

Nigeria Agricultural Policy Activity

Delta 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

ACFTA	African Continental Free Trade Area
AUF	African Union Foundation
CBN	Central Bank of Nigeria
FGD	Focus Group Discussion
GEP	Graduate Entrepreneurship Program
MSME	Micro, Small and Medium Enterprise
BOI	Bank of Industry
NASC	Nigeria Agricultural Seed Council
NASME	Nigerian Association of Small and Medium Enterprises
NIRSAL	Nigerian Incentive-based Risk Sharing system for Agricultural Lending
NBS	National Bureau of Statistics
RIFAN	Rice Farmers Association of Nigeria
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
YAGEP	Youth Agricultural Entrepreneurship Program

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.

METHODOLOGY

The scope of the general research was limited to selected states in Nigeria, this report is on Delta State. Key informant interviews and focus group discussions were utilized in the study. For Delta State, 10 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 DELTA STATE BUSINESS ENVIRONMENT

Modern economic growth is a process of continual technical innovation, industrial upgrading and diversification, and advances in various types of infrastructure and institutional structures that serve as the backdrop for business development and wealth creation (Lin, 2012). The MSME policy aims to foster the establishment and sustainability of an ecosystem that allows Nigeria's MSMEs to compete locally and globally. In addition, its goal is to draw attention to the availability of finance and non-financial services so that SMEs can contribute as much as possible to national output, wealth, and job development. Because of the numerous opportunities in its economic environment, Delta state is distinctive and promises to be a hotspot for entrepreneurship. During the focus group discussion, the participants identified these opportunities.

There is government empowerment in 6-month training with a starter package for skilled and unskilled people to encourage businesses to spring up. Other government empowerment and training programmes, such as Graduate Entrepreneurship Program (GEP), Youth Agricultural Entrepreneurship Program (YAGEP) etc., help strengthen entrepreneurs' capacity. Vanguard (2022) confirmed this and reported that 593 youth were trained in Information and Communication Technology under the ICT-YEP programme. The State government has also recently engaged investors to build an independent power plant that will strengthen the power supply and thus create a conducive environment for businesses, especially for small and medium scale enterprises (SMEs).

A thriving market for buying and selling in the state is occasioned because Delta State is the only gateway and traveler's corridor from the country's South-eastern part to the Southwestern part. Also, the inflow of new businesses, especially along the Asaba axis, is due to its proximity to Onitsha, an important commercial and business hub in the Southeast and Nigeria. This inflow results from insecurity and shutdown of businesses caused by the subsisting Monday sit-at-home and business lockdown order in

the Southeast states of Nigeria.¹ This influx of people into the state was identified as a new business window in Delta State. In addition, many investors have migrated to the nearby Delta State due to the increasing difficulty of doing business in Onitsha. Aljazeera (2021) confirmed the impact of the Monday closure, stating that small businesses in Nigeria's South-Eastern areas bear the brunt of the lockdown.

Due to the relative serenity and security existing in Delta State, there is a progressive increase in the human population which is attracting an increase in the number of investors, thereby necessitating a demand for small businesses like barbing salons, tricycle "Keke" driving, patent medicine shops, etc., thus creating new opportunities for businesses to thrive.

In light of the current developmental issues affecting MSMEs in Delta state, many challenges were listed, including herders' invasion of farmlands and the consequent troubles resulting from this invasion in virtually all the LGA's disrupting the production of goods and services. Furthermore, this invasion affects women more than men. As a result, inflation has been on a spiral increase, affecting the demand and supply of goods and services. Vanguard (2022) confirmed this, reporting that herders attacked the Ughelli North Local Council of Delta, destroying farmland and assaulting women.

A lack of structured or specialized markets to attract investors with financial aid constitutes a challenge. Moreover, the lack of farming aids and the high cost of farm inputs translate to the high cost of products.

