NEGLECTING AGRICULTURE AND ITS CONSEQUENCES TO THE NIGERIAN ECONOMY: AN ANALYTICAL SYNTHESIS

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ABSTRACT

Nigeria is endowed with lots of natural and human resources with large expanse of fertile land and estimated to be the most populous country in the Sub-Saharan Africa. And it has different sectors such as agriculture, solid minerals, sports and entertainment, tourism etc. yet, the citizens live in abject poverty subsisting on less than $2 a day as a result of several factors which includes inappropriate domestic policies and an unfavourable external economic environment. The country discovered oil in 1959 over fifty years ago at Oloibiri in today’s Bayelsa State, but over 70% of the country’s earnings come from oil paying little or no attention to other sectors of the economy and that is why Nigeria is said to be suffering from what is known as the “Dutch Disease”. The broad objective of this paper is to make policymakers realize the importance and contribution of agriculture to the Nigerian economy and also to stress the need to harness and diversify other sectors of the economy so as to increase the country’s GDP and to improve the standard of living of the citizens because economic diversification is vital to Nigeria’s long-term economic growth.

Keywords: Agriculture, Economic Growth, Poverty, Economic Diversification.

INTRODUCTION

In Nigeria, agriculture remains the mainstay of the economy employing about 65-70% of the labor force. Agricultural holdings are generally small and scattered; farming is often of the subsistence variety which is characterized by simple tools and shifting cultivation. These small farms produce about 80% of the total food. About 30.7 million hectares (76 million acres), or 33% of Nigeria’s land area, are under cultivation. Nigeria's diverse climate, from the tropical areas of the coast to the arid zone of the north, make it possible to produce virtually all agricultural products that can be grown in the tropical and semitropical areas of the world. The economic benefits of large-scale agriculture are recognized, and the government favors the formation of cooperative societies and settlements to encourage industrial agriculture. Large-scale agriculture, however, is not common. Despite an abundant water supply, a favorable climate, and wide areas of arable land, productivity is restricted owing to low soil fertility in many areas and inefficient methods of cultivation. Agriculture contributed 32% to GDP in 2001.

Nigeria is blessed with an agriculture friendly climate, coastal and marine resources of over 960 kilometers of shoreline, expansive rivers etc. Nigeria is the 8th most populous nation in the world, with about 140 million inhabitants (NBS 2009). Poverty is widespread with an estimated 80 percent of Nigerians subsisting on less than $2 a day (UNDP 2009). Despite rapid levels of rural-urban migration, poor rural dwellers still account for about half of Nigeria’s population (ESA/UN 2009; Akinbami and Fadare 1997).
With more than half of Nigeria’s population currently employed in the agricultural sector (Manyong et al. 2005), and with the vast majority of these individuals living in rural areas, the agricultural sector is key to Nigeria’s economic development. Though agriculture accounts for about 40 percent of GDP, the level of growth in that sector has lagged behind other sectors. Real annual GDP growth from 2000 to 2007 in the Nigerian economy averaged 8.8 percent, while the agriculture sector grew at 3.7 percent in 2007 (Phillip et al. 2009). Low agricultural productivity in Nigeria is due to a wide variety of factors including poor soil quality caused by pollution, erosion and leaching, the negative impact of climate change on weather patterns, the scarcity and high cost of inputs, rudimentary implements, and outdated farming practices. Poor agricultural output and widespread poverty has resulted in extensive and persistent food insecurity, with some studies showing that as many as 70 percent of Nigerians are food insecure (Orewa and Iyangbe 2009a; Obayelu 2010).

The contribution of agriculture to GDP which was 63 percent in 1960 declined to 34 percent in 1988 not because the industrial sector increased its share but due to neglect of the agricultural sector. It was therefore not surprising that by 1975, the economy had become a net importer of basic food items. The apparent increase in industry and manufacturing from 1978 to 1988 was due to activities in the mining sub-sector, especially petroleum. Capital formation in the economy has not been satisfactory. Gross domestic investment as a percentage of GDP, which was 16.3 per cent and 22.8 per cent in the periods 1965-73 and 1973-80 respectively, decreased to almost 14 per cent in 1980-88 and increased to 18.2 per cent in 1991-98. Gross National Saving has been low and consists mostly of public savings especially during the period 1973-80. The current account balances before official transfers are negative for 1965-73, 1980-88 and 1991-98.

