

12-1-1989

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Recommended Citation

Ojo, M. O. (1989). The structural adjustment programme and Nigeria's export crop sub-sector. *Economic and Financial Review*, 27(4), 33-45.

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THE STRUCTURAL ADJUSTMENT PROGRAMME AND NIGERIA'S EXPORT CROP SUB-SECTOR

By

DR. M.O. OJO*

Abstract

The purpose of the paper is to evaluate the impact of the Structural Adjustment Programme on Nigeria's export crop subsector. The Programme is designed to induce increased production in the subsector with the aims of boosting exports, providing much needed agricultural raw materials for local industries and generating more rural incomes and employment opportunities. The package of policy instruments is a combination of fiscal, monetary and external sector policies with institutional and price reforms in the agricultural sector. The main finding was that a moderate rate of increase was achieved in the output of the subsector. Similarly, export volumes increased slightly, but export values increased substantially due to the depreciation of naira exchange rate. The supply of agricultural raw materials to local industries also increased marginally. Increased level of activities in the subsector has also improved rural living conditions moderately. Generally, the full potential impact of the Programme has not been realised. In particular, constraints in the marketing and input supply components have largely persisted. The paper concluded that the recent developments in the subsector as a result of the SAP emphasise the need for a more effective agricultural policy for minimising the domestic and external constraints on the subsector's growth and development.

Introduction

Probably the most cited positive contribution of Nige-

ria's Structural Adjustment Programme (SAP) to economic recovery since 1986 has been the observed increase in the tempo of activities in the agricultural export subsector. The increased level of activities in the subsector has been closely associated with the better price and profit incentives produced by the reform of the marketing system and the exchange rate policy adjustments introduced at the inception of the Programme. If this development is true and could be sustained, it would certainly be a welcome relief from the deteriorating status of the agricultural export crop subsector particularly since the late 1960s. Unfortunately, this issue has not been subjected to the comprehensive analysis it deserves.

The central objective of this paper is to assess the effects of SAP on Nigeria's export crop subsector and identify some of the key issues arising from the former which are relevant for the long-term development of the export crop subsector. The paper is divided into four parts for ease of presentation. Part I is devoted to the discussion of the role and problems of the export crop subsector in the pre-SAP period while Part II highlights the structural adjustment policy framework with regard to its objectives, instruments and measures for ameliorating the problems of the subsector. Part III focuses on assessment of effects of SAP on the export crop subsector. Part IV articulates the major issues of adjustment for the development of the subsector. This part also contains the summary and conclusion.

PART I

THE ROLE OF THE AGRICULTURAL EXPORT CROP SUB-SECTOR IN PERSPECTIVE

It is relevant, at least for the purpose of this paper, to define the export crop sub-sector since, under the present export promotion policy of government, any crop could qualify to be included within this sub-sector. The export crop sub-sector may be defined to include all the so-called "cash" crops which were prominent in Nigeria's official marketing system which was in existence up to December 1986¹. This basket also includes the processed derivatives of the cash crops, as well as a few other crops such as gum arabic, kolanuts and hides and skins which were never scheduled. The basket would therefore exclude the staple food crops which constitute the other segment of the crop sector although many of these items in this sub-sector are now featuring in the export trade.

As defined above, the agricultural export crop sub-sector played substantial role in the growth and development of the economy before the oil boom of the 1970s.

During the 1960 decade, 1961 - 1970, the sub-sector accounted for an annual averages of 56.6 per cent of the Gross Domestic Product (GDP). With this large contribution to total domestic output, the sub-sector dictated to a large extent the pace of growth and development of the Nigerian economy. This fact has been sufficiently articulated in the literature and will not be dilated upon in this background review.²

There is a consensus that the sub-sector was a source of economic stability during this period because of its positive contributions to rural incomes, development capital, foreign exchange earnings and the pace of industrialisation. The sub-sector was the main source of income for the farmers while food crop production was largely a sub-

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sistence activity. The favourable world commodity markets for the main crops activated their local production and marketing which helped to maintain a large measure of rural-urban equilibrium. Owing to the dominance of the subsector, the bulk of the country's requirement of capital for development was met from its activities. The main capital contributions were taxes imposed on crop exports and the accumulated surpluses of the marketing boards. Perhaps more important for national development was the contribution of the sub-sector to foreign exchange supply which was crucial for acquiring capital goods for industrial and general infrastructural development. Finally, the export crop sub-sector was a major source of support for our early attempts at industrialization through the provision of raw materials in the form of primary commodities for processing.³

The observed positive role of the export crop sub-sector in the post-independence period was not sustained in the 1970s and early 1980s, a period which coincided with the emergence of the virile petroleum sector. It has been frequently alleged that the rise of the petroleum sector, from which adequate foreign exchange supply was derived, was largely responsible for the neglect of agriculture particularly the export crop sub-sector during the review period. But before we delve more into this issue, the declining role of the export crop subsector in the Nigerian economy in the 1970s can be substantiated by looking at two quantifiable aspects. Firstly, the contribution of the export crop subsector to foreign exchange receipts declined precipitously. Whereas the subsector contributed an annual average of 58.4 per cent of total foreign exchange earnings in the 1960 decade, it contributed only 5.2 per cent annually between 1971 and 1985. Except between 1976 and 1980, which witnessed rapid increases in world commodity prices, the levels of export earnings from the export crop subsector failed to reach the levels attained between 1961 and 1965. This trend was largely due to the substantial reduction in the export quantities of the grain legumes, oilseeds and nuts, vegetable oils, beverages and fibres. No doubt, significant quantities of these commodities were retained for local use, but there was clear evidence that the domestic production of these key commodities had started to decline after 1975.

Secondly, the declining role of the export crop subsector was noticeable in its inability to meet the raw material needs of the primary processing industries. Government itself had noted in the *Fourth National Development Plan 1981 — 1985* (p. 140) that a major problem of the manufacturing sector was the shortage of industrial raw materials, especially agricultural raw materials, as a result of which many industrial projects which were planned for execution in the Third Plan could not take-off. The specific plight of the local industries using palm oil, groundnuts and palm kernels in the production of edible fats and dairy products was also identified by Omolayole (1984). This was due to the large shortfall in the local production of vegetable oils and oilseeds relative to requirements which resulted in a cut back in their operations with adverse effects on industrial output and employment. The overall effects of the perverse trends in the export crop subsector are also not controvertible.

