STRUCTURAL ADJUSTMENT PROGRAMMES(SAP) AND THEIR EFFECTS ON AFRICAN AGRICULTURE: THE NIGERIAN EXPERIENCE.

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SUMMARY

The economies of most African countries are in disarray. There are huge foreign debts, inflation, high rates of unemployment, low export earnings and declining farm output.

The challenges which these problems pose have forced a number of African countries to adopt programmes of economic recovery usually referred to as Structural Adjustment Programmes. Thus, in Nigeria, a number of policy changes have taken place with respect to Agriculture. These include the devaluation of the currency, a cut-back in the inflow of agricultural commodities, reduction in Government involvement in direct agricultural production, the abolishment of Agricultural Marketing Boards, the deregulation of interest rates, and increased focus on providing support services to farmers.

These policy changes have resulted in increased prices of imported farm inputs, higher cost of farm production and better product prices for exportable agricultural commodities.

Farm management advice which has hitherto concentrated on the use of yield increasing technologies now gets challenged on types of crop and livestock enterprises that will provide the highest returns.

The lessons for African nations include the need to develop cheaper indigenous intermediate level farm technologies; and to introduce more high valued exportable crops into the farming systems to boost foreign exchange earnings.

i. <u>Introduction</u>

The present agricultural problems of African nations were predictable. By the 1970s trends such as the decline in the growth rate of agricultural output, increase in food imports, shift in consuption patterns in favour of wheat and rice which increased the continent's dependency on other nations, had set in.

The effects of these trends became manifest in the early 1980s: foreign exchange earnings had become problematic; disposeable farm incomes had reduced. Most African nations began to experience high rates of inflation and unemployment, and mounting foreign debts.

The objective of this paper is to look at how one African nation Nigeria has taken up these challenges and the effects of the steps taken on her agriculture. It is hoped that lessons of Nigeria will be useful for other African nations in a similar situation.

ii. <u>The Nigerian Background</u>

In the early stages of Nigerias' economic development, in the 1950s and 1960s, agriculture provided most of the country's food needs; earned most of her foreign exchange; and encouraged the establishment of a number of agro-based industries - e.g. textiles and groundnut oil mills.

For example, in the 1960s the share of food in the total import value was only between 8 and 10%. In absolute terms, food imports did not exceed 52 million naira.

Also in 1967/68 season, Nigeria not only exported a total of about 965 thousand tons of groundnuts, she also satisfied the demand of local crushers of about 303 thousand tons. Similarly, 224 thousand tons of cocoa and cocoa products as well as 161,000 tons of palm produce were exported during the same period.

It is generally agreed that the oil boom of the 1970s, while it had its blessings also altered the Nigerian economy in a manner adverse to agricultural development. The oil sector became the dominant sector, accounting for over 90% of export earnings and about 80% of government revenue by the end of that decade. Agriculture, which was before oil the major source of export earnings began to suffer from inappropriate policies - unattractive pricing policies for agricultural commodities, establishment of government owned agricultural production companies which were mostly unprofitable, and liberal food import policies.

Thus by the beginning of the 1980s, the full effects of the oil boom on agricultre had become obvious. A 1980 World Bank Food Strategy Mission Report indicated a 5.5 million metric tons supply - demand deficit for all food crops for 1982. The Agricultural import bill had increased from ₦57.7 million in 1970 to ₦1.09 billion in 1980 i.e. almost 20 times. The few agro-based industries - The groundnut oil and textile mills had to depend on groundnuts imported from neighbouring countries, Similarly, the textile industry's demand for cotton lint had to be partially met from imports. Rural-urban migration became pronounced leaving the farms in the hands of the aged while the young thronged the cities looking for jobs which were not enough.

In general, there was conspicous consumption of imported goods. Even local industrial manufacture were based mostly on imported raw materials. Hence in the early 1980s when there was sharp fall in oil revenues, the economy was ill-equipped to handle the shock. Economic austerity measures were introduced. These measures reduced the inflow of raw materials to the import dependent industrial sector, including the few agro-based industries. There were extensive closures of production plants, retrenchment of workers and shortages of basic commodities such as milk, sugar and detergents. In 1983 and 1984, Nigeria and indeed most African nations experienced serious drought situations. Food shortages and high food prices were thus added to an already bad economic climate.

