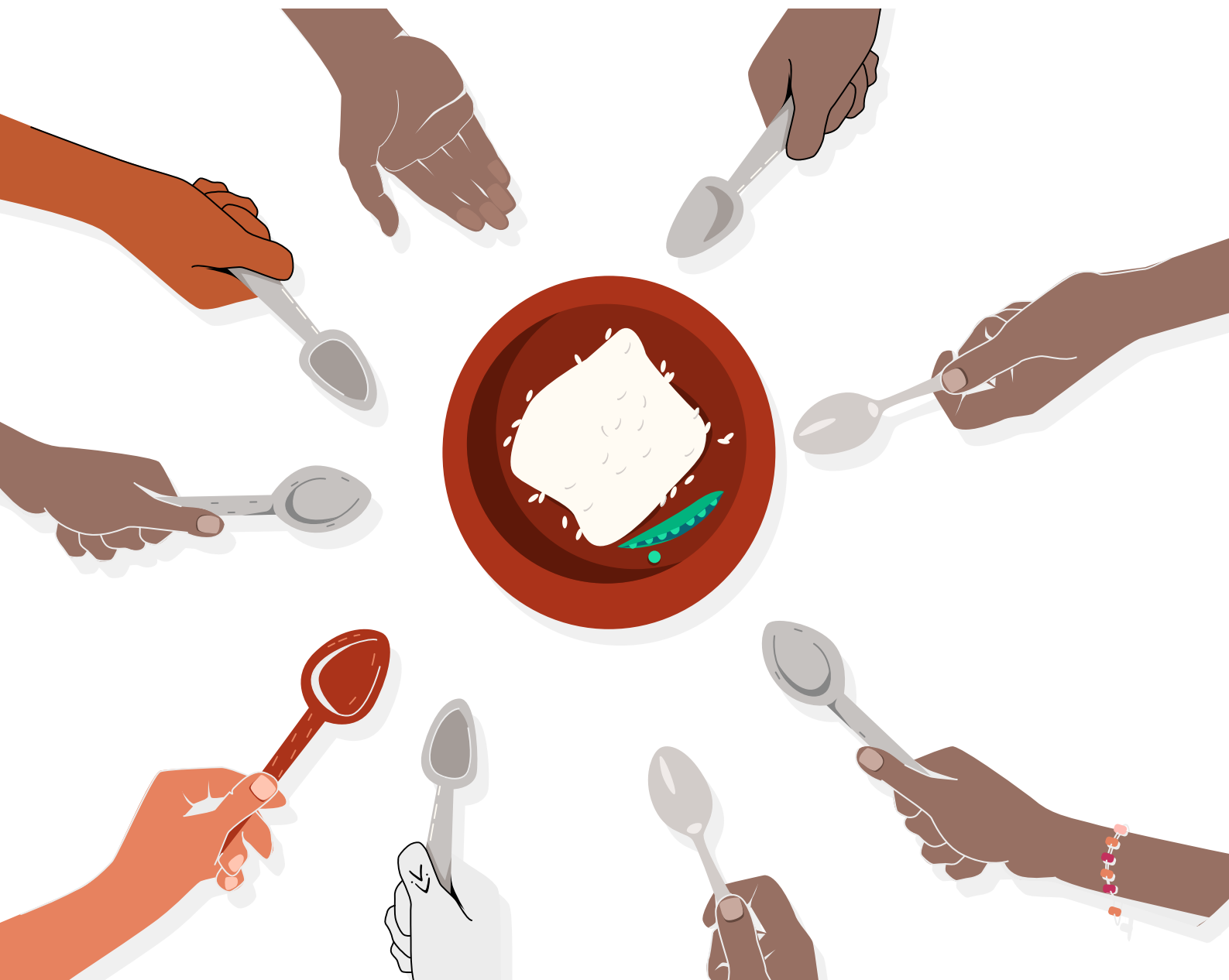


Addressing Nigeria's *Escalating* Food Crisis:

A Call for Urgent and Comprehensive Action

• Jan, 2024



About Us

Vestance is a full-service intelligence and consultancy firm helping to unlock the full potential of Africa's agrifood system. Vestance delivers data, intelligence, and advisory services that help investors, governments, non-governmental organisations and businesses in the agricultural value chain to harness Africa's agribusiness potential.

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Overview



In the heart of Africa, Nigeria stands at a crossroads, facing an unprecedented and intensifying food crisis. This crisis, like a gathering storm, traces its origins back to 2014 when the nation's economy was hit by the collapse of global crude oil prices. However, the turbulence didn't end there. In the years that followed, a series of domestic and external shocks struck Nigeria's food system: Covid-19 pandemic, geopolitical crisis, crude oil theft, insecurity, and extreme weather conditions.

The cumulative impact has left an indelible mark on the nation's landscape, one characterized by widespread hunger and stark adversity. The gravity of this issue is impossible to ignore, and the urgency for action is not just a matter of debate; it's an imperative. Nigeria stands at the brink, and the choices made today will determine the future not just of its people but of the entire nation. To address the escalating food crisis, the Nigerian government must restore macroeconomic stability, strengthen policy coordination, temporarily ease restrictions of food import and boost sustainable investments in the food system.

Key Statistics:



The number of severely food-insecure people has increased from **20.3 million (11%) in 2014-16** to **45.4 million (21.3%) in 2020-22**.



In 2022, **12.1 million** children under the age of 5 were stunted.



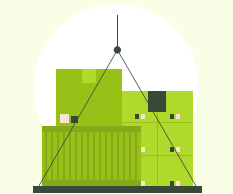
In 2019, Nigerian families spent an average of **59%** of their expenditures on food.



As of 2021, **19 out of every 20 Nigerians (95% of the population)** could not afford a healthy diet



Since President Tinubu assumed office, the price of rice and maize has increased by over **30% and 65%, respectively**.



