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DEVELOPMENTS IN THE AGRICULTURAL SECTOR DURING THE SECOND QUARTER OF 1989

Agricultural Production

There was a renewed optimism during the quarter that substantial growth in output could occur during the year, if the improvement in weather conditions and production environment was sustained. Available data showed that average monthly rainfall during the quarter was 177.53mm, representing a substantial rise over the 15.4mm of the preceding quarter (which experienced an unusually prolonged dry spell) and about 18.3 per cent over the level of 150.1mm in the corresponding period of 1988. The distribution pattern showed that all the states of the Federation recorded rains during the quarter.

Consequently, replanting operations were carried out by farmers, following the widespread damage done to early plantings which resulted from scorching and bush fires that were rampant in the Southern parts of the country during the preceding quarter. Increased farm inputs such as fertilizer were used in the reporting quarter. Fertilizer supply rose by 48.2 per cent from 153,220 tonnes in the preceding quarter to 334,355 tonnes during the quarter. In spite of this improvement there were widespread reports of acute shortages of fertilizers all over the Federation. There were also reports of unprecedented hike in the prices of fertilizers in several parts of the country, which was attributed mainly to the activities of illegal traders usually surreptitiously assisted by unscrupulous officials. Average price per 50kg bag was put at between ₦120 to ₦150.00 as against the recommended retail price of ₦15.00. Consequently, the government initiated moves towards the end of the quarter to reform the Fertilizer Procurement and Distribution Dept. of the Federal Ministry of Agriculture, Water Resources and Rural Development.

The activities of the Agricultural Development Projects (ADPs) and Directorate of Food, Roads and Rural Infrastructures (DFRRI) were very prominent during the quarter. DFRRI was reported to be active in the supply of seeds and seedlings to farmers especially during the replanting exercise, breeding stocks, feeds and vaccines to livestock farmers, and fish fingerlings, fish-feeds to fish farmers, in addition to establishing fish ponds and hatcheries in all the states of the Federation.

Commodity Markets

Within the *Domestic markets*, the rising trend in food prices was slightly abated due to the increased availability of new harvests of grains and tubers in the South. Prices of maize, millet, rice and yam flour recorded declines of 7.6, 9.3, 4.1 and 5.8 per cent, respectively, during the mid-Quarter month (May) and were known to record only marginal increases throughout the period. However, the persistent rise in the price of beans continued unabated. This was attributed mainly to the increasing demand for bean-based dishes and the derived demand by local confectioneries who have diversified into bean cakes as an alternative to buns, cakes etc, because of the high cost and non-availability of wheat flour. However, the rising trend in vegetable oil prices persisted during the quarter.

The depression in the *World Commodity markets* continued during the quarter. At 104.5, the all-commodities prices index (1975 = 100) in dollar declined by 4.6 per cent compared with the preceding quarter and by 28.9 per cent in comparison with the corresponding quarter of 1988. The decline in the world market prices was attributed to the seasonal over supply of most commodities and bearish fundamentals which have continued to drag prices down. The rapid appreciation of dollar exchange rate against sterling which should have propped up price had little impact in the London market. In naira terms, the all-commodities price index also declined by 2.9 per cent over the preceding quarter but represented a sharp rise of 26.7 per cent over the corresponding quarter of 1988 (see Tables 1 and 2).

Out of 10 commodities covered, three (cotton, groundnut oil and palm oil) showed increases of 11.7, 21.4 and 1.2 per cent, respectively, over the preceding quarter while groundnut has not been quoted for the past four quarters. Other crops recorded declines which ranged from 0.4 per cent for copra to 23.4 per cent for ginger. In naira terms, four commodities (copra, cotton, groundnut oil and palm oil) showed increases of 1.8, 13.5, 20.8 and 3.1 per cent respectively while others recorded declines which ranged from 0.05 per cent for soya-bean to 21.3 per cent for ginger. Detailed analysis of the market are discussed below:

The beverage market was very unstable in the reporting quarter, as the issues at stake since the first quarter of 1989 remained unresolved. At 86.6, the price index of *cocoa* declined by 19.1 per cent in dollar terms compared with the preceding quarter and by 29.1 per cent compared with the corresponding quarter of 1988. In naira terms, the price also declined by 17.2 per cent from the level in the preceding quarter but rose by 27.3 per cent over the corresponding quarter of 1988. Despite the appreciation of the dollar against the pound (a situation which was expected to beef up prices), an overwhelming excess supply accentuated by Cote d'Ivoire's decision to unleash cocoa stocks into the market, contributed more to the depressed market situation. Within the domestic scene, there were signs that the cocoa market was weakened by the Central Bank of Nigeria's decision to disallow export credit based on foreign asset guarantee. Consequently, supply of packing credit to exporters became tight, creating temporary liquidity problems, which has forced exporters to become more rational in determining prices paid to cocoa farmers. Available records showed that cocoa price estimated at ₦20,000 per tonne which was far above the world market price at the ruling exchange rates during the last quarter began to decline sharply in the second quarter.

