A Review of the Nigerian Floating Exchange Rate Regime and its Effect on Food Prices

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ABSTRACT

This study reviews the Nigerian floating exchange rate regime and its effects on agricultural food prices. Nigeria's adoption of a floating exchange rate regime in June 2023, shifting to a market-driven system, has significantly impacted agricultural food prices, driven by naira depreciation. This systematic review looks at how agricultural inputs affect the economy in Nigeria. Agriculture provides jobs for many and helps ensure food security. The review combines peer-reviewed articles and reports published between 2015 and 2022. It uses both qualitative and quantitative methods to understand price changes, market fluctuations, and their impacts on farmers and consumers. The review shows that when the currency loses value, it raises costs for imported inputs, contributing to a food inflation rate of 40.87% in June 2024. This situation reduces affordability since food represents 56.65% of household spending. This is the impact of the exchange rates; even lesser inflationary pressure than that produced by one rate is that of the parallel market rates. Exchange rates of a weak naira will serve the interest of commodity exportation like cocoa. This also assists in reducing profitability of small holder farmers due to the high cost of production. The Central Bank of Nigeria, for its part, has instituted the injections of cash into the foreign exchange to as much as 360 million dollars and introduced the Electronic Foreign Exchange Matching System. All of this is intended to eliminate volatility in the market. There are some issues which are not addressed by the current methodologies of data collection and organisational structure. The two general recommendations as provided in the review are with the intention of building production within the country as well as building infrastructure to restrict use of foreign inputs.

Keywords: Nigeria, Agriculture, Floating Exchange Rate, Food Prices.

INTRODUCTION

The only significant shift in the monetary policy of Nigeria occurred in June 2023 when the country switched to a floating exchange rate system. The government shifted from a managed float to a market driven system where buyers and sellers set the price (Ozili, 2024). The Central Bank of Nigeria merged several exchange rates into one rate. The bank aimed to unify the market, speed up transactions and attract foreign funds (Nweze, 2025). The new system differed from the past, when the bank changed the naira rate often to keep it steady - these changes warped prices and let traders profit from small gaps (Isibor, Olokoyo Arogundade, Osuma & Ndigwe, 2018). The float brought quick problems. The naira fell to ₦708.2 per United States dollar in seven days, a sign that swings would continue (Oseni, Adekunle & Alabi, 2019; Zakari, Bakkihs & Asue, 2024). The drop has hit the Nigerian economy, above all the agricultural sector that forms a large share of output and jobs. It has been attributed to the floating exchange rate system that has resulted in an increase in food prices of 40.87 percent in June 2024. It is putting pressure on household budgets and endangering national food security (Zakari et al., 2024).

This review aims at analysing the effects of the floating exchange rate in Nigeria on the prices of agricultural products. It will discuss the impacts of fall in currency on the cost of production in the market and welfare of

consumers. The research will examine the effects of fluctuations in the exchange rate on the agricultural chain of value, including cost of inputs up to retail prices. It puts into consideration the larger implications to the farmers, consumers, and policymakers (Bada, 2016). The objective of the review is to gain a complete picture on how the floating regime impacts the Nigerian food economy besides the means through which the impacts can be mitigated through the combination of the practical understanding and theoretical backgrounds. The Nigerian economy relies on imports, limits exports and follows a monetary policy that twists farm prices into a hard-to-read shape (Ufoeze, Okuma, Nwakoby & Alajekwu, 2018). The method rests on a full survey of peer reviewed papers, policy notes plus fresh economic reports so the data stay up to date (Eregha, 2022).

The study keeps its eyes on Nigeria, yet it sets the country beside other developing states that meet similar exchange rate shocks (Ali et al., 2020).

It gathers work that uses solid tools - econometric tests and case studies - to lay out price indices, numeric trends but also the plain words of farmers and traders (Wiseman, Luckstead & Durand-Morat, 2021).

It asks how food price swings, the ways farmers as well as markets adapt and sudden exchange rate moves link together besides it answers by pooling all found results (Oye et al., 2018).

The final critique hands policymakers a set of steps to hold food prices steady, strengthen farming and keep Nigeria's food supply safe under a floating exchange rate rule.

