INTERNATIONAL TRADE IN AGRIBUSINESS: A REVIEW OF NIGERIAN EXPERIENCE

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ABSTRACT
The aim of this paper is to investigate the problems of Nigerian agribusiness in international trade with a view to recommending solutions to them. Nigerian agribusiness faces trade imbalance in the international trade which limits the contributions of agribusiness to the Nigerian economy. Secondary data and information were reviewed to establish the problems. It was found that trade restrictions inhibit the importation of some items for processing and also the fluctuation in exchange rate limits the volume of agricultural machinery being imported to the country. It was recommended that the estimation of distortions to agricultural incentives be institutionalized in the way it has for high-income countries and as well, the Governments and advocacy groups should set up efficient machinery for up to date monitoring of the trade and welfare effects of farms or trade policies.
KEYWORDS: International Trade, Agribusiness, Policies, Restrictions.

INTRODUCTION:

Nigeria, despite her vast endowment with abundant natural resources and democratic government, has not been benefiting from international trade as it should. Other nations like China and US have leveraged on trade opportunities to promote their economies. International trade is supposed to boost the Nigerian economy, which is currently undergoing a recession. Nigeria has the largest market in Africa with a population of more than 180 million people, endowed with abundant natural resources (both human, good arable land and landscape, and minerals including vast oil reserves), cheap labour and democratic government. Despite all these endowments, more than 110 million Nigerians live below the poverty level (Export.gov, 2017). This is because Nigerian government has not leveraged on her vast resources to improve the economy but only running an oil-dependent economy, whose previous boom period's largesse were not prudently utilized and is now facing hard times as global events are changing its global price.

Currently, a sharp decline in the global oil price and the artificial capital control imposed by the Federal Government now contributes to the nation's economic difficulties and the nation has not been favoured with balanced trade. Consider Nigeria-China trade pact for example; Nigeria exports cocoa beans, rubber, cashew nuts, hides and skin, and some other agricultural products and crude oil while China tends to export large amount of low-cost manufactured goods meeting with Nigeria's local demands that reflected declining economy. The bilateral trade volume between China and Nigeria in 2006 reached US$3.13bn, up by 10.6, from 2000 t0 2006, among which China's export to Nigeria was US$2.85bn, up by 23.9, while China's import from Nigeria was US$280m, down by 47.3. China had a surplus of US$2.57bn. China mainly exported motorcycles, machinery equipment, auto parts, rubber tiles, chemical products, textiles and garments, footwear and cement (Nabine, 2009). This trade imbalance weakens the Nigerian economy. So also is the persistent trade imbalance between US and Nigeria, just to mention few instances with her trade partners around the world.

The US as the largest foreign investor in Nigeria, focused her Foreign Direct Investment (FDI) mainly in the oil and wholesale trade sectors. US exports vehicles, machinery, wheat, refined petroleum products, civilian aircraft and parts and plastic while Nigeria exports cocoa, rubber, antiques and food waste to US (Export.gov, 2017). Because of this, a wide range of US products find their way to Nigeria from large and small companies making this market to favour several

US companies' manufacturing plants in Nigeria; thus creating more horizon for proliferation of US products at the detriment of the Nigerian emerging manufacturing sector. In view of this, the reasonable survival strategy for Nigeria is her dependence on the non-oil sectors particularly manufacturing, construction, telecommunication, wholesale/retail trade, hotel and restaurant services, agriculture and agribusiness. It will also be of great importance for the nation to have a guaranteed food sufficiency and security which will greatly impact the smooth take off of other laudable/lucrative sectors as the nation engages largely in both domestic and international trade in agricultural produce and products, dovetailing into agribusiness.

Desmond and Siebert (2009) defined agribusiness as a business that earns most of its revenues from agriculture. They explained further that agribusiness tends to be a large-scale business operation and may dabble into farming, processing and manufacturing and/or the packaging and distribution of products. They stressed further that agribusiness is used as portmanteau of agriculture and business, referring to the range of activities and disciplines encompassed by modern food production. They also made it known that agribusiness most often emphasizes the "interdependence" of these various sectors within the production chain. Agribusiness is defined as all enterprises that assemble, process, and transform raw agricultural commodities into final products for distribution to local and international consumers. Scott, (2013) added that agribusiness could hold the promise of a way out of poverty for many developing countries.

