

Effect Of Policies On Rice Production, Importation And Consumption In Nigeria, (1981-2005)Roseline J Akinlade¹, Oluwatofunmi J Ogunsola¹ Olubunmi L Balogun¹ and Adeola Carim-Sanni²¹Department of Agricultural Economics University of Ibadan, Nigeria²Nigerian Institute of Social Economic Research (NISER), Ibadan, Nigeriajummy120@yahoo.co.uk

ABSTRACT: The study examined the effect of Policies on Rice Production, Importation and Consumption in Nigeria. The data were mainly from the secondary sources and they were time series data covering 1981- 2005. Descriptive statistics were used to analyze the data. The findings show that in the first era of the ban period (1986-1990) a large quantity of rice of about 2,216,060 tonnes was produced with less rice importation of about 288,800 tonnes and more quantity of rice was consumed at this period (about 1,572,700 tonnes) which later increased in the Second Era compared to the Pre- Ban period. This increase spilled over to the Post- Ban period except in the Second Era where average rice production decreased to 3,139,400 tonnes showing the effect of policy inconsistency in the county. It was also shown from the result that the higher the average quantity of rice imported the lower the average quantity of rice produced and the higher the quantity consumed in the country. The study recommended that rice importation should be banned to encourage local rice production in the country.

[Roseline J Akinlade, Oluwatofunmi J Ogunsola Olubunmi L Balogun and Adeola Carim-Sanni. **Effect Of Policies On Rice Production, Importation And Consumption In Nigeria, (1981-2005)**. *World Rural Observations* 2011;3(1):87-91]. ISSN: 1944-6543 (print); ISSN: 1944-6551 (online). <http://www.sciencepub.net/rural>.

KEYWORDS: Policies, Rice, production, consumption and importation, Nigeria.

1. Introduction

Historically, Nigerian's rice policy can be discussed in reference to three important periods. These are the Pre-Ban, Ban and Post-Ban periods. The Pre-Ban period is the era prior to the introduction of absolute quantitative restriction on rice imports (i.e., 1971 - 1985). This period can be classified into two: the Pre-crisis (1971 - 1980) and the Crisis period (1981 -1985). The Pre-crisis period was largely characterized by liberal policies to meet the interim shortages while during the crisis period, more stringent policies were instituted; though outright ban was not a major feature (Akande, 1994).

In the Ban period (i.e., 1985 – 1995), it was illegal to import rice into the country though illegal importation of the commodity through the country's porous borders thrived during this period. The ban on rice importation came into effect in 1985. It was anticipated to stimulate domestic production through increase in the price of the commodity. The introduction of Structural Adjustment Program (SAP) in 1986 reinforced the ban already placed on rice import. Under SAP various trade policies were put in place. This was in addition to the depreciation. The overvalued exchange rate had served as an implicit tax on rice producers as it cheapened imported rice relatively (Akande, 1994). In the post-ban period (1995 – till date), quantitative restrictions on rice importation were lifted while the country generally adopted a more liberal trade policy toward rice (Daramola, 2005).

However, based on the above discussion this paper examines the effect of policies on rice production,

importation and consumption in the country during three periods; Pre-Ban, Ban and Post-Ban periods.

Conceptual Framework

Trade Policy: Nigeria has employed various trade policy instruments such as tariff, import restrictions, and outright ban on rice import at various times. During the 1970s and early 1980s, increased export earnings coupled with the highly over valued naira exchange rate made it possible for Nigeria to finance huge food imports and consequently helped to depress domestic prices. Large importation of food items especially rice was allowed into the country at relatively cheap prices. This eroded the competitiveness of domestically produced rice and serve as major disincentive to rice farmers. There is virtually no international policy affecting the domestic production of rice in Nigeria. Nigeria is an importing country and may be affected by international trade policies only to the extent that such policies affect countries from which Nigeria import rice. Nigeria does not have the 'Agreement on Agriculture reduction commitments, also regional or bilateral trade agreement that affects rice trade and production is lacking (Akande, 1994; Daramola 2005).

Exchange Rate Policy in Nigeria: Numerous exchange rate regimes are practiced globally, ranging from the extreme case of fixed exchange rate system, such as the currency boards and unions to a freely floating regime. In practice, countries tend to adopt an amalgam of regimes such as adjustable peg, crawling peg, target zone/crawling bands, and managed float,

