EVALUATING THE PALM OIL INDUSTRY IN NIGERIA

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ABSTRACT: Prior to the oil boom, Agriculture accounted for over 60% of Nigeria’s GDP. However, the oil boom of the 1970s brought about declining interest in agriculture by the Nigerian Government. This impact is particularly noticeable in the palm oil sub sector where Nigeria, which was the largest producer of palm oil in the world in the 1960s, accounting for 43%, today accounts for just 2% of global output and has become a major importer of palm oil. In recent years, the Nigerian government has sought to wean itself of its over reliance on oil by encouraging diversification of the economy. This article aims to draw the reader’s attention to the great prospects available in the agricultural sector, particularly in palm oil production. This article explores the Isenberg model and opportunities for success, barriers of entrepreneurship in Nigeria, entrepreneurial characteristics, and local entrepreneurial role models.

KEYWORDS: Palm oil, Agriculture, Nigeria, GDP.
INTRODUCTION

The processing of palm oil is a key subsector within Nigeria's agricultural sector, which plays a major role in the country's GDP and employment. Nigeria has enormous potential in this business as the fifth-largest producer of palm oil in the world, with a production volume expected to surpass 1.5 million metric tonnes in 2022 (Statista, 2024; United States Department of Agriculture, 2022). However, Nigeria consumes 2.5 million metric tonnes of palm oil yearly; hence, the country has to import 1 million metric tonnes of palm oil (The Guardian, 2022). There is a clear market demand for palm oil, which can be met by using contemporary processing methods and raising productivity in Nigeria's palm oil sector as the palm oil produced in Nigeria is insufficient to meet local demand, hence the need for palm oil importation into Nigeria (see Fig. 2 below). Malaysia and Indonesia are the two countries that export the most palm oil globally (Statista, 2024a; Statista, 2024b). Therefore, businesses may make use of Nigeria's agricultural potential and contribute to sustainable development and economic progress by solving the inefficiencies present in the current production landscape.

Isenberg Model and Opportunities for Success

According to Ogbolu (2021), the Isenberg Model facilitates an analysis of the Nigerian entrepreneurial ecosystem and helps pinpoint elements that are conducive to success in the Agricultural sector. The network of resources, support systems, and industry stakeholders that work together to promote the establishment, expansion, and success of entrepreneurial endeavours is referred to as an entrepreneurial ecosystem (Ogbolu, 2021). We may learn about the processes influencing the entrepreneurial environment by looking at a variety of variables, including markets, support institutions, policy, culture, finance, human capital, and support institutions. (See Fig. 3 below.)

![Entrepreneurial Ecosystem](image-url)

Figure 1: Entrepreneurial Ecosystem (Wurth et al., 2021)
Market

According to Anyaoha and Zhang (2022), the Nigerian agricultural sector is a very valuable sector in the Nigerian economy as agricultural products are used in a variety of industries, including food production, cosmetics, and biofuels. The main source of fresh fruit bunches (FFB) is smallholder palm plantations, which maintain a steady supply chain (Onu et al., 2022). According to Onyeneke et al. (2020), the primary consumers of processed palm oil include export markets, local refineries, and food producers. This suggests that there is a need for the product both domestically and globally. The Nigerian Naira (₦) is the unit of currency used in the palm oil market, and exports have the potential to generate foreign exchange profits (Osabohien et al., 2020). The current dynamic market conditions highlight how crucial it is for smallholder farmers to have access to financing, implement sustainable agricultural practices, and maximise their contributions to the value chain to improve agricultural performance and guarantee long-term sustainability by raising productivity in Nigeria's palm oil sector, hence reducing the need for palm oil importation into Nigeria (Asaley et al., 2020).

Figure 2: Nigeria's Palm Oil Production by Year (United States Department of Agriculture, 2024)

Figure 2 above is a chart that shows Nigeria's palm oil production from 2014 to 2023.
Figure 3: Share of Palm Oil Imported to Nigeria in 2020 (Statista, 2024)

Figure 2 above is a chart showing the import of palm oil into Nigeria by other countries. This explains the strong market demand for palm oil in the local market.

Opportunities

Government Policy

With programmes like the National Palm Produce Development and Processing Programme (NPPDP), the Nigerian government actively promotes agricultural development (Agwe et al., 2021). To increase productivity and update processing methods, this programme provides growers of palm oil with all the assistance they need, including financing, training, and enhanced seedling distribution (Agwe et al., 2021). Crucially, by waiving import duties on processing equipment, the programme promotes modernization and encourages business owners to use more effective and cutting-edge techniques (Agwe et al., 2021; Muoghalu & Akanwa, 2021). Additionally, these initiatives are strengthened by the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), which offers banks partial credit guarantees in exchange for more lending to the agricultural sector (Ajieroh et al., 2023).

