

Economic Analysis of Cashew Nut Marketing Among Produce Buyers in Ogbomosho Metropolis of Oyo State, Nigeria

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Abstract - This study was designed to estimate the economic analysis of cashew nut marketing among produce buyers in Ogbomosho metropolis of Oyo State, Nigeria. Primary data was used and multistage sampling procedure was adopted for the population of cashew nut marketers in the study area. A total number of 116 respondents were interviewed. The data collected were analyzed using inferential statistical tool such as regression analysis. Budgetary analysis technique was also used to analyze the profitability of cashew nut in the study area. Among the findings majority (85.3%) of them belong to produce buying association, about half of them involved in sun-drying activity as part of the activities involve in produce marketing, more than have (60.3%) of them involved in bagging. Also, the mean of initial capital was ₦485,920.80, and that of present worth is ₦994,312.50. Almost all (77.6%) of them indicated inadequate capital as part of the constraint encountered in cashew nut marketing, 69.0%, 49.1% and 80.2% indicated climatic problem, instability of exchange rate transportation constraints respectively. The regression results revealed that there is significant relationship between socio-economic characteristics and total revenue of the respondents that age, sex, initial capital and total bag sold are significant at 1% and 10% with an adjusted R^2 of 29.1% while the gross margin analysis revealed that the business is profitable. Hence, marketing of cashew nut has no age limit and it has no gender business but encountered some certain constraint such as inadequate capital, climatic problem, instability of exchange rate, transportation problem. It therefore recommended government should assist the produce marketers in the provision of basic infrastructure like good road, loan with one-digit interest rate, monitor exchange rate so as to save the opportunities in the business and to encourage other to venture into the business which at long run unemployment rate would drastically reduced.

Keywords – Cashew Nut, Production, Processing and Marketing.

I. INTRODUCTION

Agriculture occupies a key position in the Nigerian economy, judging by its critical role in employment and revenue generation as well as in the provision of raw materials for industrial development. Nonetheless, the nation's agricultural potentials are far from being fully realized, and these have unpalatable implications for food security and sustainable economic development. The underdevelopment of agriculture is, indeed, worrisome

given the fact that the country is agriculturally well endowed and has witnessed considerable efforts in agricultural planning [1]. According to [2] food production has been increasing in Nigeria at an annual rate of 1 to 2%, more slowly than population growth which has an annual growth rate of 3.1%. Reference [3] also noted that the rate of growth in food demand in Nigeria was 3.7% per annum as against annual food growth rate of 2.5% indicating a supply gap of 1.2% per annum. When viewed from all angles, the Nigerian agricultural sector suffers from many disabilities that cut across production, processing, preservation and marketing [4]. Hence, among others, concern has been prompted about the efficient performance of agricultural marketing systems especially the marketing of foodstuffs including edible fruits and nuts.

In Nigeria, cashew grows successfully in virtually all agro-ecological zones including the semi-arid areas but with high concentration in the middle belt areas in smallholder farms and plantations. Cashew production comes from over 20 States. These include: Kogi, Kwara, Oyo, Edo, Ondo, Anambra, Enugu, Benue, Cross River, Imo, Sokoto, Nassarawa, Ogun, Osun, Plateau and Kebbi among others [5] (Ezeagu, 2002). It was reported by [6] that in 1995, total hectares of land under cultivation was estimated at 40,000 with about 60% of the holdings owned by smallholders; another 30% were available in the wild; while 10% was in the large and medium size commercial plantation sector. By the year 2,000 there were indications that total hectareage had increased significantly to about 100,000 ha due to the involvement of some State Governments in cashew cultivation [7]. This expansion was a direct result of the cashew production expansion programme of their various Agricultural Development programmes (ADPs), National Land Development Authority (NALDA) and Tree crop units (TCUs). With a yield estimated at 700kg per hectare. The Cocoa Research Institute Nigeria (CRIN), which has national mandate on cashew production estimates national production to be around 70,000MT annually. She maintains a cashew observatory in Ochaja, Kogi State, where lots of cashew are harvested annually [7].

