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# The political economy of food price policy in Nigeria

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### Abstract

The food crisis of 2008 in Nigeria was influenced by price changes in the world market and the escalation of the price of imported fuel into Nigeria which led to sharp increases in the prices of agricultural inputs and transportation cost. The soaring prices of food staples benefited the producers whereas there was a worsening of malnutrition among the poor. To cushion the effects within the short-term, the government released grains from the reserve, ordered the import of half a million tonnes of rice to be sold at a subsidized rate and suspended the tariff on rice imports. The policy measures adopted caused a reversal of the trend of food price increase within six months, generated awareness about the nutritional importance of major food staples, and led to changes in preferences in the demand for food commodities and stimulated increased financing for commercial agriculture. The short-term price reduction could not be sustained, however, due to food supply shortages, weakness of the Nigerian currency, and the poor implementation of projects.

Keywords: food crisis, policy responses, political economy

JEL classification: E31, O13, P16, Q18

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## 1 Introduction

In spite of its huge endowment of natural resources, Nigeria is a net importer of food. Of the various food commodities imported, rice, wheat, and sugar rank very high. In the context of globalization, any crisis that occurred in the international trade for these commodities will be felt in Nigeria and indeed anywhere in the world. It is in the context of the international dimensions of the 2008 food crisis that the nature, impact, and policy responses in Nigeria can be understood. Although the prices of many commodities slumped during the first couple of years of the new millennium, some commodities (coffee, cotton, sugar, rubber, cocoa, rice, etc.) started to witness a rebound thereafter. The main causes include the shifting fundamental trends in supply and demand, poor harvests, policy changes, episodic shocks arising from climatic fluctuations and a variety of other natural and political factors. As in 2006, the increases in commodity prices in Africa were regarded as a commodity boom being driven by growth in other developing countries, especially China and India, influence of taste and preferences, climatic fluctuations, conflicts in crop producing countries, high energy costs, and price speculation (Olomola 2007). By 2008, however, the price rises have assumed crisis dimension in food markets across the developing world, including Nigeria. The crisis actually came to a climax during the first three months of 2008 and the implementation of policies to mitigate the effects started during the first week of May.

In Nigeria, the crisis followed a period of renewed growth in the agricultural sector and the concerted effort to modernize the sector. Thus, initially it was felt that since there was no food scarcity of any significant proportion the food crisis could be regarded as a mere media propaganda. On the realization of the fact that Nigeria is a net food importer and that a price escalation would reduce access to food for the majority of the people who already were precariously food insecure, the government made frantic efforts to address the situation. But what prompted the government to agree to take actions? What is the impact of the food crisis in Nigeria? What measures were adopted by the government to reduce the impact? Why did the government respond the way it did? How effective are the policy responses? What lessons can be drawn to forestall or to remedy the situation in case of future occurrence? These are the issues being unravelled in this study. Specifically, the objectives of the study are to (i) examine the agricultural commodity price trend and determine the effects of the 2008 food crisis in the country, (ii) identify the types and time horizon of the policy measures adopted to address the food crisis, (iii) analyse the political economy context of the policy responses in terms of determining the role of key actors and the factors circumscribing the adopted policies, (iv) analyse the dynamics of decision-making among the various actors in the policy process, and (v) assess the socio-economic consequences of the policy responses.

From the analysis of data gathered through interactions with policy makers and major stakeholders and from official documents, we found that price transmission internationally and within the local supply chains played a considerable role in the food crisis. The nation faced severe shocks arising from sharp and simultaneous increases in the international prices of food and crude oil in 2008. Critical supply shortages arising from inclement weather conditions, investment-unfriendly macro-economic environment and poor implementation of projects exacerbated the price transmission effects. The supply response demonstrated by farmers was clear and remarkable. Younger farmers were attracted to the agricultural sector.

However, consumers were worse off. Those on low-incomes witnessed a substantial increase in the proportion of their income that was spent on food. There was also deterioration in their intake of calorie and protein as they engaged in unhealthy food consumption patterns.

The government—executive and legislature—farmers’ associations and other stakeholders including the mass media rose up to the challenge and came up with some policy actions to remedy the situation. The measures included (i) a release of grains from the strategic reserve at appropriate intervals to mitigate the impact of high food prices on consumers, (ii) the provision of the sum of NGN 80 billion for the import of 500,000 metric tons (mt) of rice from Thailand and other parts of the world within five months to be sold locally at a subsidized rate, (iii) some adjustments in tariff measures on food import to ease transactions, and (iv) a campaign to sensitize Nigerians on the looming dangers of food shortage and the need to conserve food. Moreover, the federal government announced several other strategies to meet food security challenges for a period of four years. Such strategies include the promotion of large-scale commercial agriculture of between 500 and 3,000 hectares (ha) that is intended to have direct linkage to the small-scale farmers with a target of 10,000 ha for a period of four years, the completion of the 25 ongoing silos project, the construction of 60 specialized warehouses that will increase storage capacity, the local production of fertilizer, the rehabilitation of irrigation infrastructure under the River Basin and Rural Development Authorities to ensure all season farming and setting aside of 1.68 per cent of the Natural Resources Fund for agricultural research and the development of the agricultural sector over a period of four years. It is imperative for the government to take such actions to prevent the type of reactions by consumers in terms of riots, uprising and all sorts of civil disobedience associated with the food crisis in other countries which have been widely reported by the mass media.

These responses generated mixed effects. In the short term it was possible to reduce the spike in food prices and to introduce a guarantee minimum price as a safety net to stabilize producers’ income. But the release of food from grain reserves was badly managed as was the financial innovations for agricultural commercialization. The initial momentum in the implementation of projects was lost along the line and some of the projects were uncompleted due to the lack of commitment to release funds on a timely basis.

The remaining part of the paper is structured as follows. A brief description of the economic and political context of the country is presented in Section 2 including the structure of the agricultural sector and the various agricultural development policies implemented over the years. In Section 3 the food price trends and shocks are examined including an analysis of the impact on stakeholders as well as price transmission internationally, within domestic supply chains, and across the six geo-political zones in the country. Section 4 identifies the policy responses and sub-divides them into short-, medium-, and long-term measures. In analysing the political economy context in Section 5, attention is focused on the role of key decision-making actors and the interplay of forces among various interest groups as well as key decision-making factors. Furthermore, the dynamics of the policy-making process and the factors of influence are analysed. There is also an assessment of the socio-economic consequences of the food crisis policy response measures. The paper is rounded off in Section 6 with conclusions and policy implications.

## **2 Country context**

### **2.1 Broader socio-economic context and development**

Nigeria is one of the world's leading oil producers, it has various mineral resources, and the diversity of its vegetation and climate makes it a rich combination for agricultural products and agro-based industrial activities. The Nigerian economy has undergone fundamental changes since independence. The oil boom of the early 1970s, however, triggered off a process that has led to the present situation of the country. The sudden jump in oil revenue had a major impact on the economic management. It promoted the rapid expansion of the state and its role in economic activities. Public expenditure expanded rapidly and the state became the major avenue for the expropriation of public wealth. The public service became the biggest employer of labour as the agencies and organizations of government proliferated. The financial implication of this development soon became obvious as the civil service wage bill ballooned, claiming an increasingly disproportionate share of governmental revenues and the national income.

Since the inception of democratic governance in 1999, Nigeria has witnessed determined efforts by the government to achieve rapid economic growth and development and to significantly reduce poverty. There has been a substantial expansion in the economy as the GDP rose from NGN 412.33 billion in 2000 to NGN 561.93 billion in 2005, and NGN 775.50 billion<sup>1</sup> in 2010. Real GDP growth rate made a significant jump from an average of 2.8 per cent in 1997/98 to 5.4 per cent in 2000 reaching an all-time high of 9.57 per cent in 2003 and thereafter, fluctuating to 6.69 per cent in 2009 and 7.87 per cent in 2010. The growth has been driven mainly by developments in agriculture and telecommunication sectors in particular.

The implementation of macro-economic reforms as well as reforms in various sectors of the economy has been going on relentlessly since 2000, but while macro-economic stability has been achieved, it appears that desirable outcomes in the areas of employment generation, poverty reduction, export expansion, and diversification of the economy are yet to be achieved to a significant extent. The population is growing rapidly at about 3.2 per cent and this has its own effect on unemployment which has been rising uncontrollably in recent times. Available data from the National Bureau of Statistics indicate that unemployment has risen from 12.9 per cent in 2009 to 21.1 per cent in 2010, and 23 per cent in 2011. The transformation of the agricultural sector and investments in infrastructure development will contribute in no small way to the realization of the development objectives in these areas.

### **2.2 Political context and trajectory**

Nigeria has a federal structure consisting of a central government, 36 state governments and 774 local governments. At independence in 1960, the country adopted the British-type parliamentary system. This lasted until the military took over power in 1966. The collapse of that experiment has been blamed on a number of contributing factors. Ethnicity, religious differences, fear of domination, corruption, and a host of other factors have been identified as factors. The termination of the First Republic ended up in a civil war and the beginning of a series of changes in the administrative set-up of the country. The regional governments were

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<sup>1</sup> The naira exchange rate to the US\$ stood at 101.7, 132.9, and 150.3 in 2000, 2005, and 2010, respectively.

abolished and smaller states created in their places. Since then the number of states has increased from 12 to 36. Under the military, the country was run as a unitary system along the command structure of the military. During the Second Republic (1979–83), the American presidential system was adopted. This did not last as the military struck again. In all, the military has been in power for the major part of the post-colonial period.

In 1999 Nigeria had a new constitution and a democratic dispensation was ushered in. The constitution places agriculture in the concurrent legislative list implying that all the three tiers of government—federal, state, and local—have responsibilities for agricultural development. These responsibilities are reflected in the nation’s agricultural policy which prescribes specific functions for each tier of government based on resource availability and the principle of subsidiarity. The national policy on agriculture defines the role of federal government to include: making laws and policies relating to major activities in agriculture that cut across state boundaries and ecological zones; research and development of appropriate technology for agriculture, including biotechnology to continually increase the yield of agricultural produce, as well as find markets for the products; seed industry development, seed law enforcement, and seed quality control; management of impounded water, supervision of large dams and irrigation canals, maintenance of pumping facilities. They also include: the maintenance of fishing terminals and other fisheries infrastructure including cold rooms; promotion of trawling, artisanal, and aquaculture fisheries; the protection of Nigeria’s exclusive economic zone for fisheries resources and periodic review of the provisions of agreements on agricultural trade reached between Nigeria and the World Trade Organization.

The state governments are charged with responsibilities, which among others include:

- the provision of a virile and effective extension service;
- the promotion of the production of inputs for crop, livestock, fish, and forestry;
- ensuring access to lands by those who wish to engage in farming;
- development and management of irrigation areas or large dams;
- the promotion of appropriate farm mechanization;
- training and manpower development (FGN 2002). The agricultural responsibilities of local governments include provision of effective agricultural extension service;
- the provision of rural infrastructure;
- the management of irrigation areas of dams;
- the mobilization of farmers for accelerated agricultural and rural development through co-operative organizations, local institutions, and communities’ provision of land for new entrants into farming in accordance with the provision of the land use act and co-ordination of data collection at the primary levels jointly with state governments.

The three tiers are to co-operate to achieve the agricultural development objectives. There is no doubt that such a co-operation between the federal and a particular state government will be smooth and effective if the national ruling party is also the ruling party at the state level. Where the contrary is the case, fostering the federal government’s agricultural programmes at the state level has always been difficult.

### **2.3 Economic structure**

Despite increased emphasis on economic diversification Nigeria remains a mono-cultural economy—highly dependent on oil revenue while its GDP is dominated by agriculture.

Agriculture's contribution to GDP declined from an average of 60 per cent annually in the 1960s to about 31 per cent in 1971–75, and 22.4 per cent in 1976–80. Its contribution rose to 25 per cent in 1981–85 and to about 38 per cent in 1986–90 before declining again to 30 per cent in 1991–92 (Olomola 1995). The unstable performance of the sector has taken place at different policy regimes—an era of widespread state control (1971–85) and the era of structural adjustment programme (SAP) during which the roll-back of the state and reliance on market mechanisms appeared to be the order of the day. Since 2000 when reforms took the centre stage and agriculture was prioritized as the engine of economic growth, the contribution of the sector to GDP has risen considerably to an average of 41.5 per cent between 2001 and 2005 and 41.68 per cent between 2006 and 2010. To date, agriculture still provides employment to about 70 per cent of the working population and is the primary source of income to the majority of rural dwellers.

