CHATHAM HOUSE

Chatham House, 10 St James's Square, London SW1Y 4LE
T: +44 (0)20 7957 5700 E: contact@chathamhouse.org.uk
F: +44 (0)20 7957 5710 **www.chathamhouse.org.uk**

Charity Registration Number: 208223

Transcript

Zimbabwean Farmers and Agricultural Innovation in Nigeria

HE Governor Abubakar Bukola Saraki

Governor of Kwara State

May 9 2011

HE Governor Abubakar Bukola Saraki:

Nigeria has all it takes to be an agricultural powerhouse. To start with, Nigeria is blessed with 79 million hectares of arable land. For the purposes of comparison, this is about a fifth of the entire landmass of the European Union region, the world leading exporter of food; and five times the size of California, also one of the world's largest producers and exporters of food. Apart from arable land, Nigeria is also endowed with diversified ecological conditions and blessed with abundant water resources and adequate rainfall.

With all these, Nigeria should be a net exporter of food. But it is not. To the contrary, we spend about $4 billion annually on food imports. This is despite the fact that we have clear comparative advantage in agriculture, and despite the fact that more than 70% of our population engages in farming. In comparison, only about 5% of the population of the Western World engages in agriculture, and this small segment of the population produces enough for domestic consumption and export.

Nigeria is under-performing in agriculture because of many reasons. One major problem is under-cultivation: only about 44% of the total arable land is presently under cultivation. Another is low yield: yield per hectare in Nigeria is roughly about 25% of the global average. The major challenge, however, is that farming is largely practiced at subsistence level and mostly undertaken by small-holding, uneducated and aging farmers. In Nigeria today, agriculture is still characterized by "inefficient and outmoded production techniques, low quality of produce, heavy post-harvest losses, limited access to mechanization and quality inputs, limited value-addition, and limited facilities for credit, irrigation, storage, processing and extension services."2

Also, agriculture, which used to be the mainstay of the Nigerian economy, has fallen out of grace in the country. In the sixties, agriculture contributed more than 65% of Nigeria's GDP. Then, our country was a net exporter of food and earned most of its foreign exchange from agricultural produce. Not anymore. Today, more than 80% of our foreign exchange comes from oil alone. Agriculture has been relegated to the background, at great costs, and negatively impacting our capacity to create jobs, reduce poverty, increase national productivity, diversify our economy, achieve food security, and put our country on the path of sustainable development.

Kwara State as a Mini-Nigeria

Kwara State, the site of the experiment I am here to discuss with you, is actually a mini Nigeria in terms of agricultural potentials and challenges. The state is located close to the middle of the country: it is 306 kilometres away from Lagos, our commercial nerve-centre; and 500 kilometres from Abuja, our federal capital. Kwara State is inhabited by 2.5 million people, most of whom are rural dwellers and farmers. The state receives most of its revenues from the Federation Account and is one of the least resourced in the country (in terms of receipts from the Federation Account, it is ranked 33 out of 36 states in Nigeria). 65% of its revenue goes to salaries and overhead alone.

The state we inherited when I became governor in 2003 was characterized by widespread poverty. To tackle this endemic problem in a sustainable way, my team and I constantly asked ourselves the following questions: “How can we make the difference? How do we transform our state? How do we lift our people out of poverty? What do we want to be known for?” My experience in my previous job as the Special Assistant to the President on Budget Matters came in handy. In that capacity, I had also served as the chairman of a national committee charged with devising strategies for shoring up Nigeria’s non-oil earnings by $1 billion annually. One key insight that I took away from the work of that committee is that no other sector in Nigeria holds as much promise for job creation and income generation as the agricultural sector.

It was clear to us that though a seemingly poor state, Kwara is well endowed agriculturally, and that we could use this dormant comparative advantage to drive growth and prosperity in the state. Kwara State has a cultivable area of 2,447,250 hectares, which is about 75.3% of the state’s total land area. But as at then, only about 11% of this was under cultivation. The average farm size was between 1 to 2 hectares. Most of the farmers lacked formal education and were without basic management skills. Average crop yields were low at 1.5 metric tonnes per hectare for maize (a sixth of the average production in the U.S.), 1.5 metric tonnes for rice (a third of the global average), and 1.0 metric tonnes for groundnut (less than one-third of the world average).

