

DEVELOPMENTS IN THE AGRICULTURAL SECTOR DURING THE FIRST QUARTER OF 1989

Agricultural Production Activities

Agricultural production activities during the period were influenced mainly by the dry weather and prolonged *harmattan* experienced during the quarter, especially in most of the northern states. The coastal states however, experienced their first rain between the end of January and the end of the quarter. Consequently, most of the farming activities in the north centred on land preparation while in the south most farmers were found tending vegetable and cassava fields which were planted between the end of last year and early January. Towards the end of the quarter, land preparatory activities were also at advanced stages for the cultivation of early maize, while some farmers in the north were also busy raising vegetables under irrigation. In addition, the wheat accelerated production programmes, which were commenced during the last quarter in Kano, Borno, Kaduna and Sokoto states with substantial financial support from the Federal Government began to bear fruits as harvesting operations had actually commenced in some of the states. An estimated 300,000 tonnes of wheat were expected from the initial harvests.

Fertilizer supply to farmers for the 1989 cropping year took off with the supply by the end of the quarter of 110,564 tonnes by the Fertilizer and Chemical Company, Kaduna and National Fertiliser Company of Nigeria (NAFCON) and the arrival of 42,656 tonnes of imported fertilizers. Thus, a total of 153,220 tonnes of fertilisers were available for distribution to farmers during the quarter, out of the budgeted 900,000 tonnes for the whole of 1989.

There were several reports of widespread bush fire outbreaks which caused substantial damage to farm lands in Bendel, Ondo and Oyo states during the quarter. Cocoa and rubber plantations were mostly affected. In addition, there were also widespread reports of theft of field crops especially cocoa and cassava probably because of the continued high demand and prices for these commodities following trade liberalisation and persistent depreciation in the naira exchange rate. These undesirable incidents had compelled some state governments to initiate moves through legislation to protect farmers against these risks. Consequently, hunters and poachers of wildlife games who were identified as constituting the major source of the menace were restrained from these illicit activities.

Commodity Marketing and Prices

Within the domestic markets the period was characterised by persistent rise in food prices which caused a lot of concern among consumers. Average market retail prices of major staple food, especially rice and wheat products (in particular bread), rose sharply due mainly to the decision by government during the 1989 budget announcement to religiously enforce the ban imposed since 1988 on the importation of these commodities. The price of rice was estimated to have risen on the average by 30.3 per cent monthly during the quarter, while that of bread increased

threefold. Consequently, there was a shift in consumer demand to alternative food items such as yam, beans and garri which forced the prices of these commodities up. Average price increases during the period ranged from 10.6 per cent for millet to about 30.3 and 32.0 per cent for rice and garri. As a result of this, government announced in February some short-term measures to help stem the rising food prices. These included the ban on exportation of food stuffs, the immediate release of food stuffs held in buffer stocks by state governments for sale to the public and the suspension of purchases by the Federal Government for this Strategic Reserve.

Although there are no firm statistics on *producer prices*, speculations during the quarter were that farmers were getting good prices for products, such as sorghum, millet and cassava due to the increasing demand by agro-allied industries, such as breweries, confectionaries and pharmaceutical companies. These industries consolidated their buying arrangements through contract agreements with farmers. With regard to export crops, producer prices for cocoa, cotton, palm kernel and rubber have continued to firm up, and were estimated to be generally above the export prices.

In the World Commodity Markets produce prices also firmed up slightly during the quarter. At 109.6 (1975 = 100) the all-commodity price index in dollar terms rose by 4.9 per cent over the preceding quarter, but was still much below its level during the corresponding quarter of 1988 by 25.3 per cent (see Table 1). The slight improvement during the quarter over the preceding one was a reflection of the artificially tight supplies following the understanding reached among major producers to stem the deteriorating situation in the world commodity markets. In naira terms, however, the all-commodity price index rose sharply by 47.6 and 24.4 per cent over the preceding and corresponding quarters of 1988 respectively (see Table 2). The sharp rise in naira price was due to the sharp depreciation of the naira exchange rate following the merger of the official and autonomous markets early in the year.

