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ANALYSIS OF RICE MARKETING IN AKWA IBOM STATE, NIGERIA: A CASE STUDY OF INI LOCAL GOVERNMENT AREA.

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ABSTRACT

This study was conducted in Ini Local Government Area of Akwa Ibom State, Nigeria to analyze the socio-economic characteristics of rice marketers, the marketing channels and structure as well as the profitability and constraints to rice marketing. Primary data were obtained with structured questionnaires administered on 90 randomly selected rice marketers. Descriptive statistics was used to analyze the socio-economic characteristics of the respondents, market channel and structure as well as the constraints to rice marketing while profit margin techniques was used to determine the profitability of rice marketing. The results revealed that participants in rice marketing are young and experienced with reasonable levels of education. High transport cost and inadequate funds constitute the most important constraints to rice marketing. The study concluded that rice marketing is profitable inspite of the inefficiency in the system due to high marketing costs. Appropriate policy recommendations were given to enhance rice sales earnings.

Keywords: Rice, marketing, socio-economic, profitability, marketing, channels, market structure, Akwa Ibom State Nigeria.

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INTRODUCTION

Marketing of Agricultural products is a very important area of management. It is most fascinating as it combines the aggressiveness of management with the uncertainties associated with agricultural production. Agricultural Marketing, according to Ebong (2007) is defined as the sum total of all business activities that direct the flow of goods and services from the producer to the consumer or the end user. These include assembling of goods, sorting, storage, processing, grading, transporting and financing of all these activities.

According to Downey and Erickson (1981), the full marketing process identify the consumer's needs, develop products and services to meet those needs, establish promotional programmes and pricing policies and finally implement the distribution to customers. Agricultural marketing contribute significantly to the economic development of Nigeria in the areas of employment and income generation to those involved in it, enhance infrastructural development, improved transportation and communication systems; food distribution to satisfy the consumer's need in addition to bringing about technological innovations and foreign exchange earnings.

From the colonial era of the late 1950s through the early 1960s to the present decade, the Nigerian agricultural marketing system had undergone prominently changes culminating in the present liberalized marketing arrangement (Njoku, 1998). Such changes passed through activities undertaken by the zonal marketing boards of the 1960s, countrywide boards in the period between 1979 and 1985, the liberalized commodity pricing of the SAP period and of recent, the commodity exchange marketing initiated in 1996. The liberalization of the commodity market permits private participation in the market which led to more people going into the rice marketing (although not an export crop) and enhance local competition among marketers in the study area.

Rice is a staple food in Nigeria and it is grown in all the ecological zones of the country. The output of rice in Nigeria in 2005 rose by 5.8 percent over its level in 2004 from 3,713.9 to 3,929.4 tones (CBN, 2005). However, the continuous increase in Nigeria population has created a wide gap between the supply and demand for the product in recent times (Lawani and Babaleye, 1992). The consumption of rice has increased remarkably with the steady rise in consumer income. This situation has led to a wide gap between domestic production and consumption, thus giving rise to large importations of the commodity. The volume of rice import rose by 30% from 48 million metric tones in 1998 to 66 million metric tones in 2003 (CBN, 2003, Amaza et al 2005).

Several studies have been conducted on the marketing of specific crops like wheat, cotton, cowpea, soybeans and vegetables in other parts of the country (Ditto 1994, Ahmed and Sami, 1996,

Table 1: Socio-economic characteristics of price marketers n = 90

Characteristic	No. of Respondents	Percentage
Age of Respondents (Yrs)		
< 21	18	20.00
21-30	39	43.30
31-40	22	24.40
41-50	10	11.10
> 50	1	1.10
Sex status		
Male	67	74.44
Female	23	25.56
Family size (Number)		
<5	46	51.11
5-10	39	43.33
> 10	5	5.56
Level of Education		
No formal education	10	11.11
Primary education	24	26.67
Secondary education	43	47.78
Tertiary education	13	14.44
Marketing Experience		
1-5	20	22.22
6-10	17	18.89
11-15	30	33.33
> 15	23	25.56
Constraints to Rice Marketing*		
Transportation and road network	101	49.51
Inadequate storage/warehousing	28	13.73
Inadequate capital	43	20.59
Price fluctuations	33	16.17

Source: Field survey data, 2005

*Multiple responses to constraints recorded.

