



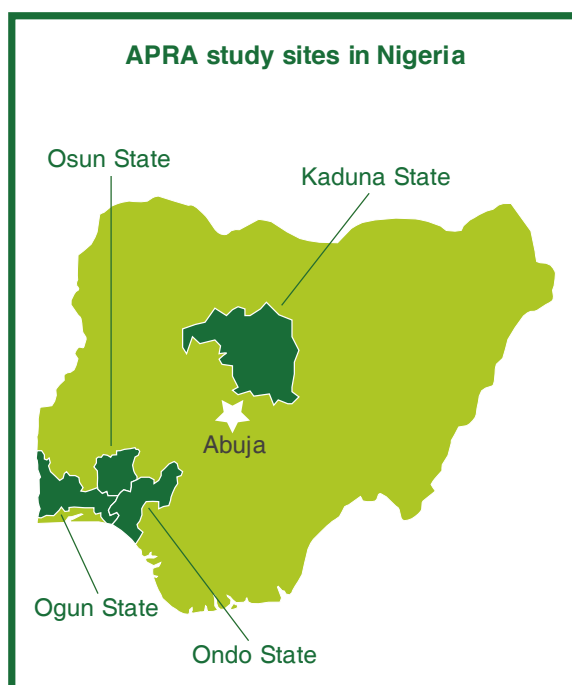
APRA COUNTRY BROCHURE AGRICULTURAL COMMERCIALISATION: THE CASE OF MEDIUM-SCALE FARMERS IN NIGERIA

What is agricultural commercialisation?

We define commercialisation as a process occurring when farmers increasingly engage with markets, either to procure inputs and resources (such as fertiliser, seeds, hired labour, formal credit, and rented land), or to process and sell their produce. Agricultural commercialisation injects cash into rural economies, thereby generating multiplier effects that expand employment and off-farm incomes. Commercialisation is promoted, *inter alia*, when farmers can increase their productivity, enabling greater marketed outputs from available land and labour, through the improved functioning of markets and/or by farm consolidation. Commercialisation is also supported when more people are 'stepping up', 'stepping out', and 'stepping in', and fewer people are 'hanging in' or 'dropping out' of productive agriculture.

What will APRA do?

APRA researchers are examining how African farmers engage with four different types of commercial agriculture (estate/plantation, medium-scale commercial agriculture, contract farming, and smallholder commercialisation) and the effects this has on the livelihoods of rural people, particularly women and young people. The aim is to help inform future policy and investment decisions to promote inclusive and livelihood-enhancing forms of agricultural commercialisation in sub-Saharan Africa.



APRA (Work Stream 1) in Nigeria

One of APRA's focus countries is Nigeria. The Work Stream 1 research team conducts quantitative and qualitative research to:

1. Document the pace at which farm size distributions are changing in Nigeria, with particular focus on the

rise of medium-scale farms and their influence on agricultural commercialisation.

2. Assess the causes and consequences of changing farm size distributions in Nigeria.
3. Characterise the potentially diverse pathways through which individuals become commercialised medium-scale farmers.
4. Explore whether medium-scale farmers are making small-scale farmers more productive and commercialised.
5. Examine the differing outcomes of various agricultural commercialisation pathways.

A. Research objective

This study examines two major pathways into commercialised medium-scale farming in Nigeria: *'farm-led'* or *'stepping up'*, which involves small-scale farms (SSFs) acquiring additional land and expanding into medium-scale farms (MSFs); and *'non-farm income led'* or *'stepping in'*, which involves lateral entry into medium-scale farming by investors who were previously engaged in non-farming jobs. The objective is to discover whether MSFs should be promoted as a pathway to agricultural commercialisation in Nigeria. It investigates the characteristics of MSFs, the process that produces them, their relative importance in the agricultural commercialisation process, the relationship between increasing scale and productivity, and whether they influence the behaviour and welfare of the millions of SSF households around them.



