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AGRICULTURAL POLICY

Report of Committee II on the Consultation with Nigeria

1. In accordance with the Decision adopted by the CONTRACTING PARTIES at their fourteenth session that consultations should be held with individual contracting parties regarding their agricultural policies, the Committee carried out a consultation with Nigeria. The Committee had before it document COM.II/40(m) dated 31 October 1961 which contained a synopsis supplied by the Government of Nigeria of non-tariff measures for the protection of agriculture or in support of incomes of agricultural producers; the document also contained commodity information. In conducting the consultation, the Committee followed the plan for consultations contained in Annex A to COM.II/5 and adopted by the CONTRACTING PARTIES at their fourteenth session. The consultation was completed on 13 November 1961.
2. In his opening statement, the representative of Nigeria referred to the background information contained in document COM.II/40(m) and called attention to some important features of Nigeria's agricultural trade. He explained the great dependence of the Nigerian economy on agriculture and indicated that agriculture provided employment for about 75 per cent of the adult labour force and accounted for about 60 per cent of Nigeria's national income. This latter fact made it impracticable for Nigeria to subsidize agriculture; rather it was to agriculture that the governments of less-developed countries such as Nigeria looked for funds to develop other sectors of the economy.
3. Another feature of this dependence on agriculture was that Nigeria could not contemplate with equanimity the persistent wild fluctuations in world market prices of primary products. He cited the cases of cocoa as an illustration; Nigeria in 1959 exported 142,804 tons and in 1960, 153,925 tons, an increase of over 11,000 tons, yet export earnings from cocoa dropped from £38.3 million in 1959 to £35.1 million in 1960. With some 80 per cent of total export earnings being accounted for by primary products, such a situation had led his Government to continue pressure in the Food and Agriculture Organization of the United Nations (FAO) and other international bodies for the stabilization of world commodity prices, and in the GATT for the removal of all tariffs and other trade barriers on primary products. In addition, efforts were being intensified to further diversify agricultural production in Nigeria.

4. The representative of Nigeria explained to the Committee the activities of the Marketing Boards in Nigeria. He stressed that the assistance given to farmers did not amount to a subsidy. Payments to farmers in Nigeria did not involve direct grants from the Government, but were payments by the Marketing Boards out of money withheld from farmers as a result of the difference between world prices and the prices paid to the local producers. The aim and intention of this procedure was to provide loans for technical assistance by means of purchasing more advanced machinery, improving the quality of products by developing better strains of seedlings and fighting crop diseases. The Marketing Boards were, in the opinion of the Nigerian representative, not State-trading bodies as such, but primarily agencies for stabilizing the income of farmers and furthering Government development programmes.
5. The representative of Nigeria stated that it was the belief of his Government that trade in agricultural products (and for that matter, trade generally) should be free from all forms of restrictions. Nigeria, therefore, did not maintain any quantitative restrictions on imports of agricultural products.
6. In concluding his opening statement, the Nigerian representative stressed that Nigeria imported far more foodstuffs than were exported. In fact, statistics for the years 1958, 1959 and 1960 showed that the value of imported foodstuffs amounted to £ 18,134,919; £ 20,845,873; and £ 25,911,914 respectively, while in the same years exports amounted to £ 4,543,804; £ 2,829,679; and £ 4,628,866.
7. Members of the Committee expressed considerable interest in the way in which the Marketing Boards were established and operated. In reply to questions raised, the representative of Nigeria explained that the chairman and members of the three regional Marketing Boards were appointed by the regional governments. They did not represent any political grouping and although appointed by the governments were not civil servants. The appointments were made in liaison with the farmers' organizations; the governments were in particular guided by the interest shown by the candidates concerned in the production and trade of the products handled by the Marketing Board in the region.
8. Various members of the Committee raised questions with regard to the bases for establishing the minimum prices paid to the farmers for the products handled by the Marketing Boards. The representative of Nigeria explained that one of the main factors in establishing the minimum price was the trend of prices on the world market. The prices were fixed seasonally without formal consultation with producers or farmers' organizations, but since most members of the Boards were producers themselves or were interested in the trade of the agricultural products handled by the Boards, it followed that due account was taken of the producers' interests.
9. In general, minimum prices were fixed for one season and maintained throughout that season, but recently, in the case of cocoa the minimum price had to be revised in the course of the season because the level of the world market price fell much lower than was anticipated. One of the main functions of the Marketing Boards was to stabilize the income of producers. The representative of Nigeria made it clear that the minimum price was

fixed in general at a level below the anticipated world price level and that funds had accumulated. There were no statutory provisions as to whether the Government would supplement the funds by loans or by granting new capital if the reserves were exhausted, and as the minimum prices were usually below the world prices, it was not anticipated that this would happen. Members of the Committee noted that the stabilizing effect was such that by the fixation of minimum prices below world price level, only excessive upward fluctuations were levelled off. The representative of Nigeria confirmed that this was the case and explained that there were no provisions to the effect that producers would receive a supplementary payment in times when market developments had shown good profits. He mentioned that only once, in 1958 in the case of ground nuts, had the minimum price been maintained at a level above the world market price.