Background and Context

Nigeria has struggled to keep its economy steady while it opens to the rest of the world - its exchange rate rules have shifted repeatedly. From the 1970s until the early 2000s, the Central Bank of Nigeria used a fixed or heavily managed float. The bank entered the market whenever it needed to hold the naira at a set level against the dollar and other major currencies (Isibor et al., 2018). The interventions sought to protect the economy from external shocks, but they reduced market flexibility. A key event came in 1986 with the Structural Adjustment Programme, which removed controls on the exchange rate. The reform triggered instability - prices rose purchasing power dropped and the naira lost much of its value (Ibrahim, Akinbobola & Ademol, 2017; Ufoeze et al., 2018). Nigeria's economy already rested on oil income and the programme's liberal policies exposed that weakness - exchange rate swings became sharper (Bada, 2016).

In a bid to expand non-oil export and diversify the economy, Nigeria switched to managed float regime and multi-exchange rates in 2014 (Ozili, 2024). Parallel market exchange rates were however far apart from the official ones, hence deroding the market confidence resulting in price distortion and arbitrage (Asue & Ikyaator, 2023). The CBN made a very bold step in June 2023 by combining these rates into a floating exchange rate regime on a willing buyer-willing seller principle to enhance transparency and further attract foreign capital (Nweze, 2025). It had the initial impact of a sudden naira depreciation to ₦708.2 against the US dollar which is a reflection of the market responding to the new situation (Moses-Ashike, 2025). Up to 2025, the official exchange rate will have been stabilized at ₦1,530/$, whereas the parallel market at that time will be around ₦1,580/$, with lasting but decreasing variations (Nwite, 2025).

A shift in regimes towards floating regime was warranted by the need to correct malpractices within the foreign exchange market and lessen the financial cost associated with naira subsidies. The previous multiple-rate was encouraging speculation and competitiveness of non-oil industries, including agriculture (Okechukwu et al., 2023). Consensus rate was supposed to eliminate arbitrage and introduce a more stable economic system but, at the same time, introduced short-term volatility as observed when the naira declined to ₦1,600/ in 2025 (Eregha, 2022). These fluctuations have been contained by the next series of interventions by the CBN which includes injecting $360 million into the forex market and this is a manifestation of tightrope walking involved running a floating regime (Nwobu, 2025). The Nigerian economy has agriculture as a key industry. It also has a huge contribution to gross domestic product (GDP) and offers jobs to a large number of people living in the rural setting, particularly, in staple foods like cocoa, rice, and maize (Wiseman et al., 2021). The industry has a wider purpose than national interests; other crops like cocoa also receive a substantial amount of exports, bringing extra value to the foreign exchange reserves of Nigeria (Musa, 2021).

Agriculture is disadvantaged organizationally, no matter how significant. These are low productivity, poor infrastructures and overdependence on the imported inputs such as fertilisers, seeds and machineries (Ikuemonisan, 2024). This suggestion that the industry is highly dependent on imports places it in a difficult position where it is very vulnerable to drastic changes in the exchange rate. Devaluation of the naira implies that the cost of inputs will increase, and these costs will be passed on to the consumer thereby increasing food prices (Oye et al., 2018). These problems have been worsened by the floating exchange rate system resulting in the cost-of-living crisis. The food inflation has increased to 40.87 percent in June 2024 as a result of the devaluation of the naira. Food consumption constitutes 56.65 percent of household spending hence it has significant impacts on what one is able to spend particularly on low-income earners and food security is affected (International Monetary Fund [IMF], 2023).

The main link between exchange rates and food prices in agriculture is the exchange rate pass-through effect. When currency values drop, the cost of imported goods rises, which directly affects domestic prices (Ali et al., 2020). For example, the rising import costs of fertilizers and pesticides increase production expenses, driving up prices for staples like rice and maize (Njoroge et al., 2023).

Furthermore, the market-driven floating regime leads to greater price volatility. Global economic trends and speculation can change exchange rates, which then affect agricultural supply chains (Nweze, 2025). This relationship underscores the need to understand the historical and structural context of Nigeria's exchange rate policies and how they impact agriculture. This review builds on this foundation to explore how the floating exchange rate regime shapes food prices and to identify strategies for mitigating its adverse effects on Nigeria's agricultural sector and the broader economy.

Theoretical Framework

A number of economic theories explain the bonds between exchange rates and agricultural food prices, giving ideas about the effects of currency shifts on Nigeria's agriculture in the new floating exchange rate regime introduced in June 2023. Using these theories, it is possible to extensively understand the factors leading to changes in food prices in Nigeria which cannot produce enough food (Umaru, Ado & Yusuf, 2024).