Tweenten 1997, Delgado 1986; Amaza et al 2005; Okpachu and Onu, 2006), but the rice market in Akwa Ibom State is yet to be fully studied as not much has been found in literatures. Akwa Ibom State is one of the rice producing states in Nigeria (Udoro, 2003). In addition to its importance for domestic consumption, the crop also provides employment and income to both the producers (farmers) and the marketers. In spite of its importance in the economy, the issue relating to the performance of the marketing system have not been fully examined by previous studies. It is against this background, that this study is undertaken to analyze the marketing of rice in Akwa Ibom State with a view to achieving the following objectives are: (i) To examine the socio-economic conditions of the rice sellers in the study area. (ii) To assess the marketing channels, structure and conduct of the rice product. (iii) To determine the profitability of the rice marketing.

METHODS

The Study Area: This study was conducted in Ini Local Government Area of Akwa Ibom State, Nigeria. This Local Government Area was deliberately chosen to represent the State because it remain the core area where the commodity is produced and sold and have continued to gain much patronage given its position as the food baskets of an average Akwa Ibomite. Akwa Ibom State is located in the South-South geopolitical Zone of Nigeria and occupies the tropical rain forest belt for the humid tropics with a total land mass of 8421 square kilometers (Inyang 1989) and a population of 3,920,203 people (NPC, 2006). The State has two climatic seasons-rainy (April to October) season and dry (November to March) season. A brief dry 2-week spell occurs around August. This is called August break. Consequently, this rainy season is bimodal in nature. The intensity of rain before the August break is greater than after. The State has a mean annual rainfall of 2400 mm, relative humidity of 75% and temperature of 30°C (Inyang, 1989).

Table 2: Distribution of respondents by markets structure

Market structure	No. of Respondents	Percentage
Few buyers and sellers	32	35.55
Many buyers and sellers	56	62.22
One buyer/many sellers	1	1.11
Many buyer/one sellers	1	1.11
	90	100

Field Survey data, 2005

Data source and sampling procedure: The data for the study were from primary source. The relevant primary data were obtained with the aid of a structured questionnaire from the sampled traders. The study area was purposively selected while a random sampling procedure was adopted in the selection of 90 rice marketers based on their sales volume. The range of data collected covered mainly the socio-economic variables of the traders such as sex, age, and family size, level of education and marketing experience. Data were also collected in the market structures, channels and conduct and profitability indices of the rice marketing.

Data Analysis: The data were analyzed using descriptive statistics and profit margin techniques. Descriptive statistics covering frequency counts, percentages and averages were used to describe the socio-economic characteristics of the rice marketers, highlight rice marketing problems as well as the nature of the marketing system (channels, structure and conduct). The profitability of rice marketing enterprise was determined using profit margin techniques; where profit margin is given as the difference between sales receipts and total variable costs.

RESULTS AND DISCUSSION

Socio-economic characteristics of rice traders: The socio-economic characteristic of the sampled rice traders in the study area are shown in Table 1. The variables analyzed in this study include age, sex family size, level of education, years of marketing experience and marketing constraints. The age distribution of the respondents shows that majority of them (78.90%) were between the ages of 21 and 25 years. This implies that rice traders in the study area are virile and energetic group who will be able to carry out marketing activities more efficiently. Both male and female traders were shown to be involved in the rice marketing with males accounting for about 74%. The predominance of males in the rice trade may be due to the bulky nature of the commodity, high capital requirement and the high risk especially at the wholesale trade. This result agrees with the finding of Anuebunwa et al (2006) while studying garri marketing system in Abia State that the trade was male dominated.

The family size distribution of the household indicates that majority of the respondents. (51,11%) have less than 5 members in their household as against 48.99% of them with five or more members. This indicates that more than half of the household have met the World Health Organization (WHO) recommended household size of not more that four (4) as contained in a study conducted by sai (1985) on nutrition, fertility and family health. This implies that less quantity of rice will be consumed by the family, leaving much to be incorporated into the profit margin. Table 1 also shows that rice traders were common among secondary and primary school leavers with 47.78% and 26.67% of the respondents respectively. However 88.89% of them had one form of formal education or the other indicating their efficiency through innovative marketing techniques and high decision making ability in the trading. The high percentage of educated entrants gives the impression that rice marketing is lucrative and profitable in view of the prevailing high level of job unemployment for our young graduates in the State.