The declining capacity of the agricultural sector to meet its import requirements, inflationary pressures and general degeneration of rural life and rural-urban migration were some of these consequences for the economy.

In attempting to identify the factors underlying the deteriorating position of the export crop subsector during the period between 1970 and 1985, it seems logical to place the blame largely at the doorstep of a defective agricultural policy rather than a neglect of agricultural development because of the new found oil wealth. Agricultural policy was certainly more active in the 1970s than in the previous decade. The 1970s witnessed the reforms of the marketing board system, the introduction of the agricultural development projects, the establishment of the River Basin Development Authorities and the launching of the input subsidy programmes all of which gulped large amounts of available resources. It might be claimed that if these policy measures were designed according to some rational framework and executed effectively the impact would have been clearly positive. The available evidence is that this was not the case. But, what were the problems especially in the export crop sub-sector which government actions could not resolve adequately during this period? A clear understanding of these would be necessary to evaluate objectively the policy framework under SAP and its effects so far. These problems can be categorized into four — production, marketing, input supply and international economic aspects.

Usually, there are fundamental constraints operating within an underdeveloped agriculture as opposed to a developed one. Some of the more relevant of these in the Nigerian setting include problems of hostile environment, inadequate or poor quality land resources, labour and manpower shortages, insufficient capital investment and technological inadequacies. It is what government does or does not do with regard to these constraints that determines the direction of agricultural development. By and large, government tended to apply inappropriate policies to remove these problems. The attempts to influence agricultural productivity did not sufficiently take into account the small-holder nature of the production system. Adequate resources were not provided to improve and reorientate the institutional structure consisting of the agricultural research system, extension, credit agencies, cooperatives and the land use system towards supporting the small holders in a guided structural transformation strategy. More detrimental to the production environment in export crops were the defective macroeconomic policies such as the inflationary impact of persistent budget deficits financed by the monetary authorities, as well as the control of the exchange, interest and wage rates. For instance, the over-valuation of the naira exchange rate put a limit on the local currency earnings of export crop producers, while pegged interest rates tended to benefit the big time farmers. Also the minimum wage law tended to attract people away from the farms into the informal urban sector while labour shortages were experienced by farmers.

Although government tried to improve the marketing system for the export crops by reforming the market-

ing board system in 1973 and 1976/77, the system remained a disincentive to the producers. The commodity board system which emerged in 1977 soon became complex and large, and much of the subsidy which government appeared to be passing on to the sub-sector was in fact used to finance the rising cost of the system even when their physical operations had declined substantially. All the stipulated functions of the boards which were geared to supporting the producers through prompt supply of inputs and providing extension services were not well-funded. Also the financing of marketing operations, though with the support of the Central Bank, did not appear to help the producers as there were widespread complaints of delayed and short-payments for farm produce. The State Governments which used to support the marketing system appeared to have been inadvertently excluded from the new marketing process which created a wide gap between policy and implementation since the Federal Government did not have the grassroot organisation to monitor the system. The inability of the marketing boards to supply inputs efficiently to producers under their schedule was only one aspect of the unsatisfactory input policy of the period. The input supply

scheme never met more than a marginal proportion of farmers' needs so that a majority of them did not come in contact with the scheme. The subsidy element was not effective in the midst of scarcity and a poor distribution network.

One important factor which has persistently affected the fortunes of the export crop subsector has been the regular decline in the prices of primary commodities in the world markets. There has been increased supplies of these commodities in the last decade though Nigeria has lost her competitive position in the production and export of some of the commodities. Both Malaysia and Cote d'Ivoire, which produce the same commodities as Nigeria, have moved ahead of her in cocoa, rubber and palm produce. Developed countries that demand the bulk of supplies have also increased their domestic production especially of oilseeds and rubber through synthetic methods. Many countries especially in South East Asia have successfully diversified away from primary production and broken through protectionist walls in the industrial countries. This is a problem which Nigeria has not seriously considered but which is bound to be critical in the long-term development of the export crop sub-sector.

PART II

THE POLICY FRAMEWORK OF SAP AND THE EXPORT CROP SUB-SECTOR

Agricultural sector performance was expected to be an important factor in the attainment of the fundamental objective of SAP which was to "alter and realign the aggregate domestic expenditure and the structure of production" with a view to minimising import dependence, diversifying the export base and achieving stable and balanced economic development. The agricultural sector was to generate a significant increase in production to meet domestic food needs, local raw material requirements from agriculture, encourage agricultural exports and raise rural income and employment. Translated into specific sub-sectoral objectives, it can be stated that the basic aim of export crops development under SAP was to generate increased production of the export crops in order to attain:

- (a) increased supply of agricultural raw materials, particularly cotton, cocoa, and palm produce to obviate the need to import these items as was the case in the recent past;
- (b) increased supplies for export as a means of diversifying the country's export base and increasing the foreign exchange earning capacity; and
- (c) increased incomes and employment opportunities in the rural areas.

Several policy instruments were announced at the inception of SAP to facilitate the attainment of the above policy objectives. These included the use of fiscal, monetary and external sector instruments in the macroeco-

nomie policy framework, as well as institutional and pricing reforms at the micro level. With respect to the macro instruments, fiscal operations of government were conducted to reduce persistent deficits and rationalise public sector expenditures as a way of eliminating distortions in all sectors, particularly agriculture. Monetary policy assumed a more positive role to complement the pursuit of fiscal balance so as to reduce inflationary pressures and direct more resources to the productive sectors especially agricultural production. Furthermore, trade and exchange rate policy instruments were used to enhance greater efficiency in the use of foreign exchange and improve the competitiveness of production for exports. At the micro level, the main policy instrument was designed to induce more remunerative agricultural prices for farmers in the hope that they would enjoy improved incomes, be willing to produce for export and compare favorably in their standards of living with operators in the non-agricultural sectors. In addition, drastic institutional reforms of agricultural institutions were undertaken to improve the efficiency of public sector services to farmers and thereby remove some long-standing disincentives to farmers.

