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Experiences and Policy Responses in Nigeria to Price Shocks Stemming from the Russia-Ukraine War and Other Global Crises

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1. Introduction

The ongoing Russia-Ukraine war remains a major global shock with severe economic consequences, given the significant roles both Russia and Ukraine play in the global trade and food systems. These consequences are exacerbated by pre-existing stressors, especially as many countries have not fully recovered from the effects of the Covid-19 pandemic.

This policy brief delves into Nigeria's experiences and policy responses to price shocks resulting from the Russia-Ukraine war and other global crises. Nigeria is an import-dependent economy for essential commodities including fertilizer, fuel, and food. In fact, most of Nigeria's fertilizer and grain imports originate from Russia and Ukraine. Nigeria has also faced local and/or internal shocks, including a redesign of the local currency, removal of a longstanding fuel subsidy, armed conflicts, and floods. The Nigerian government at various levels has implemented emergency responses to mitigate the effects of these shocks. This policy brief summarizes trends in prices and availability of food, fuel, and fertilizers (the "3Fs") and discusses the policy responses to these price shocks and the extent to which these policy responses have been effective.

Key Messages

1. Since 2019, Nigeria has faced both external/exogenous shocks, such as the Covid-19 pandemic and the Russia-Ukraine war, and internal shocks, such as a redesign of the local currency, removal of a longstanding fuel subsidy, armed conflicts, and floods.

2. Many popular food items experienced considerable price volatility during this period. For example, the average price of vegetable oil almost tripled between 2019 and 2023.

3. The government responded to these shocks by implementing various policies and initiatives. It responded to global supply chain disruptions through re-oriented trade patterns, and it introduced of new climate change legislation.

4. A comprehensive approach that considers the interactions of these various shocks, as well as the interconnectedness of the various sectors in Nigeria's economy, is crucial for building resilience and mitigating the impact of future shocks.

2. Data and Methods

For quantitative analysis of trends in the prices and availability of fuel, food, and fertilizer, this study employed data from FAOSTAT, the Nigeria Bureau of Statistics (NBS), the Central Bank of Nigeria, and the International Fertiliser Development Centre (IFDC). We conducted a systematic review of the literature related to various shocks in Nigeria from 2019 to 2023. This yielded 73 relevant papers, newspaper articles, or documents. Qualitative research methods were also employed through use of key informant interviews (KIIs) to gather perspectives from key stakeholders on the effects of global shocks on the price and availability of food, fuel, and fertilizers, as well as the effectiveness of Nigeria's suite of policy responses. A total of 32 stakeholders were interviewed.

3. Key Findings

Prices and availability of Key Foods, Fertilizers, and Fuels (2019–2023)

The trend analysis revealed significant fluctuations in the prices and availability of various food and agricultural commodities in Nigeria from 2019 to 2023. Specifically, food items such as maize, rice, garri, wheat, bread, yam, beans, catfish, tomato, potatoes, and edible oils experienced considerable price volatility during this period. Key informants reported that various factors contributed to these fluctuations, including agricultural seasonality, internal conflicts, the shock of the naira (₦) redesign, the shock of the fuel subsidy removal, and disruptions in supply chains due to the Covid-19 pandemic and the Russia-Ukraine war.

Maize and beans exhibited seasonal fluctuations in prices, with annual peaks and troughs typically occurring in July and January (Figure 1). The cost of animal feed ingredients, particularly maize, had a large influence on the price of catfish. Garri and yam prices fluctuated due to both climatic factors and the Covid-19 pandemic. Bread prices increased in 2022, mainly due to disruptions in the global wheat supply chain caused by the Russia-Ukraine war. Tomato prices were affected by an outbreak of "tomato Ebola" and flooding, among other factors. Both local and imported rice prices fluctuated, occasioned by factors such as import bans and logistical challenges.

The average price per bottle of vegetable oil, groundnut oil, and palm oil moved from ₦557, ₦457, and ₦486 in September 2019 (at ₦359 to $1) to ₦1,496, ₦1,262, and ₦1,414 in September 2023 (at ₦800 to $1), respectively (Figure 2). Prices for Irish potato and sweet potato also surged from ₦268 and ₦142, respectively, in September 2019 to ₦687 and ₦359 in September 2023. According to key informants, this surge was driven by rising prices of fertilizer and energy. Notably, fertilizer prices increased significantly in 2022 and 2023 (Figure 3), and crude oil prices also fluctuated during this period, with significant decreases in 2020 and 2023 that negatively affected Nigeria's economy. An interactive visual presentation of price shocks in Nigeria, as well as policy timelines, can be found at https://tinyurl.com/SPR-Nigeria.

