**The New Nigerian Agricultural Policy**

The previous agricultural policy document was finalized in 1988 and was supposed to remain operative until the year 2000. Hence, in year 2001, a new policy document was launched. The new policy document bears most of the features of the old one, but with more focused direction and better articulation.

**Objectives of New Agricultural Policy**

In a broad sense, the objectives of the new agricultural policy (as stated in the document) are very similar to those of the old one. They include:(i) The achievement of self-sufficiency in basic food supply and the attainment of food security;(ii) Increased production of agricultural raw materials for industries;(iii) Increased production and processing of export crops, using improved production and processing technologies; (iv) Generating gainful employment; (v) 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; (vi) Promotion of the increased application of modern technology to agricultural production; and, (vii) Improvement in the quality of life of rural dwellers.

**Key Features of the New Policy**

The key features of the new policy are as follows:

* Evolution of strategies that will ensure self-sufficiency and improvement in the level of technical and economic efficiency in food production. This is to be achieved through (i) the introduction and adoption of improved seeds and seed stock, (ii) adoption of improved husbandry and appropriate machinery and equipment, (iii) efficient utilization of resources, (iv) encouragement of ecological specialization, and (v) recognition of the roles and potentials of small -scale farmers as the major producers of food in the country.
* Reduction of risks and uncertainties in agriculture, to be achieved through the introduction of a more comprehensive agricultural insurance scheme to reduce the natural hazard factor militating against agricultural production and security of investment.
* A nationwide, unified and all-inclusive extension delivery system under the Agricultural Development Programs (ADPs).
* Active promotion of agro-allied industry to strengthen the linkage effect of agriculture on the economy.
* Provision of such facilities and incentives as rural infrastructure, rural banking, primary health care, cottage industries etc, to encourage agricultural and rural development and attract youths (including school leavers) to go back to the land.

**Major Content of the Policy Framework**

The policies cover issues on (i) agricultural resources (land, labor, capital, seeds, fertilizer, etc) whose supply and prices affect the profitability of agricultural business, (ii) crops, livestock, fisheries and agro-forestry production, (iii) pest control, (iv) mechanization, (v) water resources and irrigation, (vi) rural infrastructure, (vii) agricultural extension and technology transfer, (viii) research and development (R&D), (ix) agricultural commodity storage, processing and marketing, (x) credit supply, (xi) insurance, (xii) agricultural cooperatives, (xiii) training and manpower development, and (xiv) agricultural statistics and information management.

The successful implementation of the agricultural policy is, however, contingent upon the existence of appropriate macroeconomic policies that provide the enabling environment for agriculture to grow in equilibrium with other sectors. They affect profitability of agricultural enterprises and the welfare of farmers through their effects on the flow of credit and investment funds, taxes, tariffs, subsidies, budgetary allocation, etc.

**The New Policy Direction**

According to the document, the new agricultural policy will herald in a new policy direction via new policy strategies that will lay the foundation for sustained improvement in agricultural productivity and output. The new strategies involve:(i) Creating a more conducive macro-environment to stimulate greater private sector investment in agriculture;(ii) Rationalizing the roles of the tiers of government and the private sector in their promotional and supportive efforts to stimulate agricultural growth; (iii) Reorganizing the institutional framework for government intervention in the agricultural sector to facilitate the smooth and integrated development of the sector; (iv) Articulating and implementing integrated rural development programs to raise the quality of life of the rural people; (v) Increasing budgetary allocation and other fiscal incentives to agriculture and promoting the necessary developmental, supportive and service-oriented activities to enhance agricultural productivity, production and market opportunities; and (vi). Rectifying import tariff anomalies in respect of agricultural products and promoting the increased use of agricultural machinery and inputs through favourable tariff policy.

