

# RE-EXAMINATION OF DISTRIBUTION CHANNEL STRUCTURE FOR AGRICULTURAL MARKETING IN NIGERIA

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## Abstract

The abolition of the erstwhile commodity boards in Nigeria in 1986 and the subsequent liberalization of trade in agricultural produce, created a problem in the smooth distribution channel used for agricultural export produce. The formation of produce retailers union in urban markets and the activities of big produce speculators have also increased the distribution channel of agricultural food produce. This work aims at comparing the distribution channel structure of agricultural produce used before and what obtains now. For the purpose of this study agricultural marketing was sub-divided into agricultural export produce and agricultural food produce. The data used for this study came from both primary and secondary sources. The major findings of this study reveal that organization of agricultural export trade is beset with lots of malpractices while the distribution channel structure manifest some deficiencies in their functions. The author recommends that government should put in place a body that will regulate the marketing of agricultural produce to bring back orderliness in its distribution.

When in 1986 the seven commodity boards were abolished by Bahangida's regime, trade in agricultural produce was equally liberalized. This brought a lot of setback in the marketing of agricultural produce especially in the distribution channel structure. The commodity boards had been responsible for the marketing of all agricultural produce via the commodity board act No. 29 of 1977 that established it. With their abolition, some members of the channel that has been contributing in the smooth distribution of agricultural produce were scrapped. These were the licensed buying agents who bought the produce on behalf of the commodity boards and the commodity boards itself that made sure that produce to be exported or supplied to local crushing mills were of first grade. The liberalization of the trade itself brought lots of malpractices as every Dick and Harry joined the business with no knowledge of the dos and don'ts in the trade. They only go to the open markets, buy the produce, store them and at night they adulterate and load them to various crushing mills thereby evading their inspection and grading by government produce inspection service. In the marketing of agricultural food produce like fruits, vegetables, tomatoes etc retailers in the urban markets have formed themselves into illegal associations thereby discouraging farmers from selling their produce direct to consumers. This increases the distribution channel structure of these produce which is not healthy due to their perishability. The big produce speculators have been going round and buying produce from farm gates which they sell to retailers. This has also contributed in increasing the distribution channel structure for this type of agricultural produce which is unhealthy as they exposed to deterioration.

Meanwhile the objective of this study therefore is:-

- i. To compare the distribution channel structure of agricultural produce during the time of commodity boards with what obtains now.
- ii. To highlight the consequences of illegal retail associations and big produce speculators on distribution channel structure of agricultural produce.

Specifically the study will be guided by the following questions:-

- i. Which period is better in the marketing of agricultural produce, the time of commodity boards or now?
- ii. In what way do the activities of illegal retail associations and big produce speculators affect the marketing of agricultural produce?

### **Research Method**

This study was carried out using primary and secondary data. Under primary sources survey method of study was used. Here data came from interviews, personal observation of the author and questionnaires distributed among the produce traders in Oye Orba modern market. Face to face discussion was employed to sample opinion of produce traders in the market. The researcher interviewed up to fifteen of the traders and the chairman of the produce buyers association at Oye Orba market was also interviewed. The researcher employed close-ended questions to pose questions and the questionnaires were administered to them through the direct contact approach. The population of the study covers all the produce buyers in Oye Orba modern market. A sample size of 60 respondents was randomly selected from produce buyers by the researcher to ensure that the questionnaire went to those who have adequate understanding of the issues raised in the questionnaire. A total of 60 questionnaires were distributed out of which 55 were returned. The researcher assisted some of the respondents in understanding the questions in the questionnaire due to their level of education. Oye Orba market in Udenu Local Government of Enugu State was selected for this study because it is the centre for agricultural produce trading in the state. Data from secondary sources came from libraries, the internet, textbooks, marketing journals, government gazettes, management journals etc.

The primary data collected for the study was analyzed using descriptive statistics. The researcher used frequency tables and percentages to analyse the responses of respondents from the research questions.

### **Theoretical Review**

Agricultural products are called produce. (Olakunori and Ejionueme, 1998:196) Chukwu (2002:301) classified agricultural produce into three:-

1. Raw farm produce:- These are produce that are fresh from the farm. They may be cash crop (maize, rice, tomatoes, yam, cassava etc or livestock (pig, goat, fowl).
2. Processed farm produce:- These are farm produce that has been processed for final consumption by consumers eg maize processed into flour, cassava processed into garri, cow processed into hides and skin.
3. Raw material for industry:- Some agricultural raw materials serve as main source of raw materials for our industries. Wheat, barley are used in the brewery industry, cotton, hides and skin serve as raw materials in the textile industry. Anovera plant is used as a raw material in the pharmaceutical industry.

