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MECHATRONICS ENGINEERING

EXPORT PROMOTION OF OIL PALM IN NIGERIA

IDENTIFICATION/SELECTION

Export is the selling of goods and services across the national boundaries of other countries. Export promotion is a set of activities that brings about increase in the sale of agricultural produce to other countries and encourages the sale of nation's produce in other countries. It creates employment opportunities, helps the country to escape from deficit balance of payment and encourages economic development. Used in food, cosmetics and as bio-fuel, worldwide demand for palm oil is robust.

Oil Palm or Palm oil as it is commonly known, is available in Nigeria in abundance. It is gotten from palm kernel nut which can be easily accessed. Nigeria has over 80 million hectares of arable land. This accounts for about 23% of arable land across all of West African sub-region. Nigeria is well placed to serve growing global, regional and local demand for oil palm.

The climatic condition and rich soils offer ideal conditions for growing oil palm. Due to limited competition, investors in plantation development have good access to under-served local and regional markets. Nigeria is geographically situated at the heart of Africa. There is a large oil palm gap in the region which Nigeria is ideally located to supply. There is therefore longer

term potential to supply global deficit markets. The country has proximity to markets in Europe, America and the Middle-East.

In the 1950s and 1960s, Nigeria was a leader in the world palm oil market. The production of palm oil exceeded the domestic consumption and the excess was exported to the world palm oil market. The fortunes of Nigeria palm oil production, however, changed adversely as a result of three major factors, namely the discovery of crude petroleum deposit in commercial quantity, over reliance on traditional palm oil processing techniques, and the effects of Nigerian civil war which was pronounced in Nigeria's oil palm belt. Thus, the oil palm sub-sector of the economy was neglected and relegated to the background while crude oil exploration and exploitation took the center stage. The World Bank played an important role in the promotion of the oil palm business in Nigeria. According to a recent World Bank document, Nigeria has been "the second largest recipient of World Bank palm oil sector projects, with six projects over the 1975 to 2009 period. One project is still under implementation. Results achieved included the plantation of 42,658 ha of oil palm, as well as road improvement and increased milling capacity.

PREPARATION AND ANALYSIS

Oil Palm exportation is a very lucrative business. Palm oil is a top priority because it can produce up to 10 times more oil per unit when compared to sunflowers or soybeans. There is a growing market for frying oils with growing fast food and noodles industry. It's been estimated that the demand for vegetable oil in Nigeria increased at a rate of 7% annually between 2012 and 2016; however, the production of oil palm has increased only 1% – 2% per annum during the same period. The wide gap between demand and supply of oil palm in Nigeria offers huge

market opportunity. 90.0% of palm oil is consumed by food industry and the remaining 10.0% is used by the non-food industry. In Nigeria, oil palm production and export historically contributed substantially to Nigeria's external reserves and agricultural GDP as palm oil and palm kernels exports composed 15.0% to 20.0% of the country's total exports.

Foods like noodles, vegetable oil, biscuits, chips, margarines, shortenings, cereals, baked stuff, washing detergents and even cosmetics thrive on palm oil. Noodle industry alone consumes 72,000 MT of imported palm oil and the leading domestic palm oil producers fail to meet this demand. Apart from palm oil, palm kernel and palm kernel oil which are the main products of the oil palm, the tree and the processing wastes generated when the fruits are processed to obtain palm oil and palm kernel have several uses. The sludge is used in making traditional soaps and fertilizer and the PK cake is used widely as an input into the feed industry and for fertilizer. The processing wastes namely: empty bunch refuse, fiber, shell, sludge and mill effluent constitute about 74% – 76% of the total mass of the oil products. In addition the other parts of the palm tree (trunk, leaves, fiber) have broad uses, while the bunch refuse, and by-products from the oil processing (fiber, shell, sludge) can be used as fuel for the mills, making briquettes to substitute for fuel wood. This could also be another source of revenue to meet the expected profit.

This Exportation and expanding Palm Oil business plan will help you win government acceptance and approval. Nigerian Export Promotion Council will require it for your export license. In addition, it will help you generate the required capital through investors, grants and loans.

EXPORTING OIL PALM FROM NIGERIA

- 1. Understand the international market:** exporting palm oil from Nigeria to other countries is a lot different from selling them in the local market. An in-depth knowledge about licensing requirements, how to source your products, port procedure, how to find customers, how to interact with foreign customer, etc. is needed to get the best out of business deals and much more.
- 2. Sourcing the palm oil:** The channel for sourcing the palm oil will have to be determined. Will I be processing the palm fruit into palm oil by yourself or will I buy the already processed palm oil ?. Since I intend to buy the already processed oil, then I have to know where to purchase the palm oil at the cheapest price so as to reap maximum reward. Currently in Nigeria, Akwa-Ibom state is the largest producer of palm oil.
- 3. Documentation:** in order to export palm oil from Nigeria to other countries, some documentations will be needed. These documents include, company registration, quality assurance and commercial documents, traffic concession, shipping documents etc. Before you can export goods to other countries, you must register a company. An individual looking to export palm oil could register as a sole proprietor, while medium/large company can incorporate as a limited liability company. In Nigeria, the body that is in charge for incorporation of companies is the Corporate Affairs Commission. registration with the Nigerian Export Promotion Council is also needed. They provide viable information on best practices for exporters. Members also get access to foreign buyers and learn regulatory requirements for export.
- 4. Make sure that you have quality documentation:** most of the countries in the western world have very strict rules that you need to comply with and as such you should make

sure that your palm oil has a quality assurance certification. The label should include address of processing company, NAFDAC number, and date of production/expiration. In addition, the product should be properly packaged and sealed.

BUSINESS TIMELINE AND BUDGET:

Within 12 months,

Estimated budget to cover all expenses = ₦5,000,000

Revenue generated= ₦7,000,000

All Expenses:

- All required license registration fees regarding exportation
- Purchase of finished products
- Packaging and costing of products
- Logistics fees
- Export duties and fees

Profit within 12 months= ₦ 2,000,000

APPRAISAL

After a critical review of the budget and prices, it was discovered that the profit was a little wishful. Noting that this is the first year of business, and all things being equal, we should expect to lose or break even as this is the first year of business. The competition is not high, therefore

allowing fast and easy sales. The customer portfolio or target market should be companies and supermarkets.

As said earlier, oil Palm exportation is a very lucrative business and as such the profit expectations will probably be even with the estimated budget. The additional products gotten from the palm could be helpful in meeting this target.

IMPLEMENTATION/MONITORING

The resources put into the business will be determined to be viable. Given the amount of effort, time and connections made within the first year, the profit made the second year will increase to at least 10%. Also, the resources need to be monitored carefully to avoid under budgeting or going over the budget. In other for the success of this business, the prepared/appraised budget needs to be followed carefully and closely.

EVALUATION

The demand for the various palm oil by-products is high and will continue to be so because Cosmetics, Food, Animal Feed, Soap Manufacturing, Confectioneries, and Bio-diesel industries, among others need them for their products. The lesson that could be learned from this business, is actually how lucrative it is and if run well with a firm hand will be a huge success. Oil Palm raw material can be easily found, so shortage is almost impossible but still possible.

