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ROLES OF VALUE CHAIN ACTORS IN HIDES AND SKINS PROCESSING AND MARKETING IN NIGERIA

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ABSTRACT

The existence of large production of hides and skins in Nigeria call for value addition to the raw hides and skins in order to improve their quality and durability. There were two general methods of processing hides and skins; processing to leather and processing to '*pomo*' as meat supplement. This study was conducted in Kano, Anambra and Lagos States of Nigeria. Kano State was used as the central State where all the value chain actors of hides and skins processing and marketing were found while Anambra and Lagos were also included as distribution states for the value chain actors of hides and skins processing and marketing. All the thirteen functional tanneries in Kano State were used for this study. Thirty '*pomo*' wholesalers were also purposively selected from major markets in Kano, Anambra and Lagos States (ten from each state), all the eighteen registered major hides and skins wholesalers (dealers) in Kano were also used. The fifteen registered leather wholesalers and retailers were selected from Kano. Finally, thirty butchers were purposively selected from major markets in Kano Anambra and Lagos States (ten from each state). A total of one hundred and six (106) value chain actors of hides and skins were used for the study. Descriptive statistics was used in the analysis of the data because value chain study is more of qualitative information.. The study revealed that the main actors that played specific roles in the processing and marketing of hides and skins were the butchers, hides and skins wholesalers (dealers), the tanners, the '*pomo'* wholesalers and the leather wholesalers and retailers. Each actor has specific roles to play, ranging from salting and drying, tanning, roasting, boiling to cutting into smaller pieces. It was therefore recommended that Non- governmental Organizations and individuals should establish a well organised leather product industry and fully integrating into the domestic upstream industry to generate more employment. Also, Nigeria must stick to some improvement programmes for its local industries and strongly implement the ban on exportation of wet blue leathers to improve local production and income generation.

Keywords: Value chain actors, hides, skins, processing, marketing, Nigeria.

INTRODUCTION

Hides and skins are the main export income generators from livestock sector in Nigeria through processing into leather. Hide is the natural layer covering body, i.e. the external protective membrane or covering of relatively larger animals such as cow and horses while skin is the natural layer covering body of relatively smaller animals such as goat, sheep and cat. The process of improving the quality and durability of animal hides and skins by subjecting them to some treatments is called tanning. When the hides and skins have been fully tanned, the products are referred to as leather (Akanni and Ibraheem, 2008).

The Nigerian leather industry is faced with some additional constraints in the purchase of hides and skins in that some of the hides in Nigeria are sold as "*pomo*", a cow hide delicacy consumed by many Nigerians (Ihuoma *et al*., 2001). Producers would rather sell their hides to the food market than to tanneries as the skin is worth more in value to the food market at this early stage than the price tanneries are prepared to pay (Achimugu, 2013). According to Chemonics International Inc. (2002) long-term neglect of the leather products industry in favour of oil production has left Nigeria behind the pack in competing for a global market and the full utilization of hides and skins potentials. Several actors are involved in processing and marketing of hides and skins into leather and "*pomo*" in Nigeria.

'*Pomo'* in the Nigerian parlance, is a hide that has undergone some processing such as roasting and boiling with addition of food ingredients for human consumption as meat supplement and delicacy. Usually, it is cowhides that are used as '*pomo*' in Nigeria. The process of removing hairs from hides to become '*Pomo'* is traditionally done by roasting or by tenderizing the hides in hot water, followed by shaving with razor blade. It is then boiled in water to soften the hides before it is used in soup or stew.

Value chain has been defined by different authors, a value chain describes the full range of activities required to bring a product or service through the different phases of production, including physical transformation, the input of various producer services, and response to consumer demand (Kaplinsky and Morris, 2000). The concept of chains composed of firms or individuals that interact to supply goods and services from production level to final consumption level. It is referred to as production chains, value chains, filieres, marketing chains, supply chains, or distribution chains. The value chain concept involves value addition as it moves from one production level to another.

However, there have been several works conducted on hides and skins and on value chain (Ihuoma *et al*., 2001; Chemonics International Inc, 2002; Altenburg, 2007; German Institute of Global and Area Studies (GIGA), 2007; Akanni and Ibraheem, 2008; Bekele and Ayele, 2008) in Nigeria and globally. Information on roles of value chain actors in hides and skins processing and marketing has been very scanty. The value chain actors in hides and skins processing and marketing in Nigeria include the hides and skins wholesalers (dealers), the tanners, 'pomo' wholesalers, leather wholesalers/retailers and butchers. This study therefore describes the socioeconomic characteristics of value chain actors and roles of value chain actors in hides and skins processing and marketing in Nigeria.