Cashew (*Anacardium occidentale*) is an important industrial and export crop whose potential is yet to be fully exploited in Nigeria [8]. The name cashew is from the

Portuguese *Caju*, which in turn comes from the Tupi-Indian word *acaju*. Cashew is indigenous to Brazil but India nourished it and made it a commodity of international trade. The native Indians valued both the cashew nut and the apple [9], [7]. The annual world production of cashew nut according to [10], the main commercial product of the cashew plant is about 400,000 tonnes and more than 50 percent of this production comes from South Asia and East Africa, especially India, Vietnam and Tanzania. According to [11], India was rated as the world's largest producer of cashew, producing about 32 percent of world's 1.178 million tonnes in 2001-2002 with the entire African continent sharing some 28% of world's total within the same period. Among 13 countries included in cashew production as noted by [12] in the African zone, Nigeria ranks fourth after Tanzania, Cote d'Ivoire and Guinea Bissau, having a total area of 100,000ha and an average annual production of 80,000MT contributing almost 16% of the total production of this particular zone. Its production is 5% of the global situation.

During the last three years, Nigeria has been one of the suppliers of raw cashew nuts exported to India. Nearly 18,000 to 23,000MT of raw nuts per annum have been exported. The nut exported is negligible when compared with its total production. Reference [13] also pointed out that the USA and Europe (mainly UK, The Netherlands and France) account for 75% of world imports. Other major importers included Canada, Japan, Pakistan, United Arab Emirate, South Africa and Kenya also import for internal processing despite being major producers. Cashew nut now receive high attention by buyers, cashew marketing seems to have been more profitable. This paper therefore attempts to shed more light on the production level of cashew nut, to reveal the socio-economic characteristics of the respondents; marketing activities associated with cashew nut; the cost and return in marketing of cashew nut among the respondents; and the problems encountered in marketing of cashew nut among the respondents in the study area. It was also hypothesized that there is no significant relationship between socio economic characteristic of the respondents and income from marketing of cashew nut the area. It is therefore important to look into the economic analysis of cashew nut marketing among produce and buyers in Ogbomosho metropolis of Oyo State.

II. PRODUCTION, PROCESSING AND MARKETING OF CASHEW NUT

There are crucial problems to the performance of marketing of agricultural food products including cashew nut. The main cashew products are raw nuts, cashew kernels and cashew nut shell liquid (CNSL), they are all traded on the international market. The fourth product, the cashew apple is generally processed and consumed locally. The production of cashew nut is mostly in the hands of small-scale farmers as World Bank data estimates that 97% production is from wild trees [14] while its distribution is in the hands of large number of exploitative

middle -men who pay producers far below what the consumer pay for the product. This dampens the producers' incentive to raise output through adopting improved techniques and practices. As marketing consists of those business activities that go into getting a product into the hands of consumers, amongst the output of marketing are the consumers satisfactions with the goods and services. The inputs are the various resources of labour, capital and management that marketers use in the process. Efficient marketing then can be defined as maximization of this input – output ratio [15].

Traditionally the various processing operations were performed manually by experienced semi-skilled workers. This is still the case in India, which is the world's largest producer of cashew kernels. Since the 1960s, various mechanized cashew pieces of equipment have been developed and are available in several countries. The processes that have been mechanized are roasting, cashew nut shell liquid extraction and shelling. For the most part, the cleaning of raw materials and sizing and kernel grading have remained labour intensive manual operations. There are significant differences in investment requirements, labour skills, health requirements and levels of efficiency between the Indian manual technology and the medium to large-scale mechanical and semi-mechanical operations. In general the Indian processing system involves lower investment and variable costs and achieves far greater efficiency in terms of kernel material yield and the proportion of whole kernels extracted. However this system requires large numbers of experienced workers who work at unhealthy levels of exposure to CNSL. The mechanized systems are more vulnerable to breakdown due to shortage of spare parts, require large volumes of nuts for efficient operation and operate well below manufacturer specifications when strict grading and sizing activities are not in place prior to shelling [16].

Cashew nut processing allows for the development of an important by-product, which can increase its added value. The liquid inside the shell (CNSL) represents 15 percent of the gross weight and has some attractive possible medicinal and industrial uses. CNSL is one of the few natural resins that is highly heat resistant and is used in braking systems and in paint manufacture. It contains a compound known as *anacardium*, which is used to treat dermatological disorders. The main markets for CNSL are the United States, the European Union (mainly the United Kingdom), Japan and the Republic of Korea. Together these account for over ninety percent of world trade, most of which is supplied by India and Brazil.