In spite of the size of the agricultural sector, the country is not self-sufficient in its food production in general and rice in particular. Rice is the core commodity in the food price policy response in view of its widespread consumption across the country and reliance on the international market to meet a considerable proportion (about 30 per cent) of the nation's consumption requirement estimated at about 4.2 million tonnes in 2008. The supply-demand gap in the case of grains has been due to inadequate domestic production arising from the inadequate use of modern inputs and improved seed varieties and poor yield. In the case of rice, the processing capacity is grossly inadequate and the quality of locally milled rice is sub-standard on account of poor handling and use of antiquated equipment. The fact that Nigerians have developed a preference for imported rice over a long period of time on account of taste, better packaging, and high quality, continues to strengthen the reliance on imports. Imported rice has been better than local rice in terms of cleanness and uniform physical characteristics. This preference and expansion of rice import trade constitute a disincentive for increased production of local rice. Besides, the development of the market for local rice has not been growing as fast as that of imported rice. Nigeria has been importing an average of 1.7 million tonnes of white rice annually making it the world's second largest rice importer. The country is also the world's largest importer of the USA's hard red and white winter wheat with an annual import bill of NGN 635 billion since 2005. Available data show that the import of food and live animals stood at NGN 147.38 billion in 2004 and this increased to NGN 299.48 billion in 2008. However, as a share of total import, the trend has been declining gradually; from 8.9 per cent to 6 per cent over the period. Besides, agriculture tends to have dominated non-oil export in recent times; with export earnings rising from NGN 37.53 billion in 2004 to NGN 134.29 billion in 2009. In line with the development objectives of the sector, the share of agriculture in total non-oil exports has been increasing steadily from 33 per cent to 47 per cent over the period.

#### **2.4 Agricultural development strategy and policy priorities**

By and large there are four distinct phases in the agricultural policy formulation and implementation in the country. The first phase is the first post-independence decade (1960–69) during which the development approach was essentially *laissez-faire*. Agriculture was mainly in the hands of private-sector operators while government involvement was limited to the development of institutions basically for research and product marketing. The second phase is the period of intensive state control of agricultural activities (1970–85), while the third phase is the period of the SAP and guided deregulation (1986–93; 1994–99). The fourth phase is the new era of reform under a democratic government (2000 to 2011) in which the economy is conceived to be market-oriented and private sector-led. The period had witnessed

policies in many critical areas including agricultural credit guarantee, subsidy on fertilizer and other inputs, regulation of food import through appropriate tariff policies, establishment and abolition of commodity boards, establishment of commodity marketing companies, and land reform.

The first national policy on agriculture was adopted in 1988 which was expected to last up to 2000. A new national policy on agriculture was launched in 2001 with its broad objectives not quite different from the old one. The broad objectives of the Nigerian agricultural policy as stated in the document are similar to those of the 1988. They include: (i) the achievement of self-sufficiency in basic food supply and the attainment of food security; (ii) the increased production of agricultural raw materials for industries; (iii) the increased production and processing of export crops, using improved production and processing technologies; (iv) generating gainful employment; (v) rational utilization of agricultural resources, improved protection of agricultural land resources from drought, desert encroachment, soil erosion, and flood, and the general preservation of the environment for the sustainability of agricultural production; (vi) promotion of the increased application of modern technology to agricultural production; and, (vii) the improvement in the quality of life of rural dwellers. The programmes and projects implemented during the last decade were designed to achieve these objectives. Under the current transformation agenda (2011–15), there is emphasis on the development of agricultural commodity value chains, transformation of agricultural marketing, reform of agricultural insurance, improved agricultural finance through the Nigerian incentive-based risk sharing system for agricultural lending and establishment of microfinance banks for agriculture.

### **3 Food price trends and shocks**

Nigeria is not self-sufficient in the production of certain crops (e.g. rice, maize, and wheat) and has relied on imports to fill the gap. In spite of production variabilities and fluctuations in prices and weather conditions, the country has not witnessed famine or food riots; neither has it been a beneficiary of food aid. Thus, the soaring food prices and the accompanying hysteria witnessed in 2008 seem to be unprecedented. It is therefore, not surprising that it took some considerable controversy before the soaring food prices of 2008 could be considered as a food crisis. In general, the prices of many commodities have followed an increasing trend but skyrocketed between 2007 and 2008, especially in the case of rice, sorghum, cassava, soybean, maize, millet, and wheat. Even after 2008, prices of many crops continued to rise with the exception of rice (Figure 1).

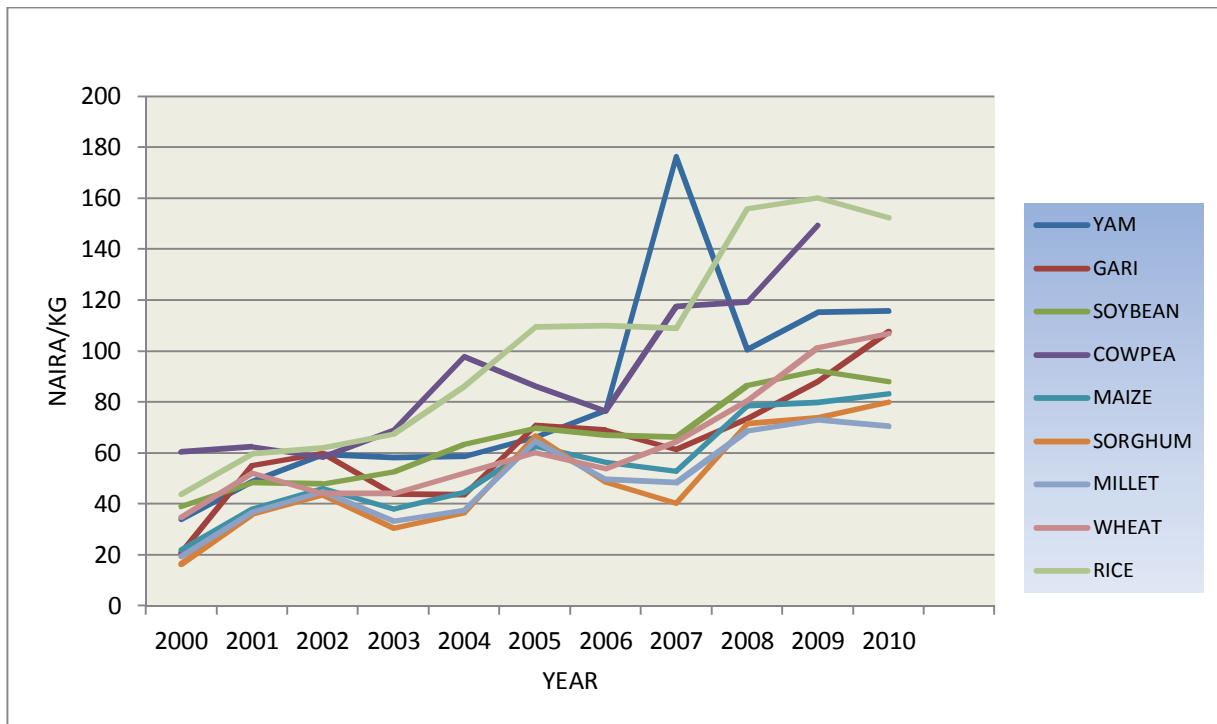
The continued rise in prices beyond 2008 is partly due to demand pressures from neighbouring countries as Nigeria's importance in regional (cross-border) trade in the Sahel region became more prominent in terms of its involvement in ensuring food security through export of dry grains such as millet, maize, and sorghum. For instance, in the aftermath of the production shortfall in Niger Republic in 2009 which degenerated into a demand-supply gap of about 400,000 tonnes of grains, exports from Nigeria effectively bridged the gap and helped to stabilize prices. An assessment of the situation as at February 2010 shows that between 80 and 100 per cent of markets in Niger Republic were supplied each week with about 4,300 tonnes of grains from Nigeria, 1,750 tonnes from Benin, and 240 tonnes from Burkina Faso and this continued until around August that year (Diao 2010).

The pattern of change in commodity prices varies between rural and urban areas and across agro-ecological zones. Graphical illustrations of the price changes in four of the six zones



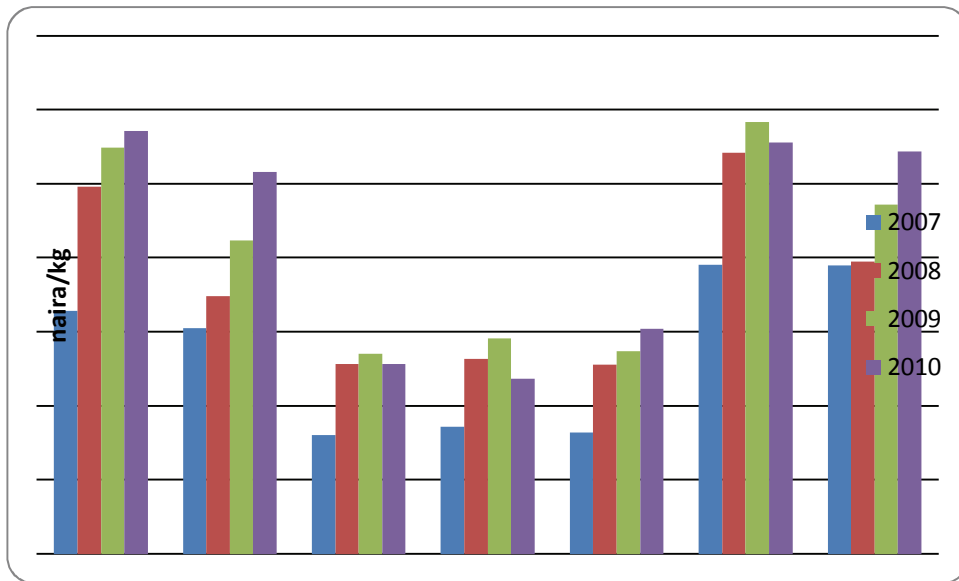
attest to this fact. In the rural areas of the north west zone for instance, there has been a persistent increase in prices of beans, garri, millet, and yam from 2007 to 2010 whereas the prices of sorghum, maize, and rice started to decline in 2010. On the other hand, the rural areas of the south west zone witnessed a persistent increase in prices of the seven commodities from 2007 to 2010 (Figures 2 and 3). In general, food prices are lower in the rural areas of the northern part of the country except in the case of garri and yam prices which are higher in the north than the south. This is because the south has a comparative advantage in the production of root crops compared to the north which has a greater advantage in the production of grains. In the urban areas, the soaring food price was most pronounced in the case of millet which is one of the food staples in the northern part of the country. Except in the case of this crop, no other crop witnessed a decline in price from 2008 to 2010 as was the case in the rural areas (Figures 4 and 5). The prices of beans, sorghum, rice, and maize are lower in the urban areas of the north than the south while the reverse is the case in respect of garri, millet, and yam.

Figure 1: Retail market prices of major agricultural commodities



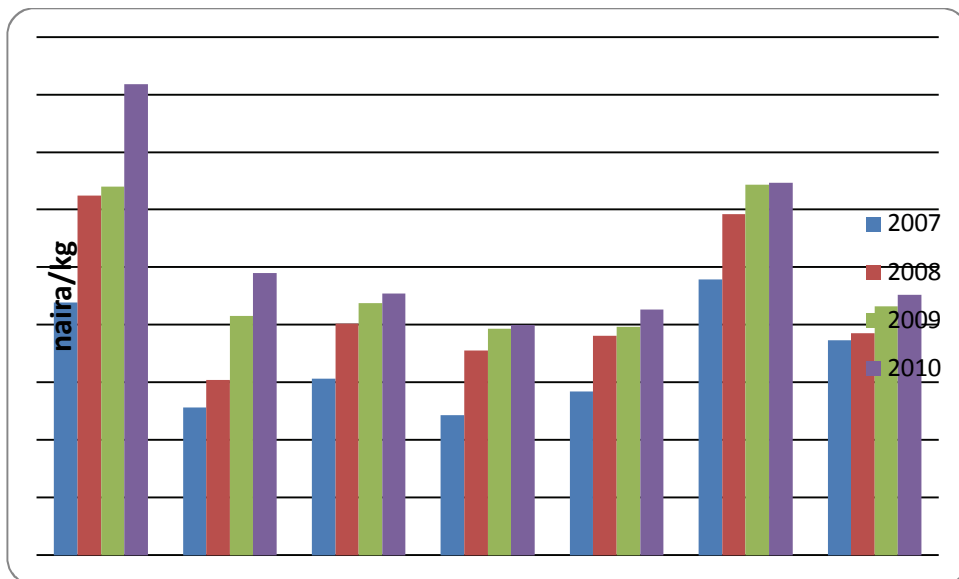
Source: author's illustration using data from Nigerian Bureau of Statistics (NBS) (2011).

