

DEVELOPMENTS IN THE AGRICULTURAL SECTOR DURING THE THIRD QUARTER OF 1987

Production Activities

Agricultural activities were influenced mainly by climatic factors during the quarter. In the South, the weather was exceptionally wet which was a major departure from the past trend. Most areas witnessed excessive rainfall which rendered most rural feeder roads and farms waterlogged and flooded. As a result of this, fertilizers applied to crops were rapidly leached while crop fields could not be adequately weeded or sprayed against pests. Crop yields were bound to be adversely affected by the unfavourable weather during the quarter. In the North, most farmers were busy harvesting early maturity crops such as millet, sorghum, groundnut, cowpeas and root tubers such as yams and potatoes. Yields were poor because of the early cessation of rains.

There was noticeable improvement in farm inputs supply to farmers, during the quarter. A total of 212,915 tonnes of assorted fertilizers were discharged and distributed to farmers throughout the country by the Fertilizer Procurement and Distribution Unit of the Federal Ministry of Agriculture, Rural Development and Water Resources, which brought cumulative supply to about 497,605.0 metric tonnes as at September 30, 1987. However, total supply so far represented about 58.0 per cent of the budget for 1987 and the likelihood that it could be more is remote due to financial constraints imposed by the sudden rise in cost of inputs.

Institutional developments during the quarter included the recruitment of about 6,800 graduates by the Directorate of Food, Roads and Rural Infrastructures (DFRRI) to engage in farming. The graduates were expected to deposit their degree certificates as collateral for the take-off loans which were provided by DFRRI.

Commodity Markets

The world agricultural commodity markets were characterised mainly by a mixed trend in prices and instability arising from a number of diverse factors. Among the factors were the continued depreciation of the dollar vis-a-vis other international currencies, the activities of some major producers and the non-participation of certain major producer and consumer countries in existing commodity agreements. In addition, the fear of shortfall in supply of some commodities induced speculative buying activities during the quarter. At 866.7 (1975 = 100) the overall price index (in Naira) showed an increase of 5.5 per cent over the level in the preceding quarter. In dollar terms, at 133.9, the overall price index rose by 6.9 per cent over the level in the preceding quarter (See Tables 1 and 2). Out of the ten commodities covered, the prices (in dollar) of coffee, groundnut oil, palm oil, and ginger recorded declines which ranged from 1.5 to 8.6 per cent while the declines in Naira prices ranged from 1.7 to 8.7 per cent. All the other commodities recorded price increases which ranged from 0.5 per cent for soyabean to 49.4 per cent for rubber in dollar terms (see Table 1), and 0.2 per cent to 53.1 per cent in Naira terms (see Table 2).

The price of **cocoa** was relatively stable recording only a marginal increase of 0.7 and 0.4 per cent in dollar and Naira terms, respectively (see Tables 1 and 2) over the previous quarter. The apparent stability was due in part to the upsurge in speculative buying triggered off by fear of shortfall in supply as a result of the anticipated significant damage to the coming October/April main crop reported at the beginning of the quarter. This only

helped to mop up the excess supply which followed the suspension of the Buffer Stock Management activities in accordance with the ICCO agreement.

At 169.6, the price of coffee declined by 5.5 per cent over the preceding quarter and by 26.8 per cent over the corresponding quarter of 1986. Coffee prices have continued to slide since Brazil, the world largest producer thwarted coffee agreements early in the year by refusing to yield to a cut in her 30 per cent quota. But towards the end of the reporting quarter, delegates from Brazil, Colombia and Mexico met 22 African producers and decided that it would be best to return to the quota system to arrest the persistent price decline.

Vegetable oils and oil seeds exhibited mixed trends during the quarter. **Palm oil** prices continued to decline in response to the anti-palm oil campaign currently going on in the U.S.A. The American Soyabean Association joined the European Community in misleading consumers to believe that palm oil has high cholesterol level which could be hazardous to health. This appears to have successfully curtailed demand, while the increased production reported from Malaysia glutted the markets with further slump in prices.

