

Nigeria Agricultural Policy Activity

Benue State Business Environment, AfCFTA, and the Implications for Agri-Food (Micro, Small and Medium) Enterprises: Stakeholder Perception and Evidence Report

By

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ACRONYMS

ABP	Anchor Borrowers' Programme
ACFTA	African Continental Free Trade Area
AU	African Union
BSG	Benue State Government
FGN	Federal Government of Nigeria
CBN	Central Bank of Nigeria
CCT	Conditional Cash Transfer
FGD	Focus Group Discussion
GAP	Good Agricultural Practices
IFAD	International Fund for Agricultural Development
KSG	Kebbi State Government
MSME	Micro, Small and Medium Enterprise
MSU	Michigan State University
NASME	Nigerian Association of Small and Medium Enterprises
PPP	Public Private Partnership
RUFIN	Rural Financing Building Programme
SDG	Sustainable Development Goal
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria.

EXECUTIVE SUMMARY

The African Continental Free Trade Area (AfCFTA) agreement will create the largest single market in the world. About 98% of African countries are Member State and official trade commenced in January 1, 2021. We conducted a workshop in Benue State, Nigeria among relevant stakeholders in the agribusiness space with focus on sustainability in the agribusiness sector and AfCFTA. It was established that the agribusiness sector remains key to the realization of AfCFTA goals and objectives. Business and agri-food business opportunities exist in Benue State due to its strategic location. These opportunities are associated with the availability of raw materials, land, manpower, research institutes, favorable environmental and climatic conditions, and availability of natural resources (e.g. water bodies) that support agribusinesses. These opportunities are however, not without some challenges as the State currently battles with insecurity issues, inadequate infrastructures, and low level of value addition due to inadequate processing equipment/factories, among others. Expectedly, for the AfCFTA to reach its full potential by exploiting the full range of the agri-food value chain, including agro-processing, the Benue State government and development partners need to step up efforts to scale up intra-African trade by providing a policy framework, creating awareness on existing policy frameworks and capacity-building support (in terms of record keeping, financial literacy, among others) to the MSMEs.

INTRODUCTION

The diversification efforts of the Federal Government of Nigeria is not in dispute. In complementing this effort and liberalizing trade, the government subscribed to the ‘global game changer’ - the African Continental Free Trade Area (AfCFTA) agreement and trading officially started in January 1, 2021 after postponements due to the COVID 19 pandemic. Currently, 54 of the 55 member states of the African Union (AU) have signed the agreement which entered into force on 30 May 2019 for the countries that had deposited their instruments of ratification, and 88 percent of the negotiations on product-specific rules of origin have been concluded, covering more than 70 percent of intra-African trade (AfCFTA, 2018). Undoubtedly, AfCFTA will significantly influence the Nigeria’s agribusiness space. It is expected that Africa’s single market has the potential to create a positive, more competitive business environment for agribusinesses and this will have a multiplier effect on investments and a sustainable agribusiness sector that can guarantee food security. Therefore, the need to understand the existing business opportunities and contextualize the challenges of MSME and the Agri-Food subsectors in Benue state is of utmost importance.

METHODOLOGY

A sample of 19 relevant stakeholders were purposefully selected from SMEDAN, NASME, policymakers (Ministry of Agriculture, Ministry of Commerce, and Ministry of Justice), and several Benue State associations of Agri-Food groups. The focus group discussion (FGD) method was used in obtaining relevant information from the stakeholders. The obtained information were transcribed with the aid of research assistants with understanding of the local dialects. In addition, a perception survey was administered before the FGD to the participants to get their prior knowledge of the issues of interest before the discussion.

UNPACKING BENUE STATE BUSINESS ENVIRONMENT

Agriculture is a crucial part of economic activity in Benue State. It is a major contributor to GDP and export earnings; it accounts for high levels of formal and informal employment; and it provides vital inputs for value-added manufacturing. Agriculture accounts for approximately 75% of income source and employment opportunities in Benue State, Nigeria, while two-thirds of value-added manufacturing is dependent on agricultural raw materials as vital inputs. Rural populations of Benue State are highly

dependent on agriculture activities (as subsistence farmers or trade on informal markets) and the extreme poor and women who play an important role in small-scale rural agriculture production. Due to the importance of the agriculture sector, it is seen as an instrument for sustainable development and poverty reduction in the State and the popular nomenclature of the State as the *Food Basket of the Nation*.

