



Performance of Publicly Quoted Agricultural Ventures in Nigeria: The Case of Presco PLC and the Okomu Oil Palm Company PLC

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ARTICLE INFO

Article No.: 053019104

Type: Research

DOI: 10.15580/GJAS.2019.3.053019104

Submitted: 30/05/2019

Accepted: 04/06/2019

Published: 28/07/2019

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Keywords: Agricultural ventures;

Presco; Okomu; Oil Palm;

DuPont analysis

ABSTRACT

Agribusinesses are known to be drivers of economic development in developing nations. Yet little research has been carried out to examine the historical performance (productivity and financial) of oil palm nucleus estates in Nigeria. This study examines how publicly quoted oil palm companies in Nigeria performed over the period, 2011 to 2016. Several indicators of company success (including productivity measures, financial ratios and balance sheet/income statement items) were considered. The data were analyzed using descriptive and inferential statistics (to compare the performance of the two companies). DuPont analysis was also carried out. The study found that both companies performed well in terms of financial ratios related to profitability, liquidity, market, and creditworthiness. The DuPont analysis showed that the return on equity for Presco was mainly due to higher net profit margin while that of Okomu was due to higher total asset turnover; weakness of Presco in the inability to use its assets to generate sales was made up for by higher use of debt in its capital structure. Therefore, it is recommended that Okomu and Presco PLC should work on their profit margin and debt levels respectively to boost return on equity. The Nigerian public should also invest in both companies since they are performing well.

1. INTRODUCTION

Publicly quoted agribusinesses are those enterprises whose stocks are traded on the stock exchange market of a nation. The owners are usually individual and institutional shareholders who hold stocks issued by the company. Publicly quoted companies have greater access to finance than other forms of businesses because of the privilege of raising capital from the public for expansion of existing ventures or establishment of new ones. This extends their horizon in creating several productions, and marketing linkages capable of providing employment and generating income along the product value chain. Thus, publicly quoted agribusinesses have become drivers of economic development.

In Nigeria, five companies are listed under Agriculture sector in the Nigerian Stock Exchange Market, and only Presco and Okomu appear vibrant based on the trading activities on the floor of the market as of December, 2016. Other companies are FTN Cocoa Processors PLC, Ellah Lakes PLC and Livestock Feeds PLC. The Okomu Oil Company and Presco Plc were incorporated in 1979 and 1990, and became listed on the Nigerian Stock Exchange in 1995 and 2002 respectively. Both companies have a long history of declared dividends and bonus shares to their shareholders. They used to be government owned enterprises that were privatised in the 1990s. As agro-industrial companies, both companies are engaged in the development of oil palm plantations, milling of palm oil, and palm kernel processing. Presco goes further into the refining and fractioning of crude palm oil into vegetable oil and palm *stearin*. Okomu Oil Palm Company PLC, on the other hand, is into cultivation of rubber trees and processing of rubber lumps to rubber cakes for export.

Generally, performance analyses of companies are carried out to determine level of progress over time as well as how a particular company performs relative to a major competitor in the same industry. The results obtained often help managers and Board of Directors make sound financial decisions. Where empirical evidences are not available from independent studies, the investing public may not be properly informed about progress made by certain companies. As a result, investment may be made based on mere guesses. It is against this backdrop that the study sought to provide answers to the following research questions: What are the performance levels of Presco and Okomu Oil in terms of financial ratios related to profitability, liquidity, and credit worthiness? What is the productivity levels of both companies in terms of output per hectare, output per employee and oil mill production efficiency? What components of the return on equity (ROE) constitute the strength and/ or weakness of each company? Therefore, the overall objective of the study is to examine the performance of Presco and Okomu Oil Palm Company between 2011 and 2016. The specific

objectives are to: (1.) estimate and compare the financial ratios of both companies (2.) determine the productivity levels of both companies, and (3.) analyse by means of DuPont expansion method to determine drivers of return on investment of both companies.

The expected outcome of the study, especially results of the Du Pont analysis, would enable both companies provide answers to what is actually causing their return on equity to be what it is. If net profit is increased without a change in financial leverage, it shows the company's capacity to increase its profitability. But if the ability to increase its ROE is only due to increase in financial leverage, it is operating on greater risk as increase in assets arises only from debt. Therefore, the study is likely to highlight each company's strength(s) and pinpoints the area(s) where there is room for improvement. This might enable both companies to assess whether the present level of ROE is due to low profit margin, low asset turnover or poor leverage.