As with the rest of Nigeria, the story of agriculture in Kwara State was one of huge potential undermined by under-cultivation, low-yield, limited scale, and little or no value addition. As said before, I seriously believe that the agricultural sector holds the most significant opportunity for us for job creation and poverty reduction. But, for us to reap bountiful harvests from agriculture in Kwara State, in Nigeria and in the rest of Africa, we need to modernize and go to scale.

Early Experiments

In June 2003, precisely a month after I took over as the governor of Kwara State, we launched the Back-to-Farm scheme. The goal of this scheme was to substantially expand the area under cultivation and increase yield per hectare through deployment of modern farming techniques and appropriate incentives. Using the existing Ministry of Agriculture, we mobilized our farmers and provided them with credit facilities, seedlings, chemicals, fertilizers and extension services. More than a thousand farmers participated in this programme, with an additional 1600 hectares brought under cultivation across the state.

However, the result from the pilot scheme did not justify the hope, the effort and the resources invested in it. There were some marginal improvements, but yield per hectare was still abysmally low, the best ranging from 1 to 2 metric tonnes per hectare. Why? We later found out that most of the old and uneducated farmers were resistant to change. They used little or no fertilizer, and seemed stuck to their old farming methods. We also discovered that most of the farmers saw the credit given to them as political largesse—their own share of government money—and had no intention of repaying, and no commitment to getting results. On their part, the government officials that were asked to supervise the farmers either had little capacity for the work or were more interested in helping themselves.

The success of this experiment was put at about 14%. But it offered us a good learning experience. In retrospect, we realized that we couldn't go far with the Back-to-Farm scheme because we tried to mount a new carriage on an old and ill horse. But to use agriculture as a vehicle for poverty reduction in a poverty-endemic environment, we needed to do more. The overarching lesson of the Back-to-Farm scheme was that we needed a complete overhaul, not just some cosmetic tinkering at the edges. We concluded that we needed a new approach, one radical enough to see agriculture as a business, not just a means of survival.

The Shonga Project

This disposition towards commercial farming made the events unfolding in Zimbabwe in the early part of the last decade of deep interest to us. The white commercial farmers who had made Zimbabwe a major food basket of Africa were being displaced in droves through a land re-allocation policy. Some of the white farmers migrated to Zambia and Mozambique, and within a short while started making appreciable impact on the agricultural sectors in these countries.

While it was clear that in Kwara State we had the land but lacked the expertise for modern farming; it was also clear to us that the displaced Zimbabwean farmers had the expertise and the orientation for commercial agriculture but lacked the land. We decided to explore the possibility of bringing the two strengths together in a win-win proposition. The idea of a transformative partnership was born. We reached out to the displaced farmers.

But there were many rivers to be crossed to bring this idea to fruition. The first was the legitimate scepticism of the farmers who had been displaced from their natural habitats and were being asked to relocate to some strange land about 4000 kilometres away through a deal that looked too good to be real. Another was the initial hostility of the host community, which feared being displaced with little benefits and without adequate compensation. And yet others were the challenges of poor infrastructure and limited credit opportunities.

Rather than being overwhelmed, we set about confronting these challenges one after the other. As part of our confidence building process, we invited the expectedly reluctant farmers to Nigeria and to Kwara State. On one of such visits, we took them on a tour of the farmlands for them to have firsthand contact with what we were offering. Thereafter, we took them to Abuja to meet with President Olusegun Obasanjo, (then the president of Nigeria and himself a commercial farmer) who warmly welcome and re-assured them that “Nigeria would like to keep in Africa what is good for Africa”.

We backed this up by developing a framework for commercial agriculture in the state and committed ourselves to providing an enabling operating environment by undertaking the initial land clearing, fast-tracking the processing of title documents, providing roads, electricity and security, and seeking the cooperation of the host community. Bearing in mind that commercial agriculture is a capital-intensive enterprise and that most of these farmers had lost their life investments in their own country, one of our major tasks was to facilitate the process of securing funding for their operations.