The study indicates that most of the traders (58.89%) had between 11years and above experience in rice trading. It is expected that the experience acquired over the years will enhance efficient performance of the rice marketing system. This assertion confirmed the findings on the marketing of various agricultural products that years of marketing experience is an important determinants of marketing efficiency (Ahmed and Sanni, 1996; Okpachu and Onu, 2006; Salami, 1997 and Anuebunwa et al, 2006).

Based on the distribution of the respondents with respect to marketing constraints, 49.51% of them ranked high transportation and poor road network as the dominant problems, followed by inadequate capital (20:59%) militating against rice marketing. Okpachu and Onu (2006) obtained the same result while studying soybeans marketing in Benue State of Nigeria.

Marketing Channels, Structure and Conduct for Rice: Marketing channels defines the series on intermediaries or routes through which the rice product passes from the farmers (producers)

Table 3: Profit and marketing margin analysis per tonne of Rice in Akwa Ibom State

S/N	Item	Cost (n)	Sales receipts (%)	Total Variable cost (%)
1	Variable cost			
	a) Cost of rice	35,431.46	43.95	83.62
	b) Transportation cost	3,756.16	4.66	8.86
	c) Empty bags	846.86	1.05	2.00
	d) Bagging	500.00	0.62	1.18
	e) Union dues/fees	1,200.23	1.49	2.83
	f) Storage cost	360.17	0.45	0.85
	g) Handling cost	280.25	0.34	0.66
2	Total variable cost	42,375.13	52.57	100.00
3	Sales Receipts	80,608.65	100.00	190.23
4	Profits margin (3-2)	38,233.52	47.43	90.23
5	Marketing margin {(3-1(a))}	45,177.19	56.05	106.61

Source: Computed from field data, 2005

to the final consumers. Fig. 1 depicts the marketing channel of rice in the study area. The figure shows three different levels of channel structure viz: the 3-level channel structure, 4-level and 5-level channel structures. The 3-level channel structure contains only one selling intermediary who is the retailer (R) that act as the link group between the farm producer (P) and the final consumer (FC). Statistics shows that majority of the respondents (50.33%) are retailers who buy directly from the farmers. This channel, according to Osuji (1980) is the channel used in distributing rice in Abeokuta in Ogun State. Most retailers perform a dual function of assembling the products from producers and selling them to the final consumers.

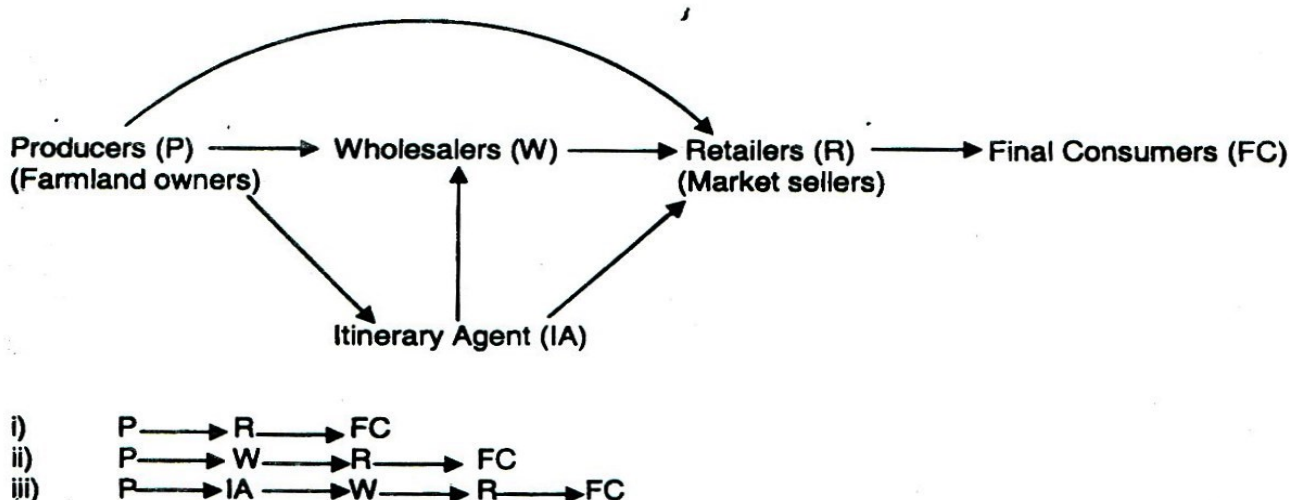


Fig. 1: Marketing Channel for Rice in the Study Area

In the 4 - and 5 -level channel structure, the rice product move either from the farm producers (P) to wholesalers (W) to retailers (R) and finally to the ultimate consumers (FC) or from the producers to itinerary agents (IA) to wholesalers (W) to retailers (R) and final consumers (FC) irrespectively. In this study 25.00% and 17.78% of the respondents belong to the 4 - and 5 - level channel structures respectively. However about 3.03% of the respondents, mostly the very small farmers sell their products directly to the final consumers.

