

Impact Assessment of Fuel Subsidy Removal on Maize Value Added Products in Abia State Nigeria

Timothy, Christiana

Department of Agribusiness and Management

Michael Okpara University of Agriculture, Umudike

Corresponding Author's email: chrisonyeka84@gmail.com

Abstract

The study analysed Impact Assessment of Fuel subsidy Removal on Maize Value Added products in Abia State . A multi-stage random sampling technique was used in choosing the sample. Primary data collected from 120 maize value added entrepreneurs were used for the study. Data collected were analyzed using descriptive statistics. The result showed that the mean age of the entrepreneurs was 48years. Majority (58.34%) was female. The result of household size shows that the mean household size was 8 persons per household. The study further showed that 58.33% of the respondents were married. Majority (91.67%) of the respondents in the study acquired one form of formal education or the other. The entrepreneurs had processing experience mean of 14.86 years in maize value addition. About about 58.33% of the entrepreneurs in the area belong to cooperative society. The result from the distribution of Maize value added products showed that 25% of the respondents process their maize into Pap (akamu). About 16.67% of the respondent processed into pop corn, 17.5% processed into boiled corn, 13.33% processed into roasted corn, 12.5% processed into corn jellos (agidi), 8.33% processed into corn pudding (moi moi oka), 4.17% processed into animal feed, while about 2.5% processed into corn flour. The major constaraints to maize value addition includes capital, high cost of transportation, inflation rate, and high cost of inputs ranked top. The result on the cost of maize value added products before and after the removal of fuel subsidy showed that there is a 62% increase in the cost of 50kg bag of maize, 81% increase in price of 3.5kg of corn flour, 80% increase in price of 10kg of pap, 80% increase in price of 1kg of pop corn, 78% increase in price of 10 wraps of corn Jellos, 36.7% increase in the cost of animal feed (local chaff) 50% increase in the price of Labour. Important coping measures for entrepreneurs is to access agricultural loans so as to fully engage in the production of value added product of their choice, to buy a greater amount of maize grain, dry and keep in store as the prices of maize keeps increasing. And Processing a little quantity instead of being out of stock entirely.

Keywords: Maize, Fuel, Subsidy, Value Addition, Entrepreneurs, Agriculture, Farmers.

Introduction

Prior to the era of oil boom, agriculture dominates the economic activities of Nigeria economy and provides the highest source of revenue of government, as it contributes about 85 percent to foreign exchange earnings of Nigeria, 90 percent to employment generation to the country and 80 percent to the GDP of the country. The agriculture sector was neglected over time after



the discovery of crude oil as the mining sector became the major revenue source of Nigeria economy (Rimamsitse, 2023; Samson and Obademi, 2018). The oil sector exposes the economy of Nigeria to international fluctuation of prices in oil. This made it impossible for the Nigeria not to witness economic recession whenever there is oil price increase in the international market (World Bank, 2015).

Fuel subsidy is an avenue where consumer pays less than the pump price per liter of petroleum products. It simply means the difference between the actual market prices of petroleum products per liter such as fuel, kerosene, diesel etc and what the end consumers are to pay for the same products (Rimamsitse, 2023). Developing countries such as Nigeria have used fuel subsidies for the masses as a way of achieving certain social, environment and economic objectives. These objectives include resource wealth redistribution to the masses, correction of externalities, reduction poverty among the people and controlling inflation (Opeyemi , Philip , Oluseyi , Oluwasogo and Ese, 2017).

Fuel product is the second most used product after food in Nigeria. Whenever the price of fuel accelerates, other sectors of the economy are affected negatively. This is because transportation cost for providing useful services goes higher. The movement of agricultural products from the producers to the end users depends on the transit sub-sector. This results to a raise in the prices of agricultural products such as tomato, rice, maize, beans, soybean etc (Rimamsitse, 2023).

Maize as an important grain in Nigeria is cultivated by almost all the farmers because of its high economic value and high adaptability (Iken and Amusa, 2016). Maize is a multipurpose crop as every part of the plant is utilized in production.. The stems and leaves are used for feeding cattle. The seeds are used for food, livestock feeding and in pharmaceutical industries (Iken and Amusa, 2016).

Maize can be processed into several food items (Ater, Aye, and Daniel, 2018). The concept of processing cereals entails the special treatment of the cereal grains carried out before it is consumed to make it last longer. Thereby changing the status and more values added to the produce. When maize is processed, value has been added to the produce. Some of the value added products are cornflakes, , maize starch, liquid glucose, feed, bioethanol, Glucose-Fructose Syrup, pap, Popcorn, cooked and roasted maize, maize flour, maize cake etc (Wilson , Akinola, and Chinecherem, 2019; Kelma 2013).

