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The Nigerian Economy at a Crossroad: Diversifying the Agricultural Value Chain for Economic Development

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ABSTRACT : The Nigerian economy has for decades precariously leaned on the fragile leg of crude oil. Consequently, it has experienced stagnated growth trajectory driven by the vicissitudes of oil prices in the international market. An emerging trend suggests that in the last decade, the economy was growing without job creation and poverty reduction. This paper sought to investigate how and why diversification of the economy through the agricultural value chain would enhance stable and viable economic growth and development in Nigeria. The study relied on secondary data and information that revealed that investing in the non-oil sector particularly in agriculture remains the roadmap to revamping the economy since more employment and a chain of value-adding industrial revolution will follow such. It was also discovered that the neglect of agriculture over the years has led to constant depreciation of the GDP in the country. The paper recommends that in order to achieve diversification in the economy, there has to be a paradigm shift in the economic policies of the country and the political will to implement various changes in policy beyond mere slogan.

KEY WORDS: Economic diversification, oil revenues, agricultural value chain, economic development

I. INTRODUCTION

A survey of the international scene of developing countries shows that the governments of various Less Developed Countries (LDCs) have engaged in varieties of strategies and programmes in order to envelop their economies and achieve sustainable growth. These programmes are referred to, in economic parlance, as 'instruments of national policy.' They include the establishment of public organizations that take different legal and organizational structures, different managerial patterns and different sets of relationships with governments to understand and to review the different means by which they can achieve sustainable development in their countries with the limited resources at their disposal. Despite these, several factors such as capitalism, uneven trade, corruption, governance issues e.t.c have made such economies vulnerable in the face of globalization. Economic diversification which demands active participation in a wide range of sectors, and firmly integrated into different regions, are better able to generate robust growth and great potential to increase Africa's resilience and contribute to achieving and sustaining long economic growth and development in the continent. A strong growing sustainable economy is the goal of every nation in the world. However, scholars agree that economic development has been very slow on the African continent. Osuntogun, Edordu & Oramah (2012) have noted that:

> Despite its riches, African countries have not been very successful in wooing investors to the continent. A significant bottleneck for economic development in many countries of the region is its poor physical infrastructure. Essential services such as electric power, water, roads, railways ports and communications have been neglected, especially in the rural areas. The most important things to reiterate about the region's economy are that it remains

> undeveloped and is becoming increasingly marginalized in a competitive global economy where other developing regions are making the fastest headway. Africa continues to rely on exporting primary commodities. It cannot generate enough investment capital from within and is largely failing to attract foreign investments.

Without exaggerating, it is a well-known fact that Nigeria ranks among the most richly endowed nations of the world in terms of natural, mineral and human resources. Nigeria has a variety of both renewable and non-renewable resources, some of which have not yet been effectively tapped. Solar energy, probably the most extensive of the underutilized renewable resources, is likely to remain untapped for some time, and the vast reserves of natural gas produced with crude oil are yet to be fully utilized (Osuntogun et al, 2012).Before the discovery of oil in 1956 in Nigeria, Nigeria was famous in her agrarian economy through which cash crops like palm produce, cocoa, rubber, timber and ground nuts were exported, thus making Nigeria a major exporter in that respect. It is noted by Onucheyo (2001) also that Nigeria had 19 million heads of cattle, the largest in Africa. At present, Nigeria is no longer a major producer of groundnuts (peanuts), rubber, and palm oil. He notes that cocoa production, mostly from obsolete varieties and over aged trees, has nevertheless increased from around 180,000 tons annually to 350,000 tons.

Undoubtedly, the discovery of crude oil has contributed and assisted Nigeria's economic prosperity and growth. Nevertheless, the current dwindling oil price since June 2014, after five years of oil windfall, has immensely affected the economy of major oil exporters like Nigeria, Saudi Arabia, Iraq and Libya as was majorly aggravated by Middle East unrest and wars. Another huge blow to crude oil exporters was America's reduction in the number of barrels they import from nations. These factors have created a bad market for Nigeria and thus, her economy is presently in distress. This scenario is worsening by Nigeria's mono-economic status and the abandonment of agriculture. Thus today, agriculture has suffered from long years of neglect, mismanagement, inconsistent and poorly conceived government policies, lack of government meaningful incentive to farmers, lack of basic infrastructure and a lot of bureaucratic bottlenecks in executing policies and agricultural programmes among government agencies (Onucheyo, 2001). Accordingly, this paper attempts to find out how and why the diversification of the economy through the agricultural value chain will enhance stable and viable economic growth in Nigeria.

