

# FOOD SECURITY STATUS IN NIGERIA: PRE AND POST ECONOMIC DEREGULATION REVIEW

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## ABSTRACT

*Hitherto, the Nigerian economy was highly regulated. By 1986 however, there was a transition to deregulation as the dominant economic philosophy with far reaching effects on the economy and the well being of the people. This paper reviews the effects of this shift in economic philosophy on one aspect of human well being, namely, food security using trend examination and descriptive methods. The paper submitted that while food supplies improved considerably after deregulation especially in the immediate post deregulation period, the ability of the citizens to access this food deteriorated significantly and the food security position worsened. Appropriate suggestions were consequently offered.*

**Keywords:** *Deregulation, Liberalization, Food Security, Nigeria.*

## INTRODUCTION

Since independence in 1960, the Nigerian economy had operated under two major economic philosophies with the turning point being 1986. Prior to 1986, the economy was highly regulated with government taking direct control of the "commanding heights" of the national economy. By the early 1980s, significant distortions were thought to exist in the economy with respect to pricing of tradeable items leading to sub-optimal allocation of resources in the economy. Hence, in 1986 an economic reform programme in the form of a Structural Adjustment Programme (SAP) was embarked upon anchored principally on the deregulation of the economy and liberalization of trade. The targets of these measures were principally the relaxation or abolition of import licensing, tariff structure, price control, foreign exchange control and interest rates control.

Reform processes such as those embarked upon in Nigeria in 1986 usually leads to "a complete re-orientation of the economy" (Olashore, 1991) and this was indeed the case in Nigeria where the deregulatory and liberalization philosophy remains the critical basis of economic policy despite the official abandonment of Structural Adjustment Programme in the 1990s. Spurred by globalization, which itself is essentially deregulation on a global level, the Nigerian economy has since remained anchored on free-trade, market mechanism and private sector orientation, the key instruments of the SAP that channeled in the reform of the economic philosophy underlining the Nigerian economy in 1986.

Although the shift to economic deregulation and trade liberalization affected many sectors of the economy, its impact on the agricultural economy was one of the most acute and remarkable (Adubi, 1996; Ojo, 1994). The key features of agricultural production and the long tradition of governmental regulation of the sector became radically affected by the deregulation and liberalization philosophy with vital consequences for food security.

Following over two decades of deregulatory practices, this paper reviews the effects of this shift in economic philosophy on one aspect of human well being, namely, food security using trend examination and descriptive methods. The paper compares the food security status of the country before and after the adoption of deregulation as the dominant

economic philosophy. It considers the lessons derivable from Nigeria's experience and proffer suggestions in this regard.

## **ECONOMIC DEREGULATION**

Economic deregulation describes the process of the removal of official restrictions on consumer choice, and the introduction or extension of competition on the supply side of the market. The primary aim of such a process, usually, is to reduce or eliminate distortions that are believed to drive a wedge between prices and marginal costs. Economic deregulation is rooted in the neo-classical doctrine of *laissez-faire* which believes that factors of production, goods and services are optimally priced when their prices are freely determined in a competitive market, implying that resources are best allocated by the market mechanism and the selfish motives of private economic agents. Hence, the main symptom signaling the need for deregulation is the prevalence of supply-demand imbalance in both the factor and product markets, and the basic aim of such deregulation is to eliminate inefficiency in pricing and production decisions (Isijola, 2000; Olashore, 1991). The principle of *laissez faire* and its derivatives, the deregulation/liberalization thesis, received greater incentives for wider global spread in the late 1970s/1980s following the critical macro economic problems experienced by many highly regulated economies in Africa, Asia and Latin America, the collapse of socialism as a dominant alternative macro economic framework, and the increased visibility of the principally classical/monetarist dominated Bretton Woods Institutions - the World Bank and the International Monetary Fund (IMF).