Also, multiple taxations and touting activities of government errand boys create bottle necks for businesses to thrive. There is also the problem of inadequate business loans, and when loans are available, it is usually accompanied with high-interest rate and stringent conditions to access the loan. This agrees with Alufohai and Erhabor (2005), who noted that the rural financial environment needs to be supported and strengthened to meet small-scale agro firms' financial demands. Lack of access to funding programmes also affects the growth of finances. Because of the frequent rains in the state, flooding slows down businesses when it occurs. Finally, the issue of poor implementation of MSME policies in the state was mentioned as a problem affecting the growth of MSMEs.

IMPLICATIONS FOR AGRI-FOOD VALUE CHAIN ACTORS IN DELTA STATE

Nature is at its best in the State. Delta state is blessed with a favorable natural environment (riverine and upland) and climatic conditions that warrant all-year-round farming activities.

Several aquatic animals can be found in the State's rivers and oceans, making fishing a lucrative business. Furthermore, fish farming is an essential component of the agricultural production system in Delta due to the all-year rainy season, which makes it a viable business opportunity with a market for fish already established in Delta State and a feed mill for producing fish feeds. This is confirmed by Emmanuel et al. (2017), who reported that the extensive land and water resources in Delta State could sustain the cultivation of marine and freshwater fish species. Due to the current hydrographic circumstances, fish

¹ Tribune newspaper report records that the Indigenous Peoples of Biafra (IPOB) introduced a sit-at-home order in August 2021 as a means of putting pressure on the Nigerian government to release its leader, Mr. Nnamdi Kanu, who is standing trial for alleged treasonable felony and terrorism. Since then, in the South Eastern States of Nigeria, Abia; Anambra; Ebonyi; Imo; and Enugu; free movement of persons and goods have been limited on Mondays. In addition, limited movement is enforced by the group on days Mr. Kanu appears in court. Further, it appears that the group could also limit movement of persons and goods in these states at will. See Nigerian Tribune Newspaper, The South-East And IPOB's Sit-At-Home Conundrum, June 1, 2022 available online at <https://tribuneonline.ng.com/the-south-east-and-ipobs-sit-at-home-conundrum/>. See also, Premium Times News Online, 'SPECIAL REPORT: How IPOB's sit-at-home order is destroying businesses in Nigeria's South-east' May 17 2022, available at <https://www.premiumtimesng.com/regional/ssouth-east/530317-special-report-how-ipobs-sit-at-home-order-is-destroying-businesses-in-nigerias-south-east.html>

farming has consequently become a thriving agribusiness investment for small-scale fish farmers in the State.

Availability of fertile land and water resources also creates opportunities in tomatoes and vegetable farming and agri-business in Delta State. This is enhanced by various training in vegetable farming by the East-West Seed partners domiciled in Kaduna State. The East-West partners also make hybrid seeds that give better yields at a subsidized rate to vegetable farmers in Delta State. In addition, the very fertile alluvial soil in Delta State encourages the farming of different crop produce. Participants noted that an Agro-Industrial Complex is being developed, which will help the State's agribusiness when completed.

The government of Delta State aids Garri and Cassava production, and this initiative favours women more than their men. The reduced importation of Agri-foods such as frozen fish and chickens has encouraged local production of fish and birds in the State. USAID and State Government interventions in farming/Agri-food businesses through providing inputs and subsidies to farmers. The availability of rice inputs, including irrigation equipment by partners such as Rice Farmers Association of Nigerian (RIFAN) and the CBN Anchor Borrowers Scheme, strengthens farming, processing, sales and even value-added products.

There is a functional farmer's Multipurpose Cooperative Societies, which attracts funds for Agri-food business from Government and Donor Agencies. Farmers can join the cooperative to leverage the benefits members enjoy. This is supported by Achofa (2011), who found that roughly 85 per cent of agribusiness businesses in Delta agreed that belonging to a credit/saving organization has helped them stay in business. These organizations provide finance for business expansion. In addition, it has the benefit of encouraging small-scale agriculture entrepreneurs to save. Other opportunities which are more agro-based include the availability of markets for the sale of farm produce. For example, there is a ready market for rice paddy sales for farmers enrolled in the Central Bank of Nigeria's Anchor Borrowers Scheme.