II. CONCEPTUAL CLARIFICATION

Diversification: Diversification is an act of manufacturing a variety of products, investing in a variety of assets, selling a variety of merchandise e.t.c. so that a failure in or an economic slump affecting one of them will not be disastrous. Economic diversification strives to smooth out unsystematic risk events in a portfolio so that the positive performance of some investments will neutralize the negative performance of others.

Agriculture: Agriculture involves the cultivation of land, raising and rearing of animals, for the purpose of production of food for man, feed for animals and raw materials for industries. It involves forestry, fishing, processing and marketing of these agricultural products. Essentially, it is composed of crop production, livestock, forestry, and fishing. The role of agriculture in reforming both the social and economic framework of an economy cannot be over-emphasized. It is a source of food and raw materials for the industrial sector. It is also essential for the expansion of employment opportunities, for reduction of poverty, for speeding up industrialization and easing the pressure on balance of payment. Onodugo et al (2015) have noted in effect that it has been the main source of gainful employment which the nation can feed its teeming population, a regenerative source of foreign exchange earnings, and a means of providing the nation's industries with local raw materials and as a reliable source of government revenue.

Value chain: It is noted that the term value chain was first popularized in a book published in 1985 by Michael Porter, who used it to illustrate how companies could achieve what he called "competitive advantage" by adding value within their organization. Subsequently the term was adopted for agricultural development and other purposes (Wikipedia, 2016). Similarly, the World Bank (cited in Wikipedia, 2016) notes that ''value chain'' describes the full range of value adding activities required to bring a product or service through the different phases of production, including procurement of raw materials and other inputs". In this context, the agricultural value chain concept is the idea of actors connected along a chain producing and delivering goods to consumers through a sequence of activities considering both the "vertical" chain and "horizontal" impacts on the chain, such as input and finance provision, extension support and the general enabling environment. In this process, various actors connected along a chain produce, transform and bring goods and services to end-consumers or users.

Economic Development: The conceptualization of economic development has often been Euro-centred, seen from the capitalist point of view of the free market economy. This, however, has over the years been punctured by the realities of the various socio-economic dynamics and experiences of other nations in the global economy. Other scholarly argumentations too have strongly postulated paradigms that question such views. However, the concept entails the centrality of key issues associated with improving conditions of individuals and society at large. Thus, economic development is described as the sustained, concerted actions of policy makers and communities that promote the standard of living and economic health of a specific area (Wikipedia, 2014). This implies the quantitative and qualitative changes in the economy that involves multi-dimensional aspects such as development of human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, literacy, and other initiatives.

Adams (cited in Gozuk 2014) on his part views economic development as the elimination or reduction of poverty, inequality and unemployment within a growing economy. This raises the question of what constitutes the dividing line between economic growth and economic development. Citing Musgrave and Musgrave, Gozuk (2014) notes that there cannot be economic development without economic growth but there can be economic growth without economic development. From this, it is clear that economic development involves economic growth in which there is increase in capital income and attainment of the living conditions often equivalent to that of industrialized nations. In fact, economic development must be multi-faceted to encompass a range of issues such as increase in the economic modicum of individuals and society and other key indicators such as reduction in poverty, unemployment, experience of greater freedom and social justice.

Strategies aimed at Diversifying the Nigerian Economy: Desirous of developing the Nigerian economy over the years to reduce its dependence on oil revenues, several strategies and policies targeted at making that possible have been put in place. The success of some of the policies may be debatable but largely can be categorized into three, namely:

Protectionism Policy (1960 to 1986) - import substitution industrialization was aimed at expanding the industrial base, enhancing cash crop exports, encouraging farmers to expand their farms and increasing the production of cash crops. The ultimate goal was to protect domestic industries that were set up to produce import substitutes.

Trade Liberalization Policy (1986 Structural Adjustment Programme or SAP era) - trade policies of this era was aimed at deregulation, commercialization, privatization and liberalization of the economy in order to achieve greater openness to and integration with the world economy; and to tackle the challenges of imbalances in the economy and thereby pave way for sustainable economic growth and development.

Export Promotion Policy (Post-SAP period) - government policies from 1999 till date are aimed at facilitating the diversification of the economy through policy support to Small and Medium Enterprises (SMEs) to enhance the export of their products. Export grant, as reported by Onwualu (2012), is given to exporters to cushion the impact of infrastructural disadvantages faced by Nigerian exporters and to make exports competitive in the international market.

