

Analysis of Marketing Channel and Pricing System of Cashewnuts in the North Central of Nigeria

P.E. Adejo, J.O. Otitolaye & U. Onuche

Department of Agric Economics and Extension

Kogi State University, P.M.B. 1008, Anyigba, Kogi State, Nigeria

E-mail: emmypar2002@yahoo.co.uk

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Abstract

This study examined the marketing channel and pricing system of cashew nut in the eastern part of Kogi state. A total of 180 respondents were randomly selected from 3 market zones of the area. Data collected were analyzed using descriptive statistics. The result from the study indicated a unidirectional movement of cashew nut from the producers to the final consumers. 14.67% of the marketers were involved in retailing and small scale business, 38.33% were bulk assemblers and 20.00% of them engaged in wholesales. This signifies the dominance of the middlemen in the marketing activities of the study area. An average peak price of ₦60000.00k/ton was recorded in the months of September-October, while the least prices were recorded before and at the beginning of cashew nut production period. The marketing of cashew nut is mostly affected by price instability due to seasonality nature of its production and lack of storage and processing facilities. However, a controllable pricing system for efficient and effective marketing can be ensured by proper storage and consistent supply of cashew nut in order to keep the market active all through the year.

Keywords: Cashew nuts, Channel, Pricing, Marketing and Nigeria

1. Introduction

The recent global food and financial crisis has propelled the crusade and outcry for agricultural sector reform. Nigeria, like any other developing nations of the world, is not left out in this global campaign for improvement in agricultural production and efficient marketing. Adegeye *et al*, (1985) opined that an efficient marketing system is of importance to country under all conditions and at each stage of its development. The type and complexity of the marketing channel may vary for different commodities depending on the nature (perishability and level of processing), use and value of commodities, and marketing margin and the mark-up policy of the traders in the marketing system (Onyenobi *et al*, 2009). Marketing is one of the vital aspects of agriculture since agriculture entails the production of goods and services, and production is said not be completed until the commodity produced reaches the final consumer. Hence, there is need for efficient marketing channel and system. Lack of knowledge on the marketing of some crops and their products partly leads to the inherent poor agricultural commodity marketing in Nigeria.

Cashew (*Anacardium occidentale*) is one of the crops that priority attention should be given to in terms of its marketing locally and as an export commodity. It was introduced into Nigeria between 15th and 16th centuries by the Portuguese explorers and the crop has rapidly spread to all agro-ecologies of the country (Hammed, 2008). According to Olajide *et al* (2005) in their study of fruits farmers of Oyo and Ekiti states in Nigeria, arranged fruits preferentially according to their economic importance, and rated cashew as the third most important after citrus and plantain of all the fruits studied in the areas. The cashew tree grows with minimum of attention and is easily cultivated. It is usually found from sea level to an altitude of 1000m (3000feet). The average yield of nuts of mature tree ranges from 7 – 11kg per annum. The tree is capable of living for 50 – 60 years, most produce nuts for about 15 – 20 years (CTCS, 1993). The annual world production of cashew nuts according to FAO, (2008) was about 3,186,039 tons and Nigeria was rated the second among the top ten producers with 660,000 tones after Vietnam as the highest producer with 961,000 tones. Kogi state contributes about 30% of the nation's production annually while the eastern part of the state accounted for about 60% of the state's production.

Apart from the juice of the apple that is rich in vitamin C and sugar which can be fermented to produce alcoholic drink, the cashew nut is known to contain the fat soluble vitamins A, D and K. vitamin E to the level of 200-2100mg/100g (Opeke, 2005). The cashew nut kernel is constituted of three different portions: the shell, the kernel and the adhering testa. The primary product of cashew nuts the kernel, which is the edible portion of the nut and is consumed in three ways: directly by the consumer as roasted and salted nuts, in confectionery and bakery products, for example, finely chopped kernels are used in the production of sweets, ice creams, cakes and

chocolates, both at home and industrially, and as a paste to be spread on bread. The cashew nut shell contains a viscous and dark liquid, known as cashew nut shell liquid (CNSL), which is extremely caustic. It is used as raw material for phenolic resins and friction powder for automotive industry (FAO, 2000). The above uses and attributes of cashew nut have made it a valuable commodity for both local consumption and as an export commodity.