THEORETICAL FRAMEWORK

In the theories of value chain, there are three main approaches to the concept of value chain in the literature. These are the French approach of *Filiere Chain* in the 1980s; the Porters approach of commodity chain in 1985 and the Kaplinsky approach of Global Value chain in 1999.

The Filieres Approach: This approach was used to explain the agricultural system of the developing countries under the French colonial system. The approach includes various schools of thoughts and researches. The analysis was used to study how local production of commercial crops in the developing countries like cocoa, rubber, coffee and cotton are linked to processing industries. The filiere approach focuses on income generation and distribution in the commodity chain, and disaggregates costs and incomes between local and internationally traded components to analyze the spill over of the chain on national economy and its contribution to GDP along the effect method (Mustapha, 2012).

***Porters Approach*:** Porter (1985) used the framework of value chain to assess how a firm should position itself in the market and in the relationship with suppliers, buyers and competitors in the market. This approach was mainly on competitive advantages such as how can a firm provide to customers a certain good of equivalent value compared to competitors but at lower cost. According to Porter (1985) a value chain system includes activities implemented by all the firms involved in the production of a good or service, starting from basic raw materials to those engaged in the delivery to the final consumers. The concept is a vital tool in the execution of relevant management decisions.

The Global Approach: The Global approach was used by researchers like Gereffi (1999) and Kaplinsky (1999). The global approach looks at how firms are globally integrated to reach other and the determinants of global income distribution in an economy. A value chain analysis shows how firms, regions and countries are linked to the global economy. In the value chain framework, the international trade relations are considered as part of network of producers, exporters, importers and marketers, whereby knowledge and relationships are developed to gain access to markets and suppliers.

METHODOLOGY

The Study Area

This study was conducted in Kano, Anambra and Lagos States of Nigeria. Major tanning firms, hides and skins major wholesalers (dealers), '*pomo*' and leather wholesalers were selected from Kano State. This was because over 85% of tanneries in Nigeria are found in Kano State (Nigerian Tanners Council, 2009). Also, all the value chain actors that are involved in the distribution of hides and skins are found in Kano State. The hides and skins are then transported to the two other states (Anambra and Lagos) mainly as consumption states along the value chain. Kano State lies between latitudes 10^0 35^1 and 12^0 40^1 N of the equator and between longitudes 7^0 42^1 E and 9^0 15^1E of the meridian. It has a population of 9,383,682 (NPC, 2006). Kano State occupies a land area of 20,877 square kilometers and is mostly in the Sudan Savanna of the vegetation zone, bordering in the south, the Northern Guinea vegetation (KNARDA, 2005). The vegetation is characterized by Guinea grassland which has been brought about by intensive cultivation activities and livestock production such as cattle, sheep, goats and donkeys. It is also a receiving region of hides and skins from within Nigeria and neighboring Niger Republic. Kano has the largest tanneries and the largest hides and skins business in Nigeria.

Sampling Techniques and Sample Size

A reconnaissance survey was conducted for this study in 2012. During the survey, there were thirteen functional tanneries in Kano State. All the thirteen functional tanneries in Kano State were used for this study. Thirty '*pomo*' wholesalers were also purposively selected from major markets in Kano, Anambra and Lagos States (ten from each state), all the eighteen registered major hides and skins wholesalers (dealers) in Kano were also used. The fifteen registered leather wholesalers and retailers were selected from Kano. Finally, thirty butchers were purposively selected from major markets in Kano Anambra and Lagos States (ten from each state). Purposive selections were made because information on the sample frame of '*pomo*' wholesalers and butchers were not available. In all, a total of 106 respondents were used for the study.

Method of Data Collection

Primary data were used for the study with the aid of structured questionnaire. The following data were collected from the respondents:

i. Socio-economic characteristics of the respondents
ii. Specific roles performed by each value chain actor in the study area.
iii. The movement of the commodity from one actor to the other

Method of Data Analysis
Descriptive statistic tools such as mean, percentage and charts were used in the analysis of the study