whichever suit their peculiar economic conditions. Several factors influence the choice of one regime over the other. A major consideration is the internal economic conditions or fundamentals, the external economic environment and the effect of various random shocks on the domestic economy (Sanusi, 2004). Exchange rate arrangements in Nigeria have undergone significant changes over the past four decades. It shifted from a fixed regime in the 1960s to a pegged arrangement between the 1970s and the mid-1980s, and finally, to the various types of the floating regime since 1986, following the adoption of the Structural Adjustment Programme (SAP). In the early 1960s in Nigeria, there was little concern for exchange rate policy, as it had almost no significance in economic management. Between 1960 and 1967, the Nigerian currency was adjusted in relation to the British pound with a one-to-one relationship between them. Between 1967 and 1974, another fixed parity was maintained with the American dollar. This system was abandoned between 1974 and late 1976, when an independent exchange rate management policy was ushered in that pegged the naira to either the U.S. dollar or the British pound sterling, whichever currency was stronger in the foreign exchange market. Since the establishment of the CBN, Nigeria's exchange rate policy has been aimed at preserving the external value of the domestic currency and maintaining a healthy balance of payments position, which, indeed, is a major provision of the enabling law. With the failure of the Autonomous Foreign Exchange Market (AFEM), introduced in 1995, an Inter-Bank Foreign Exchange Market (IFEM) was introduced on October 25, 1999 to diversify the supply of foreign exchange in the economy by encouraging the funding of the inter-bank operations from privately-earned foreign exchange. The IFEM also aimed at assisting the naira to achieve a realistic exchange rate. The operation of the IFEM, however, experienced similar problems and setbacks as the AFEM, which also led to introduction of the Dutch Auction System (DAS) on 22nd July 2002. The DAS was designed to achieve a realistic exchange rate of the naira that will stem the excessive demand for foreign exchange, conserve the dwindling external reserves and achieve a realistic exchange rate for the naira. Since its introduction in July 2002, the DAS has been largely successful in achieving the objectives of the monetary authorities. Generally, it has assisted in narrowing the arbitrage premium from double digit to a single digit, until the emergence of irrational market exuberance in the fourth quarter of 2003. Secondly, the DAS has enhanced the relative stability of the naira, vis-à-vis the US dollar-the intervention currency. Specifically, the

naira has fluctuated within a single digit band, since the DAS was introduced in July 2002. Thirdly, it has also assisted in stemming the spate of capital flight and curbing rent-seeking amongst market operators (Adubi and Okunmadewa, 1999; Sanusi, 2004).

1.1 Objective of the study

The broad objective of the study is to assess the effect of policies on rice production, consumption and importation in Nigeria. The specific objectives include: (1) to assess the effect of policies on rice production (2) to examine the effect of policies on rice consumption (3) to assess the effect of policies on rice importation

2. Methodology

The data for this study were obtained mainly from secondary sources. These sources include both local and international agencies. The local agencies included Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS). The Food and Agriculture Organization (FAO) served as the main international agency.

The Data collected were time series data covering over two decades (1981- 2005) on the quantities of production, importation and consumption of rice in Nigeria.

Analytical Techniques: The descriptive statistics were used mainly to analyze the data. These include; average, percentages, and histogram to show effect of policies on rice production, consumption and importation in Nigeria (1981-2005).

3. Results and Discussion

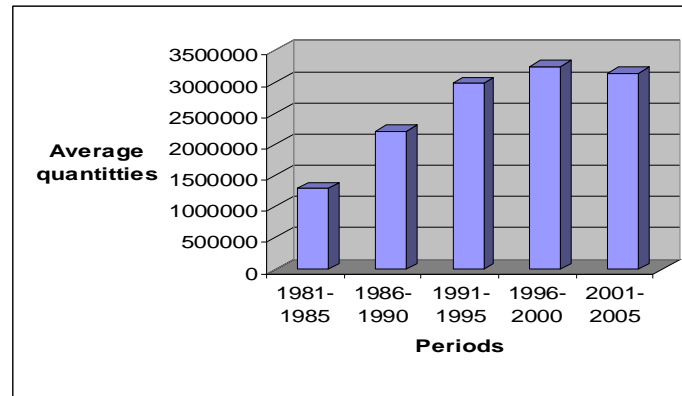
3.1. Assessing the effect of policies on rice production in Nigeria

Table 1 and figure 1 show the average and percentage distributions of rice production in the country. As shown in the table 2; at the Pre-ban period 1981-1985, the country was able to have 1,300,200 tonnes of average rice production. This started to increase in the Ban period and spilled over to the Post-Ban period. The average rice production in the Ban period are 2,216,060 tonnes and 2,976,600 tonnes for the two eras 1986-1990 and 1991- 1995 respectively while in the Post-Ban period the average rice production are 3,248,000 tonnes and 3,139,400 tonnes for the two eras 1996-2000 and 2001- 2005 respectively. This implies that introduction of ban on importation leads to increase in the rate of rice production in the country.

Table 2: Average Distribution of Rice Production In Nigeria, 1981- 2005

Year	Average Production (1000t)	Percentage (%)
Pre- BAN PERIOD 1981– 1985	1,300.2	10.09
Ban Period (1986–1990)	2,216.06	17.21
Ban Period (1991–1995)	2,976.6	23.11
Post-Ban Period (1996–2000)	3,248	25.22
Post-Ban Period (2001–2005)	3,139.4	24.37

Source: computed by the authors.

