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THE NIGERIAN TOMATO SECTOR POLICY 2017:

AN ARGUMENT FOR CONTINUED IMPORTATION

ABSTRACT

The Nigerian Minister of Industry, Trade and Investment on April 11th, 2017 announced its new Tomato Sector Policy. We had earlier posited an argument for investment in Tomato Processing Factories by potential investors in the Sector.

This paper provides an alternative view, arguing for continued importation after proper consideration of the likely pitfalls in the new policy

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Adigun is a Tomato Farmer. He has been farming tomatoes on his hectare of farmland for the past decade and is reliant on the farm to support his family. He suffers endlessly on the back-breaking effort of maintaining his farmland before harvest wherefrom he gets the funds upon which his family is subsistent. He and his colleagues in the tomato business are always complaining of the uncertainty of the farming seasons with many of them sharing tales of woes from past seasons.

Adigun now keeps mute at meetings in the hope that he does not jinx his harvest this time around. It was already difficult getting the high yield seeds that the 'Oyinbos' introduced to them in the farmers training programme. What about access to fertiliser that the government promised would be easier to access after the removal of the subsidy on its price? Getting the fertilizer was war and cost him a lot of money.

Still, that was not all. His friend Chibuzor has been announcing to anyone who cared to give him a listening ear that his Bank refused to accept his farmland as collateral when he needed to borrow to fund this planting season. He had to borrow from ZKA Association at the exorbitant interest rate of 105%. When Adigun hears things like this, he is grateful he

does not have to borrow and he has been one of the lucky few who have always been able to scale through from one harvest to the other.

Adigun has a little money saved up, which he intends to use to acquire another farmland so as to expand his operations. He would have borrowed, but he knows that in spite of all the noise the Farmer's Association made on the government's introduction of NIRSAL¹, borrowing by farmers is still a very risky business with the Banks finding it difficult to lend to farmers notwithstanding their business plans. Moreover, many of his friends in this business do not even know how to approach the Banks or what a business plan is.

Gammawa, another Tomato farmer once asked him: what about all the monies that they keep saying the Government is releasing for the growth of the Agricultural Sector? The truth is that small-scale farmers like Adigun only hear of these sums in the news and see them on the pages of newspapers. Access to these funds are difficult for them because they do not even have adequate information as to how to engage the government towards acquiring these opportunities.

The above analogy should give the reader a glimpse of the challenges bedevilling the Nigerian Tomato sector and the Agricultural Industry as a whole. Adigun, Chibuzor and Gammawa are synecdochical figures for Nigerian farmers, majority of whom

¹ The Nigeria Incentive-Based Risk-Sharing System for Agricultural Lending is a Central Bank of Nigeria initiated policy geared towards achieving Agricultural Value-Chain Financing through the de-

risking of lending to the Agricultural Sector. See <http://fmard.gov.ng/home/nirsal/> for more information.

are subsistence, small-scale farmers who are in dire need of access to funding and education in relation to agricultural best practices.

Whilst this paper is not strictly geared towards Tomato farmers, it was necessary to draw out the foregoing so as to lay a proper foundation for our assessment of why it is better for potential investors to continue to import tomato products like Pastes and Concentrates rather than investing in Processing Factories in Nigeria. After all, Tomato farming is the first step on the Tomato Sector Value Chain.

It is trite that in spite of the gains made by the Jonathanian Agricultural Transformation Agenda Policy (2011-2015) which has now been amended into the Agriculture Promotion Policy (2016-2020); a.k.a “The Green Alternative”, the reality is that Nigeria is still quite far from the realisation of an industrially viable Tomato Sector.

Gross infrastructural deficits such as: unresolved power failure problems; produce transportation challenges (especially for goods as highly perishable as tomatoes) as well as Storage inadequacy are some of the challenges which still confound Tomato Sector stakeholders. The question investors need to have answered is: **why invest in a Tomato processing plant when there will most likely be no power to run the plant?** The added cost of fuelling electricity generators is also not in the least bit inviting.

