



## ABSTRACT

*This study was undertaken to examine the contributions of Agribusiness to the growth and economic development of Nigeria. A total of 20 villages out of 59 were selected for the research, a structured questionnaires were administered among the Agro processing investors in five local governments that make up the Kogi West senatorial District. Data*

# IMPACT OF AGRO PROCESSING INDUSTRIES ON ECONOMIC GROWTH AND DEVELOPMENT OF RURAL COMMUNITIES: CASE OF KOGI WEST SENATORIAL DISTRICT, NIGERIA

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## Introduction

The concept of Agribusiness has attentions from scholars, researchers and some organizations; it has therefore being defined in various ways to include different components. Researcher in this field includes Ughogbomeh, 2014, Osuagwu, 2012 Onwuere 2013, Ige 2016 Graham, 2007, Yumekella, 2012 to mention but few. Yumekella, 2012 refered to agribusiness as aspect of agriculture which comprises production, manufacture and distribution of farm inputs, equipment and supplies of farm commodities on one hand and processing, storage and distribution of farm commodities on the other hand. It is a broad concept that covers input suppliers, agro-processors, traders, exporters and retailers. Agribusiness provides inputs to farmers and connects them to consumers through the financing, handling, processing, storage,



transportation, marketing and distribution of agro-industry products. Graham and Graham (2007) described an agribusiness as the sector involved in the production, processing and distribution of agricultural goods and services, and other related activities in agriculture. Igbokuwe, 2014 defined agribusiness as sum total of all the operations involved in the manufacture and distribution of farm supplies, production operation of the farm, storage, processing of farm commodities and other items made from farm. Agribusiness can be divided into four main groups: Agricultural input industry for increasing agricultural productivity, such as agricultural machinery, equipment and tools, fertilizers, pesticides, insecticides; irrigation systems and related equipment. Agro-industry Food and beverages, tobacco products, leather and leather products, textile, footwear and garment, wood and wood products, rubber products, as well as construction industry products based on agricultural

*collected were analyzed using descriptive statistics of bar chart, pie chart, frequency and percentages. The result shows that agro processing industries has contributed to economic growth and development of the area in term of employment to the people, income generation and enhancing rural – urban interaction through marketing of agro processing products. The agro processing industries faced the challenges of small capital or inadequate capital for establishment, lack of government assistance in term loans and other facilities, poor marketing/patronage due to poor condition of roads and use of human labour majorly for processing of products. It was recommended that prospective investors in agro processing industries should form a cooperative societies to boost their productivity and the government should encourage investors by given loans and other credit facilities in order to revive agriculture from the declining productivity, to sustain food demand, reduced importation of food in Nigeria.*

**Keywords:** Agribusiness, Food processing, Food sustainability, Economic growth and development



materials. Agribusiness is so encompassing that the entire agricultural production, processing distribution and consumption, it also includes wood processing, furniture manufacturers' food processors, food packers, food transporters and food marketing companies.

The agribusiness has the objectives of widen the demand base of agricultural commodities and accelerate the rate of growth of agricultural sector, preserve perishable agricultural commodities by reducing the rate of waste and degree of seasonal price fluctuations. It also intends to diversify employment opportunities in the rural areas through the establishment of rural based small scale agricultural commodity processing industries. In Nigeria today most of the agricultural produce is wasted due to lack of agro- processing industries to take up these excessive productions, products like tomatoes, potatoes pepper, oranges, and corns experience low price and wastage during the harvest and thereafter become so expensive. The problem can best be addressed through the encouragement of agribusiness and agro processing industry which is the focus of this paper.

