

NIGERIA: Agricultural Economy and Policy Report

March 2009

SECTION I

General Political Situation and Trends

On May 29, 2007, Umaru Yar'adua was inaugurated as President of the Federal Republic of Nigeria, marking the first civilian-to-civilian handover of power in Nigeria's history. His party, the People's Democratic Party (PDP), also won state governor elections in 28 out of the 36 states and has a large majority in the National Assembly (Congress). The other political parties are the All Nigeria Peoples Party, the Action Congress, and the Progressive People's Alliance. The April 2007 elections were marred by electoral malpractice, which led the opposition party to file challenges to the election results in Nigerian courts. In December 2008, the Nigerian Supreme Court ruled in favor of President Yar'adua and dismissed all challenges.

The most pressing problems of the new administration are continuing ethnic and regional discord (especially in the highly volatile Niger Delta), the moribund economy and poor infrastructure. To battle corruption, the administration of the immediate past President Obasanjo made modest progress on its pledge to practice open and competitive bidding for contracts.

President Yar'adua visited the United States and met with President Bush in December 2007, and Nigeria is generally supportive of U.S. policy objectives.

Macroeconomic Situation and Trends

Nigeria has a dual economy where a large oil sector, with few links to the rest of the economy, exists alongside a typical developing economy that remains heavily dependent on traditional agriculture and trade. Petroleum continues to power the Nigerian economy and petroleum exports account for 20% of GDP, 95% of total export earnings and close to 85% of federal government revenue. Meanwhile, manufacturing is actually in decline, with that sector's capacity utilization reportedly dropping from 46.7% in 2006 to 42.4% as of November 2007. This fall is mainly due to the high-cost and unreliability of energy supplies (especially electricity) and weak infrastructure.

Despite civil unrests and endemic corruption, Nigeria's economy is still experiencing growth, driven largely by the petroleum and agricultural sectors. This growth, however, has slowed from recent years, and in 2007 Real GDP growth is estimated at 5.5%, down from 6.0% in 2006 and 6.5% in 2007. This slower growth rate can be attributed both to the political unrest in the Niger Delta region (and subsequent fall in oil production), as well as a struggling economic development environment. Economic growth is hampered by low investment rates, poor infrastructure, unreliable power and communications services, and bureaucratic challenges. Of particular concern to the U.S. agricultural sector, is the wide range of import bans, high tariff rates and non-tariff barriers for many food items.

In November 2008, the GON adopted its new tariff book for 2008-2012. The book, which partially conforms with the ECOWAS Common External Tariff, removed multiple agricultural products (corn, sorghum, millet, wheat flour, biscuits, sugar confectioneries [including white chocolate], crude vegetable oils, fresh and dried fruits) from Nigeria's import list. Furthermore, the tariff book reduced import tariff rates for brown rice (5 percent) and wholly milled rice (30 percent).

Nigeria's Macroeconomic Indicators

	2005	2006
GDP	\$92b	\$118.9b
GDP GROWTH	6.5%	6.0%
PER CAPITA	\$675	\$832
TOTAL IMPORTS	\$24.1b	\$26.0b
IMPORTS FROM US	\$1.8b	\$1.9b
US AG IMPORTS	\$560m	\$507m
WHEAT IMPORTS	\$517m	\$468m
POPULATION	140m	144m

Source: Central Bank of Nigeria Annual Reports

President Yar'adua took over from President Olusegun Obasanjo, who oversaw significant improvements in Nigeria's economic governance. The National Economic Empowerment and Development Strategy (NEEDS), which was launched in May 2004, is Nigeria's home-grown growth and poverty reduction strategy. NEEDS recognizes that a dynamic and competitive non-oil private sector is essential to rapid and sustained growth. President Yar'Adua has laid out a 7-Point agenda which builds on continuing the economic reforms begun by the last Obasanjo administration and articulates his administration's policy priorities as:

- The pressing need to improve the country's electricity supply;
- The importance of boosting the agricultural sector
- Strengthening security, law and order;
- Sustain the ongoing fight against corruption;
- Reduction in the size of the Federal Government;
- Reforming land ownership; and
- Developing the Niger Delta.

A major policy thrust of the GON is to move Nigeria to be among the top 20 economies in the world by 2020. To achieve this, Nigeria would require growth rates of between 13%-15% in the medium-term, a lofty goal in comparison to the current 5-6% growth.

According to data from the National Bureau of Statistics, the inflation rate in 2007 fell to 7.2% (year on year), down from 7.5% a year earlier. The downward trend is attributed to efforts by the GON to reduce excess liquidity in the economy.

The Economy as it Relates to Agriculture

Despite the rapid growth of the oil industry over the years, agriculture still accounts for 40% of GDP and provides employment, both formal and informal, for about 60% of Nigerian's 144 million people. Nigeria's agriculture remains largely subsistence-based, with about 80% of agricultural output coming from farmers who live on less than a dollar per day and farm less than one hectare. Recent reform programs have resulted in some increase in private sector acquisition of land for medium to large-scale agriculture. Major agricultural commodities produced in the country are cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber, cattle, fish and timber.

