

**Special Address by Dr. Akinwumi A. Adesina**  
**Honourable Minister of Agriculture & Rural Development**  
**Federal Republic of Nigeria**  
**to the**  
**World Cocoa Foundation**  
**Washington, D.C.**  
**June 5, 2013**

**The Opportunity in Nigeria's Cocoa Sector**

President of the World Cocoa Foundation, Mr Bill Guyton; WCF Chairman, Mr Nicko Debenham; Chief Executive Officers and leaders of the global cocoa industry; distinguished ladies and gentlemen. Good morning.

It is a great delight for me to be here with you today to participate in the Foundation's 23<sup>rd</sup> partnership meeting. I am especially excited to have the opportunity to report to this esteemed audience of agribusiness and food industry leaders on the progress Nigeria is making in these very areas.

To talk about Nigeria's future, we must remember its past. Not long ago, Nigeria was an agricultural powerhouse. In the 1960's, we were the world's largest exporter of shelled groundnuts, with almost half of global exports. We were the second largest exporter of cocoa with 18 percent of the global market. And we were the world's largest exporter of crude palm oil, at 27 percent of global share.

By contrast, our exports of both groundnuts and palm oil are today at zero percent. Our market share of cocoa is less than half of what it was at its peak.

Once an agricultural exporter, Nigeria is today one of the largest food importing countries in the world. Despite more than 84 million hectares of arable land, less than 40 percent is being cultivated and only 10 percent optimally. Nigeria spends \$US 11 billion importing wheat, rice, sugar and fish – alone. If Nigeria had kept the market share in cotton, palm oil, rice and groundnuts it enjoyed in 1964, we would today be earning \$10 billion per year from those commodities alone.

What happened was simple: We discovered oil. We neglected agriculture. We used hard-earned foreign exchange to import food that we should be producing.

Fortunately, our President – President Goodluck Jonathan – and my cabinet colleagues believe this is not fiscally, economically or politically sustainable. As we depend on food imports, we are exporting jobs instead of creating them at home. And, as we all know, jobs – especially for our youth – are critical for both domestic and international security.

Despite our neglect of agriculture, this economic sector still provides the main source of livelihood to over two-thirds of Nigeria's population. It accounts for 44 percent of our GDP. With our tropical climate, fertile land and ample water resources, the availability of labour, and a large and growing domestic market, Nigeria's potential is huge.

But we have to unlock it. We need the right key. And I believe that key is private investment.

To attract private investment, we needed to undertake major structural changes to the sector. So two years ago, we embarked on a transformative agenda to modernize agriculture. We had to make it attractive to private investors. Our goal – to transform it into a business, creating income for everyone along the commodity value chain.

We are taking agriculture out of the development space and putting it in the business realm – where it belongs. Policy reforms are designed to structurally modernize our agriculture sector as a market-driven value chain, not a government-driven development program.

We believe government should provide the enabling environment, through sound policies, research and extension services, infrastructure and regulations to allow the private sector to do what it does best – create, manage and grow competitive businesses.

To support this, we are focused on providing farmers with improved access to productivity-enhancing technologies and inputs. We are also helping farmers adapt to climate change, improve natural resource management, expand market access, and acquire the skills needed to make farming a successful business. We are accelerating the provision of affordable finance for farmers and agribusinesses.

Is this a total paradigm shift? Yes, indeed.

Are there tremendous challenges? Of course.

Is our task impossible? Not at all.

Let me share with you just a few of the giant steps we have taken.

One of the first items on our policy agenda was to take the government completely out of the procurement and distribution of fertilisers and seeds. The government's monopoly on the supply of foundation seed was scrapped. Today, all foundation seed supply – the lifeline of a viable seed industry – is fully liberalized and managed by the private sector. Seed and agrochemical companies now sell directly to farmers, not to the government. These companies are rapidly building effective supply chains to reach farmers.

We have created the first ever national database of farmers so we can better know our customers, and therefore target policies to support them. Farmers' biometric information was captured and each farmer now has a unique farmer identification card. We started with the registration of over four million farmers in 2012. This year, we have expanded the database to 10 million farmers.

With this biometric information, we were able to introduce one of our most innovative programs – Growth Enhancement Support (GES) – through which farmers receive subsidized seeds and fertiliser via vouchers on their mobile phones – or Electronic or E-wallets. This is a game-changer. Electronic vouchers are used just like cash to buy seeds and fertilizers directly from agro-dealers. Nigeria is the first country in Africa to launch an electronic wallet system to deliver subsidized inputs to farmers.

In 2012 season, we reached over one and a half million farmers. Many were opening a bag of fertiliser for the first time in their lives. Today, as Minister, I can tell you precisely which farmers received fertiliser, when, where, and how much they paid. The system is transparent. As a result, in 2012, fertiliser companies sold almost US\$100 million in fertiliser and the seed companies sold almost US\$ 10 million in seeds.

Under the E-wallet system, farmers pay half of the cost while the federal and state governments equally share the other half. This saves our government almost US\$ 150 million. Beyond cash savings, it illustrates a new partnership between government and farmers. We are getting better and cheaper inputs into the hands of farmers.