Thus when in 1985 and 1986, there were further falls in oil prices, the government declared a 15 months period of economic emergency and put together a package of measures for economic recovery - referred to as Structural Adjustment Programmes (SAP).

iii. <u>SAP and Agricultural Policy Changes</u>

The specific objectives of SAP in Nigeria are four: to restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and imports; to achieve fiscal and balance of payments viability over the period; to lay the basis for a sustainable non-inflationary or minimal inflationary growth; and to lessen the dominance of unproductive investments in the public sector; and intensify the growth potential of the private sector.

To achieve the above objectives, the following main features of the adjustment programmes as listed in the official document were put in place:-

a) - strengthening of the hitherto strong demand management policies.

b) - adoption of measures to stimulate domestic production and broaden the supply base of the economy.

c) - the adoption of a realistic exchange rate policy.

d) - further rationalization and restructuring of the tarrifs in order to aid the promotion of industrial diversification.

e) - move towards improved trade and payment liberalization.

f) - reduction of complex administrative controls simultaneously with a greater reliance on market forces.

g) - adoption of appropriate pricing policies especially for petroleum products and public enterprises and

h) - encouragement to rationalization and privatization of public sector enterprises.

The core policies involved actions to (a) correct for the over-valuation of the naira - the Nigerian currency - through the setting up of a viable and substantial foreign exchange market; (b) improved public expenditure control programmes (to overcome observed public sector inefficiencies) and speedy rationalisation of the parastatal sector; and (c) relieve the debt burden and attract a net inflow of foreign capital while keeping a lead on foreign loans.

In line with the above objectives and features, some major agricultural policy changes are being implemented. These include:-

a. - The abolition of the Marketing Board system.

b. - The liberalization of agricultural exports.

c. - The reduction in the number of River Basin and Rural

Development Authorities from eighteen to eleven. In addition, the Authorities are to discontinue their direct agricultural production activities and focus their attention on the development of water resources.

d. - The disengagement of government from a number of its agricultural production companies and the transfer of their activities to the private sector.

e. - The de-regulation of interest rates.

f. - The ban on importation of wheat, rice, maize, and vegetable oils.

g. - The planned withdrawal of government from the importation, transportation and distribution of fertilisers. These would be imported by private companies.

h. - The intensification of the activities of the Agricultural Development Projects in the areas of agricultural extension, on farm adaptive research and rural infrastructural support.

i. - The establishment and activities of the Directorate of Food Roads and Rural Infrastructures. The Directorate uses funds accruing largely from the withdrawal of domestic petroleum subsidy to provide rural roads, rural water supply and stimulate agricultural production.

In the rest of this paper, we will examine how these agricultural policy changes have affected agricultural prices, and agricultural exports. We will also provide information on, the current situation on family farms and summarise developments in farm management advice.

iv. (a) <u>Effects on Agricultural Prices</u>

Following the sudden devaluation of the Nigerian currency by about 400%, there have been drastic increases in the prices of agricultural inputs, especially those that are imported - tractors, other farm machinery, equipments such as ploughs, sprayers, harvesters, shellers, feed mills, incubators and agricultural chemicals. On the average, it is estimated that the increases in farm input prices are about 350 per cent. For example, a 70 horse power tractor that sold for ₦20,000 in

1985/1986 Cropping season was selling for about ₦90,000 in the 1987/88 Cropping season. Similarly, the cost of pesticides increased four folds.

These high and sudden price increases have affected farm management decisions. A number of farmers unable to afford the high costs have had to reduce cultivated hectarages; in some situations, there have been sub-optimal use of essential farm inputs. A number of poultry farmers sold out and have abandoned their farms.