Figure 2: Average rural retail prices of agricultural commodities in north west Nigeria



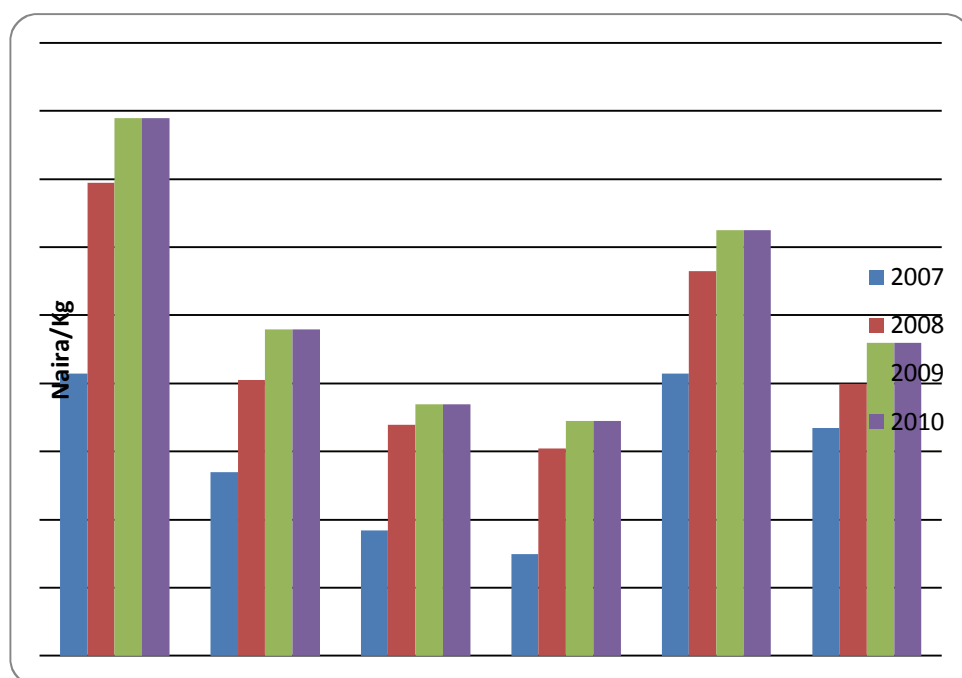
Source: author's illustration using data from NBS (2011).

Figure 3: Average rural retail prices of agricultural commodities in south west Nigeria



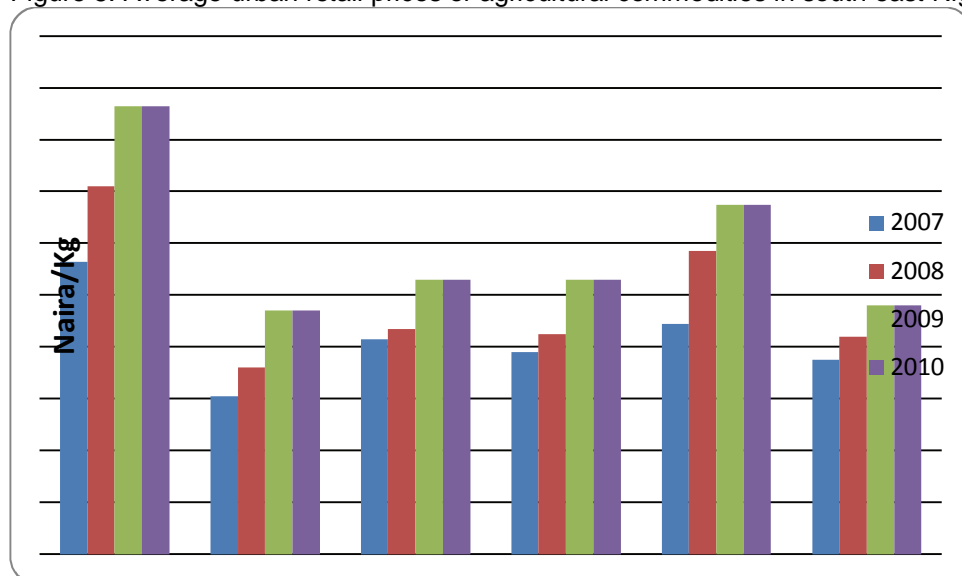
Source: author's illustration using data from NBS (2011).

Figure 4: Average urban retail prices of agricultural commodities in north central Nigeria



Source: author's illustration using data from NBS (2011).

Figure 5: Average urban retail prices of agricultural commodities in south east Nigeria



Source: author's illustration using data from NBS (2011).

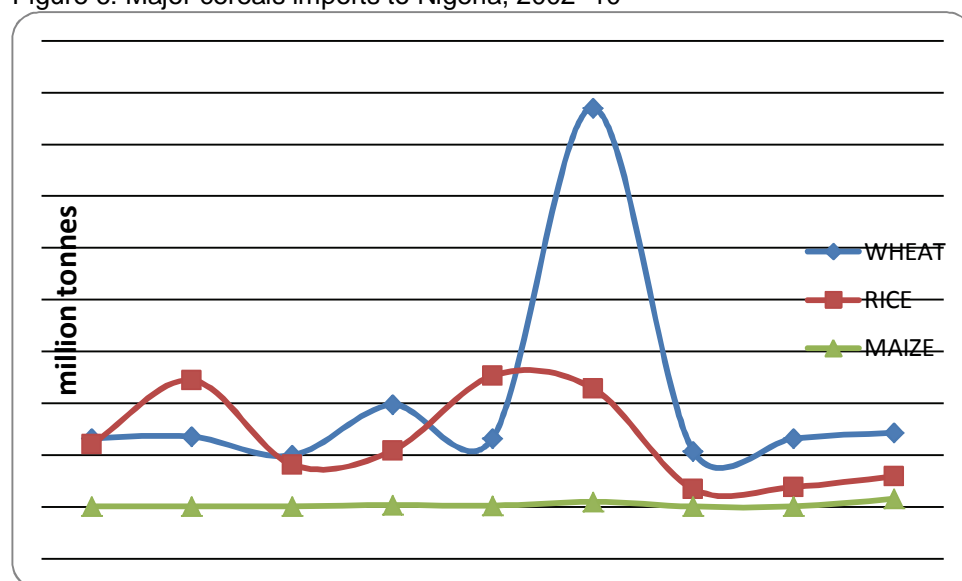
The fact that the prices of various commodities like rice, sorghum, cassava, soybean, maize, millet, and wheat surged between 2007 and 2008 irrespective of whether they are tradeables or non-tradeables is an indication of the complex nature of the drivers of the food price crisis in Nigeria. Ordinarily the international market prices of rice and wheat could be held responsible for the soaring prices experienced during the period. The fact that the prices of other commodities were rising at the same time, however, suggests that other factors might also be contributing. In this regard, there are three possibilities. First, sorghum, millet, and beans could face a higher regional demand as neighbouring countries and other West African countries where food riots have been reported, might be sourcing the food staples from

Nigeria as mentioned earlier thus, transforming their trade configuration as they gained entry into the region formally or informally. The possibility of cross-border trade in the case of sorghum, millet, and beans cannot be ruled out. Second, is the substitution effect of the 2008 food crisis. Consumers in Nigeria and indeed in many West African countries turned from the consumption of rice and bread to the consumption of other food staples such as cassava products, yam, and maize; a trend that has been observed in Guinea, Liberia, Sierra Leone, Ghana, Benin, and Nigeria together with an increase in the production and trade of cassava farina in West Africa since 2008 (NISER 2009; SWAC 2011). The third possible source of price increase is the high cost of transportation in Nigeria during the period, particularly occasioned by the increase in the international price of petrol occurring simultaneously with the soaring of international prices of rice and wheat. As Nigeria was also importing fuel during the same period, such increase in the price of petrol would be transmitted to the domestic economy leading to an escalation of transportation cost.

### 3.1 Imports of agricultural commodities

As indicated earlier, the demand for food in Nigeria is not fully met from domestic sources. The main agricultural commodities imported include wheat, rice, maize, and oats. Wheat is important in the production of flour for various food items while rice is a major staple consumed in various parts of the country. Billions of naira have been spent on the import of these commodities over the years but as efforts are intensified to boost domestic production since 2008, imports have followed a declining trend (Figure 6).

Figure 6: Major cereals imports to Nigeria, 2002–10



Source: author's illustration using data from NBS (2011).

### 3.2 International price transmission

Changes in international prices of key commodities imported into Nigeria such as rice, wheat, and maize can affect domestic prices of such commodities in view of the high level of import, economic liberalization, and globalization being experienced over the years. In the absence of systematic and reliable monthly time-series data on domestic market prices of these commodities, however, it is impracticable to examine the transmission econometrically with

a view to estimate the transmission elasticities. Nonetheless, graphical illustrations of the co-movements between the import prices and domestic retail prices of the commodities for annual data from 2002 to 2010 show a strong evidence of transmission of international prices (Figures 7–9). Furthermore, a correlation analysis reveals that the co-movement is strongest in the case of wheat ( $r = 0.84$ ), followed by rice ( $r = 0.70$ ), while in the case of maize, the movement is also in the same upward direction, but the correlation is weak ( $r = 0.37$ ). The implication is that for a large importer of rice and wheat like Nigeria, domestic prices are likely to rise in response to the soaring prices of these commodities in the international market.

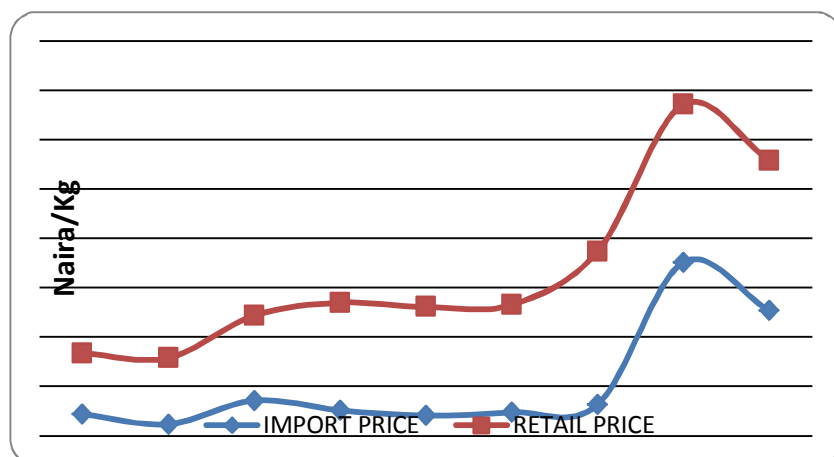
The shock in world food prices in 2007–08 should be expected to generate extraordinary effects because the rise in prices coincided with sharp increases in the prices of petroleum products (including petrol) imported into Nigeria which followed the same trend as the price of crude oil in the international market. The price of oil in the world market increased from about US\$30/barrel in 2003 to US\$71/barrel in June 2007 and US\$133/barrel in July 2008 (Minot 2011). With such an increase, prices of refined petroleum products, fertilizer, and other agricultural inputs imported into the country also increased, all resulting in a substantial rise in prices of both imported and domestically produced food.

Figure 7: International wheat price transmission in Nigeria



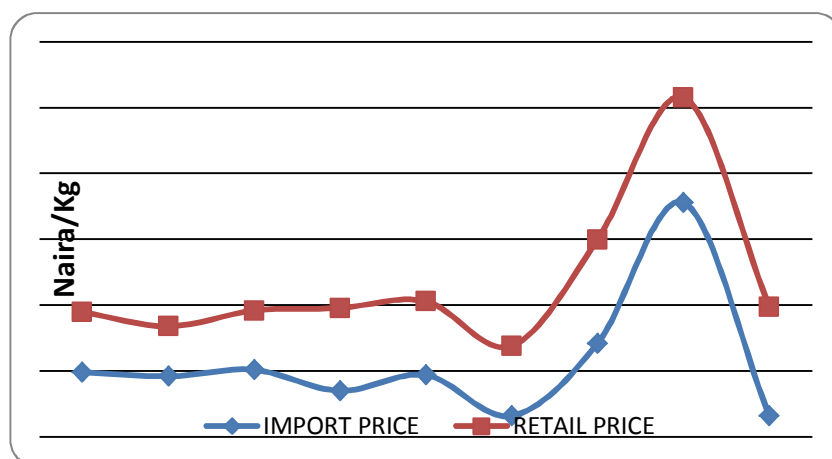
Source: author's illustration using data from NBS (2011).

Figure 8: International rice price transmission in Nigeria



Source: author's illustration using data from NBS (2011).

Figure 9: International maize price transmission in Nigeria



Source: author's illustration using data from NBS (2011).

In addition to the rising international oil price, the weak exchange rate which continued to depreciate up till 2010 also fuelled the hike in food prices especially in view of the fact that the country is highly import-dependent for the supply of its agricultural inputs. The combined increase in food and oil prices actually contributed to the escalation of the inflationary process in Nigeria; a phenomenon which might not be expected from normal fluctuations in food prices. According to Minot (2011), if the exchange rate is market-determined, the depreciation would largely offset the inflation, leaving prices in (US\$ terms) relatively unchanged. In Nigeria, the naira exchange rate to the US\$ continued to depreciate from 2005 to 2010. It was NGN 132.9 in 2005, NGN 127.4 in 2007, and NGN 139.27 in 2008. The naira depreciated further to NGN 148.9 in 2009 and NGN 150.3 in 2010. Moreover, the inflation rate which stood at a single digit before the crisis rose considerably from 6.6 per cent in 2007 to 15.1 per cent in 2008 and 12 per cent in 2009. To date, the inflation rate has not reverted to the pre-crisis single digit. The domestic inflationary pressure, inadequacies of the foreign currency market and imported inflation through massive imports of petroleum products (which jerked up transportation and production costs) were partly responsible for the food price crisis in Nigeria. This situation also partly accounts for the observed trend in which domestic food price increases actually exceeded world food price increases.

