

DEVELOPMENTS IN THE AGRICULTURAL SECTOR DURING THE FOURTH QUARTER OF 1986

Agricultural Situation

The dominant agricultural activity in the northern parts of the country during the period under review is harvesting of grains, while in the south farming activities included land preparation for planting of crops like yams, cassava and vegetables. The initial fear of poor harvest in 1985 due to low rainfall during the first half of the year was abated when rains started to come in abundance, particularly in the northern states. The land preparatory activities for the 1986/87 cropping season was also enhanced by the arrival during the quarter of the first consignment of 236,000 metric tonnes of fertilizers imported under the "Debt Settlement Agreement" between the Socialist Republic of Romania and Nigeria. The period also recorded the highest number of cases of outbreak of pest infestation, particularly grasshoppers which damaged farm crops in parts of the northern states and even threatened parts of the middle belt and south-western parts of the country.

During the quarter about 9 million cattle were vaccinated against *Contagious Bovine Pleuropneumonia (CBPP)*; while a total of 32 nomadic grazers were resettled in selected grazing reserves in Plateau and Bauchi States. Also, the World Bank disbursed about ₦300 million (\$81 million) to the FMF/IBRD Second Livestock Development Project (SLDP) in consonance with the agreement which has already been signed with Nigeria. With regard to fishery, steps were taken by the Federal Government during the period to mitigate the perennial problem of acute shortage of fishing inputs by placing orders for some fishing inputs through the assistance of FAO/UNDP. In the forestry subsector, significant progress was reported on the Arid Zone Afforestation Programme. The problem of inadequate pulpwood to cope with the operations of the existing Newsprint Mill at Oku-Iboku, however, generated a lot of controversy during the period.

Agricultural Prices

The World Market Prices of Nigeria's scheduled commodities in nominal terms rose sharply during the quarter due to sharp depreciation of the naira following the introduction of the Second-tier Foreign Exchange Market (SFEM). At 651.5 (1975 = 100), all the commodities price index rose by 200.6 per cent over the level in the previous quarter. Increases in respect of individual commodities ranged from 156 per cent for cocoa to 324.9 per cent for palm oil (see Table 1). Actual market trend based on prices in the traded currency (dollar), however, showed only marginal increases in the overall index (see Table 3). Actual world price of cocoa and rubber fell by 2.4 and 3.3 per cent, respectively.

Cocoa price was influenced mainly by the excess supply situation in the world market where supply was estimated to have exceeded seasonal grindings by about 62,000 tonnes in the 1986/87 season. The slump in demand was due largely to change in consumer behaviour among Western Europeans where most people now consider chocolate hazardous to health. The lack of accord by the International Cocoa Council (ICC) over production quotas and prices also helped in destabilising the world cocoa market. Coffee price on the other hand remained relatively stable, during the period after

an initial sharp rise precipitated by the Brazilian drought which led to a substantial shortfall in supply and consequent collapse of the International Coffee Agreement on quota and intervention prices. The current stability in the market was due mainly to improvements in production coupled with the decision by Brazil to discount some of the beans she had stockpiled.

The price of Vegetable Oils and Oil Seeds, recorded substantial increase during the quarter due to improvements in the marketing strategy of major producers of the commodities coupled with shortfall in the supply of substitutes which had hitherto helped to dampen the demand for vegetable oil. Price of copra received a boost due mainly to the sharp fall in Philippine's output as a result of typhoon devastation of coconut plantations. Increase in world output of groundnut oil on the other hand could not dampen the price of the commodity because of a marked increase in domestic demand among major producers like China, India and Burma. Similarly, speculative buying resulted in a hike in the price of palm oil during the quarter, while shortage of substitute oil (called lauric oil) and the delay in the harvesting of soya-beans resulted in appreciable increase in the price of palm kernel. The price of soya-beans was relatively stable despite the shortfall in supply from the United States and Brazil because of corresponding increase in supply from a number of producing countries including China and Argentina.

