



CHALLENGES FACING PALM OIL INDUSTRY IN NIGERIA

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Abstract

The oil palm plantation can be found throughout West Africa and palm oil has contributed significantly towards the Nigerian exports. However, the palm oil industry in Nigeria was declining to 36.4% in 1969 and 13.2% in 1974 in spite of being the largest global exporting country at the beginning of 20th Century. Since then, domestic consumption has increased, slow growth in palm oil production and low output was delivered. The equipment of production is considered obsolete, the plantations are aging, the technology access is very little, and financing is insufficient. This indicated a threat and inefficiency of Nigerian palm oil industries to cater for the needs of people regardless of the increase in oil demand locally as the palm kernel oil is becoming important food and raw materials. Due to this problem, Nigeria remained to receive palm oil from Malaysia even though the seedlings was originated from Nigeria. Other large importers include from Benin, Ghana, Ivory Coast and Togo. This issue has caused Palm oil production in Nigeria to be more expensive and not competitive if compared to other countries like Malaysia and Indonesia. Hence, the objective of this paper explores the challenges facing palm oil industry in Nigeria using qualitative data through document and thematic analysis. The semi-structured interview was analysed by utilizing Atlas ti 8 software. The findings of the paper shows that there are challenges facing palm oil industry in Nigeria such as lack of good planting materials, poor funding, improper milling and lack of technology. From this, it is confirmed that there are numerous challenges facing palm oil industry in Nigeria which requires aids from the government from allocation of huge amount of its budget to agriculture and establish better policies for the palm oil industry that will attract more public and private investment.

Keywords: Oil Palm, Palm Oil, Palm Oil industry in Nigeria, Challenges

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INTRODUCTION

Oil palm *Elaeis Guineensis* is an African fruit which is found in southern Nigeria as well as some states in northern part of Nigeria. The wild oil palm is commonly found to be limited across a swathe of land in the south plantation. In Nigeria, the historical background of human and oil palm contact can be dated to 100 years ago (White and Oates, 1999). Oil palm in Nigeria is predominantly located in the riverine and coastline in the southern part of the country and scattered one-thousand kilometers alongside river Benue to the north. During the colonial period, there were specialists of producing and selling of palm oil. While during independence in Cross River state, palm oil was unofficially occupied and extensively afforested and it was the only left region of broad fallow shifting cultivation, and today is the number one in oil palm farming (Morgan, 1959).

In traditional groves, Morgan defined the main parts of palm oil and palm kernel as the region of yam-cassava in the east due to the earnings, and in thick groves adjacent to the settlements together with oil palms in the farmland (ibid). The 2006 census record of population density shows that, among the southeastern states there were disparity, from 800 to 2000 in Anambra and 70 to 100 km in Cross River. It is reported that in the 16th century many dwellers already existed, during the sound agricultural boom which was beyond the survival level (Korieh, 2010). Land deficiencies in 1929 were eminent in relationship with the inhabitants and in 1940 the same problem was identified of 1000 densities (Korieh, 2010). As a result of slave trade abolition in 19th Century, the trade on palm oil between Nigeria and Britain expanded. It was being used in making candles, soap, chocolate, margarine, and other important household items. In 1900, the economic policy of colonialism was established related to the development of oil palm and resulted to the advent of colonial administration (Korieh, 2010). The development was not meant for Nigerians; it was for the benefit of Britain.

The small-scale farmers were forced to produce what the Britain demanded and for the markets of Europe. As a result, the production was enhanced progressively. This has been a classical exploitation in two ways, whereby the traditions as well as local practice of people were protected by British indirect rule, the production was meant for export and at the same time, the production was taxed by Britain (Schoneveld, 2014). The exploitation of locals was also increased in palm kernels, such as women and children were used to crack palm kernel by hand due to its value more than palm oil. For a moment, there was an increase in trade which improved the drop in food manufacture such as yams produced by male for food. Women had a large share in the business, but with decrease intensively in the fertility of soil (Korieh, 2010). People within other areas do not produce their food, they heavily depended on imported food such as cassava from other places or countries. The fluctuation of global price became a major problem during the Great Depression in 1930s and the disruptions of trade and its activities throughout the Second World War (Korieh, 2010). Therefore, the objective of this paper explores the challenges facing palm oil industry in Nigeria. These challenges are the ones that restricted the industry from delivering good production to cater for the local consumption as well as exportation as it was before.

METHODOLOGY

This section explains the research methodology used to obtain data, and how the data were analysed. According to Creswell (2012), research generally conducted to develop appropriate and accurate assertions that can aid to explain a situation. This study employs qualitative research method to understand the research problem. Qualitative research method systematically identify the nature by using explanatory and realistic approaches (Zhang & Wildemuth, 2009). Qualitative document analysis is being implemented which relies on how it is clearly explained,

analysed and concluded (Manheim et al., 2002). This research paper is based on primary and secondary data, whereby the primary data was collected from interview and the secondary data from books, journals, dissertations, newspapers, magazines, seminar papers, and articles.