The cashew nut fruit consists of a peduncle and a seed. The peduncle, often called the false fruit, is pear shaped, yellow or red in colour and made up of a soft juicy pulp. The seed which develops below the peduncle is kidney shaped and resembles a large bean. Internally, the seed contains the kernel or cashew nut of commerce surrounded by an oily liquid called cashew nut shell liquid. (CNSL) which is not a triglyceride and contains a high proportion of phenolic compounds find its use in industry as a raw material for brake lining compounds as waterproofing

agent, a preservative and in the manufacturing of paints and plastics. The kernel contains 47% oil. The main market of cashew nut is as a high value edible nut. The cashew nut shell liquid Cashew apples can also be made into drinks, wines and pickles. Due to the high value of cashew nuts even small pieces find a market in confectionery products [17].

III. MATERIALS AND METHODS

A. The Study Area

This study was carried out in Ogbomoso in Oyo State, southwestern Nigeria. One of Nigeria's largest cities which is the second largest town in Oyo State with an urban population of about 861,300 [18] which comprise of five local government areas viz: Ogbomoso North, Ogbomoso South, Ogo-oluwa, Oriire, and Surulere. The town lies between latitude 8° 29' North of the equator and between 4° 30' North of the Greenwich Meridian. Ogbomoso has an area landmass covering about 37,984 square kilometers and located in the Northern part of Oyo State. The vegetation of Ogbomoso is dominated by derived savannah vegetation and it is a commercial center situated in an agricultural region producing yams, cassava, corn, cotton, cashew and tobacco. Manufactures include textiles, footwear, rubber goods, and processed food.

B. Sampling Procedure and Sample Size

Multistage sampling procedure was adopted for the population of cashew nut marketers in the study area. First stage involved the selection of 10% of cashew nut marketers from the registered list of the marketers in the study area, second stage involve the random selection of twenty four marketers from each local government areas to sum up to one hundred and twenty (120) cashew nut marketers but one hundred and sixteen (116) cashew nut marketers responded and constitute the sample size used.

C. Research Instrument

Structured interview schedule was used to collect the information on personal and socio-economic characteristics and other flows of the objective from the respondents. The interview schedule contain both open and closed ended question for effective collection of relevant information from cashew nut marketers.

D. Data Analysis

The statistic analytical tool used for the study includes both descriptive and inferential tools. The descriptive indicate frequency distribution percentages and mean, while the inferential tool is regression analysis which was used to test the hypothesis of the study. Also, budgetary analytical approach was used to estimate cost and return of cashew nut marketing so as to be able to know the net profit of the marketers. According to [19], profit is defined as the net flow of income. Thus, how profit is measured depends on what measure chosen to be used; in essence, profit indicates whether a business is worthwhile or not. Benefit Cost Ratio and Rate of Return on Investment were used to measure

the profitability and determine the worth-whileness of cashew nut marketing.

E. Regression Model Specification

$$Y = \beta_0 + \sum_{i=1}^7 \beta_i X_i + \sum_{i=1}^7 \sum_{j=1}^7 \beta_{ij} X_i X_j$$

$$Y = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + \dots + b_n X_n$$

Where: Y = income (₦), X₁ = Age, X₂ = sex, X₃ = marital status, X₄ = Educational level, X₅ = cost incurred in loading, X₆ = cost incurred on transportation, X₇ = Estimated quantity of cashew nut marketed/season (kg).

