

DEVELOPMENTS IN THE AGRICULTURAL SECTOR DURING THE FOURTH QUARTER OF 1989

Agricultural Production Activities

During the quarter, farming activities nationwide were restricted mainly to harvesting of late season crops and land preparation for the 1989/90 planting season. Available information showed that by November, many northern states including Bauchi, Borno, Kaduna, Kwara and Niger experienced severe harmattan. The weather was however favourable to wheat growing activities including irrigation. Artisanal fishing in coastal waters, inland rivers and lakes was at its peak, following partly the low water tides which made fishing activities relatively safe and partly the marked improvement in fish input supply.

Preliminary forecast of agricultural output as at the end of the quarter (cumulative), indicated a significant improvement over the corresponding quarter of 1988. The rise in output reflected increased output of crops, fishery and forestry products, while the output of livestock stagnated due to the continued deterioration in feed supply situation.

In particular, the output of grains and tubers such as wheat, rice, millet, sorghum, beans, cassava and yam recorded significant increases, following partly the favourable weather situation experienced during the greater part of the year and partly the widespread adoption of better farming practices by many farmers in response to pricing and other incentives. Besides, concerted efforts made to combat pest infestation of field crops and stored products during the year resulted in minimum post-harvest losses during the quarter.

However, the deteriorating farm input supply situation persisted. Available data showed that total fertilizer distributed to farmers was about 248,755 tonnes, representing about 12.2 per cent decline below the supply in the previous quarter. Thus the quantity of fertilizer supplied to farmers in 1989 totalled 912,006 metric tonnes representing a decline of 7.2 per cent compared with that of the previous year. But there was reportedly marked improvement in the efficiency in fertilizer distribution following the re-organisation of the Fertilizer Procurement and Distribution Programme, which was carried out in the middle of the year.

Commodity Markets

The depression which characterised the domestic and world commodity markets for some time now continued unabated during the quarter. The domestic producer prices of major agricultural export commodities slumped to its lowest level since 1987, while the world commodity market has continued to be plagued by excess supply, curtailment of demand and the lack of commodity agreement among producers and consumers, designed to guarantee price stability.

Domestic Market

The retail market prices of selected staple food tren-

ded downward in most parts of the country. The retail prices of local rice, beans, millet, sorghum, maize, garri, and yam flour, estimated at ₦5,939, ₦4,034, ₦1,562, ₦1,789, ₦1,572, ₦1,886 and ₦2,094 per tonne represented declines of 7.0, 13.5, 10.1, 7.3, 13.7, 19.3 and 14.2 per cent, respectively, from their levels in the preceding quarter. These declines could be explained mainly by the enhanced food supply following the harvest season, immediate release of harvests onto the market by farmers to avoid increasing cost of post-harvest handling of surpluses (in the face of poor storage and transportation facilities) and the availability of competing wheat-based products in the domestic market.

The crisis in the domestic market for agricultural export commodities, which began in the second and third quarters of 1989, worsened in the fourth quarter. For instance, average domestic producer prices of cocoa and coffee which peaked at about ₦21,000 and ₦17,000.00 per tonne, respectively, in the first half of the year collapsed to about ₦6,000.00 and ₦4,500.00 per tonne, respectively, by the end of the fourth quarter. The situation was induced by the slump in demand for these commodities. Moreover, given the difficulties in obtaining export credit by exporters in the wake of restrictive monetary policy adopted by government in the second half of 1989, including the domiciliation of public sector accounts with the Central Bank, exporters realised purchase prices offered to farmers with the declining trends in world commodity prices.

World Market

The lull in the commodity markets became more pronounced at the end of the fourth quarter of 1989. At 96.4 (1975 = 100), the all-commodities price index in dollar declined by 4.2 and 7.8 per cent compared with the preceding quarter and the corresponding period of 1988. In naira terms the price declined by 0.5 per cent below that recorded in the third quarter of 1989 but represented an increase of 35.4 per cent over the level in the corresponding quarter of 1988 (see Tables 1 & 2). In particular, the prices of major export commodities such as cocoa, coffee, copra and rubber declined significantly in both naira and dollar terms. Overall, the world commodity market continued to be plagued by excess supply, low demand, and lack of commodity agreements on price quotas and buffer stock management.

