

**AN ASSESMENT OF THE MARKETING PERSPECTIVES, IN THE  
DEVELOPMENT AND IMPLEMENTATION, OF KADUNA STATE-**

**OWNED AGRO-ALLIED PROJECTS: -**

***A CASE STUDY OF KACHIA FOOD COMPANY LIMITED***

BY

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## **APPROVAL SHEET**

THIS RESEARCH PROJECT HAS BEEN READ AND APPROVED AS MEETING THE REQUIREMENTS OF THE POST-GRADUATE SCHOOL AND THE DEPARTMENT OF BUSINESS ADMINISTRATION, AHMADU BELLO UNIVERSITY, ZARIA, FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)

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## **DECLARATION**

I declare that apart from the consultation to books, journals, the Internet, Newspapers and other related literature, which have been acknowledged in the footnotes and references, all other materials contained in this project are the findings of the researcher and have not been presented anywhere else.

**Iliya B. Duniya**

## **AKNOWLEDGEMENT**

It is difficult for a project of this nature to be carried out and completed by one person all by himself. During the course of this project, I received assistance from several individuals and organisations. While it is not possible to mention all of them, the following deserve to be mentioned specially.

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However, I bear full responsibility for this work and whatever error it may contain.

## **ABSTRACT**

Based on the declining priced and corresponding decline in the cultivation of ginger in the late 70s, the Kaduna State Government in 1980 conceived a policy to reverse the trend by establishing the Kachia Ginger Processing Project. This was based on the fact that Kachia Local Government (as it then was- including present Zango Kataf, Kachia, Kujuru and Chikun Local Government Areas) and its environs is the largest producer of ginger in the State and country.

Because the Project was meant to be a commercial concern, implementation was not to commence until it was established that it was going to be an economically viable and feasible venture. The feasibility study commissioned established that the project was not only viable but also desirable because of other benefits to be derived. The inability of the State Government to implement the project strictly as recommended by the feasibility report with regard to location of the plant and choice of Technical Partners contributed in part to the delay in the implementation of the Project as well as other subsequent problems now facing the company.

The State Government pursued the implementation of the Project to a conclusion at a later time over a long period and under a very harsh economic environment. The poor economic position of the State

Government and Country made it difficult for the State to adopt optimal options on many occasions.

The Project has now been completed. However, the poor decisions of the past are having a debilitating effect on the prospects of the company. The market for the company's products is expanding but the competitors have become stronger and fiercer.

It appears only a well articulated and well-financed marketing strategy in liaison with partners already in the market on mutually beneficial terms can change the fortunes of the company for the better.

This research study therefore aims at re-assessing the marketing viability of the Kachia Food Company within the present hard economic conditions and its competitors within and outside the country.

The data collected was analysed to determine the Marketing Strategies suggested that when they are implemented, may help to improve the marketing of the Company's products within and outside the country in a profitable manner. Achieving this state of affairs in the Company will not only improve the revenue generation in Kaduna State, but the country's economy in general.



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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 INTRODUCTION**

Kaduna State is blessed with a wide variety of soils and climatic conditions, which support enormous plant wealth. The State has a mixed terrain of hills and plains intercepted by a large number of rivers and streams and a favourable diversity of agro-climate. This creates a vast scope for the cultivation of a wide range of fruits, plantation crops, cereals, vegetables and other crops. Ginger and pepper occupy a prime position among the spices cultivated in the State. Kaduna State like many others in Nigeria can therefore be classified as agrarian. The State produces a lot of agricultural products. Some are more predominant in some Local Government Areas while others are cultivated across the entire State. It has since been established that Agricultural development and Economic development support /complement each other. This can be clearly seen when it is realised that the agricultural products are or could be employed as industrial raw materials. This in turn leads to industrial development, which leads to economic development.

Due to the highly inadequate post-harvest processing, handling facilities and the under-developed marketing system prevailing in the State, the surplus agricultural products and especially the perishables were being lost to spoilage. Furthermore, the lack of organised marketing systems, slow enactment of market legislation low market density and lack of market information and presence of middlemen, the earnings of the middlemen are usually much more than the farmers. This led to low productivity.

It was in view of the above facts that during the reign of the first Civilian Governor of the then Kaduna State [including present Katsina State], His Excellency, Alhaji Balarabe Musa, an ambitious industrialization policy was adopted. This led to the incorporation of an industry in each of the then 14 local government of the state. Unfortunately, the then Governor did not last long in the throne to see the successful implementation of these projects which were meant to play a catalytic role in the industrialization of the whole State using local raw materials that were predominant in each Local Government Area. This policy trust was intended towards promoting, processing and value-addition of agro-products. The objective was to promote a sound and vibrant food processing industry with backward linkages with the growers, deemed essential to sustaining up trend in farm activity, generating additional employment in the rural areas and encouraging the much needed diversification and commercialisation of

Agriculture.<sup>1</sup> Sadly, some of these projects never went beyond the drawing board.

Kaduna State Government presently has three Agro-Allied Industries, which it has promoted over the years:-, namely, Ikara Food Processing Company Limited, Kachia Food Company Limited and Kafanchan Flour Mills Limited. The products of each of these companies are said to have high prospects in both the local and international markets. However, none of these companies seems to be doing well. Apart from the slow implementation of government programs, interference in management it is feared that poor or non-existent business principles and the non-adoption of the marketing concept is the bane of these companies.

The poor performance of these companies is having a negative influence in the disposition of successive Governments to establish other viable projects that could create additional job opportunities, utilize available local raw materials and improve the quality of life and reduce rural-urban drift.

Since the private sector is not yet fully developed to lead in the industrialization process, it has become essential to consider some of the reasons for the poor performance of these companies with a view

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<sup>1</sup> “India-Perspectives” March 1998, India – Potentially the World’s largest Food factory

to proffering suggestions on how they can be turned around so that, the State Government will be favourably disposed to continue with its role of kick starting the industrialization process in the State, especially in the rural areas.

The Kachia Food Company Limited was incorporated to implement the Ginger Processing Project. The plant has been successfully completed, though belatedly. However, it has not been easy to get the products of the plant into the international market, which is the backbone of the company's prospects of success.

## **1.2 STATEMENT OF THE PROBLEM**

The Kachia Ginger Processing Project which was incorporated in 1981, started to be implemented in 1988. The project was completed and commissioned by May 1999 but started production only in January 2001. As at June 2002, the company, which was said to have very good prospects because of the high demand for its products, is yet to find a market for her products. What are the likely reasons?

The following questions are raised in an attempt to bring out the reasons for the inadequate market for the products of the Kachia Food Company Limited (Kachia Ginger Project).

- i. Are there problems with the quality of the products?



- ii. Is the Company using a wrong approach of the marketing strategies?
- iii. Is the Management of the Company not capable of the task of managing the Company and its products?
- iv. Is the State not providing the necessary support in terms of policies and finance?

This study is meant to find answers to these questions that will further confirm why the company's processed ginger products are not marketable as earlier established by the feasibility study.

### 1.3 **OBJECTIVE OF THE STUDY**

The objective of the study is to find out why it has been difficult to get the products of the company into the market one year after it commenced production and to proffer suggestions on the way forward.

To achieve this objective, the following areas are examined for information purposes: -

- i. To assess the quality of the Company's products as against competing ones
- ii. To examine the marketing approaches used
- iii. To assess the pricing procedures, policies and strategies used

- iv. To examine how and where their competitors are marketing their own ginger products
- v. To assess all marketing efforts in the marketing of these products
- vi. To suggest how and where these ginger products can be effectively sold to enhance the smooth and profitable operation of the company.

#### **1.4 SCOPE OF THE STUDY**

The company is a pioneer in this industry in the country and the West African sub-region. The main markets for the products namely: - ginger oil and ginger oleoresin – are outside the country. Because there is no immediate market for the products at the local scene, the relevant information required on the marketing can only be appropriately obtained from outside the country – where their markets exist. Since it is not financially feasible to travel out and discuss with relevant or appropriate personnel on the subject matter the next best option is to use the Internet and e-mail services. The use of the Internet is also limited by the availability of funds, erratic power supply and limited time available to conclude the study.

Also because the company has just began operations, there is no marketing history on its operation, the investigations will therefore, start from the conception and feasibility study of the project, its

implementation and commencement of operation with a view to finding out whether there are any antecedents that may have aggravated the difficulty in launching the company's products into the market.

### **1.5 THE METHODOLOGY OF THE STUDY**

Because the research topic is new, preliminary discussions indicated the general populace knows little or nothing about the subject matter it was therefore discovered that to obtain relevant and helpful information, it would be appropriate to conduct the study through personal interviews with relevant personnel who have been involved with the project or have relevant information from organizations that have been involved in the marketing of similar products from different countries. It can therefore be safely stated that the research is conducted through personal interviews and secondary information obtained from the Internet.

### **1.6 LIMITATIONS OF THE STUDY**

A study of this nature that could have an immediate positive impact on the sustainability of the company requires thorough and wide enquiry from consumers, merchants, producers/suppliers of raw materials and finance in order to fashion out appropriate feasible options for consideration.

However, because of the limitations of finance, time and other relevant resources the researcher could not have access or thorough discussion with some relevant personnel/institutions. There was also the limitation on time finances and failure of prospects to respond to e-mails sent to them.

### **1.7 SIGNIFICANCE OF THE STUDY**

This study is significant in that it is intended to increase the awareness of the researcher and all who will read the report on the subject matter. But more significantly this study is intended to solve a current nagging problem that is threatening the survival of a potentially lucrative company due to the non-application of marketing concept and appropriate marketing strategy. The study will attempt to highlight the importance and potentials of the processed ginger products to buyers and users. The contribution the company can make when adequate marketing is given to it and markets are obtained for its products include the provision of employment opportunities to Nigerians, contribution to the economic development of Kaduna State and the Country in General. It will also lead to increase in the value of exports and this will help in solving the problem of balance of trading internationally. Ultimately, it will lead to improvement and enhance the standard of living of Nigerians.

## 1.8 DEFINITION OF TERMS AND CONCEPTS

Because of the multiple meanings that could be ascribed to certain terms and concepts, these terms as in this report are used as defined below:

**Oleoresins** complex mixtures obtained by extracting, concentrating and standardizing the volatile and non-volatile components such as fixed oils, antioxidants, pigments. They contain the aroma of flavour of the spice in a concentrated form and are usually viscous liquids or semisolid materials.

**Essential oils** - The volatile aromatic fraction of spices and similar plant materials usually obtained through steam distillation.

**Spices** Botanically, spices are the seeds, fruits, bark or roots of plants while herbs are the leafy parts. Despite this botanical distinction, herbs and spices are grouped and classified as spices by the United States Food and Drug Administration (FDA) and the spice industry.

**Straight-run Oleoresin** Oleoresin processed as above with nothing added, i.e. processed and presented as is.

**Standardized Oleoresin-**

Oleoresin that is blended to obtain same characteristics from batch to batch.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 MARKETING AND THE MARKETING OF GINGER IN NIGERIA

Marketing is defined as a social, economic and managerial process focused on the creation and delivery of want-satisfying ideas, goods and services.

The American Marketing Association (1960) defines marketing “as the performance of business activities that direct the flow of goods and services from producer to consumer or user.”

In yet another definition, Ryan defines marketing as “the determination of the needs and desires of the market so that goods and services can be provided to satisfy these needs and desires.”

