RESUSCITATING AGRICULTURAL PRODUCTION (COCOA, COTTON, GROUNDNUTS, PALM OIL, RUBBER, ETC) FOR EXPORTS

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INTRODUCTION.

Nigeria, like many other developing economies, have over the past four decades stated and pursued the objective of accelerating the pace of development of the economy in the bid to transform into the group of developed or industrialised economies. At a time, the economy held so much hope for attainment of such goal within a short period of time. This was even before the advent of crude oil as the main export commodity. The prospects were such that Kilby (1969) envisaged Nigeria as becoming the most industrialised black African economy within a short time.

The foundation for such prospects was laid by the agricultural sector, which effectively played its traditional role which economic theory predicts it should play in the process of economic development. The role includes product contribution, market contribution, factor contribution and foreign exchange contribution (Johnston and Mellor, 1961). Despite the prominence of the oil sector in the past three decades agriculture remains the largest and arguably the most important sector. Its contribution to gross domestic product (GDP) has remained stable at between 30 and 42 percent, and employs 65 percent of the labour force. It is estimated to be the largest contributor to non-oil foreign exchange earnings. It is, therefore, correct to say that agriculture holds immense potential for enhancing and stabilising Nigeria's foreign exchange earnings.

The past three decades have witnessed a steady decline in this role, as tables below show. During this period the government has intervened in the sector through its policies and programmes to strengthen the sector's capacity to perform its traditional roles. Assessment of the effect of these policies and programmes has

thrown up mixed conclusions. CBN (1992) and Obadan (1994) suggest that agricultural export did respond positively to policy reforms, particularly in the 1980s. Others suggest that there has been a general failure of the sector to respond appropriately, to the policies (Olomola, 1998).

The limited direct linkage effect of crude oil sector on the economy is well recognised in the literature. Coupled with the persistent volatile nature of crude oil price on the world market, and mounting evidence that the bulk of the poor in Nigeria are in agriculture, there is a pressing case for revitalising agriculture in general, and production of cash crops for exports in particular.

This paper addresses the issue of how to resuscitate the production of cash crops for exports. This is done through a review of policies towards and performance of the sector. This way the paper identifies some of the constraints faced by the sector, some of which are policy-induced while others are externally induced. From this, some policy issues are identified which would need to be addressed in an effort to resuscitate agricultural exports production.

Section II provides a brief review of the performance of agriculture in recent decades. Section III reviews some of the key policies and programmes introduced by government to revive agriculture. Section IV discusses considered constraints to Nigeria's agricultural exports in light of these policies. Section V then highlights issues for policy attention.

II Agriculture in Nigeria's Economic Development.

The potentials of agriculture for propelling Nigeria's economic development were recognised by the colonial government when policies were put in place to encourage output growth and to extract the surpluses therefrom. A notable policy then was the creation of

marketing boards for the major cash crops at the time. On attainment of self-rule, regional governments took advantage of the operations of the boards to generate financial resources to finance their development programmes.

In terms of contribution to GDP, agriculture was the leading sector in the 1950s and 1960s. In the period 1960-64, agricultural output accounted for 63 percent of GDP, and in 1965-69 for 54 percent. As Table 1 shows, the share declined significantly from the 1970s. In 1970-74 it declined to 33 percent, a period which marked the watershed in Nigeria's economic history through the 1973/74 crude oil price shocks. During the period also, the share of food imports in total import was low, being 9.6 and 8.6 percent in 1962-65 and 1967-71 respectively. This being an indirect measure of agriculture's contribution to food supply, it has been argued that agriculture was able to supply most of the food needs of the economy (Adubi, 2000). The share averaged 11 and 15 percent respectively, in 1971-77 and 1981-86. It declined to 8 percent in 1988-93, before it rose to 12 percent in 1994-98.

Table 1:   Percentage of Distribution of Nigeria's GDP at 1984 Constant Factor Cost (%)

Period/ Year	GDP (₦ billion)	Crude Petroleum	Manufac -turing	Agricul- ture	Retail & Wholesal e Trade	Others
1960-69	26.8	1.6	6.1	58.8	N.A	33.6
1970-74	58.2	17.4	2.5	33.2	11.0	35.9
1975-79	73.7	24.3	5.0	30.2	12.1	28.4
1980	73.2	22.0	8.1	30.8	12.4	26.7
1981	70.4	14.0	9.9	34.7	13.0	28.4
1982	70.2	12.5	11.2	35.8	13.6	26.9
1983	66.4	12.8	8.4	37.7	14.0	27.1
1984	63.0	15.2	7.8	37.8	13.6	25.6
1985	68.9	15.1	8.6	40.3	13.0	23.0
1986	71.1	13.8	8.0	42.7	13.0	22.5
1987	70.7	12.5	8.4	41.5	13.9	23.7
1988	79.8	12.3	8.7	41.5	13.8	23.7
1989	83.5	13.2	8.2	40.6	13.4	24.6
1990	90.4	12.8	8.2	39.0	12.7	27.3
1991	94.5	12.4	8.3	39.0	12.5	27.8
1992	97.4	13.4	7.9	38.3	12.5	27.9

