

Iruansi Itoandon

Spatial Retail Price Integration of Maize Markets in Ogun State

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**SPATIAL RETAIL PRICE INTEGRATION OF
MAIZE MARKETS IN OGUN STATE**

BY

ITOANDON, IRUANSI IMONIKHE

A DISSERTATION

**SUBMITTED TO THE POSTGRADUATE SCHOOL, UNIVERSITY OF
AGRICULTURE ABEOKUTA, IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF AGRICULTURAL
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ABSTRACT

The study examined the dynamism of price movement between markets and its implication on pricing efficiency in maize markets. Primary data were collected using interview guides. A total of 240 respondents were selected using stratified random sampling technique in 6 rural and 6 urban markets in Ogun State. Weekly retail prices of yellow and white maize for five years (January 1999-December 2003) were analysed using the Bivariate Cointegration test and the Granger causality test to detect the presence and level of price integration. Results of the study revealed that markets in Abeokuta zone were the most integrated ($\alpha 0.05$). The Granger causality test ($\alpha 0.05$) complemented the cointegration test ($\alpha 0.05$), revealing that market price of maize move together at appropriate lag. Consequently, prices in Osiele market could predict price in Odeda and Lafenwa markets. Also prices in Arigbajo market cointegrated and could predict price in Lafenwa and Odeda markets. The cointegrating parameters for maize prices (β), were 0.5953 and 0.9661 for white maize for market pairs Osiele – Odeda and Osiele – Lafenwa respectively and 0.7237, 0.6781 and 1.4646 for yellow maize, for market pairs Osiele – Odeda, Osiele – Lafenwa and Arigbajo – Lafenwa respectively. At ($\alpha 0.01$), t statistics was significant; invariably the price series was subject to little or no shock. In Ikenne zone, the causality test ($\alpha 0.05$) revealed predictable relationship between sampled markets, which the cointegration test did not reveal. Prices in Kajola market cointegrated with prices in Ikenne and Shagamu markets. However, prices in Akala market cointegrated imperfectly with prices in Ikenne and Shagamu markets thus the predictability of relationships became unstable. Although there were cointegrating equations, the t statistic for β values, -7.0341 and -8.1167 for white maize, for market pairs Kajola – Ikenne and Kajola – Shagamu respectively and -6.3330, -4.1853, -2.6383 and -2.2962, for yellow maize, for market pairs, Kajola – Ikenne, Kajola – Shagamu, Akala – Ikenne and Akala – Shagamu respectively were not significant at ($\alpha 0.01$) level. Invariably, the price series are exposed to enormous amount of shock. In Ijebu- Ode, the null hypothesis of no cointegration was accepted for all market pairs, thus suggesting perfect market segmentation. Results further revealed that there were large numbers of suppliers and consumers in the market, indicating that maize markets in the study area were competitive. Entry and exit from the market was frequent and there was free flow of market information. There are market associations, which provide some sort of legal redress structures for the effectiveness of the market. Potential

constraints that hampered perfect maize market integration in Ogun State were observed. Prices distortion was a major constraint since price information was transmitted from one market agent to another verbally. Other problems included; poor transportation, inadequate and costly post harvest services (storage) and the inefficiency of the existing associations. It is recommended that government and private agencies involved in marketing information be strengthened to enhance their efficiency. Provision of market infrastructure such as shelter store and post harvest storage facilities will help reduce transaction cost in maize marketing.

DEDICATION

This dissertation is dedicated to God Almighty for sparing my life and for granting me wisdom and patience. Also to my parents, Mr. and Mrs. Felix Imonikhe Itoandon and my beloved brothers and sisters for their patience and support.

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