Nigeria, as a net importer of food, witnessed a surge in basic food imports from **\$3.6 billion in 2019 to \$4.5 billion in 2021**.



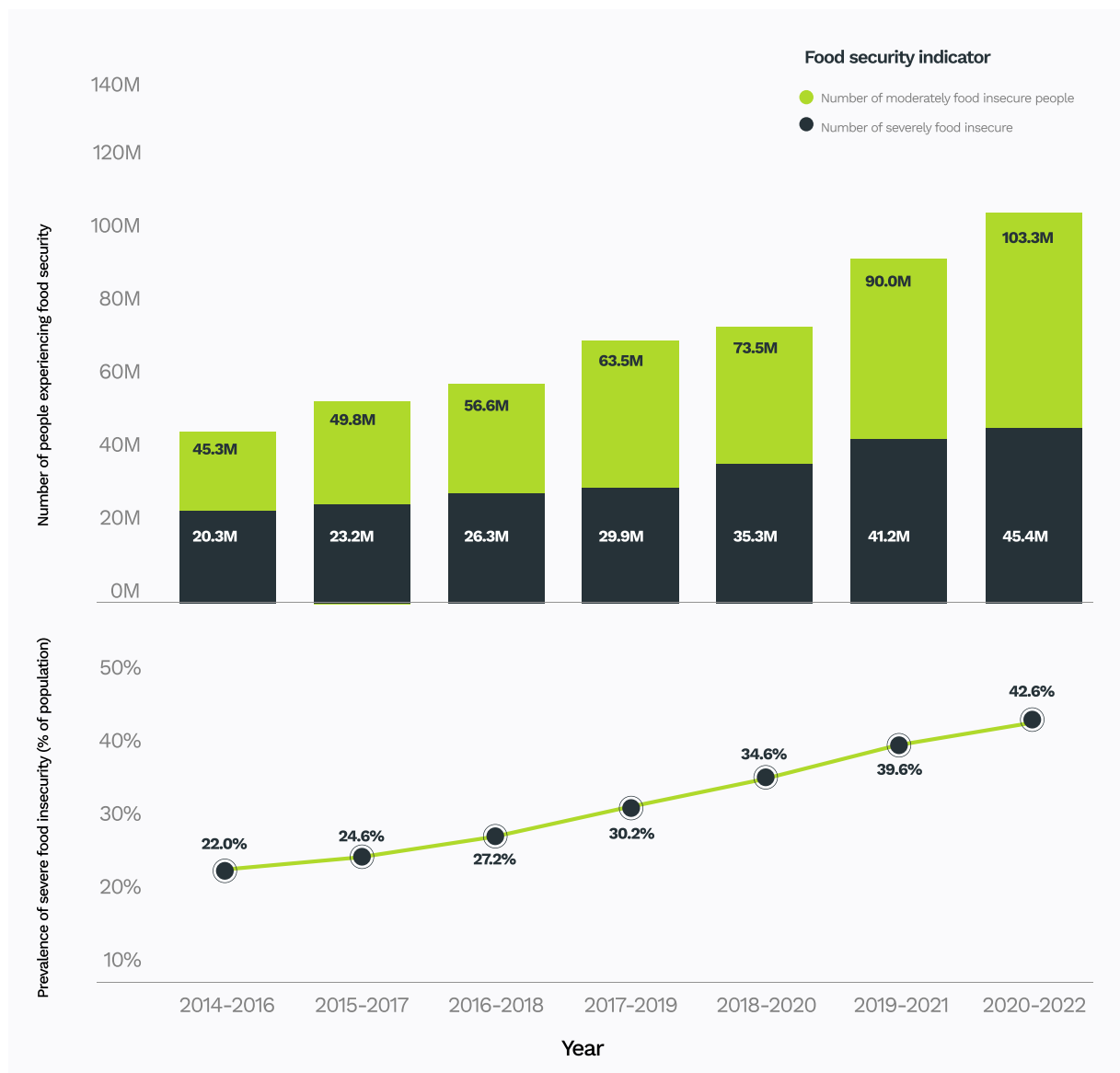
Even before the removal of fuel subsidy, the cost of moving goods domestically in Nigeria was about **5.3 times higher** than in the United States.

¹State of Food Security and Nutrition in the World (SOFI) 2023 - UNICEF DATA

²State of Food Security and Nutrition in the World (SOFI) 2023 - UNICEF DATA, pg 100

The Escalating Trend in Hunger:

Food insecurity in Nigeria is rife and rising. People are food insecure when they lack reliable access to sufficient, safe and nutritious food needed to lead a healthy and active life. The share of the population experiencing extreme food insecurity increased from 11% in 2014 to 21% in 2022¹. That's 45 million people facing severe hunger by 2022. The trajectory of worsening food insecurity is undeniable, and it's particularly alarming that this crisis is most prevalent in urban areas where the majority of Nigeria's productive economic activities occur.² If left unchecked, the incidence of hunger will not only deepen extreme poverty but also undermine long-term economic growth and the stability of the country.



Source

Analysis of State of Food security and Nutrition in the World Data

¹State of Food Security and Nutrition in the World (SOFI) 2023 - UNICEF DATA

²State of Food Security and Nutrition in the World (SOFI) 2023 - UNICEF DATA, pg 100

Why Are People Hungry? The Proximate Causes Unraveled

The grip of hunger tightens when people get caught between the crushing weight of unaffordable food prices and dwindling incomes. Unsurprisingly, in 2019, the average Nigerian family spent a staggering 59% of their expenditures on food, a proportion higher than in many other African countries.^{3,4} The effects of these dual pressures are that families skip meals more often, consume less nutritious food, and reduce spending on children's education and healthcare, all of which leaves them more vulnerable to poor health and long-term poverty.

