

Evaluation of the Contributions of Middlemen and Perceived Benefits Derived from Value Addition to Rice Enterprise in Ogun State, Nigeria

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Abstract

This research study seeks to evaluate the contributions of middlemen to rice enterprise and the benefits derived from value addition. The study was carried out in Ogun state. It adopted a multi-stage sampling technique to arrive at a total of 141 respondents from the initial population of respondents in the study area. A structured questionnaire was used to generate information from respondents. The personal characteristics of the respondents showed that the majority of the middlemen are males (66%), and are between the ages of 31-35 (41.1%). Moreover, most (41.8%) of the respondents have an HND/BSC academic qualification. Evaluation of the contribution of the middlemen to rice enterprise showed that buying rice in bulk from farmers to ease their operation is ranked as the most important contribution of middlemen with a weighted mean score (W.M.S) of 1.62. It is revealed that the most important perceived benefit derived by middlemen from value addition to rice is the ability to dictate the price of rice in the market (W.M.S=1.29). Correlation analysis showed with a p-value of 0.000 that there is a significant relationship between the perceived benefit derived by middlemen and the contributions to value addition in rice enterprise. It was concluded that middlemen contribute majorly to rice enterprise in terms of bulk purchasing from the farmers and as a result derive the benefit of being able to control market prices. It is therefore recommended that middlemen should assist farmers in areas of sourcing for inputs and getting access to financial resources.

Keywords: *Value addition, Contribution, Benefit, Middlemen, Rice enterprise*

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Background to the Study

Rice is an important cereal crop in the world. Rice is mainly grown in Asia, Europe, America, and Africa continents in the world (Bapari, 2016). It is the second-largest consumed cereal crop in the world (Inuwa, Kyiogwom, Ala, Maikasuwa, Ibrahim, 2011). About 80% of the people live on rice in the Asia continent (Noonari, Memon, Jatoi, Peerzadio, Chandio, Wagan, ...Shah., 2015) and its production holds an extremely important position in agriculture and the national economy in countries like Bangladesh (Hasan, Osmani, Hossain., 2017).

In Nigeria, rice consumption has risen tremendously at about 10 percent per annum due to changing consumer preferences. It is one of the few food items whose consumption has no culture, religious, ethnic, or geographical boundary (Ibitoye, 2014). According to FAO (2011) and Inuwa (2011), many people depend on it for about 80 percent of their calorie requirement. More than half of the world's population depends on rice as a source of calories. The amount consumed by all these people ranged from 100kg to 240kg per annum in the year 2000 alone.

Globally, about 1.5 billion people depend on smallholder agriculture for income and livelihood (Ferris, Robbins, Best, Seville, Buxton, Shriver, and Wei. 2014). These farmers often fail to benefit fully from the full value of their products because they lack market information and when they bargain for better prices they often end up with unfavourable terms. This is true in rural areas because imperfections in market information can significantly increase the cost of reliable information which leads to inefficiencies and welfare loss to farmers (Department for International Development (DFID), 2005). This situation is precarious in Sub-Saharan Africa where farmers have the choice of selling their products to middlemen or taking their products to the nearest markets (Fafchamps and Vargas, 2005). Most often due to significant transport costs, farmers prefer middlemen to pick them up even though middlemen can exploit them and reap better rents (Fafchamps and Hill, 2005; Merel, Sexton, and Suzuki; 2009).

Currently, farmers are faced with several options when selling their products. They can sell through middlemen or transport their products themselves to the market or group themselves and one member takes the product to the market. The decision to choose one of the above options depends on several factors that condition the farmer's choice. Some farmers decide to sell through middlemen due to lack of market information and the relatively small quantities; others carry to the market because they have large quantities to sell. Group sales are common among farmers who understand themselves and decide to group their small quantities to reduce transport costs per unit by collectively renting a truck to transport their produce to a city market with the hope of having better prices (Serge, Herve, Janice, Vanisa and Tieguhong; 2020).

