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Agricultural Financing in Nigeria: An Assessment of the Agricultural Credit Guarantee Scheme Fund (ACGSF) For Food Security in Nigeria (1978-2006)

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ABSTRACT Aside from the eradication of hunger, being one of the one of the Millennium Development Goals (MDGs), food security is an essential development strategy that a viable country must inculcate. As a result of the government agricultural credit policies of, this paper examined the provision of credit to agricultural sector along with the performance of the ACGSF while at the same time evaluating the food security status of Nigeria. It adopts the available data for the period 1978 to 2006 because of data uniformity. It finds out that though credit to the agricultural sector is significant it has not been growing relative to the economy. The ACGSF settled claims are negatively significant and the tardiness is observed in the claims process. The food security aspect shows that that Nigeria is food insecure as the import of food is on the rise as the tests show. Among the recommendations made to improve the current situation includes further enlightenment campaigns to bring the youth into agriculture and the management of the ACGSF by professionals.

JEL: N50, O13, Q14.

INTRODUCTION

Hunger is a common element, especially within some sub-Sahara African countries, part of which made the United Nations to come up with an eight-point agenda for the achievement of the Millennium Development Goals by year 2015. The government also declared a seven-point (later reduced to five) agenda that includes self-sufficiency in food production. Nigeria as a signatory to United Nations conventions has made policies to assist farmers increase total output of agricultural produce: to earn foreign exchange and for employment, especially for the sustenance of the burgeoning population. Hunger has led to the decimation of the population in some parts of the world, especially war-torn countries, where it has been difficult to practice agriculture.

Countries that have suffered natural disasters in form of low or dearth of rainfall, storm and severe flooding have experienced food shortages, which have made those countries to appeal for food aid from donor countries. A myriad of problems have impaired the performance of the agricultural sector over the years in Nigeria. These problems have resulted in limited agricultural produce of staples that can be ready for the table in less than one year (Okunneye 2002), and the continuous increase in the food imports leading to outflow of foreign exchange. For instance, $1.23 billion was spent on food imports in Third Quarter of the fiscal year 2010 (CBN 2010) with $1 billion alone spent on rice. This could either have been ploughed into assisting the farmers to increase local production or used to rehabilitate decaying infrastructure. At present 9 percent of Nigeria's population is undernourished (UNDP 2008) and depends largely on food imports to satisfy the requirements of the population. Globally, there is enough food for everyone, but 780 million persons are severely undernourished (FAO 1992) with the situation becoming more precarious yearly. This situation should improve as countries become more self-sufficient in food production rather than depend on importation. For some countries, food output cannot be regarded as adequate for today's mental needs in the face of continuous increases in the prices of good nourishing food. This has lasting effect throughout the lifetime of the individual.

Studies on the impact of agricultural credit and credit guarantee scheme to assist farmers increase food production for national food security are needed to help improve the flow of credit to the agricultural sector and improve the operations of guarantee schemes. This is in ad-

dition to the need to overhaul the entire credit guarantee scheme for maximum efficiency for food production.

The objectives of this paper are to appraise the provision of finance and the effectiveness of agricultural credit guarantee scheme in the process of lending for food production in Nigeria. In this light, the paper proposes the following hypotheses - all in the null form;

a. that agricultural has not received a significant credits to finance the production of food in Nigeria;
b. that ACGSF has not impacted the agriculture production in Nigeria, and
c. that Nigeria is not food secure.

To adequately address these issues, this paper is divided into five sections as follows: following introduction is the review of concepts, previous studies, theoretical and current issues on the current state of Nigerian agriculture. Following after this is the material and methods adopted for data analysis, then discussions and results, recommendations and conclusion in that order.

