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# POLICY OPTIONS FOR AGRICULTURAL INVESTMENTS AND GOVERNANCE OF MARKETS

IN SUPPORT OF SMALL-SCALE AGRICULTURE IN  
NIGERIA

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Small-scale farming in Nigeria is characterized by a low level of investment and unequal access to key resources. With regard to market governance, small-scale farmers in some parts of the country suffer from the oligopsonistic abuses of marketing agents who prevent them from having a voice in determining the prices of their products. Several policies including output expansion through agricultural projects, investment promotion policy, agricultural finance policy, land tenure policy, input subsidy, tax policy and agricultural insurance have been designed to shape agricultural investment in a positive direction; although during implementation, discrimination against small-scale farmers is still a common phenomenon. The policies and instruments that shape agricultural market governance include tax policies that are generally import-restrictive and support for state trading enterprises. These policies have not been fully effective due, in part, to infrastructure bottlenecks. For improved agricultural investment and market governance there is a need to entrench women's access and entitlement to land in the ongoing land reform, promote greater access by women to formal credit facilities, encourage private sector involvement in delivering extension services and link small-scale farmers to agribusiness firms through appropriate contract farming arrangements.

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# SUMMARY

## Introduction

This research report seeks to examine the policy options for agricultural investments and market governance in support of small-scale agriculture in Nigeria, and the extent to which the implementation of relevant policies creates incentives or disincentives for bridging the gender gap in agricultural production and marketing activities. The analytical framework that has been used will consider three outcomes in order to categorize the various policies into those that shape investment and market governance. For instance, do the policies display negative discrimination (i.e. presenting disincentives and an uneven playing field for small-scale producers, especially women and those who are poorer) or positive discrimination for smallholders (i.e. tilting investment and markets in favour of small-scale producers)? Or, in specific terms, do they offer positive discrimination for women smallholders (i.e. tipping the distribution of benefits of smallholder agriculture towards women)? The analysis begins with an exploration of how smallholders experience corporate governance and market governance, followed by mapping the policies and instruments that shape agricultural investments and market governance, with a distinction being made between those that discriminate against smallholders in general and women in particular and those that work in their favour. The key policy levers that drive investment and market governance in the right direction are then highlighted in order to fill the policy gaps and form part of the basis of recommended actions for improved performance.

## How do women and men smallholders experience corporate investment and market governance?

Small-scale farming in Nigeria is characterized by unequal access to key resources and low levels of investment<sup>1</sup>. Access to land is severely curtailed by the way it is inherited, owned and passed on by men to their male descendants in most patrilineal ethnic groups, especially in southern Nigeria. Although women represent between 60 and 79 per cent of Nigeria's rural labour force, men are five times more likely to own land than women. There are regional differences: women in the South are more likely to own and access land than women in the North. In general, land ownership is very low among women, a factor that limits their ability to exploit a land-based livelihood strategy. This affects their ability to access finance, for example, and often delays investment decisions or reduces the earning potential of agriculture.

Moreover, women's access to formal finance is highly restricted. Women are more likely to rely on family and friends for finance, partly because they lack collateral and also because they are more likely than men to be deterred from applying for formal loans by the complexity of the application process. The variation in opportunity between men and women in terms of access to finance is more prominent in urban areas and in respect of marketing activities compared to farming activities in rural areas. Apart from land and finance, men also perform better than women in terms of access to other farm inputs. Evidence suggests that male farmers' access to chemical inputs, extension services, storage facilities and hired labour is more than twice as high as that of their female counterparts. In recent times, various women's groups and producer organizations have emerged and are making efforts to empower women farmers in an attempt to bridge the gender gap in agriculture.

With regard to market governance, small-scale farmers in some parts of the country suffer from the oligopsonistic abuses of middlemen and marketing agents who prevent them from having a voice in determining the prices of their products in the marketplace. Institutions to regulate the actions of middlemen in the market are lacking, which creates inefficiencies in the market in that those who invest in the production of commodities earn less than the middlemen who derive benefits without adding any tangible value. In addition, there are no institutions to prescribe and enforce standards. The producers lack the capacity to aspire to higher standards that would fetch them higher returns in the market. In the absence of effective quality control, they are left to sell their 'sub-standard' products at a discounted price rather than being helped to produce better quality products that they can sell at a premium. At the household level, the choice of commodities to be marketed is often subjected to a power struggle between husbands and wives. The husbands often take charge of marketing the high-value commodities like yam and rice; while other commodities which command low values, such as cassava, maize and melon, are left for the wives to take to the market for sale.

## **Mapping the policies and instruments that shape agricultural investment and market governance**

The policies shaping agricultural investment include output expansion through agricultural projects, investment promotion policy, agricultural finance policy, land tenure policy, input subsidy, tax policy and agricultural insurance. By design, these policies are intended to shape investment in agriculture in a positive direction. During implementation, however, discrimination against small-scale farmers sometimes emerges. Specifically, discriminatory tendencies are rampant in three areas – land, finance and input supply policies. For instance, the land tenure system in the country undermines small-scale farmers' security of tenure. Restrictions on land sales (in the absence of clear title to land) impede the use of land as collateral, thereby hindering the development of the rural credit market. The communal system of land ownership is a disincentive to improving land quality and long-term investment in land management. Moreover, inheritance leads to land fragmentation among future heirs, and subsequent uneconomic farm sizes. As regards agricultural finance policy, the major disincentive is that banks with large loan funds are generally difficult to access, due to stringent criteria. Rigid collateral requirements and high interest rates are major impediments to the use of formal loans for the majority of small-scale farmers. Women farmers face even greater hurdles if they are required to get a counter signature from their husbands as part of the loan application. The discriminatory nature of input supply policy is evident in the actions of politicians who often corner incentives meant for farmers thus preventing the inputs from reaching the farmers directly.

The policies and instruments that shape agricultural market governance include tax policies that are generally import-restrictive and support for state trading enterprises, including the Abuja Securities and Commodity Exchange and the agricultural market and trade development corporations that are currently being developed. The government is also pursuing a number of market development policies, including the policy of blending 10 per cent ethanol with petrol supported by incentives for investors to establish blending plants.<sup>2</sup> This is expected to boost cassava production by smallholders. The Government is also introducing policies to encourage the substitution of high quality cassava flour for wheat flour in bread-baking.

Whereas these policies are apt to steer market governance in a pro-smallholder and pro-agroindustry direction, implementation of other policies tends to place the farmers at a disadvantage. For example, the poor implementation of infrastructure projects remains a major source of comparative disadvantage and has greatly impeded trade in agriculture over the years. In the rural areas, where the majority of the smallholders operate, inadequate infrastructure constitutes a major constraint to agricultural investment, production and trade. In many parts of the country, physical and marketing infrastructural facilities are poorly developed, storage facilities are rudimentary and access to information and markets is highly restricted. The situation is a reflection of the urban bias in the pattern of infrastructural development in the country. Invariably, the bias is against the poor and the small-scale enterprises that operate in the rural sector. Moreover, the implementation of the Export Expansion Grant (EEG) Scheme tends to discriminate against the farmers in that the grant is only given to the exporters, which does not benefit the farmers who produce the primary commodities that are processed for export. The lack of provision of incentives for farmers under the Scheme is flawed because if there is no increase in domestic production of the commodities involved, the processing plant cannot operate optimally and there will be no surplus for export.

## **Key policy levers driving corporate investment and market governance in favour of smallholders**

In order to expand agricultural investment, the deficiencies in some policy measures have to be eliminated and the implementation procedures fine-tuned and strengthened. The key policies and instruments involved are: the Commercial Agricultural Credit Scheme (CACS), the Nigerian Incentive-Based Risk Sharing for Agricultural Lending (NIRSAL), the Women-in-Agriculture (WIA) Programme and the Growth Enhancement Support (GES) Programme.

The key issue to be addressed in the case of CACS is small-scale farmers' lack of access to credit under the scheme. Each of the State governments has to expedite action to disburse the ₦1 billion under their control for lending to genuine farmers in partnership with the commercial bank participating in the Scheme. Although there is a window of opportunity for State governments to borrow up to ₦1 billion for on-lending to small-scale farmers in their states under the Scheme, not all the State governments took advantage of such opportunities.

The success of the Nigerian Incentive-Based Risk Sharing for Agricultural Lending Initiative (NIRSAL) will depend on the effectiveness of the governance structure, commitment of the stakeholders to discharge their financial responsibilities under the Initiative and political will to undertake the required sector-specific and fiscal policy reforms to facilitate the effective performance of the agricultural sector in general. The Growth Enhancement Support (GES) Programme is in its first year of operation. Operations so far indicate that there is a serious issue of governance to be resolved, especially in terms of the proper definition of the roles of all actors in the process, inter-governmental relations, effectiveness of coordination mechanisms, timeliness of operations and effective delivery of services. The Women-in-Agriculture (WIA) Programme could be instrumental in reducing the gender disparity in agricultural investment and marketing. To a large extent this will depend on the availability and regularity of funding, effective coordination of the inter-governmental dimensions and entrenchment of gender issues in the various agricultural commodity value chains being developed under the current agricultural transformation agenda.

## Enhancing agricultural investment and market governance

Policy measures for increased agricultural investment and improved market governance need to be fine-tuned in order to achieve the desired objectives. The following areas of improvement are recommended:

The Land Use Decree of 1978 has to be reviewed to entrench women's access and entitlement to land.

Banks should make their services more accessible to women by designing products and services to meet the credit needs of women from different religious and wealth groups. Moreover, there is need to develop the banks' capacity to design appropriate products to promote agriculture and to enhance the capacity of their staff to assess the level of risk in lending to the agricultural sector.

Organisations such as Association of Small-scale Agro-producers in Nigeria (ASSAPIN), the National Association of Nigerian Traders (NANT), the Nigerian Women Agro-Allied Farmers Association and women involved in marketing associations should be consulted by the government and involved in designing initiatives to support women entrepreneurs,

The government should encourage the private sector to be involved in extension services. Such private sector entities include seed growers for extension services on seed utilization, fertilizer producers for extension on fertilizer use, agro-chemical dealers for extension on the use of chemicals and so on.

The government should encourage links between small-scale farmers and agribusiness firms to provide farmers with outlets for marketing their products. Appropriate legislation should be put in place to support such links.

# 1 INTRODUCTION

This research report examines the role of policy in influencing corporate investment in agricultural land, production and primary processing with a view to unravelling two interrelated research questions: How do both women and men smallholders experience corporate investments in agricultural land production and primary processing? And how do the policy and legislative environments shape corporate investments (both domestic and foreign) in agricultural land, production and primary processing in support of or in opposition to the interests of small-scale producers (with emphasis on women and other marginalised producers) and the ecosystems on which they depend?

The other important broad area of concern is how market governance is shaped in favour or against smallholder production. This in turn raises the question of how both women and men smallholders (as individuals and as part of organisations, with different levels of assets) experience poor market governance. How can improved market governance, in the form of regulation and incentives, build resilient, sustainable agriculture, which is inclusive of smallholders, provides benefits for women and can help to reduce poverty?

