ENHANCING FARM GATE PRICES: THE ROLE OF AGRICULTURAL MARKETING RESEARCH

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Abstract

This paper addresses the constraints to agricultural research systems in Nigeria with particular emphasis on the role marketing research can play in enhancing farm gate prices. Marketing research is imperative given the yearly experiences of the small farmers in marketing their products. The outcome of efforts of the farmers has overtime not translated in to commensurate income. However, research efforts at improving value-chain; have in recent times culminated into a wide range of technological solutions, some of which include digital information technology; web-based technology (internet), rural telephony; fax machine and local FM radio station. Efforts should therefore be concentrated on research aimed at not only adding value to agricultural produce but to the development of market infrastructure and adoption of ICT information solutions which are key to resolving the chain problems and ensuring enhanced welfare of farmers.

Keywords: *Agricultural research systems; Marketing research, Farm gate price; Small farmers; Nigeria*

1. Introduction

African agriculture is besieged by a host of problems. Its dependence on favourable rains highlights a vulnerable spot in many of African's economies. When the rains fail, farm output drops. The scourge of pests and diseases also remain a major production constraints faced by most African farmers. All across Africa, despite hard work and ingenuity, significant portions of the harvests are lost to factors beyond the control of the farmers. Harvest losses due to various production constraints ranges from about 13% in maize to 16% in Cassava, and almost 20% in cowpeas (FOS 1998)

Spurred by these worrying trends, many African countries including Nigeria have embarked upon sweeping policy changes and programmes to address the production problems faced by farmers with a view to ensuring increase in production and better welfare for the farming households.

Increasing agricultural production however does not automatically translate to improved living standard of the farm family or even the dependant populace. Once production increases, marketing is the next

major hurdle. Farmers face lots of challenges moving their produce to the market. They often time experience a high transportation cost which impacts on their margin. Access to market and poor organization of African farmers often leave them prey to the middlemen who purchase their produce and add huge mark-ups before selling them in the cities. Hence, rural farmers remain trapped at the bottom end of the food chain. Farmers' share of retail prices is as low as 40% for most food crops. (Okunmadewa, 1998).

Also a major constraint to marketing is the boom- and burst- price fluctuations resulting from glut during harvest and scarcity at off-seasons. This glut usually results from the lack of storage, processing and preservation techniques and facilities, which ordinarily should assist farmers in helping to add value to their produce to earn good price and manage price fluctuations.

Infrastructure is the key to ensuring remunerative prices for agricultural produce. Farmers who are near markets and roads have access to inexpensive transport and also can store their produce for a prolonged period, and are therefore in a better position to obtain higher prices. The higher prices are expected to translate to higher margin and improved household welfare in the form of increased rural income. It is also established that the negotiating power of the farmers in determining prices for their produce could be improved through prompt dissemination of price information or agricultural marketing information. An informed farmer is in a vantage position to ask for a better farm gate price. That rural access and mobility, as well as information dispersion remains poor in African countries constitute a major challenge in the marketing of agricultural products and particularly in the widening gap between farm gate and retail prices.

In essence, the challenge of transportation cost, storage facilities, and information flow among others largely explains the low prices that farmers receive for their produce due to limited bargaining power. These same factors, on the other side puts middle men at an advantage as they are able to invest in relieving these constraints, and able to move the products to the market and sell at relatively higher prices (much more than value added price). This explains the huge disparity between farm gate price and retail/final market price of agricultural produce.

The widening disparity between farm gate price and retail price calls for serious attention. This disparity has continually diminishes the percentage of the retail price that farmers receive and this has effect on the future viability of thousands of rural African farm families. This is the main concern. The reality is that farmers cannot be expected to produce and receive relatively low returns, year after year, and still remain viable. That defies basic logic of sustainability. In addition, it is more welfare depressing that the same farmer and farm family face increased and increasing retail prices of food and non-food consumption items.

Raising farm gate prices, with the aim of sustaining increased agricultural production and farmers' welfare is therefore a contemporary issue and agricultural research is the "torch" needed to "show the light

through the dark tunnel". Research should among other things provide information and isolate options for improved processing, storage and value-added techniques that would enhance farmers' gross margin. This is the focus of this paper.

2. Research in marketing and processing

Research in marketing is necessary to improve on the shelf life and value of products. It is not enough to have improved technology in primary production without adequate means of either transforming or consuming the primary products. This becomes imperative given the annual experiences of the small farmers. For instance, farmers that participated in the National Fadama Development Project and the Cassava Multiplication programmes had difficulties with marketing of their product. They recorded increased output which did not actually translate to a commensurate increased income. This occurred because adequate market outlet and means of processing were not sufficiently incorporated into the projects. It is essential, therefore, that research, efforts on downstream activities be step-up for substantial increase in income. Such research efforts are capable of generating additional employment for the people who are themselves not involved in actual primary production. This in essence, leads to generation of income which can be used to acquire basic needs of life.

Research efforts at improving value-chain, (i.e. resolving marketing chain problem) have in recent times culminated into a wide range of technological solutions. They include Digital information technology; web-based technology (internet), rural telephony; fax machine and local FM radio station, all of which derive from Information and Communication Technology.

ICT research and information solutions offers farmers the opportunity to participate (in an interpersonal manner) and actively too in the marketing of their produce. There is evidence that digital technology has produced efficiency savings in the value chain. Beyond this, it enables farmers to plan their production in line with market demand, schedule their harvest at most profitable times decide to which markets they should sell their produce and negotiate on a more even footing with traders.

