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# Financial Viability of Palm Oil Marketing in Obadigbo Local Government Area of Benue State

<sup>1</sup>Audu, I., <sup>1</sup>Abdul-Qadir, M. I., <sup>2</sup>Ugiagbe, I. M., <sup>3</sup>Imogie, A. E. and <sup>1</sup>Abu, R. A.

<sup>1</sup>Agricultural Economics Division, <sup>2</sup>Physiology Division, <sup>3</sup>Agronomy Division,  
Nigerian Institute for Oil palm Research, NIFOR, Benin City, Edo State, Nigeria.

### ABSTRACT

This study examined the viability of palm oil sales in Ogbadibo local government area (LGA) of Benue state. The research was carried out in Ogbadibo LGA of Benue state. Random sampling was used for data collection and twenty (20) marketers were selected from each of Otukpa, Orokam and Owukpa districts. A total of sixty (60) marketers were interviewed. This was achieved by administration of structured questionnaires and analysed using both descriptive statistics and budgetary technique. The findings of this study indicated that the profitability index for individual respondents in year 2022 was N2,156,270.40. The result from the profitability index (PI) showed that palm oil sales had positive influence on the income of marketers in the study area. The research also reveals that the greatest problem of palm oil marketers in the area was poor financial capital, 14.3%. This indicates why substantial number of the marketers engaged in low investment. Other critical constraints are price fluctuation, 12.1%; high cost of transportation, 10.9%; electricity supply, 10.9% and shortage of fresh fruit bunches (FFB), 9.7%. The implication is that the marketers will remain subsistent with little or no room for expansion. Therefore, it is recommended that programmes that would encourage oil palm production be emphasized in order to increase the output of FFB and palm oil production among the respondents. Soft loan should be made available to palm oil marketers by government to improve and expand their business.

Key words: oil palm, income, marketing, Ogbadibo and credit facilities

### 1.0 INTRODUCTION

#### 1.1 Background of the study:

Palm oil production and sales exists as one of the most promising alternatives for the Nigeria rural agricultural sector and long-term development/industrialization. Its production in Nigeria is less than demand, which has led to palm oil importation into the country so as to augment local supply (Equity Research, 2012). Palm oil production must be vigorously pursued in developing countries such as Nigeria because of its numerous importance such as: (i) Provision of more food for the rapid population growth and urbanization, (ii) Alleviation of poverty through provision of employment and income particularly in rural areas, (iii) Conservation of natural resources and (iv) Stimulation of sustainable economic growth and development. Also, it is used for the manufacture of fatty acid, soaps, cosmetics, industrial soaps, ink, resins, methyl esters (Cirad, 2022).

Slideshare (2022) posited that the oil palm is an important crop due to it high photosynthetic rate and output-to-input energy ratio, which enables it to produce between eight to ten times more oil per year than other oil seeds such as rapeseed or soybean. It has the highest vegetable oil production rate per hectare (Omoti, 2011) and palm oil is the vegetable oil produced in largest quantity having pushed soybean oil into second position (Abdul-Qadir, *et al*, 2016). It can produce an average of 3.7 tonnes of palm oil and 0.4 tonnes of palm kernel oil per hectare, it requires less fertilizer per unit of output than any other crop. Oil palm emits eight to ten times more oxygen (O<sub>2</sub>) and absorbs up to ten times more carbon dioxide (CO<sub>2</sub>) than

any other crops (Slideshare, 2022). In Benue state most palm oil marketers are oil palm plantation owners/farmers, with 53.3% of them having between 101-150 stands of oil palm (Umaru, 2018). Despite increasing urbanization, lot of people in developing countries reside in the rural areas where poverty is prevalent. The rural poor are predominantly subsistence farmers who typically do not have access to macro credit and modern infrastructures (Wikipedia, 2022).

Benue state has potentials (land and human resources) for massive oil palm production. However, there are problems associated with palm oil production and marketing in the state such as inadequate credit facilities, poor storage facilities, bad road network and poor electricity supply for production. The need for policy makers to encourage oil palm farmers through favourable agricultural policy legislation such as provision of soft loans and improvement on road network has become serious. In recent time, the value of palm oil has increased significantly in the world economy and if the available resources in Benue state is properly harnessed, palm oil will assume the status of a major foreign exchange earner in the state and Nigeria in general. The present increase in the demand for palm oil is a motivation for investigating the profitability of palm oil sales to its marketers in Ogbadibo local government area (LGA) of Benue state. Consequently, the study examined the following: (i) the viability of palm oil marketing to the respondents and (ii) The constraints of palm oil marketing within Ogbadibo local government area.

### ***1.2 Objectives of the Study***

To assess the profitability of palm oil marketing in the study area.

To examine the major constraints of palm oil marketers in the area.

### ***1.3 Justification of the study***

The study helps to sensitize rural palm oil marketers/farmers on the need to improve palm oil business, considering the large number of persons consuming it and the available resources in Benue state. It can sustain an innovative and hardworking entrepreneur both in the rural areas and as well in the cities. Palm oil marketing is one of such honest means which present business opportunity for wealth seekers; adults and youths. Furthermore, the research results provide a working document for any proposed development scheme in the near future for the study area. The study is of utmost importance for policy makers in policy formulation, programmes and policy implementation. In addition, this study presents information to motivate oil palm farmers and marketers towards large scale production and development of rural economy.