At 58.4 the price index of cocoa in dollar terms declined by 20.7 and 42.6 per cent from the levels in the third quarter of 1989 and the corresponding period of 1988, respectively. In naira terms the price declined by 17.9 per cent from the level in the third quarter of 1989 and by 15.7 per cent compared with the corresponding quarter of 1988. At the end of the review period, cocoa price sank to its lowest level in fourteen years on the London Market and was adjudged to be close to the level at which even the low-cost producers found both produc-

tion and export unprofitable. Excess supply and lack of a workable agreement between producers and consumers have remained the bane of the cocoa market.

At 105.1 the price index of coffee in dollar terms also showed declines of 14.8 and 46.5 per cent compared respectively with the preceding quarter and the corresponding period of 1988. In naira terms the price declined by 12.2 and 22.6 per cent from the preceding quarter and corresponding quarter of 1988, respectively. Like cocoa, coffee price plunged to its lowest level in twenty years as a result of the collapse of the international coffee agreement since July 1988. The collapse emanated from the deficiency in quota allocation which adversely affected the export revenue of most countries except the large exporters like Brazil.

Developments in the vegetable oil and oil seed market were mixed. At 124.7, the price index in dollar terms of copra showed declines of 6.0 and 21.6 per cent, respectively, from the preceding quarter and corresponding period of 1988. In naira terms this represented a decline of 2.7 per cent from the preceding quarter but an increase of 15.4 per cent over the corresponding quarter of 1988. Copra prices were influenced mainly by the decision of Philippines, a major producer, to keep down prices in response to a state of emergency.

The price of groundnut oil, however, showed increases over the last quarters. At 88.7, the price index in dollar terms rose by 2.8 and 42.3 per cent over the preceding quarter and the corresponding quarter of 1988, respectively. In naira terms, the price rose by 6.4 and 108.2 per cent over the preceding quarter and the corresponding period of 1988, respectively. The increasing price trend of groundnut oil since the past two years has been attributed to supply shortages due to unfavourable weather conditions in most producing areas. Despite the rising trend, available data showed that the quantum of export worldwide was very low, as domestic production of groundnut could not keep pace with the domestic demand by processors in most producing countries.

At 67.1, the price index of palm oil in dollar terms declined by 9.2 and 28.5 per cent below the preceding quarter and the corresponding period of 1988, respectively. In naira terms, the price index declined by 6.2 per cent from the preceding quarter but rose by 5.3 per cent over the corresponding quarter of 1988. The decline in price was attributable partly to excess supply situation and partly to drastic curtailment of demand by most consuming nations, following the allegation that palm oil has an unhealthy cholesterol level. The excess supply situation was aggravated by the presence of bumper harvests in the last growing season. Thus, huge stocks were built up during the quarter in most producing countries. At 113.8 the price index of palm kernel rose in dollar terms by 12.5 per cent over the preceding quarter but declined by 12.6 per cent compared with the corresponding quarter of 1988. In naira terms the price rose by 15.5 and 37.4 per cent over the preceding quarter and the corresponding period, respectively. The rising trend in the price of palm kernel has been attributed to the increasing derived demand for it by crushers for the production of palm kernel oil and animal feed. However, the price of

soyabean in dollar was stable, recording only a marginal increase of 1.1 and 2.4 per cent over the preceding quarter and the corresponding quarter of 1988, respectively. In naira, the price declined by 8.2 per cent from the preceding quarter and by 32.4 per cent from that recorded in the corresponding quarter of 1988. The apparent stability in price was due partly to firm demand for soyabean meal in the producing areas, especially USA, and partly to the successful reductions in the supply to the International Market.

At 114.8 rubber price index declined by 4.7 and 10.4 per cent in dollar terms compared with the preceding quarter and the corresponding period of 1988; in naira terms, the price declined by 1.5 per cent below the preceding quarter but rose by 31.7 per cent over the corresponding quarter of 1988. The downward trend in the natural rubber prices which started in the first quarter of 1989 was due to the presence of large stocks in consuming countries, particularly Japan. The decline in rubber prices was exacerbated by the appreciation of the Malaysia dollar against the US dollar and some other major currencies. However, the deteriorating rubber market showed some signs of recovery towards the end of the review period due mainly to the rise in demand for replacement tyres, the production of which require substantial input of natural rubber.

