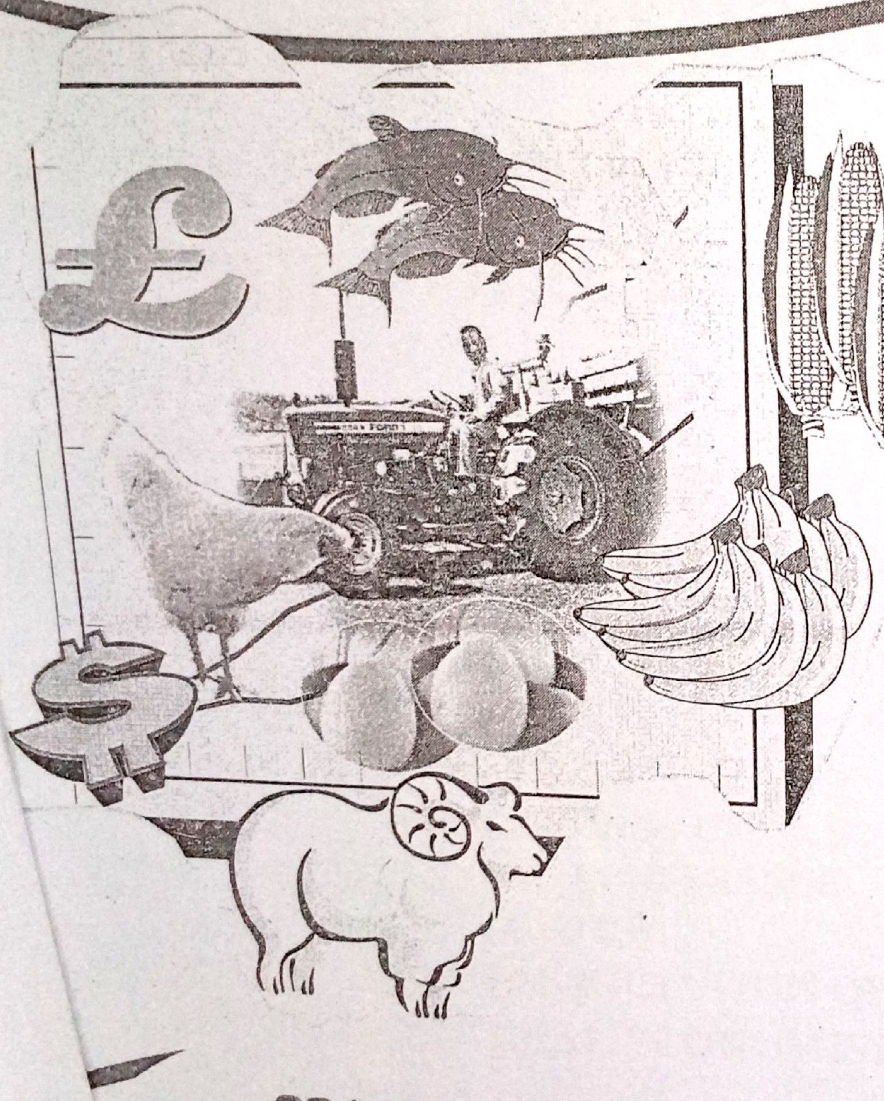
AGRICULTURE IN THE NATIONAL TRANSFORMATION AGENDA: THE POLICY MIX



PROCEEDINGS OF 2012 ANNUAL CONFERENCE

of the

NIGERIAN ASSOCIATION OF AGRICULTURAL ECONOMISTS (NAAE)

Edited By
E.O. Idowu, A. B. Ayanwale,
A. S. Bamire & A.O. Adejobi

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PREFACE

The collection of papers presented in this volume represents the presentations made at the 2012 edition of the Annual Conference of the Nigerian Association of Agricultural Economists held at the Obafemi Awolowo University, Ile-Ife, Nigeria between 25th – 27th September, 2012. The theme of the Conference then was **"Agriculture in the National Transformation Agenda: The Policy Mix"**.