The primary data was collected using standardised semi-structured interview and adopted open-ended interview technique. The interview sessions were done through telephone calls due to Covid-19. Three participants were selected from Nigeria to provide diverse views on this paper using purposive sampling. This paper then employed inductive thematic analysis to analyse the data from the interview. Each of the interview conducted was coded immediately after it took place. The data were analysed based on the participants' information and were critically interpreted by the researcher (Cohen, 2007). The steps for data analysis include: i. Data editing, ii. Data coding, and iii. Data entry using Atlas.ti software. Zhang and Wildemuth (2009) stated that, Atlas ti is commonly being used by a researcher to analyse a qualitative research, organise, manage, and code a qualitative data efficiently.

Oil Palm and Palm Oil

Oil palm is a valuable fruit that is extracted to produce vegetable oil known as palm oil. It is the most traded vegetable oil in the world with the sixty percent of the trade which is one-quarter of the global oil consumed. Oil is commonly being removed from the palms to produce numerous products globally such as detergents, cosmetics, margarine, sweets, and baked goods (World Bank, 2010). Moreover, oil palm is very valuable for biodiesel and is rated as the most productive and profitable oil produced for bio-fuel.

Breeding programs developed oil palm to high-yielding varieties that produce annually over twenty tonnes of fresh fruit bunches of palm oil (FAO, 2010b). Indonesia and Malaysia are the major global palm oil producing and exporting countries with estimate of forty-five million tonnes. In recent years, the vegetable oils market grew rapidly as the palm oil industry became a significant contributor globally (WG, 2011). Oil palm is important to Nigerian economy since it is produced in food for consuming, bring income to farmers, provide employment to nation and raw materials for industries. An estimated seventy-four percent of global palm oil usage is for food products and twenty-four percent is for industrial purposes (USDA, 2010). Since the 1990s, the area occupied by oil palm cultivation has expanded worldwide by around forty-three percent, driven mainly by demand from India, China, and the European Union (RSPO, 2011).

RESULT AND DISCUSSION

Palm Oil Industry in Nigeria

The production of palm oil in Nigeria started with trees, in which the fruits could be produced, harvested, and processed. Nigeria has two major types of palm oil production namely: the planted farms and the wild grove, but the second produces almost eighty percent of the fruit in totality. The three types of oil palm trees that can be found in Nigeria are namely Pisifera, Dura, and Tenera. The preferred variety to farmers of oil palm is Tenera which is Dura (female) and the Pisifera (male) highbred. It is the Nigeria Institute for Oil Palm Research (NIFOR) that produced Tenera seedlings (EWS) (PIND, 2011). The palm oil production is categorised into three groups of smallholders, medium and large-scale plantation (Ayodele and Ehalomi, 2010). Nonetheless, the abundance of resources for palm oil production in Nigeria still is under critical condition due to the long-time of palm oil industry producing and competing.

Challenges Facing Palm Oil Industry in Nigeria

In Nigeria, there are many challenges that are facing oil palm production which requires government's attention to achieve sustainable palm oil production in order to cater and satisfy for the local daily needs. The problems are classified into three levels that are: Farm level, Processor level and Dealer/Retailer level.

Contaminated Seedlings and Seeds Proliferation

The Nigerian Institute for Oil Palm Research (NIFOR) is an institute of research which has a right for conducting a research to develop and produce oil palm seeds and seedlings in Nigeria. The sprouted seeds and seedlings from NIFOR has become difficult for some smallholder farmers to access it due to the NIFOR location problem and its nurseries (outstations) which many smallholder oil palm farmers are far away from.

Lack of directives on the developed seedlings and seeds marketing over the years informally creates the chance for selling the contaminated, low-yield seedlings and seeds to the innocent farmers at lower prices which is damage to their production. Some farmers faced a decline in the production of palms due to the planted seedlings which was harvested from old plantations with a low yield. Palm oil production in this situation, has been negatively damaged (PIND, 2011).

Poor Funding

NIFOR is a research institute that has the right and capability of producing almost ten million of sprouted seeds and seedlings every year. The Research Institution only produces fifty percent (50%) of the yield due to poor funding. In addition to the problem of insufficient funding of the sprouted seeds and seedlings production from government and private institution, the value chain research improvement has been negatively affected. And NIFOR needs to conduct research on more seedlings production so that the demands of new plantations will arise (PIND, 2011).

