# WAYS OF REVAMPING AGRO-BASED INDUSTRIES IN THE STATES

**DR. J.Y. MAISAMARI**

## INTRODUCTION:

The importance of the agricultural sector in the Nigerian economy is generally well known. Most public policy makers, especially since independence in 1960, have expected the sector to satisfy the bulk, if not all, of the food requirements of the country, supply most of the agricultural raw materials needed by the manufacturing sector, provide adequate employment and income as well as earn substantial foreign exchange.

In line with the anticipated contributions agriculture is to make in the overall development of the Nigerian economy, several measures were designed in the years preceding the Structural Adjustment Programme (SAP) to stimulate the growth and development of the sector. Such measures included subsidized/low interest rate policies of the 1970s and early 1980s, establishment of specialized institutions to lend solely to the sector, input subsidies and producers price setting through commodity Boards. Following the adoption of SAP in 1986, commodity Boards were abolished in order to provide productive incentives to farmers through increased prices. In the same vein, a unified system of agricultural extension has been adopted to quicken the dissemination of improved husbandry practices and research findings to farmers while more universities of agriculture and research institutes have been established to broaden and strengthen agricultural research. Inspite of these measures, the performance of the sector has generally been considered unsatisfactory and the expected significant contribution it was to make towards the attainment of several national economic and social goals remains largely an expectation. (Ukpong, 1993).

The emerging enabling environment has since played a dominant role in attempting to get agricultural incentives right in Nigeria. However, it is not yet certain whether the extent of deregulation so far and the preliminary outcome has elevated the desired response. Yet there is the urgent need to sustain agricultural growth beyond the current rates if the challenges confronting it are to be overcomed. The pertinent question to ask therefore is, why have the measures adopted over the years not achieved sustainable growth of the sector and in which direction should policy be focused to hasten the realization of the objectives for Nigerian agriculture with particular reference to revamping her agro-based industries in the states.

The aim of this paper therefore is to review some of the measures which have been adopted to revamp Agro-Based Industries in the States or in fact the industrial sector of the Nigerian economy (with a view to identifying inadequacies), examine the degree of response of the sector to such policy measures and suggest areas of future focus of policy in order to enhance its output and further development. For ease of presentation, the paper is organized in five parts. Part one, defines some key terms/words. The second part, examines the state of Nigerian Agro-based Industries. Part three, discussed some other untapped resources required for the establishment of Agro-allied Industries in Nigeria. The fourth part, took a general look on some lingering problems constraining the viable growth of Agro-based Industries in the states. Finally, the paper suggested ways of revamping Agro-based Industries in Nigeria.

## DEFINITION OF SOME KEY WORDS

This very important topic shall be analysed from a layman's point of view; lay man in the sense that I am not an economist. However, the thoughts that will be set down here have tremendous capacity to generate other thoughts and discussions. Therefore, before I drive into the main theme of the paper, I ask for your indulgence on some mundane definition of a few key concepts here. This is necessary because it will form our road map.

**REVAMP**

According to the New Webster's Dictionary of English Language (1995) revamp means to put a new vamp on (an old shoe) to refurbish, revise and improve …. While vamp means an improvised accompaniment.

**AGRO-INDUSTRIAL**

Agro-industrial (adj.) … an activity favouring both agriculture and industry. Agro-industry (n) – therefore, means industries that largely depend on Agricultural products for its sustainability.

**THE STATE OF NIGERIA'S AGRO-BASED INDUSTRIES**

Prior to Nigeria's independence in 1960, the predominant economic activities were agricultural production and marketing of imported goods. Industrialisation was not part of the colonial economic policy which was anchored on making the colonies producers of primary raw materials for foreign industries and importers of manufactured goods. Therefore, the task the first indigenous administration set for itself on attaining political independence was the transformation of the country into a modern industrial economy.

Early manufacturing activities predating independence were limited to semi-processing of primary agricultural products as adjuncts to the trading activities of foreign companies. The agro-based manufacturing units that were established included vegetable oil extraction and refining plants, starch making, tobacco processing, pottery, raffia crafts, mat making, wood carving and saw milling. They were followed by textiles, breweries, cement, rubber processing, plastic products, brick making and pre-stressed concrete products. At the outset, domestic investment capital was very small and the indigenous private investors interested in large returns were pre-occupied with trading, transport and construction business. They lacked the technical know-how required in manufacturing activities (CBN, 2000 p. 62).