Failing Oil Prices and Diversification of the Agricultural Value Chain: Options for Economic Development: Muttaka (2015) examined the effect of Nigeria's oil dependency on economic growth. He observed that Nigeria has wasted much of its opportunities to break away from underdevelopment despite its massive natural and human resources endowment due to heavy reliance on her huge crude oil resources. Regrettably, mismanagement and corruption have been the major causes of Nigeria's underdevelopment. He identified and discussed some key drivers of economic diversification such as investment, governance and regional dimensions of economic diversification as well as human and natural resources. He maintained that of all the other drivers, good governance remains a prerequisite in building an enabling environment for such diversification. Onodugo, Benjamin & Nwuba (2015) earlier predicted the fall in oil prices, when they pointed out that in the 21st century, nuclear, solar, and geo-thermal and other energy sources will be sufficiently developed to meet most of the world's energy requirements; a situation which, according to them, raises fears for Nigeria's oil powered mono-cultural economy. They maintained that Nigeria's position in the 21st century will not depend on its oil, but the development of its agricultural sector and related human resources. Non-oil (mostly agricultural) products such as groundnuts, palm kernel, palm oil, cocoa, rubber, cotton, coffee, beans, hides, skin and cattle dominated Nigeria's export trade in the 1960s. But the discovery of crude oil in commercial quantity shifted the attention from non-oil export to a "petroleum mono-cultural economy" since the 1970s. While petroleum export was growing, non-oil exports were declining, this made the dominance of oil export over non-oil export much more rapid and pervasive.

The transformation of Nigeria from a net exporter of agricultural products to a large-scale importer of the same commodities was particularly marked during the period 1973– 1982. Onodugo et al (2015) report that nominal non-oil export earnings fell from N363.5 million in 1973 to N203.2 million in 1982. The decline was even more dramatic in real terms as oil exports in contrast rose phenomenally from about ₦2 billion to about ₦8 billion in nominal terms during the same period. Also, continued reliance on developed countries as markets for oil and non-oil exports has caused Nigeria great misfortunes, as recessions in developed countries are usually fully transmitted to Nigeria.

Thus, as indicated, the role of agriculture in the economy has been on the downward trend especially its contribution to Gross Domestic Product (GDP). Its shares to GDP fell from 39.9 percent in 1970/71 to 20.0 percent (based on constant prices) in1988. This situation was partly due to the emergence of oil as an important commodity was partly to the poor performance of the sector. This contrasted position by 1963/64 year when agriculture contributed as much as 61.50 percent to the GDP (Osuntogun, Edordu & Oramah, 2012). Changes in the structure of the Nigerian economy had brought with it business cycle-like description. Some of these periods were severe especially the years culminating to the Structural Adjustment Programme years, a period where the economy could be described to be in a mild recession. This period defined critical aspects of many sectors like the industrial, agricultural and changed the social welfare function of individuals in Nigeria. The economy depended on a volatile oil sector. According to Osuntogun, Edordu & Oramah (2012) "where imports are of developmental nature such as capital goods and fertilizers, are not domestically substitutable, a short fall in export earnings will tend to exert an adverse influence on development and growth of an economy" Akorlie (2014) has shown that Nigeria had caught the pandemic of the Dutch Disease because in the peak of the oil boom, it experienced heavy dependence on the imports due to rise in exports over the years. Rise in government parastatals became punch-holes for government expenditure and further made worst government investments for the provision of public good. Umaru & Zubaru (2015) opined that agricultural development can promote economic development of the underdeveloped countries in distinct ways:

(i) By witnessing the supply of food available for domestic consumption and referring the labour needed for industrial development.
(ii) By enlarging the site of the domestic market for the manufacturing sector.
(iii) By increasing the supply of domestic savings and
(iv) By providing the foreign exchange earned by agricultural exports.

In their contributions, Umaru & Zubaru, (2015) were of the views that most developing countries' agriculture has been assigned an important role in national development. To them, agriculture has been seen as a means of reducing dependence on certain commodities of importance, containing food price increases, earning foreign exchange, absorbing many new entrants to the labour market and increasing farm income at times of severe unemployment and rural poverty. Thus, in attempting to assess the importance of diversifying the agricultural sector in the Nigerian economy, our focus is to examine the contributions of the sector to food supply, employment, and source for raw materials to the industrial sector (generally the Gross Domestic Product) and export earnings and balance of payment. This is important especially as Nigeria makes proposals in the vision 2020 to become one of the 20 industrialized nations in the world. It must in its preference place priorities on vital sectors of the economy because these are the spring boards for the realization of Nigeria's vision.

According to Umaru et al (2015), the bulk of the Nigerian population lives in the rural areas where their major occupation is agriculture. They indicate that statistics have shown that over 60% of the Nigerian population engages in agricultural activities, that is to say agriculture is the major employer of labour in Nigeria but the sector has been experiencing neglect since the advent of petroleum in the 1970s. This has led to high level of unemployment, abject poverty and wide spread income inequality that hampered the growth and development of this country.

