



Q1' 2024: When Food Scarcity trumped Non- Oil Exports Policy

The promotion of non-oil exports in Nigeria often takes centerstage when crude oil (the bride of successive administrations) fails to deliver the goods - usually from inadequate crude oil production, massive oil theft that impacts Nigeria's ability to meet production quotas or where the per barrel price in the international market is below budget benchmarks.

The current administration has repeatedly declared promotion of non-oil exports as a key objective, but the jury is still out on whether sufficient priority is being accorded to the sector. A clear strategy / roadmap for promotion and protection of the non-oil sector that stakeholders can rely on (and hold government accountable to) is lacking. Evidence of the disconnect between policy intentions and actual operations of key government stakeholders came to fore in the past few months.

In the first quarter of 2024, following drastic policy changes in the preceding months (especially removal of fuel subsidy and currency float / devaluation of the Naira), as well as incidences of banditry and kidnapping, Nigerians experienced a sharp increase in inflation, food supply shortages and general rise in cost of living. Food scarcity and attendant hunger quickly emerged as threats to peace and security across the country. To avoid escalation into widespread unrest, governments at the federal and subnational levels began to apply various measures to bring the situation under control.

Economic Diversification (Policy) vs. Hunger & Survival

Reeling from the effect of insecurity on farmers' ability to cultivate or harvest crops (in sufficient quantity), one of the measures deployed to bring food inflation and hunger to a bearable level was to control the movement of agricultural products from Nigeria to neighbouring countries, especially across the land borders. Persons who typically transported agricultural produce across the border from Nigeria were prevented from doing so. Rather than checking to ascertain whether the goods were being exported in a manner consistent with their usual practice (i.e. genuine exporters) or not, the exporters were viewed as saboteurs.

The Nigerian Customs Service was very quick to celebrate several seizures after launching an 'anti-smuggling operation against illegal food export'. The public was informed that the operation was "to prevent the unlawful exportation of vital food resources for individual economic gains", but there was no indication of what they consider to be 'unlawful exportation', especially where the goods were not on an export prohibition list. It took the President's intervention for seized goods to be returned to the owners on the condition that the goods should be sold within Nigeria.

The actions of the Tinubu administration in the first quarter of 2024 are not entirely consistent with the pledge to promote the non-oil sector of the economy and remove all bottlenecks to doing business.



Apparently taking the hint, Premier Feeds Limited (a subsidiary of Flour Mills of Nigeria PLC, chose to suspend the purchase of Maize and Sorghum, attributing the decision to food insecurity in Nigeria and its impact on citizens, coupled with the difficult Nigerian operating environment. Olam Agri (a subsidiary / affiliate of the Olam group, which is one of the top non-oil exporters in Nigeria) quickly followed suit. It also suspended the purchase of Maize and Sorghum from the Nigerian market. Other players equally took measures to avoid working at cross purposes with the Government.