- 01 Rising Food Prices:** Food inflation rate has surged to unprecedented levels in decades, reaching 30.6% year-on-year in September 2023.⁵ Between August 2018 and August 2023, most basic food items have more than doubled in prices. The average price of maize has seen the biggest jump, increasing to more than 3 fold the price in the last 5 years. This is followed closely by major food items like rice (2.7x), milk (2.7x), vegetable oil (2.6x), palm oil (2.5x), and even white garri (2.4x). Families across Nigeria are grappling with the unbearable burden of securing essential items, exacerbating the scourge of hunger.

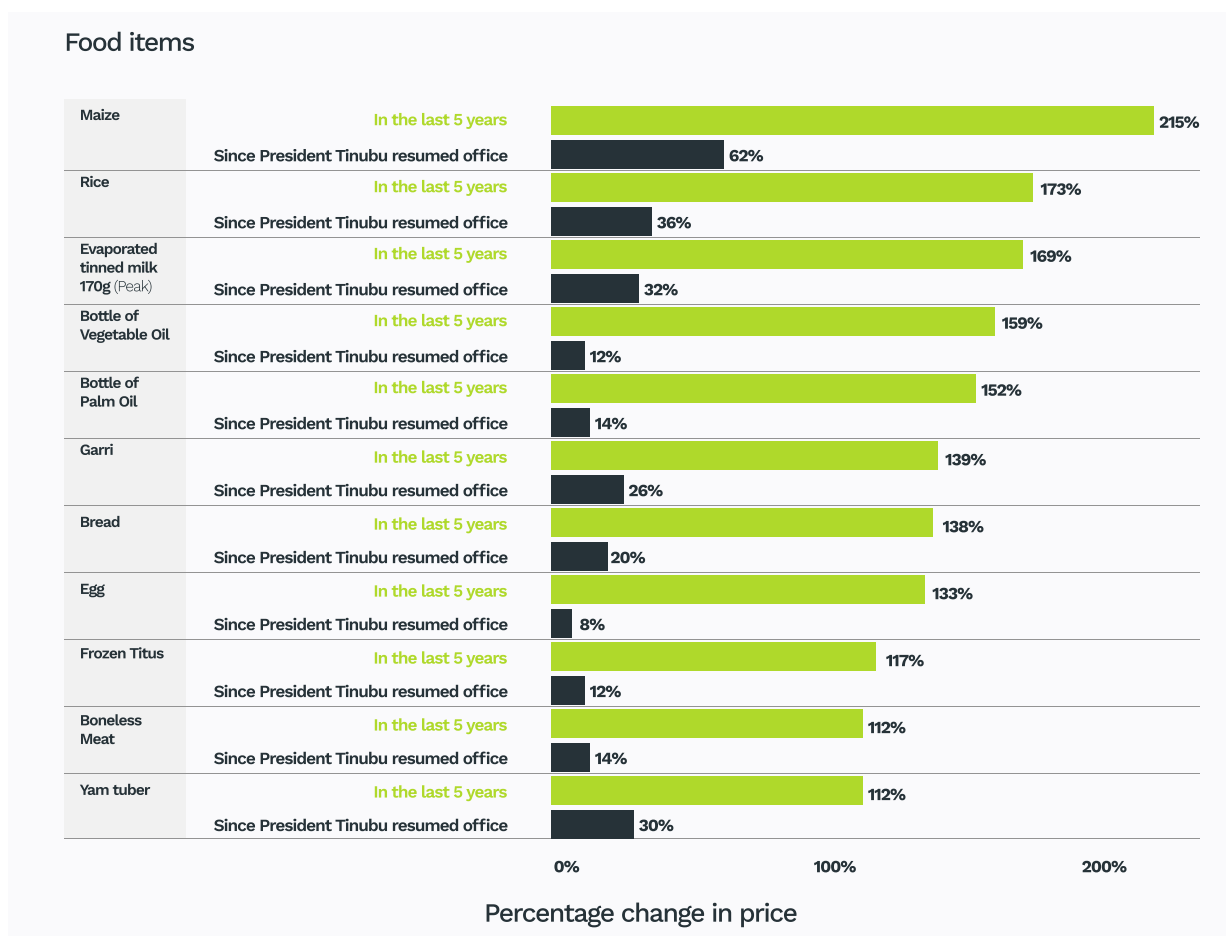


³State of Food Security and Nutrition in the World (SOFI) 2023 - UNICEF DATA, pg.72

⁴Share of expenditure spent on food vs. total consumer expenditure, 2021

⁵ANALYSIS: Implications of CBN's revised forex policy on food security

Fig 2. Prices of key food items have at least doubled in the last 5 years (Sep 2018 -Sep 2023)