IV. RESULTS AND DISCUSSION

A. Demographic Characteristics of the Respondents

Table 1 revealed that majority (29.3%) of the respondents were of age 50 and above, 28.4%, 25% and 19% of the respondents were between 41-50years, 31-40years and 21-30years respectively, while only 1.7% of them were less than or equal to 20years. The mean age is 41.18years, this implies that most of the respondents are mature and are in active productive age. It also shows that most respondents were male (78.4%) while others were females (21.6%). More so, 93.1% of the respondents sampled were married, while only 6.9% of them were single. It is obscured that more than half (56.0%) of the respondents had above four (4) dependants household size, about 35.3% of them had 3-4 dependants, while 8.6% of them had between 1-2 dependants. The variation in the household number may be due to differences in the purpose for raising children, literacy level, that they determine the need for child control. The table further shows most (86.2%) considered trading/ produce buying as primary their primary occupation, while 7.8% and 6.0% of them indicates farming and artisan as their primary occupation respectively. This implies that majority of the respondents sampled are produce buyers which authenticate the reality of information collected. Again the table revealed that all the respondents had education at various levels, only 12.1% had no formal education while 28.5%, 17.2%, 42.2% had tertiary, secondary and primary education respectively. It implies that majority of the respondents are literate with different educational background and this expected to have significant impact on their marketing activities. Lastly, the table revealed that majority of the respondents (58.6%) has spent between 11-20years marketing cashew nut, while 35.3% of them have between 1-10 years of experience, and only 6.0% of them have greater than 20years of experience in the business.

B. Type of Association Membership

Table 2 revealed that 85.3% of the respondents were members of produce buyers association, 51.7% of them belong to social club, and 18.1% of them were members of cooperative society. This implies that most of the respondents are members of produce buyers association. An indication that, the association is viable and the produce buyers benefits from such association.

C. Marketing Activities

Table 3 shows the multiple responses of the respondents in various marketing activities they involved in. It revealed majority (60.3%) of the respondents were involved in bagging cashew nut, 45.7%, 37.9%, 32.8%, and 27.6% of them participated in the sun drying, sorting, transporting and buying/selling of cashew nut while 58.6% also involved in other various activities such as sorting, grading, sewer of bags and labeling of bagged cashew nut. This implies that cashew nut marketing involve varieties of activities.

D. Starting Capital in Cashew Nut Marketing

Table 4 revealed that majority (40.5%) of the respondents start the business with initial capital of between ₦100,001- ₦ 200,000 used in establishing cashew-nut marketing. Equal percents of 10.3% started with less than ₦20,000 and between ₦20,001 - ₦100,000, while only 38.8% of them started with amount above ₦200,000. The mean initial capital is ₦485, 920.80. It implies that the cashew- nut marketing can be established with little amount of capital in the study area.

E. Present Worth of the Respondents

Table 5 revealed that 10.3% of the respondents present worth amount to ₦100,000, 12.9%, 19.0% and 15.5% of them worth between ₦100,000 - ₦200,000, ₦200,001 - ₦400,000 and ₦400,001 - ₦500,000 respectively and 42.2% worth above ₦500,000. The mean present worth is ₦994, 312.50. It implies that all the respondents has good experience as indicate in the worth of the business when compare with the initial capital they used to set up the business.

Table 1: Distribution of respondents by socio-economic characteristics

Socio-economic characteristics	Frequency	Percentage
Age		
≤ 20	2	1.7
21 - 30	29	25.0
31 - 40	22	19.0
41 - 50	33	28.4
>50	34	29.3
Mean: 41.18		
Sex		
Male	91	78.4
Female	25	21.6
Marital Status		
Single	8	6.9
Married	108	93.1
Religion		
Christianity	49	42.2
Islam	67	57.8
Household size		
1 - 2	10	8.6
3 - 4	41	35.3
>4	65	56.0
Primary occupation		
Farming	9	7.8
Trading/Produce buyer	100	86.2
Artisan	7	6.0

Level of education		
No formal education	14	12.1
Primary school	49	42.2
Secondary school	20	17.2
Tertiary	33	28.5
Years of experience		
1 - 10	41	35.3
11 - 20	68	58.6
>20	7	6.0
Mean: 12.78		
Total	116	100.0

Source: Field Survey, 2012.

Table 2: Distribution of respondents by type of association membership

Type of association	*Frequency	Percentage
Social club	56	51.7
Produce buyer association	99	85.3
Cooperative	21	18.1

Source: Field Survey, 2012. *Multiple responses

Table 3: Distribution of respondents by marketing activities involved in produce marketing

Marketing activities	*Frequency	Percentage
Buying/Selling	84	27.6
Sorting	44	37.9
Bagging	70	60.3
Transportation	38	32.3
Loading/Off loading	33	28.4
Sun-drying	53	45.7
Others	68	58.6

Source: Field Survey, 2012. *Multiple responses

Table 4: Distribution of respondents by initial capital involved in cashew nut marketing

Initial capital (₦)	Frequency	Percentage
≤ 20,000	12	10.3
20,001 - 100,000	12	10.3
100,001 - 200,000	47	40.5
> 200,000	45	38.5
Mean: 485,920.80		
Total	116	100.0

Source: Field Survey, 2012.