## 1.1 Purpose of the report

This research report will look particularly at policy options for improved market governance and investment in the Nigerian agrifood sector. Its specific objectives are to:

- explain how men and women farmers experience corporate investment in primary production,
- examine the ways in which men and women smallholders experience poor market governance,
- articulate the policies that shape investment and market governance,
- review the agricultural policy environment and map the policies and legislation that shape agricultural investment and market governance in the country,
- articulate the key policy levers and governance instruments that drive corporate investments in a pro-smallholder or pro-agroindustry direction.

## 1.2 Analytical framework

The analytical framework that was used to select policies, governance structures and practices for analysis focused on three broad sets of outcomes for classifying policies. The outcomes are:

1. Negative discrimination: Policies that can result in disincentives and an uneven playing field for small-scale producers, especially women and those who are poorer or whose income is more marginal.
2. Positive discrimination for smallholders: Policies that can tilt investment and markets in favour of small-scale producers. These include sector-wide policies that can improve the performance of an entire sector that may be dominated by small-scale producers.
3. Positive discrimination for women smallholders: Policies that tip the distribution of benefits of smallholder agriculture towards women.



The report used secondary data, published materials and ‘grey’ literature to achieve the specified outcomes. This was complemented by in-depth interviews of stakeholders in various locations. Leaders of women and producer organizations from Ogun, Nasarawa, Benue, Plateau and Cross River states as well as officials of the Federal Ministry of Agriculture and Rural Development (FMARD) in Abuja were interviewed to obtain the necessary information.

### 1.3 Country context

Macroeconomic reforms as well as reforms in various sectors of the economy have been implemented steadily since 2000 since when the economy has also witnessed considerable expansion and stability. The GDP rose from ₦412.33 billion in 2000 to ₦561.93 billion in 2005 and to ₦775.50 billion in 2010. The real GDP growth rate made a significant jump from an average of 2.8 per cent in 1997/1998 to 5.4 per cent in 2000 before reaching an all-time high of 9.57 per cent in 2003; thereafter, until recently, the growth rate declined (see Figure 1.1). Growth has been driven mainly by developments in the agricultural and telecommunication sectors, although recently agricultural GDP has also been growing at a decreasing rate.

The contribution of the agricultural sector to GDP averaged 41.5 per cent between 2001 and 2005 and 41.68 per cent between 2006 and 2010. Over the period, however, the sector’s overall contribution has declined gradually from 42.66 per cent in 2000 to 40.84 per cent in 2010. Nonetheless, agriculture still provides employment to about 70 per cent of the working population and is the primary source of income for the majority of rural dwellers. In spite of the size of the agricultural sector, the country is not self-sufficient in food production in general. Imports of food and live animals stood at ₦147.38 billion in 2004, which increased to ₦299.48 billion in 2008. However, while macroeconomic stability is being achieved, it appears that desirable outcomes in the areas of employment generation, poverty reduction, export expansion and diversification of the economy are yet to be achieved to a significant extent.

The population is growing rapidly at about 3.2 per cent; this has had its own effect on unemployment, which has been rising uncontrollably recently. Available data from the National Bureau of Statistics indicate that unemployment has risen from 12.9 per cent in 2009 to 21.1 per cent in 2010 and to 23 per cent in 2011. The poverty rate has also increased from 54.5 per cent in 2005 to 70 per cent in 2010. The transformation of the agricultural sector and investments in infrastructure development will contribute in no small way to the realization of the development objectives in these areas.

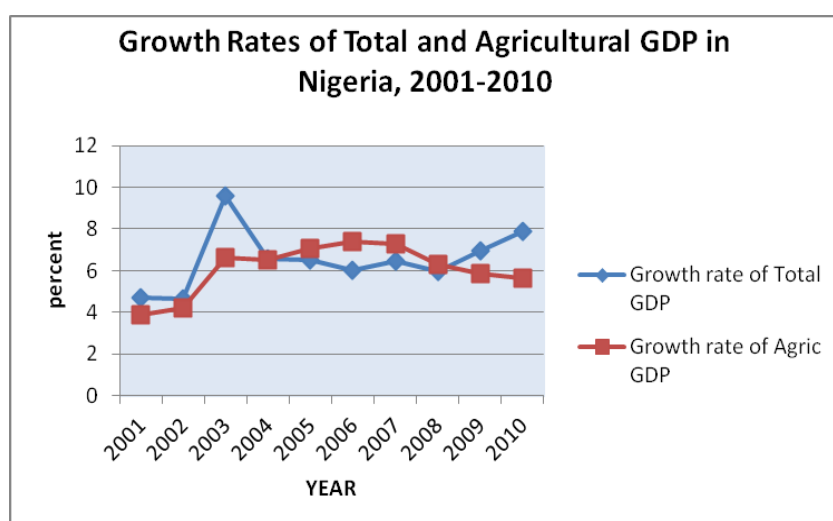


Figure 1.1: Growth rates of total and agricultural GDP in Nigeria, 2001-2010.



### 1.3.1 Government spending

The 2003 Maputo declaration by African leaders stipulated that at least 10 per cent of total government spending should be targeted at the agricultural sector with the goal of attaining food security. While some African countries such as Ghana, Uganda and Malawi have stabilized their budget expenditures on agriculture at around 10 per cent, Nigeria, up until 2007, consistently spent less than 3 per cent of its annual budget on agriculture. However, a slight increase to 5 per cent per annum has been recorded in the last couple of years as a result of the new government's drive to achieve part of its seven-point agenda for national development.

While public investment remains lower than expected, private investment has not fared much better. The real value of cumulative foreign investment in agriculture declined steadily from 1981 to 2000. Agriculture's share of the total amount of foreign investment declined from about 2 per cent in 1981–85 to less than 1 per cent in the 1996–2000 period (Eboh, 2005). There has been no significant improvement in the situation since then. Agriculture's low share of the inflow of foreign investments, total domestic public investments and investments by the organized private sector suggest that the bulk of agricultural investments is made up by small-scale farmers and private entrepreneurs who invest their own savings as well as from small loans from the informal financial sector. The banks don't invest in agriculture for a number of reasons, ranging from perceived high risk to lack of knowledge about agriculture and an inability to appraise agriculture-related investment proposals.

The level of investment in the domestic capital market is also unimpressive. The primary agricultural sector (comprising arable crops, tree crops and livestock production) remains poorly represented at the Nigerian Stock Exchange (NSE). Out of about 150 companies quoted on the NSE, in August 2005, only five were primary agricultural companies. This indicates that the agricultural sector experiences an acute shortage of mainstream private sector investment. In April 2005, the most capitalized agricultural company on the NSE was Presco Plc, with total capital of about ₦6 billion, compared to Union Bank Plc which, at that time, was capitalized at more than ₦111 billion. Clearly, the state of private sector investments in agriculture does not reflect the picture that agriculture is the priority economic sector in the country. This is *the* critical policy and legislative challenge confronting all tiers of government.

## 2 ISSUES MAPPING – HOW SMALLHOLDERS EXPERIENCE CORPORATE INVESTMENTS AND MARKET GOVERNANCE

### 2.1 How do both women and men smallholders experience corporate investments?

#### 2.1.1 Unequal access and control over land

An estimated 54 million of Nigeria's 78 million women are based in rural areas and make a living from the land. The Nigeria Land Use Act of 1978 nationalized all land and vested authority in the state governor who holds it in trust on behalf of all. In practice, however, the way in which land is owned and accessed varies from place to place in Nigeria and can be an amalgam of traditional Islamic sharia and other local governance practices (Mabogunje, 2010). In rural areas, women's rights of access are still regarded as secondary to those of men, and many customs indicate that women's access to land is still mediated through patrilineal systems (Aluko and Amidu, 2006), in spite of the intentions of the 1978 Land Use Act. For women, use rights often follow marriage, inheritance or borrowing, while outright ownership can follow divorce only in the case of Muslim women in the North. In a few areas of the country women do have rights of inheritance and can exercise control over land (see Box 2.1).

Land access is severely curtailed by the way in which land is inherited, owned and passed on by men to their male descendants in most patrilineal ethnic groups, especially in southern Nigeria. Data from the NBS<sup>3</sup> Core Welfare Indicators survey of 2006 show the variations and gender disparities in ownership patterns across the country (see Table 2.1).

#### **Box 2.1: Some respondents' views on women's mode of securing access to land in Nigeria**

##### ***Legacy Farmers' Association (LFA), Ogun State***

We don't have [a] land problem. During the implementation of the Fadama II<sup>4</sup> project participating groups were asked to secure land of their own. Then LFA bought 32 acres in Oba town and shared out to each of our members. Even at the moment we are working on the purchase of another 35 acres and the negotiations will soon be concluded. Besides, individual members have their own land which they inherited from their families. It should be noted that both men and women in most parts of Ogun State have [the] right to inherit land. The culture of land inheritance does not discriminate against women.

##### ***Agbedotun Farmers' Cooperative Society***

Our cooperative members are largely non-indigenes<sup>5</sup> and so we have to rent land from landowners annually at a price ranging from ₦3,000 to ₦5,000 per acre. There is no gender discrimination in the land rental market. Both male[s] and female[s] have the right and opportunity to rent land. But no one is allowed to buy

land outright. First, the land may belong to a family and there may not be agreement to dispose [of] the land. Second, there is always a feeling that land will appreciate in value as time goes by and it is therefore, more valuable to keep it for future use.

#### ***RIFAN – Ewekoro Local Government Area (LGA) Chapter of Ogun State***

We always rent land for our farming purposes. Currently we have acquired a piece of land for 11 members which we are going to share out at 3 ha each. The land was rented from a family at ₦7,500 per ha. Land rent is usually between ₦3,000 and ₦5,000 per acre in this area. Once you have your money, you always have land to rent.

#### ***Agricultural Development Programme (WIA Unit), Cross River State***

Access to land by women varies according to particular areas and traditions of the people. In general, women go through community heads who allocate land to women[’s] groups (not individuals) on rent. The payment ranges from ₦200,000 to ₦500,000 for two to three years for about 5 ha. The individual can get land from their husbands or a share of the family land. It can be renewed if the group wants to continue. In the southern senatorial district (Calabar municipality, Odukpani, Akpabuyo LGAs) of the state, women[’s] access to land is largely in the form of rent. Landowners rent out plots on a yearly basis for the production of arables, especially vegetables. In general, planting of economic trees on rented land is not allowed in any part of the state. Women can also directly inherit land from their fathers and use and control [the land] individually, whereas the reverse is the case in the northern part of the state around Yala LGA, Bekwara LGA, Ogoja LGA, Obudu LGA. In the central senatorial district, women have inheritance right[s] to land, especially in Boki and Ikom LGAs where the society is largely matriarchal. However, the elites are kicking against the system. In parts of the state where virgin lands still exist, indigenes of particularly communities who are the first to deforest a particular piece of land can claim ownership. If he wants to sell the land later, he has the right, but the buyer will also be taken to the head of the community who will also receive some payment on behalf of the community before the deal can be finalized.