Besides the construction of roads, generation of electricity power in regional capitals and maintenance of law and order which created a conducive environment for trade, no particular industrial policy was initiated by the erstwhile colonial administration to promote industrial development in the country.

Post independence Nigeria saw the evolvement of National Development Plans, later replaced by the three year National Rolling Plans (within the context of the Structural Adjustment Programme (SAP) which provided the conceptual framework for the development objectives, strategies for industrialization, government participation in the process of industrialization, and the fiscal and related policies for influencing industrial development. As in other developing economies, the principal features and set objectives of the development plans included, among others, the desire to lay an enduring foundation for future expansion of the productive capacity of the economy, achievement of high economic growth through increase in the share of manufacturing value added (MVA), increase in export of manufactures, diversification of industrial activities and improvement in the standard of living of Nigerians. The plans also sought to re-orientate the Nigerian entrepreneurs away from trading into manufacturing and processing activities as well as promote even development of the country through industrial dispersal. One of the general policies and strategies of the development plans which concerns us in this discussion is:

> Prioritization of expansion of the intermediate and capital goods, and the agro-allied industries, and greater integration, linkages and diversification of industries.

But, this important sector of our economy has suffered from being neglected since the oil boom days. Agriculture which should be the backbone of the Nigerian economy providing employment to about 70% of its population has steadily declined from performing such a role.

Report on the second Nigerian Economic Summit (1995) specifically stated that "Agriculture (both cash and food crops) has steadily declined since the early 1970s. Nigeria's export crops, such as groundnuts, palm oil and kernel, have virtually disappeared and the country is a net importer of food crops". Consequently, the summit or the group's vision is that agriculture should be profitable and sustainable in the production of food and raw materials. Nigeria should be self-sufficient in food, in terms of quantity, quality, variety and availability. Exports should be a major source of foreign exchange earnings for Nigeria. The level of self-reliance on farm input production should be maximized.

In the same vein, Alhaji Sani Zangon Daura, Minister of Agriculture and Rural Development, enumerating the Role of Agriculture in Nigerian Economy in the Report on the Sixth Nigerian Economic Summit (1999:18) pointed out that agriculture remained the back bone of Nigerian Economy, providing some 38% of GDP and providing food for a rapidly growing population. He then highlighted the vast potential in the sector and its ability to supersede oil as the "engine of growth" for Nigeria. He detailed the Administration's policy thrust for the agriculture sector as including:

1. increased production and productivity
2. enhanced food supply and food security
3. poverty alleviation
4. agro-industrial development
5. export promotion
6. agro-technology improvement
7. environment preservation, and
8. build-up and dissemination of agriculture information.

The first National Development Plan (1962 – 68) was prepared and executed with the aid of foreign investments. Import substitution industrialization strategies were adopted with the aim of encouraging technological development, reduction in the volume of imports and encouraging foreign exchange savings by producing locally some of the imported consumer goods. The period saw the establishment of large scale capital intensive and import substituting light industry and assembly – related, manufacturing ventures. Industries such as textiles, wearing apparel, paints, tyres and tubes, cement and other building materials producing units as well as grain milling factories were established as joint stock ventures between local and foreign trading companies which originally imported the goods, but had to diversify their business interests. This period also witnessed initiation of policies and provision of a wide range of incentives for the private sector, including protection from competing imports.

Report on the Second Nigerian Economic Summit (1995, pp.188-189) specifically stated that, presently there are approximately 650 major agro-allied industries in Nigeria. They include textile industries, cotton ginneries, flour mills, feed mills, leather and leather good industries, tanneries, paper mills, breweries, soft drinks, rice mills, confectioneries, tomato processing, and timber industries. The total installed capacity for cereal processing alone is approximately 9 million metric tones annually.

At present, these industries operate below 30 percent capacity, like most other industries in the country.

The Pre-SAP period saw several manufacturing companies integrating their operations backwards through direct farming. The prevailing economic environment which was characterized by high capital and production costs and very low returns on investment forced most of them to scale down their operations or even close down. A viable option which several manufacturing industries have taken to source their raw materials needs is the out grower scheme. Some have established effective linkages with producers Associations, a relationship that has proved to be mutually beneficial to manufacturers and producers and which gives good cause for strong government intervention in the promotion of similar rural institutions. Therefore, the complementarity of agricultural production and industrial processing, needs to be exploited more fully, if farmers are to be assured of markets and the needs of manufacturing industries for raw materials are to be guaranteed.