The key opportunities that stand out in Delta State are the favourable natural environment making farming possible all year round, availability of fertile land, and available markets because of its strategic location between the Southeast and Southwest. Participants of the Focus Group Discussion (FGD) said access to these opportunities were available to all gender on an almost equal ratio of 50:50. However, access across all the local governments to these opportunities was also not the same. Local governments closer to the state capital are better favored than those farther from the state capital.

Some of the challenges affecting the agri-food subsector include a gender-biased land tenure system that does not favour women. Challenges from wrong timing in the distribution of farm inputs also affect production. In addition, due to climate change, unpredictable and unstable weather conditions, especially in the Northern part of the State, constitute a challenge to production.

There are poor intra-state rural road networks and poor means of conveying produce from the farm gate to markets. This is in harmony with Achofa (2011), who argues that the poor State of road network in Delta state impedes business activities. Moreover, the additional expense faced by agribusinesses due to transportation losses reduces net returns. Agricultural extension, according to Faborode and Ajayi (2015), is primarily responsible for establishing links between NGOs, farmers, and researchers, as well as integrating the current agricultural knowledge system and ensuring effective technology development, transfer, and usage. Poor Agricultural Extension Services and poor information dissemination to rural farmers were identified as challenges in Delta. In contrast, Ovharhe et al. (2020) found that a substantial number of Delta State farmers (82.46 per cent) assessed their satisfaction with extension agents and information distribution as above average.

Activities of political (fake) farmers give the wrong impression about the actual State of agribusiness in the State to the public and media houses. Furthermore, future sustainable agricultural growth in most nations will necessitate a more significant focus on productivity increase as available land for new

cultivation shrinks, especially in light of mounting worries about deforestation and climate change (Newton et al., 2013). Therefore, challenges specific to agri-food enterprises were also identified in three primary areas of Agri-food subsectors in Delta State, namely production, processing, storage & distribution, implying that opportunities to create employment can also arise as solutions are proffered to the challenges along the value chain.

Production Challenges:

The problems encountered under production are listed below:

Pest infestation

- High labour cost results from rural-urban migration of youth in search of white-collar jobs.
- Use of local farm implements and the need to adopt mechanized farming to increase productivity.
- Lack of irrigation facilities for farmers who are not enrolled in the Anchor Borrowers Scheme.
- Lack of willing investors

Processing Challenges:

- Absence of mechanized (modern) processing and harvesting equipment.
- Inadequate standard mill facility for rice and tomatoes processing in the State.
- Inconsistent power supply
- Local and archaic processing methods are used to process cassava into cassava flakes known as "garri" in Nigeria's local parlance.

Storage & Distribution Challenges:

- Lack/ high cost of storage and dryer facilities for vegetables and other perishables. Because of the perishable nature of the goods, one of the primary problems of vegetable cultivation in Delta state, according to Premium Times (2021), is storage. Due to improper storage, these veggies lose their flavor and freshness, affecting the farmer's revenues.
- No Silos for storage of grains in the State
- Lack of adequate farmers' education on proper storage methods

TRACKING FOR SUSTAINABLE DEVELOPMENT

The Delta State Government is on course to achieving the Sustainable Development Goals 2030 as the goals are in tandem with the five cardinal Development agenda of the governor. The Nigeria Bureau of Statistics (NBS) recently released the 2019 Nigeria Poverty and Inequality Survey Report, which rated Delta as the country's second least poor state. "Delta State has a poverty headcount rate of 6.02 per cent," according to the survey. SDG 1, which aims to eliminate poverty, is inextricably tied to SDG 2, which strives to eliminate hunger. According to the focal group meeting discussions, Delta state is making significant progress toward achieving SDGs 1 and 2. However, if the issues that MSMEs and the agri-food sector face are reduced to the bare minimum, more can be accomplished.

