

Free Trade Policy and the Market Prices of the Nigerian Cash Crops

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ABSTRACT Development in the Nigerian agricultural sub-sector has been constrained by inconsistencies in the trade policies. Tariffs paid on cash crops were raised to between 70% and 100%. Frequent import regime changes and uneven duty collection make importing difficult and expensive. Thus, many businessmen resort to under-invoicing and smuggling to avoid tariffs or bans. This paper therefore investigated the free trade policy of the Federal Government, particularly as it affects the average market prices of the three traditional cash crop exports; cocoa, groundnut and palm kernels. Sectional data were obtained on the average producer prices of the crops, the production and export level of these crops before and during free trade policy era. Trend and regression analytical tools were employed to handle the collected data. Result showed that time variation, was a significant determinant ($P < 0.1$) of the aggregate level of export (tonnes) before and during the implementation of the free trade policy. The quantity of exported cocoa, ($P < 0.1$) and that of palm kernels ($P < 0.5$) were significant during the implementation of the policy. The three cash crops however accounted for 58%-71% of the total quantity of cash crop exports. Value of exported cocoa ($P < 0.1$) was a significant determinant of the total value of exported agricultural cash crops before and during the implementation of the trade policy. With reduced and stable exchange rate and duties or tariffs on exported cash crops the Nigerian agricultural sub-sector will improve. High level of consistency in export trade policy will help ensure a sustainable economy in Nigeria.