#### ***Women in Agriculture Association (WIAA), Benue State***

Women do not own land. They use land that belongs to their husbands. The argument is that ‘Women can divorce, separate or re-marry. Will she come back to this community with the support of her new husband to claim our land?’ Some women rent land ranging from ₦2,000 to ₦5,000 per hectare per year. There is possibility for renewal annually as long as the land user fulfils her obligations without rancour.

#### ***Young Men’s Christian Association (YMCA), Nasarawa State***

Farmers gain access to land through inheritance and rent. Women do not inherit land. They get land from relatives and husbands. Those who can afford to rent land have to go through their husbands. The rent ranges between ₦10,000 and ₦20,000 (paid in cash or kind) per hectare per year. A bag (100 kg) of paddy rice is sold at ₦5,000. In Plateau state, rent is as high as between ₦30,000 and ₦40,000.

Sector	Land ownership	
	Female	Male
<b>Total</b>	7.2	38.1
<b>Rural</b>	8.5	46.1
<b>Rural poor</b>	10.1	49.5
<b>Urban</b>	4.5	22.4
<b>Urban poor</b>	5.9	28
<i>Zone</i>		
<b>North-West</b>	4.7	50.1
<b>North-East</b>	4	52.2
<b>North-Central</b>	7.9	41.2
<b>South-West</b>	5.9	22.5
<b>South-East</b>	10.6	38.1
<b>South-South</b>	10.9	28.3

Table 2.1: Distribution of land ownership by gender (per cent).

Source: NBS Core Welfare Indicator Survey, 2006.

Although women represent between 60 and 79 per cent of Nigeria's rural labour force (Aluko and Amidu, 2006), men are five times more likely to own land than women. In general, land ownership is very low among women, a factor that limits their ability to exploit a land-based livelihood strategy. It affects their ability to access finance, for example, and often delays investment decisions or reduces the earning potential of agriculture. Long-term trends are also worrying because they suggest that this situation is set to continue. There are regional differences, because women in the South are more likely to own and be able to access land than women in the North. The North-East displays the largest disparity: here, only 4 per cent of women own land, a rate 13 times lower than that of men. Land ownership in urban areas shows a similar pattern: men are five times more likely to own land than women.

### 2.1.2 Access to formal finance by women is highly restricted

For rural women, non-agricultural opportunities are constrained by their lack of access to capital (Izugbara, 2008). Women venturing into manufacturing are more likely to rely on family and friends for finance, partly because they lack collateral security (Madichie and Nkamnebe, 2010), but also because they are more likely than men to be deterred from applying for formal loans by the complexity of the application process. According to a World Bank report (2009), 35 per cent of women said they were deterred by the process compared to 26 per cent of men. Women without collateral security struggle to obtain finance for off-farm activities. Data from the NBS (2009) show that men are twice as likely to secure finance compared to women. In 2007, for example, 20,098 men accessed loans compared to 8,550 women. About 64 per cent of the ₦528,251 that was loaned went to male applicants.

The variation in opportunities for men and women in terms of access to finance is more prominent in urban areas and in respect of marketing activities compared to farming activities in rural areas. As shown in Table 2.2, women have better access to finance than men in the rural areas, whereas in the urban areas, men's access to formal finance is more than double that of women. In both the rural and urban areas, however, men's access to grants for farming and trading activities is much higher than that of women.

	Rural (Agriculture)		(Urban) Trade	
	Male	Female	Male	Female
<b>All loan facilities</b>	38.3	38.5	54.1	45.9
<b>Bank loan</b>	37.6	33.8	79.8	20.2
<b>Micro credit</b>	42.6	44.4	71.2	28.6
<b>Grants</b>	53.3	25.8	84.2	15.8
<b>Esusu</b>	37.0	38.1	43.6	56.4
<b>Cooperatives</b>	40.5	42.1	64.4	35.6

Table 2.2: Access to various sources of credit in Nigeria.

Source: NBS: Core Welfare Indicator Questionnaire Survey for Nigeria, 2006.

Moreover, the World Bank report 'Investment Climate in Nigeria'(2009) shows that capital rather than productivity narrows the range of activities in which women engage. The report also shows that a majority of women (76 per cent) rely mostly on internal funds and retained earnings, and that only about 1 per cent obtain capital from the formal financial sector. The restricted access by women to bank credit is also corroborated by the work of Halkias *et al.* (2011) which suggests that formal financial institutions, especially banks, have not supported women entrepreneurs as much as they could have. This has meant that many have had to rely on micro-finance institutions. The experience of various farmers' organizations concerning access to finance is highlighted in Box 2.2.

### 2.1.3 Access to agricultural inputs

Both Federal and State governments incorporate input supply in their various agricultural development projects. The key inputs involved are fertilizer and improved, seeds which are usually sold at subsidised rates. Until the recently launched GES Programme, through which inputs are provided directly to farmers at 50 per cent subsidy, the Government had provided fertilizer at 25 per cent subsidy, although the diversion of the fertilizer to unintended beneficiaries has been a major challenge. According to one of the respondents from Benue State:

'Fertilizer is currently (mid-June, 2012) being sold by middlemen in the state at the rate of ₦5,000 for NPK and ₦6,000 for urea from last year's stock. This is at a time when subsidized rate should be ₦2,000. Clearly smallholders do not get the subsidized fertilizer to buy in the state.'

The situation is different in Cross River State where farmers benefit from various input supply programmes. As revealed by a respondent,

‘the state government sold fertilizers to farmers at [a] subsidized rate. For instance in 2011, farmers purchased fertilizer at ₦4,500 per bag (50kg) instead of the market price of ₦5,500. [The] Government also supplied rice farmers with improved seeds (Faro 57, Faro 44 and Wita 4) which it purchased from National Cereals Research Institute (NCRI).’

### **Box 2.2: Some respondents’ views on access to credit facilities**

#### ***Legacy Farmers’ Association (LFA), Ogun State***

In 2007, we obtained [a] loan from the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) individually at ₦150,000 per person to cultivate 18 ha of rice and cassava. [The] insurance premium was deducted at source. That year there was a severe problem of flood[ing] and the farms were destroyed. Up till now we are still bearing the burden of repayment. Before the loan was approved, bank officials came to assess our farms but after disbursement there was no visit to check on how we were faring in our business. The insurance we paid amounted to nothing. Nothing was recovered from the farm. Moreover, the loan was disbursed very late. The loan was released in July instead of March.

#### ***Rice Farmers’ Association of Nigeria (RIFAN), Ogun State Chapter***

Loans for rice cultivation are very scarce. This hampers investment. No help is coming from anyone. In fact this year I am not likely to cultivate rice and I know I won’t lose because I will concentrate on other crops such as plantain, maize and pineapple[s]. However, according to the Ewekoro LGA chapter of RIFAN, ‘22 members of our association obtained a loan of ₦1.0 million from Bank of Agriculture in January 2011. We have repaid ₦1,086,000. To date, the Bank has not finalized the calculation of the interest due. So if there is anything remaining, we are ready to pay’.

#### ***Agbedotun Farmers Cooperative Society, Ogun State***

Political farmers have been hijacking incentives provided for smallholders. This is highly discouraging. The Ogun State chapter of the All Farmers’ Association of Nigeria (AFAN) has been pursuing the loan facilities under the ₦200 billion agricultural loan funds provided by the Federal government for the past three years to no avail. Under the scheme, the State government is to manage the sum of ₦1 billion for on-lending to small-scale farmers. Up till now, no amount has been disbursed. The state has been busy trying to identify genuine farmers. This excuse is unacceptable and shows that the state does not have the interest of small farmers at heart.

#### ***Cross River State Agricultural Development Programme***

The government is still processing the ₦1 billion loan under the partnership arrangement with the Central Bank of Nigeria (CBILLION). The loan scheme took off in May 2011 with a commercial bank (Fidelity Bank) handling the disbursement to farmers. The loan size ranges from ₦150,000 to ₦200,000 for crop farmers and between ₦500,000 to ₦1 million for livestock farmer[s]. The State government also initiated [a] yam production loan scheme in 2012 under which yam farmers in Yakurr and Ogoja LGAs obtained loans (₦200,000 each) to boost yam production. A total of 230 farmers benefited from the scheme. They were selected on the basis



of 10 farmers per ward from the 10 wards in Ogoja and 13 wards in Yakurr. Their selection was based largely on political consideration[s].

***Women in Agriculture Association (WIAA), Benue State***

Smallholders cannot meet the collateral requirements of banks. So women form cooperatives of between 25 and 30 farmers to access loans from microfinance banks with which they must open savings accounts. The women leaders also introduce[d] the Village Savings and Loans Scheme to enable them purchase agricultural inputs. Cooperative members make contributions fortnightly and give out loans to members around March so that they can commence farm operations on a timely basis.

***Young Men's Christians Association (YMCA), Nasarawa State***

The YMCA works with farmers groups (women inclusive) in various communities in Nasarawa State. The Middle Belt Small-scale Farmers Network (MIBSSFANET) supported by Oxfam gave us credit of ₦10,000 per farmer between 2004 and 2007. The Strengthening Livelihood of Small-scale Farmers (SLISSFAM) project also assisted us to start the Village Savings and Loans Scheme under which farmers formed groups to save money and gave loans to members. Many farmers could not save enough and so their credit need[s] could not be met. Recently we contacted a commercial bank to arrange for loan but did not succeed because we could not cope with the double digit interest rate contrary to the single digit we were promised initially.

***Church of Christ in Nigeria (COCIN) Community Development Programme, Plateau State***

Recently the microfinance bank (MFB) has come to the rescue of farmers in Plateau State. Notable among them is the Mwaghavul MFB which has been giving credit to farmers' groups. A group of 10 farmers can receive between ₦200,000 and ₦500,000 loan both in cash and kind for the production of maize, Irish potato, sugar-cane and sorghum.

The free distribution of lowland rice seeds commenced in 2009 and farmers received between 12.5kg and 20kg, depending on the size of their farms. In return they were to give a proportion of their harvest so that the scheme could continue on a revolving basis. For example, in Abi LGA, 87 farmers who participated in the scheme received 1,061 kg of rice seed and were expected to return 1,590 kg; however, actual recovery was 1,150 kg. Farmers in 13 of the 18 LGAs participated in the scheme. So far an average of 70 per cent recovery has been achieved. Moreover, under the National Programme on Food Security (NPFSS), farmers, groups were given non-interest loans and were also provided with tractor services for land preparation. For instance, in Cross River State, farmers in nine of the 18 LGAs are participating in the second phase of the programme, which runs from 2009 to 2014. As shown in Table 2.3, male farmers' access to chemical inputs, extension services, storage facilities and hired labour is more than twice that of their female counterparts.