Domestic Agricultural Policy Overview

Nigeria has a well articulated agricultural policy. Current agricultural policies aim to increase agricultural production, enhance farm incomes, and achieve food security.

The GON has consistently focused on the need to develop the agricultural sector as both the engine of growth and in order to promote self-sufficiency and food security. Key GON agricultural initiatives include extending farmers' credit and subsidies, supplying tractors, tools and fertilizer at subsidized rates, providing financial support for the production and distribution of planting seeds and seedlings for Nigeria's major cash crops, and providing grants to exporters of semi processed agricultural products. Despite these programs, challenges such as under-funded delivery systems, collapse of extension services and insufficient domestic production means a significant amount of the country's food needs are being imported.

In November 2008, the GON adopted a new tariff book, which has relaxed some of its import bans and tariffs.

The GON appears to be supportive of biotechnology and many Nigerians believe that the nation needs to embrace biotechnology in order to not miss out on the rewards of another "green" revolution. A draft biosafety bill, which seeks to provide regulatory framework, institutional and administrative mechanisms for safety in the application of modern biotechnology, was developed in 2006 but remains unapproved.

General and Agricultural Trade Situation

Beginning in 2005, Nigeria commenced the gradual implementation of the more liberalized ECOWAS Common External Tariff (CET), which was partially adopted in Nigeria's new tariff book in November 2008. Nigeria is an active participant in Codex and WTO Committees.

At present, Nigeria has no Free Trade Agreement and bilateral investment treaty with the United States. However, Nigeria signed a Trade and Investment Framework Agreement (TIFA) with the United States in 2004. The last U.S.-Nigeria TIFA meeting was held in November 2007 in Abuja where outstanding trade policy issues were raised with the appropriate Nigerian authorities.

FAS Lagos represented the department at the December, 2007 U.S.-Nigeria TIFA discussions in Abuja. The meeting offered an excellent opportunity to engage with the new government. There was a consensus to develop a TIFA work plan which calls for periodic working level meetings to discuss outstanding issues. This is a new positive development. Moreover, the mission is now fully engaged at the highest level to address outstanding TIFA-related issues. In addition, post continues to work closely with FAS Washington to elevate Nigeria's outstanding trade-related issues in the WTO. This dual-track approach with particular emphasis on bilateral discussions should lead to some resolution in the near future. The next U.S.-Nigeria TIFA meeting is scheduled for February 3-4, 2009 in Washington D.C.

Nigeria's total exports of goods and services in 2007 are estimated at \$61.81 billion, mainly crude oil and gas, and major export destinations are the United States and China. Total imports in 2007 are estimated at \$30.35 billion with the major origins being China, the United States, the EU, and Brazil.

Nigeria is a huge net importer of agricultural products, with imports of approximately \$3.7 billion and exports of only about \$600 million in 2007. Nigeria is predominantly a bulk/intermediate commodity market and major imports are wheat, rice and sugar. The United States is a leading exporter of agricultural products to Nigeria (\$725 million in CY 2007 compared to less than \$500 million in CY 2006), primarily wheat. Exports of U.S. value-added products are estimated to be on the increase now that

numerous amounts of agricultural products have been removed from the import prohibition list. The major competitors for the Nigerian market are Europe and Southeast Asia. Nigeria's traditional trade links with Europe remain strong, and EU agricultural exports to Nigeria, accounts for about 50 percent of the total. Imports from Asia, especially China, have grown markedly in recent years and investment from China in all sectors of the economy has experienced very rapid growth.

Nigeria's agricultural exports to the United States in CY 2007 were about \$24.4 million, up from less than \$20 million in CY 2006, consisting primarily of rubber and cocoa related products.

SPS and Regulatory System

The National Quarantine Service and Federal Fisheries Department both of the Federal Ministry of Agriculture have statutory responsibilities for plant health and seafood inspection, respectively. The National Agency for Food and Drug Administration and Control (NAFDAC) under the Federal Ministry of Health is the GON agency responsible for the registration of food product importation, advertisement and internal distribution. In recent years, NAFDAC has become more active and stringent in enforcing existing food laws, primarily to protect local producers and secondarily to curb widespread adulteration of food products. The main strategy employed by the agency for the enforcement of Nigeria's food laws is the process of product registration.

The outbreak of bird flu in 2006, however, revealed that these agencies have limited capacity for scientific risk assessment and Nigeria's animal and plant health inspection services systems lack basic infrastructure. Nigeria is the first country in Africa to report the outbreak H5N1 in February of 2006 and there are sporadic reports of outbreaks across the country. In February 2007, the country recorded the first human death from bird flu. Nigeria continues to depend on donor agencies to assist in containing the outbreak.

Although Nigeria maintains bans and high tariffs on many agricultural products, SPS issues are rarely used as trade barriers.

USDA Stakeholders

The U.S. Wheat Associates is very active in Nigeria (as Nigeria is the largest wheat market in Africa) in providing trade facilitation and technical assistance to the wheat milling industry. Recently, the American Soybean Association has become more active in Nigeria in order to encourage the use of U.S. soybean ingredients in soymilk and other products.

The USAID, World Bank, FAO and other agencies are very active in assisting Nigeria to achieve the Millennium Development Goals and to reduce poverty and Post collaborates with them in their efforts.