



ANALYSIS OF SUPPLY RESPONSE AND PRICE RISK ON RICE PRODUCTION IN NIGERIA

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ABSTRACT

Nigeria is among many African countries that have engaged in agricultural liberalization since 1986 in the hope that reforms emphasizing price incentives will encourage producers to respond. Hitherto, the reforms seem to have introduced greater uncertainty into the market given increasing rates of price volatility. This study therefore models supply responses in Nigerian Rice production that include the standard arguments as well as price risk. Statistical information on domestic and imported quantities of rice was obtained for 41 years (1970 to 2011) from the AGROSTAT system of the statistical division of the Food and Agriculture Organization (FAO), Federal Ministry of Agriculture statistical bulletins, Central Bank of Nigeria statistical bulletins and National Bureau of Statistic. (NBS). The data are analyzed using descriptive, equilibrium output supply function and co-integration models and vector autoregressive distributed lag. Rice importation showed a negative sign and was statistically significant with changes in output also responsive to changes in price. The results indicate that producers are more responsive not only to price and non-price factor but to price risk and exchange rate. It is therefore imperative to reduce price risk as to increase the response of producer to supply by bridging the gap in production.

Keyword:

Agricultural production, Price risk, Supply response, Rice and Nigeria

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