SELF SUFFICIENCY IN ANIMAL PROTEIN SUPPLY UNDER CHANGING ECONOMIC FORTUNES

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Self sufficiency in animal protein supply should be the laudable and logical goal for everyone who is engaged in animal production. The farmer, as the ultimate producer of animal protein, needs the inputs of the scientists (the breeder, veterinarian and nutritionist, etc.) and health care products from industry if he is to make the most efficient use of the available resources in an effort to maximise his profit. However, in a scenerio of changing economic fortunes that has beset this nation over the last four years, the successful achievement of his task has become more difficult.

In this short presentation, my simple obligation is to lead a discussion, focusing on facts, which are familiar to you, refraining from those business jargons that could cause confusion, and, hopefully, escape without boring you too much. We shall begin by looking at the economic barometers which indicate the changing fortunes of our dear nation, examine the current situation to determine our fortunes or misfortunes, try to convert our problem into opportunities, take a glance at investment analysis, make a few suggestions and attempt to draw up a plan of action for the successful achievement of our ambitious target of self-sufficiency in animal protein supply.

1. ECONOMIC INDICATORS:

Our changing economic fortunes are best illustrated by reviewing our Gross Domestic Product (G.D.P.), Export Earnings, Import Expenses, Payment Balances (Current Account), Consumer Price Indices and Exchange Rates over the last four years.

1.1. Gross Domestic Product

This is the most frequently used yardstick for measuring the performance of any economy. While we achieved phenomenal growth of nearly 300% between 1975 and 1980, (Table 2.3.) growth in the '80s have been flat (Table 1.1.). Growth in the late 70s were fuelled by rising oil volume and escalating price while flat rates in the 80s are due to declining volume and falling prices.

TABLE 1.1

Gross Domestic Product (G.D.P.)

	N'm	% Change
1980	43,300	9
1981	43,400	—
1982	44,900	3
1983E	—	

1.2. Exports

The sharp rise in our export earnings in 1980 (Table 1.2.) reflects the booming oil business prevailing at that time. The export revenue declined by nearly 50% from 1981 through 1982 and is estimated to have stabilized at 1982 level in 1983 (Table 1.2.). It is partly this decrease that has precipitated the chain of austerity measures which have now inflicted untold hardship on the masses.

TABLE 1.2

Total Exports

	N'm	% Change
1980	15,600	50
1981	11,350	(27)
1982	8,400	(26)
1983E	8,500	1

1.3. Imports

Along with rising export value in 1980 imports rose by 44%, almost matching the 50% rate for export. Whereas the export earnings decreased by 37% in 1981, our imports further increased by 30% and remained at 1981 level in 1982 (Table 1.3.), against a decrease of 26% in export for that year. It is our inability to balance our export and import revenues, even on current account, that has landed us in our present misfortune.

TABLE 1.3
Total Imports

	N'm	% Change
1980	8,900	44
1981	11,600	30
1982	11,700	1
1983E	8,500	(27)

1.4. Balance of Payment

Our misfortune is transparently reflected by our Balance of Payment position (Table 1.4.). We had reasonable surpluses in 1979 and 1980. Growth of 29% was wiped out into a decrease of 123% in 1981, and further decline of 53% in 1982 and 21% in 1983. Estimate figures here are based on current account, and net balance will be considerably worse when finally computed.

TABLE 1.4
TRADE BALANCE
Balance of Payment

	N'm	% Change
1980	2410	29
1981	(2970)	(123)
1982	(4540)	(53)
1983E	(5490)	(21)

1.5. Foreign Exchange Rates

As a further evidence of our changing fortunes, Naira lost between 27% to 6% against U.S. dollar and Swiss Franc while the only appreciable

gains were made against the sick economics of Western Europe — U.K. and France (Table 1.5.). In very simple terms, goods imported from the U.S. are, at least, 27% more expensive today than four years ago.

1.6. Consumer Price Indices

I have deliberately used two separate sources of information for inflation because it is highly controversial. As you will find from the two tables (Tables 1.6a and 1.6b), Consumer Price Indices from the two sources (Federal Office of Statistics and Economic Intelligent Unit) are quite close.

