

DEVELOPMENTS IN THE AGRICULTURAL SECTOR DURING THE FIRST QUARTER OF 1990

Agricultural Production Activities

The weather which was dry and hot, with scanty rainfall during the quarter was not very conducive to farming activities. Average total monthly rainfall which was 174.1 mm during the quarter was far below its level of 441.6mm recorded in the corresponding quarter of 1989. However, the rainfall was evenly distributed unlike in the corresponding period of 1989, during which it was skewed mainly to the month of March and the coastal part of the country. At least, seven states recorded their first rain in January, as against none in the corresponding month of 1989; while twelve states had rain in February, 1990, as against two in 1989.

Consequently, agricultural activities during the quarter centred on bush clearing and land preparation for the 1990 planting season. For instance, land preparation and planting of early season crops such as yam, cassava, maize and rice were near completion in the south while 'close-season' activities such as removing and burning of cotton stalks, removing of groundnut hay and drying of nuts for decortication were most prevalent in the north. In addition to these activities, most farmers in the north and middle-belt intensified the cultivation of wheat, rice, vegetables and other early maturing crops under irrigation, some of which were due for harvesting towards the end of the quarter. Available data showed that about 243,162 hectares of land were planted with wheat in Kano, Kaduna, Katsina and Niger States during the 1989/90 season as against 186,472 hectares cropped for 1988/89. In the south, however, farmers generally displayed a lukewarm attitude towards hectarages expansion for cassava production due to low demand and sharp declines in farm-gate prices, a situation which most of them feared would not improve in the immediate future.

Given the weather situation and the level of activities, farmers were initially pessimistic about the prospects for output expansion due, in part, to sharp declines in quantity and availability of farm input supplies and to the rising cost of these inputs even when they were available. For instance, available information showed that a total of 130,927 tonnes of fertilizer were supplied to farmers during the quarter, as against 153,220 tonnes in the corresponding quarter of 1989. In addition to the shortfall, there were also reports that it was being sold to farmers at more than thrice the official price. This compelled many farmers in the north to revert to gathering and carrying farm yard manure to supplement their fertilizer needs. Furthermore, there were reports of pest and disease outbreaks during the quarter. A swam of tree locust *Anacradium Melanorhodan* invaded Kano and Kaduna states in march, while aphids and stem borers were reported to have attacked vegetables and other dry season crops in Katsina state. These were, however, effectively controlled.

Overall, the expectations and forecasts for 1989/90 crops output during the quarter were low. Livestock production was expected to grow marginally amidst rising cost of feed. How-

ever, recovery in the fish subsector could be sustained as more inputs were expected given the high priority accorded agriculture in the 1990 budget.

INSTITUTIONAL AGRICULTURAL CREDIT

Commercial and Merchant Banks' Credit to the Agricultural Sector

Total loans and advances to agriculture by commercial and merchant banks during the quarter were ₦36,460.0 and ₦874.7 million, respectively. For the commercial banks, this represented a growth of 7.7 per cent from its level in the preceding quarter and 10.0 per cent over its level in the corresponding quarter of 1989. In terms of subsectoral distribution, foodcrops, cash crops, poultry and others received the highest shares of 30.0, 17.6, 10.0 and 13.2 per cent, respectively. Further analysis showed that credit allocation to agriculture was about 16.0 per cent of the total credit outstanding to the economy during the quarter. This, in nominal terms, slightly exceeded the prescribed credit quota for agriculture of about 15.0 per cent. However, estimates indicated that few new loans were granted to farmers by commercial banks during the quarter. The growth in credit was accounted for mainly by rising interest rate charges on outstanding and overdue loans.

Similarly, credit by merchant banks expanded by 8.7 and 34.5 per cent over its level in the preceding quarter and the corresponding quarter of 1989 respectively. Miscellaneous credit (others), especially agricultural equipment leasing, fishing (i.e. trawling), large scale food production enterprises and cash crops (pre-ship export financing) accounted for significant shares of 26.0, 15.6, 15.4 and 11.5 per cent respectively of total agricultural credit granted by merchant banks. Cash crops financing grew rapidly by 47.1 per cent over its level in the preceding quarter, while credit to forestry, poultry and other foodcrops declined by 21.6, 7.9 and 3.8 per cent respectively.

