Harmonizing a Thriving World Palm Oil Industry and Economy through Genuine Collaboration between Producers – Malaysia, Indonesia, and West Africa, and Consumers – India and China

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ABSTRACT

Objective - This article probes the state of Africa’s palm oil industry and economy today.

Methodology/Technique - Today, Malaysia, Indonesia, and West Africa are the world’s major producers of palm oil; and India and China, the world’s most densely populated countries, are the major consumers. However, why is it that West Africa that is naturally endowed with palm oil is the one that lags behind others in the global production of palm oil? Should this kind of natural endowment and the presence of the major world producers and the biggest consumers of palm oil not spell colossal success for global palm oil industry and economy?

Findings - Without an adequate demand for a commodity, supply will be limited, thus resulting in a downward supply curve. On the other hand, if there is a high demand for a commodity like palm oil, then it will be produced in abundance.

Novelty - Where and why it has fallen short, and what does need to be done via-a-vis the state of Malaysia’s and Indonesia’s palm oil sector and the presence of emerging economies like China and India against the backdrop of globalization.

Type of Paper - Conceptual

Keywords: Palm oil; Economy; Consumption; Globalization

1. Introduction

Today, Malaysia, Indonesia, and West Africa are the world’s major producers of palm oil. Malaysia and Indonesia have however overtaken West Africa, the original home of palm oil or the palm tree. Malaysia is currently the world’s largest exporter of palm oil, although it is the second-largest producer of the oil after neighboring Indonesia… Malaysia is now home to the
West African palm first introduced to Malaysia (then known as Malaya) as an ornamental plant in 1875. Commercial planting of oil palm did not take place until 1917. The rapid expansion of oil palm in the 1960s was encouraged by the Malaysian government, which recognized its potential as a complementary crop to rubber (May 2012). Rubber is also a cash crop in West Africa whose climate is a humid tropical one similar to that of Malaysia. Arguably, is it not this similar background fact that incited the rumour that Malaysia took its first palm fruit/seedlings from Nigeria in West Africa to establish their own gigantic palm oil industry?

In 2013, The Director of the Nigerian Institute for Oil Palm Research (NIFOR) debunked this insinuation while receiving media fellows sponsored by the “Biosciences for Farming in Africa.” Biosciences for Farming in Africa is an international non-profit organization, and “the facility visit was aimed at assessing the level of research on oil palm at the institute.” It was not just assessment for assessment sake but a demonstration of a desire to identify areas or factors that can significantly raise production level of palm oil in the country. Unlike West Africa, the oil palm was first introduced to Southeast Asia in 1848, when four seedlings, originating from West Africa, were planted in the botanical gardens at Buitenzorg (now Bogor) in Java. But this introduction did not swiftly lead to a plantation industry for some time. But when world export of palm oil rose from thousands to million tonnes a year in the 1960s through the early 1980s, Malaysia emerged as the world’s largest and strongest producer. But in West Africa, particularly in Nigeria, policy instability, inadequate funding, and overdependence on petroleum oil resulting in a sad neglect of cash crops like palm oil spelled a different picture of the country and the rest of West Africa especially in terms of palm oil industry.

2. Palm oil in West Africa from ancient times and colonial days through the present

Native and indigenous to West Africa, palm oil is an integral part of most West African cultures. Since ancient times, West Africans have used it in various ways in various household activities and in traditional medicines, and as a trade commodity. My father’s generation used it as fuel for their local lamps (palm oil lamp) before the advent of electricity, and they used the palm oil lamp for reading books. In traditional and contemporary African literary works, one can find various references to palm oil lamp. Beside palm oil, West Africans created a delicious beverage, palm wine, from the same palm tree that they get their palm oil from, and they also made and still make their traditional local or indigenous roof of thatched palm fronds/leaves from the leaves of the palm tree (Osa, 2014).

