

ANALYSIS OF THE ROLE OF AGRICULTURAL COOPERATIVES' IN FUNDING PROCESSING MILLS IN CROSS RIVER STATE, NIGERIA

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ABSTRACT

A study was undertaken to determine the role of agricultural co-operative societies as institutional source of finance to processing mills in Cross River State, Nigeria. Data were obtained from a random sample of 150 respondents in the study area by means of structured questionnaire. The first stage involved random selection of fifteen local government areas from eighteen local government areas in Cross River State. This was followed by random selection of one village in each of the fifteen local government areas of Cross River State. Ten respondents were randomly selected from each of the fifteen co-operative societies making a sample size of 150. The study revealed that agricultural co-operative societies in Cross River State were established between 1980 and 2008. The study also revealed that the major reasons for the formation of farmers' co-operative societies in the study area is to enable farmers to obtain loans (60%) and farm inputs (6.67%). The result of the findings indicated that 90% of the agricultural co-operative societies in the study area have membership contribution as the major source of funding. The study revealed that cooperatives funded rice processing mill(12 %), groundnut processing mill(14.67%), oil palm processing mill(6.67%), cassava processing mill(7.33%), palm kernel processing mill(5.33 %), pineapple juice processing mill(3.33%), plantain chip processing mill(8%), soy bean milk processing mill(8.67%), alcohol (local gin) processing mill(5.33%), fish processing mill/animal feed processing mill(6.67%), maize processing mill(6%), sugar cane processing mill(3.33%), tea processing mill(2%), cocoa processing mill(6.67%), and cashew nut processing mill(4%). Based on these findings, it was recommended that agricultural co-operative societies should be well organized and properly managed in Cross River State. Managers and members of cooperatives should cooperate and collaborate with government agencies such as universities and formal financial institutions for extra training.

KEYWORDS: Agriculture, Cooperatives, Finance, Farmers, Processing mills

INTRODUCTION

The sources of finance to Nigerian farmers are, broadly speaking, two: formal and informal (Adinya *et al*, 2008). According to Famoriyo(1980) sources of agricultural credit in Nigeria can be broadly categorized into two, formal and informal. The formal sources include cooperative societies, Agricultural Development Banks, Commercial banks and Credit Corporations established by law. While the informal sources include: merchant's money lenders, rotatory savings and credit associations. This paper is concerned with the formal source, specifically, with the role of agricultural co-operative societies as institutional source of finance to processing mills in Cross River State. Cooperative societies are essential tool for rapid agricultural and economic development in all developing countries (Johnson, 1995). In Nigeria, cooperatives had their genesis in the wake of the world depression of 1929-30. The major interest of the colonial rulers in introducing cooperatives at that time was agricultural; namely to get rid of the Nigeria Cocoa farmers of the restrictive practices of the middlemen; the high costs of transportation and the paucity of credit (Ekpere, 1980). This preponderant interest has continued over the decades, so that today

agricultural cooperatives constitute 90% of all cooperatives in the country. They have a variety of forms. The cooperative societies have a long history of lending to the agricultural sector of our economy.

In 1974, Nigeria had less than 65 cooperatives that were registered and a majority of them are marketing cooperatives. The hard economy times had resulted in many of them decreasing in number and membership (Edet, 2003).

According to Roy (1976) cooperative formation enhances the mobilization of resources, efforts and ideas. Iniodu (1977) revealed that extended family system was seen as a desirable precondition for the successful introduction of co-operative societies.

There is no doubt that major occupation of rural people in Cross River State is farming (Adinya *et al*, 2005). They further stated that, to attract government assistance, the farmers have formed themselves into farmers' co-operative societies. The influence has always been that the traditional production system of the Nigerian farmers favored the organization of production along cooperative lines (Ekpere, 1980). The existence of large communally owned land and plantations were readily presented as examples for the possibility of cooperatively owned estates.

The growing desire by both government and non-governmental organization and international agencies such as Agricultural Development Programmes(ADP); Bureau of Cooperative Development(BCD);United Nations Development Programme(UNDP);International Fund for Agricultural Development(IFAD) , World Bank, to mention but a few, to assist in agricultural production in recent years cannot be overemphasized (Edet, 2003). The primary production mechanisms of agriculture are the farmers who need to be assisted if agricultural production is to improve. However, both government and non-governmental organizations cannot assist farmers individually but in organized groups. This stimulated the formation of various co-operative societies in nooks and crannies of Nigeria (Edet, 2003). He further stated that many of the farmers' co-operative societies so formed have benefited from either micro or macro credit facilities of both government and non-governmental agencies. Some have also benefited from free donations.