Nigeria's real first move towards large scale deregulation of the economy started with SAP in 1986 and this has been subsequently upheld and reinforced by successive regimes, the latest being the National Economic Empowerment and Development Strategy (NEEDS) introduced in 2003 following the return to democratic rule in 1999. With specific reference to agriculture, the objectives of SAP was the achievement of significant and sustained increase in production to meet domestic food and raw material needs and reduce the degree of dependence on food imports; achieve sustained increase in the production of export crops so as to diversify the production base of the economy, raise rural income and employment, achieve

minimal inflationary growth and improve regional balance in crop production (Adubi, 1996; Ojo, 1994). The specific policy instruments that were used included: abolition of commodity/ marketing boards, removal of subsidies on agricultural inputs such as fertilizers, reform of tariffs on the imports of agricultural inputs including tractors, liberalization of agricultural exports, and privatization of agro based enterprises, foreign exchange liberalization and interest rate deregulation (Adebayo, 2002; Famoriyo, 1998; Ukpong and Iniodu, 1994).

## **FOOD SECURITY**

The idea of food security was presented for the first time at the World Food Conference in 1974 viewed solely from the perspective of having adequate availability of food on a national scale. Today, it is a condition in which all people have access at all times to enough food of an adequate nutritional quality for a healthy and active life (World Bank, 1986 as cited in Tollens, 2000). There are four dimensions to this: (i) availability of sufficient amount of food which is a function of food production (ii) stability of supply over time which depends on the ability to preserve/store produced food and supplement available food through imports if necessary (iii) access to the available food which depends on income levels and its distribution and (iv) food utilization which encompasses procurement, ingestion and digestion all of which are dependent on nutritional quality, education and health (Tollens, 2000).

Food security exists at both the macro and micro levels. National Food Security (NFS), the macro dimension, is possession by a nation of the capacity to procure enough food through production or imports to feed its population. This is a necessary condition but not a sufficient condition for Household Food Security and Individual Food Security since food availability on a national scale does not preclude the lack of adequate access to such food by many of the inhabitants due to weak markets, poor infrastructure and information system, and inequality in resource and income distribution. Various composite indices have since been developed to measure Food Security incorporating all the dimensions of food security. Popular among these are the Aggregate Household Food Security Index (AHFSI) by the United Nation's Food and Agricultural Organisation (FAO) and the Food Security

## **DETERMINANTS OF FOOD SECURITY STATUS IN NIGERIA**

Experts have argued that significant food and nutrition problems exist in Nigeria (Okuneye 2002, 2000; Famoriyo, 1998; Olayide, 1982). The basic aim of deregulatory policy measures in the food sub-sector was to correct this problem. Olayide (1982) conceived the food and nutrition problem in terms of food supply and demand imbalance. Factors that constrain food supply and food demand invariably affect food security. On the supply side major factors hampering the supply of food in Nigeria are ownership of productive assets and resources which are biased against agricultural producers, nature of farm organization and technology which are crude and undeveloped, and the lack/primitive state of marketing infrastructures and mechanisms, all of which influence food output and availability. The demand for food is affected by poor growth rate/distributional structure of income, high food prices, preference structure which is largely in favour of foreign products, and various socio-cultural factors relating to poor state of nutrition education, intra household food distribution decisions, poor cooking technologies and low access to adequate health care (Tollens, 2000; Famoriyo, 1998; Norton and Alwang, 1993; Olayide, 1982)

## **POLICY - FOOD SECURITY INTERFACE**

The point of intersection between macro economic policy and food security lies in the direct and indirect impact of policy (both economy-wide policies and sector-specific policies) on food availability/supply stability, factor incomes and price level, and thus, on access to food, and on social and cultural factors (such as education and health) that affect food utilization.

## **THE ANALYTICS OF THE NIGERIAN SITUATION**

Given the above literature, this paper assesses the effect of deregulatory policies on food security in Nigeria by examining and comparing the trend, over time, in various proxies of food security. The main proxies of food security status used are food production and food import as indicators of food availability, food prices and GNP per capita as indicators of food access, and per caput calorie intake as indicator of food utilization. Dauda

(2006) has demonstrated that most of these proxies adequately explain food security status of the country.

**Food Production:** It is generally agreed that food production in Nigeria was at an adequate level for most periods and that the liberalization of the economy had a positive impact on food production (Phillips 2002; Idachaba, 2000). There were considerable gains in aggregate and per caput indices of agricultural and food production following the deregulation of the economy (Table 1) and virtually all major food items in the country recorded positive trends in output for the periods 1980-89 and 1990-98 with the rate of change in production being significantly higher for the post-SAP era.