The demand for fibre continued to be weak during the quarter. However, there was a rise in the price of cotton in response to deliberate attempts by producers to hedge against threats from synthetic fibre through the maintenance of low stocks. Although the machinery for reviewing the international rubber agreement was set in motion during the quarter, this could not prevent the drop in world market price of rubber by about 8 per cent. The problem of reaching agreement on new prices and the currency in which trade in rubber would be dominated threatened the stability in the rubber market which was observed during the previous quarter. Most producers preferred the Malaysian Ringgit as the trading currency because of its relative stability compared with the Singapore cent.

The naira equivalent of world market prices of maize, rice, wheat and sugar recorded significant increases ranging from 59.7 per cent for maize to 317.8 per cent for sugar (see Table 5). This was due mainly to the high rate of depreciation of the naira. The real market development, however, showed that prices of rice and wheat were relatively stable, compared with the position in the previous quarter; while the price of maize has continued to fall (see Table 6). The real price of sugar, however, increased significantly by 70.5 per cent. Sharp decline in supply and the lack of accord on new International Sugar Agreement (ISA) which expired in 1984 contributed largely to the hike in sugar price during the period.

Agricultural Credit

Total loans granted by commercial and merchant banks to the agricultural sector as at the end of the quarter amounted to ₦1,815.6 million and ₦196.1 million, respectively, showing increases of 19.9 and 22.0 per cent, respectively, over

the position in the corresponding quarter of 1985. The bulk of the loans went to crops and poultry production. At that level, their share of agriculture in total credit by commercial banks to the economy was about 11.8 per cent compared to 12.0 and 15.1 per cent in the preceding quarter and the corresponding quarter of last year, respectively.

Loans granted under the Agricultural Credit Guaranteed Scheme (ACGS) during the period amounted to ₦17.2 million and represented about 0.9 per cent of total loans and advances granted by commercial and merchant banks to agricultural sector. Altogether, 842 loans were granted for various projects in the areas of crop, livestock and fishery. As in past periods, the bulk of the loan (51 per cent), went to the livestock subsector, while most of the projects (about 73 per cent) involved crop production. Farmers in Lagos, Oyo, Anambra and Plateau States accounted for the bulk of the loan amount with shares of 27.5, 20.0, 10.3 and 8.6 per cent, respectively. However, Sokoto, Kaduna and Plateau States were responsible for the largest number of projects covered by the ACGS loans with shares of 20.3, 8.9 and 8.1 per cent, respectively.

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Table 1

**INDEX OF WORLD PRICES (C.I.F in Naira) OF SELECTED NIGERIAN
AGRICULTURAL COMMODITIES
(1975 = 100)**

Commodity	4th Qtr 1985(1)	3rd Qtr 1986(2)	4th Qtr 1986(3)	Percentage Change between	
				(1) & (3)	(2) & (3)
All Commodities	202.4	216.7	651.5	221.9	200.6
Cocoa	266.5	336.7	862.9	223.8	156.0
Coffee	259.7	503.5	1331.5	412.7	164.4
Copra	200.8	133.9	522.8	160.4	290.4
Cotton	164.1	146.7	521.4	217.7	255.4
Groundnut	n.a.	n.a.	n.a.	—	—
Groundnut oil	142.6	127.6	385.5	170.3	202.1
Palmoil	146.0	103.2	438.5	200.3	324.9
Palm kernel	165.8	137.1	427.8	158.0	212.0
Soyabeans	150.1	181.4	508.9	239.0	180.5
Ginger	305.6	198.4	n.a.	n.a.	n.a.
Rubber	162.6	246.7	971.9	497.7	294.0

n.a. = not available

Sources: Public Ledger and Financial Times (World Commodity Report).

Table 2

**WORLD MARKET PRICES OF SOME NIGERIAN SCHEDULED COMMODITIES
(In Naira per tonne)**

Commodities	4th Qtr 1985(1)	3rd Qtr 1986(2)	4th Qtr 1986(3)	Percentage Change between	
				(1) & (3)	(2) & (3)
Cocoa	2,296.6	2,824.5	7,238.9	223.8	156.0
Coffee	2,414.4	4,021.4	10,638.6	412.7	164.4
Copra	244.9	197.4	770.7	160.4	290.4
Cotton	999.7	1,126.7	4,004.1	217.7	255.4
Groundnut	—	—	—	—	—
Groundnut Oil	788.8	734.8	2,220.6	170.3	202.1
Palm Oil	352.9	277.8	1,196.8	200.3	324.9
Palm Kernel	182.1	179.7	560.7	158.0	212.0
Soyabeans	202.1	232.0	650.9	239.0	180.5
Ginger	2,014.0	1,664.4	n.a.	n.a.	n.a.
Rubber	—	—	—	—	—

Sources: Public Ledger and Financial Times (World Commodity Report).

