



OVERVIEW OF AGRO-ALLIED AND AGRIBUSINESS INDUSTRIES IN NIGERIA

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ABSTRACT: *Nigeria's economy has long been heavily dependent on the agricultural sector, with agriculture playing a crucial role in providing food, generating employment, and contributing to the country's GDP. Over the past decade, there has been a growing focus on the development of agro-allied industries and agribusiness in Nigeria, as the government and private sector recognize the immense potential of this sector to drive economic growth and diversification. This abstract provides an overview of the current state of agro-allied industries and agribusiness in Nigeria. It examines the key subsectors, such as food processing, livestock production and cash crop cultivation, and analyzes the challenges and opportunities facing the industry. The paper discusses the policy and regulatory environment, as well as the role of foreign direct investment and public-private partnerships in shaping the sector's development, impact of Agro Allied industries on the Nigerian economy and the constraints/factors hindering the operations of agro-allied industries. The abstract highlights the significant contribution of agro-allied industries and agribusiness to Nigeria's GDP, employment and exports, and underscores the sector's potential to enhance food security, promote rural development, and reduce poverty. It also explores the emerging trends and innovations, such as the adoption of technology, the rise of e-commerce, and the growing emphasis on value addition and sustainability. The findings in this abstract can inform policymakers, investors, and other stakeholders on the strategic importance of the agro-allied industries and agribusiness sector in Nigeria's economic transformation and diversification efforts.*

KEYWORDS: Agro-allied, Industries, Nigeria, Agribusiness, Food Security.



INTRODUCTION

Agro-allied industries are those industries that are dependent on agriculture for the raw materials needed in producing their finished goods. Agribusiness and agro-industry both involve commercialization, value addition of agricultural post-production enterprises and the building of linkages among agricultural enterprises (FAO, 2007). The terms agribusiness and agro-industries are often associated with large-scale farming enterprises involved in large-scale food production, processing, distribution and quality control of agricultural products. Major agro-based industries are rice mill, gour making, oil mill, spice grinding, small flour mill, pickle making, chips making, banana fiber extraction unit, etc. under the category of food products and allied industries in Nigeria.

According to Prince (2017), without the production of raw materials, the agro industries will cease to exist. The shift in focus to agriculture provides an opportunity to service the agro-allied industries. If there is no sustainable agriculture, there will equally be no sustainable agro-allied industries. Gylych and Bahago (2017) observed that a major objective of the macroeconomic policy is fostering economic growth, thereby creating a suitable environment for agro-allied industries to thrive. To drive agro-industrialization, the sector must be adequately financed. Doing so will help to unlock the potentials of agriculture as a business in Nigeria in particular and on the African continent in general. The key to Africa's prosperity is value addition in agriculture, in turning our products to money, and in looking inwards. Unarguably, Africa must feed itself. Nigeria's government must encourage the diversification of Nigeria's economy as a matter of urgency. And this is what diversifying is all about; it is a tradition of manufacturing different products and not a focus on one sphere only – crude oil. In spite of Nigeria's rich agricultural resource endowments, there has been a gradual decline in agriculture's contributions to the nation's economy (Manyong et al., 2005).

Osakwe in Bassey (2012) lamented that a country whose export goods and markets are not diversified is highly vulnerable to the vicissitudes of the few export goods in the world market, as well as to the fluctuations in the economies of its trading partners. Obviously, it is globally known that for any country to attain growth and development, its economy has to be diversified and this does not occur in a vacuum. Nigeria's economy has for several decades remained mono-cultural with crude oil as the main source of revenue. What this means is that other sectors such as agriculture and solid minerals, among others, which were the mainstay of the nation's economy before the discovery of oil, were needlessly sidelined (Leadership, 2018).