When the above economic indicators are considered together, it becomes very obvious that our fortunes of the late 70s have been converted into misfortune between 1981 and 1983. All the factors illustrate the downward movement or static position of the economy. It is against this back drop we are calling for self-sufficiency in animal protein supply.

2. CURRENT SITUATION

In order to achieve self-sufficiency in animal protein supply, it is most logical to examine the current situation, determine the animal protein gap we are trying to bridge, and look briefly into the sources of animal protein supply in the country.

2.1. Situation Analysis

The relevance of Agriculture to the national economy is clearly illustrated by looking at share (food and live animals) of imports and Gross Domestic Product. They are indicated in Tables 2.1., 2.2. and 2.3. respectively.

(a) Agricultural export declined from 61% in 1965, through

TABLE 1.5

Exchange Rates	1980	1984	% Change
U.S. Dollars	1.83	1.34	(27)
U.K. Stg Pound	0.80	0.91	14
Switzerland Swiss Franc.	3.42	2.91	(15)
Germany D. Mark	3.84	3.62	(6)
France Franc	9.12	10.98	20

TABLE 1.6

Consumer Price Indices

(a)	E.I.U.	
	1980	10
	1981	21
	1982	10
	1983E	14

(b) F.O.S. (BASE 1975 = 100)

		Annual % Change
1980	192.7	3
1981	238.3	24
1982	261.7	10
1983	295.6	13

33% in 1970, to 5% in 1975. It has since remained under 5% since then until now.

(b) Agricultural import (food and live animals) remained stable at 8% of total imports between 1965 and 1975, and only increased to 11% in 1980.

(c) Its contribution to G.D.P. declined from 58% in 1965 to 24% in 1975. It bottomed out at 13% in 1980 and is now projected to jump back to 18% by 1985.

It is transparently obvious that Agricultural production has been declining and become more irrelevant to the economy.

2.2. Animal Protein Gap

While total Agricultural Production has been decreasing the human population has been rising. This created additional pressure on agri-

TABLE 2.1

Share of Agriculture In
Total Export Value (N'm)

Year	Total Export	Agric. Export	Agric. As % of Total
1965	540	330	61
1970	890	290	33
1975	4900	260	5
1979	10,800	500	5(4.6)

TABLE 2.2

Share of Agriculture (Food &
Live Animals

Total Import Value (N'm)

Year	Total Import	Agric Import	% Share of Total
1985	550	46	8
1970	750	60	8
1975	3,700	300	8
1980	9,650	1,090	11

TABLE 2.3

Share of Agriculture in G.D.P.

(N'm)

Year	Total G.D.P.	Agric. Sector	% Share of Agric.
1965	2900	1700	58
1970	3550	1700	48
1975	15,450	3950	24
1980	43,300	5650	13
*1985	51,100	9150	18

1981—85 DEVT. PLAN

cultural production with consequent effects on animal protein supply. Tables 2.4. and 2.5. shows the necessary increase essential to bridge the gap. By next year (1985), 895,000 tons are needed for self-sufficiency in animal protein supply. How feasible is the realisation of this goal.

2.3. PRODUCTION BOTTLENECKS

There are huge bottlenecks which

must be eliminated in order to close the gap. These affect all the livestock species listed in the tables above as follows:-

(a) Beef:

Rate of multiplication is very slow while the current state of nomadic husbandry cannot be rapidly improved within a short term. However, human population agriculture to generate raw materials for industry, mechanised large acreage required for mechanised crop production, and higher demand for land for grazing by the nomads will definitely result in such "Land Squeeze" that will force the nomads into settled husbandry. Cattle will not contribute much in terms of bridging

TABLE 2.4

SOURCE — FLD, *Guaranteed Minimum Prices for Livestock Products 1981*

EST./PROJECTED LIVESTOCK PRODUCT SUPPLY ('0000 TONS)