Previous Studies on Nigerian Agriculture

Before the discovery and exploitation of oil in commercial quantities, agriculture was the mainstay of the Nigerian economy (Nwosu 1999). This is no longer so as the government and policymakers battle to have agriculture regain prime place in aspects of Nigeria's food production and economy. Agriculture had employed majority of the available labour and sustained families over the years prior to independence and for some thirteen or so years thereafter. Food production is one of the five pillars of the US President Initiatives to End Hunger in Africa (IEHA) and USAID. Nigeria long-term strategy is for agriculture to be used to chart the path toward economic growth (Manyong et al. 2005). Clichés and catchphrases coined to support and underscore the importance of agriculture and food production by the Federal Government of Nigeria and supranational bodies hardly translated to increased food output. Before the advent of petroleum exploitation, the agricultural sector provided livelihood for about 70 percent of the working population (Okunmadewa 1997) and contributed 70 percent of the GDP, which reduced to less than 42 percent in the period 1999 – 2000 (CBN 2003).

Supporting agriculture by way of finance and subsidies have been held to distort the financial markets, leading to higher financing costs in the manufacturing and other sectors, and can slow down the rate of growth of the domestic economy generally. Meanwhile the US and other countries continue to support their agricultural markets through subsidies and other means (Obasanjo 1998). Apart from finance for working capital, other problems of the Nigerian agricultural can be summarized as inadequate supply of implements and inputs, low rate of adoption of new technology, land constraints, ageing labour, post-harvest technology problems, disease and pest management problems and other natural hazards.

The problems faced by the Nigerian Agricultural system are legion and needed to be tackled headlong before severe hunger typified by poverty and lack of adequate nutrient become real. Of these problems, provision of finance for production seems inadequate to meet the food production needs of the nation. Others problems are rooted in the implements and equipments availability, cost (Ndubizu 2003) and adaptability. These have made it impossible to realize the benefits of mechanization. Lewis (1954) cited in CBN (2000) theorizes that highly skilled agricultural labour force can sustain the sector in the quest for surplus food while surplus labour is released to industrial and services sector. This cannot not hold true in Nigeria now against the backdrop of predominance of peasant and uneducated farmers while the population of the country increased geometrically over the years to about 154 million in 2010.

Agricultural Credit and Finance

For agricultural practice to be meaningful, one of the enabling factors is addressed by availability of adequate credit to finance agricultural production. The agricultural lending market in any country is made up of the participating financial institutions and units that can effectively lend resources to facilitate the production of farm produce, crops and livestock. These markets are primarily made up of deposit money banks (DMBs) and other financial institutions (Comptrollers Handbook 1998) firms and individuals. However, the market also includes specialized institutions such as Nigeria Agricultural Cooperative and Rural Development Bank

(NACRDB), which is the principal institution involved in agricultural financing in Nigeria. The banks have been playing prominent role and will continue to do so under a package of incentives. The life insurance companies can find useful avenues to invest their long-term funds by buying equipments for hire. The informal financial market which includes the cooperatives, family and friends who can also make funds available to interested farmers will continue to be active as before. The informal financial market had grown out of the financial assistance that farmers received from their different groups (Udry 1993; Steel et al. 1997). The size of the borrower is of great importance in negotiating the terms and cost of credit and very few farmers are large. In the days of sectoral allocation, the agricultural sector was favoured and banks complied because of penalties (which some preferred to pay than to comply), however this is no longer so under deregulation. Gurdenson et al. (2005) believe that this represents a cost in agricultural delivery, which in the Nigerian environment farmers cannot avail themselves of available credit. Since the Nigerian banker is not oriented toward development financing, the Government must incen-tivize the process.

For the lenders in the market, the most significant risk is credit, which has been noted, could arise from a number of factors ranging from bad harvest to poor market prices. However, underwriting or guarantee can adequately address this. Other risks faced by lending in this market are liquidity, price, strategic and interest rate risks. According to the CBN (2000), the face of the agrarian culture of Nigerians has changed somewhat to reflect a dwindling of interest of the youth in the sector in addition to the perennial problem of lack of fertilizer to improve crop yields.

