

### KEY POINTS



- The country's inflation rate stood at 18.55% at the end of 2016 and food inflation at 17.39%.
- The main reason for the rising food prices was not due to shortage but rather, the rise in the cost of transportation.
- Sharp increases in food prices have significantly negative impact on the citizens' food security, poverty, vulnerability and general welfare.

## Learning from Nigeria's Past Efforts at Reducing Food Prices

The Federal government of Nigeria recently set up a taskforce to address the rising food prices and look at areas where government can intervene. Presenting the findings of the taskforce, on 08 February, 2017, the Minister of Agriculture, Audu Ogbeh, stated that the main reason for the increase was not due to shortage but the rise in the cost of transportation. He argued that food items were generally moved with heavy trucks and because the price of diesel had gone up, prices of food items had followed suit. The committee therefore suggested the use of railway wagons to transport food items across the country.

What the taskforce was asked to do came on the backdrop of the rise in general price level, reflecting the increased prices of major consumer goods. The country's inflation rate stood at 18.55% at the end of 2016 and food inflation at 17.39%. Since food is the major component of the consumer basket and the poor spend the bulk of their income on food, it is understandable that sharp increases in food prices has significantly negative impact on the citizens' food security, poverty, vulnerability and general welfare. This effect is further intensified by the already low level of real income.

The setting up of this taskforce therefore reflects government's sensitivity to the drop in the level of welfare of Nigerians.

While one understands that the current situation may have its peculiarities, there are several lessons that can be drawn from Nigeria's past efforts at reducing food prices and supporting the agriculture sector. It is important to draw such lessons because despite that many citizens are impatient and need quick fix, the government cannot afford a trial-and-error approach.

The first set of lessons can be drawn from past research on the determinants of food prices in Nigeria. Many are already contained in academic research paper and policy documents. A number of factors have been identified in prior research, in addition to the cost of transportation identified by the taskforce. Among such factors are: level of exchange rate, mis-alignment in exchange rate, duties, taxes and tariffs on food items, prohibition of major food items like rice, low farmer's productivity, increased cost of farm machinery and material inputs, poor storage facilities, tastes for certain products, activities of middlemen, export of agriculture commodities, cost of borrowing and the trade-off between cash and food crops. A critical analysis of these, and other factors, is therefore necessary for a more sustainable solution to the current problem.

The lessons from such studies can also be reinforced with experiences gathered from the implementation and outcomes of past agriculture and food intervention programmes in the country. For instance, the table below is extracted from the Policy Dataset of Anasat Database; it shows some of the important policies that have been implemented in the last four decades. According to the table, the country has done a lot for the agriculture sector; making one wonders what has been wrong with the implementation of such programmes.

It may therefore be beneficial to review these programmes towards adopting the relevant ones that worked and understand why others did not work. Fortunately, many of the policymakers that designed such policies are still around to share their experiences. We need not commit the mistake of the past; especially when we carefully study and

use information generated from such past activities.

## Agricultural Policies of the Federal Government over the Years

### 1976

Improvement in distribution facilities, supply of pest and control equipment, establishment of 10 River Basin Development Authorities, Loans, Launching of the Operation Feed the Nation to increase food production and attain self-sufficiency in food supply, announcement of guaranteed minimum producer price to protect farmers against drastic fall in prices, reduction and abolish of import and excise duties on some food commodities, farm machineries and transportation equipment.

### 1977

Tax relief for five years for any agricultural or agro allied project whose raw materials are produced locally, import duty free raw materials for production of livestock feeds and agricultural machineries. Introduction of a new commodity marketing board for some boards and commodities. Establishment of the Agricultural Credit Guarantee Scheme Fund. the Guaranteed Minimum Price per metric ton of some agricultural commodities were revised upwards.

### 1980

Launching of Green revolution Programme towards allocation of substantial funds for some areas in agriculture. Import duties on fishing vessels were abolished.

