

DEVELOPMENTS IN THE AGRICULTURAL SECTOR DURING THE FIRST QUARTER OF 1988

There was evidence of conscious optimism among farmers that 1988 harvest could be better given an appreciable improvement in weather conditions. So far, average total monthly rainfall per state during the quarter was 20.1 mm as against 20.3 mm during the corresponding quarter of 1987. Of this, the coastal states recorded an average of 40.7 mm during the quarter as against 53.3 mm during the corresponding quarter of 1987, while the extreme northern states — Borno, Kano, Gongola and Sokoto — recorded little or no rain. But despite the relatively lower rainfall recorded during the quarter the general weather forecast has nevertheless encouraged farmers to hope for a better pattern of monthly rainfall distribution for the rest of the year.

There was a sharp improvement in farm input delivery system during the quarter. A total of 273,150 metric tonnes of fertilisers was imported and distributed to farmers by the Fertiliser Procurement and Distribution Department (FPDD) during the quarter. The quantity of fertilisers so far distributed is estimated to be 134.1 per cent higher than the quantity supplied during the corresponding quarter of 1987. In addition to this, about 10,000 tonnes of Urea and Di-ammonium phosphate produced by the National Fertiliser Company of Nigeria (NAFCON) was moved into FPDD warehouse for distribution to farmers. Also seeds and seedlings were made available to farmers through the courtesy of the Directorate of Food, Roads and Rural Infrastructures (DFRRI).

There were reports of pest outbreaks especially, onion thrips, stemborers and aphids on wheat and nematodes on tomatoes in Kano, Kaduna, and Bauchi States. There was also the general concern that locust and grasshopper invasion, which had plagued the neighbouring North/East African countries, may soon reach the northern states of the country, viz: Borno, Gongola, Bauchi, Sokoto and Kaduna States.

In the livestock subsector, available information indicates that livestock stock declined during the quarter. Cattle and other grazing animals were adversely affected by lack of grazing fodder, while inadequate supply of grains and lack of feeds had continued to constrain poultry production.

Commodity Markets

There was a general concern among consumers about the rapid rates of increase in domestic food prices. Average market retail prices of selected food stuffs indicated progressive sharp increases in the prices of rice, gari maize, guinea corn, beans, which ranged from 4.4 to 25.2 per cent. Prices of livestock products such as cattle and eggs, also rose sharply. For instance, a live cattle sold for an average of ₦1,500 per head in the Northern States, as against ₦850 during the corresponding period of 1987. The rise in food prices was attributable to the current shortfall in supply and the increased demand for cassava and grains by some agro-based industries. There were reports that grains such as maize and sorghum, and tubers such as cassava were in great demand by the brewery, flour and other processing industries.

The World commodity Markets showed signs of recovery

during the period. At 146.7 (1975 = 100), the all-commodities price index in dollar increased by 7.2 per cent over the preceding quarter and by 20.5 per cent over the corresponding quarter of 1987 (see Table 1). Because of the apparent stability of the Naira-Dollar exchange rate, the increase represented 8.4 per cent (in naira terms) over the preceding quarter and 47.7 per cent over the corresponding quarter of 1987 (see Tables 1 and 2).

The prices of all the commodities monitored rose except that of cocoa and ginger whose prices fell. The increases ranged from 3.0 per cent for groundnut oil to 25.0 per cent for palm oil in dollar terms (see Table 1), and 3.6 per cent for groundnut oil to 29.8 per cent for soya beans in naira terms (see Table 2).

The developments in the World Commodity Markets were influenced mainly by the development in the Euro-Dollar market. The US and Japan, apparently worried over the plight of the dollar which hit its lowest ebb early in the quarter, intervened in such a manner to save the currency from further depreciation. Consequently, there was increasing evidence that commodity traders and speculators have renewed their confidence in the dollar as the primary trading currency. Other factors which influenced the commodity markets were excess supply and lack of general progress on talks on commodity agreements and buffer stock management strategy.