The aggregate index which was on a decline prior to the deregulation of the economy improved thereafter, the 1995 value being doubles that of 1985. While negative growth was recorded in nearly all the subsectors of agriculture for the period preceding deregulation, the period immediately after the deregulation of the economy recorded very high rate of growth in agricultural output with most of this being in the staples subsection. The rate of growth however dropped after the immediate period following deregulation although it still remained positive.

That the deregulation of the economy had positive impact on food production is further confirmed by Table 2 above showing the Index of food production in Nigeria. The table shows that from an index of 91 and 97 respectively in 1985, the aggregate and per caput food production index increased to 147 and 123 respectively in 1995. This shows that food production increased considerably after the deregulation policy.

Apart from domestic production, the other major source of food supplies is through importation. Despite increases in food production, Nigeria has had to rely on huge food importation largely because of relatively sluggish growth in per caput food production vis-a-vis population growth and high post-harvest losses which created gap between actual food production and quantity available for supply. Nigeria is a net importer of food and the food import bill as a proportion of total import has maintained an upward swing despite government's restrictive agricultural trade policy (Table 3).

As Table 3 shows, the mean ratio of food import to total import between 1980 and 1985 was 16.7%. Between 1986 and 1993, the period

during which active deregulation was pursued, food import as a ratio of total import was a mere 7.7% confirming that demand was being met by increases in production rather than import. The table also shows, however, that the food import ratio has been increasing in recent times. The foregoing confirms the generally held thesis that food is adequately available in Nigeria to meet the food security needs of the people. However, the increasing reliance on food imports is neither desirable nor sustainable and could constitute a source of insecurity at some points in the future as secure food availability over the long run derives primarily from self sufficiency in production.

**Food Prices and Household Income:** One of the main thrusts of the macroeconomic deregulation programme in Nigeria was the radical adjustment of agricultural pricing policy. The fixing of commodity prices through commodity boards was dropped and agricultural produce prices became determined by market forces. This along with rapid inflation resulting from the massive devaluation of the Naira had the immediate impact of huge increase in nominal prices of agricultural and food products even though increase in real prices was much less (Adubi, 1996).

As presented on table 4, food prices have been growing in Nigeria since the 1970s, however the rate of growth in prices became much more pronounced from the late 1980s when the nation's economy became deregulated. The Food Price Index in 1995 was about 2000% of the 1985 price, a period of just about 9 years and the 2005 Food Price Index was almost 7000% of the 1985 price. Rising food prices, *ceteris paribus*, implies that consumers' ability to access available food supplies will be reduced unless greater increases are recorded in income and/or income is redistributed in favour of the poor. Table 5 shows the GDP Per Capita of Nigeria between 1981 and 2003. The table shows that there was progressive decline in the GDP per capita over time but this became remarkable after the deregulation policy. The per capita GDP range was \$1061.33 - \$1245.44 for the period 1981 - 1985 while it was \$334.27 - \$462.46 for the deregulation period. The mean per capita income for the period 1986 -1993 (the period of active deregulation) was a mere 29% of the per capita income for the preceding period 1981 -1985.

Accepting Anyiwe (1994) assertion that there was no change in income

distribution (which remains biased in favour of the rich) during the period in question, what tables 5 and 6 show is that people's ability to access food was severely constrained by the deregulation policy.

