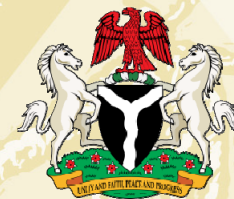




INTERNATIONAL FOOD
POLICY RESEARCH INSTITUTE
sustainable solutions for ending hunger and poverty
Supported by the CGIAR



Improving Marketing and Traceability of Agricultural Commodities The Role of Cooperatives

Olabisi A. Ilebani

Farmer cooperatives are viewed as mechanisms to help improve the marketing environment for poor rural farmers faced with limited and uncertain consumer demand for the goods they produce. Cooperatives can help reduce production costs by organizing bulk input purchases for their members. They may also be used as social organizations and serve as a medium for enlightenment and capacity building. This brief explores the role of farmers' cooperatives in Nigeria by assessing their effectiveness in marketing and traceability services, as well as elucidating the constraints they face.

Background

In 1922, the first Nigerian cooperative was formed as the cocoa fermenting scheme.¹ The rules guiding this scheme were formalized in 1928, and in 1934, the existing primary societies formed into a union. Since then, various types of cooperatives have emerged in Nigeria, including farmer or agricultural cooperatives, cooperative building societies, crafts and artisan societies, and consumer cooperatives. Cooperatives are useful in overcoming access barriers to assets, information, services, and markets for high-value products; they also assist some Nigerian small-scale farmers in solving land, labor, and capital problems. (Nweke 1979 and Holloway *et al* 2000)

The organizational structures of cooperative societies are based on the nature of their membership, functions, and services. Nigerian cooperatives are usually arranged into three tiers: primary (village associations, community-based organizations, farmer's groups, and other cooperative societies of individuals), secondary (unions of different cooperative societies), and apex (federations of cooperative unions). The Cooperative Federation of Nigeria is thus the apex institution of all cooperative societies in Nigeria; while the Farmers' Development Union and the Cocoa Farmer Association are examples of secondary and primary cooperatives respectively.

Methodology

This brief is largely based on a review of literature, supplemented by data collected in July 2010 through structured key informant interviews (KII) with executive members of the Cooperative Federation of Nigeria and the Abuja Cooperative Federation (the apex body for all cooperatives in Abuja). The interviews were face-to-face and based on a questionnaire. The interview approach included a Likert ranking of services, roles, and constraints of cooperatives.

Findings

Marketing and Traceability Services of Cooperatives

A study by the Rural Development Institute (RDI 2005) found that cooperatives all over the world provide marketing and traceability supports to their members:

- Conducting marketing surveys
- Streamlining quality control enforcement, inspection, and improvement in grading and standardization
- Organizing regulated markets' activities, including fixation of charges for weighing, and brokerage; prevention of unauthorized deductions, underhanded dealings, and unethical practices by members; enforcing the use of standardized weights; and settling disputes

¹ The discussion in this note is limited to formal cooperatives and excludes village associations and other informal groups.

- Disseminating reliable market information
- Storing and selling farmers' produce
- Processing produce into products
- Transporting produce; and
- Providing higher bargaining power.

The results of the KII conducted for this study indicate that Nigerian cooperatives provide services such as regulating market prices, preventing unauthorized deductions, settling disputes among members arising at the market, ensuring the use of fair measurement scales, storing and selling farmers' produce, processing produce into more consumer-ready products, transporting produce, creating marketing linkages, providing higher bargaining power, assisting in proper grading and standardization of produce, carrying out marketing surveys, and disseminating marketing information. The interviews also found that the risk of deteriorating produce and lack of proper storage facilities are barriers to the greater involvement of cooperatives in Nigeria in storing and selling farmers' produce.

Effectiveness of Cooperatives in Performing Marketing and Traceability Functions

The review suggests that new marketing linkages between agribusiness, large retailers, and farmers are gradually being developed in Nigeria through contract farming, collective marketing, and other forms of collective action. Donors and NGOs such as USAID are promoting direct linkages between farmers and buyers. Some areas of effectiveness identified by Akinloye and Adisa (2005) are

- Helping to increase member's productive efficiency
- Providing a direct link between the farmers and consumers
- Promoting innovation among members
- Imparting better business management skills
- Establishing credit agencies.