These reforms are generating investment into the agriculture sector. The reforms have spurred greater private sector participation. When we started, we had only 21 seed companies. By the end of last year, that number had almost quadrupled.

Access to affordable financing is a major constraint facing farmers and processors. To address this, we have put in place a smart risk sharing facility known as NIRSAL with the Central Bank of Nigeria, worth \$US 350 million. The facility will leverage \$US 3 billion in new financing from banks to farmers and agribusinesses in Nigeria. This will provide access to financing at single digit interest rates. This year, banks are committed to lending US\$ 400 million. The Bank of Agriculture is also being recapitalized with \$US 100 million to provide more affordable financing for farmers.

We are already seeing results. In the first year we added over eight million metric tonnes of food – 70 percent above our food target for 2012 and 41 percent of our total target for the Transformation Agenda. As a result, despite experiencing a devastating flood in 2012, the nation was able to avoid a food crisis. And we created 2.5 million new jobs – over 80 percent of our 2015 target.

We are driving a private sector agenda in the agricultural sector. Since this administration came into office in 2011, the private sector has committed over \$US 8 billion in existing and planned investments in Nigeria's agriculture, agribusiness and food industry sectors. This is because the government is now executing a "government-enabled, private sector-driven" transformation agenda that ensures agriculture is being treated as a straight-line business, not a development project. Indeed, the government now recognizes there are significant financial returns to be realized in the sector, while at the same time, creating jobs and sustainable economic growth.

Ladies and gentlemen, Nigerian agriculture is open for business.

We are moving forward with a focus on value chains where we enjoy a traditional comparative advantage. Cocoa is certainly one of those.

Cultivation of cocoa is unlike commodities that utilize large plantations and large-scale mechanization to take efficient advantage of the economies of scale and production. Almost all of the world's roughly 4 million metric tonnes of cocoa beans produced each year comes from small plantations, usually less than five hectares, and farmed by the manual labour of family members and sharecroppers. It is estimated that some five and a half million households and 14 million people depend directly on incomes from these small plantations.

No so long ago, in the 1970s, growing cocoa was a dignified occupation in Nigeria and in Africa because cocoa farming generated enough income to sustain a farm family. Children were sent to school, good houses were built, and investments were made in maintaining the farms for higher productivity and quality cocoa beans. In that era, young people could envision themselves working on the family cocoa farm, confident it was good investment.

Today, the story is different. The investment does not seem to worth all the effort. Maintaining a cocoa farm – harvesting, fermenting and drying – is difficult, manual labour. Conditions are rough. Many farmers live a life at or below the poverty line. Farmers have little bargaining power on price. As a result, young people are leaving cocoa for less labour intensive jobs and better paying enterprises. What is left is ageing plantations and aging farmers – many well over 50 years with an average life expectancy estimated at just 60.

That is why this meeting is so important for Nigeria's cocoa sector. We are considering how to improve the productivity, quality and livelihood of our cocoa farmers to meet the growing global demand for cocoa products. This demand is estimated to reach some five million metric tonnes in 2020, some additional one million tonnes to the current cocoa beans output.

I know that the challenge to meet the envisaged supply deficit has the attention of the industry players. It has spawned a number of programs to address the sustainability challenge such as Armajaro's "Source Trust," Barry Callebaut's "Partenaire de Qualité" (QPP), Cargil's "Cocoa Promise," Mars' "iMPACT," "Vision for Change" programmes and Nestlé's "Cocoa Plan." Apart from individual company effort, there are also other

initiatives such as the World Cocoa Foundation and the Dutch Sustainable Trade Initiative and the International Cocoa Initiative.

My friends, despite these challenges, Nigeria sees a great opportunity in the face of emerging realities of the global cocoa economy. Cocoa is our most important foreign exchange earning agricultural crop commodity. It is second in total export earnings after crude oil. In 2012, Nigeria earned \$US 900 million from the export of cocoa beans and products. We are the fourth largest cocoa producer in the world. As a significant contributor to the national economy, cocoa is identified as one of the key drivers of our goal towards an industrialized, agricultural economy.

As a result, cocoa is very much in the forefront of our reform of agriculture in Nigeria. It is predicted that the greatest growth areas for agricultural exports in Nigeria in the coming years will be in cocoa, cashew and sesame.

As part of our agricultural transformation, we have developed a Cocoa Transformation Agenda (The CocTA PLAN) to grow Nigeria's share of the world cocoa market. We have set clear targets for this crop:

- We will double national cocoa output to 500,000 metric tonnes through increased farm-level productivity.
- We will build farmers' capacity in agricultural and business best practices to improve incomes for 250,000 farm households.
- We will create 390,000 new jobs along the value chain through increased production, processing, value added, and marketing activities.
- We will increase value addition and local processing (grinding) to more than 25 percent of national cocoa bean production.
- We will raise local consumption to more than five percent of annual production.
- And we will ensure a strong institutional governance structure for the Nigerian cocoa industry through a sustainable public-private partnership platform.

Our goals are aggressive. But they are attainable with the strategy we have put in place to support this industry. In order to drive up production, which we know is critical as the industry faces growing demand, we have launched a three prong strategy: maximize, rehabilitate and expand.

