

COVID-19 PANDEMIC AND ITS IMPACT ON AGRICULTURE AND FOOD SECURITY



Policy Response for Nigeria

The first COVID-19 case was announced in Nigeria on February 27, 2020. Since then, Nigeria's economy, and the agriculture and food sectors have been affected. A United Nations report ranked the 10 countries in the world most at-risk of famine; five of them are in Africa, and Nigeria is among these. This "hunger pandemic" may ultimately create more fatalities than COVID-19 itself.

Impact of COVID-19 in Nigeria

GDP and economic growth

Initial estimates from the International Food Policy Research Institute (IFPRI) and the Central Bank of Nigeria (2020) indicate that Nigeria's national GDP is estimated to fall by 38% during the five-week lockdown, with an estimated \$18 billion of lost GDP¹. The same report indicates that poverty rates are likely to increase by 15%, putting another 30 million people below the poverty line. This is largely due to a fall in tax revenues and lower trade-related tax collections due to reduced import demand. With 2020 GDP estimated to fall sharply, many businesses and vulnerable people will require government support to cope and recover. While it is estimated that the economy will gradually recover as restrictions are eased, the economic losses will remain, even with a fast recovery. The fall in global oil prices that has weakened demand for crude oil nationally and globally is further aggravating Nigeria's economic situation.

Trade and imports

Given the slowdown in global trade due to COVID-19 caused by constrained finances, disruptions in logistics and trade restrictions are likely to cause food and agricultural product prices to increase globally, which would be especially damaging to import dependent countries.

Agriculture

Agriculture which accounts for about 20% of Nigeria's GDP is estimated to decline by 12% or more due to the pandemic. This will likely to reduce its contribution to the national GDP due to the threats of locust invasion which has led to massive crop destruction in some countries in East Africa. The devaluation of Sub-Saharan Africa's currencies will see the costs of imported inputs go up while making exports less competitive, impacting farmers' finances. The use of modern inputs is limited in Nigeria, where less than 60 percent of farmers use fertilizer and improved seeds in their farming practices.

The food system is adversely affected by falling consumer and export demand

While the food supply is exempt from restrictions, it is still affected by falling consumer incomes and other shocks resulting in 18% agri-food related GDP decline. The country still depends on food imports to address gaps, making it vulnerable to increases in food prices as well as shortages that

¹ Nigeria SAM multiple results

are likely to occur in the long run. Challenges with infrastructure, and high transport costs will lead to higher costs and food waste due to post harvest losses and poor storage.

Farmer level support and extension services are failing

The pandemic has led to challenges with extension and access to inputs for farmers due to the restrictions on movement of people.

Government Policy Response

The government has announced a series of policy packages in response to the pandemic. These include a 14% budget cut (20% capital and 25% recurrent spending) as well as travel bans on travellers coming from 13 countries with high infection rates, and the suspension of the visa on-arrival policy. The President also has announced policy incentives. These include the advance payment of two-month cash transfers to vulnerable citizens including distribution of two-month food rations to internally displaced persons. The government has also announced a three-month repayment moratorium for all traderMoni, MarketMoni & FarmerMoni loans. Another key policy response was to exempt medical services, food retailers and financial service from movement restrictions.

Based on the likely impact of COVID-19 and government response packages announced thus far, the known impacts and the unforeseen outcomes will create uncertainties that require additional policy response packages targeted to agriculture and associated economic sectors.

Policy Response Package for Nigeria

- a. **Farm inputs.** All actors and players to support government efforts to **ensure availability of inputs to farmers to increase food production and productivity and to supplement current food reserves.** Put in place mechanisms including revamping subsidies that facilitate faster and easy access of inputs (seed, fertilizer and agrochemicals) and ensure that the cropping season from June to November as well as field activities with farmers are not disrupted.
- b. Support **the reform of the country extension system** and survey for identifying farmers on the government subsidy program.
- c. To strengthen the resilience of agriculture for such shocks, **hasten the activation and strengthening of national food reserves and buffer stock for essential goods.** This will be critical to complement and supplement the existing capacity of 1.3 million MT of grains that are likely to be exhausted in the next three to four months.
- d. **Ensure food trade and functionality of domestic markets.** Government policies on national and regional food markets should ensure that borders remain open. The COVID-19 situation has highlighted how interconnected Nigeria is with its neighbours- especially for essential goods such as food.
- e. **Social safety nets for the most vulnerable.** Government to maintain social stimulus packages such as cash transfers and food support for the short term and ensure increased investments in targeted products in the longer term.
- f. Data collection and analytics to identify gaps in food availability and enhance effective coordination of response packages.
- g. Improving logistics and supply chains.

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- h. **Develop a post-COVID-19 agriculture strategy to drive recovery and growth:** This will cover key agricultural policies, strengthen institutions and increase investments in agriculture through flagship investment programs.

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