

Repositioning Nigeria Agriculture through Marketing Structure and Performance

¹P.O. Idisi., ²I.J Ogwu., ³N.J Okutue.

^{1,2,3}Agricultural Economics Department, Faculty of Agriculture, University of Abuja

Abstract: The study takes a holistic view on structure and performance of Nigerian Agricultural market and how it can help to reposition Agriculture in Nigeria. Through a review of some studies, Okutue (2012) using Gini coefficient, correlation coefficient, marketing margin indicated a relatively competitive market with Gini coefficient of 0.20 to 0.34, this was supported by Omjola (2010) and Savile (2002). Enibe (2008) showed that there is low price correlation between pairs of markets indicating that the markets are weakly spatially integrated with < 0.50 correlation. Balogun (2003), Kingsley and Akpan (2010) and Okutue (2012) listed seller type, age, marketing experience, educational level, inadequate infrastructure and capital, transportation amongst others to affect marketing of Agricultural produce in Nigeria. Despite the poor performance of agricultural marketing though profitable, there are prospects for improvement in the performance in the nearest future, based on unexpanded markets, attractive government inceptions, improved infrastructure, and market information, accessible roads to mention but a few. Therefore, it was concluded that agricultural markets in Nigerian must put their arts together and overcome these issues in order to exploit the market opportunities that will take our agriculture to the next level.

Keywords: Agriculture, Market Structure, Market Performance, Nigeria.

1. INTRODUCTION

Marketing is an evolving and dynamic discipline that cuts across every spectrum life. This explains why contemporary societies are now involved in one form of marketing activity or the other. The recent advancement in technology, has aided the free flow of goods and service as well as information amongst businesses and institutions thereby turning the marketing environment into a global village (Ewah, 2007). On a general perspective Kotler and Armstrong (2001) described marketing as a social and managerial process whereby individuals and groups obtain what they need and want through creating and exchanging products and value with others.

Akubuilu (2007) defined marketing as the movement of goods and services from the point of production to the point of consumption by the ultimate consumers. Olukosi and Isitor (1990) remarked that it is within the marketing system that price allocation of resources, income distribution and capital formation are determined which are essentials for economic growth.

In recent times, development economist and social scientist have shown great interest in the revaluation of the important role of internal exchange economies in many developing countries. This is as a result of the crucial effect it has on our lives and the survival of individuals and firms (Okereke, 1998). FAO (1999) observed that in view of economic development now taking place in Africa countries and the rapid growth of urban population, the internal marketing of food stuffs will become a central problem unless solved, will seriously hamper economic development, therefore, an internal marketing is needed to locate where there are surpluses and a djust them to shortages.

Elton (1987) stated that marketing is a leading sector in development as efficient marketing system stimulates drives and sustain economic growth.

There have been many problems identified by researchers involved in agricultural commodity marketing. Ikechi etal (2006) listed transportation of harvested produce, seasonal variations, storage, processing, grading communication among

others as hindrances to the flow of goods in the agricultural sector which eventually lead to poor structure and performance of agricultural markets in Nigeria. Poor marketing generally is reflected in poor quality of products, inadequacy and shortages of essential products that would have improved the standard of living of the people (CBN, 2000). This ugly scenario helped to compound the problems of marketing in Nigeria before now. Kohls and Uhl (1980) suggested that product should not even be produced at all unless it has a market. Marketing has developed in importance and complexity as economic development and specialization have increased productive capacity and separated food producers from consumers. Marketing becomes increasingly important as soon as economy becomes increasingly commercialize, thus leading to the growth of urban areas. In order to purchase other goods and services not produce by oneself, the need arises that producers sell off their surplus production in order to earn an income. Markets then develop to facilitate the exchange of this market surplus between the rural and urban areas. There are several approaches adopted to the study of food and agricultural marketing, these include behavioral system approach, functional approach and institutional approach, these approaches combine to give the structure, conduct and performance approach which is the most popular method used in social research to analyze a market (Agunna, 1999).

2. CONCEPTUAL FRAME WORK

In order to boost agriculture in Nigeria to improve the quality of life of citizens, agricultural marketing should be given sufficient weight.

Onyebinama (2002) define market as a group of consumers and producers in contact with each other with a view to establish a uniform price. This definition implies that market may not necessarily mean a physical place but rather a situation. Kohls and Uhl (1990) define market as a place where goods and services are exchanged hence, a market is created whenever there is exchange of goods and services. Chamber University Learners Dictionary define it as a public place where people meet to buy and sell or the public even at which this happens. Adekanye (1998) viewed marketing as the processes by which a uniform and acceptable price is established in a market.

