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Assessing the Impact of Government Price Controls on Farmers' Income and National Food Security in Nigeria

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Executive Summary

In recent months, food prices in Nigeria have declined significantly, making staples such as grains, vegetables, perishable and legumes more affordable for consumers. While this development has eased the cost of living for many households amid inflationary pressures, it has triggered serious concern among farmers, who report that the low prices undermine their ability to cover production costs — particularly fertilizer, pesticides, seeds, and labour. Many smallholder farmers now say they incur losses after harvests, threatening future agricultural investment, productivity, and long-term food security.

This brief examines the drivers of falling food prices, evaluates the impact on farmers' incomes, explores risks to national food security, and identifies policy and legislative actions to balance consumer welfare and agricultural sustainability. Evidence from national statistics, market data, and global agricultural economy research underpins the analysis.

To achieve a more balanced agricultural pricing regime that protects both consumers and farmers, the following actions are hereby recommended:

- ✓ The National Assembly through its Senate and House Committees on Agriculture, the Senate and House Committees on Finance and the Senate and House Committees on Budget and National Planning through their oversight function, may wish to legislate and implement crop-specific Minimum Support Prices (MSPs) that guarantee farmers a floor price above production cost, especially for staples like rice, maize, and cassava.
- ✓ The National Assembly through its Senate and House Committees on Works & Housing; Senate and House Committees on Agriculture; and the Senate and House Committees on Budget & Appropriations, through its oversight function, may wish to advise the Federal Government through the Federal Ministry of Agriculture on the need to invest in storage facilities, agro-processing, and transport infrastructure to reduce post-harvest losses and improve market access for farmers.
- ✓ The National Assembly may wish to urge the Federal Government to shift from blanket subsidies to targeted input support using smart delivery systems (e.g., e-vouchers) that reduce cost disparities for farmers.

1. Introduction

Food prices influence two key pillars of agricultural development: consumer welfare and producer incentives. Where prices are excessively high, households — especially low-income ones, struggle to afford basic nutrition. Conversely, when prices fall below the cost of production, farmers risk



financial distress and reduced output. This tension is at the centre of Nigeria's current agricultural economy.

Reports from market observers indicate that staples like maize, rice, tomatoes, and leafy vegetables have become relatively more affordable in urban markets in late 2025 and early 2026, due in part to increased supply and receding inflation from earlier peaks¹. However, farmers in major food-producing states (e.g., Kaduna, Kano, and Benue) assert that the collapse in farmgate prices² — the prices they receive for their produce, means many earn less than what they spend on inputs. This situation poses a threat to future planting intentions and food supply continuity.

Consequently, this brief examines the drivers of falling food prices, evaluates the impact on farmers' incomes, explores risks to national food security, and identifies policy and legislative actions to balance consumer welfare and agricultural sustainability.

2. Trends in Food Prices in Nigeria

Recent data from the National Bureau of Statistics (NBS) indicate declines in certain food groups in the Consumer Price Index (CPI)³. Although headline inflation remains elevated, segments of food inflation have moderated from their peaks in 2024:

In 2024, Nigeria's food inflation reached above 40%, significantly driven by insecurity, exchange rate pressures, and supply disruptions⁴. By late 2025, some food price pressures eased as supply normalised post-harvest and market inflows increased for key staples⁵.

However, the moderation of prices does not automatically translate into sustainable incomes for producers. The farmgate-to-retail price spread in many regions has widened, meaning that as retail prices fell, farmgate prices fell disproportionately, squeezing farmers' margins.

3. The Cost Structure of Production

For many smallholder farmers, the cost of agricultural inputs has risen sharply:

- i. Fertilizer: Global fertilizer prices remain high compared with pre-COVID levels, partly due to supply chain disruptions and exchange rate depreciation in Nigeria⁶. As of early 2026, fertilizer prices in Nigeria are high, with 50kg bags of NPK 15:15:15 generally retailing between ₦50,000 and ₦57,000. Urea (50kg) is priced around ₦50,000–₦51,000, while specialized blends like NPK 20:10:10 sell up to ₦55,000–₦60,000⁷. Prices fluctuate due to high production costs and import reliance. However, during the peak of the

¹ Natsa, T. R., Okojie, J., Oginyi, N & Ajakayi, A. (2026). Staple food prices drop, cooking oils rise in January. *Businessday NG*. <https://businessday.ng/news/article/food-prices-ease-for-staples-as-cooking-oils-climb-in-january/>

² Kukwar, S. & Makurdi, Y. (2025). Benue farmers lament, decry crashing food prices. *The Guardian NG*. <https://guardian.ng/news/benue-farmers-lament-decry-crashing-food-prices/>

³ National Bureau of Statistics (NBS). Consumer Price Index (CPI). NBS. <https://www.nigerianstat.gov.ng/>

⁴ Central Bank of Nigeria (CBN). (2024). Monetary policy rate hiked to 26.25 per cent. CBN. [https://www.cbn.gov.ng/Out/2024/CCD/PERSONAL%20STATEMENTS%](https://www.cbn.gov.ng/Out/2024/CCD/PERSONAL%20STATEMENTS%20)

⁵ Ibid.

⁶ Food and Agricultural Organisation (FAO). (2025). Fertilizer market update. FAO. <https://openknowledge.fao.org/server/api/core/bitstreams/0>

⁷ Farmsquare. (2026). NPK 20:10:10 Fertilizer (Golden Penny Brand) -50kg Bag. Farmsquare. <https://farmsquare.ng/product/npk-201010-fertilizer/>



COVID-19 pandemic in Nigeria (specifically around April 2020), the Federal Government subsidized and reduced the price of NPK fertilizer to ₦5,000 per 50kg bag⁸.

