CROP MARKETING BOARDS AND TRANSPORT POLICY IN NIGERIA 1950-64

By Alan Hay*

A government may sometimes use its role as a customer to implement policy on industrial development and regional planning. A similar possibility arises when a government, or a statutory corporation, is a major customer of the transport industry. This situation obtains in Nigeria with the statutory control of export crops; but in four cases studied this role of customer failed to assist the implementation of a sound transport policy. Some reasons for this failure can be identified.

GOVERNMENT CONTROL OF EXPORT CROPS

Development

The Nigerian governments, federal and regional, control the export of crops through marketing boards ([1], parts IV and V). This system originated during the Second World War, It was continued in the post-war period, partly if not entirely in order to protect the producers from exploitation by the produce-marketing companies. Crop Boards were established to control the marketing of all the major crops, and were given monopoly powers. Under the Federal constitution of 1954 these Crop Boards were replaced by Regional Marketing Boards, to control the export crops of each Region. It is with these Boards that we are concerned in this paper.

Organisation

The principal elements of the marketing system between 1954 and 1964 were the Nigerian Produce Marketing Company (NPMC), the Regional Marketing Boards, and the Regional ministries responsible for agriculture. The Boards were statutory corporations, whose role was to ensure "fair" producer prices in the short term, and in the medium term to protect the producer from fluctuations in commodity prices by the accumulation of cash reserves. Together the Boards owned the NPMC, whose role was the shipment and sale of produce in foreign markets. The agriculture ministries exercised control through the produce inspection service.

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The marketing boards appointed licensed buying agents to buy the crops and convey them to port. Licences were originally granted to only a few large companies, but since 1960 many more have been granted. The agent is expected to finance purchases, supply sacks and arrange transport. He is liable for produce sales tax. He is paid a commission (at a standard rate per ton) and an allowance to cover transport costs. This allowance is based on cost on an approved route by a specified mode of transport. A basic price (f.o.b. export port) is adjusted to allow for commission, produce sales tax and transport differential to arrive at a minimum gazetted price for each licensed buying station. In the face of competing buyers the agent may raise his offer price above the gazetted minimum: he can cover this by a reduction in his own commission or in transport costs. Bauer has shown that this was common in the early 1950's, especially at buying stations where the road transport differential was generous ([1], chapter 18). It still occurred in both cocoa and groundnut purchasing in 1965.

The agent is not paid in full for his purchases until delivery at the export port, but the Northern Region Marketing Board (NRMB) pays a proportion as soon as purchases are declared. Technically these purchases may be inspected; but many agents declare tonnages in excess of purchases early in the season, and use the proceeds to finance further activities.

The status of the marketing boards *vis-a-vis* the Regional governments has been discussed by Helleiner[2]. It is evident from their terms of reference (referred to by Ogunsheye[3]) and their changing financial role that they are to some degree susceptible to policy control by the governments. The Nigerian Ports Authority (NPA) and the Nigerian Railway Corporation (NRC) have similar status as statutory corporations, and are similarly subject to pressure from the Federal Government.

Traffic

The Marketing Boards control the purchase and movement of groundnuts, cocoa, cotton, palm kernels and export palm oil. The importance of these traffics to the NRC and NPA is evident from the figures in Tables I and II. These crops are also an important aspect of the demand for road transport. For example, in the 1963–64 crop season the road transport of cocoa in the south-west of the country accounted for about 10.9 million ton miles[4].

TABLE I
The Share of Export Crops in Nigerian Rail Traffic
(Nigerian Railway Corporation, 1963)

Traffic	000 *Tons*	*Percentage*
Cotton	52.0	2
Cocoa	0.4	—
Groundnuts and products	592.6	27
Palm produce	28.1	1
Total Board produce	673.1	30
All other revenue-paying traffic	1536.3	69
Total	2209.4	100

TABLE II

Share of Export Crops (percentage of total tonnage of exports) in Port Export Traffic, 1964

	Sapele	*Warri*	*Burutu*	*Calabar*	*Port Harcourt*	*Lagos*	*Total*
Groundnuts and products	—	20	50	—	27	37	26
Palm products	4	42	4	57	42	12	21
Cocoa	9	—	1	2	—	12	8
Rubber	15	1	—	4	—	—	3
Cotton	—	1	14	—	8	5	4
Other Board produce	—	—	—	—	—	—	2
Total Board produce	28	64	69	63	77	66	64