According to the Exchange Rate Pass-Through (ERPT) theory, the rise in import prices caused by currency depreciation gets passed on to local prices, particularly in economies importing many products from other countries (Musa, 2021). Since Nigeria needs to import fertilisers, seeds and machinery for agriculture, raising prices becomes unavoidable when the naira is weak, and this cost is always passed on to people (Asue & Ikyaator, 2023). Recent empirical studies by Bada (2016), Umaru et al. (2024) and Zakari et al. (2024) conclude that Naira-denominated price growth in Nigeria responds significantly to exchange rate shock because there is not enough domestic input production. Moreover, Eregha (2022) found that in June 2024, food inflation increased dramatically due to these shocks, reaching 40.87%. Precisely, the ERPT shows that the Nigerian market for agriculture is prone to price hike. To aggravate this crisis, the condition is volatile on the market as a result of the floating regime (Nweze, 2025).

Purchasing Power Parity (PPP) will have exchange rates adjust themselves automatically so that the prices will be fixed in relation to the prices of other nations. This makes commodities never changing price if they are in terms of the same cash (Ufoeze et al.,2018). The value of naira currency in the country will be devalued to mean that restaurants and supermarkets would have increased the price of imported foodstuffs like rice and wheat. It can lead to an increase in inflation (Okechukwu et al.,2023). Though the cost in the developing world is relatively higher otherwise due to the barriers in trade, the market barriers as well as heightened shipping cost (Wiseman et al., 2021). The very poorest households consume the lowest income to more than fifty percent as a purchase of food. This also may push the inflation rate of the staple food in Nigeria i.e. the households will not be able to consume more due to devaluation of naira (Dangiwa, Abdulkarim & Audu, 2024). The industry also puts into consideration the effects of the currency change to the domestic market prices as well as the trade.

The impact of the changes can be exposed via the foreign trade. The devalued currency will render the Nigerian exports competitive to the foreign buyers. This would favor the cocoa producers and enhance foreign exchange in Nigeria (Isibor et al., 2018). However, inflationary rise favors the aggregate level of foreign inputs that are

used in food production in the nation by farmers (Adegboye, Adekunjo & Adesina, 2020). There are also some negative effects on it. The export farmers are also gaining higher returns, but individuals who bought it receive a premium and import-dependent individuals will become volatile (Oye et al., 2018). They are impulses that are promoted during the floating regime time. The market-determined exchange rates are also susceptible to the shockwaves of the shocks on the world's economy that radiate at the ends of the world e.g. when naira would be trading at ₦1,600/USD in 2025 (Nwite, 2025). Monetary Economic Theory guides exchange rate policy to rely on the inflation mechanism brought about by money supply and capital flow and a floating regime will bring about an acceleration of inflation pressure that will not be well bred (Bada, 2016).

CBN floating regime compelled it to control its unregulated value of naira and limited its monetary policy instruments of control like interest rates and foreign exchange intercessions to control inflation effectively (Nwobu, 2025). Capital flight indicated by a zero volatility cheque makes it incur less on agriculture and increase the price of food because of lack of food (Ali et al., 2020). The theory explains how critical the work of CBN is to attain compromise between price stability and exchange rate flexibility due to the high rate of food inflation in Nigeria (Musa, 2021). Theories are also beautifully practiced in Nigeria due to the economy.

The ERPT is particularly significant, as studies (Asue & Ikyaator, 2023; Demirkılıç, Özertan, Tekgüç, 2022; Nguyen, Pham, Vo & Tran, 2024) demonstrate a strong correlation between exchange rate depreciation and domestic food price increases, driven by the cost of imported inputs. The PPP theory applies to Nigeria's agricultural trade, where a depreciated naira enhances export competitiveness but raises domestic food prices, creating a delicate balance for policymakers (Okechukwu et al., 2023). International Trade Theory highlights the potential for export growth and the challenges of import dependency, which the floating regime exacerbates (Nguyen, Pham, Vo & Tran, 2024). The Monetary Economic Theory emphasises the need for robust CBN interventions, such as the $360 million foreign exchange injection in 2025, to mitigate volatility and stabilise food prices (Nweze, 2025). Collectively, these theories offer a thorough framework for examining how Nigeria's agricultural food prices are affected by the floating exchange rate, directing the review's empirical investigation and policy suggestions.

