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# Navigating Nigeria's Food System Challenges in the Face of Inflation and Reform\*

Steven Were Omamo, Kwaw S. Andam, Bedru Balana, Mulubrhan Amare, Olufemi Popoola and Chibuzo Nwagboso

## Main Messages

1. **Low-income households in both urban and rural areas are hardest hit by rising food prices.** Post-reform (fuel subsidies removal and exchange rate liberalization) price shocks and persistent inflation have disproportionately affected poor urban and rural households, forcing them to reduce food consumption and dietary diversity. Malnutrition and food insecurity are on the rise, particularly among children and women-headed households, with sharpest impacts in conflict-affected areas.
2. **Small-scale farmers are not benefiting proportionately from price increases.** Despite surging food prices, small-scale farmers face escalating input costs, poor market access, and structural inefficiencies that leave them with marginal gains far below the rate of inflation.
3. **Trading networks maintain healthy margins, amplifying systemic inefficiencies.** Traders and intermediaries dominate the food supply chain, passing on increased costs to consumers while preserving or even increasing their profit margins, highlighting inequities in the distribution of benefits along the value chain.
4. **Recent economic reforms and external shocks exacerbate structural weaknesses.** Economic reforms, including the removal of fuel subsidies and exchange rate adjustments, have amplified existing challenges in the food system, including high transport costs, inadequate infrastructure, and fragmented markets.
5. **Policy interventions should protect vulnerable groups and strengthen local food systems.** Addressing these disparities requires targeted safety nets for consumers, support for small-scale farmers, and systemic investments to reduce inefficiencies in the value chain while promoting climate-resilient food systems.

## Introduction

Nigeria's food system is under unprecedented pressure from economic reforms, inflation, and persistent structural challenges. The removal of fuel subsidies and the liberalization of the exchange rate were intended to stabilize the economy but have significantly increased costs across the food value chain. These shocks have disproportionately affected poor consumers and small-scale farmers, while trading networks and intermediaries remain relatively insulated.

Drawing on research undertaken in the project on "*Strengthening Food Systems in Northern Nigeria Under Conflict and Displacement: A Food Supply Chain Mapping and Analysis*," this brief presents a focused analysis of the dynamics in Nigeria's food system, highlighting the impact of recent reforms and rising inflation on key stakeholders.<sup>1</sup> It concludes with actionable recommendations to toward making Nigeria's food system more equitable, inclusive, and resilient.

### ***The Current Situation in Nigeria's Food System***

Nigeria's food system is under severe pressure from a combination of economic reforms, rising inflation, conflict, and structural inefficiencies. These challenges are affecting consumers, farmers, and traders in distinct but interconnected ways. Longstanding infrastructure gaps, weak institutions, and recent reforms have deepened existing vulnerabilities.

#### *Low-Income Consumers: Priced Out of Markets*

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<sup>1</sup> Funding from the UN World Food Program Nigeria Country Office is gratefully acknowledged.

Poor urban and rural households, who already spend a large portion of their income on food, are increasingly unable to cope with post-reform price shocks and inflation. Evidence indicates that:

- Food inflation has outpaced overall inflation, with staple food prices rising by 63.34 percent for wheat and 56.68 percent for white maize between May 2023 and late 2024.
- The cost of staples like sorghum, millet, and cowpeas surged by 83.91 percent, 57.65 percent, and 24.65 percent, respectively, within months of the fuel subsidy removal, further straining household budgets.
- Urban households now spend over 70 percent of their household budgets on food, up from 42.9 percent nationally before the reforms, forcing a reduction in meal quality and quantity.
- Rural households, particularly those reliant on markets during lean seasons, face increasingly prohibitive prices for staples such as maize, sorghum, and millet, making it increasingly difficult to secure adequate food supplies.

The impact on households has been severe, as shown by simulations of the food security effects of recent food price increases:<sup>2</sup>

- Food poverty rates have risen by 9.1 percentage points, from 42.9 percent to 52.0 percent, nationally, with rural areas experiencing a higher rate of 59.0 percent.
- The prevalence of undernourishment has increased by 11.6 percentage points, from 40.0 percent to 51.6 percent, highlighting the worsening nutritional crisis.
- Calorie consumption per capita has fallen by 13.7 percent, with the poorest households experiencing the largest reduction (16.0 percent), forcing them to rely on fewer and less nutritious meals.
- Food consumption expenditure per capita has dropped by 10.5 percent nationally, with the lowest-income households reducing spending by 12.7 percent, compared to 9.5 percent for the highest-income quintile.<sup>3</sup>

Women-headed households are among the hardest hit, with 60 percent reporting reduced meal sizes and frequency. In conflict-affected areas, the crisis is particularly acute, with nearly 15 percent of children under five suffering from severe acute malnutrition. Targeted interventions to mitigate the impacts of food inflation and restore household access to affordable, nutritious food.