2. LITERATURE REVIEW

Researchers examine publicly quoted agribusiness performance from different perspectives. While Agarwal, Erramilli and Chekitan (2003) as well as Katchova and Enlow (2013) consider sales growth, profit, brand, and equity as key indicators of a firm's performance, Katz (1997) whose study focused on agribusinesses argued that market-based measures serve as good indicators of performance in publicly quoted firms. Performance measurement of business units helps in monitoring progress, and often provides basis for certain investment decisions (Cleary, 1999; Berryll, et al., 2005; Marc, et al., 2010).

Other popular measures of firms' performance in literature include return on assets and return on equity. Some studies (Hansen & Wernerfelt, 1989; Johnson & Soenen, 2003) analysed return on assets and return on equity while Katchova & Enlow (2013) focused on firms' relative performance in terms of financial ratios. Gittinger (1981), drawing heavily on the work of Upper (1979), grouped financial ratios into efficiency ratios, income or profitability ratios, and credit worthiness ratios. The authors opined that financial ratios allow one to account for factors, such as size, that vary within an industry and across industries. They further stressed that ratios allow for comparisons between companies, as well as comparisons over time and across industries.

Performance could also be based on certain indices in the stock exchange market. Ayinde, et al (2013) examined the analysis of the performance of agro-based companies in the Nigerian stock exchange, and focused on performance determinants like dividend, earnings per share, price earnings ratio, earning yield and dividend yield. The researchers found that volume traded was related to yield and current market price,

while current market price was inversely related to earnings, earnings per share and dividend. However, performance in terms of financial ratios and productivity in terms of output per hectare, output per employee over time were not considered. These are key performance indicators that should not be overlooked, especially when firms integrate backward to provide all or majority of their raw materials, as in the case of oil palm estates.

Other empirical studies on the performance of agro-allied industries in Nigeria produced mixed results. Olomola (2001) and Igwenazor (2008) showed from their studies that agro-allied industries in Nigeria were not performing up to average level; and this was attributed to deficient pricing policies, inappropriate investment decisions, capacity under-utilization and inability to generate adequate working capital as well as high level of indebtedness. However, Alabi and Mafimisebi (2004) who supported privatisation of agricultural enterprises by governments in Nigeria found that privatised companies experienced high technical efficiency. Adesiyani (2015), who examined the performance of the quoted agro-allied industries in Nigeria using 2005 to 2009 performance data concluded that most of the firms were able to meet their short and long-term obligations, and operated with marginal profit level.

DuPont analysis or DuPont model is considered to be a good metric to evaluate companies' financial performances. The technique which originated from DuPont Corporation in 1920 involves breaking return on equity (ROE) into three parts: profitability, operating efficiency, and financial leverage (Nehring, et al, 2015). The analysis helps to identify what exactly accounts for a company's return, which is whether it is high profit margin, efficient use of assets to generate more sales and/or use of more debt in its capital structure. DuPont formulation has been widely utilized in agribusiness and some researchers have applied it to agricultural finance (Melvin, et al, 2004; Boyd, et al, 2007; Mishra, et al, 2012; and Nehring, et al, 2015). Boyd, et al(2007) found that there is no relationship between profitability and asset size while Mishra, et al (2012) observed that high profit margin, efficient use of assets and adequate financial leverage influenced agricultural profitability in the USA. Using USDA's ARMs data for 2003-2011 and the DuPont expansion financial model, Nehring et al (2015) found that asset turnover and farm profitability had great influence on equity. Furthermore, farm size, diversification and broiler housing vintage were the major drivers of farm financial performance in U.S. broiler production.

Both Presco and Okomu Oil Company are noted to have distinguishing profiles and these are discussed as follows: Presco is a public limited liability company incorporated on September 24, 1991 under Nigerian law. Its corporate head office is at the company's Obaretin Estate near Benin City. Presco holds the Obaretin Estate (a concession of 12,560 hectares), the Ologbo Estate (a concession of 12,560 hectares), both in Edo State, and the Cowan Estate, a

concession of 2,800 hectares in Delta State. There is also another concession of 17,000 hectares called Sakponba Estate in Edo State. As at 2018, Presco PLC consists of: 16,812 hectares of which 12,565 are mature; palm oil mill with capacity of 60 tonnes fresh fruit bunches/hour; a refinery/fractionation plant with a capacity of 100 tonnes/day; a palm kernel crushing plant with capacity of 60 metric tonnes/day. Presco employs about 7,876 people of which 507 are permanent staff and 7,369 are contract workers.

