

DEVELOPMENTS IN THE AGRICULTURAL SECTOR DURING THE SECOND QUARTER OF 1988

Production Activities:

The environment continued to be very conducive during the quarter. Good weather conditions and manifestation of conscious efforts by both farmers and the government to enhance agricultural output continued to be apparent throughout the country. On the average, total rainfall per state during the quarter was about 181.0mm compared with 116.8mm for the corresponding quarter of last year. The intensity and distribution of rainfall were such that would encourage farming activities throughout the country. There was also an appreciable improvement in farm input distribution. Total fertiliser distributed to farmers between January and June was 305,750 tonnes, representing an increase of 7.4 per cent over the level for the corresponding period of 1987.

Consequently, prospects of a good harvest during the year remained very bright. For instance, by the end of June, farmers in the southern states which recorded rains early in the year had started to harvest early crops such as maize and vegetables, and there is high expectation for good harvest for other crops such as rice, yam, cassava and beans. In the north, farmers started harvesting vegetables and onions, while there were widespread reports that grain and tuber fields were doing well. So far, there has been no major development that would likely jeopardise the envisaged good harvest in the 1988 cropping season. Reports of serious soil erosion were however reported in Anambra, Cross River and Imo States. The Federal Government has so far disbursed about ₦16.8 million to combat the menace of erosion in these states.

Commodity Prices:

Trends in the domestic retail prices of agricultural commodities during the quarter were mixed, with prices generally higher in the northern States than in the south.

Available data showed that average wholesale prices of maize, guinea corn, beans (brown) and rice in the south fell by 15.0, 10.0, 5.7 and 1.1 per cent to about ₦1,700; ₦800; ₦4,400 and ₦3,067 per tonne, respectively from their respective levels in the previous quarter. But in the north, substantial price hikes of 38.5, 20.8, 7.8 and 18.3 per cent respectively were recorded. Prices of garri and yam, however, continued to rise in all parts of the country due largely to general supply shortages.

World market prices of selected Nigerian agricultural commodities firmed considerably during the quarter. At 147.0 (1975 = 100), the all-commodity price index in dollar terms, was 0.2 per cent higher than the level in the preceding quarter and 17.1 per cent over that of the corresponding quarter of 1987 (See Table 1). In naira terms, the corresponding increases were 3.1 and 16.7 per cent (See Table 2). The increases were observed in all commodities, except cocoa, coffee, copra and cotton which recorded price declines.

Cocoa price index in dollar and in Naira terms declined by 8.9 and 10.4 per cent, respectively, below the level in the preceding quarter. The slump in cocoa price was attributed largely to market surfeit. The emergence of Malaysia as a major (third largest) cocoa producing country in the

world with a highly efficient production technology has reduced chances of a weather induced shortage capable of influencing cocoa prices favourably. Apparently disturbed by the slide in cocoa prices, some cocoa producers were beginning to reconsider their commitment to the stability of cocoa prices. For example, Ivory Coast, one of the world largest producers, has continued to withhold large stocks of the produce in the bid to stem further deterioration in cocoa prices.

The situation in the *coffee* market on the other hand was relatively more stable. At 199.8, coffee price index in dollar declined only marginally by 0.1 per cent from the level in the preceding quarter. However, the current price level represented an increase of 11.4 per cent over the level in the corresponding quarter of 1987. The main factor responsible for the stability was the existence of a two-tier market for coffee during the quarter, which helped to mop up excess supply in the market. There was the coffee terminal market based on the International Coffee Agreement (ICA) which governed supply mechanism especially, with respect to quantity and prices. A successor to the current accord which would expire in 1989 was successfully negotiated during the quarter. The second market was provided by the unregulated but widespread sales of coffee by producer nations to non-ICO members at a discount.

The improvement observed in *vegetable oil* and *oil seed* prices during the first quarter continued through the second quarter, as prices of most commodities in the group, except copra, have continued to rise during the period. Soyabeans represented the price leader in the group. In dollar terms, the price increases ranged from 3.3 per cent for groundnut oil to 12.9 per cent for soyabeans; while in Naira term the increases ranged from 0.9 per cent to 26.6 per cent for groundnut oil and soyabeans, respectively. The dollar price index of copra declined by 1.4 per cent from the level in the preceding quarter but increased by 32.3 per cent compared with the level in the corresponding quarter of 1987, respectively. Palm kernel and soyabeans also recorded in demand from copra to other vegetable oilseeds. The price index of groundnut oil in dollar terms rose by 3.3 and 2.9 per cent over the preceding and corresponding quarter of 1987, respectively. Palm Kernel and soyabeans also recorded substantial increases in prices. The lingering effects of bad weather in most producing areas, particularly in the US and Asia helped to constrain the supply of soyabeans.