10. One member of the Committee enquired whether in fixing the price level for the various products the Marketing Boards also considered the possibility or desirability of diversifying production by granting, in comparison with the price for other products, a relatively higher price for those products which needed a production incentive. The representative of Nigeria replied that although in principle such a policy was possible, it had so far not been practised. The price paid to the producers did not depend on the prices paid for other products; in establishing the minimum price each product was considered on its own.

11. Members of the Committee enquired whether, as there were Marketing Boards for three different regions, the possibility existed that different prices might be established for the same product in the different regions. The representative of Nigeria confirmed that as the Marketing Boards were organized regionally and not on a product-by-product basis, the various Boards sometimes dealt with the same products. Although the possibility did exist that prices might differ from region to region, he pointed out, that in such cases the National Economic Council might intervene in order to avoid any disruptive effects on the internal economy.

12. In reply to a question put by a member of the Committee as to whether the fixing of prices by the Marketing Boards also related to domestic food-stuffs, the representative of Nigeria indicated that the Marketing Boards did not interfere with prices on the domestic market but confined themselves to fixing minimum prices for exported products within their field. Prices on the domestic market were left completely free to find their own level, depending on normal market forces.

13. A member of the Committee asked whether the Marketing Boards, when fixing prices tended to influence the price relationships between the primary commodities and their derivatives in such a way that for domestic industries raw materials would be available at comparatively lower prices. In reply, the representative of Nigeria stated that the primary products were mainly exported as raw materials, and in the case of ground nuts and ground nut oil for example, no such price policy was applied.

14. A member of the Committee enquired whether apart from the stabilization of prices from year to year for each product there was also the possibility of some levelling between the various prices for several commodities. The representative of Nigeria replied that this was not the case and that in fixing prices each commodity was considered on its own.

15. Members of the Committee observed that since prices in general were fixed below the world price level, large funds must have been accumulated by the Marketing Boards. They asked how these funds were utilized. The representative of Nigeria explained that although no supplementary payments in favourable years were made to the individual producers, the funds were nevertheless mainly used for the benefit of the agricultural producers. Farmers were assisted in obtaining new seedlings and insecticides at moderate prices and in the use of sprayers and in the development of certain projects. In this way the agricultural producers did profit from the savings accumulated during good years. Although the funds were mainly used for technical assistance in the field of agricultural export products handled by the Marketing Boards, part of the funds was used for Government purposes in other sectors of the economy.

16. In reply to questions raised by members of the Committee, the representative of Nigeria explained that for a good functioning of price stabilization by the Marketing Boards, sales of exported products necessarily had to be handled through a sales monopoly. This did not imply that there was an obligation to sell all products handled by the Marketing Boards to this selling organization; on the contrary every producer was completely free to sell his produce for local consumption but all sales for exports had to be centralized by this one organization.

17. In comparing the fields of activity of the Marketing Boards and the National Economic Council, the representative of Nigeria made it clear that the Marketing Boards were not a co-ordinating authority and were only concerned with export products. The National Economic Council, on the other hand, did not operate in the export field but co-ordinated the national economy as a whole. Although the National Economic Council was not primarily concerned with their activities, the Government had a certain measure of control over the activities of the Marketing Boards.

18. In reply to questions as to whether the Marketing Boards were permitted to increase their activities and to include also export crops which so far had not been handled by the Boards, the representative of Nigeria pointed out that the Boards were not permitted to handle products which were not assigned to them. In fact the Boards concentrated their activities now on fewer products than when they were first established. This did not imply, however, that there was some form of dissatisfaction with the functioning of the Boards, but was merely a consequence of the relative unimportance of the products concerned.

19. A member of the Committee drew attention to the fact that locally-consumed foodstuffs made up about 80 per cent of agricultural production in Nigeria. While noting that the funds of the Marketing Boards were used for improvement of production of export crops only, he was interested to know if there was any scope for providing technical assistance also to this large area of food production. The representative of Nigeria replied that for food production his country relied solely on peasant farming. So far no technical assistance through the use of funds from the Marketing Boards had been afforded. Nigeria however had undertaken a farm settlement scheme recently with the object of improving the status of the peasant farmers and experts had been invited to study problems relating to production and the distribution of locally-produced foodstuffs.

