

## Nigeria Agricultural Policy Activity

### **OYO STATE BUSINESS ENVIRONMENT, SUSTAINABLE DEVELOPMENT, AND THE IMPLICATIONS FOR AGRI-FOOD (MICRO, SMALL AND MEDIUM ENTERPRISES) VALUE CHAIN ACTORS: STAKEHOLDER PERCEPTION AND EVIDENCE REPORT.**

By

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## **ACRONYMS**

AfCFTA	African Continental Free Trade Area
AFDB	African Development Bank
FGD	Focus Group Discussion
MSME	Micro, Small and Medium Enterprise
NAFDAC	National Agency for Food and Drug Administration and Control
NASME	Nigerian Association of Small and Medium Enterprises
NIRSAL	Nigerian Incentive-based Risk Sharing system for Agricultural Lending
NBS	National Bureau of Statistics
RMRDC	Raw Materials Research & Development Council
SDGs	Sustainable Development goals
SSF	Shared Service Facilities
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria.
USAID	United States Agency for International Development

## **EXECUTIVE SUMMARY**

This report is a product of in-depth consultation during a workshop and focus group discussion from relevant stakeholders, including Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Nigerian Association of Small and Medium Enterprises (NASME), Policymakers (Ministry of Agriculture, Ministry of Commerce, and Ministry of Justice) and different associations from Niger State. The consultation records and analyses perceptions of these key stakeholders of the business environment for MSMEs, and more specifically for Agri-Food enterprises, and the regulatory frameworks specific to Niger state. As a result, many opportunities and challenges in Niger state were highlighted and suggestions proffered to mitigate the challenges and thereby enhance the business environment for MSMEs, and Agri-Food enterprises. Policies and regulatory frameworks that affect MSMEs and Agri-Food enterprises are also discussed.

## **INTRODUCTION**

The contributions of Micro, Small and Medium Enterprises to country economies is well established, and this is particularly true for Nigeria. Repeatedly, and most recently, policies and applicable regulatory frameworks on MSMEs recognize their importance to Nigeria's Economy. For instance, the National Policy on Micro, Small and Medium Enterprises (2021 – 2025 Edition) referencing data from Nigeria's National Bureau of Statistics records that in 2017 MSME's in the country account for about 60 million jobs. Presumably, this number has risen given the increasing concerted focus on MSMEs by government at all tiers in the country, local; state; and national; and similar focus at the regional and continent-wide governance structures. Hence, strengthening the understanding of the business environment for MSMEs in Nigeria, particularly agri-food enterprises, which is in focus is critical. In addition, focus on regional and continent-wide policy and regulatory frameworks that enhance the business environment for MSMEs in Nigeria is important.

The scope of the general research was limited to selected states in Nigeria, this report is on Oyo State. Key informant interviews and focus group discussions were utilized in the study. For Oyo State, 22 stakeholders, representing as holding strong and relevant expertise on the subject were purposefully selected. The selection cut across public and private sector and included participants from the non-governmental organization space. Prominent institutions participating in the study included the Small and Medium Enterprise Development Agency of Nigeria, State Ministries of Agriculture, Commerce and Justice. Also participating were, Farmer Associations and the National Association of Small and Medium Enterprises.