It is fair to mention that Government has kept the retail prices of fertilizer at its pre-devaluation level. Thus the maintenance of soil fertility has not been adversely affected. On the positive side, farmers are beginning to maintain more carefully their farm equipments; there have also been increased attention paid by farmers to traditional methods of crop protection, especially for storage pests. At the macro-level Research Institutes, private industrialists and indeed Government agencies have stepped up efforts directed at looking for the local production of needed farm equipments and agro-chemicals.

iv. (b). <u>Effects on Agricultural Exports</u>

The abolition of the Marketing Board System, encouraged private entrepreneurs to go into the agricultural export business. The producer prices of exportable crops commodities such as Cocoa, cotton, beniseid, soyabeans, groundnut have increased sharply. For example, Cocoa that sold for ₦1,600 in 1985/86 Cropping Season was being bought for ₦6,000 and above, in the 1986/87 season. Similar increases have been experienced for cotton, soyabeans, ginger etc. Farmers producing exportable crops are thus making good profits on their farm enterprises, and increases in hectarages put under such crops have been reported nationwide.

However, the liberalization of agricultural exports has resulted in at least two adverse situations at the macro-level. First there have been increased outflow of agricultural commodities, some of which could form the base for the nation's agro-industrial growth. Second, there have been reports that the high prices offered to export crop farmers is partly due to the desire of exporters to take out accumulated capital which previous restriction prevented. Thus it is feared that proceeds from crop exports are being retained abroad rather than being brought back to the country.

iv. (c) Effects on Production on Family Farms

In general, SAP has resulted in high costs of production on farms. It needs to be recalled that the good weather situations of 1985 and 1986 gave rise to good harvests but depressed food prices. In 1987, the higher costs for inputs reduced the use of improved farm technologies. This coupled with the incidence of late rains and their early cessation as well as extensive pest damages of crops (locusts, army worms, weeds) resulted in poor harvests on most farms across the country. Thus food prices have doubled between the 1986/1987 and 1987/1988 Cropping seasons. For example, maize prices have increased from ₦460 per tonne to between ₦700-₦800. Egg prices have also gone up from ₦3.00 per dozen to between ₦5.00 and ₦6.00 per dozen.

Furthermore, following the de-regulation of interest rates, interest on farm loans have been increased from 9 and 11 per cent to 14 and 17 per cent. This has reduced the enthusiasm for investment on farms especially since the rate of return on most farm enterprises is not much higher than the present cost of capital. It is clear that continued high interest rates on agricultural loans could affect profitability on family farms.

iv. (d) Developments in Farm Management Advice

Farm management advice in Nigeria has always placed emphasis on encouraging farmers to use yield increasing farm inputs: better seeds, fertilizer, pesticides, etc. And farmers have been able to adoptsuch inputs and related practices.

With SAP, farm management advice is beginning to put more premium on the choice of crop enterprises to ensure higher returns. For example, farmers are beginning to seek advise on what type of exportable/industrial crops can be grown in their area, so that they can take advantage of the better product prices for such crops. Furthermore, the last two years have witnessed the introduction of relatively new crops into the farming invironment. Crops such as sunflower and grapes (vine) are being introduced in some states. While the necessary agronomic research on such exotic crops is new, advise on whatever is known is being keenly sought for by some farmers and provided by the extension service in the areas concerned.

V. Lessons for African Nations' Agriculture

A number of lessons can be drawn from the Nigerian experience. Structural Adjustment Programmes invariably lead to a devaluation of the local currency, withdrawal of subsidies and removal of public sector controls in agricultural production. Thus prices of farm inputs and cost of production on farms would rise. But the liberalisation of exports should boost the product prices of exportable agricultural commodities. The following may be considered:-

1. Farm management advise in African nations should now work out new cost and returns structure for family farms to arrive at new levels of input usage in line with the new price situations and resources available to farmers.

2. It is clear that few African farmers would be able to afford imported farm technologies such as tractors, harvesters and related implements under SAP. African agriculture must now concentrate on developing indegenous intermediate level technologies and make better use of donkeys, oxen, simple ploughs and implements which will be more affordable and more efficiently used by farmers.

3. More than ever before, there is a need for African nations to explore the possibility of introducing high valued and exportable crops into their farming systems and get them into foreign markets in order to earn valuable foreign exchange.

4. Agricultural production is so vital to the survival of African nations that it should not be left entirely to the operation of market forces as required by SAP. African governments must endeavour to maintain some critical level of agricultural incentives and subsidies so as to make investments on farms attractive and profitable.