Apart from governmental endeavours, the National Agricultural Land Development Authority (NALDA) presents land development programmes that have the potential to yield substantial advantages for oil palm plantations (Agwe et al., 2021). NALDA helps to increase the amount of suitable land available for the cultivation of palm oil and to broaden the agricultural landscape by offering chances for land development (Agwe et al., 2021). By addressing important issues, including financing availability, technological modernization, and land availability, these combined efforts demonstrate a determined attempt to create an environment that is supportive of agribusinesses, especially in the palm oil processing industry (Muoghalu & Akanwa, 2021; Liman, 2021). According to Agwe et al. (2021) and Ajieroh et al. (2023), Nigeria's agricultural sector's entrepreneurial ecosystem is therefore well-positioned to support the growth and success of palm oil processing businesses through strategic policy interventions.
and supportive frameworks, thereby promoting economic development and improving food security.

Finance

An important factor in making it easier for Nigerian agricultural projects to obtain financing is the Bank of Industry (BOI). BOI offers flexible repayment plans and low interest rates to entrepreneurs that invest in agricultural operations through its agricultural value chain financing programmes designed specifically for the agricultural sector (Fiedler, 2020). Further boosting financial options for entrepreneurs are grants that are provided by organisations such as the International Fund for Agricultural Development (IFAD) to promote small- and medium-sized firms (SMEs) in the sector (Henning et al., 2022). Grants targeted exclusively at young agricultural entrepreneurs are another way that government programmes like the Youth Entrepreneurship in Agriculture (YEA) programme add to the pool of financial choices (Kadiri et al., 2023). Additionally, there are encouraging opportunities to obtain more capital due to the growing interest of private investors in the agricultural sector, which promotes innovation and entrepreneurship in the agricultural sector (Lawal et al., 2020).

To meet the capital requirements of business owners entering the Nigerian agricultural sector, certain financing methods are essential. According to Sakharin et al. (2021), these programmes foster job creation, investment, and the overall growth and development of the agricultural sector by offering financing options that are both accessible and inexpensive. Additionally, they enable young farmers to get past financial obstacles and actively engage in agricultural value chains, which promotes sustainable development and inclusive economic growth (Fiedler, 2020). The need for ongoing efforts to improve financial inclusion and support for agribusiness entrepreneurship in Nigeria is highlighted by the fact that despite these encouraging developments, problems like low awareness, bureaucratic procedures, and insufficient information dissemination about funding opportunities still exist.

Human Capital

According to World Bank (2022), over 50% of Nigeria's workforce were employed in the agricultural sector in 2023. Education in Nigerian colleges is essential for preparing people for careers in agriculture, especially in the production and processing of agricultural produce. There are degrees available that concentrate on agriculture-related fields, demonstrating the nation's dedication to fostering knowledge in this crucial sector (Abideen et al., 2023). Additionally, to improve the technical skills in the agricultural sector, government initiatives are actively pushing vocational training programmes designed for technicians and operators in agricultural processing factories (Ikebuaku, 2021). The fact that education and training are prioritised shows how important it is to develop human capital as a foundation for long-term success in Nigeria's agricultural sector.

The incorporation of academic programmes and efforts for vocational training shows an extensive approach to enhancing skills and capacity building in the agricultural sector. To have a qualified workforce that can promote innovation and sustainability within the sector, Mokhtar et al. (2023) emphasised that it is crucial to cultivate knowledge and interest among students. Nigeria fosters a talent pipeline of talented individuals who can tackle changing possibilities and challenges in palm oil production and processing by investing in education and vocational training, in addition to meeting the country's urgent labour shortage (Oyekanmi et al., 2020). Paravand and Rasiah (2021) asserted that the deliberate allocation of resources towards human
capital enhancement is congruent with the overarching objective of augmenting the agricultural sector's competitiveness and resilience in Nigeria, hence situating it for prospective worldwide prosperity.

**Culture**

Nigeria's agricultural sector's entrepreneurial landscape is significantly shaped by the cultural factor, as defined by the Isenberg framework. According to Alizadeh et al. (2024), Nigerian culture has a long history of farming methods that are engrained in the fabric of society. Although agriculture was always thought of as a means of sustenance, there is a growing movement to change cultural views and regard agriculture as a potential commercial endeavour. To fully utilise Nigeria's agricultural economy, initiatives that support a culture of entrepreneurship and agribusiness are crucial (Seun et al., 2024).

Still, there are issues with cultural attitudes in the ecosystem of entrepreneurship. Even if agriculture is revered in society, there may be long-standing beliefs that consider entrepreneurship in the sector to be less respectable than in other sectors (Sam et al., 2023). Recasting societal narratives about the significance and promise of agriculture is a necessary step towards overcoming these cultural hurdles. Stakeholders can gradually change cultural attitudes in favour of a more encouraging and favourable environment for agricultural entrepreneurship by highlighting the economic and social benefits of entrepreneurial endeavours in agriculture and promoting the success stories of agricultural entrepreneurs (Seun et al., 2024).