METHODOLOGY OF REVIEW

The impact of Nigeria's floating exchange rate regime, which went into effect in June 2023, on agricultural food prices is examined in this systematic review by synthesising research findings. The design of the study can conduct a thorough analysis of the study as it takes into account newly published, high-quality, and relevant studies. The literature included all the studies published 2015 and later because it reflects the recent policies and economic directions (Eregha, 2022). The duration delineates the run-up and the aftermath of the shift to a floating exchange rate regime system from a managed float, proposing short term and long-term implications for Nigeria's agricultural sector (Nweze, 2025). While trying to ascertain high quality and relevance of the research, the research were selectively chosen using precise inclusion/exclusion criteria. The policy briefs, economic analysis, and peer-reviewed journal articles were only included that talked about the exchange rate policy of Nigeria and was relevant to the purchasing cost of agricultural foods. In selecting studies that would be confined to data and context in Nigeria, only authors such as Musa (2021), and Ozili (2023) were selected. Wiseman et al. (2021) advocated for demonstrating methodological rigour, employing econometric modelling, case studies, or qualitative stakeholder analyses to provide credible evidence on the interplay between exchange rates and food prices. Sources that lacked a clear focus on Nigeria or failed to address agricultural price dynamics were excluded to maintain specificity.

The temporal scope of the review spans from 2015 to 2025, a period that encapsulates significant exchange rate policy changes, including adopting a managed float with multiple rates in 2014, the unification into a floating regime in 2023, and subsequent economic adjustments. This decade-long frame allows for an examination of both short-term effects, such as the naira's depreciation from ₦464.5 to ₦708.2 per US dollar in June 2023, and longer-term trends, such as the stabilisation of the official rate at ₦1,530/$ by 2025 (Nwite, 2025). The geographic focus is primarily on Nigeria, given its unique economic structure, characterised by import dependency and agricultural export potential (Isibor et al., 2018). Where relevant, comparative insights from

other developing economies facing similar exchange rate challenges, such as those discussed by Ali et al. (2020), were included to contextualise Nigeria's experience.

Analysis employs both the qualitative and quantitative methods in order to synthesise evidence and determine trends, gaps and policy implications. The review employs qualitative methods in order to generalise theories related to purchasing power parity (PPP) theory and exchange rate pass-through (ERPT) theory to explain the effect of exchange rate fluctuations on food price (Ufoeze et al., 2018). This is associated with the combination of the perception and arguments of various stakeholders to learn how the market works such as how CBN manages volatility (Adegboye et al., 2020). The review analyses with econometric models, price indexes, and statistics to determine the effect of the floating regime on food price volatility, including the fact that the price index recorded an increase of 40.87 percent in food inflation in June 2024 (Israel and Charity, 2024). The studies included in the review have performed regression analysis as a part of their methodology to identify the effect of changes in the exchange rate on the price of food due to specific findings (Bada et al., 2016). The paper was structured through the summarization of the results of price transmission, food price volatility, and consumer and farmer impacts (Oye et al., 2018). It also determined the literature gaps that can be applied in subsequent research, e.g., the results that highlighted long-term effects and individual crops (Nwobu, 2025). This is a model that encapsulates everything related to the effect of floating exchange rate on food agricultural prices in Nigeria, and all these have been backed by credible statistics and made in the context of the economy of Nigeria.

Effects of the Floating Exchange Rate on Agricultural Food Prices

Nigeria's adoption of a floating exchange rate regime has had a significant impact on agricultural food prices, changing the economic environment for farmers, consumers, and markets. The regime has created both opportunities and challenges by letting the market determine the value of the naira through the willing-buyer willing-seller principle, which posits that a transaction only takes place when the buyer and seller willingly agree on the terms, especially in an agricultural sector that depends heavily on imports (Ozili, 2024). Price transmission mechanisms, food price volatility, effects on farmers and producers, and consumer and market dynamics are the four main dimensions that are discussed in this section to analyse the complex effects.

Price Transmission Mechanisms

The floating exchange rate regime has significantly driven up agricultural input costs in Nigeria, primarily through the depreciation of the naira. A devalued currency increases the value of imported farm inputs that are crucial in farming at the farm (Musa, 2021). A proper example of that kind of situation is the quick depreciation of naira by ₦464.5 to ₦708.2 per US dollar, which happened within a week following the announcement of the regime in June 2023, which led to an increase in import prices due to the depreciation of the exchange rate on domestic food prices (Alli, 2025). There is an exchange rate pass-through (ERPT) effect, which can be realized through currency depreciation and rising domestic prices, which is very evident in Nigeria, as it uses a high amount of foreign input (Asue & Ikyaator, 2023). Generally, the US has experienced a rise of US$244.74 million in foreign fertiliser prices, which is one of the major inputs in agriculture production, and producers have no option but to transfer the cost to consumers (Okechukwu et al., 2023). This has also helped in food inflation that has posted 40.87 in June 2024, as reported by the National Bureau of Statistics (NBS). Factors. Also present are factors, including the country's low-level base of domestic inputs and making contributions to domestic input production that dissuade domestic input production and add further to the exchange rate shock, which increases food prices (Bada et al., 2016). Due to the market-oriented policy of the floating regime, the market price reacts to the variation in international ones and hence cost pressures are exposed to all the segments of the agricultural value system (Nweze, 2025).

