

PERFORMANCE OF COCOA MARKETING COOPERATIVE IN IKWUANO LOCAL GOVERNMENT AREA OF ABIA STATE, NIGERIA

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ABSTRACT

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The study assessed the performance of cocoa marketing cooperative in Ikwuano Local Government Area Abia State, Nigeria. A simple random sampling technique was used to collect data from a cocoa marketing cooperative. Net return analysis, Marketing margin and Marketing efficiency were used to assess the performance of a cooperative of 60 members as well as some benefits expected from the cooperative by the members. Net return of ₦67,200 was realized, marketing margin of 12% was obtained. The high margin indicates profit. The cooperative attained a marketing efficiency of 13.6%. This implies that, the cocoa marketing cooperative is a profitable venture although had an inefficient marketing system. However, the members of the cooperative were satisfied with the performance of the cooperative with respect to the services expected from the cooperative. The study recommended the introduction of marketing cooperative to farmers and others involved in agricultural marketing for this will enhance their access to government assisted loan which could improve on the wellbeing of the members.

INTRODUCTION

Cocoa remains one of the most important crops of the less developed countries and is produced by more than fifty developing countries spread across Asia, Africa and Latin American (Ogunleye *et al.*, 2007). According to Titilola, (1997), Nigeria was fourth largest producer of cocoa in the world ranking after Ivory Coast, Brazil and Ghana. Cocoa was the main agricultural contributor to Nigerian economy until 1970s when crude oil was discovered in the country in commercial quantity. However, cocoa has remained a valuable and a major foreign exchange earner among agricultural commodity export of the country (Ogunleye *et al.*, 2007). Owing to its importance as an agricultural cash crop, the Federal Government in her concern to diversify the export base of the nation, place cocoa in the centre stage as the most important export tree crop. This led to the cocoa holder's forum held in Calabar based on the presidential initiative on cocoa and its subsector in order to increase investment in it (Nkang *et al.*, 2009).

Despite cocoa's major role in the Nigerian economy, its production is in the hands of small holders farmers. World data showed that about 2.5 million producers of cocoa are small holder farmers that produced 4.1 million metric tons of cocoa beans in more than 50 countries for a total export value of US\$8.4 billion in 2012. These small holders service had led to low output and market failure. The necessity for these small holders to come together to form marketing cooperative cannot be overemphasized. The concept of human being forming cooperation is not new. It prevails both in developed and in developing countries and in branches of economic activities (Krisilnawani *et al.*, 2000). It is an autonomous association of persons unified voluntarily to meet their common economic, social, cultural needs and aspirations through a jointly owned and democratically controlled enterprise. An agricultural marketing cooperative can be looked at as a group of farmers organized for the purpose of helping members sell their produce so as to obtain high profit that is impossible by way of private marketing (Demeke, 2007). It enables the farmers to negotiate fair deal and get a fair share of the value of their produce. Internationally, evidence shows that, cooperatives are among institutions that can help farmers to address numerous challenges that include economies of scale and market participation. A cooperative can be formed by a minimum of five people and an agricultural cooperative indicates a cooperative that produces processes or sells agricultural products and supplies agricultural input and services to its members. Cooperative is a vehicle for collective action use for development and is recognized by most stakeholders as an entry door to assist the majority of the enterprises or projects.

Assessment of the performance of a cooperative through members' satisfaction is dictated by various factors such as the target goals of the cooperative. Members can evaluate their cooperative's use of members-supplied funds whether their capital is earning more or less, than it could in an alternative investment, (Liebrand, 2007). Calkins and Ngo (2010) reported that cocoa cooperative can lead to better productivity, better salary and improved status of the producers. Based on the quantitative and qualitative analysis in two major producing countries, it was proven that cooperatives have a critical role in improving the income, health and wealth of members and community. Ling and Liebrand (1998), recommend the method to evaluate and compare the operational performance of dairy cooperatives that have surplus to cover operating costs, including the opportunity cost of operating capital. A multi-purpose cooperative indicated that members' satisfaction is strongly dependent on member patronage, member patronage dependent on members' funds and less dependent on member control, (Agrawal *et al.*, 2003). It is imperative therefore to assess the performance of cocoa marketing

cooperative in the study area using economic marketing performance indices such as net returns, marketing margin, and marketing efficiency. More so, to ascertain the level of members satisfaction, information like input supply to members, credit in the form of loan, processing services, collective sales for members and dividend to members were collected.

METHODOLOGY

The study was carried out in Ikwuano Local Government Area of Abia State Nigeria. The area lies between latitude 5° 26' N and 5° 43' N and longitude 7° 34' E and 7° 56' E. It has a population of 137,993 with a landmass of 281 km² (NPC, 2006). They are bounded by Ini Local Government Area of Akwa Ibom State by the West and Umuahia North. They are mostly farmers and are Igbo speaking people. This area was purposively selected for the study because it is one of the major cocoa producing areas in the state. A purposive selection of a functional (active) cocoa marketing cooperative of sixty members was selected for the study. Data collected include, cost price, selling price, sale volume, transportation cost, quantity sold for the study period with the aid of a questionnaire. The marketing margin model as used by (Olukosi *et al.*, 2005) was adopted and is given thus:

$$\text{Gross Marketing Margin (GMM)} = \frac{\text{Selling Price(SP)} - \text{Purchasing Price (PP)}}{\text{Selling Price(SP)}} \times 100 \dots (1)$$

The net return analysis was used to measure the net returns of the cooperative. The model used is specified below:

$$\text{Net Returns(NR)} = \text{Total Revenue from Sales (TRS)} - \text{Total Cost (TC)} \dots (2)$$