Presco is a subsidiary of Siat s.a., a Belgian agri-industrial company specialized in industrial as well as smallholder plantations of tree crops, mainly oil palm and rubber, and allied processing industries such as palm oil mills, palm oil refining/fractionation, soap making and crumb rubber factories. Siat diversifies its activities into cattle ranching Siat has as its shareholders agronomists and economists with experience in the development of agro-industrial ventures in the tropics. The Siat group holds 60 % of the shares of Presco while 10,000 Nigerian shareholders hold the remaining 40 %. (<http://www.siat-group.com>)

The Okomu Oil Palm Company was established in 1976 as a Federal Government pilot project aimed at rehabilitating oil palm production in Nigeria. At inception, the pilot project covered a surveyed area of 15,580 hectares out of which 12,500 hectares could be planted with oil palm. It was incorporated on December 3, 1979 as a limited liability company. As part of effort to shore up its revenue base, the company acquired and installed 1.5 tonnes/hour fresh fruit bunches (FFB) mill in 1985 to begin to process its FFB. By December 31, 1989, 5,055 ha of the estate had been planted. The company also began infrastructural developments on the estate at that period. The facilities included office blocks, workshops, stores, staff quarters, a petrol station, a power house and a primary school for children of the company's staff members. In 1990, the Technical Committee on Privatisation and Commercialisation (TCPC) privatized the Okomu Oil Palm Company on behalf of the Federal Government of Nigeria.

It has since grown to become Nigeria's leading oil palm company with total area of 33,000 ha of which 17,245 ha is currently planted with oil palm trees and 7,335 ha with rubber trees. Another 4,000 ha of oil palm trees is to be planted within 2019 and 1500 ha of rubber trees by 2020. Currently, the company operates two 30 tonnes/hour mills and another two 30 tonnes/hour mills are planned to be operating by 2020/2021. Okomu is ranked 10th among listed companies with the largest turnovers quoted on the Nigerian Stock Exchange (NSE). It is the only agribusiness on the exchange's top 16. Currently, 3,451 people are directly and indirectly employed by the company. Okomu benefits from the quality management of its main shareholders and technical partner, Socfinal with a 66.12% share in Okomu oil palm. Socfinal (Luxemburg) is a global player in oil palm and rubber businesses since 1912, and the

first industrial company to plant oil palm in Africa and Indonesia.

Aside from the companies' published Annual Reports and Accounts, little or no literature exists that portrays their performances in terms of productivity and financial ratios. Knowledge of these key performance indicators can provide further evidence to support government's drive towards a diversified economy with focus on private-sector led agribusiness development. This is a gap which this study could fill. Thus, this study contributes to knowledge by examining the financial performance measures of the two publicly quoted oil palm estates as well as other measures which include average annual income per worker, mill production efficiency, plantation productivity and value added. Overall, the performance indicators discussed so far provide a basic foundation framework for this study. This analysis of the publicly quoted oil palm company's performance in Nigeria followed various aspects of the financial literature as well as production economics and applied them to the agribusiness firms of concern.

3. METHODOLOGY

The study focused on Presco Plc and The Okomu Oil Palm Company Plc in Edo State, Nigeria. The two companies are quoted under Agriculture in the Nigerian Stock Exchange. The data set used for the study was secondary in nature, and were obtained from the published Annual Reports and Accounts of both companies from 2011 to 2016. The companies were chosen because of the volume of transaction experienced by them in the Agriculture Sub-Sector of the Nigerian Stock Exchange Market. As at June 29, 2017, the market capitalization of Presco and the Okomu Oil Palm Company PLC were ₦73 billion and ₦55.8 billion respectively (The Nigerian Stock Exchange). Okomu Oil

Palm Company was, however, rated as one of the top ten companies with the highest turnover on the Nigerian Stock Exchange (The Okomu Oil Palm Company Annual Reports and Accounts, 2016).

The period covered in the study took into consideration the fact that Presco Plc was about 10 years as a publicly quoted company as at 2011. Both companies were, therefore, enjoying the benefits of publicly quoted companies which could have impacted positively on their performance.

Following Katchova and Enlow (2013), this study included five different types of financial ratios into the analysis to measure profitability, liquidity, firm activity, solvency and market performance for a total of 14 specific ratios. In addition, measures of various items from the balance sheet and income statement were also carried out which included total assets, total liabilities, equity, sales, net income and retained earnings. Furthermore, biological assets as a proportion of total assets, and value added of both companies were computed and compared. Biological assets represent mature palm trees, immature palm trees and pre-nursery and main nursery seedlings available to generate some hectares of planting. They are usually measured at fair value less costs to sell; any gain or loss arising from changes in the fair value less cost to sell of produce on bearer plants is recognized in the profit or loss account (Presco PLC Annual Report, 2016). Value added, on the other hand, represents the additional wealth which an enterprise has been able to create by its own and employees' effort. Value added per employee therefore expresses the amount of additional wealth attributed to each employee's effort.

