Boosting Job Creation Through Agro-industrial Clusters in Nigeria: Evidence from Two Value Chains

Introduction

Successive Nigerian governments have made job creation in agriculture, particularly for women and youth a key policy target.\(^1\) Evidence from a recent suggest that employment creation in other value chains like cotton-textile remain low despite steady progress is being made in some value chains such as rice through initiatives like the Anchor Borrowers’ Programme (ABP).\(^2\) The study also found that even in the relatively more successful rice value chain, the potential for boosting employment is higher in agro-industrial clusters.

Context

With a population of about 180 million which is projected to reach 279 million by 2050, Nigeria is on track to becoming the third most populous country in the world after India and China. Whereas a large population offers an opportunity to enhance productivity and economic growth through an abundant and competitive workforce, it can also spiral into intractable social crises when access to gainful employment opportunities are limited.

According to Nigeria National Bureau of Statistics, unemployment has steadily increased for the past eight quarters (Fig-1). Women generally experience a higher rate of unemployment and underemployment than men. In Q2 of 2015 for example, an estimated 21.6 percent of women were underemployed compared to 15.4 per cent for men. Similarly, in Q2 of 2015, 48 percent of youth between age 15-24 were either unemployed or underemployed (NBS 2016).

\(^1\) In Global Food Security Index Nigeria ranked 90 of 113 countries, lower than South Africa, Egypt, Uganda, Kenya and Rwanda. The Economist Intelligence Unit 2016.

A government agency had placed an advert for a couple of hundred job vacancies. Hundreds of thousands of youth turned up for interviews at various locations across the country. The ensuing chaos, rowdiness and stampede resulted in injuries and deaths of a number of job seekers. This highlights the fact that the reality of unemployment and underemployment is hardly fully captured in statistical projection and that creating employment opportunity will continue to be a core policy concern in the foreseeable future.

<table>
<thead>
<tr>
<th>Location</th>
<th>Closed textiles companies</th>
<th>Jobs lost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaduna</td>
<td>8</td>
<td>18,750</td>
</tr>
<tr>
<td>Kano</td>
<td>19</td>
<td>16,700</td>
</tr>
<tr>
<td>Lagos</td>
<td>60</td>
<td>66,250</td>
</tr>
<tr>
<td>Other locations</td>
<td>18</td>
<td>19,300</td>
</tr>
<tr>
<td>Total</td>
<td>105</td>
<td>121,000</td>
</tr>
</tbody>
</table>

Field Estimates (2015)

Box 1: Women grapple with exclusion in farms and firms

In some communities access to land by women is severely circumscribed by tradition. Even where the barriers are somewhat relaxed, women lack the power to make independent investment decisions. In some farmers’ cooperative societies with few women membership, leadership is dominated by men.

The processing end of the value chain reveals a wider gulf in gender representation. Most rice mills are owned, run and managed by men. In a stark manifestation of the gender dynamics, a woman factory worker exclaimed: “They don’t pay us salary! They only pay the men, the manager.” As compensation, there are instances where women employees are remunerated not in cash but in “broken rice” – waste leftovers from the processing of rice.

Policy Response and Divergent Outcomes

Following a comprehensive analysis of the previous administration’s Agricultural Transformation Agenda (ATA), the new Agriculture Promotion Policy (APP) otherwise termed “Green Alternative” is expected to deliver on the interlinked goals of food security, import substitution, job creation and economic diversification. The cross-cutting issues plaguing agriculture were organized under three broad themes: productivity enhancement, crowding in private sector investment and institutional realignment.