The editors are grateful to the various anonymous reviewers and the authors for painstakingly incorporating the comments and corrections pointed out during paper presentations and later at the publication stage. These papers are arranged under the various Sub-Themes for easy reference and understanding.

It is our believe that the various recommendations made in the papers will go a long way in stimulating further intellectual debate as well as influence policy formulation at various levels of governance. We recommend the papers for the readings of our students especially the graduate students, researchers, policy makers, analysts and the general public.

However, the views expressed in the papers represent those of the authors and not necessarily of the Association nor the editors.

Ile-Ife, Nigeria
December, 2012

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PROBLEMS AND PROSPECTS OF AGRICULTURAL FINANCING IN NIGERIA UNDER THE ECONOMIC DEREGULATION

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ABSTRACT
The paper highlights the problems and prospects of Agricultural Financing under the Economic Deregulation in Nigeria. The objective of this paper was to highlight the effort of the government in the development of the agricultural sector in Nigeria against the background of policy measures adopted under economic deregulation to promote its growth and proffer the way forward. The analytical method employed for this paper is largely that of comparative descriptive statistics, perceived principally within the context of "with or without" and "pre and post" commencement of economic deregulation. The result of the analyses revealed mixed performances of the sector during the deregulation period. Some of the Government and Central Bank of Nigeria (CBN) policies on agricultural financing under the economic deregulation include; CBN monetary policies, Government Direct participation in Agricultural Financing, Agricultural Credit Guarantee Scheme (ACGS), Rural Banking Programme (RBP), among others. It was therefore, suggested that the interest rates on the borrowed capital for the sector be reduced, the existing financial policies and programmes be re-designed, reduction in the problem of inflationary pressures and the effect it creates on credit facility, loans to farmers should be timely, etc.

KEYWORDS: **Agricultural Financing, Economic Deregulation, CBN and SAP.**

INTRODUCTION:
In most developing countries, agriculture is both the main traditional pursuit and the key to sustained growth of the modern economy. In other words, it is well known that farming is the oldest occupation in the world and indeed it remains till date, one in which the largest number of people are engaged. The vast majority of the population of the world population depends on it for a living. This is so because farming or in its complex sense, agriculture is basically concerned with the production of food and fibre which is the basic necessity of life. Economic growth has gone hand in hand with agriculture progress; stagnation in agriculture is the principal explanation for poor economic performance, while rising agricultural productivity has been the most important concomitant of successful industrialization.

In the literature, the origin of agriculture is conventionally placed at the beginning of the Neolithic period or the more advanced period of the stone age. According to Sauer (1955), by that period man seemed to have mastered the intricacies involved in domestication of plants and animals, as well as aspects of peasant and pastoral life.

Among the roles conventionally ascribed to the agricultural sector in a growing economy are those of:

i. Providing adequate food for an increasing population;
ii. Supplying raw materials to a growing industrial sector;
iii. Constituting the major source of employment;
iv. Earning foreign exchange through commodity exports; and
v. Providing a market for the products of the industrial sector. Agriculture is thus seen as the backbone of these economies.

Nigeria is predominantly an agriculture economy and as long as she remains so, the future of this sector in performing its role become important.

The objective of this paper is to highlight the effort of the government in the development of the agricultural sector in Nigeria against the background of policy measures adopted under economic deregulation to promote its growth and proffer the way forward.

METHODOLOGY
The analytical method employed for this paper is largely that of comparative descriptive statistics, perceived principally within the context of "with or without" and or "pre and post" commencement of Structural Adjustment

Programme (SAP). The shortcoming of this approach is often partial, because many other factors may exist which influence the performance of Agriculture-outside the scope of Macroeconomic policy. Among such factors are the pervasive weak production environment and poor state of technology. Moreover, this method represents a departure from the traditional methods of programmes evaluation which normally dwells on the comparison of the socio-economic costs and benefits of a programme using acceptable indicative criteria. This notwithstanding, it is hoped that the conclusion from this paper may not be distorted or biase considerably by this method employed, so that the result could be useful as a policy guide.