Value addition entails the process of changing or transforming a commodity from its initial state to a more valuable product (Alalade, Oladunni, Adisa, Olayode and Paul, 2019). Value addition is a change or transformation in the physical state or form of the product to make it have a unique attribute or characteristics that goes beyond what is generally found in the market . Value addition simply implies the process of increasing the economic worth or value of a commodity by adding another characteristics to it through transforming or changing it to another commodity termed as a value added commodity (Inemesit, 2019).Value addition in agriculture give farmers the opportunity to generate more income from their products . Value addition in agricultural produce has attracted more attention in recent years as an avenue to multiply and stabilize farm incomes (Inemesit, 2019).

Maize entrepreneurs have not fully tapped into value addition of maize due to some factors. These may be reflected in high costs of transportation that make access to markets



difficult. High cost of equipment for processing, inadequate credit facilities, inadequate power supply, high government levies/taxation are constraints to value addition enterprises (Babayoet al., 2020). Most of these constraints are associated with the fuel subsidy which has resulted in inflation. Though Nigeria has four refineries with its production capacity up to thousands of litres per day, yet the country still remains a large net importer of petroleum products. This is because the local production capacity of petroleum products is far below the country's instant needs for both consumption and exportation. Therefore, this makes the country to depend heavily on importation of petroleum products. (Opeyemi et al., 2017). Nigeria should make her refineries more efficient to drive the economy. There should be diversification policies in place before fuel subsidy removal which has appears to pose counter effects on the other sectors. This hits the country hard and ranges from high production cost that translates to direct high prices of goods and services (Rimamsitse, 2023).

Fuel subsidies removal is key drivers of cost increases in Nigeria. Buyers' demand from grain markets is more than supply due to reduced grain production compared to previous years. This is due to the fact that farmers cannot afford the cost of farm inputs in other to commercialize their farming. High cost of farm lands, fertilizer, transportation and pesticides is really affecting production thereby decreasing the quantity of produce that should be added values to. This has led to an increase in grain and grain products prices (Sunday,2023).

Theoretically, it is expected that fuel subsidy removal will influence the agricultural sector of the country either positively or negatively. The negative effect is shown in the increase in cost of farm inputs and agricultural produce. This high costs is attributed to the increase in the cost of transportation which is an important component of the logistics as transportation is needed in services (Opeyemi , Philip , Oluseyi , Oluwasogo and Ese, 2017). According to Rimamsitse (2023), the negative effect of fuel subsidy removal greatly affects the prices of agricultural product of the country. The production and marketing of agricultural produce depends on petroleum. This farmers will suffer greatly due to fuel subsidy removal thereby leading to serious decline in agricultural production in the country as a result of high cost of farm inputs and cost of transportation to buy the farm inputs from the urban centers, thereby affecting value addition as commodity will be scarce to get. Arinze (2011), noted that the upward increase of petroleum products prices resulted in high cost of living, inflation and inequitable distribution of income in Nigeria. His study also revealed that whenever petroleum prices is adjusted upwardly, the inflation rate also is high. This implies that the relationship between the inflation and the price of petrol is positively significant. Literature shows that limited researches were conducted on the effect of fuel subsidy removal and particularly complete removal on value addition of agricultural produce in Nigeria, hence the need for this study.

Methodology

The study was conducted in Abia State, Nigeria. Abia State was carved out of the former Imo state in 27th August, 1991. The name "Abia" was coined from the first letters of the name of the geographical (political group that made up the state namely; Aba, Bende, Isiukwato and Afikpo though Afikpo joined Ebonyi state in 1996. Abia State is one of the 36 states of the Federal Republic of Nigeria. The state is located in the south east geo-political zone of Nigeria. It lies between longitude 70 23' and 80 02" E and latitude 50 47' and 600 12N. The state covers