It is in response to the above stated problems that the Report on the Third Nigerian Economic Summit (1996), posits that:

> Industrialization of the nation's economy should be private sector led, within a conducive investing environment. Additionally, industries policy should emphasize small and medium-scale industries, including cottage industries. Efforts should also be geared towards local raw material utilization, including utilization of

> abundant energy sources such as gas, coal, electricity, etc. (pp. 96-97).

The vision for a private sector centred industrial profile is that it will meet local and export needs while focusing on areas in which the country has comparative advantage in many areas of industrial production. But five industries have been identified for priority attention as development catalysts. These are sugar, rubber, cement, engineering and petrochemicals.

**SUGAR**

About 94% of the country's sugar need is currently imported. Local production is only about 97,000 tonnes and the local industries are producing at below 50% of installed capacity. Government has recently attempted to reverse the trend by establishing a Sugar Development Council (SDC). It was recommended that measures should be put in place immediately to raise local production to 250,000 tonnes, by the year 2000. Thereafter, the target should be 75% self-sufficiency in the medium-term, rising to 100% in the long-term; and development of existing and new industries should be encouraged, along with linkages with other ancillary industries.

**RUBBER**

Nigeria has the necessary requirements for successful development of natural rubber (with right quality soil, right climate, relatively cheap energy, and abundant labour). However, output is low and declining. Nigeria produced 93,000 tonnes of rubber out of world wide output of 5,800,000 tonnes in 1995. Absence of investment in replanting and technical assistance largely accounts for the decline. It is recommended that:

(1) Strategies should be put in place to encourage investment from specialized private sector operators in rubber production.

(2) Technical and marketing exchange between local rubber companies and their foreign counterparts should be encouraged; and

(3) Specialized companies should be offered the opportunity and incentives to develop large plantations.

**CEMENT**

This is a very important industry in the Nigerian economy. There are currently eight cement plants, owned by seven companies, operating in the country. The raw materials for cement production (Limestone and gypsium) are available to meet 100% of its industrial requirements.

Local plants have, however, not been able to meet local demand. As a result, there is heavy dependence on imports to fill the gap. The major problems faced by local industries include low capacity utilization, obsolete plants, lack of spare parts and financial constraints.

It is recommended that:

Targets should be set in this sub-sector for self-sufficiency in cement supply and reduction in import of spare parts. This should be achieved through expansion in capacity, development of local technology and availability of long-term finances.

**ENGINEERING**

Local engineering capacity is essential for sustainable industrial development. Currently, the engineering industry is virtually non-existent. There are, for example, few foundries/forge and metal fabricating shops.

Problems of the sub-sector include shortage of engineering and technical manpower, seeming neglect and under-funding of engineering and technical education and lack of commitment to research and development.

**PETROCHEMICALS**

Nigeria is richly endowed with abundant deposits of oil and gas, feedstocks for the petrochemicals production. The recent completion of Eleme Petro-chemicals complex signals the first major step towards the development of the industry in which Nigeria comparative advantage. Chemical raw materials constitute a major percentage of the country's raw materials import.

## TABLE 1

**Nigeria's Average Capacity Utilization Rates In The Agro-Based Industries (%)**

| ITEM | 1995 | 1996 | 1997 |
|---|---|---|---|
| Meat and Dairy Products | 12.7 | 21.3 | 37.1 |
| Vegetable and Grain mill | 40.4 | 40.4 | 8.3 |
| Bakery products | 19.1 | 25.9 | 0.0 |
| Sugar Cocoa Confectionery | 18.3 | 27.8 | 35.5 |
| Beer and Stout | 31.9 | 30.5 | 57.4 |
| Soft drinks | 41.5 | 50.4 | 12.0 |
| Textiles | 44.3 | 46.5 | 50.0 |
| Leather Products | 27.6 | 29.1 | 44.0 |
| Saw milling | 43.8 | 80.0 | 0.0 |
| Wood and Cork Products | 35.2 | 39.5 | 80.6 |
| Paper manufacture and products | 35.4 | 29.0 | 30.3 |

**Source:** Central Bank of Nigeria: Statistical Bulletin. Volume 9, December 1998, Number 2 P. 130.

The data showed serious declines as the years advanced in to some sub-groups. This indicates the presense of problems or bottlenecks militating the industries capacities in meeting Nigerian's consumption needs. Consequently, we need to import from outside to supplement.

