

PROFITABILITY OF PALM OIL MARKETERS IN DELTA STATE

Abstract

The study analyzed profitability of oil palm marketers and 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 revealed that oil palm marketing was dominated with active married and well experience marketers with a relatively moderate family size. However, majority of the palm oil marketers were female that 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.

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 (*Elaeisguineensis*) (Bassey 2016). Many families rely on oil palm cultivation for a living and millions of people throughout the country practice farming. The fact that oil palm is referred to as crop with numerous uses emphasis it economic significant (Partnership Initiatives in the Niger Delta (PIND), 2011). Oil palm is made up of important part which are; the frond, the leaves, the trunk and the root. These parts can be put into different uses such as palm oil, palm kernel oil, palm wine, broom and kernel cake

(Beverige, 2009). Nigeria oil palm belt include Delta, Akwa Ibom, Abia, Imo, Edo, Cross River, Ondo, Osun, Bayelsa, etc. inside the oil palm belt in Nigeria, 80 percent of production come from scattered small holders who harvest semi-wild oil palm plant (Business Innovation Growth (BIG), 2017). Millions of small holder are wide spread estimated area from 1.65 million hectares to over 2.4 million hectares and up to three million hectares. Estimated of oil palm plantation in Nigeria ranges from 169000 to 360000 thousand hectares of plantation. Oil palms have the capacity to create direct employment to about 4 million Nigerian, in addition to the palm oil, it also have many product such as kernel oil, palm kernel and waste from the fruit (fibre) which have many significant uses (Omonona, 2018). Palm oil play huge role in poverty reduction and food security in Oyo State of Nigeria (Kehinde, 2020) while Ahmed (2001) highlighted the importance of Oil palm in providing direct employment to about 4 million people in Nigeria. Therefore, in order to meet the rising demands of the increasingly globalized consumer, farmers today must learn not only how to produce but also how to identify lucrative market opportunities, how to adapt and improve their produce, and how to collaborate with others in a market chain. Making business decisions is aided by knowledge of profitability, competitiveness, and sensitivity to shifting market signals. Markets may offer incentives to profit-maximizing participants to create new technologies, products, supply sources, markets, and ways to exploit them in the context of economic growth. Additionally, markets have an impact on issues like income inequality, food security, and other crucial development goals. Analysis of the costs and margins of marketing agents in various channels can be used to gauge market performance. The marketing margin or price spread is a frequently employed indicator of system performance. Market performance is a reflection of how structure and behavior affect product price, costs, and output volume and quality. By examining the costs and profit margins of marketing agents

operating in various channels, market performance can be assessed. The marketing margin, also known as the price spread, is a frequently used indicator of system performance. When used to illustrate how the consumer's price is distributed among participants at various levels of the marketing system, margin or spread can be useful descriptive statistics. It speaks of the expenses incurred during the transportation of goods from producers to consumers in order to carry out various marketing activities. Packing and unpacking costs, costs associated with looking for a partner with whom to exchange, costs associated with vetting potential trading partners to determine their reliability, costs associated with haggling with potential trading partners (officials) to reach an agreement, costs associated with transferring the product, monitoring the agreement to ensure that its terms are met, and costs associated with enforcing the exchange agreement are all included in the marketing costs. Marketing expenses are those expenses incurred when goods are shipped from producers to consumers in order to carry out various marketing activities. The following expenses are incurred in marketing: handling costs (packing, unpacking, loading, putting inshore and taking out again), transportation costs, product loss (especially with regard to perishable fruits and vegetables), storage costs, processing costs, capital costs (loan interest), market fees, commissions, and unofficial payments (Ogisi and Emaziye, 2015). The portion of the weighted average selling price that is taken by each step in the marketing chain is known as the marketing margin. The price the consumer pays compared to the price the producer or farmer receives for their product is known as the total marketing margin. Alternatively put, it is the difference between the farm price and the retail price. Due to the anticipated abnormal profit, the marketing margin in a market with imperfections is likely to be higher than it is in a market with competition. However, due to high real market costs, marketing margins can be high even in markets that are competitive (Emaziye and Ovharhe,

2020). A common metric for evaluating the effectiveness of a marketing system is the marketing margin. It is obvious that strategies aiming to reduce rural poverty in developing countries must go beyond a focus on productivity to include the many other aspects involved in being part of a competitive marketing chain. This is because of the effects of globalization, liberalization, and increasing competition in agricultural markets. Therefore, service providers carrying out agricultural support projects must include topics like demand, market opportunities, profitability, and competitiveness in their working agenda. Every business's bottom line is profit, which can keep investors interested in the industry (Achoja, 2013) and palm oil industry is not exempted. A company must be profitable in order to generate enough revenue to cover all costs incurred at all stages of the value chain. Profitability ratios are used to assess a company's capacity to produce profits (Emaziye and Ogisi, 2021). Hence the profitability of palm oil marketers is key to harvest the enormous benefits of palm oil production in Nigeria and beyond.

