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## OPPORTUNITIES IN THE OIL PALM INDUSTRY: FOCUS ON GHANA & NIGERIA

The oil palm industry is pertinent to Ghana's economic growth as it is the second most important cash crop after cocoa. It is important to note that the agricultural sector employs over a third of the economically active population, with an average contribution of 21.6 per cent to gross domestic product (GDP) (ISSER, 2019).

The demand for oil palm in Africa and the world market is on the rise, stimulated by factors such as population growth; nutrition; increasing demand for palm-based halal food products; shift from petroleum-based products and the search for alternative sources of fuels; use as an ingredient in the manufacture of detergents, surfactants, pharmaceuticals, and nutraceuticals.

This indicates that oil palm has the potential to contribute to the country's GDP significantly. Additionally, the past few decades have witnessed an expanding demand for vegetable oils, with palm oil accounting for over half of the global trade in edible oils. Between 1980 and 2008, global palm oil production grew from 4.5 million tonnes to 45.1 million tonnes and 211.8 million tonnes in 2021.

Palm oil also contributed 36% (7.5 million tonnes) to global vegetable oil production in 2021 (USDA outlook, 2021/227).

However, despite the strategic importance of the oil palm industry and the availability of vast fertile land, the oil palm sector has consistently underperformed in Ghana and other West African countries. In 2010, West Africa produced less than 4 per cent of the global output. Within this regional picture, Ghana's performance is even poorer, accounting for just 6 per cent of the African crude palm oil supply. By contrast, Nigeria produces 46 percent and Cote d'Ivoire 16 per cent of the African output (MASDAR, 2011).

Palm oil production, which is based on small-scale production, was a leading foreign exchange earner for Ghana from the mid-nineteenth century to the beginning of the twentieth century. The palm oil production went beyond domestic consumption, with the excess produce exported to the world palm oil market.

Data from the United States Department of Agriculture added that Nigeria imported about 350 and 400 million Metric Tons of palm oil in 2019 and 2020, respectively (Abdulkareem and Ntiedo, 2020).

Also, Ghana currently imports about 50,000 metric tonnes of oil annually at \$600 to \$800 per tonne (Ghanaweb, 2019). Thus, \$30 million to \$40 million in the importation of palm oil annually.

The rightful place for Ghana and Nigeria as leading exporters of palm oil has been lost to other countries. Malaysia and Indonesia are currently the leading producers, accounting for 86% of global production. The foreign income generated by these countries would go a long way to help transform the African economy. In identifying the key issues that have caused the decline in the palm oil sector performance in Ghana and Nigeria, essential factors were arrived at. These factors include inadequate supporting infrastructure, weak marketing systems, and poor industry-wide coordination, which continues to frustrate efforts in the palm oil sector.

Sadly, with the resources of vast land and abundant youthful labour, most of the palm oil cultivated in Ghana is done by smallholders accounting for 80% of producers.



In the quest to boost palm oil production in Ghana, the Ghana Free Zones Authority (GFZA) currently has licensed several companies within the Sector. Notable amongst them is Juaben Oil Mill, which employs about 275 employees and processes fresh palm fruits into Crude Palm Oil, Palm Kernel Cake, Palm Stearin, Bleached and Deodorised Olein, and Palm Fatty Acid Distillate.

The strategy would also provide practical interventions along with the segments of the export value chains with significant activities at the district level in collaboration with MMDAs through the provision of adequate marketing support.

NEDS will make the following policy intervention on Palm Oil: Support the development of oil Palm plantations to ensure the availability of volumes of processed palm oil for export.

It is essential to invest in Ghana's Palm Oil industry because projections for future supply and demand in Ghana indicate that the present shortfall of CPO supply will grow from 32,000 tons (160,000 tons of FFB, 8889ha, 35,555 direct jobs in oil palm plantations: assuming 20% oil extraction rate, 18 ton/ha yields and four jobs/ha) to 127,000 tons (141,000 direct jobs from 564,400ha) in 2024. Thus, there is a considerable requirement to fill this deficit.



Meanwhile, the current supply gap for West Africa alone is about 450,000 tons per annum and is bound to increase over time – a vast export market opportunity for Ghana to take advantage of. Worldwide demand is growing, which offers a massive opportunity for Ghana to tap into. In Ghana, favourable conditions exist to expand both large-scale and smallholder oil palm production and processing.

Other licensed companies include Oro Oil, Serendipalm Company Limited, PCC Organic Oils Ghana Limited and Fibro Group Limited.

It will also promote and support investments in the expansion or reactivation of palm oil mills and refineries and establish new ones at medium to significant scale levels.

Also, Under the Government of Ghana's 10 Point Agenda for Industrial Transformation, the Ministry of Trade and Industry (MOTI), through the Ghana Export Promotion Authority (GEPA), is developing a ten (10) year National Export Development Strategy (NEDS) for some selected seventeen (17) priority products including Palm Oil to increase non-traditional Export (NTEs) revenue from \$2.8 billion in 2020 to \$25.3 billion by 2029.

Furthermore, it will promote and support the efforts of companies in the secondary and tertiary processing of palm oil to gain footholds in and expand share of export markets; establish strategic alliances, merge with, or acquire stakes in companies already manufacturing and distributing processed products in targeted markets to get closer to end-users.

Palm oil is 5 to 10 times more productive than other oil-bearing crops and has the lowest requirement for inputs of fuel, fertilisers, and pesticides per tonne of production. Regional trade within the framework of ECOWAS, EPA and AfCFTA offers vast market opportunities to Ghanaian exports, especially the new products from SMEs operating under the 10 Point Agenda for Industrial Transformation.

The overall objective of NEDS is to develop the Non-Traditional Export Sector's potential to transform the economy's structure from a raw commodity export-based economy to a manufacturing industrial export-driven one.



Ghana must be challenged by the emergence and availability of research and information, technology, strategic management, and financial institutions to bridge the gap of production needed to place these economies in the frontline of oil palm production. In the past decades, Ghana and Nigeria were pacesetters in the oil palm industry, and it is high time we returned to that glory in the industry. Bridging the production gap will require concerted efforts from investors and private financiers, financial institutions, government, research institutions and donor organisations.

Let us all brace ourselves in championing the course of investment promotion and national development in the revamping of the palm oil export industry. These will make Ghana a competitive location for oil palm development compared to its immediate neighbours and the top global producers.

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