Agricultural Credit Under ACGS

There was a rapid growth in credit granted under the Agricultural Credit Guarantee Scheme (ACGS) by commercial and merchant banks. A total of 2,491 loans amounting to ₦10.1 million were granted under ACGS during the quarter. This was about 9.5 and 127.1 per cent more than its level in the preceding and corresponding quarters of 1989, respectively. The structure of credit showed that there was a sharp decline of 17.9 per cent in guaranteed loans to livestock production, with poultry credit declining by 46.2 per cent. A significant proportion of guaranteed credit went to foodcrop production. While there was a de-emphasis in credit for grains, credit for root and tubers rose sharply by 194.2 per cent. An analysis of the distribution of credit under ACGS showed that Anambra, Bauchi, Lagos and Imo States got the lion share of 26.0, 11.9, 11.5 and 7.9 per cent, respectively.

Commodity Markets

Developments in domestic retail market (consumer) prices of selected food crops were mixed during the first quarter of 1990.

Available data showed that, nation-wide, average retail prices of yam flour, garri, millet, and beans rose from their levels in the preceding quarter by 35.4, 10.7, 15.2 and 11.7 per cent to ₦2,094, ₦1,886, ₦1,562 and ₦4,034 per tonne, respectively. Most of the price increases were attributed to strong demand and high transportation cost. While the price of maize was relatively stable at ₦1,602 per tonne, recording only a marginal rise of 1.9 per cent over its level in the preceding quarter, the price of rice declined by 3.5 per cent to ₦5,734. The decline in the price of rice is attributed to the increasing availability of locally milled rice, while the stability in maize market is associated with the apparent curtailment of demand following shrinkage in the poultry industry.

The domestic producer price of selected agricultural cash crops declined during the quarter. The price of soyabeans, wheat and groundnut declined by 13.1, 5.2 and 12.4 per cent over their levels in the preceding quarter. Similarly, the price of cocoa, palm kernel, and rubber fell marginally. However, benniseed and ginger prices rose by 4.0 and 50.4 per cent respectively over their levels in the preceding quarter. The slump in producer prices of cocoa, coffee, palm kernel and rubber were attributed to excess supply and unstable demand for these products following the announcements of restrictive trade policies which intended to ban their exports beginning from 1991.

Following a sharp fall in world commodity prices in 1989, the world commodity markets displayed some stability and marginal recovery during the first quarter of 1990. At 99.7 (1975 = 100), the overall price index, in dollars, rose by 3.4 per cent over the preceding quarter but declined by 8.9 per cent over the corresponding quarter of 1989 (see Table 1). In naira terms the overall price index rose by 9.1 per cent over the preceding quarter but declined by 1.6 per cent over the corresponding quarter of 1989 (see Table 2).

Out of the 10 commodities monitored, six recorded price declines, in dollar terms, while three recorded declines, in naira terms, due to exchange rate factor. The price declines ranged from 0.5 per cent for cocoa, in dollar terms, to 30.2 per cent for soyabean while the declines in naira terms ranged from 2.9 per cent for palm oil to 13.7 per cent for soyabean (see Tables 1 and 2). Detailed analysis of the market are made below:

At 58.1, the price index of cocoa, in dollars, was stable, recording only a marginal decline of 0.5 per cent over the preceding quarter and 45.7 per cent over the corresponding quarter of 1989. In naira, the price rose by 4.7 per cent over the preceding quarter (due to the depreciation of the naira exchange rate) but declined by 41.5 per cent over the corresponding quarter of 1989. The decline was due mainly to the current glut which continued unabated, although efforts to cut down production in Africa and Latin America in response to low prices has commenced. As a strategy to overcome the deteriorating world market situation, most producers adopted various measures to reduce costs, including insistence on guaranteed prices before the release of cocoa to the prospective buyers.

