ACREAGE RESPONSE OF SOYBEANS TO PRICE IN NIGERIA

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ABSTRACT

The decision with regards to allocation of area to any crop by farmers among other things depends on the prices of the individual crop. The extent to which farmers respond to economic incentives is thus crucial to policy makers. This study was aimed at estimating the acreage response of soybean to changes in price in Nigeria from 1976 to 2012. Time series data in respect of soybean area harvested (hectares) and producer price of soybean in local currency (Naira/tonne) were obtained. Augmented Dickey Fuller (ADF) test and, the Johansen co integration technique were employed to test for the stationarity of the variables and the long-run relationship between variables respectively. Result indicates the presence of one co integrating long run equilibrium relationship between the variables. The Vector Error Correction Model (VECM) estimates showed that soybean price had a negative influence on the area harvested. Suggesting that a decrease in soybean price will result in reduction in area cultivated, leading to a decrease in profit and a decrease in profit gives disincentive to farmers to produce more. Therefore, positive price policy would undoubtedly encourage farmers to bring more area under soybean crop to boost the production of soybean in Nigeria.

Keywords: Acreage response, ADF, VECM, Soybean, Nigeria.