In spite of the importance of oil in the economy today, agriculture still remains the mainstay of the Nigerian economy. However, Nigeria has witnessed a rapid decline in Agricultural Production. The Gross Domestic Production (GDP) was estimated to have recorded an annual growth rate in real terms of 10.3 per cent in 1976/77 compared with average of the 7.6 per cent recorded in 1970/76 and about 5 per cent in the 1960s. A sectoral breakdown of the GDP indicated that agriculture including livestock, forestry and fisheries which formed the most important sector of the Nigerian economy in the 1960s has given way to the petroleum industry in pre – eminence. Its relative share of the GDP at current factor fell from 61.2% in 1962 to 23.3% in 1976/77, and to even below 10% in the 1990s. The gravity of the situation is exemplified by the facts that Nigeria which was a major world producer of commodities like groundnuts and palm oil can no longer produce enough even for domestic needs. In cocoa production, our erstwhile leading position has been delegated far backward, and even in food production we have not been able to produce enough to feed our population (food insecurity). The country has had to resort to large scale importation of food, resulting in a rise of expenditure on food security (Oyatoye, 1981).

This background would serve to bring home the need to critically look into Nigerian farming and its problems which seem to revolve to a great extent on financing. It is apt therefore, that we now examine the peculiar problems which confront farmers in procuring, utilizing, controlling, discharging and replenishing their credit requirements in a deregulated economy.

One of the principal aim of initiating economic deregulation in Nigeria, was the desire by government to loosen its controls of resource allocation through a market based system. In essence, deregulation was aimed at removing all the unnecessary administrative and structural controls which tendered to inhibit economic performance both in the public and private sectors by using a market based approach. Prior to the take-off of the programme in 1986, the country's agricultural finance strategies had been tied closely to governments' monetary and credit policies that were put in place at various times. It is important to state that agricultural finance and its administration patterns are very crucial to government's agricultural policies, hence the desire to manage the sector in accordance with the monetary policies of the central monetary authority (CBN, 2005).

AGRICULTURAL FINANCE POLICIES BEFORE AND DURING SAP

The agricultural credit policies in Nigeria before and during SAP had been closely tied to the nature and structure of the monetary system. Before SAP, major monetary indicators like interest rates as well as sectoral allocations for credit were regulated, thereby emphasizing direct government controls (Ojo, etal, 1993). Economic regulation was necessary at that time because of the need to control the available scarce resources for the development of all facets of the economy, particularly, the productive sector.

The SAP came into effect in 1986 and in relation to the agricultural sector, the following objectives were set out.

a. Operation "inward looking" for the productive sector;
b. Liberalization of institutional credits;
c. Improvement in pricing policy for locally produced goods and services; and
d. Specific agricultural schemes/programmes for enhancing both domestic and exports commodity prices.

Prominent among the institutional reforms which accompanied SAP were the abolition of the Commodity Boards, deregulation of interest rates, de-emphasizing sectoral allocation of credits, gradual phasing out of subsidies on production inputs, the privatization and commercialization of public enterprises and some agricultural agencies which were hitherto under the control of government. All these were initiated to encourage private sector participation in agricultural development.

The Performance of Agriculture before SAP.

The performance of agriculture during the period 1970 – 1985 was undermined mainly by disincentive created by the strict control measures arising from economic regulation and the discovery of petroleum which became a major revenue earner for the country since the mid 70s. Between 1975 and 1979, agricultural production witnessed a major decline to less than 2.3 per cent of the country's GDP, as a result of the shift in emphasis to petroleum export. The advent of petroleum brought increased urbanization, overvalued Naira, sharp decrease in agricultural export and increased desire for foreign goods and services. Although government provided some incentives/subsides to boost food production at that time, but they were hardly enough to stimulate growth in agricultural sector. The inadequate domestic food production was reflected in Nigeria's massive food imports, especially in the 1970s and 1980s, to augment domestic support. The decline in the production of some of Nigeria's leading agricultural export commodities was most worrisome. For instance, Nigeria that was ranked as the world's leading producer and exporter of palm oil in the 1960s had become a net importer of this commodity in the mid- 1970s. Similarly, Nigeria's cocoa production which reached a peak of 309,000 tones in 1970/71, fell drastically to 160tonnes in 1985. The sharp down-turn in the gross value terms of trade in agriculture was equally serious. The ratio of agricultural exports of food imports, which stood at 143 per cent in 1970 – 75, suffered significant deterioration and reached the lowest trough at 38 per cent by 1976 – 82.