## TABLE 2

**<u>Nigeria: Structure of Agro-Allied Industries Establishments (%)</u>**

| | |
|---|---|
| Micro | 65.5 |
| Medium | 32.0 |
| Large | 2.5 |

**Source:** **FOS (1992)** Report of the Register of Establishments
Also **CBN (2000).** Changing Structure of Nigerian Economy pp. 65.

**Note:**

(i) Micro-enterprises with 5-9 workers employed

(ii) Medium-scale enterprise with 10-99 workers employed

(iii) Large-scale enterprises with greater than 100 workers employed

This showed that the medium enterprises are relatively doing better compared to Micro and large enterprises in terms of employment opportunities opened to Nigerians.

It was for this reason that a study was sponsored by the Federal Agricultural Co-ordinating Unit (FACU) at the instance of the Federal Ministry of Agriculture in 1995 for the promotion of commercial agriculture in Nigeria with special reference to the Crops Sub-sector. Then, the centrepiece of the current agricultural policy was the small-scale farmer and the improvement of his production practices, but it was realized that large-scale farms had a role to play in our quest for a break through in agricultural production. Consequently, the broad objective of the study was to identify the constraints to large-scale farming so that appropriate steps can be taken to remove such constraints.

The study realized that in the National Development Plans that have come about in Nigeria's post-independence era, emphasis has always been placed on improving the lot and output of the small farmers in her agricultural development programmmes. In fact, virtually all the organizations and agencies put in place by various tiers of government to implement programmes for agricultural development focus their attention on farmers operating small farm holdings, possibly with a few exceptions. The study further realized that while it is desirable to seek to promote large-scale agriculture in Nigeria, there has been some debate as to the profitability of commercial farm enterrises in Nigeria, particularly under the present national economic dispensation. Of special consideration and relevance are issues of trade liberation, market consideration and are issues of trade liberation, market and interest rate deregulation, devaluation of the Naira and galloping inflation.

The study found that as far as the crops sub-sector of our economy is concerned, there is no doubt that the bulk of the country's food requirements is being met through the farming efforts and activities of small farmers. But that while this fact is well appreciated, it is also apparent that there are many limitations which do not necessarily make this the best option. For instance, the small-scale farming system does not have the obvious economies of scale which commercial farming system enjoys. That, it is also becoming increasingly inevitable that large-scale farmers need to supplement the present level of agricultural production in order to meet both the food **and agro – industrial requirements.** No doubt, small scale agriculture has its obvious merits, principally that of minimum risks, because of smallness of farm size, use of family labour as against hired labour, and minimum investments. However, the consequence of all these is low returns on investments, and low capacity for subsequent investments in future farming enterprise.

From the foregoing, it is certain that the small-scale agricultural system is basically not structured to provide that level of production that would allow the industrial and crop export needs of this country to be met. This being the case, there is the need to give serious consideration to the promotion of large-scale commercial agricultural production that would bring about dramatic increase in food and industrial production. The practice of large-scale agriculture would be meritable if Nigeria is to ever attain the much-desired self-sufficiency in food production and adequately source its agro-based industrial raw material needs locally.

The study revealed that the constraints facing the promotion of commercial agriculture include low rate of return on investment, enormity of capital requirement and overhead costs, lack of appropriate technology and management skill, land and land tenure, and structural adjustment programme. Included in the list are high risks, inadequate supply of material inputs, storage and marketing limitations, and poor credit sourcing.

Furthermore and of paramount importance is that the study was able to confirm that a good number of arable and tree crops are suitable for large-scale production in different agro-ecological zones. Such crops include cocoa, rubber, oil palm, kola, plantain and robusta coffee in the rainforest belt; cassava, upland rice, citrus and maize in the derived savannah; while the guinea savannah will support soyabean, yams, sugar cane, cotton, sorghum and maize. For the Sudan savannah groundnut, cowpea and irrigated wheat are suitable crops. Tea and arabica coffee will grow well on the Mambilla Plateau and gum arabic in the sahel.