## **UNPACKING OYO STATE BUSINESS ENVIRONMENT**

The objective of the MSME policy is to encourage the creation and maintenance of an ecosystem that allows Nigeria's SMEs to compete locally and globally. Furthermore, it aims to raise awareness about the availability of finance and non-financial services so that SMEs can contribute as much as possible to national output, wealth, and job creation. Nigeria has 36 states, with Oyo being one of them. It is situated in the country's southwestern region. Oyo State is divided into 33 Local Government Areas (LGAs) and 29 Local Council Development Areas, with a population of 8,929,410 people and a 3.2 percent annual growth rate. It is bounded in the south by Ogun State, in the north by Kwara State, in the west by Ogun State and the Republic of Benin, and in the east by Osun State. Its capital is Ibadan, which is the country's largest metropolis, a premier state and one of Africa's largest cities. Its metropolis contains 11 Local Government Areas with a population of nearly 3 million people providing businesses with leverage due to its population. (Usman et al. 2020). Oyo state is unique because of the multiple prospects in its economic environment, and it promises to be a destination for entrepreneurship. Some of these opportunities were identified during the focus group discussion. The possibilities include transportation and logistics business because of the large number of people living in Oyo State without mobility. There are several garages in Oyo state where vehicles can be taken to tour different parts of the state, as well as outside the state for the purpose of generating income. With a fertility rate of 4.9 births per woman in Oyo state (NBS, 2017), an opportunity exists in the education sector for private schools to spring up and offer standard services. As a follow up to opportunities in education, a vast opportunity lies in the ICT sector for youth, primarily because most youths are technology savvy. There is also the opportunity for exploration of mineral resources in Oyo state, for example, there is a lot of marble deposit in Igbeti area of Olorunsogo LGA of the state. Itesiwaju LGA also has stones that can be mined in other to generate businesses. Other opportunities include hospitality business comprising of hotel and catering services alongside estate business. Textile and fashion is another booming area with vast opportunities, especially for the traditional attire of the Yoruba people known as "Aso oke", which can also be exported.

Some of the key opportunities in business that stands out in Oyo State includes transportation and logistics business. However, participants of the Focus Group Discussion (FGD) said access to these opportunities were not evenly spread. For example, mining is also geographically bound to Olorunsogo and Itesiwaju LGAs, while Ibarapa North and Onarga LGA have mineral resources. Textile and Fashion businesses are more prominent in Ibadan Southwest, Egbeda, and Iseyin LGAs than other places in Oyo state. However, for gender spread across opportunities, the percentage of gender in businesses varies; logistic is mostly male-dominated, ICT also have more male than female, the educational sector has an almost equal ratio of men and women, textile and fashion are female-dominated while catering and automobile are male-dominated.

With regards to challenges affecting MSMEs and Agri-Food enterprises in Oyo state, a plethora of challenges were listed, which include, poor road infrastructure in most local government areas, for example the road to the Ikere dam is horrible and about the worst road in Oyo state. Other myriads of constraints include instability of power supply, funding issues, problem of labor, lack of entrepreneurial capacity, multiple taxation, although the issue of taxation has been reduced to a certain level. Others are inappropriate legal framework to support businesses, inadequate infrastructure and high inflation.

## **IMPLICATIONS FOR AGRI-FOOD VALUE CHAIN ACTORS IN OYO STATE**

Oyo State offers investors a haven for agribusiness, with over 60% of Oyo State's 28,500 square kilometers of land suitable for farming crops and livestock. With an average daily temperature of 25<sup>0</sup>C and 35<sup>0</sup>C and a large pool of human resources, Oyo State is a gold mine for intending agribusiness investors (The Guardian, 2022). Oyo State also has opportunities for value-chain in agriculture. Firstly, Oyo state soil has been shown to have the most viable soil in the Southwest for sorghum production, a cash crop used in making alcoholic beverage drinks, hence the location of many breweries in the state. Sorghum farming presents an excellent opportunity for investors in the state due to off-takers who use them as raw materials in their factories. Other cash crops that can be grown in Oyo include soybean in Saki west, Cashew and Mango farming in the Ogbomosho area. Cassava farming is predominant in Saki and Ibadan local government areas, tomatoes production in Oyo, Afijio and Iseyin areas in the state with an opportunity for investment in tomato factories for processing it into paste. Generally, agricultural products grow well in Oyo state. Animal farming is another subsector with potential in Oyo State. For example, the poultry subsector has evolved dramatically in recent decades, accounting for most medium- and large-scale chicken farms (Padilla et al., 2021).

Haulage and equipment leasing is another opportunity for investment due to the large-scale farming carried out in the state. Since the use of traditional farming methods is inefficient, tractor services known as "Oke-Ogun and Iruwa" in their local parlance is an area open for private investment because of the enormous demand. Additionally, the present administration is turning three farm estates into agribusiness industrial hubs with the provision for private sector participants who want to go into equipment leasing (The Guardian, 2022).