Inputs	Access by male farmers (per cent)	Access by female farmers (per cent)
Chemical inputs	73.3	26.7
Extension services	77.2	22.8
Storage facilities	74.0	26.0
Hired labour	61.3	38.7
Ownership of farm land	84.2	15.8

**Table 2.3: Gendered access and ownership of agricultural inputs in Nigeria.**

Source: NBS Core Welfare Indicator Questionnaire Survey for Nigeria, 2006.

#### **2.1.4 Role of producer organizations in accessing resources**

Lack of organization of smallholder activities leads to high production and distribution costs, mainly because individually smallholders are unable to take advantage of economies of scale. Farmer/producer organizations can make it easier for smallholder farmers to access inputs and markets. Additionally, they can enhance the access of smallholder farmers to agricultural credit, by reducing client analysis and selection costs for lenders, thus making them more attractive as borrowers.

In an attempt to bridge the gap between men and women farmers in Nigeria, various women's groups and organizations have emerged. Such groups and organizations have contributed substantially to the gains made by women farmers and to the voice they now have in overall national policy on agricultural development. One such group is the Women Farmers' Advancement Network (WOFAN), a private initiative founded in the early 1990s with headquarters in Kano, Nigeria. WOFAN works with 250 women's groups in five different states in northern Nigeria in an effort to mobilize and train rural women in the management of information and communication. Community participation is a key strategy. The Network also organizes a weekly radio broadcast that reports on the efforts of rural women. WOFAN's main activities include: providing a forum through which members of rural Nigerian communities can express themselves; encouraging the formation of commodity groups to gain access to agricultural credit and insurance facilities; and introducing labour-saving technologies, including modern farm implements and the use of solar energy. Initially, WOFAN helped women farmers in rural areas with issues of health and agricultural technology. It has since inevitably expanded to address other needs.

The Nigerian Women Agro-Allied Farmers Association (NIWAFSA) has formed cooperatives to facilitate women's access to land in the communities in which they operate. According to its president:

*By forming cooperatives we have a front that can speak out for other women. We can meet community leaders, chiefs and make our demand[s] known and explain the need for them to assist us with land. We have succeeded in Nasarawa State where community leaders have given us land on lease for five years. We gave a token such as gifts (soft drinks, clothes, watches, etc. totalling about ₦50,000 and another envelope containing ₦50,000 in appreciation) for them to release the*

*land (2 ha – 10 plots of land) to our members where we are planting tomatoes and leafy vegetables. In this particular village a plot of land (100m x 120m) for agriculture sells from ₦300,000 to ₦600,000. If we go individually we cannot succeed. Note, however, that the cooperative groups should consist of members who are indigenes of the communities or married to men in the community.*

The formation of women's cooperative societies is also a way of securing access to formal credit. The land acquired on lease cannot be used to access funds. Apart from the fact that banks are not comfortable with the insecurity of tenure, they usually prefer not to grant loans to women because it is believed that if a woman defaults on her loan, her husband might not be in a position to pay it back. To be considered for loans, the banks require cooperatives to be officially registered, have operated for a minimum period of six months and have saved some money with them which act as counterpart funds.

## **2.2 How do women and men smallholders experience poor market governance?**

### **2.2.1 Market unfriendly power relations at the household level**

Men's authority is often stamped on marketing decisions about different types of commodities. Whereas women can exercise control over the sale of maize, rice and vegetables in some parts of the country, the situation is different in other parts, especially in terms of who takes the commodity to the market for sale and who appropriates the proceed. For instance, in Nasarawa State, women are not allowed to take yams to the market for sale. Even if they produce them, it is their husbands who will take them to the market. However, women are allowed to trade in grains. The production of yams seems to be more demanding of resources than grains and therefore commands more returns from season to season, which the men want to arrogate to themselves as heads of their households.

### **2.2.2 Exploitative role of middlemen and marketing agents**

The middlemen receive the produce from the farmers and sell to the buyers on their behalf. They fix the prices among themselves and apply this to calculate what is due to the farmers. The farmers and buyers have no direct contact on market day. The middlemen have their own union and collude to determine prices. They use all sorts of oligopsonistic abuses to impose the fixed prices on the farmers. Farmers who are reluctant or reject the offered price are delayed until evening when they have no other choice but to yield to the whims and caprices of the middlemen. An example of exploitation by middlemen was a case in Benue State where they fixed the price of a basket of tomatoes at ₦50. The farmers involved rejected this outright but later acquiesced when they realized that the tomatoes could not be stored when they returned home. The middlemen then sold the baskets for ₦700 each. This is a gross abuse of market power.

In Nasarawa State middlemen are equally unscrupulous. According to a respondent:

*If they want to buy a lot of maize because they have information about good price[s] in other markets, they come to the local market and shoot up the price. Once this happens, news will circulate and many farmers will bring maize to that market. Having attracted a lot of maize, the price will fall and they can then buy cheap and go and sell high in the market where they have noticed high demand. Moreover, when middlemen buy from farmers, they insist on full bag which they*

*know will contain more than 100kg which is the standard weight. They will go and re-bag later and make some gain. For example, if they buy 4 of such full bags, they will re-bag them into 5 bags and make an extra gain of one bag.*

### **2.2.3 Missing institutions in agricultural marketing**

The total lack and, in some cases, weakness of regulatory institutions for agricultural marketing put farmers at a disadvantage based on their individual profitability calculations. Institutions to regulate the actions of middlemen in the market are lacking, which creates inefficiencies in the market such that those who invest in the production of commodities earn less return than middlemen who derive benefits without adding value.

In addition, there are no institutions to prescribe and enforce product standards. The producers lack the capacity to aspire to better quality produce that would fetch them higher returns in the market. In the absence of effective quality control, they are left to sell their 'sub-standard' products at a discount rather than being helped to attain a higher standard. This is a great disservice to the small-scale farmers.

Another dimension of the effect of a poor institutional framework is the disappointment often experienced by farmers who participate in government projects. According to one of the respondents in Ogun State:

*Under the Presidential Initiative programme (PIP) of 2005–2007, the Federal government supplied a package of inputs for rice production which comprised: Seeds (75 kg/ha), fertilizer (5 bags/ha), and herbicide (orizo) (10 litres per farmer) per small-scale farmer with the understanding that government would buy back the output and deduct the amount involved. After production, however, there was no buy back.*

This implies that there was no marketing arrangement put in place to ensure that the government's commitment to the successful implementation of the rice expansion programme was met. The respondent's observation is consistent with the claim by analysts that, apart from the production strategy adopted for the rice initiative, marketing strategies are generally weak and this is one of the reasons for the limited impact of the PIP (Olomola *et al.*, 2008).

### **2.2.4 The discriminatory tendencies of agribusiness firms**

Discrimination against small-scale farmers is evident in the lack of effective links with agribusiness firms for productivity enhancement and improved market access. As shown in Box 2.3, farmers' organizations have not been encouraged to regard agribusiness firms as partners in terms of enhancing market access. Invariably, the private sector has not shown much interest in developing the capacity of the smallholders for the mutual benefit of the key actors in the agricultural commodity value chains. This lack of interest has contributed to the low levels of competitiveness in small-scale enterprises in particular and limited expansion of agricultural market in general.

## **2.3 What appear to be the policy gaps?**

An important institutional constraint is absence of clear title to land. This may limit access to formal credit since a farmer cannot use land as collateral. It also reduces incentives to invest in land-quality maintenance and improvement. Because poor farmers cannot afford alternative farmlands, or have no access to lands unless they

inherit it, they remain on depleted lands and further degrade resources. The situation is exacerbated by the low level of poverty among small-scale farmers who invariably have to 'mine' the land for survival. Policy measures to deal with these issues remain inadequate. There are gaps in terms of non-involvement of representatives of smallholders (particularly women) in agricultural policy decisions, lack of appropriate participatory framework to ensure full implementation of policies, lack of innovative financial products that meet the needs of women from different socio-economic groups, and lack of specific policy measure aimed at addressing gender-specific challenges.

In addition, there are no specific policies to handle conflicts arising from the activities of different actors in the commodity value chains. The conflict between herders and farmers continues unabated despite the adverse consequences of herders' activities on the operations of small-scale farmers in the country. A respondent in Ogun State lamented her ordeal in the hands of the nomadic herders:

*The menace of nomadic herders is a major disincentive to farming. In 2010, the Fulani cattle rearers destroyed my cassava farm for which I employed seven labourers and spent ₦996,000 and they were begging me with ₦50,000 naira as compensation. I am now out of cassava production this year (2012). [The] Government should find a way of solving this problem.*

It is necessary for the Government to embark on serious programmes of changing the patterns of the nomadic herders and supporting the small-scale farmers who are victims of the invasion of farms by herders in various parts of the country.

### **Box 2.3: Episodes of discrimination against smallholders by agribusiness firms**

#### ***Legacy Farmers' Association (LFA), Ogun State***

Early in 2012 a distillery company from Agbara Estate in Ogun State invited all cassava producer associations to their company. They promised that by June this year they would start buying cassava from us. They informed us that collection centres will be opened for cassava to be deposited. They offered a price of ₦10,000/tonne. They did not [accept to] negotiate with farmers who considered the price as too low. It cannot even cover the production cost[s]. Farmers believe that a tonne of cassava should not be lower than ₦19,000 per tonne. Since then nothing has happened.

#### ***Agbedotun Farmers Cooperative Society, Ogun State***

(i) We adopted the innovations brought to us by the Federal University of Agriculture Abeokuta (FUNAAB) and planted cassava in 2009. In the following year, however, the price of cassava fell drastically. We called the marketing department of Cassava Adding Value for Africa (CAVA) programme to purchase our product but there was no response. Rather, they would ask us to bring the cassava which they would price the way they like. Farmers were totally discouraged and this brought the dissemination of the new variety to an end as farmers thenceforth ignored the variety.

(ii) Our group requested [for] tractor services from the Agro-Service Department of the MANR but throughout there was no response. Since 2010 they packed some tractors in their yard with the intention of selling to farmers. It was an arrangement with the Federal government and private sector. The State government is expected to pay [the] counterpart fund. Over the past three years no payment was made and the tractors have been lying there.

(iii) Nestle brought soybean seeds for us to plant for multiplication purposes in 2010. In addition to the seeds the firm gave each farmer a sum of N5,000 for the purchase of chemicals and promised to buy back the seeds after harvest. At harvest period, the price they offered was much lower than the market price. We had to resort to selling in the open market. However, we were selling in trickles. Sale[s] [were] very slow.

(iv) Companies which are supposed to buy products from local farmers for processing still prefer to import raw materials such as wheat and soybeans. They collude with some agents to sabotage the intention of the government and bluntly refuse to patronize local farmers. Sometimes they complain that our products are not competitive and not of the right quality; but this is not always true. But even then, what have they done to improve the situation?

