Finafrica Bulletin



CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE

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Contents

A CONFERENCE ON AGRICULTURAL CREDIT IN AFRICA SOUTH OF SAHARA, ORGANIZED IN ACCRA BY F.A.O. *by R. Ruozi* 3

THE AGRICULTURAL CREDIT SYSTEM OF LIBERIA *by A. Mohamed Sherif* 11

MONEY AND CREDIT IN AFRICA 18

ITALIAN SURVEY 29

AFRICAN SURVEY 40

Sommaire

CONFERENCE SUR LE CREDIT AGRICOLE EN AFRIQUE SUB-SAHARIENNE ORGANISEE A ACCRA PAR LA F.A.O. *par R. Ruozi* 3

LE SYSTEME DU CREDIT AGRICOLE AU LIBERIA *par Mohamed Sherif* 11

MONNAIE ET CREDIT EN AFRIQUE 18

NOUVELLES ITALIENNES 29

NOUVELLES AFRICAINES 40

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THE AGRICULTURAL CREDIT SYSTEM OF LIBERIA

Liberia has a total area of 111,400 sq.km. Arable land comprises about 35% (3.8 million hectares). Total population is approximately 1.5 million with 74% dependent upon agriculture.

In 1972 Liberia's gross national product was $ 484 million. The 1972 annual gross value output of major agricultural crops is as follows:

Rubber	$ 29.0 million
Rice	20.0 »
Forest Products	8.2 »
Coffee	4.5 »
Poultry	3.5 »
Fish	2.5 »
Palm Oil	4.0 »
Cocoa	2.2 »
Sugarcane	3.0 »

The average yields for rice on upland farms are about 900 kg/ha unmilled. Average yields for irrigated paddy are about 3,000 kg/ha unmilled. Yield estimates are not available for the remaining crops.

The are numerous carpentry shops within the country dependent upon the forestry Industry. In 1972, the Liberian Product Marketing Corporation began operating a palm kernel extractor mill. There is a growing internal market for palm kernel expeller cake used for animal feed.

In Liberia, as in most countries, there is a dichotomy between commercial and subsistence farming. Rubber accounts for almost all of the commercial farming. Being heavily dependent on rubber, the agricultural sector is vulnerable to fluctuations in world prices. The Ministry of Agriculture is emphasizing crop diversification in order to reduce the risk of falling rubber prices, assure a wider participation of the population in the money economy and reduce losses by spreading the risk of unfavourable weather and the attacks of diseases and insects.

As the principal subsistence food crop, rice is produced throughout Liberia. However, only a small portion enters marketing channels and in recent years there has been a steadily widening gap between the rice demand of the non-farm population and the supply of home produced rice. Presently, 40 to 50 thousand tons of rice are imported annually; this necessitates a foreign exchange outflow of about 10 million dollars. Therefore, the Government

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has placed highest priority upon attaining self-sufficiency in rice production. For many years ecologists, soil scientists, and agriculturists have been unanimous in pointing out that tree crops have many advantages in Liberia. They are especially adapted to the soils and climates, they provide good ground cover for resisting erosion and are potential sources of cash crops for both internal and external markets. Crops suitable for Liberia include rubber, coffee, cocoa, palm oil, coconuts, citrus and other fruit crops. The Ministry has initiated programs to provide nursery stock, fertilizer, land clearing and extension services for individual farmers as a means of stimulating increased production of tree crops.

Liberia is presently importing about $2 million worth of meat animals and products annually, including live animals and all forms of fresh, chilled, frozen, cured and canned meat. Most of the imported meat is for a relatively small portion of the population, chiefly in Monrovia, diets throughout the country generally lacking protein.

It is estimated that 15,000 head of live cattle are imported across the borders into Liberia each year, but there are indications that this source of protein may be cut off or greatly reduced within a few years.

With a rapidly growing non-rural population, more off-farm jobs and rising incomes, the present demand for meat will continue to grow. There is both a need and an opportunity to produce more meat for the internal market.

Traditionally, the cattle industry has supplied an insignificant proportion of the nation's potential demand for protein because of a number of obstacles; the heavy cover of rain forest over much of the country not only excluded extensive grazing, but also harbored the Tse Tse fly, vector of trypanosomiasis which is a deadly disease for non-resistant, intolerant cattle. Experiments are being conducted at the Central Agricultural Experiment Station to develop cattle resistant to trypanosomiasis. The Ministry has initiated a pasture development program in order to stimulate cattle production.

