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ABANDONED NIGERIAN ECONOMIC RESOURCES: THE CASE OF OIL PALM

[1]Ekenta, C.M., [2]Ajala, M. K., [1]Akinola, M.O. and [1]Oseni, Y.
[1]Department of Agricultural Economics and Rural Sociology, Ahmadu Bello University, Zaria
[2]National Animal Production and Research Institute (NAPRI), Ahmadu Bello University, Zaria

ABSTRACT: *Palm oil which is a product of oil palm is a very important domestic and industrial product that has variety of uses. The Nigerian economy in the 1950s till middle 1960s prior to the discovery of crude oil in 1957 was the largest producer of oil palm in the world. The discovery of oil shifted the emphasis of the economy from agriculture to crude oil exploitation. There is an increasing agitation for the diversification of the economy and specifically, the rejuvenation of the oil palm sector. The revitalization of the oil palm sector has the capacity of fast tracking the economic development of the country owing to the various products of the palm and the multiple uses of the products. The research adopted a "desktop research" approach and made evaluation of existing situations. Documents on oil palm production in Nigeria, media and agencies reports on oil palm business in Nigeria were used as primary sources of information. The article concluded with discussions on the way forward to rejuvenate the oil palm sector in Nigeria.*

KEYWORDS*: Oil Palm, Economic Resources, Crude Oil, Nigerian Economy, Revitalization*

INTRODUCTION

Palm oil is a vegetable oil derived from the fruit of the palm tree, it is used for both food and non-food consumption. Total global production of palm oil is estimated at over 45 million tonnes, with Indonesia and Malaysia as the major world producers and exporters. The palm oil industry has experienced rapid growth in recent decades, and has become a significant contributor to the world market for vegetable oils (WG, 2011). The importance of oil palm to the national economy of Nigeria cannot be over emphasized. It ranges from production of food for human consumption, employment, income to farmers and nation and raw materials for industries. Oil palm which is a production of palm oil has been a major source of foreign exchange to Nigeria as well as source of revenue to major segment of the rural population of South East Nigeria (Onoh and Peter-Onoh, 2012). The oil palm provides one of the leading vegetable oils produced globally, accounting for one-quarter of global consumption and approximately 60% of international trade in vegetable oils (World

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Bank 2010). The oil extracted from these palms is included in several common products used all over the world such as margarine, baked goods and sweets, detergents and cosmetics (UNESCO 2007). An estimated 74% of global palm oil usage is for food products and 24% is for industrial purposes (USDA 2010). Since the 1990s, the area occupied by oil palm cultivation has expanded worldwide by around 43%, driven mainly by demand from India, China and the European Union (RSPO 2011).

Oil palm is very useful for biodiesel all over the world. Oil palm is among the most productive and profitable of tropical crops for bio-fuel production. High-yielding oil palm varieties developed by breeding programmes can produce over 20 tonnes of fresh fruit bunches/ha/yr under ideal management, which is equivalent to 5 tonnes oil/ha/year (excluding the palm kernel oil) (FAO 2002). The oil forms 10% cent of the total dry biomass produced by the palm, but the 90% left might be a source of fibre and cellulosic material for second-generation bio-fuel production (Basiron 2005). Production of biodiesel from oil palm has been increasing in recent years, particularly in Africa and Latin America (FAO, 2010b and Mitchell, 2011).

Socio-economic benefits of a sustainable oil palm plantation could include poverty alleviation and long-term employment opportunities. Profit sharing may provide a further incentive, attracting more workers to the palm oil sector, along with better living and working conditions (Albán and Cárdenas 2007). Depending on the role played by authorities and smallholder cooperatives, smallholders may benefit substantially from oil palm production in the world due to its higher returns to land and labour, compared to other commonly grown agricultural products (Rist *et al*, 2010). For instance, oil palm might be an alternative for farmers to invest in and benefit from the higher returns they offer, instead of destroying forest for cattle pasture (Butler 2011).