***Women in Agriculture Association (WIAA), Benue State***

WIAA introduced some women farmers groups to Olam (an agribusiness multinational firm which is a global leader in the supply chain management of agricultural products and food ingredients) for rice marketing. The condition imposed by the firm is that the group should have up to 300 bags of rice (i.e. a trailer load of 30 tonnes) before Olam will go and buy from them. Once the quantity is less, the farmers should transport the product to Makurdi. In view of the high transportation cost involved the farmers are unable to supply to Olam. WIAA also introduced her members to another firm producing soybeans and ground oil. The firm was to buy at the market price plus a mark-up of ₦1,000 at a time (March 2012) when soybeans [were] selling at ₦14,000 and unshelled groundnut at ₦12,000 per bag of 100 kg. The condition[s] [were] similar to that of Olam, but in addition, payment will be made one month after the farmers deliver products. The farmers were discouraged also because of the condition of having up to 30 tonnes before the firm can come and buy from them.

### 3 THE POLICY ENVIRONMENT

The first National Policy on Agriculture was adopted in 1988 and was expected to last up to 2000. A new National Policy on Agriculture was launched in 2001 with its broad objectives similar to those from 1988. They include:

- the achievement of self-sufficiency in basic food supply and the attainment of food security;
- increased production of agricultural raw materials for industries;
- increased production and processing of export crops, using improved production and processing technologies;
- generating gainful employment;
- rational utilization of agricultural resources, improved protection of agricultural land resources from drought, desert encroachment, soil erosion and flood, and the general preservation of the environment for the sustainability of agricultural production;
- promotion of the increased application of modern technology to agricultural production;
- Improvement in the quality of life of rural dwellers.

The programmes and projects implemented during the last decade were designed to achieve these objectives. The current transformation agenda emphasizes the development of agricultural commodity value chains, the transformation of agricultural marketing, reform of agricultural insurance, improved agricultural finance through the Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL) and the establishment of microfinance banks for agriculture.

To achieve these agricultural policy objectives, the small-scale farmers who are responsible for the bulk of food production in the country are centre stage. In recognition of the role women play in the process, the National Policy on Women articulates implementation strategies that will enhance the visibility and productivity of women and remove the obstacles to their access to land, credit, extension services and modern agricultural inputs (FRN, 2000). The strategies outlined in the policy document include:

- encouraging women farmers to make use of local sources of credit to boost agricultural production;
- strengthening formal credit sources to create revolving loan schemes for women;
- liberalising women's access to water resources to ensure that it is at the same level with men;
- establishing marketing and distribution networks and providing adequate information on appropriate pricing for farm produce for women;
- facilitating the development of cooperatives for women to facilitate their effective participation in agricultural programmes.

The policy clearly stipulates that women shall not be discriminated against in the implementation of the Land Use Act of 1978, which has also been enshrined in the 1999 constitution. Emphasis on access to land, the specified strategies as well as the policy in its entirety are consistent with the gender sensitivity of the 1999 constitution which stipulates in chapter 11, section 17, sub-section 2 that 'every citizen shall have



equality of rights, obligations and opportunities before the law’ and sub-section 3 which states that ‘all citizens without discrimination on any group whatsoever, have the opportunity of securing adequate means of livelihood as well as adequate opportunity to secure suitable employment’.

In spite of these provisions and the enactment of the policy, women still face considerable challenges in accessing resources than will enhance their participation and competitiveness in various agricultural commodity value chains. Thus, from time to time, other policy measures have to be put in place to boost women’s investment in agriculture and participation in market governance. Even though some of the measures may not be targeted specifically at women farmers, they tend to address the investment decisions made by women and their access to market as small-scale farmers.

### 3.1 Mapping the policies and legislations that shape agricultural investment in Nigeria

The policies and legislation aimed at promoting agricultural investment and market governance are redesigned from time to time. In this paper, attention is focused on recent policies as well as existing policies that shape the current direction of agricultural investment and marketing. The sets of policies are categorized as follows.

Policies for shaping investments in agriculture	Policies for shaping market governance
<ul style="list-style-type: none"> <li>• Output expansion through agricultural projects</li> <li>• Investment promotion policy</li> <li>• Land tenure</li> <li>• Agricultural finance policy</li> <li>• Tax regimes</li> <li>• Macro-economic policies</li> <li>• Subsidy policy</li> <li>• Agricultural Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Commodity market and exchanges</li> <li>• State trading enterprises</li> <li>• Guaranteed minimum price</li> <li>• Export Expansion Grant Scheme</li> <li>• Tax regimes</li> </ul>

In the following sub-sections, we will examine each category of policies in terms of their favourable disposition to or discrimination against small-scale entrepreneurs.

#### 3.1.1 Agricultural investment policies and instruments in favour of smallholders

*Emphasis on small-scale production to enhance food security.* With small-scale farmers the focus of government interventions in agricultural development, a number of programmes and projects have been designed and implemented to improve their performance. Recent examples include the Fadama Project, the National Programme on Food Security, the Root and Tuber Expansion Project and the Commercial Agriculture Development Project, all of which are currently ongoing. A number of farmers’ organizations attest to the fact that these interventions have actually assisted small-scale farmers to remain in business and to have access to modern inputs (see Box 3.1).



*Investment promotion policies.* The Government of Nigeria has introduced several incentives geared towards encouraging investment in the agricultural sector, including zero duty on agricultural machinery; unrestricted capital allowance for agribusinesses, and up to 50 per cent tariff reduction for agro-related plants and equipment; guarantees of up to 75 per cent of all loans granted by commercial banks for agricultural production under the Agricultural Credit Guarantee Scheme Fund (ACGSF); 60 per cent repayment of interest by the Interest Drawback Program Fund paid by those who borrow from banks under the ACGS for the purpose of cassava production and processing, provided such borrowers repay their loan on time; and pioneer status incentives (100 per cent tax exemption – i.e. a tax holiday – for a period of five years) for the agro-processing industry (Mhlanga, 2010).

*Land tenure policy.* The recognition of customary land tenure rights provides the necessary leverage for small-scale farmers to access land for farming purposes. Indeed, the absence of bureaucratic procedures and paperwork under the customary land tenure system is in tune with the largely illiterate profile of small-scale producers in Nigeria. As noted earlier, the Land Use Act, which is also enshrined in the 1999 constitution, guarantees the right to land of every Nigerian without any gender discrimination. The constraints faced by women in accessing land or any other resource are not due to lack of legislation or policy but rather to the appropriateness of existing legislation and poor implementation of relevant policies.

### **Box 3.1: An account of incentives extended to producer organizations**

#### ***Legacy Farmers' Association (LFA), Ogun State***

(i) The Fadama II Project fostered farmers' interest in agriculture. Under Fadama II, farmers paid 30 per cent of the investment while the project paid 70 per cent. The Project organized training on the production of snail and grass-cutter<sup>6</sup>, aquaculture and we always participated. This has been quite helpful to our farmer[s].

(ii) As part of efforts to promote the use of Nerica rice, [the] government assisted us in rehabilitating (grading) the 13.5 km road leading to our farm. It passed through [the] Moloko Ashipa, Onidundu and Oba areas. Moreover PropCom in collaboration with the State government built a rice mill for us in 2009 in Kobape in Obafemi Owode LGA. Another advanced mill with [a] destoner was installed for us at Moloko Ashipa in the same LGA and this has helped us to process high quality rice.

#### ***Agbedotun Farmers' Cooperative, Ogun State***

(i) In 2009, the Federal University of Agriculture Abeokuta (FUNAAB) brought [a] new cassava variety to us under the Cassava Adding Value for Africa (CAVA) programme which is one of the Bill Gates agricultural support initiatives. The variety will mature within 11 and 12 months and have [a] yield twice as high as the variety we were planting before.

(ii) Demonstration farms were established to train farmers on improved farm practices. The women in our group were also trained on how to process cassava into cassava flour and soybeans into various products such as soycake, soymilk, soy-ogi etc. in 2010 and 2011.

(iii) FUNAAB gave us a presser free of charge and provided each member of the group with a cutlass and a file.

(iv) Under the CAVA programme women were offered health services involving free checking of their blood pressure and supply of over-the-counter drugs.

(v) Under the seed multiplication arrangement with Nestle, the company brought in a thresher for us to use during the initial processing after harvest. Although this was returned after use its provision has greatly facilitated the process.

#### RIFAN – Ewekoro LGA Chapter of Ogun State

(i) The government [gave] Nerica to us. Around 2009, they gave us Nerica seed, about 50 kg per person as well as ₦20,000 working capital. This year they promise[d] to bring Nerica 8 but we have not seen them. [The] government also made fertilizer available to us at a subsidized rate of ₦3,600 per bag.

(ii) In 2009, PropCom in collaboration with the State government installed a rice mill for us with [a] destoner. This has helped us to process good quality rice.

#### COCIN Community Development Project (CCDP), Plateau State

In 2009, the Plateau State government introduced the Agricultural Services and Training Centre in the three senatorial zones to provide training services to farmers in the areas of land preparation (clearing, ploughing, harrowing), timing of operations and farm management practices. The trainees paid only a token of ₦500. The centre provided seeds, fertilizer and tractor services required by participant to assist them in practising what they have learnt.

*Tax regimes.* In 2012 a new policy was introduced to provide tax holidays for investors who build processing plants in staple crop processing zones. This will be an incentive for small-scale farmers who are involved in supplying raw materials to the processing plants. Moreover, there is a policy that revenue derived from an increased levy on agricultural commodity imports should be used to support domestic production. If this policy is effectively implemented, it is likely to provide an incentive to small-scale farmers to increase production of the commodities involved, especially rice, maize and wheat.

*Agricultural insurance.* In 2012 a major policy announcement was made that the current monopoly on agricultural insurance by the National Agricultural Insurance Company would be removed and liberalized to allow private sector companies to become involved in agricultural insurance. Moreover, incentives were also to be provided by the government to enhance farmers' access to weather index insurance as a way of adapting to climate change.

*The Women in Agriculture (WIA) Programme.* Following a long period of inactivity, in 2012 the WIA Programme was renamed the Women and Youths in Agriculture Programme (WYAP) and is now being organized at the Federal level, with a unit in the FMARD to coordinate the Programme. It is currently being restructured to deliver services that will benefit women across the country. .

The functions of the unit include: mobilizing women to participate in agriculture; building on best practices for the production, processing, preservation, storage and utilization options for various food crops; making women aware of value addition and marketing of agricultural produce; developing and promoting gender equity in agriculture; ; identifying and documenting women cooperatives in agribusiness; and encouraging the bridging of gaps in extension services through the provision of relevant information in modern best agricultural practices.

Effective performance of these functions has been constrained by a lack of specific budgetary provision for gender activities in the Ministry and by the fact that women's issues are still regarded as cross-cutting. This implies that challenges specific to women in the country have not been properly identified and are not being effectively addressed at the policy level. The FMARD was making attempts to change this perception by identifying specific activities to be funded in the 2012 budget. During the year, FMARD planned to embark on raising awareness among women about the utilization of various crops and introducing skills acquisition programmes for women and young people. It is expected that the Programme will empower 2,000 women and 5,000 Youth Corp members to become self-employed.