According to the available information, all commercial bank loans go to large concessionaire farmers or to cooperatives. The only loans going to small farmers are those granted by the Ministry of Agriculture.

i) The percentage of loans going to Agriculture is very small;

ii) Within 1 year-short term
Most of the loans are short term;

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iii) Almost all of the loans go to cooperatives
Most of the loans go for marketing purposes.

A. Information about Agricultural Credit Institutions

Although the volume of credit in dollar terms is not available, it is understood that an enormous amount of non-institutionalized credit is extended to small farmers. Most of this credit is not only for agricultural inputs but much of it is for consumer goods.

The terms and conditions are understood to be somewhat exhorbitant compared to the commercial interest rate.

The Division, in its continuous effort to transform the rural areas and improve the economic level of the rural population through cooperatives, has encouraged the development of credit unions throughout the country. A credit union is a savings and credit cooperative society with the main objective of teaching its members the importance of thrift and of making purposeful credit to them at a reasonable rate of interest.

With this view in mind, the Ministry of Agriculture, through the Cooperative, Credit and Marketing Division, registered 17 Credit Union Cooperatives with a total membership of 2,600.

The assets of these unions accrued from the savings of their members amounted to $ 210,000.00, out of which $ 90,000.00 was given to members as loans for productive and provident purposes such as farming, business, education and medical facilities.

In the absence of a specialized credit institution the Ministry of Agriculture in its endeavour to promote agriculture through the Division of Cooperative, Credit and Marketing Division, granted to both cooperatives and small farmers credit for two purposes; to wit:

1. Agricultural inputs such as fertilizer, seeds, insecticides and various agricultural machinery;
2. Land development for the purpose of encouraging rice production, tree crops and pasture.

The Division received 62 applications from cooperative and individual farmers totalling $ 577,312.17 out of which 33 were processed.

The Division, through the Liberian Produce Marketing Corporation (LPMC) appropriated $ 253,000.00, as short-term credit to 13 farmers' cooperatives who are serving as buying agents for LPMC.

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B R E A K D O W N

Application		Purpose	Amount
Cooperatives	7	Machinery Inputs	$ 71,655.53
Cooperatives	3	Land Development	362,693.34
Individuals	8	Small Tools & Inputs	1,126.10
Other	15	Pasture Development	139,709.05
Individuals	29	In process	2,128.15

The Division has been working in collaboration with the Liberian Produce Marketing Corporation to find better markets for the major commodities produced locally. To this end, more than half of the cooperative societies, which are multi-purpose cooperatives, were granted LPMC Buying Agencies. These societies collect and deliver members' produce to LPMC for sale. A 5% commission and handling allowance is given to the cooperatives to recuperate their administrative expenses. Moreover, the Division transmits periodic market intelligence from LPMC to the cooperatives and collects monthly statistics on all produce purchased and marketed by every society.

The following are the cooperatives granted LPMC Buying Agencies for the 1972-1973 Season:

Lofa County:

Intofawor Farmers Cooperative Society Ltd.
Voinjama District Farmers Cooperative Society Ltd.
Zorzor District Farmers Cooperative Society Ltd.
Gbandi Farmers Cooperative Society Ltd.

Bong County:

Gbatala Development Cooperative Society Ltd.

Nimba County:

Seh-Leh-Tur Farmers Cooperative Society Ltd.
Zo-Karkiah Farmers Cooperative Society Ltd.
Gbhumsia Farmers Cooperative Society Ltd.
Dokpo Farmers Cooperative Society Ltd.
Wodo Farmers Cooperative Society Ltd.
N'Boe Tayee Zoe Geh Farmers Cooperative Society Ltd.

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Grand Gedeh County:
Amenu Farmers Cooperative Society Ltd.
Maryland County:
Cape Palmas Cooperative Society Ltd.

Statistics reveal that the above cooperatives for the first 3 months of the 1972-3 season sold approximately 402,000.16 lbs. of produce valued at about $ 919,691.69. This accrued a total commission and handling allowance received by the cooperatives of $ 180,865.20.

B. Loan Operations, Procedures and Policies of Institutional Credit Agencies

Disbursement occurs on an as needed basis throughout the year. The method of determining the credit limit varies according to individuals. All banks charge the market rate of interest which is presently 10% per year. The limited experience of local banks in granting loans to farmers has been restricted to medium term for such things as trucks and tractors. The vehicles themselves serve as collateral for the loans. The method of assessing repayment capacity is to evaluate past production records. The loans given by the banks have been made in lump sum grants. The bank personnel supervise utilization of the loans granted.