Aside from these development, the drought that occurred in late 1982, further made it difficult for farmers to record increased production, as only 2.9% growth rate of the annual GDP was recorded that year, compared with 12.7 per cent recorded in 1981. As expected, the drought did not encourage good harvests both in 1983 and 1984 as -0.4 and 4.9 per cent were recorded during the period. Harvests were, however, good in 1985 and 1986 at the take-off of SAP, as 16.6 and 9.3 per cent of agriculture's share of GDP were recorded. Among the latter was currency over-valuation which cheapened food imports and in turn offered unfair competition to domestic production.

Ironically, as the economic crises deepened in the early 1980s there was a marginal improvement in incentives for agriculture by way of improved prices and subsidies as well as import restriction which in turn culminated in some improvement in its performance.

SAP Period, 1986 to Date

The performance of agriculture since the commencement of SAP has been quite impressive. Policy instruments targeted towards reviving the agricultural sector during SAP have been mainly macroeconomic. Available economic indicators revealed that agricultural output growth rate remained on the decline after its peak of 16.6 per cent in 1985 at the take-off of SAP. It dropped to 9.3 and 3.6 per cent in 1986 and 1987, before it rose again to 10.0 per cent in 1988. It again dropped to 5.0 and 4.0 per cent in 1989 and 1990. It is important to state that the increases in agriculture's GDP in 1985 and 1988 were probably the result of increased incentives made towards increasing food production and the abolition of commodity boards which enabled farmers export directly without the bureaucratic bottlenecks created by the commodity boards.

Except for fishery output which declined; crops, livestock and forestry production recorded remarkable improvements. Domestic food supply also improved. Total per capital food consumption increased to 2,200 calories per day thereby reducing the total calorie deficit to 0.1 per cent (Abayomi, 1997). Also, considerable improvements were recorded in agricultural export during the first three years of SAP. Inflationary pressure intensified from average of 18.1 per cent between 1986 – 1988 to an average of 28.9 per cent between 1989 – 1992 (at 1984 factor cost). In 1993, inflation rose further to 57.3 per cent and stood at 70.0 and 82.0 per cent in 1994 and 1995 respectively. As the country's agricultural sector remains heavily dependent on imported inputs, every depreciation in the naira, for example, led to soaring of the naira prices of such imports which also translated into increased food prices.

Real rates of interest were generally positive between 1985 and 1987, but became negative in 1988 and 1992. The average savings/deposits rate rose from 9.5 per cent in 1985 and 1986 to 14.0 and 14.5 per cent in 1987 and 1988 before reaching 17.8 per cent in 1990, and dropped again to 13.5 per cent in 1994. The maximum lending rates also rose sharply during 1989 – 1993 periods by averaging over 28.5 per cent, while the Minimum Rediscount Rate (MRR) between 1989 – 1993 showed an increase of 16.5, 18.5, 15.5, 17.5 and 26.0 per cent respectively during the period. Between 1987 and 1989, banks lending rates averaged 32.8 per cent, and by June, 1993 the maximum lending rates (the rates that apply to most banks credit) averaged 39.9 per cent for commercial banks and 57.7 per cent for merchant banks, up from their respective levels of 17.3 and 17.6 in 1988, until it was pegged at 21 per cent in 1994. The inter – bank rate also rose from an average of 23.6 per cent in 1990, to as high as 86.0 per cent in 1993, when bank credits became highly competitive due to liquidity crunch.

