

Investing in agriculture

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The fact that agriculture got less than 2 percent in Nigeria's 2013 budget proposal indicates that the country may not be willing to increase its investment in agriculture. The amount allocated to agriculture in 2013 is even less than what the sector got in the 2012 budget.

After the presidency sent the 2013 budget proposal to the National assembly some weeks ago, even the country's lawmakers reflected their concern that the nation has refused to commit to the Maputo Declaration of 2003 in which African heads of states agreed to increase investment in agriculture to 10 percent of the GDP.

In response, the Chairman of the Nigerian Senate Committee on Agriculture said the amount earmarked by the presidency was a sad story. He added, "N83 billion including recurrent expenditure for agriculture is very, very small. It cannot do anything."

Another senator also pointed out that the N83 billion is just 1.7 % of the budget, which falls very short of the 10% agreed by the African heads of government in the Maputo Declaration of 2003.

The attitude of the Nigerian government to financial investment in agriculture is however not surprising. African nations that are endowed with mineral resources especially crude oil which is a money-spinner worldwide have been paying lip service to agriculture for several years since the discovery of the commodity. The political leaders apparently do not have enough motivation to increase investment in agriculture and get returns from its productivity because revenues from crude oil sales has been providing access to easy money. For instance, the Nigeria 2013 budget is less than half of the expected revenue from crude oil sales and this has been the situation for several years because the revenue from crude oil sales is always more than double of the budget. The excess is put in an account called the 'Excess Crude Account' and is shared by the federal government and the states. So, state governors and the presidency look forward more to the share they would get from the excess crude revenue than to any other investment from other sectors of the economy.

However, in recent years, certain factors are beginning to pressurise the Nigerian government to increase focus on agricultural development. One of these is the crash of the capital market resulting from the global meltdown a few years ago. As a result, the elites or the upper and middle class members of the society, need another window to invest their savings or surplus earnings. The global meltdown which reduced the purchasing power of many also affected the real estate market. But the elites are smart enough to realise that no matter the financial crunch in the economy, people at all levels of society must eat. In addition, many industries depend on agriculture for raw materials. So, agriculture is now seen to be the best investment window in Nigeria. These elites are closer to the policy makers and can influence policies. Some of them are even among the policy makers. So, even though agriculture is not getting more of the national funds, it has started getting more of the government's attention,

Another closely related factor is the fact that the global meltdown led to the crash of many businesses. Even companies that survived were compelled to reduce staff strength, leading to greater unemployment of professionals who have influence on the government. This calibre of people are not necessarily interested in getting government funds to do agribusinesses but in getting the leaders to provide the right framework or enabling environment for the survival of agriculture and agro-allied businesses. To an extent, they have been able to get the government to come out with policies that favour agricultural development such as total or partial bans on importation of certain foods to boost local production.

Other factors compelling the Nigerian government to focus more on agriculture include discovery of large deposits of crude oil by countries such as Ghana. This indicates more suppliers of crude oil in the near future. The United States government is also shifting towards more domestic production of its crude oil deposits and this is about the biggest buyer of Nigeria's crude. There is also a very gradual shift to the use of bio-fuel as against fossil fuel due to climate change problems. Though the Nigerian government is still feasting on crude oil wealth, there is growing uneasiness that this would be short-lived. So, governments at various levels are wooing private sector investors including foreigners into the agric sector with investment-friendly policies while attempting not to spend much on it so that if the oil wealth ends, agriculture would be the next major national revenue earner.

Other factors compelling greater national interest in agriculture are natural disasters and the threat to food security. Agriculture provides employment to 70 percent of Nigeria's population, most of whom are grassroots people but they also have the right to vote. In recent times, rigging

of elections is becoming more and more difficult as there is now free flow of communication between the rural areas and the cities due to mobile telephony. So, political leaders are beginning to take grassroots people seriously. As their source of livelihood is predominantly agriculture, the political leaders know that to get the votes of these people, issues that pose concern to their livelihood especially the basic need of man for food must be addressed. So, out of the meagre annual allocation for agriculture, considerable amounts are used in supporting the development of agriculture even in rural areas with provision of flood resistant seedlings, hybrid seeds and so on. Projects such as the World Bank assisted FADAMA and Commercial Agriculture Development Projects aimed at boosting agricultural productivity of smallholder farmers are also keenly supported by the federal and state governments with counterpart funding.

However, since the government's commitment to agriculture is being driven mainly by the private sector, particularly the elites, it favours more of large scale farming. But the agricultural transformation agenda of the current government also encourages the development of value chains, so smallholder farmers are not being left out. Though the elites are investing in primary production, many more are actually investing in agro-processing and get their primary products mostly from smallholder farmers who then get encouraged to use simple mechanised implements to scale up production.

With a population of over 140 million people, the market in Nigeria alone is enough to get wealth from agricultural production so production of local staples is increasing. Export-oriented food production is being driven by a relatively small number of people in the private sector. One of the hallmarks of this private sector participation is a reduction in subsidies. However, when government subsidies were given it was driven by the private sector and not government officials.

So, even though the Nigerian government is not investing more financially in agricultural development, compelled by certain factors, it has started giving greater attention to the sector by developing policies that encourage greater private sector investments in the sector.