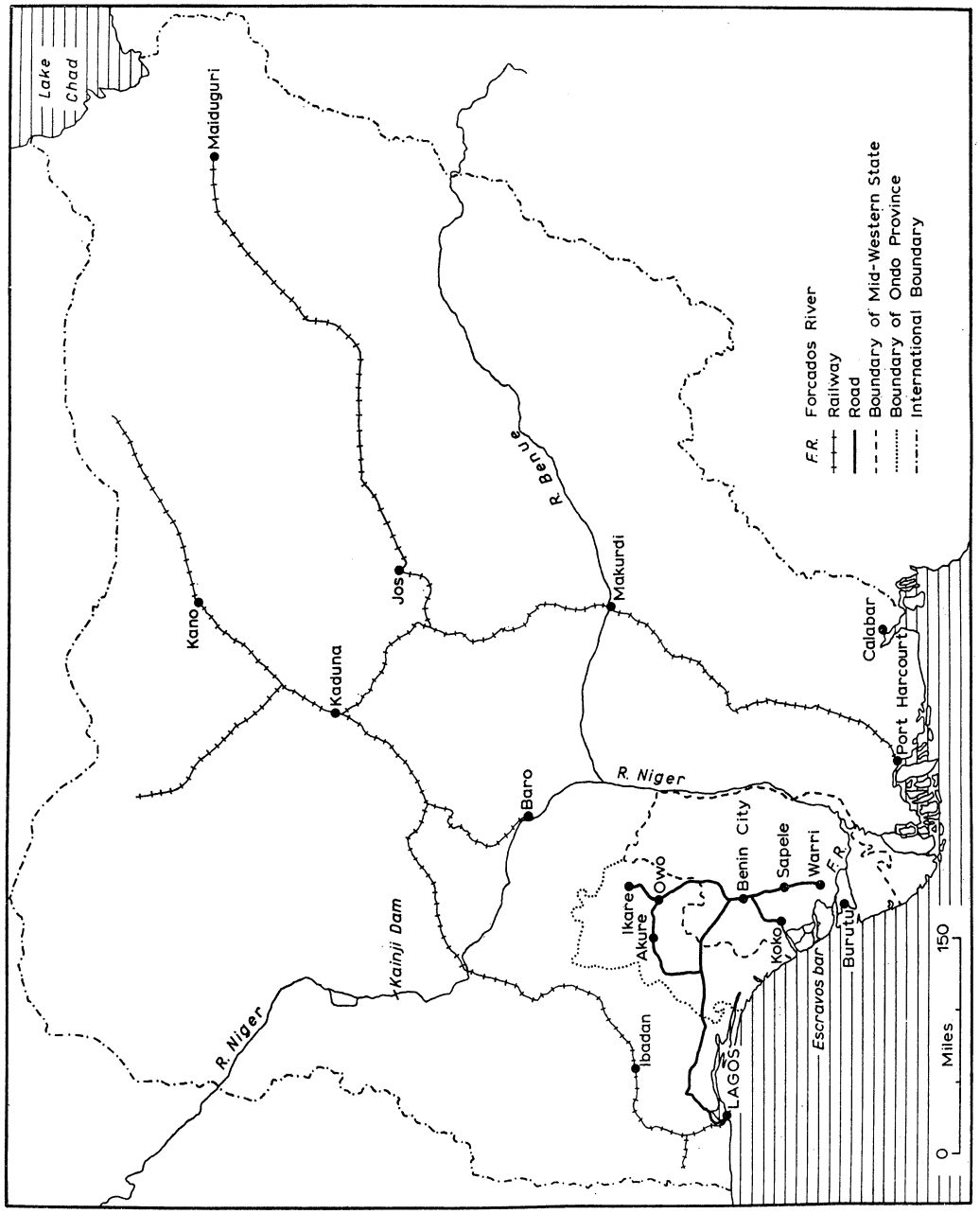
ALLOCATION OF TRAFFIC TO SPECIFIC ROUTES

The Ikorodu Road

The possibility of determining the routing of traffic can be illustrated from the experience of the Western Region Marketing Board (WRMB). The road between Ikorodu and Lagos crosses an area of low-lying land which is traversed by many streams, the distributaries of the Ogun River system (see Map 1). This terrain makes road construction difficult, and many embankments and bridges are necessary. In the wet season of 1963, after exceptionally heavy rainfall, the road was cut by floods at several points, and weakened at others; immediate repairs did not make it capable of bearing heavy traffic, which was therefore diverted via Owode and Abeokuta. The WRMB accordingly adjusted its transport differentials and decreed different evacuation routes for cocoa. This adjustment would have depressed the price received by farmers in Ijebu and surrounding districts; the Board therefore paid a special subsidy to farmers in that area. The Board, however, was not able to exercise effective control on the movement of the crop; nor did the police exercise effective control of heavy vehicles on the Ikorodu road. The final results was that many agents continued to move cocoa via the Ikorodu road, taking advantage of police failings or using smaller vehicles. Thus the nominal power of the WRMB to allocate traffic was both costly and ineffective.