As interest rates became deregulated, under SAP, agricultural loans attracted higher rates (particularly between 1989 – 1993) than hitherto, making farmers less disposed to banks' credit. This was against the objectives of deregulation which was aimed at encouraging the flow of credit to the agricultural sector, which before SAP was enjoying concessionary rates of interest of about 3.5 per cent below other rates. Also, the resultant unwillingness by banks to commit their funds into high risk sector as agriculture further exacerbated the poor agricultural credit delivery system and subsequent decline in agricultural production.

However, government adopted an agricultural policy for the country in 1988, with the aim of stabilizing agricultural prices, trade, investment/production, provision of extension services, credit and technological transfer in order to boost the agricultural sector. The result brought a gradual commitment and investments in agriculture, particularly in the areas of increased credit allocation, export promotion and favourable income to the farmers.

The agricultural sector responded favourably to this policy as aggregate agricultural production grew at an average annual rate of 5.9 per cent in the years 1988 – 1991, as against an average growth rate of about 4.4 per cent recorded between 1984 – 1987. However, if the over 88.5 million population is taken (1991 population census) or over 150million population is taken (2006 population census), then agricultural production can be said to have grown at less than 4 per cent during the period. In spite of this, modest growth was observed in the production sector in most parts of 1988 – 1992, as agricultures contribution to the GDP rose to about 39.7 per cent average between 1988 – 1992, from the 25.0 percent recorded in the pre- SAP, period. In other words, with these changes, the profitability of some key agricultural enterprises improved considerably. For cocoa, palm kernel and rubber, farmers resuscitated abandoned farms as their incomes were enhanced. Also, due to the ban placed on some food items, the competitiveness of grains, vegetable oils and oil seeds and dairy enterprises also improved. Similarly, the increase in the value of exports of agricultural commodities could be attributed to favourable export incentives occasioned by improved export promotion and the enhancement of farmers profit margins created by the abolition of the commodity boards.

However, as stated earlier, poultry and fishery production became less profitable due to the astronomical rise in production costs, which was so mainly as a result of the high foreign input content of production. Exchange rate depreciation has also caused the process of imported inputs such as fertilizers, agro-chemicals, machinery and other inputs to rise very sharply, so that the improved incentives actually depended on the nature of enterprises. For small-scale farmers who depend less on imports for their farm inputs, profit levels improved. For large scale modern farms, production was halted in many of them-many have closed down or operating below their installed capacities (Ndanitsa, 2002).

GOVERNMENT AND CBN POLICIES ON AGRICULTURAL FINANCING UNDER THE ECONOMIC DEREGULATION

Before the establishment of SAP, the Federal Government of Nigeria (FGN) had adopted various regulatory measures aimed at enhancing the growth of the agricultural sector. However, in 1998, government abandoned most of the control measures that were adopted under the economic recovery programme of austerity measures for the desired growth. The agricultural finance system which was under regulation before SAP, was decontrolled, thereby paving the way for the market oriented approach.

a) **CBN MONETARY POLICY**

The CBN's promotional role and policy measures were aimed at increasing the flow credit to the productive sector as well as to guide the financial system towards attaining growth and dynamism in the overall economy. A major policy instrument, with which the CBN has assisted the financing of agriculture, is its credit monetary policy circulars issued on yearly basis. Since 1969 when the first circular was issued, the CBN has given preferential treatment to agriculture and rural development. The preferential treatment covered the volume of loans allocated to agriculture and the interest rates chargeable on such loans.

In order to enhance funding to the sector, interest rates were made concessionary by government to encourage farmers to borrow from lending institutions. Concessionary interest rates were made lower than that of other sectors of the economy, in order to encourage borrowing for agricultural purpose. Between 1978 and 1979, interest rate range between 3 – 5 percent, while other sector's interest rates attracted a 8 – 13 percent during the period. In 1985 – 1986, however, concessionary interest rates were raised to 8 – 9 percent for agricultural lending, which was still below the rates for other sectors of the economy. The coming of SAP brought a gradual liberalization of interest rate as all agricultural lending rates in most banks attracted competitive rates.