Table 5: Distribution of respondents by present worth of the business

Present worth (₦)	Frequency	Percentage
≤ 100,000	12	10.3
100,001 – 200,000	15	12.9
200,001 – 400,000	22	19.0
400,001 – 500,000	18	15.5
> 500,000	49	42.2
Mean: 994,312.50		
Total	116	100.0

Source: Field Survey, 2012.

F. Average Amount Incurred on Various Marketing Activities

Table 6 revealed the average amount incurred on different activities involves in cashew-nut marketing buying and selling involved 652,609.17 as revealed by the computed, the mean amount incurred in sorting, sun drying, bagging and transporting will be 7,218.02, 4274.01, 3, 553.93 and 12168.97 respectively. And the mean amount spent on weighing bowl, loading and off-loading and others were 8033.27, 101299.41 and 7,234.01. This implies that the respondent incurred certain amount on different activities involved in the cashew-nut marketing in the study area. The differences in the amount incurred in the various marketing activities may be due to difference in the size of the business and access to capital regime for the expansion of cashew – nut working.

Table 6: Distribution of respondents by average amount incurred on various marketing activities

Average amount incurred (₦)	Maximum	Mean	Std. Deviation
Buying/Selling	3,789,000	652,609.17	1,099,901.567
Sorting	200,000	7,218.02	22,635.000
Sun-drying	500,000	4,274.01	13,349.111
Bagging	300,000	3,553.93	8,204.104
Transporting	35,000	12168.97	11,452.620
Weighing bowl	30,000	8033.21	9,179.675
Loading/			
Off-loading	930,675	101299.41	278,085.588
Others	198,000	7,234.01	22,545.001

Source: Field Survey, 2012.

G. Problem Encountered in Cashew Nut Marketing

Table 7 below revealed the multiple responses of the respondents with respect to cashew–nut marketing and 77.6% indicated inadequate capital, 69.0% , 49.1% and 80.2% of them climatic problem instability of exchange rate, transportation problem, while 37.9% indicated insecurity on the part of the farmers when given advance payment against their harvest, and only 6.0% indicated others such as reduction of weight after (8) sun-dried, rain disturbance during sun-drying and theft. This implies that respondents experience one form of the constraint or the other in cashew–nut marketing.

Table 7: Distribution of respondents by problem encountered in the marketing of cashew nut

Problem Encountered	*Frequency	Percentage
Inadequate capital	90	77.6
Climate problem	80	69.0
In stability of exchange rate	57	49.1
Transportation	93	80.2
Insincerity on the part of farmers	44	37.9
Others	7	6.0

Source: Field Survey, 2012. * Multiple responses

H. Regression Analysis and Socio-Economic Characteristics of the Respondents and Total Revenue

Regression analysis result as presented in Table 8 showed that, the coefficients of total bag sold and age are positive and sex in the marketing of cashew nut is negative significant at 1% while the initial capital of the business is positively significant at 10%. The positive coefficient of

the age indicate that as the respondent age increases, the total revenue increases, while the negative coefficient of sex implies that cashew nut marketing take cognizant of sex, the positive coefficient of the initial capital incurred suggest that as the initial capital incurred increases, the total revenue increases, also that of total bag sold implies that as the total number of bag of cashew nut sold, there is an increase in the total revenue of the respondents. Therefore, all the afore-mentioned socio-economic variables (age, sex, initial capital and total bag sold) have decisive influence on the total revenue of the cashew nut marketers. Hence, there is significant relationship between socio-economic characteristics of the respondents and total revenue from marketing of cashew nut. The adjusted R-square is 0.291, suggests that 29.1% variation in the total revenue from marketing of cashew nut is explained by the explanatory variables included in the regression model.

I. Budgetary Analysis

Budgetary analytical approach was used to estimate cost and return in cashew nut marketing so as to be able to know the net profit of the marketers. According to Adegeye and Dittoh (1985), Profit is defined as the net flow of income. Thus, how profit is measured depends on what measure chosen to be used; in essence, profit indicates whether a business is worthwhile or not. Benefit Cost Ratio and Rate of Return on Investment were used to measure the profitability and determine the worthwhileness of cashew nut enterprises.