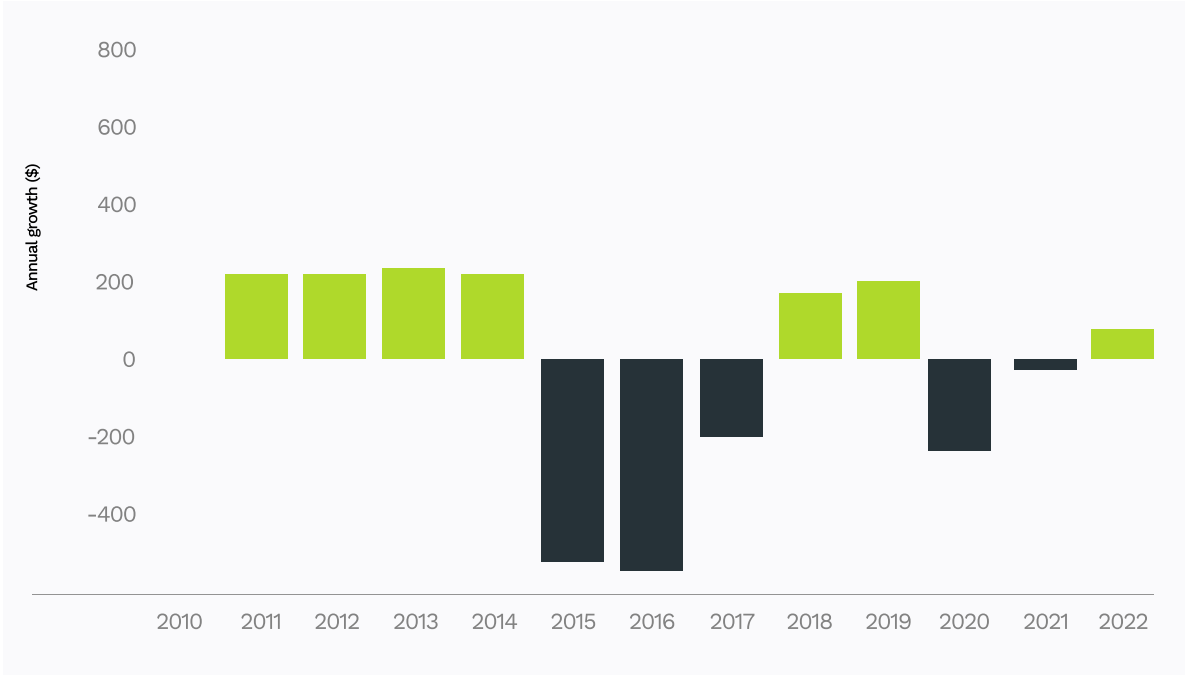
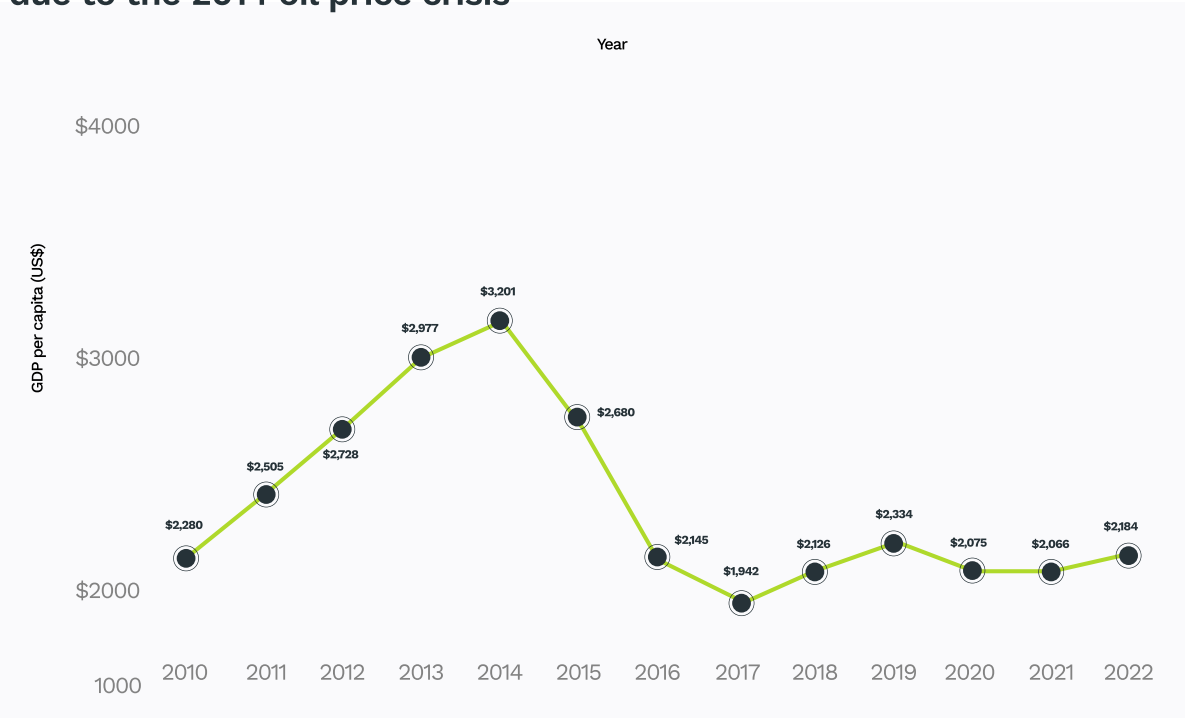
Source: Analysis of NBS Data

02 Income Challenges: The economic upheaval triggered by the pandemic and other external shocks has stripped many Nigerians of their livelihoods, and the government's response to this crisis has fallen short, leaving countless households grappling with diminished incomes and precarious financial stability. It's a story of income stagnation that refuses to yield to the urgent needs of the populace. To illustrate the gravity of this predicament, let's examine two critical indicators.

The first one is per capita income, in dollars, which fell drastically from a peak value of \$3,200 in 2014 to less than \$2,000 in 2017 due to the prolonged oil price crisis. Since then, per capita income recovered slightly, stagnating at an average of \$2,150. Another key indicator is the average minimum wage, measured in nominal dollars, which has plummeted from approximately \$114 per month in 2014 to less than half of that today.

Despite the revision of the minimum wage from NGN 18,000 in 2014 to NGN 30,000 in 2019, and the recent addition of NGN 35,000 to federal government workers' monthly salaries, the current indicative minimum wage of NGN 65,000 (\$56) still falls significantly short of what it was in 2014. This underlines the pressing need for comprehensive economic reforms and greater support for the Nigerian workforce.

Fig 3. Nigeria's GDP Per Capita stagnated, after falling due to the 2014 oil price crisis



Food security indicator

- Number of moderately food insecure people
- Number of severely food insecure

Source
Analysis of World Bank Data

A deeper dive on food prices: What is **driving the crisis?**



High food prices have historically been driven by structural factors, including low farm-level productivity and an inefficient transport and storage system leading to food wastage. However, in recent years, the escalating food crisis can be attributed to three main culprits: agricultural production and supply shocks, foreign exchange issues, and the removal of fuel subsidies.