In Nigeria, the oil palm tree is a useful crop that is relevant in all aspects of live with socioeconomic and socio-cultural values. According to Ibitoye *et al* (2011) reported that oil palm is a versatile tree crop with almost all parts having economic value and useful for everyday livelihood. The different parts of oil palm include: the fronds, leaves, trunk and roots. These parts give a wide range of products which are of benefit to mankind. The most important product of oil palm is the palm fruit, which is processed to obtain three commercial products. These include palm oil, palm kernel oil and palm kernel cake. The palm oil is rich in carotene and contains vitamin A. It is also used in the manufacture of soaps and other detergents (Agwu, 2006). The palm kernel oil is used in the manufacture of margarine, cooking fats, lubricants, pomade and a source of glycerin (Ajie, 2013). The residue obtained after the extraction of oil is called kernel cake, which is used in livestock feed production (Soyebo *et al*, 2005). The sludge from palm oil processing is used for making traditional soap and fertilizer. The empty bunch, fibre and shell that remain after oil extraction can be used for mulching, as manure and source of fuel.

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According to Komolafe and Joy (1990), the leaves of oil palm are used for making brooms and roofing materials. The thicker leaf stalks are used for walls of village huts. The bark of the palm frond is peeled and woven into baskets while the trunk (main stem) can be split and used as supporting frames in buildings. The ever popular palm wine, which is has socioeconomic importance is obtained from the male inflorescence and is a rich source of yeast. The palm wine can be allowed to ferment and then distilled into a local gin. In some areas in Nigeria, the trade in palm wine competes greatly with that of oil palm (NIFOR, 2008). The leaflet of the oil palm are used for making thatch for roofing houses while the rachises are used for fencing, reinforcing buildings and basket making. The mid-ribs of the leaflet are used in making brooms while the cabbage soft tissue around the apical bud serves as delicacy for eating. The fibre residue left after the oil has been extracted from the fruit provides fuel while the shell from the cracked palm nuts provides not only fuel but also serve as an aggregate for flooring houses (NIFOR, 2008).

Agronomy of Oil Palm

Oil Palm is a member of *palmea* family. It is a monocotyledonous crop with fibrous root system. But unlike other plants with fibrous root system, the roots of oil palm are found at considerable depths and spread for anchorage and absorption of nutrients. It grows up to a height of about fifteen meters (15m). The stem which is also known as the trunk is erect and single (un-branched).

The stem bears a crown of fronds with a central spear (unopened leaf) at the centre of the crown. This spear leaf later opens to become one of the fronds making the crown. Another spear leaf will also emerge as the palm grows. The crown consists of up to 25 to 40 large fronds. The oil palm bears the female flowers (inflorescence) separately at the axils of the fronds. These flowers are produced in turns (alternate cycles). This means that when the male flowers appear at the time, then the female flower will appear in the next flowering period of the palm. This implies that at any given time a group of palms may not carry bunches while some others bear bunches. The florescence (flower) also known as spadix gives the palm bunch that bear the fruits.

The male florescence bears the pollens which usually serves as to pollinate and consequently fertilizes the female flowers. It takes about 5.5 months from pollination and consequent fertilization to maturity of the bunch. The palm fruit is a drupe and consists of leathery exocarp and fleshy mesocarp from which palm oil is extracted and a stony endocarp (shell) which consists of the kernel (NIFOR, 2009; RMRDC, 2004).

The oil palm fruit originally exists in two forms; the Dura and the Pisifera. The third form is a hybrid variety which emerged from controlled cross pollination of the Dura and the Pisifera varieties. This is called the *Tenera* (improved) variety. The *Tenera* variety

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emerged as result of extensive research of NIFOR. These three varieties could be distinguished by their fruit characteristics.
Dura: This has a thick shell separating the pulp from the kernel. It has thin Mesocarp with viable embryo, large kernel and contains very small quantity of oil. Dura is an unimproved variety of the oil palm.
Pisifera: This has no shell and is very frequently female sterile. It has very small kernel and sometimes no kernel for most fruits but the fruit has the highest oil content. It is also an unimproved variety.
Tenera: This has a thin shell between the pulp and the kernel, together with a fibrous layer round the nut. It has thick Mesocarp, viable embryo, good size kernel; the fruit has high content of oil. This is the improved variety of oil palm. The essence of the hybrid is to have a variety that could produce both palm oil and kernel at the same time. *Tenera* is the variety upon which this research is anchored. The research seeks to examine the extent of adoption of this variety by gender in the study area.