Food Price Volatility

The floating exchange rate has significantly increased food price volatility in Nigeria, undermining economic stability. Due to fluctuating exchange rates and reliance on imported goods, food inflation hit 40.87% in June 2024, according to data from the National Bureau of Statistics (NBS) (Jaiyesimi, 2024). The exchange rates have led to the country experiencing a rise in the price of rice because the price of inputs increases and the country has not been in a position to reduce the price of the imported rice (Wiseman et al., 2021). It is raising the prices

of maize thus rendering the market unstable because the inputs prices are rising owing to the high import rate of fertilisers and other inputs (Ufoeze et al., 2018). This volatility can even be found in a floating system at the mercy of the market that is witnessed in the year 2025 when the world oil prices experienced an explosion within the world economy (Nwite, 2025). In the coefficient, in which the movement of the parallel market exchange rate was lower than the official rate, Eregha (2022) obtained the coefficient of.1.084 on the effect of food inflation. The consumers and farmers cannot make the required and effective decisions to an unstable market (Moses-Ashike, 2025). The occurrence of external shocks and price volatility will continue to afflict the agro sector considering that Nigeria is an importer and there is no way of stabilising the agro sector price (Ali et al., 2020).

Impact on Farmers and Producers

The floating exchange rate regime presents substantial obstacles for farmers and producers, chiefly because of increased production costs and decreased profitability. Profit margins are squeezed by the rising cost of imported inputs like machinery, fertilisers, and pesticides, especially for smallholder farmers who control the majority of Nigeria's agricultural output (Isibor et al., 2018). For instance, many farmers have been forced to lower application rates due to the rising cost of imported fertilisers, which has resulted in decreased output and lower yields (Njoroge et al., 2023). Although these tactics frequently reduce productivity, some farmers have adjusted by switching to less input-intensive crops like sorghum or millet or by replacing imported inputs with domestic ones (Oye et al., 2018). Econometric analyses by Wiseman et al. (2021) indicate that exchange rate depreciation negatively affects agricultural output in both the short and long run, as higher costs discourage investment in farming. However, a weaker naira enhances profitability for export-oriented crops like cocoa by making Nigerian products more competitive globally, providing a silver lining for some producers (Nweze, 2025). Despite this, the overall impact on smallholder farmers remains adverse, as limited access to credit and markets restricts their ability to capitalise on export opportunities (Musa, 2021). The floating regime's volatility further complicates financial planning, as fluctuating input costs erode farmers' resilience (Nwobu, 2025).

Consumer and Market Impacts

The floating exchange rate regime has significantly reduced food affordability and consumer purchasing power in Nigeria, exacerbating socioeconomic challenges. The NBS data shows that food accounts for over half the money spent by households, and food inflation has reached 40.87% (Jaiyesimi, 2024), which is putting a big strain on low-income families. A weaker naira makes it more expensive to import food for local consumption and business use, which raises retail prices and increases poverty and food insecurity, particularly for vulnerable populations (IMF, 2023). Consumer stress has increased as a result of market disruptions brought on by rising import costs, which have occasionally resulted in short-term shortages and steep price increases (Okechukwu et al., 2023). Since rice and wheat have become much more expensive, many consumers are either buying less of them or looking for alternatives (Asue & Ikyaator, 2023). Since the new rate takes into account the declining value of the naira, unification has increased the cost of imported food even though it decreased trading opportunities (Ozili, 2024). As a result, consumers are purchasing less, which has an impact on both small businesses and regular vendors (Bada, 2016). Importers may experience unstable supplies and prices as a result of the flowing regime's uneven costs (Ufouze et al., 2018). The goal of the CBN's Electronic Foreign Exchange Matching System (EFEMS) and other initiatives is to increase market transparency and reduce price spikes caused by speculative trading. However, overall, the amount of products purchased is not significantly impacted by these changes (Nwobu, 2025). Food prices have increased due to a floating exchange rate, which has put many people in financial difficulties and jeopardised fairness.