To a large extent, appropriate policy packages were designed around the policy instruments described above but their implementation has not always been effective. Five relevant areas can be examined. Firstly, fiscal and monetary policy measures have not been strictly adhered to. For instance, efforts to adjust public expenditures to reflect the current revenue constraints did not quite succeed. The result has been expanded budget deficits which

moved from ₦3.0 billion in 1985 to ₦8.3, ₦5.9 and ₦8.3 billion in 1986, 1987 and 1988, respectively. Monetary policy which set out to be restrictive ended up being unduly accommodative of fiscal operations. Thus, the monetary and credit targets specified in the SAP have not been generally adhered to. The overall effect of the expansionary fiscal and monetary policies since SAP was introduced has been to fuel more inflationary pressures and thereby increase domestic production costs particularly in the agricultural sector. Secondly, the move to reduce the overvaluation of the naira exchange rate which would enhance agricultural prices directly succeeded through the operations of the foreign exchange market. The value of the naira has edged downwards since 1986. At the end of 1986, the naira exchange rate stood at US \$1.00 = ₦3.1828 from which it further declined to US \$1.00 = (₦4.1664), (₦4.7167) and (₦7.3) at the end of 1987, 1988 and September 1989, respectively. Largely on account of the depreciation in the naira exchange rate, the farm gate prices of the agricultural export commodities have increased substantially even at a time when the international prices of the commodities were weak. However, the persistent depreciation of the naira exchange rate has resulted in higher prices of agricultural inputs most of which are imported or locally produced with a large import content. This has also had the effect of substantially increasing domestic production costs since SAP was introduced.

Thirdly, trade policy adjustments have been put in place to attain the objective of increased agricultural exports. A large measure of trade liberalisation has been achieved and this has led to the removal of cumbersome and bureaucratic controls on trade transactions which previously discouraged exports. An export promotion drive using the agricultural sector as a base was initiated. Some of the measures included the retention by non-oil exporters of 100 per cent of their foreign exchange earnings for their use as stipulated, abolition of export prohibitions, rationalisation of export licensing requirements, the introduction of the Refinancing and Rediscouinting facility by the CBN to assist private exporters to finance their marketing activities, as well as other export incentives such as the Duty Draw-back, the Export Credit Guarantee and Insurance Scheme, export adjustment scheme fund and export expansion grant. Under these trade incentives, government has been able to design a tariff structure to promote agricultural exports and the local sourcing of agricultural raw materials. Since SAP was introduced, many large-scale farmers and agro-

industries have been encouraged to expand the local production of the agro-raw materials through the cultivation of large estates or the use of contract out growers who may be supported with relevant production inputs as well as extension and marketing facilities.

Fourthly, agricultural pricing policy since 1986 has assumed a more dynamic posture. The price fixing process under the aegis of the Technical Committee on Produce Prices in advisory capacity to the Price Fixing Authority was dismantled along with the Commodity Boards which had hitherto been charged with the external marketing of the scheduled export produce. Their abolition was sequel to their constituting a major constraint on the local and external marketing of the produce under their control, thereby discouraging the primary production of the produce (see Section I). Henceforth, producers were free to sell their produce in the local and external markets or to intermediaries of their choice.

Finally, various agricultural institutions have either been reformed or introduced to improve the provision of services to farmers. As said earlier, the Commodity Boards have been abolished and private marketing institutions more favourable to producers appear to have emerged. Many parastatals in the agricultural sector, particularly those involved in direct agricultural production, have been slated to be privatised so that government would now actively support farmers with appropriate services, inputs and other incentives instead of diverting resources to unviable ventures of such parastatals. To some extent, government has also withdrawn from the direct marketing and distribution of many inputs, which has reduced the malpractices often associated with these activities in the past. The River Basin and Rural Development Authorities have been consolidated into a more manageable size and are now required to concentrate on systematic development of the nation's water resources partly in support of rural farmers rather than engage in competitive activities with them. The existing Agricultural Development Projects/Programmes have been mobilised to intensify their activities especially in areas of agricultural extension, adaptive research, input supply and provision of rural infrastructures. To further enhance the role of rural infrastructural development and to bring more life to the rural areas, the Directorate of Food, Road and Rural Infrastructures was established to intensify the development of the rural areas which would result in shifting more development resources from the urban to rural areas and thereby promote rural activities, incomes and employment opportunities.

PART III EVALUATING THE EFFECTS OF SAP ON THE EXPORT CROP SUB-SECTOR

An objective evaluation of the impact of SAP on the export crop sub-sector should be related to the initial objectives as outlined in the previous section. Basically, its impact on production must be assessed in terms of the trends, as well as its effects on export trade, local supply of raw materials and rural life generally. Adequate quan-

tification is required, but unfortunately secondary data are not comprehensive enough nor are they very reliable. The evaluation also needs to cover the secondary activities such as marketing and the supply and distribution of farm inputs without which production activities cannot be sustained.

1. PRODUCTION

The production data of the major cash crops as derived from the Federal Office of Statistics (FOS) and Central Bank of Nigeria (CBN) are presented in Table 4. The commodities can be classified into four groups — beverages, oilseeds, palm produce and the purely industrial crops. For purposes of comparison and evaluation, we compare performance during the period of SAP (1986 – 1988) and the quinquennium immediately preceding it (1981 – 1985).

(a) Production Trends

The beverage crops are coffee and cocoa beans. Coffee is relatively small. There has been a marked improvement in coffee output since SAP. Average production has nearly doubled, while the trend has been clearly upward. Average cocoa production during SAP still fell short of the pre-SAP level by almost 10 per cent. Output recovery in cocoa is still below expectation when it is realised that average production between 1981 and 1985 was only half of average levels during the peak period of the 1960s. However if the output level of 200 thousand tonnes attained in 1988 could be sustained in subsequent years, the recent optimism about the cocoa industry may be justified.

By volume, the oilseed group consisting of groundnut, benniseed, soyabeans, sheanuts and copra is the most important. Most of the commodities in this group are annual crops. There is clear evidence of improved output performance in this group. Average groundnut production, the largest element in the group, has increased by nearly 30 per cent and the trend during SAP has been in the upward direction. At lower levels, output trend for soyabeans and copra has been positive. Output records for benniseed and sheanuts have been generally maintained.