From the above definitions, it can be safely deduced that that marketing is the activities involved in getting goods from producer to the consumer. Early marketing techniques followed production and were responsible only for moving goods from the manufacturer to the point of final sale. Now, however, marketing is more pervasive. Marketing concentrates primarily on buyers, or consumers, determining their needs and desires, educating them with regard to the availability of products and to important product features,

developing strategies to persuade them to buy, and, finally, enhancing their satisfaction with a purchase.

The cultivation of ginger in Nigeria has been traced to between 1921 and 1927. For a long time, its production has been centered around the present southern part of Kaduna State. Two varieties, '*tafin giwa*' and '*tafin biri*' or the yellow and black varieties are being grown in other parts of the country.

The Nigerian ginger was marketed mainly as dry-split or dry-scraped. In the 1960's, the Northern Nigeria Marketing Board was responsible for the marketing of ginger. With the creation of the commodity Boards in 1977, the responsibility for the marketing of ginger was transferred to the Nigerian Groundnut Board. These various boards were responsible for assembling, grading, storage and exportation of ginger. The Boards were also responsible for setting prices. The services of Licensed Buying Agents were utilised for ginger purchases. The abolition of the Commodity Boards in 1986 left the marketing of ginger in private hands.

There is considerable controversy in literature over the role of the licensed buying agents. Like other intermediaries, they have been accused of a number of malpractices including under-payment of producers through producer indebtedness, forced sales, price



misquotation, collusion against producers, hoarding of produce during harvest and raising marketing costs.<sup>a</sup>

## 2.2 THE GINGER CROP

A Greek baker on the Isle of Rhodes is credited with introducing gingerbread around 2800BC. If that seems to give ginger certain venerability, consider that this baker is thought to have gotten the idea from the Chinese, who had already been using ginger for a long time. Actually, no one is sure how old this pungent spice is or where it came from, since it has never been found to be growing wild. The Chinese and Indians however were probably the earliest cultivators. It is therefore safe to say that Ginger is believed to have originated from East Asia.<sup>1</sup> It appears to have been used as a spice and medicine from early times by Indians and Chinese.<sup>2</sup>

Ginger is an erect herbaceous plant with fibrous stem bearing creeping under-ground tuber or rhizome. Its Botanical name is *Zigiber officinale*. It is a crop that makes heavy demand on labour during cultivation and exhaust soils. It thrives best on medium loams with a good supply of humours. It is cultivated as an annual crop, which is reproduced by means of cutting the rhizome (i.e. it is propagated vegetatively). The chemical composition of ginger makes it a very sought after spice. The ginger of commerce is the elongated, branched

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<sup>a</sup> Eluagu LS. and Ugwu B. O. , 1988, Proceedings of the first National Ginger Worksop, (pp147-152)

<sup>1</sup> Food Design Spice Rack, February 2000, Ginger.htm

and pungent pseudo-stem (underground root-like stems) of the plant or rhizome.<sup>3</sup>

Ginger is grown over a wide area of the tropics, although the major production areas are in South and East Asia. In the early years of the twentieth century, the most widely known producers and exporters of ginger were China, Jamaica and Sierra Leon. A number of other countries have since emerged as important ginger exporters amongst which Nigeria and more recently Australia are the most notable.

Ginger is grown in Nigeria generally in the Middle Belt States. The most notable are Kaduna, Plateaus, Niger and Nassarawa States in order of quantity produced. The production of ginger in Nigeria started vigorously in 1927, when an investigation was carried out to find a crop that would generate internal trade for the people of Southern Zaria Province (now Southern Kaduna), the traditional home of ginger production in Nigeria.<sup>4</sup> The common cultivars in Nigeria are *Tafin Giwa* - a yellowish variety with plump rhizomes and *Yatsun Biri* - with small compact rhizomes. Due to recent Research work by the National Root Crop Research Institute at Umudike near Owerri, Imo State of Nigeria, the cultivation of ginger has begun in the eastern states. Kaduna state however remains the main producer of ginger in

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<sup>2</sup> Food that Heals, Ginger.htm

<sup>3</sup> Duniya I. B., 1998, PGDM Term Paper, The marketing of ginger processed products- problems and prospects.

Nigeria. It is cultivated as a cash crop mainly in Southern part of the state and is used as a spice, condiment and vegetable.

### **2.3 THE USES OF GINGER**

Century after century, civilization after civilization, spices have always been prized by mankind. Spices have been used by various cultures and for various reasons from time immemorial. The spice trade has its root in ancient times with records of trading activity being conducted before the times of the Egyptian Pharaohs.<sup>5</sup> In Nepal-India, ginger has been under cultivation and used for culinary and medicinal purpose but after the establishment of the crop as a cash commodity, it is cultivated mainly for commercial purposes.

Ginger has been part of Chinese medicine for thousands of years. It is reported that one Marco Polo observed ginger in China and India between 1280-1290 AD. In Ayurvedic medicine, the herb has a 2000-year history. The eclectic physicians in the United States of America used ginger as carminative (reduces flatulence) diaphoretic (produces sweating), appetite stimulant and local counter-irritant. Furthermore, ginger is considered a great remedy for ailment of the abdominal area. For example, it is reported to ease menstrual and intestinal cramp and cleanses the liver. Modern herbalists associate the following action with ginger carminative, antiemetic, spasmolytic, peripheral

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<sup>4</sup> I. D. Erinle , 1988, Horticultural Crops Research Programme, IAR, ABU Zaria, proceedings of the first National Ginger workshop at Umudike, Nigria P.8-15

circulatory stimulant and anti-inflammatory.<sup>6</sup> Nigerians were known to have used ginger to treat yellow fever and malaria.<sup>7</sup>

The reasons for the use of spice have undergone considerable revision over the centuries. With advances in the knowledge of food preservation, the erroneous belief that the spoilage or process of decomposing food had been stopped because of the addition of spices has been abandoned. Modern food processors are equally dependent on spices as were their forebears but today, spices are used to give appealing and appetizing flavours in addition to whatever other uses they may have in the body. The flavour of our food is very important since the response of the digestive system is contingent upon it.

The ginger is a strengthening food that has long been used to maintain health. Confucius always had ginger when he ate. He approved its use at meals and during periods of fasting or sacrificial worship when other pungent foods were prohibited. After a woman had a child she is given ginger to strengthen and nourish her. The Chinese from Kwantung province, long cook a dish of several pounds of pig's feet with a pound or two of ginger and a considerable amount of vinegar to produce a gelatinous mixture thought to be restorative.<sup>8</sup>

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<sup>5</sup> Foodnet, Market Information, Tropical commodities and their markets, chapter 7

<sup>6</sup> Ginger, Highlighted information on herbs.htm

<sup>7</sup> Allison Solomon and Jennifer Baker, Ginger- *It's Not Just For Cooking*, Ginger.htm

<sup>8</sup> The Ginger People-Health Info.htm

Many studies are reported to have shown that ginger eases motion sickness and aids digestion. It is no coincidence that ginger ale as a soothing beverage, has been served on the airlines nearly since the beginning of commercial aviation. Presently, more chefs in the travel industry (airlines and cruise ships) are appreciating ginger's curative powers and incorporating it into many dishes, from sauces to deserts. Mounting evidence suggests that ginger has natural anti-inflammatory properties.

The Chinese also considered ginger root to be an antidote to shellfish poisoning, explaining why it is found in so many seafood dishes. The Greeks, after a large meal, wrapped bread around a piece of ginger and ate it to ease indigestion. This gave rise to ginger bread. In England, ginger was added to beer, forerunner to ginger ale, as a remedy for diarrhoea, nausea and vomiting.<sup>9</sup>

#### **2.4 THE MAIN COMMERCIAL FORMS OF GINGER**

Until the processing of ginger was introduced ginger entered the international market in the form of its three primary products namely:

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- a) Fresh (green) ginger
- b) Preserved ginger
- c) Direct (split or peeled) ginger

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<sup>9</sup> Spice Rack, February 2000, Food ProductDesign

Ginger is however traded mainly in the two forms of- fresh and dried. Preserved ginger is prepared from the immature rhizome while the more pungent and aromatic spice is prepared by harvesting and drying the mature rhizome. Fresh ginger, consumed as a vegetable, is harvested both when immature and mature.<sup>10</sup>

#### 2.4.1 FRESH GINGER

Because of the high water content of fresh ginger the trade in it is limited due to high cost of transportation and low resistance to spoilage due to heat humidity and handling. A larger proportion on the trade in fresh ginger occurs among the countries of Asia. The overall trade in fresh ginger in the international market is however insignificant. The value of fresh spices and herbs has led to greater attention on the factors affecting their perishability. Post harvest conditions that are suitable for one fresh herb may not be appropriate for another. Critical factors in determining the shelf life of fresh herbs and spices include temperature, humidity, and atmosphere, light and handling among others.

#### 2.4.2 PRESERVED GINGER

Preserved ginger is prepared in some of the producing countries notably in China, Hong Kong, Australia and India. Two forms of processed preserved ginger entering the market are: -

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<sup>10</sup> R. O. Ebebele and A. A. Jimoh, 1988, Dept. of Chemical Engineering, ABU Zaria, Local Processing

- i. Preserved ginger in sugar syrup
- ii. Dry or crystallized ginger: - this is ginger that has been impregnated with sugar syrup, dried and crated with crystalline sugar.

#### 2.4.3 DRY GINGER

The dry ginger may be peeled or sliced before drying. The drying could be sun-dried or mechanically dried. The sun-dried ginger is more common in Nigeria and India. The sun dried ginger is inferior in quality to the mechanically dried because of impurities like sand, animal faeces foreign matter etc. The dried has been the form in which ginger is traded internationally in the whole or split forms. While flavour is the critical factor for the spices, cleanliness and the freedom from microbial contamination are also crucial elements of the spice quality.

The traditional existing forms of drying ginger can be improved to increase the amount of value addition. Few modifications on the existing practice such as sorting, grading, cleaning, peeling in proper way; drying and packaging will gradually improve the quality of the end product. The spices are sold to various spice companies for further processing, including cleaning, grinding, blending and packaging.

## **2.5 WHY GINGER IS PROCESSED**

While ginger is grown only in some countries, it is sought for all over the world. Ginger is a seasonal crop and is perishable. Products like spice, oil and oleoresin can be made from the ginger. Ginger is harvested in large quantity during the season. Due to lack of processing facilities a large proportion of the production could be wasted.

Unprocessed ginger however contains extraneous matter such as insect parts and stone or support colonies of bacteria or fungi, when they arrive from suppliers. Processor must treat these problems of contamination before the spices are put in the market.

Ginger finds a good market potential the year round as it is used not only as a spice in preservations but also in confectionary, pharmaceuticals, soft drinks, soap processing industry, food, flavour, perfumery, confectionary and bakery and other industries.

The FDA and the American Spice Trade Association (ASTA) each have developed specifications for foreign material (defects) in imported spices. Both sets of guidelines recognize that spices need additional cleaning by processors after they arrive from suppliers. Processors use air separators gravity separators, and centrifugal separators to rid spices of foreign matter.