**Roles and Responsibilities of Stakeholders**

The new agricultural policy has spelt out definitive roles and responsibilities for the federal, state and local governments as well as the private sector in order to remove role duplication and overlapping functions among them. The revised roles and responsibilities are outlined as follows:

**The Federal Government**

Under the new policy regime, the Federal Government shall be responsible for:

(i)the provision of a general policy framework, including macroeconomic policies for agricultural and rural development and for the guidance of all stakeholders;
(ii) maintenance of a reasonable flow of resources into agriculture and the rural economy;
(iii) support for rural infrastructure development in collaboration with state and local governments;
 (iv) research and development of appropriate technology for agriculture, including biotechnology;
 (v) seed industry development, seed law enforcement and seed quality control;
 (vi) support for input supply and distribution, including seeds, seedlings, brood stock and fingerlings;
(vii) continued support for agricultural extension services; (viii) management of impounded water, supervision of large dams and irrigation canals and maintenance of pumping facilities;
(ix) control of pests and diseases of national and international significance and the promotion of integrated disease and pest management;
(x) establishment and maintenance of virile national and international animal and plant quarantine services;
(xi) maintenance of favourable tariff regime for agricultural commodities;
(xii) promotion of the export of agricultural commodities through, among others, the Export Processing Zones (EPZs); (xiii) establishment of an agricultural insurance scheme; (xiv) maintenance of a Strategic National Grain Reserve for national food security;
(xv) coordination of agricultural data and information management systems;
(xvi) inventorization of land resources and control of land use and land degradation;
(xvii) training and manpower development;
(xviii) participation in the mapping and development of interstate cattle and grazing routes and watering points; (xix) promotion of micro-and rural credit institutions;
(xx) promotion of agricultural commodity development and marketing institutions;
(xxi) maintenance of fishing terminals and other fisheries infrastructure, including cold rooms;
(xxii) promotion of trawling, artisanal and aquaculture fisheries;
(xxiii) promotion of fish feed production;
(xxiv) protection of Nigeria's Exclusive Economic Zone for fisheries resources; and
(xxv) periodic review of agreements on international agricultural trade.

**The State Governments:**

The state governments will be primarily responsible for:(i) the promotion of the primary production of all agricultural commodities through the provision of a virile and effective extension service; (ii) promotion of the production of inputs for crops, livestock, fish and forestry; (iii) ensuring access to land for all those wishing to engage in farming; (iv) development and management of irrigation facilities and dams; (v) grazing reserve development and creation of water access for livestock; (vi) training and manpower development; (vii) control of plant and animal pests and diseases; (viii) promotion of appropriate institutions for administering credit to smallholder farmers; (ix) maintenance of buffer stocks of agricultural commodities; (x) investment in rural infrastructure, including rural roads and water supply in collaboration with federal and local governments; and, (xi) ownership, management and control of forest estates held in trust for local communities.

**Local Governments:**

The local governments will be expected to take over progressively the responsibilities of state governments with respect to:
(i) the provision of effective extension service;
(ii) provision of rural infrastructure to complement federal and state governments' efforts;
(iii) management of irrigation areas of dams;
(iv) mobilization of farmers for accelerated agricultural and rural development through cooperative organizations, local institutions and communities;
 (v) provision of land for new entrants into farming in accordance with the provision of the Land Use Act; and,
 (vi) coordination of data collection at primary levels.

**The Private Sector**

According to the policy document, since agricultural production, processing, storage and marketing are essentially private sector activities; the role of the private sector will be to take advantage of the improved enabling environment provided by the public sector for profitable agricultural investment. In particular, the public sector is expected to play a leading role with respect to:
(i) investment in all aspects of upstream and downstream agricultural enterprises and agribusinesses, including agricultural commodity storage, processing and marketing; (ii) agricultural input supply and distribution;
(iii) the production of commercial seeds, seedlings, brood stock and fingerlings under

government certification and quality control;
(iv) agricultural mechanization;
(v) provision of enterprise-specific rural infrastructure; and, (vi) support for research in all aspects of agriculture.

**Key Agricultural Development, Supportive and Service Delivery Programs of the Federal Government**

Following the redefined roles and responsibilities of tiers of government and the private sector, the main thrust of federal government programs and activities will be directed at obviating the technical and structural problems of agriculture in the following respects.

**Development Programs and Activities**

These will include research and development, (including biotechnology development), animal vaccine production, veterinary drug manufacture, agro -chemicals manufacture, water management, adaptive technology promotion, and the creation and operation of an Agricultural Development Fund.

