

Sustainability and Agribusiness Development in Nigeria

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Abstract

Sustainable development refers to the development that meets the needs of the present, without compromising the ability of future generations to meet their own needs. For an agribusiness to be sustainable it must produce food with regard not only to the environment (to ensure production can continue on an indefinite basis) but also to generating sufficient production to meet the demand and producing an adequate return for farmers to support the standard of living they and their next generations require. It was on this background that the study assessed the sustainability and agribusiness development in Nigeria. The study adopted secondary data as sources of information. Relevant literatures on sustainability and agribusiness development were elicited from various impact journals and critically reviewed. The study viewed agribusiness as generic term for the various businesses involved in the food production chain, including farming (both subsistence and mechanized farming), seed supply, manure, fertilizers and agri-chemicals, farm machinery, distribution, wholesale and retail sales, processing, research and development, marketing and financing of the agro-allied industry. Findings provided evidence of agribusiness been a key enablers for sustainable development of developing countries like Nigeria, this is because of its crosscutting nature thus affecting all sectors of the nation's economy ranging from socio-economics, agriculture, commerce, marketing, industrials, environment, among others. The study provided an evidence that sustainable agribusiness is capable of providing aggregate employment, reducing poverty, ensuring and food security. Regretably, poor policy articulation, inadequate working capital, lack of appropriate technology and inadequate infrastructure are the bane of sustainable agribusiness development in Nigeria. However, it was recommended that the government at all levels should as a matter of urgency intensify awareness about sustainable agribusiness development build agribusiness skills and technological capabilities among firms and her citizen as this would enhance the nation's annual Gross Domestic Product (GDP) positively.

Keywords: Sustainable development; Agribusiness; Constraints; Nigeria

Introduction

The term "Sustainable Development" is used to describe the development that meets the needs of the present, without compromising the ability of future generations to meet their own needs (Nwaiwu *et al.*, 2013 and Onubuogu and Esiobu, 2014). The concept of sustainable development can be interpreted in many different ways, but at its core is an approach to development that looks to balance different, and often competing, needs against an awareness of the environmental, social and economic limitations of Nigeria nation (Olowa and Olowa, 2012). One perspective on sustainability is that a sustainable agribusiness model is one that produces sufficient food to meet the demand existing both now and in the future.

The argument is that for an agribusiness to be sustainable it must produce food with regard not only to the environment (to ensure production can continue on an indefinite basis) but also to generating sufficient production to meet the demand and producing an adequate return for growers to support the lifestyle they and their next generations require (Ching, 2008).

In the same vein, Agribusiness refers to the generic term for the various businesses involved in the food production chain, including farming (both subsistence and mechanized farming), seed supply, manure, fertilizers and agri-chemicals, farm machinery, distribution, wholesale and retail sales, processing, research and development, marketing and financing of the agro-allied industry (Pawa, 2013). Agribusiness also includes a range of activities and disciplines encompassed by modern food production, and denotes the nexus between, inter alia, natural resource management, tourism and hospitality, innovation, mechanization, manufacturing and processing activities to add value to raw materials or cash products as well as trade and distribution (Nina *et al.*, 2010).

It is known that there is a "general discontent with the industrialization of agricultural production and food provision systems has put agribusiness and the food industry at the core of societal debates" (Jansen and Vellema, 2004). This development has put pressure on the agribusiness sector in general and individual companies to avoid controversially discussed management practices and improve the sustainability of products and processes (Deimel *et al.*, 2010). In this sense it has repeatedly been argued that agribusiness firms must implement changes in the way they do their business to maintain their "license to operate" and their "license to deliver" to the ever more demanding markets in the post-modern societies of Nigeria (Heyder and Theuvsen, 2008).

The centrality of agribusiness in the interface between agriculture, and the rural sector cannot be easily

waved aside. This is because; agribusiness has the capacity to provide greater employment, higher incomes and poverty reduction via their requisite infrastructure. It does provide inputs to farmers and connects them to the consumers via general handling, processing, transport, marketing, and distribution of agricultural products (Theuvsen and Spiller, 2007). The synergy between agribusiness and agro-industrial linkage (commercial activities) is a great potential for development of the poor rural majority in Nigeria. Despite their importance in the development process, the sectors face a myriad of problems, ranging from the vicissitudes of nature to the bizarre vagaries of political inconsistencies and discontinuities (Veldkamp *et al.*, 2008). On a particular note, Rolando (2011) have argued that: “the most prominent of these difficulties are unavailability of financial capital, lack of entrepreneurship, management ability and technology; inadequate socio-economic infrastructure; uneven spatial development, participation by foreigners in industrialization process and the spatial problem of small scale industry.

