

Trade and Investment Opportunities between Nigeria and China in the Agricultural Sector



His Royal Majesty

Orcivirigh Professor James Ortese Iorzua Ayatse
Tor Tiv, Tor Tiv Palace, Gboko, Benue State, Nigeria

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1. Introduction

- Agriculture serves as the main economic activity of the largest African population, employing for example over 70% of the Nigerian population.
- The greatest impact on the lives of the people will therefore be achieved through intervention in agriculture.

2. Outlook for Nigeria's Agricultural Sector

As part of its commitment to diversify the Nigerian economy, President Muhammadu Buhari-led federal government has singled out agriculture as a viable alternative to oil, which is why he proposed N118.98 billion as budgetary allocation to the Agricultural sector for the year 2018. This amount allocated to the sector is an improvement from the N103.79 billion allotted to the sector in the Nigerian 2017 budget, an increase of about N15.19 billion.

The President is optimistic that the allocated sum will complement the existing efforts by the Federal Ministry of Agriculture and the Central Bank of Nigeria (CBN) to boost agricultural productivity through increased intervention funding at single digit interest rate under the Anchor Borrowers Programme, Commercial Agricultural Credit Scheme (CACs) and The Nigeria Incentive-Based Risk-Sharing System for Agricultural Lending (NIRSAL). It is worthy of note that the Nigerian economy has been majorly sustained by oil, and the government has seen agriculture as another mainstay and bedrock of the nation's economic growth.

2. Outlook for Nigeria's Agricultural Sector (ctd)

For the most part of 2016, and in 2017, oil production plunged to new lows due in large part to militant activities in the Niger Delta region. This was exacerbated by drop in oil prices, causing Nigeria to go into its first major recession in over 20 years . The recession resulted in

- high inflation,
- a dollar liquidity crunch,
- budget deficit in government spending and
- a declining stock market.

The agricultural sector had been the biggest positive contributor to the growth of the economy so far and remains the key strategy towards economic diversification and inclusive growth.

2. Outlook for Nigeria's Agricultural Sector (ctd)

Speaking during the 2018 budget presentation last year, President Buhari said, “Two years ago, I appealed to people to go back to the land. I am highly gratified that agriculture has picked up, contributing to the government's effort to restructure the economy”.

The President also spoke on other ongoing initiatives in the sector to include;

- Stoppage of rice imports and its replacement with fresher and more nutritious local rice
- Completion of over 33,000 hectares of irrigation projects that have increased water availability in key food producing states.
- Intensification of Government's interventions through the Anchor Borrowers' Programme and the Presidential Fertilizer Initiative
- Provisions in the 2018 budget to complete ongoing irrigation projects across the country
- Commissioning of many factories and projects in the food and agricultural sector

2. Outlook for Nigeria's Agricultural Sector

Analysts and stakeholders are of the view that to achieve economic diversification, with a large land mass of 923,768 km² and a large number of Nigerians venturing into farming, it is imperative that the Nigerian government revisit its commitment made 15 years ago in the Maputo Declaration. In the Declaration, African Heads of State and Government pledged to **allocate 10 per cent of their national budgets to the agricultural sector as part of the Comprehensive Africa Agriculture Development Programme (CAADP)**. Following the agreement by African nations, countries such as Burundi, Burkina Faso, the Democratic Republic of Congo, Ethiopia, Ghana, Guinea, Madagascar, Malawi, Mali, Niger, Senegal, Zambia, and Zimbabwe have met or surpassed the 10 percent target in one or more years.

3. Nigerian Agricultural Challenges

The agriculture sector which is expected to drive growth on the non-oil front presents a lot of challenges such as:

- the need for import substitution,
- access to credit and fertilizers through various schemes
- lack of infrastructure which has caused enormous post harvest loss to farmers
- weak value-chain is a major setback to the agriculture sector
- lack of agro-processing facilities pose great impediments to Nigeria's agriculture value chain
- lack of storage facilities and sales points of produce had hampered agricultural development in the country which has further exposed farmers to huge losses and hindered exports of produce
- lack of access roads, making it difficult for farmers to transport their farm produce to the markets
- inadequate power supply is a major constraint in the sector because without constant power supply, even when the facilities are available, the facilities might not be functional
- development of affordable transportation facilities

3. Nigerian Agricultural Challenges (ctd)

- introduction and development of subsidy that can empower farmers and enable them to reap the benefits of their labour
- lack of procurement schemes for farmers such as Market Assurance Scheme (MAS), Price Deficiency Payment Scheme (PDPS) & Minimum Support Price (MSP)
- food items which can be produced locally are being imported and smuggled into the country thus militating against agricultural productivity
- need to create a poultry village where poultry meat processors can establish their poultry, especially some states in this country where there is high consumption of poultry products,
- development of ranches to curb herdsmen-farmers crises
- development of fisheries sub-sector for massive fish production
- need for increased fishery and forestry development to boost the economy

4. Agricultural Trade and Investment Entities & Opportunities

The Federal Ministry of Agriculture and Rural Development is a ministry of the Nigerian government that regulates agricultural research, agriculture and natural resources, forestry and veterinary research throughout Nigeria. Established in 1966, the Ministry has the responsibility of optimizing agriculture and integrating rural development for the transformation of the Nigerian economy, with a view to attaining food security and positioning Nigeria as a net food exporter for socio-economic development.

The mandate of the Ministry is to be a significant net provider of food to the global community, through the promotion of Agricultural Development and Management of National Resources in a value-chain approach to achieve sustainable food security, enhance farm income and reduce poverty.