The situation in the *Coffee* market was also chaotic. At 192.3, the price index of coffee in dollar term declined by 6.6 per cent over the preceding quarter and by 3.8 per cent over the corresponding quarter of 1988. In naira term, the price declined by 4.7 per cent over the preceding quarter but rose substantially by 72.8 per cent over the corresponding quarter of 1988. The factor responsible for

the decline in coffee price is the apparent lack of agreement between both consumers and producers with regard to prices and quotas. However, by the end of the reporting quarter, two encouraging signs have brought some hopes; the first was the change in attitude of US, the biggest consumer who has persistently been raising objection to the current agreement which expires in September. Secondly, the Colombians who presented a proposal to the International Coffee Organisation (ICO) which appeared to have opened the way forward for a meaningful negotiation and agreements for the first time. The Colombians proposed quantitative restrictions on exports to countries outside the agreement. Their major suggestion is that the export quotas by which the ICO aims to stabilise market prices for coffee should include a system of "selectivity" to put more Coffee Arabica into the member market. The US which has been consistent in its protest wanted an immediate end to the so-called "two-tier market" under which producers sell to consumer countries outside the agreement for discounts of up to 50 per cent.

There were mixed developments in the vegetable oils and oilseed market. However prices for major vegetable oil and oilseeds declined due to increased output which resulted from improved weather and improved yield, coupled with excess stock in the United States.

At 149.8, the price index of *Copra* in dollar terms was stable, recording only a marginal decline of 0.4 per cent over the preceding quarter and 2.3 per cent over the corresponding quarter of 1988. The apparent stability in prices was occasioned by the decline in output of copra (in line with cyclical trends).

At 83.3 the price index of *groundnut oil* on the other hand rose by 21.4 per cent over the preceding quarter in dollar terms and by 46.6 per cent over the corresponding quarter of 1988. In naira term the price rose by 20.8 per cent over the preceding quarter and by a whopping 162.7 per cent over the corresponding quarter of 1988. The factor responsible for the appreciable rise is the inadequate supplies situation.

Palm oil price was stable recording only a marginal rise of 1.2 per cent over the preceding quarter. The increased demand by major producers and curtailment of exports were among other factors responsible for the apparent stability in the market.

Palm kernel on the other hand, recorded a substantial decline in price of 19.3 per cent over the preceding quarter in dollar terms which represent a rise of 5.4 per cent over the corresponding quarter of 1988. In naira term the price index showed decline of 4.8 per cent over the preceding quarter and rose by 91.6 per cent over the corresponding quarter of 1988. The palm kernel market has helped to ease the current tight demand pressure on other oilseeds due to its excess supplies, and increasing shifts towards its use as alternative.

The price of *Soyabeans* also declined by 2.0 per cent in dollar terms over the preceding quarter but rose by 0.3 per cent in the corresponding quarter. In naira term, soyabean price also declined by 0.05 per cent over the preceding quarter but rose by 81.5 per cent over the corresponding quarter of 1988. The decline in soyabean price has been attributed to the improved production which arose from the near drought situation of 1988 in major European and

US producing areas, a condition which is usually conducive to optimal performance and growth of the crop.

At 120.9, the price index of Rubber in dollar terms declined by 10.2 per cent over the preceding quarter and by 30.4 per cent over the corresponding quarter of 1988. In naira term, the price declined by 11.4 per cent over the preceding quarter but rose by 24.9 per cent over the corresponding quarter of 1988.

The continued slide in rubber prices since the first quarter of 1989 was due to slow demand from consumers and the reluctance of traders to take positions during the wintering period. The slackened demand has been attributed to tighter monetary policies adopted in most Western economies in the bit to control inflation. Other development in the rubber industry is the launching of African rubber group in Nigeria to promote better quality African rubber output and better World prices. The secretariat of the Association will be located in Abidjan.

The price of *Rice* rose substantially over the preceding quarter by 24.7 per cent to \$335.7 per tonne (N2,466.7 per tonne) from \$269.1 per tonne (N1,938.8 per tonne) in the first quarter of 1989. The increase in price of rice has been attributed to the prolonged wet weather and flooding in most producing countries which has reduced output for 1988/89 season. (see Tables 3 and 4). *Maize* on the other hand declined by 3.3 per cent to \$135.7 per tonne (N997.4 per tonne) from \$140.3 per tonne (N1,010.9 per tonne) in the first quarter of 1989. The decline in price has been attributed to increasing incidence and detection of aflatoxin in animal feeds whose essential component is maize. This discovery dampened sales to some extent. *Wheat* market experienced tight supply during the quarter and as there were no quotations for the first quarter the price development cannot be compared. However the price of \$263.9 per tonne (N1,939.5) is high enough and it is 42.6 per cent higher than the corresponding quarter of 1988. The tight supply has been attributed to the exceptionally mild US winter and lack of spring moisture. The situation will affect supplies in the market with forecast putting 1989 US wheat crop dropping to just 55.8 m tonnes from the trade estimates of up to 65m tonnes.

