

**THE ROLE OF COCOA BUYING AGENTS IN COCOA VALUE CHAIN IN SOUTHWESTERN NIGERIA****Oluyole, K.A.**

Economics Section, Cocoa Research Institute of Nigeria,
PMB 5244, Ibadan, Nigeria.
kayodeoluyole@yahoo.com

Received: 29th May, 2017**Accepted: 6th June 2017****Published: 6th June, 2017****ABSTRACT**

Cocoa buying agents play a major role as middlemen in cocoa marketing in Nigeria. They facilitate the movement of cocoa beans from the farmers to the end-users thus sustaining the continual production of cocoa. Therefore, a study like this which evaluate the activities of cocoa buying agents is quite imperative. Simple random sampling technique was used to select ninety-four respondents from the study area. Information was collected from the respondents with the aid of structured questionnaire and the data retrieved from the information collected were analysed using descriptive statistics as well as budgetary analysis. The study shows that 79.79% of the respondents are aged 50 years and below while 100% of the respondents are formally educated. Also, 6.40% of the respondents are licensed buying agents while 93.60% are local buying agents. All the respondent buying agents claimed that they sourced their products (cocoa beans) from cocoa farmers. All the respondents claimed that they assist cocoa farmers by giving them loans, 74.47% claimed that they supply inputs such as chemicals and implements to the farmers while 70.21% of the respondents claimed that they give training to farmers on how to produce good quality cocoa beans. The result of the budgetary analysis shows that the average gross margin per annum per buying agent was N417,361.28 showing that cocoa buying agents in the study area are operating profitably. The study recommends that government should assist cocoa buying agents by giving them a soft loan to run their business effectively.

Keywords: Activities, Buying agents, Cocoa, Evaluation, Farmers.

INTRODUCTION

Cocoa which belongs to the family Steruliaceae and genus Theobroma was discovered in 18th Century at the Amazon basin and later spread to other tropical areas of South and Central America and West Africa (Opeke 1987). Since the end of the First World War, West Africa has been the highest producer of cocoa. The crop was eventually introduced into Nigeria in 1887 (Ayorinde 1966). Nigeria as a developing country was rated the second largest world producer of cocoa in the 1960s (Adegbola and Abe 1983), and, for a long time, the crop has been generating substantial foreign exchange earnings for the country. However, the production of this important cash crop for export has suffered a reduction in the recent years in the country owing to a number of factors. Villalobos (1989) identified some of these factors as: low yield, inconsistent production patterns, disease incidence, pest attack and use of simple farm tools. In addition, Oduwale (2004) identified ageing cocoa farms as one of the factors responsible for the decline in cocoa production in south western Nigeria. He observed that many farms were over 40 years old and such farms constitute as much as 60% of the cocoa farms in Nigeria. However, in a study conducted by Daramola *et al.* (2003), it was found that most cocoa farms in Ondo and Osun states are very old with low productivity while farms in Cross River state are relatively younger and mostly in productive phase. Apart from these, cocoa marketing has been found to have a substantial impact on production. This is because when there is a good market drive for cocoa, farmers would be encouraged more to intensify their efforts to increase their production. Therefore, the issue of marketing in the cocoa economy cannot be over-emphasized. Before 1986, there was an existence of Cocoa Marketing Board. The board was characterized with a monopoly for internal and external crop marketing and hence, the function was to arrange for the purchase, grading, export and marketing of cocoa (Njoku, 2000). Once the cocoa beans are bought from the farmers, it becomes the property of the marketing board and will be handled by the board in all the stages of the marketing chain; therefore, the marketing and exporting of agricultural produce (cocoa inclusive) in Nigeria was mainly monopolized by the Commodity Board. Prices are determined by the board and are fixed for the entire crop year (Oluyole and Usman, 2006). Fixing of price allows the producers to be less vulnerable to fluctuations in world market prices. However, the price stabilization policy of the Cocoa Marketing Board denies the farmers the full

