AN ANALYSIS OF THE MARKETING BOARDS OF NIGERIA
1939-1966

A Thesis
Presented to
the Faculty of the Division of Business and Business Education
Kansas State Teachers College, Emporia

In Partial Fulfillment
of the Requirements for the Degree
Master of Science

by
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December 1970
ACKNOWLEDGEMENTS

To Dr. Richard Brown of the Division of Business and Business Education, Kansas State Teachers College, Emporia, under whose guidance and assistance this study was made, I am very much indebted, and, consequently, I wish to express my sincere gratitude. I am also appreciative of the valuable suggestions given to me by Dr. Raymond Russell, Chairman of the Division of Business and Business Education, and Mr. Stillman P. Vincent of the Social Science Department whose assistance contributed to making this study a success. I also wish to extend my thanks to Dr. John Sjo of the Department of Agricultural Economics, Kansas State University, Manhattan, who furnished me with pertinent Nigerian official publications.
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Chapter 1

INTRODUCTION

Markets are essential parts of the indigenous Nigerian economy. The immediate preoccupation of the Nigerian farmer has been with the provision for his needs. There has been a place set aside in all Nigerian towns and villages where buyers and sellers meet daily to exchange the surplus produce of their farms. The network of exchange has not been limited to members of the same village, however; it embraced other village communities.

This rudimentary system of exchange has been transformed. The transformation followed upon European colonization of the African continent. The trade in agricultural products now amounts to millions of pounds and hundreds of thousands of tons every year. The social and economic changes of the last half century influenced the direction of agricultural production and affected the structure of agricultural markets in Nigeria. Thus:

The vicious cycle created by subsistence production was broken by the commercialization of agriculture. The cultivation of cocoa, oil palm, rubber, groundnuts and cotton for the export market provided the subsistence producer the surplus cash which enabled him to effectuate his demand for farm as well as non-farm product. ¹

Nigerian domestic trade in agricultural products is dominated by small-scale middlemen, particularly by women. In the case of agricultural marketing, there is an absence of accurate information about the quantities of products entering the market. The recorded contribution of these crops to the national product is based on informed guesses rather than an accurate knowledge. The Nigerian Railway Corporation is the only organization which keeps reliable figures on the movements of farm products. The analyses of price movements, the remuneration of middlemen and the proportion of the market value of the crops accruing to the producers are also rendered difficult by the absence of accurate information.

The market for export crops is more highly organized than for food stuffs. In the first place, the commodities involved are fewer, mainly cocoa, palm oil and palm kernels, groundnuts, cotton, and rubber. Secondly, there are many European firms which handle a substantial proportion of the trade. Before the second World War, these European firms bought over 95 percent of the crops. During the war, the United African Company purchased about two-thirds of palm kernel exports and about 50 percent of the cocoa and groundnut crops.²

²Ibid., p. 150.
Of major importance both to the government and to the peasant farmer in Nigeria have been the operations of the agricultural export Marketing Boards. Since the outbreak of World War II in September, 1939, these boards or their predecessors have controlled the domestic purchase and the sale on world markets of Nigeria's major agricultural exports. They are statutory monopolies which establish the prices to be paid to domestic (peasant) producers (or middlemen who purchase from the producers) on the basis of non-market criteria. In 1963 the exports handled by the Marketing Boards still accounted for 63 percent of the value of total exports. The only major Nigerian agricultural export never controlled by a Marketing Board is rubber. 3

Statement of the Problem

It was the purpose of this study to trace the role of the Nigerian Marketing Boards in handling Nigeria's main export crops; specifically, this study was designed to analyze:

1. The development of West African Marketing Boards which led to the establishment of the Nigerian Marketing Boards.

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2. The conditions of Nigerian external trade in farm products before the 1939-45 war, and the war-time marketing situation from 1939-45.

3. The factors leading to the formation of the Nigerian Department of Marketing and Exports and the creation of the Nigerian Central Marketing Board.

4. The scope and powers of each of the Regional Boards.

5. The role of the licensed buying agents appointed by the Boards.

6. The fiscal role of the Marketing Boards and their efforts toward domestic price stabilization.

Importance of the Study

This study is important for various reasons. In the first place, it will be of help to some businessmen from advanced countries who are interested in international marketing. This will help them by giving them some ideas about certain important developments which have taken place in Nigerian trade during the last decade, and which are relevant to the trading situation and methods there. As Mr. Bauer indicates:

The expansion of the market and the development of local manufacturers, in part spontaneous, in part officially sponsored, have considerably reduced the effective dominance in the market of the larger expatriate firms.⁴

It will be of help to a teacher or student who is interested in the pattern of agriculture and production marketing in an underdeveloped country. Furthermore, it will be of help to an economic consultant who is confronted with the responsibility of planning some sort of marketing system for a young nation facing the problem of stabilizing its produce prices. Finally, this study will be of assistance to a teacher dealing with the history of the statutory Export Monopoly in West Africa.

Delimitations of the Study

This study is delimited to an analysis of the development and activities of the Nigerian Marketing Boards from 1939 to 1966. Occasional mention will be made about the Marketing Boards of other British colonies in West Africa, namely, the Gold Coast (Ghana), Sierra Leone, Cameroons, and Gambia. There is no attempt to deal extensively with the Marketing Boards of the four countries mentioned above. The study is also limited by the materials available to the writer and William Allen White Library, and through interlibrary loan.

DEFINITIONS OF TERMS USED

Scaleman. One who has a store in a market center and operates independently, or with advances from a buying firm or from a larger middleman.\(^5\)

\(^5\)Oluwasanmi, op. cit., p. 150.
Produce buyers. Those who operate on a large scale either independently with their own capital, or with large advances secured from European firms.

Pan or basket buyers. Those who operate on a very small scale, usually buying produce from a few farmers in their villages on cash advances secured from bigger middle-men in the adjoining towns. 6

Groundnut. Known as "peanut" in America, is a leguminous plant that produces seeds underground.

Block buying allowance. A uniform and comprehensive payment expressed as so much per unit of purchase of the relative produce bought by the Board, consisting of two main parts, namely, remuneration and expenses.7

Average-sized crop. A standard figure used to describe the output for each type of produce in Nigeria. The figure is 205,000 tons for palm kernels, 160,000 tons for palm oil, and 1,800 tons for cocoa.

ANCE. Association of Nigerian Cooperative Exporters, a licensed buying agent in Western Nigeria.

Pound. The monetary unit in Nigeria and many other commonwealth countries of the world such as Great Britain, Australia and Ghana. It is equal to twenty shillings. In

6Ibid. 7Ibid., p. 168.
these countries, it is specifically called pound sterling. Its equivalent in the U.S. dollar is $2.80.\textsuperscript{8}

**Shilling (S).** A Nigerian silver coin and money of account equal to twelve pence, or the twentieth part of a pound.

**Penny D.** A Nigerian coin, now of bronze, worth 1/12 of a shilling.

**Abbreviation D.** In all the areas where the word penny (d) appears, it should be interpreted as defined above. The three terms above are usually abbreviated as follows:  f : S : D.

**Sterling.** The standard of fineness of lawful Nigerian gold coin. The standard now is 0.9166.\textsuperscript{9}

**Lagos.** The name given to the federal capital of Nigeria which was founded in 1861.\textsuperscript{10}

**Enugu.** The name of the capital town of Eastern Nigeria.

**Ibadan.** The former capital town of Western Nigeria, the largest native market center in West Africa.

\textsuperscript{8}Deak & Co. of Los Angeles, Inc., *Foreign Money Quotation List*, July 6, 1970.

\textsuperscript{9}Ibid., p. 3.

Kaduna. The former administrative center of Northern Nigeria, a center for the groundnut trade.

Palm oil. A red oil extracted from the fruits of the palm tree.

Palm kernel. The hard nut taken from the crushed fruits of the palm tree.

Palm tree. A tropical plant, usually 80 to 90 feet tall, which produces fruits from which palm oil and kernels are extracted.

Harmattan. The north-east winds that blow over Nigeria. They are known in West Africa as "The Harmattan." \^ {11}

PLAN OF THE STUDY

In the first section, some of the most pertinent facts about the study are introduced and discussed to some extent. Most of the useful and foreign words employed in the study are clearly defined for easy understanding of the topics discussed. The second chapter of this study deals with the review of the literature of the topic. In Chapter 3, background of the country is discussed along with the four political regions, a historical perspective and the economic situation. The origin of the West African Marketing Boards, and the establishment of the Nigerian Marketing Board

\^ {11} Ibid., p. 36.
are the main topics discussed in Chapter 4. Chapter 5 contains a discussion of the fiscal role of the Marketing Boards and their efforts toward domestic price stabilization. The sixth chapter deals with the summary, conclusion and recommendations that result from the study.

METHODS OF PROCEDURE

For the purpose of this study, the major sources of information were the William Allen White Library, textbooks, journals, Nigerian Journal of Economics and Social Studies, Monthly Bulletin of Agricultural Economics and periodicals. Because of the civil war which existed in Nigeria until recently, it was impossible to obtain the pertinent data from the primary source in Nigeria. However, current data, up to 1968, are available from Northern Nigeria. The active cooperation of some Kansas colleges and universities such as Kansas State University, Manhattan; Wichita State University; and the University of Kansas, Lawrence, was obtained through the procedure of inter-library loan. The following procedures were used:

1. An extensive search for some published materials on West African Marketing Boards was made. This included library research over both periodical literature and studies already conducted. This valuable information provided a basis for the writing of this report.

2. Most of the pertinent information was drawn from Kansas State University, Manhattan, which runs a program on agriculture with a Nigerian University.
3. A series of requests was made from Kansas State University for pertinent and current information regarding the Boards' marketing situation.

4. The data collected from all these various secondary sources were summarized, analyzed and interpreted.

5. Conclusions were reached on which recommendations could be based.
Chapter 2

REVIEW OF RELATED LITERATURE

The marketing boards have a critical role to play in shaping the direction and pace of economic development in developing countries. Through them, commercial agriculture finds an outlet for its products and the terms of sale constitute the main stimulus for increasing production. The marketing board, moreover, provides governments with a convenient mechanism for doing this adequate program selectively by crop, quality, or area. It is essential, therefore, that such enterprises function efficiently, particularly in the developing countries, where marketing boards are so important today.

AGRICULTURAL MARKETING BOARDS

Marketing boards are public bodies set up by government action and are delegated legal powers of compulsion over producers and handlers of primary or processed agricultural products. They are distinguished from direct government services chiefly by a very considerable autonomy of management and procedure and by the inclusion in their directorate of representatives of the producers and handlers of the commodity concerned. Marketing boards differ from
cooperatives chiefly by the degree and nature of the authority delegated to them.¹

In the developing countries, about six common types of marketing boards are differentiated, with progressively greater acceptance of responsibility and requirements in terms of administrative capacity, marketing skill, and application of capital. According to research studies conducted in this area, these six common types are as follows:

Advisory and promotional boards. The simplest type of board is one set up for advisory and promotional purposes. Its main duties are to carry out market research such as gathering information, recording, and analyzing of all facts about problems relating to the transfer and sale of specific commodities, and services from producers to consumers. Other duties include pilot programs to develop new uses of products and outlets. Such a board advises on product varieties, packing methods and grade standards, and conducts quality analysis and arbitrates on disputes arising from imperfect market competition. It does not own marketing installations and equipment, engage in trade, or maintain direct controls over the volume of sales or prices. The existing pattern of marketing enterprises and channels remain unchanged. Compulsion is usually confined to a levy on sales to finance the

Monopoly export boards. This type of marketing board has a monopoly on buying and selling of specific products for exports. Started first in British West Africa during World War II, these institutions were introduced throughout British West Africa and other British colonies during the 1950's. These boards now cover the bulk of export crops and indeed the cash crops of most of the former British colonies. In Nigeria, the exports handled by the marketing boards accounted for 63 percent of the value of total exports in 1963. The only major Nigerian agricultural export not controlled by a marketing board is rubber. The board is the sole buyer and seller of specific products produced for exports, but domestic purchases may be made through cooperatives and stations directly operated by the board. The board may own or hire marketing installations and processing facilities. Its price stabilization policy is based on fixed prices backed by buffer funds. This system of marketing is likely to have far-reaching social, economical and political results in these countries. The operations of these institutions in

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Africa have helped the peasant farmers to make better use of their savings. Thus these boards regulate not only the export commodities but also prescribe the level of money incomes and standard of living of the producers. By fixing prices of the product, they also influence the direction of production. The possession of huge funds gives these organizations a strategic place in the economies in which they function.

Regulatory boards. Regulatory boards, such as the Sisal and Tea Board in Kenya and the export control offices in certain French-speaking African countries, have been established to develop and apply uniform quality standards and packing procedures to export produce facing increasing competition. Enforcement is by licensing and inspection either by the board or government services working in collaboration.

Some regulatory boards also provide laboratories for quality analysis, weighing, grading, storage, packaging and processing installations, and sales facilities. The existing marketing structure continues subject to modification under the board's direction.

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Boards stabilizing prices without engaging in trade. Typical are the caisses do stabilization of the former French African countries, the cotton fund (Cogeco) in the Democratic Republic of the Congo and the South African Tobacco Industry Control Board, which accumulate reserve funds during prosperous trade years and use them to raise internal prices when markets are less favorable. They also may fix prices and determine quantities sold in particular markets. In developing countries they are normally used for export crops produced mainly by peasant farmers.

Closely related are the boards set up to negotiate prices with large processors, wholesale buyers and distributors on behalf of a large number of producers and/or consumers, as of tea and dairy produce in Kenya and pyrethrum in Tanzania. This type of board guarantees prices for a given volume of output, leaving additional output to find its own market. These latter programs are likely to involve the registration and inspection of individual producers and traders, and the supplementation of prices obtained by them for specific quantities sold on the basis of individual returns. They are most easily applied where the producers concerned are specialized and relatively few in number.6

Stabilization of prices by trading alongside other enterprises. Special boards, supply institutes, or departments of development banks were established in many Latin-

6Ibid., p. 2.
America and Near Eastern countries in the 1950's to maintain better stocks of basic foods, such as grains and beans, and to stabilize internal prices to producers and consumers. A number have recently been created in African countries, including Dahomey, Ghana, Ethiopia and Upper Volta, with initial stocks provided under the World Food Program. These boards own marketing installations and equipment and trade extensively on their own account. They may or may not have powers to compel producers and traders to follow certain procedures, including observing fixed prices. Usually, they operate in competition with pre-existing marketing enterprises, buying from farmers through licensed agents or the board's own purchasing stations, and selling to existing retailers. In some cases they sell through a board's own retail outlets or retailers under special contract to it; for example, fair price shops. This type of board needs a monopoly of imports and/or exports to help it implement its domestic stabilization program.7

Monopoly of trading and processing in specified area or market channels within a country. These boards were originally developed as a means of maintaining the price of a commodity primarily produced for domestic consumption, for instance, where surpluses for local needs at the desired

price level had to be exported at a lower price. An example would be maize in Kenya, Rhodesia and Zambia; or as a means of implementing a policy of uniform and stable prices throughout a country, for instance, the price of bread in Algeria, Morocco and Tunisia. Prices are fixed for producers and retailers. Independent wholesale buyers and processors may be replaced by direct board services or employed as agents of the board. Monopolies of exports and of purchasing in specified areas have also been given to organizations such as the Kenya Meat Commission and the Rhodesia Gold Storage Commission, in order to provide marketing and processing facilities which were not being supplied by existing enterprises. 8

DIFFICULTIES INVOLVED IN APPRAISING THE EFFICIENCY OF MARKETING BOARDS IN DEVELOPING COUNTRIES

It is somewhat difficult to appraise the efficiency of marketing boards in developing countries. The main reason for this difficulty is that critically informative material from the developing countries is confined largely to official reports.