For the purpose of this study, agricultural marketing are sub-divided into agricultural export produce and agricultural food produce.

- Agricultural export produce refer to those cash crops that were and are still being exported. Such crops are palm kernel, palm oil, rubber, groundnut, cashew nut etc.
- Agricultural food produce refer to those food items that may or may not be exported but produced by farmers for immediate consumption. They may include yam, cassava, tomatoes, beans, rice, maize, vegetables, palm wine etc.

### **Distribution Channel Structure of Agricultural Export Produce (Palm Kernel) During the Commodity Board Era**

From 1977 to 1986 when commodity boards were in vogue the distribution channel structure for palm kernel was a 4 level channel of distribution. The palm kernel emanates from the producers who sell to the local traders, who resell to the big traders, who also resell to the licensed buying agents. The licensed buying agents then resell to the commodity boards who finally export the kernel to the consumers.

- i. The producers

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- The producers of palm kernel were mainly women who bring palm kernel from their various homes to the market place. They normally come to the market with palm oil, fruit and vegetables.
- ii. Local traders  
These were the first buyers of the palm kernel in the market. They used various containers as measures to measure the kernel and then determine what to pay the women.
- iii. Big traders  
These were the traders that were appointed by the licensed buying agents to be collating kernels in the market and to be supplying to their stores. They were being given commissions by the licensed buying agents depending on the quantity that each supplied.
- iv. Licensed buying agents  
These were the appointed agents of the commodity boards. They were appointed and licensed for the purpose of buying the produce on its behalf throughout the federation. It is at this licensed buying agent's store that concentration of palm kernel takes place. At the concentration point, the government produce inspectors were invited to do the grading and standardization of the produce. The kernel that passed the grading test were transported to the commodity board's warehouse.
- v. Commodity boards  
These boards were the marketers of the palm kernel and other produce. They were established by the commodity board act No. 29 of 1977 for agricultural produce marketing in Nigeria. They were seven and each was responsible for the marketing of specific produce.

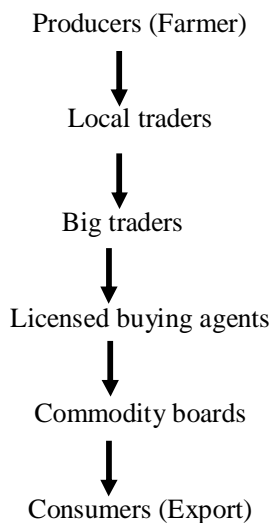
The seven marketing boards and the produce they handled were:-

- Nigerian palm produce board- it handled palm kernel, palm oil and copra with headquarters at Calabar.
- Nigerian cocoa board- it handled cocoa, tea and coffee with headquarter at Ibadan.
- Nigerian grains board- it handled maize, rice, beans, guineacorn and millet with headquarters at Minna.
- Nigerian rubber board- it handled rubber only with headquarter at Benin.
- Nigerian cotton board- it handled cotton and tobacco with headquarter at Funtana.
- Nigerian groundnut board- it handled groundnut, benniseed, sheanut, soya beans and ginger with headquarter at Kano.
- Nigerian tuber and root crops board- it handled cocoyam, yam, cassava etc with headquarter at Makurdi.

Unlike in the distribution of manufactured goods where merchants buy and sell to the retailers, in agricultural export produce all the channels are known as the wholesalers because they all buy and resell. The only retailer in agricultural export produce distribution was the commodity boards who sold directly to consumers. This distribution channel structure was the same with most of the agricultural export produce such as palm oil, cocoa, rubber etc then.

**Figure: 1**

The 4 level distribution channel structure for agricultural export produce during the time of commodity boards.



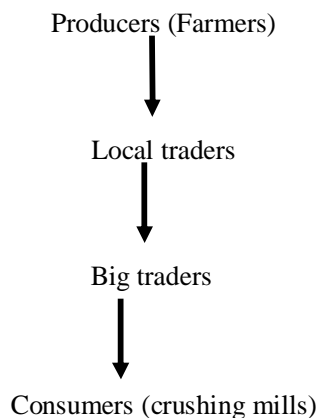
One of the major characteristics of agricultural produce distribution channel is that it converges and diverges. The various women bring their produce to the market where they all converge. From the market, traders take them to the licensed buying agents who equally pack them at the commodity boards warehouses. From the commodity boards, the produce diverges as they are being exported to various consumers.