Microorganisms in spices can lead to spoilage or disease if the infected spices are incorporated into food products. Although microbial contamination is often attributed to the lack of good sanitary conditions in some countries where the spices are produced, even onion in powder grown and processed in the United States may have total plate count of 1million/g.<sup>11</sup> Spices that originate from plants that produce natural anti-microbial substances generally contain smaller bacterial population. Cinnamon muster and nutmeg are examples of spices with low levels of bacteria.

Some of the ways by which microbes are treated include: -<sup>12</sup>

- i. Treating the spices with ethylene oxide can reduce microbial counts by 90%. However, this gas has been classified as a carcinogen, and it can react with chlorides in foods to produce toxic and persistent chlorohydrins.
- ii Propylene oxide is an alternative to ethylene oxide but it is less effective at reducing microbes and also generates chlorohydrins
- iii Sterilization by heat seriously degrades the flavour of spices.
- iv Microwave treatment of spices has been attempted but does not effectively reduce microbes levels.

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<sup>11</sup> John Wolf, FOCUS, Issue Number 54, March 1995, Spices continue to show steady gain in popularity.

<sup>12</sup> Id

- v. Ultraviolet radiation does not have enough penetrating power to decontaminate spices.
- vi. The most effective way to reduce or eliminate bacterial and fungal populations on spices and the least likely to cause flavour changes is to subject them to ionising radiation. However such products must be labelled as “treated with radiation”.

The spice industry is still leery for the public’s reaction to irradiated food. It’s a result, less that 1% of spices used in the processed foods are irradiated. No spices sold in the retail stores in the United States are (known to be) treated with irradiation.

- vii. Another method for overcoming microbial contamination is to process the herbs and spices into their essential oils and oleoresins.

Nigerian ginger has been found to be of superior quality that is good and suitable for both productions of ginger oleoresins and essential oil. Due to the lack of ginger processing facilities within the country the farmers have to sell their produce in the fresh form and traditionally dried form at low prices. This is of inferior quality than the mechanically processed one. Processing facilities within the country can make Nigerian ginger compete in the world market with added value. Moreover, since ginger began to be used in processed

products, it has become necessary to ensure consistent taste and flavour for the purposes of standardization. It is for some of these reasons that there has been a movement away from the ground spices generally towards the use of the processed forms of ginger namely: - essential oil and oleoresin.

## **2.6 THE PROCESSED GINGER PRODUCTS**

The major processed forms of ginger are ginger oleoresin and ginger oil. The current stress on a healthful diet with reduced sodium, fat and sugar, has helped generate an escalating interest in spices as a source of novel flavours. The Food Industry across the globe is turning more and more to spice oils and oleoresins to create newer varieties of food. In the United States, demand for spices, especially the 'hot' kinds has risen sharply since the early 1980s. Since 1990, Americans have consumed over 800 million pounds of spices annually: the hot varieties – including black pepper, red pepper, mustard and ginger - now account for over 40% of the spices used in the United States.<sup>13</sup>

### **2.6.1 GINGER OLEORESINS**

Oleoresins are extracts from herbs or spices used as flavouring and colouring in food products and pharmaceutical compositions. They originated in the 1930's when the oleoresins of black pepper and ginger were developed. These original oleoresins were produced by

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<sup>13</sup> John Wolf, March 1995, Focus, Issue Number 54

dissolving ground spice with a solvent, removing the solvent under vacuum and disposing of the waste materials. The spice oleoresins are actually the concentrated liquid from the spices that reproduce the character of respective spice fully. These first oleoresins were heavy masses of the volatile and non-volatile portion of spices. As extraction technology improved, product quality and demand increased.

Oleoresins have numerous advantages over whole or ground spices. They can be customized to a specific food product's requirements for invisibility, solubility and dispensability. Other advantages include instant flavour release, standardized flavour, and aroma to meet precise specifications, uniform dispersion in the product, and easy handling and storage.

Oleoresins are also free from enzymes, tannins and contain natural antioxidants. They do not contribute colour and moisture significantly to the final product. The losses from volatilisation of essential oil are minimized due to the presence of resins.

They are free from bacteria, filth and other contaminants. They have long shelf life like under normal and semi-adverse conditions. They require less warehouse space required to store equivalent amount of natural spice flavour. Furthermore, they require less time in cleanup Spartans because liquid oleoresin does not leave particulate matter.

Overall they also cost less than the corresponding spice on a flavour cost basis.

The demand for spice oils and oleoresins is increasing day by day, as more and more spicy snacks are being developed and introduced by fast food chains with standardised flavours.

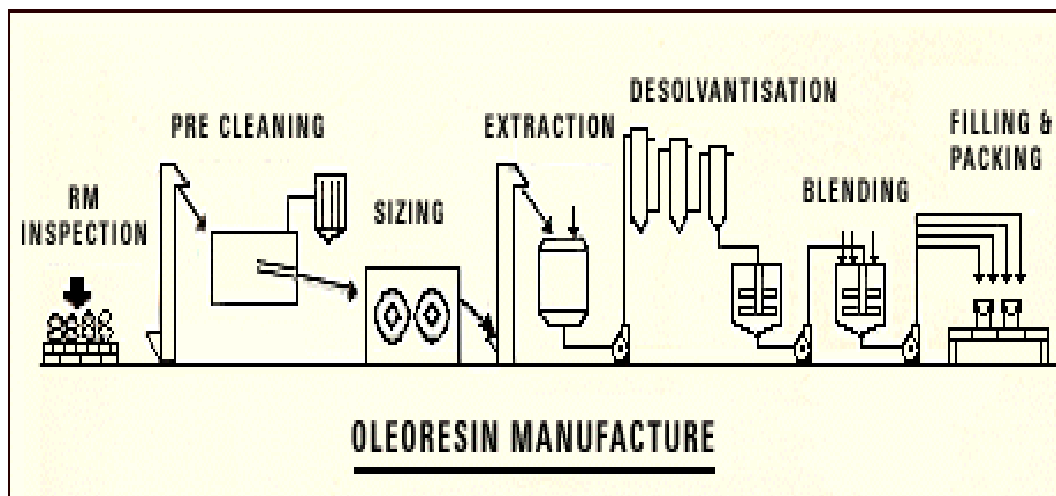
### *Oleoresin Production*

The main steps required to produce oleoresins include extraction with solvents, solvent removal, standardization and dilution through dispersion, emulsification or solubilization.

### *Extraction With Solvents*

Extracting the aromatic portion of plants from the ground material and concentrating the result produce flavours from spices and herbs. The spice or herb is dissolved in a solvent, the solvent is removed in a vacuum and the flavouring compound is left behind. The solvent plays a critical role in the extraction process because it determines the character of the oleoresin-it determines flavour, taste and solubility of the oleoresin.

## FLOW DIAGRAM OF OLEORESIN PRODUCTION



Oleoresins are extracted by a process of solvent extraction, followed by removal of the solvent to extremely low levels typically less than 25-30 parts per million.

The quality of an oleoresin is typically evaluated on the basis of: -

- i. Presence of the active ingredients in the desired levels
- ii. The bite giving resin portion containing a combination of alkaloids, gums, pigments, etc.
- iii. The aroma giving volatile/essential oil component
- iv. The comparison of the flavour/aroma profile of the oleoresin in comparison with the natural spice in application.
- v. The ease of use in terms of pourability, dispersibility, blending, etc.

- vi. The consistency of flavour, colour, viscosity over repeated batches.
- vii. The acceptability of the extraction solvent used and mineral residual levels present thereof. Acetone, hexane, alcohols, methylene chloride and CO<sub>2</sub> are commonly used solvents. However, chlorinated solvents are gradually getting phased out in most part of the world due to concerns about their carcinogenicity.

#### *Solvent Removal*

Extraction with solvents, is achieved by evaporation at moderate temperatures and under partial vacuum, however, solvent residues often remain. Removing the last traces of solvents usually results in the loss of some flavour components (essential oils), referred to as 'top notes'.

#### *Standardization of Oleoresins*

Standardization if necessary is achieved when essential oils are added to the oleoresins to increase or reinforce the flavour and increase the "test" of the spice. Because these standard oleoresins are blended with essential oils, they are functional spice but not true representation of the plant material. Standardized oleoresins maintain a consistent percentage of essential oil. Each manufacturer of standardizes its oleoresin so that these spice extractives produce the same flavour from batch to batch and from year to year. This process of

standardization reduces the difference caused by varying quality and sources of spice crops.

### *Dilution*

The oleoresin contains the aroma and flavour of the spice in a concentrated viscous liquid or semi-solid form. Due to this high concentration, oleoresins cannot be incorporated into food products unless they are diluted. Dilution could be achieved by dispersing the oleoresin on a dry carrier such as salt dextrose sugar or starch to produce a dry soluble spice. It could also be dispersed to produce fat-based soluble spice or by emulsifying the oleoresin with gum acacia or by dissolving it in alcohol or another appropriate solvent to yield a liquid soluble spice.

### 2.6.2 GINGER ESSENTIAL OILS

The other major component of processed ginger is Ginger Oil or Ginger Essential oil.

The chief sources of flavour in many spices are oils that volatilise at low temperatures. Grinding disrupts the cell structure of spices and causes a rapid loss of the volatile oils. They lose volatile oil as they age and when they are heated. Often, it is one of the minor components of a complex essential oil that produces the characteristic aroma and flavour. The essential oils are derived from volatile aromatic compounds found in plants. They are used in the flavour and



fragrance industry as a source of flavour and aroma. The primary benefit of essential oils is their uniform quality and lack of colour, making them popular in food preparations. The meat industry uses essential oils and oleoresins almost exclusively.

The exception is when evidence of a spice particle is necessary.

The essential oils do not contain the non-volatile component of the spice, therefore, the flavour profile is incomplete. Essential oils can be distilled from the flower, bark, seed, leaves or roots of plants or from the whole plant.

They are used in the food industry as flavouring in the cosmetic industry for fragrances and in the pharmaceutical industry for its functional properties.

#### *Essential Oils Production*

Essential Oils are the natural plant products, which accumulate, in specialised structures such as oil cells, glandular trichomes, and oil or resin ducts. The essential oils from aromatic plants are for the most part volatile and thus, lend themselves to several methods of extractions. The specific extraction method employed is dependent upon the plant material to be distilled and the desired end product. The essential oils which impart the distinctive aromas are complex mixtures of organic constituents, some of which being less stable, may undergo chemical alterations when subjected to high temperatures.

The essential oils may be derived from plants with the following processes: -

- i. Hydro distillation, also known as water distillation. This is a process in which water and plant material are boiled together in a tub.
- ii. Steam distillation uses heat from steam to break the oil glands to vaporize the oil, which is then condensed and separated from the water. Steam distillation is the common commercial process for large quantities of essential oils economically.
- iii. Solvent extraction uses organic solvents to extract both essential oils and oleoresins, which are then separated.
- iv. Supercritical Fluid Extraction Technology (SCFE) is the modern technology of making oils and oleoresins through carbon dioxide processing. It uses carbon dioxide as the solvent above its critical pressure and temperature for extraction of various natural materials. It is a cost effective technology for value addition in the processing of agricultural commodities like spices.

