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Assessment of Agricultural Estate Investment in Developing Rural Communities in Nigeria

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Abstract. This study assesses agricultural estate investment in developing rural communities in Nigeria. A total of 83 questionnaires were distributed to agricultural estate investors, agricultural estate managers, farmers and workers but 72 were returned and used for the analysis. Responses were presented and analyzed using table and relative importance index. The analysis showed provision of food, contribution to income of local communities, reduction of poverty, creation of employment, improving rural welfare, creation of infrastructure etc. rank 1st, 2nd, 3rd, 4th, 5th and 6th respectively. The study found out that agricultural estate investment contributes to development of rural communities in Nigeria through provision of food, increase in income, reduction of poverty, generation of employment, creation of infrastructural facilities and reduction of inequality etc. The study recommends that the government (public sector) as well as private sectors should pay more attention to investment in agricultural estate since it contributes a lot to community development.

Keywords: Agricultural Estate Investment, Developing, Rural Communities, Nigeria

Introduction

Investments in agricultural estate are one of the many ways of investing capital. Agricultural estate investment is not advanced in Nigeria as that of developed countries of the world. Agricultural estate investment amounts to all investment operations in such property as cash crops, livestock, pasture land, cottage etc. Nigeria generally is blessed with fertile and large area of land with abundant human and natural resources, which if harnessed effectively under the guide and supervisor of the experienced Agricultural estate manager (estate surveyors) will help a lot in solving the battered economy of Nigeria. In Spite of the numerous benefit derived from agricultural estate, Nigeria still give it little attention they keep on hoping on crude oil for the economy instead of diversifying her investment in other resource like agriculture. With the benefit and returns realizable from investment in agricultural estates, it will serve as an alternative source of life and increase in speeding development of rural areas. Land is of course a major factor of agricultural production. Agricultural Estate (or farmland for short) is any land used for growing crops and raising livestock. It comprises land used for crops or pasture. Land used for crops (cropland for short) is the sum of arable land (used for temporary crops) plus land with permanent crops. A third category is land with permanent meadows and pastures (grass-land or pasture for short), either naturally-grown or cultivated.

Values of agricultural estate (farmland and attached buildings and dwellings) are important to landowners, prospective buyers, lenders, tax assessors, agricultural producers, and local governments. Agricultural estate underlies the financial stability of many farm businesses whose portfolios derive a large proportion of their value from real estate. In addition to being the largest single investment item in a typical farmer’s portfolio, agricultural estate is the principal source of collateral for farm loans, enabling farm operators to finance the purchase of additional agricultural estate and equipment or to finance current operating expenses. As a consequence, wide swings in agricultural estate values alter the equity positions, creditworthiness, and borrowing capacity of those farm operators and landowners that hold large percentages of assets in the form of agricultural estate.

Wealthy individuals' investment in agricultural estate goes back into the distant past, while significant investment by institutional investors in this type of assets was recorded at a time of rapid growth in its value in the 1970s. Stagnation of demand that followed in the early 1980s led first to a decline in the price of agricultural products, and subsequently to a consequent decline in the value of agricultural real estate. Relevant studies describe this situation as an agricultural crisis. Nevertheless, in the late 1980s, investors' interest in agricultural estate and agricultural facilities was renewed (Koeninger, 2017). Liu (2014) stated that insufficient investment in the agricultural estate sector of most developing countries over the past 30 years has resulted in low productivity and stagnant production. World agriculture must meet the major challenge of feeding some 2.5 billion more people by 2050. Adding to this challenge, most of the growth in population will occur in countries where hunger and natural resource degradation are already widespread. Crop and livestock production systems must become more intensive to meet growing demand but they must also become more sustainable (FAO, 2011). Sustainable intensive production systems are capital-intensive; they require more physical, human, intellectual and social capital in order to sustain and rebuild the natural capital embodied in land and water resources. Net investments of at least US$83 billion annually are needed in agriculture to meet targets for reducing poverty and the numbers of malnourished (Schmidhuber, Bruinsma, & Boedeker, 2009). Doing so in a sustainable manner that preserves natural resources and is conducive to long-term development will require even more funds.

