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Vast Investment Opportunities in the Agricultural Sector

Imagine 84 million hectares of arable land, 230 billion cubic metres of water and very clement weather all year round. Then imagine the same place with over N1.3 trillion of food imports in a year, over 50 percent post-harvest waste and 40th of 56 positions on the global hunger index. This disconnect, on one hand is cause enough for alarm and on the other a call to opportunity. Over the past 40 years, there have been various government initiatives to improve the agricultural sector and some of these include:

- 1974 – African Development Projects geared towards increasing agricultural productivity
- 1976 – Operation Feed the Nation, sought to encourage widespread participation in agriculture
- 1980 – Green Revolution, which was aimed at increasing food production in order to guarantee food security
- 1992 – National Agricultural Land Development Authority, which had the aim of supporting and promoting land development
- 1993 – National Fadama Development Project designed to promote simple low cost irrigation technology for farming
- 2003 – Roots and Tuber Extension Programme aimed at increasing the production of staple foods such as yam, cassava and potatoes
- 2011 – Agricultural Transformation Agenda which is currently aimed at increasing self-sufficiency by promoting agricultural production

Despite the widely acknowledged shortcomings of some of these initiatives, the agricultural sector remains full of potential and its value-chain brimming with opportunity. The preponderance of opportunities suggests that agriculture is pivotal to solving issues of unemployment, food shortage and poverty that abound in the country. These opportunities will be presented at each stage of the value chain, with the hope that this knowledge will increase interest in the sector and spur further activities towards wealth creation.

Pre-production

Site preparation: This includes land clearing, land preparation and land development. It is the most important stage in agricultural production as it affects the productivity and yield from farms. There are very few companies currently engaged in providing site preparation services and many farmers are not skilled with good site preparation techniques. As such, individuals and corporations can provide land development services or consultation on land development techniques.

Seed production and distribution: The availability of arable land and diverse climatic conditions across the country present good opportunities for seed production. According to the Agricultural Transformation Agenda Mid-term Report 2013, Scorecard (ATA Scorecard),



AN ESTIMATED 60 PERCENT OF AGRICULTURAL PRODUCE IS WASTED ANNUALLY DUE TO LIMITED STORAGE FACILITIES AND POOR TECHNIQUES. IN RECOGNITION OF THIS, THERE ARE OPPORTUNITIES TO PROVIDE STORAGE FACILITIES TO FARMERS AND TO DEVELOP COLD-STORAGE FACILITIES IN SMALLER CITIES ACROSS THE COUNTRY

only five of the 71 registered seed companies in Nigeria are operational. There is a significant gap between the demand and supply of high quality seeds for production. As such, one can start new high-quality seed production companies, invest in existing seed production companies or buy one of the defunct seed companies to transform it.

Fertilizer production and distribution: Fertilizer is an important component in crop production. According to the ATA Score-card, only one in four registered fertilizer companies in Nigeria is operational. Inputs for fertilizer production are readily available in the country. As such, there are opportunities to invest in a fertilizer blending plant or provide venture capital for one of the new fertilizer start-ups in the country. The fertilizer market is currently dominated by inorganic chemical based fertilizers which are not all together

beneficial in the long-term. One can invest in the production of organic fertilizers as well as the wholesale trading and distribution of fertilizers in the country.

Machinery and equipment: Majority of the farm implements used in Nigeria are imported. There is an urgent emphasis on increasing productivity by adopting modern farming practices and mechanizing farm operations. One can manufacture equipment locally or import and sell farming implements. Individuals can also provide maintenance and repair services for such implements, to commercial agricultural producers and farmers.

Production

Crop cultivation: there is a significant shortfall in meeting the demand for crops. For example the total demand for rice in Nigeria in 2012 was 5.2 million metric tones (MMT) while local production was 3.3 MMT. It therefore suggests that a production gap of 1.9 MMT valued at USD1.2 billion exists. Prices of food crops are rising and substantial resources are spent on importing staple food such as rice, wheat and sugar. Weather conditions are favourable and most of the land is arable – factors that make the opportunity for farming significant. In addition to farming, there is the opportunity to provide support services such as fumigation to commercial farmers and one for wholesale trading of crops both locally and internationally.

Livestock and poultry: increasing

urbanisation continues to raise the demand for meat products. Significant resources are spent on importing livestock to Nigeria and there is also an increase in global demand for by-products of livestock i.e. hides and skins. To consider an example, the local demand for poultry in 2012 was estimated at 800,000 MT while local production was 300,000 MT. This resulted in a shortfall of 500,000 MT valued at USD500 million. Opportunities therefore exist in livestock and poultry production. In addition, one can invest in animal feed production, abattoir services or wholesale trading activities for livestock and poultry.

Fisheries: There is an abundance of water in Nigeria teeming with different species of fish. In 2012, N125 billion was spent importing fish into Nigeria. The local demand for fish fingerlings is estimated at 1.5 MMT and local production is 250,000 MT leaving a production gap of 1.25 MMT valued at USD750 million. Opportunities thus exist to produce fish fingerlings, invest in fish farms and produce fish feed.

Extension services: These were previously provided under the World Bank assisted Agricultural Development Projects (ADPs). There seem to be very little of this service currently. It is one area where cutting-edge technology and improved varieties can be transferred to farmers at a small fee. Knowledge is probably the most critical input in agricultural production.

Therefore people can establish agricultural extension services in various parts of the country to support farmers.

Food Processing

Pre-processing: Over 1 MMT of citrus was wasted due to insufficient storage infrastructure in the country in 2011. There is an opportunity to provide storage facilities for harvested crops to cooperatives in various localities at a fee. In some South-East Asian countries, investors develop such storage plants and create a system that serves groups of communities. These storage facilities are patronized as farmers can, at a modest fee, store more of their crops and sell out-of-season for higher revenue.

Processing: According to the ATA Scorecard, Nigeria produces 30% of all the citrus in the world and 82 percent of all the citrus in Africa, yet remains a net importer of fruit juices. Raw produce is available for processing due to an increase in agricultural cultivation and the government's incentives aimed at increasing participation in the sector. In recognition of some of these opportunities, there has been increasing investment in Nigeria by multi-national companies such as Cargil. There are higher margins that can be realized from trading processed commodities over raw produce. Most of the concentrates used in juice companies in Nigeria are imported. As such, opportunities exist to process fruits to pulp, concentrates and fruit juices. Those seeking opportunities may consider investing in processing facilities for commodities such as converting tomatoes into tomato paste or tomato ketchup. In addition to actual processing, there is an opportunity to sell or lease out processing equipment and machinery to manufacturers in the sector.

Distribution

Storage: An estimated 60 percent of agricultural produce is wasted annually due to limited storage facilities and poor techniques. In recognition of this, there are opportunities to provide storage facilities to farmers and to develop cold-storage facilities in smaller cities across the country.

Logistics and distribution: The logistics industry is under developed and dominated by small to medium sized companies. Many of the logistics companies are focused on the oil sector and do not sufficiently serve the agricultural sector. One can start a logistics company aimed particularly at this sub-sector. This means investing in vehicles that are purpose-built for the transportation of agricultural produce. In addition, there are opportunities to provide route planning and supply-chain services to existing logistics companies.

The foregoing outline of various opportunities within the agricultural sector require varying degree of investment and in order to successfully take on any investment opportunity, it is advisable to get expert advice on how best to exploit it.

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