

Investment Opportunities for Tree Crops Development, Processing and Marketing in Nigeria

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Abstract

Nigeria is blessed with various ecology ranging from the mangrove swamps and rainforest in the south, derived and guinea savannah in the north. These agro-ecological zones provide suitable climate and edaphic conditions for the production of various tree crops both local and exotic.

This paper discusses investment opportunities for tree crops development, processing and marketing in Nigeria, the development of which will contribute significantly to economic growth and development of the country.

The paper therefore encourages both local and foreign investors to exploit the opportunities in the tree crops sub-sector of the Nigerian economy.

Keywords: Tree Crops, Farming System, Capital Investments, Crop Processing, Exports

INTRODUCTION

The economic growth and development of any country depends on its investment potentials, while investment potentials depends majorly on the country's natural resource endowments. Economic growth and development on the other hand can mostly be attained by the effective harnessing of natural resources and the effective utilization of available manpower.

Nigeria is blessed with varied ecology ranging from the mangrove swamps and rainforest in the South, derived and guinea savannah in the North.

These agro-ecological Zones provide suitable climate and edaphic conditions for the production of various tree crops both local and exotic. These include oil palm, cocoa, coffee, cashew, coconut, mango, citrus, gum Arabic, date palm, shea nuts, apple, tropical wood, neem e.t.c.

These crops constitute important components in meeting both domestic and industrial requirements of the nations agricultural economy. Therefore the role of tree crops sub-sector has been critical both as source of raw materials for the growing industrial sector, generate employment for the citizenry as well as provide foreign exchange earnings for the Nation.

One of the cardinal objectives of the Federal Government is to move Nigeria to the 20th economic power by the year 2020.

The journey towards Nigeria's industrialization, and to be among the 20th (twentieth) most developed countries by the year 2020 is partly possible with the effective harnessing and investment in agriculture especially the tree crops sub-sector. According to the Federal Ministry of Agriculture and Rural Development (2008). Nigeria has 79million hectares of land. However, only 32 million hectares(46%) of these are cultivated, while more than 90% of agricultural output is accounted for by household with less than 2(two) hectares under cropping. Typical farm sizes range from 0.5 hectares in the South to 4 (four) hectares in the North. Therefore, there is abundant opportunities for investment in agriculture in Nigeria.

Today, agriculture is multi-billion dollar global industry, with major and minor players providing processing, exporting and selling their products across international boundaries. As production is now targeted for global markets, farmers, as producers, industrialists as processors and businessmen as marketers of agricultural products require capital investments to meet with the challenges of globalization so as to make their product competitive in the global market.

Therefore, attracting foreign investors to invest in the Nigerian economy is inevitable and pivotal to economic growth and development so that the country can progress towards being the twentieth economic power in the year 2020. On the other hand the level of unemployment in Nigeria, under development and other socio-economic indicators are so low and alarming such that heavy capital dose of investments are required to prop up these levels to higher levels.

It is observed that investible funds in the country are limited, such that the Nigerian government and the indigenous private investors can no longer cope with the rising level of demand for investments.

However, for the Nigerian government to be able to attract and retain foreign investors there must be concerted efforts towards creating conducive investment climate and enabling environment that will guarantee and sustain investors interest and resources.

The objective of this paper is to highlight and review the abundant Nigeria's investment opportunities in the tree crops sub-sector for economic growth and development of the nation.

Characteristics of Nigerian Farming System

Agriculture remains a key component of the Nigeria economy; currently contributing about 41% of the Nigerian GDP and employing about 70% of the active population. UZA (2008) observed that the sector has however underperformed its potential due to a number of factors.

- Government policy inconsistency and poor policy implementation.
- Low productivity and sometimes seasoned glut in produce markets
- Poor management and mal-administration of subsidy and incentives to farmers
- Lack or low level of post-harvest technology
- Limited accesses to critical inputs at affordable prices
- High risks on capital investment in agriculture and long gestation which discourages investors that are risk avert.
- Poorly organized market system and structure for the effective marketing of farm products
- Formation and establishment of farmers' cooperative groups and other associations for political gains rather than the pooling of resources for economic progress and purposes.

It is against this backdrop that this paper calls for investment in three crops to improve the status of agriculture in the Nigerian economy.