## TABLE 3

**Export Of Major Semi-Processed Agro-Based Industries (N Million)**

| Products | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|
| Tyres and Tubes | 8.1 | 52.5 | 91.9 | 138.4 |
| Soap and Detergent | 14.0 | 52.9 | 19.9 | 315 |
| Beer and Beverages | NA | NA | NA | 49 |
| Textiles | 1,638.3 | 1,254.3 | 2,007.1 | 332 |

**Sources: CBN (2000): Changing Structures of the Nigerian Economy, pp. 71**

This data speaks for itself. While there has been significant improvement in our earnings from Tyres and Tubes, Soap and Detergent and Beer and Beverages; there is a serious decline in textiles due to lack of raw materials (e.g. Cotton).

## TABLE 4

**Index of Manufacturing Products (Agro -Allied Products (1985-100%)**

| Items | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|
| Sugar confectionary | 59.4 | 57.5 | 56.1 | 56.5 | 55.7 |
| Soft drunks | 153.2 | 166.2 | 157.1 | 162.1 | 170.5 |
| Beer and Stout | 103.3 | 107.5 | 116.7 | 119.3 | 125.5 |
| Cotton Textiles | 89.6 | 102.1 | 106.1 | 94.5 | 91.8 |
| Footwear | 46.6 | 52.1 | 49.9 | 45.6 | 45.9 |
| Soap and Detergent | 167.6 | 190.9 | 206.7 | 206.7 | 209.8 |

**Source: CBN: Annual Report, 1999, P. 128.**

**OTHER UNTAPPED RESOURCES FOR AGRO-ALLIED INDUSTRIES IN NIGERIA**

The writer is of the opinion that there are so many untapped resources in the Nigerian states that could bring about the establishment of viable Agro-allied industries that could expand our economic base in this country. Examples of such raw materials include Ginger found in Kaduna State and salt in Nasarawa state.

**GINGER**

Nigeria is one of the five major ginger producing and exporting countries in the world. India is the largest producer and exporter of the crop in the world. Other countries include Jamaica, Sierra Leone and China. In 1977 Nigeria exported 3,000 tonnes of dried ginger at an estimated cost of N36,000,000 then (NRCRI, 1987). The bulk of ginger produced in Nigeria is in Southern Kaduna state. The production in southern Kaduna is mainly confined to Hamland. Table 5 gives the exports of dried ginger from the major or principal producing countries in the world between 1937 – 1968 in kilogrammes (Duka et al, 1985).

Consequently, Ginger is one of the most important spices product in the World. As an essential oil, it has significant economic value in the domestic and external trading relations. Its use can be seen in the areas of medicines, foods, breweries, beverages, perfumes, cosmetics, confectionaries, digestive stimulations, flavouring essences, domestic and industrial usages or household food needs. Only recently the Kaduna state government has tried to establish an industry to harness the product but the industry is quite small to utilize the available raw material.