Output performance in the palm produce category has been most remarkable and this is the only segment where output levels during SAP are close to historically high levels of the early 1960s. Average output level of palm oil has gone up by 32.5 per cent in comparison with the pre-SAP period, while that of palm kernels has increased by 31.2 per cent. Within the SAP period itself, the output of palm kernel has increased by an annual average of 10.0 and 27.7 per cent, respectively.

In the purely industrial category, average cotton output has not improved significantly though there has been an upward movement during the review period. Rubber production on the other hand has increased appreciably. Average rubber production has increased by nearly 25 per cent though this reflected largely the positive achievement in 1988.

On the whole, while one cannot say that there has been any dramatic improvement in the aggregate output of the cash crops during SAP, the declining trends witnessed since the early 1970s appear to have been stemmed. The output of the most important commodities — cocoa, groundnut, palm produce, cotton and rubber has witnessed some marginal recovery. A number of factors could have

induced the modest improvement in the production of the cash crops. The favourable weather that prevailed in 1986 and largely in 1988 more than offset the effect of the adverse weather of 1987. More favourable prices as a result of the SAP measures were also important and these appeared to have encouraged crop maintenance and marginal expansion of areas cultivated. There was also the important factor, also a result of SAP, of increased number of people going into farming as a result of the relatively less attractive opportunities in the non-agricultural sectors.

(b) Exports

As stated in Section II, the most important objective under the SAP with regard to cash crop development is the promotion of expanded exports of the crops. There are two aspects of this objective — increasing the volumes of exports and enhancing the values of such exports. Table 3 provides the information on export quantities. It is important to examine the structure of that exports of these commodities before SAP was introduced. Long before SAP was introduced, important commodities such as groundnuts, cotton and palm oil had virtually disappeared from the export list. Apparently local production could not even meet local demand and when foreign exchange was available substantial quantities of these commodities were imported for local use. Consequently, on the eve of SAP, about four products — cocoa (and products), palm kernel (and products), rubber and sheanuts dominated exports by volume, accounting for an average of 42.7, 44.8, 6.4 and 3.6 per cent, respectively, of total export volume between 1981 and 1985. During SAP, the structure has not changed much, except that output of sheanuts has in fact declined into insignificance and the output of cocoa and rubber has gained at the expense of palm kernels. During the three-year period 1986 – 1988, cocoa, palm kernels and rubber including their derivatives accounted for 48.8, 33.6 and 9.9 per cent of export volume, respectively. Out of the three basic commodities in the export list, cocoa and rubber exports have improved during SAP in comparison with the pre-SAP period, while palm kernel exports, particularly the processed products, are yet to regain their previous levels. On the aggregate, export volumes have increased only marginally, while some degree of diversification into minor commodities has taken place⁵.

In contrast to these marginal increases in export quantities, substantial expansion has been witnessed in the export values of the major cash crops. In naira terms, average export values during the SAP have significantly surpassed those of the pre-SAP period (See Table 4). For instance, the average value of cocoa bean exports between 1986 and 1988 was about five times the average value for the 1981 – 1985 period, while that of cocoa products was double the pre-SAP average level. The export values of palm kernels and palm kernel products exceeded their pre-SAP average levels by 218.1 and 46.8 per cent, respectively. Also, whereas the average export value of natural rubber before SAP was only N18.2 million, it

climbed to ₦111.2 million between 1986 and 1988. One other important development during SAP has been the yearly increase in the export values of the major cash crops. For instance, the export value of cocoa beans moved from only ₦370.7 million in 1986 to ₦732.0 million in 1987 and an unprecedented all-time peak of ₦1.5 billion in 1988. The value of rubber exports also moved from only ₦29.1 million in 1986 to ₦60.5 and ₦243.9 million in 1987 and 1988, respectively. Thus, the movement in the export values of the major cash crops during SAP has reflected a very positive achievement of the programme. We have found out earlier that export volumes increased only marginally during the period so that the substantial increase in these export values must be due to corresponding large increases in unit export values. This is confirmed by the movement of world (c.i.f) prices (see Table 6) used as proxy for the unit export values. Average world prices in naira terms have increased astronomically during the SAP. For instance, the world price of cocoa beans which averaged ₦6,256 per tonne between 1986 and 1988 was 269.7 per cent higher than the average level between 1981 and 1985. The average world prices of palm kernels and rubber during SAP were 178.0 and 407.9 per cent higher than the corresponding average levels before SAP. The same trends were observed in the average world prices of the minor cash crops such as coffee, copra, ginger and soyabeans.

However, when measured in US dollar, the average world prices have not shown the same magnitudes of increases observed in the naira quotations. In fact, of the most important commodities, only rubber recorded a higher average world price during SAP in comparison with the preceding period. Its average world price of US \$1,144 per tonne between 1986 and 1988 was 13.8 per cent above the 1981 - 1985 average world price. Prices of cocoa beans and palm kernels fell by 17.1 and 37.8 per cent, respectively, between the two periods. Another important observation with regard to the dollar price quotations is that the noticeable long-term decline persisted during the SAP. For example, the world price of cocoa beans which reached a peak of US \$2,638 per tonne in 1984, declined to US \$2,375 and US \$2,139 per tonne in 1986 and 1987, respectively, and by as much as 40 per cent to US \$1,580 per tonne in 1988. Consequently, the basic explanation for the substantial increases in the naira values of cash crop exports during SAP has been the substantial depreciation of the naira exchange rate.

This is reflected in Table 5 in which the dollar values of exports are presented. Modest increases were recorded in the average export values of cocoa and rubber since the programme was introduced, while those of cocoa products, palm kernels and products actually declined. Under normal circumstances, a policy action that realigned the exchange value of the naira was right for boosting exports in the short-run, but in the long-run, it could neither be encouraged nor sustained. In the final analysis, an enduring export drive could only be achieved by some combination of increases in export volumes and unit values in real terms. It is on these two fronts that the objective evaluation of the performance of cash crop exports so far should be based.

(c) Providing Raw Materials

The quarterly surveys of the Nigerian economy by the CBN do suggest that there has been some modest improvement in the supply of local raw materials of agricultural origin to domestic industries. To a reasonable extent, domestic industries using such cash crops as cocoa, palm produce, rubber and groundnuts as inputs have been able to obtain supplies locally since SAP was introduced and this reflects the modest increases in production described earlier. But the level of success has been reduced because of the high competitive demand for these products for export. In terms of the actual aggregate requirements, there is still a large shortfall in the supply of local raw materials of agricultural origin, especially the cash crops. For instance, the Taraku Vegetable Oil Factory in Benue State requires up to 170 thousand tonnes of soyabeans per annum for processing, but Benue State which is the leading soyabean producing state produces less than 20 per cent of the Company's requirements.