4. Agricultural Trade and investment Entities & Opportunities (ctd)

- Primarily funded by the Federal Government, **the Ministry currently superintends almost fifty parastatals operating as either key departments or agencies across the country** with over 450 procurement and investment opportunities.
- The Ministry has 2 major departments namely Technical and Service Departments
 - Technical Departments: Agriculture (Trees and Crops), Fisheries, Livestock, Land Resources, Fertilizer, Food Reserve & Storage and Rural Development.
 - Service Departments: Finance, Human Resources, Procurement, PPAS (Plan, Policy, Analysis & Statistics) and Co-operatives
- All the 36 State Governments in Nigeria have Ministries of Agriculture with several departments and agencies under their control and supervision.

4. Agricultural Trade and Investment Entities & Opportunities (ctd)

These various Government ministries, departments and agencies oversee the following trade and investment opportunities in the following areas:

- fertilizers and weed control
- value-chain and beneficiation schemes
- agro-processing facilities
- storage facilities
- access roads
- power supply and solar energy schemes
- water supply
- transportation facilities especially cold chain management
- development of subsidy and procurement schemes
- agricultural productivity schemes

4. Agricultural Trade and Investment Entities & Opportunities (ctd)

- poultry & poultry products
- development of ranches
- development of fisheries sub-sector
- livestock and products
- forestry and forestry products
- irrigation and dry season farming schemes
- seeds procurement
- agricultural produce export
- production of packages – cartons, plastics, bags
- machines and machinery for production, processing and storage
- land resources and development
- general agricultural consultancies

Getting acquainted with Government ministries, departments and agencies is the first step to trade and investment, and contract patronage.

4. Agricultural Trade and Investment Entities & Opportunities (ctd)

The oil-rich Nigerian economy, long caught in political instability, corruption, and poor macroeconomic management, **is undergoing substantial reforms under the new administration.**

The largely subsistence agricultural sector has failed to keep up with rapid population growth of Nigeria, and Nigeria, once a large net exporter of food, now relies on importation of food to feed its population. As these sectors strive to revive, there comes with it countless number of trade, investment and contracts opportunities for smart entrepreneurs to tap from.

5. China's Trade and Investment in Agriculture in Africa

- Since 2000, China has increased its agricultural co-operation with Africa in trade, investment and other commercial activities. Since 2000 China has accelerated total investment in Africa significantly. Its foreign direct investment (FDI) in Africa increased from \$220m in 2000 to \$1.44 b in 2009, reaching \$13.04b by 2010. This has continued to increase annually. Her agricultural investment in Africa has developed against a backdrop of closer economic ties with the continent.
- Despite international and local concerns, China's investment in infrastructure and Agricultural technology and training could facilitate agricultural growth in Africa, **as China itself has demonstrated sustainable growth in Agriculture, improvement in the livelihood of small-scale farmers, and success in reducing rural poverty.**

5. China's Trade and Investment in Agriculture in Africa (ctd)

- China's investment in Africa involve a wide range of sectors in agriculture including agro-processing, resource based agriculture, agricultural commodities, agribusiness, investments and development projects.
- China is set to increase its agricultural investment in Africa, with the Chinese government encouraging companies to invest. Chinese enterprises have built numerous agricultural infrastructure and irrigation facilities in Africa. The China Metallurgical Group Corporation (MCC) has reached agreements with 35 African countries in supporting large-scale infrastructure of which 70% of investments are in Nigeria, Angola, Sudan and Ethiopia.
- Chinese agricultural professionals are helping to establish agricultural demonstration bases in Africa.

5. China's Trade and Investment in Agriculture in Africa (ctd)

- In 2009, China provided training to 568 African agricultural officials and technicians. Subject areas included rural economic reform and development, food production, soil and water conservation and dry cultivation techniques, the development of new cotton varieties, the use of agricultural machinery and continuing education for agricultural teachers.

6. China's Trade and Investment in Agriculture in Nigeria

- Chinese investment has been extended beyond the extractive sector to agriculture, manufacturing and others. The natural resources sought by China include oil, timber and cotton among others.
- The foremost trade relationship between China and Nigeria in agricultural sector is in the cotton production.
- Between 2003 and 2009, Nigeria was one of the top destinations for Chinese Foreign Direct Investment, second only to South Africa. China's involvement in Nigeria has since expanded beyond oil to include other critical sectors like agriculture.
- From 2007- 2009, China sent 104 senior agricultural technology experts to 33 African countries including Nigeria to assist in the creation of agricultural development plans. China also organized extensive training on topics including the cultivation of rice and vegetables, fishery management, meat processing, and the use of agricultural machinery.

6. China's Trade and Investment in Agriculture in Nigeria (ctd)

Sectoral Distribution of Some Chinese DFI in Nigeria 2007-2008

Year	2007-2008	2007	2007	2008	2008
Sector	No. of firms	Capita in Million (N)	Employment	Capita in Million (N)	Employment
Oil, quarrying and Mining	5	82	95	30	80
Manufacturing	15	160	6455	30	365
Agriculture	2	-	-	12650	100
Building and Construction	5	115	853	20	40
Trading	14	78	433	62	140
Services	7	17	670	30	210
Lumbering and Timber	1	10	80	-	-
General	11	128	1310	44	800
Total	60	590	9896	12866	1735

6. China's Trade and Investment in Agriculture in Nigeria (ctd)

Aims of Chinese investment in Nigeria

- The Chinese Ministry of Commerce summarized the main aim of government policy towards Nigeria into three:
 - a) to increase Chinese multinational companies in the Nigerian market,
 - b) to expand the Nigerian market for Chinese manufactured goods, and
 - c) to increase China's presence in Nigeria oil and gas sector and leverage its investment in Nigeria as a get way for entering the Economic Community of West African States (ECOWAS).

Thank you for your kind attention.