Objectives of the Study

- i. Identify the socio-economic characteristics of the palm oil marketers
- ii. Identify the Functions of the Palm oil Marketers
- iii. Analyze the profitability of palm oil marketers

MATERIALS AND METHODS

Delta State was selected because a sizable portion of the local population relies on businesses related to palm oil for their livelihood. Delta is the twelfth most populous and the 23rd largest in terms of area, with over population of about 5.6 million people (NPC, 2016). It is situated between latitudes 502859.7 N and longitude 5044.04.60 E, with an estimated land area of 1,722 km² (NPC, 2016). Multistage sampling procedure was used to collect data from oil palm marketers. The first stage involved purposive selection of three (3) Local Government Areas

(LGAs) from each of the three agricultural zone based on the predominance of palm oil production in those LGAs totaling 9 LGAs. The second stage involved random selection of three (3) communities from each of the three Local Governments selected amounting to 27 communities while the third stage involved random selection of four oil palm marketers in each community in the Local Government giving a total of 108 marketers. A structured questionnaire was used to collect the data based on the intended objectives. Descriptive statistics like simple percentage, mean and inferential statistics like profit function was used to determine the profitability.

Model specification

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

$$\text{TC}_{\text{pm}} = \text{TVC}_{\text{pm}} + \text{TFC}_{\text{pm}} \text{----- (ii)}$$

$$\text{GM}_{\text{pm}} = \text{TR}_{\text{pm}} - \text{TVC}_{\text{pm}} \text{----- (iii)}$$

$$\text{NR}_{\text{pm}} = \text{GM}_{\text{pm}} - \text{TFC}_{\text{pm}} \text{----- (iv)}$$

$$\text{BCR}_{\text{pm}} = \text{TR}_{\text{pm}}/\text{TC}_{\text{pm}} \text{----- (v)}$$

Where:

TC_{pm} = Palm Oil Marketers Total Cost

TVC_{pm} = Palm Oil Marketers Total Variable Cost

TFC_{pm} = Palm Oil Marketers Total fixed Cost

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

GM_{pm} = Palm oil marketers Gross Margin

NR_{pm} = Palm Oil Marketers Net Return

\sum = summation sign

F = frequency

X = class mark

RESULTS AND DISCUSSION

Palm Oil Marketers Socioeconomic characteristics

The socioeconomics characteristics of Palm oil marketers in Table 1 shows that the average age of the respondent was 47 years which implies that most of the respondents were in their productive stage. This observation is in concord with the findings of Emaziye et al, 2023, 2022; Okeke and Emaziye 2017; Ogunleye and Kehinde (2020) who observed that the major work force of farmers and palm oil marketers were in their productive years with average age ranging between 41 to 48 years. This is due to the tedious activities involved in the marketing. This study revealed that 54.6% of the respondent were female this findings is in agreement with Emaziye (2020) who found that the majority of the marketers were female. The marital status indicated that 71.3% of the respondent were married which implies married individual dominate palm oil marketing. This observation also agreed with Ike and Emaziye (2015) who noted that married individuals are more involved in farming activities. This could be as a result of huge responsibility that is involved in raising family hence engaging into different activities to augment family income. The mean household size is 7 persons per household which indicate large family size relatively and family labour are mostly deployed. This observation is in tandem with Emaziye *et al*, (2023) who found that the average family size was moderate. This study revealed that the average marketing years of experience is 15 years this collaborates with Emaziye (2020) who found that farmers are well experienced in farming operations. This study also revealed that 41.7% of the marketers had secondary education as education determined profit maximization and prompt adoption of new marketing strategies. However, this result is in variance with that of Ayodeji (2021) who revealed that majority of the marketers had primary

school education. Finally, about 61.1% of the marketers belong to cooperative societies this is because cooperative societies issue out loan to their member with little interest rate and without collateral. The major source of fund for the marketers is cooperative societies which account for about 61.1% which is in agreement with Emaziye, 2020; Ogisi and Emaziye, 2015) that cooperatives play a major role in rural marketing and farming funding. This observation is not in consonant with of Nwankwo (2016) who found that majority of the marketers fund their business through personal savings.