Price of *Sugar* increased by 7.2 per cent to \$482.1 per tonne (N3,243.1 per tonne) over the preceding quarter and by 3.6 per cent over the corresponding quarter of 1988. The price hike has been adduced to the close balance between the supply and demand situation. The stock/consumption ratio; a critical measure of the tightness of supplies continues around 19 per cent which is very low, hence the upward trend of sugar price.

Gum arabic price declined by 4.4 and 8.9 per cent compared to the preceding quarter, and the corresponding quarter of 1988. (see tables 3 and 4).

Institutional Agricultural Credit

Loans and advances outstanding to agriculture at the end of the quarter stood, on the average, at N3,117.8 million and N761.5 million respectively for commercial and merchant banks, representing a decrease of about 3.7 per cent for commercial banks and an increase of about 17 per cent

for merchant banks when compared with their levels during the preceding quarter. Compared with the corresponding period in 1988, the figures showed an increase of 15.5 per cent for commercial banks and 86.6 per cent for merchant banks. It is significant to note that in all the three periods referred to, merchant banks' lending to agriculture ranged from about 12.0 per cent to 16.7 per cent of their total credit to the economy thus exceeding their prescribed minimum of 10 per cent. Commercial banks lending on the other hand (averaging 15.65 per cent) was close to the prescribed minimum of 15 per cent.

The structure of agricultural lending showed that for both category of banks, food crops production, particularly grains, continued to receive the largest shares. For merchant banks, food crops production received ₦222.7 million representing 29.2 per cent of total agricultural loans while poultry and fishery received ₦109.4 million (14.4 per cent) and ₦145.2 million (19.1 per cent) respectively. Compared with their levels during the preceding quarter, food crops, poultry and fishery loans increased by 16.1 18.0 and 20.2 per cent respectively. For commercial banks, the same trend was witnessed except that loans for cash crops appeared to have received greater attention. The distribution of the loans showed that food crops, cash crops, poultry and fishery got ₦1,041 million, ₦425.3 million, ₦411.1 million and ₦295.3 million respectively, representing 33.4, 13.6, 13.2 and 9.5 per cent. The figure for food crops represented a decline of about 7.3 per cent when compared with the preceding quarter but an increase of about 21.3 per cent when compared with the corresponding period in 1988.

A remarkable achievement was recorded during the quarter in respect of loans under the Agricultural Credit Guarantee Scheme (ACGS). Guaranteed loans of ₦42.5 million showed increases of about 23.0 and 26.9 per cent respectively when compared with their levels during the preceding quarter and the corresponding period of 1988. Of the total loans granted under the Scheme, food crops accounted for about ₦34.2 million or 80.4 per cent as against ₦8.3 million or 64.3 per cent and ₦22.7 million or 67.8 per cent respectively recorded during the preceding quarter and the corresponding period of 1988. The increasing attention to food crops production as observed, is largely explained by the administration's continued emphasis on food self-sufficiency. In respect of livestock, loans guaranteed fell from about ₦2.6 million to ₦1.66 million representing a decrease of about 36 per cent as against a decrease of about 75.9 per cent when compared with the corresponding period of 1988. The export promotion campaigns appeared to have stimulated farmers for increased production of cash crops. Loans guaranteed for cash crop production rose from a paltry ₦0.25 million in the preceding quarter to ₦4.02 million in the reporting quarter, representing an increase of about 1,485.1 per cent, and 106.2 per cent when compared with the level in the second quarter of 1988. In terms of beneficiaries, 12,380 farmers were involved; thus a remarkable improvement when compared with 2,542 and 6,491 farmers who benefitted during the preceding period and the corresponding period of 1988, respectively. On state basis, farmers from Ondo, Niger, Bendel, Kwara, Ogun and Borno states received 12.0, 10.4,

10.1, 6.7, 6.4 and 6.3 per cent, respectively representing about 51.9 per cent of total loans granted during the period.

