

# THE NEED FOR DYNAMIC AGRO-INDUSTRIAL POLICIES TO INCREASE THE PRODUCTION OF PALM PRODUCTS FOR POVERTY REDUCTION AND RAPID NATIONAL DEVELOPMENT

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## **Abstract**

*Less than a decade after effective occupation by Britain in 1900, Nigeria became the world's leading producer of palm products. Nigeria was the second largest producer of cocoa after Ghana (Gold Coast) in the world, and ground nuts in the West African sub-region respectively. Increased production of export crops kept farmers above the poverty line, and there was food security in Nigeria. Negative price policies by the marketing boards after independence led to decline in agricultural production. The misconception of rural development as agricultural development stabilized the decline, and stagnation of agricultural production with the intensification of extreme poverty and hunger in the country. Malaysia and Indonesia that were minor producers are now leading producers of palm products in the world with huge benefits to their citizens and rapid national development. This paper suggests dynamic agro-industrial policies for increased production of palm products for poverty reduction, and rapid national development.*

While outlining the strategy that would increase the production of oil palm products, and another cash crops in Nigeria, Governor Egerton (Ofonagoro, 1979:193) stated that although the export of palm kernels was increasing, that increase was to be hastened by the provision of transport infrastructure, and the establishment of buying stations (trade centres) for the purchase of products by European merchants direct from producers. With these effective measures, there was rapid increase in the production of palm products in the country. From 57,260 tonnes of palm oil, and 113,374 tonnes of palm kernel in 1906, production rose to 82,130 tonnes of palm oil, and 158,849 tonnes of palm kernel in 1909 (Usono, 1974: 88). From that time Nigeria became the world's leading producer of oil palm products.

Schumacher (1983:59) stated that between 1948 and 1981 Nigeria produced 420,000 tonnes or 42% of the world's palm oil, while Malaysia produced only 49,000 tonnes of palm oil. But between 1977 and 1981 Malaysia produced approximately 2.3

million tonnes of palm oil or 48% of the World's palm oil, and thus became the leading producer of palm products in the World. According to kajisa, Mywish, & Bouhton, (1997) world's palm oil production reached 14.4 million tones in 1997 with Malaysia accounting for 50%, while Nigeria by this time had become a net importer of palm oil to satisfy domestic consumption.

Determined to maintain her leading position in the sub-sector, Malaysia produced over 15 million tonnes in 2006 and over 18 million tonnes in 2011. But more determined than Malaysia to be the world's leading producer, Indonesia produced over 11 million tonnes in 2003, surpassing Malaysia in 2006 with 20.9 million tonnes. Nigeria has never produced one million tonnes of palm oil in a year, and cannot now satisfy her domestic consumption.

However, with dynamic strategies, Nigeria in a short period can increase production of palm products to meet up with, and regain her position as a leading producer of palm products in the world. With high demand for palm products by China, Japan, India, European countries, Canada and the U.S.A. increased production will reduce unemployment, poverty and peed national development.

### **Factors that Accounted For the Growth and Decline of Oil Palm Production in Nigeria**

Increased production of oil palm products in Nigeria was due mainly to agro-industrial strategies' of British colonial administration. To achieve their objective, they first embarked on a structural transformation of the dominant rural landscape of the country to create functional relationship between rural areas and trade centres. This was clearly stated by Governor Egerton (1905, see Ofonagoro, 1979:193) thus:

*The fact that the palm kernels of southern Nigeria are not exported has been pointed out. The export is however increasing rapidly, and that increase will be hastened by the extensive clearing of waterways, now going on, the construction of good roads to the interior, the multiplication of inland stations where European officers are stationed, and this is the most important - the establishment of centres in the interior by European merchants for the purchase of products direct from producers.*

In that process, they established trade centres (produce buying stations) all over the country, and introduced price incentives to the rural farmers that stimulated them into dramatic action for the satisfaction of their needs. These price incentives were meant to sustain increased production of palm products, and other export crops. Price incentives worked effectively in the spatial structure they provided. There was efficient

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transport network- water transport through the clearing of creeks, and rivers; the building of good roads into the interior, and railway lines from the coast to northern Nigeria. Transport infrastructure with trade centres (produce buying stations) made it easy for European merchants to buy produce direct from producers.