At 115.3, the price index of coffee, in dollar terms, rose by 9.7 per cent over the fourth quarter of 1989 but declined by 44.0 per cent over the corresponding quarter of 1989. In naira, the price rose by 17.7 per cent over the preceding quarter but declined by 39.7 per cent over the corresponding quarter of 1989. The hope of re-establishing a coffee agreement, and the reversal of policy by the United States (the world's biggest consumer), that coffee is injurious to health (like other hard drugs), strengthened the demand for coffee, hence the rise in price.

Favourable weather conditions in other parts of the world boosted the output of vegetable oils and oil seeds during the last growing season culminating in excess supply in the first quarter. Consequently, world market prices fell. The declines ranged from 5.2 per cent for palm kernel to 30.2 per cent for soyabean (see Table 1).

At 108.2, the fall in the price index of copra, by 13.2 per cent over the preceding quarter and by 28.1 per cent over the corresponding quarter of 1989, was due to a large increase in exports by the Philippines, Indonesia and Sri Lanka. With falling prices, copra seemed to give effective competition to similar oil seeds in the world market.

The palm-oil market was depressed due to the pressure of over-supply, although there had been good demand from Europe, China and Pakistan. As a result of the price decline, palm oil is being used increasingly as substitute for tallow in the soap industry, while deodorized palm oil is competing with soyabean and sunflower in the manufacture of secondary oils.

The decline in palm kernel price is explained by the sharp increase in output by Malaysia and other producers and by large stocks and low demand by agro-allied industrial processors world wide.

The substantial drop in soyabean price has been attributed to the fear of over supply as public vegetable oil stores in Rotterdam port were filled to capacity. Furthermore, the news that an unexpected level of soyabean harvest occurred in major producing areas such as Argentina, Brazil and U.S. had depressing effects on soyabean price.

At 114.7, the price index of rubber, in dollars, declined by 19.1 per cent over the preceding quarter and by 14.8 per cent over the corresponding quarter of 1989. In naira, the price rose by 4.7 per cent over the preceding quarter and declined by 11.65 per cent over the corresponding quarter of 1989. The decline was due mainly to oversupply and extremely low demand arising from the current recession in auto industries. In particular, low demand for automobiles in Western Europe and North America occasioned a cut back in production. Reduced production of tyres also occurred in Japan, China and Korea.

The world's grains market exhibited mixed trends during the quarter. At \$126.8 per tonne, the price of maize declined by 3.1 per cent over the preceding quarter and by 9.6 per cent over the corresponding quarter of 1989. The price decline emanated from large harvest in temperate zones around the world. In naira, it rose by 2.0 per cent over the preceding quarter but declined by 0.9 per cent over the corresponding quarter of 1989 (see Tables 3 and 4).

The price of wheat rose by 2.1 per cent from its level in the fourth quarter of 1989 to \$188.0 per tonne. In naira, it rose by 7.5 per cent to ₦1,485.0 per tonne. The surge of foreign exchange relief supplied to Eastern Europe brought the slight

improvement in demand and the price of wheat. However, production internationally appeared quite good following unusually mild weather and extra rainfall in the wheat growing areas of the US, USSR and the European Economic Community and that could eventually dampen the price of wheat (see tables 3 and 4).

Sugar price rose by 2.2 per cent from \$535.7 per tonne to \$547.3 per tonne in the quarter and by 21.7 per cent over the corresponding quarter of 1989. In naira, the price rose by 7.6 per cent from ₦4,019.9 per tonne to ₦4,323.9 per tonne. The

price has remained firm due to a tight supply/demand situation. Weather problems have hit the major producing countries especially Cuba where rainfall has affected the harvest and Thailand where dry conditions have affected yields (see tables 3 and 4).

