

Diversification of Nigeria Economy through Agricultural Production

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Abstract: *There is no doubt that petroleum (crude oil) has contributed substantially to Nigerian revenue since its discovery in 1956 and more especially, since 1970 when its price was on the upward trend, it is a well-known fact that Nigeria's continuous large earnings or revenue from this sector will be impossible due to the reduction in oil price. However, it is a known fact across the globe that for a country to attain growth and development, its economy has to be diversified. Mono-economy needs to give way to the productive development of various sectors of the economy. As a matter of fact, there is an urgent need for the Nigerian government to begin looking into diversification of the economy into the agricultural sector so as to attain solid economic growth. These studies have shown that there exists a positive relationship between economic growth in Nigeria and diversification into the agricultural sector. Descriptive statistical method and correlation analysis was employed in this paper. This paper however, attempted to seek out how diversification of the economy will enhance stable and viable economic growth in Nigeria.*

Keywords: *Economic diversification, Agricultural production*

I. Introduction

As global oil prices continue to fall sharply over the past 18 months, Nigerians, for an economy that is largely dependent on oil needs not be told that tough times beckons. Thus we must recognize the urgency and severity of the matter. As a matter of fact, all efforts must be geared and directed towards the 'rejected stone,' who must now become the chief corner stone as a means to set the nation's economy on a path of rebirth and recovery. Setting the nation's economy on the path of rebirth and recovery requires a complete shift of attention back to the Agricultural sector as the only way out of this conundrum. Ogbah, 2016. Before the discovery of oil in 1956 in Nigeria, Nigeria was famous in her agrarian economy through which cash crops like palm produce, cocoa, rubber, timber, ground nuts, were exported, thus making Nigeria a major exporter in that respect. Also, Nigeria had 19 million heads of cattle, the largest in Africa. At present, Nigeria is no longer a major producer of groundnuts (peanuts), rubber, and palm oil. Cocoa production, mostly from obsolete varieties and overage trees, has nevertheless increased from around 180,000 tons annually to 350,000 tons. Undoubtedly, the discovery of crude oil has contributed and assisted Nigeria's economic prosperity and growth. Nevertheless, the current dwindling in oil price since June 2014, after five years of oil windfall, has immensely affected the economy of major oil exporters like Nigeria, Saudi Arabia, Iraq and Libya, etc. as was majorly aggravated by Middle East unrest and wars. Another huge blow to crude oil exporters was America's reduction in the number of barrels they import from nations. These factors have created a bad market for Nigeria and thus, her economy is presently shaking. This scenario is worsening by Nigeria's running mono-economic economy and the abandonment of agriculture. The adverse effect of this boom and euphoria led to the establishment of new urban cities that necessitated mass exodus of able-bodied men and women from the rural areas to the cities in search of white-collar jobs and quick money. This development drastically reduced interest in agriculture and agrarian economy. (Ariyo, 1997). Agricultural sector has been the leading provider of employment in Nigeria since the sixties and seventies, when the sector provided employment for more than 70 percent of the Nigerian population. Unfortunately, in the wake of oil discovery, the attention on this sector of the economy was gradually and myopically shifted to the oil sector where employment opportunities were very low and the traditional agricultural exports have been on a progressive decline. Regrettably, the scenario has given rise to acute unemployment as oil sector could only employ limited number of the population and worse still, only experts. The graph below provides us with a lot of information on the role agriculture played in Nigerian Gross Domestic Product before its neglect. Navigating these roads thus should begin a journey to revisit the pre-oil boom years. In the 1960's, the Agricultural sector was the most important one in terms of its contribution to domestic production, employment and foreign exchange earnings. During the oil boom decade of the 1970's the sector remained largely stagnated and this accounts largely for the declining share of its contribution these days. Onikosi, 2015

II. Statement of the Problem

Nigeria is technically in a state of economic recession Adeosun, 2016. Every sector is troubled. The fact is, Nigeria moves one step forward and reverses by five steps backwards. We have had more political crises, debt servicing issues and turbulence in the oil sector to deal with, than the number of positives. The issue of high inflation, fluctuation in the foreign exchange market and fall in revenue Ibrinke, 2016.

A careful observer notices that the oil boom which would have been an enduring blessing to Nigeria has regrettably necessitated great shift of attention to oil money, which resulted to a total neglect of agriculture. Today, agriculture has suffered from long years of neglect, mismanagement, inconsistent and poorly conceived government policies, lack of government meaningful incentive to farmers, lack of basic infrastructure and a lot of bureaucratic bottlenecks in executing policies and agricultural programmes among government agencies The shift of focus to the Agricultural sector is the only bail out for the economy. The demand for agricultural product out there is very high, if we produce the right quantity and quality.” It is good that the man has a good understanding of his job. However, government must be reminded that we are in this situation in the first place, due in part to its complacency, utter neglect and disdain for the Agricultural sector. This paper however, attempts to seek out how diversification of the economy will enhance stable and viable economic growth in Nigeria.