This technology is current preferred process world wide for commercial scale extraction because it offers: -

- Delicacy and freshness close to natural
- High potency of active components
- Excellent blending characteristics
- Longer shelf life

- Free of biological contaminants
- Simultaneous fractionation of extract
- Pollution free process
- Provides solution to international concerns
- No residual solvent
- No residual pesticide

It is to be recognised however that the largest quantities of essential oils produced in the United States are actually the by-products from industrial processes yielding higher value primary products. For example, the citrus essential oils are recovered from the peel, which contains the oil sacs or glands located irregularly in the outer mesocarp of the fruit. These glands are embedded at different depths in the flavedo, the coloured, outer portion of the fruit and must be removed by first rupturing the glands by pressure or mechanical rasping.

## **2.7 THE KADUNA STATE OWNED AGRO-ALLIED PROJECTS**

Since the object of this research is focussing on the marketing perspective in Kaduna State owned Agro-allied projects with special interest (attention) on Kachia Food Company Limited, it is pertinent to have an overview of the Kaduna State-owned Agro-Allied Companies.

### 2.7.1 IKARA FOOD COMPANY LIMITED

#### *THE VISION.*

The Ikara Food Processing Company Limited is a Kaduna State owned agro-allied company established in 1981 to process among others: - tomatoes, pine apple, oranges, mangoes etc. into the concentrated pastes. Industrial Export of Hungary (IDEX), carried out the construction, supply and installation of machines as technical partners. The company is one of the 14 industrial projects conceived by the civilian Government of Balarabe Musa administration (1979-1983) as part of its industrialisation programme to establish an industrial venture based on available raw materials in each of the then 14 Local Government areas.

The physical implementation of the project was stalled between 1983 and mid 1987 due to successive charges in the state Administration.

It was hoped and believed that the presence of the factory would help boost the economic activities of the area and provide farmer enhanced income through the availability of a ready market to sell their perishable produce. The finished products of the factory were envisaged to be consumed locally, and also for export to earn foreign exchange.

### *THE STATE OF THE COMPANY*

The project, which was due for completion in 1983, was not completed until 1989 at a much higher cost and commenced production only in 1990.

At the time of completion and commissioning of the factory, it was saddled with a lot of problems among which were:-

- i. Lack of sufficient working capital.
- ii. It was realised that glass bottle packaging line installed was not adequate for our tropical and mainly rural environment. No funds were available to replace that already provided.
- iii. Lack of electricity supply to the factory and hence total reliance on generating sets procured and run by the company.
- iv. Inadequate supply of water from the company's foreclosed, as there was no municipal supply to the town. To make matters worse, effort to boost water supply by sinking additional boreholes failed, as it was latter learnt the area did not have a favourable water table. Funds that could have been invested elsewhere therefore become a waste.

The management of the company due to lack of funds could only manage to procure a second hand canning machine to enable it launch its products into the market. It was soon realised that the second hand canning machine was not good, as many of the cans were not properly seamed leading to leakages and spoilage. This, coupled with inadequate marketing structure and strategy ensured the product did not last in the market.

It was then realised and accepted that the only way out was to provide a reliable new seaming machine before production could continue.

#### *Present state of affairs*

The company stopped production in 1991 after producing for only one season. An attempt for the company to go into contract processing in 1995 did not yield the desired result and was abandoned because their party did not have a ready market for the products.

It is gratifying however to note that the water supply problem was solved in 1998 when the Ikara Dam was completed and connected to the factory. It is however sad that whereas Ikara has since been connected to the National Grid by the state Government that owns the company. It is yet to be connected to municipal electricity supplies due to the non-provision of a dedicated transformer.

An automatic can-seaming machine has also been procured and installed but due to a number of pending problems the company is yet

to go into production. The long period of inactivity in the company has led to the termination of virtually all the staff that had been trained at great cost to operate the equipments.

Principal among the current problems of company are: -

- Lack of funds to over haul the plant and equipment
- Lack of working capital
- The market environment has change as new entrants have come on stream and would fight to retain their share.
- The company may not be able to attract back her trained and experienced technical personnel.

The state Government is seeking capable investors that will join hands with it to resuscitate and revitalize the ailing company.

#### 2.7.2 KAFANCHAN FOODS AND FLOUR MILLS LIMITED

The project was conceived in 1991 by the ministry of Agriculture and Animal Resources. The supply and installation of plant and equipment was completed in September 1992 at a cost of N14.6m.

The project was transferred to the Ministry of Commerce and Industry in 1994 for proper coordination and implementation as a corporate entity. This led to the project is being incorporated as a limited liability company in 1996. A feasibility study was then conducted in 1997. I believe this study was not to establish the viability of the plant but to work out how to raise Working Capital to utilize the already installed machinery.

The plant, which was installed in 1992, has remained dormant since then. The following works are also outstanding

- Access Road Drainage, parking area and landscaping
- Connection of electricity from the National grid to the factory.
- Supply of water from municipal water works in addition to provision of overhead tank.
- Construction of offices
- Construction of warehouse for raw material and finished products.

The above outstanding works were estimated about N140m in year 2001, in addition to the above, the plant that have been idle for ten years require servicing. There is the need to supply spare parts, and train staff that could operate and maintain the plant when the company goes into operation.

Apart from a positive political will the state Government and other stakeholders will require between N180m – N200m in order to complete this plant and properly launch it products into the market.

A current market research as definitely required mapping out a market strategy to ensure the company's products are tailored to



satisfy current and future market demands. This is necessary to avoid producing what may not be acceptable leading to a great waste of resources to be invested in order to complete and commission the factory.

### 2.7.3 KACHIA FOOD COMPANY LIMITED

The Kachia Food Company Limited like the Ikara Food Processing Company limited was incorporated in 1981 as one of the 14 industrial projects in each of the then 14 Local Governments of Kaduna State. This was sequel to a feasibility study conducted which established that a profitable Ginger processing plant could be established.

For some socio-political and economic considerations the project could not take off until 1989 after the project had been re-appraised and found to be viable in 1988. The turnkey contract signed in December 1988 stipulated a completion period of two years but the project was not completed until year 2000, which is 11 years after.

The management of the company was contracted to inter-project of Hungary the technical contractors in December 2000 and production started in January 2001. However, as at May 2002 none of the products had been sold.

## CHAPTER THREE

### HISTORICAL BACKGROUND OF KACHIA FOOD CO. LTD.

#### 3.1 INTRODUCTION:

Agriculture can be considered as old as civilization itself. It has been in practice even in the ancient and primitive time when men learnt to keep domestic animals and raised crops. Agricultural Development, and economic development are closely related. With agricultural development, there are abundant raw materials for industries to use. This in turn leads to economic development.

Nigeria is blessed with a wide variety of soil and climatic conditions, which supports enormous plant wealth. As a predominantly agrarian nation, Nigeria is highly endowed with abundant agricultural resources consisting of cash crops like rubber, gum-arabic, ground nuts, cocoa, ginger, cotton, palm kernel and the like. These cash crops provide industrial inputs or raw materials for industries both in the local and industrialized economies.

Peasant farmers, who often make the products available in the local markets and sell to middlemen, produce these crops predominantly in small farm holdings. In the past, marketing boards purchased most

of these cash crops, cleaned and exported the products to advanced countries. The prices offered were a token incentive to the local peasant despite his hard toil in the farm throughout the farming season.

The disbandment of the marketing boards made things worse for the farmers, in that there were no ready markets for the cash crops. This led to a reduction in output and abandonment of the rural areas to the city in search of cash employment.

The Kaduna State Civilian Government of Alhaji Balarabe Musa in 1979, decided to establish an industrial project in each of the then 14 Local Government to utilize the agricultural raw materials readily available through cultivation, in the respective Local Government Areas.

The Kachia Food Company Limited was incorporated to utilize the abundant ginger cultivated in the Local Government. Kachia Local government (as it then was) was one of the major producers of Ginger in Kaduna State. Kaduna is the major producer of Ginger in Nigeria. This was further to the fact that there had been a rapid growth in the world demand for plant based raw materials for manufacturing food flavours, fragrances, perfumes etc.

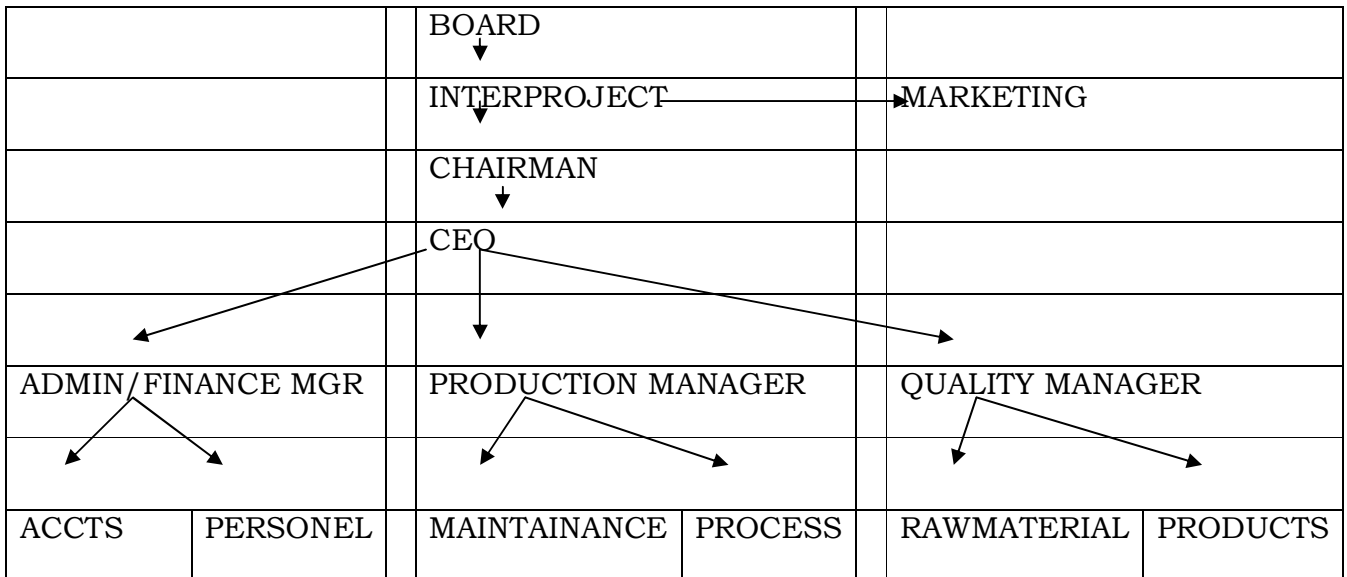
### 3.2 THE OBJECTIVES OF THE COMPANY:

The objectives of the company include among others: -

- (i) To process the abundant quantities of ginger grown in Kaduna and surrounding States to earn higher prices in foreign exchange because of the added value. This will in turn make it possible for the Company to pay better prices to the farmers in addition to the profits to be earned from the investment.
- (ii) To promote and increase the cultivation of ginger in the state and the country in general by providing a ready market for it.
- (iii) To spread industrial development in the rural areas thereby encouraging private entrepreneurs on down-stream possibilities and reduce rural-urban drift.
- (iv) To create job opportunities and enhance quality of life in the rural areas.
- (v) To promote technology acquisition and research that would enhance/improve the varieties and cultivation of ginger and related crops the company may process.

- (vi) To assist in diversifying the foreign exchange earning capability of the national economy by earning higher rates on products on which it has relative advantage to produce and add value.
- (vii) The initial products will open a window for other opportunities that could be economically taken up.