1993	100	13.1	7.3	37.8	12.6	29.2
1994	101	12.6	7.2	37.3	12.5	30.4
1995	103.3	12.6	6.7	34.0	12.2	34.5
1996	107	13.1	6.5	39.0	11.8	29.6
1997	110	12.8	6.3	39.4	11.7	29.8
1998	112	11.9	5.9	40.4	11.8	30.0
1999	116	11.7	5.9	40.6	11.7	30.0

Legend of the Average

Year	Crude Oil	Manufacturing	Agriculture	Retail & Wholesales	Others
1960-69	1.6	6.1	58.8	N.A	33.6
1970-74	17.4	2.5	33.2	11.0	35.9
1975-79	24.3	5.0	30.2	12.1	28.4
1980-85	15.3	9.0	36.2	13.3	26.3
1986-92	12.9	8.2	40.4	13.3	25.4
1993-99	12.5	6.5	38.4	12.0	30.5

Source: CBN (1993) Perspective of Economic Policy in Nigeria, Annual Report and Statement of Accounts (several issues) and Statistical Bulletin (December 1998) Figures for the periods 1960-69; 1970-74, and 1975-79 are annual averages.

As mentioned above, regional governments derived much of their development finances from agriculture. Between 1954 and 1957 ₦144 million or 42 percent of the marketing boards' surplus were disbursed as grants to regional governments, and another ₦24 million as loans to regional governments. Between 1962 and 1966 13 to 34 percent of regional government finances depended on marketing boards surpluses (Adubi, 2000).

In terms of export earnings, agricultural exports accounted for 86 percent of total exports in 1955-59, 80 percent in 1960-64 and 57 percent in 1965-69. Part of the decline in 1965-69 may have been due to disruptions in production caused by the civil war of 1967-70. However, from 1970 the decline became very dramatic, and this coincided with the prominence of petroleum as the country's main export commodity. In 1970-74 agriculture accounted

for 26 percent of total exports, thereafter it accounted for less than 10 percent, being 5. 7 percent in 1975-79, 2.7 and 5.6 percent in 1980-84 and 1985-89 respectively. In 1990-93 it nose-dived to its lowest at 1.8 percent, before some recovery in 1994-98 to 8.6 percent.

Table 2(a) and 2(b) clearly demonstrate the decline of agricultural exports. As a proportion of total exports, non-oil exports, of which agricultural export is dominant, has since 1975 been less than 10 percent. Since 1980, except for the period 1986-89, it has been less than 5 percent (see Table 2(a)).

Of non-oil exports, cocoa has been dominant, it accounted for over 50 percent in the 1970s. For much of the 1980s it accounted for over 60 percent. However, since the 1990s its share has steadily declined, from 49 percent in 1989 to 22 percent in 1998. Rubber has been the second major agricultural export crop. From its share of below 10 percent in the 1970s and 1980s, it rose to between 13 and 22 percent in the 1990s. Palm produce has similarly declined in terms of its contribution to non-oil exports. It has contributed less than 5 percent since 1984. Cotton made negligible contributions in the 1980s and tended to have revived somewhat in the 1990s. Groundnut, on the other hand, has made very negligible contributions since the mid-1970s.

The dramatic decline in agricultural exports is worrisome. Stated agricultural development objectives of government right from the First National Development Plan, which have been re-echoed in the Structural Adjustment Programme document and the Rolling Plans include increased production and processing of export crops with a view to increasing their foreign exchange earning capacity and further diversify the country's export base and sources of foreign exchange earnings.

Table 2(a):   Nigeria's Oil and Non Oil Exports (1970-1998)

