

ECOWAS Countries Policy On Food Imports: Focus On Nigeria And The Forex Policy On Imports



Nigeria is currently Africa's largest producer of oil and relies on the sale of crude oil for about 90% of its foreign-exchange earnings. As a way of diversifying the country's economy and reducing its dependence on oil, policies aimed at stimulating the growth of the agricultural sector have been put forward over the past years.

A statement from President Buhari's official account below also says boosting agriculture is a primary focus of the current administration.

“We are taking our focus on agriculture to the next level. In our first term, we partnered with Morocco to revive abandoned fertilizer blending plants across the country, and also introduced the Anchor Borrowers’ Program to provide cheap credit to small scale farmers.” - Muhammadu Buhari ✓@Mbuhari (Twitter)

In 2015, the Central Bank of Nigeria (CBN) presided over a ban on the access to foreign currency for 41 items that the bank felt could be manufactured in the country, including rice and poultry. In July, it announced that it would stop importers of milk and other dairy products from getting foreign currency, arguing that local production of milk should be encouraged instead. According to the National Bureau of Statistics, imports of agricultural products were valued at ₦236 billion (about \$640 million) in the first quarter of 2019. These policies are expected to reduce how much is spent on imports and encourage local production of goods.

A paper written by the CBN in 2012 concluded that the most effective way to conduct its policies is without any political influence but the Nigerian President Muhammadu Buhari has instructed the Central Bank of Nigeria to block food importers' requests for foreign currency in a bid to boost local agriculture

Presidential spokesman Garba Shehu said the move is aimed at improving Nigeria's agricultural production and attaining more food security. "The president said the foreign reserve will be conserved and utilized strictly for diversification of the economy, and not for encouraging more dependence on foreign food imports bills," reads the statement. Mallam Shehu also quoted president Buhari as saying, "Don't give a cent to anybody to import food into the country."

Why did the president issue this order to the CBN?

The President Buhari administration has always held that Nigeria must be able to produce what it consumes and consume what it produces. In other words, this administration says it wants Nigeria to attain what is called food security or food sufficiency. It is why in 2015, in the early days of the Buhari administration, 41 items were placed on the import ban list.

Items which are ineligible for Foreign Exchange at the CBN's Official Window are as follows: Rice, Cement, Margarine, Palm kernel/Palm oil products/vegetables oils, Meat and processed meat products, Vegetables and processed vegetable products, Poultry chicken, eggs, turkey, Private airplanes/jets, Indian incense, Tinned fish in sauce (Geisha)/sardines, Cold rolled steel sheets, Galvanized steel sheets, Roofing sheets, Wheelbarrows, Head pans, Metal boxes and containers, Enamelware, Steel drums, Steel pipes, Wire rods (deformed and not deformed), Iron rods and reinforcing bard, Wire mesh, Steel nails, Security and razor wire, Wood particle boards and panels, Wood Fibre Boards and Panels, Plywood boards and panels, Wooden doors, Toothpicks, Glass and Glassware, Kitchen utensils, Tableware, Tiles-vitrified and ceramic, Textiles, Woven fabrics, Clothes, Plastic and rubber products, polypropylene granules, cellophane wrappers. Soap and cosmetics, Tomatoes/tomato pastes and Eurobond/foreign currency bond/share purchases

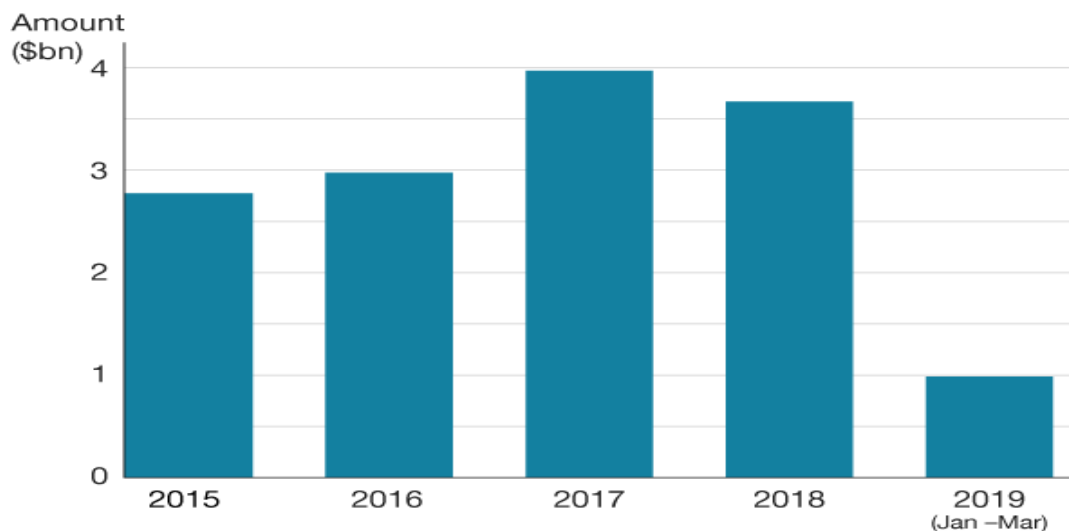


How much is Nigeria spending on importing food?

According to data from Nigeria's National Bureau of Statistics (NBS), the amount of money the country has been spending on importing food and drink increased from 2015 to 2017, dipped in 2018 and if the trend from the first quarter of this year continues, the bill will go up again for this year. In 2015, Nigeria spent nearly \$2.9bn (£2.4bn) and by 2017 that had risen to \$4.1bn, the NBS says.