Agricultural estate investment is the most important and most effective strategy for poverty reduction in rural areas, where the majority of the world's poorest people live (World Bank, 2008; FAO, 2012). Liu (2014) stated that investing in agriculture reduces poverty and hunger through multiple pathways. He further stated that farmers invest to enhance their productivity and incomes. From society's point of view, this in turn generates demand for other rural goods and services and creates employment and incomes for the people who provide them, who tend to be the landless rural poor. These benefits ripple from the village to the broader economy. This study therefore, assesses the impact of agricultural estate investments in developing rural communities in Nigeria.

Literature Review

Factors Determining the Impacts of Agricultural Estates Investment in Nigeria

These factors have a strong influence on the impacts of agricultural estate on the rural community, its economic development and the wider economy of the host country (Liu, 2014). These factors are discussed below.

i. **Local context:** The social and economic conditions in the area where the investment is made are important determinants. The presence of adequate infrastructure and an educated workforce increases the rate of success. Communities that have a good level of organization, solidarity, collaboration and where members participate actively in decision making and have a relatively high level of education and technical knowledge are likely to negotiate better deals. As a result, the agreement will be more balanced, the likelihood of opposition lower and the project will have a higher probability of success. In the local context, the capacity of civil society organizations (CSOs), in particular farmer organizations, plays an important role. A well-functioning local group of farmers can be a strong asset for a foreign investor. It will complement the technology, capital and management expertise of the investor with local assets (especially natural assets such as land and water), skills and knowledge. This may create a win-win partnership.

ii. **Good governance:** The existence of a good governance system in the country appears to be a key determinant, if not the most important one. The quality and adequacy of laws and regulations, their effective enforcement and the existence of grievance and redress mechanisms are extremely important factors. The land tenure system, laws and regulations and clear property rights should create conditions that ensure secure access to land for investors and local people. Also essential is the existence of adequate regulations on investment, agriculture, water, the use of natural resources and other sectors related to agricultural production and their effective implementation. Good governance, the rule of law, accountability, transparency, peace, stability, the absence of corruption and participation are conducive to more sustainable investment projects. Conversely, investment projects that fail or have negative impacts on the local community and the environment are generally the result of governance failures. The existence of effective national institutions that have the capacity to effectively review investment proposals, improve their design, involve local stakeholders and enforce regulations is essential. The capacity of the host government to monitor and enforce investment contracts is an important factor, including the capability of local governmental institutions to intervene to correct failures and develop mechanisms for mediation and conflict resolution.

iii. **Involvement of local stakeholders:** The active involvement of local civil society organizations in the project, in particular local farmer organizations is a critical factor. The picture below shows farmland, agricultural estate investor, Managers and farmers engaged in agricultural estate investment in Hiepang (chit community) in Barkin Ladi Local government area, plateau state.

iv. **Formulation and negotiation process:** The process through which the investment project is negotiated, designed and planned is essential. Processes that are transparent, inclusive, participatory, democratic and documented tend to lead to more successful and sustainable investment outcomes, even if these characteristics mean that delays will be likely at the initial stage.

v. **Contents of investment contract:** The terms and conditions of the investment contract will determine the relationship between the project partners, the sharing of responsibilities, decision making, benefits and risks. Investment contracts are often too general and vague. There is a need for well-specified and enforceable terms. In particular, the contract should specify the benefits that the investor will bring to the local community (e.g. number of jobs created, type of infrastructure built and training provided).

vi. **Profile of the investor:** The profile of the investing company, its management and technical skills, its experience in the production of the crop and its priority objectives (e.g. speculation, long-term development, long time horizon for financial return) will have an important impact on the outcome of the investment. In one of the cases in Zambia, the investor's willingness to accept lower than average financial returns on its capital in the initial phase contributed to the success of the project. The ability of local project managers to maintain good communication with the local community and forge partnerships with its members is critical. The picture below shows a pictorial description of one of the agricultural estates (WISE SYNERGY) in Hiepang (chit community) in Barkin Ladi Local government area, plateau state used for the study.

