

POLITICAL ECONOMY OF FOOD PRICE POLICY IN NIGERIA*

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OUTLINE OF PRESENTATION

- **The policy-making process**
- **Decision-making actors**
- **Key decision-making factors**
- **Assessment of the effects of the policy responses**
- **Conclusions and policy implications**

MOTIVATION

- 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, NGOs, producer associations, development partners, scholars, activists etc.
- In this presentation we examine 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.
- 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.

POLICY MAKING PROCESS TIME LINE OF POLICY RESPONSES

| S/ N | Time Line | Issues Addressed and Measures Taken |
|---------|---------------------------------|--|
| A | October 25 th , 2007 | <p>The Senate through a resolution No. 37 of 25th October, 2007, alerted the nation of the drought in some parts of the country.</p> <p>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.</p> |
| B | April 25 th , 2008 | <p>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.</p> |
| C | April 29 th , 2008 | <p>Based on the above articulated concerns the President convened an emergency meeting with all the State Governors to review the situation and take necessary actions.</p> |
| D | May 14 th , 2008 | <p>Some of the measures proposed during the meeting with the State Governors were considered and approved by the Federal Executive Council (FEC).</p> |
| E | November 8-14, 2008 | <p>In its annual retreat held in Kano (Northwest 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.</p> |

POLICY PROCESS CONT'D

- Policy process - 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 stakeholders to promptly prescribe the policy agenda due to political colouration and connotation implied by the controversy surrounding whether or not Nigeria was actually facing a food crisis.
- The process witnessed pronouncement of decisions by 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 worth NGN 80 billion. 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.
- Another example was the attempt by government to import small-scale rice processing machines to be installed within one month. 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.

KEY DECISION MAKING ACTORS

- *Leadership Role:* The Federal Government maintained the leadership role of all the three tiers of government in organizing and implementing policy responses to the 2008 food crisis.
- And in the same vein, the executive and legislative arms of government (out of the three arms) played prominent roles. The response of the executive arm of government (led by the President) came mainly through the Federal Ministry of Agriculture and Water Resources while in the National Assembly (parliament), the House of Representatives and Senate organized public hearing, debates and investigations through their respective committees on Agriculture.
- Despite the role of the Federal Ministry of Agriculture, approval of executive actions followed the normal procedure in which the Federal Executive Council (FEC) comprising all cabinet Ministers and chaired by the President, examines the policies brought before it by the relevant Minister and arrives at a consensus after thorough consideration of the merits and demerits.
- 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 part of the country.

KEY DECISION MAKING ACTORS CONT'D

- *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, 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.
- *Supportive Role of Development Partners:* The development partners had to align their programmes and projects with the resolve of the government to find solutions to the food crisis. Many of them started to address the consequences of the food crisis through re-allocation of resources in existing programmes, mobilization of new funds to ensure delivery of food assistance, nutritional care and support, supporting social safety nets for the most vulnerable, and supply of seeds, fertilizers and other basic inputs to smallholders. The FAO, IFAD, USAID, AfDB played crucial roles in this regard.

KEY DECISION MAKING ACTORS CONT'D

Advocacy role of Producers' Associations & other actors

- AFAN and RIFAN opposed rice importation. Argued for credit for domestic production. The producers' associations were also not in support of a tariff waiver associated with the rice import policy. 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 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.
- Association of Master Bakers 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.

KEY DECISION MAKING FACTORS

- **Rising uncertainty about food security**
- **Soaring food prices can further impoverish the masses of the people**
- **Need to avoid political destabilization**
- **Unsustainability of persistent food import**
- **Phobia of food riot contagion**

EFFECTS OF THE POLICY RESPONSES

- 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 Guaranteed Minimum Price (GMP) in 2009 to ensure that farmers were kept in business and that they did not produce at a loss.
- 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.
- Production of major staples (maize, millet, sorghum, rice, cassava) has continued to follow an upward trend since 2008. This may be an evidence of a positive price response since the prices of the commodities continued to increase even after 2008.
- There was an increase in public and private investment in agriculture as exemplified by the introduction of the Special Intervention Fund for Agriculture (SIFA) which provided funding for the ₦200 billion commercial agricultural credit programme introduced in 2009.
- Emphasis on the need to develop agricultural value chains rather than focusing attention only on output expansion. 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.

POLICY IMPLICATIONS

The implementation of the national food crisis response programme (NFCRP) should have had provision for its continued implementation and necessary review at a stipulated time. This should have made it impossible for policy makers 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.

To avoid 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.

The 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.

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.

CONCLUSIONS

- The soaring food prices of 2008 received considerable attention and inflicted notable impact on producers and consumers in Nigeria. A response policy was packaged to address the impact but the implementation yielded mixed results.
- The policy interventions were successful in reversing food price increases in the short term, benefiting consumers and hurting producers. This inequity prompted the government to introduce a guaranteed minimum price in 2009 to protect farmers' incomes.
- 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 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.

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