A dualistic structure reflecting the large scale as well as peasant farmers cultivate for commercial and subsistence purposes. The peasant farmer dominates the landscape and very little of Nigeria agricultural output is produced using modern methods (CBN 2003). With different types of ecological belts, farming can be easily practiced from the dense rainforest belt of the south to the sudan savannah of the north. The agricultural output that is food in Nigeria as grouped by IFPRI (2003), and in no order of importance are: cassava, yams, rice, vegetables, beef, millet, groundnut, sorghum, cotton, and maize. Nevertheless, rice is the most consumed. Though some of the staples can be cultivated with mechanization, this is constrained by the smallholder land methods and inadequate finance.

Finance can be made available to the farmer who has sufficient cultivable land to enable the mechanization of the process, as it is increasingly becoming clearer that the smallholder farmer may not have sufficient land to maximize the use of credit when made available. (Equally, lenders are opposed to assisting small landholders, as a result of cost of credit appraisal.) Most of the credit to the farmer could be for a period of less than one year for arable crops which fits well into the Nigerian banks' desired portfolio. From 1978 to 1989 with sectoral credit allocation to the agricultural sector in place, the result was a consistent increase in the lending portfolios of banks to the agricultural sector. This has now been lost to the financial system deregulation as agricultural lending is considered more risky, problematic and unprofitable relative to other sectors. Bank credits to this sector in nominal terms, over the years have increased from about N 230 million (then about $233 million) in 1978 to over N 262 billion ($2.23 billion) in 2005, but then food imports cost have equally increased (CBN 2007). For bank credit to be effective there must be soft landing for both the bank and the farmer in terms of cost and tenor. Ojo (2002) discusses the ineffective role of the erstwhile community banks in financing agriculture, having been transformed in 2007 to microfinance banks. Though Olaitan (2006) believes that this would enhance agricultural lending, this might not be so in the long-term given the attitude of this group of institutions over the years.

Current Financing Methods

Guarantee, Insurance and Underwriting Schemes

Credit guarantees ensure repayment of loans in part or full in order to motivate lenders to provide loans to borrowers who would otherwise not have been able to access credits on their own for reasons of unavailable financial records, lack of adequate collateral and the level of risks to be assumed by the lender (Navajas 2001).

Insurance of agricultural produce indemnifies farmers for possible losses of production during harvest while underwriting guarantees prices for the eventual farm produce in order to assure farmers of adequate and stable income. With Nigeria Agricultural Credit Insurance Corporation's (NAIC) incursion to general insurance, focus has been lost. Other insurance firms may now be involved in risk management of agricultural business as in other countries. Issues that are of utmost importance in agricultural credit guarantee are those of sustainability, level of financial development of the country and the viability of the lending partner.

The provision of guarantees can be direct or indirect, funded or unfunded, open or closed (targeted). The provision of guarantee schemes enables the lender to lend comfortably to the borrowers while the guarantor assumes the agreed level of risks in case of default by the borrower. Guarantee schemes have not gone unchallenged, as it is seen as a waste that does not produce additionality, is costly, eventually unsustainable and useful only when the economy is closed. It introduces the problems of adverse selection and moral hazards; that lenders tend to be carefree in credit appraisal forms its basic disadvantage. Reichmuth (1997) says that the guarantee scheme is a feature of developing economies where lending risks are high and lenders are not interested in making loans available to small and unrated borrowers. In spite of the discordant tunes, the system has its advantages in assisting those farmers who otherwise would not have access to credit (Gudger 1998). The scheme effects some subsidy for the agricultural sector. Major countries in Europe [of the Organization for Economic Cooperation and Development (OECD)] effectively subsidize agricultural production and exports to allow their countries earn foreign exchange and sustain farmers' income. Export subsidy commitments are in excess of $18 billion in panelled World Trade Organization members (Hockman et al. 2004).