benefits of the world price of cocoa. It was as a result of the inefficiencies of the Commodity Board system and also following structural changes in Nigerian economy that the Marketing Board was abolished in 1986 and the after effects of the abolition was the liberalization by the federal government of the export pricing policy that enabled the marketing of cocoa beans to be handled by private cocoa merchants while at the same time a new foreign exchange system (the Second Tier Foreign Exchange Market, SFEM) was introduced by the Federal Government as part of government Structural Adjustment Program (SAP). The result of the new marketing system gave rise to free marketing operation that many industries, firms and corporate bodies are freed to engage in domestic trading and exportation of cocoa beans. The prices are determined by the law of demand and supply in the international market. With this development, both internal and external cocoa marketing structures were fully privatized and there is competition in domestic marketing by allowing private Licensed Buying Agents (LBAs) to purchase cocoa from farmers. The LBAs in turn bag and sell the cocoa beans to the produce merchants who sell the beans to the industries or export it outside the country (Oluyole and Usman, 2006). Therefore, in the current policy of cocoa marketing, it could be observed that LBAs play a major role in cocoa marketing. Exporters as well as processors, buy cocoa in most cases from LBAs while the local buying agents enter into farm gates to buy cocoa from the farmers. To get cocoa buy from the farmers has not been easy in most cases, rather, these LBAs would have to make a lot of sacrifices. Such sacrifices include spending additional cost in procuring encouragement packages such as chemicals, fertilizers and bags for farmers so that these farmers would continue to sell cocoa beans to them, giving out money in advance to farmers on agreed price which often ends up in most cases without money and the goods, quality and weight loss of cocoa in the course of storage (Oluyole and Usman, 2006). Therefore, with all these problems/responsibilities on licensed buying agents, how do they still breakeven in their business? It is, therefore, the objectives of this study to assess the activities of cocoa buying agents as it affects cocoa business sustainability in Nigeria as well as to estimate the profitability level of cocoa buying agents.

METHODOLOGY

The study was carried out in Ogun and Oyo States. According to National Cocoa Development Committee (NCDC) classification, Ogun and Oyo States belong to medium cocoa producing States in Nigeria. Purposive random sampling technique was used to select a total of ninety-four cocoa buying agents from the two states. The buying agents surveyed include both the LBAs and the local buying agents. A structured questionnaire was used to elicit information from the respondents and the data retrieved from the information supplied were analysed using descriptive statistics as well as budgetary analysis. The descriptive statistics was used to analyse the socio-economic variables as well as the activities of the buying agents while the budgetary analysis was used to determine the profitability level of the buying agents.

Gross Margin (GM) = Total Revenue (TR) – Total Variable Cost (TVC)

Total Revenue = Total Output X Price

RESULTS AND DISCUSSION

The result of the socio-economic analysis is shown in Table 1. The table shows that 84.04% of the respondents were males while 15.06% were females. Results also showed that 79.79% of the respondents were aged 50 years and below showing that majority of the respondents are still in their active age. This is a good pointer to the sustainability of the business. All (100%) of the respondents had formal education and 70.21% had above primary school education. This is quite obvious because cocoa buying agency requires a certain level of formal education before it can be easily carried out. Moreso, it requires handling a considerable amount of cash and travelling outside one's immediate environment to source for the product. This can only be easier if one is formally educated. Hence, education enhances the efficiency of the trade. Considering the categories of buyers among the respondents, the result of the analysis shows that 6.40% of the respondents were licensed buying agents while the majority (93.60%) of the respondents were local buying agents. This is quite so because in most cases, local buying agents source for products for the licensed buying agents while the licensed buying agents are the financier for the local buyers. As regards the sources of buying cocoa beans as shown in Table 2, 100% of the respondents sourced their cocoa beans from farmers while 2.12% sourced their beans from local buyers. This should be among the few numbers of licensed buying agents who only source their products from the local buyers only. The local buying agents are always numerous but in most cases are always depend on the licensed buying agents as a source of finance for their business. The result of the analysis also showed that 84.04% of the respondents claimed that they buy well dried but not sorted cocoa beans (Table 3) while 61.70% submitted that they buy not well dried cocoa beans from the farmers, they however, claimed that such cocoa beans would eventually be properly dried up by them before it is sold to the exporter. According to the buyers, farmers sometimes decide to sell improperly dried cocoa beans because of their urgent need for money. All