The result therefore reveals a medium marketing channel as the bulk of the respondents are retailers. This is in line with Ebong (2007) who supported the argument that product specify channels which in turn determine whether it is short, medium or long route. The large numbers of middlemen in the rice marketing system in the study area, may be due to the relative ease of entry and exit from the distributive trade, the small scale of their operations, and the lack of alternative remunerative employment. Etuk (2001) in his study on marketing organization and channel structure for food marketing in Nigerian agriculture also came to the same conclusion while discussing the structure,

conduct and performance criteria for food marketing in terms of the multiplicity of traders particularly at the retail level.

Table 2 shows the distribution of respondents according to the market structure for rice. The result reveals that 62.22% of the respondents make up the market structure of many buyers and sellers, 35.55% of them constitute the structure of few buyers and sellers while 1.11 % of them make up the market structure of one buyer and many sellers and one seller/ many buyers respectively. This is an indication that the market environment in the study area is perfectly competitive as the rice marketing is characterized by many buyers and many sellers. Adeyokunnu (1980) obtained the same result while studying the agricultural marketing practices of small farms in Nigeria that agricultural product markets are competitive to the extent that they allowed for ease of entry into and exit from the market and also characterized by large number of sellers and buyers.

The bulk of the respondents (93.33%) sell their products in the market while only 6.67% of them dispose of their products at the farm gate. This means an increase in the income accruing to the producers themselves instead of the itinerants.

Profitability of rice Marketing: The profitability of rice marketing was determined using profit and marketing margin analyses and the result is presented in Table 3. It shows that the profit constitutes 47.43% of sales receipts per tonne. This indicates that every naira invested in rice marketing enterprise brings in a return of ₦47.43. The total variable costs per tonne of rice was ₦42,375.13. The purchase cost of rice by the marketers constitutes the highest proportion of total variable cost (83.62%), while the remaining variable cost items values 16.38%. The marketing margin constitutes 106.61% of the total variable costs per tonne. This means that ₦106.61 is paid for marketing services for every naira invested in rice marketing business. The high marketing margin is an indication that rice marketing in the study area is technically inefficient although the economic efficiency is guaranteed. This means that much profit can still be made with the improvement in the physical activities in which the rice marketing are performed such as transportation, union dues, bagging and storage. This finding confirms the assertion that inefficient marketing reduces the profit margin of food grain marketing in Nigeria (Delgado, 1986).

Summary and Conclusion: The study examined the socio-economic characteristics of rice marketers, assessed the marketing channels, structure and conduct and also determined the profitability of rice marketing in Akwa Ibom State, Nigeria. Descriptive statistics, profit and marketing margin techniques were employed as analytical tools for the study. The results revealed that majority of the respondents involved in rice marketing are males (74.44%). The modal age of the respondents lies between 21-30 years constituting 43.30% while 58.89% of them have more than 10 years of rice trading experience.

The profit margin constituted 47.43% of sales receipts per tonne while marketing margin was 106.61 % of the total variable cost per tonne, an indication of inefficient marketing system of the rice product. The major problems militating against the successful rice marketing included high transport cost and poor road network, inadequate trading capital, price fluctuations and inadequate storage/warehousing. The study however, concluded that rice marketing is profitable in spite of the high marketing cost.

The following recommendations are therefore put forward as measures for improving rice marketing in the study area: (i) Construction and upgrading of physical facilities like market stalls/stores and silos to reduce losses and handling cost. (ii) Construction and grading of rural feeder roads for the evacuation of rice to consumer markets. (iii) Price support or guaranteed minimum price should be used to stabilize price of rice. (iv) Rice marketers to form cooperatives to be able to obtain financial assistance from government and also enjoy economic of scale through cooperate sales of their products.

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