### **STATEMENT OF RESEARCH PROBLEM**

Nigeria is well endowed with abundant arable land that can support varieties of crops, food crops and cash crops. With the abundant fertile land and resources in Nigeria the country is yet to meet demand for food production and the increasing population growth. Nigeria once a large net exporter of food now imports large quantity of it food products due to poor attention and neglect since the discovery of crude oil. Today Nigeria, importation of stable food is greater than the export, stable food of wheat, rice, maize and sorghum is so high that the government has to ban the importation of rice. Food, agriculture organization, (FAO, 2014 asserts that the current high food demand in Nigeria as well as rapid growth in population there is an annual loss of fund to importation in which 350billion naira spend on importation would have accrued to nation's economy. Agribusiness is seen as the catalyst that can activate traditional agriculture into modern and commercial agriculture (Igbokuwe, 2014). There is the needs for agribusiness especially agro processing industries in Nigeria in order to specifically expand food production as well as bridge the gap between demand, supply and



import and export in Nigeria. The recent government policies are geared towards encouraging farmers and investors and increasing the contribution of the sector to the GDP. Against this background this paper assesses the contributions of agribusiness to economic growth with special attention to agro processing industries in Kogi state Nigeria. The paper has therefore addressed the following research questions: What are the types of Agribusiness in the study area? What are the types of ownership of the Agribusiness? What are the reasons for the site of industry in the present location? What are the contributions of the industries to economic growth and development of the areas? What are the challenges of these industries?

### **Aim and Objectives of Study**

The basic aim of this paper is to assess the contributions of Agribusiness to economic growth and development of Nigeria. This aim will be achieved through the following specific objectives.

1. Identify the type of Agribusiness in the study area.
2. Identify the types of ownership of the agribusiness
3. Examine the reasons for the location of the agribusiness in the area.
4. Examine the contributions of the industries to economic growth and development.
5. Examine the challenges of the industries and make recommendations

### **Review of Related Literatures**

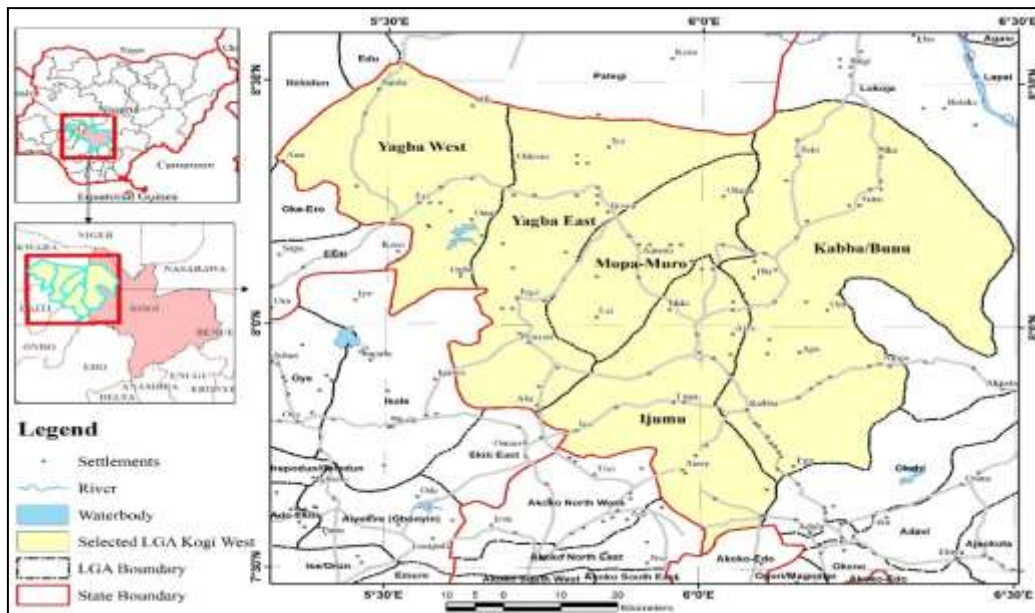
Several scholars, researchers and corporate organizations have work on agribusiness in Nigeria, such studies by Marchet et al (2001): Nwangola 2006; Kachu 2007 Ughogbomeh, 2014, Osuegwe, 2012 Onwuere 2013, Ige 2016 Graham, 2007, Yumekella, 2012 and organization such as FAO 2014, NISER, 1999 etc The NISER report of 1999 stated that 41 percent of the agro industries in Nigeria are sole proprietorship, 41 percent are limited liability 4 percent are government owned while 5 percent are partnership, This work was conducted a long period of time although there had being substantial attention given to agro industry over the years by the government which has specifically reflected in the national