- 01 Agricultural production and supply shocks:** Globally, agricultural production has been negatively impacted by climate change, geopolitical crises, and insecurity, disrupting agricultural supply chains and food production, leading to severe shortages of many staple food items. Climate crisis, manifesting as erratic weather and intensified flooding in Nigeria, wreaks havoc on subsistence farming, which accounts for 70% of food production.⁶ Communal clashes and banditry in the North West have displaced 400,000 people across Zamfara, Sokoto and Katsina states and a further 400,000 have been displaced due to the herder-farmer conflict in the Middle Belt/Benue State, holding back farmers in these regions from producing significant amount of food annually.⁷

While it is almost impossible to address the globally-induced shocks, addressing the local insecurity and weather-related shocks is vital for restoring food security.

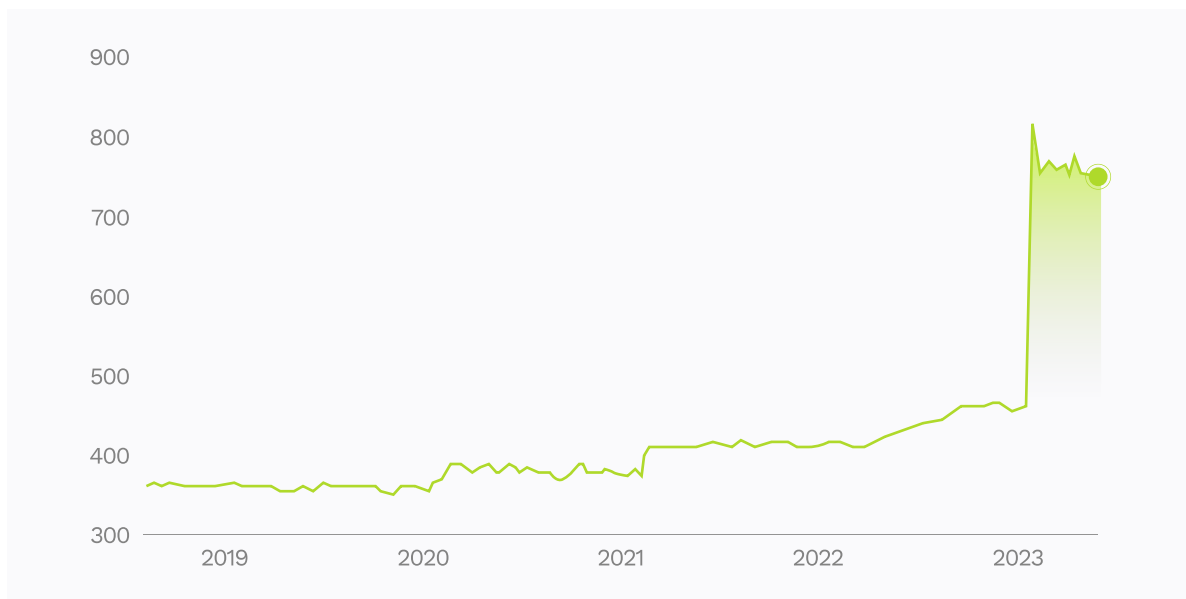
⁶Nigeria's Ongoing Flooding Crisis | The Republic

⁷How Will Bola Tinubu Solve Nigeria's Food Crisis?

02 Foreign exchange crisis: In a country heavily reliant on the importation of food and farming inputs, the continued depreciation of the Naira adds to the burden of consumers. Due to recurrent global oil price shocks and domestic crude oil production shortages, Nigeria's oil exports and revenues have been declining, depleting the country's foreign exchange reserves and creating foreign exchange market volatility.

Since September 2014, the Nigerian Naira has lost over 85% of its value against the US Dollar, making imports more expensive. To put it into perspective, you now need over NGN1,000 to purchase one US dollar in Nigeria, over seven times the rate in 2014. With net basic food imports of \$4.5 billion in 2021, up from \$3.6 billion in 2019, the continued depreciation of the Naira is another significant contributing factor to increased hunger for Nigerians.⁸⁹

Fig 4. **How much Naira do you need to buy a dollar?**



Source

Google Finance

03 Removal of fuel subsidy: The recent removal of fuel subsidies at the end of May 2023 has significantly increased transportation costs, subsequently impacting the prices of food items. For reference, prior to the adjustment to fuel pump price, the cost of moving goods (per unit distance) domestically in Nigeria was already about 5.3 times higher than in the United States.¹⁰ As President Tinubu removed the subsidy, the petrol pump price more than tripled, raising the cost of moving food from farm to market. These costs are eventually passed on, partially or entirely, to consumers.

⁸Authors' calculation using data from the CBN and AbokiFX

⁹<https://data.one.org/publications/fiscal-reform-in-nigeria/>

¹⁰Beyond borders: Making transport work for African trade

Government Initiatives to tackle food crisis:



Since 2014, the Nigerian government has participated in various continental policy commitments aimed at addressing the food crisis. These include the June 2014 Malabo declaration¹¹ and the DAKAR 2 declaration on food sovereignty and resilience in January 2023.¹² The fundamental goal of these declarations is to mobilize various stakeholders and accelerate efforts toward transforming food systems, enhancing productivity, reducing hunger, creating employment opportunities, and strengthening the resilience of food systems.