There was excess supply of grains in the world market during the quarter. Available data showed that total world production in 1989/90, estimated at 816 million tonnes, represented a marked increase over last season's estimate. Despite the upsurge in supplies, the prices of maize and rice were relatively stable, while wheat prices plummeted in response to curtailment of imports by major consuming debtor nations who have clamped a ban on its import. The price of rice, estimated at \$345 per tonne during the quarter, was stable showing a marginal decline of 1.4 per cent below that in the preceding quarter but represented an increase of 13.8 per cent over the corresponding quarter of 1988. In naira, the price rose marginally to ₦2,550.7 per tonne or by 0.45 per cent over the preceding quarter and by 65.0 per cent over the corresponding quarter of 1988 (see Tables 3 & 4). Maize price, estimated at \$130.8 per tonne, rose by 2.9 per cent over the corresponding quarter of 1988. In naira, the price rose to ₦982 per tonne or by 6.5 and 41.6 per cent over the preceding quarter and corresponding quarter of 1988 respectively (see Tables 3 & 4). Wheat price, however, showed substantial decline of 43.3 per cent to \$184.1 per tonne compared with that in the preceding quarter. In naira, the price of wheat declined to ₦1,381.7 per tonne or by 34.7 per cent below the level in the corresponding quarter of 1988. The tumbling of wheat prices was attributable to the increased world production which was unleashed to the market thereby depressing the price which had picked up to an impressive level as at the end of the first quarter of 1989 (see Tables 3 & 4). Sugar price rose marginally to \$535.7 or by 1.5 per cent over the preceding quarter and by 16.5 per cent over the corresponding quarter of 1988. In naira, the price rose to ₦4,019.9 per tonne or by 4.9 per cent over the preced-

ing quarter and by 71.1 per cent over the corresponding quarter of 1988 (see Table 3 & 4). The improvement in prices could be attributed to stagnant output occasioned by bad weather and widespread occurrence of hurricane which swept through the Caribbean. The tight supply situation was put under stress by the increased internal demand in Brazil for both sugar and fuel ethanol from cane output, a situation which moderated world supply. Total world supply has been forecast at 106 million tonne for 1989/90 which is below the estimated consumption of 108 million tonnes. Gum Arabic price declined from \$2,687.3 per tonne in the preceding quarter to \$2,594.7 per tonne, reflecting declines of 3.4 and 5.6 per cent over the preceding quarter and corresponding period of 1988, respectively. In naira, the price declined marginally by 0.18 per cent from ₦19,501.5 per tonne in the preceding quarter to ₦19,465.7 per tonne (see Tables 3 & 4).

Institutional Agricultural Credit

Loans and advances outstanding by commercial and merchant banks to the agricultural sector during the quarter stood at ₦3,385 and ₦804.4 million, respectively, representing about 15.6 and 15.3 per cent of total commercial and merchant banks loans outstanding to the economy. At these levels, the prescribed minimum credit limits were exceeded by 0.6 and 5.3 percentage points respectively.

The structure of commercial banks credit to agriculture revealed that food crops were accorded priority, receiving about 35.0 per cent, while cash crops, poultry and others accounted for 12.7, 12.6 and 13.1 per cent, respectively. The growth in credit to each subsector during the quarter was however marginal, compared with the preceding quarter. Available information showed that the growth in total credit outstanding to agriculture was 6.7

per cent. The growth was considered unimpressive considering that it could not have resulted from the creation of new loans but from rising interests rates which peaked at between 30 and 45.0 per cent.

Unlike the commercial banks, the largest share of merchant banks credit to agriculture during the quarter (₦202 million or 25.1 per cent) went to others (miscellaneous agricultural activities). With tighter monetary policies, most merchant banks credit to cash crops fell, a situation which compelled most of them to diversify into agricultural equipment leasing (classified as others). Food crops, poultry and fishing absorbed about 15.3, 13.2, and 16.0 per cent, respectively. The trend in credit expansion to agriculture showed that total merchant bank credit to agriculture grew by 5.0 per cent. While credit to food-crops sub-sector was stagnant, the growth in credit for fishing sub-sector was substantial at 69.9 per cent.

Available data on credit granted by both the merchant and commercial banks under the Agricultural Credit Guarantee Scheme (ACGS) showed that a total of 4,549 farmers received loans amounting to ₦27.0 million. The distribution of credit under ACGS showed that food crops, especially grains, accounted for 67.2 per cent while cash crops and poultry absorbed 13.2 and 8.6 per cent respectively, reflecting demand for farm credit during the quarter.

The distribution of ACGS Loans by States showed that Anambra, Akwa-Ibom, Bendel, and Oyo got the lion shares of 20.6, 12.2, 7.0 and 12.9, per cent respectively.