Oil Palm Production in Nigeria

Nigeria before the discovery of mineral oil was dependent on agricultural products for export, employment and supply of raw materials for industries. Crops such as groundnut produced in the Northern region, cocoa and rubber in the Western region and oil palm in the Eastern region contributed immensely to the country's GDP.

Nigeria is among the West African countries that are cited as the most probable place where the fruit was first domesticated in the 14th century. The crop is found predominantly in southern Nigeria especially in the Wet Rain Forests states (Rivers, Cross River, Akwa Ibom, Imo, Anambra, Ebonyi, Abia , Enugu, Edo and Delta) and Savanna Belt states (Ekiti, , Ondo, Ogun, Osun, and Oyo). It also exists in the wet parts of North Central Nigeria, in areas like Southern Kaduna, Kogi, Kwara, Benue, Niger, Plateau, Taraba and Nasarawa States as well as the Federal Capital Territory (Ayodele and Ehalomi, 2010). Nigeria oil palm production as early as 1900 was the main source of revenue and a dominant player in foreign exchange earnings. In the early and mid 1960's, Nigeria oil palm production accounted for 43% of the world production which has an average of 1.5 million tonnes of oil palm (FAO, 2007). Three decades after, world oil palm production rose to 14.1 million tones with Nigeria accounting for only 7% of the total production (Kajisa *et al*, 1997).

Oil Palm production in Nigeria is based on three categories of oil plantation holding; small holding plantation, medium scale plantation and large scale plantation. Of these categories, small holder oil plantation controls oil palm cultivation in Nigeria covering about 1-5 hectares of farm and are often times characterized by mixed cropping obviously meant to maximize the usage of the land (Ayodele and Ehalomi, 2010). As reported by Vermeulen and Guad (2006), a large chunk of oil palm exists in the wild or semi-wild

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state, when this is added to those that were cultivated by smallholders, it shows that the small-holding control over 80% of the Nigeria palm oil production. As early as 1901, Nigeria dominated palm oil production the world earning excellent foreign exchange from exported oil products (Eshalomi, 2009). In the 1960's Nigeria's oil palm production accounted for 43% of global palm oil production (Olagunju, 2008).

Nigeria's ability to meet up with the global rise in demand was curtailed by the over-reliance on traditional production methods, excessive tapping of palm tree for palm wine, and the civil war between 1967 and 1970, which was fought in areas where palm oil production activities were high. The civil war led to the destruction of small holder palm plantations and wild and semi wild palm plantations. Within these periods, palm oil production and the produced tonnes could not meet the rising global demand and consumption. Between 1975 and 1995, production marginally increased from 640,000 tonnes to 898,000 tonnes (FMOARD, 2006; Opeke, 2005). According to Palm Oil World Supply and Distribution Reports (2010), Nigeria presently ranks third largest producer of oil palm after Indonesia and Malaysia who account for an annual production volume of 1.28 million metric tonnes.

Economic Importance of Oil Palm

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Potentials of Growing Nigerian Economy through Oil Palm Production

The oil palm contributes 72% of the nation's vegetable oil production estimated at 1 million metric ton, and is therefore significant in growing the vegetable oil industry in Nigeria which has plummeted. Presently, Nigeria produces 1.3 million metric ton of vegetable oil as against the national demand of 1.6 million metric ton. The deficit of 0.3 million metric ton is met through import where the nation annually expends an average of $500 million. Investing this huge amount of money by the government in oil palm production will turn around the table in favour of Nigeria producing vegetable oil in excess of her local consumption demands.