Year	Total Exports (₦m)	Oil Exports	Non-Oil Exports (₦m)	Cocoa (₦m)	Ground nut (₦m)	Palm Produce (₦m)	Rubber (Natural) (₦m)	Cotton (₦m)
1970-74	2,237.2	1979.6	257.6	129.9	27.9	25.2	17.8	29.5
1975-79	7,242.3	6755.6	486.7	324.7	0.2	19.0	13.1	17.1
1980	14.186.7	13632.3	554.4	311.1	-	14.1	14.1	1.2
1981	11.023.3	8003.2	342.8	142.7	-	17.9	17.8	-
1982	8.206.4	7201.2	203.2	150.4	-	11.2	16.0	-
1983	7,502.5	9131.2	301.3	226.2	1.3	16.6	14.9	-
1984	9,088.0	8840.6	247.4	182.8	0.2	8.4	16.6	N.A
1985	11,720.8	11223.7	497.1	182.1	1.5	6.2	3.8	N.A
1986	8,920.5	8368.5	552.0	370.7	0.1	7.5	29.1	0.0
1987	30,360.6	28208.6	2,152.0	1,497.8	0.0	30.2	60.5	0.0
1988	31,192.8	28435.4	2,754.4	1,475.9	1.4	67.9	203.2	0.0
1989	58,061.2	55016.8	2,954.4	1,452.6	0.0	112.8	372.6	10.8
1990	109,886.1	106626.0	3,259.6	1,319.1	0.0	84.1	544.7	161.6
1991	121,533.7	116850.5	4,677.2	2,000.9	0.0	47.9	669.3	194.2
1992	205,611.7	201383.9	4,277.8	1,557.9	0.0	88.1	875.4	79.0
1993	218,770.1	213778.8	4,991.3	1,683.8	0.0	137.2	875.5	119.7
1994	206,059.2	200713.3	5,349.0	1,816.2	0.0	131.3	689.7	232.4
1995	950,661.4	929712.8	23,096.1	6,227.4	0.0	102.7	4,717.5	1,309.8
1996	1,309,543.5	1286,215.9	23,327.6	7,351.5	0.0	489.6	5,094.6	1,692.6
1997	1,241,662.7	1212499.4	29.163.3	7,818.1	0.0	1,282.6	4,067.1	3,359.6
1998	751,856.7	717,786.5	34,070.2	7,459.3	0.0	338.4	1,024.1	3,583.3
Legend of Proportion in Total (%)								
1970-74			11.5	5.8	1.2	1.1	0.8	1.3
1975-79			6.7	4.5	0.0	0.3	0.2	0.2
1980-85			3.4	2.0	0.0	0.1	0.2	0.0
1986-92			5.1	2.8	0.0	0.1	0.4	0.1
1993-98			2.5	0.7	0.0	0.1	0.3	0.2

Source: CBN (1999, 2000). Figures for 1970-74 and 1975-1979 are annual averages (– indicates a very negligible or non-available figure).

Table 2(b):   Nigeria's Non-Oil and Agricultural Exports, 1970-98

Year	Non-oil Exports (% Total Export)	Cocoa	Palm Produce	Rubber	Cotton	Groundnut
		(% of Non-Oil Exports)				
1970-74	11.5	50.4	9.8	9.8	11.5	10.8
1975-79	6.7	66.7	3.9	2.7	6.6	...
1980	3.9	56.1	2.5	2.5	...	...
1981	3.1	41.6	5.2	5.2	...	...
1982	2.5	74.0	5.5	7.9	...	...
1983	4.0	75.1	5.5	5.0	...	0.4
1984	2.7	73.9	3.4	6.7	N.A	...

1985	4.2	36.7	1.3	0.8	N.A	0.3
1986	6.2	67.2	1.4	5.3	0.0	...
1987	7.1	69.6	1.4	2.8		0.0
1988	8.8	53.6	2.5	7.4	0.0	0.1
1989	5.1	49.2	3.8	12.6	0.0	0.0
1990	3.0	40.5	2.6	16.7	0.45.0	0.0
1991	3.9	42.8	1.0	14.3	5.2	0.0
1992	2.1	36.4	2.1	20.5	1.9	0.0
1993	2.3	33.7	2.8	17.5	2.4	0.0
1994	2.6	34.0	2.5	12.9	4.4	0.0
1995	2.4	27.0	0.5	20.4	5.7	0.0
1996	1.8	31.5	2.1	21.8	7.3	0.0
1997	2.4	26.8	4.4	14.00	11.5	0.0
1998	4.5	21.9	1.0	3.0	10.5	0.0

Note: ... indicates negligible

Source: Computed from CBN Annual Report, various years.

III   REVIEW OF AGRICULTURAL POLICY IN POST 1960 PERIOD

For purpose of discussion, three sub- periods could be identified, namely 1960-69, 1970-85 and 1986 to date. The discussion shall, however, focus more on the last two sub-periods.

In the period 1960-69 there was minimum direct government involvement in agriculture. The Federal government largely played a supportive role, while regional and state governments were left to take major initiatives. Smallholder farmers produced the bulk of the output for both local and export markets. Government focused on research, extension services, and marketing and pricing of export crops.

The period 1970-85 witnessed more direct government intervention in agriculture. In the face of noticeable decline in the sector's performance, a variety of policies were introduced during this period. Being the period that marked the upsurge in oil revenue accruing to government, macroeconomic policies became expansionary, including direct government involvement in agricultural production. Fiscal incentives were introduced which included low tariff on importation of agricultural inputs.

Finance being identified as one of the constraints the sector was then facing, finance institutions were created. The Nigerian Agricultural and Co-operative Bank (NACB) was established in 1973. The agricultural credit guarantee scheme fund (ACGSF) was established in 1978. More would be said about these institutions' operations below.