One of the major highlights of the Green Alternative is the Anchor Borrowers’ Programme (ABP). The programme seeks to foster synergy between smallholder farmers and reputable large-scale processors to boost agricultural output and increase capacity utilization of processors.3

Through ABP, farm inputs are provided to smallholder farmers in kind and cash to enhance production and stabilize raw material supply to processing firms. As a consequence, Labana Integrated Mill in Birnin Kebbi recorded 250 per cent increase in tonnage in the 2015/2016 cropping season because farmers were able to boost productions and shift from production of low-revenue crops to rice.4

However, there is no evidence to suggest that the success story in rice value chain is replicated in cotton-textile. While rice production and associated jobs thereof witness upswing, cotton-textile continues to slide downhill. The Federal Ministry of Agriculture and Development estimates show that the gap between demand and supply of cotton stands at 0.5 million tons while textile factories remain comatose with massive job losses.

3 Central Bank of Nigeria (CBN) 2016, Anchor Borrowers’ Programme Guidelines, Department of Development Finance, CBN.
4 Interview with Alhaji Zuru, General Manager Labana Integrated Rice Mill, Birnin Kebbi 15th June 2017, 14.17.15.42
Farmer-Herdsmen conflicts have assumed a more deadly security dimension leading to loss of lives and wanton destruction of communities especially in (but not limited to) Benue, Taraba, Adamawa and Kaduna States.

Interview with Alhaji Kabir Isa, Chairman, Rice farmers Association (RIFAN), Kaduna State at RIFAN office, Kaduna on 14th June, 2017 at 14.35-15.50.

Activities involved range from transportation and stacking bags in silos, pre-cleaning, steaming, parboiling, drying, milling (de-husking, etc), de-stoning, polishing, packaging, loading, etc.

Box 2: Dashed hopes and faltering prospects of textile mills: the case of Shokas and Solak

Established in 1977 and 1989 respectively, both factories had a combined workforce of 2050 staff at full capacity. While Shokas produced embroidery lace, Solak’s nature of production was textile dyeing and printing. Both factories collapsed under the weight of debt, poor infrastructure, lack of effective government support, weak customs and excise regime and influx of foreign textiles. Shokas closed down in 2005 while Solak went under in 2014. More than 70 per cent of the staff that lost their jobs were youth. The plight of Shokas and Solak captures the experience of other textile mills across the country with no end in sight.

Emerging issues

Fragmentation of Value Chains

The expected productivity gains and employment creation targets are grossly hampered by the fragmentation along the value chains. The upstream and downstream segments of the respective value chains simply operated without effective mechanisms of linkages, coordination and synchronization. In the cotton-textile sub-sector for instance, cotton growers exported raw lint while textile manufacturers imported the lint. Although Anchor Borrowers’ Programme was designed to engender synergy between smallholder farmers and large-scale processors, its impact is more apparent in rice value chain and less palpable in cotton-textile. There is also no quota allocations for women and youth in its operation and sustainability has been a source of concern.

Institutional incongruence

The cross-cutting institutional synergy between the Federal Ministry of Agriculture and Rural Development (FMARD) and the Federal Ministry of Industry, Trade and Investment (FMITI) that ought to produce policy coherence from farms to industry was absent. The lack of intergovernmental coordination was equally manifest between federal, state and local governments such that the dreams of the laudable initiatives are not shared beyond federal level. The ABP and other initiatives of the Green Alternative have not been domesticated across states and local governments.

Bias for Big Capital

Like the previous policies, small-scale processors have been disadvantaged in terms of government support. Large scale integrated rice mills witnessed a boost in production as a result of ABP. The same cannot be said of small scale rice processors. Evidence reveal greater policy and political support for big processing firms. The dependence of these firms on government support renders them vulnerable when such support dries up. For instance, should ABP cease to exist, some integrated rice mills may witness significant drops in output. On the other hand, small scale processors especially those that operate in clusters tend to exhibit greater resilience to shock and appear to be more sustainable.