Supply of agricultural inputs has also been generally sub-optimal. According to the Federal Ministry of Agriculture (2008), Nigerian fertilizer consumption at 7kg / hectare is one of the lowest in sub-Saharan Africa. Less than 10% of irrigable land is under irrigation. Farmers have limited access to credit and the existing extension services are grossly inadequate. There is currently 1 (one) extension worker for 25,000 in Nigeria compared to best practice of 1 to 500-1000. Mechanized assistance is also grossly inadequate. There are about 30,000 tractors to 14 million groups/families in Nigeria. On the processing front, Nigerian loses significant value of between 15% -40% of product from its inability to process and market most of its agricultural production.

As pointed out by Adetunji (2007), agriculture lost its glory of the 1960s due mainly to the discovery of petroleum resources in commercial quantities and the subsequent NEGLECT of the sector by successive military and civilian regimes. The rapid industrial infrastructural development witnessed during the period of 1960s plummeted and the feat could not be surpassed today despite the easy and quick oil money. The remarkable achievements of agriculture in the first decade of Nigeria's independence disappeared with attendant negative consequences on household food security, decline in GDP and foreign exchange earnings with economic doldrums.

One of the cardinal objectives of the federal government is to restore agriculture to its former status as a leading sector in term of its contribution to the national economy and attainment of food security for the nation.

A concept of investment and the Nigerian investment profile and incentives.

Capital investment involves the commitment of funds now with the expectation of acceptable earnings in the future. In view of the competing needs for investment and due to limited investible funds, a central appraisal of such investments is necessary due to the usually large amounts involved and the key impacts such investments might have on the future viability of the organization.

Horne (1990) describes capital investment as a situation "when firms or individual make a current cash outlay for the benefit to be realized in the future". In order words, it involves a decision to spend money now on a project with the expectation of reaping or recovering such money back from the project at some future date.

Pandey (1989) defines capital investment as a decision to invest a firm's current fund in the most efficient way in long term activities in anticipation of an expected flow of future benefits over series of years. For Budie et al (1999) investment is the current commitment of money or other resources in the expectation of future benefits.

Major (1983) points out that the distinctive features of capital investment which makes it worthwhile developing and applying a special set of techniques for appraising are that:

- a. The sums involved are relatively large so that a wrong decision may have very serious consequences,
- b. The time scale over which the benefits will be received is relatively long so that any wrong decision made over an investment, the investor has to live with it for a long period
- c. The whole nature of a business and its directions, and the rate of progress is ultimately governed by its overall investment programme
- d. Capital investment involves waiting for the recoupment of expenditure which could have been invested elsewhere therefore there is opportunity cost.
- e. Once the expenditure is incurred, it cannot be recouped quickly and the capital (fund) is tied up for several years.
- f. The investment will earn streams of profit or returns over the period of anticipated years.

Adeleke (2002) highlighted the various techniques which can be used to measures and appraise capital

investment. These include Return on Investment ROI, Discounted cash flow, Internal Rate of Return (IRR), Profitability Index, and Pay Back Method. As mentioned by Adeleke (2002), there is no technique of investment appraisal that is held to be universally, the best. The best technique is one that will enable an investor make the right decisions on capital project investment.

The Federal Government of Nigeria has taken a number of measure to encourage investments in the country. These measures include.