The potentials of the oil palm sector in growing the economy is evident on the fact that oil palm is grown in 24 states of Nigeria namely; Abia, Akwa Ibom, Cross River, Rivers, Bayelsa, Imo, Anambra, Ebonyi, Enugu,Delta, Edo, Ondo, Ogun, Osun, Oyo, Ekiti, Benue, Kwara, Kogi, Nasarawa, Plateau, Taraba, Adamawa and Kaduna (especially in the southern part). The wide coverage of the oil palm in the country shows the enormous potential it has for employment, wealth creation, provision of raw material for industries, foreign exchange earnings through product export and income generation for the economy. It is used in local food preparations and by major food industries who attests to its significant contribution to national food security for which more efforts must be made to grow the industry.

According to Odey (2004), Nigeria oil palm belt possesses about 24 million hectares of land that is suitable for oil palm cultivation. Therefore, in order to increase oil palm production, the governments should focuse on increasing the area under cultivation and improve the output or yield per unit area. Giving the massive area of land, the sector will if properly financed and monitored for efficiency, improve drastically the economic conditions and fortune of the country. Currently with the dwindling world crude oil price per barrel as it is this year 2016, investing in the agriculture sector is most certainly the best option to grow the economy again. The potential of the oil palm sector is enormous as 80% of Nigeria oil palm production comes from dispersed smallholders who harvest semi-wild plants and use manual processing techniques especially in the rural areas. Similar to this is the involvement of women in production, storage and commercialization of red

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palm oil. These will ensure rural food security, employment and source of revenue for the rural household.

Problems of Oil Palm Production in Nigeria

The problems of oil palm production are enormous and multi-faceted. For the purpose of this article, the factors will be categorized into primary factors (Inadequate access to land, inadequate access to fund, inadequate access to improved technology and high cost of material inputs and labour) and secondary factors (non government and private sector participations, poor output market mechanism, poor extension services delivery and general poor characterization of the sector.

Primary Factors

These are seen as the immediate and direct factors that constrain oil palm production in Nigeria.

Inadequate Access to Land

Oil palm production is land extensive. Plantations' establishment requires land space both in the rural and urban areas. Inadequate access to land therefore is a major constraining factor in the oil palm sector. According to Enwelu *et al* (2013), the major challenge facing oil palm farmers in embarking on oil palm production project is land. The existing land tenure system and the present land policy are not favourable to young farmers who may be interested in investing in oil palm production. As a result of low plantation culture in Nigeria (partly owed to the land tenure system and also because of the geographical spread of oil palm producers), it would be useful to review the Land Use Act and modify it to serve as a catalyst for supporting the development of a plantation culture for oil palm production (Dada, 2007).

Inadequate Access to Fund

Finance is the driving force of any venture, investment and innovation. The agriculture sector in Nigeria has after the discovery of crude oil in the 1950's been relegated with regards to funding. Oil palm production is capital intensive and requires easy access to funding especially flexibility in the access to loan and credit facilities from bank and government institutions. According to Ekine and Onu (2008), inadequate funding is a major problem faced by palm oil processors hence most of them could not establish own processing mills. Further, Chukwu and Nwaiwu (2012) explained that lack of fund is a constraining factor to oil palm processing. Inadequate finance for the oil palm sector could be attributed to the fact that oil palm is a perennial crop with a long gestation period; lending institutions are unwilling to provide financial services to producers owed to the lack of collateral and the time lag for producing a harvest (Dada, 2007). To overcome this problem, government should through legislation provide appropriate policy for ensuring

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the availability of rural finance to smallholders is therefore required to improve the enabling environment for small-scale oil palm production.

Inadequate Access to Improved Technology

The agricultural transformation agenda of the Federal Government is geared towards import substitution and export promotion through commercial agriculture. Deviating from the rural subsistence low technology approach which has dominated the oil palm production in Nigeria to commercial agriculture requires the use of improved technology. He use of improved seedlings, agronomic and management practices, integrated pest management practices and the used of improved machineries for production and processing are prerequisites to improved output in the sector. The present use local technology will not yield the expected result and achieve the desired transformation in the sector.