The Agricultural Credit Guarantee Scheme Fund

The Agricultural Credit Guarantee Scheme Fund (ACGSF) is available to provide succour to banks that lend to farmers under the program. The Nigerian model of credit guarantee scheme is a targeted, funded and direct. It was established in 1977 and currently has an increased capital base of N 3 billion. It guarantees credit facilities extended to farmers up to 75 percent of the amount in default net of security realized. Recent innovations to the scheme by the Central Bank of Nigeria include Self-Help Group Linkage Banking, the Trust Fund Model and the Interest Drawback. Of these, the Interest Drawback Scheme seems interesting as it works to encourage bank lending at lower rate of interest (averaging 8 percent) which is cheaper for the farmer and easier to manage for the bank. This is expected to have profound effect on agricultural production and consequently on food security.

Food Security

Food security can be defined as access by people at all times to enough food for an active, healthy life and includes at a minimum: the ready availability of nutritionally adequate and safe food, and the assured ability to acquire acceptable food in socially acceptable ways without resorting to emergency food supplies, scavenging, stealing and other coping strategies. This is sometimes referred to as the availability and safety of consumable food through the production and preservation processes up to the time of consumption. Food *in*security is described as the *un*availability of food, safety and intake at individual, household, sub-national and global levels (Oladeji et al. 2004). This goes to show that a nation that cannot feed itself is food insecure. A more straightforward definition of food security concerns the availability of food in sufficient quantities to meet the sustenance of the population. Hunger is a severe manifestation of food insecurity. The National Agency for Food and Drug Administration and Control (NAFDAC) is involved in quality control and safety of packaged foods in Nigeria especially of meat and poultry. The emphasis should be first on production before preservation of the produce. Eugenio et al. (2002) believes in the possibility of a globalizing world being fully food secure via the circulation of safe affordable food throughout the world. Nevertheless, for a country like Nigeria this should be avoided as much as possible given the outflow of scarce resources.

Other Agricultural Institutions

One of the best agencies formed to assist the farmer on land cultivation was National Agri-

cultural Land Development Authority (NALDA) whose function was to prepare contiguous land for farmers for cultivation. The performance of NALDA was bogged down by high cost of equipments and maintenance, all of which impacted against the agency's performance (CBN 2000). Many institutionalized programs expected to positively impact food security for the nation and agricultural financing exist. Among these is River Basins Development Authority (RBDA) that function in the areas of development and maintenance of underground water, control of floods and the like in different areas of the country. It has acted more in the areas of providing and irrigation schemes to support FADAMA projects and all-year-round farming for staples and vegetables. Agricultural Development Projects (ADP) and Agricultural Project Monitoring and Evaluation Unit (APMEU), instituted much earlier could not continue due to lack of counterpart funding from state governments who were not forthcoming, which led to the resources available from the World Bank to become overstretched.

MATERIALS AND METHODS

Data Sources and Length

Data on the variables of agricultural credit of the Deposit Money Banks, claims filed, claims settled are from the Central Bank of Nigeria's Statistical Bulletin (2007) while data on the ACGSF was accessed on the web address indicated. The variables which are in nominal form were cut-off from 1978 to 2006 (averaging 28 years) to ensure uniformity though some of the variables had earlier data. An examination of the claims filed and settled reveals that the institutions (banks and the ACGSF) were active up to 1988 which marked the end of the period of sectoral allocation and subsequent reduction in credit flow to the agricultural sector relative to other sectors. However, the Figure 1 shows the descriptives for all the variables and activities for all periods.

Methods

The technique adopted in the study is *t test* and *paired t test* on the one hand and Granger Causality. While independent *t* test assess the effect of the credits to the output generally, *paired t tests* looks at the differences between two possible samples. The use of Granger Causality is adopted to measure the causality of the variables against one another and the paired *t* samples to show the significance of the variables.