The Niger-Benue River System

A more important example concerns the use of the Niger-Benue river system. Many studies have pointed to the advantage of exploiting the low marginal costs of river transport, especially when the railway is working at full capacity. The importtance of the rivers is twofold. They can provide an immediate route for produce from the riverain provinces of the Middle Belt, and they can be used south of Makurdi, and from Baro, as an alternative route for crop traffic from further north (see Map 2). The river route is often compared with the direct rail route in terms of marginal costs per ton mile. The figures given in Table III are derived from Hansen[5]. But the comparison is misleading in two respects. First, the river routes follow


Lake Chad
Maiduguri
Kano
Kaduna
Jos
R. Benue
Makurdi
Calabar
Port Harcourt
R. Niger
Baro
Kainji Dam
R. Niger
Ibadan
LAGOS
Ikare
Akure
Owo
Benin City
Sapele
Warri
F.R.
Koko
Escravos bar
Burutu
F.R. Forcados River
Railway
Road
Boundary of Mid-Western State
Boundary of Ondo Province
International Boundary
0
Miles
150

Map 1

TABLE III

Comparison of Marginal Costs per ton mile

	Pence
Waterways	2.08
Railways	1.40
(exceptionally ... ... until capacity is reached when costs rise to ... c.	0.40 3.00)
Road ... ... c.	4.00

an indirect course and therefore involve additional mileage. Secondly, the Marketing Board and its agents are more likely to be swayed by the total customer costs for transport. A more meaningful comparison is given by the figures for 1965 in Table IV, based on quoted rail rates. If these are replaced by the estimated rail marginal costs of 1.4 pence per ton mile, the comparison favours the rail route by thirteen shillings per ton. The difference between average costs and marginal costs in Nigerian river transport is negligible.

