

Profitability Analysis of Investment in Oil Palm Value Chain in Osun State, Nigeria

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Abstract : The main focus of the study was to determine the profitability of investment in the Oil Palm value chain of Osun State, Nigeria in 2015. The specific objectives were to describe the socio-economic characteristics of Oil Palm investors (producers, processors and marketers), to determine the profitability of the investment to investors in the Oil Palm value chain, and to determine the factors affecting the profitability of the investment of the oil palm investors in Osun state. A sample of 100 respondents was selected in this cross-sectional survey. Multiple stage sampling procedure was used for data collection of producers and processors while purposive sampling was used for marketers. Data collected was analyzed using the following analytical tools: descriptive statistics, budgetary analysis and regression analysis. The results of the gross margin showed that the producers and processors were more profitable than the marketers in the oil palm value chain with their benefit-cost ratios as 1.93, 1.82 and 1.11 respectively. The multiple regression analysis showed that education and years of experience were significant among marketers and producers while age and years of experience had significant influence on the gross margin of processors. Based on these findings, improvement on the level of education of oil palm investors is recommended in order to address the relatively low access to post-primary education among the oil palm investors in Osun State. In addition to this, it is important that training be made available to oil palm investors. This will improve the quality of their years of experience, ensuring that it has a positive influence on their gross margin. Low access to credit among processors and producer could be corrected by making extension services available to them. Marketers would also greatly benefit from subsidized prices on oil palm products to increase their gross margin, as the huge percentage of their total cost comes from acquiring palm oil.

Keywords : oil palm, profitability analysis, regression analysis, value chain

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