(a) *Research and development, including biotechnology*: The effort in this direction is to finance agricultural research, including biotechnology and the breeding of predators for the biological control of crop pests which the private sector may not be willing to invest in due to the high capital outlay and a relatively low return from agricultural investments. The output of the research system will be disseminated by the extension services of the states and local governments to farmers, ranging from small-scale to large-scale farmers.

(b) *Animal vaccine production:* The capacity of the National Veterinary Research Institute (NVRI), which is the premier institution for animal vaccine production in the West Africa sub-region, will be strengthened, enlarged and modernized in order to raise the level of vaccine production in Nigeria to a self-sufficiency level and also to cater for the entire West Africa sub-region.

(c) *Veterinary drug manufacture:* A veterinary drug manufacturing outfit with the capacity to meet the needs of the West Africa sub-region will be established. Relevant agencies of government will collaborate with the private sector for the accelerated take off of the factory. Government interests in this venture will, however, be sold to the private sector in line with the privatization policy.

(d) *Agro -chemicals manufacture*: Government will manufacture and promote the production of agro-chemicals by the private sector and will ensure the protection of the users, the eco-system and the environment through appropriate pesticide legislation. Effective monitoring mechanism to ensure compliance with the law will be put in place.

(e) *Water management:* Currently, large dams constructed in the country have impounded a lot of water with high fisheries and duck farming potentials and having the capacity for irrigation. The completion of the outstanding downstream irrigation infrastructure of the already completed large dams in the country will be accorded top priority in order to make them useful to the farmers and to maximize the benefits of the huge investments already incurred in constructing them.

Emphasis will now shift to developing small dams as a more cost effective way of utilizing water resources for irrigation in the country. The maintenance of the existing large dams will, however, continue to be the responsibility of the Federal Government. In addition, rain harvesting for irrigation agriculture is to be promoted where surface and underground water is not readily available.

(f) *Adaptive technology:* Economic deregulation has increased agricultural production costs astronomically. At the same time, globalization of trade, which thrives on comparative advantage in production, makes efficiency of production and the application of economies of scale mandatory if Nigeria is to get a sizeable market share in the highly competitive global trade arena. In order to improve efficiency of production, therefore, simple labor -and cost-saving devices that are appropriate for the current level of agricultural production and processing in the country will be developed and mass-produced. The National Centre for

Agricultural Mechanisation (NCAM), the institution established for this purpose, will be strengthened. Other initiatives in this direction, such as animal traction and hand tools technology development, will be encouraged.

(g) *Agricultural Development Fund:* The National Agricultural Development Fund is to provide the necessary impetus for the sustainable development of the agricultural sector. It will support both public and private sectors in carrying out activities that will boost agricultural and rural development, with emphasis on all facets of agricultural research, market development, extension delivery, long-term credit, rural institutions development, and enterprise promotion. The Fund will derive its revenues from:
(i) savings from subsidy withdrawals on fertilizer,
(ii) 5 percent of the proceeds from the privatization of government enterprises,
(iii) funds from international commodity organisations, (iv) 2 percent levy on the profits of agro-based industries, (v) 50 percent of Sugar Development Levy, (vi) 1.0 percent levy on the profits of oil companies, (vii) appropriation from government annual budget of not less than 2 percent of the total budget, and
(viii) take-off grant from the federal government.

**Supportive Activities**

These will comprise input incentive support and commodity marketing and export activities.

a) *Input incentive support*: Government incentive support for inputs will be administered in a cost-effective and focused manner to ensure that the intended beneficiaries derive full benefit from the distribution of:

(i) seeds, seedlings, fingerlings, brood stock etc,
(ii) fertilizers,

(iii) agro-chemicals,
(iv) tractors and implements,
(v) vaccines
(vi) veterinary drugs, and
(vii) agricultural credit. State and local governments are also to be encouraged to subsidize these inputs, as an additional incentive for agriculture.

b) *Commodity marketing and export:* The development of an efficient agricultural marketing system is being promoted through the provision of adequate market information. The buyer of last resort mechanism built into the marketing system will provide price stabilization effect on the system. The three multi-commodity marketing companies already approved by government will be the fulcrum of this system. The companies which will be private sector-led and managed, but with initial substantial public sector participation, will also ensure quality management and export promotion, in conformity with international quality standards for Nigeria’s agricultural commodities.