Statement of Problem

Globally, about a 1.5 billion people depend on smallholder agriculture for income and livelihood (Ferris et al; 2014). These farmers often fail to benefit fully from the full value of their products because they lack market information, and when they bargain for better prices they often end up with unfavourable terms. This is true in rural areas because imperfections in

market information can significantly increase the cost of reliable information which leads to inefficiencies and welfare loss to farmers.

The need for the contributions of middlemen to rice enterprise cannot be over-emphasized. The wide gap in market information is where middlemen are expected to come in. It is expected that the presence of middlemen in rice production and enterprise processes, will bridge the existent gap between the farmers and the required market information. In addition, other contributions of middlemen which include promotion of the product in other areas, bulk buying from the farmers, and sourcing for major inputs for rural farmers are very important indexes in determining the eventual success of the rice enterprise. These services, if not available to rural farmers may spell loss for the enterprise, and as such, increase the level of poverty among farmers, and also jeopardize the whole essence of forging into rice production enterprise which is to earn a living.

Middlemen are stimulated in terms of their contributions to rice enterprise by the benefits derivable by them from their contributions. They are expected to derive certain benefits from their contributions to rice enterprise most especially in areas of value addition. Their contributions go a long way to stimulate the rice economy positively, and if absent may stimulate the economy negatively. It is therefore of great importance to ensure middlemen have an enabling environment that will favour the provision of the necessary contributions to the rice enterprise. It is against this background that this research work tends to evaluate the contributions of middlemen to rice enterprise and perceived benefits derived from value addition to rice.

Objectives of the Study

The general objective of this study is to evaluate the contribution of middlemen and benefits derivable from value addition to rice.

The specific objectives are to:

- i. Determine the socio-economic characteristics of the respondents in the study area
- ii. Evaluate the types of the contribution of middlemen to rice enterprise in Ogun State?
- iii. Assess the perceived benefits middlemen derived from adding value to rice production in Ogun State?

Methodology

This research study adopted the descriptive survey method research design. The study was carried out in the 3 senatorial districts of Ogun state (Ogun central, Ogun west, and Ogun east), two Local Government Areas (L.G.A.s) were selected randomly from each of the 3 senatorial districts. The population of this study comprises all middlemen in the L.G.As selected for the study. Using the multi-stage sampling technique, Fifteen (15) percent of the estimated numbers of middlemen were considered adequate as the sample to arrive at a total of One Hundred and forty- respondents. A structured questionnaire was developed to elicit the needed information from the respondents. Content and face validity were carried out to ascertain the validity of the instrument by seeking the inclusion of experts in the related field. Cronbach alpha method was then used to calculate the reliability coefficient of the instrument

to arrive at a reliability co-efficient of 0.76. The instrument was self-administered in the selected Local Government Areas. The data collected were subjected to descriptive and inferential statistical analysis and presented using contingency tables, frequency, and weighted mean score.

Results and Discussion

Socio-Economic Characteristics of Respondents

The social-economic characteristics of the respondents as shown in table 1 reveal that 66% of the respondents are males. This is however in disagreement with the finding of Adamu (2012), who opined that the majority of people who help in the movement of goods and services from the production point to the point of usage are usually women. Most of the respondents are between the ages of 31-35 (41.1%). This is followed by respondents who are 36 years and above (18.4%). This implies that most middlemen are of the age where they have a very productive output and enough energy to put into the business. This assertion is given credibility by the statement of many scholarly works like that of Ajikorin, (2009), who observed that middlemen are more active and productive at their tender age, while they grow older they need more hands. Most (41.8%) of the respondents possess HND/BSC, this is quite in contrast with the report of Do Thi (2009) who stated that the average education standard of middlemen is primary education. Similarly, most (47.5%) of the respondents have 6-10 years of experience in rice enterprise. This implies that most of the middlemen in rice enterprises have a significant level of experience.

