STRATEGY OF DEVELOPING AGRICULTURAL AND OTHER SECTORS
OF THE NIGERIAN ECONOMY

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ABSTRACT
Nigeria as a nation has made progress with economic reforms that are delivering strong
economic fundamentals. The macroeconomic policies undertaken by the government to
strengthened financial institutions is slow and uneven, is undertaking reforms to transform
the economy structurally. The reform has been supported by revenue from high oil prices,
has led to significantly improved macroeconomic outcomes, including weaker inflation and
strong GDP growth. Real GDP growth rose from 7.0% in 2009 to an estimated 8.1% in 2010
and further rise in the future. Not considering the pro developments and improvement of the
Nigerian economy, the economy is still confronted by many serious con challenges.
Structural imbalance and lack of diversification, infrastructure, lack of strategic management
and enforcement of policies, instability of power supply - with the economy excessively
dependent on oil - is preventing the domestic economy from reaching its climax. High youth
unemployment, poor infrastructure facilities and widespread insecurity are the key challenges
the government will have to take on.

KEY WORDS
Agriculture; Economy; Oil sector strategy; Nigeria; Policy.

Nigerian Agriculture like any economy system is in a dynamic relationship with the rest
sectors of the economy. These relationships determine the course and direction of its
development. The list of factors that have a significant impact on the overall situation in the
agricultural and other sectors can be divided into internal and external. In turn, the internal
factors can be divided into climatic, economic, industrial, administrative and institutional and
socio-economic. Base on climatic factors, the most significant is the dependency of the
country's agriculture on weather conditions, soil degradation, pests, etc.

Economic and production factors are set of conditions that impact directly on the
production process and have a purely economic nature that can strengthen or weaken the
effectiveness of agricultural production. The most important for agricultural development in
Nigeria is a credit and monetary policy, market and manufacturing infrastructure, inter-
industry linkages, illegal export, crop losses, low productivity, the level of application of
scientific and technological progress, and others. Administrative and organizational factors,
the most important are the institutional system of state regulation, strategy and national
future development plans, organization of research, corruption, nepotism, and others. The
most highlighted are political and bureaucratic stress factors that have a significant impact on
the strategy of agricultural and others development.

In the aspect of social factors - population growth, food insecurity, the problem of
under-employment, out-migration to cities, the backwardness of agricultural structures,
poverty, etc. In addition, the beneficiaries of government programs in Nigeria often do not
recognize the means and effort because of the socio-cultural beliefs - faith, customs,
stereotypes, etc. base on realization of external factors and its implementing its action within
the country, Nigeria must play the most important role, first of all, the prices on the world
market of oil and other raw materials, as well as agricultural inputs, agricultural products, raw
materials and food. It also includes the external debt problem and the intervention of
international financial institutions to restructure the national economy, mainly to increase its
potential for debt repayment.

Another reason for the crisis in the sectors of the Nigerian economy is directly related
to some special situation, like some other African countries in the world capitalist economy.
Unequal exchange, unequal trade and activities virtually block the economic development of
the region. All of the above factors influence to a greater or lesser extent on the agricultural and other sectors in particular and the national economy as a whole.

**METHODOLOGY**

The information used for the study were collected from the official statistics of Nigeria, the international reference works, the publication of the International Food Policy Research Institute (IFPRI) in the U.S., Nigerian central bank annual report.

The main objective of this research is study the Nigeria's agricultural development strategy, improve the methodology of its design and implementation mechanism, unstable market conditions and map out suggested strategies of improving the economy. Discussing the reform process is clearly necessary. Medium- to long-term prospects hinge on Nigeria's addressing key reforms successfully in order to advance infrastructure development and broaden the economic base through enhanced private-sector participation and attracting investors via improving Marketing infrastructures.

**RESULTS AND DISCUSSION**

Nigeria, Africa's largest country with rich natural resources. Oil is the main export product of Nigeria, so any disasters on the world oil market is strongly reflected in the main macroeconomic indicators of the country. The economy of Nigeria, after the colonial period, and especially in the last 30 years, underwent quantitative and partly qualitative change. The most important of them could be a significant quantitative increase in the volume of foreign trade and government revenue. This period is characterized by an underestimation of the importance of agricultural development in various economic development strategies undertaken in the country.