Figure 1: Maize grain (white) price per kg

Figure 2: Vegetable oil price per liter

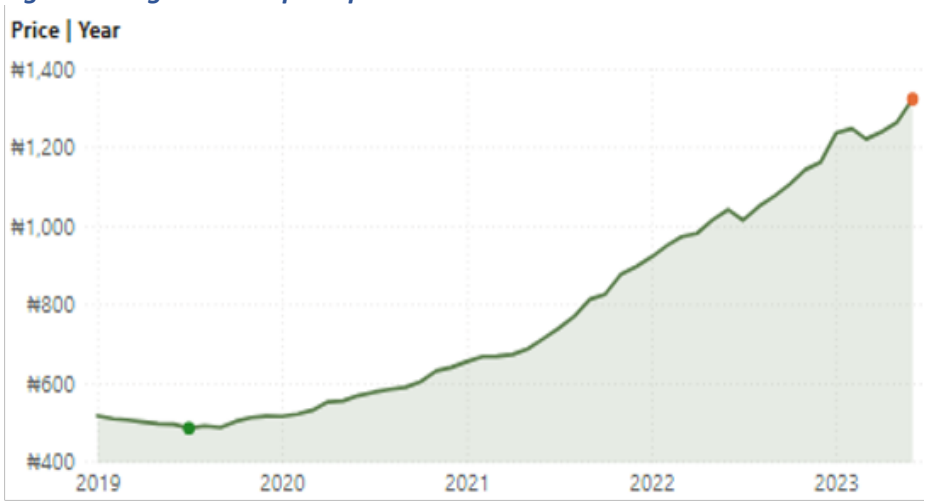
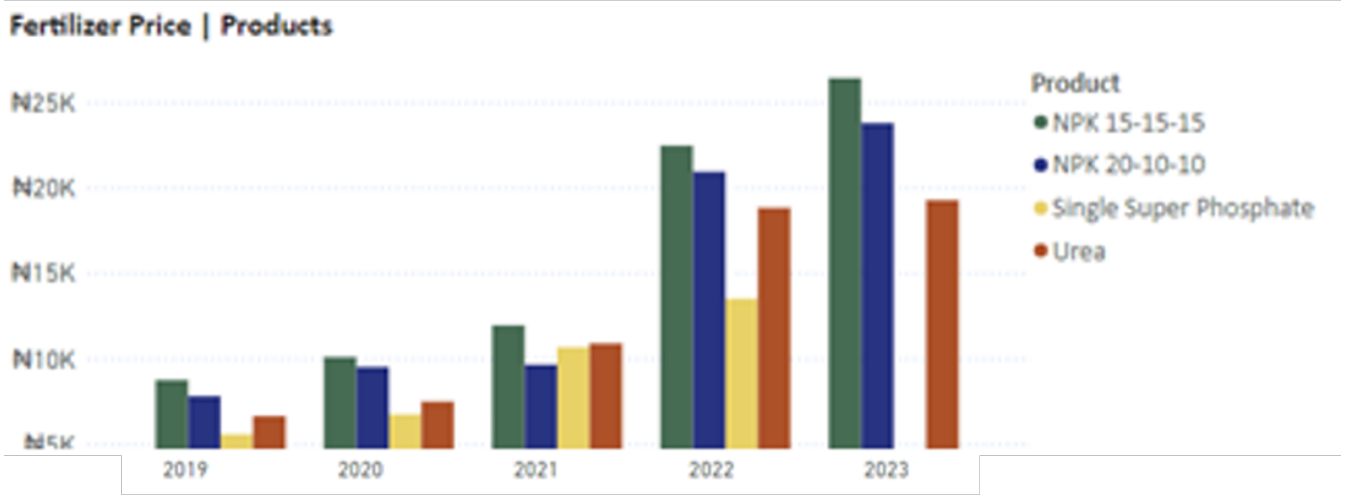


Figure 3: Fertilizer prices per bag



Policy responses by the Government of Nigeria (various levels)

The government responded to these shocks by implementing various policies and initiatives. For example, the Climate Change Act of 2021 established a legal framework for sustainable agriculture practices and resilience to climate change. Through this Act, "Green Bonds" were issued to raise finance for environment- and agriculture-related projects. Additionally, the National Climate Change Policy for Nigeria (NCCP) was onboarded to strengthen Nigeria's response to the challenges of climate change (FME 2021). The government also implemented emergency flood preparedness and response plans, including social protection measures for flood-displaced individuals.

At the onset of the Covid-19 pandemic, a two-week lockdown policy was enforced in 2020. This lockdown cut off low-income earners from their sources of livelihood. To address this shock, the federal government distributed 70,000 metric tons (MT) of grain from the Strategic National Reserves to poor and vulnerable households and individuals (Ajayi 2020). The Economic Commission of West African States (ECOWAS) also rendered humanitarian assistance through the donation of 3.4 MT of cereals to support vulnerable populations affected by Covid-19, drought, and other shocks (Izuaka 2020). Additionally, the Nigeria Insurers Association gave the federal government ₦500 million to fight the spread of Covid-19.