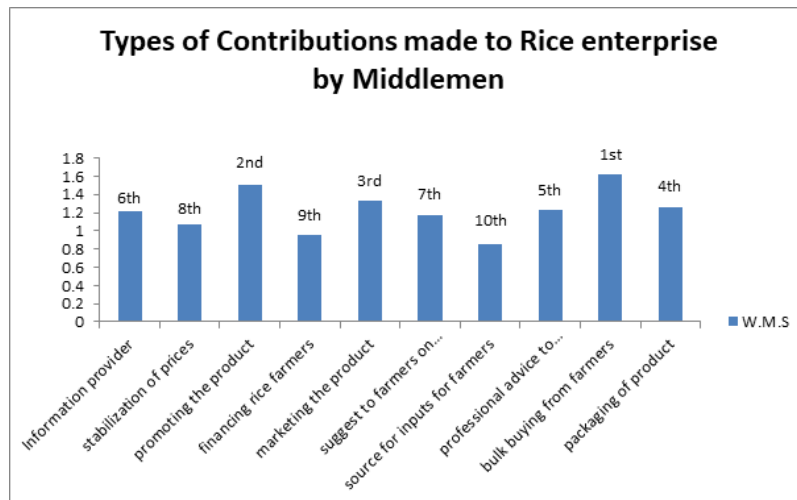
Table1: Social Economic Characteristics of Respondents

Variables	Frequency	Percentage (%)
Sex		
Male	93	66
Female	48	34
Age		
20 – 25	19	13.5
26 – 30	38	27
31- 35	58	41.1
36 &Above	26	18.4
Marital status		
Single	27	19.1
Married	92	65.3
Divorced	22	15.6
Widow	-	-
Religion		
Islam	62	43.9
Christian	71	50.4
Other	08	5.7
Qualification		
SSCE	21	14.9
NCE/OND	57	40.5
HND/BSC	59	41.8
MA & Above	4	2.8
Years of Business Experience		
1-5yrs	39	27.7
6-10yrs	67	47.5
11-15yrs	16	11.4
16yrs & above	19	13.5
Total	141	100

Source: Field survey, 2020

Types of Contributions of Middlemen to Rice Enterprise in Ogun State

The result on the type of contribution of middlemen to rice enterprises as reported in fig.1 shows that buying rice in bulk from farmers to ease their operation is ranked as the most important contribution of middlemen to rice enterprises with a weighted mean score of 1.62. This was in consonance with the thought of Longe (2012), who said, bulk breaking is one of the most important reasons why middlemen cannot and should not be removed from the distribution chain. Furthermore, Promoting the product in their territory (WMS=1.51) and marketing the product (WMS=1.33) were ranked 2nd and 3rd respectively. By this assertion, Abu (2009) stated that farmers can maximize their profit with the help of retailers who help to create awareness and sell their products through different markets in which they have their outlets. Sourcing for major inputs for rice farmers is ranked as the least contribution of middlemen to rice enterprises with a WMS of 0.86. This is to imply that middlemen do not care about or get involved in pre-production farm processes and enterprise; rather they only focus on the post-production processes.



Source: Field survey, 2020

Fig.1: Types of Contributions made to Rice enterprise by Middlemen

Perceived Benefit Derived by Middlemen from Adding Value to Rice Enterprise

The result in Table 2 shows the benefit derived by middlemen from adding value to rice. It reveals that the most important benefit middlemen derived from the addition of value to rice are the ability to dictate the price of rice in the market (WMS=1.29). This finding is in line with the proposition of Owoh (2008) who pointed out that the more the middlemen involve in value addition, the greater their ability to force the price on the buyer through demand. Maintaining market share (WMS=1.21) and the ability to command higher profit (WMS=1.18) were ranked as 2nd and 3rd respectively as the next most important benefit the middlemen derived from the addition of value to rice. This implies that the majority of the respondents agreed that market share could be maintained through value addition in rice enterprises. This is evident in the study of Ibitoye (2014), who opined that value addition is a key to higher market share. The least ranked (WMS=0.96) perceived benefit derived from the findings of this study is that the addition of value to rice enterprise will make middlemen enjoy incentives from the government. The reason for this may be because a provision of incentive by the government is usually in the area of economic benefit to the policies of the government.