vii. **Support from third parties:** The presence of impartial and effective external support from third parties is an important enabling factor, especially in the case of inclusive business models. Good intentions are not sufficient; supporting organizations should have the relevant experience, skills and knowledge if they are to play an effective supportive role.

viii. **Type of production system and crops:** The impacts on the local economy will also depend on the production system and crops selected by the investor. Production systems that rely on a large quantity of imported synthetic inputs and equipment are unlikely to create backward linkages with the local economy. Conversely, other systems make a large use of local inputs. This is the case of agro-ecological farming and organic agriculture. The type of crops selected by the project is also important. Crops such as corn, coffee, fruits and vegetables are more conducive to the involvement of smallholder farmers than industrial crops.

The Impact of Agricultural Estate Investments in Developing Rural Communities in Nigeria

The agriculture estate investment is the backbone of an economy which provides the basic ingredients to mankind. The impacts are stated below:

i. Contribution to Income of Local Communities:

Agricultural estate investment increases the income of rural communities which therefore, improves their standard of living, eradicates hunger and poverty. The lessons drawn from the economic history of many advanced countries tell us that agricultural prosperity contributed considerably in fostering economic advancement. The leading industrialized countries of today were once predominantly agricultural while the developing economies still have the dominance of agriculture and it largely contributes to the national income.

ii. Provision of Food:

Agriculture is the basic source of food supply to rural communities, Nigeria in general and all other countries of the world whether underdeveloped, developing or even developed. Due to the heavy pressure of population in underdeveloped and developing countries and its rapid increase, the demand for food is increasing at a fast rate. If agriculture fails to meet the rising demand of food products, it is found to adversely affect the growth rate of the economy. Raising the supply of food by the agricultural sector has great importance to developing rural communities as well as economic growth of a country. Agricultural estate investment is also essential to eradicating hunger through all of the dimensions of food and nutrition security. Agricultural estate investment by farmers or the public sector that increases productivity at the farm level can also increase the availability of food on the market and help keep consumer prices low, making food more accessible to rural and urban consumers (Alston et al., 2000). Lower priced staple foods enable consumers to supplement their diets with a more diverse array of foods, such as vegetables, fruit, corn, eggs, and milk, which improves the utilization of nutrients in the diet (Bouis, Graham & Welch, 2000).

iii. Reduction of Poverty

Agricultural estate investment is the most important and most effective strategy for poverty reduction in rural areas, where the majority of the world's poorest people live. Investing in agriculture reduces poverty and hunger through multiple pathways.

iv. Creation of Infrastructure:

Agricultural estate investment leads to development of infrastructural facilities such as roads, water facilities, market, electricity etc. to rural communities engaged in agriculture.

The development of agriculture requires roads, market yards, storage, transportation railways, postal services and many others for an infrastructure creating demand for industrial products and the development of the commercial sector.

v. Generation of Employment:

Investment in agriculture provides employment opportunities to rural people in underdeveloped and developing countries. It is an important source of livelihood. Generally, landless workers and marginal farmers are engaged in non-agricultural jobs like handicrafts, furniture, textiles, leather, metal work, processing industries, and in other service sectors. These rural units fulfill merely local demands.

vi. Pre-Requisite for Raw Material:

Agricultural advancement is necessary for improving the supply of raw materials for the agro-based industries especially in developing countries. The shortage of agricultural goods has its impact upon industrial production and a consequent increase in the general price level. It will impede the standard of living of the rural communities. The flour mills, rice shellers, oil & dal mills, bread, meat, milk products, sugar factories, wineries, jute mills, textile mills and numerous other industries are based on agricultural products.

vii. Reduction of Inequality:

Agricultural estate investment helps to reduce inequalities and poverty among the people living in rural communities and Nigeria at large.

