

DEVELOPMENTS IN THE AGRICULTURAL SECTOR DURING THE THIRD QUARTER OF 1988

Production Activities

The expectation of a bumper harvest for 1988 was dampened considerably during the quarter due to unexpected adverse weather conditions. Unlike previous years, where drought was the major threat to production, unprecedented heavy rainfall during the quarter, coupled with wide-spread reports of field pest infestations, lack of animal feeds, and fishing inputs were factors which contributed to dampen the erstwhile optimistic output forecast for this year. Farming activities were almost paralysed due to heavy rainfall accompanied by widespread reports of flood, arising from irrigation dams failures and river banks overflow, in virtually all the states of the federation. In the Northern States – Sokoto, Niger, Kaduna and Kano states were worse hit by flood, and a number of rivers were reported to have overflowed their banks, and the Bagauda Lake Dam gave way. In the Eastern States – Rivers, Imo, Anambra, and Akwa-Ibom States, about 200 farming families were reported to have been displaced by serious gully erosion and flood. Consequently, harvesting of early maturing crops which were otherwise doing very well before the downpour could not be undertaken, and post harvest losses were reported to be quite considerable.

Fertiliser supply to farmers rose considerably by 73.5 percent over that of the second quarter, bringing total supply in the quarter to 453,032.78 tonnes. Towards the end of the quarter however, the need to replant some crops and arrest further spread of pests generated some extra demands for seeds, seedlings and chemical inputs. This additional demand for inputs relative to supply was responsible for the high cost of these items during the quarter.

During the quarter, the Federal Government provided ₦4.0 million grant to support the cultivation of wheat in Bauchi, following the discovery of a substantial parcel of land which was identified to be very suitable for wheat production.

With regards to livestock production, the continued rise in the cost of animal feeds was a major threat to poultry production. The jump in the price of maize even during the harvest periods was destabilising, and reports showed that most large scale poultry farms have continued to fold up. However, there were fewer reports of animal pests outbreak.

Fishing activities continued to be constrained by lack of fishing inputs. However, there were reports during the quarter that Rivers State Government have acquired virgin land for fish farming in five local governments: Bori, Ahoada, Yenegoa, Port Harcourt and Sagbama. The fishing project was estimated to cost about ₦3 million and has capacity for producing 2.6m fingerlings annually. DFRRI in collaboration with the African Aqua Culture Regional Centre would supply about 300,000 fingerlings and other inputs to enable the project to take off.

In the forestry subsector, five new National Parks were planned to be established in Borno, Oyo, Cross River and Gongola States and Abuja. These parks are expected to serve as centres for forestry conservation, education and recreation.

Commodity Prices

The *retail market* prices of selected grains have continued to exhibit mixed trends in different parts of the country. While the prices of Rice, Beans and Guinea Corn slumped in the South Western zones of the country over their level in the last quarter by 34.1, 4.5 and 4.0 percent respectively, their prices (including prices of all other commodities) have continued to rise in the Northern part of the country.

In particular, the price of maize, millet, and garri in the South have continued to rise partly as a result of increase in demand by agro-allied industries, and partly as a result of shortfall in supplies due to the adverse effects of the heavy rainfall experienced during the quarter. In the North, shortfall in supply pushed up prices astronomically. For example, the price of rice and guinea corn rose by 40.8 and 36.8 percent respectively over the levels in the preceding quarter.

There was a slide in the *world commodity markets* during the quarter due to the continued excess supply of most of the commodities, inspite of the reported drought in most producing areas of the developed countries such as the United States. At 113.1 (1975 = 100), the overall price index in US dollar declined by 23.1 percent over the preceding quarter and by 15.5 percent over the corresponding quarter of 1987. In naira terms, the overall index also declined by 14.5 percent over the preceding quarter and by 1.7 percent over the corresponding quarter of 1987. (See Tables 1 and 2). Except for Copra, Groundnut oil, Palm kernel, Soyabeans and Ginger, all other commodities showed declines which ranged between 6.3 percent for coffee and 42.8 percent for cotton.

