

Framework of the Tomato Sector Backward Integration Program



FEDERAL MINISTRY OF
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1. Background

The President Buhari Administration is committed to the goals of diversification of the economy, job creation and poverty alleviation through inclusive growth and has identified agro-based industrialisation as a priority area in achieving these goals.

2. This memo provides an overview, objectives and implementation arrangements of the proposed Tomato Paste BIP, a key element of the Tomato Sector Transformation Roadmap.

1.1 Status of Nigeria's Tomato Industry

3. Tomato fruit is a major food component consumed in most Nigerian households. It is grown in every State, using local varieties but majorly in Kano, Jigawa, Kaduna, Gombe, Sokoto, Bauchi, Zamfara, Katsina, Kebbi, Borno, Plateau and Benue States.

4. Tomato is consumed in Nigeria in two major forms – fresh fruit and tomato paste. Tomato paste is produced by diluting and repackaging tomato concentrate into retail-sized packs. Tomato is also consumed in other forms – seeds, sun dried, peeled, pulp, diced, ketchup, partially hydrated, juice, powder and strained.

5. Production requirement of fresh tomato fruit for consumption and conversion to paste is put at about 3.4millionMT per annum while the country produces only 2.3millionMT per annum, primarily for fresh fruit consumption.

6. In addition, Nigeria imports 105,000MT of tomato concentrate per annum at a cost of \$157.5million, which is diluted to produce Tomato Paste. This is due to the absence of a supply of fresh fruit - suitable for concentrate/paste production - and inadequate in-country capacity to produce Tomato Concentrate.

7. This demand for tomato paste is currently being met by 10 tomatoes paste packing companies, who import and repackage tomato concentrate into tomato paste in retail packs.

1.2 Overview of the Tomato Policy

8. The Tomato Policy ('the Policy') was initiated in 2018 with the objective of increasing tomato production to meet demand for fresh fruit consumption and processing. The Policy was enabled by the following fiscal measures:

- i) Classification of greenhouse equipment as Agricultural Equipment. Greenhouse equipment are eligible for the zero percent import duty

exemption. Greenhouses are required to promote year-round production of fresh tomato fruit;

ii) Restriction of importation of the following items:

HS Code	Item Description
2002.10.00.00	Tomatoes, in whole or pieces
2002.90.19.00	Other concentrate (excluding triple concentrate)
2002.90.20.00	Tomato paste or concentrate put up for retail sale

iii) Increase in the tariff on Triple Concentrate (HS Code 2002.90.11.00) by the addition of an Import Adjustment Tax (IAT) of 30% and a levy of \$1,500 per metric tonne.

iv) Restriction of the importation of triple concentrate and other tomato products via the seaports to address abuse of the ECOWAS Trade Liberalisation Scheme (ETLS).

9. The Policy also includes a 4year Roadmap with action items for relevant Government agencies to:

- i) Increase production of fresh fruit to meet the demand for direct consumption and production of Tomato Concentrate;
- ii) Substitute the annual average import of 150,000MT of tomato concentrate with local products;
- iii) Reduce Post-Harvest Losses to 20%; and
- iv) Establish a Framework for Sustainable Financing of the Sector.

10. The Policy has resulted in the reduction of post-harvest losses to 15%. However, this additional fresh fruit is not available for conversion to tomato paste as it is sold for direct consumption.

11. The Policy has also resulted in the establishment of four production sites in Kebbi, Kano, Jigawa and Kaduna States, targeted at conversion to tomato paste with 7,100Ha of land developed, 1,000Ha of tomato processor-owned farmlands, 5,335Ha of farmlands under out-grower schemes. However, local production is still far below demand at 10% or 10,000MT per annum.

12. Accordingly, as part of the 2021 Fiscal Policy, Mr President approved the revision of the tariff on Triple Concentrate and Other (HS Code 2002.90.11.00 and 2002.90.19.00) to 10% Duty and 20% (IAT) Levy. The importation of these items

is to be limited to the national supply gap and restricted to investors/processors with verifiable Backward Integration Programs.

BIP Objectives, Goals and Targets

13. The objective of the Tomato BIP is to incentivise investment in the production of tomato fruit and conversion to tomato concentrate, in order to substitute the importation of tomato concentrate over five years (2022 – 2026).
14. The specific goals and targets of the BIP are as follows:
 - i) Create 7,000 seasonal and 3,000 non-seasonal jobs;
 - ii) Increase the production of tomato fruit by 1,050,000MT/annum for conversion to tomato paste; and
 - iii) Reduce the demand for foreign exchange by creating in-country production of 105,000MT of tomato concentrate annually, valued at \$157.5million;

2.1. Implementation Strategy

2.1.1. Responsibility for Implementation

15. The BIP shall be implemented by the Tomato BIP Inter-Ministerial Committee domiciled in the Federal Ministry of Industry, Trade & Investment and made up of representatives of the following organisations:

- i) Federal Ministry of Industry, Trade & Investment
- ii) Federal Ministry of Agriculture & Rural Development
- iii) Federal Ministry of Finance, Budget & National Planning
- iv) Federal Ministry of Science & Technology
- v) Nigeria Customs Service
- vi) National Agency for Food and Drug Administration and Control
- vii) Bank of Industry
- viii) Standards Organisation of Nigeria;
- ix) Manufacturers Associations of Nigeria; and
- x) Representatives of the BIP Companies.