Apart from the transmission of international prices there are other factors which accounted for the soaring of food prices in Nigeria from 2008 to 2010. They included food supply shortages, macro-economic environment, with high interest rate, the weakness of the Nigerian currency, poor implementation of projects, as well as high transportation cost. Indeed, high transportation cost in the marketing system is a major cause of price rise. As a net oil exporter, Nigeria should not have suffered from high transportation cost occasioned by high cost of fuel, especially diesel, as other non-oil producing countries. Diesel is used more in agricultural machineries and in food haulage and food storage systems and the price of this commodity remain very high in the country. The rising cost of fuel could have been addressed not necessarily through increased fuel subsidy but by reducing the import of refined oil products, expanding domestic oil refining capacity, and eliminating financial leakages associated with the granting of the fuel import licence.

### 3.3 Price transmission within domestic supply chains

The soaring food prices have different implications for different actors within the domestic supply chain. In the case of net food producers, an increase in price may be a welcome development as it will enhance earnings and boost production and thus ensure the availability of food which in turn will be of benefit to consumers. For consumers, especially those in urban centres, the change in prices may be unbearable especially for the low-income group. The speed and efficiency of transmission of farm prices to the retail level and vice versa depends on several marketing functions and the level of development of both marketing and other infrastructural facilities. In the absence of detailed quantitative marketing data we employ the available price data at three main levels in 2007 and 2008 to examine changes in the marketing margin, farmers' shares of retail prices, and the performance of the market during the food crisis period.

The gap between producer price and retail price (consumer price) is wider in 2008 than 2007 in respect of rice, maize, sorghum, and cowpea, whereas in the case of yam and garri the gap is wider in 2007 than 2008. Accordingly, the farmer's share of the retail price is higher in 2008 in respect of yam and garri while the farmer's share in the case of other commodities is much lower in 2008 than 2007 (Table 1). Commodities for which the farmers provide most of the value added utilities should have a higher farmer's share and those on which marketing firms provide a large share of the utility have smaller farmer's share. Therefore, farm products marketed directly to the consumers in relatively unprocessed or fresh form have a higher farmer's share than those processed. Similarly, the extent of transportation, storage, protective services such as refrigeration result in lower farmer's share. The producer prices (farm gate prices) were higher in 2008 than 2007 with the exception of rice. The decline in the price of rice reflects the effect of the crisis response policy in which rice was imported free of import duty and other charges and sold to consumers at subsidised price. As noted earlier this caused a drastic reduction in the price of rice in 2008 which was a great relief to consumers at a time when farmers were selling their products. The expectation of this kind of negative effect was actually the reason behind the apprehension expressed by the Rice Farmers Association of Nigeria (RIFAN) during the implementation of the policy. For the other commodities, there was a phenomenal increase in producer prices ranging from about 7 per cent in the case of cowpea, 9 per cent for sorghum and maize, 18 per cent for yam, and 51 per cent for garri. This resulted in higher spikes in rural retail prices which were further transmitted into much higher price increases in the urban areas where complaints about the food crisis were most vociferous. The urban retail prices of yam and garri rose less rapidly between 2007 and 2008 compared to the farm gate prices. However, the retail prices of rice, maize, sorghum, and cowpea rose more rapidly (at least three times higher) than that of farm gate prices during the period (Table 2).

Table 1: Comparison of farm gate and retail prices of selected crops, 2007–08

Crop	2007			2008		
	Farm gate price (NGN/kg)	Urban retail price (NGN/kg)	Farmer's share of retail price (%)	Farm gate price (NGN/kg)	Urban retail price (NGN/kg)	Farmer's share of retail price (%)
Yam	63.50	76.16	83.38	75.08	81.50	92.12
Garri	28.18	64.66	43.58	42.55	77.33	55.02
Rice	62.72	86.16	72.79	62.54	112.66	55.51
Maize	48.33	51.33	94.16	57.90	68.50	84.53
Sorghum	33.84	55.66	60.79	36.60	74.00	49.46
Cowpea	61.66	89.66	68.77	66.00	132.00	50.00

Sources: NBS (2011); NISER (2009).

Table 2: Price changes within domestic supply chains (%), 2007–08

Crop	Change in farm gate price (%)	Change in rural retail price (%)	Change in urban retail price (%)
Yam	18.23	6.42	7.23
Cassava/garri	50.99	11.90	20.31
Rice	-0.28	23.59	30.75
Maize	9.59	20.75	33.33
Sorghum	9.58	25.92	32.95
Cowpea	7.04	44.40	47.22

Source: underlying data from NBS (2009).

In 2007, commodities with low marketing margins are yam and maize while rice, cowpea, sorghum, and cassava have high margins of about 27, 31, 39, and 56 per cent, respectively. In 2008, all the commodities with the exception of yam and maize also have high marketing margins ranging from about 44 per cent in the case of garri and rice to 50 per cent for sorghum and cowpea. The marketing margins for many crops rose considerably in 2008 compared to 2007 reflecting the influence of high transportation costs and the fact that many actors were involved in the marketing activities serving as middlemen. Increases in marketing margins could also have been fuelled by increases in consumer demand. In the case of grains, the demand is three dimensional—domestic, regional, and industrial (especially for sorghum and maize). The root crops (yam and cassava) are exceptions in the sense that the marketing margins actually declined over the period (Table 3). This is due to the perishable nature of these commodities. Moreover, they are bulky and do not change hands as frequently as the other commodities before reaching the final consumers.

Table 3: Comparison of marketing margins of food staples, 2007–08

Crop	2007		2008	
	Gross marketing margin (%)	Total mark-up (%)	Gross marketing margin (%)	Total mark-up (%)
Yam	16.62	19.94	7.88	8.55
Cassava/garri	56.42	129.45	44.98	81.74
Rice	27.21	37.37	44.49	80.14
Maize	5.84	6.21	15.47	18.31
Sorghum	39.21	64.48	50.54	102.19
Cowpea	31.23	45.41	50.00	100.00

Source: computed from Table 1.

The findings imply that the marketing channel for commodities such as rice, sorghum, and cowpea is associated with a myriad of activities from the farm gate to the retail level—which do not necessarily entail significant value added. There is also the tendency for the marketing costs to increase considerably in 2008 compared to 2007 as evidenced by the high percentage



mark-ups recorded in 2008 especially in respect of sorghum and cowpea. These two commodities are produced mainly in the northern parts of the country where the cost of fuel is much higher than in other regions. The high increase in mark-up is therefore, a reflection of high transportation costs in particular and high marketing costs in general during the period. By and large, the producer prices, retail prices, and marketing margins all increase considerably between 2007 and 2008. However, because the retail prices of rice, maize, sorghum, and cowpea increased proportionally more than the producer prices, the farmer's share declined during the period. The implication of the commodities with higher farmer's share in 2008 is that the commodities concerned (yam and garri) were being sold to consumers without any significant value added.

### **3.4 Broad impact of the price shifts on stakeholders**

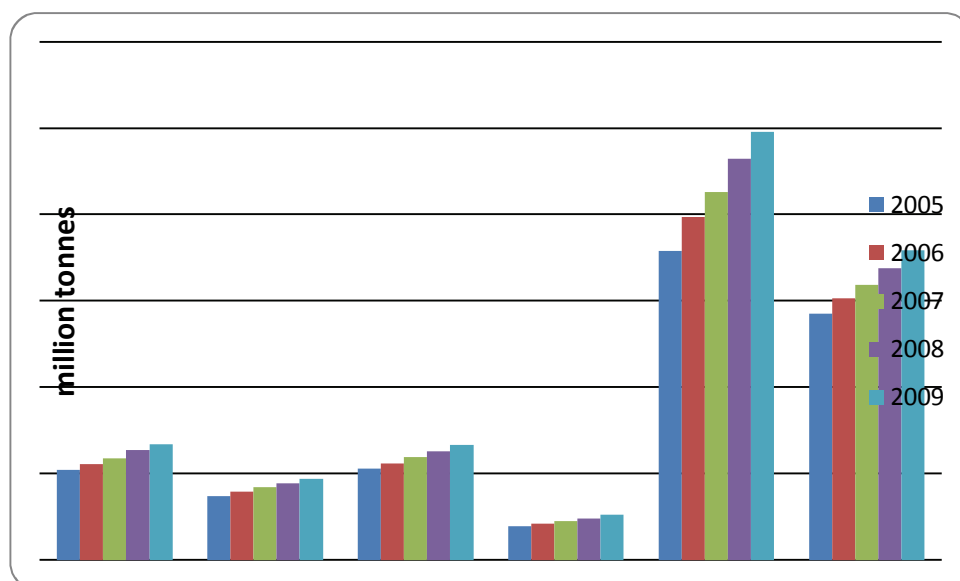
#### *Production impact*

The food crisis is expected to have different impacts on consumption and production. In theory, high prices provide an incentive for producers with excess capacity and resources to purchase necessary inputs to eventually increase production. Although the small-scale farmers may not be able to fully capitalize on price rises due to limited access to markets and key production inputs such as seed, fertilizer, knowhow, irrigation facilities, and credit they are still expected to be encouraged to increase production in response to the rising product prices. As it turned out, the production trend for major commodities from 2004 to 2009 reveals that the impact on production is positive (Figure 10), varying widely between cassava and rice. The impact on output seems to be most pronounced in the case of cassava, followed by yam, maize, sorghum, millet, and rice judging by the increase in production between 2007 and 2008. There is continuous expansion in the production of cassava and yam even up to 2009. The impact on rice production is almost imperceptible. The rice producers have not increased output significantly and this resonates with the unimpressive price regime in the aftermath of the import of rice in 2008 which effectively reversed the upward swing in price and dampened farmers' enthusiasm to cultivate the crop during the following cropping season. The slight production increase has been spurred by incentives provided by the government in the form of credit facilities and availability of modern inputs.

#### *Impact on farm enterprise profitability*

In the aftermath of the 2008 food crisis, NISER (2009) examined the profitability of farm enterprises across the country with a view to determining whether the crisis was beneficial to producers. In order to assess the level of profitability of an enterprise, gross margin and net returns were calculated. By examining the changes in gross margin between 2007 and 2008 it is possible to indicate the effects of the food price increase on operating profit of farmers and determine the commodities that are favoured or disadvantaged. The results show that the gross margin increased in 2008 for many crops. Increase in profitability was found to be highest in the case of sorghum (276 per cent) followed by cassava (89.84 per cent), maize (37.07 per cent), yam (17.39 per cent), while the least is rice (9 per cent).

Figure 10: Production trend of food staples in Nigeria, 2005–09



Source: author's illustration using data from Federal Ministry of Agriculture and Rural Development (2010).

### *Effects on food consumption patterns*

The effects of the 2008 food crisis on food consumption can be gleaned from the study conducted by NISER (2009) which examined the budget share various food categories consumed at homes across the six geo-political zones in the country. The study revealed that cereals, root, and tubers as well as vegetables account for a larger share of the total food budget in both the rural and the urban sector in each zone. It is instructive to note that these are cheap sources of calories in the country. Therefore, a large portion of the household budget is spent on them. On the other hand, the budget shares of meat, fish, and beverages are smaller in each zone. It is important to note that meat and fish are sources of protein and because of their higher prices, both rural and urban household consumers, tend to cut down the expenditure on them. The consumers tend to substitute legumes whose prices are lower for livestock products as their sources of protein.

The high food prices also induced a change in the pattern of food consumption. For instance there was a general shift in the share of food budget in favour of cereals in both the urban and the rural sectors in most of the zones. Similarly, between 2007 and 2008, the results show a general shift in terms of increased share of roots and tubers in the food budget especially in rural north central, rural north east, south east urban, south west urban, and south south urban and rural areas (NISER 2009). The share of meat and beverages in the food budget witnessed a general decline between 2007 and 2008 in most of the zones. The study found that urban areas spent proportionally more on food in both 2007 and 2008 than rural areas. Comparing the per household expenditure on food for the two years the results show that urban and rural dwellers spend more on food in 2008 than 2007 on account of the food price increases (Table 4). Indeed, evidence suggests that in about the last quarter of 2008, the percentage of income spent on food crops has tripled compared to the situation in the previous quarter and the poverty gap seemed to be widening in other sectors of the economy (IFAD 2009).

Table 4: Proportion of household income spent on food in Nigeria, 2007–08

Geopolitical zone	Proportion of household income spent on food in urban sector (%)		Proportion of household income spent on food in rural sector (%)	
	2007	2008	2007	2008
North-central (Benue State)	55.44	70.39	53.96	76.84
North-east (Yobe State)	45.38	79.75	45.24	71.61
North-west (Zamfara State)	64.23	78.98	52.11	74.05
South-east (Enugu State)	55.95	77.89	43.82	71.60
South-west (Osun state)	50.18	74.34	52.47	72.59
South-south (Edo State)	65.12	78.19	55.17	73.15

Source: based on data from NISER (2009).

### *Effects of food price increase on nutrition and food security*

To maintain food security at the household level, members should have access to adequate food for healthy living. An important component of the study by NISER (2009) was to determine the effect of the 2008 food crisis by examining the changes in the dietary content of the food consumed in 2007 and 2008 by household members in rural and urban locations across the country. The per capita protein and calorie intake is compared with the benchmark to determine whether or not it falls below the minimum recommended by the Food and Agriculture Organization (FAO) and World Health Organization (WHO) for maintaining the human body. According to FAO and WHO, the minimum standard per capita protein and calorie intakes are 54 grammes and 2,450 kilocalories per day, respectively. The study analysed and assessed the amount of protein and calorie intake obtained from the quantity of each food commodity consumed per person per day at the household level by comparing the estimated protein and calories content of the food items consumed per person per day within the household with the FAO and WHO recommended minimum standard for a healthy life.