Table 1 presents the major firm's ratios, the specific indicators used to measure them and the formulas used for calculating them.

Table 1: Financial Ratios, Definitions and Formulas

FINANCIAL RATIOS	INDICATORS	FORMULAS
Profitability	Return on Equity	Net Income/ Equity
	Return on Assets	Net Income/ Total Assets
	Gross Margin Ratio	Net sales-Cost of Goods Sold/ Net Sales
	Profit Margin Ratio	Net Income/ Net Sales
Liquidity	Current Ratio	Current Assets/ Current Liabilities
	Quick Ratio	Current Assets-Inventories/Current Liabilities
Activity (Efficiency Ratio)	Asset Turnover	Net sales/ Total Assets
	Inventory Turnover	Cost of Goods Sold/ Inventory
Solvency Ratios	Debt to Asset Ratio	Total Debt/ Total Assets
	Long term debt to Asset Ratio	Long term Debts/ Assets
	Asset to Equity Ratio	Total Assets/ Equity
	Debt to Equity Ratio	Long Term Liabilities/ Long Term Liabilities + Equity: Equity/ Long Term Liabilities + Equity
Market Ratios	Earnings per share	Net Earnings/ Number of Shares
	Price/Earnings Ratio	Market price per share/ Diluted Earnings per share

Source: Adapted from Enlow (2012)

Profitability Ratios: These include return on sales, return on equity and return on assets. The return on sales or profit margin ratio shows how large an operating margin the enterprise is on its sale. The ratio is considered appropriate for this study since it is the most useful when comparing companies in the same sector or industry (Gittinger, 1981). It is obtained by dividing the net income by the revenue (total value of sales). Return on equity ratio (RER) is determined by dividing the net income after taxes by the equity. The ratio is frequently used since it is one of the main criteria by which owners are guided in their investment decisions. Return on assets ratio (RAR) is used to judge the earning power of the assets employed in an enterprise. It is the operating income divided by the assets value. It comes closest to the rate of return on all resources engaged. Usually, an enterprise operating at normal capacity should have return on asset ratio higher than the bank lending rate to industries.

Efficiency Ratios: These ratios enable an analyst to determine the efficiency of an enterprise, and therefore provide measures of asset use and expense control. These measures include inventory turnover and asset turnover ratios. Inventory turnover ratio measures the number of times an enterprise turns over its stock annually, and thus indicates the amount of inventory needed to engage in a given level of sales. A high turnover ratio may mean that the enterprise is able to recover its inventory investment rapidly and that there is a good demand for its products. A low ratio means a sizeable amount of funds are tied up. The asset turnover ratio shows net sales relative to total assets, and a high asset turnover ratio indicates effective utilizations of the company's assets.

Credit Worthiness Ratios: These ratios form the basis to estimate an enterprise's financing need and the associated terms. They include liquidity (current and quick ratios) and solvency (asset to debt, asset to equity, and debt to equity) ratios. The current ratio is the current assets divided by the current liabilities, and it indicates the margin by which current assets will shrink in value before the enterprise faces difficulty in meeting its current obligations. The rule of thumb is that it should be around 2. Quick ratio or acid test ratio indicates adequacy of cash and income surplus over all current liabilities within a short period, say a year or two. Asset to debt or net capital ratio indicates the solvency position of an agribusiness. If the ratio is more than one, the funds of the institutional agencies are safe. Asset to equity ratio or equity multiplier measures assets relative

to equity. Debit-Equity or leverage ratio is calculated by dividing long-term liabilities plus equity to obtain the proportion that long-term liabilities are to total debt and equity, and then by dividing equity by the sum of the long-term liabilities and equity to obtain the proportion that equity is of the total debt and equity. These are then compared in the form of a ratio.

Market Ratios: Two market ratios included in the study are earnings per share and net assets. Both ratios are used by stockholders to gauge a company's position in the stock exchange market.

Aside these measures, the analysis considered the performance of the firms studied in terms of output per hectare and value added per employee for the period under review.

The *t*-test was used to test for statistical significant difference between the ratios of Presco and Okomu Oil Company. The *t*-test is as given in equation 1.