During the period World Bank-assisted agricultural development programmes (ADPs) were introduced in a number of states. The programmes were designed to provide an integrated approach to agricultural and rural development. River Basin Development Authorities were also established to provide all year round water through irrigation to farmers. More research institutes were established during this period, and there was a re-organisation of marketing boards, which gave rise to the Grains Boards.

During the period 1986-99 which combines both SAP and Post–SAP era, market-oriented and not-so-market-orientated agricultural development policies and programmes were introduced. River Basin Authorities were restructured from 21 to 11; the Directorate for Food, Roads and Rural Infrastructure (DFRRI) was established, as well as the National Agricultural Insurance Corporation, and Peoples' Bank. Farm inputs supply policy was actively pursued during this period.

Trade liberalisation was an important aspect of policy reforms under SAP. Abolition of import and exports licensing and exchange control measures took place. With these reforms, export earners became entitled to 100 percent of their foreign exchange earnings, provided these are kept in a domiciliary account. Thus, agricultural producers had an incentive to boost their exports.

The Export Incentive and Miscellaneous Provisions Decree of 1986 was enacted, through which CBN could provide refinancing

and discounting facilities to commercial and merchant banks to encourage them to provide credit and risk bearing facilities in support of exports. This subsequently led to the establishment of the Nigerian Export Credit Guarantee and Insurance Corporation in 1988, which was subsequently, renamed the Nigerian Export- Import Bank. The institution actually started operation in 1991. Perhaps the most visible and pervasive policy under SAP is the naira exchange rate devaluation. The rate which in 1981 was ₦0.639 and ₦0.9996 in 1985 to the US dollar, in 1986 averaged 3.3166. By 1992 it had depreciated to ₦19.6609, and ₦91.83 in 1999 (See Table 4). Economic theory suggests that exchange rate devaluation is good for exports as it makes export prices more competitive.

But theory also suggests that devaluation makes import more expensive. So, for an economy dependent on import of inputs, devaluation could be a double-edged sword.

An assessment of the effect of the trade policy reforms suggests that these have indeed been beneficial to agricultural exports. While exchange rate devaluation boosted exports, liberalisation of export and pricing mechanism brought about convergence of export prices. The implicit taxation of exports by the Commodity Boards was thus eliminated (See Table 3). For example, the ratio of producer prices to export prices for cocoa and palm kernel converged significantly and sometimes above 100 percent, indicating that exporters were paying farmers prices that were above world market prices. This, however, was until 1994. From 1995 to 1999 the prices began to diverge noticeably, to the extent that the implicit tax was above 50% (i.e. − 0.56 to −0.80), particularly for rubber, cotton, groundnut and palm kernel. Some may attribute the latter trend to the reversal in effective implementation of SAP from 1994.

There is no doubt that the tremendous boost in producer prices was due to naira devaluation. For example, the naira value of the world market prices of cocoa, rubber, cotton and groundnut rose from ₦2,135.3, ₦714.3, ₦5,169.9, and ₦824.5 per tonne in 1985 to ₦7,388.6, ₦16,738.8 and ₦7,908.5 in 1991, representing 246, 967.1, 1331.2 and 859.2 percent increases respectively; (See Table 3).

The increase in naira value of world market prices similarly translated to increases in producer prices of cocoa, rubber, cotton and groundnut, from ₦1,500, ₦750, ₦700 and ₦1750 per ton in 1985 to ₦12,745, ₦5692, ₦3,778 and ₦6,843   in 1992. And as table 4 shows, the increase continued in the 1990s. Cocoa, rubber and palm kernel respectively enjoyed 502.3, 549.1 and 469.3 percent increases in 1991-94, and 40.2, 68.3 and 33.1 percent in 1994-99

Table 4: Average Producer Prices of major Agricultural Crops, 1988-99.

Year	Cocoa	Palm Kernel	(₦'000/ tonne) Rubber	Cotton	Groun dnut	Palm oil	Exchang e 1 Rate ₦/$
1988	7500	1000	1500	4500	2250	1500	5.3530
1989	1010	1800	2000	2433	4795	1310	7.6560
1990	8500	2000	1395	2600	4320	1160	9.0001
1991	10158	2525	5300	4163	6280	N.A	9.7545
1992	12745	5692	12520	3778	6842	12472	19.6609
1993	25278	10567	24091	N.A	12958	20836	22.6361
1994	61180	14374	34400	45000	13500	98630	21.8861
1995	73104	31730	34797	45232	200064	66190	21.8861
1996	80222	22185	51917	37757	24125	55853	81.2000
1997	89687	16554	56722	35833	17797	48477	82.0000
1998	79600	21000	61833	32953	21509	59280	84.4000

1999	85766	19129	57892	40208	36097	51535	91.8000

Source: 1988 – 95 is official exchange rate, 1996 – 99 is Average AFEM rate

CBN Annual Report, various years.