### ***Small-Scale Farmers: Marginal Gains Amid Rising Costs***

Small-scale farmers produce most of Nigeria's food but have seen only modest increases in income, far below the rate of inflation. Findings indicate that:

- Input costs have surged by over 80 percent for fertilizers, seeds, and pesticides, driven by a depreciated exchange rate and higher transport costs. For example, a 50kg bag of fertilizer that cost ₦12,000 pre-reform now exceeds ₦22,000 in many rural areas.<sup>4</sup>
- Poor infrastructure and transport systems add an average of 30 percent to farm-to-market costs, limiting farmers' ability to benefit from higher retail prices.

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<sup>2</sup> IFPRI's Food Security Simulator is an MS-Excel-based tool for assessing the potential short-term impacts of food price or household income shocks on food security and people's diets. The tool provides evaluations of direct, household-level outcomes. For this illustrative analysis we focused on food security (consumption expenditure and caloric intake). The underlying data include estimates from representative household survey data and rigorous, sophisticated food demand models to capture consumer behavior.

<sup>3</sup> The larger decline in food expenditure among the poorest households may reflect asset smoothing, where households prioritize preserving productive assets for future livelihood security over immediate consumption, even at the risk of malnutrition and long-term health consequences. They might also reallocate spending toward essential non-food expenses like housing, utilities, or transportation, or shift to less nutritious but cheaper foods. However, these findings should be interpreted with caution, as they are based on simulations rather than analysis of household data.

<sup>4</sup> The prevailing Naira/USD exchange rate was ₦1,600/USD.

- Farmers in conflict-affected areas have seen their profits further eroded due to the high costs of informal “taxation” along transport routes, which add an average of ₦2,500 per truckload per checkpoint.

Conflict-induced displacement has made farm labor increasingly scarce. Labor shortages have significantly increased wages, driving up production costs for the labor-intensive crops, that dominate production systems, leading to significant declines in farmers’ net returns. Despite rising food prices, smallholders often see net gains of less than 10 percent, leaving them unable to invest in improved input or expand their operations. Many are also dependent on markets as consumers during off-harvest periods, exacerbating their vulnerability.

### ***Trading Networks: Critical Yet Constrained Intermediaries in a Fragmented System***

Traders and intermediaries play an essential role in connecting producers to markets in Nigeria’s highly fragmented and infrastructure-poor food system. Their ability to move food across regions, absorb risk, and finance informal supply chains is critical to market functioning, particularly where formal institutions are weak or absent. However, the current system tends to reward arbitrage over efficiency and often lacks transparency. Margins in commodities like maize and cowpeas have increased by up to 10 percent post-reform, evidently due to rising operational costs—especially in transport and storage—and the absence of competitive pressures or market regulation. Traders often operate in risky environments, bearing costs associated with insecurity, informal taxation, and poor roads. Limited investment in aggregation, cold storage, and structured trade means price signals are distorted and gains from trade are unevenly distributed, with traders capturing larger shares than farmers.

### ***Structural Weaknesses and Reforms***

The removal of fuel subsidies and exchange rate adjustments have amplified longstanding structural challenges in Nigeria’s food system. Transport costs have risen by over 50 percent post-reform, driven by higher fuel prices and poor road conditions, particularly in rural and conflict-affected areas. Storage and processing infrastructure remain inadequate, with post-harvest losses for perishables like tomatoes exceeding 50 percent, even as urban demand rises. Regional price disparities persist, with staples costing 30–40 percent more in northern conflict-affected states like Borno and Yobe compared to southern markets such as Lagos and Port Harcourt.

## **Recommendations**

Several recommendations for policy and investment across the food system emerge, some addressing the specific challenges facing consumers, farmers, and traders, others focusing on cross-cutting impediments.