**Support Institution**

Support organisations are essential for promoting industrial growth and entrepreneurship in the context of the Isenberg framework for Nigeria's agriculture sector. From legal and technological help to business consultancy, these institutions provide a wide range of services that are crucial for entrepreneurs to overcome obstacles and grow their companies (Kim et al., 2020; Stefanović & Stanković, 2023).

In addition, the influence of support institutions goes beyond providing instant cash to business owners; it also affects more general facets of the entrepreneurial environment and agricultural innovation. Chinanwata et al. (2023) conducted research that highlights the interconnection of technology breakthroughs and support structures, as well as the institutional impact on digital platform ecosystems and innovation. Strong support networks not only make resources easier to obtain, but also encourage cooperation and information exchange, which sparks innovation and raises the agriculture sector's general competitiveness in Nigeria. These institutions position Nigeria's agricultural sector for long-term success and economic development by fostering strategic collaborations and activities that enhance the resilience and sustainability of agricultural operations.

**Impact of Initiatives – from the Ecosystem**

According to Abdinnour and Adeniji (2023) in the GEM Report 2020/2021, Nigeria has a high rate of necessity entrepreneurship, which is mostly caused by the country's lack of formal wage employment options. This phenomenon helps to stimulate entrepreneurship in general, although it frequently does not result in the creation of high-growth businesses. The Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), for example, is an
important initiative that addresses this problem by making finance more accessible to firms who are focused on growth and sustainability (Abdinnour & Adeniji, 2023). NIRSAL and related programmes play a critical role in promoting economic diversification and lowering reliance on traditional forms of employment by offering targeted support to entrepreneurs in industries like agriculture, and has disbursed over 1 trillion naira since its founding (FIU, 2024).

According to Barros et al. (2020), these efforts have the capacity to enhance economic output in the agricultural sector and promote regional development by creating job possibilities in rural areas. For instance, by implementing better agricultural techniques, they can result in increased productivity and improved quality production when it comes to the processing of agricultural produce (Barros et al., 2020; Odetola, 2022). Additionally, more readily available funding for the construction of processing plants can aid in the creation of small- and medium-sized businesses, which will promote innovation and entrepreneurship in the sector (Raheem, 2021). Initiatives to improve the development of human capital also guarantee the availability of a skilled workforce, lower training costs, and raise the competitiveness of the agricultural sector overall (Raihan, 2023). One example of these initiatives is the vocational training programmes that they support.

**Barriers to Entrepreneurship**

Notwithstanding the optimistic outlook for Nigeria's agriculture industry, notable obstacles still exist. Barriers exist in every ecosystem no matter how developed the ecosystem might be. Barriers to entrepreneurship are simply conditions that prevent the recognition of opportunities (Khanin et al., 2022). This research will examine some of the barriers.

**Unstable Power Supply**

Lack of adequate power supply has been a major bane of entrepreneurship in Nigeria. Adanlawo and Vezi-Magigaba (2021) submitted that constant power supply enhances growth and improves the performance of SMEs. However, the lack of constant power supply has been a great factor hindering the growth of SMEs and startups. Although Nigeria has an installed electricity generation capacity of 22,000 megawatts, yet it struggles to generate 5,000 megawatts of electricity daily for a population of over 220 million citizens (Adoghe et al., 2023; KPMG, 2022). As an emerging economy, Nigeria needs to generate an upwards of 33,000 megawatts daily in order to have stable electricity which will therefore have a great impact on entrepreneurial ventures in Nigeria.

**Poor Road Infrastructure**

From the harvesting of the agricultural produce to the processing in the factory and the onward transportation to the markets, the importance of roads cannot be overemphasized. According to the Federal Road Maintenance Agency (2023), Nigeria has 36,000 km of road with over 19,000 km being totally bad or at various stages of repair. Supply chains are severely disrupted, and operating costs rise because of bad road networks (Albertzeth et al., 2019). The 700 km Lagos-Calabar coastal highway being constructed by the current administration, when completed will be greatly beneficial to the agricultural sector as farm produce will be more easily transported across different parts of Nigeria and will make the entire agricultural system more interconnected (Ojile, 2021).
Bureaucratic Hurdles

Businesses' profitability is negatively impacted by bureaucratic obstacles imposed by several government entities, impeding their expansion and sustainability (Cerviño et al., 2024). This is due to the weight of multiple taxes. Investment uncertainty is further increased by the difficulties in procuring land for plantation development that arise from navigating land tenure concerns, which are typified by ambiguous ownership rights and traditional land use practices (Hervas, 2021).