Agricultural Studies Office,
Sectoral Studies Division,
Research Department.

Table 1

INDICES OF AVERAGE WORLD PRICES (IN DOLLAR) OF NIGERIA'S
COMMODITIES IN THE FOURTH QUARTER OF 1989
(1975 = 100)

Commodities	Fourth Quarter	Third Quarter	Fourth Quarter	Percentage Change Between	
	1988	1989	1989	(1) & (3)	(2) & (3)
	(1)	(2)	(3)	(4)	(5)
All Commodities	104.5	100.6	96.4	- 7.8	- 4.20
Cocoa	101.7	73.7	58.4	-42.6	-20.7
Coffee	196.2	123.3	105.1	-46.5	-14.8
Copra	159.1	132.7	124.7	-21.6	- 6.0
Cotton	99.1	129.7	133.5	34.7	3.0
Groundnut	—	—	—	—	—
Groundnut Oil	62.3	86.2	88.7	42.3	2.8
Palm Oil	93.9	74.0	67.1	-28.5	- 9.2
Palm Kernel	130.3	101.2	113.8	-12.6	12.5
Soyabean	157.4	159.4	161.1	2.4	1.1
Ginger	—	54.6	61.9	—	13.4
Rubber	128.1	120.5	114.8	-10.4	-4.7

Source: Public Ledger and Financial Times

Table 2

**INDICES OF AVERAGE WORLD PRICES (IN NAIRA) OF NIGERIA'S
COMMODITIES IN THE FOURTH QUARTER OF 1989
(1975 = 100)**

Commodities	Fourth Quarter	Third Quarter	Fourth Quarter	Percentage Change Between	
	1988	1989	1989	(1) & (3)	(2) & (3)
	(1)	(2)	(3)	(4)	(5)
All Commodities	866.1	1,178.7	1,172.5	- 35.4	- 0.53
Cocoa	845.5	867.4	712.4	-15.7	-17.9
Coffee	1,623.6	1,431.2	1,256.6	-22.6	-12.2
Copra	1,317.3	1,562.4	1,520.2	15.4	- 2.7
Cotton	821.6	1,528.0	1,654.4	100.4	8.3
Groundnut	—	—	—	—	—
Groundnut Oil	515.0	1,007.7	1,072.5	108.2	6.4
Palm Oil	776.6	871.3	817.4	5.3	- 6.2
Palm Kernel	1,002.4	1,192.1	1,377.1	37.4	15.5
Soyabean	1,305.3	1,881.5	1,728.2	32.4	- 8.2
Ginger	—	642.9	685.3	—	6.6
Rubber	1,062.0	1,419.9	1,399.1	31.7	- 1.5

Source: Public Ledger and Financial Times

Table 3

**AVERAGE PRICE OF GRAINS, SUGAR AND GUM ARABIC IN \$/TONNE
IN THE FOURTH QUARTER OF 1989**

Commodities	Fourth Quarter	Third Quarter	Fourth Quarter	Percentage Change Between	
	1988	1989	1989	(1) & (3)	(2) & (3)
	(1)	(2)	(3)	(4)	(5)
Rice	303.2	350.0	345.0	13.8	- 1.4
Maize	136.2	127.1	130.8	- 4.0	2.9
Sugar	459.9	528.0	535.7	16.5	1.5
Wheat	186.8	324.9	184.1	-1.4	-43.3
Gum Arabic	2,747.3	2,687.30	2,594.7	- 5.6	- 3.4

Source: Public Ledger and Financial Times

Table 4

**AVERAGE PRICE OF GRAINS, SUGAR AND GUM ARABIC IN N/TONNE
IN THE FOURTH QUARTER OF 1989**

Commodities	Fourth Quarter	Third Quarter	Fourth Quarter	Percentage Change Between	
	1988	1989	1989	(1) & (3)	(2) & (3)
	(1)	(2)	(3)	(4)	(5)
Rice	1,545.7	2,539.3	2,550.7	65.0	0.45
Maize	693.6	921.9	982.0	41.6	6.5
Sugar	2,349.6	3,830.7	4,019.9	71.1	4.9
Wheat	951.7	2,115.2	1,381.7	45.2	-34.7
Gum Arabic	14,001.1	19,501.5	19,465.7	39.0	- 0.18

Source: Public Ledger and Financial Times