Empirical Evidence from Nigeria

The adoption of a floating exchange rate regime in Nigeria in 2023 has had significant implications for agricultural food prices, as evidenced by a range of empirical studies (Dangiwa et al., 2024; Ibrahim et al., 2017; Israel & Charity, 2024; Zakari et al., 2024). Economic and statistical analyses are used to explain the effect of exchange rate changes on food prices and stakeholders' opinions are also included. By studying the disconnect between currency, change in imports and levels of inflation, the evidence uncovers weaknesses in the literature that should be further examined.

They demonstrate that the floating exchange rate affects the prices of food. The study (Eregha, 2022) looked at econometric data to determine the variations in food inflation for both parallel and official rates. The results show that Bureau de Change and similar market (BDC) exchange rates play a stronger role, as evidenced by the coefficient of 1.083 ($P<0.000$), proving that the informal market has a significant impact on prices (Eregha, 2022). In a different context, unifying the exchange rate from 2023 has a visible though smaller impact on food inflation, with a coefficient of 0.654 ($P<0.0000$) indicating that it reduces inflationary pressures without getting rid of them entirely (Eregha, 2022). The difference shows that, even with a floating exchange rate, speculative actions and difficulty obtaining foreign exchange from official sources keep parallel markets alive (Nweze, 2025).

These researchers (Asue & Ikyaator, 2023) back up these points by showing that the changes in exchange rates raise domestic prices due to import price pass-through. Their study, focusing on food prices, shows that naira depreciation directly raises the cost of imported agricultural inputs, such as fertilisers and seeds, which are critical for production (Asue & Ikyaator, 2023). This pass-through effect is particularly significant in Nigeria's import-dependent agricultural sector, where domestic alternatives are limited, leading to higher retail prices for staples like rice and maize (Okechukwu et al., 2023). Similarly, Musa (2021) found that exchange rate volatility significantly contributes to food price inflation, with a 1% depreciation of the naira correlating with a measurable increase in domestic food prices, exacerbating the 40.87% food inflation rate reported in June 2024.

Empirical analyses also explore the broader economic implications of exchange rate fluctuations. Bada et al. (2016) employed regression models to examine the linkage between exchange rates and inflation, finding that currency depreciation amplifies food prices through increased costs of imported goods and reduced purchasing power. The study notes that food, constituting 56.65% of household expenditure, is particularly sensitive to these shocks, disproportionately affecting low-income households (Bada, 2016). Wiseman et al. (2021) provide a case study on rice, a staple crop, revealing that exchange rate volatility does not significantly reduce import volumes but substantially increases domestic prices due to higher input costs. This dynamic underscores the challenges of achieving food security in a floating exchange rate environment (Wiseman et al., 2021).

Qualitative insights complement these quantitative findings, offering perspectives from stakeholders on the floating regime's socioeconomic impacts. Nwite (2025) argues that the regime's volatility undermines Nigeria's economic competitiveness, as private sector losses from higher import costs offset government savings from subsidy removals, such as fuel subsidies. This perspective highlights the trade-offs of the floating system, where long-term economic pressures overshadow short-term fiscal gains. Conversely, Aminu Gwadabe, president of the Association of Bureaux De Change Operators of Nigeria (ABCON), praises the CBN's interventions, particularly the introduction of the FX Code, which aims to curb speculative activities in the foreign exchange market (Moses-Ashike, 2025). These measures have helped stabilise prices somewhat, as evidenced by the naira's relative stability at ₦1,530/USD in the official market by 2025. However, Nweze (2025) notes that challenges persist, with the parallel market rate at ₦1,580/USD reflecting ongoing volatility and speculative pressures.

Further qualitative evidence emphasises stakeholder concerns about affordability and market dynamics. Ufoeze et al. (2018) document farmer and consumer anxieties over rising production and retail costs driven by the naira's depreciation. Farmers report reduced profitability due to higher input costs, while consumers face diminished purchasing power, exacerbating food insecurity. Oye et al. (2018) highlight the adverse effects on agricultural output, noting that exchange rate depreciation discourages investment in farming, particularly among smallholders who lack access to credit. These qualitative insights underscore the human cost of the floating regime, particularly for vulnerable populations.

