Profitability in Rice Marketing along the Marketing Channel in Benue State of Nigeria

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Abstract: *The main objective was to examine the level of profitability of rice marketing along the marketing channel in Benue State of Nigeria. Primary data were collected from 180 randomly selected respondents comprising rice producers, assemblers, processors, wholesalers and retailers, using net returns analysis. The finding shows that rice marketing was profitable along the marketing channel but was most profitable (₦9,400/100kg) at the retailer level.*

Key words: *Profitability, rice marketing, marketing channel*

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1. Introduction

Rice is one of the most important cereals in Benue State among other cereals in terms of marketing (Atom and Bashi, 2010). In line with Atom and Bashi 2010, Benue State is considered as one of the highest State in marketing in Nigeria because its rice is produced and marketed in all the Local Government Areas in the State.

Benue State has experienced rapid growth in per-capita rice consumption during the last three decades from 5kg in the 1990s to 25kg in the late 2010 (National Agricultural Rice Development Agency, 2013). However, rice development programmes like Operation Feed the Nation (OFN), Back to Land (BTL) among others in place after the independence, have made very little impact on food supply (NARDA, 2013).

Notwithstanding the various policy measures, local rice production and marketing has not kept up with the domestic consumption demands of the Nigerian populace and Benue State in particular. Consequently, imported rice now represents more than 20% agricultural imports and half of the total rice consumption (NARDA, 2013). Nigeria has thus become a major rice importer, second only to Indonesia over the last five years (2008-2012) (NARDA, 2013). In 2010, the value of import was 300 million dollars, and as high as ₦ 96 billion in 2012 (FAO 2013). The importation has a negative effect on the balance of payments as well as hinders the poverty reduction efforts of the government.

1.1. Objectives of the Study

The main objective of the study was to examine the level of profitability of rice marketing along the marketing channel in Benue State of Nigeria. Specifically, the study sought to determine the level of profitability in rice by the producer marketers, assemblers, processors, wholesalers and retailers.

2. Methodology

Study area and sampling technique
The study was conducted in Benue State of Nigeria. Sampling frame was not used for the study but 180 respondents made of paddy rice producers, assemblers, processors, wholesalers and retailers were randomly selected from six markets in six Local Government Areas (Kwande, Vande-ikya, Gboko, Makurdi, Otukpo and Oju) spread across the three agricultural zones in Benue State based on their intensity in rice production, processing and marketing.

2.1. Data collection

Structured questionnaire were used to collect primary data for the study. Primary data were collected on cost, price and profit of rice for all the actors. Secondary data were sourced from browsing the internet.

2.2. Data Analysis Technique

Data for this study were analyzed using Net returns analysis which is expressed as:

NR=GI-TVC-TFC

Where: NR=   Net Returns/100kg bag of paddy/polished rice

GI=   Gross Income.100kg bag

TVC=   Total Variable Cost/100kg bag

TFC=   Total Fixed Cost/100kg bag

Total Fixed Cost (TFC) was used on the basis of depreciation of assets in services. The straight line method   was employed because of its straight forward calculation (Atom *et al*. 2011)

3. Result and Discussion

As shown in the table, the costs and income analysis of paddy rice producers market showed a unit total cost of ₦5, 000.00 per 100kg, while the unit price was ₦8,000.00 per 100kg, with a net income of ₦3,000.00. Part of the reason for the high cost is that the paddy rice producers were the major rice marketers. The result of the study agrees with *Ray et al.* (2006) who opined that paddy rice and vegetable producers marketing was profitable in Benue State, Nigeria.

Paddy rice assemblers had a unit total cost of ₦9,500.00 per 100kg, while the unit price was ₦12,000.00 with ₦2,500.00 as net income. The paddy rice assemblers were able to make such a high profit because of their ability to develop high bargaining power. This result shows that paddy rice assembling business was profitable. The findings of the study are in line with Paul (2013) that paddy rice assembling is a profitable business in Abia State, Nigeria.

From the table, Paddy rice processors had a processing unit total cost of ₦14,100.00 per 100kg with the unit price of ₦15,000.00 which gives a net return of ₦900.00. The reason for the low profit was that the processors had the highest added unit cost than any other actor along the market channel. However, from the findings, rice processing was profitable. The study concurs with FAO (2005) and Iheanacho and Mshehia (2004) findings that rice processing was a profitable venture in the North-Central Zone of Nigeria.

For the Wholesale market, the unit total cost was ₦16,000.00 per 100kg, with the unit price of ₦20,000.00, while the net income was ₦4,000.00. From the study, rice wholesalers had one of the lowest added unit cost along the rice market channel (among the actors). This gave them advantage over the other actors along the market channel in terms of high profit. The result shows clearly that wholesale rice marketing was profitable in the study area. This finding is in agreement with Reardon (2012) that rice wholesalers make high profit in United Kingdom (UK).

The retailer rice market had a unit total cost of ₦20,600.00 per 100kg, while the unit price was ₦30,000.00, with ₦9,400.00 as net income. The rice retailers had the lowest added unit cost among the actors on the market channel. Another reason was that their position on the market channel gives them advantage over other actors. They are close to the final consumers who patronize them on very high level since they (retailers) are the final value added actors to rice. Based on the findings, the result shows clearly that rice retail business is the most profitable in the study area. This result is in line with Salau *et al* (2012) who confirmed in his study that rice retail business was profitable in Nasarawa State, Nigeria.

Table 1: Profitability of Rice Marketing Actors (₦)/100kg of Rice

Rice Marketing Actors	Unit Price	Unit Total Cost	Net Returns
Producers	8,000.00	5,000.00	3,000.00
Assemblers	12,000.00	9,500.00	2,500.00
Processors	15,000.00	14,100.00	900.00
Wholesalers	20,000.00	16,000.00	4,000.00
Retailers	30,000.00	20,600.00	9,400.00

Source: field survey 2014

4. Conclusion and Recommendation

The study examined the level of profitability of rice marketing along the marketing channels in Benue State of Nigeria. The finding showed that rice marketing was   profitable along the marketing channel but was most profitable (N9,400/100kg) at the retailer level. The processors made the least (N900/100kg bag) profit along the marketing channel.

Based on the findings, the following recommendations are made;

i.   Financial institutions in Benue State should purchase the processing machines and equipments and loan to the processors at reduced price to boost the processing of rice in Benue State.

ii.   Processors should be trained on how to maintain the machines and equipments to extend their service life.

iii. Processors should also have a common understanding of a fixed price for processing a 100kg   bag of paddy rice.

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