**Service Delivery Activities**

These activities will cover input supply and distribution, agricultural extension, micro-credit delivery, cooperatives and farmer/commodity associations, commodity processing and storage, agro-allied industry and rural enterprise development, and export promotion of agricultural and agro-industrial products.

(a) *Input supply and distribution:* Government is creating the more conducive environment for profitable investments in the production and distribution of inputs such as improved starter materials, animal health drugs, fertilizers, etc. Fertilizer supply will be hinged on complete privatization and liberalization in the production, distribution and marketing of the commodity. The main role of the government will be to strictly monitor the quality standard of all fertilizers (both local and foreign) to ensure that only certified products reach the farmer. Government will also encourage the use of organic fertilizers to complement the inorganic fertilizers currently in use. The seed industry development program will be reinvigorated and community seed development programs will be promoted to ensure the provision of adequate and good quality seeds to local farmers. The organised private sector will be mobilized, encouraged and given incentives to actively participate in the production of seeds, seedlings, broodstock, fingerlings, etc, and also to be involved in out-growers mobilization.

(b) *Agricultural extension* : Agricultural extension is essentially an activity that should be carried out by the lower tiers of government. But given the overriding importance of technology dissemination, all the three tiers of government in Nigeria will be involved in jointly financing agricultural extension delivery and monitoring its impact. Also, extension service delivery will be streamlined through the integration of ADP and state extension services for greater effectiveness.

(c) *Credit and micro*-credit *delivery:* The strategies to be adopted will include:

(i) provision and improvement of rural infrastructure to attract investment and financial services;
(ii) integration and linkage of rural financial institutions to the formal banking sector;
(iii) regulating and supervising the growth of non-bank financial institutions with emphasis on savings mobilization at the grassroots;
(iv) expanding the mandate of the restructured Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) to include savings mobilization;
(v) supporting self-help groups in their savings mobilisation and credit delivery activities;
(vi) modification of the credit delivery system to include the cooperative and community-based organisations as delivery channels to reduce transaction costs; and,
(vii) modification of terms of credit such as interest rate, eligibility criteria, legal requirement, etc, to enhance access.

(d) *Cooperatives and farmer/commodity associations*: Resource mobilization and the promotion of group action are the thrust of cooperative activities. This is to take advantage of group dynamics, with its concomitant mutual guarantee, as a strategy for agricultural development. Services which cooperatives can render include the administration of government incentives to agriculture, such as inputs supply, credit delivery and retrieval, commodity marketing, and the pursuit of democratic ideals, in view of the democratic principles embedded in their operations.

(e) *Processing, storage, agro-allied industry and rural enterprise development:* The use of simple but effective on-farm and off-farm storage facilities and agro-processing technology will be promoted to add value to products and increase their shelf life. The Strategic Grain Reserve Scheme will be modernized, strengthened and upgraded to a National Food Reserve Program, which will enable it to handle all staples and essential food products. This will be the launch pad for the accelerated attainment of Nigeria’s national food security goal. The Buffer Sock Food Storage Scheme of the states will incorporate the use of private storage facilities to maintain a national strategic stock of food that will be needed in times of national food emergencies. It is also crucial to promote and develop agro-processing in the country for the evolution of virile agro-allied industries and rural micro-enterprises.

(f) *Export promotion of agricultural and agro-industrial products:* Nigeria has comparative advantage in the production of a number of exportable agricultural commodities, such as cocoa, palm produce, rubber, ginger, spices, fruits and vegetables, flowers, shrimps and ornamental fish, cassava products, hides and skin, cashew, gum arabic, groundnuts and cotton (products). In order to diversity the base of the Nigerian economy and widen the market for agricultural commodities to absorb the expected increase in production, there is need to promote the export of these agricultural and agro-industrial products. To facilitate the acceptance of Nigerian agricultural commodities in the international market, including taking full advantage of the US African Growth and Opportunity Act (AGOA), there will be need to develop appropriate capacities and institutional framework within the agricultural sector as well as in other relevant sectors to meet the Sanitary and Phytosanitary Standards (SPS) and comply with the Technical Barriers to Trade (TBT) agreements of the World Trade Organisation (WTO).