The price of **copra** rose by 14.7 per cent over the preceding quarter. This was attributed to the shortage in supply due to the typhoon damage to coconut trees reported in Philippines, the major producer. Soyabeans price was relatively stable recording only a marginal increase of 0.5 per cent over the preceding quarter. This was due in part to efforts by the U.S. to curtail output through acreage reduction in the face of excess world supply and drought in India. **Groundnut oil** price also declined due to excess stocks. The poor weather situation reported in India, Africa, and U.S., the major groundnut producers would reduce stock piles and encourage price recovery in the subsequent quarter. The price of **cotton** rose due to sharp rise in consumption by all the major producing countries such as U.S., USSR, China and Sudan. Consequently, world stocks were depleted by 3 million bales for 1986/87. At 83.3, the price index of **Ginger** declined by 1.5 per cent over the level in the preceding quarter and by 9.3 per cent over the corresponding quarter of 1986. The drought conditions in major producing countries such as India, China and Nigeria should have encouraged supply shortage, but the past build-up of stocks temporarily stabilised prices.

At 144.3, the price index of **Rubber** rose by 49.4 per cent over the preceding quarter and by 33.7 per cent over the corresponding quarter of 1986. The increasing world demand for rubber gloves and condoms following the AIDS scare boosted demand for latex which consequently led to the sharp rise in prices.

At \$345.4 per tonne, the price of **Sugar** fell by 5.8 per cent during the quarter. The factor responsible for the decline was excess world supply. The International Sugar Organisation however, made efforts to reduce excess supply, while producers and consumers were able to agree on a new administrative International Sugar Agreement.

The price of **Wheat** declined by 8.0 and 15.6 per cent respectively over the levels in the preceding and corresponding quarter of 1986. The price decline was attributed to excess supply despite bad weather reported in the major producing areas such as U.S. and India.

The price of maize also declined by 5.5 per cent also due to excess supply.

Institutional Agricultural Credit

Commercial and Merchant bank agricultural loans outstanding during the quarter rose by 6.4 and 20.4 per cent, respectively, over the preceding quarter and by 34.7 and 80.9 per cent respectively over the corresponding quarter of 1986. While commercial bank credit to poultry and others rose by 15.3 and 24.7 per cent, respectively, credit to forestry and cash crops declined. On the other hand, merchant banks credit to forestry and other livestock rose sharply by 319.9 and 127.3 per cent, respectively. Also, at ₦2,254.5 and ₦297.9 million, the share of agriculture in commercial and merchant bank credit was 14.9 and 8.6 per cent respectively. While foodcrops and others allowed for the highest shares in total commercial banks credit, forestry and fishing accounted for a greater proportion of merchant banks credit.

At ₦32.3 million, total bank loans under the Agricultural Credit Guarantee Scheme (ACGS) rose by 24.7 per cent during the quarter over the preceding one, and by 32.1 per cent over the corresponding quarter of 1986. Foodcrops accounted for 65.0 per cent, followed by livestock 25.5 per cent. In terms of state distribution, Bendel, Bauchi and Anambra took 13.9, 10.8 and 7.5 per cent, respectively.

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**INDICES OF AVERAGE WORLD PRICES (C.I.F.) IN LONDON
IN DOLLAR TERM OF NIGERIAN MAJOR AGRICULTURAL
COMMODITIES IN THE THIRD QUARTER OF 1987**

(1975 = 100)

Table 1

| Commodities | 3rd Quarter 1986 | 2nd Quarter 1987 | 3rd Quarter 1987 | Percentage change between | |
|-------------------------|---------------------|---------------------|---------------------|---------------------------|-----------|
| | (1) | (2) | (3) | (1) & (3) | (2) & (3) |
| All Commodities | 100.1 | 125.2 | 133.9 | 33.8 | 6.9 |
| Cocoa | 155.5 | 149.8 | 150.9 | - 3.0 | 0.7 |
| Coffee | 231.8 | 179.4 | 169.6 | - 26.8 | - 5.5 |
| Copra | 62.0 | 115.9 | 132.9 | 114.3 | 14.7 |
| Cotton | 67.7 | 124.6 | 138.3 | 104.3 | 11.0 |
| Groundnut | — | — | — | — | — |
| Groundnut Oil | 59.0 | 55.2 | 51.7 | - 12.4 | - 6.3 |
| Palm Oil | 47.1 | 76.5 | 69.9 | 48.4 | - 8.6 |
| Palm Kernel | 63.3 | 82.2 | 84.5 | 33.5 | 2.8 |
| Soyabean | 84.8 | 117.3 | 117.9 | 39.0 | 0.5 |
| Ginger | 91.8 | 84.6 | 83.3 | - 9.3 | - 1.5 |
| Rubber | 107.9 | 96.6 | 144.3 | 33.7 | 49.4 |