Concessionary interest rates was widely believed among lenders to provide some destabilizing effects on agricultural lending. Concessionary interest rates was known to have discouraged commercial and merchant banks from lending, because of the discriminatory effect and low returns it generated in the financial system. Concessionary interest rates was therefore abolished at the take-off of SAP, to allow market forces to determine all rates.

b) **GOVERNMENT DIRECT PARTICIPATION IN AGRICULTURAL FINANCING**

Government direct participation in agricultural financing was not a new feature before and during the period of SAP. Prior to the programme, government had established various agricultural lending institutions like the Nigerian Agricultural and Cooperative Bank (NACB) in 1973, the Nigerian Bank for Commerce and Industries (NBCI) in 1978, People's and Community Banks (PB & CBs) in 1989 and 1990 respectively, Nigerian Export and Import Bank (NEXIM) in 1990, among others NEXIM for example, was established to help encourage exports of the country's principal agricultural and manufactured products through the provision of pre – and post shipments financing to indigenous exporters. For instance, financial services to farmers under an evolving NEXIM increased from =N=552.4 million in 1988 to =N=713.5 million in 1989 and to =N=1,371.0million in 1990 before the institution was formally established. Also, finance enhancing schemes like the Agricultural Credit Guarantee Scheme (ACGS) and Nigerian Agricultural Insurance Scheme (NAIS) were established to provide finance for agriculture. The Federal Government also source fund from International Financial Institutions for specific agricultural projects. These include the Government/World Bank Second Livestock Development Project, Government/UNDP/FAO Livestock Grazing Reserve Development and the Nigerian Economic Reconstruction Fund (NERFUND). For example, under to first project, =N=41,440million was disbursed to 8,034 small holder livestock farmers to support their productive activities, 220 boreholes have been drilled to provide water and 24 research projects are being funded in six universities and other higher institutions.

The sources of NERFUND funds include =N=100million by the government and counterpart funding of about $280million from the African Development and the World Banks.

However, capital allocations to the agricultural sector by government have been the most direct source of government finance towards agriculture. Out of a total sum of =N=8,395.5million capital expenditure made to the entire in 1980, the sum of =N=467.3million went to agriculture, representing 5.6 percent share. Apart from 1981 and 1985 where 7.0 and 5.1 percent capital allocations went to the agricultural sector, the periods 1986 to 1989 witnessed major fall in capital allocations to the sector, as 0.7, 1.4, 3.4 and 1.2 percent were recorded during the period. In contrast, only 6.4 percent of governments' total capital expenditure went to agriculture in 1990, and the percentage allocated to the sector fall to about 3.9 percent average between 1991 – 1994.

But, by bare faced perversion, successive Nigerian Governments revel in the distorted claims of making agriculture the base of its economy. When you analyze most budgets presented with anachronistic relish, you find that the amounts allocated are ridiculously under 10% of the total budget. Sad, you might say. But is it not tragic that of the amount allocated, less than 20% goes into actual projects, with 80% going into unnecessary personnel "excess baggage" and unproductive overhead cost? I am not going to bore you with monetary figures because such have become meaningless in Nigeria where you talk of billions as though you were referring to what I call "millions" that are far less than thousands, in an atmosphere where the true human minions abound just doing the master's bid no matter how senseless and or corrupt.

c) **AGRICULTURAL CREDIT GUARANTEE SCHEME (ACGS)**

The scheme came into operation in 1975, with the CBN serving as the managing agent. The initial fund of =N=100million provided for its take-off, was subscribed to by the Federal Government and the CBN in the ratio of 60 and 40 percent respectively. =N=85.5 million had been paid-up to date (2002). This amount however, rose to =N=298.9million as at December, 1995 as a result of investments made on Nigerian Treasury Bills (NTBs) by the fund. All the loans granted by the guaranteed up to 75 percent against the amount in default.