Under the former British system, producer dissatisfaction with a particular board could lead to the appointment of a commission of inquiry. Reports by such commissions, though rarely noted for their analysis, did

8Hall, loc. cit.
include substantial criticisms and recommendations. Preparations for intergovernmental meetings on commodity stabilization in Africa in 1962-63 included three marketing board papers of a survey type; but they did not go far in critical investigation at the micro level.

Public awareness of possible adverse features of marketing boards was aroused by Bauer in 1954 with the publication of his *West African Trade.* This sparked a controversy which has been maintained intermittently on a near polemic level through Miracle's attack on the policies and operations of Kenya Maize Board, and the rejoinder by the board chairman, Haller, in the *East African Economic Review.*

In practice, few boards publish enough information on their operations to provide a solid basis for efficiency analysis. Kebbaj, for example, provided only an uncritical account of the operation of the Moroccan Grain Board in his "L'economic Cevealiere du Maroc." The same approach is followed in recent articles on the Sierra Leone Produce Marketing Board, and the Zambia Grain Board, and in the


Publications of the National Production Council of Costa Rica.

Legislative action to set up marketing boards and commissions in Kenya, Rhodesia and Zambia, and many other commonwealth countries, was usually preceded by the appointment of official committees of inquiry and the publication of their reports. The faults in marketing which the boards were expected to correct are generally indicated in such reports. Much rarer is subsequent investigation of the success of a board in eliminating these faults in practice. The annual reports of some of the public bodies and of some ad hoc investigative committees are available. Commonly, they lack analysis of operating methods and the efficiency of marketing activities, although they are generous in comment on the impact of the organization and its policies on the economy of the country and the various segments of agriculture affected. Such sources tend to dry up, however, whenever governments become sensitive concerning the efficiency of enterprises which they have sponsored and the handling of public funds by these enterprises, especially when the governments have pushed through radical changes in management of policy to which opposition has been voiced or is anticipated. Thus, public enterprises responsible for large-scale or monopoly marketing of basic crops in Latin America, North West Africa, Burma and Indonesia either issue no public reports or include in them no information permitting meaningful analysis of their operations. The larger the field of influence of
these enterprises, the more serious this lack of information becomes and the more circuitous the approaches which research must take. 14

SUMMARY

Generally, the establishment of marketing boards in developing countries has helped to raise agriculture's bargaining power at the primary selling level, that is, between producer and first buyer. Price stabilizing marketing boards, monopoly export marketing boards, monopoly of trading and processing boards, usually guarantee a fixed price payable on delivery to official buying points. Previously, producers depended essentially upon prices offered by middlemen, and their bargaining power was derived, on the one hand, from the independent price information available to them, and their own ability to hold out, in the face of current needs for cash, for a fair market price, and on the other hand, from the degree of competition prevailing between buyers in the markets to which the farmers had access.

It must be recognized that these benefits accrue from operations on behalf of producers rather than under their direction. While the marketing board institution was originally devised as a means of bringing producer and trade representation into the decision-making process, most boards

14Abbott and Creupelandt, op. cit., p. 5.
in the developing countries are now, in practice, essentially a mechanism for the implementation of government policy.
Chapter 3

BACKGROUND OF THE COUNTRY

The Country and Its Four Regions

Nigeria occupies an area of 356,670 square miles and is nearly four times the size of Ghana, thirteen times the size of Sierra Leone, and eighty-nine times the size of the Gambia. It is politically divided into four regions. Its Northern Region, with a population of 29,759,000 has an area of 281,872 square miles; the Eastern Region covers 29,484 square miles and has a population of 12,394,000; the Western Region occupies an area of 30,403 square miles and has a population of 10,931,000 people; the Mid-west Region, with an area of about 15 square miles, has a population of over 2 1/2 million people. Nigeria, according to the 1964 population census, had a population of 55,620,000.1

Position. Nigeria lies between latitudes 4° north and 14° north and it is situated wholly in the tropics. On the south, Nigeria is bounded by the Gulf of Guinea; on the west and north, it is bordered by the Republics of Dahomey and Niger; and on the east, it adjoins the Cameron Republic.


22
Its greatest length from south to north is 650 miles, and its maximum breadth from east to west is more than 750 miles.  

**Wet and dry seasons.** The rainfall of Nigeria is partly due to relief and partly due to convectional type. Relief rain is caused by the presence of the mountains and hills while the convectional rain occurs when hot air meets with cool air in the atmosphere. The two mix together, condense and fall as rain. Most places in Nigeria have a wet season and a dry season. In the South, the wet season begins in March and ends in October; in the North, it begins in June and ends in September. Though the wet season is the time of the year when most rain falls, there may be dry and sunny days as well as cloudy and rainy ones. Similarly, though the dry season is the period when least rain falls, this season may not be completely dry, and there may be occasional rainy days.

**Humidity.** The relative humidity is highest in the coastal belt, where there is little variation throughout the year. Occasionally, however, in January and February, when the effect of the dry Harmattan is felt along the coast, the relative humidity decreases for a short time.

**Temperature.** The temperature ranges from 80° F. to 90° F. in the dry season, and 50° F. to 70° F. in the wet

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2Ibid., p. 3.
season. Temperatures are always high, and it is only in highland areas such as Jos Plateau, Udi Hills, and Kukuruku mountains that there are sometimes comparatively cool days. The greater range of temperature in the North as compared with the range in the South is due to the greater dryness of the atmosphere.³

Vegetation regions. Nigeria has five natural vegetation regions; namely, the desert and the semi-desert regions of the North, the savanna in the middle-belt, the deciduous forest, the freshwater forest, and the mangrove forest in the South.

Mineral resources. There is coal mining in Enugu and tin mining in Jos Plateau. Iron ore, lead, and zinc are also mined in the Jos Plateau. Lead, limestone, and columbite also are obtained in the Kukuruku mountains in the West. There are about forty-five oil wells in East and Mid-west regions of Nigeria which exceed 600,000 barrels a month in total output. This places Nigeria tenth in the list of world exporters of oil.⁴

Forest resources. The forest regions in the South produce such valuable timbers as rubber, iroko, mahogany, and other commercial trees such as cocoa, palm oil, coconut, orange, cotton and kola.

³Ibid., pp. 17-18.

HISTORICAL SKETCH

Nigeria encompasses nearly two hundred fifty tribal groupings, each with its own distinct culture, customs, language and religion. The three largest of these ethnic units are the tribes known as the Yorubas in the West; the Hausa, who are Moslems, in the North; and the Ibos, who are in the East.5

Government. On October 1, 1954, Nigeria became a federation consisting of three large regions, or groups of provinces; namely, the Northern Region, the Western Region, and the Eastern Region, together with the Federal Territory of Lagos, and Southern Cameroons. On October 1, 1960, Nigeria became an independent member of the British Commonwealth. On October 1, 1963, it became a Republic. On August 9, 1963, the Mid-west Region was formed. The regions are now usually known as Eastern Nigeria, Northern Nigeria, Western Nigeria, and Mid-western Nigeria.

The seat of the federal or central government is at Lagos, where sits the House of Representatives to which Eastern, Western, Northern, and Mid-western Nigeria each send elected members. The Federal Government has control over such things as external affairs, defense, finance, customs, and subjects of inter-regional interest such as ports,

5Perkins and Stembridge, op. cit., pp. 8-9.
railways, main trunk roads, aviation, post and telegraph and broadcasting.

Each region has its own elected House of Assembly and also a House of Chiefs. The regions have a large measure of control over agriculture, education, medical services, forestry and electric power installations. At the same time, much of the local administration is carried out by local authorities and local government councils. The government of Nigeria may thus be divided into two parts, namely, the Federal or Central Government and the Regional Governments.6

THE MILITARY GOVERNMENT, 1966

The federal and regional governments were swept away on midnight of January 14, 1966, under small arms fire of a number of young officers of the Nigerian Army; Major General Aguiyi Ironsi assumed power. On July 28, 1966, Aguiyi was ousted by a counter coup d'état, and Lieutenant-Colonel Yakubu Gowon seized power. In October, 1966, a second series of widespread massacre of Ibos living in the North took place. The people of the former Eastern Region of Nigeria seceded from the Federation as a result of this massacre of their people. The country was plunged into a civil war by the attempt of the Federal Military Government to bring the Eastern Region back to the Federation. The civil war which started on July 7, 1967, came to an end January 12, 1970.

6 Ibid., p. 12.
The country is now being ruled by a military Junta with a total of twelve states making up the Federation.  

ECONOMY

Agriculture is the most important sector of the Nigerian economy. It employs over 80 percent of the population and contributes, with livestock, forestry and fisheries, over 60 percent of the national income. However, 80 percent of the total agricultural production is devoted to products consumed locally.  

TRANSPORT AND COMMUNICATION

Waterways. Nigeria has a splendid system of inland waterways. Including those portions of the rivers suitable only for canoe traffic, there are 4,000 miles in regular use. The Niger and the Benue are together navigable for river steamers for more than 1,000 miles, but bars at the mouths of the Niger prevent vessels of more than about 12 feet draught from entering the river and traveling upstream. The Cross River is navigable throughout the year to Itu and Ikom and Mamfe, in the Cameroon Republic.

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Ports. The chief seaports of Nigeria are Lagos and Port Harcourt, which together handle about three-quarters of the Federation's imports and exports. These two ports are followed by Burutu, Calabar, Warri, Sapele, Bonny and Degema. About thirty shipping lines provide services between Nigeria and other parts of the world.\textsuperscript{10}

Roads. There are about 45,000 miles of roads in Nigeria of which over 5,400 miles are tarred, the remainder being gravel or dirt. There are three classes of roads:

1. Trunk "A" roads of 5,799 miles which link the federal capital and regional capitals, large towns, ports, and important centers of neighboring foreign countries.

2. Trunk "B" roads of 6,745 miles connecting provincial and divisional headquarters, and other large towns with the Trunk "A" system and points on the railway.

3. Other roads of 24,433 miles which accommodate local traffic and act as feeders to the trunk system.\textsuperscript{11}

Airways. Nigeria is well served by air lines supplying both external and internal services. There are eight international air lines that operate scheduled services to and from Lagos and Kano, both of which have Grade I international airports. In addition to operating air services within Nigeria which link the federal and regional

\textsuperscript{10}Ibid., p. 136.

capitals and other important towns, Nigerian airways operate services between London and Lagos, and between Lagos, Accra in Ghana and Dakar in Sierra Leone. In March, 1960, Nigeria had 3,986 miles of airways.

POST, TELECOMMUNICATIONS AND BROADCASTING

In 1961, there were 48,000 telephones in use in Nigeria and about 75 percent of these were operated under an automatic exchange system. The Nigerian Broadcasting Corporation operated transmitting stations at Lagos, Ibadan, and Enugu. A wire service is operated in the Northern Region and the Eastern Region. Programs are broadcast in English and 15 other vernacular languages. The first television network in Africa south of Sahara was inaugurated in the Western Region in 1959.¹² There are now over ten television stations in Nigeria.

RESOURCE AND TRADE

Main exports. Nigeria's leading exports consist of agricultural products, the most important being cocoa, groundnuts, palm oil, palm kernels and rubber. Nigeria stands second in the list of world producers of cocoa. Of increasing importance is petroleum. Other exports include raw cotton, timber, tin, hides and skins, and columbite.

Main imports. As Nigeria is mainly an agricultural country, her leading imports are manufactured products. In order of value these are machinery, textiles, motor vehicles and petroleum. Nigeria exports to the United Kingdom in 1965 were 101 million, 38 percent; imports were 78.6 million which represented 33 percent of the total. Table 1 gives further information and comparisons on trade.

Table 1
Imports and Exports (total value in 1000's)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
<th>Visible balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1939</td>
<td>6,757</td>
<td>10,200</td>
<td>3,700</td>
</tr>
<tr>
<td>1948</td>
<td>41,950</td>
<td>61,200</td>
<td>20,000</td>
</tr>
<tr>
<td>1957</td>
<td>152,468</td>
<td>124,177</td>
<td>-24,934</td>
</tr>
<tr>
<td>1963</td>
<td>275,600</td>
<td>268,100</td>
<td>-7,000</td>
</tr>
</tbody>
</table>


Nigeria's principal customers. About one-third of Nigeria's overseas trade is carried on with United Kingdom. Other countries with whom Nigeria trades include the Netherlands, West Germany, United States, Japan, France, and Italy.\(^{13}\)

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\(^{13}\)Perkins and Stembridge, op. cit., p. 152.
Marketing and Cooperative Societies

Most of Nigeria's principal agricultural exports are handled by the Regional Marketing Boards. These boards purchase the goods and are responsible for delivery to ports. Nigerian Produce Marketing Ltd. takes over the produce from the boards at ports of shipment for overseas sales.

The produce which the Marketing Board's agents are alone authorized to export are cocoa, palm oil and palm kernels, groundnuts and cotton. There are 3,400 cooperative societies. Besides the many societies dealing with agricultural produce, there are banks and others engaged in wholesale and retail trade.

Industry

In Nigeria there has been in recent years a steady increase in the number of large modern factories. Among them are the huge plywood mill at Sapele; the big cotton spinning and weaving mill at Kaduna; large cement works at Nkalagu and Ewekovo; a soap factory at Lagos employing 500 people, and another at Aba; plants for assembling motor lorries, and factories where bicycles are made from imported parts. Other factories include those making cigarettes, metal doors and window frames, aluminum roofing sheets, and plastic water pipes.

14 Oluwasanmi, op. cit., p. 187.
15 Perkins and Stembridge, op. cit., p. 163.
Labor and Education

Nigeria possesses a large number of unskilled, semi-skilled and skilled laborers. In 1960 the total number of persons employed in professional and managerial, clerical, unskilled and skilled occupations in the Northern Region was 144,811; in the Western Region, 133,015; in the Eastern Region, 128,277; and in Lagos, 94,767.16

Education. There are five universities in Nigeria. The total student population in these universities is approaching 7,000. There are 260 teacher training colleges, and 35 technical and vocational institutions. There are 1,330 secondary schools and 15,000 primary schools. The total number of pupils in the primary schools is over 3,200,000.17


17 Niven, op. cit., p. 251.
Chapter 4

THE ORIGIN OF THE WEST AFRICAN MARKETING BOARDS

In Chapter 2 a discussion of the various types of marketing boards, as seen in developing countries, was undertaken. In this chapter, before a detailed study of the Nigerian Marketing Boards is made, it will be necessary to trace the origin of the West African Marketing Board which played a leading role in the spread of these institutions throughout Africa, and in Nigeria, in particular.

