The Groundnut Value Chain in Babile District, Eastern Ethiopia

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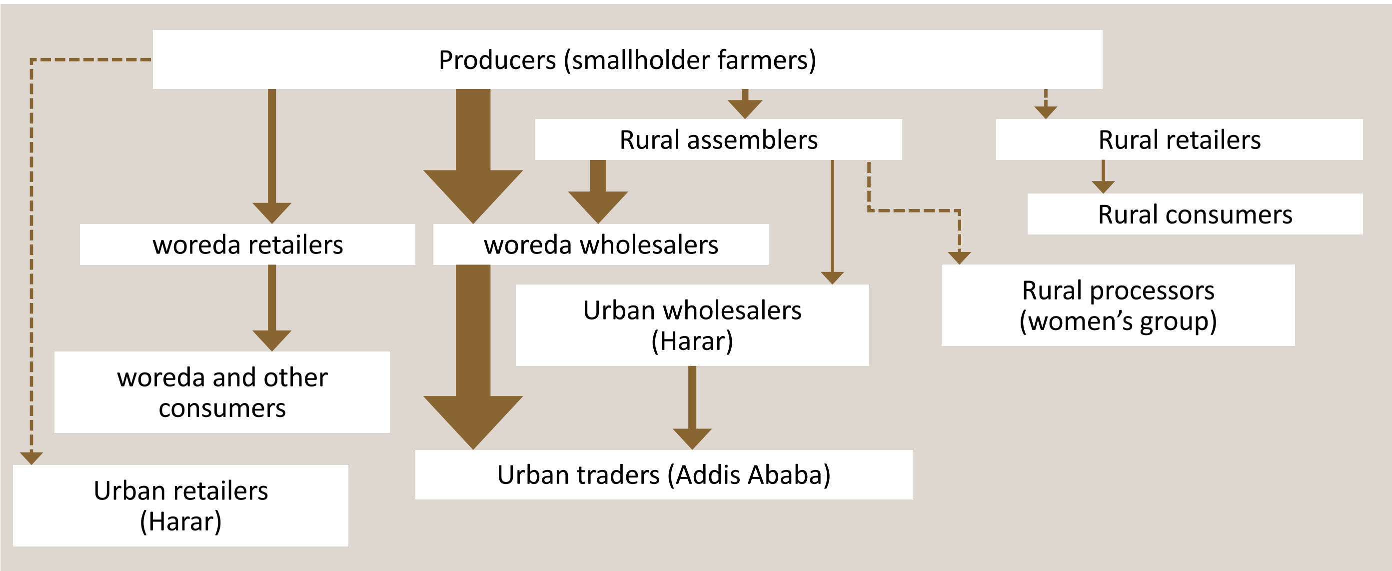
This study draws on concepts and frameworks developed in recent work on value chains for nutrition (Hawkes and Ruel 2011, Gelli et al 2015), to examine the groundnut value chain in Babile District in Oromiya Region. The focus is on identifying key elements of the value chain and in particular the potential benefits to small-scale producers. Babile District is one of the major groundnut producing areas in the country.

Methods

The study was based mainly on key informant interviews with producers, traders and processors. Four major groundnut-producing kebeles were included and interviews held with rural assemblers and small retailers. Eleven wholesalers and 9 retailers were interviewed in Babile town, and 9 wholesalers and 2 retailers in Harar city. Processors interviewed included women involved in small-scale processing in primary markets, and one large processor (Hamaresa oil factory).

Market Channels

The main market channels are shown in Figure 1.



The major channels in volume terms were producer to rural assemblers, producer to woreda retailers and wholesalers, and woreda and urban wholesaler to urban trader. Farmers sell about 30% of unshelled groundnuts to rural assemblers and 60% at secondary markets to woreda wholesalers and retailers. Co-operatives and women processors handle only small quantities.

Market prices and net margins

Farmers received on average Birr 800 per quintal when selling to rural assemblers and Birr 1100 when selling to woreda wholesalers; for shelled groundnuts they received Birr 3,000 per quintal. In the secondary market channel farmers receive 40-50% of the price at woreda level.

Constraints in markets

- Groundnut market information is limited due to the traditional nature of the value chain. Information on quality was limited to observable issues, but information on safety, quality standards, grading, labelling and certification was not known or shared among traders. Quality issues have forced emerging processors in Addis Ababa (e.g. Hilina) to import groundnuts from other countries. Smallholder farmers also lack information on prices in tertiary markets.
- There is lack of co-ordination among smallholder farmers and rural-based traders. A farmers' co-operative which could have resolved these issues performed poorly, and farmers lost faith in it. Whereas there is little co-ordination between farmers, wholesalers have their own networks and links with traders higher up the chain: as a result they capture more benefits along the chain.
- Lack of access to finance and limited business skill: smallholder farmers generally had no access to credit for production or to engage in trade.
- There is low quality and an absence of quality control at all market levels. There is lack of knowledge on the causes and risks of aflatoxin contamination; for example the practice of soaking groundnuts post-harvest is a major cause of contamination.
- Prices are determined by market actors, but information and power relationships are not equal along the market chain; farmers have weak negotiating power in the chain, and the failure of the co-operative has prevented farmers from building countervailing power.

Conclusions and Recommendations

- Groundnuts are an important source of food and income for smallholder farmers, but there are major challenges to improve production and quality
- Market information is asymmetric and there is mistrust among market actors: emerging markets favour quality and safety but farmers may not have incentives to meet these standards and may opt for alternative crops such as khat
- There is a need for well integrated efforts between research and extension to promote adoption of improved production and post-harvest technologies
- Current unhealthy market linkages between farmers and traders need to be transformed: co-operatives can play a role but administrative and business capacity needs to be upgraded
- There is an urgent need to improve knowledge of farmers on post-harvest handling, and in creating awareness of traders along the value chain, to address the aflatoxin problem
- On-going efforts to promote local value addition (e.g. peanut butter production) need to be strengthened to improve quality, and need supporting with market promotion
- Collaborative efforts are needed between agricultural extension, health extension and home economics to promote the nutritional value of groundnuts; this could include introducing new recipes
- The market liberalisation policy needs to be supported with actions that promote efficient and equitable functioning of markets. Smallholders receive a low market price due to lack of information, of awareness on safety issues, of access to credit, and of poor organisation.

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