## **2.0 METHODOLOGY**

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### ***2.1 Study area***

The study area is Ogbadibo Local Government area of Benue State, North central Nigeria. The Local Government Area (LGA) was created in 1991 from Okpokwu LGA of Benue State and it is divided into three (3) districts namely: Otukpa, Orokam and Owukpa respectively. The climate of the area is such that rainfall occur from late March to the end of October with annual total rainfall of about 125-140 mm while dry season is from early November to late March. Majority of the inhabitants of Ogbadibo LGA engage in farming as a means of livelihood. Popular crops grown in the LG include Cassava, Oil palm, Bambara nuts, Melon, Millet and Benniseed. A number of mineral deposits such as Coal and Kaolin are also found in the LGA. The people of the area also keep animals such as Goats, Sheep, Duck and fowl.

### ***2.2 Sampling technique***

The sample selection method used was the random sampling method of data collection. The study area is composed of three (3) districts which are Otukpa, Orokam and Owukpa. Twenty (20) marketers were randomly selected from each of the aforementioned district. A total of sixty (60) marketers were interviewed.

### ***2.3 Data collection***

Primary data used for the study were collected with the help of structured questionnaire. These were administered to the sixty (60) marketers selected in the study area. Data were collected on quantity of palm oil purchased and sold, buying and selling prices and constraints.

#### **2.4 Method of data analysis**

Both descriptive statistics and budgetary technique were used for data analysis. Budgetary technique was used for objective i, while descriptive statistics such as frequency distribution and percentage were used to analyse objective ii.

#### **2.5 Model specification**

Budgetary technique was used to determine the income of the marketers and profitability index was adopted.

Profitability index (PI) is given as:

$$PI = TR - TC \dots\dots\dots(1)$$

Where

PI = profitability index

TR = Total Revenue

TC = Total Cost.

$$\text{Total Revenue (TR)} = PQ \dots\dots\dots (2)$$

Where,

Q = quantity of the commodity.

P = price of the commodity

$$\text{Total Cost (TC)} = TFC + TVC \dots\dots\dots (3)$$

Where TFC = Total Fixed Cost and TVC = Total Variable Cost.

### **3.0 RESULTS AND DISCUSSION**

#### **3.1 Analysis of objective (i)**

Profitability index (PI) was used for the analysis of objective i. The variable cost items were palm oil (N10,694,400), Labour (N5,148,000), Ticket (N1,447,200) and Transportation (N4,116,000). Total variable cost was N21,405,600. Fixed cost items were basin (N4,010,640), funnel (N384,000) Jerrycans (N358,800) and store (N4,091,136). Total fixed cost was N8,844,576. Revenue items were Palm oil sold (N154,647,600). Total revenue was N154,647,600.

$$TVC = N21,405,600$$

$$TFC = N8,844,576.$$

$$TC = N21,405,600 + N8,844,576.$$

$$TC = N30,250,176.$$

$$TR = N154,647,600.$$

$$PI = TR - TC$$

$$PI = N154,647,600 - N30,250,176.$$

$$PI = N124,397,424.$$

The profitability index for individual respondents in year 2022 is given as:  $N124,397,424/60 = N2,073,290.4$  per annum. The result from the profitability index (PI) showed that palm oil sales had positive effect on the income of palm oil marketers in the study area.

### 3.2 Analysis of objective ii

**Table 1:** Constraints faced by palm oil marketers in the study area

Constraints	Frequency	percentage	position
Shortage of palm oil	45	14.0%	4 <sup>th</sup>
Finance	69	21.5%	1 <sup>st</sup>
Labour	29	9.0 %	6 <sup>th</sup>
Market uncertainty	21	6.5%	7 <sup>th</sup>
Transportation	55	17.1%	3 <sup>rd</sup>
Lack of storage facilities	30	9.3%	5 <sup>th</sup>
Seasonal nature of business	10	3.1%	8 <sup>th</sup>
Price fluctuation	61	19.0%	2 <sup>nd</sup>
<b>Total</b>	<b>321*</b>	<b>100%</b>	

Source: field survey 2022.

\*= Multiple response.

Objective ii was analysed by descriptive statistics. Table 1 showed that the greatest problem of palm oil marketers in the study area was poor financial capital (14.3%). This indicates why substantial number of the marketers engaged in low investment. Other critical challenges are price fluctuation 12.1%, high cost of transportation 10.9%, electricity supply 10.9%, Shortage of ffb 9.7% among other challenges. The implication of the challenges mentioned above is that the marketers will remain in subsistent with little or no room for expansion.

## 4.0 CONCLUSION and RECOMMENDATION

The study found positive returns on the income of palm oil marketers in Ogbadibo local Government Area (LGA) of Benue state. Palm oil marketing brings about increase in the income of the respondents as shown in the profitability index (PI). The average profit realised per respondents was  $N2,073,290.4$  per annum, which was great improvement on individual income. The profit of the respondents is based on the level of participation and invested capital of the marketers.

Programmes that will encourage oil palm plantation establishment should be emphasized so as to increase the output of palm oil production in the study area.

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