The question then is why despite the boost in agricultural world market and producer prices has the contribution to total exports by agriculture been very low and declining? The position of this paper is that growth in agricultural export earnings in recent decades has merely been a price effect, with little output effect even when allowance is made for time lags in output changes relative to price changes. The latter effect is what is required to have a sustained real growth in agricultural export.

IV   CONSTRAINTS TO AGRICULTURAL EXPORT GROWTH

This section highlights the major constraints to agricultural output growth in Nigeria. Output needs to first grow before exports can take place. As mentioned above, naira devaluation-induced producer prices were largely nominal but not in real terms. For example, an effort made to estimate the real producer prices for agricultural crops found that real producer prices had not increased significantly in recent decades, since consumer price indices seemed to increase in consonance with nominal producer price for the crops. For example, in 1986-89, real producer prices for cocoa, rubber, palm kernel, cotton and groundnut was respectively ₦547.6, ₦80.5, ₦64.8, ₦264.6 and ₦191.3 per tonne, compared to the nominal prices reported above **(CBN/NISER, 1992).** In other words, observed price increases were not sufficient to induce output growth.

To further demonstrate this insufficient output effect, table 5 shows that between 1988 and 1991 cocoa output grew by 16.5 percent, rubber by 23.8 and palm kernel by 120.7 percent. In

1991/94 it was by 20.5, 7.0 and minus 58 percent, respectively. In 1994-99 it was by minus 49, 15.2 and 19.3 percent respectively. The corresponding increases in producer prices are 35.4,253.3 and 52.5 percent respectively in 1988-91; 502.3, 549.1, and 469.3 percent in 1991-94. In 1994-99 the figures were 40.2, 68.3,and 33.1 percent respectively (See Table 4).

Table 5: Average Annual Output of Major Agricultural Crops, 1970-99

Year	Cocoa	Palm Kernel	('000 tonnes) Rubber	Cotton	Groundnut	Palm Oil
1970-74	246	287	66	291	1427	473
1975-79	180	287	59	242	559	547
1980-85	154	310	81	84	540	558
1988	230	545	65	194	686	700
1989	256	939	132	187	1017	770
1990	244	1190	147	276	1166	730
1991	268	1203	215	309	1361	760
1992	292	1321	220	346	1297	792
1993	306	491	225	192	1416	825
1994	323	503	230	218	1453	837
1995	158	543	255	251	1579	687
1996	155	548	245	301	2078	778
1997	145	550	250	309	2101	780
1998	160	572	255	349	2227	792
1999	165	600	265	351	2307	825

Source: CBN Annual Report, various years.

There is ample evidence to suggest that policy-induced constraints rank high among the obstacles to export crops in particular and agricultural output growth in general. It is sometimes argued that lower export growth could be attributed to government's emphasis on local processing of some of these produce. However, besides this, Garba (2000) shows that the implementation deviation was persistent and volatile, in addition to being consequential. It was then concluded that the concern that private agents have about government not keeping its word is legitimate and that their concern about policy discontinuities is valid. Agricultural production faces

uncertainties due to weather variations. To add policy-induced uncertainties may therefore be an explanation for low output growth.

Two other aspects of policy-induced constraints may be noted. One relates to naira exchange rate policy, and the other relates to input prices policy. Fertiliser use by farmers provides a meeting point for these two policies.

A prominent element in governments agricultural policy since the 1980s is fertiliser procurement and distribution policy. Recognising fertiliser as a key farm input, government has continued to pursue a policy to ensure its use by farmers. Its supply has been increased virtually annually. For example, between 1989 and 1990 it increased by 33 percent, in 1991 by 14 percent, in 1993 by 15 percent. To increase access by farmers, the number of depots were increased and the federal government took up the responsibility of bearing the cost of transportation from domestic plants and seaports to the depots. In addition to allowing states to monitor the delivery from the depots, an allocation formula of 80:20 ratio for allocation of the commodity between local and state governments was introduced in 1994.

Input price subsidy was also an aspect of government's agricultural policy. This is to ensure its affordability to small holder farmers. However following SAP the subsidies were steadily reduced. This thus became a case of conflict of policies. On the one hand a policy seeks to encourage fertiliser use by farmers, on the other a policy raises the cost of procurement.

A natural outcome of this has been low usage of fertilisers. Yearly nation-wide survey of agriculture shows that increase in price of inputs made it difficult for farmers to procure them in required quantities. This has been attributed to naira depreciation, increased cost of public utilities, reduction of subsidy on fertiliser, fuel, agro-chemicals and seeds (CBN Annual Report). For example,

a 50kg bag of fertiliser sold in 1999 at ₦1,800 in most parts of the country, as against the recommended N800 subsidised price.

Thus, naira exchange rate devaluation and continued depreciation which on the one hand boosted export and producer prices, on the other combined with subsidies policy to raise the cost of input prices, and thus limited their use by smallholder farmers who constitute the bulk of agricultural producers.

