

AN OVERVIEW OF THE NON OIL SECTOR AND OPPORTUNITIES FOR THE INSURANCE INDUSTRY – THE AGRICULTURE PRESPECTIVE.

BEING THE FULL TEXT OF THE PAPER PRESENTED BY THE HONOURABLE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT, MR AUDU OGBEH AT THE ANNUAL PROFESSIONAL FORUM OF THE CHARTERED INSURANCE INSTITUTE OF NIGERIA HELD AT THE PARK INN HOTEL ABEOKUTA FROM WEDNESDAY 31ST TO SATURDAY 3RD SEPTEMBER 2016.

Good morning ladies and gentlemen. It gives me great pleasure and honour to be a guest speaker in the annual conference of Insurance Professionals in the country. I am also pleased to speak on a topic which is at the forefront of our effort to diversify the economy, that is the expectation from the Insurance industry and the opportunities available to assist in growing the Agricultural sector.

PREAMBLE

Nigeria is a country which has huge agricultural potential. With over 48 million hectares of arable land, of which only 40% is cultivated; a population of 167million people, making her Africa's largest market; 230 billion cubic meters of water; and abundant and reliable rainfall in over two thirds of the country, the country has some of the richest natural resources for agricultural production in the world.

The country was also self-sufficient in food production before the discovery of oil in the 1960s. The over-reliance on oil as the main source of national government income led to the abandonment of agriculture. Nigeria's agricultural sector became characterized by stagnating yields. Nigeria then became a net importer of food, spending an estimated US \$11 billion per year importing basic food like wheat, rice, sugar, and fish. Rural communities that typically produced the country's food slid into poverty and massive youth unemployment, a situation that quickly became politically explosive, economically unwise, and socially unacceptable.

However, in the recent past, (starting from 2010/2011) Nigeria's agriculture has been experiencing a rebirth after years of benign neglect. This rebirth is due to the fundamental paradigm shifts which have occurred in the agricultural sector of the Nigerian economy. To refocus the sector, the Government implemented a new strategy (the Agricultural Transformation Agenda, ATA) built on the principle of treating agriculture as a business. The approach of treating agriculture as a development program ended. The objective is to create wealth through agriculture, not to manage poverty. The role of government is to provide the needed enabling environment, policies and incentives for a private-sector-led agricultural transformation to unlock the potential

of Nigeria's agriculture. In a nutshell, the main priority of the policy was to reintroduce the Nigerian economy to sustainable agriculture centred on business-like attitude driven by the private sector. This strategy was in place from 2011-2015.

The ATA was an important first step towards rediscovering agriculture in Nigeria. As a result many companies, individuals, and international donors became keen to invest in Nigeria agriculture once again.

THE PRESENT ADMINISTRATION VISION AND APPROACH TO AGRICULTURAL DEVELOPMENT

This present administration intends to build on the success and lessons of the Agricultural Transformation Agenda. Its vision 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 growth. This means that there could be huge scope for the agricultural sector to provide substantial revenues, while stabilizing the nation's economy. The Federal priorities which will be in partnerships with States governments will be: food security, import substitution, job creation and economic diversification.

The new policy regime, tagged the Agriculture Promotion Policy (APP) is founded on a number of guiding principles which were carried over from the ATA reflecting the administration strong desire for policy stability. The major priorities of Government under the new policy thrust among many others include the following:

- Treating agriculture as a business.
- Agriculture as key to long term economic growth and food security.
- The value chain approach to agricultural development will continue to be adopted. Focus will be on enterprise development across the successive stages of the commodity value chains namely input supply, production, storage, processing, utilization, marketing and consumption.
- Marketing Orientation – Agricultural production will be stimulated on a sustainable basis, and stimulating supply and demand for agricultural produce by facilitating linkages between producers and off takers.

EXPECTED OUTCOMES FROM THE AGRICULTURAL POLICY (2016-2020)

- The integrated agricultural sector will grow at 1 times to 2 times the average Nigerian GDP for 2016-2020. Expectedly contribution to GDP will rise to 23%, while agriculture contribution to the active labour force will be about 70%.
- The agricultural commodity value chain will be integrated into the broader supply chain of Nigerian and global industry, driving job growth, increasing the

contribution of agriculture to wealth creation, and enhancing the capacity of the country to earn foreign exchange from agricultural exports. Nigeria agriculture's share of non-oil export earnings is expected to rise to 75%.

