

PROFITABILITY OF PALM OIL MARKETERS IN DELTA STATE

Comment [n1]: As per objective of study, title should change to. Socioeconomic and profitability of palm oil marketers in delta state, Nigeria

Abstract

The study analyzed profitability of oil palm marketers and primary data were collected using a well-structured questionnaire. Multistage sampling procedure was used to collect data from 108 oil palm marketers which was analyzed using descriptive statistics and gross budgetary analysis. It was found oil palm marketing was dominated with active, married, well experience and relatively large family size. However, majority of the palm oil marketers were female. The majority of the palm oil marketers were found not highly educated as majority of them only attained secondary education. The major source of fund for the marketers is cooperative societies which account for about 61.1%. Marketers were involved in the distribution of palm oil in whole sale (58.3%) and retail (41.7) basis respectively. The research concluded from benefit cost ratio (BCR) of 1.23 that palm oil marketing was profitable. It is recommended that males should be encouraged to involve in the business and loans with low interest rate should be provided by the government or NGOs to palm oil marketers.

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Keyword: Oil palm, Oil Palm, Marketers, Profitability, Nigeria

Introduction

Nigeria was an agrarian country when it gained independence, with agriculture employing over 85 percent of its most 60 million people and account for 70 percent of the country's export. The most efficient identified farmed crop was oil palm

25 (*Elaeisguineensis*) (Bassey 2016). Many families rely on oil palm cultivation for a living
26 and millions of people throughout the country practice farming. The fact that oil palm is
27 referred to as crop with numerous uses emphasis it economic significant (Partnership
28 Initiatives in the Niger Delta (PIND), 2011). Oil palm is made up of important part which
29 are; the frond, the leaves, the trunk and the root. These parts can be put into different uses
30 such as palm oil, palm kernel oil, palm wine, broom and kernel cake (Beverige, 2009).
31 Nigeria oil palm belt include Delta, Akwa Ibom, Abia, Imo, Edo, Cross River, Ondo,
32 Osun, Bayelsa, etc. inside the oil palm belt in Nigeria, 80 percent of production come
33 from scattered small holders who harvest semi-wild oil palm plant (Business Innovation
34 Growth (BIG), 2017). Millions of small holder are wide spread estimated area from 1.65
35 million hectares to over 2.4 million hectares and up to three million hectares. Estimated
36 of oil palm plantation in Nigeria ranges from 169000 to 360000 thousand hectares of
37 plantation. Oil palms have the capacity to create direct employment to about 4 million
38 Nigerian, in addition to the palm oil, it also have many product such as kernel oil, palm
39 kernel and waste from the fruit (fibre) which have many significant uses (Omonona,
40 2018).Palm oil play huge role in poverty reduction and food security in Oyo State of
41 Nigeria (Kehinde, 2020) while Ahmed (2001) highlighted the importance of Oil palm in
42 providing direct employment to about 4 million people in Nigeria.Hence, to achieve the
43 increasing demands globallyfarmers and consumers must be educated to recognize
44 lucrative market prospects, how to improve their produce and tocooperate with others in a
45 market chain. Making business decisions is aided by knowledge of profitability,
46 competitiveness, and sensitivity to shifting market signals.Markets may offer incentives
47 to profit-maximizing participants to create new technologies, products, supply sources,

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48 markets, and ways to exploit them in the context of economic growth. Additionally,
49 markets have an impact on issues like income inequality, food security, and other crucial
50 development goals. Analysis of the costs and margins of marketing agents in various
51 channels can be used to gauge market performance. The marketing margin or price
52 spread is a frequently employed indicator of system performance. Market performance is
53 a reflection of how structure and behavior affect product price, costs, and output volume
54 and quality. By examining the costs and profit margins of marketing agents operating in
55 various channels, market performance can be assessed. The marketing margin, also
56 known as the price spread, is a frequently used indicator of system performance. When
57 used to illustrate how the consumer's price is distributed among participants at various
58 levels of the marketing system, margin or spread can be useful descriptive statistics. It
59 speaks of the expenses incurred during the transportation of goods from producers to
60 consumers in order to carry out various marketing activities. Packing and unpacking
61 costs, costs associated with looking for a partner with whom to exchange, costs
62 associated with vetting potential trading partners to determine their reliability, costs
63 associated with haggling with prospective trading associates to reach a contract,
64 associated costs with product transferring, monitoring the contract to ensure that its terms
65 are met, and costs associated with enforcing the exchange agreement are all included in
66 the marketing costs. Marketing expenses are those expenses incurred when goods are
67 shipped from producers to consumers in order to carry out various marketing activities.
68 The following expenses are incurred in marketing: handling costs (packing, unpacking,
69 loading, putting inshore and taking out again), transportation costs, product loss
70 (especially with regard to perishable fruits and vegetables), storage costs, processing