The study reveals that both the rural and urban dwellers consume less than the recommended minimum per capita daily protein and calorie intake implying a worsening malnutrition among Nigerians in both the urban and the rural areas between 2007 and 2008. In 2007, protein intake per capita per day was only about 49, 47, 38, 42, 43, and 52 grammes in the urban sector of north central, north east, north west, south east, south west, and south south, respectively. This implies a national average of 45 grammes in the urban sector. In 2008, the per capita daily protein intake has declined to about 46, 44, 34, 41, 40, 46, and 42 grammes in the respective urban sector of the north-central, north-east, north-west, south-east, south-west, and south-south zone.

The deficit in per capita daily protein intake was higher in 2008 than that of 2007 in the rural sector of each geopolitical zone. Besides, the deficits in per capita daily protein intake was higher in the rural sector than the urban sector of each zone which is indicative of the fact that poverty is more pronounced in the rural sector than in the urban sector. The study also shows the deficit in calories intake of about 9, 6, 8, 7, 6, and 10 per cent in the urban sector of the north central, north east, north west, south east, south west, and south south zone, respectively in 2007. This meant a deficit in daily per capita protein intake of 8 per cent for the country as a whole. In the same year, there was a deficit in the daily calories intake of about 13, 13, 14, 8, 8, and 11 per cent in the rural sector of the north central, north east, north west, south east, south west, and south south zone, respectively. The deficit in daily per capita calorie intake in each zone was higher in 2008 for both the urban and the rural sector of each geopolitical zone than that of 2007. It is important to stress that in an earlier study, NISER (2000) observed a national deficit of 6.86 per cent in calorie intake in Nigeria. The deficit

observed here is much greater than this figure implying that the food crisis might have led to deterioration in the malnutrition status of Nigerians.

By and large, the relative effects of the food price shock vary between net producers and net consumers. While the producers benefitted from the price increase, the consumers tend to be worse off. The price increase in 2008 for many crops, as indicated earlier, was much higher than the rate of inflation in the economy which was 15.1 per cent. This implies that in real terms farmers were better off because relative to other commodities in the economy, agricultural commodities experienced higher increases in prices. On the other hand, consumers found it far more expensive to consume such commodities relative to other commodities.

#### **4 Policy responses to the crisis**

In recent times, policy interventions to address the food crisis fall under three broad categories (Zaman et al. 2008). They are (i) a set of interventions aimed at lowering domestic food prices, (ii) targeted safety nets to improve food security and (iii) supply-side interventions to stimulate domestic production. In Nigeria, the types of policies adopted include increased agricultural production (input subsidies, investment, enhanced extension, trade policies, safety nets (cash transfers), procurement and stocking policies (grain reserves).

Specifically the policy measures taken by the government include (i) the release of grains from the strategic reserve at appropriate intervals to mitigate the impact of high food prices on consumers, (ii) the provision of the sum of NGN 80 billion for the import of 500,000 mt of rice from Thailand and other parts of the world between June and October to be sold locally at subsidized rates, (iii) some adjustments in tariff measures on the food import to ease transactions, and (iv) campaign to sensitize Nigerians on the looming dangers of food shortage and the need to conserve food. In what follows we present details of these and some medium- and long-term policy measures put in place by the government.

##### **4.1 Short-term measures**

###### *Release of grains*

The federal government released 65,000 mt of various grains and garri to the public, which led to a reduction of prices of some tradable and non-tradable food items such as maize, sorghum, millet, and garri. The states were enjoined to do the same but this took place at an insignificant level given the low stocks available from their buffer stocks. The intervention buying operation of the federal government was aimed at increasing the supply of rice within the next three months (May–July 2008) and sustain it for the following three months in the first instance (August–October 2008). This was expected to cause a significant reduction in the market price for rice, based on evidence that it had risen from about NGN 6,000/50 kg bag (NGN 120,000/mt) to about NGN 12, 500/50 kg bag (NGN 250,000/mt), much faster than the current price at the border with Benin Republic of only about NGN 7,500/50 Kg bag or NGN 150,000/mt at that time. The incremental import would be sold to the general public at a subsidized price, with a view to bringing the price down to an average of NGN 152,096/mt or NGN 7,606/50Kg bag as it was a couple of months before.

### *Mopping up operation*

This involved purchasing the current stock of imported rice in the country from local stores in different parts of the country. It was established that about 110,000 mt were available to be mopped up at the prevailing market price of NGN 12,000/bag or NGN 240,000/mt, to be sold to the consuming public at subsidized prices. Although this was achieved within the short-term, the quantity available was too small to generate any perceptible impact.

### *Distribution of small-scale machines*

The government considered the option of processing the paddy in storage based on the quantity confirmed to be available. RIFAN had claimed that about 4 million mt of paddy would be available in the short-term, comprising present stock level in July 2008 (2.5 million mt) as verified by the Federal Ministry of Agriculture and Water Resources (FMAWR) plus new harvest (1.5 million mt) in the following season in October 2008. However, the problem of processing was underscored, in terms of low capacity of small-scale processors and poor quality of domestically milled rice in Nigeria. Thus, small-scale machines could be distributed to processors in the short run for the purpose of milling the paddy to be made available in October 2008. Therefore the government made an attempt to place an order for small-scale rice processing machines from abroad. About 1,000 small-scale milling machines were to be purchased which would need one month to install in all parts of the country. This would lead to at least 30 per cent reduction in price; about NGN 140,000/mt. This was to have favourable socio-economic implications including creation of jobs for processors, engineers, and others. The fact that farmers would be encouraged to produce rice also made this option particularly attractive. The option did not go beyond the level of conceptualization. It failed as a short-term measure because about two or three months would be required for the import of machines and putting up the factory buildings.

### *Tariff waivers*

The federal government approved the suspension of all levies and duties on rice imports with effect from 7 May to 31 October 2008, which stimulated the private sector to place an order for rice import to the tune of 9,651,075 mt valued at US\$543,653,416 or NGN 62,238,409,910. The actual rice import was 172,518, which led to a fall in prices to an average of NGN 7,000 in August 2008 against NGN 12,000/bag in May 2008 or about 45 per cent reduction in price. In addition, the cross-border trade in rice probably increased. The socio-economic implication was in terms of increased business among rice traders and consumers in the short run, which of course was at the expense of low morale of farmers in the long run.

## **4.2 Medium-term measures**

Subsequently the ordeal of soaring food prices was converted to an opportunity for Nigeria to take advantage and institute longer-term measures for improved agricultural development. Thus, the federal government set up an implementation committee comprising ministers of agriculture and water resources, finance, commerce and industry to deal with the measures put in place. A number of medium-term measures emerged to address the looming food crisis, as follows.

### *Food production*

There was a dedication of accruals to the Natural Resources Development Fund from 2008 to 2011 for boosting the domestic production of food crops, the development of the agro-allied industry, and research and development on seed varieties. This amounts to 1.68 per cent of the federation account or about NGN 240 billion. As will be seen shortly, not all the amount was actually spent due to bureaucratic delays and untimely disbursement of funds.

### *Agricultural credit*

Approval of NGN 10 billion from the rice levy account as a credit scheme at a concessionary interest rate, in support of the local rice processing capacity in the country. However, many small-scale producers and processors could not access the funds. A major complaint was that the selection of beneficiaries was politically motivated. Furthermore the Central Bank of Nigeria resolved to raise NGN 200 billion funds from the commercial banks in two weeks. The fund would be used for commercial agriculture to be disbursed by accredited banks. The credit under the scheme is to be disbursed for crop and livestock production, the processing and marketing including storage and input supplies. The commercial agricultural credit scheme was not targeted at financing the establishment of rice mills. Thus, despite the introduction of this scheme the issue of inadequate rice processing mills remained unresolved. The analysis in Section 6 shows that the implementation of the scheme was inequitable as small-scale farmers who produced over 80 per cent of the agricultural output in the country received little or nothing from the credit scheme while large-scale producers benefitted immensely. This is also in spite of the fact that smallholders face far more restrictions in terms of access to formal credit than the large-scale farmers. Rather than being discriminated against in the implementation of the credit scheme the small-scale farmers (who are also investors in their own right) should actually have been given reasonable access.

### *Food reserve and storage facility*

The federal government took a decision to complete the outstanding storage projects before the end of 2008 in order to increase the national strategic food reserve capacity from 300,000 to 600,000 mt. The silos project had commenced a long time ago and had not been completed, so the government provided funds for their completion. Further the state governments were encouraged through moral suasion to step up their buffer stock operations, which involve at least a 10 per cent of food output in their respective domains. It was envisaged that up to two million mt silos capacity would be required for the country. Efforts were made to complete 17 silos which were already at various stages of completion (1 to 85 per cent completion) across the country. The federal government also decided to start up the building of eleven others in various states of the country. A sum of NGN 15 billion was earmarked for this purpose. To date, however, many of the silos remain uncompleted and the target capacity has not been met due to poor budget implementation especially non-release of appropriated funds.

### *Crop processing*

A decision was taken by the government to increase the rice milling capacity by an additional 88,000 mt per annum and create about 8,000 direct and indirect job opportunities. The mills were to be located in the major rice producing states to take advantage of proximity to raw materials. The local capacity for the operation and maintenance of rice mills and the fabrication of spares was to be gradually built thereby creating employment for youth.

Commitment to this decision seems to remain on course. The federal government is making arrangements to secure international financing for the establishment of 100 rice mills across the country. The target date for the completion of the project has been put at 2015. As it turned out, the issue of importing rice processing equipment which failed as a short-term measure has been shifted to the medium-term horizon and even then it has been difficult to achieve mainly due to scarcity of investment funds and the lack of confidence on the part of private investors that the policy environment will protect their investment if they provide the necessary funds. There was also emphasis on the physical development of markets for livestock and birds, physical development of grain markets and the introduction of a guaranteed minimum price (GMP) scheme. This is to serve as a safety net measure for the farmers in terms of providing remunerative prices and stabilizing their income. The GMP was actually introduced but as will be explained in Section 6 its implementation has not been effective.

#### *Social safety net scheme (SSNS)*

The SSNS is an ongoing scheme being implemented by the National Poverty Eradication Programme (NAPEP) for the empowerment of economically active women, farmers and youths. The safety net programmes of NAPEP include (i) the Keke-NAPEP project, under which three-wheel tricycles are purchased by the government and distributed to beneficiaries, who are required to pay back over a period of time, (ii) capacity acquisition and empowerment for youths, (iii) credit delivery to women through the National Council of Women Society of Nigeria, (iv) cash credit delivery to the informal sector through microfinance schemes, and (v) the establishment of skill development centres in the states. On 11 December 2007, the president launched another component known as the conditional cash transfer (CCT) programme to support people in extreme poverty. The launch was for the commencement of the pilot phase of the programme in two states from each of the six geo-political zones of the federation, making a total of 12 plus the federal capital territory (FCT). The CCT is being funded through debt relief gains earmarked for driving the achievement of the millennium development goals (MDGs) in Nigeria with the objective of breaking the transfer of poverty across generations through investment in human capital development. This is in terms of enhancing the enrolment and retention of primary school-age children, as well as the immunization of children under age five.

The introduction of CCT in 2007 was not a direct response to the food crisis but a response to the worsening incidence of poverty in the country. A recent poverty profile of Nigeria published by the National Bureau of Statistics shows that the poverty rate has increased from 54.4 per cent in 2004 to 69 per cent in 2010 with the population of Nigerians in poverty increasing from 68.7 million to 112.47 million. Thus, the CCT was a welcome initiative at that time since worsening poverty and food insecurity were part and parcel of the crisis. The initiative entailed the provision of grants (NGN 5,000 per household) to extremely poor households on the condition that they keep their children of basic school age in school, participate in all free health care and skill training programmes provided by the government. A sum of NGN 1 billion was spent during the first phase and this was increased to NGN 2.265 billion in the second phase which covered all the 36 states of the federation. Recently, the programme was reported to have impacted positively on over 156,394 households across the country (Akinsuyi 2011).

### **4.3 Long-term measures**

Later in 2009, the federal government has produced a food security strategy document which prioritizes a number of measures in the long term. The policy thrust behind this includes a number of desirable attributes, namely the value chain approach to agricultural development, commodity focus in providing support to producers, the visibility of the private sector, successor farmer generation, participatory policy process, policy advocacy and brokerage, and provision of safety net. In this regard, the aspects of the policy response in the medium- and long-terms include (i) the promotion of large-scale commercial agriculture of between 500 and 3,000 ha that is intended to have a direct linkage to the small-scale farmers with a target of 10,000 ha for a period of four years, (ii) the completion of the 25 ongoing silos project, (iii) the construction of 60 specialized warehouses that will increase storage capacity, (iv) the rehabilitation of irrigation infrastructure under the river basin and rural development authorities to ensure all season farming, and (v) the setting aside of 1.68 per cent of the Natural Resources Fund for agricultural research.