At 173.7, the price index of *rubber* in dollar terms rose by 17.6 and 79.8 per cent over the level in the preceding quarter and corresponding quarter of 1987, respectively. In naira terms the corresponding increases were 15.4 and 76.0 per cent. The rubber market was influenced mainly by tight supplies in the face of unprecedented rise in demand for natural rubber. The boom in the market for rubber latex has raised the price of the product to a seven-year record high as at the end of the quarter. The substantial intervention by the buffer stock manager of the International Natural Rubber Organisation (INRO) during the period did not have any significant influence on the market. The high demand for natural rubber was attributed partly to the expanding demand for surgical rubber used in hospitals

following the AIDS scare and partly to the sharp rise in tyre production in Europe.

World *grains* market situation has continued to be unsettled by supply factor. Widespread reports of adverse weather conditions in major grain producing countries since the first quarter of 1988 has seriously disturbed the usual supply/demand balance in the grain market. The drought situation experienced in most maize fields in the US, coupled with the lingering adverse side effect of soyabeans herbicides sprayed last year before maize cropping, further helped to depress maize yield/output. According to soil survey reports, the dry weather situation led to incomplete breakdown of the herbicide and the chemical residue left behind in the soils inhibited the growth of sensitive maize plants rotated on previous soyabeans fields. Consequently, the prices of maize and wheat continued to rise during the two quarters (See Tables 3 and 4). The situation, was however, moderated slightly by the cut-back in demand by many developing countries like Nigeria due to foreign exchange crunch and food security considerations.

The price of *sugar* in dollar terms rose by 2.9 per cent over the level in the preceding quarter and by 28.3 per cent over that for the corresponding quarter of last year. In naira terms, the corresponding increases were 0.9 and 27.6 per cent. Supply shortage, which arose from poor output due to drought helped to firm up sugar price since the beginning of the year. Available data showed that about 2.0 million tonnes draw-down of stocks was carried out during the quarter – the fourth of such action within the recent months. In spite of current improvement in prices, sugar still has a bleak long-term outlook due to several reasons, including politically-motivated curtailment of demand and import due to foreign exchange problems; the existence of a powerful lobby which claimed that sugar is hazardous to health; and increasing availability of more acceptable alternative sweeteners such as iso-glucose which has current world consumption level of 6.5 million tonnes per annum.

Agricultural Credit:

Loans and advances outstanding by commercial and merchant banks to agriculture at the end of the quarter stood at ₦2,641.2 and ₦408.0 million, respectively. These amounts represented increases of 3.5 and 11.0 per cent over their respective levels in the preceding quarter and 29.7 and 67.0 per cent over those of the corresponding quarter of 1987. About 30.6 per cent of the agricultural loans granted by commercial banks went to food crop production, while other activities accounted for 23.0 per cent of the loans granted by merchant banks. The emphasis on food crop by commercial banks was in response to the high demand for short-term credit by farmers to support the preparatory activities for this year's cropping which was at its peak during the quarter. The poultry subsector also received substantial loans from both the commercial and merchant banks. The sharp rise in the cost of poultry feeds continued to make credit to the subsector inevitable.

The share of agriculture in total commercial banks' credit to the economy was 14.8 per cent, representing a deviation of 0.2 percentage point from the prescribed minimum share of 15 per cent for the sector. The share for merchant banks' loans on the other hand was about 12.0 per cent,

compared with the prescribed minimum of 10.0 per cent.

There was a substantial increase in the number of farmers who benefitted from, as well as the value of loans under the Agricultural Credit Guaranteed Scheme (ACGS) during the quarter. In all, 6491 farmers got loans totalling ₦33.5 million from commercial and merchant banks under ACGS. The value of the loans was about 125.5 per cent higher than that of the preceding quarter and 29.6 per cent higher than that for corresponding quarter last year. The number of beneficiaries also rose by 240.7 per cent over the level in the preceding quarter and 30.1 per cent over that for the corresponding quarter of last year. A state-by-state analysis showed that Bendel, Oyo, Ogun and Kwara States got the largest shares of 15.1, 13.4, 8.8 and 7.6 per cent, respectively; while analysis of the loans by purpose showed that food crops accounted for 67.8 per cent of all the loans granted under the ACGS.

