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## **Breaking Down The Bill: An Analysis Of The Financial Participation And Governance Fees In Nigerian Food Markets**

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## Highlights

- We find limited financial barriers to participation in food wholesale markets for wholesalers.
- Participation costs average less than 0.1% of wholesalers' revenues, while volume-based fees (largely among horticultural markets), represent about 1% of wholesalers' gross revenue on average.

## Introduction

Food wholesale markets (WMs) are key hubs for food distribution and livelihood generation in many low-income countries. Beyond the costs associated with procuring and moving products, wholesalers in these markets often face a wide range of transaction costs, including licensing fees, registration charges, and informal payments. These costs directly affect market access, business viability, and the ability of small-scale traders—many of whom are women—to participate meaningfully in food WMs. Despite the central role of WMs in feeding urban and rural populations in low-income countries, there is limited empirical evidence on the nature and drivers of the costs for traders operating in food WMs. We contribute to filling this gap by assessing the financial requirements of participation in food WMs across eight Nigerian states. We examined the startup, governance, and operational costs incurred by traders in WMs for fish, tomatoes and green leafy vegetables in the main production states for each product in each of Nigeria's six geo-political zones. We leverage on a unique dataset covering 299 food wholesale markets and 471 market-product observations, collected between July 2023 and February 2024.

This policy brief highlights five key findings from the study (See Aloba et al., 2025 for the full paper).

1. Nearly all WMs (99%) have some requirement for wholesale trading. However, only 56% of WMs impose a financial startup fee in form of registration or non-registration, with the share being 62% in the South and 52% in the North (See Table 1). The main non-financial participation requirement is being introduced by a guarantor (someone known by the market leadership).
2. While some WMs impose multiple participation costs on their traders (e.g. startup registration and non-registration fees to the WM market authority or governance fees to product specific associations, only 67% of the WMs require traders to pay any startup or governance fees - varying from 75% in the South to 61% in North.



Source: Wholesale market survey 2023

3. The main operation costs in WMs (separate from fees for start-up and governance) are stall rental fees (required by 52% of the WMs varying from 75% in the South to 37% in North) and fees based on volume traded (imposed in 13% of the Wms). The fee based on traded volumes are more commonly charged to tomato traders in northern WMs (19%) compared to 3% of WMs in the south.
4. Though approximately 70% of markets have financial requirements for participation, the total cost of fees paid in the market is low relative to the average gross revenue of traders. On average, the total cost of participation and governance fees accounts for less than 0.1% of traders' revenues. Where volume-based fees are paid, largely among horticultural traders, it represents less than 1% of traders' gross revenue. **Hence, across the universe of wholesale markets for tomatoes, GLVs and fish in eight Nigerian states, we find limited financial barriers to entry for wholesalers.**
5. Market governance significantly affects the likelihood and magnitude of these fees, with democratic leadership selection and female leadership emerging as important. On one hand, preliminary results show that the WM leaders' being elected is negatively correlated with paying governance fees to product-specific associations but not the amount paid, all else equal. On the other hand, WM leaders' being elected is positively associated with paying startup fees and the amount paid, all else equal. Whereas more females in WM leadership is associated with a lower probability of traders' paying governance fees to product-specific associations and lower amount paid in naira, all else equal.



Source: Wholesale market survey 2023

### **Recommendations:**

We identify three critical areas where donor and policy engagement can make a difference:

1. Targeting regional and product-specific disparities: Highlighting how the cost of doing business varies by geography, product type, and governance structure.
2. Strengthening market governance: Exploring how democratic leadership and women's participation in market management can reduce costs and improve equity.
3. Supporting further research to tease out the mechanisms through which democratic governance and female engagement in leadership affect the observed outcomes.



**Table 1: An overview of market participation and governance fees in the study Wms**

	Share of WMs			t-tests of regional differences
	Overall (N=299)	North (N=180)	South (N=119)	
Wholesalers pay registration fees to the WM authority	0.43 (0.50)	0.46 (0.50)	0.39 (0.49)	0.07
Wholesalers pay non-registration fees to the WM authority	0.28 (0.45)	0.21 (0.41)	0.39 (0.49)	-0.18***
Wholesalers pay either registration or non-registration	0.56 (0.50)	0.52 (0.50)	0.62 (0.49)	-0.10*
Wholesalers pay any governance fees	0.32 (0.47)	0.28 (0.45)	0.38 (0.49)	-0.09*
Wholesalers pay any startup or governance fees	0.67 (0.47)	0.61 (0.49)	0.75 (0.44)	-0.14**
Wholesalers pay stall rental fees	0.52 (0.50)	0.37 (0.48)	0.75 (0.43)	-0.38***
Wholesalers pay a sales volume-based fees	0.13 (0.33)	0.19 (0.40)	0.03 (0.16)	0.16***
Annual cost of the fee based on sales volume ( ? ), conditional on paying	1,798,853 (4,086,135) [113,929]	911,754 (2,196,329) [96,990]	6,411,767 (7,592,091) [3,379,093]	-5,500,013***
Annual cost of participation and governance fees only ( ? ), conditional on paying	83,695 (321,140) [19,200]	91,969 (432,343) [10,000]	74,770 (114,519) [36,000]	17,199
Annual total cost of doing business ( ? )	441,819 (2,158,451) [25,000]	479,255 (2,079,939) [20,000]	399,287 (2,249,069) [36,000]	79,968
Average annual revenue per trader in the WMs ( ? )	145,000,000 (768,000,000) [17,700,000]	72,300,000 (249,000,000) [12,800,000]	241,000,000 (1,130,000,000) [29,800,000]	-169,000,000**
Share of annual revenue per trader going to sales-based fees	0.012	0.013	0.02	
Share of annual revenue per trader going to participation and governance fees	0.0006	0.0012	0.00031	

Source: Authors calculation

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## References

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