Nigeria is among the highest producers of many crops, which could be processed into value added products (VAPs) to enhance foreign earnings. Ogar et al. (2014) cited that before independence, agricultural products dominated Nigeria's economy and accounted for the major share of its foreign exchange earnings. Nigeria was producing such cash crops as oil palm, cocoa, rubber, timber, groundnut, and many other crops that were exported. This made Nigeria a major exporter of those crops. In the same manner, Nigeria had over 19 million herds of cattle, the largest in Africa. Today, Nigeria is no longer a major producer of groundnuts (peanuts), rubber and palm oil. Cocoa production is now mostly from obsolete varieties and over aged trees, with production hovering between 180,000 tons to 350,000 tons annually. Regrettably, the revenue yielding agricultural projects were abandoned and left to deteriorate after crude petroleum was discovered.



Agro-allied industries are well-established businesses that engage in large-scale agricultural and animal production. They also purchase necessary equipment for processing, packing, and storing food and drinks to earn money and increase per capita food consumption (NgCareers, 2013). Agricultural consultancy, fertilizer manufacturing and sales, fish import and export, animal feeds and feed millers, ocean trawling, shrimping and fishing, poultry farms, hatcheries, and veterinary clinics are also among their activities (The NigeriaBiz.com, 2009). Furthermore, agro-allied industries have an essential role in boosting agricultural development, increasing the degree of self-reliance of emerging nations, including Nigeria, and speeding economic growth and long-term progress toward disparity eradication. Nonetheless, despite their huge size, diverse structure, and functions, there is rising worry about the poor level of performance of such sectors, particularly in the developing world, of which Nigeria is a member. According to Izuchukwu (2011), agro-allied industries are underperforming. Their poor performance has been ascribed to poor pricing practices, poor investment choices, underutilization of capacity, failure to produce enough working capital and sustain current assets, and excessive levels of debt (Olomola, 2001). This has resulted in several enterprises selling their shares to pay their financial obligations or folding, which has serious ramifications for Nigeria's food security. According to Ukeje (2000), one of the issues creating food insecurity in Nigeria is enormous post-harvest losses, which have been reported to be as high as 20%, and the status of the country's agro-allied sector has not helped things.

Agriculture ensures the availability of food for humans, animals, and also raw materials for agro-allied businesses (Oji-Okoro, 2011). Agro-allied SMEs are drivers to economic growth (Dada et al., 2021). The operations bring about generation of employment opportunities, stimulation of indigenous entrepreneurship, and facilitation of effective deployment of agricultural resources (Adeyipo, 2019).

The Role of Agro-allied Industries in Nigerian Economy

Osalor (2016) posited that the idea of agriculture and agro-based industry as a strategy for accelerated economic growth is slowly beginning to take hold. The role of agriculture and industrial sectors to the global economy cannot be overemphasized and Nigeria as a developing nation, based on her economic history, needs a revolution and reengagement of agriculture and agro-based industries for diversification and sustainability (Egbulonu et al., 2016). Nigeria is the giant of Africa with the second largest economy after South Africa. Times are changing; so are the opportunities. As a result of the decline in oil prices, the current economic situation can be considered the most suitable time for diversification of the Nigerian Economy. Nigeria has enough natural and human potentials. All that is needed is a serious investment in agro-allied industries and agriculture, which itself is also a very fertile ground for sustainable agro-allied industries.

Implications of Agro-allied Industries on Nigerian Economic Development

Dieye (2016) noted that Africa has huge potential for agro-allied transformation more than any other developing region. This includes hosting a large spectrum of suitable agro-climatic conditions that allow a broad range of agricultural production. Nigeria is the 10th most populous country in the world and as a result ought to be one of the top 10 contributors to the global Gross Domestic Product (GDP). The projection of world population growth was that Nigeria will become the third most populated country of the world by year 2050, thus



displacing the United States of America. And the only feasible means of sustaining this alarming population growth is through sustainable investment in agribusiness (Prince, 2017).

According to Adesina in his opening remark at the African Economic Conference (AEC) held in Abuja on December 5, 2016, Africa sits on huge potentials in agriculture, and it is estimated that 65% of all the uncultivated arable land left in the world to feed 9 billion people by 2050 is in Africa. Speaking at the same conference, the vice president of Nigeria, Yemi Osinbajo, said the conference came at a point when Nigeria was intensifying efforts to diversify its economy. He further emphasized that the way out of the state in which the sector has found itself in the continent is for everyone to treat agriculture as a business and take the full value chain approach to modernize the sector and such must start with supporting agro-industrial development.

