

Appraisal of the Performance of Palm Produce Marketers in Nigeria: Implications of the Abolition of Palm Produce Marketing Board

Onuoha A. Onuoha, PhD^{*}, Chinedu N. Ogbuji, PhD

Department of Marketing, University of Port Harcourt
Port Harcourt, Nigeria
^{*}*Ifony2005@yahoo.com*

Abstract: *This study appraised the performance of palm produce marketers in Nigeria in view of the abolition of Palm Produce Marketing Board (PPMB) which hitherto performed some marketing functions to palm oil producers. Data collected through face-to-face interview with 170 palm oil producers, conveniently drawn from Abia State, were analysed using statistical tools, to ascertain the impact of the abolition of PPMB on the efficient marketing of palm produce in Nigeria. The results show, among others, that palm oil producers are better-off now, in terms of income from the sale of their produce than they were before the abolition of PPMB. Recommendations were proffered for sustainable growth in the palm produce sub-sector, which was one of the “glorious” foreign exchange earners for Nigeria before the advent of crude oil.*

Keywords: *Palm Produce, Abolition, Palm Produce Marketing Board, Fluctuation.*

1. INTRODUCTION

No nation of the world, developed or developing, can boast of sustainable economic growth and development without a viable agricultural sector. The agricultural sector is responsible for providing food for man and livestock, and raw materials for the industrial sector. In doing these, the agricultural sector provides productive employment to the labour force, and income to the farmers (Anyanwu, Azugama and Ogbuji, 2011). However, in Nigeria today, there is a drop in the level of production of agricultural produce, especially cash crops such as palm produce, cocoa, cotton, groundnut and rubber, which have lost their glory as Nigeria’s major foreign exchange earners. The gravity of this situation is exemplified by the fact that Nigeria which was a major world producer of agricultural commodities like palm produce has almost abandoned the agricultural sector for a single product-crude oil (Babatunde, 2009; Odega, 2010).

The production of palm produce has fallen significantly than what it used to be in the 1960s and early part of 1970s before oil became the major foreign exchange earner of the country, contributing about 95% of export earnings and about 73% of government revenue (Okpara, 2008; Ogbwo and Onuoha, 2013). Besides, the number of users of this essential commodity is increasing yearly without a corresponding increase in the level of production to fill the increasing gap (Odega, 2010). This has contributed to increased price of the commodity which has remained uncontrolled over the decades, especially since the abolition of Palm Produce Marketing Board (PPMB) on January 1, 1987. The abolition of PPMB has caused changes both from within and outside the marketing system of palm produce in Nigeria. The implications of the abolition of PPMB for the marketing of palm produce in Nigeria is the main thrust of this study.

2. STATEMENT OF THE PROBLEM

PPMB, at the time it existed, performed some invaluable marketing functions which as opined by Okeke (2012), included:

- i. Marketing of palm produce abroad to generate foreign exchange for the country;
- ii. Offering advices to palm oil producers on production techniques or innovations;
- iii. Arranging for the supply of farm inputs, insecticides, pesticides and weed killers;

- iv. Providing transportation facilities to the rural areas as well as warehousing facilities for the produce;
- v. Helping in the grading of produce;
- vi. Providing loans and credit facilities for the producers; and
- vii. Stabilizing prices of the produce for the benefit of the producers.

Despite the functions performed by PPMB, as stated above, many-especially palm oil producers-were calling for its scrapping due to certain anomalies inherent in the activities of the board, including:

- i. Inadequate funding by government;
- ii. Poor financial management by members of the board;
- iii. Inefficient management due to bureaucratic organizational structure;
- iv. Politicalisation of the board's functions;
- v. High rate of taxation on the board's profits by the federal government; and
- vi. Buying problems by the licensed buying agents (Asonye, 2010).

In view of the above anomalies in the operations of PPMB, government scrapped the board on January 1, 1987. With the abolition of PPMB, palm oil producers assumed full responsibility in the marketing of their produce. In view of the foregoing, this paper appraised the performance of palm oil producers in Nigeria in the absence of PPMB to ascertain whether they are better off with the abolition of the board.

