

9-1978

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### Recommended Citation

Oti, A. O. G. (1978). The Role of agriculture in the Nigerian economy. *CBN Bullion*, 3(3), 20-22.

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# THE ROLE OF AGRICULTURE IN THE NIGERIAN ECONOMY



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## RECENT DEVELOPMENTS IN THE AGRICULTURAL SECTOR

Agriculture was the mainstay of the Nigerian economy before the so-called oil boom. It was the country's major source of foreign exchange earnings. Recently, Nigeria has witnessed a rapid decline in agricultural production, virtual stagnation in the rural economy, marked movement of population from the rural to urban centres and high cost of food items.

The seriousness of the problem of the sector can be better appreciated if one considers the fact that Nigeria which was a major world producer of commodities like groundnuts and palm oil can no longer produce enough even for her domestic needs. In the case of cocoa, Nigeria which was some years ago the second largest producer in the world has been relegated to the fourth position.

In the case of food production, it is becoming increasingly obvious that if the present trend continues, Nigeria may not be able to feed its rapidly increasing population without resorting to large scale importation of food. In spite of recent

government efforts to encourage increased production through the Operation Feed the Nation programme and other incentives to the farmers, the gap between the output of food crops and the demand for them continues to widen, thereby resulting in rapid increases in the prices of food items.

The present state of agriculture in Nigeria should be a matter of serious concern to the government and the business community. Nigeria is well endowed with vast opportunities for agricultural development. Therefore, rather than relegate agriculture to the background, continuing efforts should be made to develop it along with the other sectors.

With the present climate in Nigeria, investment in agriculture may be as profitable and worthwhile as investment in other sectors of the economy. In fact, in the present circumstances, investment in agriculture could be more profitable than investment in other traditionally attractive sectors. There is, for example, a growing demand for agricultural products both internally and in the world

market. Producer prices paid in the country for most of the scheduled commodities are even higher than world market prices. With the rapid increase in population and income levels, the demand for food crops is assured, and sufficiently rewarding prices for them are guaranteed.

What are the more important roles of agriculture in the Nigerian economy? What steps are being taken by the government and some of its agencies to arrest the serious problem of declining production in the agricultural sector.

In answering these questions, it is necessary to view the sector in five major areas.

### 1. FEEDING THE NATION

One of mankind's primary needs is food and one of the earliest known roles of agriculture has been the provision of food for mankind. This important function will continue as long as there is life. Through the years, man has sought various ways of perfecting both the quality and quantity of food available through experimentation, breeding and improved farming techniques. In almost all developed countries, efforts are being directed at achieving self sufficiency in food production partly because of the need to stabilise their economies and also for reasons of national security. A country that depends largely on external sources for its food requirements may find itself in real danger if its traditional sources of supply should be cut off during the period of crisis.

Several years ago, Nigeria was able to produce most of her food requirements. But in recent years, Nigerians have tended to increase their dependence on external sources for much of their food items. Yet, with her vegetation and climatic conditions, and other available resources, Nigeria has the capacity to produce more than her food requirements. Available statistics reveal that by 1970, the value of Nigeria's food imports was N57.8 million. In 1973, it rose by 118.3 per cent to N126.2 million. Between 1973 and the end of 1977 the value of the country's food imports rose by more than six times to N790.3 million. Such a situation definitely is not healthy both in terms of the foreign exchange implications and the country's national security.

## INFLATION

Nigeria has been subjected to severe inflationary pressures in recent years and all efforts made so far to contain the pressures have met with very little success. This is so because apart from other considerations, the high price of food has been the major cause of rising cost of living in the country. There is hardly any family in this country at the moment that does not feel the impact of the high cost of food. In an attempt to increase the supply of food in the country and thereby moderate inflationary pressures in the economy, the government has recently allowed the importation of food items into the country on very liberal terms. In spite of this, the prices of the various food items continue to rise at alarming rates. I must stress here that our efforts to control inflationary pressures will meet with a large measure of success if we can increase production in the agricultural sector. There is urgent need to direct efforts at arresting our growing dependence on food imports. There is therefore room and need for more actions, but the battle against inflation calls for maximum co-operation of all and sundry in both the public and the private sector.