From time immemorial, palm oil has been a common and popular cooking base in West African foods or cuisines. It has always brightened the appearance of foods and has always enhanced the quality of their taste. This is why Chinua Achebe uses it figuratively in the African classic, Things fall apart (1958), that “among the Ibo (and other indigenous groups in Africa) proverb is the palm oil with words are eaten (my emphasis).” Beside its ubiquitous presence in West African foods, palm oil is also used as traditional medicine for all kinds of ailments ranging from coughing to pain in childbirth, and in traditional African cosmetics – used in thorough washing of newborn babies. On all counts, one can arguably say that without palm oil, there is no West Africa. The palm oil is arguably to West Africa what the Nile is to Egypt – a lifeline – a natural as well as an economic asset. It is interesting to note that “palm oil has become the staple food oil in Malaysia and Indonesia, joining much of West Africa in this respect” (African Center for Economic Transformation, p.18).

Beside its domestic use, palm oil was a major cash crop along with cocoa, rubber, cotton, and groundnut (peanut) for many years even into postcolonial days. The European economic interest in palm oil and their rough competition and greed for palm oil needed in industries and factories in Europe earned for them the dishonorable appellation in history, “the palm oil ruffians,” especially in the 19th century in West Africa. The palm oil ruffians were men who came to the coast to work with companies that had been set up to buy produce in demand in Europe and to sell what was in demand locally, European technology having largely snuffed out local manufacture by traditional methods and established a market for European exports as a result. (Ian McCall in Nigeria, a PersonalHistory.www.ianmccall.co.uk/palm_oil_barons.htm). Of course, it is important to note that various means of transportation

and communication technology then were not as sophisticated as what we have today. What took months to be transported from one place to the other now takes probably a second or a few minutes that make us think that the world is shrinking. But it has not really shrunk in geophysical size. It is the modern superfast technology that has made the world a global village and that has accelerated what we call globalization.


Globalization (or globalisation) is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology. This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world (The Levin Institute-The State University of New York, 2014). The human dimension inherent in successful interaction and integration among companies or businesses or nations cannot be ignored. Without transparent honesty it is doomed to failure. Fraud vitiates any business transaction and also destroys harmonious relationships leading to discord and mistrust. This is why “citizens of all nations need to understand how globalization works and the policy choices facing them and their societies” (Levin institute, 2014). Globalization is essentially the coalescing or blending of national economies into the international or global economy through trade or commerce, foreign direct investment, capital flows, migration, and the spread of technology.

Many economists predicted that palm oil will be the leading internationally traded oil by the year 2012. Palm oil has been a staple and a common cooking base for most foods in West Africa. Specifically, there were and there are still African foods and drinks made from the palm tree or from palm oil—palm soup, banga, palm wine, palm kernel etc. In Asia, it is used in various foods including noodles. From simple cooking base in West African or most African dishes in traditional kitchens, the palm oil has steadily climbed into world prominence as a world economic crop. It has become a major contributor to the world market particularly for vegetable oils, and it is in high demand. It is this high demand that has stimulated its significant position today in world trade. Unfortunately, however, its strong economic position in West Africa, especially in Nigeria collapsed because of neglect after Nigeria became dependent on its rich oil petroleum. It is the economic windfall of petroleum that made Nigeria in the 1970s, “the world’s wealthiest and most populous black nation.” But the oil boom in Nigeria almost turned into an economic oil doom primarily because other natural and economic resources including palm oil were almost neglected. In the light of developments in socio-economic history, it is unwise for any nation to depend on only one or two economic assets or resources to the neglect of others. Nations should by all means maximize the use of all their natural resources for the enrichment of the lives of their people and of humanity in general. There is a strong global demand for palm oil and it should not be frustrated in any way.

Palm oil and palm oil products are the major exports of Malaysia and Indonesia and they now export thousands of millions of dollars worth of palm oil to various parts of the world. 70% of China’s imported palm oil is used for food and 75% of that is used mainly in cooking oil. 25% of edible palm oil used in China can typically be found in the production of instant noodles. An estimated 55% of China’s palm oil is imported from Malaysia, with the rest coming from Indonesia and other markets. The growing affluence of India and China, the world’s most densely populated countries, and the world’s top two importing nations, will increase demand of edible vegetable oils... The other major factor of palm production is its role in sustainable energy campaigns around the globe. European countries have promoted use of oil by injecting hundreds of millions of dollars into national subsidies toward bio-diesel. Europe is now a leading importer of palm oil. Through the subsidizing of biofuels, European governments have accelerated the demand for palm oil in Europe, and as a consequence have accelerated the conversion of large areas of rainforest in South East Asia (Bazmi et al, 2011).