Sustainable operating practices are becoming a major competitive driver of agribusinesses in Nigeria as consumers, regulators and civil society request that sustainability, energy efficiency, and economic inclusion are considered at all stages of the agri-food value chains (Heyder and Theuvsen, 2008)

1.1 Sustainable Agribusiness Objectives Includes:

- a. Development of entrepreneurship in agribusiness through the use of local human and real estate resources.
- b. Developing awareness about the environment and creating sustainable agricultural development.
- c. Training of professional staff in the field of agribusiness.
- d. Reduction of unemployment by promoting agricultural activities.
- e. Developing small and medium sized businesses in agriculture which can compete successfully in the Nigeria and can adopt the relevant regulations on consumer protection.

1.2 Division of Agribusiness in Nigeria

According to Pawa (2013), agribusiness concerns in Nigeria constitute 70 % of businesses operating in the country. In a survey, Nigeria Bureau of Statistics (2014) observed that 41 percent of agro industries are sole proprietorships, while another 41 percent are private limited liability companies. About 4 percent are government owned, and 5 percent are of partnership nature while 8 percent are public liability companies. In Nigeria agribusiness can be divided into four components; farming inputs supply companies; producing farm firms, processing agribusiness firms and food marketing and distribution.

(a) **Farm Input Supply Business:** This encompasses agricultural chemical inputs suppliers of fuels, fertilizers, pesticides and herbicides seed and feed concentrate suppliers; agricultural machinery and equipment suppliers; automobile, tube, tires, and foam manufacturers; credit and veterinary services suppliers. This supply component extends to supplies of containers, sacks, crates needed in the packaging activities. Quite important as well are utilities like water, power, telephone, hospital insurance etc.

(b) **The Producing Farm Firms:** These are crop producers and livestock producers who are farmers scattered all over the country. The growth of this component depends on available large land, improved productive forces and complementarity with industry that absorbs excess agricultural labour.

(c) **Food Processing Agribusiness:** This includes food and fruit juice canners; manufacturers of beer, soft drinks, cocoa drinks, coffee, and tea; producers of confectionary sugar sweets, chocolate, cakes, biscuits; tobacco processors and/or manufacturers; meat processors; wood processors and furniture makers and distributors, paper millers and tissue paper manufacturers; leather and footwear manufacturers; food packaging and cartons manufacturers; cotton processing, spinning, weaving and textile companies; food processors of cornflakes, jam, bread, butter, milk, margarine, and tomato puree; oils, soap, and toothpaste manufacturers, fishing companies, fish processors, packers and distributors.

(d) **The Food Marketing and Distribution Agribusiness:** Companies in the country include private food stores; wholesalers and retailers of frozen foods including super markets etc. These agribusiness firms are scattered all over the country but are concentrated in three main industrial clusters in Nigeria; Kano, Kaduna, Jos in the north; Lagos, Ota Ibadan in the south west and Port Harcourt, Aba, Nnewi, Onitsha in the southeast. A survey of a few include: Taraku Oil Mills Ltd, Abakiliki Rice Processors, Sorghum Outgrower Scheme with Guinness Plc, Fuman Agric Agricultural Products Fruit Juice Manufacturers and Cocoa Exporter Ed and F man Nigeria etc.

1.3 Sectors of Agribusiness in Nigeria

In essence, agribusiness consists of all industries surrounding food production, ultimate end-user is the consumer, with marketing as the driving force behind all profitable activities. Hence, marketing plays a vital part in moving the inputs, products, and by-products to the different sectors and the consumers. With this in mind, there are basically three “sectors” that comprise agribusiness, as expressed in the following diagram:

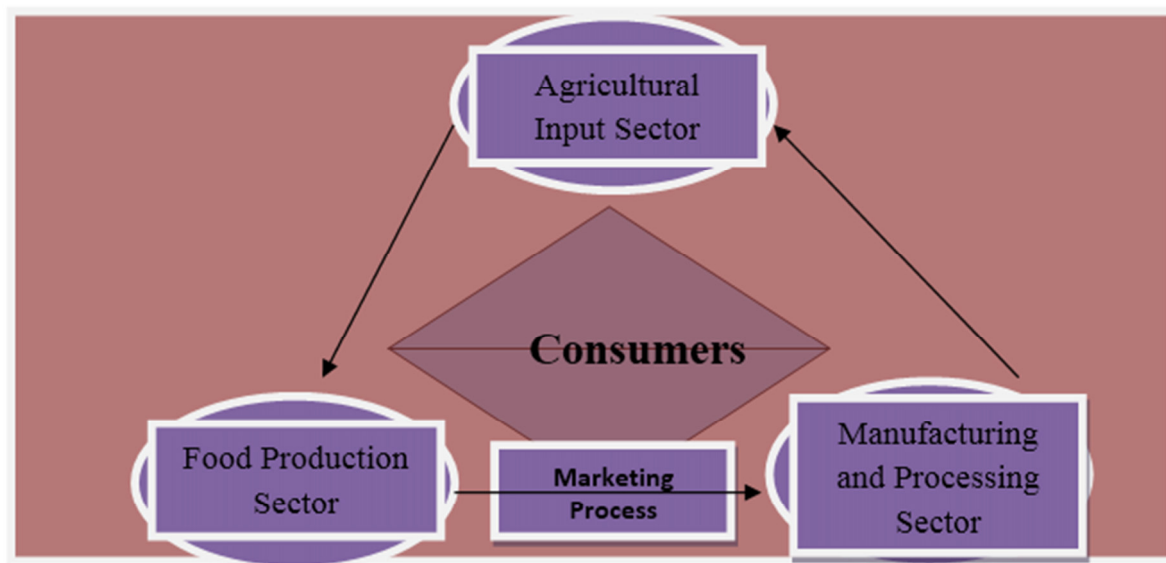


Figure 1: Sectors of Agribusiness; Developed by the Researcher (2016)

