

Animal Products Importation, Local Industry and Economic Development – A Review of the Current Trend in Nigeria

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Abstract:

Nigeria is an import-dependent country and its excessive importation of animal products has seriously affected the Nigerian livestock sector. The reliance on imported items has led to a huge demand for foreign exchange and a depreciation of the naira through the years. Nigeria's total food and agricultural imports are growing and estimated at more than \$10 billion in 2015. Wheat, rice, brown sugar, frozen fish, dairy products, vegetable oil, and intermediate and consumer-oriented products are the largest imports. By continent, Nigeria imported goods mostly from Asia (44.6 %), EU (33.6 %), America (14.1 %), Africa (6.5 %), and others (1.2 %). By country, Nigeria's most significant suppliers include China (23 %), the United States (10%), India (8 %), Belgium (6 %), the Netherlands (6 %), and other countries across the world. This paper discussed the Nigerian production capacity of the beef, dairy, and poultry sub-sectors, import-substitution, and its impact on local products including the destruction of local products, decline in revenue and demand, smuggling of frozen poultry meat, and high cost of feed input as it affects the local industry and economic development in Nigeria. It is recommended that there should be a continuous ban on importation of frozen animal products, improvement of the dairy breed, subsidy to assist dairy producers/processors, organization of producer groups (pastoralists), investment in cold chain technology, development of semen collection center and fodder farms.

Keywords: Animal Product, Importation, Livestock Production, Economic Development.

Introduction

The current exchange rate crisis facing Nigeria stems from the country's high import content (FDC, 2016). The reliance on imported items has led to a huge demand for foreign exchange and a depreciation of the naira through the years. Nigeria's total food and agricultural imports are growing and estimated at more than \$10 billion in 2015. Wheat, rice, brown sugar, frozen fish, dairy products, vegetable oil, and intermediate and consumer-oriented products are the largest imports. By continent, Nigeria imported goods mostly from Asia (44.6 %), EU (33.6 %), America (14.1 %), Africa (6.5 %), and others (1.2 %). By country, Nigeria's most significant suppliers include China (23 %), the United States (10%), India (8 %), Belgium (6 %), the Netherlands (6 %), and other countries across the world (ITA, 2017). In a bid to protect the local industry and encourage job creation, some animal products are banned from import; they include live or dead birds including frozen poultry, pork, beef, and birds' eggs, excluding hatching eggs (NCS, 2018).

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There has been an increasing demand for beef and milk, the main sources of domestic animal protein in Nigeria, and this has resulted in a domestic supply gap owing to poor production and productivity levels of the indigenous production systems. The current economic situation in Nigeria indicates that the domestic supply of animal protein is growing at 1.8 % per annum while the overall demand is estimated to be rising at 5.1 % annually. Despite its importance and the existence of unsatisfied internal demand for livestock products, the livestock sub-sector has suffered from inadequate investment by both the public and the private sectors (FAO *et al*, 2016)

Discussion

Production Capacity in Nigeria

Nigeria is a major hub of animal product consumption in West Africa. It is also one of the largest livestock-raising countries in the region. Meeting the ever-increasing domestic demand and access to these flourishing markets are major economic stakes for Nigeria.

➤ Beef Production

There are about 50,000 meat wholesale/retail businesses in Nigeria with an average annual turnover estimated at 25 million Naira which is equivalent to trading 160-180 cattle carcasses. Red meat prices have increased sharply at a rate of 20 % per annum for the last twenty years against an underlying inflation rate of around 12 % (FAO, 2005). This is representative of the demand-supply shortfall in an era of rapid population growth, especially in the Lagos-Ibadan Axis (the economic powerhouse of West Africa): at current growth rates, Nigeria’s population is expected to double to around 340 million by 2030 (FAO *et al*, 2016). At a livestock level, the red meat sector is worth an estimated N1.1 trillion and at the retail level about 1.3 trillion (FAO *et al*, 2016).

➤ Dairy Production

Unit: USD thousands

	2014	2015 (estimated)	2016 (estimated)	2017
Total Market Size	900,000	770,000	660,000	695,000
Total Local Production	80,000	50,000	60,000	65,000
Total Exports	0	0	0	0
Total Imports	820,000	700,000	600,000	630,000
Imports from the U.S.	15,000	10,000	8,000	12,000

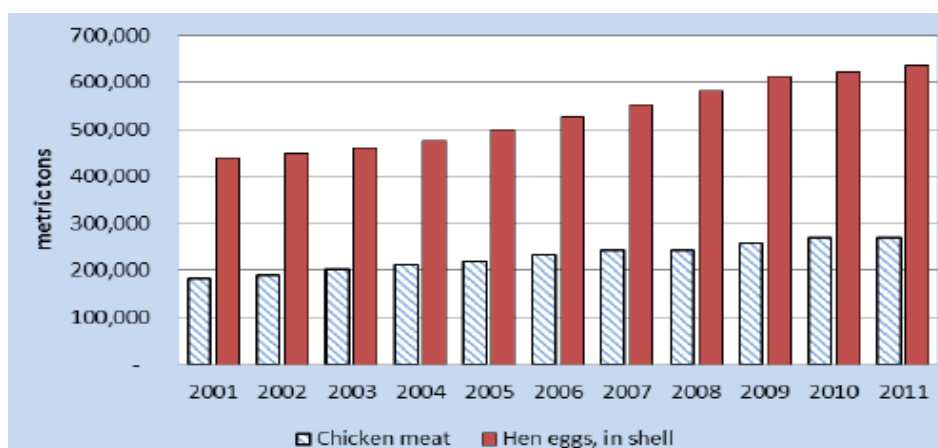
Total Market Size = (Total Local Production + Total Imports) – (Total Exports) Source: ITA (2017)