Table 1: Socioeconomic characteristics of palm oil marketers

Variables	Frequency	Percentage	Mean/Mode
Age (Years)			
22 – 36	28	25.9	47 years
37 – 51	38	35.2	
52 – 66	34	31.5	
67 –81	8	7.4	
Sex			
Male	49	45.4	Female
Female	59	54.6	
Marital status			
Single	13	12.0	Married
Married	77	71.3	
Divorced	18	16.7	
Household size (person)			
1 – 3	13	12.03	7 persons
4 – 6	21	19.44	
7 – 9	55	50.92	
10 – 12	19	17.39	
Year of marketing experience			
1 – 10	49	45.4	15 years
11 – 20	36	33.3	
21 – 30	12	11.1	
31 – 40	6	5.6	
41 – 50	3	2.8	
51 – 60	2	1.9	
Level of education			
No Formal	21	19.4	Secondary education
Primary school	16	14.8	
Secondary school	45	41.7	
Tertiary	26	24.1	
Sources of fund			

Cooperative society	66	61.1	Cooperative society
Microfinance	24	22.4	
Friends and family	10	9.3	
Personal savings	8	7.4	
Monthly Income (N)			
1 – 10000	5	4.62	
11,000 – 20,000	7	6.48	
21,000 – 30,000	12	11.11	
31,000 – 40,000	14	12.96	
41,000 – 50,000	23	21.29	
51,000 – 60,000	47	43.52	N58, 335

Field survey 2023.

Functions of the Palm oil Marketers

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

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

Field survey 2023

Profitability of palm oil marketers

The profitability analysis of the palm oil marketers are shown in Table 3 revealed that the total variable cost was N246,004 account for about 98.55% of the total cost which implies that variable cost account for huge expenditure in palm oil marketing. The cost of palm oil purchase (76.82%) was the highest while the fixed cost only account for 1.45% of the total cost. From the profitability analysis, it was shown that the total revenue generated from palm oil marketing was

N307,900 while the total cost which includes both fixed and variable cost was N249565. On the average, the palm oil marketing net profit was N62855.45, this indicates that palm oil marketing is a lucrative business and profitable. This observation agreed with Emaziye and Ovharhe (2020) who also found that palm oil marketing is a lucrative business. The benefit cost ratio (BCR) of 1.23 is greater than 1 which means that the business venture was profitable and there was increase in return.

Table 3: Profitability of palm oil marketers

Cost of Marketing	Amount (N)	percentage
Rent	2257.94	
Cost of palm oil purchased	188251.9	
Cost of capital	2541.22	
Market levy	1013.45	
Packaging	4925.23	
Wages	35923.36	
Transportation	2471.92	
Communication	703.271	
Loading and offloading	2942.08	
Foam	453.64	
Storage	4520	
TVC	246004	98.55
Total Fixed Cost (TFC _{pm}) (Depreciation)		
Cups	73.63	
Stools	2303.48	
Table	143.77	
Apron	204.98	
Basin	112.80	
Gallon	722.45	
Total fixed cost (TFC _{pm})	3,560.57	1.45
Total cost (TC _{pm})	249565	100
Average return		
Price/Litre	1,270	
Quantity of palm oil (Litres)	246	
Total revenue (TR _{pm})	307,900	
Gross margin (GM _{pm})	61,896	
Net revenue (NR _{pm})	58,335	
Benefit cost ratio (BCR _{pm})	1.23	
Gross ratio TC _{pm} /TR _{pm}		0.81

Field survey 2023

Conclusion and Recommendation

This research which aimed at analyzing the profitability palm oil marketers was carried out in Delta State which was selected based on the availability of suitable land for oil palm plantation and prevalent of the activities palm oil marketing. Data were collected using structured questionnaire. Different statistical tools which include descriptive (percentages, mean, mode and Tables) and inferential statistics (regression and budgetary analysis) were employed. 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 research concluded 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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