Whatever little progress has been made in procuring raw materials from the agricultural sector appears to be in keeping with the objective of SAP which had envisaged that local industries would either go into direct production of these raw materials or organise local producers to provide their supplies. A reasonable measure of backward integration has been attained. For instance, the Nigerian Beverages Production Company owns its own tea plantation on the Mambilla Plateau in Gongola State, while Lever Brothers owns an oil palm plantation in Cross River State for raw material supply to its factories in Lagos and Aba. Similarly, Nalin Industries which processes palm oil has a plantation in Rivers State. On the other hand, Lipton Tea, a subsidiary of Lever Brothers organises small growers of the Mambilla Plateau to produce its primary tea for processing.

Several problems face the attempts to source raw materials locally as far as the agricultural export crop subsector is concerned. As stated earlier, production is still inadequate because it has not been easy to fully rehabilitate the major cash crops like cocoa and rubber. There is also the problem of the prohibitive high prices of the raw materials due to several factors originating from SAP itself. Too often, many of the local industries are small/medium scale enterprises which cannot muster the financial resources to obtain the raw materials. Additional problems observed have been the low quality of some raw materials and the irregularity of supplies due to the seasonal production pattern and competition from other uses such as exports and food.

(d) Impact on Rural Life

It is difficult to discuss the impact of the slight improvement in the status of the export crop subsector on rural life in isolation since other factors have been at work. However, the slightly higher level of activities in the export crop subsector since SAP was introduced, though not yet sufficient to restore reasonable balance between urban and rural life in the country, has introduced a large degree of optimism for attaining a better rural

environment in the long-run. In addition, some other measures introduced during the programme have provided good support for the core agricultural components. Such measures include the development Programmes of DFRRI and the National Directorate of Employment and the reform of other institutional activities in the areas of marketing and input supply. The implementation of these measures suggests that more progress could have been made and rural living conditions made better if there was an integrated rural development programme.

2. IMPACT ON SUPPORTING ACTIVITIES

So far, the effects of SAP have been discussed in gross terms. Modest gains have been made, but these could be better evaluated by examining the status of the supporting services which could be a pointer to the trends of costs for discounting such gains. The analysis below relates to the marketing and input supply components.

(a) Marketing

As stated earlier, the marketing system for the export crops prior to the introduction of SAP was grossly inefficient resulting in its abolition at the outset of the Programme. Under the Programme's free marketing system, the producers of the crops could sell all their produce internally or even export them if they wish. The marketing of the cash crops has been largely handled by private individuals, corporate bodies and cooperative associations. Most of the private individuals were former local buying agents of the commodity boards and have generally bought produce under this system to export directly or resell to some corporate bodies. Owing to the high competition among them, exporters and local produce buyers go direct to farms for their purchases thereby freeing producers of the problems of transportation. But some producers who wished to take full advantage of higher market prices have had to bear high transportation costs.

What is really of relevance here is whether the current system has served the farmers better than under the commodity board system. No doubt, producers have been spared some of the agonies of the official marketing system, but many marketing constraints remain and indeed their effects are suppressed because increases in output have not been very large. Although some physical infrastructures have been provided as stated earlier, the situation is still inadequate particularly with regard to storage and transportation facilities. Also, marketing services such as provision of market information and ensuring commodity standardisation and acceptable quality of produce are still not enough. The deterioration in the quality of cash crops for export noted at the inception of the programme has, however, been stemmed. Deriving from these inadequacies the competitiveness of the marketing structure, the price formation process and cost structure are less than optimal, but perhaps more favourable to the producers than in the pre-SAP period.

b) Input Supply and Distribution

The situation with regard to input supply and distri-

bution has been less favourable to the producers. Before the introduction of SAP, government grappled with three major problems in this area. The first was supply inadequacy. The local supplies of agro-chemicals, improved seeds, as well as mechanical and other equipment depended so much on the ability to import which became constrained in the pre-SAP period. The input supply bottleneck has generally persisted during SAP and may have worsened in some specific areas due to resource constraints. The second problem was the issue of input subsidy borne by government. The level of the subsidy in fact dictated the volume that could be made available. Under SAP, it was government intention to phase out the subsidy gradually and give support to agriculture in other visible directions. In relative terms, the rate of subsidy has declined to less than 30 per cent for fertiliser, for example, but due to the large depreciation of the naira exchange rate, which has not induced a corresponding upward adjustment in the farmer's price, the absolute value of the subsidy has increased substantially. This helped to sustain considerations for cost minimisation which would limit market supplies. Finally, there was the issue of direct government involvement in the supply or importation and distribution of inputs to farmers. Government has intended during the programme to withdraw gradually from the system and increase its indirect support in order to remove the inefficiencies associated with its strategy. Also, a large degree of government intervention in the input system has persisted and the observed bureaucratic problems appear to have become more serious. Besides, transportation service for input distribution has been less efficient because of inadequate infrastructures and vehicle maintenance.

The emerging evidence in the market for agricultural inputs at present is the extreme scarcity of these inputs and the large increase in retail prices much higher than recommended. As a result, there is much reduced access to the inputs for producers. Those producers who depend critically on modern equipment to carry out some cultivation processes wait in vain for supplies.

3. OVERVIEW

Many observers have argued that the achievements of SAP in the agricultural sector have fallen below expectation and this conclusion may have generated some degree of pessimism about the future relevance of the Programme. Before undertaking a discussion of some policy implications in the next section, it may be necessary to briefly review three factors which observers should bear in mind when assessing the effects of SAP on the agricultural sector, and particularly the export crop subsector. The first factor is that achievements could be influenced by the nature of policy implementation, the period involved and its effectiveness. Many of the policy induced distortions of the oil boom era were already being corrected before SAP, but were not adequately articulated under SAP. Initially the Programme focused on economic stabilization, while the growth aspect is only now being examined in earnest⁶. The second factor is the nature of price response under a regime of long standing

constraints. A dynamic agricultural pricing policy has emerged but the issue is how soon it will produce a positive effect on production. For tree crops like cocoa, rubber and oil palm, with long gestation periods, short-run price elasticities of supply are low and this could be seen in the Nigerian situation where only good maintenance has been able to produce some results so far. For other crops like oilseeds and fibres which are annual crops and

have higher short-run supply price elasticities, some positive results can be attained but these are constrained by such problems as crude technologies, poor extension services and inadequate infrastructural facilities. Thirdly, there could be other constraints such as unforeseen events like bad weather and those arising from the implementation of SAP, including escalating costs of inputs and production.

