

PrOpCom

Making Nigerian Agricultural Markets Work for the Poor

Agricultural Policy Innovation

PrOpCom (Promoting Pro-Poor Opportunities through Commodity and Service Markets) is an innovative market-driven programme that aims to reduce poverty in Nigeria. Funded by the United Kingdom's Department for International Development (DFID), the programme works with government institutions, businesses and individuals to enable agricultural markets to work better for the poor. PrOpCom started full implementation in 2008 and will be operational until December 2011.

The overall intention of the programme is to facilitate basic changes to market systems, to improve how markets operate, and to increase profits and revenue whilst providing benefits to the poor from these market interventions. PrOpCom facilitates and catalyses these changes – making them possible or making them happen faster – through active engagement with businesses, civil society and government, in order to address problems in selected commodity sectors. The programme works along the entire value chain, including production, processing and marketing of agricultural products.

Using this market-led, pro-poor development approach, PrOpCom works through market forces to support the poor to:

- enhance their incomes
- increase their job opportunities
- broaden their access to markets
- create more choices for them
- reduce the economic risks they face.

PrOpCom is currently facilitating activities in five markets within a framework of 12 interventions, in order to promote market development that is beneficial to poor people in Nigeria. PrOpCom anticipates that these interventions will positively impact some 412,000 poor households, generate ₦8.6 billion (£35.7 million) in additional income and create about 70,000 new jobs as they mature.

Ogun state government adopts a new agricultural policymaking model

Agriculture is the main occupation in Ogun state, providing income and employment for about 70% of the labour force. The state's agricultural potential is rich, due to its comparative advantage in six major cash crops: cassava, cocoa, cotton, kola, oil palm and rice. But these cash crops have not contributed enough to the economic development of the state. What has prevented the state from capitalising on its potential?



Ofada rice, thought to originate in Ogun state, is known for its unique taste, reddish colour and varying grain sizes

Background: Challenges for the state's agricultural policy

The Ogun state government has previously tried to exploit the rich agricultural resources of the state. In 2007, the government drafted a policy to cover the six main cash crops. Though this policy helped to outline general steps for government agencies, it did not provide specific policy objectives and strategies that would lead to greater private sector engagement. As a result, crop productivity has not improved, investment has not risen, and farmers' incomes have remained low.

At that time, PrOpCom was working in Ogun state to improve the market for *Ofada* rice and thus benefit the state's poor farmers. This work brought PrOpCom to the attention of the state government, which was interested in partnering with PrOpCom.

After a series of meetings, the government realised that PrOpCom could help them to develop a more detailed, systematically planned rice policy that would help the state better harness the economic potential of the crop. By articulating a specific and more complete policy for rice, the government anticipated that a more business-friendly environment could be created to promote private sector investment and increase the productivity and efficiency of agriculture in the state. In 2008, the state's Ministry of Agriculture and Natural Resources (MANR) then approached PrOpCom for policy support.

During the initial stage, PrOpCom engaged a local policy expert who worked with the MANR to clearly define the comparative advantages of rice in the state. These key factors provided the rationale for government policy and business investment in the rice sector:

- Ogun state is endowed with the ideal land resources for rice cultivation and the human resources to support its production
- *Ofada* rice is believed to have originated from Ogun state, a concept which businesses could promote in their marketing approaches (see '*Ofada* rice in Ogun state')
- Ogun's proximity to Lagos provides a huge market for the state's rice.

In spite of its potential, the rice industry faced several challenges, such as inadequate access to farmland, high cost of land clearing, non-availability of farm inputs (especially seeds and

Ofada rice in Ogun state

Ofada rice, a traditional crop of Ogun state, is known for its unique aroma and taste. In 2007 PrOpCom conducted a study of demand for *Ofada* and found that it was consumed, on average, in 36% of households across the South-West states (Ekiti, Lagos, Ogun, Osun and Oyo) and Abuja. But, at the same time, supply was dwindling. Ogun state government hoped to exploit this potential market and increase production through a comprehensive investment strategy.

In March 2009, the Veetee Rice Company celebrated the opening of its new rice mill in Ogun state. This followed a series of discussions and agreements with the federal government that had started in 2002. The former Nigerian president, Olusegun Obasanjo, insisted the mill be called *Ofada* Veetee Rice Ltd., even though the company had no intention of processing *Ofada* rice because of its irregular size and shape.