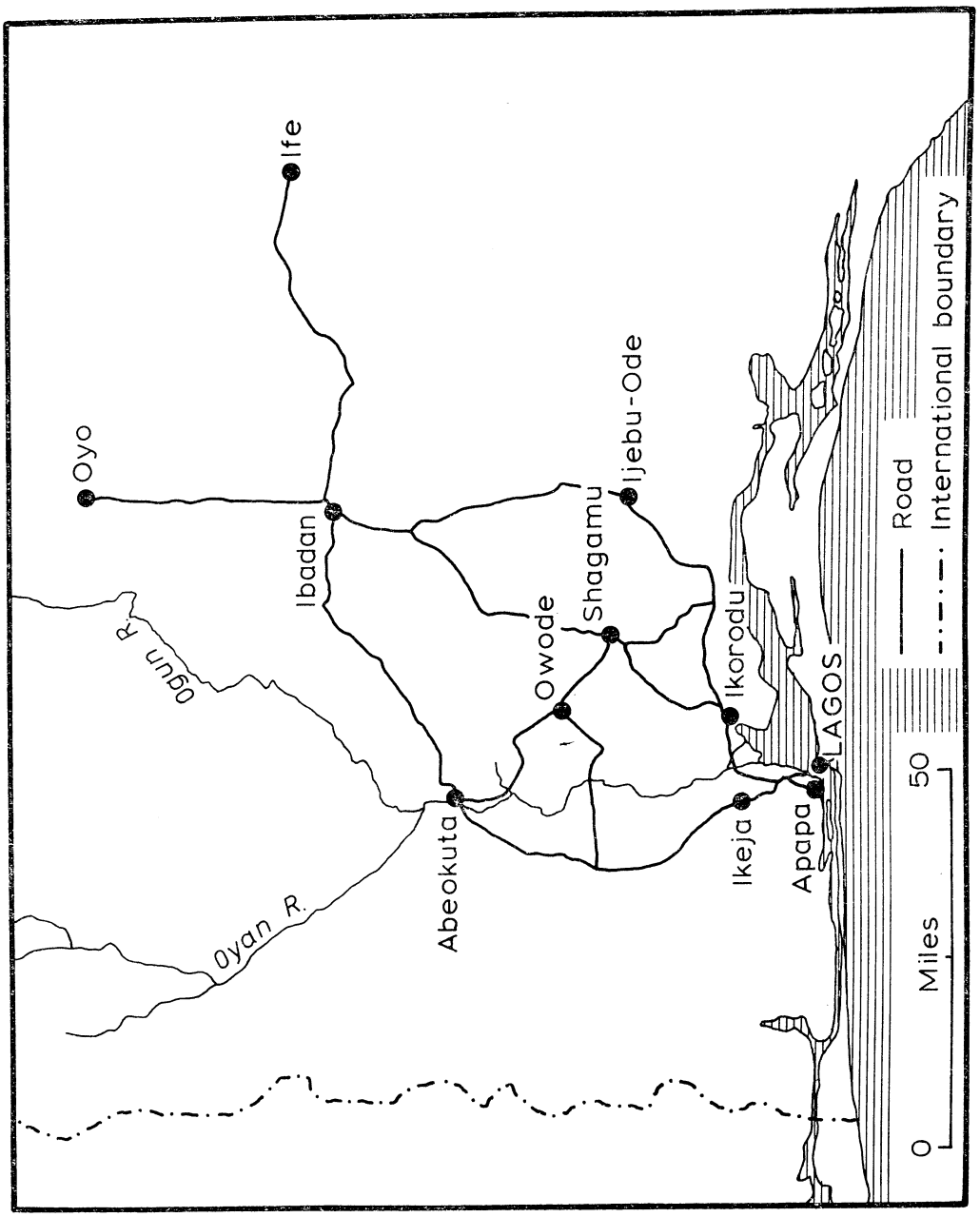
TABLE IV

Comparison of Customer Costs for Groundnut Transport
(*£ s. d. per ton*)

	£	s.	d.
Kano to Lagos-Apapa (by rail)			
Rail 700 miles at 2.66 d/ton mile	7	15	0
Port charges	1	1	8
(f.o.b. Apapa)	8	16	8
Kano to Burutu (by rail and river)			
Rail to Baro 448 miles at 2.92 d/ton mile ...	5	9	0
River	3	10	6
Port charges		3	4
(f.o.b. Burutu)	9	2	10

Sources: Nigerian Railway Corporation *Tariff No.* 6 (1962); Nigerian Ports Authority *Book of charges*; Niger River Transport personal communication.

The Northern Region Marketing Board decided that the river route should be used for part of the groundnut traffic. It had the advantages of providing the Nigerian Produce Marketing Company with additional traffic at the Delta ports and of reducing congestion at the port railway termini. At this stage, however, the "real" economic costs of the river route became evident. Movement of traffic on the river is slow and irregular. Beckmann [6] has identified the effects of slow journey times on the inventory costs of consignors. The irregular pattern of arrivals aggravates the difficulty of predicting the shipping capacity needed. The non-availability of promised cargo is a frequent complaint among the shipping lines serving the Delta ports. Although


Ife
Oyo
Ibadan
Ijebu-Ode
Shagamu
Owode
Ikorodu
LAGOS
Ogun R.
Oyan R.
Abeokuta
Ikeja
Apapa
Road
International boundary
0
Miles
50

Map 2

the Board made an adjustment to the transport differentials for the river route, it made no allowance for the inventory costs. The buying agent is not paid in full until his purchases are delivered at the export port: thus the NRMB defers for a long and uncertain period the full payment for an agent's purchases. Such a prospect is commercially unattractive at any time; to the Nigerian agent with his small capital resources (and reliance on rapid turnover) it is especially unattractive. As a result some agents have declined to operate in the affected areas, while others have falsified their buying returns and delivered purchases to Lagos by road or rail.

PORT PLANNING

The Delta Ports

The failure to divert traffic to the river route has affected the development plans for the Delta ports, especially at Burutu and Warri (Map 2). The Delta ports have a long history dating from the period when the rivers were the only means of access to large parts of the country[7], and private companies have invested large sums in them over many years. This private investment has been increased in recent years, particularly at Warri, where the John Holt group has developed facilities to handle oil-exploration traffic. Public investment too has been large, especially in the Escravos Bar project, designed to maintain a deep-water channel from the Delta to the open sea. In spite of expenditure in excess of £10 million, this objective has not been completely achieved. Further investment was made in the new port at Koko, built in 1963 as a potential rival to the private ports. It is difficult to identify the exact costs of this development, which was financed by the Federal Government and then handed over to the Nigerian Ports Authority at a valuation of £850,000[8]. The total cost probably exceeded £1 million. For these, if no other, reasons, a high traffic volume through the Delta may be desired, and the export trades offer such a traffic.

Once again the policy of payment on delivery at port has discouraged the licensed buying agents. In an attempt to secure better terms they have wished to impose penalty clauses on companies operating on the river. These companies have been unhappy in accepting such clauses so long as the river regime is fickle and its hazards unpredictable[9]. One of the justifications for the Kainji dam (Map 2) included the regulation of the river regime, but whether the desired results will be achieved is as yet uncertain[10]. It will not of course assist navigation on the Benue.