Objective of the Study

1. Determine the relationship between diversification into agricultural production and economic development in Nigeria;
2. Identify the ways in which diversification into agriculture can boost Nigeria’s economy; and
3. Assess how diversification into agriculture can be achieved in Nigeria

III. Literature Review

The Role of Agriculture in the Economic Development of Nigeria

The traditional approach to the role of agriculture in economic development is formulated in terms of the contributions the agricultural sector can make or the functions it can perform during the process of economic development. (Anyanwu et al., 1997) As stated by Reynolds (1975), agricultural development can promote the economic development of the underdeveloped countries in four distinct ways by: increasing the supply of food for domestic consumption and releasing the labor force needed for industrial employment; enlarging the size of the domestic market for the manufacturing sector; increasing the supply of domestic savings; and providing the foreign exchange earned by agricultural imports. According to Omawale and Rogrigues (1979), agriculture has been assigned an important role in national development by most developing countries. It has been seen as a means of reducing dependence on certain importations, containing food price increases, earning foreign exchange, absorbing many new entrants to the labour market and increasing farm incomes at times of severe unemployment and rural poverty.

Diversification

Diversification refers to a strategic direction that takes companies into other products and/or markets by means of either internal or external development. There are basically two broad forms of diversification as listed below: Related diversification: This occurs when a company develops beyond its present product and market whilst remaining in the same area.

Backward diversification: This is when activities related to the inputs in the business are developed.

Forward diversification: This refers to development into activities which are concerned with a company’s output.

Horizontal diversification: This occurs when a company develops interests complementary to its current activities. For a company may integrate its activities to include all aspect of the value chain; design, manufacture, market and distribute.

Economic Diversification

This refers to the process whereby a growing range of economic outputs are produced It can also refer to the diversification of markets for exports or of income sources. ED is part of, but distinguished from, economic development, as the latter implies not only different of output, but also changes in the technical and institutional arrangements by which output is produced and distributed (Herrick and Kindleburger, 1983)

The government of Nigeria presently earn the sum of 174 billion naira due to its activities in five value chains namely Cassava, Rice (Dry Season and Rainy Season), Sorghum, Maize and Cotton, Adesina, 2014

Study Area

Nigeria is located in the tropical zone of West Africa between latitudes 4°N and 14°N and longitudes 2°2'E and 14°30'E and has a total area of 923,768 km². The country's north-south extent is about 1,050 km and its maximum east-west extent is about 1,150 km. Nigeria is by far the most populous country in Africa, with its 160 million people accounting for about one-seventh of the total population of Africa's 53 countries Kehinde, 2016

Method of data Collection

The data used were collected from the Federal Ministry of Agriculture, Federal Ministry of Finance, National Bureau of Statistics and Central Bank of Nigeria using one on one interview with some officials of the agencies

Analytical Technique

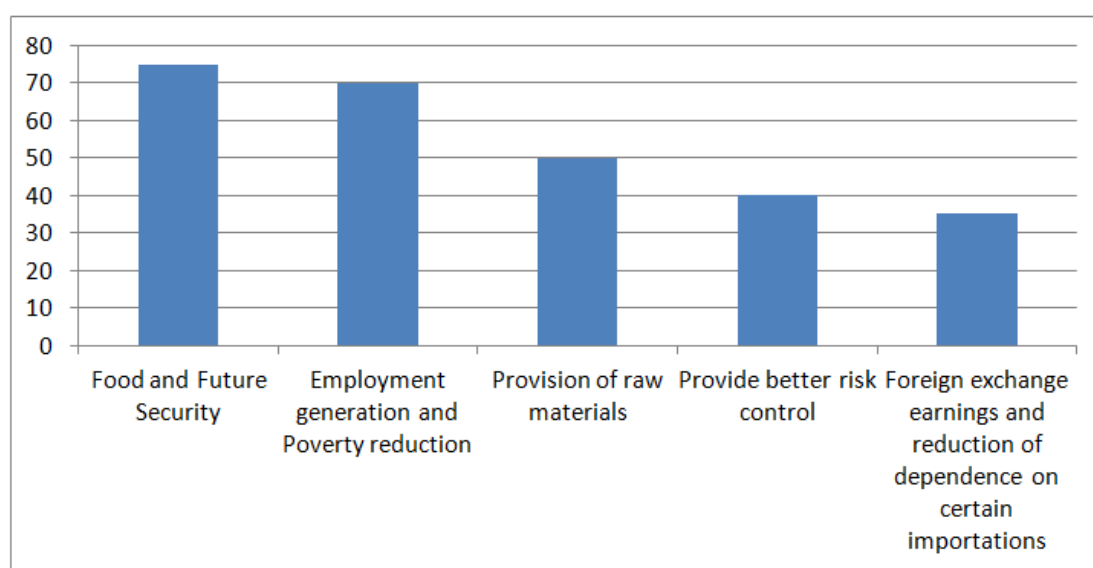
Descriptive statistics

Correlation analysis

IV. Discussion

Ways in which Diversification into agriculture can impact Nigeria Economy

The study identifies some of the ways in which diversification into agriculture can impact on Nigeria economy as shown in figure 1 below:



Relationship between Economic Development and Diversification to Agriculture

From the analysis of the study it has been derived that agricultural production contributes to economic development through: Employment generation 71%, provision of food 76%, Foreign exchange earning 32%, Poverty reduction 34% and Provision of raw materials 28%. The results of the assessment of hereby reveal in the study that there is a relationship between agriculture and economic development.

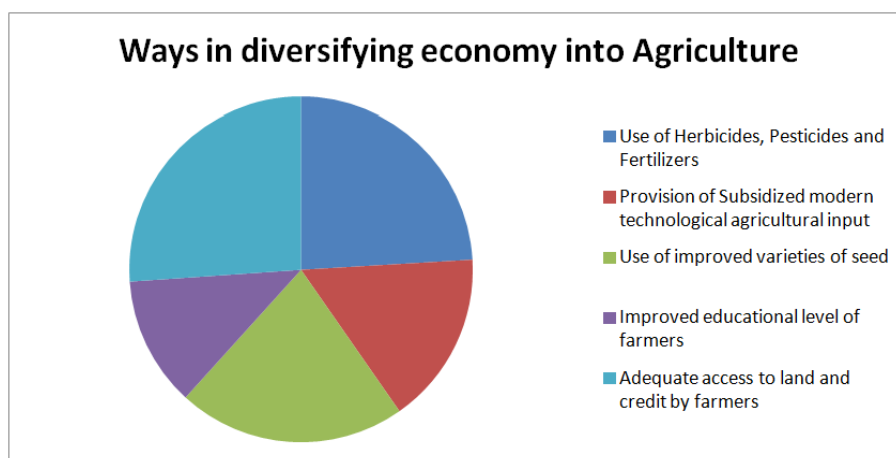
In order to determine the relationship between agriculture and economic development a regression analysis was carried out to establish the relationship between the factors that contribute to economic development and their level of contribution to economic development. The correlation test shows that employment generation had positive correlation at 5% level of significance. This indicates that agriculture through employment generation tends to contribute to Nigeria economic development. This could also be due to the fact that most Nigerian youth are employed through agricultural production activities.

The contribution of agriculture to poverty reduction correlates positively at 1% level of significance. This indicates that poverty can be reduced through agricultural production and this contributes to economic development in Nigeria. Provision of raw material has a positive coefficient at 1% level of significance. This suggests that as agricultural production increases, raw material is increased and this contribute to the economic development of a nation.

This could be due to the responsibilities attached to manufacturing of products and also leads to income generation for those companies. The coefficient of foreign exchange earnings through agriculture is positive at 1% level significance; this indicates that for a unit increase in agricultural production the economy increases.

How Diversification of the Economy into Agriculture can be achieved in Nigeria

In determining ways in which the economy of Nigeria can be diversified through agriculture the study identifies the following ways as shown in figure 2 below:



V. Conclusion

In conclusion, any government that runs a mono-economy is announcing her economic obituary. Therefore, the only thing that will save Nigeria from her economic crunch now or in future is the diversification of her economy. Nigerians need not to be dismayed by all the noise of what is going on but to persevere because the opportunity of diversification into the agricultural sector is the major way out of the technical recession.

VI. Recommendations

Having seen the economic problem caused by the neglects of agriculture in Nigeria, which have led to technical recession of the Nigerian economy, it becomes therefore, necessary to offer some recommendations that will be useful in diversifying the economy of the country.

The government of Nigeria need to do the following:

Expansion of output

Promote foreign private investment

Upgrade all basic infrastructures

Create an enabling environment that will favour diversification of the economy

Establish a working and functional bank of agriculture

Put in place policies that will favour subsidy for agriculture

Introduce at all levels mechanized system of agriculture to increase productivity

Revive all the agricultural research institutes

Endeavour to give scholarships to all those who are interested in studying agriculture

Discourage politicizing implementation of agricultural projects

“Agriculture must cease from being treated as development programme, agriculture must be treated as the country’s business and the only means of survival. There and then a proper diversification of the economy into agriculture can take place.

The call for diversification should not only be government's responsibility. Other stake holders must cooperate and collaborate with the government to make diversification into agriculture easy in Nigeria.

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