PART IV MAJOR ISSUES OF ADJUSTMENT FOR THE DEVELOPMENT OF THE EXPORT CROP SUBSECTOR

From the foregoing analysis, it appears that the most important development in Nigeria's export crop sub-sector since the introduction of SAP in 1986 has been the emergence of a more market-related pricing policy in both the product and factor markets. But, much as this has been a favourable development for the export crop sub-sector, its full potential has not been realised. As was suggested in the latter part of Part III, several short-term constraints such as the shortness of the period of implementation, the inadequacy of policy implementation and unforeseen developments could limit the success of the Programme. For purposes of clarity, these considerations could be translated into specific issues governing the future development of the export crop subsector. Some of these issues include the relative importance of price and non-price factors in export crop development, the substantial rise in production costs and the apparent bleak demand for agricultural commodities in the world markets. These issues will be reviewed briefly.

The resurgence of agricultural activities in many parts of Nigeria following the marketing and price reforms at the start of the structural adjustment programme vividly illustrates the primary role of remunerative prices in agricultural production. It shows that if appropriate prices prevail, farmers are likely to respond positively to increase their output both in the short and long run. Achievements in the short-run may be limited as stated earlier. But unless systematic efforts are made to remove the technological, institutional and other constraints discussed in Part I of this paper, the role of remunerative prices could also be limited in the long run. If anything, recent developments during the structural adjustment have clearly shown that agricultural development in Nigeria would require more effective planning and policy implementation to sustain the momentum created by the adjustment process. As a matter of priority, there is a need to rationalise the agricultural planning process, strengthen the institutional base for policy implementation and design a sound information base which is required for sound planning and plan evaluation. Some efforts have been made in this direction, but they need to be more coherent and integrated in outlook. The planning process in Nigeria would need to incorporate more realistic time horizons for policy implementation to enable major programmes to be pursued to the logical conclusion. The need for perspective planning is overdue. The plan-

ning process should increasingly apply rigorous regional planning techniques not on the basis of political expedience, but on the basis of ecological and resource endowments. Also, agricultural planning should be undertaken in the context of rural development since agriculture is the engine of growth of the rural sectors. The implementation of agricultural and rural development programmes as if they were disparate activities would not make for sustained growth of the rural infrastructural base. With regard to effective institutions in the form of policy making and facilitating agents, there is need to rationalise the prevailing multiplicity of such institutions and orientate them towards solving sector-wide agricultural problems. One way to tackle the problem of inadequate information base is to initiate moves to decentralise the collection of economic data, though a central agency may exist to give technical support and disseminate the information gathered. In the agricultural sector, there is a lot of advantage in institutionalising the function of data collection in the Federal and State Ministries of Agriculture. The specific areas of the export crop subsector that would need to be examined within these general proposals are the need to rehabilitate the subsector over an appropriate period, the issue of which of the crops to focus on for export and the design of efficient marketing and input distribution systems.

The substantial rise in production costs has been an inevitable side effect of structural adjustment. The initial impetus to this development was created by the gradual removal of input subsidies by government as required by the adjustment process. The rise in input cost was on top of the increase arising from scarcity and black market activities in such inputs. Most of these inputs even when manufactured locally have a high import content. With the depreciation of the naira exchange rate, such imports have become more expensive and thus escalated production costs. Similarly, transportation costs have jumped up due to the inadequate number of commercial vehicles, paucity of spare parts, increased fuel cost and poorly maintained roads. Thus, although farmers certainly have benefitted directly from improved agricultural prices under the new marketing system, net farm incomes might not have changed too positively. It is clear that the agricultural sector depends for its growth on foreign innovations without which agricultural production would be reduced to a purely traditional activity

which perform below expectation. This over-dependence on the outside world for innovations is a constraint that needs to be addressed; otherwise no meaningful adjustment can take place. This again takes us back to the domain of agricultural policy. To begin to look inwards, policy actions must resolve the issue of structural transformation of the agricultural sector with regard to technological progress. The nature of the agricultural research and extension systems will be critical, while the role of appropriate technologies whether adapted or developed is equally important. A perspective plan of agricultural development must incorporate these issues.

Finally, there is the problem of the secular decline in the demand for primary commodities from the developing world. Nigeria has lost ground regarding its relative shares of world production of major crops like cocoa, palm produce, groundnuts and rubber. Even if she were to regain her position, the prospects are not bright for reasonable earnings from their exports because of the excess supplies in the world markets at the moment. Commodity prices are depressed and are at present at their lowest since the 1930s not only because of excess supplies but also due to slow growth in the industrial countries, reduction in the intensity of raw material utilization in production and increased level of protectionism in the industrial countries. This problem assumes a more serious dimension when it is known that most of the producing countries especially in Africa are currently implementing adjustment policies which emphasise export promotion as an important factor in restoring external balance. Most of the countries produce broadly the same primary commodities. The common sense prescription for this problem has been diversification into other commodities. In some cases, this could help, especially where domestic demand for such commodities is far from being met. In the long run, this strategy may prove unsatisfactory as the supplies of new commodities expand on the aggregate. As stated earlier, the industrialised countries can stall such efforts by protectionist policies. Again, the commodity problem should be resolved in the general context of faster economic development which ensures that gradually the economy must move away from primary to secondary and tertiary production in industries and services which will reduce the over-dependence on primary commodity exports. This, in a sense, is the ideal diversification model to pursue.

SUMMARY AND CONCLUSION

The primary aim of the paper is to evaluate the impact of SAP on Nigeria's export crop subsector. On the eve of the introduction of SAP, the export crop subsector could no longer effectively perform its traditional roles in the economy. Such roles include the positive contributions to rural incomes, capital for development, foreign exchange earnings, the process of industrialisation and stable economic growth generally. The basic aim of export crop development under SAP is to generate increased production of the export crops to boost the export base, provide agricultural raw materials for the industrial sector as well as increase rural incomes and employment opportunities.