- ii. Pesticides and Weed Control: These agrochemicals constitute a significant share of production costs, especially for high-yield crops.
- iii. Labour and Fuel: Labour costs and fuel for mechanisation or transport further add to producers' expenses.

Estimates suggest that, for some staple crops, the cost of production can exceed the revenue realised at current farmgate prices, implying that farmers may incur net losses.

4. Factors Driving Food Price Declines

- i. Seasonal Harvest Cycles: During peak harvest periods, increased supply from farms typically lowers prices. If the supply surge outstrips the storage and processing capacity, prices decline rapidly.
- ii. Market Competitiveness and Trader Behaviour: Retailers may reduce prices to attract consumers when demand softens, particularly in urban markets under cost-of-living stress.
- iii. Government Policy Interventions: Nigerian government has implemented some reforms to ensure food price stability⁹. Some of these interventions includes: bulk supply of food stuffs to markets or release from strategic reserves, which aims to reduce prices temporarily to curb inflation; periodic price monitoring and anti-hoarding directives; and adjustment of import duties on key staples to moderate retail prices.

While these interventions have helped moderate consumer prices, they have not sufficiently addressed the imbalance between production costs and farmgate prices. Moreover, inconsistently funded programmes and weak targeting have limited their impact on farmer incomes.

5. Impact on Farmers' Income and Future Food Production

Farmers repeatedly emphasised that they bear the brunt of falling prices. Some of the impact of government price regulation of food stuffs on farmers and food security includes the following:

- i. Reduced profit margins: Lower farmgate prices diminish the gap between revenue and input costs.
- ii. Disincentive to plant next season: When returns are uncertain or negative, farmers may reduce cultivated areas or switch to lower-yield subsistence crops.
- iii. Debt accumulation: Many farmers borrow to finance inputs; falling revenues exacerbate indebtedness.
- iv. Rural economic stress: Farming communities rely on agriculture for income and multiplier economic activity (e.g., processing, transport, shopkeeping). Weak farm incomes undermine local economies. Research shows that when producers cannot cover costs, supply collapses over time, eventually leading to scarcity and price spikes — a harmful boom-bust cycle.

⁸ Olatunji, H. (2020). COVID-19: FG slashes price of fertiliser by 9.1%. The Cable NG. <https://www.thecable.ng/covid-19-fg-slashes-price-of-fertiliser-by-9-1/>

⁹ Onwuamaeze, D. (2026). Food Security: CPPE Tasks FG on Framework for Farm Price Stabilisation, Affordable Food Prices. ThisDay NG. <https://www.thisdaylive.com/2026/02/02/food-security-cppe-tasks-fg-on-framework-for-farm-price-stabilisation-affordable-food-prices/>



At first glance, lower consumer food prices may appear positive for food security. However, agricultural economists stress that food security is not only about affordability at a point in time. It is about consistent, reliable access to sufficient food over time. Nigeria's food security risks include:

- v. Production declines: Lower farmer incentives can reduce crop volumes in subsequent seasons.
- vi. Increased imports: To meet shortfalls, Nigeria may import more food, putting pressure on foreign exchange and balance of payments.
- vii. Vulnerability to external shocks: Dependence on imports exposes the country to global price volatility and supply chain disruptions (e.g., during geopolitical crises such as the Strait of Hormuz disruption discussed earlier).

6. Key Areas for Legislative and Executive Intervention

To achieve a more balanced agricultural pricing regime that protects both consumers and farmers, the following actions are hereby recommended:

- ✓ The National Assembly through its Senate and House Committees on Agriculture, the Senate and House Committees on Finance and the Senate and House Committees on Budget and National Planning through their oversight function, may wish to legislate and implement crop-specific Minimum Support Prices (MSPs) that guarantee farmers a floor price above production cost, especially for staples like rice, maize, and cassava.
- ✓ The National Assembly through its Senate and House Committees on Works & Housing; Senate and House Committees on Agriculture; and the Senate and House Committees on Budget & Appropriations, through its oversight function, may wish to advise the Federal Government through the Federal Ministry of Agriculture on the need to invest in storage facilities, agro-processing, and transport infrastructure to reduce post-harvest losses and improve market access for farmers.
- ✓ The National Assembly may wish to urge the Federal Government to shift from blanket subsidies to targeted input support using smart delivery systems (e.g., e-vouchers) that reduce cost disparities for farmers.
- ✓ NASS may wish to urge relevant government agencies to develop and publicly disseminate real-time price discovery systems that allow farmers to make informed planting and marketing decisions.
- ✓ The National Assembly through its Senate and House Committees on Trade & Investment; Senate and House Committees on Industry, through its oversight function, may wish to advise the Federal Government, through the Ministry of Agriculture, and Ministry of Trade and Investment, on the need to encourage investments in agro-processing and commodity exchanges to improve price stability and create value-added markets that absorb production surpluses.

7. Conclusion



The recent decline in food prices has provided short-term relief to Nigerian consumers grappling with rising cost of living. However, sharp drops in farmgate prices that fall below production costs put farmers' incomes at risk and threaten the sustainability of food production, rural livelihoods, and national food security. Durable solutions require a rebalancing of price incentives through coordinated fiscal, agricultural, and market policies backed by legislative oversight and executive commitment. Without such intervention, short-term affordability gains may be offset by long-term production declines, import dependence, and increased vulnerability to external shocks.

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