Capital is a key factor in production. Agricultural finance has been of concern to policy makers and researchers. As mentioned in section III, some financial institutions were established by government to facilitate credit to agriculture. Government policy towards agricultural finance could be grouped into five categories, namely, credit guidelines by the CBN, concessional interest rate, rural banking scheme, agricultural credit guarantee scheme, and direct lending institutions.

Starting from fiscal 1972, CBN prescribed the size of credit allocation by banks to designated sectors. Banks were required to lend a minimum proportion of their loan portfolio to agriculture. Penalty was attached in the form of the amount in default being given interest free to the NACB by any bank who fails to comply with the guidelines. The mandatory sectoral allocation requirement was abolished in October 1996. Studies have found that while it lasted, the guidelines were not really adhered to by banks, with agriculture being one of the sectors most affected.

Before the deregulation of interest rate in July 1987, lending to agriculture by financial institutions was at concessional rates. Between 1980 and 1986 it was put at below or in line with the CBN MRR. Early in 2000 banks submitted their proposal for a lower interest rate to farmers under the ACGS to the CBN in view of the high rate of loan repayment default by beneficiaries of the scheme.

This was rejected. Thus, high cost of capital posed a constraint to agricultural output growth, including agricultural export crops.

Rural banking programme was introduced in 1977, designed to mobilise rural savings and channel same into rural productive activity. By June 1992, 765 bank branches had been opened in 766 centres. The ratio of locally mobilised funds that should be to rural lending was stipulated. In 1977 it was 30 percent and by 1993 it had been raised to 50 percent. The mandatory credit allocation was abolished in October 1996. Again, while it lasted the effectiveness of the policy remains contentious.

The ACGS, which was established in 1978 to provide guarantee in respect of loans and advances granted to the sector, was designed to encourage banks to increase their credit facilities to farmers. The scheme, funded by the FGN/CBN on the ratio of 60:40, has ₦100 million capital base. The fund is required to repay 75 percent of loans where beneficiary farmers failed to repay to banks under the scheme.

Available data show that an average of only 25 percent of lending under the scheme during the first five years of operations had a maturity of 24 months and above. Lending under the scheme represents about 20 percent of overall agricultural lending. However, from 1985 the CBN is required to stipulate grace periods for agriculture loans - one year to four years for small scale farmers producing cash crops, and five years for medium and large scale mechanised farmers.

Available evidence suggests that the scheme may have done very little to ease credit constraints smallholder farmers face. In 1978, its first year of operation, only ₦10.4 million was guaranteed as loans. In 1981 and 1984 the figure was ₦32.2 million and ₦24.7 million respectively. The figure has not been stable ever since.

The bulk of guaranteed loans has been availed of by big farmers and co-operatives, while the loans received by small farmers always represent an insignificant percentage in the scheme (see CBN Annual report). Specifically for major export cash crops, table 6 shows that in the early 1990s those receiving loans guarantee for loans of ₦20,000 and above formed the greater proportion of beneficiaries. From the mid-1990s guaranteed loans for agricultural exports became really insignificant. With such development, commercial banks, being naturally risk averse, would be further hesitant in their lending to relatively smallholder farmers who usually do not have adequate security to cover such loans.

Table 6: Loans Guaranteed By Agricultural Credit Guarantee Scheme Fund By Size: Major Export/Cash Crops, 1990-99 (%)

Year	<₦5,000		₦5,000-₦20,000		₦20,001-₦50,000		₦50,001-₦100,000		Above ₦100,000		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Am
1990	7.2	6.5	9.9	10.5	16.9	16.4	22.9	23.2	6.7	15.9	7.3	8.!
1991	8.9	8.6	4.5	4.3	7.2	7.7	14.5	15.2	21.1	20.2	8.8	9.
1992	7.4	5.6	0.2	0.4	0.0	0.6	0.1	1.1	0.0	0.9	7.8	8.(
1993	5.4	3.6	0.7	1.1	0.1	0.6	0.0	0.5	0.0	0.0	6.2	5.!
1994	4.0	2.3	0.5	0.8	0.1	0.5	0.1	0.9	0.0	0.1	4.6	5.!
1995	2.8	1.4	1.4	1.7	0.2	0.9	0.3	2.3	0.0	0.2	4.7	6.(
1999	0.6	0.2	1.5	1.0	0.1	0.3	0.1	0.4	0.0	0.1	2.3	2.(

Source: CBN Annual Report, various years.

Direct lending by banks to agriculture are from commercial and publicly - sponsored specialised banks. Merchant banks which do more on long-term lending than the conventional commercial banks would be expected to see agricultural investment as falling within their portfolio. However, smallholder export crops farmers have benefited very little from them. For example, 90 percent of merchant banks loans for agriculture in 1994-99 went to corporate entities.