Malaysia appears to have limited opportunity for expansion through land conversion due to land zoning restrictions. Limited land availability is expected to slow palm oil production growth, particularly in Peninsular Malaysia and Sabah (World Growth, 2011). Be this as it
may, sustainable development which is economic development that is conducted without depletion of natural resources should be respected by all nations of the world. All definitions of sustainable development require that we see the world as a system -- system that connects space; and a system that connects time (See World Commission on Environment and Development (WCED), Our common future. Oxford: Oxford University Press, 1987). But if for any reason, the land is depleted resulting in slow or sluggish palm oil production, there are other tropical humid climate areas even in other countries that can be judiciously used in the spirit of globalization. Here lies the essence of international collaboration, cooperation, and globalization.

Oil palm is already being established on a large scale in Colombia and Ecuador and viable plantations, including the 40,000- hectare Agropalma estate (http://www.agropalma.com.br), already exist in Brazil. If Brazil were to fully exploit the Amazon for oil palm, it would become by far the world’s largest palm oil producer. The influence of Asian oil palm corporations, which have much experience in cultivating, processing, exporting, and marketing palm oil, is rapidly increasing in Amazonia. Malaysian producers, for example, have recently announced several new Amazonian projects including 100,000 ha of plantations near Tefé in the Brazilian state of Amazonas. Felda Global Ventures Brazil, a joint Brazilian-Malaysian corporation established to produce oil palm in the Amazon, has already announced its intent to become a “global player” in the oil palm industry. (Butler and Laurence, 2009). Stated clearly in “Sierra Leone Investment Outreach Campaign” by SLIEPA (2010) is that “foreign companies are able to lease land for up to 71 years, and lease terms are being further improved; a process has been established with active government support, that is fair to both the investor and local communities” (p.12).

In specific terms palm oil farmers or producers in Sierra Leone in West Africa have demonstrated interest in access to key global markets. Under the Africa Growth and Opportunity Act (AGOA), since Sierra Leone is a Least Developed Country (LDC) in Africa, producers in Sierra Leone are permitted to export eligible products to the USA. For the EU Market, Sierra Leone is covered by the European Union’s Everything But Arms (EBA) agreement: producers in Sierra Leone are permitted to export all products (except arms) to the EU duty-free and quota free. (SLIEPA, 2010). But this cannot be haphazard. To be successful, regional and international or continental bodies like ECOWAS, AFRICAN UNION and United Nations Economic Commission for Africa (ECA) should professionally monitor and coordinate such positive gestures and activities.


Formed in 1975, the Economic Community of West African States (ECOWAS) is a regional group of 15 countries -- Benin, Burkina Faso, Cape Verde, Cote d’Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal Sierra Leone, and Togo-- whose main mission is to promote economic harmonization or integration in “all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions social and cultural matters.....” The ECOWAS Bank for Investment and Development (EBID), is the financial institution that was established by the 15 member states of the Economic Community of West African States. Based in Lome, Togo, this ECOWAS Bank’s vision is to foster the emergence of an economically strong, industrialized and prosperous West Africa with a fully integrated economic system at regional and global levels in order to benefit from the opportunities offered by globalization.

The 2063 vision of the African Union, a continental group formed in 1999 is that of “an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena... The African Union has shifted focus from supporting liberation movements in the erstwhile African territories under colonialism and apartheid, as envisaged by the OAU since 1963 and the Constitutive Act, to an organization spear-heading Africa’s development and integration” (www.au.int/en/about/nutshell) The African Union’s
Vision 2063 calls for integrating the continent’s economies so that they partake more in the global economy and in regional opportunities. The African Development Bank’s long-term strategy, At the Center of Africa’s Transformation, has the goal of establishing Africa as the next global emerging market. And the United Nations Economic Commission for Africa’s 2013 economic report, Making the most of Africa’s commodities: Industrializing for growth, jobs, and economic transformation, details what’s needed to promote competitiveness, reduce dependence on primary commodity exports, and emerge as a new global growth pole. (African Center for Economic Transformation, 2014).

