

9-1986

Developments in the Agricultural Sector of the Economy during the Third Quarter of 1986

Central Bank of Nigeria CBN
Central Bank of Nigeria

Follow this and additional works at: <https://dc.cbn.gov.ng/efr>



Part of the [Agricultural and Resource Economics Commons](#), [Growth and Development Commons](#), and the [Macroeconomics Commons](#)

Recommended Citation

Central Bank of Nigeria (1986). Developments in the Agricultural Sector of the Economy during the Third Quarter of 1986. CBN Economic and Financial Review. 24(3), 11-12.

This Article is brought to you for free and open access by CBN Institutional Repository. It has been accepted for inclusion in Economic and Financial Review by an authorized editor of CBN Institutional Repository. For more information, please contact dc@cbn.gov.ng.

DEVELOPMENTS IN THE AGRICULTURAL SECTOR OF THE ECONOMY DURING THE THIRD QUARTER OF 1986

Production:

Harvesting of grains and tubers was the dominant activity in the agricultural sector in most parts of the country during the third quarter of 1986. In spite of the lower-than-average amounts of rainfall recorded during the first half of the year, a bumper harvest of maize, rice, yams and cassava was reported¹.

In the Northern parts of the country, the rains came a little late, but enough of it fell to allow for good sprouting of crops, most of which matured and were due for harvesting. The land clearing schemes of both Federal and State Governments furthermore, significantly increased the acreage under cultivation during the quarter. Prospects of a substantial increase in overall agricultural output was, however, dampened somewhat, by locust, black rats and quelea birds invasion in Gongola, Borno, Sokoto, Kano, Benue, Kaduna, Plateau and Niger States. The threat to livestock output arising from the scarcity of stock-feeds and the reported outbreak of rinder pest epidemic moderated during the period. The fish subsector however continued to be plagued by the decline in artisanal fishermen's activities due to inadequate fishing inputs such as nets, outboard engines and spare parts.

During the quarter the FMG/IBRD Second Livestock Development Project (SLDP) was approved by the World Bank. The Project, expected to cost ₦128 million involves a World Bank Loan of \$81 million and is to help boost small holder livestock production in Nigeria. In another development, a Tree Planting Campaign was launched during the quarter in various states of the federation.

Prices:

The decision by the Federal Government to liberalise trade in agricultural commodities and free it from undue restrictions rendered inapplicable current official producer and guaranteed minimum prices.

State Governments were assisted with loans by the Federal Government to buy grains at prevailing market prices, while a Technical Committee on Agricultural Produce was established to examine issues related to the pricing and marketing of agricultural produce under a free market system.

The **World Market Prices** of Scheduled Nigerian commodities rose nominally during the quarter due mainly to the depreciation of the naira vis-a-vis other trading currencies. The increases ranged from 4.6 per cent for palm oil to 39.9 per cent for palm kernel (see Table 1a). However, real market developments as reflected by the indices based on actual dollar quotations revealed that with the exception of rubber, prices of all other scheduled agricultural commodities in the world market declined from their second quarter levels. The rates of decline from the second quarter level ranged from 14.5 per cent for cocoa to 39.3 per cent for groundnut oil and 56.0 per cent for ginger. Compared to a year ago, the prices of copra, cotton, groundnut-oil and soya beans were respectively 10.3, 15.2, 5.7 and 18.3 per cent lower, while cocoa, palm kernel and rubber were higher by 6.2, 10.6 and 5.4 respectively.

The downward trends in real (dollar) prices of most commodities in the quarter were due mainly to over supply in the face of a

significant drop in demand in most major consuming countries attributable to sluggish overall economic performance. The intervention in the World Commodity Markets by Eximbank and Export Credit Agencies in the Industrial Nations (ECA) through provision of export credit with lower interest rates, coupled with agreements reached by most international commodity marketing cartels, helped to put some stability into world commodity prices during the quarter. **Cocoa** and **Coffee** prices were influenced partly by the successful accord reached by international cocoa and coffee organisations and partly by supply shortages resulting from a fall in output of some major producing countries. Despite expected low output resulting from cuts in fertilizer application and inadequate rainfall in major producing areas, prices of most **vegetable oils** and **oilseed** (especially palm oil) fell due to the cutback in purchases by traditional consumers notably Saudi Arabia, Iraq and Nigeria.

The stability in **rubber** prices observed during the quarter was due to the recovery in the world natural rubber market, following the fall triggered by sharp declines in crude oil price in late 1985 which made synthetic rubber relatively cheaper.

The world market prices of **rice**, **maize**, **wheat** and **sugar** in naira equivalents showed an appreciable increase during the quarter compared to both the preceding quarter and the corresponding quarter of 1985 due mainly to exchange rate movements (see Table 2a). However, real dollar prices indicated a mixed trend in the prices of these commodities during the period. While the price of rice remained stable for the third successive quarter, price of maize rose marginally while that of wheat declined due to existence of large stocks of the commodity in the market. Despite the increased activity of International Sugar Organisation which helped to prop up prices, marked increase in supply of substitutes such as fructose and artificial sweeteners for soft drinks manufacturing dampened **sugar** purchases resulting in continued price decline.