Before World War II, West African produce was handled by private traders, a method which was subjected to frequent criticism. Most imports and exports were in the hands of a few large companies which enjoyed considerable market strength. Between these firms and producers were a large number of middlemen who had the responsibility for collecting and bringing the crops to the main buying centers. Most of the middlemen use the services of sub-buyers, often called "scalers" because they have weighing machines. These in their turn make use of assistants known as "pan buyers" because they buy in local measures of volume and not by weight. These oligopolistic traders and multiplicity of intermediaries and large number of stages in the distribution chain were frequently criticized as wasteful and exploitative of the producers. Unrest among Gold Coast cocoa farmers as a
result of an monopsonistic agreement among the major expatriate buying firms in the late 1930's led to the appointment of the Nowell Commission to investigate cocoa marketing in West Africa.¹

The report of the commission contained the most important and influential criticisms of the pre-war system of marketing, which are still widely quoted as the abuses of that period.²

The commission reached the conclusion that the West African cocoa trade had not, in general, been a profitable business in recent years. The commission attributed this state of affairs to intense competition between the firms on the Coast which led to their offering prices frequently out of parity with current world prices; to various forms of increases in the remuneration paid to middlemen; to increases in the advances made to middlemen and the extension of the period for which they were allowed to remain outstanding; and the free and even unscrupulous interpretation, largely tolerated by the firms, of certain conventions under which middlemen were entitled to declare purchases whenever a price change was made.³


³Ibid., p. 147.
The government took over produce marketing in 1939 on the outbreak of World War II to keep the flow of supplies regular, and a modest loss of £208,500 was suffered by the British Government as a consequence of its cocoa-buying policy. At the end of the 1939-1940 season, the West African Cocoa Control Board was established to take over from the government. The Board was financed by the British Government. This board was subsequently extended in its scope in 1942 and was renamed as the West African Produce Control Board. It had jurisdiction over four British West African territories (Nigeria, Ghana, Sierra Leone and Gambia) and its center remained in Nigeria until 1949.

Apart from the commission's report and its recommendations, there were other principal objectives of wartime control over West African exports: to deny supplies to enemy and secure them for the Allies, to prevent the collapse of the local price of cocoa and to increase exports of ground-nuts and palm oil produce after 1942.4

Although the operations of the West African Produce Control Board did not provide substantial arguments in support of statutory monopolies, its very presence at the end of the war was a main factor in support of their continuation. As Bauer points out:

Once an organization such as a statutory export monopoly has been in existence for some years, strong

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tendencies for self-perpetuation come in to play, since the members of the organization gain an interest in its survival and expansion. They can muster outside support rather readily because they can point to their personal achievements in a way that is rarely possible under conditions of unorganized economic growth. The pressure for continuation of statutory export monopolies becomes practically irresistible when these inclinations and interests reinforce the presence of administrators for tidiness, for large-scale operations, and for administrative convenience. These features are in contrast with a multiplicity of individual firms or traders. 5

There was another element of hate, dislike, and distrust of middlemen. Their allegedly nefarious activities were the major reasons for drastic changes in marketing arrangements. This dislike and distrust of middlemen springs from various well-known motives and opinions, such as the belief that trading is unproductive and traders are parasites. More recently these views have come to be reinforced by administrative antipathy to traders because their activities and their mobility may, for various reasons, be inconvenient to administrators. Again, the presence of a large number and a great variety of traders suggests an economy untidy and unorganized in appearance, and this offends the tidiness complex so widespread in recent years. 6

The Nigeria Department of Marketing and Exports

In 1947 the West African Produce Control Board accumulated large surpluses and on its dissolution, the appropriate share of the reserves was transferred to new

5Ibid., p. 150. 6Ibid., p. 152.
institutions which replaced the West African Produce Control Boards. Separate boards for Nigeria, Ghana, Sierra Leone and Gambia were formed. On April 5, 1949, the Nigeria Groundnut Marketing Board and the Nigeria Oil Palm Produce Marketing Board came into operation, and so did the Nigerian Cotton Marketing Board. Beginning at the end of 1948, the newly established Department of Marketing and Exports of Nigeria assumed the duty of acting as the executive agency of the following produce marketing boards:

1. The Nigeria Cocoa Marketing Board (established in 1947)

2. The Nigeria Groundnut Marketing Board (established in 1949)

3. The Nigeria Oil Palm Produce Marketing Board (established in 1949)

To get a better understanding of the establishment of marketing boards, a brief description is necessary.

The Nigerian Cocoa Marketing Board was the first to be established in 1947 with authority to secure the most favorable arrangements for the purchase, grading, export, and marketing of Nigerian cocoa and to assist in the development by all possible means of the cocoa industry of Nigeria for the benefit and prosperity of the producers.7

The Board was given the following specific powers:

(a) to control and fix the prices to be paid from time to time for cocoa or for any grade thereof at any

place or within any specified area, and similarly to notify such prices in such manner as the Board may deem requisite;

(b) to purchase cocoa and to do all things necessary for and in connection with the purchase of cocoa;

(c) to appoint licensed buying agents for the purchase of cocoa on behalf of the Board;

(d) to control and fix the prices to be paid from time to time to licensed buying agents for cocoa;

(e) to control and regulate the activities and remuneration, by license or otherwise, of all persons or classes of persons connected with the sale, purchase or other disposition of cocoa and if necessary to prohibit any person or class of persons from dealing in cocoa;

(f) to grant, or renew, or withhold licenses for each crop year with respect to licensed buying agents, to impose conditions upon the grant or renewal of such licenses, whether in respect of the area in which cocoa is to be disposed of, and to cancel or suspend any license for breach of any such conditions or for other good cause;

(g) to grant, withhold, or cancel in its absolute direction any written authority given under sections 36, 37, or 38 (the three sections dealing with those who are permitted to export cocoa and the authorization for buying cocoa for local processing.)

(h) to market cocoa and to do all things necessary for and in connection with the marketing, exporting, shipping and storage of Nigerian cocoa.

The Oil Palm Produce Marketing Board, the Groundnut Marketing Board and the Cotton Marketing Board were set up with powers similar to those of the Cocoa Marketing Board.8

The reorganization. As already pointed out, the share of the practices of the former West African Produce Control

8Ibid., pp. 237-286.
Board was left unchanged. In October, 1954, the structure of the Marketing Boards was substantially revised. Prior to this, the various Produce Marketing Boards handled the purchase and the shipment of their individual commodity exclusively. No two boards ever handled the same commodity. The reorganization provided for the establishment of four Regional Marketing Boards, each of which would be responsible for the export crops within its own geographical boundaries. This reorganization enabled two or more boards to handle the same commodities. In February, 1955, the Nigeria Central Marketing Board was established to coordinate the operations of the Regional Boards. The whole system of Marketing Boards continued to function in the domains of the Department of Marketing and Exports, except that it was now also required to act as the executive agency for the Nigeria Central Marketing Board.9

Nigeria Central Marketing Board

The Nigerian Constitutional Conference which met in London in 1953 decided, in principle, to abolish the existing single commodity marketing boards and to create in their place all-purpose marketing boards, one in each of the three regions. On the basis of the recommendations of the committee which was set up to work out the details of the 1953 decision, the 1954 constitutional conference agreed to the

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9 Bauer and Yamey, op. cit., p. 757.
creation of the all-purpose regional marketing boards. They were to have responsibility for purchasing arrangements and for price stabilization, research and development within the region of operation. The conference members also decided to set up a central board with executive powers relating to the prescription of grades, exports, shipments and overseas sale of produce on behalf of the regional marketing boards, and with, in addition, important advisory functions in relation to the regional marketing boards. 10

Before a detailed investigation of the individual regional marketing boards is undertaken, the, now defunct, Nigeria Central Marketing Board will be examined.

As stated in the First Annual Report of the Nigeria Central Marketing Board, the main statutory functions and powers of the Central Board were as follows:

(a) to secure the most favorable arrangements for the grading for export and the export, shipping and sale of the produce;

(b) to prescribe grades and standards of quality for produce purchased by Regional Marketing Boards for export;

(c) to purchase produce from the Regional Marketing Boards for export and sale and to export and sell the same;

(d) to act as the agent of a Regional Marketing Board for the export and sale of produce;

(e) to issue instructions to Regional Marketing Boards or their servants or agents for the evacuation of produce to the ports of exports;

(f) to appoint agents for the storage in bulk of palm oil at the port of export;

(g) to do all things necessary for the exporting, shipping, storage and sale of produce.\textsuperscript{11}

Furthermore, the Central Board was also empowered to act as a coordinating agent between the Regional Boards where matters of common concern are dealt with. In this respect, the Central Board was given the power to tender advice to the Regional Boards concerning the following matters:

(a) the fixing, support and stabilization of the prices paid by the Regional Marketing Boards for produce purchased by them, with particular reference to produce purchased by more than one Regional Marketing Board;

(b) the appointment of buying agents and their terms and conditions of appointment;

(c) the appointment of cotton ginning agents and their terms and conditions of appointment;

(d) the local processing of produce;

(e) research and development;

(f) control of pests;

(g) any other matter which a Regional Marketing Board may refer to it.\textsuperscript{12}

It thus becomes quite obvious that the Central Marketing Board possessed, from its very inception, a wide range of powers, both direct and indirect, over the Regional Marketing Boards.

\textsuperscript{11} Nigerian Central Marketing Board, \textit{First Annual Report} (Lagos, 1955), p. 3.

\textsuperscript{12} Ibid.
In this light, it becomes important to examine the executive composition of the Central Board. The Board was made up of a chairman and eight members, all of whom were appointed by the Minister of the Federal Government responsible for external trade. One of the members was a Federal Government representative, usually the Director of Marketing and Exports; there were two members each who were representatives of the Western, Northern, and Eastern Regional Marketing Boards; and there was an additional member who was a representative of the Southern Cameroons Marketing Board. Thus, since it maintained effective control over the Central Board, the Federal Government, as would be expected, held the ultimate power over the entire system of Marketing Boards.

It is now necessary to study the actual operations of the Central Marketing Board. No detailed year-by-year account will be given, but rather a very general description of the board's operations will be made.

The Central Marketing Board purchased produce from the Regional Marketing Boards at the time of overseas shipment at a price based on the f.o.b., selling price to the Nigerian Produce Marketing Company, Ltd., but allowing for a margin which covered (1) direct charges, e.g. export duty and shipping expenses, incurred by the Central Board as the exporter, and (2) the operational expenses of the Central Board.

The Nigerian Produce Marketing Company, Ltd., which was established in 1947 and has continued to function as it
did before the reorganization, was responsible for the overseas sale of all the export produce. The company was owned by the Regional Boards. The Northern, Eastern, and Western Regional Marketing Boards each owned 80,000 shares in the company, while the Southern Cameroons Marketing Board owned 10,000 shares. All shares were held in trust by the Central Marketing Board, which exercised effective control of the company.

The Marketing Company participates in both bulk and individual contracts, and its avowed price policy as dictated by the Central Marketing Board was to sell produce overseas "to the best advantage."\textsuperscript{13}

In 1958, the Committee on the Future of the Nigerian Central Marketing Board recommended that the Board be abolished.\textsuperscript{14} And sometime between 1958 and 1960, this action was taken. The Nigerian Produce Marketing Company, Ltd., was reconstituted as a Nigerian Company and its main office was moved from London to Lagos. In addition to its former duties, the Marketing Company assumed all of the powers and duties of the Central Marketing Board. Operationally, there were no changes.

In the following sections of this study, a more detailed description of the powers and operations of the Regional Marketing Boards themselves will be presented. In

\textsuperscript{13}Ibid., p. 19.

\textsuperscript{14}Federation of Nigeria Report (1958), p. 3.
most cases, the various boards are so nearly identical as to permit omission of a detailed description of each board. Discussion of the Eastern Nigeria Marketing Board will be undertaken first, and discussion of the Northern and Western Boards will follow.

The Eastern Nigeria Marketing Board

The Eastern Nigeria Marketing Board, whose main office is in Port Harcourt, handles the following commodities: palm kernels, palm oil, cocoa, copra, benniseed, soya beans, and groundnuts. Some statistics relating to these products are to be found in Appendix D, page 112.

The system of purchasing produce. The actual purchasing of palm oil and palm kernels is left to licensed buying agents whose organization remains as before the war. Except for the abolition of the quota system, the licensing of buyers, the fixing of producer prices for a season, and the superimposition of the statutory boards themselves, the post-war marketing arrangements are similar to the pre-1939 and the war-time marketing organizations. In the case of oil-palm produce, prospective buying agents of palm kernels and palm oil are required to show evidence that they are able to purchase with reasonable regularity throughout the duration of the scheme in their first year of operation at least 400 tons of palm kernels and 200 tons of palm oil. Licensed

buying agents also are expected to produce acceptable evidence of their ability to provide the necessary capital to finance their purchases. The minimum capital requirement for a palm-oil buying agent is fixed by the Eastern Regional Marketing Board at £4,000. The palm-kernel buying agent also is required to provide evidence that he has access to a minimum capital of £4,000.16

A licensed buying agent for palm oil must satisfy the Board that he will be able to make arrangements to secure the necessary transport by road, rail, and water to insure the smooth and regular evacuation of produce by approved routes. The buying agent also is expected to show that he can arrange delivery of palm oil to the appropriate bulk oil plant and of palm kernels to port transit sheds or board stores, Port Harcourt, or to f.o.b. ocean vessel. In the case of palm kernels delivered f.o.b. ocean vessel, he must possess organization at port or the ability to secure reliable agents to insure the accurate preparation and prompt submission of shipping documents as required and the carrying out of all duties involved in the delivery of palm kernels to f.o.b. point.17

Of the fifty-four agents licensed to buy palm oil by the Eastern Nigeria Marketing Board in 1960, forty-two were

17Ibid.
Nigerian firms and twelve expatriate firms. Twenty-four of the thirty-four palm-kernel buying agents in Eastern Nigeria in 1960 were Nigerian firms while only ten were expatriate firms. The above figures show that the number of Nigerian buyers has steadily increased since 1960 and the small scale licensed palm produce buyers have been able to stay in the business.

Remuneration of buying agents. Licensed buying agents are paid block allowances for each crop purchased. The Eastern Region Marketing Board defines block buying allowance as:

- A uniform and comprehensive payment expressed as so much per unit of purchase of the relative produce bought by the Board, consisting of payment per the services rendered and the financial risks undertaken by a buying agent in his capacity as such; and reimbursement of expenses necessarily incurred by a buying agent as such. 19

The Board levies a purchase tax on palm oil, palm kernels, cocoa, and benniseed, and those rates have not changed since the reorganization. The rates are shown on Table 2, page 47. The statistics relating to the trading account clearly indicate that palm kernels provide the major source of revenue for the Eastern Nigerian Marketing Board. The palm oil is also an important source of income. The

remaining commodities under the Board's jurisdiction are of relatively minor importance. 20

Table 2

Eastern Nigerian Purchase Tax Levies

<table>
<thead>
<tr>
<th>Produce</th>
<th>Purchase tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm oil (all grades)</td>
<td>54 per ton</td>
</tr>
<tr>
<td>Palm kernels</td>
<td>52 per ton</td>
</tr>
<tr>
<td>Cocoa (all grades)</td>
<td>54 per ton</td>
</tr>
<tr>
<td>Benniseed</td>
<td>510 per ton</td>
</tr>
</tbody>
</table>

Source:


In 1961 the Eastern Nigerian Marketing Board purchased a total of 8,798 tons of plantation palm oil, 129,376 tons of special grade palm oil, 31,997 tons of technical palm oil and 430,818 tons of palm kernels. In 1962 the total purchase of palm oil was 168,953 and 120,884 tons of palm kernels. In 1963 the Market Board purchased a total of 139,412 tons of palm oil and 197,048 tons of palm kernels. The special grade palm oil marketing scheme was introduced in March of 1950, and Grade V palm oil was eliminated after the close of the 1950 marketing year. Grade IV palm oil also was eliminated after the close of the 1952 marketing year. Statistics relating to the above figures can be obtained from Appendix I, page 117.