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71 costs, capital costs (loan interest), market fees, commissions, and unofficial payments
72 (Ogisi and Emaziye, 2015).The portion of the weighted average selling price that is taken
73 by each step in the marketing chain is known as the marketing margin. The price the
74 consumer pays compared to the price the producer or farmer receives for their product is
75 known as the total marketing margin. Alternatively due to the anticipated abnormal
76 profit, the marketing margin in a market with imperfections is likely to be higher than it
77 is in a market with competition. However, due to high real market costs, marketing
78 margins can be high even in markets that are competitive (Emaziye and Ovharhe, 2020).
79 A common metric for evaluating the effectiveness of a marketing system is the marketing
80 margin.It is obvious that strategies aiming to reduce rural poverty in the rural households
81 must go beyond a focus on productivity to include the many other aspects involved in
82 being part of a competitive marketing chain. This is because of the effects of
83 globalization, liberalization, and increasing competition in agricultural markets.
84 Therefore, service providers carrying out agricultural support projects must include topics
85 like demand, market opportunities, profitability, and competitiveness in their working
86 agenda.Every business's bottom line is profit, which can keep investors interested in the
87 industry (Achoja, 2013) and palm oil industry is not exempted. A company must be
88 profitable in order to generate enough revenue to cover all costs incurred at all stages of
89 the value chain. Profitability ratios are used to assess a company's capacity to produce
90 profits (Emaziye and Ogisi, 2021). Hence the profitability of palm oil marketers is key to
91 harvest the enormous benefits of palm oil production in Nigeria and beyond.

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93 **Objectives of the Study**

- 94 i. Identify the socio-economic characteristics of the palm oil marketers
- 95 ii. Ascertain theRoles of the Palm oil Marketers
- 96 iii. Analyze the palm oil marketers' profitability

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98 **MATERIALS AND METHODS**

99 Delta State was selected because a sizable portion of the local population relies on
 100 businesses related to palm oil for their livelihood. Delta is the twelfth most populous and
 101 the 23rd largest in terms of area, with over population of about 5.6 million people (NPC,
 102 2016). It is situated between latitudes 502859.7 N and longitude 5044.04.60 E, with an
 103 estimated land area of 1,722 km² (NPC, 2016). Multistage sampling procedure was used
 104 to collect data from oil palm marketers. The first stage involved purposive selection of
 105 three (3) Local Government Areas (LGAs) from each of the three agricultural zone
 106 grounded on the prevalence of palm oil production in those LGAs totaling 9
 107 LGAs. Random selection was used in the second stage to pick three (3) communities from
 108 each of the three Local Governments selected amounting to 27 communities while the
 109 third stage involved random selection of four oil palm marketers in each community in
 110 the Local Government giving a total of 108 marketers. A structured questionnaire was
 111 used to collect the data based on the intended objectives. Descriptive statistics like simple
 112 percentage, mean and inferential statistics like profit function was used to determine the
 113 profitability.

