

Cement Production Externalities and Profitability of Crop Enterprises in Two Local Government Areas of Ogun State

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ABSTRACT This paper examines the effect of externalities (environmental pollution) generated by the activities of the West African Portland Cement Company (WAPCO) PLC in its two plants at Sagamu and Ewekoro on the profitability of Agricultural production in its areas of operation. To this end, study area is divided into two areas- those affected by the operation of the factories, and those not affected (control). Farmers were selected from each area for interview by means of a probabilistic sampling technique. Information was collected by means of a pre-tested structured questionnaire from both sets of respondents. Costs and returns were estimated for farmers located in each area; then the probability of farm enterprises as well as the efficiency of resource utilization in the affected area was compared with those in the control area. The study shows that (i) the main environmental pollutants generated by the company are dust and noise; thus the inhabitants suffer from air-laden air, cracking of walls of structures as well as soil and water polluted by dust; (ii) farming was more profitable in the control than in the affected area in both zones: For example, the estimated net returns accruing to an average farmer in the affected area was #190,524.25 per hectare while that in the control area was #272,282.20 per hectare; (iii) resource productivity was higher in the control area than in the affected area. For example, farmers in the control area earned N4.72 for every N1.00 expended on labour while their counterparts in the affected area earned N2.18; and (iv) farmers in the affected area incurred additional costs in purifying their water for drinking, attending to their health problems resulting from the activities of the company and effecting repairs on their cracked buildings. The estimated average cost incurred was N24,000 per annum. These findings imply that the operations of the company have negative effects on the profitability of farm production as well as the productivity of agricultural resources in the areas affected by its production activities. Hence, the study suggests that the relevant government agency, Federal Environmental Protection Agency (FEPA), should (i) ensure that the company compensates the affected farmers for the damages suffered and (ii) review the maximum permissible dust and noise emission levels in order to reduce the adverse effects of cement production in the study area.