This paper reviewed the role of cooperative societies as institutional sources of finance to processing mills in Cross River State, as well as the benefits derived from agricultural cooperatives in Cross River State.

DEFINITION OF COOPERATIVE

Cooperative is a special corporate form of business organization. In fact, it is not a purely business enterprise, established with the sole aim of maximizing profit. Rather, it is a friendly organization with varied aims and objectives such as promoting the welfare of members, and the maintenance of members' mutual interests. Members of co-operative societies receive only one vote each regardless of the number of shares they own. They receive interest on their investment and also share in the earnings of the venture (Olaloye and Atijosan, 1989). Lawal(1975) revealed that co-operative society is an organization in which a number of people may combine to produce a commodity , the proceeds of which are distributed among the participants. On the other hand people may combine as consumers' co-operative society obtaining goods on wholesale terms and selling them at usual retail prices. The surplus is divided among the members in the form of dividends on purchase. The basic operating principle of co-operatives is that every member has one vote in determining the policies and electing the management of the organization. Farmers may belong to several kinds of co-operative societies namely: Marketing Cooperatives; Processing mills Cooperatives; Producers Cooperatives- Groundnut Producers Co-operative ; Cocoa Producers C-operative ; Oil palm Producers Co-operative ; Garri Producers Co-operative ; Rice Producers Co-operative ; Sugar cane Producers co-operative ; Yam Producers Co-operative ; Goat Producers Co-operative ; Beef Producers Co-operative and Fish Producers Co-operative

IMPORTANCE OF CO-OPERATIVE

One cannot over-emphasize the important role, which co-operatives can play in Nigeria, especially among the farmers. At present income of individual farmer is low because productivity is low, and myriads of

problems face individual farmer. The formation of cooperatives will go a long way to solve these problems. For instance provision of credit for farmers to buy necessities may be facilitated by the formation of cooperative societies. By applying for loans as a group, rather than as individuals, the farmers can provide greater security and assurance that the loans will be paid off once the crops are sold; as a result they can obtain more credit on better terms than could an individual farmer. The farmers in Nigeria belong to some form of cooperative societies. These enable the individual farmer to obtain higher profit for his products and to buy necessities at lower prices (Lawal, 1975). According to Roy (1976) cooperative offers at least two general advantages which no other business institution can fully match:

*It offers an opportunity for all people, rich and poor, in all walks of life, to help themselves by cooperating and pooling their resources however meager, with others.

*It develops and strengthens the individual citizen in acquiring and controlling private property, yet it preserves individual freedom, dignity and responsibility.

THE ROLE OF COOPERATIVE IN AGRICULTURAL DEVELOPMENT

As a result of unsuccessful attempts to introduce technologies to many less developed countries, experts in agricultural development assistance have started to view agricultural cooperatives as valuable resources in agricultural development work. This conceptual change results from efforts directed at understanding agricultural practices.

In addition, it has been claimed that cooperative can become a resource for agricultural development beyond those manifested in existing production system. Traditional agriculture can make an important contribution to efforts to raise productivity. Researchers can use traditional principles to develop new techniques that preserve the land's stability and productivity even as population increases (Wolf, 1986). According to Francis (1988), a new generation of varieties and hybrids adapted to marginal conditions and to intercropping could be the start of a new generation aimed at meeting the needs of the majority of limited- resources farmers in developing world. Despite the knowledge and resource base, traditional methods have limitations that will not enable them to meet the future food and other agricultural needs of Least Developed Countries (LDCs) except urgent action is taken. The problem created by rapid population growth and the consequent demand on land will result in negative changes in agricultural production such as reduced fallow, falling yield, and resource degradation. Despite these limitations, traditional farming principles constitute a foundation upon which to develop scientific –based but locally acceptable ways of meeting the farmers' needs in Least Developed Countries (LDCs). An illustration of this model is the continuous-cultivation agro-forestry system developed at the International Institute for Tropical Agriculture (IITA) called "alley cropping" which uses the traditional farming principle of natural regeneration in a fallow system. Field crops are grown between rows of nitrogen-fixing trees, so foliage from the trees enhance soil organic matter while nitrogen is fixed in the nodules and increases soil fertility. Using this method, a higher level of crop production is possible without resorting to a fallow-rotation system. Cooperative societies provide finance for this modified agricultural system. External ideas are needed, especially in the application of modern science to improve and enhance traditional agricultural practices (Titilola, 2003). Sustainable agricultural development is now a major concern of agricultural researchers and policy-makers in both developing and developed countries (Titilola, 1990).