20Oluwasanmi, op. cit., p. 169.
When purchases exceed the average by more than 10 percent, licensed buying agents will be required to accept an appropriate debit. The Eastern Nigerian Marketing Board defines average-sized crop as 205,000 tons of palm kernels, 16,000 tons of palm oil and 1,800 tons of cocoa. For the marketing years 1959, 1960, and 1961, the Eastern Nigerian Marketing Board fixed a certain amount of allowances in respect to oil-palm produce. These allowances are shown on Table 3, page 49.

Marketing periods. In the five-year period between 1950 and 1954, the Eastern Nigerian Oil Palm Produce Marketing Board incurred losses only twice, those in the 1953 and 1954 marketing years. From 1950 to 1952 the board accumulated surpluses on its oil-palm produce trading account, incurring "losses," that is subsidizing producer prices, only on its palm oil trade. In the five years between 1956 and 1960, the Eastern Nigeria Marketing Board accumulated surpluses on its oil-palm produce trading account. The trading surpluses realized by the board during this period are shown on Table 4, page 50.

Current production. About one million Nigerian farmers derive their income from the oil palm. The oil palm industry in Nigeria has been a stagnant industry since 1954 as the figures on Table 4 show. It suffered from a prolonged period of under-investment which reflects (1) the complexity of converting semi-wild oil palm groves to high-yielding
Table 3
The Eastern Nigerian Marketing Board Rate of Allowances on Palm Produce

<table>
<thead>
<tr>
<th>Produce</th>
<th>Standard producer price per ton</th>
<th>Standard block buying allowance per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm kernels</td>
<td>£29: 0s: 0d</td>
<td>£5: 2s: 0d</td>
</tr>
<tr>
<td>Plantation palm oil</td>
<td>£47: 15s: 0d</td>
<td>£7: 15s: 3d</td>
</tr>
<tr>
<td>Technical palm oil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Delivered in drums</td>
<td>£40: 0s: 0d</td>
<td>£7: 8s: 6d</td>
</tr>
<tr>
<td>2. Delivered in casks</td>
<td>£40: 0s: 0d</td>
<td>£8: 7s: 0d</td>
</tr>
</tbody>
</table>

Source:
hybrid palms, and (2) inadequate producer incentives resulting from marketing boards policies and taxes levied on exports of oil and kernels.21

Table 4
The Oil-Palm Produce Trading Surpluses 1956-60

<table>
<thead>
<tr>
<th>Year</th>
<th>Palm oil (£m.)</th>
<th>Palm kernels (£m.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>2.2</td>
<td>0.6</td>
</tr>
<tr>
<td>1957</td>
<td>2.3</td>
<td>0.04</td>
</tr>
<tr>
<td>1958</td>
<td>0.9</td>
<td>0.09</td>
</tr>
<tr>
<td>1959</td>
<td>1.5</td>
<td>3.6</td>
</tr>
<tr>
<td>1960</td>
<td>---</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>7.6</td>
<td>8.0</td>
</tr>
</tbody>
</table>


Nigeria held 31.2 percent of the world export market by 1968. The Nigerian world market had fallen 5.7 percent to 25.5 percent by 1964. Palm oil exports declined in recent years after having reached their peak of 208,000 tons in 1954. Exports in 1966 were 143,000 tons. Domestic consumption has continued to climb, however, and reached an

estimated 394,000 tons, or 73 percent of all Nigerian palm oil production in 1966.\textsuperscript{22} The total export values of palm oil and palm kernels had never regained their attained levels in 1954 (see Appendix L, page 120.)

The Northern Nigeria Marketing Board

The Northern Nigeria Marketing Board, whose main office is located in Kano, is responsible for the purchase of the following commodities: groundnuts, cotton, benniseed, soya beans, cocoa, and palm product. Of these products, groundnuts produce the most revenue, and groundnuts and cotton provide the majority of all purchases and sales. However, in the late 1950's, oil-palm produce showed a considerable increase in its contribution to the trading account.\textsuperscript{23}

Operationally, the Northern Board does not differ significantly from the Eastern Board, however, as regards groundnuts, a licensed buying agent is expected to be in a position to purchase at least 500 tons of groundnuts. The minimum capital requirements is £10,000. As evidence of ability to provide this amount, an applicant must produce a suitable banker's reference or guarantee acceptable to the Board.\textsuperscript{24}

\textsuperscript{22}Ibid., p. 49.

\textsuperscript{23}Northern Region Marketing Board, Annual Report (1954-55), pp. 86-7.

This was the position from 1949 to 1954. In 1954, when the Northern Regional Board took over from the old Groundnut Marketing Board, the minimum amount of groundnuts a buying agent was expected to purchase was fixed at $\frac{1}{700}$th of the total crop of groundnuts marketed during the season. This is felt to be the lowest possible figure compatible with orderly marketing and amounts to about 400 tons in a normal season. The Board is, however, prepared to regard 300 tons as the minimum purchase requirement during a licensed buying agent’s first season of operation, the normal minimum requirement of 400 tons applying in subsequent seasons. The minimum capital requirement was scaled down from the 1949-54 height of £10,000 to £4,003 or £3,250 in the case of a licensed buying agent’s first season of operation. This remains the position today.

The Northern Nigerian Marketing Board’s purchases of groundnuts increased from 178,140 tons in 1949-50 to 402,486 tons in 1953-54. Between 1955-56, it increased from 348,232 tons to 523,213 tons in 1959-60. The Board’s total purchases of special grade groundnuts increased from 432,496 tons in 1960-61 to 786,727 tons in 1963-64. Detailed statistics relating to groundnuts purchases in Nigeria from 1949-50 to 1963-64 are listed in Appendix J, page 118.

Another notable change in the Northern Regional Marketing Board policy since 1954 has been the encouragement

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of nine Northern Nigerian enterprises to participate in the region's produce trade as licensed buying agents. Ten years ago, the Northern Regional Marketing Board had twenty-one licensed buying agents for groundnuts, none of whom were Northern Nigerians. Following appointments made at the Board's meetings in readiness for the 1960-61 season, there were forty-three licensed buying agents for groundnuts of whom twenty-one were Northern Nigerians.26

Three reasons stand out clearly for the increasing share of Nigerian firms and cooperative organizations in the export produce trade. They are the following: (1) the development of African banks, (2) the development of cooperatives and cooperative banking, and (3) the increasing technical capacity of the Nigerian merchants to handle large-scale export produce.

**Marketing periods.** Between the 1950-51 and 1953-54 groundnut seasons, the Nigerian Groundnuts Marketing Board was not obliged to subsidize producer prices. It accumulated surpluses. In the six-year period from 1954-55 to 1959-60, the losses of the Northern Regional Marketing Board on its groundnut trade came to about £6 million; its total surpluses during the period were less than £5 million.27

**Current production.** Nigeria is the largest exporter of groundnuts in the world. Groundnut exports, including

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26 Ibid., p. 9.  
27 Oluwasanmi, op. cit., p. 177.
groundnut oil equivalents, has grown at a 5.2 compound annual growth rate between 1956-58 and 1964-66. Groundnut processing has increased rapidly in the past ten years. About 450,000 tons of groundnuts were processed in 1968.

The evacuation of the recent groundnut crop was rendered difficult by the civil war which reduced the two rail outlets to the sea to one. About two-thirds of the groundnuts produced were evacuated by lorry in the 1966-67 season as compared with one-quarter in 1964-65. The internal transport rates, however, increased from roughly £8 per ton in 1964-65 to £14 per ton in 1966-67. The year-end inventory of groundnuts of 20,000 tons in 1964-65 rose to 400,000 tons in 1966-67. 28

The Government investigation of the Northern Nigeria Marketing Board noted an annual board turnover of £60,000,000. The committee with the cooperation of the bank estimated the short fall for the last 1966 buying season to be £2,000,000. Low standards and poor performance left the Board's accounts with heavy debit items, large sums of which are still not cleared. Figures supplied by the Board on October 31, 1966, show that in the latter part of 1965, the chairman allocated guaranteed overdrafts to thirty-four licensed buying agents totaling £6,794,000. Of this amount, the Board's accounts show that £347,470 was still outstanding at the bank. 29


29 Ibid., p. 16.
Produce sales taxes. Produce sales taxes are levied by the Regional Government. These taxes for the 1959-60 seasons are shown on Table 5. The Northern Region differs from the Eastern Region in that in the Eastern Region the tax is a purchase tax imposed upon the Board, while in the Northern Region the tax is a sales tax imposed upon the producers.

Groundnut farmers received low Marketing Board prices of about £30 per ton for groundnuts for 1961-65; £32 in 1966-67; and £27-29 in 1967-68 while the average f.o.b. Nigerian price was about £64 from 1960-67.

Table 5
Northern Nigerian Marketing Board Produce Sales Taxes 1959-60

<table>
<thead>
<tr>
<th>Produce</th>
<th>Sales tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groundnuts</td>
<td>£1 per ton</td>
</tr>
<tr>
<td>Benniseed</td>
<td>10s per ton</td>
</tr>
<tr>
<td>Cocoa</td>
<td>4s per ton</td>
</tr>
<tr>
<td>Palm oil</td>
<td>1d per ton</td>
</tr>
<tr>
<td>Cotton</td>
<td>2s 6d per lb.</td>
</tr>
<tr>
<td>Soya beans</td>
<td>2s 6d per ton</td>
</tr>
<tr>
<td>Palm kernels</td>
<td>£1 per ton</td>
</tr>
</tbody>
</table>

Source:

Statistics on trading accounts and producer prices for groundnuts and cotton can be seen in Appendix C, page 111 and Appendix E, page 113.
The Western Nigeria Marketing Board

The Western Nigeria Marketing Board, with its main office in Ibadan, handles the following commodities: cocoa, oil palm produce, cotton, and fresh fruit.

The system of purchasing produce. As in the case of palm produce, the actual purchasing of cocoa is left to licensed buying agents whose organization remains as before the war. In the interest of orderly marketing introduced under war-time control schemes, the cocoa marketing board requires prospective buying agents to purchase at least 0.25 percent or 1/400th of an average crop. The buying agent is also expected to be in a position to finance a considerable portion of his purchases. At 1948 prices, the minimum capital required calculated by the Board to be £5,000. In the 1958-59 cocoa season, the minimum capital requirement was £9,000. As evidence of ability to provide this amount, an applicant must produce a suitable banker's reference or a guarantee acceptable to the Board.

Between 1954-55, the Western Nigerian Marketing Board purchased a total of 72,681 tons of cocoa from its main crop only. A total of 89,144 was purchased from the light crop area. Between 1962-63, the Marketing Board purchased a total of 155,801 tons of cocoa from the main crop area also and

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30 Oluwasanmi, op. cit., p. 163.

170,602 tons from the light crop production. Purchases by Marketing Boards other than licensed buying agents were recorded in the year 1962-63. Purchases by the Marketing Board for the year 1963-64 were lacking but a rough estimate put the total figure purchased by the Board at 216,000 tons. Statistics relating to Western Nigerian Marketing Board purchases from 1954 to 1964 are given in Appendix K, page 119.

The Western Regional Marketing Board defines the average-sized crop of cocoa as 100,000 tons. In 1959-60, the Western Regional Marketing Board paid buyers an allowance of £14.3s.4d for every ton of grade one cocoa purchased and £13.15s.10d for grade two cocoa. In 1948-49, the Cocoa Marketing Board paid buying agents a block allowance of £10.4s.0d per ton for grade one main-crop cocoa. This allowance was intended to cover all costs involved in the handling, storage, and evacuation of cocoa, and included an allowance for remuneration at 1 percent of the purchase price, with an additional 1/2 percent to cover contingencies.32

**Price stabilization.** Throughout its seven years of operation from 1947 to 1954, the Cocoa Marketing Board subsidized producer prices only once, in the 1948-49 season, when it paid £1.6 million out of its surpluses to maintain minimum prices. For the rest of this period, the Board

accumulated surpluses. Between the 1954-55 and 1959-60 cocoa season, a period of general price decline, the Western Regional Marketing Board incurred losses, that is subsidized producer prices, only twice. In the 1955-56 season, the Board's trading loss was £4,169,022 and in the 1956-57 season, its total loss was £1,160,961. The Board's trading surpluses on cocoa were £5.0 million in 1954-55, £4.9 million in 1957-58, £7.8 million in 1958-59, and £1.1 million in 1959-60.  

**Current production.** Cocoa is the dynamic feature of economic development of Western Nigeria. Most of Nigeria's 350,000 cocoa farmers are located in Western Nigeria. Nigeria's share of world cocoa trade has increased from roughly 14 percent in the 1950's to 18 percent in the mid-1960's. The volume of cocoa exports also has grown from approximately 100,000 tons per year in the mid-1950's to 229,000 tons per year over the 1963-67 period. The volume of cocoa exports over the most recent ten years, from 1956-58 to 1965-67, has grown at a compound average growth rate of about 7 percent per year.  

Statistics relating to the above can be found in Appendix G, page 115.

By the early 1960's, while the acreage of cocoa had increased at most by 15 percent, production had risen above  

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the previous 1950-51 high, by about 80 percent, and in the
bumper 1963-64 and 1964-65 years by still greater proportions.
This great increase is attributed to the widespread use of
insecticides, fungicides, improved seedlings, and other
improvements which have been assiduously promoted through
subsidies, credit schemes, and extension services, by the
Western Regional Marketing Board.35

The statistics showing the acreages benefiting from
productivity-raising improvements in the cocoa areas of the
Western Region from 1956 to 1965 is illustrated in Table 6,
page 60. Similarly, the statistics showing the real producer
prices and incomes from cocoa from 1948 to 1964 can be seen
on Table 7, page 61.

It is essential to examine the relative importance of
Nigerian exports of Marketing Board crops. Historically,
Nigerian export crop producers have long competed success­
fully in world markets for palm oil, cocoa and groundnuts
despite export taxes and marketing-board operations.