Source: Public Ledger, LMC Commodity Bulletin, APROMA Commodity Bulletin and Financial Times

**INDICES OF AVERAGE WORLD PRICES (C.I.F.) IN LONDON
IN NAIRA TERM OF NIGERIAN MAJOR AGRICULTURAL
COMMODITIES IN THE THIRD QUARTER OF 1987**

(1975 = 100)

Table 1a

| Commodities | 3rd Quarter 1986 | 2nd Quarter 1987 | 3rd Quarter 1987 | Percentage change between | |
|-------------------------|---------------------|---------------------|---------------------|---------------------------|-----------|
| | (1) | (2) | (3) | (1) & (3) | (2) & (3) |
| All Commodities | 216.7 | 821.5 | 866.7 | 300.0 | 5.5 |
| Cocoa | 336.7 | 983.0 | 986.9 | 193.1 | 0.4 |
| Coffee | 503.5 | 1,177.6 | 1,113.3 | 121.1 | - 5.5 |
| Copra | 133.9 | 760.9 | 872.0 | 551.2 | 14.6 |
| Cotton | 146.7 | 829.8 | 902.8 | 515.4 | 8.8 |
| Groundnut | — | — | — | — | — |
| Groundnut Oil | 127.6 | 362.3 | 338.3 | 165.1 | - 6.6 |
| Palm Oil | 103.2 | 502.4 | 458.6 | 344.4 | - 8.7 |
| Palm Kernel | 137.1 | 530.9 | 568.8 | 314.9 | 7.1 |
| Soyabean | 181.4 | 770.5 | 771.9 | 325.5 | 0.2 |
| Ginger | 198.4 | 555.4 | 545.8 | 175.1 | - 1.7 |
| Rubber | 246.7 | 634.4 | 971.0 | 293.6 | 53.1 |

Source: Public Ledger, LMC Commodity Bulletin, APROMA Commodity Bulletin and Financial Times

**ACTUAL PRICES OF SUGAR AND GRAINS IN THE
THIRD QUARTER OF 1987 IN NAIRA/TONNE**

Table 2

| Commodities | 3rd Quarter 1986 | 2nd Quarter 1987 | 3rd Quarter 1987 | Percentage change between | |
|-----------------|---------------------|---------------------|---------------------|---------------------------|-----------|
| | (1) | (2) | (3) | (1) & (2) | (2) & (3) |
| Sugar | 202.3 | 1,395.9 | 1,310.9 | 547.9 | - 6.1 |
| Rice | 315.6 | 957.5 | — | — | — |
| Maize | 289.1 | 378.9 | 360.3 | 24.6 | - 4.9 |
| Wheat | 213.2 | 597.1 | 556.5 | 161.0 | - 6.8 |

Source: Public Ledger and Financial Times

**ACTUAL PRICES OF SUGAR AND GRAINS IN THE
THIRD QUARTER OF 1987 IN DOLLAR/TONNE**

Table 2(a)

| Commodities | 3rd Quarter 1986 | 2nd Quarter 1987 | 3rd Quarter 1987 | Percentage change between | |
|-----------------|---------------------|---------------------|---------------------|---------------------------|-----------|
| | (1) | (2) | (3) | (1) & (3) | (2) & (3) |
| Sugar | 142.2 | 345.4 | 325.2 | 128.7 | - 5.8 |
| Rice | 237.0 | 237.0 | — | — | — |
| Maize | 216.8 | 94.5 | 89.3 | - 58.8 | - 5.5 |
| Wheat | 163.6 | 150.1 | 138.0 | - 15.6 | - 8.0 |

Source: Public Ledger and Financial Times