PROBLEMS OF AGRICULTURAL TRADE IN WEST AFRICA: A CASE STUDY OF CROSS-BORDER FOOD GRAIN TRADE BETWEEN NIGERIA AND NIGER REPUBLIC

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Abstract

This study was aimed at determining (he various obstacles to free trade between Nigeria and Niger Republic. Primary data obtained from cross-border traders was analysed using simple descriptive statistics. It was found that there exist similarities in the socio-economic characteristics of cross border traders in the two neighbouring countries which offer prospects for wider trade relationships among the two countries- A number of problems were enumerated by the traders as affecting the smooth operation of cross-border grain trade between Nigeria and Niger Republic. The problems include: illegal extortion of money from cross-border traders security personnel on the roads, lack of capital, high cost of transportation, high **formal** tariffs and market entry restriction. It was recommended tiiat the relevant authorities in the two countries should remove impediments to the free movement of food crops across the borders, in order to promote trade, food security and integration within the sub-region.

Introduction

In the last decade efforts were made to build a common market among the member countries of the Economic Community of West African States (ECOWAS). The region sought to take advantage of its geographical closeness, historical heritage, ecological assets (forest countries and sahelian countries), and the contrasting nature of the economies of its states (viable, intermediate, and non-viable countries) (Soule & Obi, 2001).

One of the most important areas of interest in the economic union in the West African sub-region is the agricultural market integration among neighbouring countries. The growing interest in agricultural market integration stems mainly from food crises threatening the sudano-sahelian region of many West African countries due to frequent drought, crop pests and diseases outbreak. Cross-border trade has therefore been identified as one of the means of achieving economic integration and food security not only in West Africa but the entire African continent.

Informal cross-border trades between Nigeria and neighbouring West African countries have been established since pre-colonial era. In the Eastern sub-region of West Africa, none of the countries that share a common boundary with Nigeria is as closely integrated into the logic and demands of the Nigerian economy as Niger Republic. In fact, Niger Republic's extensive international boundary with Nigeria links it directly with some important Northern Nigeria centres of commerce like Kano,' Sokoto, Maiduguri and Katsina (Olukoshi, 1993)

In view of the foregoing, this study was undertaken to highlight the various impediments to the realization of free trade and economic integration effort among ECOWAS member states, especially between Nigeria and Niger Republic. It is therefore expected that the information derived from this study would be of immense value not only to the market participants but also to planners and policy makers at the institutional or governmental level in both countries and international agencies promoting regional co-operation and integration.

Objectives of the Study

The objectives of the study were to:

(i) describe the socio-economic characteristics of cross-border grain traders in Northern Nigeria and Niger Republic;

(ii) identify the constraints confronting cross-border grain trade between the two neighbouring countries.

Methodology The Study Areas

More than one hundred markets exist between Nigeria and Niger along the bordering zone, serving as support to the regional economy. These markets are mostly of ancient origin and situated on the border (Adamou, 1994). From Gaya to Dosso, all of the border regions arc involved: each major town in Niger has a twin town on the other side of the border (Meagher. *et ah* 1996). The markets function as the main exchange points for agricultural products between Niger Republic and Nigerian traders. The most important of these markets in Niger include: Dan Issa, Maradi, Gajoun, Ruomji, Matameye, Kwaya, Zinder, Diffa, Birni Koni and Gaya. In Nigeria the markets are: Jibiya, Dankama, Dawa, Maiadua, Illela, Kamba and Maigatari. These border markets operate on weekly basis giving a cycle in market succession to allow participation by near-by border towns and communities. The study was however conducted in the border markets of Illela (Sokoto state), Jibia (Katsina State), and Maigatari (Jigawa state) in Northern Nigeria and in the corresponding border markets of Konni, Maradi, and Oungas in Niger Republic.

Sampling Procedure

A total of twenty-nine (29) cross-border cowpea traders were purpnsively sampled in the Nigerian border markets of Illela (Sokoto State), Jibia (Katsina State), and Maigatari (Jigawa State) out of 37 cowpea traders identified. On the Niger Republic side, a total of twenty-three (23) cross-border cowpea traders were also purposively selected from the border markets of Birnin Konni, Maradi, and Dungas, out of the 29 identified cowpea traders. Similarly, eighteen (18) maize traders were purposively sampled out of the 24 maize traders identified in the Nigerian border markets of Illela (Sokoto state) and Jibia (Katsina State) while sixteen (16) maize traders were purposively sampled out of 20 maize traders identified in the Niger Republic border markets of Birnin Konni and Maradi. These samples represent about 80% and 75% of the identified cross-border cowpea and maize traders respectively in the sampled markets of the two countries.

Primary data was used for this study. The data were drawn from surveys in all the sampled markets using structured questionnaire. The questionnaire was administered to the traders to generate information on the socio-economic and demographic characteristics of the traders and problems of cross-border grain marketing. Simple descriptive statistics was used in the analysis.