One of the major problems facing farmers/marketers in the developing world is lack of storage and processing facilities for the perishable and seasonal agricultural commodities (Bani, 1995). Cashew nuts when harvested premature or store without drying properly, could cause low quality nuts and eventually lead to poor pricing when taken to the market. Quality cashew nuts for efficient and effective marketing can be ensured by thoroughly drying and removal of the remains of apple when harvesting. To reduce the moisture content of the nuts, they are subjected to the infra-red and ultra-violet rays of the sun. Cashew nuts can be kept for months or more, provided that they are dried to a moisture content of eight percent or below, packed in sealed polythene bags under dry conditions. The moisture content of cashew nuts at harvest is dependent on climatic conditions, moisture content of the soil on which the nuts have fallen, weed growth density under the tree and the time between nut fall and harvest. High moisture content may cause deterioration of the kernel due to mould or bacterial attack, or enzyme action (Brown, 1991). Drying the nuts immediately after harvest is essential in preserving their quality, but this process is often neglected. Sun drying of cashew nuts can be done on specially prepared drying floors, or mats made of bamboo or palm leaves. Dried nut should make a rattling sound when falling. Due to lack of processing facilities and market outlets most raw cashew nuts produced in Nigeria are exported to India for processing from where they may be taken to Europe and America for further consumptions (Andrighetti et al, 1989). Almost all the countries in Africa send their raw nuts to India for processing because they have a long tradition and good reputation as a high quality processor of cashew. The United States is the largest importer of cashew kernels, accounting for over 50% of world imports. Other importers include Netherlands (10%), Germany (7%) and the United Kingdom (5%). The former Soviet Union was previously a major importer of cashew kernels, but with recent economic changes, trade to this part of the world has diminished. Other emerging markets include the Middle East, Australia and East Asia (The Clipper, 1994). Cashew nuts are selected on the basis of the number per unit weight. In Nigeria, six classifications are common and are based on the Indian and Brazilian classification: Jumbo (16kg and above), extra large (12 – 15kg), large (8 – 11kg), and medium (6 -7kg), small (2- 5kg) and madras (below 2kg). There is no fixed market price and the market is speculative. Cashew nuts quality is a major criterion for success on the world market. According to Sanusi, (2008), Cashew is an untapped treasure with little awareness of its economic importance among most farmers. But if properly harnessed could be one of the major export crops for the country.

2. Objectives of the study

The objectives of this study are:

1. To determine the marketing channels of cashew nuts in the study area.
2. To analyze the pricing system of cashew nuts marketing.
3. To determine the volume of sales by the marketers.
4. To make recommendations on how best to market cashew nut.

3. Materials and methods

3.1 Study area

The research was carried out in the eastern part of Kogi State of Nigeria. The people of this area predominantly engaged themselves in farming. The area has a land mass of about 16,000 sqkm and falls within the guinea savanna of the nation's vegetation belt. Kogi-East Consist of nine (9) Local Government Areas which include: Dekina, Bassa, Idah, Olamaboro, Ibaji, Igalamela, Ofu, Ankpa and Omala. For the purpose of this study, the above areas were categorized under three (3) main Agro-ecological zones namely, Idah, Dekina and Ankpa. Cashew is one of the major tree crops which is either planted deliberately by the farmers or exist as a wild plant. Though, cashew apple is of a lesser market value compared to the highly marketed cashew nuts in the study area. The study area is characterized by various local market outlets which are normally held in an interval of four (4) to eight (8) days where most agricultural commodities are converged for market purposes.

3.2 Data collection

Data was collected using questionnaire while oral interview complemented it. A total of nine (9) markets were randomly selected from the three (3) agro-ecological zones of the study area and 60 respondents were randomly selected from each zone out of a population of 240 persons sampled, bringing it to a total of 180 respondents.