budget. Marchet et al 2001 worked on agribusiness and found that agribusiness constitutes 70 percent of the business operating in Nigeria. Most of the work cited focus on the problems and prospect of agribusiness in Nigeria; less attention was given researchers specifically on agro processing industries, which is the gap in knowledge identified by this paper.

## STUDY AREA

This study was carried out in Kogi west senatorial district which is located between latitude  $7^{\circ} 30' 0''N$  and  $8^{\circ} 30' 0''N$  of the equator and longitude  $5^{\circ} 20' 0''E$  and  $6^{\circ} 30' 0''E$  of the Greenwich meridian (see Fig 1). The area is blessed with fertile agricultural that allow the cultivation of both cash and food crops among the crops grown includes yam, maize, cassava, plantain which are for domestic consumption and markets. The cash crops grown serves as source of income for the farmers they include cocoa, coffee and cashew and sometimes cash is also realized from the sale of pepper. This has make the area a potential location of any agro processing industries such as Garri processing industry, fruit concentrate processing, Soya beans plant, oil seed plant and cashew processing plant



**Figure 1: Map of Kogi West Senatorial District**

## METHODOLOGY

Sampling and sample size





In view of the fact that all the agro processing industries in the study area cannot be used for the study random table of random number (Two contingency) was used for the selection of village to ensure fair, even distribution and void of bias. Churchil, (2001) and Kerlinger, (1968) opined that one-third of the total population can be obtained and used for any standard and empirical research. During the reconnaissance survey fifty-Nine (58) agro processing were identified in different villages. These villages were arranged alphabetically and a total of twenty (20) villages representing  $1/3^{\text{rd}}$  were systematically selected. Based on this method the following villages were selected in each local government areas for study shown in Table 1

**Table 1: Villages/settlement selected and number of Agro-Business in the study areas**

S/N	LOCAL AREAS	GOVERNMENT	EXISTING SETTLEMENT	SELECTED MARKETS	Number of Agribusiness
1	Ijumu Area	Local Government	1. Ayeh *	Ayeh	12
			2. Ayegunle Gbedde	Ekirin Adde Iffe	
			3. Ayetata Gbedde	Okoro	
			4. Ekirin Adde*		
			5. Egbeda Egga		
			6. Iyah Gbedde		
			7. Iffe*		
			8. Iyamoye		
			9. Odokoro		
			10. Okoro*		
			11. Ogidi		
			12. Ayere		
2	Kabba- Government Area	Bunu Local	13. Ayetoro kiri*	Ayetoro kiri	16
			14. Akutupa kiri	Ayede opa Ihale	
			15. Aiyedayo	Ike Okebukun	
			16. Aiyede opa Bunu*	suku	
			17. Aiyegunle Igun		
			18. Igbo		
			19. Ihale		
			20. Illah Bunu		
			21. Iluke		



3	Mopa Amuro Government Area	Local	22. Ike*			
			23. Kakun			
			24. Kabba			
			25. Okebukun*			
			26. Ollé Bunu			
			27. Offere			
			28. Suku*			
			29. Taki			
			30. Aiyede Amuro	Ayedayo		
			31. Aiyedayo*	Otafun		
4	Yagba East Government Area	Local	32. Effo Ileteju	Okagi		
			33. Orokere			8
			34. Otafun*			
			35. Odole mopa			
			36. Takete idde			
			37. Okagi*			
			38. Ayede	Ejuku		
			39. Alu	Mokutu		
			40. Ejuku*	Ife olukotun		11
			41. Idafin			
5	Yagba west Government Area	Local	42. Ijowa			
			43. Mokutu*			
			44. Oranre			
			45. Poyan			
			46. Ife olukotun*			
			47. Takete			
			48. Jege			
			49. Egbe	Egbe		
			50. Ejiba	Iyamerin		
			51. Iyamerin*	Oke ere		
			52. Gbaruku	okuran		11
			53. Ilako			
			54. Odo Ere*			
			55. Odo Eri			
			56. Ogga			
			57. Okuran*			
			58. Okoloke			
			59. Oqbe			
				<b>Total</b>		

