



## Impact of Nigeria agricultural produces export on economic growth: Review of past related literature

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### Abstract

Developing countries are rooting to achieved rapid economic growth and export is perceived as vital tool for economic growth. Nigeria, as a developing economy, can only achieve economic growth through more international trade. Agricultural export is capable of supporting output, create employment and generate income for both farm and non-farm sector.

The paper examined the Nigeria's agricultural export sector, its importance to economic growth. Also, evaluate the different intervention of the government to achieving a robust agricultural export sector and the present state of the sector,

Lastly, it enumerated the various challenges faced by the sector which led to rejection of some of the products in the international market, which is due to poor quality of produces and lack of adherence to international produce standard.

The growth of Nigeria's agricultural export market depends on increase in production of high quality produce (agricultural products) that will meet the international standard. For this to be achieved there is need for more government and private sector involvement in the disbursement of subsidized farm inputs to farmer to encourage them to increase production. Also investment in agro-processing plants, so that there be less raw produces exported, so as to earn more foreign exchange.

**Keywords:** Agricultural export, economic growth, Nigeria

### Introduction

In Nigeria, Agriculture was answerable for well over 80% of export profits, employment, and government income (Okuduwor, Amadi- Robert & Udi, 2023) <sup>[11]</sup>. It also contributed to around 65% of the GDP. Between 30 and 40 percent of the Gross Domestic Product (GDP) is attributable to agriculture (Ijirshar, 2015) <sup>[7]</sup>.

It is impossible to overstate the role that agricultural resources play in a country's sustainable development and economic success. According to Olajide, Akinlabi, and Tijani (2012) <sup>[12]</sup>, the industry is important to the country's economy since it helps to reduce poverty and build the economy by generating export money and job possibilities.

Exportation is the movement or transfer of products from the nation of production to another where they are required in return for payment. Exportation is necessary for a country's income base to increase, resulting in economic progress and growth. Foreign commerce acts as a conduit for foreign money to enter a nation, making it the foundation of any nation desiring to be taken seriously on the global stage (Nwafor, 2017) <sup>[15]</sup>. Additionally, exports help a nation's currency gain value over time, strengthening its external financial position. Additionally, it aids exporting nations in achieving a favorable balance of payments and trade, provided that their exports adequately outpace their imports (Nwafor, 2017) <sup>[15]</sup>. According to PwC's 2019 study, sesame seeds, fermented cocoa beans, cashew nuts, ginger, crude palm kernel oil, soy beans, frozen shrimp and prawns, among other commodities, accounted for the majority of agricultural exports in Nigeria during the 2016 and 2018 timeframes. And between 2016 and 2018, the nation's agricultural exports brought in a total of N0.53 trillion. National Bureau of Statistics (NBS), stated that Nigeria's agricultural exports would be valued N598.2 billion in 2022, up 18.5% from the value exported in 2021. In 2020, the value of the sector's agricultural exports increased year over

year by 19.16% to N321.54 billion. (Odifa, 2023) <sup>[10]</sup>. In 2019, the value of exports decreased by 10.89 percent to N269.83 billion. This shows a progressive increase in the export earning of agricultural products in the Nigeria.

### Prospect of Nigeria export market

Adam Smith and David Ricardo, two classical economists, maintained that specialization produces greater economic gains and that trade with other countries is the primary driver of economic growth.

The important of agricultural exports and its significant in the growth of the economy of a nation cannot be overemphasized, as it provides substantial amount of cash receipts to farmers, and numerous non-farm workers, who engaged both directly and indirectly in assembling, processing, and distributing of agricultural products.