**Figure 1: Average Distribution of Rice Production Nigeria, 1981-2005**

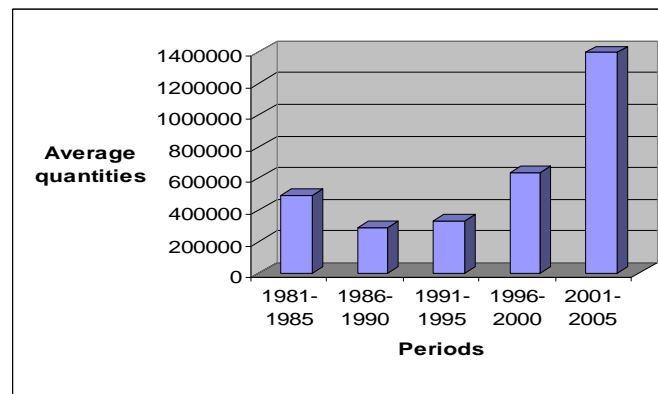
3.2. Assessing the effect of policies on rice Importation in Nigeria

Table 2 and figure 2 show that the average rice import was 492,200 tonnes in the ban period while average rice imports are 288,800 tonnes and 329,200 tonnes for the two eras, (1986- 1990 and 1991-1995) in the Ban period respectively. Also the average rice imports for the two eras (1996-2000 and 2001- 2005) in the post ban period are 638,200 tonnes and 1,397,600 tonnes. This shows that the average rice importation reduced during the ban periods while in the post ban periods it increased drastically with an increasing rate of more than 50 percent.

Table 3: Average Distribution of Rice Importation in Nigeria, 1981- 2005

Year	Average Imports (1000 tonnes)	Percentage
Pre- BAN PERIOD 1981– 1985	492.2	15.64
Ban Period (1986–1990)	288.8	9.18
Ban Period (1991–1995)	329.2	10.46
Post-Ban Period (1996–2000)	638.2	20.29
Post-Ban Period (2001–2005)	1,397.6	44.43

Source: computed by the authors.

**Figure 2: Average Distribution of rice importation Nigeria, 1981- 2005**

3.2. Assessing the Effect of Policies on Rice Consumption in Nigeria

Table 3 and figure 3 show the average distribution of rice consumption in Nigeria. As shown in the table, the average rice consumption for the pre- ban period was 1,246,700 tonnes while that of the ban period are 1,572,700 tonnes and 2,064,900 tonnes for the two eras respectively. The average rice consumptions for the post ban period are 2,526,700 tonnes and 3,248,900 tonnes for the two eras respectively. This shows that average rice consumption increases in the ban period and then spilled over to the post ban period

Table 4: Average Distribution of Rice Consumption in Nigeria, 1981- 2005

Year	Average consumption (1000 tonnes)	Percentage
Pre- BAN PERIOD 1981– 1985	1,246.7	11.70
Ban Period (1986–1990)	1,572.7	14.75
Ban Period (1991–1995)	2,064.9	19.37
Post-Ban Period (1996–2000)	2,526.7	23.70
Post-Ban Period (2001–2005)	3,248.9	30.48

Source: computed by the authors.

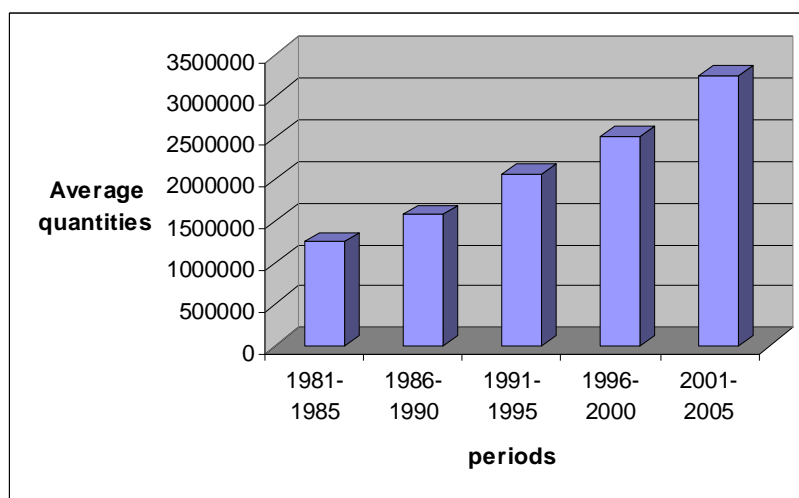


Figure 3: Average Distribution of Rice Consumption Nigeria, 1981- 2005

The table 4 and figure 4 below show the average distribution of rice production, importation and consumption in Nigeria. As shown in the table at the first era of the ban period (1986- 1990) a large quantity of rice of about 2,216,060 tonnes was produced with less rice importation of about 288,800 tonnes and more of rice was consumed at this period which later increased in the second era compared to the Pre- ban period, which implies that Nigeria rice consumption is import dependent. This increase spilled over to the post ban period except in the second era where average quantity of rice produced decreased to 3,139,400 tonnes. This implies that while rice production and consumption increased through out the periods rice importation decreased initially at the ban period and later increased during the post ban period. This also implies that the higher the average quantity of rice imported the lower the average quantity of rice produced and the higher the quantity consumed in the country.