The Malabo Declaration mandates the government to improve policy coordination, allocate at least 10% of its annual budget to agriculture, and formulate a viable National Agricultural Investment Plan to facilitate the implementation of agricultural initiatives. At the Dakar 2 summit, Nigeria pledged to establish agro-industrial processing zones, calling for \$10.6 billion in funding to achieve targeted food production and productivity levels in its Delivery Compact.¹³ The government also committed to establishing a Presidential High-Level Councils for Food and Agriculture Delivery Compacts, to drive action and meet set targets,

¹¹Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods

¹²DAKAR DECLARATION ON FOOD SOVEREIGNTY AND RESILIENCE (DAKAR 2) Dakar, Senegal • January 27, 2023

¹³Nigeria: Country Food and Agriculture Delivery Compact | African Development Bank Group - Making a Difference

The country has also rolled out several fiscal and monetary policy interventions to address the growing hunger crisis, including the the Agricultural Promotion Policy (2016–20), the National Agricultural Technology and Innovation Policy (2022–27), the Presidential Fertilizer Initiative, the CBN’s anchor borrower’s which offered single digit interest loans to farmers, input subsidy programs, and series of import restriction measures.¹⁴ More recently, President Bola Tinubu declared a state of emergency on food security in Nigeria on July 13th, highlighting the severity of the issue. The declaration has ignited nationwide conversations about the food crisis, its consequences, and the urgency for more comprehensive solutions.



But have the initiatives been effective?

While some progress has been made in producing more rice and fertilizers, significant challenges remain in achieving further progress towards food security. There is especially room for improvement in the areas of stronger political leadership, adequate investment in agricultural value chains, and better policy coordination and implementation.

- 01 Leadership and Coordination:** The absence of effective political leadership to uphold key commitments, coupled with inadequate inter-ministerial and multi-sectoral coordination, hampers the successful implementation of policies. This disarray is exemplified by conflicting and obstructive policies, such the border closure in 2019 and the Central Bank of Nigeria’s currency redesign and cashless policy.

Despite the Nigerian government's pledge to create a presidential delivery council in the wake of the DAKAR 2 summit, no tangible progress has materialized in terms of establishing such a body or advancing the implementation of the delivery compact. This points to a pressing need for more robust leadership and better-coordinated efforts to translate commitments into actionable outcomes.

¹⁴[https://www.elibrary.imf.org/configurable/content/journals\\$002f018\\$002f2023\\$002f018\\$002farticle-A001-en.xml?tac=journals%24002f018%24002f2023%24002f018%24002farticle-A001-en.xml](https://www.elibrary.imf.org/configurable/content/journals$002f018$002f2023$002f018$002farticle-A001-en.xml?tac=journals%24002f018%24002f2023%24002f018%24002farticle-A001-en.xml)

02 Falling short of investment commitment: Despite the commitment to the Malabo Declaration in 2014, the government has consistently fallen far short of the 10% requirement, allocating less than 3% of its annual budget to agriculture. Furthermore, the government has struggled to attract a sufficient amount of private sector investment, in part due to the absence of a bankable National Agricultural Investment Plan (NAIP) that can effectively coordinate and incentivize private sector involvement. The budget implementation process has also been less than optimal, characterized by delays in budget releases and spending leakages. These delays have negatively impacted the implementation of key programs, including input subsidy initiatives, which has to align with the seasonality of agricultural production.¹⁵

03 Program design and accountability issues: Several key agricultural interventions, such as the Anchor Borrowers' Programme, in which the CBN invested over NGN1 trillion as single-digit interest loans to support rural farmers, have yet to significantly increase food production, reflecting poor targeting of beneficiaries. The low repayment rate at 24% points to issues related to insufficient incentive structure for loan repayment.¹⁶

Furthermore, most agricultural projects lack robust monitoring and evaluation of impacts.¹⁷ This absence of proper oversight makes it nearly impossible to assess the impact of these programs and interventions, highlighting a clear need for greater accountability and evaluation mechanisms in Nigeria's agricultural sector.

¹⁵Communique: National Stakeholders Consultative Meeting on the 2023 Agriculture Budget | ActionAid Nigeria

¹⁶Food Insecurity in Nigeria: Food Supply Matters: Nigeria in: Selected Issues Papers Volume 2023 Issue 018 (2023)

¹⁷Policy issues for improving monitoring and evaluation of agricultural extension programmes in Nigeria | Matthew

A Path Forward: What can President Tinubu do *differently*?



To effectively address Nigeria's food crisis, the current government should consider the following six issues:

- 01 Restore macroeconomic stability:** This is the initial step to curbing the soaring food prices. The government must tackle the persistent exchange rate and insecurity challenges by combatting crude oil theft, intensifying efforts to ensure security, and resolving the underlying ethnic and resource-based tensions across the nation.

In the long run, Nigeria must reduce its heavy reliance on oil revenue, which has left the economy highly susceptible to oil price fluctuations and production shocks. The key goal should be diversifying the economy, with a strong focus on investing in agriculture and food systems as a top national priority to ensure lasting food security and sovereignty.

02 Strengthen policy coordination: There is a need to make leadership stronger, and this starts with unwavering political commitment at the highest level. To accelerate food system transformation, the country must establish a robust framework for better policy coordination. Coordination should be led by credible political and technical leaders, as suggested by the Dakar 2 summit, which recommends creating an High-Level Presidential Food System Delivery Council to drive implementation.

Policy coordination should also be anchored on increased data collection, bankable national agricultural investment plans, using evidence to guide spending. Involving a diverse group of stakeholders in policy design and implementation is vital. When sector stakeholders are aligned around a shared vision, coordinated in their interventions with monitoring tools to measure progress and mechanisms for accountability, they are better able to work together to increase the impact of their work.¹⁸

03 Scale, speed and efficiency matters: Achieving food security requires substantial investments to boost agricultural productivity, develop critical infrastructure and fortify market systems. While the investments required may likely exceed the government's capacity, the government should seek to mobilize financing from other stakeholders, including the private sector and development partners. The government should lead by example by increasing the federal budget allocated to agriculture, coming closer to the 10% target agreed under the Malabo Declaration, and by developing bankable National Agricultural Investment Plans to mobilize investment.