Specific commodity analyses provide additional depth. Isibor et al. (2018) examine cocoa, an export-oriented crop, finding that a weaker naira enhances export competitiveness but does little to alleviate domestic price pressures for other food items. Ali et al. (2020) compare Nigeria's experience with other developing economies, noting that exchange rate volatility consistently drives food price inflation in import-dependent contexts, with Nigeria's case aggravated by infrastructural deficits. These studies highlight the sophisticated implications of floating regimes and that problems associated with domestic food markets eliminate benefits of export crops. Despite the richness of the research there is still much to be studied. The long-term effects of having a single

exchange rate on specific production items such as maize or sorghum, which are needed to be used domestically have not been fully explored scientifically to date (Nwobu, 2025). The aggregate evidence that relies on the empirical data confirms that floating exchange rate may enhance food prices inflation in Nigeria to a large extent; this is mainly because of the increases in imported food stuffs and because of the volatility of the market. CBN initiatives in the form of Electronic Foreign Exchange Matching System (EFEMS) and the fact that it had earned 360 million dollars in the FX market in 2025 helped and failed to do so because of structural implications (Nwobu, 2025). It needs to limit the importation and the intensification of the domestic farm production to equalise the price of food against the floating regimes to enhance the economy stability (Okechukwu et al., 2023).

Challenges and Limitations

In the situation of the impact of the floating exchange rate system on the agricultural food prices, the joint analysis and makeup of the credible policy is not an easy task. Data in the agricultural sector is organised, technical, and inaccessible, and this characterises the Nigerian agricultural sector as it is not easy to describe how the exchange rates can influence the situation. The key obstacle to the effectiveness of the entire analysis is the absence of information. Agricultural products do not have constant price values, and therefore it is hard to observe the relationship between the change in the prices and the change in the foreign exchange rate (Musa, 2021; Oseni et al., 2019; Zakari et al., 2024). That there is a distinction between markets and geographic areas in price reporting and availability of real-time data puts into question the reliability of any econometric model in the context of this research of floating regimes as policy (Musa, 2021). The most recent aggregation of data from the National Bureau of Statistics (NBS) indicated that the food inflation rate for June 2024 was 40.87%. It is not invariably clearly defined on specific crops or home markets that hinders comprehension. There is no credible data that allows definitely stating the impact of the regime on food prices (Asue & Ikyaator, 2023). The volatility of the exchange rate and other economic uncertainties can be challenging to separate hence making it challenging to study the impacts of the volatility of the exchange rate. In Nigeria, food prices are influenced by a wide range of factors such as insecurity, collapse of proper infrastructure, and exchange rate fluctuation, which have the capability of easily camouflaging the effects of exchange rates (Okechukwu et al., 2023). For instance, supply chains are vulnerable to disruption through banditry and conflict between communities in the food-producing areas, and food prices will not rise as much because of currency instability, with or without prices (Nweze, 2025).

Unlike when it is challenging to unravel the variables whenever we apply highly complex models in the context of the econometrics, most of the work presented in the context of seeking variables to affect prices in different types of agricultural settings is based on simpler models, and this aspect contributes to over-allocating the transformation to the exchange rates being the target area (Eregha, 2022). An exchange rate volatility would interfere with the intervention of the agrarian policies to offset the resultant implication of the exchange rate volatility. In Nigeria, structural endowments in agrarian sector enhance the exchange rate volatility and the search. Inability to achieve the output in terms of farm operations based on rain-fed and minimum practises constrains the agricultural risk management project potential cost in terms of depreciation of naira (Isibor et al., 2018).

The depreciation of the naira against the dollar in June 2023 was used in raising the input prices to the agricultural sector and worsened the current cost risks and exposure to a weakening nominal currency. Other countries exploit expensive fertiliser and other foreign inputs without regulations on this practise by the lack of credit to allow farmers to focus on harvests and concentrate on productivity-enhancing processes (Ufoeze et al., 2018). These imitations will merely contribute to the cost aspect of the floating system and it is more difficult to come up with the correct interventions as structural issues also have remedies that require long run thinking that is not within the scope of the exchange rate management (Nwobu, 2025). It is in part due to these problems and some shortcomings in the methodology and data that it is not so simple to comprehend and respond to the effect the floating exchange rate will have on food prices. The problems require the increased understanding on the most problematic food that is the most contaminated, the improvement of the quality analysis form, and the reform to the agricultural economy is closely evidenced, in case the agricultural economy would be improved and the evidence-based policy would be developed (Moses-Ashike, 2025).