A market may be classified according to ;

1. **Product:** This is based on the type of product sold in the market e.g, vegetable market, money market, stock market e.t.c
2. **Location:** This is based on where the market is located e.g Ndiro market, Bende market e.t.c
3. **Periodicity:** This classify market according to number of times the market seat e.g daily market, seven – day market etc
4. **Time:** This is based on period activity e.g evening market.
5. **Morphology and structure,** here we have perfect market, monopolistic market and oligopolistics market e.t.c

3. MARKET STRUCTURE

Market structure consists of characteristics of the market which influence the nature of the competition and pricing within the market (Abbot 1993). Lipsey and Chrystal (1995) stated that market structure refers to all the features that may affect the behaviors and performance of the firms in the market or the type of product they sell.

Market structure is importance in that, it affects the market outcomes through its impact on innovations, opportunities and decision of the participants in the market (Broaddus 1991). Broaddus further observed that one cannot determine the structure of a market until the market under consideration is carefully defined. Defining a market is the first and crucial stage in the analysis of competitive market relationship. Hyman et al. (1995) and shocker et al. (1990) noted that there is no true taxonomy of market structure.

The taxonomy of market structure is as follows.

1. **Perfect Competition** – many sellers of a standardize product
2. **Monopolistic Competition** – many sellers of a differentiated product
3. **Oligopoly** – few seller of a standardize or differentiated product and
4. **Monopoly** – a single seller of a product for which there is no close substitute (Colton, 1993).

4. MARKET PERFORMANCE

An efficient and good performing marketing system is one capable of moving goods from producers to consumers at the lowest costs consistent with the provision of services that consumer demand (Crawford, 1997). Marketing performance is a complex multi – dimensional concept about which there is no agreed definition (Scarborough and Kydd, 1992). The performance of an industry or firm is measured by profitability. Profit is the difference between revenue and cost and the revenue is determined by price. Thus performance can be influenced through changing cost or prices (Richard and Mark 2007). The structure, conduct and performance hypothesis predict that performance increase with concentration of the industry, this is in contrast with efficiency hypothesis that states that a firm performance is based on how well and efficiently it produces its product or offer it's services to the consumer (Rubinfeld 2001). Thus firms in more concentrated industries earn higher profits than firms operating in less concentrated industries. Efficiency is a measure of performance and is positively related to performance. A positive relationship between firm profit and market structure is attributed to the gains in market share by more efficient firms, but not to the collusive activities (Edwards and Allen 2006).

Market performance has remained a long term research challenge to develop local definition and workable norms against which to measure it (Rubinfeld 2001). Marketing cost as a measure of market performance is a detailed study of operation section of the firm's profit and loss statement (William, 1991). Adegye and Dittoh (1985) reasoned that all costs of agricultural marketing are the costs associated with the assemblage of goods, storage, transportation, processing and grading which are considered in assembling goods.

5. REVIEW OF EMPIRICAL MARKETING STUDIES IN NIGERIA

Ifegwu (2006) identified population, migration urbanization, ecological difference, natural resource endowments and industrialization as constituting the basis for trade between states in Nigeria.

Baru et al. (1993) in their study on performance of the Nigeria seed cotton market under the deregulated marketing system showed that the marketing efficiency has increase under the free market system relative to the previous marketing arrangement of channeling through the marketing boards

Dittoh (1994) studied market inefficiency through the market integration approach using a Ravallion pairs of market, his result indicated that there was little and a low degree of integration of pepper and tomato market in the study area. Ejiga (1988) carried a study on price efficiency for cowpeas in northern Nigeria. His result showed that seasonal price rises were commensurate with storage cost. Also that the price differential were explained by transportation cost and traders who engage in space arbitraging are not making excess profit, he also noted that constraint that reduce efficiency include poor transportation, storage and processing facilities, poor market information system, lack of standardization of weights and measure and inadequate credit facilities. Also Peter (1992) found that private traders face competition, fluctuating prices, lack of capital for operation and high cost of storage and transportation as constraints to agricultural marketing in Nigeria. According to Kohls and Uhl (1985), the performance of any marketing system is a function of technological innovation, income distribution, food security and inter sectoral resource transfer.

Anuebunwa (2007) in his study to examine the performance of fresh Okra marketing system in Ebony state, found out the market has imperfect competition and low market performance. Abu (1990) use Gini coefficient to assess market structure of Soya beans market in Delta State, Nigeria, in analyzing market integration; he used price correlation which revealed that the markets were significant less than unity suggesting market imperfection. They recommended that government policies should be carried at removing entry restraints and developing roads. Also Anuebunwa (2006) used Gini coefficient to analyze structure of rice market in Abia state and the result showed some degree of low seller concentration implying that the rice market is competitive.