Furthermore, agriculture serves as the 'engine room' for the realization of AfCFTA's goals, with reference to developing inclusive regional value chains around commodities with comparative advantage. This is sequel to the fact that much of world trade now occurs along value chains which is a promising route to industrialization (World Bank, 2019). Considering its location, Benue State has the following agribusiness opportunities that can support the implementation of AfCFTA:

- Raw materials: Benue state is blessed with abundant raw materials in all the geopolitical zones. For example, cassava, yam, soybean, groundnut, turmeric, ginger, palm trees etc. not only are the raw materials available, but the needed manpower involved in the processing of these raw materials are equivalent.
- Land: The state is also blessed with a large mass of arable land that is primitively, indigenously, and culturally cultivated (that is, the land is very fertile and can sustain food crops as well as economic trees). This attracts both local farmers and investors who are interested to venture into farming in the state.
- The environmental and climatic condition that supports agriculture is very favorable in the state.
- Processing: There's also opportunity in processing of these agricultural products as the farm produce adds nothing to the farmer except value is being added in the form of processing e.g., rice, cassava, turmeric etc.
- Irrigation farming: In the state, you also find a huge opportunity for the practice of irrigation farming as there are several available rivers that stretched from River Benue across several local government areas of the state. If the irrigation system can be improved upon, then continuous cropping or production in and out of season to have a steady market for the crops can be achieved, as about 80% of crop production in the state still depends on rain-fed system.
- Trading: You find opportunities in trading of agricultural produce. Though this is gender sensitive, as most women are involved in trading (some men too have ventured into it).
- Transporters: There is opportunity in delivering the agricultural produce within and across the state.
- Research: (educational) institutions as this body provides needed information for higher productivity of the farmers.
- Advertisement: You find business opportunities in publicizing or providing information on these agricultural products.
- Fisheries enterprise.

The opportunities are not evenly spread as men take the highest percentage of production process while women are more involved in the processing and marketing. Furthermore, these opportunities are not evenly spread across the local government due to the availability of certain raw material or the soil type. For example, zone C part of the state participate more in tree cash crops while zone B and A are known for tuber and cereals crops. Despite the vast opportunities, availability of water bodies across the state,

availability of arable land that is very fertile, and available manpower to carry out these activities stands out.

The business opportunities in the State are not without challenges. Some of these challenges include:

- Lack of market and factories for processing the agricultural produce like tomatoes, citrus, mangoes etc. Thus, wastage of these produce is highly recorded.
- Lack of capacity building for the farmers to take up the challenge as they engage in subsistence farming resulting in difficulty to break-even in their production, if farming is to be considered as a business in the state.
- No blueprint of agricultural calendar year. Farmers go into farming when they feel they want to go into it, not knowing the right time to into it, how much they are to sell, or how to process their produce.
- Lack of technical know-how. Farmers don't know the benefits of using certified or recommended seeds in farming that will give them higher yields as most of them use grains instead of seeds.
- Poor road networks which affect the distribution of agricultural produce especially during the wet season.
- The farmer-herder clashes which have displaced many farmers from the rural areas to towns for safety, hence constituting a major setback on the food production as well as distribution chain.
- Lack of finances is a major challenge on agricultural production as farmers still use crude tools to carryout farming activities.

Others which are specific to the agri-food subsector include:

- Insecurity (farmer-herder clashes)
- Infrastructure
- Fund/finance is always a challenge in the agri-food enterprise
- Lack of coordination and support from the government
- Poor packaging
- Lack of market
- Shortage of extension agents thus leading to lack of proper awareness in farming activities
- Illiteracy on the part of most farmers as they misinterpret information given to them
- Farming inputs most times gets to the farmers late even when they are available
- Lack of technical know-how
- Hostile business environment
- Non-accessibility roads to facilitate distribution of agricultural produce in some communities especially during the rainy season as the roads becomes flooded.
- Lack of effective implementation of laws or policies.
- Bush fires are also a threat while the crops are on the farm.

REGULATORY FRAMEWORK FOR AGRIBUSINESS IN BENUE STATE

In 2019, Benue State launched its Benue State Policy on Agriculture. The Policy aligns with that of the Federal Government to leverage on the opportunities inherent in initiatives of the Government of the Federation through the Federal Ministry of Agriculture and Rural Development. It lists these to include the defunct The Agricultural Transformation Agenda (ATA) – 2010 and the Agricultural Promotion Policy which has now also lapsed. In addition, stakeholders at the workshop listed frameworks established by the Nigeria-Africa Trade and Investment Promotion Programme, the Presidential Economic Diversification Initiative, the Zero Reject Initiative, and the Economic and Export Promotion

Incentives as regulations that have supported agribusiness in the state. In addition, some institutions were identified as contributory to the sector such as the Small and Medium Enterprise Development Agency of Nigeria, the Standard Organization of Nigeria, the National Agency for Food, Drug and Administration Control and the Federal Competition and Consumer Protection Commission.

