

Performance of Rice Market in Ebonyi State, Nigeria

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Abstract: The study examined the performance of foreign rice market in Ebonyi State, Nigeria. Four major urban markets and 3 rural markets were selected from each of the 3 agricultural zones of the state, making 12 major urban markets and 9 rural markets. A total of 60 wholesalers and 60 retailers randomly sampled from the markets were used for the study. Simple statistical tools such as tables, means, percentages, benefit cost ratio, efficiency models etc were used in data analysis. From the result of the study, an average monthly net return of N48908.20 and N7434.77 were recorded by the sampled wholesalers and retailers, respectively, thus showing that the business is profitable. Also the marketing margin for wholesalers and retailers were 5.36 and 10.85, revealing a more acceptable marketing margin for wholesales compared to retailers with high marketing margin. This is a reflection of the proportion of the consumers' income that goes to the marketing system. The study equally revealed a low marketing efficiency for the marketers, an indication of inefficiency. This is mainly due to the high marketing costs associated with rice marketing business. The benefit cost ratio shows that for every ₦1 invested into the business, a wholesaler gets, ₦1.11 while a retailer gets ₦1.16, showing that the business is viable. It is recommended that policies that improve rural infrastructure and marketing facilities be encouraged to reduce costs associated with the business. Also the local rice in the state showed be improved upon to compete favourably, thereby pulling down the price of foreign rice.

Key words: Market, rice, business, performance, Ebonyi State, Nigeria

INTRODUCTION

Rice is an important cereal crop globally. In Nigeria, the consumption of this staple has been on the increase yearly due to population growth and consumers' preference for foreign rice compared with local rice. WARDA (2003) noted that Nigeria is the major rice importer in Africa and the second in the world. Rice is produced in Ebonyi state but the consumption of foreign rice has been on the increases. According to IITA (1988) population growth coupled with rapid urbanization has fuelled an increased demand for rice that regional production is increasingly failing to meet.

Marketing of foreign rice has been a thriving business in Ebonyi state over the years and the need to examine its performance with respect to profitability and margins, cost implications on benefit and the efficiency level. This will bring to fore the efficiency inherent in the system, the problems and ways for significant improvement based on the fact the foreign rice marketing will still be obtainable in Nigeria at least for the foreseeable future until our local productions will be at par with the foreign rice. Trade policy in Nigeria is

characterized by inconsistency. The result is that Nigeria has depended heavily on imported rice to meet her consumption needs. The main features used in assessing market performance are the level of profit, sales and utilization of plants by firms, amongst others (Olukosi and Isitors, 1990).

In rice marketing, profit will result to market inefficiency considering the consumers interest. Profit is the monetary value computed as net relative to the size of the business or the resource used to produce the profit (Kay, 1986). This study examined profitability, costs and returns implication of rice marketing in Ebonyi state.

MATERIALS AND METHODS

The study was conducted in Ebonyi State, Nigeria. The state has 13 Local Government Areas (LGAs) drawn into 3 agricultural zones. Four major/urban markets and 3 rural markets were selected from each of the zones making a total of 12 major/urban markets and 9 rural markets. A total of 60 wholesalers and 60 retailers were selected for the study, 20 wholesalers and 20 retailers from each zone. Data collected were analyzed using statistical tools such

as tables, means, percentages, cost and returns analysis, benefit cost ratio, margin and marketing efficiency model. The average values for the different types of foreign rice sold by the marketers were used for the study. The return is the difference between the total returns and total marketing costs.

The marketing margin is the percentage value of the difference between the purchase and selling price with respect to the selling price. The marketing efficiency model is stated as;

$$\frac{\text{Value added (Net profit)} \times 100}{\text{Total marketing cost}}$$

The benefit costs ratio is the ratio of the total returns to total costs.

RESULTS AND DISCUSSION

The result as shown in the Table 1 reveals that the business is profitable as shown by the monthly net returns. Wholesalers have a more acceptable marketing margin than retailers. Margin of 5% is ideal for storable commodities (Kyda, 1992). The marketers have low marketing efficiency thus; they are not exploitative in terms of returns and costs. The cost implication of business is high especially for purchase and transportation leading to low marketing efficiency.

Table 1: Net returns, marketing margin, BCR and efficiency analyses

	Wholesalers	Retailers
Average purchase price 50kg (N)	5300	5750
Average selling price 50kg (N)	5600	6450
Average returns from sales	495562.00	55322.40
Average marketing costs	446653.80	47887.63
Net return (N)	48908.20	7434.77
Marketing margin (%)	5.36	10.85
Marketing efficiency	10.95	15.53
Benefit cost ratio	1.11	1.16

Source: Field data 2007

Table 2: Marketing problems

Contents	Frequency	(%)
Transportation cost	115	95.8
Inadequate capital	96	80.0
Loans/credit	88	73.3
Law enforcement excesses	42	35.0

Source: Field data 2007. Number of respondents = 120, multiple responses recorded

Marketing efficiency of 100% is perfect efficiency while that above 100% is excess profit. The benefit cost ratio revealed that for every N1 invested into the business a wholesaler get, ₦1.11 while a retailer gets a return of ₦1.16, thus showing that business is viable. Therefore, the performance of the market in terms of these parameters, though not yet perfect, is towards efficient marketing.

The major problems affecting the marketing are shown in Table 2.

The major problems facing the marketers and their performance are transportation costs, inadequate capital, loans/credit and law enforcement excesses. Transportation is the most critical as a result of bad roads, price of fuel and associated factors.

CONCLUSION

The study showed that foreign rice marketing in Ebonyi state is profitable, viable and worth sustaining. The marketing efficiency is still low but the market is tilting towards perfect performance. Based on the findings from the study, it is recommended that efforts should be geared towards policies that encourage foreign rice marketing. Transportation and marketing infrastructure should be improved upon to reduce costs while the quality of local rice should be improved to compete and possibly reduce the price of foreign rice.

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