1.4 Sustainable Importance of Agribusiness Development in Nigeria

Given the value chain process via employment, income, markets and poverty reduction from agribusiness the rural sector can attain sustainable growth from the raising farm-nonfarm equilibrium.

- a. **Employment:** The agribusiness sector is capable of generating employment both directly (on farm) and indirectly (non-farm) of the abundant rural labour supply. Through job creation, it enhances and expands the market and demand for farm produce, just as the growth of commercial agri-food system in the rural areas is capable of galvanizing economic growth. The efficiency and expansion of post harvest handling, processing and marketing is an important factor in the two edge action of providing food and employment for the people.
- b. **Income Generation/Poverty Reduction:** The commercial value of agriculture is capable of generating higher incomes. These new income levels are capable of empowering small holder farmers into large holders. The expanded market increases the financial prowess of the inputs suppliers and the market for the processing firms. However sustainability of incomes accruing from agribusiness depends largely on the dynamic link between the farm and the non-farm sectors. When such incomes increase into investible surplus it stimulates growth of the rural non-farm economies and this becomes an important factor in rural poverty alleviation.
- c. **Food Security:** A successful agribusiness is capable of ensuring availability and entitlement of the people to sufficient food at all times to guarantee healthy life. Agribusiness must ensure food availability (via supply) and encourage entitlement of the people with plenty alternative commodity bundles for the people (Harris and Heyer, 2010).
- d. **Complementarity/Structural Transformation:** A strategic link between the farm and nonfarm sectors creates an integrated production structure and a balance between large and small production units. A dynamic agribusiness fuels the growth of the rural nonfarm sector through a number of linkages: while agriculture requires inputs provided by the non-farm enterprises.

The rural non-farm sector creates backward integration and forward linkages leading a fast process of structural transformation.

1.5 Constraints of Agribusiness in Nigeria

The studies of Pawa (2013) have attributed endogenous constraints of agribusiness to include low capacity utilization, inadequate working capital, poor policy articulation etc.

(a) **Poor Policy Articulation:** Improper policy articulation encompasses poor support, policy uncertainties/inconsistencies or failure of agricultural policy results from poor institutional arrangements. This problem ranks third in the rating of agribusiness constraints. There has not been a separate policy articulation for agribusiness except for the brief objectives stated in the 1988 Agricultural Policy for Nigeria a document for agricultural commodity processing. These have amounted to unpredictable government activities

(b) **Inadequate Working Capital:** This includes shortage of funds raw materials and labour force. In a survey of agro-industrial in Nigeria, the problem of finance ranks first thereby compounding other problems. Without the requisites capital base, agribusiness cannot flourish nor could it engender economic development. Lack of credit

incentives has compounded this problem.

(c) **Lack of Appropriate Technology:** Using either too obsolete or sophisticated technology tends to frustrate the linkage for lack of know-how and cost of maintenance. Where technology happens to be too advanced for the indigenous labour force, it renders the workforce useless while high energy consuming technology truncates production due to huge cost of fuels.

(d) **Inadequate Infrastructure:** The state of infrastructure including power, water supply, communication and communal infrastructure like warehouses (stores) drying units, testing labs and treatment plants to a great extent influence the growth of agribusiness. The problem of infrastructure is 2 ½ times “worse than the next biggest problem – finance”

(e) **Farm – level Constraints:** The subsistent small holder production is no hegemonic production frontiers added to the geographical dispersal of farmers constitutes a high cost of bulking. With poor incentives and vagaries or unpredictable state policies the farm component of agribusiness faces seasonality crises that create more uncertainties for the non-farm sector.

Summary and Conclusion

The agricultural sector is the highest employer of the rural labour force. Improving the commercial value of agriculture would certainly culminate into a serious agrarian change that would impact on the greater number of people and the rural sector. Agribusiness is said to be a veritable tool for rural development because the farm-non-farm linkage would actually create employment, income, poverty reduction, complementarity etc.

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Findings provided evidence of agribusiness been a key enablers for sustainable development of developing countries like Nigeria, this is because of its crosscutting nature thus affecting all sectors of the nation's economy ranging from socio-economics, agriculture, commerce, marketing, industrials, environment, among others. However, the study recommends that the government at all levels should as a matter of urgency intensify awareness about sustainable agribusiness development build agribusiness skills and technological capabilities among firms and her citizen as this would enhance the nation's annual Gross Domestic Product (GDP) positively.

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