Some African governments and NGOs have identified the potential of ICT to assist low-tech activities in becoming smarter about what they do. Farming in Africa is benefiting from advances in ICT, and the benefits are already visible in countries such as Benin and Senegal. (Srinivasan Raj Rajagopal, 2008) Farmers, assisted by NGOs such as Songhai, are able to search for information on ways to improve crop yields, use alternate energy sources for processing of crops, and find the best prices for their produce. Village kiosks offering Internet access or WAP-enabled cell phones offer a range of services that are revolutionizing the way rural people conduct their business or interact with government. Farmers in Senegal and Uganda can now access current produce prices in the cities

before they take their products to market. One of the tools being used is a WAP-enabled cell phone, which is far more ubiquitous in Africa than Web-connected computers.

It is evident that the provision of agricultural market information services to farmers at little or no cost has helped resolve some of the chain problems and reduce information cost. More research is needed in this relatively new area – especially on the cost and benefits of provision of market information and on best diffusion methods. It is also worthwhile to mention that research on processing techniques, storage facilities and rural access seems to be on the decline, even though the challenge is still huge. This requires some attention.

3. Constraints to agricultural research system in Nigeria

The National Agricultural Research System in Nigeria is bedevilled by a number of constraints. Idachaba (1998) and Okunmadewa and Olayemi (2002) provide an excellent discourse of these constraints. In particular, Idachaba (1998) categorises the constraints into two viz: system wide and institute specific. Further, he identifies the constraints in terms of hierarchy to include primary, secondary and tertiary constraints. However, the harmful effect of each group of constraints may not differ.

In this section, we provide the key constraints to agricultural research in Nigeria without categorizing them to the different levels or scope. These constraints are discussed in turn.

i. **Lack of adequate funding:** This arises due to lack of commitment or lack of political will to influence research activities. In this context, research efforts are seen as residual issues which only get funded when other priority sectors and sub-sector of the economy have been catered for. Apart from the inadequate funding of the research institutes, funds are not released on timely basis, hence, some research activities are not carried out as at when due. Even, the implementation of the National Agricultural Research Project between 1991 and 1998 did not change the situation. In fact, of the twelve constraints identified by Idachaba (1998), inflation and insufficient funds for research were ranked highest by the 15 research institutes for which data were collected. An example in the delay in the release of fund is typified by 89 days per quarter in the release of capital budget to National Cereals Research Institute in 1996 while recurrent expenditure was delayed for 47 days in the same year. In this instance, funds for capital project were only released one or two days to the end of each quarter in 1996. Since capital votes must be spent, another problem of embezzlement can crop up as research institutes will have to purchase capital items within a very short term.

ii. **Poor state of infrastructural facilities:** The poor state of infrastructural facilities is at both national and institute specific levels. At the national level, electricity, good road networks, telecommunication facilities and potable water are still not adequate. Up till now, the country cannot boast of adequate supply of electricity. Also, good road networks are not common. Granted that intercity roads are relatively passable, intra-city and trunk (roads connecting rural areas) are impassable for greater part of the year in most communities. Further, except for the newly introduced Global System of Mobile telecommunication, the communication system has been comatose in the country. The GSM system been new is still at high cost per unit. In addition, there is no adequate supply of potable water in the country. These facilities are essential for research activities. The problem of inadequate infrastructural facilities is even more in the rural areas. Hence, research out stations which are located close to the real life situation of the mandate of each research institutions cannot function appropriately. Because of lack of these infrastructural facilities, especially, electricity and telephone services, it becomes difficult for research institutes to get connected to the internet and so the efficiency of research activities is highly curtailed. Even in research institutes with adequate number of computers (courtesy of international agencies assisted programme), they can still not function effectively due to epileptic supply of electricity.

iii. **Shortage of and instability of qualified researchers:** This has been adequately captured by Idachaba (1998) and Okunmadewa and Olayemi (2002). However, it needs be stressed that there is high manpower turnover from research and academic institutes. Thus, there are no enough capable hands to conduct meaningful research in the agricultural sector. Besides, most of the researchers in the institutes are not ready to move out of the main cities to conduct adaptive research as there are no infrastructural facilities in the outstations to cater for their needs. The high turnover of capable hands can be traced to low level of incentives to serve as motivator for the researchers.

iv. **Weak linkage of research institutes and other stakeholders in the agricultural sector:** Though, the extension system in Nigeria is such that fosters interaction between extension agents, farmers and researchers, this has not been fully exploited. Besides, the University system which has the highest concentration of researchers remains untapped for its research potential. Due to the weak linkage, most research efforts do not meet the expectations of end users. In this wise, there is always a large number of research efforts which usually end up on the shelf. Research, and marketing research is a typical example, is not demand driven. The appropriate linkage with manufacturers, processors etc. is missing and this explains the decline in marketing research – moreso in terms of funding..

4. Conclusion

There is no gainsaying the fact that disparity does exists between farm gate price and retail/final market price, and that research has a role to play in bridging the gap. Hence, enhancing farm gate prices through marketing research and application of such research output is a veritable strategy.

Efforts should be concentrated on research aimed at adding value to agricultural produce. The development of market infrastructure (storage, processing and transportation) and adoption of ICT information solutions are key to resolving the chain problems while also ensuring increased farm gross margin and farmers' welfare. Adequate funding, linkage to the industry, and appropriate incentives to attract researchers into the research Institutes are key elements of reforming the agricultural research system in Nigeria.

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