RESULTS AND DISCUSSION

Socioeconomic Characteristics of the Value Chain Actors

Socioeconomic characteristics of the value chain actors are presented in Table 1. Study revealed that the mean age of the hides and skins dealers was 29 years while the mean age of tanners was 25 years. The mean age of '*pomo*' wholesalers, leather wholesalers and butchers were 28, 26 and 24 years respectively. The age distribution of all the value chain actors ranged from 18 to 58 years. Mean years of education of all the value chain actors ranged from 1 to 21 years. The mean year of education of hides and skins dealers was 12 years while the mean years of education of tanners was 18. The mean years of education of '*pomo*' wholesalers, leather wholesalers and butchers were 9, 8 and 10 years respectively. The household size of the value chain actors ranged from 4 to 15. The years of experience of hides and skins dealers was 6 years while the years of experience of tanners was 9 years on the average. The mean years of experience of '*pomo*' wholesalers, leather wholesalers and butchers were 10, 8 and 11 years respectively. All the 18 hides and skins dealers and 13 tanners surveyed belonged to one cooperative association and the others while in '*pomo*' wholesalers, leather wholesalers and butchers, only 2, 4 and 5 of the total number surveyed belonged to cooperative association. The mean annual income of the value chain actors ranged from ₦82,000 to ₦345,000 on the average.

Table 1: Socioeconomic characteristics of value chain actors in hides and skins processing and marketing

Socioeconomic characteristics	Hides and skins dealers	Tanners	'Pomo' 'wholesalers	Leather wholesalers	Butchers
	No. of resp	No. of resp	No. of resp	No. of resp	No. of resp
Mean age (years)	29	25	28	26	24
Mean Years of education	12	18	9	8	10
Mean Household size	7	5	8	6	9
Mean Years of experience	5	9	10	8	11
Membership of cooperative	18	13	2	4	5
Annual income	₦105,000	₦345,000	₦162,000	₦82,000	₦131,000

Role of Value Chain Actors in Hides and Skins Processing and Marketing

Value chain actors in hides and skins processing into leather and '*pomo'* included the butchers, hides and skins wholesalers (dealers), the tanners, the '*pomo'* wholesalers and the leather wholesalers and retailers.

1. Hides and skins wholesalers (Dealers)

The hides and skins wholesalers bought hides and skins through their agents or directly from the butchers. They did little value addition by re-drying those that were not properly dried and packaging before they are sold to tanners or their agents.

Each member of the group in the association (Hide and Skins Dealers Association) jointly contributed some amount of money for the running of their business. The wholesalers indicated that the initial capital needed for the business is high; an individual cannot easily raise the money. That was why they formed association in the form of cooperative. The minimum amount contributed by a member was ₦10,000. The sharing of the profit depended on the amount contributed and level of participation in the running of the business. About 89% of the hides and skins dealers borrowed money for their businesses from banks. The hides and skins wholesalers did some value additions by salting and drying the hides and skins before they are sold to tanners and '*pomo'* wholesalers.

2. The tanners

The tanners bought hides and skins directly from hides and skins dealers. The hides and skins were tanned into leather and for the skins; about 90% of the leather produced is exported to countries like China, Italy and France. Some part of the leather products exported are made into finished products like furniture, bags, garments and shoes and imported back to the country. Only about 10% of the leather produced from skins by tanners was bought by domestic users. For hides, only about 30% of the hides produced were tanned into leather while the remaining 70% were used as '*pomo'*.

3. The '*pomo'* wholesalers

Years of experience of '*pomo'* wholesalers ranged from 3 years to 31 years. About 88% of them had no other source of income while only 12% were involved in other income generating activities such as clothes and shoe marketing. The '*pomo'* wholesalers bought hides from hides and skins wholesalers (dealers). Sometimes, some pieces of skins that were removed in the tanneries before tanning were also bought by '*pomo'* wholesalers from the tanners for sale. The '*pomo'* wholesalers did some value addition by cutting, roasting the hides and skins and some packaging before selling to retailers. The retailers mainly do the boiling and cutting into smaller units before they are sold to final consumers.

4. The leather wholesalers and retailers

None of the leather marketers belonged to any registered association. Years of experience in leather marketing range from two years to twenty three years. The leather wholesaler bought leather from the tanners. About 44% of the leather marketers sold part of the leather bought from tanners and processed the remaining into finished products like shoes and bags. About 30% processed all the leather bought from tanners into finished products like shoes and bags. Only 26% did the marketing of leather bought from the tanners without value addition before they sold to leather users.

Organisational Structure of Value Chain Actors in Hides Processing and marketing into Leather and *'Pomo'* in Nigeria.