### 1985

Importation of rice was banned. The share in commercial bank's loan to Agriculture was raised from 10 to 12% and the share of merchant banks' loans and advanced to agriculture was increased from 5 to 6%..

### 1986

Disengagement of the federal government's involvement in direct production and distribution

of farm produce led to the diversity holding of some agricultural enterprises and the phasing out of the commodity boards and commercialization of input procurement and distribution. Setting up of the Directorate of food, Roads and Rural Infrastructure to promote a framework for the construction and rehabilitation of rural feeder roads towards sustained agricultural transformation. Aggregate commercial banks loan increased by 3% and establishment of the Federal Fertilizer.

### 1988

Launching a new agricultural policy with instruments (price, trade and exchange rate policies, tariff regulation) to be used during the next fifteen years which was geared towards food production, self-sustained growth in the agricultural sector and realization of a structural transformation.

### 1991

Launch of programme for small and medium scale storage facilities, liberalization of tax exception of interest on agricultural loans. Privatization of fertilizer procurement and distribution. Establishment of a National Agricultural Land Development Authority (NALDA) to execute national agricultural land programmes.

### 1993

Measures adopted by NALDA for major crops include acquisition, clearing and allocation of land to small scale farmers and Co-operative societies, provision of appropriate incentives to producers and promulgation of laws to raise farm inputs, agricultural credits, insurance and mechanization.

### 1994

One year grace period of loan repayment to small scale peasant farmers growing staples and seasonal cash crops, four years grace period to farmers of cash crops with relative long gestation periods, five years grace period to farmers of large-scale crops and seven years grace period to farmers engaged in large scale ranching. Continued importation of agricultural equipment duty free. Sectoral

allocation of loans and advances was increased for agriculture.

### 1995

Supply of domestically produced fertilisers at highly subsidized rate to farmers to enhance agricultural production. Removal of some animal produce from the import prohibition list. Liberation of exportation of processed food and vegetable oils, addition of rubber and rubber lumps to prohibition list to increase domestic value added. Incentives on some agricultural inputs and machineries. Annual capital allowance for farmers with ranches and plantation was increased. Funding for agricultural projects, loans to indigenous borrowers and retention of the agriculture loan grace periods.

### 1997

Some agricultural goods exempted from VAT and fiscal measures at achieving sustainable output growth and external viability.

### 2006

Setting up the Cocoa Development Programme , Presidential Committee on Cotton Development was set up, Agricultural Credit Support Scheme was established and a reviewed import waiver. Approving the National Fertilizer Policy through the privatization of National Fertilizer Company of Nigeria and the promotion of organic fertilizer usage.

### 2008

Guaranteed Minimum Price Scheme Instituted to encourage farmers and stabilize food prices.

### 2010

Nigeria Country Stat Project launched to address the probe of absence of a reliable agricultural database.

### 2011

Launching ATAP and Nigeria Agribusiness and Agro Industries Development Initiative to facilitate the attainment of food security, diversify the economy and generate foreign earnings and foster growth in the agribusiness sub sector. Government

withdrawal from the direct distribution of fertilizers to enhance efficiency and improve farmers access to the commodity.

### 2012

Establishment of new rice processing mills. Launching of the Federal Government Youth Entrepreneurship in Agriculture Programme to create new generation of farmers, zero duty on agricultural machineries. A corporate tax rebate for bakers for substitution of cassava flour for wheat flour.

### 2013

Provision of seedlings and fertilizer to farmers under GES.

### 2014

Provision of incentives along the entire agricultural value chain under GES. Launching of Youth Employment in Agriculture Programme and the Fund for Agricultural Finance in Nigeria, Launching of project towards filling the missing link between agriculture and industrialization.

### 2015

Funding of dry season farming programmes, establishment of the fund for Agricultural Finance in Nigeria to provide credit for agricultural value chains.

*Source: CBN Annual Report, Anasat Data Platform*

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