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POLICY IMPLICATIONS AND RECOMMENDATIONS

The floating exchange rate regime, introduced in Nigeria in 2023, has significantly influenced agricultural food prices, necessitating robust monetary and fiscal policies to mitigate its adverse effects. The massive interventions that the CBN undertook included the naira stabilisation intervention of 360 million at ₦1,530/USD in 2025 in the official market as well as food prices (Nweze, 2025). These were some of the significant sources of the fight against the over-devaluation of the naira driving the food inflation. CBN has also set the EFEMS to promote more transparency which will enable the market to find prices and discourage speculative buying behavior that will result in parallel market differentials where, the exchange rate is expected to be ₦1,580/USD in the year 2025 (Nwobu, 2025). The liquidity pronouncements on the additional control of the operations of the BDC are now made to encompass the sudden drops of the naira into the inflationary impact of imported commodities (Moses-Ashike, 2025). Intervention in the agriculture policy would be swift in identifying the balance between the import dependency which has been the food price boogeyman in Nigeria.

Among the measures is collaboration with the partners such that they can locally manufacture the seeds and the fertilizers in a bid to lower the excessive dependence on the expensive imports. The imports have appreciated bearing in mind that the naira is currently trading at ₦708.2 per United States dollar (Musa, 2021). The subsidization of the local producers and farmers and helping them adopt and replace the input would help lower the food production cost and stabilized prices (Asue, & Ikyaator, 2023). The growth in the production and loss of harvests that would impact the market prices would be addressed with rural transport and irrigation development (Isibor et al., 2018). The above-stated projects will be the first priority for the utilization of resources to make sure that the risk of currency trading volatility is minimized. The second opportunity to be harnessed is the use of the weak naira to make agriculture viable alternative; thus, it can be harnessed as export. The tax rebates, the interest-free loans can also help the cocoa farmers with the, as well as help them with subsidizing the high local prices; the foreign exchange earnings (Ozili, 2024).

In addition, the regime of floating will help make the export processing zones and trade logistics feasible (Okechukwu et al., 2023). Specific help to consumers, such as food vouchers of low income households which already spend 56.65 percent of their incomes on food purchases, can also be used to alleviate food insecurity and achieve affordability.

There would also need co-ordination of such policy actions in order that they can be run in a way that will make them effective to operate. This, however, does not mean that CBN should abandon pro-activeness in regulating the foreign exchange in a bid to eliminate the distortions imposed by speculation as it is with the foreign exchange code. Ministry of agriculture is also anticipated to accelerate development and infrastructural utilization of local inputs to slow down the rate of import inspection (Ufoeze et al., 2018). It would assist Nigeria in stabilizing food price, enhancing the food security and follow the economic growth opportunities on the platform of floating exchange rate system in the form of establishing the monetary stability on the basis of re-alignment with the stability of agriculture. The negative effects of the floating exchange rate mechanism in Nigeria to agricultural food price are alleviated by the following ways:

i. The government must also be ready to subsidise the production of local fertilizers and seeds in order that there shall be no necessity of using imported ones, which are very expensive as a result of declining values of naira. The local production can be done by means of the joint ventures whereby the input price to the farmer can be minimized and minimization of agriculture food price.

ii. Leverage the depreciating naira to increase foreign earnings and mitigate pressures on domestic prices by providing tax relief and low-interest loans to farmers producing export commodities, (e.g. cocoa). Export promotion organizations should facilitate access to markets.

iii. Invest in irrigation systems and rural roads to enhance productivity and reduce losses, countering exchange rate-induced cost increases. Budget prioritisation for infrastructure is essential.

These measures, grounded in empirical evidence, aim to stabilise food prices and enhance food security.

CONCLUSION

This review highlights that Nigeria's floating exchange rate regime, implemented in June 2023, has significantly influenced agricultural food prices through increased input costs, volatility, and reduced consumer affordability. In June 2024, food inflation rates reached 40.87% due to the pass-through effect, which raises the cost of imported inputs. The regime strains farmers' profitability and increases food insecurity even as it makes crops like cocoa more export-competitive. Food price increases are strongly correlated with exchange rate depreciation, according to empirical research, with parallel market rates having a bigger impact than official rates. Although some effects have been lessened by policy interventions like the EFEMS and CBN's FX market injections, problems like sectoral and data limitations still exist. Nigeria's economy and food security depend on increasing agricultural productivity and decreasing reliance on imports. To guide targeted policies, future studies should examine long-term effects on particular crops and regional price fluctuations.

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