With regard to promoting increase production of the export crops, although there has not been any dramatic improvement in the aggregate output of these crops, the declining trends in the output of some important crops like cocoa, groundnuts, palm produce, cotton and rubber observed since the early 1970s have been stemmed during the programme. While the export volumes of the cash crops have increased only marginally their export values recorded substantial increase attributed mainly to rapid increases in the naira unit prices of the commodities. Since only small increases were recorded in dollar unit prices, the large increases in naira export values were accounted for by the persistently large depreciation of the naira exchange rate. Some measure of success has been achieved in the attempts to ensure increased supplies of agricultural raw materials for local industries. A reasonable amount of backward integration by some local industries has been observed while other industries have tried to organise producers in their immediate environment. But the prices of the raw materials are prohibitive while their regular supplies and quality cannot be guaranteed. In combination with other rural development measures, the higher level of activities in the export crop subsector has assisted in improving rural living conditions.

Developments in the marketing system for the export crops show some slight improvement in efficiency in comparison with the former system, but the continuing problems of inadequate infrastructures, low quality of produce and high marketing costs make the system less than optimal. The situation with regard to input supply and distribution has been generally unfavourable to producers due to large shortfalls in supplies, their high prices were often above recommended ones and persistent government direct involvement which has encouraged some malpractices.

The important role of prices in both the product and factor markets has been brought to the fore in national agricultural policy under the programme. In promoting remunerative prices for producers and minimising costs, there has to be a more effective agricultural policy than exists at present. All the technicalities of a sound planning process must be brought to bear on developing a more efficient agriculture. The problem of the bleak prospects for the export crops in the world markets has to be addressed within an overall national development strategy which should promote a gradual transformation from primary to secondary and tertiary production in the industrial and service sectors.

NOTES

1. Under the official marketing system, the scheduled export crops were cocoa, coffee, tea, palm oil, palm kernel, copra, natural rubber, groundnut, benniseed, sheanuts, soyabeans, ginger, cotton, as well as the processed derivatives of these crops.
2. See, for instance, the earlier works of Abovade (1966) Oluwasanmi (1966), Olayide and Olatunbosun (1972) and Olatunbosun (1975).
3. For a more comprehensive review of this aspect, see the earlier work by the author: Ojo (1987).

4. The FOS data are derived from its annual Rural Economic Surveys, while those of the CBN are compiled from its annual surveys of the Nigerian agricultural sector.
5. On the whole, the bulk of the export diversification

has been into food items such as fruits, rice, as well as roots and tubers.

6. For instance, it was only since 1988 that appropriate sectoral policies, particularly in the agricultural and industrial sectors, were being articulated as part of the structural adjustment process.

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Table 1

PRODUCTION OF MAJOR CASH CROPS
(**'000 metric tons**)

Crop	1981	1982	1983	1984	1985	Average 1981-1985	1986	1987	1988	Average 1986-1988
Cocoa	155	181	156	140	110	148	100	105	200	135
Coffee	3	3	3	3	6	4	6	6	10	7
Groundnut	530	458	396	591	621	519	640	657	706	668
Benniseed	42	44	30	31	35	36	35	34	36	35
Soyabeans	78	82	42	43	114	72	100	107	121	109
Sheanuts	77	48	38	38	69	54	45	48	57	50
Copra	100	110	100	101	102	103	104	105	108	106
Palm oil	530	510	500	550	615	541	650	715	786	717
Palm Kernel	294	310	279	340	360	317	350	353	545	416
Cotton	77	48	38	38	69	54	45	48	57	50
Rubber	45	60	50	45	58	52	60	51	81	64

Sources: (1) Federal Office of Statistics, Rural Economic Surveys of Nigeria Annual Crop Estimations
(2) Central Bank of Nigeria, Annual Report and Statement of Accounts

Table 2

PRODUCER PRICES OF SELECTED EXPORT CROPS
(**Naira per metric tons**)

Crop	1981/82	1982/83	1983/84	1984/85	1985/86	Average 1981-1985	1986/87	1987/88	1988/89	Average 1986-1988
Cocoa	1,300	1,300	1,400	1,500	1,600	1,420	3,500	7,500	11,000	7,333
Coffee (arabica)	1,155	1,155	1,255	1,405	1,450	1,284	4,000	5,500	6,000	5,167
Cotton	465	510	560	700	850	617	1,000	4,000	4,500	3,167
Groundnut	450	450	450	650	750	550	1,000	2,075	2,250	1,775
Ginger (peeled)	650	650	750	850	950	770	950	1,200	1,500	1,217
Palm Kernel	200	230	230	400	400	292	400	850	1,000	750
Palm Oil (special)	495	495	495	600	600	537	1,000	1,200	1,500	1,233
Soyabeans	155	175	230	300	500	272	550	1,500	2,000	1,350
Rubber (100% dry)	600	700	700	750	750	700	1,200	1,000	1,500	1,233
Benniseed	315	315	360	360	360	342	360	2,295	2,000	1,552

Source: Central Bank of Nigeria, Annual Report and Statement of Accounts, Economic and Financial Review (Quarterly), Statistical Section.

Table 3

EXPORT QUANTITIES OF MAJOR CASH CROPS
('000 metric tons)

Crop	1981	1982	1983	1984	1985	Average 1981-1985	1986	1987	1988	Average 1986-1988
Cocoa beans	214	151	150	151	103	154	149	144	211	168
Cocoa products	10	19	5	11	25	14	26	11	9	15
Coffee	2	2	1	1	1	1	1	1	1	1
Gum arabic	1	1	2	1	1	1	2	7	3	4
Kolanuts	1	1	1	2	1	1	1	2	2	2
Oil seeds	5	5	7	5	6	6	15	7	8	10
Palm kernels	120	100	88	100	100	102	63	134	102	100
Palm kernel pro.	114	103	78	52	23	74	8	17	53	26
Sheanuts	14	16	11	12	18	14	9	9	10	9
Rubber	14	22	30	30	30	25	33	39	38	37
Hides & skin	1	1	1	1	1	1	1	3	4	3

Source: Federal Office of Statistics, Nigeria Trade Summary (December editions).