The null hypothesis is that the population mean is equal to a specified value μ_0, adopts the *t* statistic. Examination of the data available on the performance of the credit guarantee institution in the agricultural sector involves the use of descriptive analysis to find the level of performance of the institutions over the years. A second approach is to find out the degree of association of total credit issued by the banking system through to claims filed and settled.

$$t = \frac{x-\mu_0}{\frac{s}{\sqrt{n}}} \quad \text{(a)}$$

where x, μ s represents the parameters of the data as sample mean, population mean and standard deviation, while paired *t* test is represented below

$$t = \frac{\sum d}{\sqrt{\frac{n(\sum d^2) - (\sum d)^2}{n-1}}} \quad \text{(b)}$$

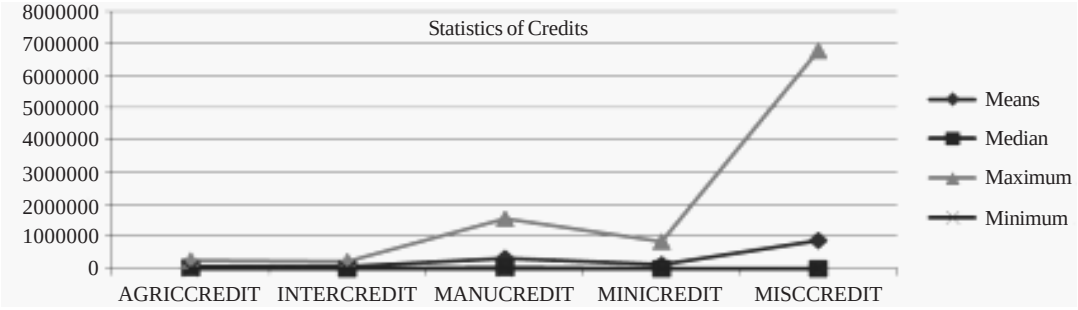

Fig. 1. Continuous fall in both credit and growth percentages of credit to agriculture
Source: Descriptives of to the various sectors on the economy

Table 1: Descriptives of credits to the economy and to agriculture years 1978 – 2006

	Agriccredit	*Intercredit*	*Manucredit*	*Minicredit*	*Misccredit*	*Totalcrdit*
Means	61195.82	36656.31	310121.4	129552.5	878836.8	1408131.
Median	4617.050	844.9000	7277.700	452.1000	1329.750	13446.70
Maximum	262005.5	203436.5	1563403.	819199.9	6782104.	9630149.
Minimum	229.0000	78.30000	1138.000	39.40000	123.9000	1611.100
Stad. Devi	95682.31	58035.78	504689.1	223162.2	1768826.	2620704.
Skew	1.252349	1.410795	1.381048	1.775014	2.152893	1.917121
Kurtosis	2.836390	3.844811	3.427408	5.243877	6.760529	5.652016
J- B	6.825299	9.397997	8.462836	19.10748	35.40482	23.54581
Prob	0.032954	0.009104	0.014532	0.000071	0.000000	0.000008
Obs	26	26	26	26	26	26

Source: E Views Results (2010)

where $\sum d$ represents the sum of the differences of the pooled data.

The obvious point to start the analysis is the volume of credit that went into the agricultural sector over the years in comparison with the total volume of credit made available to the other sectors of the economy. Table 1 shows the descriptives of the sectors as manufacturing, mining, international trade, and miscellaneous which include, professional, personal (now grouped as consumer) and commercial credits. Figure 1 shows agricultural credits on the floor and at the minimum level unlike the mining credits. The next step is to examine the credits to agriculture sector that were guaranteed by the ACGSF. The different sectors that were guaranteed were analysed to show the food output component. Thus, the divisions were food crops (made up of arable and tubers), livestock and cash crops. The total food is made up of livestock and food crops were finally compared with cash crops. The third step adopted to find out the impact of the ACGSF on the credits employed the use of granger causality to find the level of significance of the claims settled out of the agricultural credits is shown with Table 2. The final step was to find out the association between agricultural credit and food crop production on one hand and agricultural credit and food import on the other hand by paired samples of these variables to determine significance of the association. This is shown in Table 3. This measures the food security aspect of the study.

Of significant impact is the rate of interest in lending to the agricultural sector. The rate of interest was regulated by the CBN initially but was abandoned due to deregulation between 1987 and 1988. However, with deregulation following the Structural Adjustment Program, banks were free to choose where to direct their credit depending on the returns.