NACB has two types of lending, direct and indirect lending. The latter is usually to States Ministry of Agriculture for onward lending to small farmers. The former is direct lending to beneficiaries by the bank. However, NACB's lending is mostly to large scale farmers securing loans of ₦26,000 and above. It has been observed that the bank's disproportion at allocation of loans in favour of large borrowers may indicate the bank's recognition for economies of scale and the reduction of transaction costs associated with large-scale borrowing.

Rural infrastructure inadequacies as well as inadequate extension services have also been a source of constraint to agriculture exports output growth, Economic theory suggests that whatever raises the cost of production is likely to reduce output. Lack of basic rural infrastructure such as roads raises the cost of acquiring basic farm inputs by rural smallholder farmers. DFRRI and ADP projects were intended to address the problem of rural infrastructure. The failure of DFRRI to make much impact on rural infrastructure is well known, though the causes may include the politicisation of its administration.

Similarly, the ADPs, in addition to making little sustained impact on rural infrastructure, provision of extension services which is an important component of the programme has also suffered. Provision of extension services has been likened to a factor of production in that it enhances entrepreneurial skills in peasant farmers. It performed this function reasonably well in the 1960s. With rapid development of new varieties of most crops since the 1980s by research institutes, the need for extension services to enlighten farmers on their adoption and management is perhaps more pressing than ever before. However, most ADPs were not able to provide needed services to farmers in their zones due to the lack of funds for extension services. This development has been

attributed to the phasing out of World Bank's ADP loan facilities, as the Federal and State governments were not able to contribute their matching funds for their sustainability.

V POLICY ISSUES IN RESUSCITATING AGRICULTURAL EXPORT

This paper concludes by highlighting policy issues that need to be seriously and urgently addressed if agricultural production for exports is to be resuscitated. These issues derive from the evidence provided in the paper.

First, agricultural output has been recording decline since the advent of crude petroleum as Nigeria's main export commodity. The decline was associated with mass migration from agriculture to urban areas in search of non-farm jobs. With aging farm population and plantations productivity was on the decline.

The situation was, however, exacerbated by exchange rate-induced high cost of farm inputs, given Nigeria's import dependence. Therefore, to boost production through cost reduction, the naira exchange rate policy of government would need to be re-examined. Since the period covered in this paper, naira exchange rate has further depreciated to as much as ₦130 to the dollar. If not arrested this would further aggravate the problem of production cost in agriculture. It is not enough to expect that depreciation would boost export price.

Second, the bulk of agricultural export crop producers are smallholder farmers. Studies have found that a large percentage of them are among the poor (FOS,1999). What this suggests is that majority of them may not be able to afford SAP-induced or exchange rate-induced farm input prices. It is in this respect that government's input price subsidy would go some way to reduce production cost faced by these farmers. In this respect, it is not sufficient to re-introduce input price subsidy, mechanism should be

strengthened to ensure access to such inputs by small farmers. The mechanism at present encourages much leakages to non-intended beneficiaries.

Third, high cost of capital and low coverage of public-sponsored financial institutions have made access to capital by small farmers difficult. Available credit facilities are currently disproportionately availed of by large or big farmers, thus defeating government's objective. Some of the institutions themselves, e.g. NACB, have their constraints which limit their ability to perform effectively. Some of these include inadequate human, financial and material resources for the scope of their operations. Also worrisome is the tendency towards non-optimal employment of the staff in many of these institutions.

Fourth, agricultural production technology is dynamic. Much of the technology employed in the hey days of agricultural export output growth are no longer efficient today. Adoption and management of modern technologies, including new seed varieties, depends on adequate knowledge about them. Smallholder farmers, who are largely illiterates, would need much enlightenment to see the economic benefits of modern technologies. It is in this regard that provision of extension services would need to be revived and reinvigorated, both in terms of quantity and quality. Fund is the bottom line, and with World Bank support this could be revived, if the political will is there on the part of government.

Fifth, rural infrastructure inadequacies need serious attention. After many years of neglect due to bad governance, it is now imperative for government to reverse the trend. Studies have, after all, found that private return to investment due to improved public infrastructure is significant.

Sixth, policy consistency and macro-economic stability are still quite important in creating predictable investment environment.

It was argued in the paper that price instability eroded the real level of export and producer prices. This does not augur well for sustained output growth.

And seventh, agriculture has suffered from mass migration. There is need for a general policy package to induce the youth back to agriculture. An aging population is becoming less adaptive to modern agricultural technologies and incentives. A young population would, therefore, be very vital for resuscitating agricultural production, including for exports. Policy package which makes agriculture more profitable and attractive, and less laborious would attract the youth back to agriculture.

