Value Chain Analysis of The Groundnut Sub-Sector in Kwara State, North-Central, Nigeria

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INTRODUCTION
Groundnut (peanut) is a leguminous oilseed crop cultivated in the semi-arid and subtropical regions of the world. Groundnut is grown on 26.4 million hectares worldwide, with a total production of 37.1 million metric tonnes and average productivity of 1.4 metric tonnes/ha. Developing countries constitute 97% of the global area and 94% of the production of this crop (FAO, 2011).

In the 1960s, Nigeria was the most significant producer and exporter of groundnut with a production of 500,000 metric tonnes a year (Purseglove, 1960). During this era, groundnut was one of the country’s most valuable single export crop, exemplified by the famous Kano groundnut pyramids.

In 1973, Nigeria produced about 1.6 million metric tonnes, which fell by almost half, in less than a decade, due to:

- The 1970-75 drought and aphid infestation (Goldman, 1995)
- The oil boom in Nigeria which saw the government shifted its attention from groundnut as a whole to the oil industry (Nure, Waluz, Ramoulch, Masters and Ndejunga, 2005).

Subsequently in the mid-1980s, came the Structural Adjustment Programme (SAP), which saw government withdraw from direct participation in agricultural markets and production. The farmers have borne the brunt of this and faced more problems in their production and production.

Hence, farmers leaving farmers with limited market access and information (Nure et al., 2005).

METHODOLOGY
The study was carried out in Kwa State, North-Central, Nigeria. Kwara State is one of the major groundnut producing states in Nigeria. Two Local Government Areas were purposively selected on the basis of being the most prominent groundnut value chain areas in the state.

Value Chain Approach (VCA)
The value chain can be defined as “the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producers services), delivery to final customers, and final disposal after use.”

Hence, only three groups of actors (farmers, marketers, and processors) where used for this study. One hundred and forty respondents were randomly sampled and interviewed and include 50 farmers, 50 local traders and 50 local processors.

Gross Margin Analysis
Where GM=F Gross Margin; G= Gross Income; TVC = Total Variable Cost

**\[
\text{GM}_\text{F} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \varepsilon
\]**

Where: \( Y \) = farmer’s income from sales of groundnut
\( V \) = Marketers income along the chain
\( P \) = Processors income along the chain

Note: Columns 1 through 10 contain the regression analyses for farmers, column 2 for marketers and column 3 for processors. Number of observations for each of the actors: farmers (41), marketers (37) and processors (46) due to missing data and limited resources.

For the age group, the reference category are respondents below the age of 31. For education the reference group are respondents with no formal education. For farmers household size and farmers age group 1 is significant. Type of marketer based on volume of sales is the only significant variable for the marketers. Processors marital status is significant. Standard errors in parentheses. **p<0.01, *p<0.05, *p<0.1

CONCLUSION
The analysis revealed that groundnut production, processing and marketing are profitable. The groundnut value chain has a number of opportunities that when exploited will directly and indirectly improve the welfare of the actors and their communities.

Hence, we recommend that:

- Young farmers be encouraged to participate in groundnut production, to help strengthen the activities of other actors along the chain and improve societal welfare.
- Government and other non-governmental organizations should support medium and large scale marketers by providing credit and storage facilities.
- The value chain actors should be provided with simple but efficient equipment at affordable cost to enable them carry out their activities efficiently.

REFERENCES


OBJECTIVES
• estimate the cost and returns associated with the actors along the groundnut value chain
• determine the factors influencing the income of actors along the groundnut value chain
• Identify the constraints faced by the actors along the groundnut value chain

FIGURE 3: VALUE CHAIN MAPPING

![Value Chain Mapping](image)

Note: Source: FAOSTAT (2018) and USDA (2018)

FIGURE 2: GROUNDNUT PYRAMID IN KANO, NIGERIA

![Groundnut Pyramid](image)

Note: Ψ = farmer’s income from sales of groundnut
\( V \) = Marketers income along the chain
\( P \) = Processors income along the chain

FIGURE 4: MAP OF KWARA STATE, NIGERIA

![Map of Kwara State](image)

FIGURE 5: GROSS MARGIN ANALYSIS

![Gross Margin Analysis](image)