All the commodities recorded increases in dollar prices except copra and palm oil; while in naira terms, all the commodities without exception recorded marked increases in prices. At 107.6, the price index of Cocoa in dollar terms rose by about 5.8 per cent over the level in the preceding quarter but represented a decline of about 19.8 per cent from the level in the corresponding quarter of 1988. The slight improvement in the quarter was attributed mainly to the concerted efforts made by major producers especially Cote d'Ivoire, Ghana and Malaysia, to renegotiate the cocoa agreements which had virtually collapsed, even though it was expected to last till September 1990. The renegotiation also sought to iron out the dispute with major consumers over the price range to maintain for cocoa under the buffer stock arrangement during the 1988/89 season. In particular, Cote d'Ivoire had continued to withdraw and withhold cocoa from

major markets, and the effects of this action were further aggravated in the cocoa market by the bearish purchases made by some French companies for stockpiling. The non-cooperation of consumers with regard to the current cocoa pact was informed by the general feeling that an efficient operation of the Buffer Stock Manager in an era of falling commodity prices would serve to keep producer prices stable and high against the dictates of the market, thereby implicitly taxing consumers to support producer prices. This was accentuated by the failure of producers to keep to their side of the bargain to pay a levy of \$30 per tonne of cocoa export to support the buffer stock operations. As such there was little intervention in cocoa markets by the Buffer Stock Manager due to lack of funds, and consequently prices have continued to fall unabated.

Coffee prices in dollar terms rose by 6.7 and 4.6 per cent over the level respectively in the preceding and corresponding quarter of 1988. This is in spite of the disagreements over quotas and price differentials between the two grades of coffee (robusta and arabica) among the producers. Producers were worried that under the expired 1988 coffee agreements, the two-tier pricing system gave undue advantage to non-member consumers who insisted on paying the lower price. Because of the change in consumer demand in favour of the cheaper grade, some producers' quotas suffered both in term of prices and market demand.

Vegetable Oil and Oil Seeds have continued to suffer depression in the world market. Copra and Palm oil prices declined by 5.1 and 6.6 per cent respectively over the previous quarter, while groundnut oil price recorded a rise of 0.2 per cent. Prices of palm kernel and soyabeans recorded respective increases of 1.9 and 2.2 per cent over the positions in the preceding quarter and 20.0 and 14.9 per cent over those in the corresponding quarter of 1988. The decline in copra price was due mainly to the excess supply situation which arose from the enhanced production in 1987/88 season. However, the situation has started to improve, as demand was estimated to outstrip supply in the new season due to the use now found for coconut oil in cosmetic production in the USA. Palm oil markets have however continued to weaken as a result of the anti-palm oil campaign mounted by American Soyabean Association (ASA). Thus, as palm oil price continued to fall, soyabeans price was rising partly in response to the campaign and partly due to the shortfall in supply which arose from the damage caused by drought to soyabean crops in the USA, Argentina and China. Concerted efforts were however being made to contain the damaging effects of the ASA's malicious campaign by the introduction of consumer protection rights which stipulated that all marketed vegetable oils label must indicate the level of cholesterol content and the use to which the oils can be put.

Efforts by the stock manager of International Natural Rubber Organisation (INRO) to mop up excess supply which had depressed rubber markets, began to pay off during the period with the increase of 7.2 per cent in price over the position in the preceding quarter. Production was also expected to decline during the winter season and this should further assist in firming up rubber prices. Furthermore, increasing demand for latex, due to increased demand for rubber products such as sheets and gloves for combating

AIDS, is expected to further improve the price of natural rubber.

There were mixed developments in the world grains market. Price of rice declined by 11.2 per cent over the preceding quarter, due to demand restraints and import ban imposed by major importing countries. Wheat markets were similarly affected. Consequently, the USA had threatened to upset the economies of countries that imposed ban on wheat import unless there was a reversal of such policy.

The price of sugar was relatively stable, recording a negligible price decline of 2.3 per cent from the level in the preceding quarter and a rise of 3.0 per cent over that of the corresponding quarter of 1988 (see Tables 3 and 4).

Agricultural Credit

Commercial and merchant banks' loans outstanding for the agricultural sector during the quarter rose by about 6.5 and 14.3 per cent, respectively. Merchant banks' total loans outstanding to agriculture was ₦638.6 million representing about 14.9 per cent of their total loans and advances outstanding to the economy. This compares with ratios of 11.7 and 14.1 per cent recorded during the preceding quarter and the corresponding quarter of 1988 respectively. Thus, merchant banks' lending to agriculture has continued to exceed the prescribed 10 per cent minimum target. For commercial banks, loans and advances outstanding to agriculture during the quarter stood on the average, at ₦3,240.8 million representing 15.8 per cent of total banks credit to the economy, thus showing a slight decrease when compared with 15.9 per cent recorded during the preceding quarter but exceeding the prescribed minimum target by about 0.8 per cent.

The structure of commercial and merchant banks' credit to agriculture showed that grains production had continued to maintain the lead. Out of the total agricultural loans by merchant banks, about 29.4 per cent was for food crops production while 17.8 and 14.8 per cent went into the fishery and poultry subsectors, respectively. The increasing emphasis on self-sufficiency in food production enhanced producer prices, and the heightened preparatory activities witnessed during the quarter, all accounted for the high demand for short term credit by farmers. Also the growing need to substitute fish and fish products for scarce and expensive meat products was largely responsible for the increased demand for credit by fish farmers.

