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# Empirical analysis of the problems and prospects of export marketing of non oil agricultural product in Nigeria

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## Abstract

This study empirically examined the problems and prospects of export marketing of non oil agricultural product in Nigeria. The data for the study was collected from the publication of the central bank Nigeria and other publications from 1970 to 2011. The work analyzed the performance of the non oil agricultural export of Nigeria, the prospect of the non oil agricultural exports on the economy of Nigeria, the effect of trade variables on non oil agricultural export of Nigeria and the analysis of the relationship between non oil export and economic growth. The tools used to achieve the objectives of this study include descriptive statistics, multiple regression and correlation analysis. The study found that non oil agriculture export has the prospects of contributing to the economic growth of Nigeria and the unfavorable nature of the foreign exchange constituted a major problem. Based on the above, it is advised that non oil agricultural exports should be supported as this was found to have a positive relationship with the economy and the foreign exchange was found to be negatively affecting the non oil agricultural export and should be regulated effectively.

**Keywords:** problem, prospects, export, non-agricultural products.

## Introduction

Nigeria is endowed with various kinds of resources needed to place her amongst the top emerging economies of the world. Unfortunately, the nation has not adequately benefitted from the economic prosperity expected of a nation so richly blessed. Ironically, global economic indices from reputable international organisation have consistently categorized Nigeria as an economically backward state. For instance, in 1995, the UNDP human development Index ranked Nigeria as 164th and 141st amongst 197 nations with low per capital income and "low quality of life" respectively (Ezike and Ogege, 2012)

Through export promotion for instance, Nigeria can manage her resources to create enough wealth and improve the quality of the economy *vis-a-vis* standard of living and also enhance her global economic rating. An appraisal of Nigeria 's export promotion policy indicates that there is the need to review aspects relating to non-oil exports so as to harness the vast potential hitherto largely under utilised in that critical sector.

Prior to liberalization, the overall objectives of trade policy in Nigeria include a marketing Board (1960-1977) through which all exportable agricultural products were purchased by the government at prices far lower than world price and incentives were given to farmers to increase their access and adopt some imported technologies. Commodity marketing Boards were established in 1977 by the federal military government to take care of specific crops like cocoa, rubber, root, and tubers etc. food imports were limited, but crop production for export were intensified during the period of liberalization. The basic principles of marketing remains constant whether one is selling goods or services in the home market or overseas (Tokarick, 2006). This means that the exporter should first identify the foreign market(s) needs (through export marketing research) producing and making them available and distributing them to their point of consumption overseas. Export marketing as being made up of the marketing decisions necessary to direct the flow of goods and services overseas. The level of development attained by many nations in terms of exporting indicates that it is a part of their national economic plan (Abimboye, 2009).

In the years immediately after independence, the Nigerian economy was dependent on export of agricultural commodities for survival. However, as a result of the setting up of commodity board by the federal government to act as buying agent, this board went about fixing prices arbitrarily and below market prices, therefore, farmers moved out of the business because they no longer found it profitable. The policy effect was therefore negative development of exports in the agricultural sector. Moreover, available data revealed that the manufacturing sub sector of the economy had often been making minimal contribution to export. The reason that can be adduced for this had been neglect of the sector by colonial masters before independence in favour of export of industrial raw materials for their domestic industries. Even after independence, poor infrastructure, lack of adequate finance, high cost of production, and low market penetration due to poor quality control were factors constraining the development of manufacturing exports.