In developing countries the main concern is with the fragile ecosystem and its implications for future production and high cost of energy. Other evidences advanced by Kotschi *et al* (1989) are that:

* The present form of resource use has sustained people in resource-poor and fragile environments and must be preserved until proven superior forms of resource use have been developed.

* Local farming knowledge can supply missing ecological links which may help scientists to develop alternative farming.

* Local farming practices and environment knowledge offer starting points for developing farming methods which may increase the production and sustainability of local resources.

subsistence agriculture are the main occupations of the people. Crops grown in the locality include rice, maize, yam, cassava, plantain and banana.

Both primary and secondary sources of data will be used. The secondary sources of data include Review of Annual Reports, books, census data, journals, statistical documents, whereas the primary source of data were mainly from field survey. The study covered randomly selected farmers' cooperative societies in Cross River State. Fifteen farmers' cooperative societies were randomly selected for the study. Ten respondents were randomly selected from each of fifteen agricultural cooperative societies making a sample size of one hundred and fifty. Structured questionnaires were used in collecting data from 150 respondents from fifteen agricultural cooperative societies.

RESULTS AND DISCUSSION

Table1: Years of establishment of agricultural cooperative societies in Cross River State selected for the study

Years	Frequency	Percentage
1980- 1984	15	10
1995-1989	20	13.33
1990-1994	24	16
1995-2008	91	60.67
Total	150	100

Source: Field survey (2008).

The result of the findings on Table 1 revealed that many cooperative societies in Cross River State were established between 1980 and 2008. This result is in line with the findings of Edet (2003) which observed that the formation of many farmers' cooperative societies during the period was as a result of some agricultural programmes which came up during the period such as Family Economic Advancement Programme (FEAP), Family Support Programme (FSP), Life Enhancement Programmed(LEP), among many others, which have provided an enabling ground for the establishment of cooperative societies.

Table 2: Reasons for the formation of agricultural cooperative societies in Cross River State

Reasons	Frequency	Percentage
Provide help to members	36	24
Access to farm inputs	10	6.67
To benefit from NGOs	4	2.67
Attract government assistance	10	6.67
Loan acquisition	90	60
Total	150	100

Source: Field survey (2008).

Table 2: revealed that the major reason for the formation of cooperative societies in the study area was to enable farmers to obtain loans (60%). Apart from loan acquisition, other reasons such as access to farm inputs 6.67%, attracting government assistance 6.67%, attracting benefit from NGOs 2.67 and providing help to members 24%.

Table 3: Membership composition of agricultural cooperative societies in Cross River State

Characteristic of members	Frequency	Percentage
Gender		
Female	45	30
Male	105	70
Total	150	100
Main occupation		
Farmers	147	98
Civil servants	3	2
Total	150	100
Level of education		
Illiterate	120	80
Literate	30	20
Total	150	100
State of origin		
Non- indigenious	9	94
Indigenious	141	6
Total	150	100

Source: Field survey (2008).

Table 3; indicated that cooperative societies in the study area have a high percentage of male membership (70%). The table further indicated that farmers recorded a high percentage membership composition (98%) of the cooperative societies in the study area. This implies that farmers are aware of fact that both government and non-governmental organizations cannot assist farmers individually but in organized groups; therefore, they formed various co-operative societies to enable them benefit from either micro or macro credit facilities of both government and non-governmental agencies.

Table 4: Major source of funding of the agricultural cooperative societies in Cross River State

Source of funding	Frequency	Percentage
Levies	6	4.00
Government grant	2	1.33
Membership contribution		
Share capital	22	14.66
Savings	35	23.34
Special deposit	45	30
Reserve	40	26.67
Total	150	100

Source: Field survey (2008).

The result of the findings on Table 4 indicated that 94.67% of co-operative societies in the study area have membership contribution as the major source of funding. This result agrees with the

views of Ekpere(1980); and Edet (2003) which observed that organization and individuals should pool their resource together for self help and for achieving organization goals.

Table 5: Financial position of agricultural cooperative societies in Cross River State

Amount(₦)	Frequency	Percentage
500,000.00-10,000,000.00	108	72
10,500,000.00-20,500,000.00	40	26.67
No response	2	1.33
Total	150	100

Source: Field survey (2008).