Results and Discussions

Socio-Economic and Demographic Characteristics of Respondents

In this section, certain socio-economic and demographic characteristics which affect/influence cross-border trade between Nigeria and Niger Republic are presented. Such characteristics include age, sex, trading experience, nationality/ethnicity, and trade financing.

1. Age and Sex of the Traders

Age, to a certain extent, affects the managerial ability of agricultural product marketers. It affects the traders' ability to acquire necessary inputs (especially capital) required in the trade. This is especially true in traditional societies like in Nigeria and Niger Republic where responsibilities are assigned according to age. The survey revealed that all the respondents were within the ages defined by FAO (1992) as economically productive in a population (15-64 years). The average ages of Nigerian and Niger Republic traders were found to be 48 and 40 years respectively showing that Nigerian traders are older than their Niger counterparts. The finding implies that the respondents are able-bodied traders who could exert maximum physical labour that is often required in handling agricultural produce across the borders. Cross-border grain marketing requires dynamism on the part of the traders to be able to respond quickly to the dictates of the trade such as urgent demand for grains across the borders and ability to withstand hardships and risks of the trade. These hazards, among other reasons, could explain why cross-border trade was found to be exclusively dominated (100%) by men.

The dominance of men in cross-border grain trading, as found in this study, counters one of the popular notions observed by Meagher (1994) that parallel cross-border trade is gender sensitive, i.e. it is not dominated by men. The cultural and religious belief of the people in these parts of the countries that restrict women from participating in activities that expose them to intermingling with men could be a reason for the male dominance.

2. Trading Experience

It is often said that experience is the best teacher. People gain more expertise and mastery with experience in their professions/vocations. In addition, it influences their perception and understanding of climatic, socio-economic policies and factors that affect the vocation over the years. Experience therefore, has some relationship with age. It was found that the traders had average cross-border trading experience of 13 and 16 years respectively for Niger Republic and Nigerian traders. Nigerian traders therefore had more years of experience than those of Niger Republic, just like was found for the age of the traders in 4.1.1.

3. Nationality/Ethnicity of the **Traders**

Before the advent of on-line electronic trading and commerce through Internet in the late 1990s, one of the barriers to international trade, which is often enumerated in economic theory, is the language and cultural differences of the trading partners. The study revealed that the cross-border traders in the two neighbouring countries have common ethnicity, (mainly Hausa), cultural and religious affiliations. These common cultural belief and norms facilitate trade transactions between the two neighbouring countries as trade networks, which span national boundaries, are formed. Jaffee and Morton (1995), in their review of cross-border trade between African countries, observed that "the ethno-or kin- based networks provide pre-existing relations of trust and possibilities for informal enforcement of contracts". Furthermore, the generality of the people in the border zones see themselves as "one" except for the colonial imposition of artificial boundaries. It was found that about 9% of cross-border traders of Nigerian nationality are resident and engaged in cross-border trade in Niger Republic while about 12% of Niger Republic nationals are resident and engaged in cross-border trade in Nigeria.

4. Trade Financing

This is the working capital devoted to cross-border grains marketing. The available capital devoted to maize and cowpea for Nigeria and Niger Republic based traders are discussed below:

(i) Cowpea

The average amount of working capital committed to cross-border cowpca marketing (importation) in the Nigerian border markets under study were N318,500 (1.7 million FCFA), N 523,333 (2.7 million FCFA) and N745.999 (3.9 million FCFA) per trader in Maigatari , Illela and Jibia respectively. Similarly for the Niger Republic based traders the average amount were NT 62,060 (858918 FCFA), N217,782 (1.2 million FCFA) and N346.986 (1.8 million FCFA) for traders in Dungas, Birnin Konni and Maradi respectively.

(ii) **Maize**

The average amount of working capital devoted annually to cross-border marketing of maize to Niger Republic in the border markets of Jibia and Illela were found to be N719,000 (3.8 million FCFA) and N782,666 (4.1 million FCFA) respectively. On the other hand, the amount committed by the Niger Republic based traders for importing maize from Nigerian markets was found to be N 450,000 (2.4 million FCFA) and N437,562 (2.3 million FCFA) respectively for traders in Maradi and Birnin Konni markets.

These results indicate that Nigerian based cross-border traders have more capital committed to the cross-border grain marketing than their Niger Republic based counterparts. This significant difference in available working capital between Nigerian and Niger Republic traders could be partly responsible for the variation in the size/volume of grains handled annually which is highly in favour of the Nigerians, as observed in section 4.1.4, especially for cowpea that. is being exported from Niger Republic to Nigeria. Financial capital accumulation by entrepreneurs is often a function of so many socio- economic factors. One of [he most important of such factors is the per capita income of the citizenry. The World Bank report of 2002 quoted by Okigbo (2003) shows that while the per capita income of Nigeria is $290 that of the Niger Republic is $170, which is much lower. A considerable proportion of high income derives from investment and the higher the income (he higher the investment-derived portion tends to be. This could explain why Nigerian traders could invest more in the trade than their Niger Republic based counterparts.