After the crude oil discovery in 1950, the agricultural sector has been neglected and poorly funded. It is important to note that, funding is a driving force for investment, innovation and venture, while agriculture is the leading sector. Oil palm production is capital intensive which has the simple requirement and accession to funds, loans and credit facilities from government and banks. According to Ekine and Onu (2008), palm oil processors face a serious challenge of inadequate funding which is a big threat to oil palm production, and majority of processors get difficulties in establishing their mills for processing.

Inadequate Fertilizer Accession

Smallholder oil palm farmers are accounting for the nearly eighty percent of Nigerian production of palm oil domestically. However, due to the inadequacy as well as lack of coordination in value chain, they do not have access to fertilizer, the farmers do not get the fertilizer at the right time and is not given to them at affordable price.

The importation of fertilizer into Nigeria, the Federal Government under import license, controls its allocation. Subsequently, the production would be higher if the fertilizer to the farmers was accessible and given to them on time for the farming (PIND, 2011).

Aging Palms and Poor Managerial Ability

The majority of the existing plantations in Nigeria are aging palms without any policy of replantation of new ones and are over thirty (30) years old. This plantation category of production is classified as lower than the younger

plants. Poor management ability that made the government-owned large plantation shut down ten (10) years ago, was useless and action needs to be taken so as to find a possible solution.

On the other hand, the farm lack of good maintenance and adverse effect on agricultural estate production have become common problem to large and small farms. The public and private sectors developmental projects led to the wild grove destruction, in doing so, the production of palm oil has been reduced. The poor farmers are seriously affected by this environmental matter (PIND, 2011).

High Cost of Labour and Transportation

In Nigerian palm oil production, smallholder farmers face the challenge of labour high cost. The effect that; the farmer can only hire the labour if he has the money to pay for the labour. This sometimes affects, the ripped bunches and before they are harvested, they become wasted due to the labour high cost. Proper mechanization forms, enhanced herbicides use, and better trees management can lessen the transportation and high labour cost. The poor roads and transportation increase farmers' production cost.

Therefore, haulage services are very high, which transport the fresh fruit bunches from standpoints to the center. Other smallholder farmers that don't have processing centre, it compels them to be selling their fresh fruit bunches. In other community areas, the roads are terrible, farmers use motorcycles as a mean of transportation to haul the fresh fruit bunches (FFB) to home (PIND, 2011).

Improper Scaling of Milling Technology

The improper scaling of locally invented milling technology poorly impacts on the rate of extraction and palm oil production capacity. The local artisans have locally invented most of the available mini-processing mills with improper scaling, which resulted in the rate of low oil extraction and high level of palm oil waste (PIND, 2011). The Federal Government agricultural transformation agenda has been meant for export promotion and import substitution through the commercial agriculture. In Nigeria, the low technology approach caused the decline of palm oil production. The use of locally invented technology in the current oil palm production, yields less result and the agricultural transformation in the sector will never be achieved (Enkenta and Ajala, 2017).

Decline in Price and Poor Market Mechanism

Technical and Special Palm oil (TPO and SPO) compete with groundnut oil and soybean oil in terms of its price's determination in the Nigerian domestic market due to their close substitutions. The embargo on vegetable oils importation in Nigeria, triggered the TPO and SPO prices rose to its top in 2007 at two hundred and eighty thousand Naira (N280, 0000) and three hundred thousand Naira (N300, 000) per tonnes.

In 2008, the prices slumped due to embargo lift by the government, the TPO and SPO prices per ton in the market are two hundred thousand (N200,000) and two hundred and twenty (N220,000) respectively. Therefore, the dealers faced a serious loss due to the ban lift on the vegetable oil importation (PIND, 2011). The produces from oil palm at local level did not have well defined marketing procedure. This gives rise to poor products prices which in turn affects the rural producers profit margin. This factor discourages new incoming farmers into the oil palm business especially youth. A well-defined market procedure, standardised pricing mechanism and good distribution network needed to inspire new farmers and raise products with uniform marketing and pricing strategy across the country (Enkenta and Ajala, 2017).

This research paper used semi-structured interview to investigate the challenges facing palm oil industry in Nigeria. The participants for the interview are experts in the field of agriculture and economics. All the three participants are from Nigeria, their ages from thirty years to fifty years, and all are educated professionals. The first participant is master’s degree holder and Research Officer One from Nigerian Institute of Oil Palm Research (NIFOR), the second is a degree holder and Senior Quality Assurance in Production and Processing Sector from West African Soil Industrial Limited (WASIL), Nigeria, and the third participant is PhD (in view) and lecturer from Federal University, Gashua, Yobe State, Nigeria. This selection is based on the participants’ knowledge and their will for participating in this research paper. These interviewees were interviewed on the necessitating factors to Nigerian failure on palm oil. The figure 1 represents the result from the interview.