From the forgoing, to arrive at a win-win position, stakeholders' confidence will be retained where MSMEs in Benue State remain engaged or have strengthened linkages with notable institutions to include:

- Nigeria Export Promotion Council
- Farmer-Farmer Association (Project under USAID)
- WINROCK Foundation
- Community Based Organizations
- Feed the Future (Project Funded by USAID)
- SON
- NAFDAC

TRACKING FOR SUSTAINABLE DEVELOPMENT

The Sustainable Development Goals are a global call to action to end poverty, protect the earth's environment and climate, and ensure that people everywhere can enjoy peace and prosperity (United Nations, 2019). The seventeen (17) interconnected Goals which address the major development challenges faced by people in Nigeria and around the world include; SGD 1 (No Poverty), SDG 2(Zero Hunger), SDG 3 (Good Health and Wellbeing), SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), SDG 14 (Life Below Water), SDG 15 (Life On Land), SDG 16 (Peace, Justice and Strong Institutions), and SDG 17 (Partnerships for the Goals). From these 17 goals, SDGs 1, 2, 3, 5, 8, and 9 are closely related to the activities and goals of MSMEs and agri-food businesses in Benue State and Nigeria at large.

At the country level, the Nigeria's 2020 Voluntary National Review (VNR) on SDGs prioritized key issues of SDG-1, SDG-3, SDG-4, SDG-5, SDG-8, SDG-16, and SDG-17. The choice of these goals is in consonance with the country's developmental challenges and the current administration's agenda in diversifying the nation's economy from over reliance on oil to other non-oil sector like the agriculture (FGN, 2020).

As part of efforts in achieving SDGs, Benue State Government (BSG) was one of the first States at the subnational level to access the counterpart funding of ₦2.4 million from the FGN after paying a mandatory contribution of ₦ 1.2 million as a priority investment (BSG, 2019). In achieving SDG-1 and SDG-2, the BSG established the Bureau of Rural Development and Cooperatives which has registered over one thousand cooperative societies to enable them have access to credit facilities and agricultural inputs especially for rice production through the FGN CBN's Anchor Borrowers' Program (ABP). The cooperative societies were also able to access ₦2 billion credit facilities each, domiciled at BoA and BoI (BSG, 2019).

As Nigeria's *Food Basket of the Nation*, the BSG has prioritized agricultural production aimed at ensuring food self-sufficiency and national food security with opportunities for export market. The objectives of the BSG current administration on agriculture include promoting access to safe nutrition, sufficient and affordable food all-year-round, making agriculture a business, contributing substantially to the economic growth of Benue State, prioritizing agro processing and value addition, and significantly increasing the income of farmers. Consequently, farmer have been trained in Good Agricultural Practices (GAP) on

crops with comparative advantage in the State – rice, soya beans, and yam. Following these efforts, the crop yield of the farmers experienced increasing trend in recent times. For instance, the average rice yield per hectare in the State increased from 2.5 metric tons per hectare in 2014/2015 to 4.5 metric tons per hectare in 2016; soya bean rose from 1.5 metric tons per hectare in 2015 to 3.5 metric tons per hectare.

Benue State is also a beneficiary of the FGN's Conditional Cash Transfer (CCT). The FGN through Benue State Government (BSG) established a "National Social Register" for the poor and vulnerable households in the State in ensuring that no one is left behind during the SDGs era. The CCT as part of the tools is aimed at reducing poverty and eradicating hunger. According to the BSG, about 210 vulnerable households in the 276 wards in the State are beneficiaries of the direct cash transfer as at 2019. Furthermore, the office of the SDGs in Benue State in partnership with Google Nigeria through its vendor; Mind the Gap on a Public Private Partnership (PPP) basis has trained 2,691 youth in Digital Marketing skills which has enabled the youths to become employers of labour.

Benue State is also participating in the International Fund for Agricultural Development (IFAD) towards poverty alleviation. IFAD has assisted the BSG in ending hunger through its Rural Financing Building Program (RUFIN). The IFAD-RUFIN program focused on three (3) LGAs of the State; Apa, Logo and Naka where rural women formed cooperatives for training and linkage with micro finance institutions for easy access to credit facilities to bridge the finance gap and improve their livelihood.

CONCLUSION AND RECOMMENDATIONS

For AfCFTA to reach its full potential by exploiting the full range of the agri-food value chain, including agro-processing, the Benue State government and development partners need to step up efforts to scale up intra-African trade. Suggestively;

- The capacity of the farmers can be strengthened by encouraging climate smart and regenerative agriculture, hence discouraging the use of inorganic fertilizers and chemicals in their production. This is to enable agricultural produce and products meet up with the required standards.
- Creation of awareness and improvement of the knowledge of the MSMEs especially in financial literacy.
- Training of competent extension agents to assist farmers with the needed information on Good Agricultural Practices (GAP).
- Equipping MSMEs with the right logistics and connecting them with Nigeria trade groups in other African countries and trade cities and with nationals of other countries that are trading.

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