From inception in 1978 to 1994, a total of 197,552 loan applications valued at =N=1,119,576.8 was guaranteed under the scheme by the Central Bank of Nigeria. A breakdown of the figure shows that 57,024 loans amounting to =N=537.6million were disbursed by the lending banks between 1978 and 1988. During 1985 – 1989 the number of loans guaranteed increased steadily from 3,337 valued =N=44,243.06million in 1985 to a peak of 34,518 valued =N=129,300.03 million in 1989. Therefore, the fortunes of the scheme started to decline from 1990 with 30,704 loans valued =N=98,494.04 before reaching about 16,572 valued =N=103,186.0million in 1994.

During the first few years of operation, repayment rates under the same scheme were very poor. For instance, between 1978 and 1980, most of the big borrowers did not make any repayment, except the small-scale borrowers who repaid about 45 percent of the total amount borrowed. Between 1980 and 1990, about 50 percent of the loans guaranteed were repaid cumulatively. The poor repayment rates observed could be attributed to the drought which occurred in 1992 and the general poor attitude of big borrower/beneficiaries to loan repayment. Also, poor appraisal techniques of the guaranteed projects further exacerbated the poor repayment rates. As a result of these lapses/inadequacies most of the beneficiaries considered the loans as their proverbial national cake, hence the high default rate.

The periods after 1990 however, have showed some impressive performance as over 55 percent loan recovery rate was recorded. This was due to the publication of all defaulters' name in the media in 1989 and the weaver of tangible collaterals by the fund for small-scale borrowers of =N=5,000.00 and below.

d). **Rural Banking Programme (RBP)**

The Programme was designed by the Central Bank of Nigeria (CBN), with the aim of expanding the scope of the Banking system to the rural areas. At inception, the RBP was designed in three phases. During the first phase (1977 – 1980), a total of 200 rural branches were to be established by the existing 21 commercial banks in the country at that time. By the end of the first phase, a total of 188 of such branches had been established. The second phase of implementation (1980 – 1985), involved the setting up of 266 branches, and at the end of that phase only 229 branches could be opened. In response to the pressures mounted by the CBN on the defaulting banks, 28 additional branches were opened by the end of 1986 bringing the total number opened under the second phase to 257. The third phase (1985 – 1990) witnessed the opening of 300 new branches by 1985. However, in 1990 a total of 303 rural branches had been opened, bringing the cumulative number to 765 rural bank branches allocated to commercial banks. This represents about 99.8 percent achievement under the RBP. Since the commencement of RBP, it has succeeded in stimulating rural investments. To ensure that banks re-invest adequate funds mobilized in the rural areas, the CBN in its monetary and credit policy Guideline for 1991 mandated that not less than 50 percent of the deposits mobilized from the rural areas should be advanced as credit to the rural borrowers. Total deposits outstanding in all rural bank branches rose from =N=116.4million in 1980 to =N=19,542.3million at the end of 1993. The flow of credit to the rural sector also increased from =N=35.9million or 32.1 percent of total deposits in 1982 to =N=10,910.4million or 55.8 percent of total deposits in 1993.

The programme like most rural finance programmes, has been plagued by several problems, ranging from improper locations of the banks in the rural areas to poor timing of lending transactions (as no statutory loan requirements were laid out for RBP), and the unwillingness of the banks to transact financial business with small-scale rural borrowers. These among other reasons, explain why the rural branches of commercial banks were often accused of carrying urban banking system to the rural dwellers and transferring rural savings from the rural economies to urban economies. Other impediments were the high transaction costs of rural banking loans, difficulty of effective supervision and the cumbersome lending formalities which accompany small-scale loans.