- a. **The establishment of Nigerian Investment Promotion Commission.** This commission was established to develop strategies which will attract foreign investment in Nigeria. The act which established the commission has opened virtually all aspect of Nigerian economic sector to an unrestricted Foreign ownership. The Act provides that no enterprise established in Nigeria shall be nationalized or expropriated by any government of the federation nor shall any person who owns whether wholly or in part, the capital of any enterprise be compelled by law to surrender his interest to any person. Section 24 of the Act also assure foreign investors of an unrestricted transferability of their funds invested in Nigeria be it in the form of equity or loan capital or dividends and interest. This thereby guarantees free movement of capital. Through the NIPC Act, foreign investors are being encourage to establish in Nigeria and operate effectively unhindered.
- b. **Establishment of Export Processing Zone.** In 1997 the government established the Export Processing Zone Act 34. The zone is an economic legation for foreign direct investors to operate free from the Nigerian tax laws, levies, duties and foreign exchange regulations. In addition, the infrastructure at the zone would be comparable to what obtain in developed economies.
- c. **The Corporate Affairs Commission (CAC).** The commission is charged with the responsibility of registration of companies, the incorporation of companies, and the supervision of formation of new companies.
- d. **Nigerian Stock Exchange (NSE) and Securities and Exchange Commission (SEC).** Oyewole (2000) points out that investment incentives in Nigeria, which are especially focused on foreign investors can only be appreciated within the context of the evolving framework of the Nigerian Investment Promotion Commission (NIPC). Through this enabling decree that sets up this commission, there is a shift from control on foreign investment regulation to foreign investment promotion. The operative instrument that enables foreign investment promotion is the Nigerian Investment Promotion Commission (NIPC) Decree No 6 of 1995. This decree (Act) has the main objective of taking the Nigerian economy to the era of liberization. In this regard NIPC. Decree (1995) has opened virtually all aspects of Nigerian economic sector of an unrestricted foreign ownership section 25 (1) of NIPC Decree provides that no enterprise shall be nationalized or expropriated by any government of the federation nor shall any person who owns whether wholly or in part, the capital of any enterprises be compelled by law to surrender his interest to any other person. Section 24 of the NIPC Decree also assures foreign investors of an unrestricted transferability of their funds invested in Nigeria be it in the form of equity or loan capital or dividends and interest. This thereby guarantees free movement of capital.
Ogundele and Opeifa (2004) observed that these are two closely related institutions which the government have empowered to determine the price and patterns of allotment of shares placed for sale in the capital market. The SEC is the issuing house for a fair price on stock s placed for sale, and to determine the security price in the capital market. Individuals and corporate organizations are by law expected to place their shares for sale with the NSE. The actual sale and allotment pattern for the sale of the share is also determined by it. At NSE, investors can buy and sell their shares.
- e. **Small and Medium Enterprises Development Agency (SMEDAN).** The major function of the agency is to ensure successful establishment and functioning of production units of business organizations including agricultural ones across Nigeria. The body is to identify individuals or groups with viable business ideas, and provide those prospective investors with necessary support of fund, equipment and technical advice.
- f. **Bank of industry (BOI)**
The bank of industry was established with the sole aim of assisting the industrialist not only to obtain loan facilities for their businesses, but also in Entrepreneurship Development Programme (EDP)
The EDP was founded on the recognition that mere fiscal policies and financial incentives alone are not enough to accelerate the development of enterprises, the operators of the enterprises should be exposed to EDP. The objective of EDP includes the creation of awareness for self development and utilization of skilled people through the creation of employment generating industries including those in agricultural sector.

g. National Resources Development Conservation Scheme (NRDCS)

The NRDCS is designed to sensitize and mobilize small scale operators to actively participate in the exploration and exploitation of mineral resources, agricultural and water resources in the immediate communities.

h. Establishment of Agricultural Research Institutes

There are a variety of Agricultural Research Institutes established to promote, research and development in agriculture such Research Institute relevant to tree crops research and development include;

- National Institute for Horticultural Research (NIHORT)
- Cocoa Research Institute of Nigeria (CRIN)
- Forestry Research Institute of Nigeria (FRIN)
- Rubber Research Institute of Nigeria (RRIN)
- Nigerian Stored Products Research Institutes (NSPRI)

i. **Presidential Advisory Council on Investment.** This council work in collaboration with NIPC to advise the President on investment policies for the nation

j. **Bureau of Public Enterprises (BPE);** This body metamorphosed from the Technical Committee on Privatization and Commercialization (TCPC). Privatization is the process whereby government equity interests in companies, corporations and parastatals are being sold to private individuals and companies including foreigners. The net effect of this is the transfer of the ownership and control of many Nigerian companies to the hand of foreigners.

Commercialization means that government parastatals like power Holding Company of Nigeria (PHCN) and all such bodies that receive subsidies from governments are to become self supporting and to operate in such ways as to make profits from their operations.

k. **The Nigerian Export Promotion Council (NEPC).** NEPC provides information and logistics support for prospective head exporters of Nigeria products to overseas countries.

l. Establishment of Tree Crops Development and Marketing Company (PLC)

One of the cardinal objectives of the Federal Government is to restore agriculture to its former states as a leading sector in terms of its contribution to the National Economy and attainment of food security for the nation. To this end, the Federal Government of Nigeria, among other measures in 2004 established the Tree Crops Development and Marketing Company Plc (TRECDEM).