Another development which might appear to favour these Delta ports is the recent expansion of cocoa farming in the area around Akure, Owo, and Ikare. For this area the direct route to the sea is via Warri or Sapele: this was accepted until the establishment of a new Mid-West state in 1963, with its boundary between these cocoa areas and the ports. New evacuation routes were then approved to Lagos-Apapa, and the differentials were calculated accordingly. This pattern was given a degree of permanence by the construction in 1967 of a cocoa warehouse at Ikeja, large enough to handle all the Western Region cocoa crop (see Map 1). Cocoa has therefore been concentrated upon Lagos, already a crowded port, to the detriment of public and private investment in the Delta. The additional transport costs incurred by this longer route to the sea are covered by subsidies ranging from 4*s*. 6*d*. to £2 3*s*. per ton, in order to maintain the price to producers.

TABLE V

Provincial Shares of the Cocoa Crop, 1951–63

(% *of the total annual crop*)

	1951	*1954*	*1957*	*1960*	*1963*
Provinces with decreasing shares					
Ibadan	37	29	29	20	13
Abeokuta	12	20	18	7	5
Ijebu	9	11	7	9	5
Provinces with increasing shares					
Oyo	20	15	20	27	34
Ondo	20	21	22	23	32

Planning in the Port Area

The Ikeja warehouse illustrated a final clash between port policy and marketing board activities. The presence of a large warehouse in the port area obviously assists the smooth flow of traffic across the wharves; cargo is available in correct quantities at the correct time. The decision to build the warehouse was therefore admirable; but for political reasons it was established on Western Region territory, five miles from the quays. The routes between the warehouse and the quays are intolerably congested, and traffic is subject to delays.

A similar pattern occurred in Lagos with the establishment of a plant to process palm kernels (by Vegetable Oils Nigeria). This plant is designed to handle, initially, 100,000 tons p.a. The possibility of pipe feed direct from storage tanks to the ships' holds, and of bulk handling of the cake residue, was lost by a location six miles from the quayside. The ships are supplied by lorries moving along congested roads.

CONCLUSIONS

Thus, although the Marketing Boards hold a powerful tool for transport policy, it has not been used effectively. The reasons for this failure lie in three areas of policy making: the statutory rules of the public corporations concerned, the internal structure of their operations, and the lack of an overall body for the implementation of transport policy.

The Statutory Obligations of the Public Corporations

The Marketing Boards, the Nigerian Railway and the Nigerian Ports Authority are all statutory corporations. Their terms of reference oblige them to pursue commercially viable policies, with little reference to the overall economic costs to the country. This situation has been modified by government intervention from time to time, but interventions have not been directed toward an overall policy. On the contrary, the increasing identification of the Marketing Boards with the regional governments, and of the transport undertaking with the Federal government, has reduced co-operation.

Working Policies of the Boards

The working policies of the Marketing Boards have been marked by a failure to achieve co-operation in transport policy. For example, the smooth flow of groundnut exports needs the co-operation of NRMB, NRC, and NPA, but their relationship has been marked by repeated misunderstanding and occasional recrimination. Repeated reference has been made to the system by which the Boards pay their buying agents and its adverse effect on transport policy. It has also allowed a rapid expansion in the number of agents (Table VI), with a decrease in mean and modal sizes. These smaller operators, being short of capital and therefore anxious to achieve rapid turnover, are less able to comply with strict schedules for delivery to docks and railheads.

TABLE VI
Licensed Buying Agencies 1954–64

Year	*Cocoa*		*Groundnuts*	
	Licences	*Average purchase (tons)*	*Licences*	*Average purchase (tons)*
1954–55	37	2260	25	14900
1955–56	39	2740	25	21200
1956–57	44	2920	28	13800
1957–58	50	1470	27	26500
1958–59	46	2860	29	18300
1959–60	48	3050	29	15300
1960–61	72	2530	29	21700
1961–62	91	2040	42	16300
1062–63	115	1480	65	13400
1963–64	147	1430	118	6800

Sources: Western Region Marketing Board, Ibadan; Northern Region Marketing Board, Kano.
Average purchases are rounded to the nearest ten tons for cocoa and to the nearest hundred tons for groundnuts.

The Need for a Co-ordinating Transport Authority

The creation of a co-ordinating transport authority has been advised repeatedly – by Walker, by the Stanford Research team, and by the World Bank[11]. No such authority has yet been established in an effective form. Without it the government will inevitably fail to use the tools which lie to its hand in the implementation of transport policy.

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