**Food Utilization:** Food security implies access to and ingestion of adequate amount of good quality food (Tollens, 2000). Adequacy of food intake is generally considered in terms of some minimal recommended level of food (usually energy intake but also protein, fat and the micronutrients) per caput per period. Table 6 below shows the nutritional indices of food consumption in Nigeria for selected periods between 1970 - 1996. Two important deductions are inherent from Table 6. The first is that the food consumption status of Nigerians which was on the decline since the 1970 was positively affected by the deregulation of the economy in the immediate deregulation period. Per caput calorie intake improved, from 1680.4 kcal just before deregulation, to 2023.6 in the 1985-89 periods before declining to 1955.5 in the 1995-96 periods. The second deduction is that despite the improvements recorded in food consumption after deregulation, the nutritional status of Nigerians remains poor even after deregulation. In relation to daily minimum requirement, deficits were recorded in food consumption throughout the whole of the period under review. The nutritional problems facing Nigerians was recently captured in a national survey on food security (FOS, 2003). The study revealed that 42%, 9% and 25% of children under - five years old were stunted, wasted and underweight respectively. In addition, 9% of the total population and 11.6% of women of child bearing age suffer from under-nutrition.

## CONCLUSION AND RECOMMENDATIONS

This paper reviews the food security situation in Nigeria before and after the shift in the economic philosophy underlying economic activities from that of high regulation to that of high deregulation. The paper submitted that while food supplies improved considerably after deregulation especially in the immediate post deregulation period, food accessibility and utilization worsened and overall food security status of the populace worsened. This conclusion aligns with those of other authors such as Dauda (2006) and Okunneye (2002) as a pointer to the fact that concerted efforts need to be



made to halt further deterioration in the food security situation since, the economy is still managed based on the neo-liberal philosophy of laissez-faire that forms the basis of economic deregulation. However, since the poor state of food security emanates mainly from poor access to food, there is the need to implement policies that are capable of raising the income of the low-income group, thereby empowering them to access available food supplies. The policy measures that are required for this can come in various forms such as increasing the earning capacity of the poor through the adoption of pro-poor growth policies in which only those growth enhancing projects that have significant poverty reduction impacts, for example, through their employment creating effects are implemented, or the use of compensation programmes in nutrition (for example, free school meals), subsidized health care for women and children etc.

To eliminate the increasing reliance on food import, it is essential that productivity enhancing measures be implemented in the agricultural sector such that food production can expand at a rate that is commensurate with food deficit. This will involve improving the state of social and economic infrastructures in the rural areas, improving the agricultural extension system which has almost become moribund, encouraging the involvement of the organized private sector in agricultural production especially large scale commercial farming and strengthening the vocational agricultural education system among others. Efforts must be made to halt the galloping increase in food prices. Since this is often a reflection of high cost of production and a non conducive distribution environment, farm and marketing institutions and infrastructures must be strengthened to improve their effectiveness.

There is also the need to ensure that macroeconomic reform measures are implemented within the context of the protection of the basic needs and rights of the citizenry. This is imperative given that studies have more or less confirmed that the Structural Adjustment Programme and its utter neglect of social insurance and safety nets was the single most important contributor to high incidence of poverty, and hence, food insecurity in Nigeria.

**Table 1:** Indices of Agricultural Production and its Growth Rate in Nigeria, Selected Years, 1970-2005, (1990 = 100).

Period	Aggregate Index	Crops	Staples	Livestock	Fishery
	<b>Pre-Deregulation Period</b>				
1970	75.2	80.3	90.6	47.8	131.3
1975	62.3	62.1	64.6	47.5	164.1
1980	55.2	51.1	45.4	47.8	198.2
1985	62.4	57.5	54.5	66.4	80.5
	<b>Deregulation Period</b>				
1990	100.0	100.0	100.0	100.0	100.0
1995	128.5	141.9	150.6	141.0	100.3
2000	149.2	171.0	178.5	157.2	146.0
2005	161.1	180.3	199.7	250.0	182.1
	<b>Growth Rates of Agricultural Production</b>				
1970-1985	-0.6	-1.6	-2.4	2.4	-2.0
1986-1993	8.8	11.3	12.8	6.1	1.3
1990-2000	3.3	3.9	n.a.	1.8	2.8

**Sources:**

- (i) CBN (2005)-Indices of Agricultural Production.
- (ii) Phillips (2000)-Growth rates for 1970-1985 and 1986-1993.
- (iii) Fashola (2005) - Growth rates for 1990 - 2000.