New Forms of Security Challenges

Farmers have had to contend with herdsmen over livestock straying into farmlands and devouring crops. The frequency and scale of the conflict serve as disincentives to farmers, especially women and youth, because of the fear of losing lifetime investment without effective mechanism of compensation and remedy. In the Northeast region, the disastrous consequence of Boko Haram insurgency has virtually stalled agricultural activity. Meanwhile, in remote and isolated areas least affected by the Boko Haram brutal insurgency, farmers now face new forms of security threat – kidnapping for ransom. According to the President of Rice Farmers Association in Kaduna State, “Whenever we are going to the farm, we have to look tattered, like a labourer. We have to park our vehicle or motorcycle some kilometers away and trek to the farm. One needs to look like a mad man. You have to use mud to rob off your body, so they will not be able to figure out you are the owner of the farm.”

Case for Agro-industrial Clusters in Employment Creation

Field observation and interviews indicate abundant opportunities for employment creation in agriculture and agro-processing which are largely untapped despite government’s genuine effort. The case of rice value chain shows that while there are employment opportunities upstream (farm), the downstream component (processing) holds higher prospect in creating sustainable, regular and decent wage employment particularly for women and youth.

---

1 Interview with value chain actors and comments by participants at the Stakeholders’ Forum held on 29th July, 2015 in Chelsea Hotel, Abuja.
2 Farmer-Herdsmen conflicts have assumed a more deadly security dimension leading to loss of lives and wanton destruction of communities especially in (but not limited to) Benue, Taraba, Adamawa and Kaduna States.
3 Interview with Alhaji Kabir Isa, Chairman, Rice farmers Association (RIFAN), Kaduna State at RIFAN office, Kaduna on 14th June, 2017 at 14.35-15.50.
4 Activities involved range from transportation and stacking bags in silos, pre-cleaning, steaming, parboiling, drying, milling (de-husking, etc), de-stoning, polishing, packaging, loading, etc.
At each stage of processing, labour is required. This is particularly evident in rice mill clusters as the case of Enyimagu in Abakaliki, Ebonyi State clearly illustrated.

As for integrated rice mill, while the capacity for higher output tonnage is obviously an advantage, the potential for labour displacement detracts from its utility to maximize job creation potential of the value chain.

This was clearly evident in the Birnin Kebbi integrated rice mill factory where the process is automated from pre-cleaning to packaging.

Another point worth noting is that an integrated mill is heavily dependent on direct and indirect government support for its sustainability. Without the Anchor Borrowers’ scheme that guarantees steady flow of input, the factory would operate far below installed capacity. Given the huge financial outlay required to set up an integrated mill, it takes high net worth individuals (less likely women and youth) to access credit facility and institutional support from Bank of Industry, Central Bank of Nigeria and related agencies.

The rice mill cluster on the other hand have existed and survived for decades with minimal government support. It is an organic network of highly motivated entrepreneurs passionately committed to agriculture and agro-processing.

Such people are engaged in the sector for the long haul and are not necessarily driven by the momentary government incentive. A modest dose of government support especially by providing enablers such as infrastructure is likely to unleash the job-creating potential of the clusters in the various value chains. Above all, evidence points in the direction of agro-industrial clusters providing steady route to industrialization, skills upgrade and technology upgrade, access to global best practices and emergence of new and peripheral productive activities which spur indirect jobs. In order to boost sustainable jobs in agriculture and agro-processing especially for women and youth, the mechanisms that drive the operation of clusters need to be strengthened and replicated across the country and in other sub-sectors.

Recommendations

In order to fully maximize the potential of agriculture and agro-processing for employment creation, the Nigerian government should consider the auctioning the following:

a. Scaling and expanding of Anchor Borrowers’ Programme in rice value chain as well as other value chains;

b. Revising the ABP guidelines and similar interventions to make provision for quota allocations whereby not less than 40 per cent of beneficiaries will be women and youth; and

c. Introducing special intervention programmes that target value chain clusters to encourage economies of scale, upgrade skills and stimulate peripheral economic activities.

Acknowledgement

This policy brief was prepared by Aremu Fatai Ayinde (PhD) with technical and editorial support from the Partnership for Social and Governance Research (PASGR) under the Utafiti Sera Programme on Employment Creation in Agriculture and Agro-Processing in the Context of Inclusive Growth in Nigeria. The project was funded by INCLUDE.