In a country which is predominantly overpopulated, there is greater inequality of income between the rural and urban areas of the country. To reduce this inequality of income, it is necessary to accord higher priority to agriculture. The prosperity of agriculture would raise the income of the majority of the rural population and thus the disparity in income may be reduced to a certain extent.

viii. Provision of Surplus:

The progress in the agricultural sector provides surplus for increasing the exports of agricultural products. In the earlier stages of development, an increase in the export earning is more desirable because of the greater strains on the foreign exchange situation needed for the financing of imports of basic and essential capital goods.

ix. Relief from Shortage of Capital:

The development of the agricultural sector has minimized the burden of several developed countries who were facing the shortage of foreign capital. If foreign capital is available with the 'strings' attached to it, it will create another significant problem. Agriculture sector requires less capital for its development thus it minimizes the growth problem of foreign capital.

x. Create Effective Demand:

The development of the agricultural sector would tend to increase the purchasing power of agriculturists which will help the growth of the non-agricultural sector of the country. It will provide a market for increased production. In underdeveloped countries, it is well known that the majority of people depend upon agriculture and it is them who must be able to afford to consume the goods produced.

Therefore, it will be helpful in stimulating the growth of the non- agricultural sector. Similarly, improvement in the productivity of cash crops may pave the way for the promotion of an exchange economy which may help the growth of the non-agricultural sector. Purchase of industrial products such as pesticides, farm machinery etc. also provide a boost to industrial dead out.

xi. Improving Rural Welfare:

It is time that the rural economy depends on agriculture and allied occupations in an underdeveloped country. The rising agricultural surplus caused by increasing agricultural production and productivity tends to improve social welfare, particularly in rural areas. The living standard of rural masses rises and they start consuming nutritious diet including eggs, milk, ghee and fruits. They live a comfortable life having all modern amenities, a better house, motor-cycle, radio, television and use of better clothes.

xii. Extension of Market for Industrial Output:

As a result of agricultural progress, there will be an extension of the market for industrial products. Increase in agricultural productivity leads to increase in the income of rural population which in turn leads to more demand for industrial products, thus development of the industrial sector.

According to Dr. Bright Singh, "Increase in agricultural production and the rise in the per-capita income of the rural community, together with the industrialization and urbanization, lead to an increased demand in industrial production." In this way, the agricultural sector helps promote economic growth by securing a supplement to the industrial sector.

Challenges of Agricultural Estates Investment in Rural Communities in Nigeria

Climate change

The projected impacts of climate change, i.e., increasing occurrence and magnitude of natural disasters such as drought, floods, poses serious constraints and challenges for sustainable agricultural estate investment and rural development. Specialty crops grown in specific environmentally favorable areas may also be at risk as both rainfall and temperature effects may cause changes in areas suitable for specialized production. Nigeria's Climate Change Response strategy suggests that adaptation measures should include:

i. Changes in agricultural management practices, such as a change in planting dates, row spacing, planting density and cultivar choice, and other measures, which would counteract the effects of limited moisture. Irrigation is currently used to supplement low levels of precipitation but this could become very expensive and less effective, giving conditions of increasing aridity. This would require a phasing out of irrigation farming and a relocation of the production areas eastwards, if practicable. To reduce the risk of famine, marginal production areas could be kept economically viable by, for example, decreasing input costs or planting drought resistant crops, such as sorghum or millet. Alternatively, land use could be changed to grazing. Many current agricultural practices, such as conservation tilling, furrow dyking, terracing, contouring, and planting vegetation as windbreaks, protect fields from water and wind erosion and assist in retaining moisture by reducing evaporation and increasing water infiltration. Management practices that reduce dependence on irrigation would reduce water consumption without reducing crop yields, and would allow for greater resiliency in adapting to future climate changes. Such methods include water harvesting. The reduced use of some pesticides could directly reduce greenhouse gas emissions and also reduce water pollution, thus contributing to both adaptation and mitigation. Agricultural management practices that recognize drought as part of a highly variable climate, rather than a natural disaster, should be encouraged. Farmers should be provided with information on climatic conditions, and incentives should be given to those farmers who adopt sound practices for drought management, and therefore do not rely on drought relief funds. Land use planning can be used to identify trends in land use that would be advantageous in the event of climate change. Suitable measures could be incorporated in national agricultural policy.
ii. A reduction of reliance on industrialized mono-cropping and diversification of the range of crops cultivated will reduce vulnerability as well as creating jobs and potentially reducing irrigation needs. Development of more and better heat and drought resistant crops would help fulfil current and future national food demand by improving production efficiencies in marginal areas, with immediate effect.
iii. Maintaining a variety of seed types in seed banks that preserve biological diversity and provide farmers with an opportunity to make informed choices could be used to counteract the effects of climate change, maintain food security and establish possibilities for profitable specialization. This should be adopted as a priority and needs to maximize the role of local communities.