At ₦12.9 million, total commercial banks' loans under the Agricultural Credit Guaranteed Scheme (ACGS) declined by about 31.3 per cent over the level in the corresponding period of 1988. The structure of lending under ACGS showed that the bulk of the loans were granted to grains and tubers farmers who accounted for about 90.3 per cent of beneficiaries and 57.5 per cent of the total amount approved. This was followed by livestock and cash crops producers. On state basis, beneficiaries from Kano, Ogun, Anambra and Kwara States got the largest shares of 24.4, 11.8, 11.5 and 11.5 per cent, respectively.

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**WORLD PRICES IN DOLLARS (C.I.F.) OF MAJOR NIGERIA'S AGRICULTURAL
COMMODITIES IN THE FIRST QUARTER, 1989**
(1975 = 100)

Table 1

COMMODITIES	1st Qtr 1988 (1)	4th Qtr 1988 (2)	1st Qtr 1989 (3)	Percentage Change Between	
				(1) & (3)	(2) & (3)
ALL COMMODITIES	146.7	104.5	109.6	-25.3	4.9
Cocoa	134.2	101.7	107.6	-19.8	5.8
Coffee	200.0	196.2	209.3	+4.6	6.7
Copra	155.5	159.1	151.0	- 2.9	-5.1
Cotton	177.1	99.1	103.9	-41.3	4.8
Groundnut	—	—	—	—	—
Groundnut oil	55.0	62.3	62.4	13.5	0.2
Palm Oil	100.9	93.9	87.7	13.1	-6.6
Palm kernel	110.7	130.3	132.8	20.0	1.9
Soyabean	139.9	157.4	160.8	14.9	2.2
Ginger	66.9	—	70.5	5.4	—
Rubber	147.0	128.1	137.3	- 6.6	7.2

Source: Derived from Public Ledger.

Table 2

**WORLD PRICE INDICES IN NAIRA (C.I.F.) OF MAJOR NIGERIA'S AGRICULTURAL
COMMODITIES IN THE FIRST QUARTER, 1989**
(1975 = 100)

COMMODITIES	1st Qtr 1988 (1)	4th Qtr. 1988 (2)	1st Qtr. 1989 ¹ (3)	Percentage Change Between	
				(1) & (3)	(2) & (3)
All Commodities	1,028.2	866.1	1,278.6	24.4	47.6
Cocoa	925.5	845.5	1,259.2	36.1	48.9
Coffee	1,380.9	1,623.6	2,448.1	77.3	50.8
Copra	1,072.4	1,317.3	1,774.0	65.4	34.7
Cotton	1,203.1	821.6	1,222.1	1.6	48.7
Groundnut	—	—	—	—	—
Groundnut Oil	381.1	515.0	756.5	98.5	46.9
Palm Oil	698.7	776.6	1,027.6	47.1	32.3
Palm kernel	748.8	1,002.4	1,555.9	107.8	55.2
Soya beans	838.0	1,305.3	1,881.4	124.5	44.1
Ginger	462.4	—	820.4	77.4	—
Rubber	1,018.4	1,062.0	1,688.9	65.8	59.0

¹ Estimates

Source: Public Ledger

Table 3

**AVERAGE PRICES IN U.S. DOLLAR PER TONNE FOR GRAINS AND SUGAR
IN THE WORLD MARKET FOR THE FIRST QUARTER 1989**

COMMODITIES	1st Qtr. 1988 (1)	4th Qtr. 1988 (2)	1st Qtr. 1989 ¹ (3)	Percentage Change Between	
				(1) & (3)	(2) & (3)
Rice	—	303.0	269.1	—	-11.2
Maize	108.7	136.0	140.3	29.1	3.2
Sugar	431.0	460.0	449.6	4.3	-2.3
Wheat	152.2	187.0	—	—	—
Gum Arabic	3,008.4	2,747.0	2,700.0	-10.3	-1.7

¹ Estimates

Source: Public Ledger

Table 4

**AVERAGE PRICES IN NAIRA PER TONNE FOR GRAINS AND SUGAR
IN THE WORLD MARKET FOR THE FIRST QUARTER 1989**

COMMODITIES	1st Qtr. 1988 (1)	4th Qtr. 1988 (2)	1st Qtr. 1989 ¹ (3)	Percentage Change Between	
				(1) & (3)	(2) & (3)
Rice	—	1,546	1,938.8	—	25.4
Maize	462.4	694	1,010.9	118.6	45.7
Sugar	1,831.5	2,350	3,243.1	77.1	38.0
Wheat	642.0	952	—	—	—
Gum Arabic	12,797.2	14,001	19,469.3	52.1	39.1

¹ Estimates

Source: Public Ledger