Although many Nigerians have diversified into the real sector, the agro allied sector is however the new cash cow, according to Okakpu (2016). This has invariably given rise to agro industries which take care of large scale production, processing, and packaging of food using modern equipment and methods, and depend on agriculture for their raw materials. Abdulmalik Abubakar, a thriving entrepreneur, in Daily Trust (2012) said he had a strong passion for development of agriculture and that was what led him into medium scale integrated agro-allied products and services. Unarguably, the world will always need agricultural produce for food and industrial raw materials for agro-allied industries in ever-increasing quantities. For there to be sustainable agro-allied industries, there is the need to also have a sustainable agricultural sector. The successful Asian experience offers us important lessons for agro industrialization. There is no gainsaying the fact that having agriculture as one of the big revenue earners of our economy would be to our benefit. It will, among other things, serve as a source of raw materials for agro-allied industries, help advance Nigeria's quest and march to industrialization (Emefele, 2013) and diversification.

Impact of Agro-allied Industries on the Nigerian Economy

Ali and Oraka (2018) stated that the agro-allied industry is regarded as an extended arm of agriculture. However, its development could help to stabilize and make agriculture more lucrative, thereby creating employment opportunities both at the production and marketing stages (NPCS, 2000). Furthermore, Ajila (2014) explained that the agro-allied industries bring about diversification and commercialization of agriculture, and also enhance the income of farmers and create food surpluses. It is in this sense that the agro-industry is an important and vital part of the manufacturing sector in developing countries (NPCS, 2012). Also, Chengappa (2004) reported that agro processing offers a great scope for conversion of farm produce to consumer commodities and, in the process, reduces wastage and increases shelf-life resulting in value addition and higher income transfer to the farmers from different classes of consumers as the processed commodities have wider market outlets. Agro-allied industries have been viewed as a safety valve that needs to be built within rural areas to absorb surplus labour and provide relief to the problem of large-scale unemployment (Ali et al., 2018). Kachru (2008) lamented that the inadequate attention paid to the agro-processing sector in the past has put both producers and consumers at a disadvantage, and this hurts the economy of the country. Gylych et al. (2017) opined that the agro-allied industry, just like any other industry, has a positive relationship with economic development in Nigeria, because history has it that Nigeria has the comparative advantage in agriculture, hence the need for agro-allied industry.



Benefit of Diversifying into Agro-allied Industries

On the need to diversify our economy by emphasizing more on agro-allied industries, the vice president, Prof Yemi Osibanjo, in his speech, stressed on the importance of diversifying into agro-allied. He boldly said that in 2019 and beyond, we are confident that by driving agriculture and agro-based industries, technology and innovation, solid minerals, and our vibrant creative sector, Nigeria will harness the energies of our entrepreneurial youth to deliver the promise of our future. Niccolo Machiavelli of the 15th century stated that we should never waste the opportunity offered by a good crisis. The prevailing economic situation has prompted Nigeria to work harder to further diversify our economy as well as government revenue and since around 2011, there have been renewed clamoring for economic and thus revenue diversification (Yemi, 2016). Policies aimed at drawing in this huge informal sector into the system must necessarily be deployed at this time if we are to diversify our sources of revenue and achieve a more sustainable structural transformation of our economy.

Okakpu (2016) pointed out that since Nigeria is a mono economy nation, this is the time to diversify the economy and invest heavily in agriculture and agro-allied products. Excitedly, economic diversification, as a priority for action, has been the subject of numerous plans and initiatives of the Federal Government of Nigeria (FGN) since the fall in crude oil prices. The FGN has indicated through various ministries a strong interest for diversification of the economy particularly in the solid minerals, power, agricultural, manufacturing, and gas sectors. Promoting agro-allied industrialization is an effective strategy to realizing Agenda 2030 and Agenda 2063. In this regard, financing agro-allied industrialization, building value chains, using technology and innovation, and promoting more equitable capabilities and opportunities for greater growth are vital to achieving productive employment and reduction in poverty and inequalities.