At the State level, the outreach activities of WIA are better than that at the Federal level. According to the head of WIA in Cross River ADP, there are few examples of positive influence of government policies:

*The WIA was established to reach out to the women both at the rural and urban areas for extension and other training activities. WIA assists women farmers in processing of high quality cassava flour to diversify the use of cassava which is used for biscuit[s], chin-chin, burns, bread, cake, cassava strip, and doughnut[s]. They also train women in the use of some species of banana and plantain mixed with soybean flour to produce food for diabetic patients. Moreover, under the National Programme for Food Security (NPFS) women were given loan[s] to do home garden[ing]... the aim is to plant crops (vegetable, poultry and aquaculture) within the compound in an area covering about one hectare.*

### **3.1.2 Agricultural investment policies discriminating against smallholders**

*Agricultural finance policy.* Loans from banks are generally difficult for smallholders to access, due to stringent criteria. Rigid collateral requirements and high interest rates are major impediments to obtaining formal loans for the majority of small-scale farmers. Women farmers even face greater hurdles in circumstances where they are required to get a counter signature from their husbands as part of the loan application procedures. Some lenders feel that it is double advantage for a household if both the wife and husband benefit from a loan scheme. However, a respondent in Cross River believes it has the opposite effect. According to her, 'In the past they look down on women. Even now if women apply for loan they don't get because the lenders feel that the women are under men who are already being considered'.

As regards the recent commercial agricultural credit scheme, some small-scale farmers believe that its implementation is prejudicial to their interest in terms of loan size and ease of access. One of the respondents in Ogun State expressed the following views:

*Under [the] ~~N~~200 billion agricultural loan fund of 2009, some large farmers obtained N15 million whereas small-holders were supposed to obtain ~~N~~250,000. The highest loan amount for a farmer here was ~~N~~150,000 which was grossly inadequate. Some farms were able to obtain ~~N~~60,000 or ~~N~~70,000 while others could not even get anything. The credit need[s] of large farmers could not be said to be as critical as that of smallholders. The former could have access to loans from commercial banks under their regular lending arrangements. Besides, diversion of loan[s] is far more rampant among the so called large farmers than smallholders. Often times the so called large farmers will not invest the money on agriculture but on something else.*

*Land policy.* The communal system of land ownership prevails among most ethnic groups in the South, where ownership of land is embedded in kinship groups. Communal ownership of land in Nigeria has been associated with problems such as limited tenure security, restrictions on farmers' mobility and the inevitable fragmentation of holdings among future heirs and subsequent uneconomic farm sizes. In addition, group ownership restricts the access rights of community members outside the owning group, a situation that limits the use of land as collateral for agricultural credit. Restrictions on land sales (in the absence of clear title to land) impede the use of land as collateral, thereby further hindering the development of the rural credit market. The communal system of land ownership is also a disincentive to improving land quality and long-term investment in land management.

But communal ownership has also been credited with preserving traditional land use practices such as bush fallowing, which has helped retard problems of land degradation.

*Input supply and service provision.* Some of the measures adopted in the country to boost production among the small-scale farmers has included the supply of inputs and other services (e.g. tractor hiring) . However, farmers maintain that they remain perpetually dependent because the intended benefits have failed to reach them. According to a respondent from Ogun State:

*Our experience with Fadama II was not encouraging. Then service providers established cashew farms for us. Since 2008 the farm was not weeded. They also established snailery and grass-cutter production. They all died because there was no maintenance. Currently, therefore, we are not participating in Fadama III.*

Another respondent within the Federal Capital Territory who works with women farmers argues that the problems persist because politicians often corner incentives meant for farmers from time immemorial. In addition she says:

*Until recently, ministries don't have record[s] of farmers so proper targeting of incentives has been difficult. Incentives have gone to unintended beneficiaries even with the connivance of project implementers. Besides, government has records of large farmers and they can easily be contacted and invited for deliberations on agricultural policies unlike smallholders.*

The negative influence of politicians is also highlighted by another respondent from Nasarawa State with regard to tractor services. According to the respondent:

*Under the Bada-Koshi Scheme in Nasarawa State, the government acquired some tractors in collaboration with the Federal government for the use of farmers. The tractors ended up in the hands of party loyalists who re-sold them to large farmers within and outside the state. Small-scale farmers could not have access. Those who could afford [it] had to go and hire from such buyers at exorbitant rates.*

## **3.2 Mapping of policies and legislations that shape agricultural market governance**

### **3.2.1 Marketing policies in favour of small-scale farmers in Nigeria**

*Tax regimes.* The tariff policies recently enacted as part of the 2012 Federal budget are expected to provide incentives to improved the performance of agricultural marketing activities. The major provisions are as follows:

- There will be zero tariffs (custom, excise and value added) on imports of agricultural equipment and agro-processing equipment.
- The levy on imports of any commodities that Nigeria can produce (starch, sugar and wheat) will be increased. Specifically, the import levy of 5 per cent for brown rice and 30 per cent for polished milled rice, and 5 per cent on raw sugar and 10 per cent on starches should be increased. Thus, from 1 July 2012, wheat flour would attract a levy of 65 per cent to bring the effective duty to 100 per cent, while wheat grain would attract a 15 per cent levy to bring the effective duty to 20 per cent. The levy of 25 per cent on brown rice would be increased to 30 per cent. In addition, to encourage domestic rice production, a levy of 40 per cent would be placed on imported polished rice, leading to an effective duty rate of 50 per cent. From 31 December 2012, all rice millers should move towards domestic production and milling of rice, as the levy of 50 per cent would be raised to 100 per cent.
- All waivers and concessions for rice and wheat importation would be abolished.

*State trading enterprises.* Nigeria is among the few African countries with a functioning commodity exchange – the Abuja Securities and Commodity Exchange (ASCE). The ASCE primarily offers a platform for trading contracts on agricultural commodities and solid mineral products. It was expected to help farmers, processors and traders in agricultural commodities to manage production and marketing risks in the agricultural sector and therefore act as a catalyst for growth in and the commercialization of agriculture. However, this expectation is yet to be fulfilled as the ASCE has struggled to attract significant volumes of trade in agricultural and non-agricultural commodities. ASCE has developed several operating and infrastructure systems such as a quality assurance system (e.g. quality standards and certification), a bank-based clearing and settlement system, a risk management and arbitration system, a market information system, a physical delivery system (such as warehouses) and training for key market players in commodity trading.

*Establishment of marketing companies.* In 2004 the Federal government established three multi-commodity development and marketing companies – the Arable Crops Development and Marketing Company PLC, the Tree Crops Development and Marketing Company PLC and the Livestock & Fishery Development and Marketing Company PLC. The companies were registered with the Corporate Affairs Commission as entities to be owned and managed by farmers, without monopolistic rights, with a view to encouraging competition under a liberalized economy, but with maximum support from the government initially. The government's financial support was to be withdrawn after four years. The major function of these companies was to promote production, processing, storage and marketing of the commodities. The setting up of the three companies was a step in the right direction and, had these companies been adequately capitalized, they would have addressed the marketing problems being faced by the farming population after harvest. After the companies were set up and operations commenced, however, the implementation and actualization of their mandates proceeded in the wrong direction.

After the initial period of the government's involvement, the performance of these companies was reviewed in 2009 by a ministerial committee set up by the then Minister of Agriculture and Water Resources. The score cards of the companies indicated that their general performance was unsatisfactory. The dreams of companies owned and managed by farmers were not realized and no profits or dividends were declared. They also failed to stabilize the prices of agricultural products and ensure remunerative producer prices to farmers. The reason given why the three companies were unsuccessful in delivering on their mandates was their ownership structure which allowed more than 60 per cent of their call-up share capital not to be paid up.



There are currently plans to establish agricultural marketing and trade development corporations to fill institutional gaps in market governance and provide infrastructural support. Expression of interest by private sector investors have already been called for and it is hoped that a Public-Private Partnership (PPP) arrangement can be worked out to implement the policy.

*Market development.* In 2011, the FMARD announced supportive incentives for investors establishing blending plants where 10 per cent ethanol would be blended with petrol. This was expected to boost cassava production by smallholders. The government is also introducing policies to encourage the substitution of high quality cassava flour for wheat flour in bread-baking. The initial target is to achieve 10 per cent cassava flour substitution for wheat flour by the end of 2012. Bakeries will have 18 months in which to make the transition, and will enjoy a corporate tax incentive of a 12 per cent rebate if they attain 40 per cent blending. With effect from 31 March 2012, the cost of importing cassava flour will be prohibited so as to further support this programme. The FMARD is still working out the enabling legislative acts with the National Assembly. Efforts are also being intensified to obtain the support of the private sector.

### **3.2.2 Marketing policies discriminating against smallholders**

*Market infrastructure.* Infrastructural Inadequacies have deleterious effects of the production and marketing activities of smallholders in the agricultural sector. The infrastructural deficit is more acute in the rural areas where agricultural activities take place. The situation is a reflection of the urban bias in the pattern of infrastructural development in the country. Invariably, the bias is against the poor and small-scale enterprises that operate in the rural sector. The transport infrastructure is particularly critical to trade as it facilitates movement of goods from points of production to final destinations, yet transport services are in a parlous state in the country.

Infrastructure deficits have been a major source of comparative disadvantage and have greatly impeded trade in agriculture over the years. In the rural areas where the majority of the smallholders operate, the inadequate infrastructure constitutes a major constraint to agricultural investment, production and trade. In many parts of the country, physical and marketing infrastructural facilities are poorly developed, storage facilities are rudimentary and access to information and markets is highly restricted.

*Export Expansion Grant Scheme.* The Export Expansion Grant (EEG) Scheme is a Federal government initiative aimed at encouraging exporters, especially those who add value to their products. Grants range from 5–30 per cent of the (free-on-board) FOB value of the item exported, depending on the degree of processing that occurred in Nigeria before export. The EEG Scheme is handled by the Nigeria Export Promotion Council (NEPC) and administered in conjunction with the Implementation Committee inaugurated by the government. The EEG is issued in the form of a Negotiable Duty Credit Certificate (NDCC) which is sold as a discounted instrument to importers who then use it to pay their import duties. This policy discriminates against the farmers in the sense that the EEG does not provide any benefit to the farmers who produce the primary commodities that are processed for export. The Scheme is designed in such a way that the documentations required for processing can only be obtained after the commodity has been exported, so farmers who do not export directly cannot access the grant. The lack of incentives for the farmers under the Scheme is flawed because if there is no increase in domestic production of the commodities involved, the processing plants cannot operate optimally and there will be no surplus for export.