Table 2: Pair-wise Granger causality tests summary
Lags: 2

Null hypothesis	*Obs*	*F-Statistic*	*Probability*
AGRICCREDIT does not Granger Cause CLAIMSETTLED	14.2706	0.00016	
AGRICCREDIT does not Granger Cause CLAIMSFILED	6.95993	0.00540	
AGRICCREDIT does not Granger Cause FOODOUTPUT	4.84063	0.02079	
CLAIMSETTLED does not Granger Cause CLAIMSFILED	557.948	1.4E-19	
FOODOUTPUT does not Granger Cause CLAIMSETTLED	26	9.33073	0.00126
FOODOUTPUT does not Granger Cause CLAIMSFILED	26	13.1238	0.00020
CLAIMSFILED does not Granger Cause FOODOUTPUT	3.04719	0.06888	

Source: Author's 2010

Table 3: Paired samples test (Summary)

Paired Variables	*T*	*Df*	*Sig. (2-tailed)*
foodcrops – foodimport	2.718	27	.011**
totaloutpt – foodimport	1.560	27	.130
claimsfiled - claimsetled	1.412	28	.169
acgsfood – acgsflstk	-6.284	28	.000***
acgsfood – totafood	-6.283	29	.000***
totafood – acgsfcscrp	6.346	29	.000***
agriccredit - totacrdit2	-2.727	27	.011**
claimsetted - agriccredt	-3.326	27	.003***
claimfiled - agriccredt	-.833	27	.412

Results of Paired Differences (2010)

RESULTS AND DISCUSSION

The total agric credit issued is a subset of the total domestic credit. Claims filed are also a

percentage of agricultural credit; this would help in anticipating the level of claims and settlement. For the ACGSF, direct comparison is made to know the level of performance or underperformance. The percentage denotes the level of success achieved by the institution. From the available data and above figures, it is observable that the largest portion of bank credit went to the miscellaneous sector which has many components and continues to increase with consumer credit made available by the banks. The mean credit to the agriculture sector was 3 percent during this period. International trade received 2 percent. The productive sector of the economy (mining 9 percent manufacturing 19 percent and agriculture 3 percent) received a cumulative total credit of 31 percent.

Observation and Problems

Figure 2 shows clearly that the credit to the sector was averagely better between 1978 and 1994 than later. That was during the sectoral allocation and guided deregulation. It progressively grew worse because the banks preferred to pay the penalty than to oblige. From 1996, a sharp drop in credit to agriculture became noticed and went on further to its lowest level in 1999 when it became negative and has since not improved substantially. It can be inferred that the banks are not interested in lending to the productive sectors, especially agriculture. This is evident in banks preference for short-term, low risk credits as found in the component of the miscellaneous group. Since autonomy to allocate by choice and price came, agricultural credits have dwindled.

A further comparison with the other sectors reveals further that other sectors generally are more funded, especially mining (for petroleum) from the banking system credits. Of the credit made available to farmers, a portion of these credit turned out be filed for as claims and part of these were settled. Since only 75 percent was available to be settled, by correlation matrix, percentage of the credits guaranteed that turned out for to be bad for claims on the ACGSF is 55 percent and of this, 13 percent that were paid or settled. Thus, the effective percentage of loans granted that turn out to be settled as claims comes to 7.15 percent. The rate of settlement is obviously too low to encourage lending to the sector. The effective percentage risk borne by lenders amount to 92.85 percent, though the ostensible the risk expected is 25 percent but the risk premium of 68 percent is carried by the banks investing in agriculture. This is rather high. Table 2 specifically show that the causality is highly significant from agriculture output to settlements of claims by ACGSF.

However, tardiness at claims settlement showing a lag of two years between filing a claim and settlement is a disincentive to the lender who may have to wait for up to two years to obtain guaranteed debt from the ACGSF. This disincentive affects the banks as they operate mainly on short-term funds. A further reason might be connected with exactitude for documentation, but the lag time could be reduced to less than a year. This is obvious from the records of the Fund because it settled many outstanding claims between 1997 and 2000 and in 2004.