Irrigation service is another budding business opportunity in Oyo state agriculture. Oyo state has both dry and wet seasons, with each season running for about six months. Farming during the dry season will provide more food if embraced. There is no shortage in a ready market for this facility with thousands of smallholder farmers. This presents an opportunity for the provision of irrigation facilities by the private sector.

Agricultural consultancy and extension services are opportunities for agri-business because many people are investing in agriculture without the requisite knowledge and continuous support system. Greenhouse farming of crops like maggot is a budding business opportunity in Oyo State. With greenhouse farming,



all year farming can be done without having to worry about seasonal changes that affect production. This greenhouse farming can also be extended to other crops. An opportunity is opened for the production of low-cost greenhouses for purchase. The key opportunity that stands out in Oyo State includes agriculture, one of the people's main occupations, as Oyo has a very suitable climate for cultivating crops like; Maize, yam millet, palm produce, cocoa and a host of other crops. This is why loads of farming businesses go on there, so much so that other states benefit from it. However, participants of the FGD said access to these opportunities was not evenly spread. For example, The Ikere dam is in Saki West, a savanna area, and opportunities for business leveraging the dam will only favor areas close to the dam.

With these opportunities, there are also some challenges to overcome in order for the opportunities to be fully leveraged. The challenges specific to agri-food enterprises include failure of existing policies which need to be strengthened to avoid policy summersault. The issue of political farmers, making the government ignore the challenges of the actual farmers, is another challenge. Some areas in Oyo state still have poor network coverage, including Atiba to Iseyin village area. In addition, there are problems of extortion through multiple taxation and bribes from police officers. Some participants complained about the carefree attitude of the state government in the Southwest towards the farmers. However, the government claims it is doing its best to promote agriculture in the state. Lack of finance is still a subsisting problem, with farmers complaining about the bureaucracy and challenging conditions in accessing finance. Other problems include insecurity from herders' invasion of farmlands, resulting in the killing of farmers. Areas, where this invasion happens include Akinyele, Afijio, Egbeda, Ibarapa Central, Ibarapa East, Ido, Irepo, Iseyin, Kajola, Lagelu, Ogbomosho South, Oyo West, Atiba, Atigbo, Saki West, Saki East, Itesiwaju, Iwajowa, Ketu, Ibarapa North, and Oluyole. The problem of herder's invasion disrupts production and affects both genders. Finally, lack of storage facilities, including silos, and inadequate knowledge about what some farmers produce for off-takers remains a challenge.

## **TRACKING FOR SUSTAINABLE DEVELOPMENT**

In 2015, the Oyo State administration successfully integrated the new global goals into its long and medium-term plans, ensuring a smooth transition from the Millennium Development goals (MDGs) to the Sustainable Development goals (SDGs). According to a 2019 NBS study on Nigeria's Poverty Head Count, Oyo State has a poverty rate of 9.8 percent, implying that the state's hunger and poverty problems are reducing but not yet solved. SDG 1, which aims to achieve no poverty, is closely linked to SDG 2, which is targeted at zero hunger. Indications from the focal group discussion show that Oyo state is gradually making progress towards achieving SDG1 and 2. However, more can be achieved if the problems the MSMEs and Agri-Food sectors encounter are reduced to the barest minimum.

The Oyo State administration has launched a slew of poverty-reduction initiatives to help achieve SDG 1. One of these poverty-reduction programs is its collaboration with the Nigerian Small and Medium Enterprises Development Agency (SMEDAN) (ORADI, 2019). Also, The African Continental Free Trade Area is another opportunity to reduce poverty by helping the continent's financial sector prospects to flourish. African Continental Free Trade Area (ACFTA) aims to open up a market of 1.2 billion Africans with a combined GDP of \$3 trillion by allowing African economies to expand through increased competitiveness, innovation, and the removal of trade barriers (The Nation, 2021). The agreement promises to eliminate tariffs on 90 percent of commodities and gradually apply the same to services. As a result, Nigeria, Africa's single largest market, is projected to gain the most from the ACFTA by up scaling the production of goods, thereby growing into a manufacturing hub in Africa. Participants listed policy and regulatory frameworks at the national level that is also present at the state level that can position Oyo state to key into ACFTA, including:

1. The investment and securities regulatory act establishes the investment and securities tribunal as a special court to handle capital market security matters and resolve any question of law or dispute on the capital market for SMEs.
2. The regulatory framework for shared service facilities (SSF): this is designed to encourage MSMEs to become more competitive by providing them with machinery, equipment, tools, systems, skills and knowledge support, and a shared system.
3. Nano MSMEs: This new policy covers a wide range of SMEs and provides full coverage for their activities and a support system that helps them enhance their standard of operation in various states and local governments.
4. Anti-grazing law in Southwest
5. National Agency for Food and Drug Administration and Control (NAFDAC) regulates food and drug safety
6. There is an inclusion to participate fully in the export of goods through the free trade zone so that there will be the elimination of tariff of the border and barriers for exporting their goods.

One primary concern discussed was strengthening the policy framework on food safety in Oyo state. There has been no active regulatory body to prevent adulterated or substantial agricultural products from being sold in the market from the government's side. For example, members of the Oyo State team talked about activities and harmful activities currently being practiced and for which food safety issues are of utmost concern. The activities bother mainly on the use of chemicals in food preservation and processing. The use of various chemicals which have not been certified as safe in food processing introduces various levels of poison in the food.

Furthermore, farmers are not sufficiently educated and informed about the harmful effects of these chemicals on human health. In addition, only inorganic chemicals should be utilized in food production. Because of this shortcoming, most of the chemicals farmers and intermediaries use to store their products make them unfit for export to other African countries.

## **POLICY RECOMMENDATION**

Suggestions were made on what can be done to make MSMEs and the Agri-Food businesses competitive. In the short run, there can be capacity building on production in cashew farming,

training extension officers to be more effective in coaching different associations represented on how to store their seeds for the next planting season, and how to source for loans and grants. Also, introducing food processors to standard packaging of products to meet international export requirements and how to carry out digital marketing will boost the Agri-Food sector a great deal. Other suggestions include regular enlightenment of farmers on modern production practices, cluster farming training programs, and creating platforms (especially online) for disseminating information to different stakeholders.

Moreover, training with physical demonstrations or practice for easy comprehension by farmers, training on feed extrusion technology, how feed can be compounded, teaching on record-keeping, training on the use of light machines for land preparation, and training on the use of chemical inputs were other suggestions made.

In the medium and long term, suggestions include using organic instead of synthetic chemicals to reduce crop/product infestation, creating a standard fish processing centre, and training on processing and product development. In addition, updates on the standard required to meet legal regulations will enable the country to export perishable food items without spoilage. Other policy recommendations include

developing a food safety policy in the state to sensitize people on the proper application of chemicals, guiding farmers from site clearing to storage, and collaboration with entities such as NAFDAC, Nigerian Incentive-based Risk Sharing system for Agricultural Lending (NIRSAL), Raw Materials Research & Development Council (RMRDC), African Development Bank (AFDB), and NASC will help the long-term growth of MSMEs.

Oyo State has several regulatory bodies instituted by the government to ensure MSMEs' smooth and successful performance. However, regular monitoring and evaluation of the work these bodies are supposed to do will keep them on their toes and help make the business environment conducive.

## CONCLUSIONS

The round-table workshop and focus group discussion revealed the potential for MSMEs and Agri-Food businesses to harness in Oyo State. The key opportunity that stood out in Oyo State includes agriculture, one of the people's main occupations, as Oyo has a very suitable climate for the cultivation of crops like; Maize, yam millet, palm produce, cocoa and a host of other crops. This is why loads of farming businesses go on there, so much so that other states are benefiting from it. Transportation and logistics business is also another opportunity that stands out in the state. The problem of insecurity in some parts of the state is one of the primary challenges identified. It was also agreed that the state needs silos for grain storage. It is also expedient for the government to improve and enforce food safety rules, as this is the biggest issue with most of the products in the state that might prevent them from fully benefitting from ACFTA.

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