High Cost of Material Inputs and Labour

The cost of material inputs needed for oil palm production is high. Inputs such as fertilizer, insecticides, herbicides, and fungicides are increasingly high and beyond the reach of the meagre earnings of small-scale producers that dominate the oil palm production in the country. Government at various times has announced input subsidy for farmers but most often the subsidies only exist in official white paper policy documents of the government and if implemented, do not reach the target farmers. Similar to this is the high cost of labour. Oil palm production in Nigeria is labour intensive owing to the fact that rural technology and unimproved implements are used. This therefore consumes a large chunk of the fund of the small holder farmer that could have been invested in other areas to improve production.

Secondary Factors

These are seen as supporting or indirect factors which are also very crucial to improving the oil palm production in the country.

Non-Government and Private Sector Participation

The transformation agenda will require government and private sectors' participation in financing project, programmes, innovations and investments in agriculture. The oil palm sector does not enjoy this advantage. The resources needed to improve oil palm production for economic growth is not within the reach of the meager resources of the rural oil palm producers. Most plantations and mills are owned by rural private investment without government or private sector encouragement. This will result to low production output emanating from use of unimproved technology, poor management practices and low investment.

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Poor Output Market Mechanism

The oil palm products such as red oil, palm kernel and palm kernel cake do not have a well define marketing method and procedure especially at the local level. This will give rise to poor pricing of the products which will in turn affect the profit margin of the rural producers. The incidence of this factor will discourage new entrants into the business especially the youth. A well defined market procedure, standardized pricing mechanism and good distribution network will be needed to encourage new entrants and foster uniform product marketing and pricing across the country.

Poor Extension Services Delivery System

The extension systems serve as linkage between research stations and the intended consumers of the research innovations. The communication of improved technologies and practices, the education of the end users of the improved innovation are the primary roles of extension systems. In Nigeria, the extension service delivery system is marred by inefficiency. Inefficiency in the system is occasioned by inadequate resources to executives its functions. Inadequate personnel within the system, low budgetary allocation to the system, poor working condition and poor infrastructure are some of the factors bedeviling the extension system in Nigeria. As a result of these, the rural oil palm producers who are small holder do not have the necessary information they need to improve their production.

General Poor Charaterization of the Sector

Comparing the Nigerian oil palm sector with other countries who are competitors in the global market will expose the poor characterization of the oil palm sector. For instance comparing Nigeria and Malaysia will give an insight to the aforementioned problem.

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Table 1: Comparison of the oil palm industry in Nigeria and Malaysia

Characteristic	Nigeria	Malaysia
Technology	Dominant Technology: Smallholder production with traditional methods	Dominant Technology: Large scale plantations with modern methods
Farm-Level	Oil palm inter-cropped with other food crops, semi-wild varieties with little or no modern inputs	Intensive monoculture, high degree of specialization, modern inputs, mechanization
Processing	Manual; low volume, low extraction rate (20-50%)	Well integrated, capital intensive, high volume, high extraction rate (90%)
Management Structure	Decentralized management, processing and marketing	Single management control
Environment		
Production Structure	80% of national production from small holders	Over 90% of production from large scale plantations
Research	Public Research (NIFOR) only	Collaboration between public and private research
Institutions	Separate land and tree tenure systems. Land Use Decree of 1978	Consolidated land holdings, vertical integration, quality control standards
Coordination		
Inputs	Little use of modern inputs and extension service	Provided internally(seedlings from own nursery) or from market
Output Market	Previously controlled by monopoly marketing board; market liberalization of 1986	Vertical integration; contracts; markets, market information, standards and quality control
Performance		
Productivity	Low	High
Quality of oil	High fatty acid; for local use only	Export quality
Adoption of Modern Inputs	Low	High
Access to Information	Slow	Fast (spartial internal flow)
Impact on Environment	Low	High

Source: Adapted from Kajisa *et al* (1997)

RECOMMENDATIONS ON THE WAY FORWARD FOR REVITALIZATION

Oil palm remains one of the most important economic resources of the country. The abandonment of the sector to its rot as it is today is occasioned by the general overlook of

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the agriculture section as e result of the discovery of crude oil in the 1950's. The sector has suffered undue neglect which has resulted to low production and low contribution of the sector to national economy.