U.S. export of dairy products to Nigeria had continued to rise since 2011. However, Nigeria’s declining revenue since 2015 is expected to affect market growth adversely. At the moment, domestic production remains insufficient due to increasing production/processing costs, the non-competitiveness of the industry, and the failure to incorporate more advanced technologies (ITA,

2017). Dairy is a major import to Nigeria. In 2016, it accounted for 6 % of the total food import bill. With an estimated annual consumption of 1.7 million tonnes, Nigeria’s milk production is low at an estimated 0.6 million tonnes. To close this production deficit, a significant amount of foreign exchange is spent on the importation of milk (PWC, 2016).

➤ Poultry Production

From a market size perspective, Nigeria’s egg production is the largest in Africa (South Africa is the next largest at 540,000 MT of eggs) and it has the 2nd largest chicken population after South Africa’s 200 million birds (Sahel, 2015). The poultry industry has emerged as the most dynamic and fastest-growing segment in the animal husbandry subsector (Heinke *et al*, 2015).



Nigeria: Chicken Meat and Shell Egg Production

Data Source: FAOSTAT | © FAO Statistics Division 2013 | 29 January 2013

Impact of Animal Product Importation on Local Production

1. Local products are destroyed: Nigeria is importing what it can produce in abundance. In 2016, Nigeria spent over 480 million USD importing milk, cream, and milk products (PWC, 2016). Spending such huge amounts on imports has led to a dearth in local animal production. Import dependency is hurting Nigerian livestock farmers, displacing local production, and creating rising unemployment (FAO *et al*, 2016).

2. Smuggling of frozen poultry meat: Although the importation of frozen poultry meat has been banned, Nigeria still spends about 600 billion naira annually on smuggled frozen foods (Falaju, 2015). This is due to the porous nature of the Nigerian borders; where unwholesome food items still find their way to the tables of many Nigerians. Local producers of poultry continue to face daunting obstacles posed by the activities of smugglers of poultry meat into the country. These are cheaper and a majority of Nigerians who are poor or have a low purchasing power will buy/patronize the cheaper alternative (Falaju, 2015).

3. High cost of feed input: The irregular and limited supply of all raw materials grown in Nigeria present serious problems for local producers. As a result, the majority of feed millers in the country

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are turning to imported soft wheat to satisfy their energy requirements in feed ratios as an alternative to corn. Most of the corn and soybean used are imported, as well, since the quantity and quality of the corn and soybean cultivated in Nigeria do not meet the demands of the population. But still, the scarcity and high cost of the imported feed force producers to reformulate the poultry diet in favor of low-quality substitutes such as peanut cake, cottonseed, and palm kernel meal (World Poultry 2013).

Conclusion

Importation of animal products is not just creating a conduit pipe that is constantly draining the country's economy. The increasing consumption trends have cost the government a substantial amount of foreign exchange to import dairy products into Nigeria. With an estimated annual milk consumption of 1.7 million tons, production only meets about 34% of demand while importation makes up for the deficit. Nigeria has spent over 480.3 million USD on the importation of milk annually (PWC, 2016). Addressing the issue of animal product importation, especially in the dairy sub-sector will guarantee a better economy and food security for the citizenry.

Recommendations

Continuous ban on importation of frozen poultry products: In a bid to reduce the influx of smuggled poultry products, the Federal Ministry of Agriculture and Rural Development (FMARD), Nigerian Customs Service, National Agency of Food, Drug, Administration, and Control and Standard Organization of Nigeria and other relevant MDAs should launch a massive campaign to discourage Nigerians from consuming smuggled frozen animal products by educating them on the negative health, economic and socio-political impacts of illegal frozen poultry products.

Organization of producer groups (pastoralists): Difficulty in assessing pastoralists have discouraged commercial processors from sourcing milk from traditional producers. The formation of producer groups/cooperatives will improve accessibility to the pastoralists as processors can work directly with the cooperatives towards increasing the processing of domestic milk. Also, extension services can be facilitated via the cooperatives to increase the quality of pastoralist milk output.

Development of fodder farms: Government should encourage the development of fodder farms to help solve the problem of availability of fodder for ruminants; this will in turn help to reduce the clash between pastoralists and crop farmers.

Investment in cold chain technology: Agriculture infrastructure should be developed to accommodate the storage needs of the dairy industry. This will ease the transportation and distribution of dairy products across the country.

Innovative financing for agriculture.

Import substitution: Excessive importation has led to a near decimation of the country's livestock sector. To curtail Nigeria's reliance on imports as well as reduce the deleterious effects of excessive importation, the federal government should implement its import substitution strategy that on one hand limits the access to forex (which then makes it difficult to import) and on the other hand, supports the country's livestock sector.

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