These impediments not only increase the initial capital outlay necessary, which goes towards the cost of transportation and backup generators (Hossain et al., 2020), they also eat away at profit margins, making agricultural processing companies less competitive in the market (Sousa & Soares, 2023). In addition, the ensuing delays in project schedules create uncertainty, impairing operations' general efficacy and efficiency and limiting possibilities for growth (Albertzeth et al., 2019). This reduces productivity. To create a favourable atmosphere for entrepreneurial endeavours in Nigeria's agricultural sector, these obstacles must be removed through all-encompassing policies and focused initiatives that improve infrastructure, expedite taxation procedures, and simplify land ownership issues.

Entrepreneurial Characteristics for Success

A distinctive mix of traits is required of entrepreneurs for them to succeed in ventures like palm oil processing and to overcome the severe obstacles that are common in Nigeria's agriculture industry.

Resilience

First and foremost, it is critical to be persistent and resilient because these qualities are necessary for overcoming unforeseen challenges and managing bureaucratic obstacles (Arafat et al., 2018). To maintain and propel their businesses towards success, entrepreneurs need to be resilient in the face of adversity. Entrepreneurs are encouraged to investigate and implement efficient processing technologies and value-added products to increase profitability.

Innovation

Innovation is a crucial attribute (Kover et al., 2021). Entrepreneurs may stand out from the competition and provide value along the whole agricultural value chain by consistently innovating. This approach sets them apart from competitors, thereby ensuring sustained efficiency and relevance in the market landscape.

Networking

The significance of networking abilities cannot be overemphasised because establishing connections with farmers, authorities, and industry participants is essential for obtaining resources and negotiating regulatory environments (Moore et al., 2021). Good networking makes it easier to obtain essential resources, share expertise, and create collaborative opportunities, all of which increase the competitiveness and durability of agricultural business initiatives.

To put it simply, the ability of entrepreneurs in Nigeria's agriculture industry to succeed primarily depends on their capacity to exhibit perseverance, creativity, and networking skills.
Utilising the findings from academic research, such as the study by Arafat et al. (2018) and Kover et al. (2021), these traits show up as essential forces behind entrepreneurial success when confronted with complex obstacles. These qualities enable businesses to overcome obstacles and seize new possibilities, promoting economic success in Nigeria and the agriculture sector's steady growth. Ajibola Adebutu of JB farms has over the years built great networking relations with the government, companies and captains of industries. This enables JB farms to easily acquire needed finance from funding agencies and to sell palm produce to various multinational companies including PZ Cussons.

Local Entrepreneurial Role Model

Ajibola Adebutu of JB Farms shows its dedication to large-scale production and exports by becoming a prominent participant in Nigeria's palm oil industry. He has been able to build JB farms to become one of the biggest producers of crude palm oil in Nigeria with over 15,000 hectares of planted palm trees. According to The Guardian (2022) and NIPC (2022), this strategic focus is in line with the firm's larger goal of reimagining global agriculture and highlights the part the company has played in determining the direction of the palm oil sector in Nigeria and beyond. JB Farms wants to establish itself as a major player in Nigeria's palm oil value chain by setting a high priority on large-scale production, thereby saving the country the much-needed foreign exchange by reducing the quantity of palm oil imported into the country. This strategy aims to meet domestic demand as well as optimise export potential.

Moreover, JB farms' strategy is in line with a larger trend in the agriculture industry, where businesses are emphasising sustainability and faster growth. JB farms is redefining the entrepreneurial landscape in Nigeria's palm oil industry by cutting costs and accelerating sustainable growth. This sets the example for other industry participants. The significance of sustainability in promoting resilience and long-term success in the industry is emphasised by this strategic direction. Additionally, it emphasises the critical role that a well-established player, such as JB Farms, plays in shaping industry dynamics and creating an environment that is supportive of entrepreneurial pursuits.

CONCLUSION

Nigeria's agriculture industry, especially in the processing of palm oil, offers a lot of potential for business endeavours, but there are also obstacles that need to be overcome strategically. Nigeria is the fifth-largest palm oil producer in the world, and there is a lot of room for economic development and expansion in this industry. On the other hand, inefficiencies in small-scale processing processes represent a strong chance for carefully considered businesses that concentrate on efficiency gains and value addition. Entrepreneurs can increase their chances of success by utilising a variety of dimensions, including governmental assistance, financing accessibility, the development of human capital, and supportive institutions, by utilising insights from the Isenberg Model, which analyses the entrepreneurial ecosystem. Proposals, such as the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending and the National Palm Produce Development and Processing Programme, show how committed the government is to supporting entrepreneurship in the agricultural sector, especially in palm oil processing. Additionally, companies such as Olam, which prioritise exports and large-scale production, inspire prospective business owners by emphasising the significance of growth acceleration and sustainability in determining industry dynamics.
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