Increasing complexity of global food systems makes the producers in developing countries face challenges associated with market access to developed and other developing countries. Fastest growing developing countries engage in trade and participation in a global market because arms-length trade is now confined to commodities with low returns, thus access to high-income yielding activities requires participation in the global value chain (Hampton *et al.*, 2007). With increased urbanization, new standards for food quality and safety are set and the food is now directly sold to formal sector retail outlets such as supermarkets, rather than grown for sale at the local markets. Private sector participation in developing countries is being intensively promoted to allow accelerated technology transfer, capital inflow and an assured market for crop production.

Over the past decades, the global food system has concentrated in the hands of a few large companies. All these changes raise questions about market structure, market power, and strategies for small-scale agribusinesses in developing countries to insert themselves into the global food system. Although international trade has been increasing at a faster rate in the past 30 years but with increasing inequalities around the world. While some countries have experienced growth and prosperity, many countries, especially in Africa have fallen behind, and as a whole, have less representation in the total world trade. In just 25years, Africa's share of the world trade has fallen from 6% to 2%. Thus the difficulty for developing countries, especially SMEs is how to reach international markets and benefit from trade (Hampton *et al.*, 2007).

Africa could create a trillion dollar food market but the market's current size falls short by some measure, at \$313bn (£208bn), according to a World Bank Report (Scott, 2013). Nigeria, being the largest African market, by deduction, shares from this continental market lull. She also revealed that due to a lack of growth, trade and productivity, agriculture and agribusiness have been "losing in the competitive race". This is because Nigerian agricultural sector is dominated by smallholder farmers (majorly old people who are even reducing in their numbers) working on average of 4.5 acres each (Export.govt, 2016). This invariably contributed to Nigerian economic growth being slowed down to 2.8% in 2015, the lowest since 1999. Despite this, the country has the potential to grow the economy at 7.1% yearly until 2030 and build a \$1.6tn economy and can have economy to the top ten (10) in the world in 2050 with projected GDP of \$6.4tn (Export.govt, 2017) if her agribusiness prowess is well articulated.

What Is International Trade?

Trade in itself is the concept of exchanging goods and services between two people or entities while international trade is then the concept of such exchange between people or entities in two different countries. Adesuyi and Odeloye (2013) described it as a foreign trade which involves the exchange of goods and services across national borders and it plays a very important role in the formation of economic and social attributes of countries around the world. They viewed it as an economic force that has spurred commerce, promoted technology and growth, spread cultural patterns, stimulates exploration and brings prospect for world peace and international relationships.

One of the ways that many of these new nations promoted exports was to impose restrictions on imports. Nigeria still maintains import restrictions on several agricultural products as well as foreign exchange restrictions on major agricultural items however creating challenges for importing the needed raw items to process. These measures often disrupt the global supply chain and flow of data while they increase costs and stifle innovation required to create a globally competitive industry (Export.gov, 2016).

Roles of Agribusiness in International Trade

Globalization has made the free flow of goods, services, capital and knowledge among nations easier. The spread of global trade, deregulation of capital markets, and technology that facilitates global communication and transportation all have driven changes in global trade and investment rules which, in turn, support the expansion of new global commodity chains and the growth of agribusiness. Agribusiness activities have introduced new management techniques and facilitated the integration of domestic markets with international markets, thereby providing abundant opportunities to farmers and trading partner countries to supplement shortages in food and other agricultural commodities. Some agribusiness firms, because of their strong capital position and influence, have been instrumental in the formulation of trade rules and procedures at various multilateral forums as well as turning the weaknesses and strengths in trade agreements and flows to their benefit (by also manipulating the demand-supply situation).

Agribusiness is responding to strong consumer demand for high-value commodities, processed products and pre-prepared foods. Expanding markets offer farmers opportunities for new value-addition, compared with primary production while exporters and agro-processing enterprises furnish crucial inputs and services to the farm sector. However, rapid development could displace small farmers, processors, stores and traders who depend on traditional marketing and distribution channels at a pace that does not allow them enough time to create alternative opportunities. Small-scale farmers and small-scale traders, processors, wholesale markets and retailers faced with increasingly strict agro-industry standards face all the risks.

Effects of Exchange Rate Policies on Agricultural Trade

In times of large global imbalances, fluctuating exchange rates and other macroeconomic instability, it has become clear that such macro prices as exchange rates, interest rates, and inflation matter greatly in determining national economic welfare and the competitiveness and profitability of individual sectors. Agricultural sectors competed with each other on an unsteady playing field with the goal posts and sidelines in constant motion (Josling *et al*, 2010). They stressed further that the instruments of the Common Agricultural Policy (CAP) included variable levies and variable export subsidies ("restitutions") to avoid the importation of instability from international markets. With this, the policies try to link the import demand curve and export supply curves at the chosen domestic stabilization price. This made EU reduce her participation in shock absorption from the rest of the world but rather transfers its own to the rest of the world. When a currency is overvalued for a considerable period in time will lead to depressing prices for traded agricultural products on the country's domestic market. This could affect the speed and nature of technological progress.