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\sigma^2 \left(\frac{1}{N_1} + \frac{1}{N_2} \right)}} \quad \sigma = \sqrt{\frac{N_1 S_1^2 + N_2 S_2^2}{(N_1 + N_2) - 2}} \quad \dots\dots\dots (1)$$

Where \bar{X}_1 and \bar{X}_2 are the mean of the ratios; N_1 and N_2 are the sample sizes (number of years covered in the study); σ = population standard deviation ; S_1^2 and S_2^2 are sample variances of Presco and Okomu Oil Company respectively.

In addition, coefficient of variation (CV) as shown in equation 2 was also calculated in order to determine the extent of variability of the ratios in the two companies over the period studied.

$$CV = \frac{SD}{M} \times 100 \quad \dots\dots\dots (2)$$

Where *SD* = Standard deviation and *M* = Mean. The lower the value of coefficient of variation (CV), the more stable a particular ratio is over the time period examined.

Following Mishra, Harris, Erickson, Hallahan, and Detre (2012), DuPont analysis was also carried out to identify the underlying financial strengths and weaknesses of both companies.

The DuPont model utilised in the study is stated in equation 3.

$$ROE = \text{Net profit margin} \times \text{Total assets turnover ratio} \times \text{Financial leverage ratio} \quad \dots\dots\dots (3)$$

This means that a company can have high ROE if it has high net profit margin, high total assets turnover and/or financial leverage. The DuPont analysis was, therefore, carried out by examining the composition of the mean

return on equity of both companies over the time period studied.

Microsoft Visual Basic 6.0 was used to carry out the DuPont analysis as adopted by Melvin, et al

(2004). The computer software is packaged as a stand-alone programme and is segmented into two parts: a tutorial and analysis application. Data on gross revenue, variable expense, fixed expense, interest expense, total assets, and total equity were inputted into the analysis screen and results on Return on equity (ROE), Return on asset (ROA), operating profit margin, and asset turnover ratios were then generated.

Table 2 gives the financial summary of Presco Plc and Okomu Oil Palm Company Plc. Presco PLC experienced higher total assets and total liabilities as well as higher values in other items of the balance sheet and income statement. However, Okomu Oil Palm Company had lower coefficient of variation for all items, implying that the performance measures were stable in Okomu than Presco for the period, 2011 to 2016.

4. RESULTS AND DISCUSSION

Table 2: Financial Summary of Presco and Okomu Oil Palm Company (in ₦ millions, 2011-2016)

		Mean	Standard Deviation	Coefficient of Variation
Total Assets	Presco	48,183(\$160.21)	19,974(\$66.41)	0.415
	Okomu	17,264(\$57.40)	4,524(\$15.04)	0.262
Biological Assets (%)	Presco	0.528	0.140	0.265
	Okomu	0.325	0.042	0.129
Total Liabilities	Presco	10,859(\$36.11)	9,069(\$30.15)	0.835
	Okomu	6,088(\$20.24)	2,169(\$7.21)	0.356
Equity	Presco	26,949(\$89.60)	14,117(\$46.94)	0.524
	Okomu	11,041(\$36.71)	3,231(\$10.74)	0.293
Sales	Presco	10,595(\$35.23)	2,738(9.10)	0.258
	Okomu	10,481(\$34.85)	2,103(6.99)	0.201
Retained Earnings	Presco	5,583(\$18.56)	8,070(\$26.83)	1.445
	Okomu	1,173(\$3.90)	1,018(\$3.36)	0.868
Value Added	Presco	9,337(\$31.04)	12,322(\$40.97)	1.320
	Okomu	4,460(\$14.83)	2,038(\$6.78)	0.457
Net Income	Presco	5,969(\$19.85)	7,864(\$26.15)	1.317
	Okomu	3,015(\$10.02)	1,226(\$4.08)	0.407

Source: Computed from the Annual Reports and Accounts of Presco Plc and Okomu Oil Palm Company Plc; \$1=₦300.757