## **5 Political economy context**

The 2007–08 food crisis was widely reported by the Nigerian mass media and this generated responses from all strata of the society—the executive, parliament (National Assembly), NGOs, producer associations, development partners, scholars, activists etc. This section examines the actual policy process that took place, the actors involved, their roles, and the type of links and interactions among them as well as the timing of responses and the factors influencing the adopted policy actions. At least for the purpose of drawing policy lessons in case of future occurrence, it is important to understand how the process was guided and concluded despite competing vested interests.

### **5.1 The policy-making process**

A policy process refers to the manner in which policies are decided on and implemented. It can involve many actors; be they individuals or organizations and can be defined by local and external factors, political and socio-cultural contexts, as well as bureaucratic structures and capacities within which it operates. With regard to the Nigerian food crisis response policy process, a diverse group of stakeholders (government, donors, research community, farmers' associations, media organizations and the private sector) was involved in the debate surrounding the food crisis and policy responses. Their participation in the policy process influenced the choice of policies, calmed nerves and prevented the crisis from being explosive in spite of some implementation constraints. Understanding how the actors engaged and interacted with various vested interest groups therefore, is of utmost importance to the national and international food policy communities. The policy-making process did not follow the conventional linear model with a unidirectional flow from an agenda setting phase to the decision phase and implementation phase which actually had been flawed in the literature (Sutton 1999).

A major characteristic of the food crisis policy (response) process is that it involved the participation of a variety of stakeholders dominated by the government (policy makers), politicians, the mass media and producers' associations. The policy process can best be described as one of disjointed incrementalism or muddling through (Lindblom 1980). Indeed, muddling through a 'time bomb' which never exploded offers an intriguing experience.



Discussions about the nature of the crisis and possible solutions were going on simultaneously but a considerable length of time was taken to build consensus. It was difficult for the stakeholders to promptly prescribe the policy agenda because of the political colouration and connotation implied by the controversy surrounding whether or not Nigeria was actually facing a food crisis. As the price hike was becoming increasingly burdensome for consumers and food supply shortages were being reported and intensively analysed in the media, the National Food Reserve Agency (NFRA)—a more or less technical arm of the Federal Ministry of Agriculture and Water Resources (as the ministry was then known) claimed that the country was not facing any risk of food crisis. This position was unpopular in the country and took some time before it was reluctantly vacated. It effectively created a lull in policy response and put the executive arm of the government on defence rather than staying at the forefront to study the situation properly and provide the rallying point to set the policy agenda to tackle the crisis. The government was later to be stampeded by criticisms by opposition parties (politicians), civil society organizations, and media reports of the dire consequences of soaring food prices in other countries including deadly riots and threats to the stability of governments.

Consequently, the process witnessed the pronouncement of decisions by the government even when consensus has not been reached and hurriedly identified solutions which turned out to be unimplementable within the stipulated time. Such a panicky process was exemplified by the initial announcement of the direct import of rice to the tune of NGN 80 billion. The basis for this mode was the fear that the soaring food prices in the world market could introduce significant shocks into the Nigerian food market, given the status of Nigeria as a net importer of stable food items, wherein rice and wheat predominate among others in the food import bill of US\$2.8 million per annum. Following sharp criticism by RIFAN and opposition parties the policy had to be moderated by another commitment of NGN 10 billion for the provision of credit to farmers to boost food production. This way, the government was able to assuage the apprehensions of both consumers and producers. This is a demonstration of the influence of producers' association as the government muddled through by ways of working out a beneficial process for the producers in tandem with what the consumers will benefit from cheap imports of rice. Another example was the attempt the government made to import small-scale rice processing machines to be installed within one month in all parts of the country. The idea failed when it was later realized that the process of importing and putting up the factory buildings would require up to three months. Further details of what worked and what else failed to work can better be understood as we characterize the process by examining the role of the decision-making actors as well as the stakeholders who influenced the process, timing of responses, policy choices and effects, as well as the factors that circumscribed the selection of policies implemented.

## **5.2 Decision-making actors**

### *Leadership role of government in setting the agenda*

Of the three tiers of government in Nigeria (federal, state, and local) the federal government maintained the leadership role in organizing and implementing policy responses to the 2008 food crisis. And in the same vein, the executive and legislative arms of government played prominent roles. The response of the executive arm of government (led by the president) came mainly through the FMAWR while in the National Assembly (parliament), the House of Representatives and Senate organized public hearing, debates and investigations through their respective committees on agriculture. The FMAWR was the fulcrum around which the

policy process revolved. It has the responsibility to liaise with other stakeholders including the parliament, the Federal Executive Council (FEC), the private sector, farmers' associations, and development partners, package the policy measures for necessary approval by the government and implement such policy response measures. During the period, approval of executive actions followed the normal procedure in which the FEC comprising all cabinet ministers and chaired by the president, examines the policies brought before it by the relevant minister and arrive at a consensus after thorough consideration of the merits and demerits.

As part of the consensus building process, the minister of agriculture convened a stakeholders' meeting which took place at Abuja on 3 May 2008. The stakeholders in attendance included directors of various departments in the Federal Ministry of Agriculture, representatives of the National Food Reserve Agency, Agricultural Research Council of Nigeria, development partners, representatives of agribusiness firms, the Rice Farmers' Association of Nigeria, and the Farm Infrastructure Foundation. The agenda of the meeting was to examine the food situation in the country and to obtain the commitment of stakeholders towards implementing the proposed policy decisions. The sole objective of the policy response in the short-term was to bring the domestic price of rice down quickly having jumped by about 100 per cent in a couple of months prior to that time. It was established that the rice output in 2007 was 3.4 million mt out of which only 1.4 million mt was milled leaving 2.0 million mt of rice paddy unprocessed because of inadequate processing capacity. It was also established that the requirement of the country for paddy rice for its 140 million people at 30 kg per caput consumption was 6.5 million mt or 4.2 million mt milled rice equivalent at 65 per cent recovery rate; and that the harvest of paddy in 2008 was estimated at 3.94 million tonnes.

Although it is said that the government demonstrated the leadership role in setting the policy agenda, it is important to clarify that one arm of the government, the parliament, acted faster and appeared to be more decisive than the other—the executive. The parliament took the lead in recognizing the impending food crisis as signalled not only by rising prices but also by inclement weather conditions especially in the northern parts of the country. The timing of the legislative and executive actions taken between October 2007 and November 2008 in response to the crisis attests to the role of both houses of parliament (Senate and House of Representatives) as policy champions (Table 5). The legislature demonstrated a better understanding of the problem and wielded considerable influence in setting the policy agenda and in ensuring effective delivery of services at the implementation stage. This was done through organizing public hearings, conduct debates to ensure appropriate policy choice and frequent interaction with the executive to ensure that policy implementation was neither delayed nor derailed. Through some of these actions the committees on agriculture of the parliament created the political entry point to the policy process and beamed their oversight searchlight on the implementation of the short-term measures. They extended an invitation to the minister of agriculture from time to time to follow up on the progress recorded in the implementation of policies and to hear his own side of the story when investigations were being conducted into implementation procedures that failed to comply with due process.

A major political dimension in the policy process in Nigeria was the involvement of the 36 state governors as part of the key decision actors especially in view of the federal nature of the country with a multi-party democracy and multi-layered governance structure. All the governors met with the president on 29 April 2008 to examine the policy response measures. The following week, 5 May, the measures were tabled before the stakeholders for validation

prior to presentation before the FEC for approval on 14 May 2008. Thus after the initial loss of time as mentioned earlier, the executive evolved a participatory process of taking decisions about the type of policy instruments to deploy in tackling the food crisis. Following the approval, the process moved into the implementation stage with the FMAWR being at the core of the administrative procedures. Even at this stage some of the key actors continued to play an active role in various ways.

#### *Catalytic role of the mass media*

The mass media did not stop at drawing the attention of policy makers to the need to take urgent steps to address the soaring food prices. When the palliative measures were being implemented, a repentant NFRA urged the media to appeal to Nigerians to remain calm as the government was already taking measures to address the food crisis. The media monitored the process and reported cases of abuses and inequity in the distribution of grains that were released from the reserve. The parliament responded by setting up a panel to investigate all the issues involved (more on this below). Other active participants in the decision-making process are the development partners who have to align their programmes and projects with the policy measures put in place by the government to tackle the food crisis.

#### *Supportive role of development partners*

Many of the development partners started to address the consequences of the food crisis through the re-allocation of resources in existing programmes, the mobilization of new funds to ensure delivery of food assistance, nutritional care and support, supporting social safety nets for the most vulnerable groups, and the supply of seeds, fertilizers and other basic inputs to smallholders. The FAO, the International Fund for Agricultural Development (IFAD), USAID, the African Development Bank (AfDB) played crucial roles in this regard. In addressing the enormous challenges facing African agriculture and its major role in attaining the MDGs and poverty reduction objectives, the FAO took the initiative to mobilize key development partners in the establishment of Nigeria's Food Security Thematic Group (FSTG). The FSTG was formed out of the need to transform the FAO Projects Advisory Committee into a more cohesive group that would intensify efforts towards the attainment of the UN Millennium Development Goal-1 of eradication extreme poverty and hunger, and the World Food Summit goal of halving the number of hungry people by 2015. These goals were to be achieved through inter-agency actions, activities, and contributions to national development plans and programmes for enhanced agriculture and rural development, national food security, and improved nutrition. The effectiveness of a positive food crisis response programme would therefore depend on the alignment and harmonization of projects of all stakeholders in the agricultural sector. This was already being vigorously pursued by the FAO but the food crisis underscored the need to intensify action by institutionalizing the FSTG framework. The FSTG provided technical support for discussions and actions related to the soaring food prices in Nigeria including the development of the National Food Crisis Response Programme (NFCRP).

IFAD in collaboration with FAO and the government of Nigeria developed a partnership for a project to rapidly mitigate the crisis due to high food prices. This is by consolidating and expanding ongoing FAO/IFAD assisted projects through the National Programme for Food Security, Root and Tuber Expansion Programme, Community Based Agricultural and Rural Development Programme, and Community Based Natural Resource Management Programme. The project was to be implemented in nine states of the federation namely: Cross

River, Ebonyi, Imo, Katsina, Kebbi, Kwara, Ondo, Rivers, and Yobe. The project is still ongoing in each of these states.

With regard to AfDB, two projects were put in place to address the food crisis. They were (i) the National Fadama Development Project and (ii) the New Rice for Africa (NERICA) rice dissemination programme. The projects commenced in January 2009 and have provided US\$4.3 million as a rapid response action for the first six months for the purchase of seeds, fertilizer procurement and tractor supply. The projects were implemented in six states namely; Borno, Jigawa, Katsina, Plateau, Kwara, and Kogi. The response from USAID was to assist the government and private sector to address the issue of low productivity and expand the market supply of essential staple food crops and remove constraints to the movement of staple crops within the country. Nonetheless, it has not been possible to achieve the target of doubling productivity and substantial marketing constraints continue to deprive farmers the opportunity of realizing the desired returns to their investment.

By and large, the involvement of these agencies was largely in terms of strengthening their ongoing projects to achieve the medium-term objectives. They did not have any significant influence on the short-term measures taken by the government in response to the food crisis in 2008; neither were they directly involved in the design and implementation of the policy measures earlier discussed.

#### *Advocacy role of producers' associations*

When the idea of importing rice to address the supply shortages was mooted, All Farmers Association of Nigeria (AFAN) and the Rice Farmers Association of Nigeria (RIFAN) launched their opposition. They criticized the move arguing that it would be better to invest the funds in expanding domestic production. Some concerned members of the public even suggested massive imports of food to remedy the situation whereas representatives or sympathizers of food producers argued otherwise claiming that uncontrolled imports would dampen enthusiasm of farmers and constrict food production. The Association of Master Bakers of Nigeria threatened to stop the production of bread unless the price of wheat flour was brought down through massive imports of wheat. These arguments were going on up till May 2008 when the Federal Executive Council met to take the decisions highlighted earlier. The chairman of Lagos state chapter of the Association of Master Bakers and Caterers of Nigeria met with top government officials to ask them to reduce or cancel wheat tariffs or subsidize bakers but claimed to have received no response. The association therefore, embarked on a one-week nationwide strike beginning from 5 May 2008 arguing that flour mills have been increasing their prices almost every week. The millers and government blamed the soaring price of flour on increases in international wheat prices. Many consumers supported the bakers' grievances especially in urban areas where all dwellers consume bread virtually on a daily basis. A similar strike action by bakers took place in August 2007 after the government increased taxes on flour by 100 per cent. The price of bread then rose by about 25 per cent. Whereas the bakers' association could not succeed in pressurising the government to subsidize the wheat industry, the AFAN and RIFAN were able to influence the government in setting up a NGN 10 billion loanable fund to boost rice production and processing capacity.