(100%) of the buying agents claimed that they assist farmers in boosting their production (Table 4). All the respondents claimed that they assist the farmers by giving them loans, 74.47% claimed that they supply inputs such as chemicals and implements to the farmers while 70.21% of the respondents claimed that they give training to farmers on how to produce good quality cocoa beans. However, the buying agents claimed that for them to be effective in their business and more to be able to be rendering the assistance to the farmers efficiently, the government should come to their aid by way of giving them soft loans.

Table 1. Socio-economic characteristics of cocoa buying agents

Variables	Frequency	Percentage
Age (years)		
≤ 30	16	23.40
31-50	53	56.39
>50	25	20.21
Total	94	100.00
Gender		
Male	79	84.04
Female	15	15.96
Total	94	100.00
Educational level		
No formal education	0	0.00
Primary education	12	12.77
Secondary education	51	54.25
Tertiary education	31	32.98
Total	94	100.00
Marital status		
Single	15	15.96
Married	79	84.04
Total	94	100.00
Categories of buyer		
Licensed Buying Agents	6	6.40
Local Buying Agents	88	93.60
Total	94	100.00

Source: Field survey, 2013

Table 2. Sources of buying cocoa beans

Sources	Freq	Percentage
From the farmers	94	100.00
From local buyers	49	52.12
From Licensed Buying Agents	6	6.38

Source: Field survey, 2013

Table 3. The form in which cocoa beans is bought

Form of purchasing cocoa	Frequency	Percentage
Well dried and well sorted	25	26.59
Well dried but not sorted	79	84.04
Not well dried but later dry it up myself	58	61.70

Source: Field survey, 2013

Table 4. Areas in which buying agents assist farmers

Areas of assistance	Frequency	Percentage
Supplying of input to farmers	70	74.47
Giving loan to farmers	94	100.00
Assists farmers in obtaining loan from Financial organisations	3	3.19
Giving trainings for the farmers	66	70.21

Source: Field survey, 2013

Table 5. Budgetary analysis result of cocoa buying agents

Item	N
Total variable cost	116,239,200.00
Average variable cost per buying agent	1,236,587.23
Total revenue	155,471,160.00
Average revenue per buying agent	1,653,948.51
Total gross margin	39,231,960.00
Average gross margin per buying agent	417,361.28

Source: Field survey, 2013

The budgetary analysis result is revealed in Table 5. The table shows that in 2013 cocoa production season, there was an average revenue per buying agent of N1,653,948.51 while the average variable cost was N1,236,587.23. Hence, the average gross margin per buying agent was N417,361.28 representing 33.75%. Cocoa buying agents in the study area are thus operating profitably. This is an encouragement in as much that profitability of an enterprise has been found to be a major ingredient which determines the retention of the practitioners (Oluyole and Adeogun, 2005).

CONCLUSION

From the findings in the study, it could be observed that the activities of cocoa buying agents by way of assisting farmers such as the provision of loans as well as sales of inputs on credit to farmers, one is convinced that these activities contribute to the sustainable cocoa production in Nigeria. However, as claimed by the farmers, this system often results in extorting the farmers by the buying agents. This is because having committed to the loan facility and the purchasing of inputs on credit from the buying agents, the agents would now seize the opportunity to buy their cocoa at a price below what is obtained in the market. The study also concluded that cocoa buying business is profitable.

The study recommends that government should assist cocoa buying agents by giving them a soft loan to run their business. Also, cocoa farmers should be enlightened on the need to process their cocoa beans properly before it is sold to the buying agents as this will command more price.

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