Source: Field survey, July, 2018 \*Selected villages

### Sources of Data

The data for this paper was collected from primary, secondary and oral interview sources. The primary data was obtained through the use of structured questionnaires which was administered to the owners of the



agro processing industries identified. The secondary data was obtained from agencies and government ministeries, ministry of agriculture and Rural development, agricultural development project (ADP) local and state secretariats of the sampled local government areas, Journals, theses and dissertations internet and existing literature that are related to the research problem.

### **Instrument for Data Collection**

A structured questionnaires was designed and administred to owners of agro processing industries in each of the selected settlement of the study area. The instrument was subjected to validity and reliability test before used. The instrument source for information on the type of Agribusiness in the study area, types of ownership of the agribusiness, reasons for the location of the agribusiness in the area and the contributions of the industries to economic growth and development. A total of 200 questionnaires were administered among the agro processing industries in the selected villages in the study area.

### **Method of Data Analysis**

The data for this paper was analyzed using both descriptive and inferential statistics; the descriptive statistics involved the use of pie chart, bar chart, frequency and tables.

## **PRESENTATION OF RESULTS AND FINDINGS**

### **Personal data of respondents**

Table 2: shows the gender of the respondents that are involved in agro processing industries in the study area.

Table 2: show the gender of respondents

Gender	Frequency (F)	Percentage (%)
Male	75	37.5%
Female	125	62.5%
Total	200	100%

Source: Field survey July, 2018

The data presented show the percentages of male and female involved in the agro processing. Data shows that 37.5% of those into agro





processing in the study area are male while 62.5% are female. This higher percentage of female is largely due to the types of agro- processing industries in the area. The type of agro processing common to these areas is a reflection of the composition of the gender involved in agro processing industries. The type of industries is depicted in table below

Table 3: Shows the types of Agro processing in the study area

<b>Types of Agro processing</b>	<b>Frequency (F)</b>	<b>Percentages (%)</b>
Agro chemicals	19	9.5%
Agric Consultant	24	12%
Agricultural equipment	26	13%
Agro feed	24	12%
Crops and seeds	23	11.5%
Agro processing	69	34.5%
Livestock	15	7.5%
<b>Total</b>	<b>200</b>	<b>100%</b>

**Source:** Field survey July, 2018

In Table 3 shows the different types of Agribusiness in the study area. The data shows that 19(9.5%) of those involved in agribusiness are into agro chemical, 12% are in Agric consultant, 13% are into Agricultural equipment, (12% are in Agro feed, 11.5% in Crops and seeds, while 34.5% and 7.5% are in Agro processing and Livestock respectively. The highest percentages of those in agribusiness are in agro processing industries because of presence of raw materials for agro processing. The type of processing industries located in these areas is Garri processing industries which the raw materials are readily available.

Several factors are considered by the investors before the location of industries in a particular area, the agro processing industries located in this area must has considered certain factor before sitting the industries in this areas. The factors considered before location are show in table 4 below.