The poultry sector, which was highly affected by the Covid-19 pandemic and the consequent shortfall in maize availability, received support from the government. Specifically, the federal government released 5,000 MT of maize from the National Strategic Grain Reserve to support the Poultry Association of Nigeria (PAN) at a subsidized rate of ₦90,000 per MT as against the former price of ₦170,000 (Mojeed 2020). In 2022, the Federal Ministry of Agriculture and Rural Development (now the Federal Ministry of Agriculture and Food Security) distributed free agricultural inputs such as seeds, food dehydrators, knapsack sprayers, motorized palm oil harvesters, growth enhancers, cassava stems, and planters to smallholder farmers (FMARD 2022). Along similar lines, the Federal Ministry of Agriculture and Food Security, through the National Agricultural Growth Scheme and Agro-Pockets (NAGS-AP), distributed subsidized farm inputs such as fertilizers, seeds, and pesticides to smallholder farmers across the northwestern states (FMARD 2023).

The government also maintained a pre-existing comprehensive fertilizer intervention program in collaboration with key stakeholders such as the Presidential Fertilizer Initiative (PFI) (NSIA n.d.). This initiative focused on revitalizing domestic fertilizer production, ensuring fertilizer affordability, and reducing import dependency. Since the inception of this fertilizer intervention program, the total production of fertilizer has seen significant growth. Furthermore, approximately 60% of the raw materials used in PFI-produced fertilizers are locally sourced. As a result of these efforts, the country's blending capacity has increased, expanding from just four blending facilities to 62 as of 2021 (Ewepu 2022) and 73 in 2023. This expansion has had a substantial impact, with the total domestic production of fertilizer surging to over 60 million 50-kg bags since the initiation of the PFI initiative.

In response to food and energy shocks emanating from the Russia-Ukraine war, Nigeria signed a memorandum of understanding (MoU) with Poland to enhance food and energy security (Ailemen 2022). The sourcing of muriate of potash (MOP) from Russia was rerouted to Canada (Payne 2022). Because the Russia-Ukraine war had such a large impact on wheat availability and prices, the federal government approved the importation of genetically modified wheat from Argentina for animal feed and milling (Akomolafe 2022).

In response to internal conflicts within Nigeria, amnesty deals were made with bandits, leading to the release of hostages and some measure of improved security in affected regions. Policies such as the Rural Grazing Area (RUGA) and the National Livestock Transformation Plan (NLTP) were also introduced to mitigate farmer-herder clashes.

In May 2023, in order to reduce the budget deficit, a longstanding fuel subsidy was removed by the Government of Nigeria. This has led to dramatically increased fuel prices which, in turn, affect transportation costs and the cost of food distribution. Rather than being a response to an external shock, this policy decision was itself a shock to the Nigerian economy.

Table 1: Key policy responses to shocks in Nigeria

Crises	Policies, Plans, and Programs	Timeline				
		2019	2020	2021	2022	2023
Covid-19 pandemic	Loans and cash handouts		■			
	Grain loan from ECOWAS		■			
	Release of grains from the strategic national reserves		■			
	Release of subsidized maize to the Poultry Association of Nigeria (PAN)		■			
Climate change and flooding	Climate Change Act 2021			■	■	■
	National Emergency Flood Preparedness and Response Plan				■	■
Increase in prices of fertilizer and other agricultural inputs	Supporting local fertilizer manufacturers	■	■	■	■	■
	The Presidential Fertilizer Initiative	■	■	■	■	■
	Distribution of subsidized farm inputs such as seeds and farm machinery to farmers				■	■
	National Agricultural Growth Scheme and Agro-pockets (NAGS-AP)					■
Russia-Ukraine war	Muriate of potash (MOP) sourced from Canada				■	■
	Diammonium phosphate (DAP) sourced from Morocco		`		■	■
	Import of GMO wheat from Argentina for animal feed and milling				■	■
Budget deficit	Removal of fuel subsidy					■

4. Conclusions

It is clear that the Russia-Ukraine war and other global shocks have had significant repercussions on the prices and availability of food, fuel, and fertilizer in Nigeria. These shocks are intertwined with local factors, including climate change-induced events, armed conflicts, and policy decisions such as the removal of fuel subsidies. The government has taken steps to tackle these challenges through various policies and initiatives. However, to ensure a stable supply of food and energy while keeping prices under control, it is essential to maintain a constant watch on the situation and be ready to adapt as necessary. Furthermore, a comprehensive approach that considers the interactions of these various shocks, as well as the interconnectedness of the various sectors in Nigeria's economy, is crucial for building resilience and mitigating the impact of future shocks.

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