**3.3 ORGANISATIONAL STRUCTURE:**



**3.3.1 STAFF RECRUITMENT:**

At the time Interproject took over the affairs of the company, all staff of Kachia Food Company Limited were on compulsory. The Chairman of Interproject and the technical staff (primarily the Production

Manager) were responsible for the recruitment of all personnel. Managers of the various departments had no input in the recruitment exercise.

### **3.3.2 GENERAL MANAGEMENT:**

The Acting Chief Executive who is responsible for the day-to-day running of the company initially had only an overseeing authority on the Production Manager and the foreign staff. He is responsible for ensuring that the Company complies with all laws and rules of the land he is also responsible for the sourcing of production materials except ginger. He is responsible for the general day-to-day running of the company.

### **3.4 THE GENERAL OPERATIONS OF THE COMPANY:**

As mentioned earlier, the management of the company was contracted out to Interproject Company Limited of Hungary for an initial period of two years in December 2000, while production was started in January 2001.

Whereas discussions and negotiations for the Management Contract started in late 1999 and concluded in early 2000, Government could not raise the required working capital early, as proposed. This led to the late signing of the agreement. Because of this, arrangements Interproject had put in place in anticipation of an early signing of the

agreement to enable them plan well for the smooth take-off of the Company's operation collapsed. The take-off of operations was rushed when some funds were made available in the last weeks of December 2000, to avoid losing the ginger harvest season of Nov – March.

#### 3.4.1 TECHNICAL/PROJECT MANAGEMENT:

The technical staff members from Hungary (Maintenance Manager, quality Control Manager) are under Production Manager technical matters but report as stated in the organogram on administrative matters. This department is responsible for efficient operation and maintenance of all plant and equipment. The department is also responsible for accepting quality ginger, supplied and rejecting poor quality supplies.

#### 3.4.2 PERSONNEL DEPARTMENT:

This department is responsible for the recruitment, welfare and well being of all staff. It is responsible for discipline and general good conduct of all staff in the organization irrespective of the department in which they work.

#### 3.4.3 THE ACCOUNTS DEPARTMENT:

The Accounts Department is responsible for the receipt and disbursement of all funds in the company. The Department draws up guidelines for such disbursements. The Department is responsible for

the safe receipt and storage of both raw and processed materials and liaises with the Production Department and general management for the placing of orders for desired production and ancillary materials.

The Department also makes financial projections based on estimates submitted by marketing and Production Departments and advices on the sources and ways of raising funds for the company's operation. This role is however limited to directives from the State Government, the tying down of the company's securities to funds that had earlier been borrowed and the operation/performance of the company.

### **3.5 THE ACTIVITIES OF THE MARKETING DEPARTMENT:**

The feasibility study for this project had established that the present local demand for the products of the proposed ginger processing plant is minimal. It therefore became obvious that the plant will necessarily have to rely heavily, at least initially, on foreign markets for the disposal of the products while trying to develop the local market. This calls for foreign/international marketing.

Because this plant is the first of its kind in Nigeria and indeed West Africa, it meant there is no local experience to rely on, this meant there was the need for market research for the specific products of the plant.



It was further established that the ginger trade (raw or processed) is a closed trade and ginger processing is a very skilled business. Improper extraction may lead to a loss of the desired principles. It is for this reason that it was recommended that the best course to follow is to enter into a joint production and or joint sales agreement. Firms already in the market are better positioned and familiar with the requirements of the market, and are in a better position to meet individual specifications of clients and can provide technical know-how and after-sales services more effectively.

#### 3.5.1 MARKETING RESEARCH:

In the early stages of the projects implementation, it was clear to the management that the best way for a firm to be lucky is to make its own luck. This requires knowing what makes a business successful. The 1981 feasibility study on the Project at pages 52 – 53 identified that the processed ginger trade is a closed trade and that the following should be noted: -

- (i) Ginger processing to the right specification is a very skilled business. Improper extraction may lead to a loss of the desired principles thus ruining the product for commercial exploitation.
- (ii) The bulk of the demand for processed ginger from the food industry is for dispersed spice extract. <sup>14</sup>

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<sup>14</sup> Feasibility Report on the Kachia Ginger Processing Project, 1981 (pp 52-53), by the Chemical Engineering Department, ABU Zaria.

It was for the reasons overleaf among others, that it was recommended that for the Nigerian plant, the straight (un-dispersed) oleoresin extract should be produced, and that this should be marketed through existing concerns in the importing countries. It was to achieve this that the State Government entered into a joint venture agreement with IDEX of Hungary to implement the project. This was considered the best course to follow since firms in the importing countries are more familiar with the requirements of the market, are in a better position to meet individual specifications, provide technical know-how, and after sales services more effectively.

#### INDUSTRIAL MARKETING:

Industrial users are businesses, institutions or even individuals that buy products or services to use either in making goods and services, conducting their own operations or for resale to industrial users.

Industrial goods are those products intended for use in making other products or operating a business or institution. Industrial marketing may therefore be defined as the marketing of industrial goods and services to industrial users. The following range of industries that

make up the industrial market provides a very useful basis for segmenting the industrial market.

1. Agriculture, Forestry and Fishing.
2. Mining and Quarrying.
3. Contract construction.
4. Manufacturing.
5. Transportation, Communication, and other public utilities.
6. Wholesale Trade.
7. Retail Trade.
8. Finance, Insurance, and real estate.
9. Services.
10. Government, - Federal, State and Local Government.

CLASSIFICATION OF INDUSTRIAL PRODUCT:

The broad term industrial product is usually subdivided into five categories. The categories are:-

- Raw materials.
- Fabricated materials and parts.
- Installations.
- Accessory equipments.
- Operations supplies.

#### RAW MATERIALS:

Raw materials are industrial goods that would become part of another product. They usually have not been processed in any way, except as necessary for economy or protection during handling. Raw materials include goods in their natural state such as minerals, land, and products of the forests. They also include agricultural products such as wheat, ginger rhizomes, corn, cotton, fruits etc.

#### FABRICATED MATERIALS AND PARTS:

Fabricated materials and parts are industrial goods that become an actual part of the finished product. They are usually processed to some extent (in contrast to raw materials). Fabricated materials will undergo further processing. Examples include pig iron going to steel, yarn being woven into cloth. Fabricated parts are assembled with no further change in form. They include such products as zippers in cloth, tyres in cars etc.

#### INSTALLATIONS:

Installations are manufactured industrial products that are long-lived, expensive, major equipment of an industrial user. For example, a factory building, blast furnace, diesel engines for real road, airplanes or an airline. The differentiating characteristic of installations is that they directly affect the scale of operation of the firm without being part of the finished product.

#### ACCESSORY EQUIPMENT:

Accessory equipment is used in the production operations of an industrial firm, but it does not have a significant influence on the scale of operations in the firm. Accessory equipment does not become an actual part of the finished product. The life of accessory equipment is shorter than that of installations and longer than that of operating supplies. Examples include office equipment, forklift trucks, small power tools etc.

#### OPERATIONS SUPPLIES:

Operations supplies are the “convenience goods” of the industrial field. They are shorter-lived low priced items usually purchased with minimum effort. They aid in a firm's operations but do not become part of the finished product. Examples include lubricating oils, stationary, etc.

#### CHARACTERISTICS OF INDUSTRIAL MARKET DEMAND:

There are four (4) general demand characteristics that help differentiate the industrial market from the consumer market. They are:-

- (i) Demand is derived.
- (ii) Demand is inelastic.
- (iii) Demand is widely fluctuating.
- (iv) The market is knowledgeable.

1. DEMAND IS DERIVED:

The demand for industrial goods is derived from the demand of the consumer products in which the industrial item is used. The marketing implication for this is that if there is low demand for the consumer products of which the industrial product are a part, there will be low demand for the industrial product.

2. DEMAND OF INDUSTRIAL PRODUCTS IS INELASTIC:

By this, it is meant that the demand for industrial goods responds very little to changes in its price. This is because the cost of a single part of the industrial goods is ordinarily only a small portion of the total cost of the consumer-finished product. For example, the cost of chemicals in paint is only a small part of the price that a consumer pays for paint from a marketing point of view. Three factors could be considered regarding the inelasticity of industrial demand as follows: -

- (a) The position of an entire industry as contrasted with that of a firm.
- (b) Another factor is time. The inelasticity is only for short-run situations. Over the long run, the demand for a given industrial product is more elastic.
- (c) The other factor is the relative importance of a specific industrial product in the cost of the finished product. It can be generalized that the greater the cost at an industrial product as a percentage of the

total price of the finished product the greater the elasticity of demand of this industrial product.

3. DEMAND FOR INDUSTRIAL PRODUCT IS WIDELY FLUCTUATING:

Although the demand for industrial goods does not change much in response to price changes, it is far steadier. Fluctuations in demand for industrial products can influence all aspects of a firm's marketing program.

4. THE MARKET OF INDUSTRIAL PRODUCTS IS KNOWLEDGEABLE:

Unlike the ultimate consumers, typical industrial buyers are usually well informed about what they are buying. They know the relative merit of alternative sources of supply and of competitive product.

DEMAND OF INDUSTRIAL MARKET DEMAND:

The factors affecting the market for industrial products are the number of potential industrial users and their purchasing power, buying motives, and buying habits. Some of these determinants include:-

INTERNATIONAL MARKETS:

The basic functions of domestic and international marketing are the same. The international markets served often differ widely, because of the great variations in the uncontrollable environmental forces

namely: Financial forces, Economic and socio-economic forces, physical force, socio-cultural forces, political forces, legal forces, labour forces and competitive and distributive forces.

To enter an international market therefore, a market screening is essential. Market screening is a method of market analysis and assessment that permits management to identify a number of desirable markets by eliminating those judged to be less attractive. Countries accomplish this by a series of screenings base on the following criteria. <sup>15</sup>

INITIAL SCREENING:

- Basic need potential and or foreign trade and investment.

SECOND SREENING:

- Economic and financial forces.

THIRD SCREENING:

- Political and legal forces.

FOURTH SCREENING:

- Socio-cultural forces.

FIFTH SCREENING:

- Competitive forces.

FINAL SELECTION:

- Personal visits plus, in some cases, research in the local market.

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<sup>15</sup> Donald A. Ball and Wendel H. McCulloch Jr., 1993, International Business - Introduction and Essentials 5<sup>th</sup> Edition, Richard D. Irwin, Inc



This screening arrangement is designed to progress from the least to the most difficult, analysis based on the accessibility and subjectivity of the data. In this way, the least number of candidates is left for the final, and most difficult screening.

### **3.8 THE MARKETING PROBLEMS OF THE COMPANY**

The major marketing problems of the company are lack of adequate capital. It has been established that the markets for the company's products are industrial; the markets are closed and abroad. Adequate funds have not been released to scout for prospective clients abroad or to attend exclusive International Spices and Herbs trade fairs.

### **3.6 PROSPECTS OF THE COMPANY IN NIGERIA**

The prospects of the company in Nigeria have good potentials if the products can be successfully launched in the international markets. This is because all the raw materials are locally sourced and the products would earn foreign currencies. Once the company begins to make profits, research would be sponsored for the processing of other herbs and spices for which economic advantage is established.

### **3.8 SUMMARY**

The company was established based on sound judgment of economic and social benefits. The company has been shown to have the capacity to produce high quality products that can

successfully compete in the international markets. Inadequate funding hampers the marketing of the products. This trend must be reversed for the company to make a head way early to avoid untimely death.

## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY :**

#### **4.0 INTRODUCTION:**

The chapter states and explains the methods used in conducting this research. As has been stated in chapter one (1.5), because the research topic is new and therefore unpopular in the research environment, it was mentioned earlier that relevant information on this topic could be obtained mostly through documentary review of the Company's development and implementation with the Ministry of Commerce, the Project offices and that of the Technical Partners as well as using personal interviews to interview most key persons who must have had or are currently having something to do with the Kachia Food Company.

#### **4.1 TYPES OF DATA:**

##### **4.1.1 PRIMARY DATA:**

Primary Data comes mainly from direct observation of an event, manipulation of variable, observation/result of experiments and responses to questionnaires or interviews. Other sources of primary data include direct speeches, diary records kept by participants and records of events recorded by actual witnesses of participants. These records could be artefacts of diaries.

##### **4.1.2 SECONDARY DATA:**

Secondary data are data obtained not directly by the researcher or modified/processed primary data. The major sources of secondary data are books, journals, diaries, newspapers, reports etc.

#### 4.2 **GENERAL RESEARCH METHODS:**

There are several research methods. Among these are:-

- Survey Research
- Historical research.
- Basic and applied research.
- Experimental research.
- Ex-post research.
- Case study.
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##### 4.2.1 HISTORICAL/EX-POST FACTOR RESEARCH:

This research carried out on what has already happened and is past and the data are already in existence. It involves being able to understand and explain a phenomenon based on knowledge of the past. It is a systematic empirical study in which the researcher does not in any way manipulate the independent variables. <sup>16</sup>

One particular problem of historical research has to do with the internal and external criticism of information (data) collected internal criticism deals with evaluating the information its sources, its

relevance to the subject and its reliability. Internal criticism deals with the credibility of the sources of information.

#### 4.2.2 BASIC AND APPLIED RESEARCH:

Basic research is a fact-finding research that explores situations of study or phenomenon. It strives to answer the question what?

Applied research attempts to explain or expose a situation in order to enable the researcher understand it better hence, it is often and perhaps better called explanatory research or expository research. It attempts to answer the question why?

#### 4.2.3 SURVEY RESEARCH METHOD:

The survey research method is a method of collecting data from a large population, which constitute the respondents. It is the most widely used in Social Research. When the population is too large, a representative sample is picked.

The purpose of the survey is not just to collect data, but to put data together and make a meaning out of it or to understand the phenomenon of interest.

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<sup>16</sup> Nnamdi Asika, March 1991, Research Methodology in Behavioural Sciences, Longman Nigeria Plc, (p 24)

Surveys are based on a very simple procedure of asking questions.

These questions could be by:

- Mail questionnaire.
- Personal interview.
- Observations.
- Telephone survey.

#### 4.2.4 EXPERIMENTAL RESEARCH METHOD:

Experiments are carried out under controlled or contrived variables where the independent variables are manipulated at will. It is the commonest method used in most of the physical and natural sciences.

In this research method, one of the several independent variables is varied while holding the others constant and noting, the effect of this variation on the dependent variable.

Experimental research is also carried out in the social sciences using a pre-test.

#### 4.2.5 CASE STUDY:

Case study may be defined as a detailed analysis of a person or group or social phenomena.

Case study has a long history in social science research and has been used extensively in such areas as clinical psychology and development psychology.

Case study typically involves the observation of an individual unit closely. A case study usually focuses on a bounded subject or unit. It can be either quantitative or qualitative or even a combination of both. The case study research method is used to gain-in-depth understanding replete with meaning for the subject. Focusing on process rather than outcome, on discovery rather than confirmation.

A case study usually involves the collection of extensive data to produce understanding of the entity being studied. It is the preferred strategy when “how, who” or what questions are being asked, or when there is control over events. The main techniques used are observation, interviewing and document analysis and post-test approach or the controlled and experimental group approach.

#### **4.3 RESEARCH METHOD USED:**

The survey research method has been found to be the best for this subject of study. As selecting the respondents is a very important aspect of social research. The choice aspect of social research because it influences the reliability and validity of the data generated.

Data from the wrong respondents will misguide research thought and desist or misrepresent reality.

It is for this reason that effort was made to limit the study population to people that are adequately knowledgeable on the subject matter and those that were directly involved in the project implementation.

In this study, personal interviews were the main source of data collection. This was with a view to asking pertinent questions and stating known facts that could have affected respondent's responses. The selection of respondents was therefore non-probability.

Furthermore, files on the projects implementation at both the Ministry of Commerce, Industry and Tourism (the supervising Government Agency) and the projects offices were perused and examined to corporate and find additional information.

#### **4.4 JUSTIFICATION OF METHODS USED:**

The major objective of the study is to find out why the company is having difficulty in marketing her products. The best way to know why is to find out in detail how the project was implemented and the strategies developed and implemented towards a successful launching of the products. We found out the best was to find the facts to study



the files on the projects implementation (documentary), discuss with principal participants in the projects implementation to find out why certain decisions were taken and also to discuss with the technical partners and managers of the projects with a view to having the limitations/problems both from the Nigerian and foreign perspective. The method used is justified because we believe it is the best method of finding out any salient issues in the projects implementation that could have aggravated the difficulty now being encountered in marketing the company's products.

#### 4.5 **DATA ANALYSIS:**

The data generated from this study are notes derived from documents and interviews. They would be presented chronologically from the conception of the project its implementation and marketing of the products. The data generated is basically qualitative than quantitative. The report will therefore be more of a narrative and descriptive style rather than statistical/summation.

#### 4.6 **SUMMARY:**

Because of the difficulty of Kachia Food Company in selling its products of Ginger oil and ginger oleoresin, the case study strategy was considered the best approach to find out whether there were salient issues that might have led to this or whether some marketing approaches were overlooked in practice. The research efforts centered

on documentary reviews as well as interviewing of principal participants and knowledgeable persons in the development of the data for this study. The study is more of a historical case study tracing the development of the project from conceptualisation to implementation and the marketing of the finished products.

## CHAPTER FIVE

### DATA PRESENTATION, ANALYSIS AND FINDING:

#### 5.1 INTRODUCTION:

In this chapter, the data/information on the company are presented with special bias on the subject of the study – the marketing perspective.

#### 5.2 INFORMATION OF THE RESEARCH RESPONDENTS:

The research respondents are principally people that have been involved in the projects conceptualisation up to its completion commissioning. They include former Governors, Commissioners, Chief Executives of some State-owned Organisations and former Chairmen of relevant Local Government Areas and the Principal Officers of the Technical Partners/Contractors.

Age:

Age Range (Years)	25-29	30-34	35-39	40-44	45 and above	Total
	4	2	6	10	18	40

All the respondents are above 25 years of age.

Qualification:

Education	OND	1 <sup>st</sup> Degree/HND	2 <sup>nd</sup> Degree	Total
Number	6	20	14	40

Each of the respondents has at least Polytechnic Diploma.

Work Experience:

Years of experience	1-4	5-10	11-15	16-20	21 and above	Total
Number	3	6	8	9	14	40

All the respondents had had at least three years experience in their chosen fields. Each of the respondents has been involved or is involved with an aspect or aspects relevant to the ginger industry and or its marketing.

Position Held:

Position	Junior	Middle	Senior	Executive	Total
Number	5	8	15	12	40

Respondents were chosen from the junior through the executive cadres in order to have opinions from a broad cross-section of those that could give relevant information on the subject.

### 5.3 THE AIM OF AND IMPLEMENTATION OF THE PROJECT:

All the respondents agreed that the idea behind the project is noble. The defunct Nigerian Groundnut Board established by the commodity boards decree No. 29 1<sup>st</sup> April 1997 is reported to have suffered heavy financial losses in their ginger trade. Their reports and those of Ministry of Commerce connected with ginger trade in Kaduna State and those of the Nigerian Groundnut Board had suggested the establishment of a ginger processing plant to process ginger for both local and foreign use. The plant was to serve as a means of resuscitating ginger production. As a follow up to these suggestions, the Chemical Engineering Department of Ahmadu Bello University was contracted to carry out feasibility on the viability of establishing a ginger processing plant. The viable feasibility study led to the incorporation of the Kachia Food Company Limited to implement the Kachia Ginger Processing Project. However, due to socio-economic and political considerations, the project implementation could not start immediately. Contract for implementation was signed in December 1988 after Rims Securities Limited undertook a favourable reappraisal of the earlier feasibility study in 1987. However, the first part-payment for the contract was made in October 19-----

In December 1988, a Joint Venture Agreement for the project's implementation was signed with Idex of Hungary to be completed in 18 months i.e. by June 1990 at a cost of \$6m and ₦4.07m. To ensure total and early completion of the project, the Kaduna State

Government released funds for the construction of residential houses at the project site and floated a N30m Bond Stock to finance the project by Rims Securities Limited. Because this was the first time, both Rims and the state were venturing into the Bond Market, the floatation schedule suffered several delays and was concluded in mid 1990. By this time, the value of the Naira had so depreciated that the funds raised could no longer complete the project. By December, 1994, due to non-finance of the project, Idex withdrew from the project site at a time the state had paid \$3,205,390.00 and N10,156,560.00 and Idex had contributed \$811,181 towards the completion of the project. The project was later completed by Interproject also of Hungary at an additional cost of \$2,000,000.00 and N27,757,560.00.

The project, which was conceived and incorporated in 1981, was finally completed in mid-1999 that is 18 years after. The company could however not start production until January 2001.

#### **5.4 SIGNIFICANCE OF THE COMPANY:**

It had been established that since 1928-29 when the first shipment of 5 tones of Nigerian ginger was made, the production and international market for Nigerian had witness a steady growth. Because of its

chemical characteristics, Nigerian ginger commanded a high premium in international markets. However, because of a combination of several market forces and the increasing stringent quality requirements by ginger processors and food manufacturers, (following a legion of consumer-protection legislation in ginger-consuming countries) the research backed ginger marketed by competing countries and the deterioration in the quality of Nigerian ginger, there had been a decline in the demand for Nigerian Ginger from the mid 70s. The establishment of the company was to resuscitate the production and marketing of Nigerian ginger in addition to the following among others: -

- (i) To process the abundant quantities of ginger grown in the state to earn foreign exchange and enable the farmers earn better and stable prices for the farm produce.
- (ii) To create job opportunities and enhance the quality of life in rural area thereby reducing rural-urban drift.
- (iii) Promote technology acquisition and research in improving the varieties and cultivation of ginger and related crops the company may process.
- (iv) Taking the lead in spreading industrial development through the state thereby encouraging private entrepreneurs.

5.5 **CHOICE OF TECHNICAL PARTNERS:**

	Those involved then	Those commenting only now (after implementation)	Total
Thorough	4	6	10
Faulty	9	21	30

Most respondents are of the view that the selection process of the Technical Partners was not thorough. Some said due diligence was not carried out on all the bidders before the preferred was selected. Some are of the opinion that price alone should not have been the only or main criteria for selection of a partner. Of those that held the opinion that the selection process was thorough, some have shifted their position with the benefit of hindsight. Some expressed the opinion that it is very difficult to be thorough in government projects because of other considerations especially during the Military regimes. Opinions expressed by superior officers are usually packaged as the best or ideal to the extent that sometimes the true situation is lost.