According to Usoro (1974:84) there were 239 trade centres in 1948/49, and these rose to 327 centres in 1953/54 in oil palm producing areas of the country. In addition to these, there were buying depots in rural villages. Produce buying centres (trade centres) were not just for the purchase of palm products and other export crops; they had trading firms with shops that sold imported capital, and consumer goods with services to the rural farmers. These centres represented industrial towns in the mother country that played a big role at influencing increased production of palm products and other cash crops in the rural areas of Nigeria, and in turn influenced increased consumption of imported goods by farmers in their hinterlands.

In 1949, the colonial masters established Palm Produce Marketing Board with other institutions to further increase production to satisfy their industrial production for world markets. Usoro (1974) stated that the palm produce marketing board introduced seasonal producer prices, inter-seasonal producer prices, and price differential for different grades of palm products that were known at the village level. The prices paid to farmers at the village depots allowed a small margin for transport cost to the trade centres. For instance, in 1952 trade centres producer price for a tonne of palm oil was £65, while the price at the village depot was £62, with 4.6 per cent difference for transport cost to the trade centre. In the case of price differential for different grades of products, special grade palm oil cost £80, while grade 1 sold for £61 pounds, and grade II sold for £47 in the same year. With price incentives; the ease in the sale of products; the high demand of products by European merchants, and the availability of capital and consumer goods at trade centres for farmers, there was sustainable increase in the production of palm products from 1906 to a few years after independence.

Apart from the economic policies that stimulated production, the colonial masters introduced efficient administrative policies that brought inter-tribal wars to an end, for peaceful co-existence of the people. According to Usoro (1974), “before 1906 trade in palm products was limited to the coastal areas and river banks. But after that date, purchasing depots were increasingly established in the hinterland of the ports as there was no more fear of molestation because of the maintenance of law and order by the colonial administration”. With the introduction of the indirect rule system by lord Lugard in 1914, there was greater peaceful coexistence of the various tribal groups, which led to increased agricultural production, and rapid national development. These conducive conditions by the colonial administration produced the “past glory of

Nigerian agriculture” that was the product of the colonial, rather than that of independent governments of Nigeria.

Statistical data available, indicate that by 1960 the poverty level of Nigeria covered about 15 per cent of the population, and by 1980 it grew to 48.0 per cent (Aliyu, 2001, Tamuno; 2007). Subiar, (2012) stated that the rising poverty level of Nigeria has hit 71.5 per cent with over 100 million people living on less than one dollar a day . The reason for this is clear. Nigerian farmers have little or no export crops production again, and worst still, there is no effective demand for their food crops with price incentives like during the colonial era. Farmers are now poor because they receive low producer prices offered by the middle men who bridge the gap between the few viable urban centres, and many hundred thousand rural villages in the country.

According to Arthur (1967) “as a result of the negative price policy of Nigerian palm produce marketing board, the prices offered by the marketing board to producers after independence were approximately 40% lower than what producers would have received if they had been allowed to sell in the open (free) market. For instance, while in 1960, the free market price for a tonne of palm oil was £70.38, the price offered by the marketing board to farmers was £41.00. It was £88.64 per tonne in the free market in 1965, and only £40.00 per tonne was paid by the marketing board to farmers. Based on this negative price policy, he predicted correctly that by the 1980s, Nigeria’s production would not satisfy domestic consumption, let alone be enough for export to foreign markets. Osalor (2012) stated that by the end of the twentieth century, Nigerian oil palm harvest had dwindled to just 7% of global production. More embarrassingly, the once-largest exporter had become a net importer of palm oil, sourcing about 180,000 tonnes from foreign markets to meet her local demand annually.