## TABLE 5

**Exports of Dried Ginger from Principal Producing Countries 1937 – 1968 (kg) (Duka et al, 1985).**

| Year | India | Serria Leone | Nigeria | Jamaica |
|---|---|---|---|---|
| 1937 | 1,871,376 | 2,440,704 | 406,784 | 1,372,896 |
| 1938 | 3,050,880 | 2,745,852 | 355,936 | 1,374,592 |
| 1939 | 3,600,208 | 2,440,704 | 254,240 | 1,525,440 |
| 1940 | 2,440,704 | 1,779,680 | 101,690 | 813,872 |
| 1941 | 3,762,752 | 1,779,680 | 101,696 | 701,872 |
| 1942 | 5,339,040 | 1,169,504 | 101,969 | 1,118,656 |
| 1943 | 2,440,704 | 1,169,504 | 101,969 | 1,118,656 |
| 1944 | 1,525,440 | 1,983,072 | 50,848 | 1,474,592 |
| 1945 | 5,491,584 | 1,474,592 | Nil | 1,474,592 |
| 1946 | 2,796,640 | 1,016,960 | 50,848 | 1,270,504 |
| 1947 | 2,493,248 | 1,474,592 | 101,696 | 1,576,288 |
| 1948 | 1,872,768 | 1,374,592 | 101,696 | 1,322,048 |
| 1949 | 1,525,440 | 1,322,048 | 152,544 | 966,112 |
| 1950 | 1,728,136 | 1,423,744 | 610,176 | 1,169,504 |
| 1951 | 2,135,616 | 2,288,160 | 157,632 | 1,372,896 |
| 1952 | 3,966,144 | 3,305,120 | 203,392 | 1,372,896 |
| 1953 | 2,743,772 | 1,525,440 | 610,176 | 1,871,376 |
| 1954 | 2,542,400 | 1,871,376 | 406,784 | 701,872 |
| 1955 | 2,796,640 | 1,270,504 | 513,928 | 1,118,656 |
| 1956 | 6,224,304 | 1,779,680 | 497,632 | 762,720 |
| 1957 | 9,762,816 | 1,118,656 | 966,112 | 864,416 |
| 1958 | 5,797,520 | 701,872 | 1,271,200 | 915,264 |
| 1959 | 3,661,056 | 813,568 | 1,374,592 | 966,112 |
| 1960 | 4,118,688 | 1,067,808 | 813,568 | 762,720 |
| 1961 | 7,372,960 | 559,328 | 1,729,832 | 1,118,656 |
| 1962 | 6,615,328 | 610,176 | 457,632 | 458,006 |
| 1963 | 5,023,782 | 406,784 | 2,679,508 | 1,158,006 |
| 1964 | 3,950,880 | 594,922 | 2,802,088 | 647,730 |
| 1965 | 3,972,682 | 701,708 | 2,755,780 | 881,950 |
| 1966 | 5,318,531 | 823,556 | 2,196,452 | 837,031 |
| 1967 | 4,261,062 | 467,630 | 2,679,508 | 780,282 |
| 1968 | Nil | 930,250 | Nil | 463,130 |

**Source: D.W. Rodriquez, commodity Bulleting No. 4 Agricultural Planning Unit, Ministry of Agriculture and Fisheries, Jamaica, 1971. (Published by the Agricultural Information Service, Ministry of Agriculture and Fisheries, 1971) page 30.**

**SALT**

A study conducted by Otaki (1998) showed that Keana, out of the seven Alago settlements of Nasarawa state, produces salt. That the technology and culture involved in the production process has been indigenously designed and developed for the purpose. With the discovery of salt, the Alago of Keana quickly identified with it and since about the 13$^{th}$ century, its production has become the primary economic activity of the people. This social development further facilitated the emergence of other ancillary industries such as pottery, basketry and smitting. The ancillary industry in terms of supplying pots, baskets and hoes which are used as production equipment. Subsequently, division of labour developed, with women monopolizing the production process.

Another development which requires recognition here, is the ritual which accompany the production process. Annual salt festival called **Ogarore** developed as a response to this great discovery. Characterised by ceremonial regalia, libations are poured to ancestral gods or spirits, to invoke mass production and markets. These social enterprises have attracted tourists, agents of multinationals, government functionaries and intellectuals. But the intellectuals like government functionaries and tourists, are either spectators, or offer community an Alago society from historical rather than the perspective of political economy. It is this challenge that informs the study.

The rituals described above, are performed to facilitate mass production and also to enhance or attract markets from within and without. According to informants, traders from far and near came to buy Keana salt. S source has it that in the past, traders from Sokoto, Jos Plateau, Bauchi and other extreme parts of Northern Nigerian came on their horses to Keana to purchase salt. The study recommended that:

1. The open door policy of the Nigerian state must be reviewed in line with the value and aspiration of the people. This is because the policy is meant to reinforce the dominance of capital at the expense of rural industries such as salt. This position to us is also designed to protect and foster the interest of the petty bourgeois class in Nigeria.
2. The private economic enterprise which the Nigerian state is pursuing through the policy of poly-mineral economy as against mono-mineral economy, is one sure way of mortgaging the future of the indigenous industry to foreign monopoly, since the country has a poor capital base. Instead we suggest that the salt industry be acquired as one of the public enterprises, on behalf of the indigenous salt producers. Meaning that the material means of production and the structural organization of the industry would be collectivized.