- Promote the responsible use of land, water and other natural resources to create a vibrant agricultural sector offering employment and livelihood to the country's growing population.
- The Government's capacity to meet its obligations to Nigerians on food security, food safety and quality nutrition will be facilitated. Agriculture's share of the Federal budget is expected to be at 2%.
- Creation of a mechanism for improved governance of agriculture by the supervising institutions and improving the quality of engagement between the Federal and State Governments.

AGRICULTURAL INSURANCE IN NIGERIA

Agricultural development in developing countries have been impacted negatively by climate change. The impact of natural hazards and disasters affected around 2 billion people in the developing countries and caused damages over USD 490bn. According to FAO. The losses in Agriculture sector is approximately 22%. This trend is expected to continue in coming times.

Adaptation and mitigation measures becomes critical and one of such measures is risk Insurance.

The Federal Government of Nigeria through the Federal Ministry of Agriculture and Rural Development has always supported the idea of the concept of agricultural insurance as a veritable tool to manage the risks in the agricultural sector. The Ministry therefore has made agricultural insurance facilities available to Nigerian farmers and other agricultural investors since 1987 through the establishment of the Nigerian Agricultural Insurance Scheme. Furthermore in 1993, the Federal Government enacted a statute establishing the Nigerian Agricultural Insurance Corporation to drive and implement the Nigerian Agricultural Insurance Scheme.

The Government provides financial support for the scheme in the form of payment of 50% premium subsidies on behalf of farmers insured, for most of the Agricultural Insurance covers provided by the Nigerian Agricultural Insurance Corporation. The Government has also accepted to pay the liability for catastrophic losses incurred by the Corporation in excess of 200% of its premium income per class of insurance.

In 2009, the Ministry of Agriculture and Rural Development assisted the Corporation in its re-capitalization process to enable it be better positioned in the implementation of its mandate.

OPPORTUNITIES OF AGRICULTURAL ACTIVITIES TO THE INSURANCE SECTOR.

The Federal Government intends to grow its food production by an additional 21 million metric tonnes, in order to reduce its import bill and meet the food demand of the country coupled with dwindling oil prices and scarcity of forex. All these will further increase the activities across the agricultural value chain.

One of the major policy thrusts is the prioritization of the participation of the private sector as an engine to drive growth of the agricultural sector. Definitely, with more Government support and private sector participation in agriculture, the level of investment in the sector will increase, which will equally increase the level of risk exposure for which insurance should be an appropriate tool for its mitigation. (The value chain approach).

Multinationals (Dangote, Olams, etc), International donor agencies (IFAD, FAO, FADAMA III etc) and other foreign investors are taking advantage of this administration policy on agriculture to invest heavily in the sector.

Federal Government introduction of the school feeding program for primary school pupils in Nigeria. The program at full implementation is expected to yield 1.14 million jobs, increase food production by up to 530,000 metric tonnes per annum and attract fresh agricultural investment of up to ₦980 billion.

The Youth Employment in Agriculture Program (YEAP) which will empower 740,000 market oriented young agricultural producers called "Agropreneurs" that will develop business along the entire agricultural value chain.

The introduction of the agricultural equipment hiring enterprise (AEHES) to aid the mechanization program of the Federal Government of Nigeria across different geopolitical zones of the country.

The setting up of processing plants in zones of high food production to process commodities into food products using the staple crops processing zone model. (SCPZs)

The investment in the development of beef and dairy production.

The implementation of the CBN Anchors Borrowers Programme (APB).

The recapitalization of the BOA.

The framework /template of funding the agricultural sector has become more stable and clearer and as such the CBN, commercial banks and other lending institutions has continued to show commitment to agricultural lending by making the fund available at competitive interest rates. With this initiative, a large chunk of this credit for agriculture will be supported by Insurance companies.

The different interventions in agriculture by the state Governments.

Irrigation (massive development of earth dams)

Extension services (100,000 youths training).

All these interventions listed are expected to further brighten the prospects of the insurance industry in Nigeria, as the insurance mechanism, remains the most veritable tool that can be used to manage the risk inherent in these agricultural programs and interventions.

CLOSING REMARKS

The Government will continue to support Insurance in different forms and will ensure that a fair, affordable and effective Agricultural Insurance program is built as a mechanism to mitigate the effect of natural disasters.

The Insurance industry is expected to innovate and offer insurance products and services that will meet the agribusiness demands and expectations in terms of risk management.

Lastly, the opportunities in the Agricultural sector holds great business potential for the insurance Industry, and the Federal Ministry of Agriculture and Rural Development is ready to welcome ideas and innovations from the Insurance practitioners that will grow the Agricultural Insurance in the country.

Thank you for your attention.

FEDERAL MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT.

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