The respondents in the KII noted that cooperatives in Nigeria have been fairly effective in performing marketing functions. They also indicated that agro-inputs from the Cooperative Federation of Nigeria and agricultural produce from other cooperatives carry their respective logos, thus serving as a

mechanism for traceability. The apex organizations are working towards enforcing traceability of all agricultural produce, particularly to help deal with issues of food poisoning that might arise.

Role of Cooperatives in Marketing of Agricultural Commodities

Reardon and Barrett (2000) believe that the increasing importance and changing nature of food grades and standards is a reason for the rise of cooperatives. Other roles of cooperatives identified in the literature include

- Solving market failure by providing and coordinating missing services (e.g. input and/or product marketing)
- Promoting self-help by imparting better business management skills to members
- Enhancing bargaining strength and reducing transaction costs with input suppliers and farm product buyers
- Monitoring costs (thereby ensuring normal return for capital invested)
- Reducing opportunistic behavior by potential competitors
- Providing economies of size
- Promoting community development and public support to farmers
- Influencing the terms of trade for their members
- Influencing public policymaking.

The review of the Nigerian cooperatives shows that they rarely influence the terms of trade for their members, and even though they regularly participate in public policymaking gatherings, their views are not considered to the extent of influencing the policy. The cooperatives, however, regularly perform all the other major roles identified in the literature.

Constraints of Marketing and Traceability

The KII indicated that Nigeria's agricultural cooperatives have not been successful in promoting improved market opportunity for its members in terms of improved incomes. Members do not want only to sell their products as fast as possible, but also to achieve high economic returns for commodities with a short shelf life. Furthermore, the new market economy in which agricultural

cooperatives operate is characterized by new types of consumers who demand high-quality products at reasonable prices, and prefer healthy and chemical-free food that meets international standards. They also want to know the origin of what they buy, and whether they are grown through socially acceptable and environment-friendly methods. All these could be ensured through produce traceability, which makes it possible to track produce from its point of origin to a retail location where it is purchased by consumers. Traceability of agricultural commodities is an important link in protecting public health since it allows health agencies to quickly and accurately identify the source of contaminated fruit or vegetables believed to be the cause of an outbreak of food-borne illness, remove them from the marketplace, and communicate with the supply chain.

The major constraints to the activities of the cooperative societies towards marketing and traceability of agricultural produce can be categorized into technical and nontechnical constraints. The technical constraints include problems of storage, road infrastructure, transport facilities, quality of produce, inadequate farm implements, and the lack of suitable technology. The nontechnical constraints include inadequacy of finance, lack of training of members, and high interest rates on loans. Problems of cooperatives in Nigeria as identified by Ejiofor (1986), Idonije (1983), Famoriyo and Ogungbile (1981), and Okuneye (1982) are

- Conflicts of interest
- Inadequate education among members
- Lack of storage and processing facilities
- Poor transportation
- Exploitation of members by dishonest members
- Lack of effective leadership
- Excessive government control
- Poor capitalization
- Lack of total commitment by members
- Inadequate and ill-timed supply of inputs
- Low membership.

The ranking results revealed that the major problems of cooperatives in Nigeria are poor communication, poor roads, and inadequate marketing plans. These problems have contributed

to great wastage of perishable agricultural commodities and a failure to improve farming practices (Table 1).

Table 1: Constraints encountered in marketing and traceability of agricultural commodities (3 – very serious, 2 – serious, and 1 – not serious)

Constraints	Rating
Poor roads	3
Poor dissemination of information	2
Excessive government interference	2
High transaction costs	2
Improper handling of produce	2
Limited marketing innovation	2
Weak marketing plans	3
Poor communication	3

Source: Author's estimates

Conclusions and Recommendations

Poor infrastructure and weak marketing plans are serious challenges for the viability of cooperatives in Nigeria. Cooperatives can deal with weak marketing plans by consulting with outside experts. The conduct of frequent market surveys will also improve cooperatives' ability to negotiate remunerative prices for the produce of their members. Government support through improved rural infrastructure would be a boost for farmer cooperatives.

