

# The Political Economy of Food Price Policy in NIGERIA

Policy Brief No. 8

March 2013

ADERIBIGBE S. OLOMOLA

The food crisis of 2008 in Nigeria was influenced by food price changes in the world market and an escalation in the price of imported fuel. These factors led to sharp increases in the prices of agricultural inputs and the cost of transportation in Nigeria. Although the soaring prices of food staples benefited producers, malnutrition worsened among the poor. To cushion the effects of the food price crisis in the short term, the government released grain from its reserve, ordered the importation of half a million tonnes of rice to be sold at subsidized prices and suspended tariffs on rice imports. These policy measures reversed the trend of rising food prices within six months, generated awareness about the nutritional importance of major food staples, led to changes in demand for food commodities, and stimulated increased financing for commercial agriculture. The short-term price reduction could not be sustained, however, because of food shortages, the weakness of the Nigerian currency, and poor implementation of projects. This policy brief highlights the policy process that took place, the actors involved, their roles and the links and interactions among them, the timing of responses and the factors influencing the adopted policy actions.

## Several stakeholder groups were involved.

The policy response and the choice of policies involved participation of several stakeholder groups including the federal government, politicians, the mass media and producers' associations. Considerable time was taken to build consensus. It was difficult for stakeholders to promptly prescribe a policy agenda because of controversy about whether Nigeria was actually facing a food crisis. The response of the executive arm of the government (led by the president) came mainly through the Federal Ministry of Agriculture and Water Resources (FMAWR). The Parliament organized public hearings,

debates and investigations through its committees on agriculture. The FMAWR was the fulcrum around which the policy process revolved.

The 36 state governors participated actively in the policy process. At a meeting with the President, they examined a set of policy response measures that included the release of grain from the reserve, the importation of half a million tonnes of rice to be sold at subsidized prices, and the suspension of tariffs on rice imports. Soon after the meeting, the measures were presented to the stakeholders, approved by the Federal Executive Council and executed by the FMAWR.

## The news media and producer associations played important roles.

The mass media drew policy makers' attention to the urgent need for action. As palliative measures were being implemented, a repentant National Food Reserve Agency urged the media to appeal to Nigerians to remain calm because the government was already taking measures to address the food crisis. The media monitored the process and reported cases of abuse and inequity in the distribution of grain released from the reserve. The Parliament responded by setting up a panel to investigate. The All Farmers Association of Nigeria (AFAN) and the Rice Farmers Association of Nigeria (RIFAN) opposed the idea of importing rice to address shortages, arguing that it would be better to invest in expanding domestic production. The Association of Master Bakers of Nigeria threatened to stop the production of bread unless the price of wheat flour was lowered through massive importation of wheat and embarked on a one-week nationwide strike, arguing that flour mills had been increasing their prices almost every week. The millers and the government blamed the

*Aderibigbe S. Olomola, Senior Economist/Consultant, International Food Policy Research Institute (IFPRI), Abuja, Nigeria*

The author prepared this brief as a member of a research network on the Political Economy of Food Price Policy coordinated by Cornell University, UNU-WIDER, and the University of Copenhagen.

The complete paper is available at: [http://www.wider.unu.edu/research/current-programme/en\\_GB/Political-Economy-of-Food/](http://www.wider.unu.edu/research/current-programme/en_GB/Political-Economy-of-Food/)

The policy briefs can be found at: <http://www.foodpolicy.dyson.cornell.edu>

The project director is Per Pinstrup-Andersen who may be contacted at [ppg4@cornell.edu](mailto:ppg4@cornell.edu)

soaring price of flour on increases in international wheat prices. Many consumers, especially in urban areas, supported the bakers' grievances. Bakers took a similar strike action after the government doubled taxes on flour. Although the bakers' association did not succeed in pressuring government to subsidize the wheat industry, AFAN and RIFAN were able to influence government to set up a large loan fund to boost rice production and rice-processing capacity.

The producers' associations did not support the waiver on rice import tariffs. During the countdown to the October 31, 2008, deadline for the removal of the waiver, there were mixed reactions to 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 argue for its extension. The farmers' associations argued that the government should empower domestic rice producers by supplying improved seeds and other modern inputs. According to the farmers, the only alternative to the waiver was the provision of at least a 50 percent subsidy to local rice farmers for tractor-hiring services and for the procurement of fertilizers and improved seeds. The rice millers claimed that efforts should have been made to establish new mills given the critical shortage of milling machines in the country.

Because the tariff waiver helped lower food prices, traders and consumers urged the government to extend the expiration date. They argued that, if not for the waiver, many households who regarded rice as their favorite meal would have been forced to remove it completely from their diet. However, not all consumers were happy about the waiver. They argued that the waiver-induced decline in the price of rice would last for only a limited time and that rice distributors could collude to purchase and hoard rice in order to sell it at higher prices once the waiver expired.

Despite these various views, the government considered the waiver necessary when it was enacted in May, and it lifted the waiver in October as scheduled.

## The policy interventions were successful in reversing food price increases, benefiting consumers but hurting farmers.

The short-term effect of the policy responses was a reversal in the upward trend in food prices. Although consumers were highly encouraged by this outcome, farmers appeared not to be favored. This inequity prompted the government to introduce a guaranteed minimum price in 2009 to protect farmers' incomes.

The food crisis response also generated awareness about the nutritional value of major Nigerian food staples and led to changes in demand for food commodities. Consumers substituted yam and cassava for rice, bread and other expensive food commodities. Moreover, they rediscovered a number of local food commodities, including local rice varieties. For instance, the local *ofada* rice was introduced in major restaurants in urban areas across the country.

In addition, available data show that some of the short-term measures have started to yield the desired impacts. For instance, imports of major commodities have been a significant drain on the country's foreign exchange over the years, but wheat and rice imports began to decline in 2007. This may be connected with the incentives to boost rice production in the country. Although the tariff waiver quickly reversed the upward trend in the price of rice, the resulting loss of government revenue had major cost implications. This was a major consideration in the government's decision to terminate the tariff waiver at the end of the stipulated period despite agitation by consumers for the extension of the deadline.

### THE POLITICAL ECONOMY OF FOOD PRICE POLICY

This material is based on research funded by the coordinating organizations and a grant from the Bill & Melinda Gates Foundation. The findings and conclusions contained within are those of the authors and do not necessarily reflect positions or policies of the Bill & Melinda Gates Foundation.



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