**Table 2:** Nigeria - Indices of Food Production, Selected Years, 1980 - 1995 (1986 - 88 = 100)

Year	Indices of Food Production	
	Total	Per Caput
	<b>Pre Deregulation Period</b>	
1980	78	76
1985	91	97
	<b>Deregulation Period</b>	
1990	126	115
1995	147	123

**Source:** African Development Indicators, 1996

**Table 3: Nigeria - Food Imports Bill, Selected Years, 1971-2000.**

Year	Amount (N' m)		
	Total Imports	Food Imports	Food as % of Total
<b>Pre Deregulation Period</b>			
1971	1,098.0	103.2	9.4
1980	9,095.6	1,437.5	15.8
1981	12,839.6	1819.6	14.2
1982	10,770.5	1,642.3	15.3
1983	8,903.7	1,761.1	19.8
1984	7,178.3	1,349.7	18.8
1985	7,062.6	1,199.0	17.0
Mean (1980 - 1985)	9,308.4	1,534.9	16.5
<b>Immediate Deregulation Period</b>			
1986	5,983.6	801.9	13.4
1987	17,861.7	1,873.8	10.5
1988	21,445.7	1,891.6	8.8
1989	30,860.2	2,108.9	6.8
1990	45,717.9	3,474.5	7.6
1991	89,020.2	3,045.7	3.5
1992	143,911.4	12,840.2	8.8
1993	166,100.4	13,952.4	8.4
Mean (1986 -1993)	65,112.6	4,998.6	7.7
<b>Latter Deregulation Period</b>			
1994	162,788.8	13,836.7	8.5
1995	755,127.7	88,349.9	11.7
1996	562,626.6	75,954.6	13.5
1997	845,716.7	100,640.3	11.9
1998	837,418.9	102,165.1	12.2
1999	862,525.3	103,489.8	12.0
2000	962,970.0	113,630.5	11.8
Mean (1994 -2000)	712,739.0	85,438.1	12.0

**Sources:** Compiled/Computed from CBN (2004, 1998)

**Table 4:** Trend in Food Prices in Nigeria, Selected Years (1970-2005).  
(1985 = 100)

Year	Food items	Consumer Price Index Composite
<b>Pre Deregulation</b>		
1970	9.0	10.8
1980	40.1	42.3
1981	50.2	51.2
1982	54.6	55.1
1983	67.3	67.9
1984	96.2	94.8
1985	100.0	100.0
<b>Immediate Deregulation</b>		
1986	100.1	105.4
1987	108.7	116.1
1988	195.3	181.2
1989	298.1	272.7
1990	308.1	293.2
1991	345.9	330.9
1992	506.8	478.4
1993	800.2	751.9
1994	1174.6	1180.7
<b>Latter Deregulation</b>		
1995	2017.7	2040.4
1996	2646.7	2638.1
2000	3213.8	3590.5
2001	4031.1	4268.0
2002	4497.1	4897.0
2003	4832.7	5493.3
2004	5595.3	6347.8
2005	6819.9	7464.9

**Source:** CBN, 2005

**Table 5:** Nigeria - GDP Per Capita at 1984 Current Prices (US\$)

Year	GDP Per Capita
Pre Deregulation Period	
1981	1245.44
1982	1125.27
1983	1108.44
1984	1129.63
1985	1061.33
Mean (1981 - 1985)	1,134.02
Immediate Deregulation Period	
1986	462.46
1987	340.66
1988	384.64
1989	354.62
1990	394.15
1991	363.33
1992	344.17
1993	334.27
Mean (1986 - 1993)	327.29
Latter Deregulation Period	
1995	242.12
2000	418.99
2003	384.71

**Source:** CBN, 2008

**Table 6:** Indices of Food Consumption in Nigeria (Calorie Intake), Selected Periods 1970-1996

Period	Per Capita Calorie Intake	Intake as % of minimum Req <sup>d</sup>
1970-74	1896.0	84. 27
1975-79	1761.0	78. 27
1980 -84	1680.4	74. 68
1985 - 89	2023.6	89. 94
1990-92	2200.0	97.78
1995-96	1955.5	86. 91

N.B: Recommended average daily requirement of intake of calorie = 2250 Kcal/caput

Sources: Compiled/Computed from: (i). Abayomi, Y. O. (1997) (ii). CBN (2008).

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