It is to be noted that the Technical Partners to the Company were chosen after a competitive bidding by four (4) firms. Of the four proposals, the offer by Industrial Export of Hungary (IDEX) was the most competitive. In addition, they offered and showed a state government delegation plants in Hungary, they were processing herbs



and spices into their oils and Oleoresins. In addition to Idex's most competitive offer, Idex was already on ground in the state implementing the Ikara Food Processing Company's Tomato processing project. The state government also involved external consultants in Finance Management and Quantity Surveying to assess the offer of the bidding firms.

During discussion and negotiation with the contractors, the issue of marketing the company's products was a major consideration. It was to ensure the contractors have a stake in the project that a Joint Venture Agreement in which the Technical Partners agreed to subscribe to 30% equity was adopted.

The Joint Venture Agreement provided that the Technical Partners would be responsible for the marketing of the products abroad since the Nigerian Partners knew nothing on the market. This position became imperative because the feasibility studies had clearly stated the ginger market is a closed one and it essential to partner with those already in the business.

It is to be noted that Hungary was already a well-known European exporter of medicinal essential oils and oleoresins and as confirmed by the plants the Kaduna State delegation visited. <sup>17</sup>

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<sup>17</sup> James E. Simon, (1990), *Advances in new Essential Oils and Culinary herbs*

Interproject of Hungary which succeeded Idex in completing the project has two former principal officers of Idex who were directly involved in the implementation of the project on her board. Interproject was therefore adequately informed about the Marketing responsibilities and subscribed to it in the Completion Contract it signed.

#### **5.6 THE EFFECTS OF FREQUENT CHANGES OF ADMINISTRATION AND POLICIES IN THE IMPLEMENTATION OF THE PROJECT.**

All the respondents are of the opinion that the frequent changes in Federal and State administrations could only have adverse effects on the project's implementation and fortunes in the following areas: -

- In-coming administrations took some time to settle down and appreciate and catch the vision of the project
- Additional time is usually taken to investigate how the project had been implemented before charting a course of action
- Some administrations failed to place the project's implementation as a priority
- Changes in fiscal policies led to changes in strategies

From the incorporation of the Company in 1981 to the time it commenced production in January 2001, the Company went through seven Federal Administrations, ten State Governments and several more Federal Ministers of Finance, Economic Planning and their respective State Commissioners. The Nigerian economy went through several policy changes that were hoisted by successive Administrations and several policy summersaults within some. It therefore became difficult to plan effectively to the extent that it became difficult to plan even for a year. Successive State Administrations often took time to review what had been done by the previous before considering what to do. Desirable as this step is, it led to delays with negative consequences.

The exchange rate at the time the contract for implementation was signed in December 1988 was about N4.5=\$1.0. When the first letter of credit was established in late 1989, it had risen to about 1<sup>1</sup>.5 to \$1.0, coupled with this; the foreign exchange was in short supply.

The project that was estimated to cost about N27million in 1988 was completed at a total cost of about N222million in 2001. This was despite of several concessions and waivers obtained in the payment of some statutory taxes.

5.7 **MANAGEMENT CONTRACT AGREEMENT:**

Bad Idea	Good Idea	Good Process	Faulty Process	Unfavourable Agreement
3	33	4	28	30

- Most respondents were of the view that the Management contract agreement was a good idea. They were of the view that the process of selecting the Managers was faulty.
- It is the view of most respondents that the bid should have been thrown open to others. Many opined that while Interproject should have been the automatic preferred choice to operate the plant (because they constructed it), however, the marketing aspect should have been made competitive, even if only to expand and enrich the options.
- Majority of the respondents expressed the view that the Agreement is favourable only to the Technical Partners. Some expressed reservations on why the Agreement could have been concluded without the presentation and deliberation of a marketing plan.

The Technical Partner that completed the project, Interproject of Hungary was the only organization that was invited to submit an offer for management of the company. It is a total management contract

including Production, Quality Control and Marketing of the Company's Products.

The objective of this agreement was to ensure a successful take-off of the company by knowledgeable hands to produce high standard products that could compete with any in the world, ensure the plant is well run and maintained. But above all to have the products successfully launched into the market and sustained for sometime, while training Nigerians to take over the company's operations within a reasonably short period. It was the conviction of both the state government and the Technical Partners that all will be well that it was clearly stated in the signed agreement that apart from the take-off funds, the Technical Partners will earn their management fees from the proceeds of sale of the company's products.

#### **5.8 RESEARCH FINDINGS, GENERAL DISCUSSIONS ON THE FINDINGS AND THEIR IMPLICATIONS LOCALLY AND INTERNATIONALLY:**

##### **a) THE GINGER PROCESSING PROJECT'S CONCEPTION:**

The ginger process project was well conceived with clear cut objectives to promote the cultivation of ginger, process it to add value, with a view to providing good returns for the farmers involved, provide

employment opportunities and to reduce rural-urban – migration, and help increasing foreign exchange earnings for state and country.

The Project was implemented only after a favourable and well-researched feasibility study had been conducted. The limitations and obstacles in marketing the products and how to overcome them were clearly spelt out in the study and were always considered throughout the implementation of the project. It appears the reviewed reports only assumed the markets as stated in the 1982 report relying on the Technical Partners to source for the market.

b) LOCATION OF THE PROJECT SITE:

The feasibility had not recommended Kachia as project site but Kafanchan. This is because as at the time the project's feasibility/implementation began, there was no Electricity, municipal supply and or telecommunication facility in Kachia. There had however been policy statements by both Federal and State Governments that electricity, water and communication facilities were to be provided at all Local Government Head Quarters of which Kachia was and is one.

In opting for Kachia rather than Kafanchan, the State Government policy was not just on economic consideration but also political to establish an industry in each Local Government to utilize the raw

materials produced in each. The policy was also to serve as a catalyst for attracting basic infrastructure and encourage local entrepreneurs.

Unfortunately however, up to this time, 20 years after, there are no municipal water supply and telecommunication facilities at Kachia. Electricity has supplied only in year 2001 but the current is too low even for lighting. The implication is that for all the period the implementation of the project began in 1988 until God knows when the company has had to generate its own electricity, and water trips have to be made to Kaduna (about 1hour 30 minutes journey) to communicate with the outside world. A lot of funds that could have been used for other things have had to be used to provide these services. This has contributed in making the projects cost very high.

Since the company's products are mainly for export, it has become necessary for the company to maintain a liaison office in Kaduna at a great cost without the benefit of having the relevant principal officers to be on hand to attend to enquiries from prospects.

The choice of Kachia discouraged some organizations that could have fully financed the project earlier and within a short period at a reduced cost with better prospects in the market than now.

c) THE PROJECTS IMPLEMENTATION PERIOD (1988–2001):

The project implementation started in 1988 with the same specifications that had been recommended in the 1982 study, a clear six years later. When the project implementation began in late 1988, it was due for completion by mid-1990 but project was completed in and started production in 2001 or eleven years later. The project was therefore late for a total of 17 (Seventeen) years.

The implication is that the company is coming with disadvantages in many areas amongst which are:-

- i. The economic indices that were valid in 1982 (when first feasibility was conducted) or even 1988 (when implementation began) are no longer valid in year 2002. Whatever supply-demand gaps that existed then, must have been bridged by more serious old suppliers or new entrants.
- ii. The technology that was offered in 1987/88 must have been in used for at about 3-5 years. By now, this technology will be about 17 years old and due for replacement or modification. But because the company has not been in operation it has to do with old new plants.
- iii. Whereas the prices of essential oils and oleoresin have remained stable since then, there have been astronomical



increases in the costs of ginger, diesel labour and other production materials. Since 1988. But for the devaluation of the Naira, there would have been no profit margin for the exportable products.

- iv. Organizations that had responded positively to our enquiries at the time the project began reliable. The good will lost has proved difficult to regain.
- v. A weak company will have to try to break into an industry that has been developing and growing since 1982.
- vi. Whereas each administration to tried to raise sufficient funds to complete the project at each time, changing Federal fiscal and economic policies and changes in state administration made this impossible. The continuous devaluation of the Naira over the years and high pre-operational cost made the project completion cost very high. It was estimated to be N30m in 1988 and completed at over N222m in year 2000.
- vii. Since the company's products are mainly industrial raw materials, most users must have set their standards using products that have been introduced earlier. This makes entry into the market extremely difficult.
- viii. A new entrant has come into the local scene producing similar and other products both for the local and international markets. We have to compete for raw

materials and other production inputs from the same market. The combined demand for the raw materials and other production materials is pushing the prices of these materials higher. In addition, we have to compete with merchants that buy the dry-split ginger for export without any value addition.

d) ASSESSMENT OF THE QUALITY OF THE COMPANY'S PRODUCTS AGAINST COMPETING ONES:

It has been established that the quality of the company's products compare favourably against competing one. The company's products have passed the quality tests of the National Agency for Food and Drugs Administration and control. Samples sent to France, Hungary, Korea and the United State have all been certified good. The organoleptic taste has however been found to be a bit different for the oleoresins. This is as it should be, because the taste is determined by specie, growth conditions, age at harvest chemicals and fertilizer used etc. But for the oil, the characteristics are the same. The disadvantage our oleoresin has is that users that are already using others would be reluctant to use ours because they would have to modify their process or quantities to achieve the same characteristics of end products. We shall have to convince them that they stand to gain in using our product and ensure steady supplies into them. The

company will also have to assist willing prospects and the necessary changes they have to make or/and evolve new recipes.

Most of the company's competitors also have wide range of herbs and spice crops from which they extract oils and oleoresins. This ensures continuous production all year round and ultimately a lower production cost. Clients also have a wider variety of products to choose from and will definitely prefer to buy all their products from one source to ensure convenience, consistency and quality discounts.

The instability caused by religious and communal clashes and threats have not helped the company to convince her prospects.

e) EXAMINATION OF THE MARKETING APPROACHES USED BY  
THE COMPANY:

Market intelligence conducted by the company had established the following facts, which also tally with some of the position of the first feasibility study: -

1. Customers in developed countries demand totally clean food products and are suspicious of such products if they originate from a developing country.

2. Food processing companies in the developed world are subjected to strict health regulations and would go out of business very quickly if their products harmed people.
3. Very large consumers want to buy from companies that will guarantee delivery exactly on time and to the required specifications. For this reason, they prefer to buy from established merchants instead of growers and processors in tropical countries.
4. Few spice growers and processors in the tropical are able to invest in supplicated and sophisticated quality control systems. Even if they could, it would be difficult to convince buyers based in developed countries that they could produce a product of quality guaranteed by their local processor. Tropical and developing countries are therefore in a very weak position in the market.
5. If bulk buyers can be satisfied that the product process is of high quality standard, and are able to get certification from independent and respected analysts that, the products are at an agreed standard and is available at a competitive price, they may well be prepared to buy from the tropical or developing country producer.
6. Niche market opportunities may exist for essential oils and oleoresins required in aromatherapy. The world production of the different types of essential oils ranges between a few

hundred kilograms of some and several thousand metric tones per year for others.

