Summary of Sectoral Growth and Export Promotion Strategies for Niger’s Agricultural Products

Background

With a $200 per capita GDP in 2003, Niger is the second poorest country in the world. Sustained economic growth is critically needed for the country’s poverty reduction strategy. Niger’s uranium deposits once gave it substantial leverage in international markets and provided a steady source of government revenue. But the country has lost such leverage with the decline in world prices in the 1980s. Other than uranium, agricultural crops (such as onions and seeds) and livestock (such as sheep, goats, cattle, and horses) are also major exports for Niger.

Agriculture generated 42 percent of GDP in 2003, mainly from cattle, onions, and cowpeas. At least for the past decade, growth in agricultural exports has partly helped to stabilize total exports by offsetting the decline of uranium exports since 1995 (Figure 1). In recent years, export receipts for products such as onions and cowpeas have been rising. The major advantage of cash crops is that they lend themselves to both rain-fed farming (cowpeas) as well as irrigated farming (onions, cotton, peppers, and others). Because it is a land-locked country, regional integration plays a significant role in Niger’s trade relations.

Focusing on onions, yellow nut grass, cowpeas, livestock and meat, and leather and hides, the study on Sectoral Growth and Export Promotion Strategies assessed potential demands for selected agricultural and pastoral products in the subregional market and analyzed ways to enhance supply response within Niger to adequately meet demand, particularly external demand.

Demand Potentials in Foreign Markets

In the subregional market, Niger already has an established export position in products such as onions, cowpeas, yellow nut grass, and live animals. The country is yet to be a significant exporter of meat, leather, and hides, but potential demand exists at the subregional level. Potential demand also exists in processed products based on currently exported primary commodities. Examples include meat, leather, and hide, as well as development of onion-based food products such as soup stock. Yellow nut grass could be a substitute for malt for beer brewery, which might generate more broadly based demand from various regions of the world. Products from Niger face competition from subregional partners for some products. For example, the Netherlands has emerged as a dominant exporter of onions in the subregion’s coastal countries such as Côte d’Ivoire.

Supply Chains of Selected Export Products

Figure 2 illustrates the supply chains of selected products (crop and livestock) exported from Niger to one of its neighboring countries: Nigeria (Kano or Lagos), Côte d’Ivoire (Abidjan), Benin (Cotonou), or Ghana (Accra).

From these data, several observations can be drawn:

- Limited value added takes place in Niger. Except for onions, the purchase of original commodities for
resale abroad constitutes a significant portion for each type of product (over 60 percent of final value). Most values are added outside of Niger.

- **Regulatory burdens are huge.** Significant costs relate to taxes paid in Niger as well as in foreign countries, such as duties and transit taxes. Miscellaneous transit expenses include incidental expenses during transit as well as fee payments at border patrols.

- **Transportation and transit costs are significantly high for some destinations.** Transport costs to Abidjan, Accra, and Cotonou are relatively high. Particularly for exports to Abidjan, the presence of multiple borders (through Burkina Faso and Ghana) apparently makes the transit more costly as observed in onion and sheep exports. Transportation costs and other transit-related expenses total nearly 30 percent of total values.

### Issues behind Value Chains

There are several issues that effect value chains in Niger, including productivity constraints, value dissipation, and a weak bargain position over pricing.

**Productivity constraint.** Production of some agriculture sectors studied in Niger exhibits high labor intensity. For example, labor cost accounts for almost half of the total production cost of onion production in Niger, but only 30 percent in Burkina Faso and Côte d’Ivoire (see Figure 3). Conversely, structural costs, such as cost to maintain farm facilities, are only 10 percent of the total cost in Niger, but 30–40 percent in other two countries. This outcome is related to the issue of poor agricultural facilities and equipment within Niger’s agricultural and livestock sectors. Niger’s agricultural sector in general faces a serious challenge of low and stagnant productivity. Although agricultural productiv-
ity (measured by the value added per worker) has increased over the past twenty years among low and middle income countries. Niger’s agricultural sector has not observed any significant increase in productivity. As shown in Figure 4, agriculture value added per worker in Niger is approximately two-thirds of that in Sub-Saharan African countries on average and one-third of that in low and middle income countries (down from one-half in 1985).

Figure 4: Labor Productivity in Agriculture

**Value dissipation.** Although Niger’s climatic and soil conditions are favorable for year-round production of onions, the heat and lack of appropriate storage facilities with conservation technologies make the rate of onion spoilage quite high in Niger. The share of total value loss of onion sales due to spoilage before they reach market is estimated to be above 30 percent of total production in Niger. For some individual producers, the rate of spoilage can go above 60 percent of the harvested amount. As for livestock products, the practice of trekking animals to the market, rather than using modern transportation tools, reduces the quantity of sales at the market due to animal weight loss. For example, a 10-day trek to a market across the border to Nigeria depreciates the value of animals significantly in terms of weight and skin quality.