Nigeria is the number one exporter of groundnuts,
number two for cocoa and a major exporter of palm oil. Cot­
ton exports are declining as cotton moves through an important
substitution phase, and imported cotton goods are replaced
with domestic products. In 1961, Nigeria exported 1.5 percent

35R. Galletti, K.D.S. Baldwin, and I. O. Dina,
Nigerian Cocoa Farmers (London: Oxford University Press,
<table>
<thead>
<tr>
<th>Year</th>
<th>Annual estimate planted</th>
<th>Annual estimate sprayed against black pod</th>
<th>Annual estimate sprayed against capsid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>--</td>
<td>92,000-184,000</td>
<td>--</td>
</tr>
<tr>
<td>1957</td>
<td>2,100</td>
<td>28,000-57,000</td>
<td>53,200</td>
</tr>
<tr>
<td>1958</td>
<td>2,900</td>
<td>38,000-73,000</td>
<td>159,000</td>
</tr>
<tr>
<td>1959</td>
<td>5,600</td>
<td>79,000-159,000</td>
<td>268,200</td>
</tr>
<tr>
<td>1960</td>
<td>5,900</td>
<td>86,000-172,000</td>
<td>259,100</td>
</tr>
<tr>
<td>1961</td>
<td>7,500</td>
<td>102,000-203,000</td>
<td>241,500</td>
</tr>
<tr>
<td>1962</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>1963</td>
<td>9,100</td>
<td>115,000-23,000</td>
<td>383,300</td>
</tr>
<tr>
<td>1964</td>
<td>10,700</td>
<td>116,000-26,000</td>
<td>476,600</td>
</tr>
</tbody>
</table>

Source:
of the free-world exports of cotton. In 1963 the exports handled by the Marketing Boards accounted for 63 percent of the value of total exports.

Table 7

Indexes of Real Producer Prices and Incomes: Cocoa

<table>
<thead>
<tr>
<th>Year</th>
<th>Real producer price</th>
<th>Real income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1948/49-1951/52</td>
<td>179.0</td>
<td>278.7</td>
</tr>
<tr>
<td>1952/53-1955/56</td>
<td>242.3</td>
<td>335.2</td>
</tr>
<tr>
<td>1956/57-1960/61</td>
<td>178.2</td>
<td>338.9</td>
</tr>
<tr>
<td>1961/62-1963/64</td>
<td>110.1</td>
<td>299.6</td>
</tr>
</tbody>
</table>

Source:

Groundnut exports (including groundnut oil equivalents) grew at a 5.2 percent compound annual growth rate between 1956-58 and 1964-66. Groundnut processing in Nigeria has increased rapidly in the past ten years. About 450,000 tons of groundnuts were processed in 1968.

Fifteen percent of the world exports of palm oil was shipped from Nigeria in 1964. The corresponding figure for palm kernels was 56 percent. The value of raw cocoa exports

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37 Ibid., p. 88.
38 Ibid.
from Nigeria was 22.1 percent of the value of all domestic exports in 1964. Other marketing board crops have been relatively insignificant, however, the above figures indicate that a high percentage of Nigeria's export revenue passes through the Marketing Boards. In addition, the Marketing Boards have played significant roles in Nigerian economic development as a revenue-yielding body as well as in their efforts toward domestic price stabilization. These topics are discussed in the chapter that follows.
Chapter 5

THE FISCAL ROLE OF THE MARKETING BOARDS

Nigeria's Marketing Boards are statutory monopsonies handling Nigeria's major agricultural exports. The interpretation and implementation of the Marketing Boards' responsibility for stabilization have received a great deal of attention from the economics profession. It is not, however, the most important aspect of Nigerian Marketing Board practices. Stabilization, of whatever sort, has never constituted the sole responsibility of the Nigerian Marketing Boards. They have had, since their very inception, considerable powers to accumulate and expend funds earned from their trading operations. But the Marketing Boards have long since exceeded the limits originally set for their activities in this area. As Helleiner pointed out:

Within the last few years the Regional Governments of the Federation have stated quite explicitly that the Marketing Boards are an important source of revenues for their development budget.¹

The discussion in this chapter is centered upon the accumulation of the trading surpluses, the evolution of official attitudes towards trading surpluses, and the disposal of the Marketing Board trading surpluses.

The Accumulation of the Trading Surpluses

It is widely recognized that the period 1947-54 was one during which Nigeria's Marketing Boards acquired enormous reserves. Table 8, page 65, shows the total accumulations for the four Nigerian Commodity Marketing Boards until their dissolution in 1954. By 1954, nearly £120 million was mobilized by these four Boards, over £100 million of which was realized as "trading profits" during this seven-year period alone.2

The largest trading surpluses were realized by the Cocoa Marketing Board, but all four piled up substantial reserves. During the 1947-54 period, over 42 percent of potential producer income earned from cotton, 40 percent of that from groundnuts, over 39 percent of that from palm kernels, and 17 percent of that from palm oil were withheld by the government through taxes and Marketing Board trading surpluses. By far the greatest share of this total in each case except that of palm oil was made up of Marketing Boards' trading surpluses. In peak years, individual Marketing Boards alone withheld over 40, 50 and even 66 percent of potential incomes of producers of particular crops. (See Appendix B, page 110.)

Between 1954 and year-end of 1961, another £21.8 million was added to the Marketing Boards' resources through

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Table 8

Total Accumulation by Nigerian Regional Marketing Boards 1954-61

<table>
<thead>
<tr>
<th></th>
<th>Eastern region</th>
<th>Northern region</th>
<th>Western region</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer from commodity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing boards</td>
<td>11464.1</td>
<td>32651.8</td>
<td>42897.2</td>
<td>87013.1</td>
</tr>
<tr>
<td>Net trading surplus</td>
<td>10736.2</td>
<td>3202.7</td>
<td>14303.9</td>
<td>21837.1</td>
</tr>
<tr>
<td>Excess of other income over expenditure</td>
<td>1718.9</td>
<td>2451.2</td>
<td>5349.1</td>
<td>9519.2</td>
</tr>
<tr>
<td>Total</td>
<td>23919.2</td>
<td>31900.3</td>
<td>62550.2</td>
<td>118369.4</td>
</tr>
</tbody>
</table>

Source:
their trading activities. However, one of the Marketing Boards, that handling the produce of the Northern Region, actually ran a net deficit on its trading operations. It ran a net overall deficit as well in spite of its earnings on assets during this period. From 1954 until 1961, this Marketing Board paid to agricultural producers £3.3 million more than it earned from the sales of their produce. Only groundnut and cotton trading are included in this figure.

The greatest trading surpluses over the 1954-1961 period were earned by the Western Region Marketing Board, which, as was noted earlier, was already the wealthiest at the outset of the period. Over £14.3 million was withheld from Western Region producers, £9.7 million of which came from cocoa production. The remaining £4.6 million came from palm-kernel producers who contributed in the East and West together over £10.7 million to total Marketing Board reserves. The Western Region Marketing Board's wealth also produced net income of another £5.3 million, mainly from interest on the securities held in its investment portfolio. The table that is shown on page 65 illustrates this fact. (See Table 8)

The proportions of Nigerian export producers' potential income which were withheld during the latter period were, in general, of course, rather smaller than they had been between 1947 and 1954. Palm oil was again the only exception to this rule. The most dramatic reductions in these proportions were those for groundnuts—from 40 percent to 14.9 percent, and for cotton—from 42.3 percent to 11.2
percent. There also was a substantial drop in the share of cocoa producers' potential income which was withdrawn—from 39.4 percent to 26.1 percent.

The Evolution of Official Attitudes Toward Trading Surpluses

Before 1954, it was not actually certain what use should be made of Marketing Boards' trading surpluses. It was after this time that the government's intentions became clear that they should be used for stabilizing purposes. From 1954 onwards, the earnings of trading surpluses became, more and more, a matter of conscious design. The surpluses were then to be used for an intensified development effort.

Nigerian Marketing Boards have borne a degree of responsibility for the support of research and development ever since their formation. At the time of its inception in 1947, the Nigerian Cocoa Marketing Board was assigned the duty to "assist in the development by all possible means of the cocoa industry of Nigeria for the benefit and prosperity of the producers." Similar provisions were included in the ordinances which set up the other three Nigerian Marketing Boards two years later. The funds required for the performance of these duties were clearly to be provided by the Marketing Boards themselves. After 1951, the Groundnut and Oil Palm Product Marketing Boards, as well as the Cocoa Board, adopted the principle of governing the distribution of

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whatever trading surpluses they might earn. After setting aside the estimated requirements for working capital, the remainder was always allocated, on a product basis, in the following proportions: 70 percent retained for stabilization purposes, 22.5 percent allocated to development, and 7.5 percent expended upon research.⁴

The development allocations were turned over in the form of grants to the three Regional Production Development Boards which were set up at the same time as the Marketing Boards to further "the development of the producing industries and...the economic benefit and prosperity of the producers and the areas of production."⁵ The size of the grant to each region's Production Development Board was determined by the share which the region in question had contributed to the total sales of the product in which the trading surplus had been earned. By year-end of 1954, Nigerian Marketing Boards held upwards of £60 millions of investments in the United Kingdom which were specifically allocated to the provision of "economic security" to the farmer. As Marketing Board reserves mounted, some modifications to the system of distribution of trading surpluses were introduced. In order to enable the Production Development Boards to plan their programs more effectively, the Palm Oil Produce Marketing


Board guaranteed them a minimum allocation of £800,000 each of the years 1950-1955, thus abandoning, in principle, the "70-22 1/2-7 1/2" formula. The Groundnut Marketing Board made a similar guarantee of £500,000 per annum for each of the seasons 1950-51 to 1954-55 but at no time was this guaranteed minimum greater than 22.5 percent of that year's trading surplus. More significantly, perhaps, the Marketing Boards lent to the Central Government a "sum which they can be reasonably certain they will not require within the next fifteen years"—ultimately placed at £14 millions. 6

The altered views of the Regional Governments with respect to the primary functions of the Marketing Boards can be seen in their planning documents. The Western Region's 1955-60 development plan announced final abandonment of the "70-22 1/2-2 1/2" formula for distribution of the Western Board's trading surpluses, offered a strong defense of the Marketing Board's right to contribute to development, and provided for £20 million in loans and grants to come from the Board for the use of the Regional Government during the plan. This was about two-thirds of total capital funds expected and nearly 20 percent of total capital and current revenues anticipated for the planning period. 7

The 1960-1965 Western Region plan called for a further contribution of £21 million from the Western Region Marketing Board over the course of the five-year period, and with over £14.5 million already having been granted under the former plan, another £10 million was called for in the 1962-68 plan. In the latter, it is stated boldly that:

In the public sector, the Marketing Board is the main source of savings for the improvement of agriculture and allied industries and the provision of social services.\(^8\)

The Marketing Board's contribution is, in fact, 40 percent of the total available domestic finance for the capital programme.\(^9\) By this time, these savings were no longer referred merely to the running down of previously acquired assets. It was then obviously used to run trading surpluses to finance the Regional Government's program. The Western Region Marketing Board had by then become, apart from its other responsibilities, a fiscal arm of the Western Nigerian Government.

The operations of the Eastern Regional Marketing Board evolved in much the same manner during this period, although the amounts which it then accumulated from trading surpluses were somewhat smaller than those piled up in the West. The Eastern Region's development programme for 1958-63 showed that the Marketing Board was expected to contribute £5 million toward the construction of the new University of Western Nigeria.

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\(^9\) Ibid., p. 50.
Nigeria at Nsukka and a further £500,000 to the Eastern Region Development Corporation.\textsuperscript{10} The then current 1962-68 plan listed not only the Marketing Boards' reserves, but also the Marketing Boards' earnings in the plan period as a source of finance. Altogether, the Marketing Board's contribution to the plan was £13.6 million, a large share of total available domestic resources for the capital program. Thus, the Eastern Region Government employs the Marketing Board as a revenue raiser. By 1962, the Northern Region Government started anxiously to employ the Northern Nigeria Marketing Board as an important source of revenues for its development effort, though in a much modified fashion. Prior to this time, the Regional Government had argued that "the main object of establishing Marketing Boards was to insure stable prices for produce."\textsuperscript{11} By the end of 1962, however, the Northern Nigeria Government announced its intention of relieving the Board of its liability for subsidizing the producer prices of crops in lean years. All of the Northern Nigeria Marketing Board's reserves above and beyond its needs for working capital, about £6 million, were then mobilized for development. In the first progress report on the plan, two years later, it became clear that the Northern Region,


\textsuperscript{11}Ibid.
too, ran trading surpluses for the purpose of raising revenues.\textsuperscript{12}

\textbf{The Disposal of the Marketing Board Trading Surpluses}

During the period before their regionalization, as has been seen, the Marketing Boards held the bulk of their vast reserves as stabilization reserves in the form of United Kingdom and British Commonwealth securities. Some of their profits, however, were spent upon reserves for research and economic development.

By year-end of 1954 (see Table 9, page 73), over £23 million was granted to the Regional Production Development Boards. With the final allocation of the dissolved Commodity Marketing Boards' assets, their total contribution to the Production Development Boards reached £24,666,700. The latter Boards were not able to spend these amounts as quickly as they were received, and, therefore, accumulated substantial reserves of United Kingdom Securities themselves. The amounts which were spent or lent until the mid-1950's were concentrated in agricultural development projects including government-owned plantations in the Eastern and Western Regions, small-scale processing of agricultural produce both for home consumption and for export, and roads.\textsuperscript{13}


<table>
<thead>
<tr>
<th></th>
<th>Cocoa</th>
<th>Oil palm produce</th>
<th>Groundnut</th>
<th>Cotton</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sept. 30,</td>
<td>Dec. 31,</td>
<td>Oct. 31,</td>
<td>Oct. 31,</td>
<td>Sept. 30-</td>
</tr>
<tr>
<td>Cumulative grants to</td>
<td>8851.4</td>
<td>8357.7</td>
<td>6178.3</td>
<td>271.0</td>
<td>23658.4</td>
</tr>
<tr>
<td>production development boards</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative research &amp; development expenditure</td>
<td>2051.8</td>
<td>24469.0</td>
<td>86.0</td>
<td>1328.4</td>
<td>5935.2</td>
</tr>
<tr>
<td>Loans outstanding of</td>
<td>2494.0</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>2494.0</td>
</tr>
<tr>
<td>government of Nigeria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom securities</td>
<td>24119.1</td>
<td>23775.1</td>
<td>13570.0</td>
<td>4920.8</td>
<td>66385.0</td>
</tr>
</tbody>
</table>

Source:
Annual Reports of the Marketing Boards.

*This is not a complete listing. Current assets and current liabilities are excluded. See also Appendix H, page 116, for disposal of Nigerian Regional Marketing Board funds 1955-61.*
In addition to these allocations, the commodity Marketing Boards also spent nearly £6 million on their own research and development schemes. The largest items of this type were the support of the West African Institute for Oil Palm Research, and the West Africa Cocoa Research Institute, grants in support of the Faculty of Agriculture at the University College, Ibadan, and expenditures on roads, distribution of improved seeds and stores in connection with the development of cotton production in the Northern Region. Smaller sums were spent on other research institute, surveys, experiments, investigations, and cooperative marketing schemes.\textsuperscript{14}

A further commitment was entered into by the Marketing Boards to lend £1\textsubscript{4} million to the Federal Government. By 1954, £2.5 million was lent by the Cocoa Marketing Board. The remaining obligations were assumed by the successor Regional Marketing Boards. A completely different pattern of disposition of Marketing Board funds took place following their regionalization. The Western Region Marketing Board began to supply funds in the form of grants and loans to the Regional governments directly to purchase equity in and offer loans to private companies, and to purchase Nigerian government securities. At the same time, expenditures for research and development were continued and expanded in amount.\textsuperscript{15}

\textsuperscript{14}Helleiner, op. cit., p. 174.  \textsuperscript{15}Ibid.
By far the greatest beneficiaries of this reserve-disposal program were the Regional Governments. Grants totaling over £33 million were made by 1961 and loans of a further £16.8 million were outstanding at year-end. Some of these grants of £1.4 million and loans of £6.4 million were allocated for the continuation of the Marketing Boards' funds to the Development Corporations. Of the remainder, much was allocated to specific projects, notably the building of the University of Nigeria in the Eastern Region and the University of Ife in the Western Region, and a road construction program in the Western Region. But the bulk was turned over or lent to the Regional Governments for general use in the accelerated development effort.