The African Center for Economic Transformation is an economic policy institute supporting Africa’s long-term growth through transformation. Its laudable vision is that by 2025 all African countries will drive their own growth and transformation agendas, led by the private sector and supported by capable states with good policies and strong institutions. The institute works toward that vision through thorough analysis, advice, and advocacy. Any concerted attention or effort to strengthen palm oil industry and economy by such formidable groups is needed in Africa and elsewhere as well.

5. Conclusion

Collaboratively, ECOWAS, AFRICAN UNION, United Nations Economic Commission for Africa ECA, and the African Center for Economic Transformation, and research institutes such as the Nigerian Institute for Oil Palm Research (NIFOR) can provide support and guidance for revitalization of the palm oil industry in West Africa. According to African Center for Economic Transformation (ACET), Nigeria’s once thriving palm oil industry is one of the most failed economic opportunities in Africa, as it is the third largest palm oil producer in the world, accounting for 20.8% of total land allocated to oil palm trees worldwide…The Nigerian sector’s performance is slow because many palm trees grow old in the semi wild conditions. But this kind of situation is changing.

In 2013, the National Palm Produce Association of Nigeria (NPPAN) hosted the International Palm Produce Conference (IPPC) whose theme was “Investment in oil and palm produce and its derivatives; a panacea for African economic growth and sustenance” bringing together stakeholders and their allies to discuss, review, and analyze the state of palm oil production in Nigeria. The conference sought to harness the activities of plantation owners, processors, researchers, investors, with a view to synergizing their efforts for efficient and effective industry practice to improve investment opportunities. Early in December 2014, the National Palm Produce Association of Nigeria (NPPAN) in collaboration with the Plantation Owners Forum of Nigeria (POFON) and the Federation of Agricultural Commodities Associations of Nigeria (FACAN) organized the 2nd International Palm Produce Conference/Exhibition (IPPC 2014) in Calabar, Nigeria. The theme of this conference was “Enhancing the Integrity of Nigerian Palm Oil through Plantation Development- New Technologies and Economic Advantage”. The 2nd International Palm Produce Conference/Exhibition (IPPC 2014) was proudly supported by Federal Ministry of Industry, Trade and Investment (FMITI), Federal Ministry of Agriculture and Rural Development (FMARD) and the Cross River State Government of Nigeria. Such conferences demonstrate Nigeria’s awareness of the global demand for palm oil, and of course their response to it and their desire to revitalize their palm oil industry and economy.

Whilst there are many challenges associated with sustainable palm oil in China and India, economic growth and globalisation are beginning to create the favourable conditions raised for the sustainability movement to succeed. International support for environmentally friendly initiatives is on the increase, and economic prosperity in India and China has seen a rise in ethically conscious consumers. Over time, this broader understanding and concern about the issues surrounding the production of palm oil will invariably lead to an increase in demand for food manufacturers and retailers to support sustainable production (Sustainable Palm Oil Platform). Without an adequate demand for a commodity, supply will be limited, thus resulting in a downward supply curve. On the other hand, if there is a high demand for a commodity like palm oil, then it will be produced in abundance. Palm oil then arguably becomes a centripetal force drawing both producer nations and consumer nations together in
healthy trade and economic interaction or transaction. The presence of India and China, the world’s most densely populated countries, and the major consumers or importers of palm oil, surely guarantees a gigantic global market for the continuous growth and development of the palm oil industry and economy. Certainly, against the backdrop of globalization, harmonizing a thriving world palm oil industry and economy through genuine collaboration between strong producers—Malaysia, Indonesia, and West Africa, and big consumer nations like China and India, will ensure continued success and thriving of global palm oil industry and economy.

References


SLIEPA Improving Investment and Facilitating Export (2010) “ Sierra Leone Investment Outreach Campaign -- Opportunities for Investors in the Oil Palm Sector.”