3. OBJECTIVES OF THE STUDY

This study seeks to find out the implications of the abolition of PPMB for the marketing of palm produce in Nigeria. Against this backdrop, the specific objectives of the study include:

- i. To ascertain whether palm oil producers are better-off with the abolition of PPMB, in terms of income level;
- ii. To find out if palm oil producers are effectively and efficiently performing some of the functions of the board like storage, distribution, among others;
- iii. To ascertain whether the quantity of palm oil being produced by the producers is on the increase since the abolition of the board; and
- iv. To find out if the abolition of the board has resulted to price fluctuations of palm oil in Nigeria.

Research Hypotheses

The following hypotheses were formulated based on the research objectives:

HO₁: Abolition of PPMB has not resulted to price fluctuations of palm produce in Nigeria.

HO₂: Abolition of PPMB has not reduced the quantity of palm produce output in Nigeria.

4. MATERIALS AND METHODS

4.1. Area of Study

The study was carried out in Abia State in South-East geopolitical zone of Nigeria. It consists of seventeen (17) Local Government Areas (LGAs) of only Igbo speaking ethnic group. The choice of Abia State is based on the fact that, it is one of the states in the South-East region of Nigeria that is predominantly known for the production and marketing of palm produce (Odega, 2010; Anyanwu, Azugama and Ogbuji, 2011).

Primary data were generated using face-to-face interview of sampled respondents from 17 LGAs of the State. The face-to-face interview also generated non-verbal information, observed from respondents' facial expressions. The primary data were generated from 170 palm oil producers and marketers conveniently selected from all the 17 LGAs of the State, on the basis of 10 per LGA to ensure that all the LGAs are represented. However, all elements that constituted the sample size were people who were available in their oil palm mills as at the time the researchers visited. This method of

non-probability sampling is referred to as convenience sampling by Ezejelue et al (2008). Also, only producers and marketers of palm produce who were in the business before and after the abolition of PPMB were selected for the study because they are in a better position to know the implications of the abolition of the board. Furthermore, only private owned palm oil mills, engaged in domestic marketing of palm oil, were selected for study. This study, therefore, excluded government owned palm oil mills that are export- oriented.

4.2. Literature Review

Palm oil was among the first commodities of international trade, after the slave trade, between Nigeria and Europe (NIFOR, 2015). The world trade in palm oil at the beginning of 20th century was dominated by Nigeria, followed by Democratic Republic of Congo, and Indonesia. At that period, exports from Nigeria accounted for about two-third of the world palm oil trade. However toward the middle of the same period, palm oil export from Nigeria dwindled to no more than one-third, as a result of increased production and export from Indonesia which had at the outset adopted plantation development of oil palm on a large scale (NIFOR, 2015). This development awakened the colonial government of British West Africa to the need to put in place policies and strategies to improve oil palm production and palm oil output in British West Africa. One of the strategies put in place was the establishment of Palm Produce Marketing Board (PPMB) in 1949.

PPMB was established primarily to stabilize Nigerian producers' prices in order to eliminate the seasonal price fluctuations of the export palm produce. Other reasons were to provide funds for regional governments and economic development of the production areas and scientific research in agriculture, improvement of the quality of the crops through the grading system; and putting to an end series of producer protests (Iweze, 2014).

PPMB rarely met the above objectives. For example, the economic status of palm oil producers may be described as gloomy from 1958-67 when there were high expectations, rising commodity prices and increasing acreage responses (Adesoye, 2009). In the following decade (1968-77), the economic status of the producers was one of increasingly low income. The net result of this was striking. First, the producers became less responsive to increased production as revealed by lower investment in palm produce production. This led to a reduced rate of acreage response (Adesoye, 2009), as the producers supplemented palm produce income with small food-crop acreage. Secondly, the situation led to a falling share of Nigeria's world palm oil market (Asonye, 2010).