**Weak bargaining power over prices.** Niger’s traditional informal form of export transactions—without contractual arrangements, efficient modes of transportation, or proper market information—weakens the bargaining power of informal traders at foreign markets. In the case of livestock cross-border exports, herders who trek animals to Nigeria are often obliged to sell animals at very low prices at close of market days because it would be prohibitively costly not to sell them there after a long cross-border trip and a long absence from home. Also, the technical disadvantage of domestic producers versus foreign traders who buy at local markets in Niger often leads to an asymmetric bargaining power over the prices at local markets in Niger. As seen in the case of onions, farmers in Niger with poor preserving capacity for their products must discount the future value much more than foreign traders who are equipped with better conservation capacity.

### Institutional Constraints for Export Growth

For Niger to be able to increase and sustain economic growth, it must address several constraints to export growth. These include:

- **Lack of support infrastructure and facilities.** Support infrastructure and facilities are insufficient, but are especially so in the agriculture sector, affecting storage, cold chains, transportation equipments, and road infrastructure, particularly in rural areas. The lack of access to credit poses severe constraints to farmers in Niger.

- **Weak market information.** There is an acute deficiency in information on the various subregional markets. Access to information on international markets outside of the subregion, such as Europe, is even more challenging. Insufficient knowledge on product demands and technical standards and norms constrains their capacity to penetrate into foreign markets.

- **Lack of contractual arrangements.** The lack of formal contractual arrangements in trading activities often results in increasing implicit costs of trading in the sense that it lowers predictability of the outcomes (such as sales price). Sales prices are not foreseeable with many risks, and unexpected costs are factored in the final pricing.

- **Weak product recognition abroad.** Many types of exports from Niger enter the neighboring countries to be re-exported to the third party countries. Lacking proper labeling to identify domestic products makes Niger’s producers invisible and makes it difficult for them to develop new supplier–buyer relationships.

- **Trade financing scheme.** Access to financing presents a major bottleneck in facilitating export transactions. The country lacks a rural or agricultural development banking system to provide needed credits to producers and exporters.

- **Bottlenecks at the border.** In-country and out-country road patrols pose significant bottlenecks in the logistical...
process of transporting exported products. Inefficient and less transparent customs clearance with risk of having their products detained for prolonged periods of time raises traders’ transaction costs.

- **Distortional taxes and subsidies.** A government policy to place high tariffs on imported agricultural inputs (such as pesticide) or to subsidize domestic inputs (such as fertilizer) distorts prices and leads to shortage of agricultural inputs in Niger—a problem that affects the cowpea sector in particular.

### Strategic Directions for Sectoral Growth and Export Promotion

Four strategic directions need to be addressed if Niger is to facilitate sectoral development and promote its exports more effectively:

**Direction 1: Increase productivity in the agricultural sector.**
To increase supply response to the market demand, sectoral productivity needs to be increased to address such deficiencies. Also, local associations of crop and livestock producers are generally weak. There is a need to assist them organize and strengthen their capacity as a first step to boost the export subsector.

**Direction 2: Expand value-adding activities with broader participation of the private sector.** New value-adding activities can be introduced by developing processing industries based on Niger’s major commodities such as onions or live animals. Introducing more value-adding activities in the rural sector is particularly relevant in the country’s poverty reduction strategy. Private sector development is critically important in promoting processing industries, identifying market niche both in terms of product diversification and market (customer base) diversification, operationalizing marketing strategies, and providing areas for foreign direct investment.

**Direction 3: Modernize trade transaction system and hone export strategy.** Some agribusiness firms in Niger operate under more modernized export transaction system based on contractual arrangements. Such systems need to be widely shared with the agriculture sectors. Availability of market information, linkages with buyers, and initiating contractual arrangements with buyers are key elements for increasing exports. A system for proper product labeling also needs to be instituted. A modernized export system would allow more efficient coordination or network building among agents (producers, input providers, traders, potential customers, and so on) and would allow more concerted export strategy-making among them for outreaching and stabilizing the customer base.

**Direction 4: Provide favorable investment climate and cooperate with subregional partners.** The weak private sector base in Niger necessitates that the government play a significant role as a donor, an arbitrator, and a facilitator during the initial course of development. The government’s strategic policy actions are to be expected. At the same time, the government should review its performance in providing favorable investment climate for the private sector and institute necessary reforms. Seeking cooperation with subregional partners in improving the environment for production and trading is also an essential aspect for Niger.

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