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TABLE 1

INDICES OF AVERAGE WORLD PRICES (C.I.F.) IN LONDON (DOLAR PER TONNE) OF NIGERIA'S MAJOR AGRICULTURAL COMMODITIES IN THE FIRST QUARTER OF 1990 (1975 = 100)

COMMODITIES	1st Qtr. 1989 (1)	4th Qtr 1989 (2)	1st Qtr 1990 (3)	Percentage change between	
				(1 & 3)	(2 & 3)
ALL COMMODITIES	109.5	96.4	99.7	-8.9	3.4
Cocoa	107.0	58.4	58.1	-45.7	-0.5
Coffee	206.0	105.1	115.3	-44.0	9.7
Copra	150.4	124.7	108.2	-28.1	-13.2
Cotton	104.6	133.5	150.5	43.9	12.7
Groundnut	-	-	-	-	-
Groundnut Oil	68.6	88.7	102.3	49.1	15.3
Palm Oil	88.9	67.1	61.9	-30.4	-7.7
Palm Kernel	133.2	113.8	107.9	-18.0	-5.2
Soyabean	161.8	161.1	112.5	-30.5	-30.2
Ginger	63.6	61.9	62.4	-1.9	1.0
Rubber	134.7	141.8	114.7	-14.8	-19.1

Source: Public Ledger

**INDICES OF AVERAGE WORLD PRICES (C.I.F.) IN LONDON (NAIRA PER TONNE) OF
NIGERIA'S MAJOR AGRICULTURAL COMMODITIES IN THE FIRST QUARTER OF 1990**
(1975 = 100)

TABLE 2

COMMODITIES	1st Qtr. 1989 (1)	4th Qtr 1989 (2)	1st Qtr 1990 (3)	Percentage change between	
				(1 & 3)	(2 & 3)
ALL COMMODITIES	1300.8	1172.5	1279.5	-1.6	9.1
Cocoa	1274.6	712.4	745.8	-41.5	4.7
Coffee	2451.9	1256.6	1479.0	-39.7	17.7
Copra	1787.7	1520.2	1387.0	-22.4	-8.8
Cotton	1250.0	1654.4	1930.5	54.4	16.7
Groundnut	-	-	-	-	-
Groundnut Oil	836.8	1072.5	1315.5	57.2	22.7
Palm Oil	1060.5	817.4	794.1	-25.1	-2.9
Palm Kernel	1587.5	1377.1	1384.5	-12.8	0.5
Soyabean	1927.2	1728.2	1492.24	-22.6	-13.7
Ginger	751.9	685.3	800.7	6.5	16.8
Rubber	1657.6	1399.1	1465	-11.6	4.7

Source: Public Ledger

**AVERAGE PRICES OF GRAINS, SUGAR AND GUM ARABIC IN \$/TONNE
IN THE FIRST QUARTER OF 1990**

TABLE 3

COMMODITIES	1st Qtr. 1989 (1)	4th Qtr 1989 (2)	1st Qtr 1990 (3)	Percentage change between	
				(1 & 3)	(2 & 3)
Rice	269.1	345	-	-	-
Maize	140.3	130.8	126.8	-9.6	-3.1
Sugar	449.64	535.7	547.3	21.7	2.2
Wheat	-	184.1	188.0	-	2.1
Gum Arabic	2,700.0	2,594.7	2,200	18.5	-15.2

Source: Public Ledger

**AVERAGE PRICES OF GRAINS, SUGAR AND GUM ARABIC IN N/TONNE
IN THE FIRST QUARTER OF 1990**

TABLE 4

COMMODITIES	1st Qtr. 1989 (1)	4th Qtr 1989 (2)	1st Qtr 1990 (3)	Percentage change between	
				(1 & 3)	(2 & 3)
Rice	1,938.8	2,550.7	-	-	-
Maize	1,010.9	982.0	1,001.7	-0.9	2.0
Sugar	3,243.1	4,019.9	4,323.9	33.3	7.6
Wheat	-	1,381.7	1,485.0	-	7.5
Gum Arabic	19,469.3	19,465.7	17,375.9	-10.8	-10.7

Source: Public Ledger