Lack of finance

Agricultural estate investment required huge capital like other real estate investment, especially large-scale agriculture. Rural people lack finance for agricultural investment. Money is required for purchase of land (for the private sector), fertilizers, pesticide, agricultural tools, and construction of buildings for agricultural purposes etc.

Institutional structures

While Nigeria has made significant institutional progress in becoming a food secure nation, however, there remain a number of challenges that need to be overcome, including:

i. Mobilizing civil society to implement agricultural projects and processes;
ii. Poor integration between government departments in terms of project and program implementation; and
iii. Lack of institutional capacity to implement existing programs.

The implementation of capacity building initiatives is critical in ensuring that these challenges are overcome.

Research Methodology

Primary data for this study was obtained in the study area. The study area was in Barkin Ladi Local government area, plateau state, Nigeria. A total of 83 questionnaires were distributed to Agricultural Estate Investors, Agricultural estate manager, farmers and workers and subsequently returned but only 72 were properly completed and used for the analysis. Data were presented with tables while a relative importance index was used to determine the level of significance of the factors. With the use of Likert scale, respondent's opinion on the impact of agricultural estate investment in developing rural communities in Nigeria was obtained.

Data Presentation and Analysis

Ranking of the Impact of Agricultural Estate Investment in Developing Rural Communities in Nigeria

S/N	Impact factors	Strongly Agree	Agree	Indifferent	Disagree	Strongly Disagree	RII	Rank
1	Provision of food	46	22	3	1	-	4.57	1st
2	Contribution to income of local communities	44	23	4	1	-	4.51	2nd
3	Reduction of poverty	42	24	5	1	-	4. 49	3rd
4	Generation of employment	40	27	3	2	-	4. 45	4th
5	Improvement of rural welfare	35	30	4	3	-	4.35	5th
6	Creation of infrastructure	32	30	6	3	1	4.24	6th
7	Pre-requisite to raw material	29	28	8	5	2	4.07	7th
8	Reduction of inequality	28	29	8	4	3	4.04	8th
9	Provision of surplus	24	26	10	7	5	3.89	9th
10	Relief from shortage of capital	21	23	12	9	7	3.58	10th

Note. Rank: (Strongly agree -5, Agree -4, indifferent-3, Disagree -2, strongly disagree -1)

The analysis shows that provision of food rank 1st, contribution to income of local communities' rank 2nd, reduction of poverty rank 3rd, creation of employment rank 4th, improvement of rural welfare rank 5th, and creation of infrastructure rank 6th, pre-requisite to raw material rank 7th, reduction of inequality rank 8th, Provision of surplus rank 9th, and relief from shortage of capital rank 10th.

Conclusions and Recommendations

Nigeria has rich potentials for agricultural estate investment in developing rural communities. A pull of capital investment is required to develop Nigeria's agricultural industry which the small holder farmers cannot provide. From the above analysis the researchers conclude that agricultural estate investment is important for developing the rural environment. From the study, agricultural estate investment contributes to development of rural communities in Nigeria through provision of food, income increase, reduction of poverty, generation of employment, creation of infrastructural facilities and reduction of inequality etc. The study recommends that the government (public sector) as well as private sectors should pay more attention to investment in agricultural estate since it contributes a lot to community development. The government should also encourage local communities to engage in agriculture by making funds available specifically for investment in agriculture, especially to local people who do not have enough funds.

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