Moreover, unlike petroleum which can be transported via pipelines, Tomatoes need a unique and time sensitive transportation network for the produce to move from the farmland to the Processing plant. Sadly, even the Nigerian government acknowledges the existence of challenges in produce transportation. This infrastructural inadequacy has also opened a channel for corrupt entities and illegal activities to creep into and destabilise the transport of agricultural produce. In fact, the Federal Ministry of Agriculture and Rural Development has been forced to inaugurate an inter-agency committee to enforce the Ban on the collection of Levies/Taxes on Agricultural and Agro-Allied Products on the Highways.²

Separate from infrastructural inadequacy, one other limitation to the establishment of Tomato processing plants in Nigeria as discussed in the analogy used above is the challenge of financing. The apparent disinterest of Nigerian Commercial Banks towards Agricultural and Agro-allied lending is palpable. Where financing is difficult, it is certain that all else fails as whilst a lot of heavy weather can be made on the importance of entrepreneurial capabilities, the truth still remains that financing is the engine room of all business ventures.

Further consideration must be given to the current status of Nigeria vis-à-vis its food security challenge. With a population estimated to be in the region of 180 million Nigerians, and Tomato being a staple farm produce

² See <http://fmard.gov.ng/inter-agency-committee-on-the-enforcement-of-ban-on-the-collection-of-levies-taxes-on-agricultural-produce->

[and-agro-allied-products-on-the-highway-inaugurated/](http://fmard.gov.ng/inter-agency-committee-on-the-enforcement-of-ban-on-the-collection-of-levies-taxes-on-agricultural-produce-)

utilised in practically every Nigerian kitchen, it is clear to stakeholders that current demands grossly surpass available produce. Information from the Ministry of Industry, Trade and Investment specifically states as follows:

“Nigeria imports an average of 150,000 metric tons of tomato concentrate per annum valued at \$170million mostly due to inadequacy in capacity to produce tomato concentrate. Current demand for fresh tomato fruits is estimated at about 2.45million metric tons per annum (MTPA) while the country produces only about 1.8million MTPA.

Despite the supply gap, about 40% of fresh tomato produce is lost due to wastage arising from poor post-harvest handling and (sic) inadequate storage”³

From the foregoing, it is obvious that Nigeria already suffers from cyclical issues affecting raw tomatoes including post-harvest losses which usually birth seasonal inflation of the price of tomatoes and other farm produce that face the same challenges. The unassailable result of this kinds of inadequate harvests of raw tomatoes means it will be difficult for investors in Tomato processing plants in Nigeria to

gain access to a constant stream of supply of the Tomatoes which is the raw material for the Plant.

Apart from all the challenges itemised above which can be described as operational challenges, it must be stated that the Nigerian Agricultural sector like many other industries in Nigeria has a poor Research & Development (R&D) orientation. Nigerian farmers and even the Ministry of Agriculture have often been criticised by Stakeholders as having poor consideration for the role of R & D in developing Agricultural and Food sustainability.

This poor attitude towards R&D has seen to the rise in challenges faced by Nigerian exporters of Agricultural produce in relation to quality control and the rejection of Nigerian Agricultural exports for failing to meet international standards. **If the local stakeholders in the sector are not actively working towards resolving our own challenges in availability of raw materials through R&D which can focus on increased yield or reduction of wastage, how then can we expect investment in the sector to blossom?** It is therefore important that for a strong case to be made for investing in the Tomato Sector, there is a need to show that a forward- thinking approach with investments in Agricultural education and Research is being executed through change rendering government policy initiatives and execution.

³ <http://fmiti.gov.ng/minister-of-industry-trade-and-investmentokechukwu-enelamah-announces-new-policy-for-tomatoes/>

Notwithstanding the foregoing, perhaps the strongest argument against investing locally rather than importation of Tomato based products lies in the fact that Nigerian governments have consistently shown an inconsistency in policy formulation and execution with each successive government making policy somersaults sometimes within the same administration. The effects of Policy instability in the Cassava Sector have been succinctly and exhaustively captured by different writers⁴.

To elaborate on this point, an obvious instance can be found in the fact that, in spite of admitting the success of the Agricultural Transformation Agenda of the Goodluck Jonathan led PDP administration, the incumbent; Muhammadu Buhari led APC government has chosen to rename its Agricultural Industry Policy whilst maintaining most of the framework of the old government. This kind of nomenclature restructuring can often lead to unnecessary confusion for stakeholders. In many instances, subsequent Nigerian federal and state government administrations have increased the risk of doing business in Nigeria through unnecessary policy reconversions and reorientations creating a confused and chaotic business environment. Clashes between Local, State and Federal government policies do not also help

especially in relation to levies, charges and taxes.