Table 2: Frequency Distribution of the respondents by the Perceived benefit derived by middlemen from adding value to rice production

Statement	Major Benefit		Minor Benefit		No Benefit		WMS	Rank
	No	%	No	%	No	%		
Adding value to rice production enables middlemen to command higher profit	54	38.3	59	41.8	28	19.9	1.18	3 RD
By adding value to rice production, middlemen will have a variety of quality rice in their stores.	48	34.0	62	44	31	22	1.12	7 TH
Middlemen will have access to larger purchases when they add value to rice production	59	41.8	41	29.1	41	29.1	1.13	4 TH
Adding value to rice production will enable middlemen to dictate the price of rice in the market	62	44	58	41.1	21	14.9	1.29	1 ST
Adding value to rice production will make middlemen to enjoy incentives from the government	39	27.7	43	30.5	59	41.8	0.96	10 TH
Through value addition to rice production, middlemen will have adequate information about the products	48	34.0	61	43.3	32	22.7	1.11	8 TH
Sales forecast on rice can be made easier for middlemen through value addition to rice production	59	41.8	42	29.8	40	28.4	1.13	4 TH
Middlemen's contribution to value addition in rice production will make them to maintain their market share	60	42.6	51	36.2	30	21.3	1.21	2 ND
Adding value to rice production will enable middlemen to meet their social and economic needs	47	33.3	49	34.8	45	31.9	1.01	9 TH
Middlemen will compete favorably with the importer of foreign rice by adding value to rice production.	58	41.1	43	30.5	40	28.4	1.13	4 TH

Source: Field survey, 2020

Relationship between benefits derived by middlemen and their contributions to value addition in rice production

Correlation analysis between perceived benefit derived by middlemen and contributions to value addition as shown in Table 3 revealed that there is a significant relationship between the perceived benefit derived by middlemen and the contribution to value addition in rice

production and enterprise with a p-value of 0.000. This implies that the majority of the respondents agreed that benefits are derived when middlemen contribute to rice enterprise in the face of value addition. Adalakun (2011), supports this by saying that beneficiaries of value addition are those who contribute immensely to the product's value. Olatunji (2010), also posits that products get higher demand in the market when there is a value added to them, and value addition, in turn, brings about higher profits for dealers.

Table 3: Correlation analysis between perceived benefit derived by middlemen and contribution to value addition in rice

Variable	Correlation Value	p-Value	Decision
The benefit derived by middlemen and contribution to value addition in rice production.	0.781	0.000	Significant

Source: Field survey, 2020

Conclusion and Recommendations

Middlemen are indeed indispensable in any enterprise, most importantly the production of foodstuff like rice. They serve majorly as a bridge between the producers of food and the consumers. They perform roles that a farmer may not be able to perform such as marketing the product, value addition, and creating awareness of the product across several regions where the product of the farmer may naturally not reach. This study, therefore, looked into the contributions of middlemen to rice production and the perceived benefits accruable from value addition to rice by these middlemen and concludes that middlemen contribute majorly to rice enterprise in terms of bulk purchasing from the farmers and promotion of the product in their various territories; these contributions accrue to them the benefits of being able to control market prices of the product, maintain their market share, and generate more profit to themselves. Based On the strength of the findings, the following recommendations were made:

- i. Middlemen should endeavor to assist the farmers in areas of getting inputs for their production as it would allow the farmers the capacity to grow better products which will eventually be of advantage to the middlemen in terms of marketing and sales of the product.
- ii. Middlemen should work towards generating more resources and focus on improving the value added to rice to be able to compete well with a foreign product which will endear the customers to the local product more and thereby generate more profit for the middlemen.
- iii. Middlemen should also work with several financial bodies to invest in value addition to rice production.

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