Apart from the fact that the producers received very low percentages of the world prices, fluctuations of the prices were the order of the day (Asonye, 2010). However, PPMB was able to stabilize intra-seasonal prices (Iweze, 2014); but destabilized producers prices by lowering the prices of palm oil and kernel four times in three years (Asonye, 2010). The above scenario and other anomalies inherent in the activities of PPMB show that the board worked against some of the bases upon which it was established. Because of the anomalies which prevented the board from achieving its objectives, government scrapped it on January 1, 1987 (Okeke, 2012).

The abolition of PPMB has not stopped the production of palm produce in Nigeria. In fact currently, Nigeria is the third largest producer of palm oil in the world after Malaysia and Indonesia (Echem, 2014; Maulendra, 2014) with about an estimated potential for palm oil production of about 934,000 tones in special grade palm oil per annum on 213 million hectares in the palm oil belt (Echem, 2014). Therefore, the need to market these produce still exist.

This study, therefore, gives some useful suggestions that would enable palm produce marketing system in Nigeria to be successful, after appraising the performance of palm produce marketers, in Abia State, in the absence of PPMB.

5. RESULTS AND DISCUSSION

Table 1 shows the means used by palm produce marketers in selling their produce. On aggregate, 122 (71.8%) of the respondents sell their produce at open markets while 35 (20.6%) and 13 (7.6%) sell theirs through cooperative societies and agents respectively. This shows that greater number of producers now sell their palm produce at open markets as they can now bargain for higher prices with buyers.

Table 2 shows the responses of the respondents on the adequacy of seedlings and fertilizer before and after the abolition of PPMB. An aggregate of 104 (61.2%) claimed adequacy of seedlings and fertilizer before the abolition of PPMB while 67 (38.8%) claimed adequacy of seedlings and fertilizer after the abolition of PPMB. The adequacy of seedlings and fertilizer before the abolition of PPMB could be attributed to the provision of these inputs to the producers by PPMB which was one of its functions. The inadequacy of these inputs currently in vogue could be attributed to increasing hoarding of the inputs by some government officials in Ministries of Agriculture and middleman.

Table 3 clearly shows that 54 (32%) of the respondents affirmed high distribution expenses as a percentage of total costs before the abolition of PPMB while 116 (68%) affirmed that after the abolition of PPMB. This shows that marketers of palm produce now incur high distribution expenses in moving their produce from point of production to point of sale. This is so, because palm produce marketers now perform the functions of collecting, storing and transporting palm produce to various markets where they are sold. These functions were performed by PPMB before its abolition in 1987.

Table 4 clearly indicates that prices of palm produce fluctuated before the abolition of PPMB and are still fluctuating even after the abolition. However, 129 (75.9%) of the respondents affirmed mostly a downward review of prices of palm produce during the time of PPMB against 143 (84.1%) that affirmed mostly an upward review of prices of palm produce after the abolition of PPMB.

Table 5 clearly shows the average output of individual producers before and after the abolition of PPMB. Also shown clearly in the Table is the fact that 21-40 gallons was the modal range in both periods. However, while 91 (53.5%) of the respondents produced within that range before the abolition of PPMB, 104 (61.2%) are producing at that range after the abolition of PPMB.

Table 6 contains the summary of hypotheses test output. For hypothesis one, at 0.05 level of significance and 1 degree of freedom, p equals 0.0039 which is less than the level of significance (0.05). This led to the rejection of hypothesis one.

The implication of this result is that prices of palm produce are no longer fixed by any marketing board but are determined by the forces of demand and supply in the competitive market.

Also shown in Table 6 is the result of the test of hypothesis two. At 0.05 level of significance and 3 degree of freedom, p equals 0.02895 which is greater than the level of significance (0.05). This led to the acceptance of hypothesis two.

The implication of this result is that producers of palm oil now produce more than they were producing before the abolition of PPMB, as the board during the time of its operation reduced producers' willingness to improve their productive capabilities by paying them low prices, especially during peak harvest. Thus, the present improved bargaining power of the producers and marketers, resulting to increased revenue for them, remedied the situation as well as encouraged them to produce more.