Oluwadere and Imodu (2000) made use of Gini coefficient, lornez curve and marketing margin in the efficiency measure of palm oil marketing in Ekiti state and observed high marketing margin indicating inefficiency as well as high income inequity for sellers which are associated with poor performance. Oladipo and Morroh (2007) used market integration indices to confirm price change in the prices in rural markets showing that agricultural commodity arbitrage is working.

Adekanye (1988) studied spatial price analysis for rice in western state of Nigeria; the basic criterion was the extent to which a uniform price prevailed over the geographical states of western Nigeria after allowances were made for transportation, he observed evidence of market inefficiency traced to high cost of providing marketing services, inadequate marketing facilities in grading and standardization and inadequate supply of lorries and other transportation facilities most of which did not work at a regular schedule.

Asumugha et al. (2006), conducted a study to assess the demand and supply agricultural produce in major agricultural producing areas of Nigerian. The result showed that education, income and price of agricultural produce were negatively related to the value of agricultural produce demand. Also farmer experience and fertilizer have negative relationship with value of agricultural produce demanded. Farm size, income, age, education labor were directly related to value of agricultural produce demanded. While on the supply side, age and disposable income were positively related with the value of agricultural produce supplied. Labour cost, supplier's experience, price of substitutes and credit were negatively related to the value of seed of agricultural produce supplied. The result showed low degree of spatial market integration for agricultural produce in Nigeria, also that the marketing system of agricultural produce is less competitive and less efficient.

6. POLICY RECOMMENDATIONS AND CONCLUSION

Based on the result and findings of these studies, the following policy recommendations and conclusion are made.

The result on market structure showed a relatively competitive market. Prices in the different markets showed low price integration this may be due to perishability of agricultural produce, transportation cost and distance. Also the transport cost is negatively related to marketing efficiency, this implies that efficiency decrease with increase in transport cost. Therefore, there is need to provide access roads to link the rural producing areas to urban centers to facilitate the movement of the product, reduce transportation cost and enable vehicles reach the traders stall for bulk evacuation.

The result of Gini coefficient indicates that agricultural markets in Nigeria fall within the realm of a relatively competitive market.

Most of the studies asserted that poor market information is a problem to them. Therefore, there is need to provide access to improved market information for effective arbitrating by instituting a unit in federal Ministry of Agriculture in collaboration with research agencies and universities to analyze and disseminate timely information on prices and supply situations for agricultural produce and other staple via radio and television, newspaper and bulletins.

The market performance results indicated low efficiency and high marketing margin which implies poor performance.

These problems have to be addressed to enable smooth and efficient marketing of agricultural produce in Nigeria. Since agricultural produce is perishable, government should provide local made process facilities and storage facilities to reduce storage cost. There is also need to diversified the process of agricultural produce into forms such as flour, chip e.t.c to enhance the life shelf. Also there should be removal of barriers to entry such as provision of sufficient stalls by the consign authorities and enhancing the economic power of the traders by empowering them via provision of micro credit. When all these policies are implemented, definitely agricultural activities from production to marketing will be positively affected which will better the lot of producers, marketers and the Nigerian economy at large.

REFERENCES

- [1] Abbot, J. C. (1993). *Agricultural and Food Marketing in Developing Countries*. Wallingford C. A. B International.
- [2] Adekanye, T. O. (1998). 'The Market for Food Stuffs in Western Nigeria', In: *Reading in Agricultural Marketing*, Adekanye T. O. (ed), Longman Nigeria. Pp12 – 22.
- [3] Adegeye, A. J. and J. S. Dittoh (1985). *Essential of Agricultural Economics*. Wingman Publisher Ltd; Ibasan, Nigeria.
- [4] Akubuilu C. A (2007) 'Marketing Margins for food: Some Methodological Issues and Empirical Findings for Nigeria', *Canadian Journal of Agricultural Economic*, 30(3)333.
- [5] Anuebuwa, F. O. (2008). 'Cost and Return Analysis of Yam Marketing in Ebonyi State of Nigeria.' *Proceeding of the 42nd Annual Conference of Agricultural Society of Nigeria (ASN)*, held at Ebonyi State University, Abakaliki Pp, 746 – 748.
- [6] Anuebuwa, F. O. (2006). 'An Assessment of the Rice Market structure in Imo State of Nigeria.' *Proceedings of the 40th Conference of the Agriculture Society of Nigeria*.