COMMODITY	1981	1982	1983	1984	1985
BEEF	165	172	177	182	187
MUTTON	46	47	49	50	52
GOAT MEAT	30	31	32	33	34
POULTRY	73	74	76	78	79
EGG	271	275	280	285	290
MILK	715	771	802	834	868

TABLE 2.5

EST./PROJECTED DEMAND FOR
LIVESTOCK PRODUCTS ('000 TONS)

COMMODITY	1981	1982	1983	1984	1985
BEEF	273	294	318	343	371
MUTTON	79	84	89	95	101
GOAT MEAT	54	57	61	64	68
POULTRY MEAT	103	107	110	115	119
EGG	286	297	308	319	331
MILK	939	1040	1153	1277	1415

TABLE 2.6

PROJECTED ANIMAL PROTEIN SUPPLY GAP-1985 (IN '000 TONS)

Commodity	Supply	Demand	Gap	% Change To Bridge Gap
BEEF	187	371	184	98
MUTTON	52	101	49	94
GOAT MEAT	34	68	34	100
POULTRY MEAT	79	119	40	34
EGG	290	331	41	14
MILK	868	1415	457	63
	1510	2405	895	59
FISH	960	1500	640	67

the gap. Ranches and feedlots are the ultimate developments.

- (b) MUTTON and GOAT will follow the same trend as cattle. They cannot play any significant role within the next five years.

- (c) POULTRY MEAT AND EGGS are the best hopes for bridging the gap. Here again, scarcity of feeds, parent and commercial chicks, which have resulted in very high costs, poses a serious problem which must be solved before it can contribute more than its own quota.

3. PROBLEMS & OPPORTUNITIES

3.1. PROBLEMS

Animal protein supply gap can only be bridged when existing problems are turned into opportunities. Most of the problems are well known but for the sake of emphasis, it is necessary to repeat some of them.

- (a) *Conflicting Govt. Policy*

This has been a big nuisance to production. It has come in several forms like placing raw materials for feed production

on open general licence in one year to reverse it in the next year, scrapping poll tax on cattle to reimpose same a few years later, placing of commercial and breeder poultry on import licence etc. A steady policy which will encourage production is urgently needed.

- (b) *Commodity Market*

A viable commodity market operated on the basis of pure competition is needed in place of a few oligopolists which have now cornered the market. Instead of an open market where every producer can buy his commodity, we have a series of closed shops which operate on the basis of conditional sales.

- (c) *Local Production of Raw Materials*

Until we are self-sufficient in the production of most of the raw materials, we cannot guarantee self-sufficiency in animal protein supply. Any disruption in the supply chain of the raw materials will always affect our capacity to produce poultry or beef etc. Luckily, Nigeria lies within the ecological zones that favour the

production of most raw materials.

(d) **Reliable Statistics**

These are urgently needed to provide a sound basis for planning. It should start with reliable human population, livestock population etc., accurate figures for locally available raw materials like corn, soya bean, groundnut cake etc., are needed to provide the base for planning.

(e) **Insurance**

Animal production is not currently covered by any Insurance scheme. It is absolutely necessary to have a good scheme to offer protection to investors who want to stimulate animal production.

3.2. **OPPORTUNITIES**

All the problems listed above represent opportunities which could be exploited profitably.

(a) **Consumer Market**

Nigeria is a large consumer market, being among the league of the top 10 in population. This assures adequate demand to sustain high volume production.

(b) **Agricultural Land**

Under suitable and adequate management, the whole country represents a good farming ecological zone which can support all the raw materials used in animal production.

(c) **Capital Market**

There is a viable capital market in Nigeria which could finance the necessary increase to meet our target of self-sufficiency.

What is required is the capacity to divert capital investment from other sectors into animal production.

(d) **Manpower**

This is adequate for our needs. A redeployment of human resources from other sectors into Agriculture is all we require to achieve our goal.

(e) **Technological Base**

Although we do not have adequate base, it is improving fast. A sample of what is available includes:

- Local assembling of tractors to ease cultivation of crops etc.
- Fertilizer plants are being constructed in several parts of the country.