According to Joeleebass (2012) developing countries like Nigeria are faced with numerous problems which militate against the development of agriculture. He outlined the following as some of the problems of agriculture:

i. Problem of Land Tenure

ii. Problems of Basic Amenities: Basic amenities like electricity, standard schools, good and functioning health centers, recreational parks for relaxation, good roads, telephone, television viewing centers etc., are lacking in the rural areas. This often leads to the following: a) Rural-Urban drifts, that is, people leaving the village for jobs in the city. b) Reduction in the working population in the village. c) Low agricultural production.

iii. Problems of Finance or Poor Financing: Most agricultural activities in the developing countries are subsistent in nature, hence the farmers: (i) are very poor (ii) cannot secure the necessary collateral for loans (iii) cannot have access to enough credit facilities.

iv. Poor Transportation

v. Poor Communication

vi. Problems of Good Storage and Processing Facilities: Storage facilities like silo, rhombus, cribs, barns, rafters are inadequate, thus leading to: (a) Perishability of crops like tomato, pepper, etc. (b) Pests and diseases which attack farm products (c) Farmers fumigating their products.

vii. Lack of Good Agricultural education: Most of the farmers in the developing countries are not educated enough in the technicalities relating to agricultural product.

viii. Poor Extension Activities
ix. Poor Tools and Farm Machines: Farmers still rely on the use of tools like hoe, cutlass, rake, etc. for their activities, instead of using the mechanized implements like ridges, ploughs, cultivators, etc.

x. Unstable Policies and Programmes of Government: Even government comes with different programmes which often tell on the farmers.

xi. Poor Marketing System

xii. Pest and Diseases: Unpredictable Climate

xiii. Agricultural Inputs: Most of the inputs are imported and are very expensive to procure.

xiv. Sociological and Psychological Attitude towards Farming: here, Young people feel that farming is for the dropouts or never-do-well in the society and a profession for poor people.

xv. Smuggling: This means illegal exportation of food, It increases the cost of farm products, Places money in the hands of few individuals and it can cause hunger in the villages, as everybody will now want to engage in smuggling.

xvi. Environmental Degradation: This includes: Pollution of the environment through the activities of the industries, Soil erosion destroying the structure of land, setting up of forest fire, which increases environmental temperature, Deforestation reduces rainfall, forest trees and land protection and improper waste disposal can lead to spread of diseases in the environment.

The question now becomes why is it that the Nigerian government remains heavily reliant on revenues generated by oil production and neglecting Agriculture thereby jeopardizing the chances for sustainable growth?

The broad objective of this paper is to make policymakers realize the importance and contributions of agriculture to the Nigerian economy and also to stress the need for economic diversification because economic diversification is vital to Nigeria’s long-term economic growth. Therefore, the purpose of this research is informed by the fact that Nigeria lack policy guidelines on how to diversify; and policymakers have limited understanding of why diversification is important. This study improves on the existing literature due to the fact that other studies that assess the importance of agriculture did not explicitly confront the issue of economic diversification. This study will critically analyze the importance and contributions of agriculture to the Nigerian economy.

LITERATURE REVIEW

Conceptual issues

The significant role of agriculture in nation building all over the world cannot be overemphasized. Agriculture is a major contributor to Nigeria’s Gross Domestic Product and small-scale farmers play a dominant role in this contribution (Rahji and Fakayode 2009). Therefore, agriculture is the cultivation of animals, plants, fungi, and other life forms for food, fiber, biofuel, medicinal and other products used to sustain and enhance human life.