Table 4: Shows the factors considered before sitting the processing industries



<b>Factors</b>	<b>Frequency ( F )</b>	<b>Percentage (%)</b>
Cheap transport to and from market	13	0.65%
Abundance labour supply	67	33.5%
Presence of markets	21	10.5%
Abundant raw materials	87	43.5%
Electricity supply	12	6%
<b>Total</b>	<b>200</b>	<b>100%</b>

Source: Questionnaire Survey, 2018

Table 4 above shows the factors considered by agro processing industries in locating their business, data shows that 0.65% locate their business at the present site because of cheap means of transporting their good to market 33.5% locate at their site because of abundant supply of labour 10.5%, 43.5% are influenced by the presence of raw materials 6% considered the supply of electricity. In the location of agro processing industries in these areas investors considered their access and availability of raw materials which has accounted for 43.5% of all the factors. The reason for low percentage of power supply for the processing industries is that large numbers of the agro processing still use the local method for processing.

The agro processing industries located in the study areas have being in existence for long, 78 percent of the industries has started processing between 5- 6years ago while 13 percent started operation in less than 2years, only 9percent of the industries has spend 10 years above in the business.

The ownership of the agro processing industries varies from sole proprietorship to partnership, cooperative society and government owned. The ownership of those located in these areas are given in the table 5 below.

Table 5: Shows the ownership of Agro processing industries in the study area.

<b>Type of Ownership</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Sole Proprietors'	79	39.5%



Partnership	65	32.5%
Cooperative society	56	28%
Government Owned	NIL	Nil
<b>Total</b>	<b>200</b>	<b>100%</b>

Source: Questionnaire survey, 2018

Table 5 shows that 40% of the Agro processing industries in the study areas are owned and controlled by sole proprietors, 33% are owned and controlled through partnership, while 28% are owned and controlled by cooperative societies. The result shows that none of the agro processing industries in the study area are owned operated and controlled by government. The ownership type of these industries will affect the continuity of the industries since large number of the industries are owned and controlled by private individuals.

The sources of capital for the establishment of agro processing industries in the study area were examined. The result shows that investors' sources of capital for establishment are depicted in the table 6 below.

**Table 6: shows the sources of**

<b>Sources of Capital</b>	<b>Frequency (F)</b>	<b>Percentage (%)</b>
Saving	85	41.5%
Loan from friends	34	17%
Loan from cooperatives	72	36%
Bank loan	9	4.5%
Government assistance	Nil	-
Others	Nil	-
<b>Total</b>	<b>200</b>	<b>100%</b>

Source: Questionnaire survey, 2018

The data presented shows that 41% of the agro processing industries started the business on their past saving, 17% obtained loans from friends and relatives while 36%) and 5% from cooperatives and bank loan. The data shows no government assistance for all the Agro processing industries in the area.



The source and amount of capital for establishment has effect on the productivity of the industries, the productivity of the agro processing (Garri processing) industries were examined as shown in figure.