Constraints/Factors Hindering the Operations of Agro-allied Industries

1. No or low support from the government on agro-allied projects

According to Okakpu (2016), this is exactly where the problem lies. As a matter of fact, the reason why the agro-allied industry is not thriving in Nigeria is because of the caliber of people in government. He emphasized that the reason is that the government does not give attention to what is happening in the sector. The success or failure of agriculture or agro-allied industries is largely dependent on the policies of the government. The only way the government can help is to empower the people and when they do so well, they will in turn collect taxes from the farmers and industrialists to boost their Internally-Generated Revenues (IGR).

2. Reverse effect of import restriction/sabotage by powerful political groups

According to Ogundele (2017), one key government policy intervention over the decades has been import restriction that aims to insulate the agriculture and agro-industry sector from international competition. He lamented that instead of increased productivity, the action has rather fueled smuggling. Again, he further observed that demonstrable political support, political will and protection of the interests of the various elite factions within the political coalition are critical for the success of any government policy intervention in agriculture. Sabotage by powerful political groups led to derailment of agriculture sector reforms of



successive governments, thus limiting their successes in terms of productivity growth, food security, and job creation.

3. Energy as a challenge to the agro food industry in Nigeria

Insufficient energy generation and poor distribution in Africa are attributable to policy and regulatory barriers, resource limitations and financing as well as to exogenous factors. High population density in urban areas leads to a concentrated demand for energy and the opportunity to exploit economies of scale. The majority of Africa's population reside and obtain their livelihoods in rural areas that house agriculture and traditional agro-industrial processes, and this is very pronounced in the case of Nigeria. Such processes include preservation techniques as sun drying (e.g., fermented cassava and tempered yam slices for *lafun* and *elubo* production respectively, vegetables like pepper, okra, etc.), milling operations (such as size reduction of dried yam and cassava cubes or slices) and energy intensive operations, including pulping of vegetables and fruits. Low electrification constrains both agro-industrial production and the consumption of processed food products since many agricultural raw materials, especially highly perishable food raw materials, need to be processed within a few hours of harvesting in order to ensure food conservation, food safety and marketability.

4. Insecurity

Attacks by herdsmen on farming communities across the country are resulting in increasing loss of lives. As a result, many rural farmers are holding back from the current planting season because of the fear of being attacked by herdsmen (Adekoya, 2018).

Importance of Agro-allied and Agribusiness Industries in Nigeria

1. **Employment Generation:** Agro-allied and agribusiness sectors provide significant employment opportunities, especially in rural areas, contributing to poverty reduction and improving livelihoods.
2. **Economic Diversification:** Nigeria heavily relies on oil revenue, which makes the economy vulnerable to fluctuations in oil prices. Agro-allied and agribusiness sectors offer diversification opportunities, reducing dependence on oil and enhancing economic stability.
3. **Food Security:** These sectors contribute to food production, processing, and distribution, ensuring food security in the country.
4. **Foreign Exchange Earnings:** Agro-allied and agribusiness activities generate foreign exchange earnings through export of agricultural products, promoting economic growth and development.
5. **Rural Development:** Development of these sectors stimulates rural development by creating infrastructure, providing social amenities, and improving living standards in rural areas.



Opportunities in Agro-allied and Agribusiness Industries

1. **Crop Production:** Nigeria has favorable climatic conditions and vast arable land, providing opportunities for large-scale crop production, including staples like rice, maize, cassava, and cash crops like cocoa, oil palm, and rubber.
2. **Livestock Farming:** The country has a large population and demand for meat, milk, and other livestock products. Investments in modern livestock farming techniques and value addition can be highly profitable.
3. **Agro-processing:** There is a need for value addition through agro-processing to reduce post-harvest losses and increase shelf life. Opportunities exist in food processing, preservation, packaging, and manufacturing of agricultural by-products.
4. **Agricultural Inputs:** The supply of quality seeds, fertilizers, pesticides, and machinery presents opportunities for agro-allied businesses.
6. **Export Market:** Nigeria's agricultural products have export potential. Exploring international markets and adhering to quality standards can lead to increased export earnings.