As a former banker, I knew that most banks in Nigeria seldom provide credit to agricultural ventures because of they consider the scale too small and the business unviable. Incidentally, the Shonga experiment was as much an opportunity as it was a challenge for us. However, we tried, with considerable success, to present these new proposals as an opportunity for the banks to act consistently with their previous positions, because here was a project that could be supported. In the end, the farmers, backed by government guarantee, were able to secure substantial commercial loans from a consortium of banks.

We were also able to secure the buy-in of the host community not by using the brute force of state or by merely invoking the state's power of eminent domain, but by meaningfully taking care of the interests of the people in terms of rewards, jobs and facilities. Apart from relocation and generous compensation, we ensured that almost all the farm-hands are employed from the host community and that there is adequate knowledge transfer to the host community through an embedded demonstration farm. In addition, we provided roads, potable water, electricity and community health insurance to members of the host community.

In the end, 13 Zimbabwean farmers (who now proudly call themselves the New Nigerian Farmers) settled down in Shonga for full-scale commercial farming operations. Shonga Farms Holding Limited was incorporated as a special purpose vehicle to finance the operations of the farms. The participating banks own 75% equity in the SPV; while the state government owns 25%. The SPV in turn owns 60% equity in each of the 13 farms, while the farmers own 40% each.

Under a 25-year renewable lease, each of the 13 commercial farmers was allocated 1000 hectares of land. This is a total of 13, 000 hectares of land to be put to use under the most modern of farming methods and techniques. Activities in the farms are built around three clusters: Poultry Farming, Dairy Farming and Mixed Farming. The farmers produce milk and other dairy products, poultry meat, and commercial crops such as maize, cassava, rice, banana, soybeans, and ginger. Operations commenced in 2005.

Though there are still some challenges in terms of infrastructure (especially irrigation) and financing (because the banks are yet to develop appetite for giving long-term loans for agriculture), the Shonga experiment has changed the face of farming in Kwara State and yielded multiple dividends for the state and its citizens. For one, there has been considerable improvement in yields. For example, while the national yield for cassava is 12 to 15 metric tonnes per hectare, yield on the Shonga Farms ranges from 25 to 50 metric tonnes per hectare. Also, while the traditional Fulani cattle can produce an average of five litres of milk per day, the Jersey cattle on the Shonga Farms produces about 15 litres a day. Needless to say that this doubling and tripling of yields has implication for poverty reduction, national productivity, food security, knowledge transfer and job creation, especially when further replicated and scaled up.

Among others, the Shonga Farms has the capacity to process 12 million broiler chickens per annum, 2,500 processed chicken per day, and 50, 000 litres of milk per day. The farm already supplies chicken to the newly opened Kentucky Fried Chicken (KFC) in Lagos; banana to Shoprite, a retail store in Lagos; and 2500 litres of fresh milk per day to Friesland WAMCO, Nigeria's leading producer of pasteurized milk. At harvest season, about 3000 to 4000 people are employed on the farms at a rate far above what the government pays.

Other Initiatives

The gains of the Shonga Project are not localized to the farms run by the New Nigerian Farmers. As stated above, linkage is already being established with chain stores/restaurants such as KFC and Shoprite, and manufacturing companies such as WAMCO, with significant impact on industrial capacity, jobs, and balance of payments in the Nigerian economy.

Already, there is appreciable transfer of best practices to adjoining farms and new economic activities are being created. For example, a local Fulani herdsman, Umoru, now has a ready market for his raw milk in one of the dairy farms. He supplies 50 litres of raw milk per day, which fetches him more than $30 a day in an economy where most people live below two dollars a day. Also, an appreciable increase in commercial activities has been noticed in the markets in the adjoining villages due to increase in the disposable incomes of the farm workers.

I invite you to imagine the positive implication for individual livelihoods and the potential for exponential growth at the national level if you have a multiplicity of Shonga Farms all over Nigeria and all over Africa. Just imagine that.

Despite these gains, it is however not lost on us that to fully maximize the gains of commercial agriculture; we need to take the benefits further afield. One of the initiatives we have embarked upon to complement the Shonga Project is the Integrated Youth Farm Centre in Malete. This previously abandoned seed farm is where we are growing a new crop of modern farmers: young and educated Nigerians trained in the best practices of modern agriculture and farm management. The youth farm was initially run by one of the Zimbabwean farmers and was conceived to create a critical mass of successor generation of commercial farmers. The farm has produced already graduated 200 of such farmers who are being provided with incentives to become commercial farmers.