Other grants and expenditures totaling £9.1 million were in continuation of the "own account" research and development activities that were begun in the earlier period. The Western Region spent the greatest amount in this way. The bulk of it, nearly £5 million, went for support of cocoa research and extension work by the Regional Department of Agriculture. A further £591,000 was employed to subsidize the sale of chemicals used for spraying cocoa trees against the disease of capsia and blackpod. The Northern Region spent over £1.6 million on the development of an agricultural research station, £1.2 million on the continued development of an agricultural research station, and £1.2 million on the continued development of cotton production, as well as further amounts upon a variety of experimental schemes and
investigations in river transportation, textile and groundnut production, and in cocoa and palm produce production. The Marketing Boards also supported such research institutes as the West African Institute for Oil Palm Research and the West African Stored Produce Research Unit.\textsuperscript{16}

A major innovation in the post-1954 period was the increasing use of Marketing Board funds for the purposes of loans to and purchases of equities in Nigerian private companies. It is this area in which the greatest possibilities for misuse of funds was located. Of the three Boards, the Western Regional Marketing Board channeled the largest absolute amounts into private enterprise, exclusive of those grants to the Development and Finance Corporations.\textsuperscript{17}

The bulk of these funds went to a bank and a real estate concern, the affairs of which were closely bound up with those of the political party then in power in the Western Region and its leading members. An investment of £3 million also was made in a bank with a record of connections with the former leader of the political party in control of the Eastern Region. As in the West, the development corporation of the Eastern Region invested in private enterprise of questionable worth at the same time.\textsuperscript{18} There were, however, more

\textsuperscript{16}Ibid., p. 176.


\textsuperscript{18}Ibid., p. 26.
worthwhile undertakings in the area of Marketing Board support of private ventures. The Marketing Board took up shares in two successful manufacturing enterprises set up in Nigeria, the Nigeria Cement Company at Nkalagu, and Kaduna Textile; but the amounts involved in these totaled only £2.2 million.19

It would be difficult to summarize the wisdom or foolishness of Marketing Board allocations in a phrase or two, particularly in view of the fact that much was actually passed on to other decision-making authorities. On the face of it, however, the Marketing Boards performed reasonably well. The allocations were not large relative to the total development loans and expenditures made. Disappointment over the misuse or mis-allocation of some of the funds accumulated should not, therefore, be permitted to destroy one's perspective on their over-all performance as contributors to the development effort.

MARKETING BOARDS AND THEIR EFFORTS TOWARD DOMESTIC PRICE STABILIZATION

Domestic stabilization has long been considered the principal function of the Marketing Boards. It has been argued elsewhere that the performance of Nigerian Marketing Boards should be evaluated instead on the basis of their

roles as revenue earners for the development effort. 20 It is worth considering, nevertheless, what exactly has taken place with respect to domestic stabilization through Marketing Board action in Nigeria.

One of the major aims in establishing the Marketing Boards is to insulate producers' prices from the excessive fluctuations characteristic of the pre-war markets of the export crops, and another is to achieve a measure of stability in the incomes of producers. It was expected that the boards would achieve these objectives through their price policy, namely:

... by fixing a steady price in advance of the sale of each season's crop the boards will cut the link between the price of cocoa in West Africa and the day-to-day price on the world market. Accordingly, in some seasons when world prices are high, the price paid to the producer will be less than the average realization on overseas sales. The board will, on such occasions, show a "surplus." There will, however, be other seasons in which the average world price is below the price paid to producers. On these occasions the boards will make a "loss," which will be financed from the "surpluses" accrued in years of high world prices. The intention is that "profits" will be utilized primarily to maintain the maximum possible stability in the price paid to the producer. 21

It was envisaged that surpluses accumulated by the boards would be used primarily as a cushion against price fluctuations. In order to achieve this objective, the boards at


the beginning of the buying season fix minimum prices below which licensed buying agents must not purchase produce. These minimum prices are determined partly by the level of world prices and partly by the level of reserves considered desirable for the primary purpose of stabilization.

The price policies followed by the Marketing Boards have the practical effect of eliminating fluctuations in the prices received by producers during a crop season. By paying producers the same price throughout the crop year, the system of statutory marketing avoids the violent movement in producer prices which characterized the pre-war marketing system. For obvious reasons, interseasonal movements in prices are beyond the controlling powers of the Marketing Boards. These movements are controlled by other forces. The producer prices fixed by the Boards for a crop season are determined by the anticipated market values of the crops and by the levels of their reserves. These two factors are themselves dependent on the unstable conditions of the markets for primary products. If the Boards expect a buoyant market for their crops and if the levels of reserves are considered satisfactory for future eventualities, they will fix higher producer prices. If, however, they expect a falling market they will fix lower prices irrespective of the levels of reserves. Since producer prices are thus inevitably linked to the actual values of exports on the world market, neither the prices paid to the producers by the Boards nor their incomes can be expected to remain stable from one season to
another. Variations in the producer prices fixed by the Boards for different seasons demonstrate the difficulty of maintaining stable prices for producers of raw materials over a long period. 22

In spite of the extreme sensitivity of the incomes of producers of raw materials to world economic conditions, the Marketing Boards succeeded fairly well in eliminating the extremely wide fluctuations in producer prices which typified the so-called free markets of the pre-war era. Cocoa offers a good illustration of the problem posed by the concept of price stabilization outside the normal operations of the forces of the free market. In the 1947-48 season, the Cocoa Marketing Board bought a ton of grade one cocoa for £62.58; because of the favorable conditions in the cocoa market during the season, the Board made a surplus of £11 million in its first year of operation. Anticipating that the market situation would continue to be as bright as in the previous season, the Board fixed the 1948-49 producer price at £20 per ton of grade one cocoa. As a result of declining prices, the Board paid a total sum of £1.6 million in price subsidies during the season. Prices of raw materials rallied in 1949; they rose nervously in the troubled conditions of 1950, pushing the port price in Lagos to £360 per ton. 23

23 Ibid., p. 172.
the ten-year period from 1950 to 1959, the movement of producer prices of cocoa and of the major Nigerian oils and oil seeds is illustrated on Table 10, page 82.

Factors Affecting the Value of Export Crops

In any given season the market value of a crop is determined by a number of factors, among which are the economic conditions in the consuming countries, the expected size of the world crop, the level of prices in preceding seasons, the stock held by manufacturers and the general international situation. These factors operate sometimes in combination, and sometimes singly to influence the level of world prices.

In varying degrees, the market values of palm oil, palm kernels, groundnuts, and cotton are influenced by the same forces that determine the value of cocoa. In addition to these forces, the value of Nigerian oils and oil seeds is affected by the market conditions of their foreign competitors, notably animal fats and oils. This point may be conveniently illustrated by the market position of palm oil. The relatively high price which edible palm oil enjoyed in 1960 was due, in the main, to a butter shortage in Europe in the winter of 1959. This shortage caused the edible palm oil price to be higher than anticipated at the beginning of the year, but thereafter the market declined rather as expected owing to large supplies of cheap American lard. Later in the
Table 10

Movement of Producer Prices of Cocoa, Oil and Oil Seeds 1959-60

<table>
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<tr>
<td></td>
<td>£ per ton</td>
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<td>£ per ton</td>
<td>£ per ton</td>
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<tr>
<td>Cocoa</td>
<td>150.0</td>
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<td>170.0</td>
<td>170.0</td>
<td>200.0</td>
<td>200.0</td>
<td>150.0</td>
<td>150.0</td>
<td>150.0</td>
<td>160.0</td>
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<tr>
<td>Palm oil: Special</td>
<td>53.0</td>
<td>71.0</td>
<td>80.0</td>
<td>75.5</td>
<td>65.0</td>
<td>58.0</td>
<td>50.0</td>
<td>50.0</td>
<td>50.0</td>
<td>47.75</td>
</tr>
<tr>
<td>Technical-Grade I</td>
<td>42.75</td>
<td>55.0</td>
<td>61.0</td>
<td>58.0</td>
<td>50.0</td>
<td>38.0</td>
<td>38.0</td>
<td>40.0</td>
<td>40.0</td>
<td></td>
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<tr>
<td>Palm kernels</td>
<td>26.0</td>
<td>32.0</td>
<td>36.0</td>
<td>34.0</td>
<td>34.0</td>
<td>30.0</td>
<td>30.0</td>
<td>29.0</td>
<td>29.0</td>
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</tr>
<tr>
<td>Groundnuts</td>
<td>21.2</td>
<td>36.0</td>
<td>36.0</td>
<td>36.0</td>
<td>45.7</td>
<td>45.44</td>
<td>42.54</td>
<td>42.54</td>
<td>38.32</td>
<td>42.22</td>
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Source:
Annual Reports of the Marketing Boards.
year, the restriction in the supplies of Congo palm oil created a good demand for Nigerian oil. 24

Both the producer prices paid by the Marketing Boards and the level of their reserves are determined by forces over which they do not exercise any control. Consequently, the reserves of the Boards, and, therefore, their ability to maintain stable prices and incomes tend to fluctuate with fluctuations in the world prices of primary products. The adverse effects of stable prices on producers' incomes seemed not to have been given full weight in formulating the price policies of the Boards. It was taken for granted that once prices were stabilized incomes would cease to fluctuate. In fact, with most of the export crops, the opposite seems to be the case.

The yields of the crops subject to the control of the Boards, particularly cocoa, groundnuts, and cotton, fluctuate from season to season owing to biological and climatic conditions. Normally, these fluctuations cause opposite fluctuations in prices. Thus, a good West African cocoa crop tends to have a depressing effect on the world price of cocoa while a decline in output tends to cause higher cocoa prices. This inverse relation between output and prices has the effect of stabilizing the total incomes of producers over time, the higher prices compensating for the lower prices. The compulsory payment of stable prices has

the effect of removing these compensating factors and thereby of distabilizing the incomes of producers.\textsuperscript{25}

Biological and climatic factors, however, are not the only forces which regulate output and prices of export crops. Economic conditions in the consuming countries, the market position of competing products, the general international situation and the activities of the buying firms are some of the major factors causing the incomes of producers of raw materials to fluctuate.

The pre-war marketing system, with its daily fluctuations of prices, worked severe hardships on Nigerian producers who were powerless before the buying firms and their middlemen. Producers were never certain from one day to another what price their produce would fetch in the market. In spite of the theoretical merits of the free enterprise system of marketing and its built-in compensatory factors, it became obvious before war broke out in 1939 that the small peasant producer required some form of protection against the mercies of the free and unregulated market. The Marketing Boards were designed to protect the interest of producers by removing intra-seasonal fluctuations through their price policies and accumulated reserves.

The accumulation of surpluses as a cushion against future price declines raises fundamental issues of policy with regard to the determination of the size of reserves

\textsuperscript{25}Oluwasanmi, op. cit., p. 175.
considered adequate for the maintenance of stable prices and also with regard to the methods of disposing of surpluses not required for stabilizing prices. Bauer has criticized the vagueness and ambiguities surrounding the disposal of the surpluses of the Boards and has argued with considerable force that the whole concept of price stabilization is meaningless without reference to a stated period over which the accumulated surpluses and their subsequent payments to producers will balance.26

The white paper on cocoa marketing expressed the hope that over a period of years the "average price paid in West Africa will be substantially equal to the average net price realized on world markets and that the boards' buying and selling transactions will therefore approximately balance."

Throughout its seven years of operation from 1947 to 1954, the Nigerian Cocoa Marketing Board subsidized producer prices only once, in the 1948-49 season, when it paid £1.6 million out of its surpluses to maintain minimum prices. For the rest of this period, the Board accumulated surpluses. Between the 1954-55 and 1959-60 cocoa seasons, a period of general price decline, the Western Region Marketing Board incurred losses, that is subsidized producer prices, only twice. In the 1955-56 season the Board's "trading loss" was £4,169,022 and in the 1956-57 season its total "loss" was £1,160,961. The Board's trading surpluses on cocoa were £5.0 million in 1954-55, £4.9 million in 1957-58, £7.8

million in 1958-59 and £1.1 million in 1959-60. With regard to the accumulation of surpluses, the fortunes of Nigerian oil and oil seed are not radically different from those of cocoa.27

In the five-year period between 1950 and 1954, the Nigerian Oil Palm Produce Marketing Board incurred net losses only twice, those in the 1953 and 1954 marketing years. From 1950 to 1952, the Board accumulated surpluses on its oil palm produce account. In 1953 and 1954, the Board also accumulated surpluses on its palm kernel trading account, incurring "losses," that is subsidizing producer prices, only on its palm oil trade. In the five years between 1956 and 1960, the Eastern Regional Marketing Board accumulated surpluses on its oil-palm produce trading account. The trading surpluses realized by the Board during this period are tabulated and shown in Chapter 4.28

As regards groundnuts, the position was slightly different from that of oil-palm. Between the 1950-51 and 1953-54 groundnut seasons, the Nigerian Groundnut Marketing Board was not obliged to subsidize producer prices. It accumulated surpluses. In the six-year period from 1954-55 to 1959-60 the losses of the Northern Regional Marketing Board on its groundnut trade came to about £6 million; its total surpluses during the period were less than £5 million.

27Oluwasanmi, op. cit., p. 176. 28Ibid.
On the aggregate, the operations of the various organizations in the fourteen years from 1947 to 1960 resulted in considerable net surpluses.

Confronted with the difficult problem of finding an acceptable formula for disposing of the large surpluses of the Boards, Government modified its original objective of achieving a balance between their selling and buying transactions. A Production Development Board was established in each region to which funds were allocated by the Marketing Boards from their surpluses for the purpose of developing the producing areas. To the Government, therefore, the Marketing Boards are not mere instruments for stabilizing producer prices, but agencies providing

...both the organization and, in a useful measure, the finance for economic planning with reference to particular agricultural industries and the relative areas of production.\(^\text{29}\)

\(^{29}\) Oluwasanmi, op. cit., p. 177.
Chapter 6

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

It was the purpose of this study to trace the role of the Nigerian Marketing Boards in handling Nigeria's main export crops; specifically, this study was designed to analyze:

1. The development of West African Marketing Boards which led to the establishment of the Nigerian Marketing Boards.

2. The conditions of Nigerian external trade in farm products before the war, 1939-45, and the war-time marketing situation from 1939-45.

3. The factors leading to the formation of the Nigerian Department of Marketing and Exports and the creation of the Nigerian Central Marketing Board.