**Other Policies, Institutions and Legal Framework**

The range of macroeconomic and institutional policies as well as legal framework that affect agricultural investment in particular and agricultural performance in general is wide. The policies broadly cover fiscal, monetary and trade measures. There is also a large body of institutional policies that support not only the implementation of macroeconomic policies but also that of agricultural sector policies. Then, there is a set of national and international legal framework, including bilateral and multilateral agreements and treaties that provide the enabling environment for foreign and domestic private investment, promote international trade and, therefore, promote economic growth.

Environmental concern has increasingly come into focus in the design of policies for sustainable growth and development in Nigeria, as elsewhere in the world. Hence, Nigeria has now put together a set of environmental policies and strategies that are of important relevance to agriculture.

**Macroeconomic Policies**

The key components of macroeconomic policies are fiscal, monetary and trade policies.

**Fiscal Policies:** These focus on budgetary, tax and debt management policy instruments. Budgetary policy influences economic stability and rate of inflation in the economy. These, in turn, influence the climate for the flow of investment, especially foreign private investment. Tax policies that focus on personal and corporate tax rates, tax reliefs, and other tax concessions are key incentives (or disincentives) factors affecting consumption and investment decisions. A favourable corporate tax policy regime enhances after-tax profits and, to that extent, may promote increased investment. A country's external debt burden affects its international credit rating and its capacity to finance public investment. International credit rating affects the flow of foreign private investment while the level and quality of public investment directly affect the flow of both foreign and domestic private investment.

**Monetary Policies**: In general, monetary policies refer to the combination of measures designed to regulate the value, supply and cost of money in the economy, in consonance with the expected level of economic activity. Liquidity, interest rates and foreign exchange rates are the channels through which monetary policy influences economic activities. Liquidity is affected by money supply. Money supply influences credit supply and interest rate (cost of capital). Interest rate, in turn, influences consumption, savings and investment decisions in the economy. Basically, the existence of interest and exchange rate differentials, resulting frommonetary policy measures, induces substitution between domestic and foreign assets (foreign currencies, bonds, securities real estate, etc) as well as domestic and foreign goods and services (CBN, 1997). Since 1986, the main instruments of market-based monetary policies have included the open market operations (OMO), changes in reserve requirements and discount policy. Open market operations involve the discretionary power of the CBN to purchase or sell securities in the financial markets in order to influence the volume of liquidity and levels of interest rates that ultimately affect money supply.

The sale of financial instruments by the CBN restricts the capacity of banks to extend credit, thereby affecting inflation and interest rates. The reverse is the case when financial instruments are purchased.

**Trade Policies:** These are a very important component of structural adjustment policies. The main focus of trade policies is on measures to regulate export and import trade through such measures as tariffs, export and import quotas and prohibitions. They influence the investment climate in many ways. For example, a liberal trade policy constitutes an incentive for foreign investors who may need to import raw materials and / or export products. But a protectionist trade policy may also serve as an incentive for investors in non-tradable products that are largely locally consumed, or investors in import -substitute products.

**Institutions**

According to the World Development Report (2002), institutions are rules, enforcement mechanisms and organizations put in place in an economy. Distinct from policies that are the goals and the desired results, institutions are rules, including behavioural norms, by which agents interact, and the organizations that implement these rules and codes of conduct to achieve desired outcomes. Policies influence the types of institutions that evolve while institutions too affect the types of policies that are adopted. Appendix 4.1 presents some of the major institutions that affect or are affected by investment -related policies in Nigeria.

