

ANALYSIS OF COSTS-RETURNS PROFITABILITY IN GROUNDNUT MARKETING IN BEKWARRA LOCAL GOVERNMENT AREA CROSS RIVER STATE, NIGERIA

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ABSTRACT

This study examined costs-returns profitability in groundnut marketing in Bekwarra Local Government Area, Cross River State, Nigeria. Data were obtained from a random sample of 120 respondents in the study area by means of structured questionnaire. Data collected were analyzed using descriptive statistics and costs-returns analysis. Results from the analysis revealed that a net return of ₦1, 250.00 was realized with ₦0.22 made on every naira invested. Groundnut marketing is a profitable business, with attractive net return on investment. This study shows that groundnut marketers are faced with several constraints in their marketing activities. These constraints negatively affect the efficiency of groundnut marketing in the study area. Notable among them are high cost of transportation, lack of capital, lack of extension services, lack of price information, poor market infrastructures, inaccessibility of formal credit source because of high interest rate and lack of roads maintenance/bad roads occupied 15%, 14.17%, 11.67%, 10%, 9.17%, 9.17% and 8.33% respectively. For efficient marketing of groundnut in the study area, these constraints must be drastically reduced to the barest minimum. This can be done through efficient policy formulation and implementation, proper supervision of groundnut marketing programme, effective extension services and proper agricultural financing. It would pave a way to increase profit and will help alleviate poverty in Cross River State. It is also recommended that groundnut marketers in the study area should form cooperative group(s) to have access to loans from bank(s) for letter capital base for higher output.

Key words: Economic Analysis, Costs>Returns, Groundnut, Marketing, Profitability.

INTRODUCTION

Groundnut (*Arachis hypogaea*) is widely eaten and used for making groundnut oil, groundnut butter, salted groundnut and a number of confectioneries like peanut, candies, brittle, crisps, caramel tops, peanut candy, bakery sweet (Woodroft, 1983). Holadey (1979) revealed that groundnut can also be processed to produce groundnut cheese, peanut protein, peanut milk and curd, peanut paste for seasoning vegetable, boiled unshelled fresh peanut and peanut bread.

Groundnut contains about 11% carbohydrate, 30% protein, 45% oil, 2% ash and 5% water (Awoke, 2003). After oil extraction, the residues are good sources of protein useful in bakeries and in the manufacture of livestock feeds. The most commercial product of groundnut is peanut candy, which is sold at supermarkets or hawked in the streets. Little is known about the profitability of groundnut business engaged by marketers. This study attempted to explore and to determine the cost-return of groundnut businesses in the study area; and to identify the constraints faced by groundnut marketers.

Theoretical framework: Farm Budget Model: The farm budget as a tool of analysis is one of the oldest and simplest, used in farm management and production

studies. It has been used in number of economic studies for analyzing the profitability of farm production practice. Different methods of budgeting exist. However, these methods can be subdivided into two major categories: (a) total or complete budgeting and (b) partial budgeting. A total budgeting is used when contemplating a complete re-organization of the entire farm business, while partial farm budget is used when the action intend to be implemented does not affect the whole farm, for example, introducing a new business or purchasing new equipment for the farm. The choice of any type of budgeting tool depends on the circumstance under which the farm business is taking place, goal achievement objective and convenience. This study used partial budget as an analytical tool. Basically, it involves operations leading to estimates of gross revenue and total cost for the same production period. The differences between two parameters are measure of profit or loss or net farm income for that period (Oluwole, 1970; Osifo and Anthonio, 1970; Olayemi and Oni, 1971; Antigha, 2007; Adinya *et al*, 2008). The purpose of the model is to identify the costs, returns, profitability or loss per hectare. The total revenue represents the value of the output from the farm. The total cost on the other hand, is made up of the variables and fixed components. Variables costs also called specific costs vary directly with the level of production and include expenditure on labour and

attended Junior Secondary School Certificate (JSSC)/Senior Secondary School Certificate (SSSC). However, 3.33 percent of the respondents attended high education; while 16.67 percent of the respondents had no formal education. Some of the respondents (16.67%) described lack of educational training as a factor militating against efficiency of groundnut marketing. The standard deviation of 33.40 from the mean of 30 was obtained. The result implies that education was one of the most serious constraints against the efficiency of groundnut marketing in the study area. These findings are in accordance with those of Steward (1975) who maintained that education acquired by farmers/agricultural products marketers has a positive influence on farmers' /marketers' labour and income. Robin (1974) observed that the large differential between the wages received by an unskilled farmer/marketer and the salary enjoyed by skilled high level manpower in agricultural production and marketing is attributed to skill differentials acquired through education. Adekunle (1978) stated that technical and commercial education broaden the farmers/marketers intelligence and lay the basis for vocational training. In addition, it enables the farmers/marketers to perform the marketing activities/tasks intelligently and with a full appreciation of their contribution to the final product.