Production increase from wild and semi-wild palms was another reason for the rapid decline in Nigeria’s production. According to Usoro (1974:28) “about 95 per cent of Nigeria’s production came from wild, and semi- wild palms instead of palm plantations as in Malaysia and Indonesia. Secondly, Nigeria’s processing techniques were antiquated and inefficient unlike those of her major competitors. Thirdly, Nigeria had the disadvantage of unfavorable land tenure system like other West African countries that did not favour plantation agriculture. Fourthly, Nigeria had a thick population against low population density in Malaysia that was suitable for plantation agriculture. Fifthly, Nigerian Chiefs in 1913 expressed the view that to deprive one of ownership of land was worse than murder and burglary.

As a result, the colonial masters decided against large private palm plantations in Nigeria as in Malaysia” Since their business men were deprived of establishing large palm plantations in Nigeria, the interest of British companies and business men was

turned towards Malaysia and Indonesia, where they became major stake holders in the oil palm sector. In addition, the decline in production occasioned a change to food crop production that led to massive destruction of wild, and semi-wild palm groves in the country. These factors intensified and stabilized the decline in the production.

Thus, Nigeria now needs dynamic and dramatic strategies to compete with major producers in the sub-sector. Such dynamic policies must include the creation of growth centers that stimulate increase agricultural production as well as non-farm production activities, including industrial processing of agro-industrial crops, particularly oil palm products. These will stimulate agrarian commercialization in the rural areas, and in turn commercialize industrial processing in these growth centres to satisfy the need of rural dwellers.

The misconception about rural development as agricultural development (Matiki, 2010) has blinded policy makers from seeing the need to develop towns that increase urban population, and so reduce the rural population for increased agricultural commercialization. A rural population of between 60-70 per cent or more of the country is a major characteristic of developing countries. It is this that disallows functional relationship between the few urban centers, and vast rural areas, as that in turn disallows sustained increase in agricultural activities. Since increase in agricultural production is not possible in these dominant rural areas, the absence of growth centres generates poor rural conditions with extreme poverty and hunger. Clearly, the creation of buying stations (trade centres) by colonial masters was responsible for the efficient economic landscape that led to increased production of export crops.

### **Giant Strides in Oil Palm Production in Malaysia and Indonesia**

Kajisa, et al (1997), stated that in the 1970's Asia overtook Africa as the principal oil palm producer in the world. According to DC Report (2004) "Indonesia made rapid increase in the export value of crude palm oil (CPO) production from late 1990's. Export value of CPO was US\$745.2 million in 1998, US\$2.09 billion in 2002, and US\$3 billion in 2003. Malaysia was far ahead of Indonesia in these years until 2006 when Indonesia took over the leading position in production (see tables 1& 2). As a result, production has continued to increase more rapidly in Indonesia than in Malaysia. Indonesia has implemented more dynamic policies recently than Malaysia. DC Report, (2004) showed that from 1992–2002, oil palm plantations in Indonesia expanded from 2.02 million hectares to 4.11 million hectares - an increase of about 285,000 hectares annually. With vast natural and human resources, Nigeria can surpass this feat if there is no corruption in the implementation process.

DC Report (2004) also stated that opportunity is still there for investment in the downstream sector of the palm oil industry, especially in the cooking oil, and

olechemical industries with products like stearin, Glycoethers, Triacetin, etc. With the availability of basic materials in abundance, and the growing market demand for products, there are prospects for investment in the downstream sector in producing areas as in importing countries There are high prospects for investment because of the high demand for products by India- the largest importer of oil palm products in the world, followed by China, European Union, Pakistan, U.S.A, Japan and Canada.