SUGGESTED SOLUTIONS

Having highlighted the above policy implication under economic deregulation, it is necessary therefore to proffer solutions to the identified problems:

i. Experience has shown over the years that small-scale farmers are highly vulnerable to very high rates of interest. As a result, the expected positive effects of deregulation could only be achieved through effective interest rate regime as this will bring a cost of fund advantage to Agricultural producers. Also, a credit system could be evolved that would combine the relatively cheap and effective credit system's and community banks to bring a cost of fund advantage to rural borrowers.

ii. Government established credit institutions can only be successful in improving the credit needs of the rural borrowers if these institutions could institute reasonable sanctions against borrowers who willfully defaults, by refusing them new loan until all the outstanding debt are repaid.

iii. Under deregulation which aims at using the forces of demand and supply to fix appropriate process and resource mobilization, government needs to further encourage effective interest rate regime that would enhance existing savings and lending rates in favour of savers and banks. Government should also support the farmers with affordable production inputs and technological know-how that would stimulate growth in a deregulated economy.

iv.

v. The existing financial policies and programmes need to be re-designed to focus on increased sectoral credit allocation and refinancing schemes. This would enhance the flow of credit to the agricultural sector. It will also induce reasonable profit margins to farmers.

vi. There is need to focus on food and financial policy goals on small-scale farmers who form the largest productive force. A process of linking Self-Help Groups (SHGs) at the grass roots with commercial, merchant and community banks should be intensified to guarantee borrowers adequate credit needed for their productive activities.

vii. The problem of inflationary pressures and the effect at credit on credit facility can be resolved much more effectively, if government could encourage private sector participation in agricultural investments, particularly in transportation, storage, equipment, leasing and agricultural business generally. Also, the unemployed can be encouraged to go into farming by making agriculture less labour – intensive. There should also be a concerted effort to reduce import duties on agricultural inputs to enable farmers procure modern technologies for food production.

viii. In view of their grass roots orientation and relatively simpler operational procedures, the People's and Community Banks should be strengthened and made the focal point for saving mobilization and credit delivery for rural areas. The People's and Community Banks need to be properly nurtured, guided and managed in order to provide stiffer competitions with informal lenders in rural credit delivery system. This will also ensure rapid transformation of the agricultural financing system in meeting the expectations of policy makers in creating a vibrant agricultural economy.

ix. Evidence has shown, over the years that farmers are very much concerned about loan sources and size, and also, that the loans be timely, expeditious and dependable. Their complaints about formal lenders are mainly from the costly formalities and uncertainties involved in obtaining their loans. Also, the failure of the credit institutions to deliver their loans at the time the money is needed to carry on their farming operations, results in loan diversion and delinquency. There is need for banks to minimize their bureaucratic tendencies in loan disbursements, to ensure that farmers get the loans at appropriate time.

x. Government should pursue complementary measures in terms of infrastructure, adequate inputs and new technologies.

Similarly, having highlighted the above recommendations, it suffices to say that even though the country's financial system has been strictly loosely controlled time after time, no policy targets has succeeded in kick-starting a meaningful growth in the agricultural sector. Therefore, there is need to fashion the country's agricultural policies with the aim of stimulating increased food production through an efficient resource mobilization, as well as a reasonable credit delivery allocation system. Consequently, a credible financial stabilization programme to achieve this goal, will require the immediate amelioration of the various distortions associated with existing high inflation and lending rates in order to spur investments in the agricultural sector, for the desired growth. And I must emphasize here, that unless these strategic imperatives are installed, and addressed simultaneously, using the best available human and material resources, and avoiding mediocrity, there can be no realistic hope for a healthy Nigerian Agriculture and Food production. These imperatives are the reforms absolutely required to make Nigerian Agriculture Productively flossy rather than patently floppy.

Lastly, macro-economic stability must be restored in good time too for growth to resume in the financial and predictive sectors. The key lies to a large extent, in governments' determination to tackle meaningfully the macroeconomic and fiscal problems facing the productive sector. It is also important to recognize that policies initiated under deregulation will only be effective in allocating scarce resources to the agricultural sector, if the system is properly guided in accordance with the forces of demand and supply.

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