Collaborations with development finance institutions and regulatory bodies to develop innovative funding models like Public Private Partnerships (PPP) can reduce risks associated with private sector investments. However, the most critical step is for the government to enhance service delivery, curb corruption, and prioritize the efficient execution of policies and initiatives aimed at mitigating the food crisis. Bureaucratic and legislative impediments must be minimized to ensure timely relief.

¹⁸<https://www.nepad.org/publication/knowledge-compendium-domestication-of-malabo-declaration>

- 04 Raise productivity:** To address the productivity gaps in agriculture when compared to Nigeria's global counterparts,¹⁹ it is essential to set ambitious goals for increasing crop and animal yields over the next two to five years. Achieving this requires the development of a robust input market, improvements in irrigation, the strengthening of extension services, the promotion of research and innovation, and the implementation of incentives for the adoption of advanced farming practices. These actions will not only help close the productivity gaps but also ensure export competitiveness, fostering food security and economic growth.
- 05 Temporarily suspend import restriction:** The stringent border closure and restrictive policies on food imports have exacerbated the food crisis, especially as local production has struggled to meet demand over the past eight years. To address the immediate to mid-term challenges, it's crucial to review the restrictions on key inputs and food items.

While it may seem counterintuitive to lift import bans, considering the potential impact on local market development, the need to prioritize the well-being of the population is paramount. The Nigerian government should temporarily ease import restrictions to help stabilize food prices. To minimize the risk of over-reliance on imports of food items that are grown locally in commercial quantities, the government could temporarily take the role of the sole importer through a dedicated food board, allowing for better control of supply and prices. While this approach can go wrong if not well managed, it can provide short-term relief while safeguarding the long-term development of the local market.

- 06 Incentivizing State Governments to do their part:** In addition to the ongoing fiscal and tax reforms in the country, state governments should be encouraged to invest in developing their agricultural competitiveness. One way to achieve this is by offering appropriate revenue-sharing programs, particularly through special allocation incentives funded by the corporate income tax (CIT) contributed by the industrial base in each state of the federation.

This approach would serve as a powerful incentive for governors to prioritize and actively engage in agribusiness, ultimately boosting food production. It can act as a motivating factor for state governments to play a more active role in advancing their agricultural sectors and, in turn, contribute to the overall growth of the nation's food production.

07 Prioritize Resilience Building: This involves providing adequate social safety nets, building food reserves, and investing in climate adaptation and mitigation. Establishing adequate social safety nets like such as the recent \$800 million initiative announced by the President is critical.²⁰ These nets are vital for protecting the most vulnerable members of our population during these challenging times.

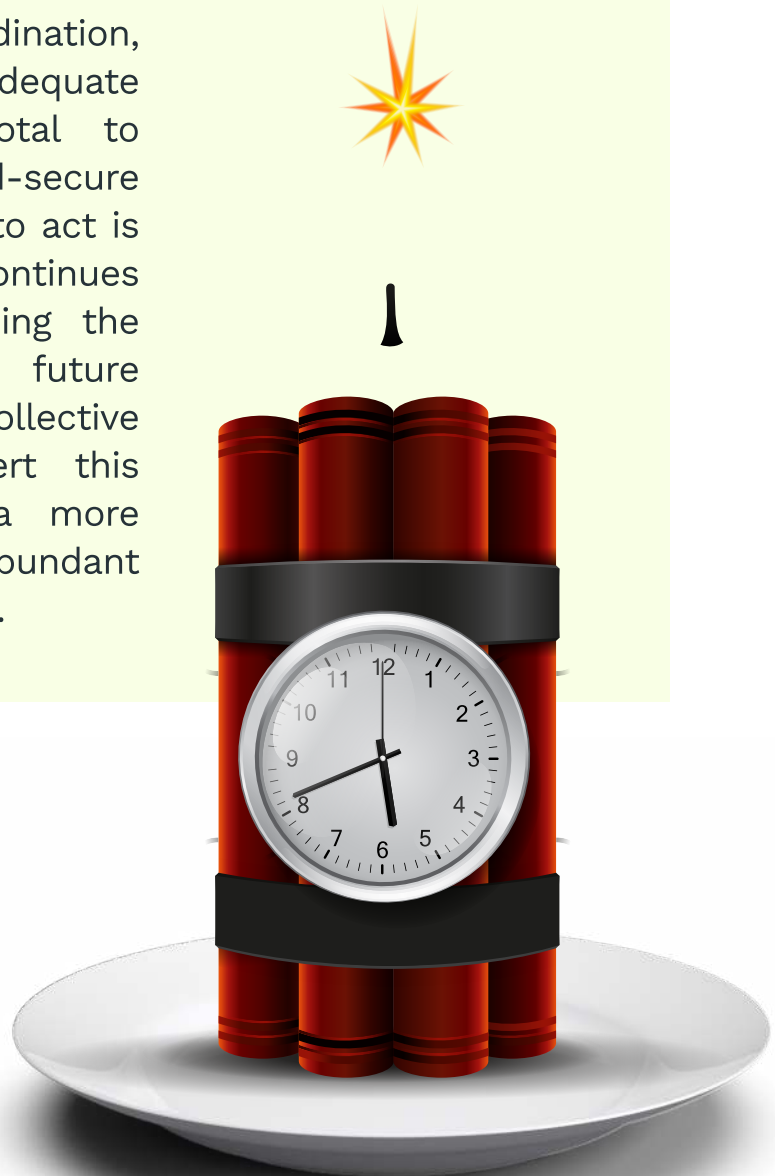
Furthermore, investing in climate adaptation and mitigation is paramount. This prepares us to face the challenges posed by a changing climate, safeguarding our food production systems and ensuring sustainable access to food in the future. Finally, we need to establish food reserves that can endure future shocks. These reserves act as a buffer during times of crisis and uncertainty and play a crucial role in strengthening long-term food security.