Table 3 presents the profitability ratios of both companies. Return on equity ratio of Presco and Okomu Oil Company over the period, 2011 to 2016, ranged from 0.08 (2013) to 0.42 (2016) and 0.15 (2014) to 0.43 (2011) with means of 0.18 and 0.28 respectively. This means that Presco had lower return on equity than Okomu Oil and the ratio was more stable for Okomu Oil than Presco. Return on asset ratio of Presco and Okomu Oil ranged from 0.041 (2013) to 0.262 (2016) and 0.081 (2014) to 0.286 (2011), with means of 0.103 and 0.181 respectively, signifying that Okomu had higher return on assets than Presco and the variability of the

ratio was more with Presco. On average, Presco PLC experienced higher gross margin ratio with lower coefficient of variation (Mean = 0.703, SD = 0.633, CV = 0.099) than Okomu (Mean = 0.336, SD = 0.076, CV = 0.226), denoting that gross margin was more variable in Okomu than Presco PLC. Presco also had a higher average profit margin ratio and lower coefficient of variation (Mean = 0.474, SD = 0.047, CV = 0.100) than Okomu Oil Palm Company (Mean = 0.279, SD = 0.047, CV = 0.244), implying that Presco's profit margin was less variable than Okomu over the period studied.

Table 3: Profitability Ratios of Presco and Okomu Oil Company (2011-2016)

Ratio	Firm	2011	2012	2013	2014	2015	2016	Mean/SD	CV
Return on Equity	Presco	0.127	0.226	0.077	0.189	0.075	0.418	0.189(0.129)	0.725
	Okomu	0.429	0.330	0.229	0.151	0.224	0.292	0.276(0.097)	0.35
Return On Assets	Presco	0.042	0.125	0.041	0.104	0.042	0.262	0.103(0.086)	0.835
	Okomu	0.286	0.242	0.139	0.081	0.136	0.202	0.181(0.076)	0.420
Gross Margin Ratio	Presco	0.319	0.372	0.275	0.865	0.403	1.987	0.703(0.633)	0.099
	Okomu	0.376	0.411	0.303	0.220	0.298	0.411	0.336(0.076)	0.226
Profit Margin Ratio	Presco	0.198	0.310	0.158	0.569	0.224	1.385	0.474(0.047)	0.100
	Okomu	0.310	0.337	0.235	0.168	0.280	0.345	0.279(0.068)	0.244

Source: Computed from the Annual Reports and Accounts of Presco Plc and Okomu Oil Palm Company Plc

Table 4 shows the credit worthiness condition of Presco and Okomu Oil Palm Companies over the period studied. Both companies had current ratios above one, but the mean ratio of Okomu is higher by about five points. This indicates a healthy performance of the companies' farm businesses as the immediate financial obligations were met. The variability of the ratio over the period is about the same for both companies (CV: Presco = 0.587; Okomu = 0.546). On average, Presco's debt to asset ratio (M = 0.373, SD = 0.111, CV = 0.298) was higher than Okomu (M = 0.348, SD = 0.08, CV = 0.230) but Okomu Oil Company experienced a lower variability of the ratio over the period studied. This means that the total debts of the both companies could have been easily offset by the value of their total assets. The proportion of long term debt relative to total assets of Presco (Mean = 0.277, SD = 0.093, CV = 0.336) is about nine percent higher than Okomu (Mean = 0.192,

SD = 0.055, CV = 0.286) but the variability of the ratio is lower in Okomu by about five points. The mean asset to equity ratio of both companies is about 2 but higher in Presco (Mean = 1.887, SD = 0.420, CV = 0.223) than Okomu (Mean = 1.557, SD = 0.179, CV = 0.114) by about three points. The variability of the asset to equity ratio is lower in Okomu over the six year period. The debt to equity ratio of Okomu (Mean = 0.307, SD = 0.110, CV = 0.358) was lower than Presco (Mean = 0.494, CV = 0.267). The results show that both companies' leverage ratios are less than one and are therefore favourable, indicating less risk. Thus, both companies rely less on external lenders to finance their operations but Presco had higher use of external debt than Okomu. The variability of the leverage ratio over the six year period was, however, less in Presco by about nine points.

Table 4: Liquidity and Solvency (Credit Worthiness) Ratios of Presco and Okomu Oil (2011-2016)

