



BENEFITTING FROM THE NIGERIAN
TOMATO SECTOR REFORMS:
A CASE FOR INVESTING IN TOMATO
PROCESSING FACTORIES IN NIGERIA

ABSTRACT

The Nigerian Minister of Industry, Trade and Investment on April 11th, 2017 announced its new Tomato Sector Policy which it hypes as the creation of import substitution in the Tomato Sector in pursuit of the Nigerian Industrial Revolution Plan (NIRP). The policy is also geared towards the reduction of Post-Harvest losses which is a bane of the Tomato-storage level of the value-chain.

This paper provides an argument for investment in Tomato Processing Factories by potential investors in the Sector.

Ridwanulahi Olanite Esq.

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Since 2011, the government of Nigeria, starting with the Goodluck Jonathan led administration has tried to refocus the Nigerian economy towards the development of the Nigerian Agricultural sector in a bid to: not only diversify the income source of the Nigerian economy from a Hydro-carbon export reliant economy but to also ensure the achievement of food security in Nigeria.

These governmental interventions saw to the introduction of the Agricultural Transformation Agenda (ATA) Policy of the Goodluck Jonathan administration which subsisted during the tenure of the Administration from 2011 to 2015. The success of this policy has seen to its maintenance and upgrade by the President Muhammadu Buhari led administration which has re-adapted the ATA Policy in its Agriculture Promotion Policy (APP) (2016-2020) which has been optimistically touted as “The Green Alternative”.

The Nigerian Federal Ministry of Agriculture and Rural Development (FMARD) in assessing the goals of its formulated policy which includes the achievement of food security; import replacement; creation of agro-allied jobs; and the diversification of the economy (as stated above), describes its policy orientation in the following terms:

“Building on the successes and lessons from the ATA, the vision of the Buhari Administration for agriculture is to work with key stakeholders to build an agribusiness economy capable of delivering sustained prosperity by meeting domestic food security goals, generating exports, and supporting sustainable income and job growth.”¹

It is important to note that the easy policy transition from the ATA to the APP is not only a testament to the burgeoning success of the ATA. It is also a confirmation of the genuine interest of the incumbent government of Nigeria to ensure a level of consistency in Agric. related policy as well as to show that in spite of a change in government and a transfer of power between different political parties, the incumbent government is willing to maintain policy stability to allow for investors to fully enjoy the gains of their investment in the Nigerian Agricultural sector without fears of policy instability.

An Agricultural Product that has benefitted immensely from the ATA-APP policy regime’s drive for sustained prosperity is the Tomato. It is interesting to note that the Tomato is one of the Prioritized domestic crops under the initial focus of the Nigerian

¹ See <http://fmard.gov.ng/the-green-alternative/> last assessed 24/07/2017 @ 00:02 am

government between 2016-2018 for the purpose of increasing domestic production and maximizing productivity and utility.

As a matter of fact, on April 11th, 2017, the Minister of Industry, Trade and Investment announced the development of a new Tomato Sector Policy². Prior to the introduction of this Policy, it was already being reported that the Nigerian Government had already placed a ban on the import of packaged Tomato paste, powder or concentrate³.

The Ministry of Trade hypes its Tomato policy as the implementation of import substitution in the Tomato Sector in pursuit of the Nigerian Industrial Revolution Plan (NIRP).⁴ The policy is also geared towards the reduction of Post-Harvest losses which is a bane of the Tomato-storage level of the value-chain.

A multi-institutional implementation strategy has been drawn up for this policy as the Ministry of Trade and Industry plans to implement the policy in collaboration with the Federal Ministry of Agriculture and Rural Development, Federal Ministry of Finance, Federal Ministry of Water Resources, Central Bank of Nigeria, Bank of Industry and the National Agency for Food and Drug Administration and Control

The tomato sector policy employs a combination of extra-ordinary Price based measures alongside other policy initiatives such as the provision of government supported Extension services to the Tomato Sector.

The key initiatives of the new tariff lines in accordance with the price based measures under the Tomato Sector policy geared towards stimulating tomato processing in the country include the following:

- i. Classification of greenhouse equipment as agricultural equipment to attract zero percent (0%) import duty;
- ii. ban on the importation of Tomato paste, powder or concentrate put up for retail sale and others (HS Code 2002.90.20.00);
- iii. the ban on tomato prepare or preserved by vinegar or acetic acid and others (HS Codes 2002.10.00; 2002.90.19.00) and 2002.90.90.00);
- iv. increase in the tariff on the tomato concentrate and “other” concentrates (HS Code 2002.90.11.00) from 5% to 50% and additional levy of US \$1500 per metric

² See <http://fmiti.gov.ng/minister-of-industry-trade-and-investmentokechukwu-enelamah-announces-new-policy-for-tomatoes/>

³ See <https://www.nigeriatoday.ng/2017/03/nigeria-bans-importation-of-packaged-tomato-paste/>

⁴ See <https://www.thisdaylive.com/index.php/2017/04/23/govts-policy-on-tomato-an-appraisal/>

tonne with the objective of increasing the current tariff from 5% to 50% (35% + 10%) and an additional levy of US 1500MT;

- v. restriction on the importation of tomato concentrate to the seaports to address abuse of ECOWAS Trade Liberalization Scheme (ETLS);
- vi. Inclusion of tomato production and processing in the list of industries eligible for investment incentives administered by the Nigeria Investment Promotion Commission (NIPC).

The above provisions were to come into effect on 7th May, 2017, thirty days after the 7th of April 2017 when the ECOWAS Secretariat was notified of the Policy.

We agree that the proper implementation of this policy should see to the increase in domestic production as well as the creation, development and improvement on the Tomato Sector value-chain since the inflow of investment in the sector is bound to lead to a boom in the Sector.

The Government admits to the existence of a supply gap in the Tomato sector which is further exacerbated by the fact that about 40% of fresh tomato produce is lost due to wastage arising from poor post-harvest handling and inadequate storage⁵. This is why it comes as no surprise that the Ministry of Trade and Industry considers agriculture and agro-allied processing as priority areas for achieving its plan for Growth and Diversification. The Ministry also projects that the new policy should create at least 60,000 additional jobs in fresh fruit production and processing

An assessment of the above shows that the opportunity in the sector is open to all levels of the value chain, 'Processing' being a key beneficiary from these developments. Should there be any time to invest in the Tomato Sector in Nigeria, need there be any more reasons to state that that time is now?

⁵ See <http://fmiti.gov.ng/minister-of-industry-trade-and-investmentokechukwu-enelamah-announces-new-policy-for-tomatoes/>



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ABOUT THE AUTHOR

Ridwanulahi Olanite is a consummate lawyer with a keen eye for detail. He has painstakingly developed his experience which covers not only Litigation but spans Corporate Law, International Trade, Energy Resources Law, Criminal Law, the Extractive Industries as well as Electoral Matters.

Ridwan has provided advisory services to one of Nigeria's largest government agencies on policy administration matters.

He is currently an Associate with the Law firm of Kusamotu & Kusamotu where he is a key member of the Insolvency, Litigation, Mining and Corporate Compliance teams with growing experience in Cross-Border Insolvency Practice, sometimes traveling across Africa to negotiate and provide consultancy services on multi-million dollar transactions involving Multi-national Corporations.

An avid reader and writer with significant interests in charitable contributions to the society, Ridwan currently Heads the Abuja Office of Kusamotu & Kusamotu.