To revitalize the sector and make it functional again to regain its prominence in contribution to the national GDP, the following recommendations are made by this article;

Revisiting the Land Tenure System

Land tenure practice in Nigeria is a major problem. This could be looked at from the legal and cultural points of view. From the legal point, the principles of land tenure in the country are defined in the Land Use Act of 1978, Chapter 15. By this, all land comprised i n the territory of each State in the Federation is vested in the Governor of that State, and su ch land shall be held in trust and administered for the use and common benefit of all Nigerians in accordance with the provisions of the Act. The governor therefore grants statutory rights of occupancy to any person for all purposes. With the decay in governance and corruption occasioned by greed and selfishness, the administrators grant occupancy on discretionary and political motives and not on merit and economic beneficial intent for the society. Granting of land now becomes the easiest way of compensating political friends and colleagues, making land out of the reach of those who will use them for purposeful investment. From the cultural point of view especially in the rural areas, land ownership right is most often on merit which favour a particular segment of the community; men. Women who have the potentials and resources to invest in oil palm business do not have access to land for this economic venture. Land tenure system and acquisition process should be liberalized ensuring less restriction and undue bottlenecks for it acquisition. This will give opportunity for those who genuinely want to invest especially women.

Encouraging Youth Involvement in the Sector

Oil palm production in Nigeria with the prevailing technology is drudgery in nature and requires physical strength. The youth have the capability of risk taking, welcomes new ideas and innovation, articulate and resilient. The oil palm sector requires these qualities for rejuvenation. It would be helpful to develop schemes to involve the youth in oil palm production. Considering the need to increase production and the tremendous potential for job creation and income generation, it would behoove the government to ensure that the aforementioned qualities of the youth area channeled to productive ventures like oil pal production. Schemes that will ensure proper financing, production material input subsidy, easy access to low interest loans and credit facilities and liberalized land acquisition process will be policy strategies that will entice the youths.

Improve Rural Small Holder Financing (RSHF)

Oil palm production sector in Nigeria is dominated by small holder farmers who most often are in the rural area and operate at subsistence level. The inefficiency in their

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production level which has led to low output could be attributed to poor funding, use oil local technology, inadequate use of improved seedling varieties among others. Being that small-holding control over 80% of the Nigeria palm oil production, government financing at this level will boost production. At the rural level, the cost component of oil palm production includes cost of acquiring land, plantation development, labour and material inputs and cost of process. Considering the reluctance of banks and other financial institutions to grant loan to farmers who engage in the production of crops that has a long gestation period is a problem and also the rate of interest. Government should through the mechanism of Bank of Agriculture (BOA) and Bank of Industry (BOI) develop lending scheme that will have single digit lending interest, undertake short, medium and long term lending with less procedural process to help small holder farmers have access to fund for investment.

Private Sector Participation

The investment pattern in the country especially on agriculture has always been the business of the government alone. Aside government financing, private sector investment in oil palm production and research will boost production and increase revenue generation of the sector. The private sector has the financial profile, expertise, technology and the organizational networking that essential for development. Inducing the private sector to participate, government should create the enabling environment for sustenance. Government could implement a low tariff regime for the importation of improved technology (machinery and equipments) to be used for oil palm production. By this the private investor is protected and assured of a reasonable profit margin for the investment.

Extension Service Restructuring

Restructuring the extension service delivery system in the country is pertinent. The Agricultural Development Project (ADP) that pioneers extension services to the farmers is faced with a lot of challenges. Inadequate funding, inadequate qualified personnel, poor remuneration, poor managerial structures, obsolete equipments, mal-functional transportation means and inadequate communication devices are some of the many problems of the system. Similar to this is the lack of performance driving evaluation in the system. These loopholes turned the pragmatic and quick response system to a routine ministerial department with little or no impact on the farmers. The adoption of improved technology, training of farmers, communication of new practices and others are the beauty of the extension work. The system need to be restructured to be pragmatic and result oriented to meet the demands of the Nigerian farmers especially in the drive to improve oil palm production in the country.

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