Another area we have focused on is irrigation to ensure that our people can farm all-year round and can achieve double cropping, instead being exclusively dependent on rain and being idle for a substantial part of the year. We rehabilitated and expanded the capacity of a run-down irrigation scheme in Duku-Lade, which is now being used almost exclusively for dry-season rice farming. The scheme now has the capacity to irrigate 4000 hectares of land.

We are also paying attention to processing to ensure that our farmers add value and also get better value for their produce. Through the Cassava Resource and Technology Transfer Centre we have set up large and micro cassava processing plants all over the state for the production of high quality cassava flour and chips. However, our signature effort in terms of processing arose out of the decision to partner with a private company to set up a cashew processing plant in the state instead of just selling raw cashew nuts to middlemen. Today, we have the OLAM Cashew Processing Factory, which has capacity to process 13, 000 metric tonnes of cashew nuts annually and has more than 1500 workers in its employ. OLAM produces mainly for export.

We have also upgraded our local airport to an international airport and re-designated it as a specialized cargo airport, primed to serve our commercial farmers when they are ready for the export market. We believe that if we sustain the momentum already generated, our state is well positioned to meet the food needs of not only our people, but also of the adjoining states in Nigeria and the outside world.

Conclusion

Distinguished ladies and gentlemen, I am happy to report to you that on account of these initiatives, Kwara State has become the centre of commercial agriculture in Nigeria and is showing the way for others to follow, including the federal government, which has adopted some of our policies. I am confident that my successor as governor will consolidate on the gains of these initiatives.

While it is tempting to see our experiment with commercial agriculture only in terms of farms and food (and associated benefits), I want to argue that it is much more than that. At its core, it is also a search for a sustainable model of development at the sub-national level.

One model of administration at the sub-national level is to dutifully wait for monthly allocations from the Federation Account and disburse down the line. Except the state is one of the highly resourced states (either on account of being endowed with oil or of being an industrial centre), monthly allocations and internally generated revenue would only be enough to pay salaries and fix a few roads, classrooms and hospitals. The other model is to see the state more as an active agent of development, and less as a disbursement conduit. This model favours leveraging active and dormant resources to grow the productive base of the state economy and wean it of over-dependence on transfers.

In searching for how to tackle the problem of endemic poverty in our state, we embraced the second model. Rather than throw up our hands in despair or just choose to muddle through, we challenged ourselves to create a competitive edge out of our state's comparative advantage. It is still an unfolding story, and we made some false starts, but in true entrepreneurial spirits, we were not afraid of thinking big or taking risks, and that has made all the difference.

We believe that development is not a self-occurring phenomenon, but the product of deliberate policy, with the state playing a leading role as an enabler. This is why in our experiment with commercial agriculture and other development initiatives, we chose to strategically partner with the private sector. In the past, when it was fashionable for the state to occupy the commanding heights of the economy, the government would have gone into commercial agriculture directly through establishment of plantations and agro-allied companies.

From experience, we know that would have been a wrong-headed approach because we do not have the resources and expertise to run such endeavours and because the landscape is still littered with the carcasses of state-owned enterprises. But while we favoured the PPP model, we were also mindful of the fact that this approach could only work when the state provides the enabling and the regulatory environment and when alongside public value, a private value is also created to attract and sustain the interests of the individuals and companies involved.

Let me end by saying that I believe the future of Africa lies in developing enterprises that can simultaneously create jobs and wealth. Dependence on mineral extraction will not take us up the development ladder. Also, handouts and aids will not lift Africa out of poverty. Development partners and the developed world can meaningfully partner with us in our renewed search for growth and development by providing long-term, concessionary loans and technical expertise, by making significant investments across the value chain in schemes such as the one in Shonga, and by removing farm subsidies and other trade impediments that undermine the competitiveness of agricultural goods from Africa in the domestic and international markets. On this note, I want to thank Chatham House again for this wonderful opportunity. And I thank you all for listening.