**Distribution Channel Structure of Agricultural Export Produce After the Abolition of Commodity Boards**

From 1987 to date the distribution channel structure of agricultural produce changed. This is because with the abolition of commodity boards, two channel members, the licensed buying agents and the commodity boards vanished. The distribution channel has reduced to 2 channel members. From producers to the local traders, from the local traders to the big traders and from the big traders to the crushing mills.

**Figure: 2**

2 – Level distribution channel structure for agricultural produce after the abolition of commodity boards



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The distribution channel structure of agricultural export produce after the abolition of the board reduced and this came with lots of malpractices in the trade. It is only produce such as cocoa and cashew nut that has maintained some sanity in their distribution, as they are still being exported though not under any commodity board.

### **Distribution Channel Structure of Agricultural Food Produce**

Channels of distribution are the routes or paths through which goods and services pass as they move from their producers to their buyer (Udeagha 1999: 199). According to Stern, Adel and Ansary (1982:3) in Udeagha (1999:199) channel of distribution can be viewed as sets of interdependent organizations involved in the process of making a product or service available for use or consumption. Also Tate, Magginson, Scott and Trueblood (1982: 335) in Udeagha (1999:199) see a marketing channel as the pipe-line through which a product flows on its way to the ultimate consumer.

However, Adirika, Ebue and Nnolim (1997:220) in Onyeke and Nebo (2000:204), opined that those definition which describe distribution channel as just a pipeline, route or pathway through which a product flows from the manufacturer or producer to a user are inadequate because such definition appeared to have included the channel for physical flow of goods or physical exchange/possession of goods as part of the distribution channel but they are not. What is regarded as the distribution channel is the route or course taken in transferring the title to a product from its first owner to the last owner. In other words that aspect of distribution which is concerned with the flow of title to product but not the flow of physical possession of the products is regarded as the distribution channel. On the other hand, a distribution channel structure seeks to find an optimum method of achieving effective and efficient distribution system in the movement of goods and services. (Ehikwe. 2002:212).

Madu (2009/2010:161) was of the opinion that goods and services may pass through middlemen or direct to the market or consumer through the firms own transportation and logistic system. He said the middlemen for this purpose could be the wholesalers or the retailers. The factors that count for distribution efficiency can also be evaluated by examining marketing enterprises for structure, conduct and performance: structure includes all the firms engaged in a particular marketing channel (Nnabuko and Onah, 2002:7).

Distribution constitutes an important component of the marketing mix of agricultural farmers. Most agricultural food produce are distributed through direct or short channels because of their perishability (Chukwu, 2002:30). Continuing, he said that the formation of different farm produce associations by traders makes it difficult at times if not impossible for farmers to sell their produce to their markets. The resultant effect is that they are forced to sell their produce to these greedy retailers who corner them at their farms and they will in turn sell to consumers at exorbitant prices. This makes the farmer to realize little or nothing from his farm produce and indirectly discourage him from further production. Olakunori and Ejionueme (1998:200) also noted that the channels of distribution used for agricultural produce are usually short. Anuruihe (2000:63) remarked that one important decision in marketing is the factor of place: The factor is divided into physical distribution network and marketing channels network. The marketing channels network involves various intermediaries the firm uses to accomplish its marketing objectives.

### **Direct Channel of Distribution**

A distribution channel is direct when the producer sells his/her goods and services direct to the buyer or consumer. In other words this channel of distribution is known as a zero-level channel. It is a zero-level because there is no middleman involved in the transaction. Examples of produce which can be distributed this way are when a farmer sells tomatoes, oranges, vegetables direct to his/her buyers in the market place.

**Figure: 3**

Zero level distribution channel structure for agricultural food produce



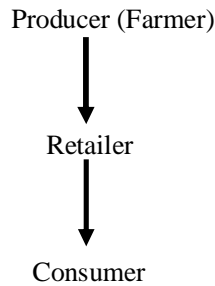
This direct channel of distribution has been threatened of recent. This is because of the formation of retail produce associations in the urban markets which has made it difficult for farmers to sell their produce in the market. The result of this unionism is that farmers are now forced to sell their produce to these greedy retailers at low price. These retailers who have formed themselves into illegal traders associations some times regulate the quantities of the produce to be offered to the market in order to create artificial scarcity as means of raising prices.