**Investment Legal Framework**

Investment legal framework provides incentives for, regulates or protects investments, especially foreign investment. According to Aremu (1997), a foreign investor is first concerned with some basic questions like: What areas of business are open to foreign participation? How easy is it to bring capital into the country and repatriate profits and capital from the country? What legal mechanisms exist to protect the investor's personal business interest? These questions underscore the importance of investment legal framework. Some of the important domestic investment legislations and international legal arrangements governing foreign private investment are as contained in the NIPC Act 16 of 1997

**Environmental Policies**

Environmental policies are very important for sustainable growth and development. Hence, the Federal Environmental Protection Agency (FEPA) produced a revised version of the national policy on the environment in 1999.

The goals of National Policy on the Environmental is to achieve sustainable development in Nigeria, and, in particular, to (i) secure a quality of environment adequate for good health and well being; (ii) conserve and use the environment and natural resources for the benefit of present and future generations; (iii) restore, maintain and enhance the ecosystems and ecological processes essential for the functioning of the biosphere to preserve biological diversity and the principle of optimum sustainable yield in the use of living natural resources and ecosystems; (iv) raise public awareness and promote understanding of the essential linkages between the environment, resources and development, and encourage individual and community participation in environmental improvement efforts; and (v) co-operate in good faith with other countries, international organisations and agencies to achieve optimal use of transboundary natural resources and for an effective prevention or abatement of transboundary environmental degradation.

The strategies to be adopted include:
(i) addressing the issues of population growth and resources consumption in an integrated way;
(iii) setting goals for the stabilization of national population at a sustainable level;
(iii) integrating resource consumption and demographic goals with the other sectors and economic objectives;
(iv) monitoring trends in population and resource consumption and assessing their implications for sustainability;
(v) encouraging and involving the private sectors, NGOs and the public in the implementation of strategies and actions aimed at achieving stated goals;
(vi) the prevention and management of natural disasters such as flood, drought and desertification that more directly impact on the lives of the populace;
(vii) integration of population and environmental factors in national development planning;
(vii) solving public health problems associated with rapid urbanisation and squalid urban environments;
(ix) prevention of the depletion of forests through judicious search for and adoption of alternative energy sources; and (x) control of the demands and patterns of land resources usage.

An extract of the environmental policy presented in the appendix covers policies, objectives of policies and policy strategies on human population, biological diversity, natural resources conservation, land use and soil conservation, water resources, forestry, wildlife and protected natural areas, energy, environmental health, transportation, communication, and science and technology. These are the policy instruments that are considered most relevant to agricultural investment in Nigeria.

**Stakeholders’ Perspective on the Effectiveness of Policies, Regulations and Institutions on Nigerian’s Agriculture**

Opinions on the effectiveness of policies and regulations in the different areas of agriculture were sought from both policy makers and policy implementers. In general, policies aimed at stimulating on-farm production rank highest. These include those policies aimed at stimulating agricultural production for domestic market, agricultural input demand by farmers, domestic agricultural commodity trade, agricultural input supply to farmers and domestic investment in agriculture. It is evident from the ranking that the more effective policies and regulations are those targeted to upstream agricultural production activities and geared towards the domestic market. Policies geared towards enhanced post-production activities such as commodity storage, commodity processing, transportation and distribution services as well as commercialization of agriculture are generally ranked low. Except for policies and regulations on food security and poverty reduction (which are indeed offshoot of domestic agricultural production), other policies and regulations associated with improved human welfare ranked very low. But overall, policies on foreign investment ranked lowest.

From the foregoing, it can be seen that current policies are more effective in the primary production subsector of agriculture than in the downstream subsector. Impact of policies on the welfare status of the people and on the environment remains weak. In general, the thrust of the effective policies is on food self-sufficiency as most of these policies have bearing on boosting agricultural production for food self-sufficiency.

The main factors influencing the effectiveness of policies and regulations on agriculture include high demand for agricultural produce, availability of improved technology, efficient dissemination of information by the ADPs, and value added leading to improved income. On the other hand, the common factors responsible for ineffectiveness of

policies and regulations, especially on the downstream segment of agriculture, include instability of the political climate, insecurity of investment, nonstandardised product quality, non-competitive nature of agricultural products from the country in the export market due to high cost of production and lack of adequate processing facilities.