- The foundation of new petrochemical plants have been laid.

- Veterinary drugs, vaccines, and nutritional products are now manufactured locally.

- Fish processing plants which could produce fish meal as by-products are under feasibility study.

- Grand parent poultry breeding stock.

- Our research scientists have wealth of information which could be utilized to achieve improved production efficiency.

4. **INVESTMENT ANALYSIS**

Despite all the above opportunities, investment in agricultural production has not grown at sufficiently attractive rate to provide the capital needed for target achievement. It is, therefore, necessary to examine those parameters which investors use for assessing the viability of new projects. We shall limit ourselves to Return on Investment, Pay Back, and Break Even Analysis.

4.1. *Return on Investment (R.O.I.)*

Local practice is the preference for high return on Investment. Most attractive figures are between 30% and 50%. Stated simply, most investors will like to recover their money in two to three years. Most of the Agricultural projects require five to ten years. Understandably, they do not attract sufficient capital. Additionally, financial institutions prefer high rate of R.O.I. so that they can recover their money within the shortest period, minimising their risk.

4.2. *Pay Back*

This is the period it takes to recover total investment in terms of profit generated by the business. Pay back of two to three years is always preferable to longer periods of five or more years. A short time reduces the exposure period of the investment.

4.3. *Break Even*

The earlier a project breaks even, the better. Even if profit projections are not too attractive, the project must break even. Otherwise, nobody will place one kobo on it. In all the above considerations, Agricultural production is less at-

tractive than other sectors of the economy. It is, therefore, not surprising that it has not attracted significant investment from the government (Tables 5.1. and 5.2.). Total government investment (Federal, State and Local) in Agricultural production accounts for only 8% in the 1981—85 4th National Development Plan while that allocated to livestock is just about 1%. Although Agriculture belongs to the preferred sector of the economy it is only allocated 8% in the 1981—85 Development Plan.

PLAN OF ACTION

Against the normal practice of submitting a long list of suggestions or recommendations, I will rather jump for an alternative proposal. I definitely prefer a round table meeting of all the interest groups to put heads together and draw up a Plan of Action for the achievement of self-sufficiency in animal protein supply. It is usually very tempting to send recommendations to governments asking them to implement them. It is not the business of governments to produce. Government business lies solely in providing good policy guidelines within which industry could prosper. A

TABLE 5.1
4TH NATIONAL DEVT. PLAN (1981—85)
GOVERNMENT INVESTMENT IN LIVESTOCK

		N'm
FEDERAL		253
STATE		323
LOCAL		96
TOTAL LIVESTOCK		672
		=====
TOTAL INVESTMENT IN AGRICULTURE	=	8,991
		=====
TOTAL GOVT. INVESTMENT		70,050
% OF TOTAL AGRIC.	=	8
% OF TOTAL INVESTMENT	=	1

TABLE 5.2

SECTORAL ALLOCATION OF COMMERCIAL/COMMERCIAL
BANK LOANS & ADVANCES

A. <i>Preferred Sectors/Sub-Sectors</i>	<i>Minimum % Share</i>
(i) PRODUCT	56
AGRICULTURE	8
MANUFACTURING	36
CONSTRUCTION	10
(ii) SERVICES	12
PUBLIC UTILITIES	3
TRANSPORTATION & COMMUNICATIONS	9
(iii) EXPORTS	5
(iv) DEVT. FINANCE INSTITUTIONS	2
TOTAL A	75
LESS PREFERRED SECTORS/SUB-SECTORS	
(i) GENERAL COMMERCE	17
(ii) OTHERS	8

good government makes good laws. These laws and policies should contain attractive incentives or rewards to lure investors away from other sectors of the economy to animal protein production. I do not know of any government anywhere in the world which is an efficient producer.

I will, therefore, want us to move away from looking at government as father Xmas, always doling the goodies or expecting it to drop manna from the heavens. Self-sufficiency is only possible if all of

us work for it. The time to start is now. Otherwise, we will not achieve our goal by the year 2000.

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