Agricultural Studies Office
Sectoral Studies Division
Research Department

Table 1

**INDICES OF AVERAGE WORLD PRICES (IN DOLLAR) OF NIGERIAN COMMODITIES
IN THE SECOND QUARTER OF 1989**

| Commodities | 2nd Qtr. 1988 (1) | 1st Qtr. 1989 (2) | 2nd Qtr. 1989 (3) | Percentage Change Between | |
|-----------------|-------------------------|-------------------------|-------------------------|---------------------------|-----------|
| | | | | (1) & (3) | (2) & (3) |
| All Commodities | 147.0 | 109.5 | 104.5 | -28.9 | -4.6 |
| Cocoa | 122.2 | 107.0 | 86.6 | -29.1 | -19.1 |
| Coffee | 199.8 | 206.0 | 192.3 | -3.8 | -6.6 |
| Copra | 153.3 | 150.4 | 149.8 | -2.3 | -0.4 |
| Cotton | 173.8 | 104.6 | 116.8 | -32.8 | 11.7 |
| Groundnut | - | - | - | - | - |
| Groundnut Oil | 56.8 | 68.6 | 83.3 | 46.6 | 21.4 |
| Palm Oil | - | 88.9 | 90.0 | - | 1.2 |
| Palm Kernel | 117.1 | 133.2 | 123.4 | 5.4 | -19.3 |
| Soyabean | 158.0 | 161.8 | 158.5 | 0.3 | -2.0 |
| Ginger | 72.9 | 63.6 | 48.7 | -33.2 | -23.4 |
| Rubber | 173.7 | 134.7 | 120.9 | -30.4 | -10.2 |

Source: Public Ledger

Table 2

**INDICES OF AVERAGE WORLD PRICES (IN NAIRA) OF NIGERIAN COMMODITIES
IN THE SECOND QUARTER OF 1989**

| Commodities | 2nd Qtr. 1988 (1) | 1st Qtr. 1989 (2) | 2nd Qtr. 1989 (3) | Percentage Change Between | |
|-----------------|-------------------------|-------------------------|-------------------------|---------------------------|-----------|
| | | | | (1) & (3) | (2) & (3) |
| All Commodities | 995.9 | 1,300.8 | 1,262.0 | 26.7 | -2.9 |
| Cocoa | 829.3 | 1,274.6 | 1,055.9 | 27.3 | -17.2 |
| Coffee | 1,352.1 | 2,451.9 | 2,336.5 | 72.8 | -4.7 |
| Copra | 1,037.8 | 1,787.7 | 1,819.2 | 75.3 | 1.8 |
| Cotton | 1,177.0 | 1,250.0 | 1,418.6 | 20.5 | 13.5 |
| Groundnut | - | - | - | - | - |
| Groundnut Oil | 384.7 | 836.8 | 1,010.5 | 162.7 | 20.8 |
| Palm Oil | - | 1,060.5 | 1,093.8 | - | 3.1 |
| Palm Kernel | 788.9 | 1,587.5 | 1,511.5 | 91.6 | -4.8 |
| Soyabean | 1,061.0 | 1,927.2 | 1,926.2 | 81.5 | -0.05 |
| Ginger | 493.2 | 751.9 | 591.9 | 20.0 | -21.3 |
| Rubber | 1,174.9 | 1,657.6 | 1,468.3 | 24.9 | -11.4 |

Source: Public Ledger

Table 3

**AVERAGE PRICES OF GRAINS, SUGAR AND GUM ARABIC IN \$/TONNE
IN THE SECOND QUARTER OF 1989**

| Commodities | 2nd Qtr. 1988 (1) | 1st Qtr. 1989 (2) | 2nd Qtr. 1989 (3) | Percentage Change Between | |
|-------------|-------------------------|-------------------------|-------------------------|---------------------------|-----------|
| | | | | (1) & (3) | (2) & (3) |
| Rice | - | 269.1 | 335.7 | - | 24.7 |
| Maize | 120.7 | 140.3 | 135.7 | 12.4 | -3.3 |
| Sugar | 465.2 | 449.6 | 482.1 | 3.6 | 7.2 |
| Wheat | 185.0 | - | 263.9 | 42.6 | - |
| Gum Arabic | 2,833.8 | 2,700.0 | 2,580.9 | -8.9 | -4.4 |

Source: Public Ledger

Table 4

**AVERAGE PRICE OF GRAINS, SUGAR AND GUM ARABIC IN N/TONNE
IN THE SECOND QUARTER 1989**

| Commodities | 2nd Qtr. 1988 | 1st Qtr. 1989 | 2nd Qtr. 1989 | Percentage Change Between | |
|-------------|------------------|------------------|------------------|---------------------------|-----------|
| | (1) | (2) | (3) | (1) & (3) | (2) & (3) |
| Rice | — | 1,938.8 | 2,466.7 | — | 27.2 |
| Maize | 505.9 | 1,010.9 | 997.4 | 97.2 | -1.3 |
| Sugar | 1,949.9 | 3,243.1 | 3,542.6 | 81.7 | 9.2 |
| Wheat | 775.5 | — | 1,939.5 | 150.1 | — |
| Gum Arabic | 11,877.3 | 19,469.3 | 18,579.2 | 56.4 | -4.6 |

Source: Public Ledger