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114 **Model specification**

115 $Mean = \frac{\sum fx}{\sum f}$ ----- (i)

116 $TC_{pm} = TVC_{pm} + TFC_{pm}$ ----- (ii)

117 $GM_{pm} = TR_{pm} - TVC_{pm}$ ----- (iii)

118 $NR_{pm} = GM_{pm} - TFC_{pm}$ ----- (iv)

119 $BCR_{pm} = TR_{pm}/TC_{pm}$ ----- (v)

120 Where:

121 TC_{pm} = Palm Oil Marketers Total Cost

122 TVC_{pm} = Palm Oil Marketers Total Variable Cost

123 TFC_{pm} = Palm Oil Marketers Total fixed Cost

124 TR_{pm} = Palm Oil Marketers Total Revenue (Naira)

125 GM_{pm} = Palm oil marketers Gross Margin

126 NR_{pm} = Palm Oil Marketers Net Return

127 Σ = summation sign

128 F = frequency

129 X = class mark

130 RESULTS AND DISCUSSION

131 *Palm Oil Marketers Socioeconomic characteristics*

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132 The socioeconomics characteristics of Palm oil marketers in Table 1 shows that the

133 average age of the respondent was 47 years which implies that most of the respondents

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134 were in their productive stage. This observation is in concord with the findings of

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135 Emaziye et al, 2023, 2022; Okeke and Emaziye 2017; Ogunleye and Kehinde (2020) who

136 observed that the major work force of farmers and palm oil marketers were in their
137 productive years with average age ranging between 41 to 48 years. This is due to the
138 tedious activities involved in the marketing. This study revealed that 54.6% of the
139 respondent were female this findings is in agreement with Emaziye(2020); Ureigho and
140 B.A Ekeke (2010) who found that the majority of the farm produce marketers were female.
141 The marital status indicated that 71.3% of the respondent were married which implies
142 married individual dominate palm oil marketing. This observation also agreed with Ike
143 and Emaziye(2015) who noted that married individuals are more involved in farming
144 activities. This could be as a result of huge responsibility that is involved in raising
145 family hence engaging into different activities to augment family income. The mean
146 household size is 7 persons per household which indicate large family size relatively and
147 family labour are mostly deployed. This observation is in tandem withEmaziye et
148 al,(2023) and Ureigho (2018) who found that the average family size was moderate. This
149 study revealed that the average marketing years of experience is 15 years this
150 collaborates with Emaziye (2020) who found that farmers are well experienced in
151 farming operations. This study also revealed that 41.7% of the marketers had secondary
152 education as education determined profit maximization and prompt adoption of new
153 marketing strategies. However, this result is in variance with that of Ayodeji (2021) who
154 revealed that majority of the marketers had primary school education. Finally, about
155 61.1% of the marketers belong to cooperative societies this is because cooperative
156 societies issue out loan to their member with little interest rate and without collateral. The
157 major source of fund for the marketers is cooperative societies which account for about
158 61.1% which is in agreement with Emaziye, 2020; Ogisi and Emaziye, 2015) that

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159 cooperatives play a major role in rural marketing and farming funding. This observation
 160 is not in consonant with of Nwankwo (2016) who found that majority of the marketers
 161 fund their business through personal savings.

162 **Table 1: Socioeconomic characteristics of palm oil marketers**

163	Variables	Frequency	Percentage	
164	Mean/Mode			
165	Age (Years)			
166	22 – 36	28	25.9	
167	37 – 51	38	35.2	47
168	years			
169	52 – 66	34	31.5	
170	67 – 81	8	7.4	
171	Sex			
172	Male	49	45.4	
173	Female	59	54.6	Female
174	Marital status			
175	Single	13	12.0	
176	Married	77	71.3	
177	Married			
178	Divorced	18	16.7	
179	Household size (person)			
180	1 – 3	13	12.03	
181	4 – 6	21	19.44	7
182	persons			
183	7 – 9	55	50.92	
184	10 – 12	19	17.39	
185	Year of marketing experience			
186	1 – 10	49	45.4	
187	11 – 20	36	33.3	

188	21 – 30	12	11.1	15
189	years			
190	31 – 40	6	5.6	
191	41 – 50	3	2.8	
192	51 – 60	2	1.9	
193	Level of education			
194	No Formal	21	19.4	
195	Primary school	16	14.8	
196	Secondary school	45	41.7	Secondary
197	education			
198	Tertiary	26	24.1	
199	Sources of fund			
200	Cooperative society	66	61.1	Cooperative
201	society			
202	Microfinance	24	22.4	
203	Friends and family	10	9.3	
204	Personal savings	8	7.4	
205	Monthly Income (N)			
206	1 – 10000	5	4.62	
207	11,000 – 20,000	7	6.48	
208	21,000 – 30,000	12	11.11	
209	31,000 – 40,000	14	12.96	
210	41,000 – 50,000	23	21.29	
211	51,000 – 60,000	47	43.52	N58,
212	335			