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B. Study questions

1. What are the characteristics of the changing farm structure and the emerging MSFs?
2. How do MSFs influence the behaviour and welfare of the millions of SSF households around them?
3. Are there productivity differences between SSFs and MSFs?
4. Do conflicts significantly impact the ability of SSFs to transition to larger scales?
5. What role does resilience play in mitigating the effects of conflict shocks on the ability of farmers to expand their land holdings?
6. What are the major drivers of agricultural commercialisation, and how do their effects differ between SSFs and MSFs?
7. Are there differences in the welfare of MSF households compared to SSF households?
8. Should medium-scale investor farms be promoted as a policy tool to promote agricultural commercialisation and transformation?
6. Growth of MSFs could significantly impact small-holder input use, yields, and prices through positive knowledge spill-over and coordination effects. Specifically, the activities of MSFs help improve SSF household productivity and welfare through improved management practices and opportunities to sell their output at more competitive prices. Due to the substantial marketed surpluses grown by MSFs, areas possessing a high concentration of this group attract new private investment in crop buyers, which improves market access conditions for SSFs. As such, policies that encourage the co-existence of MSFs and SSFs should be supported.
7. Shocks, such as conflicts and drought, hinder the ability of farmers to transition to medium- or larger-scale farms. However, factors such as education, assets, social safety nets, and off-farm income help mitigate the harmful effects of shocks on their ability to expand.
8. Women and youths are less likely to allocate larger shares of their farmland to commercial tree crops compared to arable crops.
9. Land availability, road infrastructure, and input and output market access are key factors in facilitating the transition of SSFs to MSFs. Promoting well-functioning land markets would play an important role in the direct establishment of commercialised MSFs.

C. Key findings

1. Supporting the growth of MSFs could provide an important pathway to increased agricultural commercialisation, leading to significant positive welfare implications for SSF households.
2. Small- to medium-scale farming transitions have been occurring very slowly and policy should focus on accelerating the process.
3. Enhancing direct entry into medium-scale farming by investor farmers is an important pathway to agricultural commercialisation, so should receive increased policy attention.
4. Important drivers of agricultural commercialisation in Nigeria were found to include: increased access to labour and land markets; better land tenure security; extension services; all-weather roads; new investment in agricultural products markets and agro-dealer services; and better transport services.
5. Increased productivity is associated with an increased scale of operation, especially on stepped up farms over 11 ha and stepped in farms over 30 ha in size. Consequently, the growth of MSFs improves the livelihoods of farm households by increasing wages and returns to family labour.
10. The rise of MSFs contributes to increased agricultural commercialisation and the development of agricultural output and factor markets. However, the growth of MSFs may also result in raised land prices, which would restrict potential area expansion by small-scale farmers in land deficit areas.



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D. Conclusion and policy messages

Based on the findings of this APRA analysis under Work Stream 1, certain policy actions could enhance agricultural commercialisation and livelihood outcomes among SSF households in Nigeria. These include:

- Increasing land tenure security to facilitate land sales and rental markets, while protecting the rights of smallholder farmers.
- Enhancing public investment in rural infrastructure to stimulate private investment on the farm, in input distribution systems, and in downstream agri-food systems.
- Improving the functioning of public agricultural research and development and extension systems
- Supporting complementary private extension systems, which could be primarily effective in high-potential farming areas.
- Relaxing the cultural and economic constraints faced by women and youths in acquiring land for the cultivation of commercial tree (permanent) crops.
- Improving environment security and resilience factors, such as education access, asset holdings and off-farm income, and access to social safety nets, to enhance commercialisation among existing small farm households and enable greater positive synergies between MSFs and SSFs.

to promote productivity-enhancing technical innovations.

For further information contact:

APRA Workstream 1 Country Coordinator for Nigeria – Prof. Adebayo B. Aromolaran, Professor of Agricultural & Development Economics, Adekunle Ajasin University, Akungba Akoko, Ondo State, Nigeria Email: adebayo.aromolaran@gmail.com

APRA Regional Coordinator for West Africa – Prof. Joseph A. Yaro, Director, Institute for Population Studies, University of Ghana, Accra. Email: yarojoe@gmail.com

Agricultural Policy Research in Africa (APRA) is a programme of the Future Agricultures Consortium (FAC) which is generating new evidence and policy-relevant insights on more inclusive pathways to agricultural commercialisation in sub-Saharan Africa. APRA is funded with UK aid from the UK Foreign, Commonwealth & Development Office (FCDO) and will run from 2016-2022.

The APRA Directorate is based at the Institute of Development Studies (IDS), UK (www.ids.ac.uk), with regional hubs at the Centre for African Bio-Entrepreneurship (CABE), Kenya, the Institute for Poverty, Land and Agrarian Studies (PLAAS), South Africa, and the University of Ghana, Legon. It builds on more than a decade of research and policy engagement work by the Future Agricultures Consortium (www.future-agricultures.org) and involves more than 100 researchers and communications professionals in Africa, UK, Sweden and USA.

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