**Short Channel of Distribution**

The short channel of distribution used for agricultural food produce is the one level channel. This is the channel where the farmer sells his/her products to the consumer through a retailer. According to Onyeke and Nebo (2000:270) the type of produce that farmers sell to retailers before reaching the consumers can be vegetables, yam, paw-paw etc. Palm wine tapers sell jars of wine to palm wine stores that sell in bottles to consumers (Udeagha, 1999:199).

**Figure: 4**

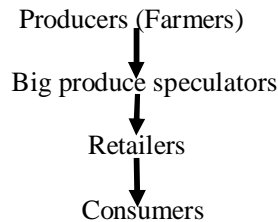
One level distribution channel structure for agricultural food produce.



The problem with this channel of distribution now is that some big produce speculators don't allow farmers to supply to the retailers. According to Ejionueme (2000:14-27), in the areas of large surpluses, traders enter into agreement with farmers to buy their harvest crops on the farm. These big produce speculators scout around, buy from the produce farmers in their farms and come to the urban areas to sell to retailers. Sometimes they buy and store upwards of three to six months in order to create artificial scarcity before selling so as to obtain higher prices. The activities of these speculators has increased the distribution channel to two levels.

**Figure: 5**

Two level distribution channel structure for agricultural food produce

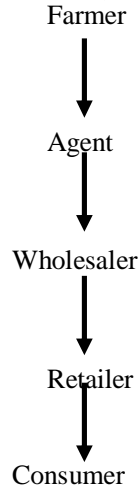


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The activities of these retailers who have formed themselves into illegal unions in urban markets and the big produce speculators have succeeded in increasing the distribution channel structure thereby making prices of agricultural produce to be dear in the market. Nnolim (2001/2002:17) remarked that the marketing of agricultural output for some consumption is generally not organized. This is typically true of the more perishable types of agricultural produce such as fruits and vegetables. Structurally the channel is very broad and short. Nnolim did say that another channel structure peculiar to the distribution of less perishable agricultural outputs such as beans, rice and maize can be represented thus

**Figure: 6**

Distribution channel structure for less perishable agricultural food produce



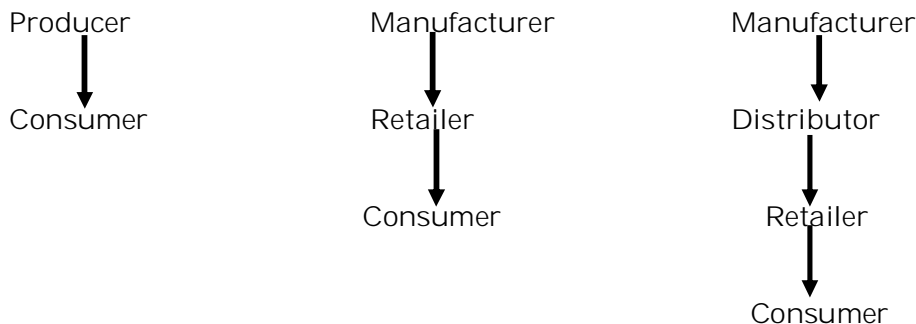
The distributions channel structure as they exist now manifest some deficiencies in their functional features in that the collecting, sorting and dispersing functions are not adequately performed where they are needed.

According to Onah and Thomas (2004:401), the channel is a chain of intermediaries linking producers with consumers. This linkage is not only physical but includes transfer of information, payment, title and promotion. He said that apart from being an important marketing variable, distribution provides time, place and possession utilities. Time, place and possession utilities constitute the value-added by marketing. Basically the distribution system in developing countries is on the same principle of three major flows:-

1. The flow of information to and from the customer.
2. The product flow-handling, moving and storing, which may include sorting by grading and breaking bulk.
3. The title flow-the passage of ownership with the attendant risk. Typically goods follow the three traditional channel of distribution. (Onah and Thomas, 2004:372,374,376)

**Figure: 7**

The three traditional channels of distribution are:-



### Data Analysis and Results

The primary data collected in this study were collated and analyzed using descriptive statistics. Frequency tables that made use of facts and percentages were used. Responses from research questions were elicited as follows.