The organisational structure of value chain actors in hides processing and marketing is presented in Figure 1. The structure of value chain actors in hides and skins processing and marketing spreads across various participants involved in hide processing and marketing from the butchers to the final consumers. In hides processing and marketing, the flow of the value chain starts with the butchers. The butchers did little value addition before it got to the hides wholesalers (dealers). Sometimes, the butchers sold directly to '*pomo*' wholesalers. The hide dealers did the drying and salting of hides before they sold to tanners and '*pomo*' wholesalers. The '*pomo*' wholesalers did some value addition by roasting the hides to remove the hairs and then sold to '*pomo*' retailers while the '*pomo*' retailers did the boiling and cutting of the hides into smaller pieces before they are sold to '*pomo*' final consumers. The tanners processed the hides to leather, exported about 90% and sold 10% to domestic users. The domestic users include leather wholesalers and retailers. Part of the leathers exported are processed into leather finished products and imported back to the country.

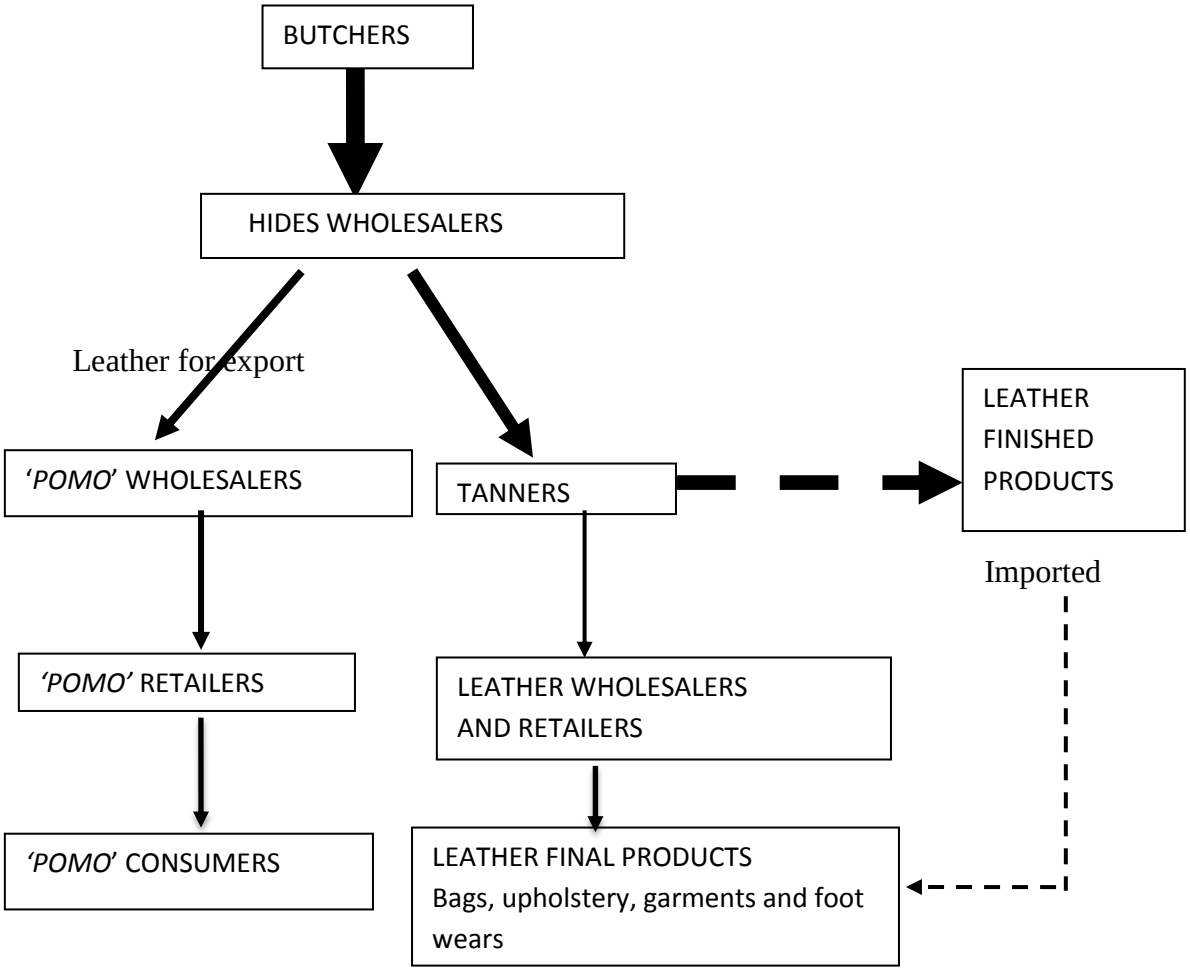


Figure 1: Organisational structure of value chain actors in hides processing and marketing.

Note:

- The size of the arrows represents the quantity of the products released by each value chain actor.

- The straight dotted arrow represents the exportation of leather while the bent dotted arrow represents importation of leather products.