Nigeria's agricultural exports have the potential to boost the country's economy, provide jobs for exporters and farmers looking to make a living, and bring in foreign currency. It could also increase the customer base of the farmers or firms, from local to international, so more income generated. According to Ekuegbe, (2023) Nigeria could profit from the Russian-Ukrainian conflict by increasing their wheat output by irrigation in select states that have the ideal climate for growing so as to boost export revenues. To increase the goods' competitiveness on the global market and farmers' incomes, Nigeria may also expand its agricultural value chains and agro-allied businesses by processing and adding value to the products rather than exporting them in their raw state. For young people, the agricultural export market offers a variety of job and income-generating options through product export or participation in the agricultural export value chain.

The need to increase agricultural exports by increase production output from farms and industries is necessary, as it will lead to increased activities on farms and factories; as

such, creating more jobs. Export stimulates economy activities, creating more employment opportunities leading to more consumer spending. It also foster international relationship with countries, expands the consumer base for the products and more funds is injected into the economy, as these products could be sold at higher prices in the international market.

### **Relationship between Nigeria's Agricultural Exports and Economic Growth**

According to Akinlolu & Nejo (2020) <sup>[1]</sup>, who examine the relationship between disaggregated agricultural export and economic growth for the period of 1981-2018, the result of study showed the existence of a strong long-run relationship between cocoa, oil palm and economic growth. It was suggested that government budget allocation for the cultivation of oil palm and cocoa, be increased and grants be given to farmers to encourage them to increase productivity. In the same vein, Busari, Kehinde & Ayanboye (2022) <sup>[3]</sup> analyzed the effect of agricultural exports on economic growth in Nigeria, in his work he used time series data covering the period between 1980 and 2018. The results of the study showed that agricultural exports, exchange rate, and the ratio of average world price to producer price of agricultural export commodities are significant determinants of economic growth in Nigeria. As such, it was recommended that government should embrace agricultural policy interventions that will stimulate increased supply of agricultural export, stabilized producer prices of agricultural produces export and create friendly macro-economic environment for agricultural exports that would promote economic growth.

Osabohien, Akinpelum, Matthew, Okafor, Iku, Olawande & Okorie (2019) <sup>[13]</sup>, evaluated the impact of agricultural exports on economic growth in Nigeria. In this research the findings were that, increased agricultural exports, foreign direct investment, effective exchange rates and labour force have positive effects on economic growth. The research findings recommended that agricultural export should be promoted by the increase of agricultural productivity and domestic agro-processing sector, so that Nigeria can experience a favourable trade balance in agricultural trade and thus economic growth.

Emerole & Edeoga, (2013) <sup>[5]</sup> analyzed the performance of the non-oil agricultural export of Nigeria, the prospect of the non-oil agricultural exports on the economy of Nigeria, the cause or effect of trade variables on non-oil agricultural export of Nigeria and the link between non-oil export and economic growth. The following tools were used: descriptive statistics, multiple regression and correlation analysis to achieve the objectives. The study concluded that the non-oil agriculture export has the potential of contributing to economic growth of Nigeria and series of problems were identified but the major problem was the unfavorable nature of the foreign exchange. The study recommended that the non-oil agricultural exports should be supported efficient regulation of the foreign exchange.

### **Challenges faced by Nigeria's agricultural export**

Some of Nigeria's agricultural export has experienced a lot rejection in the international market over the years. This has led to the country not obtaining expected maximum benefit from the international market, even with the yearly increase

recorded; there are still many opportunities yet to be tapped in the export market.

Export marketing is a challenging process that calls for compliance with international regulations, managing worldwide competition, adhering to standards for product quality, etc. According to (PwC, 2019), there are several challenges responsible for the low level exports of agricultural goods. The constraints include:

- Gridlock at the Apapa and Tin Can ports has created logistical issues that have increased haulage costs, decreased export prices owing to produce quality deterioration during protracted transit to the port, and decreased accruable foreign exchange.
- Due to their perishable nature, lack of suitable contemporary storage facilities for agricultural output has resulted in severe post-harvest losses, which has decreased the number of items available for export.
- Because to improper handling, insect and disease assaults on crops, and overuse of pesticides for preservation, the quality of agricultural products for export is subpar.
- Lack of value addition to agricultural exports has caused the nation to lose a sizable amount of income.