Table 5: Average Distribution of Rice Production, Importation and Consumption

AVERAGE TOTALS PER YEAR	Pre- BAN PERIOD 1981– 1985	BAN PERIOD 1986 – 1990	BAN PERIOD 1991–1995	POST-BAN PERIOD 1996– 2000	POST-BAN PERIOD 2001–2005
Production(1000t)	1,300.2	2,216.1	2,976.6	3,248	3,139.4
Import(1000t)	492.2	288.8	329.2	638.2	1,397.6
Consumption(1000t)	1,246.7	1,572.7	2,064.9	2,526.7	3,248.9

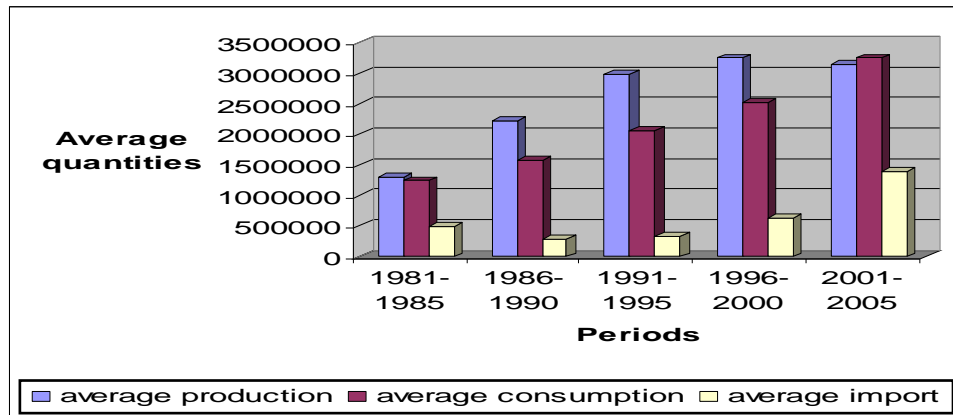


Figure 4: Average Distribution of Rice Production, Importation and Consumption.

4. Conclusion and Policy Recommendations

The findings show that in the first era of the ban period (1986-1990) a large quantity of rice of about 2,216,060 tonnes was produced with less rice importation of about 288,800 tonnes and more quantity of rice was consumed at this period (about 1,572,700 tonnes) which later increased in the Second Era compared to the Pre-Ban period. This increased spilled over to the Post-Ban period except in the Second Era where average rice production decreased to 3,139,400 tonnes showing the effect of policy inconsistency in the country. It was also shown from the result that the higher the average quantity of rice imported the lower the average quantity of rice produced and the higher the quantity consumed in the country. Therefore, government should ban rice importation totally in order to enhance self-sufficiency in rice production, conserve the scarce foreign reserve and provide employment opportunities from rice production through processing. Local rice production should then be improved and enhanced with government providing necessary improved technologies, equipment and funds to encourage local rice production. Also for the effectiveness of the ban policy the security of the country's borders should be strong to prevent illegal rice importation into the country.

References

1. Adubi, A. A. and Okunmadewa, F. (1999). Price, exchange rate volatility and Nigeria's agricultural trade flows: A dynamic analysis. AERC Research Paper 87 African Economic Research Consortium, Nairobi.
2. Akande, S.O (1994). "Inter-regional economic competitiveness in the Production of food grains in Nigeria" Unpublished PhD Thesis, University of Ibadan Nigeria.
3. Central Bank of Nigeria (1981-2005) Statistical Bulletin.
4. Daramola, B. (2005). "Government policies and competitiveness of Nigeria Rice economy" Paper presented at the workshop on rice policy and food security in sub-Saharan Africa organized by Africa Rice Centre (WARDA), Cotonou, Republic of Benin, November 7-9, 2005.
5. FAOSTAT, (2009). Food and Agricultural Organization Statistical Division.
6. Federal Government Budget, (1974-2003). Nigeria
7. Sanusi, J.O. (2004). "Exchange Rate Mechanism: The Current Nigerian Experience" Retrieved January 12, 2010 from <http://www.cenbank.org/OUT/SPEECHES/2004/Gova-dd-24Feb.pdf>

2/10/2011