The African Continental Free Trade Area (ACFCTS) gives the continent's financial sector prospects to flourish and reduce poverty. 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% of commodities and gradually apply the same to services. In addition, the ACFTA will allow Africa to boost its position in the world by allowing it to speak with one voice and act in unison on all continental and international trade issues (AUF, 2018). 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. Trading with other developing African countries, on the other hand, will only be lucrative if Nigeria has established industrial and agricultural sectors. Participants listed policy and regulatory frameworks at the national level that are also present at the state level that can position Delta state to key into ACFTA as:

- 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 them with full coverage for their activities and a support system that helps them enhance their standard of operation in various states and local governments.

One primary concern discussed was strengthening the policy framework on food safety in Delta state. There has been no 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 Delta State team suggested a range of activities and harmful activities known to them that are currently being practiced and for which food safety issues are of utmost concern. The activities are mainly on 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. Some of such chemicals include:

- The use of detergents ferment cassava to produce food known as "Akpu" or "Fufu" in their local parlance
- Use of gammalin-20 to capture fishes from the wild.
- Use of Calcium carbide to induce forced ripening of fruits to sell them.
- The use of Paracetamol to cook meat and beans in order to soften them quickly is also known as the tenderizing effect.
- The use of snipers, magnesium or aluminum phosphides, and chlorpyrifos-methyl (reldan) insecticides to store or preserve grains. These chemicals leave residuals on the grains that can cause poisoning when eaten by consumers.
- The use of formalin, a chemical used in the morgue to preserve meat in abattoirs, poses a health challenge.
- The use of hormone boosters enables fishes and birds to reach table size quickly.
- Burning of the skin of cows and goats (locally known as "Canda") with tires is capable of leaving the meat and skin with high amounts of carcinogenic polycyclic aromatic hydrocarbons (cPAHs), which are carcinogenic.

Furthermore, farmers are not adequately sensitized and informed of the implication of the dangerous chemicals they use on human health. Also, the chemicals used in food production should only be inorganic. Because of this weakness, most of the chemicals farmers and intermediaries use to store their products make our products substandard 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, the following can be done:

- Training extension Officers to be more effective and training different associations represented on how to source for loans and grants.
- Training of food processors on standard packaging of products to meet international export requirements.
- Regular enlightenment of farmers on modern practices.
- Cluster farming training programs.
- Creation of platforms (especially online) for disseminating information to different stakeholders.
- Training with physical demonstrations or practice for easy comprehension by farmers.

In the medium and long term, the following suggestions were made:

- Using organic instead of synthetic chemicals will reduce crop/product infestation.
- Update on the standard required to meet standard regulations. This will enable the country to export perishable food items without spoilage.
- Developing a food safety policy in the state will sensitize people on the proper application of chemicals and guide farmers from site clearing to storage. Collaboration with entities such as Raw Materials Research & Development Council (RMRDC), African Development Bank (AFDB) and BOI- Bank of Industry Nigeria Agricultural Seed Council (NASC) was also requested for the long-term growth of MSMEs.

CONCLUSIONS

The round-table workshop and focus group discussion revealed the potential for MSMEs and Agri-Food businesses to harness in Delta State. The favourable natural environment, which allows for year-round farming, the availability of fertile land, and the availability of markets due to Delta State's strategic location between the south-east and the south-west, were the primary potential that stood out. At the same time, a slew of issues was identified as impeding the efficiency of these businesses. The problem of insecurity in some parts of the state is one of the primary challenges identified. It was also unanimously agreed that the government should supply silos for grain storage. It is also expedient for the government to improve and enforce food safety rules, as this is one of the biggest shortfalls with most of the products in the state that might prevent them from fully benefitting from ACFTA.

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