Table 5: Policy process of the Nigerian 2007–08 food crisis response

Time Line	Issues addressed and measures taken
25 October 2007	Through resolution No. 37 of 25 October 2007 the Senate alerted the nation of the drought in some parts of the country. This alert was mainly due to the devastating effects of droughts especially in view of the need to ensure national food security. The Senate further resolved that the Federal Ministry of Agriculture should immediately brief the house on the status of the nation's strategic grains reserve. The strategic grains reserve is the mandatory storage by the Federal Government of about 5 per cent of grains harvested nationwide. This reserve is to ensure continuous availability of food even in the time of famine.
25 April 2008	The Committee on Agriculture of the House of Representatives alerted the federal government on the growing food shortages and the attendant soaring of prices of grains. The legislative chamber thereafter invited the Federal Ministry of Agriculture to a meeting to discuss in detail the status of food security in Nigeria.
29 April 2008	Based on the above articulated concerns the president convened an emergency meeting with all the 36 state governors to review the situation and take necessary actions. The meeting extensively discussed the food security situation in the face of the global food crisis arising from the shortage in the aggregate world food output and resolved that very urgent measures be put in place to protect the populace and develop the agricultural sector.
3 May 2008	A stakeholders' meeting was convened in Abuja at the instance of the minister of agriculture. The agenda of the meeting was to examine the food situation in the country and to obtain the commitment of stakeholders towards implementing the proposed policy decisions.
14 May 2008	Some of the measures proposed during the meeting with the state governors were considered and approved by the FEC. The FEC approved inter alia that (i) the sum of NGN 10 billion be provided from the rice levy account for a credit scheme to support local rice processing capacity. Credit granted under the scheme was to attract 4 per cent interest rate, a repayment period of 15 years and a five-year moratorium; (ii) all outstanding food storage projects should be completed before the end of 2008 to significantly increase the national food reserve capacity from 300,000 to 600,000 mt; (iii) the funds accruing to the Natural Resources Development Fund (May 2008 to 2011) be utilized as Special Intervention Fund Agriculture to boost domestic production of food crops and development of agro-allied industries as well as research and development for the production of improved varieties of seeds.
8–14 November 2008	In its annual retreat held in Kano (north west Nigeria) the Senate held sessions on 'Desertification, Climate Change and Challenge of Poverty' and 'Ensuring Food Security in Nigeria' as part of the key issues of concern during the retreat. The food crisis was widely discussed. The speakers and discussants at these sessions were distinguished academics drawn from various parts of the country. The whole nation was sensitized regarding the need to address the main causes of the crisis and the need for the government to take effective measures to address the crisis.

Source: author's compilation.

The producers' associations were also not in support of a tariff waiver associated with the rice import policy. As the countdown to the 31 October 2008 deadline for the removal of the rice import duty waiver commenced, mixed reactions trailed the measure. Farmers associations and rice millers who were originally against the waiver continued to advance reasons why it should not be extended while traders and consumers who were in support

continued to canvass reasons for its extension. Some state chapters of AFAN regarded the waiver as a disincentive to local rice production as it has deprived local farmers of the income to engage in rice production. It was claimed that the waiver had adversely affected local rice production and had further impoverished the country's rice farmers. Besides, rice farmers from one state had to transport their produce to other states covering great distances for processing; a situation which has greatly discouraged local rice production. With regard to RIFAN some state chapters especially from the north east argued that continued rice import was discouraging local production, adding that local rice farmers were unable to produce enough due to lack of credit facilities and low investments in the sector and that tariff waiver would compound the problem. They complained that even though the waiver was temporary, it has succeeded in rendering the local producers jobless and if sustained, it will destroy the local rice production completely. The rice millers were also against the policy; claiming that efforts should have been made to establish new mills given the critical shortage of milling machines in the country. The solution proposed by the farmers associations to address the food price crisis is that the government should empower domestic rice producers through the supply of improved seeds and other modern inputs. The only alternative to the waiver according to them is the provision of at least 50 per cent subsidy to local rice farmers for tractor hiring services and for the procurement of fertilizers and improved seeds. The government was not convinced by these views; the waiver was considered to be necessary when it was suspended in May and the suspension had to be lifted in October as scheduled.

#### *The role of rice value chain actors*

The tariff waiver was supported by traders and consumers in view of its advantage in lowering the price to the extent that when the waiver policy ran its full course and was to be terminated in 31 October 2008 they urged the government to extend the expiration date due to the reduction in price it has achieved. They argued that many households who regarded rice as their favourite meal would have been forced to remove it completely from their menu if not for the waiver. According to them the waiver should therefore be extended by at least one year to further reduce the price of rice. Some traders argued that customers' patronage would reduce drastically and with the Christmas and Muslim festivals that would be celebrated in December 2008, urged the government to consider the plight of the people who would not be able to face a higher price that could result from the removal of the waiver. However, not all consumers were happy about the waiver. They argued that the decrease in the price of rice due to the waiver would only be for a limited time. There could be oligopsony abuse because rice distributors could collude to purchase rice and hoard so that it could be sold later at higher prices following the withdrawal of the waiver. Such an abuse might not be effectively checked by the government. Invariably, the consumers would be adversely affected.

At the end the views of the policy makers and interest of consumers prevailed as far as the waiver policy was concerned. The policy was a short-term response in the interest of the generality of the consumers. The waiver was terminated as scheduled at the end of October after it has helped to reverse the dramatic price hike around the middle of 2008.

### **5.3 Key decision-making factors**

A close observation of the policy process, its political, administrative, and social dimensions as well as the role of actors shows clearly that the internal considerations weighed more heavily than external factors in deciding which policy response measures to be adopted.

Given the fact that globalization can trigger the inflow of food crisis oppositions it is instructive for the government to take urgent steps to resolve the crisis. However, there are equally compelling reasons why the policy decisions had to be taken in Nigeria. Altogether, the decision-making factors are fivefold.

#### *Rising uncertainty about food security*

It was recognized that the increase in price has the tendency to affect food adequacy as well as the accessibility and affordability of basic needs of Nigerian households. Arising from the global food shortage and soaring prices, food became an increasingly worrisome item in households' budgets in Nigeria where it created rising uncertainties about food security. It was a very contentious issue because of its diverse consequences on different stakeholders in the country. Thus, how to cope with the global food crisis and enhance increased access by consumers in both rural and urban sectors to adequate the variety of food became a new challenge and concern of the Nigerian government.

#### *Soaring food prices can further impoverish the masses of the people*

In Nigeria, the rise in food prices is particularly worrisome because food price inflation hurts the poor most and it may have tremendous consequences on economic growth and poverty. Concomitantly, the public spending on the basic investments needed for agriculture and rural economic transformation has remained grossly ineffective and inefficient to bring about adequate food production. Agriculture is expected to form the fulcrum for the growth of the economy because it provides employment for about 70 per cent of the working population and has prospects for development by its size and spread. However, while agriculture has shown remarkable improvement, with a yearly contribution of nearly 42 per cent to the gross domestic product, poverty remains endemic and pervasive in the sector and in the country in general. To date, food insecurity remains a serious challenge to achieving the millennium development goal of halving the proportion of population who suffer from extreme poverty and hunger by the year 2015. A particular reason for concern about the impact of high food prices arose from the fact that the consumers' income being spent on food has been rising with deleterious effects on the financing of children's education and healthcare.

#### *Need to avoid political destabilization*

The surge in food prices witnessed during the first three months in 2008 precipitated thunderous public discourse but there seemed to be no easy agreement on the best ways to resolve the issues. At the level of the executive, government actions were characterized by stampede and ad hocery with some of the panicky measures drawing criticisms from the media and the parliament from time to time. Understandably, an explosive food crisis was what the government could ill-afford at that time. The food crisis came at a point when the government in power was barely one year in office having been inaugurated on 29 May 2007. The elections that brought many of the political office holders to power were also being heavily contested in various election tribunals across the country. Clearly therefore, the government could not ignore the concerns being expressed in the media about the soaring food prices. The government had to muster the necessary political support and adopt a participatory policy process to provide interventionist measures to address the food crisis. This derives from the understanding of the lack of a cohesive action to stem the tide of persistent food insecurity and the concern and discontent often expressed by the poor and highly vulnerable groups in this regard. It was felt that the food crisis has the potential to

derail not only past achievements but ongoing pro-poor programmes aimed at reducing the incidence or breaking the cycle of poverty.

#### *Unsustainability of persistent food import*

Decisions regarding the termination of a tariff waiver and a number of the medium-term and long-term measures were based on the fact that the country could not afford to continue with the level of food imports recorded during the period. This is in view of the requirement of foreign exchange for development in other critical sectors of the economy especially infrastructure and energy. Since reliance on import is not fiscally sustainable there must be efforts to boost domestic production hence not only short-term palliatives were decided upon but also medium- and long-term strategies were designed to transform and modernize the agricultural sector.

#### *Phobia of food riot contagion*

Unpleasant consequences of the global food shortages have already been widely reported in many countries in terms of high prices of food, people eating less and less well, protests, strikes, and riots in the wake of dramatic rises in the prices of wheat, rice, corn, oils, and other essential foods. Furthermore, the food price shock has been destabilizing governments, igniting street riots, and threatening to send a new wave of hunger rippling through the world's poorest nations. In Africa, 14 out of 53 countries have witnessed mass disturbances following abrupt spikes in food prices in 2007–08. Some of the countries (Burkina Faso, Senegal, Guinea, Côte d'Ivoire, and Mauritania) are in West Africa. In February 2008, a severe riot also broke out over soaring food prices in Cameroon—a neighbouring country to Nigeria. If food riots in Egypt, Morocco, Egypt, Tunisia, and Zimbabwe could be said to be far away, that of Cameroon was close enough to serve as a warning to Nigeria not to take the food crisis for granted. Thus, all the stakeholders agreed that the problem must be quickly nipped in the bud.

It could be puzzling to external observers why riots never broke out in Nigeria in spite of the price hikes and level of urbanization. The reasons are not far-fetched. First, Nigeria has no tradition of food riot comparable to other African countries and developing countries in other parts of the world. Second, Nigeria's political landscape had witnessed considerable improvement since the return of democratic governance in 1999. Third, is the fact that Nigeria has been witnessing unparalleled press freedom for quite some time. The mass media in the country is one of the most unfettered in the world. Indeed, the media organizations have been providing opportunities for stakeholders to express their opinions especially on food security thus making the alternative of street protest on food issues unattractive.

#### **5.4 Assessment of the effects of the policy responses**

The policy responses are directed at curtailing the soaring food prices, ensure increased food supply and availability, enhance consumer access, and ensure that sustainable development of the agricultural sector was promoted through appropriate policy measures. It is difficult to ascribe any particular outcomes directly to the policy responses. Indirectly, however, the following effects can be associated with some of the short and medium-term policy measures adopted.



### *Socio-economic effects*

The short-term effect of the policy responses was the reversal of the trend of food price increase. The tendency for food prices to continue to rise was arrested. While consumers were highly encouraged by this outcome, the farmers appeared not to be favoured. This prompted the government to introduce the GMP in 2009 to ensure that farmers were kept in business and did not produce at a loss. In terms of mitigating food crisis, the GMP was expected to boost the procurement of grains by the government for the grains reserve programme so that future episodes can be better handled. Available data from NFRA indicate that the procurement of grains under the GMP rose substantially from 68,006 mt in 2008/09 to 131,135 mt in 2009/2010 but fell precipitously to only 8,051 mt in 2010/11. The decline is due to the fact that the market price during the period was far higher than the GMP and the farmers preferred to sell at the prevailing price rather than sell to the government at the GMP. This implies that the GMP, the way it is currently being managed, may not be an effective instrument for the government to meet the objectives of its food reserve programme.

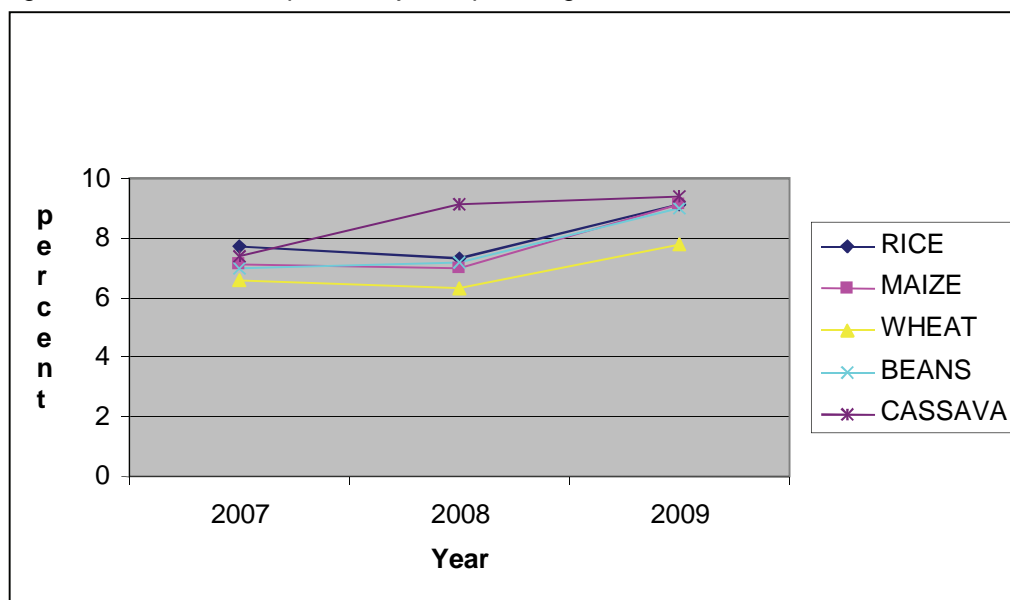
Another effect of the food crisis response is that it generated awareness about the nutritional importance of major food staples in the country. This led to changes in preferences in the demand for food commodities. Yam and cassava became substitutes for rice, bread, and other expensive food commodities. Moreover, consumers rediscovered a number of local food commodities and developed good taste for the local rice varieties in particular. For instance, the local 'ofada' rice was introduced in major restaurants in urban areas across the country. Besides, available data indicates that some of the short-term measures have started to yield the desired impact. For instance, imports of major commodities which have been a significant drain on the country's foreign exchange over the years started to follow a declining trend since 2007 in the case of wheat and rice (Table 1). This may not be unconnected with the incentives to boost rice production in the country.