**SOME LINGERING PROBLEMS CONSTRAINING THE GROWTH OF AGRO-BASED INDUSTRIES IN THE STATES**

In Nigeria, the dominant strategy of industrialization has been import substitution. Efforts have been made to produce many consumer goods instead of importing them. One rationale for the adoption of this strategy was to encourage domestic production of these consumer goods (by importing components and engaging in final assembly) and thereby "industrialize from the top downwards" and eventually produce intermediate and capital goods. This strategy resulted in the emergence of protected enterprises, including agro-based industries, which were not based on national factor endowments, with the result that their products were not only "new" and appealing to the Nigerian populace but often shifted demand away from their traditional counterparts and substitutes.

Two examples of this type of industrialization in Nigeria can be illustrated. Firstly, many food processing industries have created or introduced completely new food products. Notable among these are wheat flour milling, confectionary manufacturing, brewing, sugar, beverage and tobacco industries. Their products were not only new, and initially solely dependent on imports for their major inputs, but they successfully crowded out their domestic substitutes from the food baskets of many households. The second example consists of food processing, packaging and preserving industries such as rice and corn milling, vegetable oil, cassava, yam, spice, flavour producing and meat. Some of the products of these industries initially faced stiff competition from indigenous products and also from imports (Ojo, 1991).

The result was that most products from the agro-allied industries could not compete with the cheaper imported counterparts and that affected their growth considerably. Besides, availability of cheap imports led to the neglect of indigenous agro-allied industries products. For instance, the advert of beer, beverages and other alcoholic drinks witnessed a decline in the acceptability of palm wine, local gin, and other beverages and alcoholic drinks produced locally.

Also, the low rate of growth to which the sector has responded to policy measures may be partially understood in the context of the country's agricultural system. The Nigerian system of agriculture is based on numerous small farms. A 1970/71 rural survey indicated that about 55% of all producing farms were smaller than 2.5 acres and that 82% of all farms had less than 5 acres (IMF, 1975). Even for tree crops, which are often grown on large-scale plantations in other parts of the world, small holdings are the rule in Nigeria. The small farmers, each working a tiny parcel of land with hand hoe and machete, are responsible for about 90% of all production. Thus, a major factor which undermines agricultural growth in Nigeria is the low level of application of modern farming technology, inadequate cultivation of high yielding seeds and seedlings and low productivity owing to dominance of peasant farmers and their reliance on rudimentary farm implements.

Other features of the sector include undercapitalisation, resulting in low yields and declining output, etc. For instance, the sector's share in the GDP was 64.1 and 47.6 percent in 1960 and 1970, respectively. But it slumped to 30.8 percent in 1980, before gradually rising to 40.4 percent by 1998. Furthermore, between 1970 and 1980, aggregate index of agricultural production recorded a negative annual growth rate of 2.6 percent. Given these short-comings, various policies and programmes were initiated to enhance productivity and boost agricultural output. Among them were extension services designed to reach the rural farm populace with subsidized modern farm inputs, access to credit facilities, rural infrastructure, as well as guaranteed producer incomes through marketing arrangements. To implement these policies and programmes, specialized agencies such as the River Basin Development Authorities, Agricultural Development Projects and the Nigerian Agricultural and Cooperative Bank were established.

Another factor which constrained output increase in agriculture in the year before the SAP was low producer price (Set through Administrative fiat marketing boards) as it was a disincentive to the farmer. However, with the adoption of SAP in 1986, the various commodity boards were scrapped, and agricultural export marketing was liberalized. Consequently, agricultural production index improved significantly, recording an average annual growth rate of 7.5 percent between 1986 and 1996. In spite of these gains, implementation of SAP policies brought some pains resulting in high cost of farm machineries and other inputs. These costs were translated into high prices of staples and other food items which aggravated inflation.

In recent times, the government embarked on the reduction and removal of subsidies on farm inputs and credit. Emerging problems which constrained the full realization of the potentials in agricultural sector include:

> inadequacies in the supply and delivery of farm inputs, shortage of working capital, low level of technology, diseases and pest infestation, poor post-harvest processing and storage technology, environmental hazards, labour and land use constraints (CBN 2000, P. 232).

It is against the background of this lingering problems which has severely limited the growth of our states Agro-Based industries or its output increases that suggestions on future direction of policy focus are made in the next section.