## 4 KEY POLICY LEVERS

### 4.1 Key policies and instruments driving corporate investments in favour of smallholders

#### 4.1.1 Commercial Agricultural Credit Scheme (CACs)

As part of its developmental role, the Central Bank of Nigeria (CBILLION), in collaboration with the Federal Ministry of Agriculture and Water Resources, established the Commercial Agriculture Credit Scheme (CACs) to promote commercial agricultural enterprises in Nigeria. The objectives of the scheme are to:

- fast track development of the agricultural sector of the Nigerian economy by providing credit facilities to commercial agricultural enterprises at a single digit interest rate,
- enhance national food security by increasing food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation,
- reduce the cost of credit in agricultural production to enable farmers to exploit the potentials of the sector,
- increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide input for the industrial sector on a sustainable basis.

The scheme is financed from the proceeds of the ₦200 billion bond raised by the Debt Management Office (DMO) which was made available to the participating bank(s) to finance commercial agricultural enterprises. In addition, State governments and the Federal Capital Territory Administration (FCTA) could also borrow up to 20 per cent of the bond proceeds for lending to farmers. Key Agricultural enterprises covered under the scheme are the cultivation of target crops (rice, cassava, cotton, oil palm, wheat, rubber, sugar cane, *Jatropha carcus*, fruits and vegetable; livestock (dairy, poultry, piggery); and fisheries. Credit support to the target commodities is to be administered along the entire value chain of production, storage, processing, marketing and enterprise development.

Empirical data on the disbursement of the N2,000 billion shows that by June 2011, 14 banks were able to access the funds for disbursement to 148 projects, including 26 states and 122 individuals/private promoters at N131.49 billion. This is in contrast to the 104 projects (18 states and 86 individuals) and N96.811 billion recorded in December 2010. This represents a 42.31 per cent and 35.43 per cent increase respectively in the number of projects and total amount released to banks. The total fund already accessed represents 65.75 per cent of the entire fund, which is a marked improvement on the 48.41 per cent utilization in December 2010. It should be noted, however, that small-scale farmers are not able to access the fund because of their inability to provide the required collateral. This is a serious challenge as the fund can only be accessed through cooperatives (NPC, 2011).

It is also a major problem for small-scale farmers who need to modernize and intensify farm production. At the same time, it should be a serious concern for the government, since 90 per cent of agricultural output is produced by smallholders. To increase agricultural productivity and enhance food security, small-scale farmers' inability to access agricultural finance is a constraint must be addressed.



#### 4.1.2 The Nigerian Incentive-Based Risk Sharing for Agricultural Lending (NIRSAL)

In July 2011 Nigeria initiated an agricultural finance framework known as the Nigerian Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL) to address the problem of low levels of agricultural financing in the country. The pilot stage focused on the development of value chains in respect of six commodities: tomatoes, cotton, maize, soybeans, rice and cassava. Details of the value chain activities to be financed, the expected benefits and the governance structure are provided in Box 4.1.

NIRSA emphasises lending to the value chain and to producers of all sizes, unlike previous schemes which encouraged banks to lend without a clear strategy for the entire spectrum of the agricultural value chain. The success of this initiative will depend on the effectiveness of the governance structure, commitment of the stakeholders to discharge their financial responsibilities under the initiative and the political will to undertake the required sector-specific and fiscal policy reforms for the effective performance of the agricultural sector in general.

##### Box 4.1: The NIRSAL Initiative in Nigeria

###### ***What is NIRSAL?***

NIRSAL is a dynamic, holistic approach that tackles both the agricultural value chain and the agricultural financing value chain. NIRSAL aims to fix the agricultural value chain so that banks can lend with confidence to the sector and encourages banks to lend to the agricultural value chain by offering them strong incentives and technical assistance.

###### ***What are the value chain activities to be financed?***

There are five pillars to be addressed by an estimated \$500 million of CBILLION money that will be invested as follows:

**Risk-sharing facility (\$300m).** This component would address banks' perception of high-risks in the sector by sharing losses on agricultural loans.

**Insurance facility (\$30m).** The facility's primary goal is to expand insurance products for agricultural lending from the current coverage to new products, such as weather index insurance, new variants of pest and disease insurance, etc.

**Technical assistance facility (\$60m).** This would equip banks to lend sustainably to agriculture, producers to borrow and use loans more effectively and increase output of better quality agricultural products.

**Holistic bank rating mechanism (\$10m).** This mechanism rates banks on the basis of two factors – the effectiveness of their agricultural lending and the social impact – and makes them available to the public.

**Bank incentives mechanism (\$100m).** This mechanism offers winning banks (see above) additional incentives to build their long-term capabilities to lend to agriculture. It will be in terms of cash awards.

###### ***What are the expected benefits?***

Generate an additional \$3billion of bank lending within 10 years to increase agricultural lending from the current 1.4 to 7 per cent of total bank lending.

Increase lending to the 'pooled' small farmer segment to 50 per cent of the total (typically, banks do not reach these producers individually but through 'pools', i.e. aggregating mediators, such as MFIs and cooperatives).

Reach 3.8 million agricultural producers by 2020 through pooling mechanisms such as value chains, MFIs and cooperatives.

Reduce banks' break-even interest rate to borrowers from 14 to 7.5–10.5 per cent.

#### ***What is the governance structure?***

NIRSAL and its five pillars will be administered by a non-banking financial institution (NBFi.) At the national level, the NBFi will administer the five NIRSAL pillars. It will report to a board of directors chaired by the CBILLION and memberships from AGRA, the Ministries of Agriculture, Finance, and Commerce and Industry. The board will have ultimate decision-making and strategy-setting responsibility for the Fund. The CEO of the NBFi will be responsible for NIRSAL's overall implementation and for maintaining relationships with key stakeholders. At the regional levels, regional transformation engines will administer NIRSAL, through portfolio investment managers and technical assistance representatives.

### **4.1.3 The Growth Enhancement Support (GES)**

The GES is the transformation of the agricultural subsidy policy that was in place prior to the inception of the present administration. The key policies, which commenced in 2011, were as follows:

- liberalizing the foundation seed policy to allow the private sector to commercialize seeds
- eliminating government distribution of fertilizers and replacing this with private sector distribution
- shifting from a flat fertilizer price subsidy to targeted support for small-scale farmers
- registering farmers across the country – the target is for five million farmers to be covered annually, with a total of 20 million by 2015
- involving banks and telecoms companies to deliver support to registered farmers through an e-wallet system which pays farmers 50 per cent of the cost of fertilizer, seeds and agro-chemicals directly. The inputs are to be collected from participating agro-dealers closest to the area of operation of the farmers.

In terms of impact, investment in the programme is expected to generate between five and 10 times the return in increased production. A phased approach is to be adopted with the support to farmers. The total cost of the programme is about 400 billion Naira (\$2.5billion) with the estimated cost per farmer per year being ₦5,000 (\$30). It is estimated that the benefit of programme is about ₦80,000 per farmer (\$500) while the total benefit is about ₦6,800 billion (\$40billion); a sixteen-fold benefit over cost.

### **4.1.4 Women-in-Agriculture (WIA) Programme**

The WIA Programme within the existing state agricultural development programmes (ADPs) were created in 1990 to address the gender-related deficiencies within the existing programmes. The organization was created to integrate women into the development process with specific reference to agriculture since their participation in planning and policy-making was considered to be very important (Maigida, 1992). A serious weakness in the country's agricultural extension system had been its pro-male

stance and gender-insensitivity towards women farmers. Up until that point, the ADPs had only a home-related wing responsible for women's activities.

Following a long period of inactivity, in 2012 the WIA was restructured to deliver services that will benefit women and young people across the country and was renamed the Women and youths in Agriculture Programme (WYAP) which is to be implemented by a unit in the FMARD.

The functions of the unit include:

- mobilizing women to participate in agriculture;
- capacity building on best practices for the production, processing, preservation, storage and utilization options for various food crops;
- making women aware of value addition and marketing of agricultural produce;
- developing and promoting gender equity in agriculture;
- identifying and documenting women-only cooperatives involved in agribusiness;
- encouraging the bridging of gaps in extension services through providing relevant information about modern best agricultural practices.

The effective performance of these functions has been constrained by a lack of budgetary provision specifically set aside for gender activities in the Ministry and the fact that women's issues are still regarded as cross-cutting. This implies that challenges specific to women in the country have not been properly identified and are not being effectively addressed at the policy level. The FMARD attempted to change this situation by identifying specific activities to be funded in the 2012 budget. During the year, FMARD planned to embark on educating women and young people about the uses of various crops and introducing skills acquisition programmes. It is expected that under the programme 2,000 women and 5,000 Youth Corp members will be empowered to become self-employed.

The outreach activities of the WIA at the State level are better than that at the Federal level, and they have had some impact in many parts of the country.

Odurukwe *et al.* (2006) studied the impact of the WIA Programme on the agricultural production activities of women in Imo State. The results show that formation of farmers' groups facilitates the dissemination of agricultural innovations and provides women farmers with better access to farm inputs and credit than they would have had as individuals. Assisted by WIA agents, women have been able to participate in many projects, from identification through planning and implementation (Kotze, 2003). Moreover, women experienced greater positive effects from adopting WIA packages than did men and children. Similarly, rural women experienced more positive impacts than their urban counterparts. The WIA programme in each state in Nigeria has ensured that there are women extension workers at every level of operation, from state headquarters down to the grassroots.

In spite of the laudable achievements recorded by WIA, a number of problems have been encountered, including a shortage of WIA extension agents which means that the ratio of extension staff to farm families is still low, making it unfeasible for them to meet all women farmers. In addition, most of the WIA extension workers are not trained in agriculture (Chale, 1990). Finally, a lack of adequate support from ADP management is another problem faced by the WIA Programme. It has taken quite some time for the WIA concept to find its way into the heart of most decision-making in the ADPs, and this has yet to happen in some of them.

## **4.2 Key policies and instruments driving market governance in favour of smallholders**

### **4.2.1 Improvement of the activities of the Abuja Securities and Commodity Exchange**

Nigeria would require the following infrastructures, institutions and schemes in order to operate an efficient commodity exchange operation:

- vibrant and functional farmers' cooperatives or the introduction of schemes and agricultural policies to promote commercial farming;
- warehouses and silos to be made available in selected locations to handle deliveries to the exchange;
- a warehouse receipt system to provide farmers with access to commodity-backed financing;
- an effective grading system for both cash and food crops so that trading on the exchange could take place based on grades;
- government policies and programmes to promote liquidity on the floor of the exchange.

### **4.2. 2 Establishment of agricultural marketing and trade development corporations**

There is a need to expedite the establishment of agricultural marketing and trade development corporations and to persuade the private sector to become involved in the funding and management of the corporations.