The only loans that are granted with a grace period are land development works performed by Agrimeco — a government corporation charged with mechanical land development under the control of the Ministry of Agriculture. With respect to credit-in-kind granted by the Ministry of Agriculture, farmers obtain applications from extension field workers and submit these to the Credit Committee of the Ministry of Agriculture which decides the credit worthiness of each applicant. The committee has not yet given extensions on due dates of repayment. The Division of Cooperative Credit and Marketing is responsible for handling repayment of loans. The Ministry of Agriculture personnel works in coordination with banks to obtain credit for individual farmers and cooperatives. The Cooperative Credit and Marketing Division conducts meetings and seminars in the rural areas designed to educate the local people on advantages and methods of using credit with particular emphasis on organizing themselves into credit unions.

1. Government — The Ministry of Agriculture provides credit in kind for agricultural inputs, land clearing services, subsidized tree crop nursery

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stock and operating capital for produce purchasing to individual farmers and cooperatives to the extent feasible within the limited resources allotted for such purposes by the government.
2. At present Liberia does not have a Central Bank.
3. No data is available concerning sources of agricultural credit available from external sources.

The Cooperative Credit and Marketing Division has instituted a program of Credit Union education designed to mobilize rural savings. Other than the few Credit Unions established there are no other types of facilities offered for savings mobilization in the rural areas. Resources of the Ministry of Agriculture are limited to the extent to which the Credit Union Program has been able to reach the rural people.

C. Sources of Finance and Conditions of Supply of Funds to Lending Institutions

The Government subsidizes the cost of tree crop nursery stock to farmers. Loans given to farmers for credit in kind inputs and land clearing is provided interest free. The Ministry of Agriculture is presently trying to implement a price support scheme with the Liberian Produce Marketing Corporation for coffee, cocoland palm kernel.

All of the Ministry's programs are designed to raise the living standards of the rural people. The present credit in kind program favours a crop development approach in that most of the funds are designated for production of rice. The activities of land development favor an area-wise approach due to the overhead cost of transporting heavy equipment. Approximately 4% of the national budget each year is allocated to the agricultural sector.

The Ministry of Agriculture has been coordinating efforts of Agrimeco, LPMC and a local development bank to enhance the agricultural credit situation for local farmers.

D. Government Participation

The main constraint to increasing rice production under the slash-and-burn traditional farming methods is labor. However, some increase is possible by adopting modern agricultural practices such as fertilizer, high yielding varieties etc. To increase the production of rice by any considerable amount requires that the farmers switch from growing upland to swamp rice. There are enough

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small swamps throughout the country to accomplish self-sufficiency in rice production, but most of these areas are not large enough to economically utilize heavy equipment. Therefore, a special group was created within the Ministry, called the Advance and Technical Assistance Teams, that will aid farmers to develop these small swampy areas into rice paddies.

One constraint to overall agricultural development is the cost of transportation. The present road network is inadequate to allow economically productive use of the majority of Liberia's arable farm land.

Under the traditional method of agriculture the farmers have almost no cash outlay during the production season and sources of finance are not a major problem. However, as farmers begin to adopt modern methods of production there will have to be increases in the sources of credit.

The Ministry of Local Government is presently constructing markets in all major towns serviced by roads. The LPMC assures a viable market for all exportable produce and has established three large rice mills in strategic locations throughout the country to handle the increase in rice production. The main impediment to efficient marketing is the high cost of transportation.

A. Mohamed Sherif

LE SYSTEME DU CREDIT AGRICOLE AU LIBERIA

RESUME

L'Auteur, après une brève présentation des points les plus importants de l'économie libérienne, examine la production agricole et ses caractéristiques, mettant l'accent sur le fait que le Pays dépend gravement de l'étranger pour beaucoup de productions primaires et sur la nécessité de développer ces productions à l'intérieur. Ensuite nous avons une analyse de la situation du crédit agricole et en particulier des conditions selon lesquelles les crédits sont concédés aux institutions opérant dans ce secteur. Ensuite les crédits monétaires et en nature sont analysés selon l'échéance et la destination du prêt.

Après avoir insisté sur la participation du gouvernement au financement de l'agriculture, l'Auteur conclut en mentionnant quelques obstacles au développement de la production agricole.

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