Any nation wishing to be industrialized without giving adequate consideration to export marketing, may not achieve such lofty goal. This means that export is necessary for the existence and survival of any nation.
Okeke (1991) stated that the necessity for exportation derives from the fact that it is an economic policy designed to enhance national power and wealth; the ultimate goal is national security.
The realization which can be traced back to mercantilism which rationalized the policy by the crude argument that “it is always better, to sell goods to others than to buy goods from other”, for the former being certain advantage and the later inevitable damage.
Man cannot survive without exchange both domestically and internationally. A complete exchange system involves an initial identification of what the market desires, producing and making them available and distributing them to the point of consumption.
Exportation is an opinion for companies and government institutions when they have surplus output or when they want to utilize fully their production capacities. Exporting, being a part of the place strategy of international marketing.
According to Inyanga (1998) defined international marketing as the physical movement of product from its source of production (home country) to the point consumption (foreign country) or other external market.
Okpara (2005) sees exporting as selling to the foreign market from home base. He also observed international marketing, which encapsulate export marketing as “the blending of marketing mix element for the lucrative satisfaction of foreign taking into cognizance of the various marketing environment.” This implies that the exporter has to produce quality goods and service capable of satisfying the oversea market(s). In effect, it involves seeking and exploiting marketing opportunities beyond the geographical boundaries of the firm’s home country.

Exporting is not a luxury, but a war of economic survival fought and won through international rules and practices. No doubt, exporting is an old phenomenon in economic setting of Nigeria. The dominant features of Nigerians export trade are the predominance of primary product (cocoa, palm kernel, palm oil, crude oil etc) and relative insignificance of manufactured ones. Before the independence, Nigeria was known for her abundance of natural resources. She was rated the third world’s highest producer of agricultural products and the largest exporter of cocoa world wide. Exports of these products generated substantial foreign exchange for the country.

It contributed between 60 and 70 percent of the country’s gross domestic product (GDP) in 1960’s and also, employed over 80 percent of the population. These products are mostly exported in their raw forms while some were processed and semi-processed.

A firms marketing environment (domestically) is usually complex. It becomes more complex when it goes international, because it now involves two environments (domestic and international environment).

The production of export crop in Nigeria has suffered a reduction in recent years owing to a number of factors. Oluyole and Sanusi, (2009) and Villalobos (1989) identified some of these factors as: Low yield, inconsistent production pattern, disease incidence, pest attack and use of simple farm tools.

In addition, Oduwole (2004) identified aging cocoa farms as one of the factors responsible for the decline in cocoa production in south western Nigeria. The dilemma facing the non oil export sector is not only that it is being over shadowed by the oil export trade, but the declining non oil export loss of market share in the non oil trade globally is a clear evidence of how the non oil sector competitiveness of the Nigerian economy has been consistently eroded over the last three decades.

Through export promotion policy, Nigeria government has showered legion of incentives and efforts to expand and export volume of country by encouraging and fully participating on export business in order to generate more foreign exchange and improve the current account of its balance of payment. Among these policies to better the lots of export trade in Nigeria is the introduction of structural adjustment programmed (SAP) in 1986 and Nigerian export promotion council (NEPC) in 1988.

In spite of these clown of incentives to boost exportation (Non-oil export) in the country, export volume has not recorded much success as expected. The effect; export volume has been stagnated, as most Nigerian products have not been so competitive in the foreign markets due to low product quality.

Among other problem is proper pricing strategy to be adopted in order to have a favourable return on investment.

Equally, the distribution system, which is meant to regulate the inflow and out flow of goods, has not been efficient and effective. The resultant effect is the high cost of overhead, processing, manufacturing, distribution or placement, promotion, etc. and other factors like the influctuationary in exchange rate of Naira when compared with other foreign currencies and the general inflationary trend in the country its not what to write home about.

**Methodology**

This section provides a detailed account of the following: area of study, sample techniques and sample size, date collection and instruments used, and date analysis technique.

**Sample**

This study made use of data on non oil agricultural trade and other trade related variable from 1970 to 2011.

**Data collection and instrument**

The data set for this study is mainly secondary data. The secondary data comprises annual time series spanning 1970 through 2011. The variables of interest are: oil and non-oil agricultural exports, effective exchange rate, gross domestic product, domestic consumer price index, foreign wholesale price index (US wholesale price index), institutional variables represented by dummies for the period of formation of trade regulation institution. Oil and non-oil export, domestic consumer price index are sourced from the central bank of Nigeria's statistical bulletin and from CBN's economic and financial review.US real GDP was sourced from www.bls.com,

**Data Analysis**

In other to achieve the objectives of this study and test the hypothesis of the study some statistical and data analysis tools were employed, this include descriptive statistics, multiple regression and correlation. The variables were first run without log but the result was quite unsatisfactory, showing possible multicolinearity, which prompted the author to use log.