Research Question 1: Which period was better in the marketing of palm kernel, the time of commodity boards or now?

**Table 4.1** the better period in marketing of palm kernel

Options	Responses		Total	Percentage
	Male	Female		
Now	10	5	15	27.3%
Time of commodity boards	30	10	40	72.7%
<b>Total</b>	<b>40</b>	<b>15</b>	<b>55</b>	<b>100.00%</b>

Source: Field Survey.

The above table shows that the time of commodity boards was the better period in marketing of palm kernel. This is because over 72% of the respondents supported that.

This finding which says that the time of commodity boards was a better period in marketing of palm kernel is true. This is because during the time of commodity boards, at the beginning of each year, they bring out their marketing scheme which stipulates all the arrangements on how the trade will be done for the year. The items in the marketing include the date for the commencement of the produce season, the price of various produce, the drop mark of bags, the lists of licensed buying agents. All these ensure that produce such as palm kernel move from the producers through the LBAs to the commodity boards for export or to local crushing mills.

Research question 2: In what way do the activities of illegal retail associations and big produce speculators affect the marketing of agricultural produce?

**Table 4.2** Effects of illegal retail associations and big produce speculators

Options	Responses		Total	Percentage
	Male	Female		
I don't know	5	2	7	12.7%
Increase in distribution channel structure	20	7	27	49.1%
Increase in prices of produce	15	6	21	38.2%
<b>Total</b>	<b>40</b>	<b>15</b>	<b>55</b>	<b>100.00%</b>

Source: Field Survey.

From the table above, it becomes clear that the effects of illegal retail associations and big produce speculators are increase in distribution channels and prices of agricultural food produce in the market. This was supported by over 87% of the respondents. This finding shows that the activities of these illegal retail associations in urban markets have to be looked into by government. They contribute to the increase in distribution channel structure with its consequences. The immediate consequence is the increase in prices of the produce and also the loss of freshness on the produce.

### Findings and Discussion

The findings from this study can be said to include the following:-

1. Organization of agricultural export trade is beset with malpractices.



2. The distribution channel structure of agricultural produce as they exist now, manifest some deficiencies.
3. The formation of illegal retail associations in urban markets and the activities of big produce speculators have contributed in increasing the distribution channel structure of agricultural food produce.
4. The increase in distribution channel structure brings deterioration in the produce quality as a result of constant hoardings.
5. The efforts of farmers are undermined as they are not allowed to get correct price for their produce.

Since the liberalization of agricultural produce trade a lot of malpractices have befallen it. Many people have joined the trade with the sole aim of making money at all cost. They always evade the other side of having their produce inspected and graded. The resultant effect is that they end up exporting substandard produce or that they contribute to closing down many local crushing mills as a result of the adulterated produce which they supply them. The distribution channel structure as they exist now is manifest with deficiencies in their functional features. This is because collecting, sorting and dispersing are not adequately performed where they are needed. The increase in the distribution channel structure due to the emergence of illegal retail associations and big produce speculators make prices of produce to be dear when finally bought by the consumer. This same reason contributes to the deterioration of the various produce before they are sold to the consumers. The produce may not be as fresh as it is supposed to be due to series of hoardings. The big produce speculators who buy from farm gates always hoard produce up to three to six months to create artificial scarcity. Farmers are not allowed to get correct prices for their produce. What members of the illegal retailers associations do in urban markets is that immediately they sight a farmer in the market, they gang up and buy off the produce from such a farmer at a cheap price and go back to resell to consumers at exorbitant prices.

### **Conclusion and Recommendations**

This study has been able to show that the abolition of commodity boards in Nigeria has brought some set back in marketing of agricultural export produce in Nigeria. The study also brought out the fact that distribution of agricultural food produce does not need long channels to avoid deterioration, and for consumers to get them at cheaper prices.

The researcher therefore recommends that:-

1. Government should put in place a body that will regulate the marketing of all agricultural produce to create room for more export.
2. All illegal traders unions in markets should be scrapped. This will make consumers to buy produce at cheaper prices.
3. There is the need for the establishment of processing factories by the government to prevent deterioration of produce that are not sold immediately after harvest.
4. Government should encourage and motivate farmers by buying off some of their excess produce after harvest. This will make them to feel belonged and to embark on further production knowing fully well that their effort is being recognized.

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