

The Imperatives of Nigerian Agribusiness: Issues and Challenges

M. C. Igbokwuwe^{*}, B. A. Essien, M. U. Agunnaah

Akanu Ibiam Federal Polytechnic, Unwana, Afikpo, Ebonyi State, Nigeria

Email address:

michaeligbokwuwe@gmail.com (M. C. Igbokwuwe)

To cite this article:

M. C. Igbokwuwe, B. A. Essien, M. U. Agunnaah. The Imperatives of Nigerian Agribusiness: Issues and Challenges. *Science Journal of Business and Management*. Special Issue: Sustainable Entrepreneurial Developments in Agribusiness. Vol. 3, No. 5-1, 2015, pp. 7-10.

doi: 10.11648/j.sjbm.s.2015030501.12

Abstract: The revitalization of the ailing Nigeria agricultural sector through policy driven and result-oriented agricultural production practices; its drawbacks, repositioning, growth, development, specialization and production outputs from agribusiness perspectives forms the focal issues of discourse in this research work. Research outcome revealed three aggregate management decision tools that could be isolated from the respective identifiable operators within the agricultural production-market supply chain; the producer-cooperative, supplier-consumer, and processor-distributor, and each of them should be made to operate in tandem with the national economic growth policies in their internal decision making.

Keywords: Agribusiness, Growth, Production, Processing, Marketing

1. Introduction

The term “Agribusiness” is an aspect of agriculture comprising of production, manufacture and distribution of farm inputs, equipment and supplies at one hand and the processing, storage and distribution of farm commodities on the other hand. This implies that the entire agricultural production, processing, distribution and consumption spectrum from farm input supplies inclusive of wood producers, furniture manufacturers, food processors, food packers, food transporters and food marketing companies to restaurants and shopping malls. It covers input industries for agricultural production, post-farm gate industries; including the commodity-processing, food manufacturing and distribution industries and third party firms that facilitate agribusiness operations including bankers, brokers, advertising agencies and marketing information firms (Yumkella et al., 2012). In other words, agribusiness is the sum total of all the operations involved in the manufacture and distribution of farm supplies, production operations on the farms, storage-processing-distribution off-farm commodities and other items made from them. It is used as a combination of agriculture and business referring to the range of activities in modern food operations (Igbokwuwe et al., 2014).

As agribusiness plays a critical role in jump-economic

transformation through development and growth of agro-based industries, successful agribusiness investments stimulates agricultural growth by providing new markets and developing a vibrant input supply system to all sectors.

Agricultural market potentials in Nigeria, Africa’s fast growing and second largest economy, is huge with rapid growth in telecommunication, banking, film industry as well as oil industry. All activities necessary to bring about the transformation of Nigerian agriculture hinges on agribusiness spanning services from production, manufacturing of agro-inputs (fertilizers, pesticides etc.), packaging and distribution besides extension of credit facilities for agricultural investments.

Nigeria has the largest economy in Africa but is a middle income, mixed economy and emerging market with expanding financial services in the communications, technology and entertainment sectors. It has subsistence agricultural sector which has not kept up with rapid population growth. Nigeria, once a large net exporter of food now imports a large quantity of its food products due to poor attention and neglect. This paper review this nose-diving trend, issues and challenges proffering ways of alleviating them.

2. Characteristics of Nigeria Agricultural System

Agriculture is a major sector of the production economy in Nigeria, providing employment for 70% of over 150 million people comprising of smallholder farmers mainly focused on subsistence farming (FAO, 2008). However, this is being transformed by commercialization at the small, medium and large-scale enterprise levels.

Interestingly, over 90% of agricultural production is rain-fed in the nation with about 924,000 square kilometers of land mass of which 32 million hectares are cultivated (El-Rufai, 2011). Although, 82 million hectares out of Nigeria's total land area of about 91 million hectares were found to be arable. Much of this land was farmed under the bush fallow system whereby land is left idle for a period of time to allow natural regeneration of soil fertility. 18 million hectares were classified as permanent pasture but had the potential to support crops. Most of the 20 million hectares of land covered by forests and woodlands are believed to have agricultural potential (El-Rufai, 2011).