Although most of the cooperatives in the rural areas in Nigeria remain confined to such basic functions as distribution of credit and fertilizers, and procurement of farm products, some agricultural cooperatives have tried to transform themselves by implemented new strategies in the new economic environment. This review was unable to delve deeply into this issue, but the findings indicate that further research on cooperatives societies in Nigeria is necessary to know how many cooperatives are still confined to the functions listed above; to what extent cooperatives are expanding their activities; if cooperatives are expanding their activities, where are they doing it and why; and what policies support or inhibit their ability to innovate and expand? These cooperatives could further improve marketing opportunities for their membership by

- Collaborating with NGOs and other private sector players in developing market information.

(An example is the involvement of USAID in improving market linkages for farmers.)

- Encouraging timely dissemination of market information
- Enforcing high quality of products and product traceability.

References

- Akinloye, J. Farinde and O. Adisa Banji. 2005. Role of community-based organization, community association, and nongovernmental organizations in agricultural extension activities in Nigeria. In *Agricultural extension in Nigeria*, ed. S.F Adedoyin. Agricultural Extension Society of Nigeria. 208-209.
- Ejiofor, N. O. 1986. Application of management by objectives cooperative administration. In *Cooperatives and Nigerian economy*, ed. O. Okereke, Nsukka: Department of Agricultural Economics, University of Nigeria.
- Famoriyo, S. and A. Ogungbile. 1981. Agricultural institutions and the green revolution. Zaria: Ahmadu Bello University.
- Holloway G., C. Nicholson, C. Delgado, S. Staal, and S. Ehui. 2000. Agro-industrialization through institutional innovation: Transaction costs, cooperatives, and milk-market development in the east-African highlands. *Agricultural Economics* 23 (3): 279-288.
- Idonije, A. S. 1983. Problems of cooperative management in Nigeria. *Business Times*, June 29, 15.
- Nweke, F. I. 1979. Traditional cooperatives in the management of farmland, labour, and capital in the small-scale cropping system of southeastern Nigeria. Paper presented at the National Conference on Appropriate Strategy for Cooperative Development Plan of Nigeria, September 11-14, Nsukka.
- Okuneye, P. A. 1982. The role of cooperative and group farming for expanding food production in Nigeria with particular reference to Ogun State. Ph.D. dissertation, Leeds University, U.K.
- Reardon, T. and C.B. Barrett. 2000. Agro-industrialization, globalization, and international development: An overview of issues, patterns, and determinants, *Agricultural Economics* 23 (3): 195-205.
- RDI (Rural Development Institute). 2005. The role of cooperatives in community economic development. RDI Working Paper #2005. Brandon, Manitoba, Canada: Brandon University.

This Policy Note deals with topical issues of general interest and was written by Olabisi A. Ilebani with assistance from James Sackey and Valerie Rhoe. This Policy Note has been prepared as an output for the Nigeria Strategy Support Program and has not been through IFPRI's official peer review process but has been reviewed by at least one internal and/or external reviewer. It is circulated in order to stimulate discussion and critical comment. The opinions are those of the author(s) and do not necessarily reflect those of their home institutions or supporting organizations.

This publication was made possible through support provided by the Maximizing Agricultural Revenue and Key Enterprises in Targeted Sites (MARKETS) program, financed by the U.S. Agency for International Development and implemented by Chemonics under contract number 620-C-00-05-00077-00. The opinions expressed in this publication are those of the author(s) and do not necessarily reflect the views of IFPRI, Chemonics and/or the U.S. Agency for International Development.

Copyright © 2010, International Food Policy Research Institute. All rights reserved. This material may be reproduced for personal and not-for-profit use without permission from but with acknowledgment to IFPRI. For other use, contact ifpri-copyright@cgiar.org.

For more information:

IFPRI-Abuja
International Food Policy Research Institute
c/o International Center for Soil Fertility and Agriculture Development
No.6/ Plot 1413 Ogbagi Street
Off Oro-Ago Crescent
Cadastral Zone 11, Garki, Abuja
Nigeria
E-mail: ifpri-nigeria@cgiar.org
www.ifpri.org