The ACGSF has preponderantly issued more guarantees for livestock farmers than farmers of tubers, roots and other arable crops. Protein is needed in the body but then concentration on the livestock sector tends to push subsidy towards the rich rather than the average farmers.

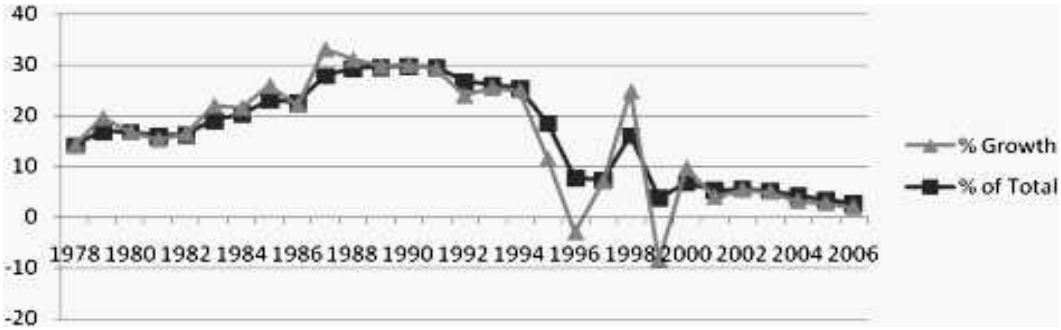

Fig. 2. Statistics of credits issued to farmers and other sectors 1978 – 2006

The argument is that the benefits accrue to livestock farmers rather than arable and food crop farmers. It could also be that the more educated farmers are in the livestock sector. As expected, the share of cash crop farmers was considerably low as they farm more for own income than food security of the nation.

The tests of the hypotheses proposed reveal that, with the *t* paired sample test, agriculture has continued to receive less attention in comparison to credits made available to the other sectors from the banks in spite of the guarantees. This is significant with *t* statistics of -2.727 and *sig* of .011 (from Table 3). Table 4 shows all activities of the ACGSF over the period of the study. The conclusion here is that we accept the null hypothesis that agriculture has received insufficient funding from the lenders. That credit guarantees does not have significant relationship with agriculture finance was tested with *t* paired tests; the association was significant at *0.02* that is, *at p< 0.05 (*though negative*)* indicating that one should accept the alternative hypothesis. Pairwise Granger causality at *p* 0.02 equally shows that we cannot reject the alternative at the same level of significance. Further, the finance of agriculture has significant negative relationship with claims filed. The expectation would be that as credit increases more guarantees are issued and more claims are settled. The result produced is negative and significant at *p* 0.003 *with t* -3.326 for claims settled. Expectedly, claims filed were not significant but negatively correlated with *t*.-.833 *at p* .412.

The final hypothesis on food security compares the import of food with food crops in the country. Results show *t* test statistics of 2.718 and there is a positive relationship at *0.01* percent while in food imports with total output showed no significance with of 1.560 and *p* of .130. The relationships are positive because as output is rising food import bill is equally rising. Hypothetically, food imports and agric

Table 4: Cumulative statistics of ACGSF claims filed and settled (1978 – 2006 Sept)