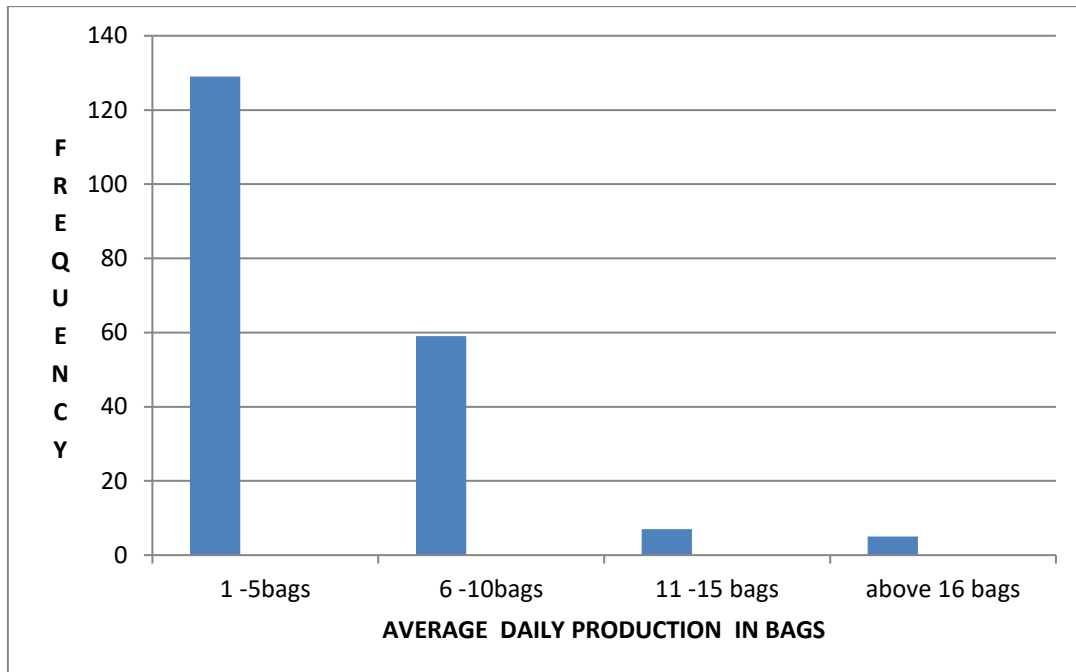


Figure 1:

Data presented in the figure shows that 66% of the processing industries produce an average of 1-5bags daily, 29% produce an average of 6-10 bags daily, 4% produce 11-15 bags daily and 2.5%. The average daily productivity is low because of low capital endowment and none government assistance to expand the business.

### **CONTRIBUTIONS OF AGRO PROCESSING INDUSTRIES**

The agro processing industries located in the study area has contributed to the growth and development of the areas in the following ways. The agro processing industries has contributed to the employment rates of the study areas. Data collected revealed the employment rate of these industries as depicted in below.

The data presented shows that 18% of the agro processing industries employed between 1-5 people within it area of location, 28% of industries employee between 6-10people, 38% of the industries employed between 11-15people while 20%, 1% employed between 16-20 and 21 people above.



This means that the agro processing industries has contributed significantly by employing of 2000 workers within the study area.

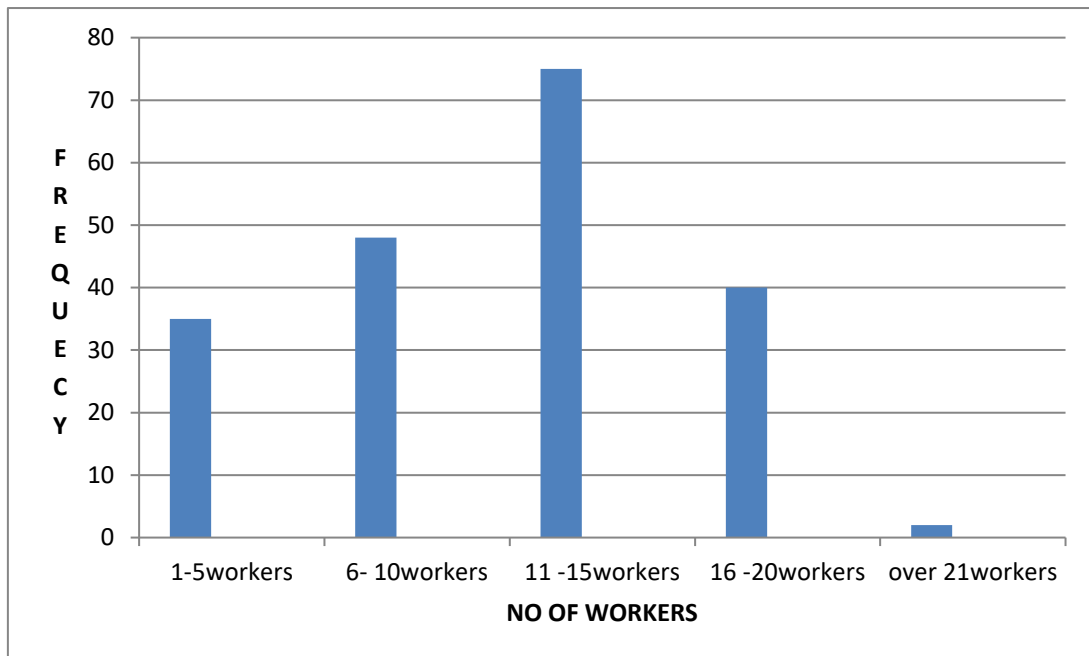


FIG 1: Bar chart showing numbers of workers employed by agro processing industries, 2018