Studies analyzing the importance of agriculture

Tombofa (2004) reported that the state of agriculture is of paramount importance to the development process. He pointed out that agriculture provides the basis for the world’s great civilization in the past and the increase in agricultural productivity in England laid the basis for, and sustained the first industrial revolution. The agricultural sector is known to employ
over 75 percent of the labour force in developing countries and provide the purchasing power over industrial goods. The United Nations Organization (2008) estimated that in the world as a whole, over 50% of the world population is engaged in agriculture or dependent on it for a living. On the other hand, it includes farming, fishing, animal husbandry and forestry. Akinboyo (2008) defines Agriculture as the science of making use of the land to raise plants and animals. It is the simplification of nature’s food webs and the rechanneling of energy for human planting and animal consumption. Until the exploitation of oil reserves began in the 1980s, Nigeria’s economy was largely dependent on agriculture. Nigeria’s wide range of climate variations allows it to produce a variety of food and cash crops. Ikala (2010) described agriculture as the profession of majority of humans. Oji-Okoro (2011) stated that agricultural sector is the largest sector in the Nigerian economy with its dominant share of the GDP, employment of more than 70% of the active labour force and the generation of about 88% of non-oil foreign exchange earnings. Its share of the GDP increased from an annual average of 38% during 1992 to 1996 to 40% during 1977-2001 compared to crude oil; and GDP declined from an annual average of 13% in 1992-1996 to 12% during 1997-2001.

Studies analyzing the impact of agricultural credit on farmers

Abe (1982) asserted that non-institutional creditors accounts for 70 percent of the total credits received by Nigerian farming population. However, with the present situation in Nigeria, these sources could hardly meet the increasing demand for credit by farmers. According to Ojo (1998), one problem confronting small scale enterprises including that in agriculture is inadequate capital. It’s obvious that agriculture is the mainstay of the people of the sub-Saharan Africa. It has been established that about 70 percent of Nigeria population is engaged in agriculture (Obasi and Agu, 2000) while 90 percent of Nigeria total food production comes from small farms and 60 percent of the country’s population earn their living from these small farms (Oluwatayo et al., 2008). According to Swinnen and Gow (1999), access to agricultural credit has been severely constrained in developing countries. This is because of the imperfect and costly information problems encountered in the financial markets. Such problems are known to be sources of setback in agriculture (Stiglitz, 1993). Agnet (2004) asserted that the complex mechanism of commercial banking is least understood by the small-scale (peasant) farmers, and thus, limits their access, while Ojo (2005) observed that the institutional lending system has failed to meet the objective for which they were set up. In his words, only 15 percent of the trading bank credit to agriculture has been covered. The major shortcomings of their transactions he observed are due to the inaccessibility of these funds to rural farmers as a result of the bureaucratic procedures and high service cost, which are very difficult for the farmers to meet. Adejobi and Atobatele (2008) suggested that loan default could limit access to credit. Rahji and Fakayode (2009) blamed the limitation on imperfect and costly information problems encountered in the financial markets; credit rationing policy; and banks perception of agricultural credit as a highly risky venture; while Philip et al (2009) stated that high interest rate and the short term nature of loans with fixed repayment periods do not suit annual cropping, and thus constitute a hindrance to credit access. According to Okojie et al (2010), the lack of bank accounts, collateral, and information regarding the procedure for accessing credits from banks limit peasant farmers and rural women’s access to credit from formal institutions. Asogwa et al (2011) observed that high level of cost inefficiency is highly attributed to the low profitability that results from inadequate organization of farmers into collective farmer’s institutions that can provide opportunities for risk sharing and improved bargaining power.
Studies analyzing Agricultural Sector and Economic Growth in Nigeria

Ogwuma (1981) studied public expenditure in Agricultural sector using econometric analysis. Based on his report, Agricultural financing in Nigeria shows positive relationship between interest rate and loanable funds on the level of Agricultural output. The strong correlation that has been established between Nigerian’s total GDP and the agriculture suggests that the prospects of the non-oil sub-sector and the overall economy are closely tied to the performance of the agricultural sector. Ukeji (2003) submits that in the 1960’s, agriculture contributed up to 64% to the total GDP but gradually declined in the 70’s to 48% and it continues in 1980 to 20% and 19% in 1985, which was as a result of oil glut of the 1980’s. However, Lawal (2011) using time series data, attempted to verify the amount of federal government expenditure on Agriculture in the thirty-year period 1979 – 2007. Significant statistical evidence obtained from the analysis showed that government spending does not follow a regular pattern and that the contribution of the agricultural sector to the GDP is in direct relationship with government funding to the sector. Iganiga and Unemhilin (2011) studied the effect of federal government agricultural expenditure and other determinants of agricultural output on the value of agricultural output in Nigeria. A Cobb Douglas Growth Model was specified that included commercial credits to agriculture, consumer price index, annual average rainfall, population growth rate, food importation and GDP growth rate. The study performed comprehensive analysis of data and estimated the Vector Error Correction model. Their results showed that federal government capital expenditure was found to be positively related to agricultural output. Oji-Okoro (2011) employed multiple regression analysis to examine the contribution of agricultural sector on the Nigerian economic development. They found that a positive relationship between Gross Domestic Product (GDP) vis a vis domestic saving, government expenditure on agriculture and foreign direct investment between the period of 1986-2007. It was also revealed in the study that 81% of the variation in GDP could be explained by Domestic Savings, Government Expenditure and Foreign Direct Investment.