Table 4

EXPORT VALUES OF MAJOR CASH CROPS
(N million)

Crop	1981	1982	1983	1984	1985	Average 1981-1985	1986	1987	1988	Average 1986-1988
Cocoa beans	178.4	92.0	226.2	182.8	182.1	172.3	370.7	732.0	1,475.9	859.5
Cocoa products	20.9	24.0	33.8	31.5	60.3	34.1	61.8	63.5	82.2	69.2
Coffee	1.0	1.9	4.5	5.9	0.2	2.7	0.3	4.4	4.3	3.0
Gum arabic	0.2	0.2	0.1	0.1	0.2	0.2	1.1	17.7	7.7	8.8
Kolanuts	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.3	2.0	0.8
Oil seeds	0.4	0.3	1.3	0.2	0.2	0.5	5.9	1.2	4.4	2.3
Palm kernels	13.8	3.7	16.6	8.4	7.9	10.1	7.5	45.7	62.3	38.5
Palm kernel pro.	4.9	1.5	8.5	7.9	8.3	6.2	0.6	10.4	16.2	9.1
Sheanuts	0.2	0.3	0.1	0.2	0.2	0.2	4.0	6.9	0.5	3.8
Rubber	16.0	23.0	14.9	16.6	20.7	18.2	29.1	60.5	243.9	111.2
Hides & skin	0.3	0.3	0.5	0.4	0.5	0.4	0.4	11.9	54.2	22.2

Source: Federal Office of Statistics, Nigeria Trade Summary (December editions)

Table 5

EXPORT VALUES OF MAJOR CASH CROPS
(US\$ million)

Crop	1981	1982	1983	1984	1985	Average 1981-1985	1986	1987	1988	Average 1986-1988
Cocoa beans	295.0	136.7	312.6	239.2	204.0	235.5	242.3	196.6	325.3	263.4
Cocoa products	34.6	35.7	46.7	41.2	67.6	46.6	40.4	17.1	18.1	21.2
Coffee	1.7	2.8	6.2	7.7	0.2	3.7	0.2	1.2	0.9	0.9
Gum arabic	0.3	0.3	0.1	0.1	0.2	0.3	0.7	4.7	1.7	2.7
Kolanuts	0.2	0.1	0.3	0.1	0.1	0.1	0.1	0.1	0.4	0.2
Oil seeds	0.7	0.4	1.8	0.3	0.2	0.7	3.9	0.3	1.0	0.7
Palm kernels	22.8	5.5	22.9	11.0	8.9	13.8	4.9	12.3	13.7	11.8
Palm kernel pro.	8.1	2.2	11.7	10.3	9.3	8.5	0.4	2.8	3.6	2.8
Sheanuts	0.3	0.4	0.1	0.3	0.2	0.3	2.6	1.9	0.1	1.2
Rubber	26.5	34.2	20.6	21.7	23.2	24.9	19.0	16.2	53.8	34.1
Hides & skin	0.5	0.4	0.7	0.5	0.6	0.5	0.3	3.2	11.9	6.8

Source: Derived from Table 4, using the following average exchange rate of the naira: US \$1.00 = 1981 - N0.6048, 1982 - N0.6797, 1983 - N0.7235, 1984 - N0.7642, 1985 - N0.8924, 1986 - N1.5300, 1987 - N3.7236, 1988 - N4.5365.

Table 6

AVERAGE WORLD (C.I.F.) PRICES OF SELECTED EXPORT CROPS
(Naira per metric tons)

Crop	1981	1982	1983	1984	1985	Average 1981-1985	1986	1987	1988	Average 1986-1988
Cocoa	1,289	1,201	1,645	2,016	2,308	1,692	3,633	7,966	7,169	6,256
Coffee	1,270	1,497	1,833	2,316	2,379	1,859	5,291	9,660	10,688	8,546
Copra	229	209	391	532	349	342	301	1,219	1,737	1,086
Cottonlint	1,181	1,073	1,321	1,340	1,170	1,217	1,837	6,577	7,588	5,334
Ginger	698	757	1,538	2,059	2,151	1,441	1,427	4,658	4,163	3,416
Groundnut	386	288	452	804	730	532	—	—	2,857	2,857
Groundnut oil	637	392	522	756	825	626	820	2,023	2,708	1,850
Palm Kernel	194	177	240	398	263	254	254	744	1,121	706
Palm Oil	343	302	390	532	440	401	522	1,503	2,110	1,378
Rubber	731	597	800	833	714	735	1,920	3,888	5,392	3,733
Soyabeans	181	169	216	222	205	199	296	947	1,479	907

Source: Central Bank of Nigeria, *Economic and Financial Review* (Statistical Section.)

Table 7

AVERAGE WORLD (C.I.F.) PRICES OF SELECTED EXPORT CROPS
(US Dollar per metric tons)

Crop	1981	1982	1983	1984	1985	Average 1981-1985	1986	1987	1988	Average 1986-1988
Cocoa	2,131	1,784	2,774	2,638	2,586	2,313	2,375	2,139	1,580	1,917
Coffee	2,100	2,224	2,534	3,031	2,666	2,541	3,458	2,594	2,356	2,619
Copra	379	311	540	696	391	468	197	327	383	333
Cottonlint	1,953	1,594	1,826	1,754	1,311	1,664	1,201	1,766	1,673	1,635
Ginger	1,154	1,125	2,126	2,694	2,410	1,970	933	1,251	918	1,047
Groundnut	638	428	625	1,052	818	727	—	—	630	630
Groundnut oil	1,053	582	722	989	925	856	536	543	597	567
Palm Kernel	321	263	332	521	295	347	166	200	247	216
Palm Oil	567	449	539	696	493	548	341	404	465	422
Rubber	1,209	887	1,106	1,090	800	1,005	1,255	1,044	1,189	1,144
Soyabeans	299	251	299	291	230	272	194	254	326	278

Sources: Derived from Table 6, using the following average exchange rates of the naira: US \$1.00 = 1981 - N0.6048, 1982 - N0.6731, 1983 - N0.7235, 1984 - N0.7642, 1985 - N0.8924, 1986 - N1.53, 1987 - N3.7236, 1988 - N4.5365.