Nigeria's food and drink import bill

2015 - Q1 2019



Source: National Bureau of Statistics

BBC

Nigeria Policies - Import Requirements and Documentation

Nigeria aborted its pre-shipment inspection policy in favor of a destination inspection policy for imports. Under this policy, all imports are inspected on arrival into Nigeria. The Nigeria Customs Service (NCS) is currently in the initial stages of procuring scanning equipment which is expected to scan containers in a more accurate and timely manner. The Nigeria Trade Hub serves as an information portal for traders. Users are able to classify their imports/exports, estimate freight charges and applicable duty, find information on clearing processes etc.

To receive clearance for goods imported into Nigeria, traders must present a Bill of Lading, Commercial Invoice Exit Note, duly completed Form 'M', Packing list, Single Goods Declaration, and a Product Certificate. Until recently, the importer was also required to submit a Combined Certificate Value & Origin (CCVO) which contains the description of goods, port of destination, country of origin, date of shipment, country of supply etc. However, in line with international trading procedures and recommendations from stakeholders, the Central Bank of Nigeria (CBN) reviewed its trade transactions guidelines and replaced the CCVO with the simpler Certificate of Origin in April 2017. The revision also prescribes a 48-hour maximum processing time from the receipt of application. Nigeria's Single Window Portal is a trade facilitation project of 12 Nigerian Government agencies involved in the customs clearance process. The Single Window Portal allows traders to access customs regulations online, submit customs documents electronically, track transaction status online, and submit electronic payments. The Nigeria Ports Authority (NPA) is also developing a Single Window Platform as part of projects in its pipeline. The objective is to coordinate all port related and cargo clearance activities for a seamless and paperless operation.

The NCS uses a Pre-Arrival Assessment Report (PAAR) system which allows importers to submit their import documents online for assessment and clearance prior to the arrival of the cargo. This replaced the Risk Assessment Report System in 2013 with the objective of facilitating trade and revenue collection. The NCS is also working with the World Customs Organization to grant Authorized Economic Operator (AEO) status to importers and clearing agents who have maintained a satisfactory level of trade compliance. Likewise, the NCS maintains a Fast Track window through which select importers may forward their cargoes directly to their warehouses where customs procedures such as examination and payments are undertaken. This allows the importer to bypass tedious ports inspection processes and reduces costs associated with port storage and demurrage. Importers selected as beneficiaries of the Fast Track Scheme are those who have consistently exhibited integrity in their documentation and dealings with NCS.

A Need for Supplementary Policies?

Agricultural expert Ayokunle Afolabi Toyé says a restriction on foreign exchange for food importers is a good move for local food producers to grow, but it needs to be supplemented with additional policies to be effective. "I think it's an excellent move to support agriculture but there needs to be a guarantee first that Nigeria can feed itself from its own production," he said.

Afolabi Toyé, an associate professor at the Faculty of Agriculture in Nigeria's University of Ilorin says fundamental issues such as low crop yield need to be addressed alongside the policy. "Beyond encouraging the country to be more productive, there should be an enabling environment for local agriculture to thrive in. There should be strategic reserves and infrastructure in place," he told CNN.

In July, President Buhari signed the Africa Continental Free Trade Agreement (AfCFTA). The directive to halt foreign exchange for imports of food is a direct clash with that agreement, which is supposed to boost intra-Africa trade by creating a single market for Africa's 1.2 billion people.

Would Restricting Food Imports Boost Local Production?

Many experts believe that the policy of restricting food imports does have some merits, but



the policy cannot be introduced in isolation. Agricultural economist Idris Ayinde argues that restricting food imports should be a gradual process since the country cannot yet meet domestic demand for most food commodities, and the policy risks increasing food price inflation further. Local rice production has increased, but the foreign exchange ban was coupled with policies aimed at supporting farmers through subsidies and loans.

For instance, last November, the government spent \$165m subsidising rice production. Despite this, people continue to buy rice that has been smuggled into the country. Attempts to boost local production of palm oil have also been hit by smuggling. Foreign exchange to import palm oil was also restricted in 2015, but local producers have not been able to fill the gap.

The government now hopes that investing up to \$500m in the industry can boost production from 600,000 tonnes a year to five million tonnes. In addition to questions over local capacity, there is also a concern that the government's policy threatens the independence of the central bank.

Could prices go up?

Economic theory suggests that reducing the supply of something will increase the price. There is a general belief therefore that if domestic supply cannot immediately replace what was once imported; Nigerians will end up paying more for their food.

The Way Forward

The agricultural sector, which remains a major employer, has suffered years of neglect as Nigeria has spent decades relying on oil to provide much-needed foreign exchange and government revenue. There may be lots of people working on farms but a lack of investment has led to low productivity. In addition, not all available agricultural land is being used. It is estimated that just over a third of available land is being cultivated.

But following a big drop in the oil price five years ago, the country has renewed its interest in agriculture. If this enthusiasm can be converted into greater investment then the country should be able to produce more food.

Related links:

<https://www.export.gov/article?id=Nigeria-Prohibited-and-Restricted-Imports>

<https://www.export.gov/article?id=Nigeria-Import-Requirements-and-Documentation>

<https://edition.cnn.com/2019/08/14/africa/nigeria-to-stop-food-import-intl/index.html>

<https://www.bbc.com/news/world-africa-49367968>

<https://www.pulse.ng/news/local/explainer-what-buharis-forex-ban-for-food-imports-actually-means/3v0nfb5>

<https://www.vanguardngr.com/2019/08/no-ban-restrictions-on-importation-of-food-items-presidency-2/>

<https://www.euronews.com/2019/08/13/nigerian-president-moves-to-curb-spending-on-food-imports>