**1 Model specification**

The implicit model used in this study can be presented as;

Lnoil = F (Linst, Lexch, Lprice, Loilexp, lgdp)

The Explicit Regression form of the model specification is thus,

$$\text{NON-OIL} = \beta 0 + \beta 1 \text{ Linst} + \beta 2\text{exch} + \beta 3 \text{ Lprice} + \beta 4 \text{ Loilexp} + \beta 5 \text{ lgdp} + \mu t$$

where

lnoil= log of the non oil export

linst= log of institutional variable (institutional period=1, non institutional period =0)

lexch= log of real effective exchange rate (in naira) lprice=log of consumer price index

loilexp= log of the oil exports

lgdp= log of the gross domestic product

μt represents the stochastic error

term β0, β1, β2, β3, β4, and β5 are coefficients.

For the correlation analysis the following model was used for the analysis.

$$r = \frac{n \sum x y - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x^2)^2} \quad \sqrt{n \sum y^2 - (\sum y)^2}}$$

where

r = correlation coefficient

y = non oil agricultural export

x = gross domestic product

**Data presentation and Analysis**

This chapter contains the data presentation analysis. It shows the performance of the non oil agricultural export of Nigeria. The trend between the non oil agricultural export of nigeria and economic growth, the regression result and the correlation analysis result are all presented in this chapter.

**The trend analysis of the prospects of non oil agricultural export on economic growth**

From chart 1 which shows the trend of the non oil agricultural export and economic growth between 1970 to 2011. The gross domestic product and the non oil agricultural export had a similar trend of growth in the year 1970 to 1975. In the year 1977 the gross domestic product witness an increase above 10 percent while the non oil agricultural export remained below ten percent until the late 1980's, this is due to the oil boom of late 1970's and early 1980's which led to the decline of the of agricultural production and exports. Until the late 1980,s and early 1990's when the government realized the prospects of non oil agricultural export and came up with various agricultural programmes such operation feed the nation, green revolution and agricultural development programmes meant to enhance agricultural production and increase the prospect of non oil agricultural exports. It could be observed that the gross domestic product maintained a level trend from the late 1980's to the late 2000's. The non oil agricultural exports have been on the increase since the 1990's experiencing little variations. From the trend analysis it could be seen that the non oil agricultural export have the prospect of increasing and contributing significantly to the gross domestic product.

**The effect of trade variables on the prospects and problems of non oil agricultural exports.**

The model is statistically significant at 1 percent based on the value of F statistics which is 718.717. The value of the R-square is 0.990 which indicates that 99.0 percent of the total variation in the dependent variable is accounted for by the independent variables included in the model.

From table 1, the coefficient of institutional variable indicate a positive association and the t-statistics were insignificant. This indicates that with the formation of trade institutions which is meant to foster trade and regulate trade among nations. These institutions paved way for better prospects for the non oil agricultural exports of Nigeria. This indicate that as more trade institution is been formed the prospect of increased non-oil agricultural exports of Nigeria increases.

Exchange rate with a coefficient of -0.043 and insignificant indicates that there is a negative association between exchange rate and non-oil agricultural export of Nigeria. This therefore, means that an increase in exchange rate will pose a problem to the prospects of non-oil agricultural exports of Nigeria. Since an increase in exchange rate will result to 4.3 percent decrease in the non oil agricultural exports. Consumer price index is insignificant but have a positive association with non oil agricultural export. This indicates that an increase in consumer price index has the prospects of increasing the value of non-oil agricultural exports.