4. The scope and powers of each of the Regional Boards.

5. The role of the licensed buying agents appointed by the Boards.

6. The fiscal role of the Marketing Boards and their efforts toward domestic price stabilization.

The basis of this study was a review of the different Marketing Boards in the developing countries. The major sources of information were the William Allen White Library,
textbooks, journals, Nigerian Journal of Economic and Social Studies, monthly bulletin of Agricultural Economics, and periodicals. The active cooperation of some Kansas colleges and universities was obtained through the procedure of inter-library loan. The following procedures were used:

1. An extensive search for some published materials on West African Marketing Board was made. This included library research over both periodical literature and studies already conducted. This valuable information provided a basis for the writing of this report.

2. A series of requests was made from Kansas State University for pertinent and current information regarding the Board's marketing situation. Kansas State University operates an agricultural program with a Nigerian university.

3. The data collected from all these various secondary sources were summarized, analyzed, and interpreted.

4. Conclusions were reached on which recommendations could be based.

SUMMARY

Nigeria is the largest and the most prosperous country in the whole of West Africa. It has an abundant wealth of both natural and human resources. Oil production in Nigeria exceeds 600,000 barrels a month in total output, placing Nigeria tenth in the list of world exporters of oil. Agriculture, however, is the most important sector of the
Nigerian economy. It employs over 80 percent of the population and contributes, with livestock, forestry and fisheries, over 60 percent of the national income. However, 80 percent of the total agricultural production is devoted to products consumed locally. Nigeria's leading exports consist of agricultural products, the most important being cocoa, groundnuts, palm oil, palm kernels and rubber. Nigeria stands second in the list of world producers of cocoa.

Government Marketing Boards have a statutory monopoly over exports from British West Africa--Nigeria, Ghana, Sierra Leone and Gambia. The main crops involved are groundnuts, palm oil, palm kernels, and cotton. These crops account for practically all of the agricultural exports from these countries. Until World War II, West African produce was exported by merchant firms, most of which also handled imported merchandise. The actual buying was done by employed clerks or by various categories of middlemen. These middlemen use the services of sub-buyers, often called "scalers" because they have weighing machines. These in turn make use of assistants known as "pan buyers" because they buy in local measures of volume and not by weight.

The pre-war organization of the marketing of West African exports was subjected to frequent criticisms. The multiplicity of intermediaries and the large number of stages in the distribution chain was frequently criticized as being both unnecessarily wasteful and exploitative of the producers. Unrest among Gold Coast cocoa farmers, as a result of a
monopsonistic agreement among the major expatriate buying firms in the late 1930's, led to the appointment of the Nowell Commission to investigate cocoa marketing in West Africa. The Nowell report which was published late in 1938, contained the most important and influential criticisms of the pre-war system of marketing. The commission reached the conclusion that West African cocoa trade had not, in general, been a profitable business and attributed this state of affairs to intense competition between the firms on the Coast.

Before any action was taken on the commission report, the outbreak of the war in 1939 presented a new situation. It gave rise to new arrangements in the West African cocoa trade, and to the establishment of separate boards for Nigeria, Ghana, Sierra Leone and Gambia.

The Nigerian Cocoa Marketing Board was established in 1947 with authority to secure the most favorable arrangements for the purchase, grading, export, and marketing of Nigerian cocoa and to assist in the development by all possible means of the cocoa industry of Nigeria for the benefit and prosperity of the producers. In 1949, the oil palm Produce Marketing Board, the Groundnut Marketing Board and the Cotton Marketing Board were set up with powers similar to those of the Cocoa Marketing Board. In October, 1954, the structure of these Marketing Boards was substantially revised. In February, 1955, the Nigerian Central Marketing Board was established to coordinate the operations of the Regional
Boards. The Central Board also was empowered to act as a coordinating agent between the Regional Boards where matters of common concern were required.

The Nigerian Produce Marketing Company Ltd. was established in 1947. This company was responsible for overseas sales of all the export produce. The company was "owned" by the Regional Boards. The Northern, Eastern, and Western Regional Marketing Boards each owned 80,000 shares in the Company, while the Southern Cameroons Marketing Board owned 10,000 shares. All shares were held in trust by the Central Marketing Board, which exercised effective control of the Company. The Nigerian Produce Marketing Company Ltd. was abolished in 1960.

The Regional Boards, in general, handle such commodities as palm oil, palm kernels, cocoa, groundnuts, cotton and benniseed. The only crop not handled by the Marketing Boards is rubber. The actual purchasing of these crops is left to the licensed buying agents. Operationally, the Regional Boards do not differ significantly from one another; however, as regards groundnuts, a licensed buying agent is expected to be in the position to purchase at least 500 tons of groundnuts. The minimum capital requirement is £10,000. In general, licensed buying agents are required to meet certain capital requirements, and must have the ability to purchase crops with reasonable regularity throughout the buying seasons.
The two most important roles of the Marketing Boards are: (1) fiscal, and (2) domestic price stabilization. Nigerian Marketing Boards have borne a degree of responsibility for support of research and development ever since their formation. The Northern Region spent over £1.6 million on the development of an agricultural research station in 1961. About the same year, grants from the Marketing Boards totaling over £33 million were allocated to specific projects, notably the building of the University of Nigeria in the Eastern Region, the University of Ife in the Western Region, and road construction programs in the Western Region.

One of the major aims of establishing the Marketing Boards was to insulate producers' prices from the excessive fluctuations, and another was to achieve a measure of stability in the incomes of primary producers. The Boards achieve these objectives through their price policy. By fixing a steady price in advance of the sale of each season's crop, the Boards cut the link between the price of cocoa in West Africa and the day-to-day price on the world market. In some seasons when world prices are high, the price paid to the producer will be less than the average realization on overseas sales. The Board will, on such occasions, show a surplus. There will, however, be other seasons in which the average world price is below the price paid to producers. On these occasions, the Boards will make a loss which will be financed from the surpluses accrued in years of high world prices.
In 1959, as a result of declining prices of cocoa, the Cocoa Marketing Board paid a total sum of £1.6 million in price subsidies during the season. In 1953 and 1954, the Eastern Nigerian Marketing Board accumulated surpluses on its palm kernel trading account, and incurred losses, that is, subsidized producer prices on its palm oil trade. In the six-year period from 1954-55 to 1959-60, the losses of the Northern Regional Marketing Board on its groundnut trade were £6 million; its total surpluses during the period were less than £5 million. On the whole, the operations of the various Marketing Boards in the twenty years from 1947 to 1966 resulted in considerable net surpluses.

CONCLUSIONS

The following conclusions were made from an analysis of the facts presented:

1. The establishment of the Nigerian Marketing Boards did not take place until after World War II. Before their establishment in 1947, most of the West African produce, including those of Nigeria, was exported by merchant firms. These firms did not operate to the best interest of the producers.

2. The Marketing Boards now control most of the Nigerian export crops. A high percentage of Nigeria's export revenue passes through the Marketing Boards. As a result, Nigerian export crops producers have competed successfully in the world markets for palm oil, cocoa and
groundnuts despite export taxes imposed by the Marketing Boards. However, cotton and palm oil exports have declined according to 1961-63 figures.

3. For the past fourteen years, the oil-palm industry has been virtually stagnant in Nigeria. It has suffered from a prolonged period of under investment as a result of inadequate producer incentives resulting from low prices offered to producers. The decline, in recent years, in Marketing Board purchases of palm produce has been due both to rising domestic consumption and falling production. However, Nigeria's share of world cocoa trade increased from roughly 14 percent in the mid-1950's to 18 percent in the mid-1960's.

4. On a broad view of the future of Nigeria, the replacement of the former expatriate firms by the indigenous Nigeria individuals and firms has, on one hand, widened the scopes of both internal and external trade, and on the other hand, opened up new areas of administrative problems.

5. Although most of the farmers no longer experience much fluctuations in their seasonal income due to the Marketing Boards' price stabilization policy, yet up-to-date information were lacking about certain annual crops.

6. Between 1965 and 1966, approximately £15.4 million, or 10 percent, of federal revenue came from agricultural products. An additional £4.5 million was collected by Regional governments. Thus in 1965-66, total taxes paid on agricultural products accounted to 3 percent of the Gross Domestic Product from agriculture. In addition to taxes,
income is transferred from agriculture to other industries through the investment of Marketing Boards' surpluses.

7. The Nigerian Marketing Boards, so far, are no more than agencies providing both the organization and, in a useful measure, the finance for economic planning with reference to particular agricultural industries and the relative areas of production.

8. As far as domestic price stabilization is concerned, the chief merit of the price policies pursued by the Boards is the elimination of uncertainties from the mind of the producer who knows very early in the season what price to expect for his crop.

RECOMMENDATIONS

Based upon the findings and conclusions of this study, the following recommendations are made:

1. The Eastern Nigerian Marketing Board should encourage the use of fertilizer by the farmers in order to improve the lot of palm-oil produce which has declined considerably in recent years.

2. The whole fee-setting procedure of the licensed buying agents should be re-evaluated now that indigenous individuals and firms have largely replaced former expatriate firms, and their basis and capacity for doing business is somewhat different.

3. It is recommended that advanced pricing should be undertaken by the Marketing Boards. For annual crops,
prices should be announced before planting time, and at least, for cocoa. The Marketing Boards could do more in the way of publishing their paying prices. Prices should be published not only in terms of value per ton, but also in terms of a locally used unit of measure, or preferably, a volume measure provided by the Board with requirement that the amount of produce it contains be painted on its exterior.

4. The Marketing Board surpluses, as well as other forms of direct taxation on produce, should be reduced so that the optimum rate of agricultural growth will be achieved.

5. A system of establishing a higher degree of accountability for prices paid by individuals and firms should be established to insure that farmer's produce is properly and accurately graded and that farmers are paid the full published price by grade.
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No. 4 of 1955.
APPENDIXES
APPENDIX A

VIEWS OF THE FARMERS ON THE PRESENT SYSTEM OF MARKETING

The purpose of this section is to present the results of the questionnaire study which was conducted for the Consortium for the Study of Nigerian Rural Development by economist Godwin Okurume. The study was conducted on 175 farmers in 16 villages in Western Nigeria in 1968 with the primary goal "to show how the system is felt to work by those actually experiencing its operation."\(^1\)

The farmers he interviewed were located in three different farming belts: (1) a predominantly cocoa-producing area of Ife, Ondo, and Gbongan; (2) an intermediate area where tree and food crops are produced but cocoa is in the background--Abeokuta, and (3) a savanna area of Oyo, which is ecologically unsuited for cocoa and other food crops. The questions asked were:

1. Do you like the present system of marketing?

2. Do you prefer the present system to the marketing conditions before the war?

3. Do you think the system should be continued indefinitely or just for a time?

4. Do you think that laborers try to raise their rates of wages with any increase in the price of cocoa?

5. Do you think that the price of cocoa should be kept at its present level, increased or reduced?

6. Have you taken more care of your cocoa farms, harvested and sold more cocoa and established new cocoa farms because of the high price of cocoa that prevailed in 1951 and 1952, and including others?²

The first question was, "Do you like the present system of marketing?" In every locality except one, all the farmers questioned replied that they did, some simply, some with reservations, and some with enthusiasm. The only locality where an adverse opinion was expressed as Gbongan where the rewards indicate that the prices paid to farmers for their cocoa were much below the gazetted prices. The critic objected to the prices being dictated and alleged that they were not enough to cover the cost of production, while the prices the goods he bought were not controlled. The reservations expressed in Ajia were similarly that the system did not cause the price of cocoa to rise in line with the cost of living.

The criticism also was made that cheating of the farmers by cocoa buyers had not been eliminated. But in Ilaro and Atann, farmers said that the system was really very

good and the best ever experienced, and that it prevented produce buyers from deceiving farmers about the imaginary ups and downs of prices during the season. In Olosun, the farmers strongly approved the stabilization of prices over the whole season and contrasted the position before 1939 when the farmer was not sure what his produce would fetch in any year or month. The fluctuation of prices in their experience had placed the farmers at a great disadvantage and the scale buyers at an advantage. Of more than a hundred farmers questioned at Owena, every one preferred the present system to its predecessors.

This was the general answer to the second question "Do you prefer the present system to the marketing conditions before the war?" "Are you better off or worse off as a result of prices being fixed for the whole season?" The critic in Gbongan saw no improvement but his remarks showed that he was really concerned with the relation of the prices of the goods he bought to the price of cocoa and not with stability of cocoa prices in the season. Reservations expressed in Ilogbo similarly missed the point. In every other locality the farmers said they were better off and in two localities expressly connected the improvement with the fixing of prices for the season. Except for the critic in Gbongan no farmers wished to revert to the pre-war system.

The third question, "Do you think the system should be continued indefinitely or just for a time?" The critic in Gbongan thought that the system should be ended forthwith.
But other farmers were unanimous in their opinion that the system should be continued and the great majority said it should be continued indefinitely. Some wanted it to be improved or refined, but did not suggest how. Certain farmers in Mamu wanted it to continue only until farmers could organize their own companies to deal directly with overseas markets.

The fourth question, "Do you think that laborers try to raise their rates of wages with any increase in the price of cocoa?" The majority of farmers said that they did. But in Olosun, Ifetedo, Owena, and Mamu the general opinion was that the pressure for higher wages was due to increases in the cost of living and of imported goods or in relation to increases given to government servants or other laborers.

The farmers were asked "Do you think the price of cocoa should be kept at its present level, increased or reduced?" In most localities, the farmers were in favor of an increase, but in Ibesse, Olode, Okebode, farmers were in favor of keeping prices at the level prevailing in 1951-52, and in Ilaro and Owena the majority of the farmers were reported to want lower prices for cocoa with the object of getting wages and other prices also reduced.

Finally, the farmers were asked whether they had taken more care of their cocoa farms, harvested and sold more cocoa, and established new cocoa farms because of the high price of cocoa prevailing in 1951-52, and whether other farmers in their areas had done so. All the farmers questioned said
they had been induced to take more care of their cocoa firms; most said they had harvested and sold more or tried to do so, frustrated their efforts; majority said that they had either begun to plant new plots or wanted to do so, but lack of suitable land and of funds to pay the necessary labor were obstacles. They reported that their neighbors were influenced in the same way.\(^3\)

The cocoa farmers do not, however, appear to feel that they have lost through the introduction of the new system, as can be seen from the answers elicited from individuals and groups of farmers to questions which were made as neutral as possible so as not to suggest any particular view.

These opinions show how the system is felt to work by those actually experiencing its operation. The farmers' liking for it seems to be mainly due to elimination of hazard and speculation in the selling of the crops. As can be seen, the present marketing system has, at least, given the farmers one major psychological benefit in the reduction of risk, uncertainty and worry.