The task of structural analysis of the agricultural sector of Nigeria is to uncover assumptions and reserves to increase production and reduce the cost of production of the domestic agriculture and achieve harmonious development of the economy, i.e. properly structured national economy, adequately reflects and effectively using specific country-specific factors of production.

| Table 1 – GDP by sector (in percentage) |
|----------------------------------------|
|                                         |
| n/n                                    |
| Agriculture                            | 32.8 | 37.2 |
| Mining and quarrying                   | 39   | 29.8 |
| Mining, manufacturing and utilities    | 2.8  | 2.5  |
| Of which oil                           | 38.9 | 29.6 |
| manufacturing                          | 0.2  | 0.3  |
| Electricity, Gas and water             | 1.5  | 1.3  |
| Construction                           | -    | -    |
| Transport, storage and communication   | -    | -    |
| Finance, real estate and services      | 5.8  | 6.7  |
| General government service             | 1    | 1    |
| Other service                          | 0.1  | 1.1  |

Source: National Bureau of statistics. Figures for 2010 are estimates; for 2011 and later are projections.

The Nigerian government economic policies should focus on addressing key infrastructural barriers as crucial factors in setting the stage for longer-term strategy of stabilizing growth in an effort to break the past 30 years of uncontrolled economy crises. Recently, the performance of the economy has responded positively to efficiency gains from economic reforms and, with the benefit of high oil prices, has generated strong growth. Nigerian economic has recorded the growth at 7.0% in the year 2009 and at an even stronger estimated 8.1% in 2010 in the aftermath of the global economic crisis underscored the resilience of the economy and reflected the prudence of economic policies. But the questions how long will the government rely or depend on the oil sector in other to strengthen
the economy? Policies have been written on strategies of developing sectors of the economy but little has been achieve most especially in the agricultural sector. The policies written lack strategic management and enforcement, and that have led to underachievement of these sectors. There is need to check and re-strategize for better effectiveness of result.

Government in 2009 uplifted the credit crunch by lowering interest rates. In addition, the government recapitalized struggling banks. These policies maintained the confidence of lenders and borrowers in the financial market and stimulated the economy. With the unfolding global economic recovery supporting high oil prices, Nigeria achieved and maintained slight growth in 2011, and expected stronger growth at the end of 2012 and even stronger growth by the end of 2013. Improved access to credit from the reformed banking sector and enhanced provision of domestic energy supplies are also expected to support continued improved performance of the non-oil sector. Real GDP growth is thus projected to remain robust at 6.9% in 2011 and at 6.7% in 2012. The problem still not elevated as small scale and subsistence farmers have little or no chance of benefiting from borrowing from banks as a result of collateral barriers and majority of them can neither read nor write. This is a paramount challenge that needs an urgent attention.

The strong growth in output recorded in 2010 was supported by the expansion in oil production following relative peace in the Niger Delta region, but the key driver of growth remained the non-oil sector. Non-oil growth averaged 8.3% in 2010 and accounted for 84.8% of total GDP. The main growth drivers in the non-oil sector were telecommunications, general commerce, manufacturing, agriculture and services. The communications sector in Nigeria has boomed in the past five years, with growth averaging around 30% per annum, driven largely by the expansion of the Global System for Mobile (GSM). Large inflows of foreign direct investment (FDI) have played a crucial role. The stock of FDI in telecommunications increased more than 200%, from USD 7.5 billion in 2005 to more than USD 18 billion in 2010. The number of mobile-phone lines has increased from fewer than 19 million in 2005 to nearly 80 million in 2010, with teledensity reaching 54.2 lines per 100 inhabitants. The tremendous progress made in telecommunications has contributed to an overall improvement in the business climate, benefiting in particular the manufacturing sector, which, in 2010, grew by more than 6% even with shortage of electricity and paucity of credit limiting the potential of the sub-sector.

Nigeria's agricultural sector has also performed remarkably well, with an estimated growth rate in 2010 exceeding 6.0%, reflecting the good weather conditions that boosted crop production. The government's effort to address protracted issues of inadequate credit and high interest rates in agricultural lending through the Commercial Agricultural Credit Scheme (CACS) has also benefited agricultural expansion: in 2009/10 the government made 200 billion Nigerian naira (NGN) available at low interest rates to farmers and other practitioners in the agricultural sector.