At 134.2, the price index of cocoa in dollar declined by 4.8 per cent and in naira by 5.4 per cent over the preceding quarter. Cocoa producers were worried over the continuous slide in cocoa prices, especially when cocoa price during the quarter was observed to be substantially below its level five years ago. In an effort to stop further decline producing countries approved during the quarter a withholding scheme designed to hold back at most 120,000 tonnes off the market.

There was relative stability in the world coffee market. At 200.0, the price index of coffee increased by 3.5 per cent over its preceding quarter in dollar terms and by 3.7 per cent in naira terms respectively. Although at the current level, coffee price appeared to be on the high side, it has remained firm partly as a result of the continued rise in pound sterling against the other trading currencies, and partly as a result of the additional steps taken by ICO member countries to impose an exceptional export quota cuts. A cut of 1.0 million bags (second of the two such cuts permissible within a quarter in an International Coffee year which began in October 1987) was effected in the month of January. Meanwhile, the process of negotiation to end the distortionary effects of non-member discounts on ruling prices was initiated during the quarter.

There was noticeable improvements in the vegetable oil and oil seeds market during the quarter. Virtually all the commodities in the group recorded increases in dollar term which ranged from 11.4 per cent for soya beans to 25.0 per cent for palm oil, and 3.6 per cent for groundnut oil to 29.8 per cent for soya bean in naira terms, over the preceding quarter respectively. A number of factors contributed to the large price rises viz: the natural hazard of weather, particularly typhoon, which adversely affected production of coco-

nuts and other oil seeds in the Philippines (a major producer) and seasonal shortages in supply due to declining output in other major producing countries.

Copra, palm kernel and palm oil also recorded price increases of 13.0, 25.0 and 15.4 per cent respectively over the preceding quarter in dollar terms. Furthermore, soyabean price rose by 11.4 per cent in dollar terms, and by 29.8 per cent in naira terms over the preceding quarter.

At 147.7, the price of rubber rose by 5.9 and 8.7 per cent over the preceding quarter in dollar and naira terms respectively. The continued rise in rubber prices in the world market has breached the INRA commodity stabilization pact of "must sell" floor price. Because of this, the Bufferstock Manager has continued to release more supplies to the market. Nevertheless the jump in tyre production in Europe, and the increased demand for surgical rubber use following the AIDS scare have continued to beat up prices.

The price of maize rose by 10.2 per cent from \$96.6 per tonne in the fourth quarter of 1987 to \$108.7 per tonne in the review period. Wheat and sugar prices, rose by 6.9 and 15.6 per cent respectively over the preceding quarter (see Table 4).

Institutional Agricultural Credit

Commercial and merchant banks loans and advances outstanding for agriculture during the quarter was ₦2,620.0 and ₦379.2 million respectively. These represented about 7.9 and 9.0 per cent increases over the preceding quarter respectively. Also, the share of agriculture in total commercial and merchant banks loans to the economy were 14.9

and 11.9 per cent respectively. From these figures, it is apparent that financial institutions' credit to agriculture was very close to the prescribed minimum. In terms of distribution, grains production took the lion share of 57.2 per cent. This was expected, in view of the preparatory activities for this year's cropping.

Total number of commercial banks' credit granted to agriculture under the Agricultural Credit Guaranteed Scheme (ACGS) was 1905, totalling ₦14.9 million. This was a far cry from about ₦33.6 million guaranteed during the preceding quarter and ₦25.9 million during the corresponding quarter of 1987. The decline could be attributed to a number of factors, viz: the introduction of crops and livestock insurance, which is expected to act as an alternative avenue of financial risks protection, the relative ease of access to credit on the reformed free multiple interest rates structure operated by financial institutions, and the coming into existence of various alternative lending schemes, especially those implemented by state governments and the Directorate of Employment's Self-Employment loans schemes. In terms of distribution, food crops and livestock took the lion share of 43.8 and 29.1 per cent respectively. In terms of spatial allocation, Anambra, Bendel, Kaduna and Oyo states got the highest value of the guaranteed loans which amounted to ₦2.8, ₦1.6 ₦1.3 and ₦1.2 million respectively.