## SUGGESTED WAYS OF REVAMPING AGRO-BASED INDUSTRIES IN THE STATES

The lesson so far is not to diride the relevance of modern agro-based industries in shaping the Nigerian economy. Certainly, if agricultural growth is to be raised, and market created for our industrial products, higher productivity and better preservation and packaging techniques need to be encouraged by modern industries.

The analysis so far shows that the key to agro-industrial progress in Nigeria lies in a sustainable growth of agricultural production. Aggregate growth in output is feasible under economic deregulation. Deregulation and structural policies are important first steps to stimulating and sustaining agricultural growth in Nigeria, but greater care should be taken to mitigate their adverse socio-economic impact.

In order to promote industrial growth on in-fact Agro-based industries in our states, there is need to consider the following suggestions.

1. There is urgent need for government intervention in order to ease problems posed by traditional land tenure systems, which make land acquisition for purpose of agriculture difficult. State governments are to assist corporate bodies or cooperatives in acquiring large parcels of agricultural land for large-scale agriculture towards enhancing agro-industrial development of

respective states. The process of issuance of certificates of occupancy should be eased for such corporate bodies and cooperatives.

2. The present astronomically high costs of production which tend to make commercial agriculture unattractive and unprofitable should be brought down through the provision of subsidies of some sort eg. On farm machinery and equipment, fertilizers and so on. Large volume purchase of some material inputs out to attract some discounts. The subsidies are to be gradually scaled down year after year.

3. Special incentives, may be in the form of tax breaks, should be given to corporate bodies and firms wishing to go into large-scale agriculture to source the raw materials required in their manufacturing industries such as sugar, textiles, foods, beverages and other agro-based industries. Backward integration is to be strongly advocated and encouraged by all tiers of government. The federal government is to provide tax reduction incentives while state governments are to assist in land acquisition at reasonable cost, and the local governments are to mobilize the people to create a good pool of labour force to be employed in various stages of the production process (i.e, in industries or farms) and provide security for all the infrastrusture.

4. There is the need to create and promote adequate market in relation to the increased production to be brought about by our industries or agricultural products. The government should put pressure on the Export Promotion Council to promote and facilitate the exportation of our agro-based industries' products or agricultural produce. Cottage industries which can utilize the farm produce as their raw materials should be encouraged.
5. Other areas which requires considerable attention in view of their potential contribution to agricultural growth are input procurement/distribution and application of suitable technology. Adoption of modern farming/husbandry/seedlings, agricultural chemicals for pests and disease control and fertilizers to enhance yields, is generally recognized as a means of minimizing the problem of low agricultural yield/output.
6. Strengthening of primary commodity markets through improvement in transportation, marketing, and storage infrastructure, as widespread inter-regional and inter-seasonal variations in prices tend to hamper adequate planning of farming and industrial operations and output expansion plans. The government should promote the establishment of commodity exchanges and refrain from undue intervention in trade.

7. Economic cooperation among regions and states is highly encouraged. The benefits of such cooperation are the ability to pool resources together in order to embark on projects that are adjudged to be beyond individual states or regions. It also allows the cooperating states to reap the benefits of economics of scale, thereby improving the welfare of the people. The ultimate goal of co-operating states should be to achieve acceleration in the rate of economic development by being able to mobilize finance on a large scale to undertake industrialization.

## CONCLUSION

This paper has emphasized the role that agro-based industries could play in order to sustain a viable Nigerian economic system; but that the agricultural sector has not been able to fulfill its traditional role of feeding the population, meeting the raw material needs of industries, as well as providing substantial export earnings for the country. The paper attempted to review some key policy measures adopted by the government before and following the SAP to stimulate agricultural production in the country to meet the growing need of our agro-based industries. The paper then identified the state of Nigerian Agro-Based Industries, other untapped resources and the constraints facing industrialization in Nigerian states. It went further to suggest ways of revamping Agro-based Industries in the states. They include the role of the agricultural sector, the federal, state and local government involvement and of course economic cooperation among regions and states.

**DR. J.Y. MAISAMARI (MCASSON, KSM)**
**LECTURER IN COUNSELLING PSYCHOLOGY AND HEAD, DEPARTMENT OF COUNSELLING AND SCIENCE EDUCATION, COLLEGE OF ARTS AND EDUCATION, UNIVERSITY OF ABUJA, ABUJA. F.C.T.**

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