Organisational Structure of Value Chain Actors in Skins Processing and marketing into Leather in Nigeria.

The organizational structure of value chain actors in skins processing and marketing is presented in Figure 2. In skins processing and marketing, the value chain flows from the butchers before it got to the skins wholesalers and to the tanners. The butchers did the value addition by salting the skins to prevent contamination. The tanners processed the skins into leather and exported it. The remaining is sold to domestic leather wholesalers and retailers. The domestic leather wholesalers and retailers also did some value addition and transformed the leather into various products before they are sold to final consumers. The exported leather products by the tanners were processed into finished products and sold back to the country.

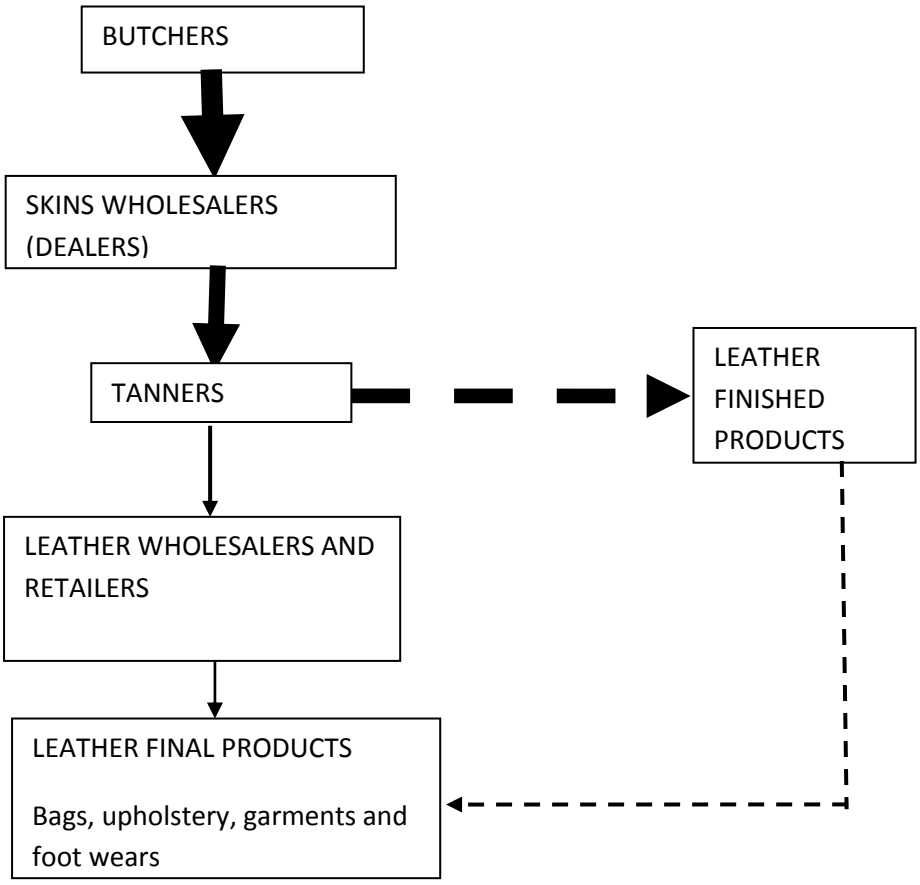


Figure 2: Organisational structure of value chain actors in skins processing and marketing.

Note:

- The size of the arrows represents the quantity of the products released by each value chain actor.

- The straight dotted arrow represents the exportation of leather while the bent dotted arrow represents importation of leather products.

CONCLUSION AND RECOMMENDATIONS

The study concluded that the value chain actors (butchers, hides and skins wholesalers (dealers), the tanners, the '*pomo'* wholesalers, the leather wholesalers and retailers) play specific roles in the processing and marketing of hides and skins into leather and '*pomo'* in Nigeria. Based on the findings, the following recommendations were advanced:

1. It was observed that only 10% of the tanned leather was utilized locally in Nigeria while the remaining 90% is exported. This may be attributed to technical know- how on better utilization of the leather and processing into finished products. Non-governmental Organizations and individuals should establish a well organised leather product industries including footwear and accessories, leather garments, auto-upholstery and quality bags, and fully integrating it into the domestic upstream industry. This will primarily necessitate establishment of a tanning sub- sector that is capable of producing high-grade finished leather and other final products to feed the local industries and generate employment for Nigerians.
2. For Nigerians to develop industrially, it must stick to some improvement programme for its local industries and strongly implement the ban on exportation of wet blue leathers. This will improve local production and generate income for the country.

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