The prices of beverages during the quarter continued to decline as a result of excess supply. At 108.5, the price index of *Cocoa* declined in dollar terms by 11.2 percent over the preceding quarter and by 28.1 percent over the corresponding quarter of 1987. In naira terms, the price declined by 1.4 percent over the preceding quarter and by 17.1 percent over the corresponding quarter of 1987.

At 187.2, the price index of *Coffee* in dollar terms, showed a decline of 6.3 percent over the preceding quarter, but an increase of 10.4 percent over the corresponding quarter of 1987. In naira terms, the price index rose by 4.5 percent over the preceding quarter and by 26.9 percent over the corresponding quarter of 1987. Apart from market speculation, there was no fundamental economic reason for the fall in coffee prices witnessed during the quarter, because cuts in global quota was done by the ICO to adjust world supply.

The bad weather in most major growing areas of the developed countries was expected to significantly cut production, but the aggregate output actually rose mainly as a result of sharp increases in supplies from developing countries which experienced good weather during the quarter. At 174.5, the price index of *copra* increased by 13.8 percent in dollar terms over the preceding quarter and by 31.3 percent over the corresponding quarter of 1987. In naira terms, the price rose by 24.0 percent over the preceding quarter and by 47.6 percent over the corresponding quarter

of 1987.

Price of *groundnut oil* rose by 41.2 percent over the preceding quarter and 55.1 percent over the corresponding quarter of 1987 in dollar terms. *Palm kernel* also rose by 10.8 percent over the preceding quarter. The magnitude of increase was less than expected because of the effect of bad weather in Philippines, but the good supply situation in developing countries such as Nigeria and Ghana alleviated the expected shortages in the market.

The price of Soyabeans also rose by 8.7 percent over the preceding quarter in dollar terms, and by 45.7 percent over the corresponding quarter of 1987. The rise in price was largely as a result of fungus induced cut in production in the United States. The fungus known as phomagirdling was widespread because drought weakened sunflowers were susceptible to infection.

In respect of cotton, prices declined by 42.8 percent over the preceding quarter and by 28.1 percent over the corresponding quarter of 1987. The sharp decline in price was attributed to the fall in sales of US share of the cotton trade and consequently a substantial rise in stocks.

At 156.7, the price index of *Rubber* declined by 9.8 percent over the preceding quarter in dollar terms and rose by 8.6 percent over the corresponding quarter of 1987. The continuous impressive demand especially for natural rubber due to AIDS scare started dwindling by the end of the quarter. There were reports of massive defaults on latex contracts which depressed the market coupled with the deliberate efforts of the Buffer Stock manager to reduce the increasing price trend of rubber in the market.

The impact of the drought in the United States triggered a general shortage in the supply of grains in the World Market. The price of *maize* rose by 28.1 percent from \$112.3 per tonne to \$143.9 per tonne during the quarter, and by 61.1 percent (from \$89.3 per tonne) over the corresponding quarter of 1987. *Wheat* also rose by 9.5 percent from \$164.7 per tonne to \$180.4 per tonne, and by 30.7 percent over the corresponding quarter of 1987.

Sugar price rose by 12.1 percent from \$443.3 per tonne to \$497.1 per tonne. The world consumption of sugar has outstripped production resulting in deficit in the third quarter (See Tables 3 and 4).

Agricultural Credit

Loans and advances by commercial and merchant banks to agriculture at the end of the 3rd quarter stood at ₦2949.0 million and ₦480.5 million respectively. These represent increases of 61.3 percent and 9.3 percent for commercial bank loan over their levels in the corresponding quarter and preceding quarter of 1988 respectively; while merchant banks loan increased by 30.8 percent and 17.9 percent over their levels in the corresponding quarter of 1987 and preceding quarter of 1988 respectively. With regard to the merchant banks, grains, poultry and other food crops accounted for 19.0, 13.5 and 14.1 percent of total loans granted to agriculture. Foodcrops have continued to enjoy significant support due to increased demand for credit to support harvesting and re-planting operations during the quarter. The rise in the costs of poultry feeds, which was witnessed during the quarter was also a factor responsible for the increase in credit extended to the sector. However, available data indicate

that fishing and forestry sub-sectors attracted less credit from the Merchant Banks during the quarter.