Apart from Policy somersaults, ambiguity of language sometimes affect the clarity of formulated policy and how it affects stakeholders. A look at some of the new tariff lines introduced by the recent Tomato Sector policy by the Ministry of Industry, Trade and Investment for instance raises eyebrows upon consideration of the fact that this Policy was marketed and touted as an outright ban on the Import of certain Tomato based products⁵. Examples of the provisions of the policy which are subject to Alternative interpretation are:

The policy proposes to have-

- Stopped the importation of tomato paste, powder or concentrate put up for retail sale.
- Stopped the importation of tomatoes preserved otherwise by vinegar or acetic acid;
- Restriction of the importation of tomato concentrate to the seaports to address the abuse of the ECOWAS Trade Liberalisation Scheme (ETLS);

An analysis of the above shows that no outright ban has been placed on the import of all tomato processed product as being celebrated in the Nigerian media⁶. What was actually banned was the import of tomato paste, powder or

⁴ See Lordson Onokpetu, Should You Buy Into The New FG Cassava Initiative?, June 11, 2012, <http://lordsonokpetu.blogspot.com.ng/2012/06/New-FG-Cassava-Initiative.html>

⁵ This policy came into effect in May 2017 as announced on 11th April, 2017 by the Honourable Minister for Trade Okechukwu Enelama. See <http://fmiti.gov.ng/minister-of-industry-trade-and->

investmentokechukwu-enelamah-announces-new-policy-for-tomatoes/ for more. Last assessed 24/07/2017 at 2:05pm

⁶ See Nigeria Today, 'Nigeria Bans Importation of Packaged Tomato Paste', 28 March 2017 <https://www.nigeriatoday.ng/2017/03/nigeria-bans-importation-of-packaged-tomato-paste/>

concentrates put up for retail sale or tomatoes preserved otherwise than by vinegar or acetic acid. Since these restrictions have been qualified. It stands to reason that other processed tomato products not captured above are fair game. So why not import?

Another challenge with the Tomato Sector Policy is the possibility of the policy being overregulated. The policy has been proposed to be jointly implemented by the Ministry of Industry, Trade and Investment as well as 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 administrative costs which are to potentially arise from the overregulation of the Tomato Sector is another disinclining rationale in favour of importation as against investing in tomato processing plants in Nigeria.

It is also important to note that, it has been observed that the measures posited in the Tomato Sector Policy are *“likely to fall foul of the provisions of the EU-West Africa economic partnership agreement (EPA) related to tariff standstill commitments and the ‘prohibition of quantitative restrictions.’”*⁷ This is because the EU-W/Africa EPA includes various provisions which could constrain the application of the New Tomato Sector

Policy measures in relation to trade between Nigeria and the European Union.

Perhaps the fact that reports are already rife with suspicion and cynical response to the possibility of the success of the policy from some traders in the Tomato sector, with some projecting that the Policy is more likely to lead to higher prices (due to the importance of tomatoes as a staple produce), is enough reason to once again advise against investing in a Processing Plant.

As a matter of fact it was reported that Lateef Oyelekan, the President of the National Union of Food, Beverage and Tobacco Employees (NUBTE) said that: *“it would take years for the planting, harvesting and processing of the produce into concentrate.”* His union is also credited with holding the opinion that *“the quantity of fresh tomato being cultivated currently in the country is not enough for local consumption, noting however that the quality is not good enough to be processed into paste.”*⁸

In any case, the truth is that investment advising cannot be premised solely on Trade policy measures publicised by Government. For investment to be drawn into the Nigerian Tomato Sector Value Chain, especially in relation to the establishment of Processing Plants there is a need for the government to work assiduously towards clearing all the constraints bedeviling the Sector.

⁷ See EPA MONITORING, Nigerian government adopts trade measures against tomato imports, May 15, 2017, <http://epamonitoring.net/nigerian-government-adopts-trade-measures-against-tomato-imports/> last accessed 24/07/2017 at 02:36pm

⁸ See Ndubuisi Francis, Govt's Policy on Tomato: An Appraisal available at <https://www.thisdaylive.com/index.php/2017/04/23/govts-policy-on-tomato-an-appraisal/> last accessed 24/07/2017 at 03:05pm



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