As indicated earlier, the production of major staples (maize, millet, sorghum, rice, cassava) has continued to follow an upward trend since 2008. As shown in Figure 11, the growth experienced in respect of each crop is much higher in 2009 than in 2007 and 2008 indicating that apart from the positive price response of higher producer prices in 2008, farmers continued to be encouraged by production incentives offered by the response measures. These included the guaranteed minimum prices, credit facilities, and increased emphasis on supply of modern farm inputs which were key elements of the food crisis response programme. This positive development is an indication of better performance in the implementation of the medium-term response measures that focussed on producers compared to the short-term palliatives involving the release of grains to cushion the effects of the crisis on consumers. A major flaw in the management of the distribution of grains was that due process was not followed in the award of contracts to distributors. On the other hand no such flaw was reported in the distribution of farm inputs by agro-dealers. Moreover, the distribution channels in respect of the farm inputs have long been established and substantial experience had already been acquired by the FMAWR in the management of the procurement procedures. Besides, the FMAWR has been dealing with small-scale farmers over the years. The farmers are located in the rural areas and are likely to be better targeted compared to the consumers whose targeting could be more problematic because they are everywhere in the rural and urban areas.

### *Effects of macro-economic related policy measures*

The tariff waiver policy achieved quick reversal of the upward trend in the price of rice as mentioned earlier. However, a major cost implication was the loss of revenue, which was expected to reach about NGN 47.2 billion at zero tariff level. The revenue concern was a major consideration in the resolve of the government to terminate the policy at the end of the stipulated period despite agitations by consumers for the extension of the deadline. Another macro-economic measure was the increased priority accorded public and private investment in agriculture as exemplified by the introduction of the State Intervention Fund for Agriculture (SIFA) which provided funding for the NGN 200 billion commercial agricultural credit programme introduced in 2009. There was also a disbursement of a sum of NGN 6.0 billion in support of agricultural research to improve productivity and development of improved varieties of major crops. The SIFA is a derivative of the Natural Resources Fund which is the accrual of 1.65 per cent of the federation account budgeted yearly to intervene in the development of natural and agricultural resources as well as in ecological disasters in the country.

Figure 11: Growth of output of major crops in Nigeria, 2007–09



Source: author's illustration with underlying data from Central Bank of Nigeria Annual Report (2009).

Due to the need to urgently increase funding to meet the level of investment expected in agriculture to ensure food security and meet the set targets, the government approved the rededication of SIFA covering May 2008 to 2011. The total accruals expected in SIFA between 2008 and 2011 was estimated at NGN 244.2 billion and was to be utilized to support the production efforts of the states in the areas of land clearing, development of commercial agriculture, value change strengthening, development of infrastructure, provision of storage facilities, transboundary pest control, as well as research and development. To date only a sum of NGN 106.685 billion has been accessed by the Federal Ministry of Agriculture and Federal Ministry of Water Resources which are responsible for the implementation of the required projects.

### *Effects on some policy stances*

The responses generated the awareness that efforts aimed at improving the performance of the agricultural sector should not be concentrated on output expansion alone but rather there should be emphasis on the development of the value chains of various commodities. Indeed, for the very first time the approach of transforming the agricultural sector through the development of the value chains was entrenched in the National Food Security Programme Document published by the Federal Ministry of Agriculture and Water Resources in 2008. This is a major paradigm shift which forms the basic pillar of the Commercial Agricultural Development Project currently being implemented in the country. Experience was also gained in terms of building a partnership to address key national challenges as evidenced by the development of the NFCRP through partnership between government and FSTG made up of development partners. Nonetheless, like many other programmes and projects of the past, NFCRP has not been successfully implemented and the impact has been insignificant. This is due mainly to governance issues and operational constraints including (i) the absence of a stable policy environment for sustainable project implementation, (ii) inadequate supply and prohibitive cost of agricultural inputs, (iii) failure of stakeholders to key into the FSTG framework for tackling the soaring food crisis, and (iv) poor budgetary process resulting in delays in fund release which largely undermine the attainment of project objectives.

Besides, the crisis stimulated interests by policy makers to inject funds into the agricultural sector in order to improve the performance of the sector. An important intervention in this connection is the commercial agricultural credit scheme. The Central Bank of Nigeria (CBN) in collaboration with the federal government of Nigeria represented by the Federal Ministry of Agriculture and Water Resources established the Commercial Agriculture Credit Scheme in 2009. The scheme was designed to (i) fast track development of the agricultural sector of the Nigerian economy by providing credit facilities to commercial agricultural enterprises at a single digit interest rate, (ii) enhance national food security by increasing food supply and effecting lower agricultural produce and product prices, thereby promoting low food inflation, (iii) reduce the cost of credit in agricultural production to enable farmers to exploit the potentials of the sector, and (iv) increase output, generate employment, diversify the revenue base, increase foreign exchange earnings and provide input for the industrial sector on a sustainable basis. The scheme was not specifically developed as a food crisis response programme but these objectives are crucial to the development of the agricultural sector, curtailment of soaring prices, and enhancement of security in the country. The scheme is being financed from the proceeds of the NGN 200 billion bond raised by the Debt Management Office. The fund is part of the stimulus package to be made available to commercial banks to finance commercial agricultural enterprises. State governments and the FCTA could also borrow up to 20 per cent of the bond proceeds for on-lending to farmers.

As at June 2011, 14 banks were able to access the funds for disbursement to 148 projects including 26 states and 122 individuals/private promoters at NGN 131.49 billion. This is an improvement over the 104 projects (18 states and 86 individuals) at NGN 96.811 billion recorded in December 2010. This performance represents a 42.31 per cent and 35.43 per cent increase in the number of projects and total amount released to banks, respectively. Overall, the fund already accessed stood at 65.75 per cent of the entire fund as at June 2011 which is an improved performance when compared with the 48.41 per cent achieved by December 2010 (NPC 2011).

### *Interplay of interests in the allocation of released grains*

The major problem which arose in the implementation of the short-term measures was the attempt to scuttle the flow of benefits by unintended beneficiaries. This was evident in the allocation of the grains released for distribution to various markets to cushion the effect of the price hikes. Abuses in the distribution of grains released to boost supply and reduce prices were reported by the mass media and the Senate set up a panel to investigate the matter. The distribution of grains assumed a scandalous dimension in which two senators, five prominent traditional rulers in the north and others were alleged to be involved in the multi-billion naira rice distribution contract. They were among 70 beneficiaries of the release of rice to address the soaring food prices in the country.

Allocation of the released grains was claimed to be fraught with inequity and favouritism. In the allocation eight states (Borno, Gombe, Yobe, Katsina, Jigawa, Kebbi, Sokoto, and Zamfara) got 2,700 mt each. The FCT and 11 other states (Adamawa, Bauchi, Benue, Kaduna, Kano, Kogi, Kwara, Nasarawa, Niger, Plateau, and Taraba) got 1,200 mt each. The remaining states (in the southern part of the country) received far less. Such states as Abia, Akwa-Ibom, Anambra, Bayelsa, Cross River, Delta, Ebonyi, Edo, Ekiti, Enugu, Imo, Ondo, Ogun, Osun, Oyo, Lagos, and Rivers got 600 mt each. Other beneficiaries include traditional rulers from various parts of the country who got 540 mt and the Poultry Association of Nigeria which was allocated 9,000 mt. Heads of two faith-based organizations got 120 mt and some individuals received 120 tonnes each. The quantity claimed to have been distributed to the general public for sale is 680 tonnes. In their explanation of the rationale behind the distribution pattern before the investigative panel, officials of the Federal Ministry of Agriculture claimed that a number of the beneficiaries were granted allocation on the basis of their applications emphasizing that a number of the royal fathers applied on behalf of their subjects. The normal procedure would have been for the contract for the distribution of the grains to have been advertised with bids submitted according to the laid down procurement procedure in the civil service. On the contrary however, contract for the distribution of the grains was not advertised nor was due process certificate issued. Ministry officials used their discretionary power to select those to be used in the distribution of the grains arguing that advertising for the job would have led to artificial increase in price.<sup>2</sup> The panel concluded that the grains did not get to end users who are supposed to be ordinary Nigerians.

In the light of the foregoing, it is clear that the government had genuine intentions to ensure that the grains were made available to consumers at affordable or reduced prices. At the stage of implementing the palliative measures however, individual and group interests overshadowed the interests of the targeted consumers thus undermining the effectiveness of the policy measures. The poor implementation was not due to lack of capacity by the institution concerned (FMAWR) but weak leadership and perverse judgement in the deployment of existing capacity and inherently inordinate interest in using public authorities to satisfy private interests. Nonetheless, the food crisis response policy process was a little bit different from the policy process under normal circumstances. To start with, there was clear motivation for the various policies adopted in the sense that the whole nation was affected by the phenomenon being addressed. Besides, it involved consultation and partnership with relevant stakeholders including the Food Security Thematic Group (made up of development partners) which provided a framework to address the challenge of the soaring food prices. Moreover, there was feedback mechanisms and flow of information regarding the actions

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<sup>2</sup> *Vanguard Newspaper*, 'Prominent Nigerians Hijack FG's Distribution from Strategic Grain Reserve', 18 July 2008; Nigeria Muse.com, various newspapers reports, 18 July 2008.

taken (Oyedipe 2009). The research and consultancy reports prepared by relevant institutions including FAO, FEWSNET, IFPRI and NISER were presented to stakeholders in workshops from time to time and emerging issues thoroughly debated to chart a way forward in addressing the crisis.

## **6 Conclusions and policy implications**

The soaring food prices of 2008 have international and national dimensions. The transmission price effects were exacerbated by simultaneous increase in international oil price. The situation was complicated by food supply shortages occasioned by climatic fluctuations, investment-unfriendly macro-economic environment and poor implementation of agricultural projects. The food crisis received considerable attention but inflicted notable impact on producers and consumers in Nigeria. The production trend for major commodities from 2004 to 2009 reveals that the impact on production is positive. There is also a positive impact on enterprise profitability as gross margin increased in 2008 in respect of all the commodities with the exception of millet and cowpea. In general, the consumers were worse off. The high food prices induced a change in the pattern of food consumption. For instance, there was a general shift in the share of food budget in favour of cereals in both the urban and the rural sectors in most of the zones. In terms of the effect on nutrition and food security we found that both the rural and urban dwellers consume less than the recommended minimum per capita daily protein and calorie intake implying worsening malnutrition among Nigerians in both the urban and the rural areas between 2007 and 2008.

A response policy was packaged to address the impact but the implementation yielded mixed results. The major problem which arose in the implementation of the short-term measures was the attempt to scuttle the flow of benefits by unintended beneficiaries. This was evident in the allocation of the grains released for distribution to various markets to cushion the effect of the price hikes. At the stage of implementing the palliative measures, individual and group interests overshadowed the interests of the targeted consumers thus undermining the effectiveness of the policy measures. The food crisis response policy process was a little bit different from the policy process under normal circumstances especially in terms of the widespread controversy as to whether or not there was food crisis, consultation and partnership with relevant stakeholders, feedback mechanisms and preparation of a National Food Crisis Response Programme. There was injection of funds into agriculture to modernize and commercialize the sector and this is likely to have positive effects in no distant future.

In the light of the foregoing, a number of lessons and policy implications can be drawn from Nigeria's experience in managing the food crisis policy responses. First, the implementation of the NFCRP should have had provision for its continued implementation and for necessary review at a stipulated time. This should have made it impossible for policy makers and relevant actors to abandon the programme or starve it of necessary funds and political will to drive the process to a logical conclusion. The programme did not also emphasise the value chain approach which came up as an innovation in the National Food Security Programme Document prepared in 2009. Second, to avoid the distortion of targeting for personal or political purposes, there is a need for high transparency regarding the process and conditions of distribution of resources (grains, credit, inputs etc.) to identified target groups. Third, proper design and implementation of safety nets and other forms of support will improve with participation and consultation of key stakeholders. Therefore, a participatory approach should always be adopted when incentives are being designed to assist the farmers. Fourth, efforts

should be made to intensify the registration of farmers across the country for proper targeting of support and inclusion of farmers in key decision-making process from time to time.

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