Constraints of Cross-border Trade Between Nigeria and Niger Republic

The views of the respondents were sought on the problems affecting the smooth operation of cross-border grain marketing between Nigeria and Niger Republic. The problems enumerated as affecting the traders include:

(i) Security Personnel

A number of security personnel are stationed at various points along the cross-border highways in the two neighbouring countries. These include customs, immigration, police, phytosanitary (plant quarantine) agents and gendarmes. Their statutory responsibilities are those of prevention of crimes, illegal entries of persons and goods, collection- of official taxes, inspection of plant materials being imported, etc. However, in most cases these government agents have diverted attention from the pursuit of their official responsibilities to that of illegal extortion of money from cross-border traders for personal gains. Almost all the traders (except those along Iliela - B/Konni route) complained of the excesses of the security personnel along the cross-border roads. This problem is particularly more on the Nigerian side of the border.

(ii) Lack of Capital

Export marketing requires relatively large amount of working capital to operate, in view of extra-transaction costs involved in moving grains from one country to another no matter how close. Therefore the sources of finance available to traders, could affect the quantity of commodity handled by the traders. The main source of capital for cross-border trading by majority of the traders (95%) was found to be personal savings while the remaining 5% borrowed from informal sources such as friends and relatives. These sources of finance are often very limiting to meet the needs of the traders. Traders were further asked to state the amount of capital they would require to finance cross-border trade and the amount actually realised annually. It was found on the average that the Nigerian based traders were able to obtain about 55% of their stated financial requirement while the Niger Republic based traders were able to meet about 52.7% of their need. These results show the financial limitation of the traders, which tend to reduce their capacity utilization even in the face of occasional high demand for commodities across the borders. This problem of lack of enough capital is further aggravated by the lull in business turnover of the traders as a result of the general decline in the purchasing power of the consumers.

(iii) Transportation Problems

One of the conditions necessary for the attainment of efficient spatial arbitrage of agricultural commodities, especially food grains, is availability of transport facilities. IE was found that availability of facilities is not much of a problem (10%) when compared with its reported high cost (70%). It was revealed that the high cost being charged by transporters, despite the good conditions of roads, was as a result of the following reasons:

(a) High petroleum product prices: The continuous increase in the official prices of petroleum products has correspondingly increased petroleum prices in the Nigerian border towns. Petroleum products are sold in these towns at exorbitant unofficial (black market) prices ranging between 50 - 100% and more of the official prices in Nigeria. It is usually on this black market source that most cross-border transporters (Nigerians and Nigeriens) rely on for petroleum products. The high cost is transferred to the traders and consequently affects the profitability of their cross-border trading activities.

(b) Extortion of money from commercial motorists by the security personnel on the roads. The motorists then pass such expenses to the traders as part of transportation cost.

(iv) Taxes

A number of taxes are charged officially by the Chambers of Commerce of the Niger Republic on agricultural commodities being imported into or exported out of the country. The tax rates range between 6-8% of the value of the product. The traders complained that these taxes are high. In economic theory, individual food grain price is more elastic in demand due to availability of close substitutes. As such, any tax imposed on that commodity can lead to "no market situation" whereby consumers shift demand to substitute commodities. To avoid such a situation, and coupled with the fact that agricultural produce sellers are price takers, the trader (seller) has to absorb the tax as extra cost, thereby reducing his/her profit margin. This development has led to reduction in quantity of commodities traded by the traders.

These formal taxes are however absent on the Nigerian side of the border during the period of this study. It is rather the border security personnel that charge unspecified amount that usually depends on the bargaining power of the trader and inter-personal relationship between the trader and the security agents.

(v) Market Entry Restriction

The Nigerian traders complained of the restriction on their direct entry into the markets of Niger Republic to trade freely. This practice has the tendency to reduce competition that is desirous in agricultural produce marketing.

Recommendations

i) One of the major constraints facing cross-border traders is lack of sufficient capital to purchase and market grains across the borders. It is therefore recommended that marketing loans from institutional sources be granted to cross-border grain marketers.

ii) The relevant authorities in the two countries should remove impediments to the free movement of food crops across the border. Such impediments include illegal and high taxes and border security personnel not performing their statutory duties, and market entry blockage by any group of traders.

Conclusion

A number of conclusions were made based on the results of the analyses. These are:

(i) There is similarity in the socio-economic characteristics of cross border traders in the two neighbouring countries;

(vi) The implication of the findings is that prospects exist for broader economic cooperation between Nigeria and Niger Republic in particular and among West African countries in general in view of the similar socio and demographic characteristics of the neighbouring boundary towns, as found in this study.

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