Table 3

**INDEX OF WORLD MARKET AVERAGE PRICES (C.I.F in US DOLLAR) OF SELECTED NIGERIAN
AGRICULTURAL COMMODITIES
(1975 = 100)**

Commodity/Period	4th Qtr 1985(1)	3rd Qtr 1986(2)	4th Qtr 1986(3)	Percentage Change between	
				(1) & (3)	(2) & (3)
All Commodities	98.6	100.1	121.2	22.9	21.0
Cocoa	180.3	155.5	151.7	-15.9	-2.4
Coffee	199.1	231.8	233.9	17.5	0.9
Copra	109.5	61.9	93.2	-14.9	50.5
Cotton	85.7	67.7	91.7	7.0	35.5
Groundnut	n.a.	n.a.	n.a.	—	—
Groundnut Oil	90.2	59.0	62.5	-30.7	5.9
Palm Oil	118.8	47.3	74.5	-37.3	57.5
Palmkernel	91.5	63.4	75.1	-18.0	18.5
Ginger	158.2	91.8	n.a.	—	—
Soyabeans	104.1	89.1	90.6	-13.0	1.7
Rubber	101.5	108.4	104.8	33.3	-3.3

Sources: Public Ledger and Financial Times (World Commodity Report).

Table 4

**AVERAGE WORLD MARKET PRICES OF SOME NIGERIAN'S SCHEDULED COMMODITIES
(IN US DOLLAR PER TONNE)**

Commodity	4th Qtr 1985(1)	3rd Qtr 1986(2)	4th Qtr 1986(3)	Percentage Change between	
				(1) & (3)	(2) & (3)
Cocoa	2,456.7	2,118.3	2,066.1	-15.9	-2.5
Coffee	2,582.8	3,006.4	3,033.2	17.4	0.9
Copra	262.0	148.1	223.1	-14.8	50.6
Cotton	1,069.3	844.4	1,143.7	7.0	35.4
Groundnut	n.a.	n.a.	n.a.	—	—
Groundnut Oil	843.8	551.5	584.4	-30.7	6.0
Palm Oil	526.4	209.8	330.2	-37.3	57.4
Palmkernel	194.8	134.9	159.8	-18.0	18.5
Soyabeans	216.2	176.2	188.8	-12.7	7.1
Ginger	2,154.4	1,250.0	n.a.	n.a.	n.a.
Rubber	801.4	901.8	827.3	3.2	-8.3

n.a. = not available

Sources: Public Ledger and Financial Times (World Commodity Report).

Table 5

**WORLD PRICES OF RICE, MAIZE, WHEAT AND SUGAR DURING
THE FOURTH QUARTER OF 1986
(Naira per tonne)**

Commodities	4th Qtr 1985(1)	3rd Qtr 1986(2)	4th Qtr 1986(3)	Percentage Change between	
				(1) & (3)	(2) & (3)
Maize	181.7	289.1	461.7	154.1	59.7
Rice (5% Broken Parboiled).....	221.5	315.6	900.6	306.6	185.4
Wheat	147.6	213.2	566.1	283.5	165.5
Sugar	125.7	202.3	835.0	564.3	317.8

Sources: Public Ledger and Financial Times.

Table 6

**WORLD PRICES OF RICE, MAIZE, WHEAT AND SUGAR DURING
THE FOURTH QUARTER OF 1986
(US Dollar per tonne)**

Commodities	4th Qtr 1985(1)	3rd Qtr 1986(2)	4th Qtr 1986(3)	Percentage Change between	
				(1) & (3)	(2) & (3)
Rice	236.9	237.0	237.0	—	—
Maize	194.4	216.8	129.1	-33.5	-40.5
Sugar	134.5	142.2	242.4	80.2	70.5
Wheat	157.9	163.6	162.3	2.8	-0.8

Sources: Public Ledger and Financial Times.