Important information on the quantity, storage, packaging, marketing channel and pricing of cashew nuts were elicited from the respondents.

3.3 Data analysis

Data collected were subjected to descriptive statistics like percentage, frequencies, flow chart and bar chart

4. Results

<Table 1-3>

<Figure 1-2>

5. Discussion

Table 1 showed the various levels of sales in which cashew nut passes through. 14.67% of the marketers were involved in retail and small scale business, while 38.33% were bulk assemblers and 20.00% of them engaged in wholesale activities. This means that the activities of the marketers are concentrated in the hands of retailer and bulk assemblers. The highest quantity marketed as revealed in Table 2 was between 1 – 20kg (27.78) and the least was 80 and above (16.11%) which also reflects the dominance of the retailers in the markets. Table 3 showed the average standard weights and prices of cashew nuts in the zones of which Dekina market zone has the highest average prices for the various standard weights followed by Idah zone and Ankpa zone had the cheapest prices for the weights. This will avail the marketers of the knowledge of the differences in the price of the standard weights in the various market zones. Figure 1, indicated the progressive event of the changes in the price of cashew nut (N/ton) along a season. At the beginning of the cashew nut production period (March-April), the average price was ₦24000.00k/ton, while it rose steadily and reached a peak between the months of September-October with an average price of N60000.00k/ton and began to decline by the months of November-December (N22800.00k/ton) through January-February (N23400.00k/ton) and until the beginning of another production period (March-April) with relatively the same average price, all things being equal. Figure 2 showed a unidirectional movement of cashew nut from the producers to the final consumers. Cashew nuts are either sold to the retailers by farmers/producers in smaller quantities or sell it to the bulk assemblers directly. The retailers buy then sell it to the bulk assemblers who then assemble or package the products normally in bags (80kg), ready for the wholesalers to buy. The wholesalers sell in larger quantities to the Exporters or indigenous industries that are mostly not located in the study area. All the same, cashew nut can be processed by the industries for local consumption by the final consumers or exported. Hence, it can be said that the marketing activities are in the hands of the middle men in the study area.

6. Conclusion

The low level of organized outlets for cashew nuts storage, processing and marketing in Nigeria is as a result of lack of awareness of the economic importance of this crop of commerce. As it is seen from the results, marketing activities were concentrated in the hands of the middlemen and they were the highest beneficiaries of cashew nut marketing. The pricing system of cashew nut was mostly affected by the seasonality and nature of the supply which affects the demand for it at a given period of the year. Hence, the following recommendations are made:

1. The main task of the farmers/marketers, policy makers on agricultural commodity marketing and all other stakeholders is to ensure quality nuts devoid of immature ones, proper harvesting techniques in terms of methods and timing as well as to observe good hygiene practices in drying, sorting and packaging; and also ensuring a controllable marketing system and channel for profitability.
2. The government of Nigeria should create an enabling environment for foreign investors, because the opportunities to export this commodity of commerce to America and Europe abounds.
3. There should be a unified market for cashew nut within the continent of Africa through Economic Community of West African States (ECOWAS). This will facilitate efficient marketing of cashew nut for both within and outside the continent.
4. More research into the production of high yielding varieties of cashew nut since it has a great market potential within and outside the country.

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Table 1. Distribution of Marketers according to their Level of Sales

Level of Sales	No. of Marketers	Percentage (%)
Farm gate/Retails	75	41.67
Bulk assembling	69	38.33
Wholesales	36	20.00
Total	180	100

Source: Field Survey, 2009

Table 2. Volume of Sales by Marketers

Quantity (kg)	No. Marketers	Percentage (%)
1 – 20	50	27.78
21 – 40	40	22.22
41 – 60	30	16.76
61 – 80	31	16.67
80 and above	29	16.11
Total	180	100

Source: Field Survey, 2009.