Ratio	Firm	2011	2012	2013	2014	2015	2016	Mean/SD	CV
Current ^a Ratio	Presco	1.100	0.883	0.948	0.969	0.936	2.783	1.269(0.745)	0.587
	Okomu	3.232	2.849	1.491	0.546	1.157	1.958	1.872(1.023)	0.546
Quick ^a Ratio	Presco	0.383	0.238	0.464	0.667	0.764	2.529	0.841(0.849)	1.010
	Okomu	2.449	2.185	0.949	0.238	0.531	1.387	1.290(0.889)	0.689
Debt to Asset Ratio ^b	Presco	0.156	0.389	0.468	0.416	0.434	0.373	0.373(0.111)	0.298
	Okomu	0.267	0.267	0.394	0.463	0.393	0.305	0.348(0.080)	0.230
Long term/ Asset Ratio ^b	Presco	0.091	0.290	0.333	0.326	0.318	0.306	0.277(0.093)	0.336
	Okomu	0.138	0.125	0.223	0.206	0.274	0.183	0.192(0.055)	0.286
Asset to Equity Ratio ^b	Presco	2.721	1.639	1.879	1.714	1.769	1.600	1.887(0.420)	0.223
	Okomu	1.501	1.364	1.651	1.861	1.647	1.441	1.577(0.179)	0.114
Debt to Equity Ratio ^b	Presco	0.207	0.170	0.368	0.383	0.451	0.264	0.494(0.132)	0.267
	Okomu	0.249	0.476	0.626	0.559	0.564	0.488	0.307(0.110)	0.358

^a Liquidity Ratios

^b Solvency Ratios

Table 5 presents the efficiency ratios and market ratios of Presco and Okomu Oil Palm Companies between 2011 and 2016. The mean asset turnover of Presco (Mean = 0.373, SD = 0.111, CV = 0.298) was higher than Okomu (Mean = 0.348, SD = 0.080, CV = 0.230), but the variability of the ratio over the period was lower in Okomu. This means that assets were better utilized in Presco. Presco also had higher mean earnings per share (Mean = 6.210, SD = 7.826) and asset per share

(Mean = 33.32, SD = 13.50) than Okomu (Mean = 4.317, SD = 2.554; Mean = 14.833, SD = 4.750 for earnings and asset per share respectively). This indicates that Presco performed better than Okomu in terms of earnings per share and asset per share. Okomu Oil Company, however, had higher mean inventory turnover, with lower variability of the ratio over the period considered.

Table 5: Efficiency and Market Ratios of Presco and Okomu Oil Company (2011-2016)

Ratio	Firm	2011	2012	2013	2014	2015	2016	Mean/SD	CV
Asset	Presco	0.213	0.401	0.260	0.183	0.188	0.189	0.373(0.111)	0.298
Turnover ^c	Okomu	0.923	0.719	0.589	0.484	0.486	1.958	0.348(0.080)	0.230
Inventory	Presco	2.427	3.344	1.819	2.346	3.449	3.101	2.748(0.648)	0.236
Turnover ^c	Okomu	3.300	3.753	4.037	4.034	4.192	4.950	4.044(0.544)	0.135
^d Earnings	Presco	1.78	3.49	1.34	6.38	2.51	21.76	6.210(7.826)	1.260
Per Share(₦)	Okomu	7.22	7.16	2.19	1.39	2.79	5.15	4.317(2.554)	0.588
^d Assets Per	Presco	46.90	17.00	24.00	29.00	31.00	52.00	33.320(13.50)	0.405
Share(Kobo)	Okomu	16.00	22.00	10.00	10.00	13.00	18.00	14.833(4.750)	0.320

^cEfficiency Ratios ^dMarket Ratios, Computed from Annual Reports and Accounts of Presco and Okomu Oil Palm Company Plc

Table 6 shows the test of the statistical significant difference between the financial ratios as well as the balance sheet items of Presco and Okomu Oil Palm Companies. Among the ratios analysed, only asset turnover and asset per share were found to be significantly different between Presco and Okomu. In

addition, all items of the balance sheet and income statement except net sales, net income, and retained earnings were significantly different. Biological assets of Presco and Okomu constituted over 50% and 30% of total assets respectively, and the difference was statistically significant ($p < 0.01$).

Table 6: Test for Statistical Significant Difference in Mean Financial Performance Indicators of Presco and Okomu Oil (2011-2016)

	Presco	Okomu Oil	Sig. Level	t-Value
Return on Equity	0.178	0.276	0.167	1.491
Return on Assets	0.103	0.181	0.125	1.670
Gross Margin Ratio	0.703	0.337	0.208	1.345
Profit Margin Ratio	0.279	0.474	0.339	1.004
Quick Ratio	1.270	1.872	0.270	1.167
Asset Turnover	0.239	0.631	0.000	5.139***
Debt to Asset Ratio	0.373	0.348	0.667	0.443
Asset to Equity Ratio	1.890	1.580	0.129	1.655
Earnings Per Share	6.210	4.316	0.586	0.563
Assets Per Share	3.332	14.833	0.000	5.705***
Total Assets(₦ million)	48,183(\$160.21)	7,264(\$27.40)	0.010	3.698***
Total Liabilities (₦ million)	10,859(\$36.11)	6,088(\$20.24)	0.010	3.189***
Equity (₦ million)	26,949(\$89.60)	11,041(\$36.71)	0.023	2.691**
Sales (₦ million)	10,595(\$35.23)	10,481(\$34.85)	0.937	0.081*
Net Income (₦ million)	5,969(\$19.85)	3,015(\$10.02)	0.385	0.909
Retained Earnings (₦ million)	5,583(\$18.56)	1,173(\$3.90)	0.278	1.147
Biological assets to total assets (%)	0.528	0.325	0.010	3.408***