The oil exports of Nigeria is significant at 1 percent and positively related to the non oil agricultural exports. This indicates that as the oil export increases the prospects for an increase in non oil agricultural export increase as well. The gross domestic product is significant at 1 percent and positively related to the non oil agricultural export has the prospects of increasing the gross domestic product. The Durbin Watson value of 1.391 at 3 % level of significance with n=41 (number of observations) and k = 1 (number of parameter estimates). There is evidence of negative first order autocorrelation.

**Analysis of the relationship between non oil export and economic growth.**

The following are the results of the Pearson correlation coefficient (r). this indicates the level of correlation existing between the non oil agricultural export and economic growth.

Table 2 explains how to interpret the strength of the relationship existing between the studied variables.

From table 2 above, the result of the correlation analysis shows that there is a weak positive correlation between non oil agricultural export and gross domestic product. The correlation coefficient is significant at 10 percent. This indicates that an increase the non oil export will lead to an increase in the gross domestic product. This therefore indicates that non oil agricultural export has the prospects of contributing positively to the economic growth of Nigeria.

**Summary**

This work quantitatively analyzed the problems and prospects of export marketing of non oil agricultural product in Nigeria. The potential of this industry at present is still largely untapped. The major players in the commodity export business in Nigeria are the Asians, while the small and medium scale exporters are largely Nigerians. At a time when the country's earnings from its major revenue source, oil, is dipping as a result of instability in the world market occasioned by increasing prices, there is a consensus opinion that the non-oil export sector holds a lot of promise as a ready cash cow. But the irony, however, is that the sector, promising as it is, has suffered serious setbacks, among which is the inconsistency in government policies. This study empirically analyzed the performance of the non oil agricultural export of Nigeria, the trend analysis of the prospects of non oil agricultural export on the economic growth of Nigeria, the effect of trade variables on the prospects and problems of agricultural exports and the relationship between non oil export and economic growth. The study found that the non oil agricultural exports has the prospect of contributing significantly to the economy and that the unfavourable exchange rate constitutes a problem to the non oil agricultural export based on the signs of the regression analysis.

**Conclusion**

The study examined the problems and prospects of non oil exports in Nigeria. In examining the prospects of the non oil agricultural exports in Nigeria. It was found that the non oil agricultural exports of Nigeria performed poor when compared to the other sectors of the economy. It was found that that the non oil agricultural exports had a significant and positive impact on the economy and have the prospects of increase and growth. The regression result shows that the unfavorable exchange rate of Nigeria constitute a challenge to the non oil agricultural exports. Owing to the positive relationship of non oil agricultural exports with the Gross domestic product, the non oil agricultural exports has the prospects of contributing the economy significantly.

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**Table 1 Regression result**

Dependent Variable: Log of non oil agricultural export (lnoil)
Method: Least Square
Sample: 1970-2011

| Variable | Coefficient | Std error | t-statistics | Prob |
|---|---|---|---|---|
| Constant | 1.96 | 0.768 | 2.564 | 0.015 |
| Linst | 0.413 | 0.256 | 1.613 | 0.116 |
| Lexch | -0.043 | 0.778 | -0.545 | 0.589 |
| Lprice | 0.003 | 0.003 | 1.264 | 0.214 |
| Loilexp | 0.767 | 0.077 | 10.020 | 0.000 |
| Lgdp | 1.233E.10 | 0.000 | 3.832 | 0.000 |
| R-square | 0.990 | | | |
| Adjusted R-square | 0.989 | | | |
| Durbin Watson | 1.391 | | | |
| F statistics | 718.712 | | | |

Source: computed from CBN statistical bulletin various issues.

