

Analysis of Economic Efficiency in Sawnwood Production in Southwest Nigeria

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ABSTRACT This paper deals with the issue of improving economic efficiency in sawnwood production in Ondo and Osun states, southwest Nigeria. The stochastic frontier approach was used to estimate a self dual Cobb Douglas production function which gave estimates of technical, allocative and economic efficiencies. In a second stage analysis, the ordinary least square regression method was used to estimate the determinants of the observed inefficiencies. Cross sectional data was obtained from 170 sawnwood producers using a two stage sampling procedure. Results indicate that the mean technical, allocative and economic efficiencies of sawnwood producers in Ondo and Osun states are 68%, 81% and 54% and 79%, 83% and 67%, respectively. Furthermore, sawmillers' level of efficiency can be improved if sawlog, electricity and capital are effectively used in Ondo state while the same can be achieved if sawlog is efficiently used in Osun state. Managerial type, capital base and capacity utilization deserve attention in order to improve the present efficiency level of sawmillers. The study recommends that the observed inefficiencies be addressed if producers are to achieve significant resource savings.