Challenges in Agro-allied and Agribusiness Industries

1. **Inadequate Infrastructure:** The lack of reliable transportation networks, including roads and railways, hampers the movement of agricultural produce from farms to processing facilities and markets. Additionally, inadequate power supply and storage facilities affect the quality and shelf life of agricultural products.
2. **Limited Access to Finance:** Agribusinesses often struggle to access affordable credit and financing options. Financial institutions may perceive agriculture as a high-risk sector due to factors such as weather uncertainties, and this limits the ability of agribusinesses to invest in modern technologies, equipment, and expansion.
3. **Insufficient Research and Development (R&D):** The level of investment in agricultural research and development is relatively low in Nigeria. This hinders the adoption of improved farming practices, modern technologies, and innovative solutions that could enhance productivity, increase yields, and improve the overall competitiveness of agribusinesses.
4. **Inconsistent Policies:** Frequent policy changes and inconsistent implementation of existing policies can create uncertainties for agribusinesses. Lack of policy stability affects long-term planning and investment decisions, making it challenging for businesses to operate and grow.
5. **Climate Change and Environmental Factors:** Nigeria is susceptible to the impacts of climate change, including unpredictable rainfall patterns, droughts, floods, and desertification. These factors pose risks to agricultural productivity, affecting crop yields, livestock health, and overall farm operations.



7. **Post-Harvest Losses:** Inadequate post-harvest handling, storage, and processing facilities contribute to significant losses of agricultural produce. This not only affects the profitability of agribusinesses but also exacerbates food insecurity and economic waste.
8. **Limited Market Access:** Agribusinesses often struggle to access both domestic and international markets due to issues such as poor market linkages, inadequate market information, and limited market infrastructure. Expanding market access and complying with quality and safety standards can be challenging for agribusinesses, particularly small-scale farmers.
9. **Land Ownership and Tenure:** Issues related to land ownership, unclear land tenure systems, and conflicts over land rights can hinder agribusiness investments and expansion. Uncertainty regarding land use and ownership affects farmers' ability to secure long-term financing and make necessary investments in their operations.
10. **Pests and Diseases:** Outbreaks of pests and diseases pose significant risks to agricultural productivity. The lack of effective pest control measures, inadequate veterinary services, and limited access to disease-resistant crop varieties and livestock breeds contribute to yield losses and financial setbacks for agribusinesses.
11. **Skills Gap:** There is a shortage of skilled manpower in the agro-allied and agribusiness sectors. Insufficient training and capacity building programs limit the adoption of modern farming practices, agro-processing techniques, and managerial skills, impeding the growth and competitiveness of agribusinesses.

Addressing these challenges requires a multi-stakeholder approach involving the government, private sector, research institutions, and development partners. Efforts to improve infrastructure, enhance access to finance, promote research and development, provide policy stability, and strengthen market linkages are crucial for the sustainable growth of the agro-allied and agribusiness sectors in Nigeria.

Government Initiatives and Prospects

The Nigerian government has implemented several initiatives to support agro-allied and agribusiness activities:

1. **Agricultural Transformation Agenda:** The government launched this agenda to modernize the agricultural sector, boost productivity, and stimulate private sector investment.
2. **Anchor Borrowers' Program:** It provides financial support to smallholder farmers in collaboration with commercial banks, promoting access to credit and increasing agricultural output.
3. **Infrastructure Development:** The government is investing in rural infrastructure, including roads, irrigation systems, and storage facilities, to enhance agricultural value chains.
4. **Research and Development:** Efforts are being made to improve agricultural research and development, promote technology transfer, and enhance productivity.



5. Export Promotion: The government is prioritizing the development of export markets for agricultural products, encouraging agribusinesses to explore international opportunities.

CONCLUSION

Agro-allied and agribusiness sectors in Nigeria offer significant opportunities for economic growth, employment generation, and food security. Despite the challenges, the government's initiatives, combined with private sector participation and investment, are driving the transformation of these sectors. As Nigeria continues to develop its agro-allied and agribusiness industries, there is immense potential for sustainable development, rural empowerment, and economic diversification.

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