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\(^3\)Ibid.
### APPENDIX B

**Cocoa Trading Accounts 1947-48 and 1954-62**

<table>
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<th>Year</th>
<th>Export duties</th>
<th>Marketing &amp; trading surplus</th>
<th>Produce purchase tax</th>
<th>Total withdraw.</th>
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Subtotal, 1947/48 to 1953/54:

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Subtotal, 1954/55 to 1961/62:

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Source:

## APPENDIX C

### Groundnut Trading Accounts 1947-48 and 1954-61

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<th>Total potential income</th>
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**Source:**

## APPENDIX D

### Palm Oil Trading Account 1947-1961

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<th>Total withdrawals</th>
<th>Producer income</th>
<th>Potential producer income as % of total potential</th>
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**Source:**
## APPENDIX E

### Cotton Trading Account 1949 to 1961

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<th>Total withdraw</th>
<th>Producer income</th>
<th>Potential as % of producer income</th>
<th>Total</th>
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<td>% of potential producer income</td>
<td>Total withdraw</td>
<td>Producer income</td>
<td>Potential as % of producer income</td>
<td>Total</td>
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**Source:**

### APPENDIX F

#### Palm Kernels Trading Accounts 1947-1961

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<th>Total withdrawals</th>
<th>Potential producer income</th>
<th>Potential producer income %</th>
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<td></td>
<td>£000's</td>
<td>£000's</td>
<td>£000's</td>
<td>£000's</td>
<td>£000's</td>
<td></td>
</tr>
<tr>
<td>% of potential producer income</td>
<td>% of potential producer income</td>
<td>% of potential producer income</td>
<td>Total withdrawals</td>
<td>Producer income</td>
<td>Potential producer income</td>
<td></td>
</tr>
<tr>
<td>1947</td>
<td>347.6</td>
<td>4.4</td>
<td>2,433.2</td>
<td>30.7</td>
<td>2,780.8</td>
<td>5,150.8</td>
</tr>
<tr>
<td>1948</td>
<td>784.8</td>
<td>7.9</td>
<td>2,440.6</td>
<td>25.5</td>
<td>3,335.4</td>
<td>6,638.1</td>
</tr>
<tr>
<td>1949</td>
<td>827.2</td>
<td>5.5</td>
<td>4,512.0</td>
<td>29.8</td>
<td>5,339.2</td>
<td>9,776.0</td>
</tr>
<tr>
<td>1950</td>
<td>1,080.4</td>
<td>7.9</td>
<td>2,553.7</td>
<td>18.7</td>
<td>3,634.1</td>
<td>10,000.3</td>
</tr>
<tr>
<td>1951</td>
<td>1,805.1</td>
<td>10.3</td>
<td>4,818.2</td>
<td>27.5</td>
<td>6,623.3</td>
<td>10,901.1</td>
</tr>
<tr>
<td>1952</td>
<td>2,361.0</td>
<td>11.0</td>
<td>4,044.5</td>
<td>18.9</td>
<td>6,405.5</td>
<td>14,963.5</td>
</tr>
<tr>
<td>1953</td>
<td>2,280.1</td>
<td>11.4</td>
<td>2,538.4</td>
<td>12.7</td>
<td>4,818.4</td>
<td>15,096.5</td>
</tr>
<tr>
<td>1954</td>
<td>2,385.7</td>
<td>11.4</td>
<td>1,645.1</td>
<td>7.8</td>
<td>4,030.8</td>
<td>16,944.3</td>
</tr>
</tbody>
</table>

Subtotal, 1947-54: 11,871.9 9.4 25,095.7 19.9 -- 36,967.6 89,470.6 126,437.5 29.2

| 1955      | 1,874.7       | 12.9                           | 523.1                | 3.5              | 593.0                     | 4.1                        | 2,990.8                    | 11,573.4                   | 14,564.2                   | 20.5                      |
| 1956      | 2,123.3       | 13.1                           | 260.6                | 1.6              | 657.5                     | 4.1                        | 3,041.4                    | 13,131.5                   | 16,172.9                   | 18.8                      |
| 1957      | 1,734.8       | 11.9                           | -257.9               | -1.7             | 596.3                     | 4.1                        | 2,073.2                    | 12,393.1                   | 14,466.3                   | 14.3                      |
| 1958      | 2,286.5       | 14.2                           | 635.0                | 3.9              | 647.9                     | 4.0                        | 3,569.4                    | 12,508.9                   | 16,078.3                   | 22.2                      |
| 1959      | 2,864.8       | 13.4                           | 5,780.4              | 27.1             | 620.0                     | 2.9                        | 9,265.2                    | 12,050.7                   | 21,315.9                   | 43.6                      |
| 1960      | 2,292.7       | 12.0                           | 4,379.2              | 23.0             | 611.5                     | 3.2                        | 7,283.4                    | 11,774.7                   | 19,058.1                   | 38.2                      |
| 1961      | 1,548.3       | 13.1                           | 562.1                | 3.8              | 601.2                     | 4.0                        | 3,111.6                    | 11,790.8                   | 14,902.4                   | 20.9                      |

Subtotal, 1955-61: 15,125.1 13.1 11,882.5 10.3 4,327.4 3.7 31,335.0 85,223.1116,588.1 27.1

Total: 26,997.0 11.1 36,978.2 15.2 4,327.4 1.8 68,302.6174,693.7 242,996.3 28.1

## APPENDIX G

**Value of Nigerian Exports of Principal Agricultural Products, 1950-67**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£Mil.</td>
<td>%</td>
<td>£Mil.</td>
<td>%</td>
<td>£Mil.</td>
<td>%</td>
</tr>
<tr>
<td>Cocoa</td>
<td>19.0</td>
<td>21.0</td>
<td>36.8</td>
<td>21.7</td>
<td>33.3</td>
<td>19.8</td>
</tr>
<tr>
<td>Oil palm products</td>
<td>28.8</td>
<td>31.9</td>
<td>40.0</td>
<td>23.6</td>
<td>25.8</td>
<td>15.3</td>
</tr>
<tr>
<td>Groundnut products</td>
<td>15.5</td>
<td>17.2</td>
<td>28.9</td>
<td>17.5</td>
<td>41.0</td>
<td>24.3</td>
</tr>
<tr>
<td>Rubber</td>
<td>2.8</td>
<td>3.1</td>
<td>14.2</td>
<td>8.3</td>
<td>11.4</td>
<td>6.7</td>
</tr>
<tr>
<td>Cotton</td>
<td>3.0</td>
<td>3.2</td>
<td>6.2</td>
<td>3.6</td>
<td>5.9</td>
<td>3.5</td>
</tr>
<tr>
<td>Other agricultural exports</td>
<td>8.8</td>
<td>9.8</td>
<td>10.2</td>
<td>6.0</td>
<td>7.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Subtotal agriculture</td>
<td>77.9</td>
<td>86.3</td>
<td>136.3</td>
<td>80.3</td>
<td>124.6</td>
<td>73.9</td>
</tr>
<tr>
<td>Petroleum</td>
<td>--</td>
<td>--</td>
<td>4.4</td>
<td>2.6</td>
<td>16.7</td>
<td>9.9</td>
</tr>
<tr>
<td>Other non-agric. exp.</td>
<td>12.3</td>
<td>13.7</td>
<td>29.0</td>
<td>17.1</td>
<td>27.2</td>
<td>16.1</td>
</tr>
<tr>
<td>Total</td>
<td>90.2</td>
<td>100.0</td>
<td>169.7</td>
<td>100.0</td>
<td>168.5</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Source:**
## APPENDIX H

Disposal of Nigerian Regional Marketing Board Funds: Cumulative Grants, Investments and Loans Outstanding, 1955-61 (5000's)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative Grants to Regional Government</td>
<td>7,500.0</td>
<td>--</td>
<td>25,589.1</td>
<td>33,089.1</td>
</tr>
<tr>
<td>Cumulative Grants to Regional Development and Finance Corporations</td>
<td>2,800.0</td>
<td>1,883.2</td>
<td>--</td>
<td>4,683.2</td>
</tr>
<tr>
<td>Other Cumulative Grants and Expenditures</td>
<td>212.1</td>
<td>3,226.7</td>
<td>5,717.4</td>
<td>9,156.2</td>
</tr>
<tr>
<td>Loans Outstanding to Federal Government</td>
<td>1,816.9</td>
<td>3,323.6</td>
<td>--</td>
<td>5,140.5</td>
</tr>
<tr>
<td>Loans Outstanding to Regional Government</td>
<td>--</td>
<td>6,811.2</td>
<td>10,000.0</td>
<td>16,811.2</td>
</tr>
<tr>
<td>Loans Outstanding to Regional Development and Finance Corporation</td>
<td>500.0</td>
<td>--</td>
<td>4,200.0</td>
<td>4,700.0</td>
</tr>
<tr>
<td>Equity Investment in Nigerian Private Companies</td>
<td>3,545.0</td>
<td>276.0</td>
<td>3,080.0</td>
<td>6,901.0</td>
</tr>
<tr>
<td>Loans Outstanding to Nigerian Private Companies</td>
<td>--</td>
<td>800.0</td>
<td>6,288.2</td>
<td>7,088.2</td>
</tr>
<tr>
<td>U-K Securities</td>
<td>3,202.2</td>
<td>6,578.0</td>
<td>1,721.6</td>
<td>11,501.8</td>
</tr>
<tr>
<td>Federation of Nigeria Securities</td>
<td>--</td>
<td>3,025.1</td>
<td>--</td>
<td>3,025.1</td>
</tr>
</tbody>
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Source:

Annual Reports of the Marketing Boards.
## APPENDIX I

Oil Palm Produce Purchases in Nigeria 1949 to 1964

<table>
<thead>
<tr>
<th>Marketing year</th>
<th>Plantation palm oil grade</th>
<th>Technical Palm Oil I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>Total technical palm oil</th>
<th>Total Palm kernels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>n.a.</td>
<td>107,266</td>
<td>23,424</td>
<td>20,468</td>
<td>9,693</td>
<td>694</td>
<td>161,545</td>
<td>168,799</td>
</tr>
<tr>
<td>1950</td>
<td>344</td>
<td>99,241</td>
<td>28,244</td>
<td>22,849</td>
<td>9,203</td>
<td>793</td>
<td>158,330</td>
<td>167,124</td>
</tr>
<tr>
<td>1951</td>
<td>8,503</td>
<td>95,766</td>
<td>15,447</td>
<td>10,169</td>
<td>5,354</td>
<td>--</td>
<td>126,736</td>
<td>145,476</td>
</tr>
<tr>
<td>1952</td>
<td>52,891</td>
<td>100,590</td>
<td>13,175</td>
<td>9,178</td>
<td>2,701</td>
<td>--</td>
<td>125,644</td>
<td>190,316</td>
</tr>
<tr>
<td>1953</td>
<td>106,804</td>
<td>80,389</td>
<td>15,244</td>
<td>9,238</td>
<td>--</td>
<td>--</td>
<td>104,871</td>
<td>224,214</td>
</tr>
<tr>
<td>1954</td>
<td>124,489</td>
<td>61,226</td>
<td>9,077</td>
<td>10,057</td>
<td>--</td>
<td>--</td>
<td>80,361</td>
<td>216,449</td>
</tr>
</tbody>
</table>

Purchase by the Regional Marketing Boards 1961 to 1963

<table>
<thead>
<tr>
<th>Year</th>
<th>West</th>
<th>East</th>
<th>North</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>4,135</td>
<td>28,144</td>
<td>9370</td>
<td>35,259</td>
</tr>
<tr>
<td>1962</td>
<td>7,661</td>
<td>120,884</td>
<td>370</td>
<td>128,545</td>
</tr>
<tr>
<td>1963</td>
<td>9,619</td>
<td>139,412</td>
<td>18,317</td>
<td>149,031</td>
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</table>

The Special Grade Palm Oil Marketing Scheme was introduced in March of 1950. Grade V Palm Oil was eliminated after the close of the 1950 Marketing Year. Grade IV Palm Oil was eliminated after the close of the 1952 Marketing Year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Northern Region</th>
<th>Total</th>
<th>Grand total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kano area</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Special grade</td>
<td>Standard grade</td>
<td>Total</td>
</tr>
<tr>
<td>1949-50</td>
<td>n.a.</td>
<td>178,141</td>
<td>178,141</td>
</tr>
<tr>
<td>1950-51</td>
<td>n.a.</td>
<td>131,051</td>
<td>131,051</td>
</tr>
<tr>
<td>1951-52</td>
<td>n.a.</td>
<td>400,594</td>
<td>400,594</td>
</tr>
<tr>
<td>1952-53</td>
<td>n.a.</td>
<td>401,161</td>
<td>401,161</td>
</tr>
<tr>
<td>1953-54</td>
<td>n.a.</td>
<td>402,488</td>
<td>402,488</td>
</tr>
<tr>
<td>1956-57</td>
<td>140,894</td>
<td>497,733</td>
<td>508,666</td>
</tr>
<tr>
<td>1957-58</td>
<td>677,600</td>
<td>207,006</td>
<td>347,900</td>
</tr>
<tr>
<td>1958-59</td>
<td>522,863</td>
<td>13,896</td>
<td>691,497</td>
</tr>
<tr>
<td>1959-60</td>
<td>432,496</td>
<td>350</td>
<td>523,246</td>
</tr>
<tr>
<td>1960-61</td>
<td>592,841</td>
<td>--</td>
<td>432,496</td>
</tr>
<tr>
<td>1961-62</td>
<td>676,160</td>
<td>--</td>
<td>592,841</td>
</tr>
<tr>
<td>1962-63</td>
<td>871,524</td>
<td>--</td>
<td>676,160</td>
</tr>
<tr>
<td>1963-64</td>
<td>786,727</td>
<td>--</td>
<td>786,727</td>
</tr>
</tbody>
</table>

Source:
APPENDIX K

Cocoa Purchases in Nigeria 1954-55, 1962-63

<table>
<thead>
<tr>
<th>Season and region</th>
<th>Main crop</th>
<th>Light crop</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sub</td>
<td>Infer-</td>
</tr>
<tr>
<td></td>
<td>grade</td>
<td>ior</td>
</tr>
<tr>
<td>1954-55</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>64,043</td>
<td>1,658</td>
</tr>
<tr>
<td>East</td>
<td>841</td>
<td>134</td>
</tr>
<tr>
<td>North</td>
<td>284</td>
<td>45</td>
</tr>
<tr>
<td>S. Cams.</td>
<td>4,012</td>
<td>99</td>
</tr>
<tr>
<td>Total</td>
<td>69,180</td>
<td>1,936</td>
</tr>
<tr>
<td>1962-63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>East</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>North</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Total</td>
<td>160,482</td>
<td>15,417</td>
</tr>
</tbody>
</table>

*Purchases by Marketing Boards rather than licensed buying agents as reported in Digest of Statistics.

Statistics for 1963-64 were not available; but rough estimate puts the total purchase at 216,000.

Source:
Marketing Board Statistics, Digest of Statistics (Lagos, Mimeo.)
Figure III.1. - Growth of Agricultural Exports, Nigeria, 1953-1966

Long tons (000)

Sources: Helleiner, Peasant Agriculture, Government and Economic Growth, Table IV-A-9, FOS Economic Indicators, May 1968, Kemenit CSIRI, unpublished data.
ECOLOGICAL AREAS
1. Dry Savannah
2. Intermediate Savannah
3. Western Moist Forest
4. Central Moist Forest
5. Eastern Moist Forest
6. Forest Savannah Mosaic

FORMER REGIONS

NIGERIA

ECOLOGICAL AREAS —
1. Dry Savannah
2. Intermediate Savannah
3. Western Moist Forest
4. Central Moist Forest
5. Eastern Moist Forest
6. Forest Savannah Mosaic

FORMER REGIONS —