Table 3. Standard Weights and Cost (₦/kg) of Cashew nut in the Market Zones

Markets/Zones	Average Weights (kg)	Average Price (₦)
Dekina	80	2,625
	8	325
	4	187
	3	110
	1	35
Ankpa	80	2,500
	8	300
	4	180
	3	100
	1	30
Idah	80	2,600
	8	320
	4	182
	3	100
	1	32

Source: Field Survey, 2009.

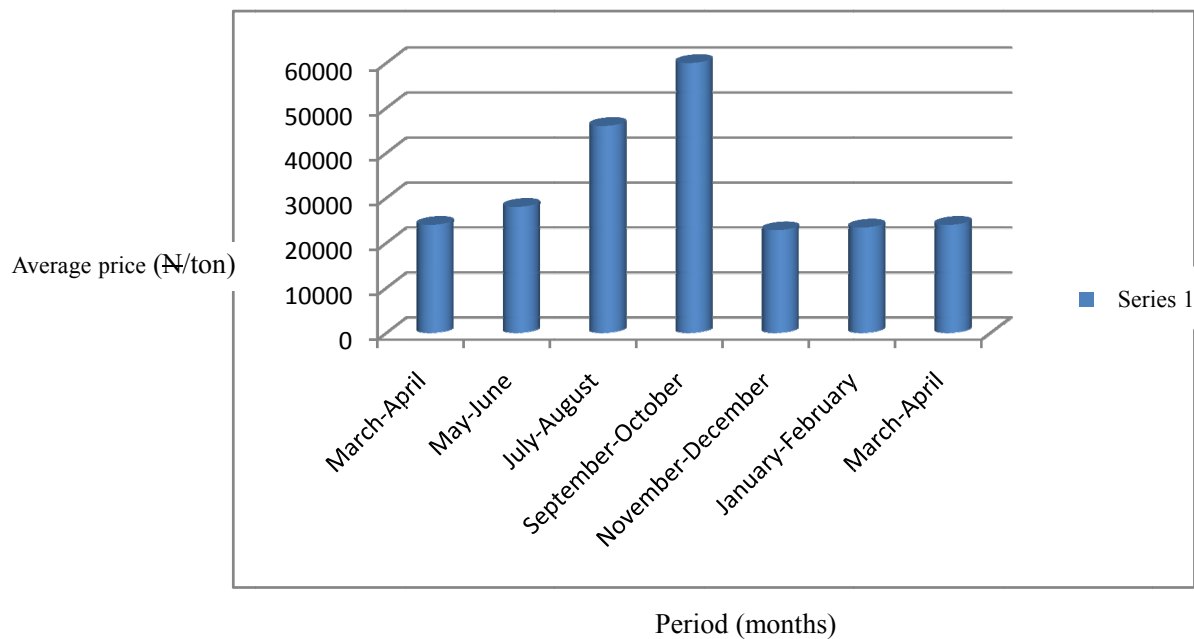


Figure 1. Chart Showing Average Price (N/ton) and the Period of Transaction

Source: Field Survey, 2009.

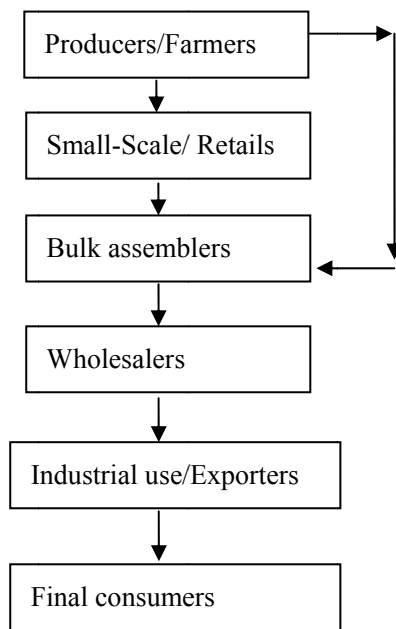


Figure 2. A Flow Chart Showing the Marketing Chanel of Cashew nut in the Study Area

Source: Field Survey, 2009.