## LABOUR EMPLOYMENT:

Apart from being the source of food supply, it is generally known that all over the world, especially among the less developed communities, agriculture is an important source of employment of labour. The only problem has been that in the less developed countries, the wages of agricultural workers are generally low, relative to those in the other sectors.

In Nigeria in spite of the rapid growth of other sectors, agriculture still retains its leading position as the largest provider of employment for the working population and also the main source of raw materials for the expanding industrial sector. It is estimated that nearly 70 per cent of the labour force is employed in the sector while about 90 per cent of the rural population depends largely on agriculture. With the rapid growth of other sectors of the economy, there will be an increase in demand for labour. This should come from the agricultural sector. This means that the agricultural sector itself should be modernised so as to facilitate the release of labour to other sectors.

## PROVISION OF RAW MATERIALS FOR INDUSTRIES

The role of agriculture as a source of raw materials for manu-

facturing industries cannot be over emphasised. It is a well-known fact that the industrialised countries depend largely on the less developed ones as sources of raw materials for their industries. In Nigeria, efforts have been made over the years to establish and expand our local manufacturing industries. As a matter of fact, it is in the interest of our domestic industries that agriculture should be able to meet adequately the needs for our local industries. Industrial ventures like textiles, seed crushing, sugar manufacturing, tobacco processing, tyre manufacturing etc. cannot take off or expand satisfactorily without adequate supply of the necessary raw materials from agriculture.

We cannot afford to depend on foreign sources for the supply of such raw materials that our manufacturing industries need and which we can easily and profitably produce locally. But as a result of the very poor performance of our agricultural sector leading to shortages of raw materials, some of our local industries have had to suspend operations while the existence of others is being threatened. In some cases, some of our manufacturing industries have resorted to the importation of such raw materials as we normally have the capacity to produce and this has resulted in an inevitable foreign exchange leakage.

## FOREIGN EXCHANGE EARNER

Primary producing countries depend largely on agricultural exports for their foreign exchange earnings which they use to finance their imports. Economic development in most countries has been financed mainly with earnings from agriculture. Such was the case with Nigeria before the impact of petroleum on our economic scene became so prominent.

In 1962 for example, agriculture, including forestry products accounted for about N229.8 million or 82 per cent of the total value of exports of the country. This position has since altered drastically to the extent that by 1976 the N274.2 million contributed by agriculture and forestry products constituted only 4 per cent of the total value of exports with minerals and mineral products dominating the scene. However, with the intensification of various governments and private efforts towards improving agriculture, one hopes that the position may change so that we may once more look on

this sector as a significant source of finance for our major development programmes, especially as our expectations from the oil sector are beginning to dampen.

## CONTRIBUTION TO NATIONAL INCOME:

It is worth noting that agriculture has over the years made remarkable contributions to the growth of the national income. For example, at current prices, the share of the agriculture in the Gross Domestic Products (GDP) has varied from 36.5 per cent in 1973/74 to 24.4 per cent in 1977/78. A sectoral breakdown of the GDP indicates that agriculture including livestock, forestry and fishing which formed the most important sector of the Nigerian economy in the 1960s had given way to the petroleum industry as the dynamic engine of growth. Its relative share of GDP at current factor cost fell from 61.2 per cent in 1962 to 23.3 per cent in 1976/77. This decline is attributable in part to the phenomenal growth of crude petroleum and the poor performance of the agricultural sector itself. There is thus a definite decline but no doubt, agriculture, forestry and fishing have still contributed over one quarter of the total GDP for nearly all the years.

## RECENT GOVERNMENT POLICIES ON AGRICULTURE:

Some of the problems which inhibit the growth of agriculture in this country include inadequate supply of credit, poor infrastructure, poor marketing and distributing system, lack of adequate incentives and the land tenure system. The Government has of recent adopted several measures to tackle the problems. Time does not permit me to review all the recent policies adopted by the government to boost agricultural production, nevertheless, I will touch on a few important ones.