Also the marketing efficiency ratio was carried out using the model as given by Olukosi *et al.* (2005) and it is stated thus:

$$\text{Marketing Efficiency (ME)} = \frac{\text{Value added by marketing(net returns)}}{\text{Total Marketing Cost}} \times 100 \dots (3)$$

RESULTS AND DISCUSSION

Net return, marketing margin and marketing efficiency of the marketing cooperative

Table 1 shows the result of the analysis of Net Return, marketing margin, marketing efficiency of the marketing Cooperative. It shows that the cooperative incurred an average cost of four- hundred and ninety –two thousand, eight hundred naira (₦492,800) per ton of cocoa and sold at the price of five hundred and sixty thousand naira (₦560,000) per ton. The cooperative made a net return of sixty –seven thousand, two hundred naira (₦67,200) per ton. This implied that the marketing cooperative was a profitable venture. It also meant that the cooperative performed creditably. This is in line with the findings of Liebrand, (2007) who worked on the performance of Agricultural Cooperative using extra value approach and found out that, the dairy marketing cooperative was able to generate an extra value of \$32,000 value above the cost of all their inputs including cost of using members capital which indicates a good performance of the dairy Cooperative. This is also in line with the study of Mohammed *et al.*,(2013) who worked on evaluation of poultry egg marketing and found out that, the egg marketers made a net return of ₦150 per create of eggs which indicated that egg business was a profitable venture. From same table, the marketing cooperative also had a marketing margin of 12%. This indicates a high margin implying that, the cocoa marketing cooperative made profit. This is in line with Anyaegbunam, (2011); Okutue, (2012) and Mohammed *et al.*, (2013). From Table 1, the marketing efficiency analysis indicated that the cocoa marketing cooperative had a marketing efficiency of 13.6%. This indicates inefficiency. Efficiency ranges from zero to infinity. If marketing efficiency is 100%, it shows that market is perfectly efficient. This means that price increases just high enough to cover the cost of marketing such commodity.

Benefits that accrue to cooperative members

The cooperative rendered wide range of benefits to her members. The benefits are in two forms namely financial and non-financial benefits. The financial benefits that accrued to members of the cooperative served as a measure of satisfaction of the members with the cooperative services. Table 2 showed that, members obtained financial benefits such as cash credit, trade credit in the form of chemicals, dividend, bonuses and free inputs (seeds). About 50% of the cooperative income was given back to the members as cash credit, 46.4% as trade credit and 1.82% as dividend.

The result of the non-financial benefits gained by cooperative members is shown in Table 3. About 83%, 75% and 63% of the members benefited from the services of grading and standardization, storage and sales respectively. The benefit rendered by the cooperative to her members enabled the members to spread out their sales through the year especially from the time of harvest when there is glut to the off season when the bean is scarce and prices are higher. The finding is in line with the finding of Ogunleye and Oladeji (2007) who reported same in their study on cocoa marketing through cooperative. The members of the cooperative gained sales services from the cooperative which increased their bargaining power and attracted a higher income to the members. Also the cooperative had a quality control facility that enables member produce quality cocoa bean. It also ensures proper grading and

standardization of cocoa bean which attracts higher prices in the export market. All members enjoyed extension services sponsored by the government. This helped them to have a better understanding of the cooperative principles that can lead to better management and progress of the cooperative society. All these are indicators that the members were satisfied with the cooperative performance as at the time the study was carried out. This study is similar to the findings of Simelane, (2011) who assessed the performance of small dairy producers and marketing cooperative and reported that the cooperative bulk buying reduces individual transaction cost and benefits businesses with the reduction of the price of the inputs. This led to increase in income of the cooperative members.

Table 1: Net Return, marketing margin, marketing efficiency of the marketing cooperative

Items	Value ₦
Purchasing price per ₦/ton	643,800.00
Transportation cost per ₦/ton	10,000.00
Storage cost per ₦/ton	5,000.00
Rent per ₦/ton	6,000.00
Loading and offloading per ₦/ton	8,000.00
Total cost per ₦/ton	492,800.00
Selling price per ₦/ton	560,000.00
Quantity sold for the period 25 ton	
Total Cost incurred	1,232,000.00
Total Revenue from sales	14,000,000.00
Net Return	67,200.00
Marketing margin	12%
Marketing Efficiency	13%

Source: field survey 2010

Table 2: Financial benefits that accrued to members

Types of benefit	Total amount	Average amount (₦)	Frequency	%	% average amount
Cash credit	2115000	35250	50	83	-50.132
Trade credit	1958000	32633.3	60	100	-0.71
Divided	76900	1281.7	60	100	-1.82
Bonus	30,000	500	60	100	-46.41
Free input(seed)	39,000	650	60	100	-0.9
Total	4218900	70315	60	100	100

Source field survey 2010

Table 3: Non-financial benefits that cooperative members gained from the cooperative

Types of non-financial Benefits	Frequency	Percentage
Storage services	45	75
Sales services	60	100
Grading and standardizing	50	83.30
Processing of cocoa bean	38	63.3
Extension services	60	100

Source: Field survey 2010

CONCLUSION

Based on the findings of this study, it can be inferred that the cooperative performance was relatively good. Although the marketing efficiency value was inefficient, the Cooperative was a viable venture. The members of the cooperative were satisfied with the performance of the cooperative based on the expected service of the cooperative to its members. Farmers and those involved in agricultural marketing should be encouraged to form an active marketing cooperative for cash crops like cocoa. This will increase the income of cocoa producers and marketers hence enhance their welfare. The fund released to cooperative societies should be properly monitored to ensure effective utilization by management.

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