20. The representative of Nigeria further explained that the means of communication and the transportation system in his country were inadequate. The inadequacy of the transportation system could well be illustrated by the fact that while cattle were regularly moved from Northern to Southern Nigeria by rail a good number was also moved on the hoof. The journey of some 600 miles in the latter case taking from one to two months in some instances. This exacting problem, among others, had constantly engaged the attention of the Nigerian Government and increasing efforts were being made to improve the country's communication and transportation system.
21. Some members of the Committee expressed interest in knowing what part of home consumption of agricultural commodities was covered by local production. The representative of Nigeria stated that in his opinion between 90 and 95 per cent of home demand was met from home production. An exact assessment was not possible as there were no figures available of importations (of cattle, for instance) which regularly took place from neighbouring countries.
22. Another member of the Committee enquired whether the "farm settlements" scheme was designed to help and raise the production level of agricultural commodities for export or whether it was meant to augment the production of commodities required for consumption within the country. The representative of Nigeria explained that the aim of the "farm settlement" scheme was neither to increase the production of exportable commodities nor of those required for home consumption. The basic idea was to check the tendency of the population to migrate to big towns in the country and to make the rural areas and farming generally more attractive to Nigerian youths. The underlying principle was to educate people in agricultural sectors which was a mainstay of the country's economy. It was not a scheme for expanding farm plantation but a scheme whereby small plots could be efficiently exploited.
23. A member of the Committee expressed interest in knowing whether settlement schemes were financed by any of the Regional Marketing Boards. The representative of Nigeria explained that no direct financial assistance was given to these schemes by the Regional Marketing Boards. The Governments of Western and Eastern Nigeria when announcing their budgets allocated funds towards these schemes. As the budgets included some of the accumulated reserves of the Regional Marketing Boards, some portion of their money did go towards the financing of settlement schemes, but it was impossible to determine the magnitude of financial liability borne by any particular Marketing Board and identify the recipient of the assistance. Replying to another question as to why only Western and Eastern Nigeria embarked on settlement schemes and there was none in Northern Nigeria, the representative of Nigeria stated that the development of farm settlement schemes was only recently started and that the regional governments had met with difficulties in obtaining the services of technical experts but that no doubt the suitability of such schemes for Northern Nigeria was being considered by the appropriate authorities.
24. A member of the Committee noted that the building of a flour mill was in progress in Nigeria which would have a total yearly production of 4.5 million. Total flour imports into Nigeria amounted to £3 million at present. He enquired whether this establishment would lead to a decrease in the imports of flour. The representative of Nigeria replied that the consumer habits in his country were changing and that the consumption of flour was increasing rapidly. Furthermore Nigeria did not grow wheat, so that importations of wheat always remained necessary.

25. Another member of the Committee asked whether the imports into Nigeria were regulated by any import licence system. The representative of Nigeria stated that previously there had been an import licence system whereby some imports were regulated, but imports had been liberalized over the past few years and now his country did not maintain any quantitative restrictions on the imports of any agricultural commodity. Most of the items were on Open General Licence. The Nigerian Government was following a very liberal import policy; exceptions were in general based on security reasons. The imports into Nigeria were free and any firm or individual was permitted to import without any restrictions or difficulties. There were, however, certain rules and regulations whereby the storage conditions, etc., in the country were regulated.

26. A member of the Committee asked whether the Government of Nigeria maintained any scheme or system by which the production of meat was encouraged in the country and whether imports were restricted. The representative of Nigeria re-emphasized that there were no quantitative restrictions on imports, but that considerable difficulties were found in insufficient storage facilities and an inadequate transport system. Development centres had been set up to increase the quantity and improve the quality of livestock production, but otherwise there were no incentives for increasing production.

27. Another member of the Committee expressed interest in knowing whether there were any currency restrictions in Nigeria. The representative of Nigeria stated that there were no such restrictions and foreign exchange could be granted to the importers without any difficulty.

28. A member of the Committee stated that in his opinion the main channel for increasing production was to be found in the pilot settlement scheme, while further productivity could be increased by the effect of various subsidies. The representative of Nigeria explained that the aim of the incentive measures was not to encourage a change from one product to another but to induce farmers to produce better quality commodities. The results of these schemes had been very encouraging as the standard of quality of cocoa had now attained over 98 per cent Grade I, compared to 60 to 70 per cent Grade I some years previously. These incentive measures were restricted to export products handled by the Regional Marketing Boards and were not granted to any commodity meant for consumption within the country.

29. A member of the Committee enquired if the prices of dairy products and meat showed an upward trend in the home market. The representative of Nigeria stated that prices of these commodities had shown a tendency to increase during the last three years and that the Government had little control over this because of the free play of market forces. He further stated that there were about ten important firms in Nigeria which almost exclusively handled the importation of foodstuffs into the country except imports from the neighbouring countries. These firms were well organized and possessed the satisfactory means of transport to supply goods to different parts of the country. Local products were generally not handled by these firms.