourse to government funds.

Analysis

- The removal of fertilizer subsidy is good move, as it could potentially improve farmers' access to this vital input. It will be a boost to agricultural production if the money saved from the subsidy is channeled to improving rural infrastructure.
- Substitution of cassava flour was attempted before in 2005, but didn't work due to inadequate processing capacity for industry grade cassava flour. Domestic capacity has improved with the establishment of new processing facilities but again falls far short of the approximately 350,000 tons per year required to achieve 10 percent inclusion in wheat flour. If and when the policy is fully implemented, it could reduce U.S. wheat exports to Nigeria by as much as 300,000 tons per year from the current 3.5 million tons.
- Import substitution is being touted by the President and the Minister of Agriculture more frequently following the announcement of ATAP. Post is not sure if this is just populist rhetoric or there is solid commitment to limiting imports to protect local producers. If so, then this will be a major step backwards from several years of gradual trade liberalization and harmonization of trade policies with the ECOWAS under the Common External Tariffs structure. Other voices

within the government such as Mr. Olusegun Aganga, Minister of Trade and Investment and Dr. Ngozi Okonjo-Iweala, Minister of Finance are pushing for trade liberalization, which could mean little or no actual change in import policies.