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Table 1

**INDICES OF AVERAGE WORLD PRICES (C.I.F.) IN LONDON (\$/TONNE)
OF MAJOR NIGERIA'S AGRICULTURAL COMMODITIES IN THE SECOND QUARTER OF 1988**

(1975 = 100)

COMMODITIES	2nd QTR. 1987 (1)	1st QTR. 1988 (2)	2nd QTR. 1988 (3)	PERCENTAGE CHANGE BETWEEN (1) & (3) (2) & (3)	
All-Commodities	125.5	146.7	147.0	17.1	0.2
Cocoa	149.8	134.2	122.2	-18.4	-8.9
Coffee	179.4	200.0	199.8	11.4	-0.1
Copra	115.9	155.5	153.3	32.3	-1.4
Cotton	124.6	177.1	173.8	39.5	-1.9
Groundnut	n.a.	-	-	-	-
Groundnut Oil	55.2	55.0	56.8	2.9	3.3
Palm Oil	76.5	100.9	-	-	-
Palm kernel	81.2	110.7	117.1	44.2	5.8
Soyabeans	117.3	139.9	158.0	34.7	12.9
Ginger	84.6	66.9	72.9	-13.8	9.0
Rubber	96.6	147.7	173.7	79.8	17.6

Source: Public Ledger

Table 2

**INDICES OF AVERAGE WORLD PRICES (C.I.F.) IN LONDON (₦/TONNE) OF MAJOR
NIGERIA'S AGRICULTURAL COMMODITIES IN THE SECOND QUARTER OF 1988**

(1975 = 100)

COMMODITIES	2nd QTR. 1987 (1)	1st QTR. 1988 (2)	2nd QTR. 1988 (3)	PERCENTAGE CHANGE BETWEEN (1) & (3) (2) & (3)	
All-Commodities	853.2	1028.2	995.9	16.7	3.1
Cocoa	1019.5	925.5	829.3	-18.7	-10.4
Coffee	1220.9	1380.9	1352.1	10.7	-2.1
Copra	790.7	1072.4	1037.8	31.3	-3.2
Cotton	878.5	1203.1	1177.0	34.0	-2.2
Groundnut	n.a.	-	-	-	-
Groundnut Oil	376.1	381.1	384.7	2.3	0.9
Palm oil	521.6	698.7	-	-	-
Palm kernel	551.4	748.8	788.9	43.1	5.4
Soyabeans	801.9	838.0	1061.0	32.3	26.6
Ginger	576.5	462.4	493.2	-14.4	6.7
Rubber	667.5	1018.4	1174.9	76.0	15.4

Source: Public Ledger

Table 3

**AVERAGE PRICES IN NAIRA OF GRAINS AND SUGAR IN THE WORLD MARKET
FOR THE SECOND QUARTER OF 1988**

COMMODITIES	2nd QTR. 1987 (1)	1st QTR. 1988 (2)	2nd QTR. 1988 (3)	PERCENTAGE CHANGE BETWEEN (1) & (3) (2) & (3)	
Rice	993.8	-	-	-	-
Maize	393.7	462.4	468.2	18.9	1.3
Sugar	1448.6	1831.5	1847.9	27.6	0.9
Wheat	631.1	642.0	690.1	9.3	7.5
Gum Arabic	-	12797.2	12508.4	-	-2.3

Source: Public Ledger

**AVERAGE PRICES IN U.S. DOLLAR PER TONNE OF GRAINS AND SUGAR
IN THE WORLD MARKET FOR THE SECOND QUARTER OF 1988**

COMMODITIES	2nd QTR.	1st QTR.	2nd QTR.	PERCENTAGE CHANGE BETWEEN	
	1987 (1)	1988 (2)	1988 (3)	(1) & (3)	(2) & (3)
Rice	237.0	-	-	-	-
Maize	94.5	108.7	112.3	18.8	3.3
Sugar	345.4	431.0	443.3	28.3	2.9
Wheat	150.1	152.2	164.7	9.7	8.2
Gum Arabic	-	3008.4	3018.1	-	0.3

Source: Public Ledger