213 Field survey 2023.

214 *Functions of the Palm oil Marketers*

215 It was observed in Table 2 that palm oil marketers were involved in storage of product to
 216 enjoy high return in future. Furthermore, marketers **werealso** involved in the distribution
 217 in whole sale (58.3%) and retail (41.7) of their product respectively. This result is in
 218 consonant with that of Nwanduet *al*(2021).

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219 **Table 2: Functions of the Palm oil Marketers**

MARKETERS	FUNCTION	FREQUENCY	PERCENTAGE
	Storage		
	Yes	93	86.1
	No	15	13.9
	Distribution		
	Whole Sale	63	58.3
	Retail	45	41.7

220 Field survey 2023

221

222 ***Profitability of palm oil marketers***

223 The profitability analysis of the palm oil marketers are shown in Table 3 revealed that the
 224 total variable cost was N246,004 account for about 98.55% of the total cost which
 225 implies that variable cost account for huge expenditure in palm oil marketing. The cost of
 226 palm oil purchase (76.82%) was the highest while the fixed cost only account for 1.45%
 227 of the total cost. From the profitability analysis, it **was shown** that the total revenue
 228 generated from palm oil marketing was N307,900 **||** while the total cost which includes
 229 both fixed and variable cost was N249565. On the average, the palm oil marketing net
 230 profit was N62855.45, this indicates that palm oil marketing is a lucrative business and
 231 profitable. This observation agreed with [EmaziyeandOvharhe](#) (2020) **||** who also found that

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232 palm oil marketing is a lucrative business. The benefit cost ratio (BCR) of 1.23 is greater
 233 than 1 which means that the business venture was profitable and there was increase in
 234 return.

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235 **Table 3: Profitability of palm oil marketers**

236	Cost of Marketing	Amount (N)	percentage
237	Rent	2257.94	
238	Cost of palm oil purchased	188251.9	
239	Cost of capital	2541.22	
240	Market levy	1013.45	
241	Packaging	4925.23	
242	Wages	35923.36	
243	Transportation	2471.92	
244	Communication	703.271	
245	Loading and offloading	2942.08	
246	Foam	453.64	
247	Storage	4520	
248	TVC	246004	98.55
249	Total Fixed Cost (TFC_{pm}) (Depreciation)		
250	Cups	73.63	
251	Stools	2303.48	
252	Table	143.77	
253	Apron	204.98	
254	Basin	112.80	
255	Gallon	722.45	
256	Total fixed cost (TFC_{pm})	3,560.57	1.45
257	Total cost (TC_{pm})	249565	100
258	Average return		

259	Price/Litre		1,270
260	Quantity of palm oil (Litres)		246
261	Total revenue	(TR _{pm})	307,900
262	Gross margin	(GM _{pm})	61,896
263	Net revenue	(NR _{pm})	58,335
264	Benefit cost ratio	(BCR _{pm})	1.23
265	Gross ratio	TC _{pm} /TR _{pm}	0.81

266 Field survey 2023

267

268 **Conclusion and Recommendation**

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269 This research which aimed at analyzing the profitability palm oil marketers was carried
 270 out in Delta State which was selected based on the availability of suitable land for oil
 271 palm plantation and prevalent of the activities palm oil marketing. Data were collected
 272 using structured questionnaire. Different statistical tools which include descriptive
 273 (percentages, mean, mode and Tables) and inferential statistics (regression and budgetary
 274 analysis) were employed. It was found oil palm marketing was dominated with active,
 275 married, well experience and relatively large family size. However, majority of the palm
 276 oil marketers were female. The majority of the palm oil marketers were found not highly
 277 educated as majority of them only attained secondary education. The research concluded
 278 that palm oil marketing was profitable. It is recommended that males should be
 279 encouraged to involve in the business and loans with low interest rate should be provided
 280 by the government or NGOs to palm oil marketers.

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