“In Indonesia, over 2 million people were employed in the oil palm industry in 1998 alone (Down to Earth. 2000)”. Mass employment like this will solve the unemployment problem in Nigeria. Malaysia and Indonesia have succeeded in making sustainable increase in the establishment of palm plantations for increased production over the years. By contrast, Nigerian governments have always failed to meet planned targets in oil palm production. The Nigerian third National Development plan (1975-1980) was designed to cultivate 54,000 hectares of palm plantations to increase annual production to

**Table 1: Malaysian Palm Oil Exports 2005, 2006 and January- August 2007**

Month	2005	2006	2007
January	1,002,798	973,298	1,115,340
February	935,040	938,666	989,681
March	1,192,606	1,184,145	1,080,853
April	1,085,766	1,238,356	1,125,726
May	1,329,139	1,171,616	1,201, 255
June	1,170,210	1,101,276	1,166,184
July	1,090,181	1,237,714	1,356,955
August	1,178,907	1,311,839	1,558,253
September	1,197,024	1,308,067	-
October	1,220,557	1,427,439	-
November	1,019,563	1,551,684	-
December	1,023,669	1,144,378	-
January-August	-	-	9,594,247
January-October	11,402,226	11,892,416	-
January-December	13,445,458	15,880,786	-

**Source:** Malaysian Palm Oil Board (2005, 2006 and 2007)

130,310 metric tonnes of palm oil, and 260,400 metric tonnes of palm kernel. Only 28,000 hectares of palm plantations were achieved. In the 4<sup>th</sup> National Development Plan (1980-1985) the federal government planned to cultivate 270,000 hectares–129,000 out of the total by private holders and small scale farmers. The plan included measures to rehabilitate 63,000 hectares of existing plantations nationwide.

The States were to establish 88,000 hectares of high yielding varieties for the period. Very little was achieved in that plan.

With the privatization policy of the present governments, there is little hope that governments at the three tiers have no intention to embark on massive establishment of large scale palm plantations. But there is need for drastic changes in government policy in the agricultural sector to achieve increase in palm plantations for the production of palm products to meet the challenge of reclaiming the leading position in the sector.

### **Dynamic Policies that can Make a Dramatic Change, for Increase in the Production of Palm Products in Nigeria**

It is not true that Nigeria can become industrialized by designing visions like vision 2010, and vision 20 20 20. While vision 2010 failed to make a start, can “vision 20 20 20” force Nigeria to reduce her rural population that is about 70 per cent, reduce the unemployed population, and reduce extreme poverty of over 100 million people who live on less than one dollar a day in the next five years to an appropriate level to make Nigeria a developed country? Will Nigeria in the next five years be able to satisfy her food needs, have constant electric power supply, and industrialize to be one of the 20 developed countries of the world?

Developed countries of the world went through certain key processes to attain industrialize or developed status. Such key processes were centered on agrarian and industrial commercialization. More importantly, it is urbanization- the growth of towns which preceded the agrarian and the industrial revolutions. In Britain, and other European countries including U.S.A. this trend is visible. According to Johnson (1976:30) by 1500 there were at least 760 market towns in Britain. Although there were many improvements and innovations in agricultural production then, it was the enclosure movement in the 18<sup>th</sup> century that propelled the agrarian revolution to greater heights and helped to speed up the industrial revolution.

**Table 2: Annual Production for Nigeria, Malaysia and Indonesia for 1969/1970, and 2004 to 2011 in 100,000 Metric Tones**

Year	NIGERIA	MALAYSIA	INDONESIA
	PRODUCTION IN 000,000 TONS.		
1969	457,000	431,000	217,000
1970	432,000	589,000	348,000
2004	760,000	15,194,000	13 560,000
2005	800,000	15,485,000	15 560,000
2006	810,000	15,290,000	16 600,000
2007	820,000	17,567,000	18, 000,000
2008	850,000	17,259,000	20 500,000
2009	850,000	17,763,000	22, 000,000
2010	850,000	18,211,000	23, 000,000
2011	850,000	18,700,000	25, 000,000

**Source:** Malaysia Palm Oil Board (MPOB) <http://w.w.w. Indexamundi.com>

According to Richards and Hunt (1969:11), “the enclosure movement made the ownership of land unequal; drove rural elements to towns, and speeded the industrial revolution. While it increased food supply, it caused a drift to the towns that has not ceased. These people provide labour that makes the industries productive”. In Nigeria, and other developing countries, politicians refuse to build towns, but halt rural-urban migration with all seriousness, to keep a larger percentage of the population in rural areas who become extremely poor and hungry through bad agricultural policies.