With an annual installed capacity of 70,000 metric tons, it was envisaged that farmers in Ogun would significantly increase their rice output to meet the mill's paddy demand. However, many farmers were confused about which type of paddy the mill was buying, due to the mill's name.

The Ogun state government then agreed to take a stake in the company through the provision of land at Kobape. They verified

the suitability of the land, but the plant had to be relocated to Ewekoro because the land at Kobape lacked adequate groundwater – causing Veetee considerable financial losses.

The governors of the South-West had promised to promote paddy production in their respective states by supporting farmers, so that Veetee would have a reliable paddy supply for its processing plant. Despite this promise, Veetee experienced difficulties getting the required quantity and quality of paddy. To resolve these issues, Veetee and the governors entered into an agreement which stated that the latter would buy seeds produced by Veetee and distribute them to farmers in their states. However, the timing of the agreement coincided with a change in state officials, and the new government complained of a lack of funds to buy the seeds. The company was eventually able to sell the seeds, but at a substantial loss.

The Veetee rice mill was closed in 2010 due to the multiple operating challenges it faced – challenges that were compounded by the tightening of credit lines after the Central Bank of Nigeria called for a wide-scale shake-up of the banking sector in 2009, during which it fired the chief executive officers of five major banks. This example of failed private sector investment into Nigeria's rice sector may have been avoided with better understanding between government and business actors.

fertiliser) and poorly defined roles for the public and private sectors. The government demonstrated its commitment to addressing these challenges by collaborating with the private sector to draft the rice policy for the state.

Strategy: Defining a new policy approach

The main aim of the rice policy was to promote a private-sector-led rice industry, for which the government would provide a business-friendly environment. Specifically, this involved clearly defining the roles of business and government to enable them to support one another, rather than interfere in each other's affairs.

Such a clearly defined crop policy is attractive to businesses as it remains in place beyond the terms of individual politicians, creating a more stable environment for investment. Well-designed policy strategies ensure that the government does not compete with business, for example through direct procurement; rather, they ensure that the government will support business, for instance through land clearing or titling.

Such policy strategies also help reduce government overspending on goods and services that the private sector could be delivering at a greater scale and efficiency, and allow the private sector to grow to occupy these spaces. With a more enabling environment for the private sector, investment in the rice value chain could increase, leading to improved market efficiency, increased incomes and reduced poverty.



PrOpCom's approach invites dialogue and participation from multiple stakeholders

To achieve these aims, PrOpCom set forth a new method for forming policies. Currently, most political planning in Nigeria follows a top-down approach, with little or no involvement from private sector stakeholders. In contrast, PrOpCom's approach is all-inclusive and participatory. PrOpCom recommends which key stakeholders to include in the policy process, brings these key groups together, and offers suggestions on how to facilitate an effective dialogue. Through this approach, different positions and interests can be discussed and harmonised.

In Ogun state, PrOpCom's facilitation encouraged active representation and participation of the private sector as the main driver of economic activity. Most importantly, these harmonised



A member of the Ogun rice stakeholder group enjoys traditionally prepared *Ofada*

The challenges of policymaking

When the policy drafting began, a meeting of major stakeholders in the rice industry – from both the public and private sectors – was held to harmonise their views. The process of harmonising the various opinions was slow, however. For instance, the private sector stakeholders did not accept the first policy draft, claiming it was dominated by the government officials' inputs.

The need to ensure a balanced mix of public and private perspectives in the policy document necessitated further consultations with the private sector. At one point, the Rice Farmers Association of Nigeria (RIFAN) even threatened the MANR, claiming they would picket their offices if the policy was not finished soon. While this felt threatening to Ogun state's permanent secretary of agriculture, it demonstrates the critical sense of empowerment and motivation towards action – among both citizens and the private sector – that can be achieved through an inclusive policy process.

interests will be laid out in a lasting policy document, to which future political parties will be held accountable.

Facilitation: Turning theory into policy

To pilot this new policymaking model, PrOpCom engaged the services of Prof. Adebayo Aromolaran of the University of Agriculture, Abeokuta, to provide technical assistance to the coordinating team from the state MANR. The consultant's assistance was necessary to help facilitate the iterative process, rather than provide an expert opinion on the policy's content.