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WORLD PRICE INDICES IN DOLLAR (C.I.F.) OF MAJOR NIGERIA'S AGRICULTURAL COMMODITIES IN THE FIRST QUARTER OF 1988 Table 1
(1975 = 100)

Commodities	1st Quarter	4th Quarter	1st Quarter	Percentage change between	
	1987 (1)	1987 (2)	1988 (3)	(1) & (3)	(2) & (3)
All Commodities	113.6	136.9	146.7	20.5	7.2
Cocoa	138.3	140.9	134.2	-3.0	-4.8
Coffee	192.5	193.3	200.0	3.9	3.5
Copra	111.6	137.6	155.5	39.3	13.0
Cotton	108.3	144.0	177.1	63.5	23.0
Groundnut	—	—	—	—	—
Groundnut Oil	53.2	53.4	55.0	3.4	3.0
Palm Oil	68.5	80.7	100.9	47.3	25.0
Palm Kernel	80.7	95.9	110.7	37.2	15.4
Soyabean	89.3	125.6	139.9	56.7	11.4
Ginger	80.7	86.9	66.9	-17.1	-23.0
Rubber	105.1	139.5	147.7	40.5	5.9

Source: Public Ledger

WORLD PRICE INDICES IN NAIRA (C.I.F.) OF MAJOR NIGERIA'S AGRICULTURAL COMMODITIES IN THE 1ST QUARTER OF 1988 Table 2
(1975 = 100)

Commodities	1st Quarter	4th Quarter	1st Quarter	Percentage change between	
	1987 (1)	1987 (2)	1988 (3)	(1) & (3)	(2) & (3)
All Commodities	696.3	948.1	1,028.2	47.7	8.4
Cocoa	850.2	978.2	925.5	8.9	-5.4
Coffee	1,172.3	1,331.9	1,380.9	17.8	3.7
Copra	713.6	946.8	1,072.4	50.3	13.3
Cotton	659.5	992.4	1,203.1	82.4	21.2
Groundnut	—	—	—	—	—
Groundnut Oil	328.9	368.0	381.1	15.9	3.6
Palm Oil	418.6	561.5	698.7	66.9	24.4
Palm Kernel	489.7	661.6	748.8	52.9	13.2
Soya bean	546.0	645.4	838.0	53.5	29.8
Ginger	498.6	594.8	462.4	-7.3	-22.3
Rubber	642.1	936.7	1,018.4	58.6	8.7

Source: Public Ledger

AVERAGE PRICES IN NAIRA/TONNE OF GRAINS AND SUGAR IN THE WORLD MARKET FOR THE FIRST QUARTER OF 1988 Table 3

Commodities	1st Quarter	4th Quarter	1st Quarter	Percentage change between	
	1987 (1)	1987 (2)	1988 (3)	(1) & (3)	(2) & (3)
Rice	890.3	—	—	—	—
Maize	469.8	418.4	462.4	-1.6	10.5
Sugar	1,036.4	1,580.9	1,831.5	76.7	15.9
Wheat	526.7	604.2	642.0	21.9	6.3
Gum arabic	15,797.0	12,404.1	12,797.2	19.0	3.2

Source: Public Ledger

AVERAGE PRICES IN U.S. DOLLAR PER TONNE OF GRAINS AND SUGAR IN THE WORLD MARKET FOR THE FIRST QUARTER OF 1988 Table 4

Commodities	1st Quarter	4th Quarter	1st Quarter	Percentage change between	
	1987 (1)	1987 (2)	1988 (3)	(1) & (3)	(2) & (3)
Rice	237	—	—	—	—
Maize	117.4	98.6	108.7	-7.4	10.2
Sugar	274.4	372.8	431.0	57.2	15.6
Wheat	142.2	142.4	152.2	7.0	6.9
Gum Arabic	4,264.9	2,913.5	3,008.4	-29.5	2.9

Source: Public Ledger