Profit = Total Revenue – Total Variable Cost

Mathematically, $\pi = TR - (TFC + TVC)$

Where π denote Profit; TR is Total Revenue (amount realized from the enterprise- cashew nut output in Kg sold and the price of cashew per unit Kg); TFC (total average on shop and other fixed assets) is Total Fixed Cost and TVC (sum of cost of buying/selling sorting, sun-drying bagging, transporting, loading and off -loading, weighing bowl and others) is the Total Variable Cost.

Table 8: Test of significant relationship between socio-economic characteristics of respondents and total revenue using t-distribution

Socio-economic characteristics	B	Std. Error	t	Sig.
Constant	303356.1	411617.1	0.731	0.463
Age	21306.954	5060.156	4.211***	0.000
Sex	-356394	127700.4	-	0.006
Marital Status	-179001	183832.9	2.791***	0.332
Household Size	4929.266	26706.761	-0.974	0.854
Level of Edu.	-12366.4	26523.129	0.185	0.642
Yrs spent in Sch.	-9724.529	9162.948	-0.466	0.291
Initial capital	0.077	0.043	-1.061	0.075
Total bag sold	1.562	0.428	1.800*	0.000

Source: Field Survey, 2012.

$n = 116$

Adjusted $R^2 = 0.291 = 29.1\%$

* Statistically significant at 10% probability level

** Statistically significant at 5% probability level

*** Statistically significant at 1% probability level

Hence, the total revenue was estimated to be:

$\pi = TR - (TFC + TVC)$

TR = ₦ 35, 070, 871.2

Average Total Revenue (ATR) = TR / Total No of Respondents

ATR = ₦ 302, 378.20, TVC = ₦ 29, 273, 282. 40, AVC = ₦ 252, 355. 90, AFC = ₦ 38, 198.40

Therefore GM = ₦ 302, 378. 20

GM = ₦ 50,022.30 - ₦ 252,355.90

➤ = GM – TFC

➤ = ₦ 50, 022.3 – ₦ 38, 198.4

➤ = ₦ 11, 823. 90

Therefore, from the above calculation, the GM is positive and the profit calculated, implies that cashew nut marketing is profitable in the study area.

V. CONCLUSION

The study did the economic analysis of cashew nut marketing among produce buyers in Ogbomosho metropolis of Oyo State with specific objective of examines socio-economic characteristics of the respondents. Among the findings majority (85.3%) of them belong to produce buying association, about half of them involved in sun-drying activity as part of the activities involve in produce marketing, more than have (60.3%) of them involved in bagging. Also, the mean of initial capital was ₦485,920.80, and that of present worth is ₦994,312.50. Almost all (77.6%) of them indicated inadequate capital as part of the constraint encountered in cashew nut marketing, 69.0%, 49.1% and 80.2% indicated climatic problem, instability of exchange rate transportation constraints respectively. The regression results revealed that age, sex, initial capital and total bag sold have significant relationship with total revenue of the respondents while the gross margin analysis revealed that the business is profitable. Hence, based on the findings of the study the following conclusions were drawn:

1. The marketing of cashew nut has no age limit and it has no gender business.
2. Marketing of cashew nut required certain level of literacy.
3. The marketing of cashew nut involves different marketing activities and with little amount the business can be established and increase in the size.
4. Certain constraints are encountered in the marketing of cashew nut which includes inadequate capital, climatic problem, instability of exchange rate, transportation problem, etc.

Hence, the study reject null hypothesis and revealed from the gross margin analysis that the business is worthwhile.

VI. RECOMMENDATIONS

Based on the findings of the study, the following recommendations were made:

1. There is need to encourage people to engage in marketing of cashew-nut since, it require little initial capital to set up the business as this would reduce the unemployment rate in the Nigeria society.
2. Government should make fund available to interested people that would want to engage in the business and

for those that are already in the business as this would encourage the expansion of the worth and size of their business.

3. Government should assist the produce marketers in the provision of basic infrastructure like good road, loan with one-digit interest rate, exchange rate so as to save the opportunities in the business and to encourage other to venture into the business and in long run, unemployment rate would drastically reduced.

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His Job Profile is as follows:

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