In the oil sector, the previous five years had been characterized by declining output, due largely to militant activities and the accompanying disruption of oil-producing activities. Before militants began attacks and destruction of oil facilities in 2005, Nigeria had been producing about 2.5 million barrels per day (bpd). By 2008, output had been reduced by about 40% to 1.5 million barrels per day. Production appeared to stop declining in 2009, however, following the federal government's amnesty program, which brought relative peace to the Niger Delta area. By the end of 2009, petroleum production had increased to more than 2 million bpd, an output level that was maintained in 2010. Oil GDP, comprising crude petroleum and natural gas, grew by 3.9% in 2010. At the same time, oil production remained the dominant activity for export and government revenues. According to government records, in 2010 oil and gas accounted for about 96% of total export receipts and nearly 66% of total government revenues.

In line with the high infusion of funds into the telecom and oil industries, total investment in the economy has remained high. In 2010, a 4.5% increase in the volume of investment represented about 1.7% of real GDP growth. The contribution of investment to GDP growth is expected to increase to about 2.5% in 2011, but to fall slightly to 2.3% in 2012 as investor confidence in the economy wanes in the wake of the political process. Indeed,
Nigeria’s prospects of enhancing investment contribution to growth will be better served if official policy, which establishes a series of incentives to attract foreign capital, is reconciled with what appears to be popular opposition to the presence of foreign investors in certain sectors of the economy. In 2009, for example, the overturn of several licences and contracts by the government, which it alleged had been improperly awarded by the previous government, dented the country's image amongst international investors.

Nigeria as a country have been too dependent on petroleum sector and therefore the economy has become shaky whenever there is instability in the international market. Nigeria’s external position is heavily influenced by developments in the international oil market. The country is a major exporter of crude oil and a major importer of petroleum products. Nigeria is the world's eighth largest exporter of crude oil but imports almost 90% of domestically consumed petroleum products.

Total exports rose in 2010 as a result of higher oil prices and increased output. At the same time, a fall in infrastructure outlays brought about a decline in imports, leading to a sharp rise in the trade account. This improvement in the trade account was however offset by higher factor income and lower current transfers. According to the CBN, increased divestment, on the one hand, and repatriation of dividends, portfolio engagements and foreign-investment capital on the other, have exacerbated pressure on the current account. In addition, inward remittances plummeted as a consequence of the lingering effects of the global financial crisis. Accordingly, the current-account surplus was largely unchanged at 13.3% of GDP from 13.1% of GDP in 2009. The outlook on the current account is improvement as merchandise trade surpluses continue to outweigh deficits in services. The current-account surplus is projected to remain at an annual average of around 17.0% between 2011 and 2012.

Table 2 – Current account (percentage of GDP)

|                        | 2002 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------------|------|------|------|------|------|------|------|
| Trade balance          | 3.2  | 23   | 22.7 | 17.5 | 22.4 | 23.7 | 22.5 |
| Exports of goods (f.o.b.) | 24.5 | 40.1 | 40.6 | 35.6 | 37.6 | 38.1 | 36.3 |
| Imports of goods (f.o.b.) | 21.2 | 17.2 | 17.9 | 18.1 | 15.3 | 14.4 | 13.7 |
| Services               | -7.5 | -7.9 | -10.4 | -9.2 | -9.2 | -7.8 | -6.9 |
| Factor income          | -10.8| -7.2 | -6.8 | -6.8 | -6.5 | -6.3 | -6.3 |
| Current transfers      | 2.4  | 10.9 | 9.1  | 10.8 | 8.1  | 8.2  | 7.2  |
| Current account balance| -12.7| 18.7 | 15.4 | 13.1 | 13.3 | 17.6 | 16.8 |

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations. Figures for 2010 are estimates; for 2011 and later are projections.

CONCLUSION

The development of agriculture in the country at the present stage is not possible without addressing the coordination of institutional structures for the development and implementation of agricultural development programs of the country. Their role should be determined by the priorities of national development in the long term. Necessary to minimize the impact of political and other factors in the selection of subjects performance. Emphasis should be placed on team building through mentally sympathetic groups.

Agro-industrial integration should be an integral part of the strategy of industrialization of the national economy, providing stable employment and higher income population of the country, as well as an increasing share of foreign exchange earnings from exports of agricultural products in processed form.

The issue of instability of power has affected or rather discouraged a lot of foreign investors from the country, this is an area which need urgent attention in other to strengthen and boost the nation’s economy. Little or no strategic management have been mentioned in the previous policies, this is not astonishing as most of the government strategies have failed to yield result because of deficiency of strategic management lacking.
Marketing facilities are absent and making it far difficult to achieve better result in the economy, also the medium of distribution of goods need to be checked in other to Improve efficiency of distribution of products.

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