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AN EXPLORATIVE ANALYSIS OF FACTORS DETERMINING RUBBER EXPORTS FROM NIGERIA

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The study examined factors influencing rubber export from Nigeria using error correction representation procedures with a view to ensure that the short-run dynamics is being integrated with the long-run supply relationship between rubber export and various explanatory variables. The analysis was carried out using time series data collected over 34 years (1970-2003) on the identified key factors that could influence export of the commodity.

The findings confirmed that rubber export was influenced by the producer's price, world price and the exchange rate. In addition, there is high feedback captured by the coefficients of the error correction mechanism. Statistical significance of the error correction terms validates the existence of an equilibrium relationship among the variables in each cointegrating vectors. There seems to be an instantaneous change in the short run equilibrium to long run equilibrium values of the export as a result of policy changes in the regressors. Based on the observations, policy inputs are provided.

Keywords: Cointegration, Error correction mechanism, Export, Nigeria, Price, Rubber.

INTRODUCTION

Before 1970s agriculture had contributed to over 60 percent of Nigeria's gross domestic product (GDP) (Famoriyo and Nwagbo, 1981). It also provided employment for over 70 percent of the population and met the food, raw materials and foreign exchange requirements of the country. Now, in spite of the predominance of the petroleum sector in Nigeria's economic growth and development, agriculture sector remains as a major source of economic resilience (Ojo and Akanji, 1996). However, the oil boom in the early 1970s caused a drastic fall in the contribution of the agricultural sector to 35 percent by early 1980s (Olomola, 1995; Yusuf, 2000; Mesike, 2005). Nigeria, once a leading exporter of several agricultural products like cocoa, rubber, palm kernel and groundnut has lost her leadership and has become importer of products like groundnut and palm oil.

Natural rubber has been facing a dwindling performance in terms of domestic production and export. The bleak performance of the sector manifested in the cutting down of rubber trees and their replacement with food crops. The area under rubber smallholdings had declined from 207,500 hectares in 1966 to about 147,000 hectares by 1980 (Momoh, 1987).

Realizing this situation, several policies and programmes were instituted by the

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