His work included helping the state's team to interview stakeholders, collect the data that would inform the drafting process, and facilitate the final drafting process. Once the MANR felt comfortable with this new method, it assumed full ownership of the process, with intermittent support from the technical expert to ensure stakeholders' opinions were validated.

The participatory drafting process started in February 2009. The output of the various consultations provided the main inputs for the draft policy document, which was later validated during a workshop in October 2009. A wide range of stakeholders attended the workshop, including rice farmers, processors, marketers, input suppliers, financial institutions, related ministries and government agencies, as well as researchers and academics. These efforts paid off; the state governor approved the policy in September 2010.

Implementation: Turning policy into action

The Ogun state government has now started to implement the rice policy. The policy prioritised the high cost of land clearing (due to the state's thick vegetation cover) as the major constraint to

increased rice production; it therefore advocated for government assistance to farmers by clearing land and allocating plots to farmer cooperatives. In addressing this constraint, the government has mapped out the entire state and identified suitable areas for rice production. In addition, the government recently approved roughly ₦280 million (£1.16 million) to buy four heavy-duty land clearing machines to use during the 2011 planting season.

The rice policy identified lack of access to land as another major challenge facing agricultural production in Ogun state. In response, the government, farmers and traditional rulers have collaborated to facilitate pro-farmer land-use reforms. Interestingly, the council of *Obas* (traditional rulers), under the aegis of the 'Royal Vanguard', recently decided to release lands in their respective communities, free-of-charge, to interested farmers for agricultural production (see 'Impacts on poor people').



Traditional processing methods, such as this way of drying rice paddy, are often inefficient and time consuming; private sector investment can help to make agriculture more productive and profitable

Though the rice policy has been successfully drafted and approved, both public and private stakeholders are awaiting full implementation. There are concerns that the policy may suffer implementation delays due to the frequent turnover of top personnel in the MANR, as well as the recent political transition in the state. It is anticipated that the Ogun Rice Business Group (a rice advocacy group) will partner with the incoming government to promote the full implementation of the rice policy. Once the private sector also begins increasing its investment, the final impact of this policy will be put into effect.

Scale: Replicating the new policy model

The state government, satisfied with the rice policy drafting process, followed a similar policymaking approach for kola, another major cash crop. "We were motivated to develop the kola policy by ourselves due to PrOpCom's all-inclusive and participatory approach, which was adopted in preparing the rice policy," explained Tunji Akinosi, Ogun State Commissioner for Agriculture and Natural Resources.

The Ministry of Agriculture mobilised relevant expertise within the state to provide technical assistance to the kola policymaking team. Thus the entire process – collaboration with the business community and the drafting of the policy document – was coordinated by the State Ministry of Agriculture without the support of an external consultant. According to Mr Kunle Oyesanwem, Acting Director of Planning, Research and Statistics in the Ogun State Ministry of Agriculture, the experience gained by Ministry staff while developing the rice policy was sufficient for coordinating the drafting of the kola policy. In his words, "the two policy formulation experiences have significantly enhanced the technical capacity of our staff to independently coordinate similar processes in the future".



Tunji Akinosi, Ogun State Commissioner for Agriculture and Natural Resources, speaks to participants at a policy dialogue meeting in September 2010

Impacts on poor people

Alhaji Monsuru Ajayi, a successful *Ofada* rice farmer, is one of the beneficiaries of a novel collaboration among government actors, business and the traditional rulers. According to Monsuru, the *Olu* (traditional chief) of Igbogila village, in Yewa local government area (LGA) released 55 ha of land for his farm, while the *Olu* of Oja-Odan village (Yewa North LGA) released 35 ha of land for him to expand *Ofada* rice production.

To cope with his increased need for labour due to the larger farm size, Monsuru employed an additional eight full-time labourers on his farms, and four staff in his rice mill at the main market in Ifo LGA. Prior to this, Monsuru depended on his family and casual labourers to meet his farm labour needs. "With my large farm size, many people come to me because they know that I can employ them," exclaimed Monsuru. In addition to providing jobs for farm labourers, the greater land access increases the potential for the state's rice output, thus generating income.



Alhaji Monsuru with *Ofada* rice from his farm

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