6. CONCLUSION AND RECOMMENDATIONS

Based on the evidence from data test and analysis, and literature review, the authors concluded that abolition of PPMB had not negatively affected the marketing of palm produce in Nigeria. The study shows that producers and marketers of palm produce are now better-off than they were before the abolition of the board in terms of income from the sale of their palm produce. This is supported by Iweze (2014) that asserts that the board only succeeded to certain extent in stabilizing seasonal producers' prices, but achieved little in stabilizing producers' income. Thus, since the price stabilization and fiscal policies of the board were not judiciously implemented, the board should remain scrapped.

Sequel to the findings, the following recommendations are hereby made to help alleviate some of the problems encountered in the marketing of palm produce in Nigeria.

1. The Palm Produce Marketing Board (PPMB) should remain abolished, as its inefficient management due largely to bureaucratic organizational structure did more harm than good to palm produce marketing in Nigeria.
2. Producers of palm produce should form cooperative societies that would help them solve most of their production and or marketing problems like obtaining farm inputs at reduced prices, long-term credits from financial institutions and governmental agencies.

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3. Government should ensure that farm inputs like improved seedlings, fertilizer, pest control, among others, as well as agricultural credits and incentives reach legitimate and genuine farmers when they need them. The farm inputs should be provided for them at reduced and affordable prices. Achieving this should mean by-passing long channel of distribution in getting the inputs to the farmers. This would help in reducing or eliminating the mark-up added to the costs of the inputs by the middlemen which is passed on to the farmers in form of high prices.
4. Good road networks should be built by government to link the remote palm produce producing areas and urban markets. This would help to lessen distribution and transportation expenses from the remote areas to urban markets.
5. Extension workers from Ministries of Agriculture and Natural Resources and other relevant agencies of government should be sent to the producers in rural areas to inform and educate them on any new development in the palm produce industry.

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APPENDICES

Table1. Means of Selling Palm Produce

Means	Frequency	Percentage
Through cooperative societies	35	20.6
At open markets	122	71.8
Through agents	13	7.6
Total	170	100

Source: Research Data, 2015.

Table2. Adequacy of Seedlings and Fertilizer

Period	No. Claiming Adequacy	Percentage
Before abolition of PPMB	104	61.2
After abolition of PPMB	67	38.8
Total	170	100

Source: Research Data, 2015.

Table3. Distribution Expenses as a Percentage of Total Costs

Period	No. Claiming high costs	Percentage
Before abolition of PPMB	54	32
After abolition of PPMB	116	68
Total	170	100

Source: Research Data, 2015.

Table4. Nature of Price Fluctuations of Palm Produce

Period	Nature		Total
	Upward	Downward	
Before abolition of PPMB	41	129	170
After abolition of PPMB	143	27	170
Total	184	156	340

Source: Research Data, 2015.

Table5. Average output per individual month in Gallons

Period	Output	Output				Total
		1-20	21-40	41-60	61 and above	
Before abolition of PPMB	8	91	47	24	170	
After abolition of PPMB	6	104	32	28	170	
Total	14	195	79	52	340	

Source: Research Data, 2015.

Table6. Summary of Hypotheses Tests Output

H	df	LOS	X^2_{cal}	p-value	Pearson Correlation	Decision
HO ₁	1	.05	125.20	.0039	.1022	Reject
HO ₂	3	.05	4.28	.2895	.0396	Accept

N/B: H= hypothesis; df=degree of freedom; LOS = level of significance; X^2_{cal} = chi-square calculated, P=probability.

AUTHORS' BIOGRAPHY



Dr. Onuoha A. Onuoha is a Lecturer in the Department of Marketing of the University of Port Harcourt, Nigeria. He had lectured at the Abia State University, Uturu, Nigeria. Dr. Onuoha has published a good number of academic works locally and internationally. His research interest is in the area of Marketing Communications.



Dr. Chinedu N. Ogbuji, a Lecturer with over fifteen years experience, spanning three Universities in Nigeria, currently lectures at the Department of Marketing, University of Port Harcourt, Nigeria. Dr. Ogbuji has good number of articles in learned journals and has edited two books.