The agro processing industries has generated income for large numbers of workers of the industries that constituted significant number of local population of the area .Data shown in table 7 revealed the amount paid to agro processing worker in the area.

Table 7: Income earned by Agro processing worker in the study area

Income Earned by workers per Month	Frequency (F)	Percentage (%)
Less than ₦5000	43	21.5%
₦6 - ₦10000	53	26.5%
₦11 - ₦15,000	90	45%
₦16 - ₦20,000	09	4.5%
Above ₦21,000	05	2.5%
<b>Total</b>	<b>200</b>	<b>100%</b>

Source: Questionnaire survey, 2018



The data presented shows that 21% of the agro processing industries pays less than ₦5000, 26% pay between 6 - ₦10,000, 45% pay between ₦11 - ₦15,000 while 4.5%, 2.5% pays between ₦16,000 - ₦20,000 respectively. This indicates that the location of agro processing industries in these areas is a source of income generation for the people of the communities in which they are located. The raw material are obtained from the communities and surrounding localities which has boosted the economy of the communities. It has also improved the marketing activities of the area.

The data revealed that most traders travelled over long distances to buy their produce. Table 8 shows the area where people come to patronize their product.

Table 8: Show area where people patronize the produce

Location	Frequency(F)	Percentage (%)
Within the village	56	28%
Nearby villages	49	24.5%
Within the Local government	23	11.5%
Outside the local government	65	32.5%
Outside the state	8	2%
<b>Total</b>	<b>200</b>	<b>100%</b>

Source: Questionnaire survey 2018

Table shows that 28% of those that patronize the market for agro processing are within the village of their location, 24.5% comes to buy produce from nearby villages, 11.5% from comes within the local government 32.5%, 2% comes from outside the local government and outside the state respectively.

### **Challenges of agro processing industries**

The study revealed that there are challenges facing the agro processing industries among the identified investors which include the following:

- Small capital for the establishment of industries, large percentage of the agro processors obtained their capital from past saving and loans from friend and relatives. The problem has great effect on output of the industries. The average daily productivity is still very low.





- Poor use of modern machinery in the production processes, most of the agro processing industries uses more of human labour in the production processes than machinery that could enhance more productivity.
- Low patronage of the products, the marketability of the agro processing is still limited to the locality where they are produce within the state and local government.
- The problem of transportation of finished product to the markets. Most of the processing industries are located in the rural area with poor access to urban markets. The cost of movement along these route and settlement are too high and sometimes in most period of the year the settlement are cut away completely due to bad nature of the roads.
- Lack of government assistance or incentives to encourage the agro processing industries. In all the industries located in the study area none has receive any government assistance in the processing of the agricultural products.

### **Conclusion**

The study therefore concludes that the Agribusiness (agro processing) has contributed to economic growth and development of the study area in particular and Nigeria in general. The study also concludes that Agro processing is one of the shortest way to revitalized reenergize the farmers toward increase productivity in order to sustain food production in Nigeria.

### **Recommendations**

In view of the above findings, this paper therefore recommends that;

- Investors in Agro processing industries should form a cooperative societies where they can pull their resources together to enhanced more productivity and earn more income. The cooperative can give loan to prospective investors in other sector of agribusiness.
- Government both at federal and state level should assist the agro processing industries either by given loans or other credit facilities to encourage them.



- The state and local government should invest in Agro processing industry in order to boost agriculture productivity which in turn improves welfare of the citizens.

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