Nigeria's agricultural sector is characterized by little competition, large and growing demand for food and beverage products and favourable environmental conditions. With trade deficit in agricultural products where demands continue to rise, it creates immense opportunity for those willing to invest in revitalizing the sector. Although, the sector is yet to reach its potential production level with crop and livestock production remaining below demand, not enough to support the ever-growing population. As a result, Nigeria once a net exporter of food has now become a net importer spending over \$4.2 billion on food in 2010 with import rising exponentially to feed the growing population. For instance, with Nigeria's current fish production output estimated as 0.5 million tons, its true potential is 2.5 million tons annually with opportunities for investments going beyond direct production (Mhlanga, 2010).

3. Issues and Challenges Nigeria Agribusiness

Certain drawbacks shows imbalances and maladjustment resulting from uneven progress in the growth and development from agriculture to agribusiness, for example, glutted markets, unstable process, uneconomic farm units, poor managerial training and lack of broadly conceived agribusiness policy. The problem is the cost-price squeeze which influences the income of farm families, the rate of capital formation and the degree of progress of the farming aggregates. This results to the farmer's inadequate management ability to relate output and capital accumulation to market demand. Because of the large number of entrepreneurs in the farming aggregate, management cannot easily relate output to market demand at a price comparable to national economic levels. Because of small amount of agro-based industries, there is an arrangement of output cuts

till the balance of demand and supply is again achieved.

Many Nigerian farmers had lived and worked as subsistent farmers. At the subsistence level, we have shrinking and depleted farms, an ageing population with limited interest from the youth to engage in agriculture hence, there is an urgent need to explore the potential profitability of every agricultural investment and determine whether it makes financial sense to proceed in the short, medium or long-term (agribusiness). Factors other than price incentive must stimulate farmers to greater efficiency and production for example, research and agricultural extension. Most research in agribusiness should focus on production rather than marketing in Nigeria

4. Imperatives to Combating Challenges Facing Agribusiness

4.1. Accelerated Food Expansion Program

The 2013 World Bank report titled "Growing Africa: Unlocking the potential of agribusiness" shows poor infrastructure, high transportation including difficulties for smallholders and small firms to access technologies, information, skills and finance as critical bottlenecks bedeviling the growth of agribusiness (FAO, 2014). with the current high food demand in Nigeria as well as the rapid growth in population there is an annual loss of funds to importation in which 350 billion naira would have accrued to the nation's economy by the end of 2015 following the import substitution policy for rice while the substitution of wheat flour content in bread with cassava flour generates over 60 billion naira, there is increasing need for agribusiness productivity in order to specifically expand food production as well as the gap between demand and supply in Nigeria (FAOSTAT, 2010). Furthermore, agriculture and agribusiness are Africa's largest economic sectors projected to reach \$1 trillion in sub-Saharan Africa.

4.2. Paradigm Shift from Traditional to Commercial Agriculture

Agribusiness is seen as the catalyst that activated traditional agriculture into modern and commercial agriculture in Nigeria. That is, the country's agriculture has moved from peasant, traditional agriculture to the modern, commercial agriculture to cater for production of dispersed settlement as against the climate change. Advancement from small-scale, manual operation of farm to large-scale mechanized operation of farm leads to a rise in sale of food and fiber products in which the food and fiber companies of large-scale farms engages into large businesses or corporations that meet the serving needs of the urban city residents as well as the rural village residents.

Thus, the state of self-sufficiency to one of abundance of production with the attendant problems of complex interrelations with off-farm business have a tendency to a very great extent of on agribusiness workers (processors,

distributors, farm suppliers etc.) employed off farm than in the number of farmers due to the outgrowth of research advances and technological development. When a small percentage of farm operators control a large percentage of farm products sold and a small percentage of food retailing stores control a large percentage of the country's retailing business, there are varied foods and the improvement in food leading to a higher level standard of living in Nigeria.

4.3. Growth and Development of Nigeria Agribusiness

The problem of agribusiness in the country is the inconsistent government policy, goals and implementation which discourages agribusiness growth and development to completely handle national food insecurity. Agribusiness in Nigeria must migrate from its present smallholder outlook to corporate, cooperative and large-scale farm levels, serving the supply interests of industrial processes with adequate quantities of raw materials with desired qualities at the required time which will easily take up new innovations and adequate infrastructures for their immediate environment and the economy (better utilization of assets). But due to poor development and growth of agribusiness in Nigeria, large-scale farming contributes less than 10% of the total agricultural production. Therefore, there is need for agribusiness enterprises enforce implementable legislations to protect the business against unscrupulous trade practices, more varied food items and threat of famine eliminated through extension of the market which are specialization in agribusiness leads to a higher standard of living in order for Nigerian agriculture to be totally transformed.