The major objective of the company is to promote the development, processing, utilization and marketing of Tree Crops.

Specifically, the Company is to:

- Promote the promotion, processing, storage and marketing of tree crops such as cocoa, oil palm, cashew, kolanut, coconut, rubber, gum Arabic, citrus, mangoes, shea nuts, date palm, tea and other fruit tree crops;
- Promote and fund tree crops research and extension services;
- Provide market and other information to farmers on every aspect of the tree crops and encourage the utilization and processing of the tree crops produce for local consumption as well as for export;
- Establish linkages between Nigerian farmers, industrialists, exporters and international buyers and users of the produce;
- Undertake buying and selling of tree crops produce and design an appropriate programme for the marketing of the produce both locally and abroad;
- Collaborate with Tree Crops Research Institutes, Universities, Donor Agencies and Multilateral organizations so as to facilitate research into improved tree crops varieties and crop processing.

FAO 2004, 2005 also encourages food production for sustainable economic development of the country.

INVESTMENT OPPORTUNITIES IN TREE CROPS DEVELOPMENT

Agriculture remains the dominant sector in the process of economic, social and industrial development of Nigeria. Apart from providing the major source of employment for about 60% of the population, agriculture is therefore, an essential step to ensuring the well being of the vast majority of the Nigeria population.

The Federal Government has initiated a number of reform programs to restore Agriculture to its position; these programs have created a number of opportunities for investors as follows;

i. Tree Crops Seedling Production: There exist in Nigeria opportunities for tree crops seedling production to meet estimated demand. Table 1 below shows the current seedling production and the estimated demand. From the table, there are short falls in production of seedlings to meet the farmer's demand. Therefore investors can exploit this opportunity by investing in tree crops seeding production. The selling price of seedlings ranges from Ten to Five Hundred naira (N10 – N500 only) depending on the seedling.

Table 1: PRODUCTION AND DEMAND FOR TREE CROPS SEEDLINGS IN NIGERIA 2008

CROP	PRESENT PRODUCTION (No Seedlings)	PRESENT DEMAND (No Seedlings)
Cocoa	2.0m	64.8m
Rubber	5.4m	31m
Coffee	21.6m	25m
Gum Arabic`	61.2m	10m
Cashew	9.45m	14m
Banana	1.15m	4.6m
Plantain	3.12m	9.1m
Pineapple	7.56m	40.6m
Mango	0.085m	3.5m
Avocado	0.015m	0.063m
Papaya	0.60m	1.21m
Tomato	1.26m	15.12m
Irvingia (Ogbono)	0.02m	0.2m
Chrysophyllum (Odara)	0.015m	0.11m
Dacryodes edulis (ube)	0.0252m	0.15m

Source: Nigerian Horticultural Research Institute (NIHORT) 2008
 Federal Department of Agriculture, Abuja (2008),
 Federal Ministry of Agriculture and water Resources, Abuja.

ii. Processing of Tree Crops Into Juice

An estimated less than five (5) percent of tree crops produced in Nigeria are processed into products. Thus, there exists investment opportunities for the processing of tree crops produce. Investors can therefore engage in any aspect of processing. However, there are two categories, of processors of tree crops in Nigeria as shown in table 2.

Table 2: Available Locally Processed fruit juice and Drink in Nigeria 2008

Brand Name`	Company	Packaging Type
Chivita	Chilled Ajao Estate, Lagos.	Tetra brik
Sun Top	Unilever Nig. Plc	Tetra Brik
Funman	Funman Nig. Ltd	Tetre brik
Fresh	Motel food, Lagos	Poveb
Frvitmest	Keynworld foods, Lagos	Plastic bottle
Vitovite	Vital pharmaceutical Lagos	Tetra brik
Dama juice	Dama pharmaceutical	Plastic bottle
Crown drink	Crown drink Ogba, Lagos	Tetra brik
Deebee	Deebee co. ltd Ijebu-ode	Plastic brik
Jokky	Jokky company lagos	Tetra brik
Lulu	Formosa bottling co. Lagos	Plastic bottle
Five Alive	Cocoa-cola Nig Plc, Lagos	Tetra brik
Dana Drink	Dangote Group Lagos	Tetra brik
Maizobe Product	Mauzobe farms	Plastic bottle
Niyya Juice	Niyya Agricultural Product Kaduna	Plastic bottle
Yoteco food	Yuteco foods Nig. Ltd Gbko Benue State	Plastic bottle