an area of about 5,243.7sqkm which is approximately 5.8% of the total land area of Nigeria (Nigerian Galleria com, 2017 Report). The estimated population statistics puts the state at a population of 4,533,911 (NPC, 2017). Abia State is bounded by the North and Northeast by the states of Anambra, Enugu and Ebonyi. Imo State to the West and by the South east is Cross River and Akwa-Ibom States and to the South by River State. The state is low lying with a heavy rainfall of about 2,400mm which is evenly distributed between months of April through October. The rest of the state is moderately high plain. The most important rivers in the State are Imo and Aba rivers which flow into the Atlantic Ocean through the Niger Delta. The State is located within the forest belt of Nigeria and the temperature ranges between 20oC and 36oC (Onwumere, 2008), comprising of seventeen (17) Local Government Areas, three (3) Agricultural Zones namely: Aba, Umuahia and Ohafia. The farmers engage in Arable crop and livestock production such as cassava, yam, maize and sweet potatoes, poultry birds, goats and sheeps. Cocoa and oil palm are among the cash crops grown. The people also engage in processing and trading activities. Multi-stage and purposive sampling technique was employed in the selection of maize entrepreneurs in the study. Firstly, two agricultural zones per was randomly selected based on their high level of activity in maize production and processing. The agricultural zones are Aba and Umuahia. Secondly, two Local government areas was randomly selected from each of the agricultural making it a total of 4 local governments. These local governments are; 1) Aba North , 2) Aba South, 3) Umuahia North and 4) Ikwuano LGAs. Thirdly, three communities were selected randomly from each Local Government Area giving a total of 12 communities. Finally, ten maize processing entrepreneurs was randomly selected from the entire twelve (12) communities making it a total of 120 respondents for this study. Primary data was used in this investigation. The data for this study was acquired by the administration of a questionnaire, focus group discussion and an oral interview. The researcher and the two research assistants recruited for the study returned at the conclusion of the period to collect the questionnaire from the respondents. The instrument was validated prior to delivery, and item statements were checked to ensure that the respondents addressed the study objective, questions, and the appropriateness of the constructs employed in the questionnaire. The study's data was analyzed using descriptive statistics such as frequency , tables and means.

Result and Discussion

Socio Economic Characteristics of the Respondents

The result in the Table 4.1 showed that the mean age of the entrepreneurs was 48years, with the highest range from 41 - 50years. The mean age implies that the entrepreneurs were young, who are very active, dynamic and pioneer to innovation, hence could have the likelihood of having positive attitude towards value addition of maize. These findings are analogous to that of Lucky and Nzah (2016). This implies that majority of maize value added entrepreneurs in the study area are youth with adequate strength to perform their task for optimum yield in value addition. The implication of these age bracket is abundance of young entrepreneurs who are energetic to carry out processing operations. Moreover, according to Septiani and Suryana (2018), age influences the ability to seek and obtain farm jobs which will increase their processing capacity.



Sex distribution of the maize value added entrepreneur's shows that majority of the respondents were females (58.34%) while the rest (41.67%) were male. This result is in line with the report by Shazma *et al.* (2019), who revealed that females dominate processing activities in Nigeria as most male have migrated out processing location in search of white-collar job. This result shows that maize value addition enterprise is mostly carried out by females probably because of the nature, males in this study area were usually involved as helpers or suppliers of labour in light farm operations.

The result of household size shows that the mean household size was 8 persons per household. This corresponds with the findings of Nnamerenwa *et al.* (2017), where reported that household with such size has more mouth to feed and could likely participate in any food processing programme in order to improve the food security status of the family. Furthermore, according to Timothy (2024), this is desirable, consistence and of great importance in processing because entrepreneurs may rely more on their family members than hired workers for labour on their farm. The economic implication is that it will provide the entrepreneurs with family labour at reduce cost of adding value and increase their revenue.

The study further showed that 58.33% of the respondents were married. This implies the likelihood of such household having children who could help in the processing business. Family members often serve as a source of additional labor together with cultural value attached to marriage. This result agrees with the findings of Roseline (2022), were more than three-quarter of the entrepreneurs were married, implying that household labour might complement processing activities. Marriage creates a conducive environment for good citizenship training, development of personal integrity and entrepreneurship which are very important for efficient use of resources (Timothy, 2019).

Majority (91.67%) of the respondents in the study acquired one form of formal education or the other. This means that they can be easily convinced to accept better practices of their value addition operations. There is high literacy level among the maize value added entrepreneurs in the area, this could positively influence their participation in development programme and adoption of different maize value addition practices that could improve productivity and boost food security of the nation. This findings tally with the findings of Ejike and Chidiere- Mark (2019), who opined that high educational attainment is a desirable environment for agricultural development as it augured well for extension services in transferring research result for sustainable food processing. The basic aim of any form of education is to impact knowledge which would influence a change in attitude, skills, or knowledge. It therefore implies that maize value added entrepreneurs in the study are will easily adapt to the use of improved technology in order to enhance agricultural productivity in the study area. Education increases the ability of the entrepreneurs to adopt Agricultural innovation and hence improve their efficiency and productivity.