With dynamic agro-industrial strategies, Nigeria should first embark on an aggressive town building process, and allow massive rural-urban migration for industrial and agrarian commercialization in towns and rural areas respectively. Large scale palm plantations should then be planned and implemented as in Indonesia and Malaysia with the extensive rural farmlands that will be available.

### **Environmental Protection and Price Incentives for Increased Production of Palm Products in Nigeria**

The federal, states, and local governments should effectively protect the environment; stop deforestation, bush burning, felling down of palm trees for palm wine tapping, and the destruction of palm groves for the cultivation of other crops. Governments should embark on the rehabilitation of semi- wild palm groves so as to regain the extensive wild, and semi-wild palm groves that made Nigeria a leading producer of palm products. In addition to extensive plantations in the 22 palm growing



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states of Nigeria, the country will soon catch up with, and surpass the major producers now.

Described as nature's gift to the world, palm products provide over 200 industrial products with high rate of employment in both its production, and in the downstream sectors of its economy. Nigerian governments and the private sector should establish industries so as to invest in the downstream sector of the oil palm industry. This will stimulate increased production in the next few years. It is true that industrial demand in Britain was the force behind increased production of palm products in Nigeria. With increased industrial processing of palm products, there will be massive production with employment for the unemployed as in Indonesia and Malaysia, for rapid national development.

Production from semi-wild palm groves that made Nigeria the leading world producer was a product of effective environmental protection, and management by our colonial masters. They made laws against felling down of palms for palm wine tapping, bush burning, deforestation, etc. In eastern Nigeria, they introduced oil palm rehabilitation schemes. On the felling down of palms trees for palm wine tapping, the Native Authority Ordinance of 1933, reviewed in 1951, and 1960, (National Achieves) stated thus:

*Anybody who fells down a palm tree capable of producing palm fruits for tapping palm wine, will pay a fine of one pound (£1) or imprisonment not exceeding fourteen days, and for subsequent offences, to pay a fine not exceeding five pounds (£5) or imprisonment not exceeding one month.*

With effective environmental protection, and management there will be increased production of palm products to meet global demand, especially if price incentives as during the colonial era, are given to stimulate farmers for optimum production. Commenting on the effect of low producer prices, and the decline in agricultural production in African countries, Gardiner (1976:9) stated:

*The peasant has been the victim of selling his produce cheap, and buys his merchandise dear. He normally pays more for manufactures and other imported items than the urban dwellers... African leaders treat their rural areas like milk cows, and far from handling them gently, and coaxing more out from them, they extract the maximum of whatever surplus value they earn.*

When agricultural loans, or inputs like fertilizers, etc, are supplied to farmers, politicians refer wrongly to these as agricultural incentives. But it is only producer price

incentives that can stimulate farmers to increase agricultural production like what their ancestors did during the colonial era. With low producer prices farmers can never be encouraged to increase production. As a result, they suffer hunger and extreme poverty.

### **Summary/Conclusion**

With land areas suitable for large scale palm plantations, Nigerian governments should devise dynamic agro- industrial strategies, and policies that can again put her in the lead in oil palm production. Such strategies must take increased production, and industrial processing together. These strategies should also include the building of towns that can substantially reduce the rural population, protect the environment, and increase the production of palm products from semi-wild palms and large scale palm plantations. Nigerian governments should offer producer price incentive to farmers as it was during the colonial era, so as to stimulate increased, and sustained agricultural production for the reduction of extreme poverty, and hunger for sustainable national development.

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