Challenges of Diversification in the Agricultural Sector : It has been identified that 'agriculture continues to be a fundamental instrument for sustainable development and poverty reduction' yet, 'financial constraints in agriculture remain pervasive, and they are costly and inequitably distributed, severely limiting smallholders' ability to compete' (World Bank, cited in Miller and Jones, 2010). This has led to sudden and dramatic changes in food prices which have exposed the vulnerability of agricultural production in meeting global demand. Onwualu cited in Onodugo et al (2015) identifies key impediments to the growth of the non-oil sector, particularly agriculture as follows:

• Weak Infrastructure –a national challenge.
• Supply side constraints –due to low level of technology.
This constraint is particularly prominent in the agricultural sector.
• Low level of human capital development –general.
• Weak Institutional framework –general.
• Poor Access to finance -general

Consequently, efforts have been made over the years by various Nigerian governments to grow the non-oil sector of the economy by initiating supportive policies and incentives to encouraging the diversification of the economy. These have over the years been deficient of the needful political will to achieve practical results.

III. CONCLUSION

Diversification of the economy is of paramount importance in the economy by not chiefly depending on the oil sector as the mainstay and the largest contributor to the total government revenue and GDP. Agricultural, manufacturing and industrial sectors should be more funded and equipped to ensure good outputs and contributions. Economic diversification is vital to countries' long-term economic growth, but many resource-rich countries like Nigeria remain heavily reliant on revenues generated by oil production or mining thereby jeopardizing their chances for sustainable growth. Too often, countries lack clear policy guidelines on how to diversify, and policymakers have limited understanding of why diversification is important. Diversification is driven by human capital development which is the starting point, driving force and sustaining force. Nigeria can take a cue from the Malaysian story which highlights the fact that good diversification policy requires a long-term perspective, with a concerted and sustained effort to channel the resources and funds that can build effective institutions. Countries like Bolivia, Botswana, Kazakhstan seem to be trapped in the same intermission of diversification like Nigeria where lip service starts and ends the project. With the current dwindling of the oil price in the international market, diversification is no longer a choice but mandatory if Nigeria must experience reasonable and sustainable growth and development. This time around, the agricultural value chain remains the only option so that famers can have value for their products and be encouraged to remain in agriculture.

Recommendations: The logical policy recommendations derived from the foregoing are as follows:

Expansion of output: There is the need to promote expanded production in both the agricultural and industrial sector. A higher level of output will help to achieve the following objectives, satisfying local demand for goods leaving a reasonable balance for export and a reduction in the unit of production. At present, the bulk of Nigeria limited manufactured goods goes to the African and Asia countries and these accounts for an insignificant share. High priority should be accorded to gain access to market in Africa especially, ECOWAS countries. Effective use of bilateral and multilateral trade agreement between Nigerians and other countries should be effectively used to promote Nigerians exports.

Formation of co-operative societies: Farmers should be encouraged to form co-operative societies to protect their interest and reduce the excesses of the middlemen. This will also enable them fix prices for their product as well as access funds easily in order to expand their output.

Resuscitating of marketing Board: There is the need for government to resuscitate the marketing board that will be saddled with the responsibility of purchasing the surplus crops from farmers storing it for both domestic consumption and also for foreign.

Promotion of foreign private investment: Foreign investment capital is a vehicle for industrial growth in a developing country like Nigeria. Since the bulk of industrial inputs are imported, foreign finance helps to complement foreign earnings as it provides funding for import needs to the investors. Attraction of foreign direct investment either wholly owned or in joint ventures with Nigerians should be promoted.

Design and packaging: greater attention should be focused on design and packaging of export product which has been recognized as a necessary condition for a successful export business. Specialist institute for design and packaging should be set up to train industrial workers to that effect.

Upgrading of basic infrastructures: There is the urgent need to upgrade the basic infrastructure of the country to a functional level. Adequate power and water supplies must be ensured for any meaningful industrialization and export trade to take place. Establishment of more export processing zones in strategic locations within the country to facilitate increased production of manufactured goods duty free.

Improved electricity supply: The electricity situation in the country need to be improved upon as a matter of urgency since most industries in Nigeria depends heavily on the usage of private generators to power their production. This action of course increases the overhead cost of production and affects the outputs of the non-oil sector for exportation purposes. Financial reforms: Wide interest rate has been severally observed as the factor affecting accessibility of firms to loans by entrepreneurs. Thus, the monetary authorities need to intensify effort at pursuing financial reforms targeted at reducing high interest. A moderate interest rate will act to stimulate the market for non-oil produce.

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