4.4. Promoting Specialization and Output from Agriculture

Specialization in agribusiness provides the use of machinery to complement human effort which makes it possible for increased capital use, better organization and more productive technologies. These activities combined to raise the productivity of labour, land and capital. In this process, production for self-sufficient yield placed dependence on the market. The more external markets (agribusiness) are catered for, the less the proportion of total output that originates from farming due to the use of high productivity inputs obtained from farm machinery, chemicals, credits, transportations and extension services. Hence, the development of agribusiness sector will enhance this aspiration that should be able to satisfy and sustain domestic demand for human consumption and local industries in Nigeria.

4.5. Promoting Market-Price Control Mechanism

Limited geographical location with few buyers and sellers under an equally limited central political organization give rise to poor agricultural existence which agitates a change by credible institutions to advance loans, transport to move the goods and services from producers to consumers, emergence of insurance to safe-guard transactions, expansion of market and operation of commodity exchange system. This entails

an evolutionary process that grows out of the marketing needs to reduce price risk inherent in agricultural production. This market which is a product of agribusiness growth and development is elusive in Nigeria due to poor agricultural development. Thus, the major problem governing our present approach is that the risk of price fluctuation is handled within the marketing channels.

Therefore, its solution implies the capability for shifting the risk in price fluctuation outside the marketing channels. Reinforcing trade and land tenure policies, investing in agricultural educational and research institutions, easing government engagement in fertilizer availability, seed availability and input supply, distribution, storage, packaging and financing, providing incentives for credit institutions, ensuring strong and effective extension support services, establishing agribusiness development programmes at the state and local government levels, providing adequate infrastructures especially feeder road networks, consistent and affordable electricity are all ingredients to boost and improve agribusiness growth and development in Nigeria

4.6. Organizational Re-Structuring in Agribusiness

The transformation from peasant agriculture to agribusiness provide some characteristics which implies that many small-scale farms are producing less than 10% of marketed food and fiber products; farm suppliers and processors-distributors class shows a tendency toward horizontal and vertical integration and shift of manpower from on-farm to off-farm jobs which are the outcome of research advances and technological development. Parallel to this is the increased productivity of workers on the farm and the need for more workers in the supplier and processor-distributor aggregate chains to be drafted in.

5. Conclusions

Management of agribusiness entails diversification of low-income farmers out into part-time or full-time productive work in off-farm operations and as such cannot balance production and consumption at short term notice without a well drafted and implemented agribusiness policy. Three aggregate management decision tools could be isolated from the respective identifiable operators within the agricultural production-market supply chain; the supplier, cooperative, and processor-distributor. Each of them make internal decisions without relating them to the national economic growth and policies.

Government's efforts at promoting agriculture could have been better but for the poor approach at implementing these formulated policies among the isolated operators and as such, not achieving their best. No overall plan for agribusiness irrespective of farm production relative to weather, climatic and production factors despite the overriding influence of technology. Hence, the Nigerian Agribusiness Group (NABG) was established in 2014 to transform agriculture as the engine of growth and development may not achieve much in this direction keep

all factors constant. As such, the custodians of the benchmark of Nigeria's economy has enormous work in achieving the set goals.

References

- [1] El-Rufai N. 2011. "Fixing Nigeria Agriculture", Think Africa Press, 16 September 2011, <http://thinkafricapress.com>.
- [2] FAO, 2008. Agricultural Mechanization in Sub-Saharan Africa: "Time for A Look"; Food and Agriculture Organization of the United Nations., <http://www.fao.org>.
- [3] FAOSTAT 2010. Food and Agricultural Commodities Production: Cassava, <http://faostat.fao.org>. Igbokwuwe M.C., 2014. Lecture Note on Agribusiness Management (Unpublished).
- [4] Mhlanga, N., 2010. Private Sector Agribusiness Investment in Sub-Saharan Africa; Food and Agriculture Organization of the United Nations (FAO) 2010, <http://www.fao.org>.
- [5] Yumkella K. 2012. Agribusiness for Africa's Prosperity, United Nations Industrial Development Organization, 2012, <http://www.unido.org>.