The Nigerian Agricultural Bank was incorporated in November, 1972 and effective operation began in April, 1973 with an initial equity capital of N1.0 million and increased to N2 million in 1976 and N11 million loan capital subscribed by the Federal Government. The Federal Government has earmarked for the Nigerian Agricultural Bank during the current National Development Plan period N150 million of which some N128 million has so far been released to the Bank. The main objective of the bank, which was established by the Federal Government, is to improve the quantum and quality

Realising the need to increase food production in the country, the Federal Government launched the Operation Feed the Nation Programme in 1976 which was aimed at total mobilization of the entire country towards self-sufficiency in food. Although the anticipated results of the scheme are not yet fully realised, efforts are being made by the authorities to make the scheme a success.

of agricultural production including horticultural, poultry farming, animal husbandry, fisheries, forestry and timber production as well as any other type of farming. The bank makes short and long term loans directly to farmers, co-operative societies or companies and state governments. This was in recognition of the fact that lack of credit has been a major obstacle to the development of the agricultural sector. Available information shows that from its inception to the 28th of February, 1978 the bank had approved loans amounting to N286 million. At present, it has six area offices in Enugu, Bauchi, Benin, Ibadan, Sokoto and Port Harcourt.

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Following the re-structuring of the country into 19 states, the government embarked upon the reform of the old marketing board system. The reform has resulted in the setting up of seven Commodity Boards in the place of the former Marketing Boards and the abolition of the Nigerian Produce Marketing Company. The seven commodity boards are cocoa, groundnut, cotton, palm produce, rubber grains and root crops/tubbers. The main function of the boards is to encourage the production and organise the marketing of all major agricultural commodities for local consumption and processing. Responsibility for fixing producer prices for the scheduled commodities now rests with the Head of State as the Price Fixing Authority in consultation with the Council of States. A special committee called the Technical Committee on Produce Prices was established as an advisory body to the Price Fixing Authority. The new system came into effect on the 1st of April, 1977.

Another important step which the government has taken is the introduction of an Agricultural Credit Guarantee Scheme. The Scheme is designed to ensure adequate flow of credit from the commercial and merchant banks to agriculture. The authorised capital



of the Fund set up for this purpose is N100 million and is being jointly contributed by the Federal Government and the Central Bank, with the former contributing 60 per cent and the latter 40 per cent. The liability of the Fund in respect of any guarantee is 75 per cent of the specified loan subject to a maximum of N50,000 in respect of loans to an individual and N1 million in respect of loans to a co-operative or corporate body. It is expected that the banks, who all along have been reluctant to lend for agriculture, and the farmers will take advantage of the Scheme and make it a success.

The state governments' efforts at increasing agricultural output continued to centre on the construction of dams and boreholes for irrigation, the provision of high-yielding seedlings and fertilisers, extension services and the establishment of pilot farms.

The Government has during the last budget announced other measures to boost agricultural production. One of such measures is the transfer of integrated agricultural production and processing from schedule II of the Enterprises Promotion Decree to schedule III so as to encourage foreign participation in agricultural ventures.

**THE ROLE OF THE CENTRAL BANK:**

The Central Bank has all along been keenly interested in the growth of the agricultural sector because it is aware of the real contributions the sector can make to the stability of the economy. The Bank has in recent years become more involved in the development of the sector, especially in the provision of finance.

In our various guidelines to the banks, the need to give adequate credit to the sector is always stressed and the percentage of credit to agriculture is always specified. For the current financial year, we have directed that the banks should grant at least 6 per cent of their total loans and advances for agriculture.

Apart from contributing to the funds of the Agricultural Credit Guarantee Scheme, the Central Bank is the managing agent of the scheme. The Bank also lends to the Commodity Boards to enable them finance their operations. During the current 1977/78 crop season, the Bank has granted a total of N352.7 million to the seven commodity boards for the purchase of the scheduled crops. The Bank in addition, plays a major role in the process of fixing producer prices of the commodity boards. The secretariat of the Technical Committee on Produce Prices which advises the Price Fixing Authority on producer prices of the scheduled commodities and other related matters is based in the Central Bank. The Bank is also represented on the Board of Directors of the seven Commodity Boards.

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