- [7] Asumugha, G. N. (2006). "Marketing System and Spatial Differentiation of Ginger in Nigeria" African Journal of Root and Tuber crop 3(2): 1-6.
- [8] Balogun E. B (2003) "Consumer information and workable Competition In Telecommunication." Journal of Economic Issues, 27 (3): 775 – 792.
- [9] Crawford, I. M. (1997). Marketing and Agribusiness Text 2. Food and Agricultural Organization Publication.
- [10] Dittoh, S. (1994). " Market Integration: The Case of Dry Season Vegetable in Nigeria." Africa Rural Social Science Research Networks in Breth, S. A. (ed) Issuesin African Rural 2. Winrock International Institute for Agricultural Development.
- [11] Edwards, S. and Allen (2006). " Market Structure Conduct performance (SCP) Hypothesis Using Stochastic Frontier Efficiency Analysis." Presentation at the American Agricultural Economics Association Annual meeting. Long Beach Callifornia.
- [12] Elton, E. (1987). Techniques for Calculating the Efficient Frontier Modern Portfolio Theory and Investment Analysis. Graduate School of Business Administration. 3rd edition. New York.
- [13] Enibe E. J. (2008). Spatial Price Equilibrium and Food Market Integration.
- [14] Ewah A. H. (2007). Industrial Organization and Prices. UK Pretence Hall International London. 2nd Edition.
- [15] Food and Agricultural Organization (1999). Agricultural and Food Marketing Management FAO Corporate Document Depository.
- [16] Hyman, R. M, M. Varrder (1995). The Economic Way of Thinking. New York Macmillan.
- [17] Ikechi, K, I.K. (2006). "The Performance of Vegetable Production and Marketing in Ikwuano L.G.A., Abia State." Proceeding of the 40th Conference of Agricultural Society of Nigeria held in Umudike,, Abia State. Pp. 133 – 134.
- [18] Kngsley K. Y and Akpan A. T (2010). A Structural Analysis of Yam Trade Flows into Abia State of Nigeria. Nigerian Agricultural Journal, 33: 17-22.
- [19] Kohls R. L. and J. N Uhl (1990). Marketing of Agricultural Products 7th Edition. Macmillan Publishing Company, New York Pp.5-6.
- [20] Kohls R. L. and J. N Uhl (1980). "Marketing of Agricultural products." 6th Edition, Macmillan Publishing Company New York and Collier. Macmillan Publishers, London.
- [21] Kotler K. O and Armstrong G. A (2001). Market Structure, Conduct and Performance of Rice Market in Enugu State. M.sc Thesis, Michael Okpara University of Agriculture, Umudike.
- [22] Kydd, J. (1992). Economic Analysis for Agricultural Markets, Chatham UK, Pp. 26 – 28.
- [23] Lipsey, R. G. and K. A. Chrystal (1995). An Introduction to Positive Economics, Oxford University Press, U. K. Pp. 216.
- [24] Okereke, O. (1998). "Price and Market Intergration: A Case Study of Grains in Anambra and Imo State of Eastern Nigeria." In: Readings in Agricultural Marketing. T. O. Adekanye(ed).
- [25] Olukosi J. O. and Isitor, S. U. (1990). Introduction to Agricultural Marketing, Prices, Principles and Application. Abuja FCT, Nigeria, G. U. Publications.
- [26] Oluwadare, O. S. and Imodu (2000). " Efficiency Measurement of Palm Oil Marketing in Ekiti State of Nigeria. African Journal of Business and Economic Research. 1(2): 7 -12.
- [27] Omjola O. K (2010). Providing seed Tuber for the Production of Food Yam. African Journal of Root and Tuber Crops 1(1): 1 – 6
- [28] Onyebonama U. A. U. (2000). Economics and Production Management For Agriculture. Alphabet Nigeria Publishers, Owerri.

- [29] Okutue N. J. (2012). Analysis of Structure and Performance of Yam Market in Federal Capital Territory, Nigeria.
- [30] Peter, P. (1992). ‘‘ Monitoring the Effects of Grain Market Liberalization on the Income, Food Security and Nutrition of Rural Household in Zomba South Malawi,’’ Report to Agency for International Development, Lilongwe.
- [31] Richard, S. and A. Mark (2007). Handbook of Industrial Organization Vol. 3. Pp. 224.
- [32] Savile S. A (2002). Introduction to Marketing. Amazing Grace Publisher. Enugu.
- [33] Shocker A. D., D. W. Stemart (1990). Modeling Competitive Market Structures. Practices, Problems and Prospects. In the Interface of Marketing and Strategy. Greenwich, C.T.:JAI Press.