Processing Experience showed that maize value added entrepreneurs had mean of 14.86 years in maize value addition. The result has positive implications on increased output, and productivity because according to Ebe *et al.* (2022), as the number of years an entrepreneur has spent in processing business may give an indication of the practical knowledge he has acquired on how he can overcome certain inherent farm processing problems and increase



productivity. The implication of this is that they are equipped to overcome their processing challenges to a considerable extent.

The result also showed that about 58.33% of the entrepreneurs in the area belong to cooperative society. This corresponds with the findings of Chima (2024), who reported that membership of cooperative satisfies the social needs of entrepreneurs in additions to serving as an avenue for access to information on agricultural technology. Cooperatives are vehicle for development since it provides informal credit, productive input, increases access to information for its members.

From the result, 75% of the maize value added entrepreneurs had one or more training. Training is one of the most exciting forms of development in developing nations. Information technology is speeding up ways in which people get, exchange, and or manipulate resources. Trainings gives useful and up-to-date information from social and business networks. With training, value added entrepreneurs assert to have had made tentative decisions much more easily (Chima, 2024). Access to training is believed to have significant effect on aggregate level outcomes.

Various Types of Maize Value Added Products in the Study Area.

The result from the distribution of Maize value added products showed that 25% of the respondents process their maize into Pap(akamu). About 16.67% of the respondent processed into pop corn, 17.5% processed into boiled corn, 13.33% processed into roasted corn, 12.5% processed into corn jellos (agidi), 8.33% processed into corn pudding (moi moi oka), 4.17% processed into animal feed, while about 2.5% processed into corn flour. This study agrees with the findings of Roseline (2022), in her study on analysis of maize value addition among cooperative members in Abia State, Nigeria. She noted that most (34%) of the entrepreneurs processed their maize into pap. Also that the entrepreneurs process their maize into corn flour, pop corn, boiled and roasted maize, corn pudding, and corn jellos. Ater, Aye and Daniel (2018), reported that maize are mostly processed into roasted maize, boiled maize, pop-corn and flour.

Constraints to Maize Value Addition

The result on the constraints to maize value addition showed capital had 25%, transportation 23.33%, inflation rate 16.67%, inputs cost 12.5%, credit 10%, perishability 6.67% and electricity 5.83%.

Capital had the highest rank, transportation cost followed as the second, inflation as the third and inputs as the fourth. Most of the maize entrepreneurs lacked the initial capital necessary to start maize value addition of their choice. Capital enables entrepreneurs to adapt technologies and purchase of such as inputs and equipment needed for processing. This is in line with the findings of Makarau *et al.*(2011), who reported that inadequate capital ranked first among the major constraints to commercializing agricultural value added products. Provision of adequate financing with little or no interest for these processors will not only boost their income generation and food supply in the market but also will have a sustainable and improve livelihood, help entrepreneurs to get the necessary inputs required for adding values in maize.



High cost of transportation cost, inflation rate and high cost of inputs constrained maize value addition. This was due to high cost of fuel. Whenever the price of fuel accelerates, other sectors of the economy are affected negatively. This is because transportation cost for providing useful services goes higher. The movement of agricultural products from the producers to the end users depends on the transit sub-sector (Rimamsitse, 2023). This study is in line with the study of Adenegan (2013), who reported transportation cost as among the major constraints to commercialization of value added agricultural produce.

Cost of Maize Value Added products Before and After Fuel Subsidy

The result on the cost of maize value added products before and after the removal of fuel subsidy showed that the cost of 50kg bag of maize was N23500 before fuel subsidy removal, while after the fuel subsidy removal the price is N38000. As at April 2023 before the fuel subsidy removal and January 2024 after the subsidy removal, there is a 62% increase in the cost of 50kg bag of maize. Maize is the major raw material needed in maize value addition, therefore a 62% increase in price affects the quantity the entrepreneurs procure. Conversely, if an enterprise faces higher costs of inputs in production then it will lower profits earn at any given selling price for its products. As a result, a higher cost inputs in production typically causes an enterprise to supply a smaller quantity at any given price. The sustainability of agricultural production depends on the costs of the producing entrepreneurs in the production processes and their profitability after production. The increase in the price of the inputs used in agricultural production will cause a decrease profitability of producing entrepreneurs (Zeki, Suheyla, Nerve, Kemalettin, 2022). This agrees with the study of Rimamsitse (2023), who reported a 62% increase in the price of Maize.