Table 1: Socio-economic characteristics of respondents (groundnut marketers) in Bekwarra Local Government Area of Cross River State, Nigeria

Age group(years)	Total frequency	%age	Mean ± SD	Coefficient of variation
21-30	16	13.33	30±13.98	46.6
31-40	41	34.17		
41-50	43	35.83		
51- above	20	16.67		
Total	120	100		
Gender				
Male	10	8.33	60±70.71	117.85
Female	110	91.67		
Total	120	100		
Marital status				
Married	88	73.33	40±41.50	103.75
Widowed	15	12.50		
Single	17	14.17		
Total	120	100		
Educational attainment				
OND/HND/BSC/MSC/Ph.D	4	3.33	30±33.40	111.33
JSSC/SSSC	17	14.17		
FSLC	79	65.83		
No education	20	16.67		
Total	120	100		

Source: Field survey, 2008

Table 2: Average costs and returns of groundnut marketers in Bekwarra Local Government Area of Cross River State, Nigeria

Cost/Return component	Value (naira)
Cost of groundnut at farm gate price (₦ 400.00 per kg)	5,000.00
Labour inputs (man-days)	100.00
Transportation cost (naira)	250.00
Total fixed cost-depreciation (TFC)	75.00
Total Variable Cost (TVC)	175.00
Total Cost (TC=TFC+TVC)	5,600.00
Total Revenue (TR)	6,850.00
NR= TR- TC	1250.00

Source: Field survey, 2008 Foot note:* NR =Net Return per marketer

Gross margin analysis

GM= GI- TVC

GM=TR-TVC = ₦6,850.00 - ₦175.00 = ₦6,675.00

Profit=GM-TFC= ₦6,675.00- ₦75.00=₦6,600.00

Where: GM=Gross Margin (naira)

GI= Gross farm income(physical product multiplied by the unit price of the product)

TR=Total Revenue from groundnut (naira) =₦6,850.00

TVC=Total Variable Cost (naira)= ₦175.00

TFC = Total Fixed Cost (naira)= ₦75.00

Table 2 revealed that the total revenue was ₦6, 850.00, gross margin was ₦6,675.00 and profit was ₦6,600.00. The table also revealed that transportation cost was higher than other costs.

Table 3: Average profitability analysis of groundnut marketing in Bekwarra Local Government Area of Cross River State, Nigeria

Profitability indicator	Total value of groundnut (Naira)
*Net Return=(TR-TC)	1,250.00
Return on investment (RI) = $\frac{NR}{TC}$	0.22
TC	5,600

Source: Field survey, 2008;*Net Return per marketer

The result in Table 3 indicated that the net returns on groundnut is ₦1, 250.00 with return on every naira invested of ₦ 0.22 is also positive indicating a profit from the business. The result of the study agrees with the earlier contentious of Hamidu *et al*, 2006 who stressed that groundnut marketing is a profitable business. The study revealed that several constraints militating against the efficient marketing of groundnut in Bekwarra Local Government Area of Cross River State. The result of the study agrees with the findings of (Holadey, 1979;

Woodroft, 1983; Hamidu *et al*, 2006) revealed that some constraints militating against the efficient marketing of groundnut.

Table 4: Constraints against the efficiency of groundnut marketing in Bekwarra Local Government Area of Cross River State, Nigeria

Constraints	Total frequency	Percentage
High cost of transportation	18	15
Lack of capital	17	14.17
Inaccessibility of formal credit source because lack of collaterals	14	11.67
Lack of extension agents	12	10
Lack of price information	11	9.17
Poor market infrastructures	11	9.17
Inaccessibility of formal credit source because high interest rate	11	9.17
Lack of roads maintenance/bad roads	10	8.33
Inaccessibility of formal credit source because of short repayment period	8	6.66
Lack of storage facilities	8	6.66
Total	120	100

Source: Field survey, 2008

CONCLUSION

Groundnut marketing is a profitable business, with attractive net return on investment. This study shows that groundnut marketers are faced with several problems in their marketing activities. These problems or constraints negatively affect the efficiency of groundnut marketing in the study area. Notable among them are high cost of transportation, lack of capital, inaccessibility of formal credit source because lack of collaterals, lack of extension services, lack of price information, poor market infrastructures, inaccessibility to formal credit source because of high interest rate and lack of roads maintenance/bad roads. For efficient marketing of groundnut in the study area, these constraints must be drastically reduced through efficient policy formulation and implementation, proper supervision of groundnut marketing programme, effective extension services and proper agricultural financing. The constraints associated with the business if tackled, could pave a way to increase profitability and will alleviate poverty in Cross River State, Nigeria. It is recommended that groundnut marketers in the study area should form cooperative

group(s) in order to obtain loans from bank(s) to increase their capital base.

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