3. Theoretical framework

The framework of this study is premised on the Rostow’s model of economic development. In 1960, an American Economic Historian, Walt Whitman Rostow suggested that countries passed through five stages of Economic development thus:

- **Stage 1 Traditional Society**
  - Subsistence, barter, agriculture

- **Stage 2 Transitional Stage**
  - Specialization, surpluses, infrastructure

- **Stage 3 Take Off**
  - Industrialization, growing investment, regional growth, political change

- **Stage 4 Drive to Maturity**
  - Diversification, innovation, less reliance on imports, investment

- **Stage 5 Age of High Mass Consumption**
  - Consumer oriented, durable goods flourished, service sector becomes dominant
Rostow’s Model - The stages of Economic Development

According to Rostow, development requires substantial investment in capital. For the economies of LDCs to grow the right conditions for such investment would have to be created. If aid is given or foreign direct investment occurs at stage 3 the economy needs to have reached stage 2. If the stage 2 has been reached then injections of investment may lead to rapid growth. Furthermore, Rostow (1960) as cited in Oji-okoro (2011) argued that in the process of economic development, nations pass through several stages namely: traditional stage, the precondition for take-off, the take off stage, drive to maturity and the high mass consumption stage. Agriculture played crucial roles in the first three stages (Traditional society, pre-conditions for take-off and take-off stages). According to the model, a country that concentrates on international trade benefits from exposure to consumers in order countries. To remain competitive, the takeoff industries must consistently evaluate changes in international consumer preferences, marketing strategies, production engineering and design technologies.

The agricultural sector has the potential to be the industrial and economic springboard from which a country’s development can take off. Indeed, more often than not, agricultural activities are usually concentrated in the less-developed rural areas where there is a critical need for rural transformation, redistribution, poverty alleviation and socio-economic development. (Stewart, 2000 welcome Address “proceeding of the 7th World sugar Farmers Conference Durban).

The model requires a country to identify its distinctive or unique economic resources. The model puts forth the idea that a country can develop economically by concentrating on resources in short supply to expand beyond local industries to reach the global market and finance the country’s further development.

Nigeria’s Agricultural sector analysis

It is believed that the agricultural sector is one of Nigeria's potential sources of revenue that is yet underdeveloped and unexplored. Agriculture contributed 41.84% to Nigeria’s GDP in 2009, and the sector employs around 70% workforce. In 2009 imports in the sector was more than $3 billion while exports accounted for about $1.4 billion. Major agricultural imports are wheat, rice and sugar. Most agricultural imports come from EU and US. The country’s main agricultural exports are rubber, cocoa beans, cocoa butter etc. the key agricultural export destination are UK, US, Germany and Canada. In 1990, it was speculated that about 82 million hectares out of Nigeria's total land area of 91 million hectares were found to be arable, and merely 42 percent of this cultivable area was farmed. Much of this land was farmed under the bush fallow system, a process whereby land is left idle for a period of time to allow natural regeneration of soil fertility and replacement of soil nutrient. The Federal Ministry of Agriculture has started a paradigm shift in the agricultural sector which is focusing on agriculture as a business instead of a developmental project. Furthermore, the Nigeria’s minister of agriculture said that the paradigm shift in the agricultural sector would also be utilizing the transformation of the agricultural sector to create jobs, create wealth, ensure food security, and as well focus on value chains where Nigeria has comparative advantage, with sharp focus on youths and women. According to the minister, the government wants to rebuild the groundnut pyramids in northern Nigeria that was neglected in order to reclaim the country’s former prime position as the largest groundnut producing
country in the African continent. Agriculture in Nigeria is carried out according to traditional methods, mechanized farming is relatively rare because farmers find it difficult to adapt to new technologies and have limited capital for updating machinery. Also in an effort to encourage modern method of farming the National Centre for Agriculture Mechanization (NCAM) was established in 1990, a government Parastatal was set up to promote and develop mechanized farming in the country through manufacturing tools, importing machinery and training farmers. The Centre is the only one of its kind in West Africa, but has been held back by underfunding. Other factors that have held back agricultural sector includes poor transport network that will link crops to the markets, lack of investment and inadequate infrastructure.

