1. This note by the secretariat is a summary of the points in the recently released FAO report on Nigeria which bear directly on the issues suggested in the agenda for the second meeting of the Group of Experts on Nigeria.

2. The FAO report corroborates in considerable detail the conclusions of the GATT study that, in the foreseeable future, foreign assistance in the form of direct financial aid and technical expertise will remain a major prerequisite for an efficient developmental effort in Nigeria and that such aid should, for maximum effect, be directed specifically towards the export production, primary distribution and marketing sectors. While the report indicates that most of the existing and planned production for export merit this attention - as was shown in the GATT study on Nigeria - the following comments from the FAO illustrate the general points for discussion put forward by the GATT secretariat.

The wood processing industries in Nigeria

3. The GATT study suggests increased emphasis on this industry because of the favourable external market prospects and the need to safeguard export availabilities in the long run. The FAO has the following comments on these matters:

Export Market

"For the world as a whole over the period 1960-1975, the volume of tropical broad-leaved wood (in the form of logs, sawn wood, plywood, etc.) in exports from developing countries is expected to more than double so that the projected export targets should not raise marketing difficulties. Potential export earnings of industrial wood at 1960 prices increase from £8 million in 1961 to £10-12 million in 1973/76 and £11-13.5 million in 1979/80. These possible targets will depend greatly on the availability of capital for greater processing, the pressure of home demand on indigenous resources, and the export targets of the country." (3.7 and 3.8)


2 Op.cit. Chapter 12, paragraph or page references in parenthesis.
Long-Term Availabilities

"In Western Nigeria salvage felling is proceeding at a rate that promises to exhaust exportable resources from outside the forest reserves in less than ten years. There is a serious need for a national stock-taking of forest resources (informed opinion in Nigeria maintains that in the course of another decade or so the permanent estate will in effect represent the surviving source of commercially harvestable timber), which should include information on existing use of the forest, its rate of diminution in areas outside reserves as well as the usual assessments of growing stock and increment. Serious consideration must be given, at both the federal and regional levels of the provisions for a continuing forest inventory service." (1.5, 1.9, 1.10)

4. The FAO report further emphasizes that:

"the low proportion of species from which marketable material is currently produced is a long-standing problem both of the timber industry and of forestry in Nigeria. Probably the greatest single contribution to increase value yield and hence to the practice of more intensive forestry lies in increasing the ranges of species and sizes acceptable for both domestic and export markets". (2.9 and 4.8)

5. The development of a realistic policy for the Nigerian wood processing industry would, according to the FAO, have to include some of the following essential factors:

"careful planning of forest industries' development is called for, including, where appropriate, consideration of investment in processing plant capable of meeting needs of neighbouring countries as well as Nigerian needs. Training of managers for all levels should be stepped up in order to meet the need for trained personnel concerned with the planning and efficient management of reserves on a more intensive basis. In relation to exports, increased attention should be paid to institutional and financial arrangements encouraging firms to process sawn wood, veneer and plywood to a greater extent rather than export logs with consequential loss of potential income and the burden of higher freight rates in relation to more highly processed products. But such switches to a higher proportion of processing for export should be carefully planned on the marketing side, since unilateral pressure imposed suddenly by Nigeria is likely to drive purchasers to less exacting sellers". (4.9 and 4.12)
6. Economic and technical assistance could, with profit, be directed to a number of aspects of which the following is a suggestion:

"Encouragement should be given to promote the use of more efficient harvesting techniques and to the expansion of sawn wood, plywood and veneer production, with emphasis on the utilization of secondary species, and with a view to increasing export earnings. Semi-mobile saw mills should be brought into use to deal with saw log reserves in natural forest where these are scattered and not at present under exploitation. Many small mills lack the skilled personnel needed to maintain equipment especially saws in good working order, some training schemes are or have been operated but the need for improvement in this field is very apparent. Pit sawing, a wasteful and out-dated method of log conversion, is probably more widespread in Nigeria than in any major country in the world. Apart from the heavy labour requirements, waste occurs because of inaccuracy in sawing and the scattered nature of working leading to decay and time-consuming collection of the production. Most of the material so sawn is completely unsuitable for export even though cut from choice logs of the most valuable species. Noteworthy deficiencies in the saw-milling industry are: uncertain log supply, inadequate capital, inefficient cutting, stacking and protection. Usually the best results are achieved with large, up-to-date plant, skilled staff with assured log supply and making wide use of non-compulsory species in addition to those which have to be removed in a concession, plus established market connexions; for success a sound capital position is essential." (2.5, 2.7, 5.8)

7. The importance of business contacts and technical expertise for the development of the Nigeria timber processing industry has been stressed in the GATT study. The FAO report identifies a number of areas in which the GATT secretariat feels that such contacts and expertise would be particularly helpful:

"(i) expansion of trials of exotics in Western and Eastern Nigeria;

(ii) more intensive assessment of growth and yield and of the various silvicultural and management measures on yield;

(iii) development of logging and saw-milling equipment;

(iv) training saw mill labour and supervisors and providing for demonstrations and refresher courses;

(v) continued efforts in the wood utilization field with aim of widening the range of uses of forest products;"
(vi) finally, import substitution if necessary planned with the needs of neighbouring countries in mind should be favoured in particular in the fields of particle board, fibre board and pulp and paper production, but the precise choice of plant, timing and siting require full investigation”. (5.9 and 5.13)

The oleaginous products

8. The GATT study laid considerable emphasis on the potential of the palm produce industry and the circumstances in which this could be realized. The FAO Mission in Nigeria provides the following further detail in respect of several suggestions which also appear in the GATT study.

Oleaginous prospects as a whole

According to the FAO:

"a more favourable factor from Nigeria's point of view that export availabilities from what has traditionally been the main exporting region for fats and oils, namely Asia and the Far East, have been steadily decreasing and are expected to decrease further under pressure of domestic demand in some of these countries. The possibility therefore exists for certain other exporters of fats and oils to increase their exports at a faster rate than the increase in the present import market. This is a situation which Nigeria can take advantage of if it increases yields and so lowers costs". (A-86, paragraph 7)

Market trends for palm product

For a variety of reasons which are stated in the FAO study it is believed that:

"the possible rate of increase of exports of palm oil from the point of view of marketing capacity is considered to be higher than that for groundnut oil. At least until 1970 palm oil supplies on the world market will probably not increase much and the price of palm oil may tend to rise relatively to other oils. Unfortunately, Nigeria is not at present in a position to take much advantage of the relatively favourable market situation (A-87, paragraph 83-5) In Nigeria, sharp cuts in the price to producers in 1962 were followed by a substantial decline in exports; in the next few years the course of exports and, to a lesser extent, of production, will depend largely on government price policy". (B-349)

1FAO report op.cit. Chapter 6 and Appendix I.
The FAO report corroborates findings on this point in the GATT study in stating that:

"in view of the large domestic requirements, the limit for exports of palm oil from Nigeria appears likely to be curtailed for a period of at least twelve years by production problems rather than by the absorption capacity of the export market. Production from existing trees might be increased to a certain extent with more favourable producer prices which would result in a higher rate of harvesting and increased use of hydraulic hand presses which had a considerably higher efficiency of extraction. In the longer run, however, Nigeria can take advantage of the export possibilities only through vigorous programmes for the planting and replanting of oil palm". (B-291, 342c, 349)

In regard to palm oil extraction the report goes on to state as follows:

"not all of the potential yield is realized. Very often the fruits from the widely scattered trees are not harvested but allowed to fall to the ground and rot, while only the nuts are collected, mainly by women, for extraction of kernels. In small-scale oil processing, considerable losses of potential oil yield occur with harvested fruit due to the low efficiency of extraction. (This is about 50-60 per cent for the traditional "canoe" method and up to 55 per cent for the screw and press which has a higher quality oil output, as compared with 80 per cent from Pioneer Oil Mills and 90 per cent from the Hydraulic and Store Press). With the wider introduction of the hydraulic hand press, the efficiency of extraction is likely to improve over the next 10-15 years, which would result in a higher rate of utilization of the potential oil yield. Again, present marketing arrangements do not provide suitable facilities for the small producer. Only by accumulating oil over a relatively long period and providing his own transport to the nearest grading station, has the small producer been able to sell high grade oil at its true value. This situation discourages a small producer from adopting improved processing methods, as the accumulation of stock in the manner required at present by the licensed Buying Agents is usually beyond his means". (B-320, B-327, C-124)

10. The suggested agenda for the Expert Group draws attention to the need for simple and cheap mechanical equipment for the processing of palm produce. The need for foreign technical assistance in this field, as stressed in the GATT report, is further brought out by the observations made in the FAO report. The agenda also refers to the need for assistance to the farm settlement schemes in the palm-growing areas and to the fact that the establishment of private commercial estates would be welcomed. In this connexion the FAO report states, among other things, that:
"in the long run, however, Nigeria can take advantage of export possibilities only through large-scale programmes for replanting and new planting of oil palm, and programmes have been worked out of the financial requirements for providing participating smallholders with loans, grants, and the necessary production requisites. (e.g. The establishment of small processing units using the hand-operated Stork Hydraulic Press in areas where improved processing facilities do not exist.)" (B-342d)

Of the possible solutions suggested, the FAO:

"feels that the most satisfactory way of solving the credit, production requisites and marketing facility requirements of small peasant producers is through the medium of an efficiently run Agricultural Marketing Co-operative. Such co-operatives need, of course, conscientious and efficient executive staff and adequate financial reserves to underwrite its annual activities". (C.128)

The essential problem to be considered is that:

"as not many co-operative societies in Nigeria satisfy these conditions at the moment and as it is likely to take some considerable time before a sufficient number of competent co-operative societies could be brought into being to serve the means of every agricultural producer in the country, consideration must be given to devising reasonably foolproof alternative methods for providing facilities to farmers during the next few years". (342d, C.128)

Import substitution and rural industries

The possibilities for establishing import substitution and rural industries were briefly explored at the last meeting of the Expert Group. Although the FAO was unable to make an exhaustive study into all the possibilities for the establishment of rural processing industries, it stresses the importance of agro-allied industries as an element in the progress of both agricultural development and industrialization in Nigeria. Among the reasons adduced for this emphasis are:

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1 FAO op.cit. Chapters 1 and 2.
"(a) much of the potential economic value of agricultural products is lost without processing industries;

(b) increased extraction and processing of products before exportation provides one of the surest means of adding to the value of exports;

(c) processing of local raw materials can in some cases diminish the need for imports, e.g. leather;

(d) agricultural processing industries will not only help to create employment but provide a better seasonal and geographical spread of employment". (A-26, paragraph 104)

12. In this context the FAO draws particular attention to the fertile basis for agricultural processing industries provided by the abundant availabilities of raw materials in Nigeria.

"They include hides and skins, cotton, timber, rubber and tobacco. Groundnuts and other oil-bearing products provide the foundation for a crushing industry together with manufacture of by-products; the cashew-nut shell for extraction of a plastic; cereals for a milling industry; sugar-cane for crushing and manufacture of by-products; cassava for starch manufacture. Livestock slaughtering can provide, in addition to hides and skins, blood, bones and other "waste" products as a rich source of materials for both animal feeds and fertilizers. Fish are also an important source of high-protein feeds for livestock. In time, interest will develop in the canning and drying of fruits, vegetables, meat and other foods of animal origin, including dairy products. Coconuts can serve as a starting point for a large number of manufactured products and possibilities appear to exist for the production of a number of jute substitutes to supply raw material for sack-making.