7. New entrants must be prepared to spend significant amounts of time and money to study the different markets determine the range of prices available in these markets and asses the economic potential of producing and marketing.
8. Organizations considering developing an essential oil and oleoresin enterprise should plan on a number of years to achieve operation. This development time is required in order to develop markets, consistent and reliable process production capacities. Once these conditions are met the enterprise must also ensure that they can supply at the right time, place and once. The products must also be in the form that is consistent with industry standard and specifications.
9. Buyers establish their own quality standards. The American Spice Trade Association has a publication describing the methods to be used in analysing products for various quality factors.
10. Demand statistics for essential oils and oleoresins are not readily available. The industry must rely on estimates of demand.
11. The marketing activities of companies already in the Oil and Oleoresin business include among other the following as a minimum: -

- Making business calls with wholesalers, aroma therapists, industrial users and individual customers to develop and maintain markets for their products.
- Maintaining contact with buyers and developing contacts with prospective buyers.
- Assessing new trends in order to respond to changing consumer trends and demands.
- Being prepared to deal with several different markets each requiring specific products.
- Provide samples to buyer along with relevant write-ups.
- Understanding buyer's requirements.
- Learning and understanding pricing activities.
- Developing pricing strategies to be competitive with other producers in the market and achieving a desired level of proof.
- Working on ideas from the marketing department and giving it shape after initial discussions. Where a future course of action is desirable, the work may follow the following order for new products.
  - Literature search.
  - Analytical development for all parameters.
  - Pilot plant trials and process parameter optimisation.

- Process finalization and identification of critical control points.
- Documentation of:
  - Raw materials specifications.
  - Standard Operating Procedures (SOP) for process including the critical control points.
  - End product specification.
- Samples dispatch to customer.
- Discussion with marketing department on the feed back from customers.
- Specifications change and process modifications, if any.
- Final Standard Operating Procedures, Specification Finalization.
- Publications to Scientific Journals on analytical procedures, and reviews of published literature.

Steps are taken for coordination with potential and existing customers from an early stage on the year's requirement supply by entering into short/long term contracts. This ensures that customer needs are met and to protect them from variations in price quality and supply. Great care is taken to adhere to recognize trading documentation procedures applicable to each country. Delivery dates are also strictly observed. Competitors also work with their customers on pre-shipment quality

inspection. In products where there might exist wide ranges in terms of analytical quality parameter, competitors work at understanding customer requirements beyond the written specifications to establish a standard range of parameters to facilitate continuous supply. Most competitors have well defined quality control measures on the entire operations and well-equipped and well-staffed Research & Development and marketing departments.

(g) ASSESSMENT OF THE PRICING PROCEDURES, POLICIES AND STRATEGIES USED:

Most businesses like the Kachia Food Company Limited seek to make profit. That is, they aim to achieve revenues that exceed the costs of running the business. Among many factors, the pricing of the products has a great effect on the ability of a business to make profits.

The two basic components that affect product pricing are costs of manufacture and the competition in selling. It is unprofitable to sell a product below the manufacturer's production costs and unfeasible to sell it at a price higher than that at which comparable merchandise is being sold or offered. Other variables also affect pricing. For example, company policy may require a minimum profit on new product lines or a specified return on investments, or discounts may be offered on purchases in large quantities.



At the Kachia Food Company, they charge lower rates than current market rates to the point where they believe more sales will result.

It is believed that pricing policy is good for introducing the company's product into the market. It is usual for new products to be sold at prices lower than competing alternatives already in the market. The lower prices also help to force down costs of doing business. The policy also has the additional benefit of forcing everybody in the organisation to the highest point of efficiency. The lower price makes everybody to dig for profits.

## **5.9 THE POTENTIAL MARKETS OF PROCESSED GINGER PRODUCTS**

For the purpose of discussing the markets available for the products of the Kachia Ginger processing plant, it will be convenient to deal with the local and foreign markets separately.

### **THE LOCAL MARKET**

At present, there is very limited demand for processed ginger products. The present minimal size of the local market for ginger products is not due to the lack of interest but mainly due to ignorance about the existence of these products. A vigorous market campaign to raise the awareness of potential consumer of these products is therefore essential. For local use, vast new markets can be generated.

Potential markets for processed ginger products include: -

### *Ginger Powder*

- Spice (department stores, restaurants, hotels)
  - Processed meat industries
  - Bakeries

### *Ginger Oil and Ginger oleoresin*

- Bakeries - Bread, Biscuits, Cake, Cookies
- Confectioneries - Sweets, Chocolate, peppermints, Strawberries, Caramel, Candies, Chutneys.

### *Spice-Blends*

- Can be supplied to hotels, restaurants, department stores, and other outlets.

### *Beverage Industry*

- Ginger ale, Fruit drink, Ginger beer etc.

### CURRENT MARKETS (POTENTIALLY REPLACEABLE)

A number of ginger products are currently in circulation in the Nigeria markets, especially department stores. These include Ginger biscuits, Ginger Marmalade, Mixed ginger, Ginger ale and Ground ginger.

Current data gives a conservative of the current local demand for ginger and its products at about 35 tones. This amount, which is

currently imported into the country, is potentially replaceable by products from the proposed ginger processing plant.

#### NEW MARKETS.

New markets can be generated from the list of potential user of ginger and its derivatives that have already been identified.

In addition, once the awareness of potential consumers is raised, existing markets for ginger products can readily expand to cope with the increased demand for these products.

## CHAPTER SIX

### **SUMMARY CONCLUSION AND RECOMMENDATIONS :**

#### **6.1 SUMMARY**

It is obvious that up to the mid 70s, Nigeria was a major producer and exporter of Ginger. The cultivation and exportation of ginger was experiencing growth until then. The bulk of ginger cultivated in the country (Nigeria) was in the Southern part of Nigeria.

The establishment of the Marketing Boards created a monopoly of a single market and the losses experienced by the Marketing Board made it impossible for them to pay fair prices. Meanwhile, no local entrepreneurs had developed in the export of the commodity. The inability of the Marketing Board to continue to procure the ginger cultivated caused the farmers to suffer serious losses and the cultivation of the commodity began to reduce. Apart from the farmers that were experiencing dwindling income from this cash crop. The state began to experience lower tax that was charged on the sale of the commodity.

It was therefore appropriate for the Government of Kaduna State to consider as a policy the establishment of a factory to process ginger with a view to resuscitating its cultivation. This was with a view to

creating a viable and continuous market for the commodity, value addition to earn more in foreign exchange, to create employment in the state, to facilitate technology transfer and acquisition, and to reduce rural-urban drift.

The State Government took the right step in pursuing its policy above by commissioning the preparation of a feasibility study for the establishment of the Ginger Processing Project with a view to making sure State Government took step to establish the ginger-processing factory in line with the recommendations of the feasibility of reappraised from time to time. However, the government took a partly political decision in citing the factory in Kachia instead of Kafanchan as suggested in the first feasibility study.

The commencement of the implementation of the project from 1982 to 1988 partly for political and financial considerations that had to do with the changes in administrations and the citing of the factory at Kachia. From the clear understanding of technology and market of processed ginger, a Joint Venture Agreement was signed with Idex of Hungary to construct the factory at Kachia. The joint Venture partners in addition to supplying and erecting the plant on turnkey basis were to ensure the marketing of the company's products.

Upon signing the Joint Venture Agreement for the construction of the plant in Kachia, the State Government took pragmatic measures to ensure early completion of the project by adopting steps to raise all the funds required within a very short time. They did this through paying up their equity contribution, floating the first Kaduna State N30m Bond Stock, inviting each Local Government to take up equity, and pay promptly after raising the equity share. These steps did not lead to early completion of the plant because the funds did not come in as and when expected, and because of changes in the Federal Government Fiscal Measures from year to year and sometimes within a year.

When the above measures did not lead to the completion of the project, the State Government floated the second N30m Bond Stock when the amount required to complete the project could not be accommodated in the State Government's Budget. The second Bond Stock floatation was not successful and by this time, the Technical Partners – IDEX of Hungary were fed up with the delays and abandoned the project site due to non-payments and idleness after about sixty percent completion of the project.

Frequent changes in the leadership of the State Administration contributed to delaying the completion of the project. Every succeeding State Governor—Military or Civilian first had to study what

had transpired in the project's implementation, before charting a course(s) of action for its completion.

When the State Government finally took steps to complete the project, the terms offered by the Joint Venture partners- Idex of Hungary were too exorbitant and beyond the capability of the State Government at the time. The project was completed by another Hungarian company- Interproject , set up by some former principal officers of Idex who had been involved directly in the project's implementation when they were with Idex.

The completion of the project by Interproject also suffered feasts and throes basically because funds could not be raised as and when projected and also because of continuous devaluation of the Naira. In the completion agreement signed with Interproject- as in that earlier signed with Idex, it was explicitly agreed that the Hungarian firm will be responsible for the marketing of the company's products.

When the project was finally completed and commissioned in 1999, the company could not go into commercial production partly because there were neither funds nor signed agreement for this. The situation was compounded by the transition of the government from Military to Civilian Democratic Administration.

The Civilian Democratic Administration that took the reigns of power in May, 1999 on settling down, and after reviewing the situation of the company opted to contract the total management of the factory to Interproject who had competed, and commissioned the project and had by then bought up the shares of Idex in the venture and therefore were partners. The objective was to have the plant ran efficiently and the products launched into the international market by the partners who are familiar with the market.

Whereas quality products have been produced, Interproject has so far failed to get a market for them. This is partly due to late and inadequate take off working capital, failure of the marketing agents /consultants and inadequate personnel in the marketing field. It is also obvious that whereas Hungary is an exporter of spices, they are not familiar with ginger and it's marketing.

## 6.2 **CONCLUSION:**

The Kaduna State Government's policy to establish the Ginger Processing Plant was in the right direction because the state produces the bulk of ginger in Nigeria.

The failure of the State Government to implement the project strictly in accordance with the recommendations of the feasibility study it had



commissioned, has adversely affected the duration of its implementation and the viability of the company.

The delay in completing the project on time led to an escalation of costs, a diminished market with competitors that are most hostile to new entrants. The delay in completing the project was compounded by frequent changes in Federal and State policies that led to a continuous devaluation of the Naira over the period of the project's implementation.

While the concept of contracting out the management of the company for an initial period was in order, it failed to launch the company's products into the market partly due to faulty selection, faulty agreement, and lack of monitoring of the management.

## **6.2 RECOMMENDATIONS**

Since the plant has been completed and it has been established that the company is able to produce quality products that can compete favourably in the world market, the following recommendations are made to assist the company launch and sustain her products in the market.

- a) The State government should team up with the Technical Partners to finance and support the company evolve a strategic product launch plan. The support from Government should continue until the company can stand on its own.
- b) A knowledgeable and competent marketing executive should be recruited to handle the marketing of the company's products.
- d) The State Government in collaboration with the Technical Partners should consider and appoint marketing consultants well versed in the ginger market to help draw up a marketing strategy.
- e) The company should consider the possibility of going into an arrangement with an organisation that is already in the ginger business with a view to establishing a mutually beneficial relationship.
- f) Because of the limited range of the company's products, it is very precarious if there is no market for it' only two products. The company should consider diversifying her products to provide for some that could be sold readily locally.
- g) The company must see itself not as producing goods but as buying customers and doing the things that will make people want to do business with it.
- h) An integrated program of product, price, promotion and distribution is essential to produce a product which satisfies and whose market value exceeds costs.

i) The company should register with the various spice associations in the major European and American countries for the purposes of getting up to date information on the industry.

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