### ***Support Vulnerable Consumers with Targeted and Scalable Measures***

- Expand food assistance through digital cash transfers and food vouchers, prioritizing urban poor, conflict-affected populations, and women-headed households. Leverage existing social protection platforms (e.g., the National Social Safety Nets Project, NASSP) to reduce delivery costs and improve targeting.
- Work with local authorities and community organizations to identify and reach vulnerable groups efficiently, minimizing leakage and maximizing impact without overstretching fiscal space.

### ***Empowering Small-Scale Farmers Through Market-Oriented Input Support***

- Facilitate cooperative purchasing models to enable farmers to access inputs at lower cost. Provide technical support to farmer groups to improve coordination, governance, and financial literacy.
- Promote localized input production and distribution, including public-private partnerships to expand access to seeds, fertilizers, and other inputs through agro-dealers, especially in underserved areas.
- Expand seasonal credit and input loan schemes in collaboration with financial institutions and fintech platforms, using digital tools to manage risk and link repayment to harvest cycles.

### ***Improve Market Efficiency by Strengthening Infrastructure and Coordination***

- Invest incrementally in critical rural infrastructure, including feeder roads and storage hubs, prioritizing high-production and high-need zones. Where possible, co-finance with state governments and local actors.
- Support transparent market information systems and digital platforms that connect farmers, traders, and consumers, reducing information asymmetries and helping to moderate price spikes.
- Encourage structured trading systems (e.g., warehouse receipt systems, aggregation centers) that can offer farmers better terms, stabilize prices, and improve traceability.

### ***Aligning Food Assistance with Local Production to Strengthen Food Systems***

- Where feasible, source food assistance locally through structured procurement from smallholder farmers and local processors. This approach can support local economies while meeting emergency needs.
- Build partnerships between aid agencies, local governments, and producer organizations to expand aggregation and processing capacity for staples suited to food assistance (e.g., fortified flour, ready-to-cook grains).
- Support quality assurance systems and storage improvements to ensure reliable supply chains for institutional buyers such as school feeding programs or humanitarian agencies.

### ***Build Inclusive and Climate-Resilient Food Systems***

- Promote climate-smart practices—such as drought-tolerant crop varieties, small-scale irrigation, and integrated soil fertility management—tailored to local contexts.
- Expand support for women and youth in agriculture through skills training, access to finance, and land tenure support. Prioritize inclusion in areas where agricultural transformation is already underway.
- Leverage existing climate adaptation programs (e.g., the Agro-Climatic Resilience in Semi-Arid Landscapes initiative, ACRoSAL) to finance resilient infrastructure and production systems, integrating food security goals with broader environmental and livelihood objectives.

## **Conclusion**

Nigeria's food system is facing severe strain from economic reforms, inflation, insecurity, and long-standing structural weaknesses. These pressures are worsening food insecurity, especially for low-income households and small-scale farmers. Reforms and investments must focus on improving market efficiency, reducing cost pressures, and protecting vulnerable groups. Targeted interventions can help stabilize the system in the short term while laying the groundwork for longer-term improvements. Strengthening infrastructure, supporting local production, improving input access, and increasing market transparency are all achievable steps. With better coordination among government, development

partners, and the private sector, Nigeria can begin to shift its food system toward greater resilience, efficiency, and fairness.

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## ABOUT THE AUTHORS

Steven Were Omamo (s.w.omamo@cgiar.org) is Unit Director for Development Strategies and Governance (DSG) and Director for Africa at the International Food Policy Research Institute (IFPRI), based in Nairobi, Kenya. Kwaw S. Andam is a Senior Research Fellow and Country Program Leader with IFPRI's Development Strategies and Governance Unit. Bedru Balana is a Research Fellow and Acting Program Leader for Nigeria with IFPRI's Natural Resources and Resilience Unit. Mulubrhan Amare is a Senior Research Fellow with IFPRI's DSG, based in Washington, DC, USA. Olufemi Popoola and Chibuzo Nwagboso are both Research Analysts with IFPRI's DSG, based in Abuja, Nigeria.

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## ENDNOTES

\*This policy brief is extracted from the ongoing project titled 'Strengthening Food Systems in Northern Nigeria Under Conflict and Displacement: A Food Supply Chain Mapping and Analysis.'

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1201 Eye Street, NW, Washington, DC 20005 USA | T. +1-202-862-5600 | F. +1-202-862-5606 | Email: [ifpri@cgiar.org](mailto:ifpri@cgiar.org) | [www.ifpri.org](http://www.ifpri.org) | [www.ifpri.info](http://www.ifpri.info)

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