

Synopsis: Grain Storage and Marketplace Characteristics in Kebbi state, Nigeria

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RESEARCH OVERVIEW

It is recognized that to achieve the agricultural development goals of the Federal Ministry of Agriculture and Rural Development (FMARD) in Nigeria, mechanisms in the agricultural economy are needed that encourage and enable more farmers and traders to participate in markets.¹

Like other sub-Saharan African countries, the rates of farmer participation in markets in Nigeria are below potential. This limits the ability for farmers to increase incomes and invest profits into their business activities. For market participation to occur, farmers need to cover marketing costs, regional and community infrastructure must be in place to allow farmers and traders to get themselves and their saleable products to the market and have a place to conduct business, and institutional mechanisms, e.g., laws and rules, need to be established to ensure agreements are fair and to facilitate transactions. If one of these elements is missing, then market participation is hindered.

The focus of this study is on the physical infrastructure of marketplaces in Kebbi state, Nigeria, an agriculture-based state in the northwest. Kebbi state has distinct variation in climate within a crop year, and, hence, there is need for farmers and traders to store produced crops for use during the year. Increased investments in storage facilities in the state could accelerate agricultural development. Additionally, in a previous analysis of grain price seasonality in the state, we found distinct differences in price behavior among markets, especially between urban and rural areas, which is at least partially related to differences in marketplace infrastructure². Since

such investments can be implemented at the local government level and are likely to have a positive, immediate effect on improving the local marketing environment, we argue that they deserve greater attention by the state government and its development partners as they weigh potential interventions in the agricultural sector.

BACKGROUND

Farmer or trader market participation is conditional on the availability of supply for sale and the existence of incentives, especially profitability. Farm level profit is dependent on the farmgate crop price, which is a function of farm productivity and cost structure; the retail price, which is identified through the equilibrium of aggregate supply and demand in the market and linked markets; and transaction costs, which are a function of household assets and liquidity and public goods, such as infrastructure for transport and communications technologies. The magnitude of the spread between the farmgate and retail price of a crop is determined by transaction costs.

If one of the factors that influences transaction costs changes, such as investment to make local market storage more efficient, then the household choice to participate in the market also adjusts. Generally, lower transaction costs are associated with greater market participation. Since transaction costs have multiple household and public level dimensions, there is a challenge in determining which are relatively more important. Making such strategic choices is an empirical question that varies across market contexts.

We focus on the public good aspects of public marketplace investment for two reasons. First,

¹ A detailed discussion of the research presented in this brief can be found in NSSP Working Paper 54, "Grain Storage and Marketplace Characteristics in Kebbi state, Nigeria". <http://ebrary.ifpri.org/cdm/singleitem/collection/p15738coll2/id/132817/rec/3>

² Please refer to NSSP Working Paper 51, "Grain Price Seasonality in Kebbi state, Nigeria" for details. <http://ebrary.ifpri.org/cdm/singleitem/collection/p15738coll2/id/132722/rec/1>.

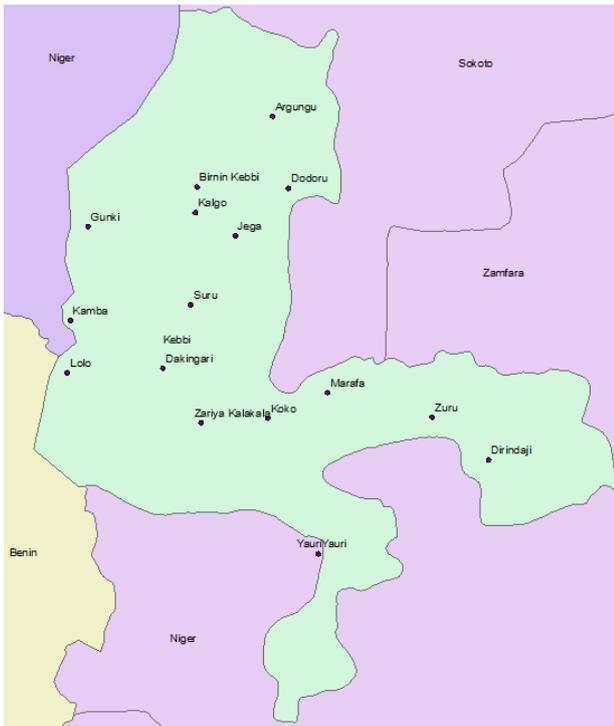


Figure 1: Map of visited markets in Kebbi state

interventions in household-level asset building, while needed, are likely beyond the scope of many local governments in Nigeria. Secondly, local governments have expertise in building local infrastructure. Consequently, it is likely that such investments would improve marketplaces. Therefore, we implemented a marketplace characteristics survey of grain markets in Kebbi state to assess whether public investments in market infrastructure are needed.

MARKETPLACE CHARACTERISTICS SURVEY

We visited 17 of 41 identified markets on their “market days”, the day of the week when most market activities occur. The markets were found in every geographic area of the state (Figure 1). Each of the markets were visited twice – once during the dry season and once in the wet season – to assess whether there are substantial differences in the market environment across seasons.

The marketplace survey questionnaire included questions on general infrastructure and for grain storage, sources of supply, main trade costs, market amenities, e.g., banks or security, and ideas traders had for improving storage in the marketplace and the local marketing environment in general.

SURVEY RESULTS

Some of the key results from the marketplace characteristics survey were:

- The average distance for traders in the markets surveyed to their homes was less than 8 kilometers, meaning that they are part of the communities in which they trade.
- Two of the surveyed markets had no metal-roofed, cinder block storage units, while two others had less than ten such units.
- Four of the 17 markets had no or very poor access to mobile telephone networks.
- None of the marketplaces had all the desired amenities – bank, security, toilets, prayer room, marketing supplies, fuel station, auto repair – that would improve the market environment.
- Nearly all traders (83%) mentioned that more and larger storage units would improve the quality of the grain placed in storage.
- Most traders said that better drainage was needed and would improve the general marketing environment.

POLICY IMPLICATIONS

Our observations and the marketplace survey results show that investments in the physical infrastructure of grain markets in northern Nigeria are needed. This is particularly the case in rural areas, where both physical and communications infrastructure are poor. Local governments should be encouraged to increase their investments in these markets. State governments can assist these efforts by providing financial assistance, such as loans to local governments, as has already been done in a few Local Government Areas in Kebbi state.

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