"Demand for many of the products manufactured from these raw materials will expand steadily as the Nigerian economy develops. Textiles, leather, timber, rubber products, bags and sacks are a necessity of everyday life. If they are not made in Nigeria they will have to be imported. High-protein animal foods will become essential if Nigerian agriculture is to develop on a sound basis. Many products could find a small but growing export market, especially in nearby countries of West Africa, and Nigeria with its large domestic market is in a better position than most to establish industries on an economic scale and overflow into exports."
"The development of processing industries based on Nigeria's varied natural resources, affords the best opportunity for saving foreign exchange and possibly may serve to earn a little. In fact, unless processing of agricultural raw materials expands fairly rapidly, the necessary imports are going to compete with needed capital goods, which Nigeria cannot hope to produce for a long time ahead, with the result that economic development will be partially strangled". (A-82)

13. As far as the agro-allied industries are concerned the FAO comes to the conclusion that:

"It should be an object of national policy to promote investment in these agro-allied industries. Although the investment may be expected to come primarily from private capital, government has an important rôle to play in demonstration and training schemes. It should develop a set of national policies and objectives regarding the rate at which it wishes to see food and raw material processing industries develop, as a framework within which private investors can take their decisions". (A-26, paragraph 103)

14. Although the FAO has been unable to offer any exact figure as to the potential demand for the products which Nigeria could process from its raw materials several specific indications are given for various commodities especially timber which has already been referred to. As far as the evaluation of demand is concerned the following statement can serve as an indication of the possible magnitudes involved:

"Since the income elasticity of many raw materials is above unity under Nigerian conditions, a total increase of two to three times in the total quantities that will be required, after allowing for population growth, is probably fairly typical. The rate of increase in production must, however, be higher, if local supplies are to replace imported raw materials or at least suffice to prevent imports rising pari passu with demand." (A-83, paragraph 68)

Technical assistance to export organizations and marketing

15. The GATT study of Nigeria showed that as a result, in part, of the growth objectives which have been set forth under the National Development Plan, Nigeria is faced with the problem of expanding exports and restructuring existing trade patterns, where necessary, in order to facilitate the planned expansion. The development of Nigeria's external markets will necessarily call for appropriate adaptation of export production, distribution and marketing and promotional techniques. At Nigeria's present stage of development the attention devoted by the Federal Government to problems of export organization will inevitably be a vital factor in Nigeria's export performance. The following comment in the FAO's report is pertinent:
"FAO would like, again, to draw the attention of the Government of Nigeria to the need for giving the most careful thought to the problem of exports. It needs to be studied as a whole and be the subject of periodical review." (A-91, 102)

16. The following comments in the FAO report are also pertinent to certain concerns in the field of agricultural economics and marketing mentioned in the draft agenda for the Expert Group:

"The lack of policy guidance on such subjects as the minimum amount of export f.o.b. prices which should reasonably find its way back into the pocket of the primary producer, and the lack of clear definition of which form of economic activity are most suitably carried out by co-operatives have already in certain cases been recorded in the publication of Regional Governments as having a depressing effect on existing production. There are thus four important subject matter fields which need to be developed - economic studies, market research and information, agricultural statistics and co-operatives and credit." (C-140)

17. A major recommendation of the FAO report is the creation of a Federal Ministry of Agriculture and Natural Resources. One of the most important responsibilities suggested for the Ministry is the preparation of implementation of:

"commodity studies, including the preparation of projections of future overseas demand and the probable price movements for export products. As part of this service it should, on the international plane, be constantly on the lookout for new outlets for Nigeria's agricultural exports and for new methods of processing or presentation which will increase the demand or make its products more acceptable or valuable in its traditional markets. All such information should be made freely available to the Regional Governments and their Marketing Boards as well as to the Minister and the Planning and Evaluation Office. There is also a need for more rapid and widespread dissemination of research results in a form which can be understood and acted upon by the ordinary producer." (C-138 and C-141)