### **4.2.3 Setting of a Guaranteed Minimum Price for agricultural marketing**

Prices of food commodities are usually very low during the harvest season, when supply is higher than demand. Farmers are therefore forced to embark on 'distress' sales at prices below the cost of production to meet immediate financial obligations as well as due to lack of storage and processing facilities and the perishable nature of most of the farm produce. The effect of this is that in subsequent farming season farmers would either reduce the amount of land they cultivate or change the crops they cultivate or abandon farming for another enterprise. Thus, there will be fluctuations in production and the income of farmers with adverse consequences on food security. To address the problem, the Federal government introduced the Guaranteed Minimum Price (GMP) scheme in 2009 which was intended to set a predetermined price for farmers for a unit measure of produce. The main objectives of the scheme were to keep farmers in business and guarantee them an improved income from operations and increase their productivity in a manner that will ensure food security. The GMP is determined by a standing committee set up by the Minister of Agriculture for the approved crops, which are: maize, sorghum, millet, soybeans, paddy rice and gari. Members of the committee are drawn from universities, research institutes, banks, farmers' organizations and ministry officials. The committee meets early in the year to fix the prices after factors such as the cost of all inputs of production (such as land, labour, chemical, fertilizer, etc.) are taken into consideration and with a profit margin<sup>7</sup> of not more than 20 per cent.

#### **4.2.4 Provision of legislative backing for governance of contract farming**

The encouragement of contract farming<sup>8</sup> can lead to a win-win situation in attempts to modernize and expand the agricultural market. This can be achieved through an appropriate partnership between agribusiness firms and small-scale farmers. Both Federal and State governments can promote contract farming through appropriate legislation and policy actions. It is necessary to guarantee links between smallholders and large-scale producers and to facilitate access to modern inputs, production credit and market. Contract farming is an important means of securing the participation of the private sector in agricultural financing in the country. It is currently being applied in respect of some food commodities such as rice, ginger and soybeans. There is a need to expand its application to other crops, even tree crops such as cocoa, rubber, oil palm and cashew nuts in various agro-ecological zones of the country. However, there must be appropriate legislation to prevent the abuse of market power by the various actors in the commodity value chains and to resolve conflicts arising from bad governance.

#### **4.2.5 Provision of legislation to enable farmers to benefit from the Export Expansion Grant (EEG)**

The delays in the payment of grants to qualified firms under the EEG scheme should be minimized. For instance, the Federal government only made payments for 2006 to 2009 in January 2010. Moreover, the implementation of the EEG scheme and the relevant legislation should be reviewed to accommodate production incentives which will ensure that not only the exporters but also the farmers derive some benefits. This will encourage farmers to increase their production of export commodities. The incentives have to be commodity specific and should be realistically determined through correct and reliable data on the number of producers of specific commodities, processors and exporters, area under cultivation, quantity produced and exported, production costs, domestic prices and other information relevant to the value chain of each commodity.

# 5 CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Conclusions

Agricultural production in Nigeria is primarily in the hands of small-scale farmers who are responsible for well over 80 per cent of the total output. The knock-on effects of their scale of operations are low incomes, low savings and also low investment. Public sector investment in agriculture is not growing as expected and this in turn has tended to limit corporate investment by the organized private sector. Agricultural policies have always been designed to support the smallholders without any intentional gender bias. In view of the high number of women participating in the sector, however, concern has been growing about the need to address gender-specific challenges that restrict their access to critical inputs (such as land and capital) and undermine their role in market governance.

Agricultural policies have been more beneficial to smallholders in terms of assisting them to increase production than in terms of enhancing their access to markets. The private sector has not been as innovative as the public sector in designing market governance mechanisms to increase investment in agriculture and to expand the market to the benefit of smallholders. This is an indication that the challenges faced by small-scale farmers are not well understood by agribusiness firms and as a result, they are unwilling to join with them in modernizing the agricultural market for increased competitiveness and profitability.

Apart from the general lack of policy measures targeted at addressing gender-specific challenges, there are specific policy gaps, including the non-involvement of representatives of smallholders (and women) in agricultural policy decisions, the absence of a participatory framework for agricultural policy implementation and a lack of innovative approaches to enhance women's access to productive inputs. The WIA programme has been most prominent in addressing the gender-specific challenges afflicting women in agricultural production and marketing, but it remains unviable and ineffective in tackling the socio-cultural dimensions and causes of the gender disparity in agricultural business management, market governance as well as resource mobilization and allocation.

## 5.2 Policy recommendations

The central role of women in agricultural development in Nigeria cannot be overemphasized. About 54 million of Nigeria's 80.2 million women live and work in the rural areas where they constitute 60–79 per cent of the rural workforce. The importance of including women in the policy processes for the development of a sector in which they are so entrenched, both in terms of employment and income generation, is also vital. To achieve growth that includes women, sustain development in the sector and reduce poverty, the following policy actions are recommended:

- The Land Use Decree of 1978 has to be reviewed to entrench women's access and entitlement to land.
- Banks should make their services more accessible to women by designing products and services that meet their credit needs, including those from different religions and wealth groups.



- Organisations such as the Association of Small-scale Agro-producers in Nigeria (ASSAPIN), the National Association of Nigerian Traders (NANT), the Nigerian Women Agro-Allied Farmers Association, and women involved in marketing associations should be consulted by the government and involved in the design of initiatives to support women entrepreneurs.
- The private sector should be encouraged by the government to become involved in extension services. Such private sector entities include seed growers for extension services on seed utilization, fertilizer producers for extension on fertilizer use, agro-chemical dealers for extension on the use of chemicals and so on.
- Producer associations should be encouraged to play a significant role in promoting agricultural investment in Nigeria
- Links between small-scale farmers and agribusiness firms should be encouraged so as to provide farmers with an outlet for marketing their products. Appropriate legislation should be put in place to support these links.
- There is need to increase farmers awareness that farming is a business.
- There is need to change the misperception among project beneficiaries that government money is free money.
- The government should liaise with the private sector to provide the necessary capacity building for farmers to enable them adopt a business-orientation in operating their farms.
- There is need to develop the capacity of the banks to design appropriate products for the promotion of agriculture and to enhance the capacity of their staff to assess the level of risk in lending to agriculture.

By and large, it is vital to ensure that both men and women benefit equally from corporate investment in agriculture. To do this will involve changing the perception of policy makers and farmers about agriculture. There should be a paradigm shift in the policy perception of agriculture and, indeed, society's view about agriculture being a traditional occupation rather than being a business enterprise. The shift is fundamental because the gendered restrictions that are so often the subject of debates and policy actions are prevalent mainly in the informal agricultural sector. There seems to be no such contestation about gender equality in access to resources and markets in the organized private sector where agribusiness is the major actor rather than the household or individual. In the organized private sector, access to private capital by a firm is based largely on competition, rule compliance and creditworthiness. Be that as it may, the benefits of public policy actions have to be allocated in an inclusive manner so that both men and women farmers have the opportunity to secure access to these benefits. For instance, research findings, extension services and market information should be made easily available to farmers, both men and women. Agricultural projects sponsored or co-sponsored by the government should be implemented in a participatory manner and the participants should include both men and women farmers. However, as modernization progresses and transformation takes shape in the agricultural sector, the emphasis will have to shift from project development to business development and agriculture must be seen as an industry rather than a traditional occupation.



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# NOTES

- <sup>1</sup> Capital investment by many smallholders is rather low. Access to tractors, ploughs, harvesters and farm machineries in general is non-existent for the majority of small-scale farmers. They still rely on hoes and cutlasses which they can afford but which cannot support significant expansion in the scale of agricultural production. Besides, the low level of both debt and equity capital investment has tended to retard productivity and competitiveness in the Nigerian agricultural sector.
- <sup>2</sup> In 2011, the Federal Ministry of Agriculture and Rural Development (FMARD) pronounced the policy of blending 10 per cent ethanol with petrol with supportive incentives for investors establishing blending plants. Government is also introducing policies to encourage the substitution of high quality cassava flour for wheat flour in bread-baking. The initial target is to achieve 10 per cent cassava flour substitution for wheat flour. Bakeries will have 18 months in which to make the transition, and will enjoy a corporate tax incentive of 12 per cent rebate if they attain 40 per cent blending. With effect from March 31st 2012, importation of cassava flour was to be prohibited so as to further support this programme. The FMARD is still working out the enabling legislative acts with the National Assembly. Efforts are also being intensified to sustain the support of the private sector. These policies are desirable because they are expected to boost cassava production carried out by smallholders, partly solve the low-level of demand for cassava following an intensive expansion programme embarked upon by the government and enhance farmers' income. Besides, the resultant development of the cassava value chain is apt to generate employment in the agribusiness sector.
- <sup>3</sup> The National Bureau of Statistics (NBS) is the apex statistics organization in Nigeria with a statutory mandate for the collection and publication of socio-economic data. The NBS is the source of the data presented in Tables 2.1 to 2.3 and in other places so indicated in the report. Data from the organization can be accessed from its office in Abuja, the Federal Capital or its website ([www.nigerianstat.gov.ng](http://www.nigerianstat.gov.ng)).
- <sup>4</sup> In 2005, the Nigerian government launched the second national fadama development project which was code-named 'Fadama II'. It was a World-Bank-funded project aimed at increasing the income of farmers and other groups of poor people in the low-lying floodplains known in Nigeria as "Fadama". The project provided demand-driven extension services, developed rural infrastructure especially rural roads and developed the capacity of beneficiaries to manage economic enterprises in the rural areas.
- <sup>5</sup> In Nigeria, a non-indigene is a Nigerian citizen but who is not indigenous to a particular residential locality. In a particular village or town, a non-indigene is a non-native. A person that has no claim to original parenthood, birthright or ethnic background in a particular place of residence is often referred to as a non-indigene.
- <sup>6</sup> The grasscutter (also known as the greater cane rat or cutting grass) is an important African rodent which is growing in economic importance especially as a potential food source. In Nigeria the meat is a delicacy often referred to as bush-meat. In the wild, grasscutters feed on agricultural crops such as maize, rice, wheat, sugar-cane and cassava and this often earned them the label of agricultural pest. Nowadays they are raised in cages for commercial purposes because of their food value and so they are often referred to as micro-livestock.
- <sup>7</sup> The profit margin is the difference between total revenue and total variable cost.
- <sup>8</sup> Contract farming can be defined as agricultural production carried out according to an oral or written agreement between farmers and a buyer which places conditions on the production and marketing of the commodity. Typically, it is a form of backward integration by a firm to have a secured source of raw materials for its operations. Under an appropriate governance system with transparent conditions, contract farming can be a win-win strategy for both parties in the contract in terms of achieving their desired objectives. Contract farming models can be applied to several agricultural enterprises including tobacco, cotton, sugar-cane and bananas and with tree crops such as coffee, tea, cocoa and rubber, but can also be used for poultry, pork and dairy production.

# ACKNOWLEDGEMENTS

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The author is grateful to the International Institute for Environment and Development (IIED) in the UK for the research grant to produce this report. Grateful acknowledgement is due to Bill Vorley of the same Institute for his support throughout the period of the research.



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The information in this publication is correct at the time of going to press.

Published by Oxfam GB for Oxfam International under ISBN 978-1-78077-397-1 in August 2013.  
Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

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