Problems Facing Agribusiness Firms in International Trade

These factors are discussed below:

1. Because of the lacks in our current global food and agriculture system which resulted into starvation of many people, large and influential corporate houses, whose main motive is generating profits and not feeding people, run the current agricultural system.
2. Agricultural markets today are characterized by both horizontal and vertical concentrations which give these firms a lot of power to influence prices.
3. Loss of bargaining power – large farmer-processor ratio makes the farmers lose out on price in the market due to their large numbers. Thus concentrated market is an important reason for the erosion of farm income, increasing the profits of agribusiness firms.
4. Farmers lose flexibility in enterprise choice – due to contractual agreement; farmers cannot adjust their production mix so as to benefit from opportunities for other incomes.
5. Agriculture dumping – This is a process in which one agricultural company in a country exports its products to another country at a price lower than the cost of production, driving down prices to be paid to farmers. This creates an unfair trading advantage for exporting agribusiness firms by depressing international prices and eliminating market opportunities for producers in other countries.
6. Increase of corporate influence over public policy- These firms have incredible amount of influence over agricultural policy decisions (TNAU AGRITECH PORTAL)
7. Environment erosion- There is a lot of soil and water pollution due to increased dependence on agrichemicals, soil erosion due to production of one crop, and loss of biodiversity. Scott (2013) added that industrialized farming methods can make food less nutritious, pollute water resources, often leading farmers into a food production vs. pollution trade-off, countering the objectives of equitable development.
8.

Emerging Issues and Future Trends In Agribusiness

There is evidence that developing countries are increasingly providing protection to the import-competing subsector of their agricultural sector. This means that such a subsector enjoys subsidies instead of taxation engendering wastages of resources, thereby contributing to the relatively slow productivity growth of the sector (Josling *et al*, 2010). Databases on standards affecting trade such as sanitary and phyto-sanitary measures and those affecting genetically modified products are still lacking, and their incorporation into models is still at an early stage. This needs the co-operation among agencies and institutions. Global economy-wide simulation models need to capture the varying extent of imperfection in competition along the food value chain as concentration increases in farm input supplies, processing, and supermarket retailing. Furthermore, many environmental externalities are not correctly priced. Disposal of packaging or carbon footprint associated with transport of goods needs to be carefully modeled so as to conserve the food quality and safety. Farm level production processes should also be assessed. Agricultural trade economists are still being challenged by consumers' preference for avoiding foods containing genetically modified organisms (GMOs).

Biofuels policy has added another dimension to the equation of how crude oil prices influence food prices. The emerging biofuel technologies will lower the threshold price of crude oil at which food prices become linked to it; the speed of that development will be faster and governments will continue to subsidize and mandate the use of biofuel (Josling *et al.*, 2010)

POLICY RECOMMENDATIONS

1. Fairness should be introduced into the trade- All transactions should be done in a fair and transparent manner wherein farmers are made aware of the prevailing market price and receive a fair margin of the market share.
2. Strengthen co-operatives- A collective mechanism of marketing and delivery of input through the co-operative movement goes a long way in providing a congenial atmosphere and mitigating the risk of marketing.
3. Strict auditing of food and trade flows-To regulate speculation, cartelization and malpractices, strict auditing of food balances and trade flows needs to be carried out. Only such strong action will check speculation as well as exploitation of natural resources.
4. Readjustment is advisable in an industry suffering from "chronic surplus" production but raising prices in any one country above the export level will rarely be good strategy and it may be an equally dubious strategy, except in limited degree, on an international basis. If there are to be subsidies, they should be in form of income payments, rather than of price supports; and they best take the form of specific aid in shifting production to other lines (Josling *et al.*, 2010).
5. Governments and advocacy groups should set up efficient machinery for up to date monitoring of the trade and welfare effects of farms or trade policies. The estimation of distortions to agricultural incentives for developing countries needs to be institutionalized in the way it has for high-income countries at the OECD secretariat. Better coverage of countries and their policies will be crucial to improving the understanding of the benefits of open trade (Josling *et al.*, 2010).

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