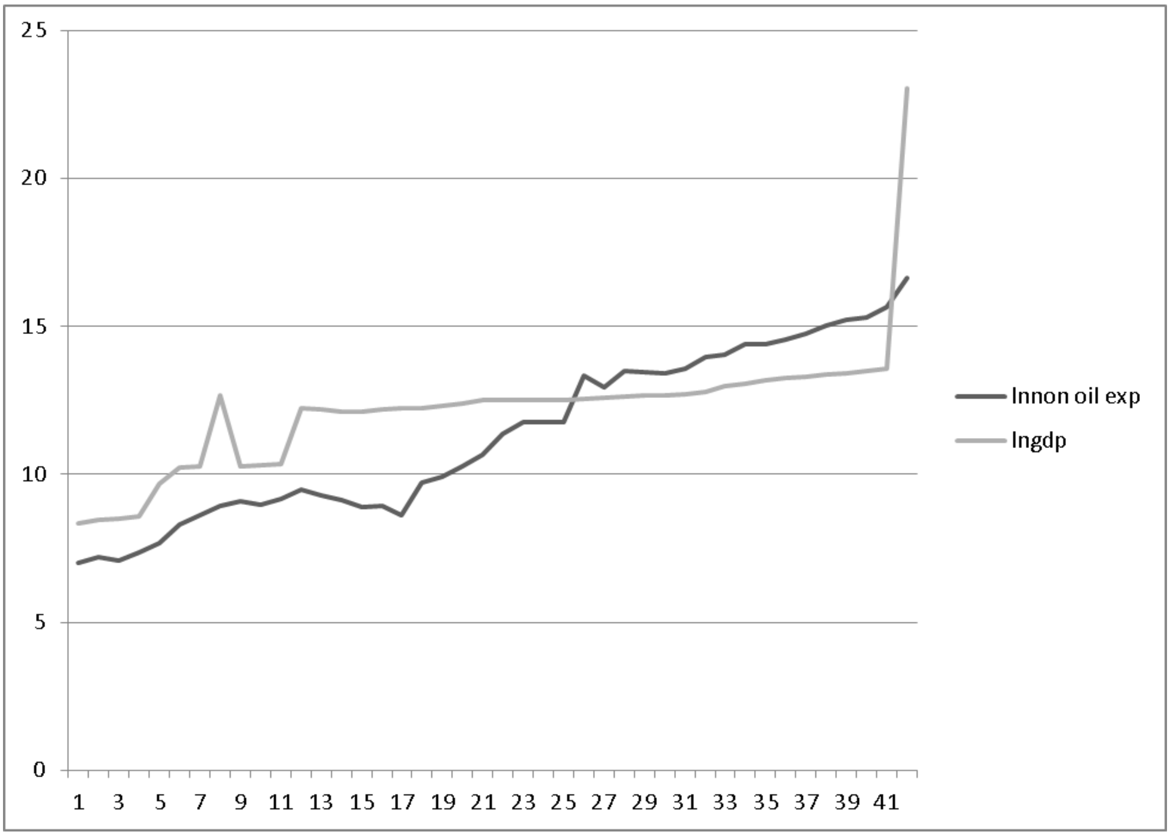


Figure 2TREND OF THE PROSPECTS OF NON OIL AGRICULTURAL EXPORT
SOURCE: CBN STATISITICAL BULLETIN VARIOUS ISSUES

**Table 2: correlation coefficient result**

| Correlations | | | |
|---|---|---|---|
| | | Lngdp | lnoil |
| Lngdp | Pearson Correlation | 1 | 0.297 |
| | Sig. (2-tailed) | | 0.056 |
| | N | 42 | 42 |
| Lnonagrioil | Pearson Correlation | 0.297 | 1 |
| | Sig. (2-tailed) | 0.056 | |
| | N | 42 | 42 |

Source: computed from CBN Statistical bulletin various issues

* correlation is significant at 0.05 level(2 tailed)

** correlation is significant at 0.01 level(2 tailed)

**Table 3: level correlation**

| Correlation coefficient | Negative | Positive |
|---|---|---|
| Weak | 0.00 to -0.3 | 0.0 to 0.3 |
| Moderate | -0.3 to -0.7 | 0.3 to 0.7 |
| Strong | -0.7 to -1.0 | 0.7 to 1.0 |

Source: Arik and Kato, 2010.