²⁰Tinubu speaks on cash transfer programme for 15 million households, other plans

Conclusion

Nigeria's escalating food crisis is a ticking time bomb, with ramifications that reach far and wide, from productivity to security and national stability. The urgency of this situation cannot be overstated. As food prices continue to surge and the specter of hunger looms larger, the government must undertake resolute action to address the crisis urgently and comprehensively.

Effective policy coordination, implementation and adequate investment are pivotal to forging a more food-secure Nigeria. The moment to act is now, lest the crisis continues to deepen, jeopardizing the nation's welfare and future prosperity. It is a collective responsibility to avert this crisis and ensure a more secure and food-abundant future for all Nigerians.

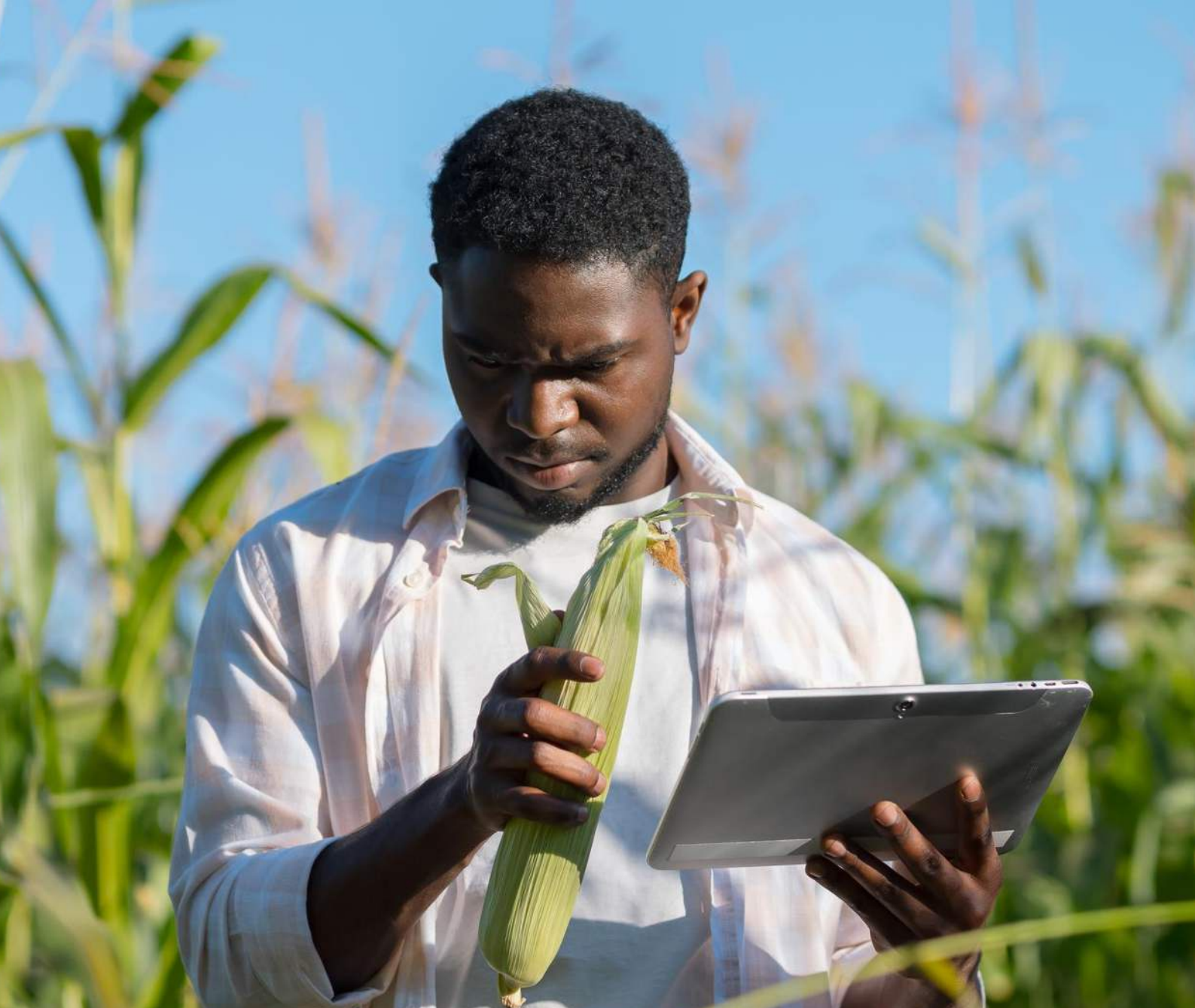


Appendix

	Jan 2016	Aug 2018	May 2023	Aug 2023	% Change since 2016	5-year price change (%)	% Change since Tinubu resumed office
Maize	Not Available	₦180	₦351	₦580		222%	65%
Rice	₦163	₦280	₦555	₦739	352%	164%	33%
Garri	₦132	₦199	₦371	₦456	244%	130%	23%
Yam tuber	Not Available	₦293	₦457	₦576		97%	26%
Evaporated tinned milk 170g (Peak)	₦138	₦184	₦384	₦500	263%	171%	30%
Boneless meat	₦811	₦1,062	₦1,915	₦2,158	166%	103%	13%
Frozen Titus	Not Available	₦947	₦1,819	₦1,998		111%	10%
Egg	₦30	₦42	₦89	₦95	220%	128%	7%
Bottle of Vegetable Oil	Not Available	₦540	₦1,263	₦1,389		157%	10%
Bottle of Palm oil	Not Available	₦501	₦1,109	₦1,239		147%	12%

Source

Author's analysis of NBS food prices data 2016-2023



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