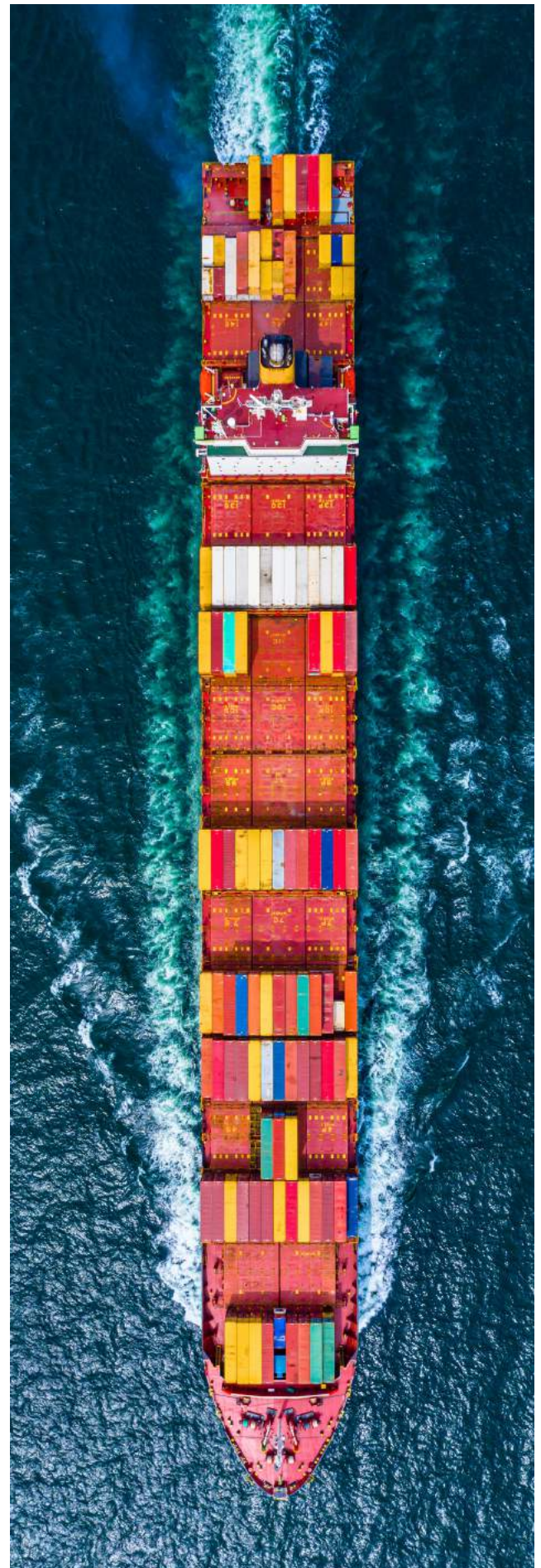
Consequence of Government's action

- As mentioned above, the seizures were made without sufficient clarity regarding what constitutes "unlawful exportation of vital food resources for individual economic gains". It, in fact, begs the question whether commercial activity is typically devoid of 'individual economic gains'.

For the exporters and other businesses that typically trade across the border and were prevented from doing so, the result was loss of business and expected income. The returns (if any) from selling the same goods within Nigeria is unlikely to be commensurate with sales abroad. The cost of supply chain disruptions resulting from seizures or suspension of products procurement in the country is unquantifiable.

- On the Government's part, reduced export of key agricultural products in the first quarter will result in loss of much-needed foreign exchange from the non-oil sector of the economy.

Government has a responsibility to take appropriate measures to protect citizens against food scarcity but non-oil exporters have been left unprotected against actions (that are well-meaning but with unintended consequences). A similar situation played out months ago when the country's border with Niger were suddenly closed in response to the coup in Niger.



Exporters transporting goods through the Ilela border to Niger and neighboring countries were caught unawares and forced to suffer either loss of goods, double cost of transportation, extra fees to security officials, etc.

The highlighted actions of this administration in the first quarter of 2024 are not entirely consistent with the pledge to promote the non-oil sector of the economy and remove all bottlenecks to doing business.

Recommendations

1. The President Tinubu-led administration should publish a clear roadmap / strategy in relation to non-oil exports that it can be held accountable to.
2. Policy directives of Government and enforcement actions conducted by security agents in connection with non-oil exports (especially agricultural produce) should be well considered and clear in terms of target groups, exemptions, timeframe, dispute resolution, etc., rather than being vague and seemingly uncontestable. By their nature, agricultural produce could quickly deteriorate if delivery is delayed, or the goods are stored in unsuitable conditions.
3. Unless in extreme national security situations, borders through which goods are exported should not be closed with immediate effect. Exporters should be given a reasonable grace period within which to complete their delivery of goods. Alternatively, some remedial measures can be extended by Government to impacted exporters to mitigate losses or related concerns.



Contact Us

Godson Oghenechuko

Principal Advisor

godson@policyvault.africa

+234 (0) 809 681 2171

Hycent Ajah

Associate Consultant

hycent@policyvault.africa

Malcolm Durosaye

Associate Consultant

malcolm@policyvault.africa



Policy Vault is an online repository of government policies, including laws, standards, electoral guidelines, business regulations, investment guides, and macroeconomic data of countries in Africa (especially documents that have historically been difficult to access by civil society, researchers, and investors). Its goal is to increase access to actionable information and policy insights that can be used for research, advocacy, private sector investment, etc.

In connection with the above objective, Policy Vault engages in the tracking, collection, digitisation, collation and publication of government policies. It also, amongst other activities, conducts analysis / impact assessment of relevant policies to positively impact development in Africa.