Ekuegbe, (2023) listed the following threats to an effective and robust agricultural export market, including: underdeveloped regional and sub-regional markets; inadequate and deteriorating infrastructures; financial constraints; ineffective implementation of export incentives and support programs; overregulation of the non-oil export sector.

Irrespective of the challenges, Nigeria have benefited economically from agricultural export over the years, through the export of few crops that Nigeria is comparatively advantaged. Recent National Bureau of Statistics report shows that, Nigeria export revenue in the first quarter of 2023 is N279.64 billion, from cocoa beans, sesame seeds, cashew seeds and other seven agricultural crops (Odifa, 2023) <sup>[10]</sup>.

However, most of the agricultural products sent to the international market is in their raw state, but more revenue could be realized from value addition through agro-processing. Also, processing of these produces could create more jobs in the country as these industries will employ more workers for the process.

### **Interventions to support agricultural export in Nigeria.**

The largest industry in Nigeria is agriculture, which has contributed an average of 27.6% or almost one-fifth of the country's GDP over the past nine years. Despite this, the size does not correspond to the share of its commerce. The Nigeria government have enacted a series of policies and over the years in an effort to boost export and agricultural production and. These include:

#### **Structural Adjustment Programme**

(SAP): In 1986 this programme was introduced, as an economy survival strategy (Banjoko, Iwuji, & Bagshaw, 2012) <sup>[2]</sup>. Among others, it was to boost export and agricultural production through trade liberalization, exchange rate policy, price liberalization and the deregulation of interest rates, although the agriculture sector experienced positive and steady growth rates between 1986 and 1996. However, challenges experience by the policy is

that some of the SAP measures did not yield the desired result, lack of consistency and continuity in the implementation of programs. Moreover, the country experience continuous rejection in exporting agricultural products in the international market due to inability to meet up with the standard set by the foreign countries (Ileso, 2000) [8].

### The Nigerian Export Promotion Council (NEPC)

Was established at 1976 by the Nigerian Export Promotion Decree No. 26. The council has the mandate to promotion, development and diversification export from crude oil based. Over the years, NEPC has worked to achieve this mandate by coordinating and harmonizing non-oil export activities in the country; through providing leadership in national export programs; registration of exporters, and interfacing with international trade agencies on cooperation and capacity building. Although the agency, has recorded some milestone successes, as the agricultural export volume has increased over the years, but for the continuous rejection of some of these produces needed to be investigated and addressed (NEPC).

### Nigeria Export-Import Bank (NEXIM)

Was established in 1991, as an export credit agency. It has responsibility of supporting the export businesses by providing short and medium term loans, credit guarantee, credit insurance facilities and maintenance of trade information system.

### Conclusion and Recommendation

Following the review of previous studies to examine the impact of agricultural export to economic growth of Nigeria, the study arrived at the conclusion that there is need to raise the output of high-quality products that satisfy worldwide standards so as to soar the country's export potential. Reports from some of the research work showed that export of agricultural goods has the potential to strengthen the country's economy. Therefore, the study came up with the following recommendations for policy implementation to boost agricultural export:

1. Federal government's distribution of subsidized farm supplies to small-scale farmers in order to increase farmers' production, such as fertilizers, seeds, tractors, and equipment.
2. Investment in agricultural technology that removes physical labor encourages young people to work in agriculture, which helps to boost the labor force.
3. Young unemployed graduates should be encouraged to embrace agriculture through youth agricultural empowerment programmes to boost agricultural production especially in the cultivation of export crops,
4. Private sector investment in agro-processing of agricultural products to maximize the value of exports.
5. Sponsoring agricultural research organizations to supply farmers with research-driven technologies to increase production through agronomic techniques, conventional crop breeding, or contemporary biotechnology.

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