Agricultural Loans:

Total loans (outstanding) by commercial banks at the end of the quarter was ₦1,597.2 million, showing an increase of about 6.2 per cent over the position in the preceding quarter. The share of agriculture in total commercial bank credit during the quarter was 11.8 per cent practically the same as in the preceding quarter. Merchant Banks lending to agriculture stood at ₦158,805.50 during the quarter, representing about 7.4 per cent of merchant banks' total loans for the period.

The First Bank of Nigeria launched a ₦100 million Community Farming Scheme during the period. The scheme is intended to help small farmers borrow up to a maximum of ₦5,000 from the bank without any tangible security.

AGRICULTURAL STUDIES OFFICE
RESEARCH DEPARTMENT
CENTRAL BANK OF NIGERIA
LAGOS

¹Information obtained from the crop and weather reports of the States' Ministries responsible for Agriculture.

Table 1(a)

**INDEX¹ OF WORLD PRICES (C.I.F.) OF NIGERIAN SCHEDULED AGRICULTURAL COMMODITIES
IN THE THIRD QUARTER OF 1986**

(1975 = 100)

Commodity	3rd Quarter 1985	2nd Quarter 1986	3rd Quarter 1986	Percentage change between	
	(1)	(2)	(3)	(1) & (3)	(2) & (3)
<i>All Commodities</i>	202.4	175.1	216.7	7.1	23.8
Cocoa	269.1	250.6	336.7	25.1	34.4
Coffee	259.1	406.0	503.5	93.9	24.0
Copra	200.8	117.8	133.9	-33.3	13.7
Cotton	164.1	136.4	146.7	-10.6	7.6
Groundnut	—	—	—	—	—
Groundnut oil	142.6	105.4	127.6	-10.5	21.1
Palm Oil	146.0	98.7	103.2	-29.3	4.6
Palm Kernel	165.8	98.0	137.1	-17.3	39.9
Soya beans	150.1	153.3	181.4	20.9	18.3
Ginger	305.6	157.3	198.4	-35.1	26.1
Rubber	162.6	186.1	246.2	51.7	32.6

¹ Naira value of the prices were obtained using the average of ruling exchange rates for the period.

Sources: Compiled from Financial Times and Public Ledger.

Table 1(b)

**INDEX¹ OF WORLD MARKET PRICES (C.I.F.) OF NIGERIA'S SCHEDULED AGRICULTURAL COMMODITIES
IN THE THIRD QUARTER OF 1986**

(1975 = 100)

Commodity	3rd Quarter 1985	2nd Quarter 1986	3rd Quarter 1986	Percentage change between	
	(1)	(2)	(3)	(1) & (3)	(2) & (3)
<i>All Commodities</i>	140.9	102.2	100.1	-28.9	-2.1
Cocoa	181.8	146.4	155.5	-14.5	6.2
Coffee	—	—	—	—	—
Copra	137.0	69.0	61.9	-54.8	-10.3
Cotton	119.7	79.8	67.7	-43.4	-15.2
Groundnut	—	—	—	—	—
Groundnut oil	97.3	61.5	59.0	-39.3	-5.7
Palm Oil	99.6	57.8	47.3	-52.5	-18.3
Palm Kernel	113.1	57.3	63.4	-43.9	10.6
Ginger	208.5	91.8	91.8	-56.0	—
Soya beans	102.5	89.1	84.8	-17.3	-4.8
Rubber	110.9	108.4	114.3	3.1	5.4

¹ The indices were based on the dollar value of the price quotations.

Sources: Financial Times and Public Ledger.

Table 2(a)

WORLD PRICES OF SELECTED GRAINS AND SUGAR IN THE THIRD QUARTER OF 1986

(N/Tonne)

Commodity	3rd Quarter 1985	2nd Quarter 1986	3rd Quarter 1986	Percentage change between	
	(1)	(2)	(3)	(1) & (3)	(2) & (3)
Rice	203.6	250.1	315.6	55.0	26.2
Maize	147.2	220.9	289.1	96.4	30.9
Sugar	110.1	191.7	202.3	83.7	5.5
Wheat	146.5	188.5	213.2	45.5	13.1

Sources: Financial Times and Public Ledger Prices converted to Naira using the ruling exchange rates for each quarter

Table 2(b)

WORLD PRICES OF SELECTED GRAINS AND SUGAR IN THE THIRD QUARTER OF 1986

(\$/Tonne)

Commodity	3rd Quarter 1985	2nd Quarter ¹ 1986	3rd Quarter 1986	Percentage change between	
	(1)	(2)	(3)	(1) & (3)	(2) & (3)
Rice	225.6	237.0	237.0	5.1	—
Maize	163.1	209.3	216.8	32.9	3.6
Sugar	122.0	182.5	142.2	16.6	-22.1
Wheat	161.8	179.5	163.6	1.1	-8.9

Sources: Financial Times and Public Ledger.