Source

Presidential Initiative on Tropical Fruits Federal Ministry of Agriculture and Water Resources Abuja (2008)
 Federal Institute of Industrial Research, Oshodi, Lagos, (2008).

According to FIIRO (2008) only five Organizations out of the above listed producer of juice namely Fumman, Yuteco, Dangote, Niyya, are processors or have processing facilities, while the rest are packers involving only in packaging. Most of the Nigerian Packers import juice concentrated in drums.

According to the Presidential Committee on Tropical Fruits, the total national installed processing capacity as at 2008 was 1500mt, while the national demand per day is 4,500mt, leaving a demand gap of 3000mt per day. There is therefore enormous potential for fruit juice processing in Nigeria. In order to fill the gap there is a need for optimal resource flow in terms of capital investment to this industry. This is more critical for product like mangoes. It has been estimated that over 75% of mangoes produced in Nigeria suffer post harvest losses due to reasons of lack of investment in the processing of this product.

Table 3: Mango Producing Countries in Africa (000) Metric Tons

Country	Production volume
Burkina Faso	450
Cote D'ivoire	420
DR Congo	416
Egypt	440
Ghana	410
Guinea	430
Madagascar	402
Mali	390
Nigeria	830
Sudan	238
Tanzania	287
Others	290

Source: FAO, STAT Data Bqse Result, 2007.

From the table, Nigeria occupied a notable place within the African continent in Mango production and has the capacity to increase its present production level. There are therefore investment opportunities for processing mangoes into juice, chip or leather.

iii. Export of Fresh tree Fruits

Nigeria exports raw tree produce of cocoa, cashew, rubber, gum arabic and avocado, mostly to Europe, USA, China and Japan.

However Nigeria is not yet a major exporter of fresh fruits due to two major factors.

- The process technology required for the export of fresh fruits is beyond the capability of the small holding farmers who are the major producers of these fruits.
- Nigerians consume a greater percentage of certain fruits, a situation that leaves little for export.

However, there are about three larger exporter of fresh mangoes. These are Sebore Farms in Adamawa State, N'Allah Farms in Lafia and Niyya Farms in Kaduna State. The actual export value of the products cannot be determined.

There are opportunities for investors to export Nigerian fresh tree crops abroad. This can be undertaken with the collaboration of the Nigerian Export Promotion Council.

iv. Opportunities in land survey, land clearing and soil tests

There exists investment opportunities in the area of land survey, land clearing and soil tests for tree crops development. Professionals can be engaged in any aspect of these activities.

v. Investment in Agro-Chemicals

One of the major problems confronting tree crops development in Nigeria is lack of good quality agro-chemicals – herbicides, insecticides and fungicides which are needed for effective tree crops development. In some cases, when these agro-chemicals are available, they are adulterated or of low and poor quality.

The demand for agro-chemicals in Nigeria is enormous and expanding. This is because in the last few years as already mentioned, the Federal Government has encouraged the massive development of agriculture especially cash crops. This has created demand for agro-chemicals worth several millions of naira.

Investment opportunities now abound for the marketing of agro-chemicals in Nigeria.

Conclusion

An important theme that runs through the above discussion is that investments opportunities abound for tree crop development and processing in Nigeria. This will contribute significantly to the economic growth and development of the country. Unfortunately, the farming system in Nigeria is beset with a number of problems which has made it to underperform its potentials in the recent years. The Federal Government of Nigeria has taken a number of measures to encourage investment in the country. Investors are thereby encouraged to take advantage of these measures and invest in the agricultural sector, particularly there cops sub sector of the economy. Those areas that require investments in tree crops sub-sector have been sufficiently discussed in this paper.

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