We are maximizing yield per unit land area on the current 650,000 hectares of active plantation through more efficient use of critical inputs like agrochemicals, fertiliser and good agricultural practices. We will reach cocoa farmers through our successful Growth Enhancement Support Program and make sure cocoa farmers have access to what they need to raise productivity.

Over the next four years, we will rehabilitate 200,000 hectares through an aggressive plan developed in partnership with the private sector called "Professional Cocoa Doctors and Grafters." This program will provide employment for skilled professionals as well as upgrade their skills and put them to good use at home. With the support of MARS, we have already sent some candidates to Indonesia to study that country's impressive cocoa plantation rehabilitation strategy.

And we will expand cocoa planting to take full advantage of one of our best resources – good, available land. Currently, we grow cocoa on less than one-quarter of the three million hectares of land suitable for cocoa production in Nigeria.

To support rehabilitation and expansion, we are distributing almost four million high yielding hybrid pods, free of charge, to Nigerian farmers and investors. These new hybrid cocoa varieties could quadruple annual yields. They are also designed to mature faster, within two and a half years, instead of five years. The pods will produce enough seedlings to establish more than 100,000 hectares of new cocoa plantations. Last nursery season, we distributed over 400,000 hybrid pods which resulted in over 14 million seedlings – enough to plant about 13,000 new hectares of improved varieties.

In 2013, government will provide \$US 14 million to support 160,000 cocoa farmers with improved access to cocoa hybrids and agrochemicals. More than one million pods will be distributed during the 2013 nursery season to plant and rehabilitate about 30,000 hectares of cultivated area.

In line with what we call the 4FS principle of sustainable cocoa production – favoured seed, farm sanitation, fertile soil and farmer skills – we believe farmer training is an imperative to transform the cocoa sector. We share the vision of the Cocoa Livelihood Program and the African Cocoa Initiative of the World Cocoa Foundation to increase farm level productivity and as well as good quality cocoa beans under acceptable social and environmental best practices.

We have recently signed a partnership agreement to scale-up Cocoa Livelihood Program activities in 10 cocoa producing states with an annual commitment of almost \$US 700,000 over the next two years. This initiative will train 70,000 farmers and establish or strengthen 100 farmer groups to ensure access to basic finance and production support, which in turn, will advance a healthier cocoa and rural economy.

The successful transformation of Nigeria's agricultural sector will require not just investment, but public and private sector coordination. To that end, we are working on the set up of a Cocoa Corporation of Nigeria, based on a public-private partnership model. Within a broader, liberalized market-driven economy, this body will enable the private sector to drive marketing functions while the public sector provides the enabling environment for smooth marketing operations.

Here is how the Corporation will work: the federal government will provide the appropriate legal, regulatory and institutional environment to ensure quality standards and control. Codes of conduct will regulate the sector. We will also provide support for research and extension services, capacity building, monitoring and enforcement. State and local governments will contribute land and align local stakeholders. Our Central Bank will facilitate development finance. And donors will assist through the funding of infrastructure and capacity-building activities.

It is critically important to establish effective coordination among all actors in the cocoa sector, so we can all benefit from a multiplier effect on production, processing, and exports. This will increase the industry's contribution to Nigeria's revenue base and, ultimately, lead to job creation, a more robust rural economy, and an improved quality of life for our farmers.

We will also move beyond exporting raw beans. While we have promoted the export of raw beans through our Export Enhancement Grant, which provides incentives for exporters, we intend to also encourage greater domestic processing of cocoa beans. Currently, we have eight functioning cocoa processing factories, with a total installed capacity of 157,000 metric tons of cocoa beans. These companies have collectively made investments of \$US 267 million.

Despite challenges, these cocoa processing factories, even at their low capacity rates, generate between \$US 90 million and \$US 400 million annually. As we improve the enabling environment, they will have the capacity to each generate \$US 500 million per year. We will stimulate private investment through the provision of fiscal, investment and infrastructure incentives such as a zero percent duty on importing agro-processing equipment and tax holidays for food processors. A special cocoa intervention fund will also be established to support cocoa processors for asset acquisition and working capital.

As you can see, Nigeria is serious about reclaiming its status as an agricultural powerhouse. We will achieve a hunger-free Nigeria through an agricultural sector that drives income growth, accelerates achievement in food and nutritional security, generates employment, and transforms Nigeria into a leading player in global food markets. This will benefit both our nation and an African continent that is the key to feeding a rising global population.

Unlocking the vast potential of the Nigerian cocoa sector will help us succeed. And we are committed to a partnership approach with the private sector to achieve this by providing policy support instruments to reduce investment risk in both in the upstream and downstream sectors of the cocoa value chain.

These are the days to be very proud of Africa. Our economies are growing rapidly and ten of the fastest growing economies in the world are in Africa. Nigeria is the fourth fastest growing economy in the world. Nigeria is today the largest destination of foreign direct investment in Africa. This is Africa's time. And agriculture is leading the way in making this Africa's time.

My friends, Nigeria's agricultural sector is open for business. Join our success story. Invest in Africa. Invest in Nigeria.

Thank you.