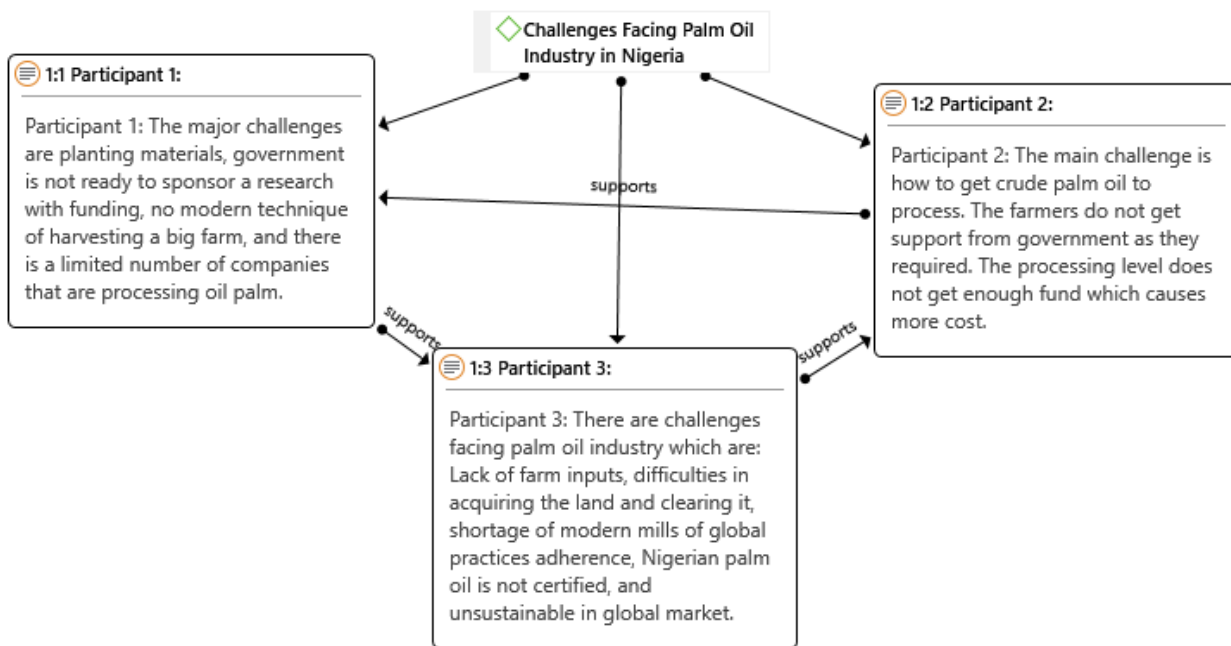


Figure 1: The result of the interview in this study

From Figure 1, the participant one stated that, the major challenges facing palm oil industry in Nigeria are planting materials which are the foundation for the oil palm plantation, lack of it is like missing teeth. Good planting materials are the backbone of any oil palm plantation as well as production. He added that, the government is not ready to give full sponsorship to a research with good funding on oil palm production. The higher the good research with funding, the higher the good outcome of production. No modern techniques of harvesting a big farm in Nigeria, all the techniques that are being used are small and locally made, and there is a limited number of companies that are processing oil palm which is another great challenge to Nigerian palm oil industry (Participant 1).

The participant two said that, the main challenge facing palm oil industry in Nigeria, is how to get crude palm oil to process it, the farmers do not get support from the government as they required to plant, process, and produce palm oil. The processing level does not get enough fund from government which causes more cost on the production, these challenges are crippling the palm oil industry in Nigeria (Participant 2).

The participant three viewed that, the main challenges facing palm oil industry in Nigeria are lack of farm inputs for plantation which are the major requirement to start. Difficulties in acquiring land and clearing it, is

another challenge to the industry. Shortage of modern mills of global practice adherence, Nigerian palm oil is not certified, and unsustainable in global market. These major challenges would not allow palm oil industry in Nigeria to function as required, until they are solved. In summary, all the three participants confirmed that, palm oil industry in Nigeria is facing challenges that need to be addressed by the government.

CONCLUSION

This paper discussed on the background of oil palm, palm oil, palm oil industry in Nigeria and the challenges it encounters. In 1960s, Nigeria was a major palm oil producing and exporting country globally, account for 43% of global supply. The production collapsed due to some challenges that prevented the production and entangled the palm oil industry from efficient production of oil palm. These challenges made Nigeria lost its global recognition and position in terms of palm oil.

Now Nigeria is producing only 1.7 meagre which is not even enough for local consumption and it became a net importer from Malaysia and Indonesia. In order to revive Nigeria's past glory on oil palm production, it is important to allocate a significant amount of money from its annual budget to agricultural sector. Government has to formulate good policies on agriculture, especially on palm oil in order to boost the production. Government and private sector are required to collaborate and invest in the sector, and at the same time set rules and regulations so as to comply with the RSPO criteria.

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