2.1.2. Overview of the Annual Import Quota Allocation

16. The implementation of the Tomato Paste BIP shall be enabled by an Annual Import Quota Allocation, used to motivate investment in the BIP and sanction poor performance.

17. The annual quota allocations shall be computed by the Implementation Committee and approved by the Honourable Minister of Industry, Trade & Investment at the beginning of each year.

18. Each BIP participant shall submit its Backward Integration Plan over the five-year period (2022 – 2026) at the commencement of the Program i.e., 2022. This plan shall form the basis of the annual evaluation and of the participants' performance and shall outline the following planned targets:

- i) Land Developed
- ii) Tomato Fruit Produced from Out-growers
- iii) Tomato Concentrate Produced in MT
- iv) No of Jobs Created

19. Each participant shall aim to produce at least the quantity of tomato concentrate it is allocated in the first year of the BIP i.e., 2022, by the end of the five-year BIP period. Also, the proposed Land Developed, Tomato Fruit produced from Out-growers, and Jobs Created in each year of the Plan shall be commensurate with its planned targets for Tomato Concentrate production.

20. Where a participant believes that it cannot produce Tomato Concentrate commensurate with its 2022 allocation over the five-year BIP period, it is at liberty to indicate what it can realistically contribute. In this case, its share of the initial and subsequent import quota shall be adjusted in line with its contribution to the overall self-sufficiency target and any difference awarded to participants who are ready to take up this share.

2.1.3. Performance Evaluation

21. The annual allocations shall be based on prior year performance on the BIP and it shall be a percentage of their initial, i.e., 2022 allocation.

22. The definition of the KPIs outlined above is as follows:

- i) Land Developed: Portion of land that is ready for planting of tomato with all the inputs or already has tomato planted on it;
- ii) Tomato Fruit Produced from Out-grower Scheme – Volume of tomatoes produced at the right quality and quantity from the BIP Operator's out-grower scheme

iii) Tomato Concentrate Produced: Tomato concentrate produced from the BIP site measured in MT;

iv) Jobs Created: No of permanent and seasonal jobs created.

23. Below are the Key Performance Indicators (KPI) for evaluating the annual performance of the BIPs. Weights have been assigned to each indicator over the five-year period to reflect their changing importance.

Key Performance Indicator	WEIGHT				
	2022*	2023	2024	2025	2026
Land Developed (Ha) - Actual/Planned	N/A	40%	20%	10%	0%
Tomato Fruit Produced from Out-grower Scheme (MT) - Actual/Planned	N/A	30%	25%	20%	10%
Tomato Concentrate Produced (MT) - Actual/Planned	N/A	10%	25%	25%	30%
Jobs Created - Actual/Planned	N/A	20%	30%	45%	60%
Total	N/A	100%	100%	100%	100%

*Initial allocation in 2022 will be based on different criteria

24. Performance evaluation will be evidenced-based, carried out using appropriate technologies and supported with documentary proof of claims as follows:

S/N	KPI	Approach and Responsibility
1	Land Developed	Measured annually by an independent firm of surveyors and agronomists
2	Tomato Fruit Produced from Out-grower Scheme	Facility Audit by the Implementation Committee or its' designate
3	Tomato Concentrate Produced	Facility Audit by the Implementation Committee or its' designate
4	No of Jobs Created	Facility Audit by the Implementation Committee or its' designate

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Reward & Sanctions Regime

25. In order to implement an incentive alignment regime that has no negative impact on the market, the following are the measures which shall serve as a reward for high performance and sanctions for under-performance:
- i) Any operator that scores over 100% on its BIP Performance, shall be awarded additional allocation to the level of its *over-performance*, e.g., if an operator scores 118%, the operator shall be allotted an additional 18% of the balance of the estimated demand;
 - ii) All operators that score below 80% shall be allocated a proportion of their deemed market share (i.e., 2022 allocation) equal to their score. For example, an operator that scores 60% shall be awarded 60% of its market share. The balance of its market share shall be allocated equally to the top three performing operators, on the condition that they scored above 80%.
26. The Implementation Committee shall evaluate any reasons for non/poor performance that are outside the control of the operator in its performance evaluation for the period.