Table 5; revealed that a low percentage of cooperative societies (1.33%) refused to disclose their financial position. This result agrees with the views of Edet (2003) which observed that this was always the case, some organizations always want to keep their financial position very secret.. However, 26.67% indicated that their financial position stood at ₦10,500,000.00-20,500,000.00 . While 72 % indicated their own to be ₦ 500,000.00-10,000,000.00

Table 6: Benefits derived from agricultural cooperative societies in Cross River State

Benefits	Frequency	Percentage
Farm inputs	39.00	26.00
Skill acquisition	20.00	13.33
Insurance cover	0.00	0.00
Loans	91.00	60.67
Total	150	100

Source: Field survey (2008).

Table 6 revealed that 60.67% of respondents of collected loans. Farm inputs and skill acquisition had 26% and 13.33% respectively. This result agrees with findings of (Utsu, 2000; Adinya *et al*, 2008) which observed that farmers demand for credit arises because of their meager farm income and the need to change mode of production. Agricultural credit helps to improve farm output and economic well-being of both large and small-scale farmers. Agricultural credit is not only important for accelerating agricultural development but also in improving farmers' efficiency (Miller, 1997). This implies that agricultural credit is necessary for agricultural and economy development.

Table 7: Nature of management of both human , financial and materials resources by farmers' cooperative societies in Cross River State

Nature of management	Strongly Disagreed	Disagreed	Agreed	Strongly agreed	Frequency	Total
Frequency/percentage mean	80(53.3%)	30(20%)	22(14.7%)	18(12%)	150	100
Well managed	4(2.7%)	10(6.7%)	30(20%)	106(70.7%)	150	100
Not well managed	86(57.3%)	24(16%)	18(12%)	22(14.7%)	150	100
Excellently managed	86(57.3%)	24(16%)	18(12%)	22(14.7%)	150	100
Fairly managed	15(10%)	20(13.3%)	35(23.3%)	80(53.3%)	150	100

Source: Field survey (2008).

The result of the findings on Table 7 revealed that the resources of most cooperative societies in Cross River State are not well managed (14.7%). While 70.7% of respondents stated that most of the cooperative societies in Cross River State are well managed, implies that resources of most cooperative societies are well managed in Cross River State.

Table 8:Projects undertaken by fifteen cooperative societies(randomly selected) since their inception in Cross River State

Projects undertaken	Frequency	Percentage	Status
Groundnut processing mill	22	14.67	Completed
Oil palm processing mill	10	6.67	Completed
Rice processing mill	18	12	Completed
Cassava processing mill	11	7.33	Completed
Palm kernel processing mill	8	5.33	Completed
Pineapple juice processing mill	5	3.33	Completed
Plantain chip processing mill	12	8	Completed
Soy bean milk processing mill	13	8.67	Completed
Alcohol (local gin) processing mill	8	5.33	Completed
Fish processing mill/animal feed processing mill	10	6.67	Completed
Maize processing mill	9	6	Completed
Sugar cane processing mill	5	3.33	Completed
Tea processing mill	3	2	Completed
Cocoa processing mill	10	6.67	Completed
cashew nut processing mill	6	4	Completed
Total	150	100	Completed

Source: Field survey (2008).

Table 8; revealed that cooperatives funded rice processing mill(12 %), groundnut processing mill(14.67%), oil palm processing mill(6.67%), cassava processing mill(7.33%), palm kernel processing mill(5.33 %), pineapple juice processing mill(3.33%), plantain chip processing mill(8%), soy bean milk processing mill(8.67%), alcohol (local gin) processing mill(5.33%), fish processing mill/animal feed processing mill(6.67%), maize processing mill(6%), sugar cane processing mill(3.33%),tea processing mill(2%), cocoa processing mill(6.67%), and cashew nut processing mill (4%). The implication of the result is that cooperative societies are aware of the importance of funding processing mills which resulted to the state's growth and development.

CONCLUSION

The problem of lack of credit for agricultural production in Nigeria has caused agricultural cooperative societies in Cross River State to be concerned on how best to solve the problem. The study found that cooperative societies in Cross River State were established between 1980 and 2007. The study also revealed that the major reason for the formation of cooperative societies in Cross River State was to enable farmers obtain loans (60%). Managers and members of cooperatives should cooperate and collaborate with government agencies such as universities and formal financial institutions for extra training.

Base on the findings, the following recommendations are made:

- (i) A participatory approach should be their watch word in the management of their cooperative societies in Cross River State.
- (ii) Member of cooperative societies in Cross River State should be well trained by government agencies such as universities and formal financial institutions.
- (iii) Agricultural cooperative societies should be well organized and properly managed.

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