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Table 3a: Prices of Principal Agricultural Commodities, 1970-1990 (Amount in ₦)

	1970-74	1975-79	1980	1981	1982	1983	1984	1985	198
PRODUCER PRICES									
Cocoa	797.2	1030.0	1300.0	1300.0	1300.0	14.00.0	1500.0	1500.0	160
Palm Kernel	120.2	150.0	180.0	20.0	230.0	230.0	400.0	400.0	400
Rubber (Dry lump)	N.A	365.0	420.0	485.0	485.0	700.0	700.0	750.0	120
Cotton	132.0	330.0	300.0	400.0	465.0	510.0	560.0	700.0	850
Groundnut	79.0	290.00	420.0	450.0	450.0	450.0	650.0	1750.0	100
EXPORT PRICES									
Cocoa	945.6	1830.7	1456.2	1288.0	1201.0	1645.4	2015.9	2135.3	230
Palm Kernel	232.0	207.4	188.0	194.1	177.1	240.0	398.0	263.4	254
Rubber (Dry lump)	52.6	222.7	836.1	730.6	597.2	800.2	832.5	714.3	192
Cotton	91.9	495.4	1330.5	1180.7	1073.1	1321.2	1339.2	1169.6	183
Groundnut	534.9	593.1	466.0	636.9	392.2	521.5	756.3	824.5	820
RATIO OF PRODUCER/ EXPORT PRICES									
Cocoa	0.84	0.56	0.89	1.01	1.08	0.85	0.74	0.70	0.6
Palm Kernel	0.62	0.72	0.96	1.03	1.30	0.96	1.01	1.52	1.5
Rubber (Dry lump)	0.0	1.64	0.50	0.66	0.81	0.87	0.84	1.05	0.6
Cotton	1.44	0.67	0.23	0.34	0.43	0.39	0.42	0.60	0.4
Groundnut	0.15	0.49	0.90	0.71	1.15	0.86	0.86	2.12	1.2
IMPLICIT TAX (RATIO)	-0.16	-0.44	-0.11	0.01	0.08	-0.15	-0.26	-0.30	-0.
Cocoa	-0.48	-0.28	-0.04	0.03	0.30	-0.04	0.01	-0.52	0.5
Palm Kernel	-1.00	0.64	-0.50	-0.34	-0.19	-0.13	-0.16	-0.05	-0.
Rubber (Dry lump)	0.44	-0.33	-0.77	-0.66	-0.57	-0.61	-0.58	0.40	-0.
Cotton	-0.85	-0.51	-0.10	-0.29	0.15	-0.14	-0.14	-1.12	0.2
Groundnut									

Source: CBN (1993) p.30. CBN (2000) p.60 Table 4.14b and author's calculations

Table 3a: Prices of Principal Agricultural Commodities, 1991-1999 (Amount in ₦)

	1991	1992[1]	1993	1994	1995	1996	1997	1998	19
PRODUCER PRICES									
Cocoa	10158.0	12745.0	25278	61180	73402	80222	89687	79600	85
Palm Kernel	2525.0	5692.0	10567	14374	31730	22185	16554	21000	19
Rubber (Dry lump)	5300.0	12520.0	24091	34400	34775	51917	56722	618333	57
Cotton	4163.0	3778.0	n.a	45000	45232	37757	35833	32953	40
Groundnut	4752.0	6843.0	12958	13500	20067	24125	17797	21509	36
EXPORT PRICES									
Cocoa	7388.6	7241.5	25147	30410	105685	114240	123934	140622	10
Palm Kernel	2434.4	1936.6	8405	11519	47422	50997	43324	53592	-
Rubber (Dry lump)	7622.3	7321.6	28827	147386	130545	n.a.	n.a.	-	-
Cotton	16738.8	14256.3	28419	38919	160322	174730	141994	121547	12
Groundnut	7908.5	7829.9	26361	66716	78792	69073	72950	-	-
RATIO OF PRODUCER/ EXPORT PRICES									
Cocoa	1.37	1.76	1.01	2.04	0.69	0.70	0.72	0.57	0.
Palm Kernel	1.04	2.94	1.26	1.25	0.67	0.44	0.38	0.39	n.
Rubber (Dry lump)	0.70	1.71	0.84	0.23	0.27	n.a	n.a.	n.a.	n.
Cotton	0.25	0.27	n.a	1.16	0.28	0.22	0.25	0.27	0.
Groundnut	0.60	0.87	0.49	0.20	0.25	0.35	0.24	-	n.
IMPLICIT TAX (RATIO)	0.37	0.76	0.01	1.96	-0.31	-0.30	-0.28	-0.43	-0
Cocoa	0.04	1.94	0.26	0.25	-0.33	-0.56	-0.62	-0.61	n.
Palm Kernel	-0.30	0.71	-0.16	-0.77	-0.73	n.a.	n.a.	n.a.	n.
Rubber (Dry lump)	-0.75	-0.73	n.a	0.16	-0.72	-0.78	-0.75	-0.73	-0

| Cotton Groundnut | -0.40 | -0.13 | -0.51 | -0.80 | -0.75 | -0.65 | -0.76 | n.a | n.a |

Source: CBN (1993) p.30. CBN (2000) p.60 Table 4.14b and author's calculations