*Significant at 10%, **Significant at 5%, ***Significant at 1%

The results of DuPont Analysis of Presco and Okomu Oil Palm Company are shown in Table 7. Though there is no statistical significant difference between the return on equity of both enterprises (Table 6), the DuPont analysis indicates their strengths and weaknesses. While Presco had higher net profit margin, the ability to use its assets to generate sales is less than average, and this was made up for by higher use of debt in its capital structure. This possibly informed the decision of Presco's risk

management committee to have a target gearing ratio of five percent determined as the proportion of the company's net debt to equity, in order to curtail the cost of capital and the risk associated with each class of debt. The gearing ratio was 12% in 2015 and 5% in 2016 (Presco PLC Annual Report, 2016). The strength of Okomu was in its higher total asset turnover but weak in net profit margin.

Table 7: DuPont Analysis of Return on Equity of Presco and Okomu

	Presco	Okomu
Return on Equity (%)	18.9	27.6
Net Profit Margin (%)	47.4	27.9
Asset Turnover Ratio	0.24	0.63
Financial Leverage	1.67	1.57

Source: Computed from Annual Reports and Accounts of Presco and Okomu Oil Palm Company Plc

Productivity ratios in terms of fresh fruit bunches per hectare, oil yield per hectare of both companies presented in Table 8 indicated that Okomu performed better than Presco. The difference may be due to variation in the ages of the oil palm in their plantations. Oil palm trees start fruiting at the age of three years and begins to plateau in production of fresh fruit bunches (FFB) as from the 10th year. Both companies had almost

equal rate of palm oil extraction in their oil mills (Presco, 21.6% and Okomu, 21.5%). Presco, on the other hand, had higher value added than Okomu, which is likely due to the benefits of higher prices of products such as vegetable oil and palm *stearin* refined and fractionated from crude palm oil. At Okomu plantation, crude palm oil is the final product.

Table 8 Productivity Ratios of Presco PLC and Okomu Oil Palm Company PLC as at 2016

	Presco	Okomu
Oil Palm Planted Area(Ha)	15,356.00	14,463.00
Matured Palm Area	12,262.00	9,873.00
FFB Production(Metric Tonnes)	164,513.00	169,898.00
Processed Oil(Metric Tonnes)	35,555.00	36,260.00
FFB Output/Ha(Metric Tonnes)	13.42	17.20
Oil Output/Ha(Metric Tonnes)	2.90	3.67
Mean Oil Extraction Rate (%)	21.60	21.50
Value Added/Ha(in '000 ₦)	2,776.05(\$9.23)	800.98(\$2.66)

Source: Computed from Annual Reports and Accounts of Presco and Okomu Oil Palm Company Plc

5. CONCLUSION AND RECOMMENDATIONS

This study sought to extend understanding of indices of performance of publicly quoted agro-allied industries to productivity ratios and DuPont analysis. Furthermore, the study showed good performance of Presco and Okomu Oil Palm Company PLC in Nigeria between 2011 and 2016, but with varying areas of strength. Presco and Okomu had their strengths in higher profit margin and total asset turnover respectively. These findings imply the following conclusions and recommendations: Publicly quoted oil palm companies are to operate with higher profit margin and higher total asset turnover in order to maintain a stable return on equity. Therefore, effort should be made by publicly quoted agricultural ventures to constantly identify their area(s) of strength and leverage on it. Second, as both companies were found to be profitably operated, more investors should

patronize their shares. Besides, oil palm cultivation on large scale should be seen as a potential venture to drive the Nigerian economy in terms of job and wealth creation.

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Cite this Article: Adade, BF; Ada-Okungbowa, CI (2019). Performance of Publicly Quoted Agricultural Ventures in Nigeria: The Case of Presco PLC and the Okomu Oil Palm Company PLC. *Greener Journal of Agricultural Sciences* 9(3): 268-277, <http://doi.org/10.15580/GJAS.2019.3.053019104>.