The cost of 3.5kg corn flour before fuel subsidy removal was N3850, and N7000 after fuel subsidy removal indicating a 81% increase in price. The cost of 10kg of Pap before fuel subsidy removal was N1000, and N1800 after fuel subsidy removal indicating 80% increase in price. The cost of 1kg of pop corn was N1000 before fuel subsidy removal and N1800 after fuel subsidy removal indicating 75% increase in price. The price of 10 wraps of corn jellos was N900 before the fuel subsidy removal, and N1600 after fuel subsidy removal indicating 78% increase in price. The price of Animal feed (local chaff) before fuel subsidy removal was N10000, and N15500 after fuel subsidy removal indicating 55% increase in price.

The increment in the prices of maize value added products are as a result of increase in transportation due to increase in the cost of fuel. Transportation has a direct implications on the other sectors' activities, such as agriculture and agribusiness. Transportation costs is a strong determinant of production costs and the selling price, as it affects the competitiveness of products and the results achieved by an enterprise. Transportation cost influences value creation in a business activity. Transportation allows numerous business activities starting from the procurement of inputs materials, through the transport of semi-finished goods and finished goods to the customers (Bojan, Mladen , and Zorica, 2020).

Conclusion

Entrepreneurs identified capital and high transportation cost as the major constraints towards value addition. The increase in the prices of value added products is as a result of high



transportation cost due to the removal of fuel subsidies that have resulted in the general increase in transportation costs. The entrepreneurs ability to fully engage in any value added product enterprise of their choice is constrained by capital and high cost of inputs as high cost of inputs affects profitability. Important coping measures for entrepreneurs is to include access agricultural loans so as to fully engage in the production of value added product of their choice, to buy a greater amount of maize grain, dry and keep in store as the prices of maize keeps increasing. And Processing a little quantity instead of being out of stock entirely.

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Table 1: Distribution of respondents based on their socio economic characteristics.

Variables	Frequency	Percentage
Sex		
Male	50	41.67
Female	70	58.33
Age (Yrs)		
30-40	20	16.67
41-50	50	41.67
51-60	40	33.33
61-70	10	8.33
Mean	48years	
Marital Status		
Single	30	25.00
Married	70	58.33
Others	20	16.67
Level of Education		
No formal Education	10	8.33
Primary	20	16.67
Secondary	60	50.00
Tertiary	30	25.00
Family Size		
1-5	40	33.33
6-10	69	57.50
11-15	11	9.17
Mean	8persons	
Experience in Processing (Yrs)		
1-5	10	8.33
6-10	15	12.5
11-15	50	41.67
16-20	30	25.00
20-25	15	12.5
Cooperative Member		
No	50	41.67
Yes	70	58.33
Training		
No	30	25.00
Yes	90	75.00
Total	120	100

Source: Field Survey, 2024

Table 2: Distribution of respondents based on the different forms of value addition of maize.

Products	Frequency	Percentage (%)
Akamu	30	25
Cornflour	3	2.5
Pop corn	20	16.67
Boiled	21	17.5
Roasted	16	13.33
Corn pudding (Moi-Moi Oka)	10	8.33
Akidi (corn jellos)	15	12.5
Animal feed (dry local chaff)	5	4.17
Total	120	100

Source: Field Survey 2024

Table 3: Distribution of respondents based on the constraints associated with maize value addition.

	Variable	Frequency	Percentage(%)	Rank
i)	Input cost	15	12.5	4 th
ii)	Inflation rate	20	16.67	3 rd
iii)	Transport cost	28	23.33	2 nd
iv)	Perishability	8	6.67	6 th
v)	Capital	30	25	1 st
vi)	Acess to credit	12	10	5 th
vii)	Electricity	7	5.83	7 th
	Total	120	100	

Source: Field Survey 2024

Multiple response recorded.

Table 4: Cost of maize and maize value added products before and after fuel subsidy removal

S/N	Variables	Price before subsidy Removal (N)	Price after subsidy removal (N)	Percentage (%)
1.	50kg bag of maize	23,000	38,000	62
2.	3.5kg corn flour	3,850	7,000	81
3.	10kg pap (akamu)	1,000	1,800	80
4.	1kg pop corn	1,000	1,750	75
5.	10 wraps corn jellos	900	1,600	78
6.	50kg animal feed (dry local chaff)	15,000	20,500	36.6
7.	Labour (per man day	4,000	6,000	50

Source: Field Survey 2024