As pointed out by Dr. Adesina (2013) the challenge in Africa was that African farmers had been neglected for decades by the various governments in their countries, adding that the farmers were poorly organized, a challenge he said had made them to lack the voice and power to push for farmer-friendly policies. He added that the cost of neglect of our farmers is all around us.

In the rural areas, what you find are high levels of poverty, mud houses, malnourished children and neglected rural communities. Politicians take farmers for granted. They reach out to them only during elections where they make promises to support farmers, but as soon as they get elected they set up offices in the cities and forget all about the farmers in rural areas.

IMPLICATIONS FOR NIGERIA’S DEVELOPMENT

The challenges facing Nigeria are numerous enough to strain her capacity to design and implement effective policies and institutions for agriculture. However, development is said to be a cumulative process, with success in one area opening up opportunities in others. Nigeria's ambitious aspiration to become one of the world's top twenty economies by the year 2020 (Vision 20: 2020) may not be achievable if the country fails to diversify its economy. Nigeria is lagging behind in its agricultural development. It is impossible to drive economic growth and development by neglecting other sectors of the economy. To achieve its ambitious economic transformation, the government should identify its distinctive or unique economic resources. It should be noted that mere recognition of a natural resource is meaningless. Natural resource is worthless if it's not harvested because the future of Nigeria is not in oil production alone but also in agriculture; and for this reason it has become necessary for the government to realize the importance and role of economic diversification. There is clear need to diversify the production and export base from low value added to high value added products. The challenge is to create and sustain a momentum for diversification in order to realize the considerable potential that undoubtedly exists.

CONCLUSION

Agriculture is the backbone of the Nigerian economy and major foreign exchange earner. It contributes about 41.84% to GDP in 2009 and employs 70% of workforce. Although Nigeria depends heavily on the oil industry for its budgetary revenue it is believed that if the agricultural sector is properly managed and enhanced, it would greatly increase the country's gross domestic product and even replace oil considering the vast area of land that is unused in Nigeria. Therefore, in order to achieve long-term agricultural growth, the government needs to sustain and scale up agricultural exports sectors and also boost productivity in food to meet
rising local demand and develop a viable local agro-industry. By doing this, the overall contribution of agriculture to GDP will increase tremendously.

RECOMMENDATIONS

It is important to provide a set of policy recommendations that would improve agricultural productivity and competitiveness in the framework of a strategy that is poverty-alleviating, balanced, and sustainable and can be applicable to the Nigerian economy.

It is of utmost importance for Policymakers to have broad understanding of why economic diversification is important and necessary for economic growth and development of Nigeria because diversification is the most important component of reaching long-term goals while minimizing risk and also it helps to maximize return by investing in different areas that will each react differently to the same situation.

It is important to provide appropriate incentives to farmers and ensure conditions that permit them to respond to the incentives. This implies that there must be sound macro-economic policies allowing both trade in agricultural products and their supply to domestic market and an institutional and physical infrastructure that support broad-based change by facilitating access to land, rural finance, technical knowledge etc.

The Nigerian government should devise a set of policy guidelines and most importantly policymakers need to give renewed emphasis to understanding and promoting processes supportive of agricultural growth and increased emphasis is needed on agricultural research so as to address the problems facing farmers in non-green revolution areas.

Last but not the least to solve Nigeria’s agricultural problems, an honest, patriotic and caring leadership is an utmost priority that Nigeria can never do without. Any lasting solution can only be possible under an uncorrupt, patriotic and caring leadership.

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