There was a sharp rise in the number of farmers who benefitted from the Agricultural Credit Guarantee Scheme (ACGS). A total of 11,713 farmers got loans which amounted to ₦51.5 million from the Commercial Banks during the quarter. This represents increases of 80.4 and 53.5 percent in number and amount respectively, over the preceding quarters, and 90.9 and 59.4 percent over their corresponding levels in 1987. In terms of special distribution, Bauchi, Sokoto and Anambra States got the huge shares of 9.5, 8.7 and 7.4 percent respectively. Credit to food crops production accounted for 73.6 percent of ACGS loans, while livestock production accounted for 12.6 percent.

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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 THIRD QUARTER OF 1988 (1975 = 100)**

Commodities	3rd Qtr. 1987 (1)	2nd Qtr. 1988 (2)	3rd Qtr. 1988 (3)	Percentage change Between	
				(1) & (3)	(2) & (3)
All-Commodities	133.9	147.0	113.1	-15.5	-23.1
Cocoa	150.9	122.2	108.5	-28.1	-11.2
Coffee	169.6	199.9	187.2	10.4	-6.3
Copra	132.9	153.3	174.5	31.3	13.8
Cotton	138.3	173.8	99.5	-28.1	-42.8
Groundnut	n.a	-	151.8	-	-
Groundnut Oil	51.7	56.8	80.2	55.1	42.2
Palm Oil	69.9	-	105.4	50.8	-
Palm Kernel	84.5	117.1	129.8	53.6	10.8
Soyabeans	117.9	158.0	171.8	45.7	8.7
Ginger	83.3	72.9	73.9	-11.3	1.4
Rubber	144.3	173.7	156.7	8.6	-9.8

Source: Public Ledger

Table 2

**INDICES OF AVERAGE WORLD PRICES (C.I.F) IN LONDON (N/TONNE) OF MAJOR NIGERIA'S
AGRICULTURAL COMMODITIES IN THE THIRD QUARTER 1988 (1975 = 100)**

Commodities	3rd Qtr. 1987	2nd Qtr. 1988	3rd Qtr. 1988	Percentage change Between	
				(1) & (3)	(2) & (3)
All-Commodities	866.7	995.9	851.6	-1.7	-14.5
Cocoa	986.9	829.3	817.7	-17.1	-1.4
Coffee	1,113.3	1,352.1	1,413.2	26.9	4.5
Copra	872.0	1,037.8	1,286.7	47.6	24.0
Cotton	902.8	1,177.0	750.2	-16.9	-36.3
Groundnut	n.a	-	1,136.1	-	-
Groundnut Oil	338.3	384.7	599.5	77.2	55.8
Palm Oil	458.6	-	794.7	73.4	-
Palm Kernel	568.8	788.9	979.4	72.2	24.1
Soyabeans	771.9	1,061.0	1,295.9	67.9	22.1
Ginger	545.8	493.2	552.3	1.2	12.0
Rubber	971.0	1,174.9	1,180.8	21.6	0.5

Source: Public Ledger

Table 3

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

Commodities	3rd Qtr. 1987 (1)	2nd Qtr. 1988 (2)	3rd Qtr. 1988 (3)	Percentage change Between	
				(1) & (3)	(2) & (3)
Rice	-	-	-	-	-
Maize	360.3	468.2	668.4	85.5	42.8
Sugar	1,310.9	1,847.9	2,306.0	75.9	24.8
Wheat	556.5	690.1	838.3	50.6	21.5
Gum Arabic	-	12,508.4	12,474.2	-	-0.3

Sources: Public Ledger

Table 4

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

Commodities	3rd Qtr. 1987 (1)	2nd Qtr. 1988 (2)	3rd Qtr. 1988 (3)	Percentage change Between	
				(1) & (3)	(2) & (3)
Rice	—	—	—	—	—
Maize	89.3	112.3	143.9	61.1	28.1
Sugar	325.2	443.3	497.1	52.9	12.1
Wheat	138.0	164.7	180.4	30.7	9.5
Gum Arabic	—	3,018.1	268.5	—	-11.0

Sources: Public Ledger