Year (1)	*Claims Filed (2) No.*	*Claims Paid (3) No.*	*Percentage Performance (4) %*	*Claims Filed (5) N '000*	*Claims Settled (6) N '000*	*Percentage Performance (7) %*
1978	0	0	0	0	0	0
1979	0	0	0	0	0	0
1980	18	0	0	90	0	0
1981	38	0	0	613	0	0
1982	53	36	68	3427.6	241.3	7
1983	52	24	46	3680	147.9	4
1984	121	0	0	3880	0	0
1985	94	93	99	6636.5	431	6
1986	125	0	0	6385.4	0	0
1987	85	68	80	2155.6	534.1	25
1988	150	52	35	7933.1	380.2	5
1989	160	48	30	8526.6	191.2	2
1990	236	51	22	21756.8	770.1	3
1991	810	67	8	27972.5	253.1	0
1992	1362	65	5	31509.5	363.3	1
1993	998	91	9	28659.1	455.9	16
1994	1263	56	4	60525.9	222.6	0
1995	598	130	22	60149.9	2817.6	5
1996	442	166	38	5402.9	1090.4	20
1997	232	690	297	5181.6	6134.2	118
1998	78	826	1061	2746.7	6906.2	252
1999	79	498	630	2488.8	5471.3	220
2000	173	288	166	8044.3	1691.2	21
2001	312	436	140	8044.3	6405	80
2002	206	124	60	7216.4	3210.2	44
2003	506	168	33	6078.3	3440.3	57
2004	213	2065	969	11575.1	97901.9	845
2005	8074	2382	30	731,845.	18782.06	2
2006	1215	256	21	129,986	16344.49	13
Total	17,693	8,680	49	461,000	174,186	38

Source: http://www.cenbank.org/devfin/cliams

credit should have a negative relationship. Nevertheless, this is positive though not significant with a high correlation of 0.899 indicating that both go up together. In this case, agric credit has been going up as import bill has been on the rise. This indicates that the population is rising and more food is needed to feed the population. It can be concluded that Nigeria is not food secure since the import of food is high and the relationship between food import and food output is positive However these analysis leaves out the many small-scale farmers who may not be able to access credit. Other results are in the appendix.

CONCLUSION

The paper has looked at the various aspects of credit and guarantees in food security in Nigeria. The paper observes that in spite of Western countries campaign for the removal of subsides from agriculture in developing countries they have sustained the same. Credit to the agricultural sector has dwindled and continues to dwindle in percentages terms and statistics showed that the negative relationship is significant. The ACGSF has been impactful to the food sector though the livestock sector has gained more and cash crop is highly insignificant. The only challenge with the Fund is the delay in settlement of guaranteed credits. Finally, it is concluded that Nigeria's food security situation is *insecure,* as the higher population demand higher increase of food imports. The paper recommends that education and enlightenment campaigns, which will improve the understanding of farmers and would-be farmers coupled with the new incentives of the Linkage Banking Group and Interest Drawback scheme to increase the patronage of peasant farmers and reduce the default rate of agricultural loans and encourage lenders to provide more credit.

RECOMMENDATIONS

Challenges of finance manifest itself from credit rationing and allocation in the financial system. Owning to the level of risks involved lending to agriculture, banks do not favour farmers and therefore a soft landing is needed The Central Bank (managers of the ACGSF) may not be fully able to manage the fund, though it has done this for some years as the slow settlement process has affected confidence in the fund. The latest policy to increase credit to the sector (and to put the management of resources in the hand of professionals) is highly welcome as it will increase production and output will force down the import bill for food. The financial market approach with government guarantees is the solution to the food security in the country. The farmers need to be properly educated on the requirements of the supporting groups (Interest Drawback and the Linkage Group) to enable them benefit from the assistance the Fund is offering. The groups will help in self and internal guarantees for members. In addition, more enlightenment programs are needed on this.

An upsurge in the activities of the Fund will force a credit demand from farmers who already have the assistance in groups on ground than in the unviable single unit borrower; the benefits have always been to the major farmers. It is easier to manage the groups through the specialized institutions such as the Nigeria Agricultural Cooperative and Rural Development Bank. The DFI can be adapted to meet the small landholder who can be organized in groups. As most peasant farmers are uneducated and ageing, the introduction of sustainable credit and guarantee into agriculture practice will attract the youth and the educated. This would naturally affect the production of food output and the economy positively. The population needs planning, though this is not on the front burner yet. The numbers are increasing and Nigeria need not wait until a crisis arises before something is done, which is one of the reasons why the import bills have kept rising in spite of further credits to the agricultural sector. An area for future research would concern the optimum amount of credit that should be available for productive agriculture and for food security, which should take into the consideration the variables of total credit and population growth in the economy.

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