

Review

Paradigm shifts and the new opportunities offered by foreign direct investment in Oil palm marketing in Cross River state

Egbovwe T. Henry

Department of Agricultural Economics, Faculty of Agriculture, University of Port Harcourt, Port Harcourt, Nigeria.
E-mail: henry.et2011@uniport.edu.ng

Accepted 6 April, 2015

Nigeria's first goal is to meet the domestic demand and then if possible, seek to become competitive export market in palm oil production. Nigeria is potentially competitive in the domestic market if oil palm sector productivity is increased by shifting the technology frontier further. Transformation of the oil palm industry would enhance the overall economic development through the income and employment effects in the rural and urban economies. This paper seeks to present the paradigm shifts and the new opportunities offered by foreign direct investment in Cross River state. The objectives of the paper are to: Review the Nigerian Economy in perspective Vis-a Vis the oil palm industry in relation to the Malaysian oil palm industry (policy Regimes), highlight the new opportunities in Cross River State and draw lessons from the Malaysian experiences. The paper recommended Fiscal discipline in managing the revenues generated from the sale of estates in the short-term, a strong and vibrant industrial policy on the foreign direct investment, and a vibrant export-led growth policy and tax regimes for revenue generation.

Key words: Oil palm products, marketing, paradigm shift.

INTRODUCTION

The oil palm is a perennial crop that originated in the tropical rain forest of West Africa. It spread to South America in the 16th century and to Asia in the 19th century. During the 1970s, Asia overtook Africa as the principal oil palm producing region in the world. In recent decades, the domestic consumption of palm oil in West Africa has increased more rapidly than its production. After centuries as the leading producing and exporting region, West Africa has now become a net importer of

palm oil.

Between 1961 and 1965 world oil palm production was 1.5 million tonnes, with Nigeria accounting for 43%. However, since then, oil palm production in Nigeria has virtually been stagnated. But today, world oil palm production amounts to 14.4 million tonnes, with Nigeria which is one of the largest producers in West Africa, accounting for only 7%. Kei et al. (1997) compared the characteristics of the Oil palm sectors in Malaysia and

Nigeria and found out that Malaysia's success is built on structural (size and scale of production and processing sectors) there are other environmental and coordinating plantation management together with processing in large modern bills. The plantation mode of production is characterized by large scale monoculture under unified management. In Nigeria by contrast, 80% of production comes from dispersed small holders who harvest semi wild plants and use manual processing techniques. Several million smallholders are spread over an estimated area of 1.65 million hectares in the southern part of Nigeria. In addition to the agro climatic and factors like little use of modern inputs and extension service; previously controlled by monopoly marketing board; low provisions of market information, standards and quality control (Udom, 1986).

Since independence in 1960, Nigeria's agricultural sector has experienced slow output growth that has not kept pace with population increases. This has resulted in declining agricultural exports and domestic food supplies and a growing reliance on imported food. Nigeria has been particularly fortunate in having vast oil reserves but it has also been plagued by economic chaos and political instability over the past three decades while the decline in the agricultural sector can be partly explained by drought and serious pest and diseases infestations, there are other prominent reasons for its decline, including the neglect of the agricultural sector after the oil boom, and unfavorable government policies which greatly affected the technology generation capacity and technology environment, farm level production and marketing environment and production and coordination machinations between different stages of the oil palm sector in Nigeria (Hyman, 1990).

Because of the increased demand for palm oil resulting from an increase in population and income growth, relative to the low productivity of the oil palm sector, Nigeria has become a net importer of palm oil. At the same time, the rapid devaluation of the Naira combined with high transportation costs from ports to internal markets has put imported oil in a competitively disadvantaged position. Thus Nigeria's first goal is to meet the domestic demand and then if possible seeks to become competitive in export markets. Nigerian palm oil production is potentially competitive in the domestic market if oil palm industry would enhance the overall economic development through the income and employment effects in the rural and urban economies.

Palm oil processing is a major source of income and employment to a large proportion of the resource poor rural population in Nigeria especially in the southwestern part of the country. In recent times, its production has drastically downsized. Evidence from CBN/NISER (1992) revealed that this situation has been brought about by a number of socio-economic and political factors along with the technological know-how in the industry. Principal among the factors responsible for this decline is the

inefficiency that exists in the production system for palm oil processing. Such inefficiencies arise from high cost of labour, lack of linking roads for transportation, electricity, water and inadequate credit facility.

THEORETICAL FRAMEWORK

The oil palm sub- sector of the agricultural sector of the economy presented itself as a potential productive sector that could be used to diversify the economy after years of neglect. Historically, this subsector has been a source of growth in a stagnant economy because of the numerous economic potentials of the oil palm (Purvis, 1970). Ahmed (2001) highlighted the importance of the economic tree crop in providing direct employment to about 4 million Nigeria people in about 20 oil palm growing states in Nigeria and indirectly to other numerous people involved in processing and marketing. Omoti (2001) stated that Nigeria has enormous potential to increase her production of palm oil and palm kernel primarily through application of improved processing techniques. Agboola (1993) opined that improved technologies that meet both growth and sustainability goals can be effectively used by oil palm processors. However, most technologies are designed for developed rather than developing countries. Nevertheless, most farmers in developing countries use imported seed materials obtained from research stations but without a corresponding application of packages which are meant to be used with them. Even where these packages are used as instructed, yields are always lower than those obtained in research stations where seeds are bred.

Efforts to raise agricultural production and farmer's standard of living require the introduction of improved farm equipment and technologies as well as increased availability and utilisation of energy and power. However, the vast majority of farmers work at near subsistence level of production (Cobezas et al., 1995).

Jalani et al. (2000) stressed that oil palm processors should embrace well integrated capital intensive, high volume and high extraction rate in their processing method in order to encourage high transformation of oil palm industry in the country. Kei et al. (1997) highlighted that the stagnation in the oil palm sector in Nigeria was influenced by the overall agricultural policies that could be classified into three periods. Following the independence (1960-1970), the industrialization was financed by export taxes through commodity marketing boards which monopolized commodities such as cocoa, groundnut, palm oil, cotton and rubber. The resulting producer price had a damaging effect on the production of export crops. In addition, the civil war from 1967 to 1970 had devastating effects on the economy. In the oil export boom period (1970-1985) with OPEC's intervention oil prices in early 1970 increases four folds and oil became the dominant export commodity and

source of government revenue.

The appreciation of the Naira and the reduction of duties on food imports made food imports cheaper than domestic staples. These actions created biases against agricultural exports (Forest, 1993). During the sap period (1993-2003) on the positive side there was a rise in output prices, improvement in production efficiency and on an increase, in opportunities for small business enterprises. On the negative side however, it led to increased input prices and a sharp increase in the cost of living relative to nominal income (CBN/NISER, 1992), so, national-level consumption has declined following sap implementation. Kei et al. (1997) in their study observed that because of the increased demand for oil palm products, resulting from an increase in population and income growth, relative to the low productivity of the oil palm sector, Nigeria has become a net importer of palm oil. At the same time, the rapid devaluation of the Naira combined with the high transportation costs from ports to internal markets put imported oil in a competitively disadvantage position.

Thus, Nigeria's first goal should meet the domestic demand and then if possible, seek to become competitive export markets. Nigerian palm oil production is potentially competitive in the domestic market if oil palm sector productivity is increased by shifting the technology frontier further. Transformation of the oil palm industry would enhance the overall economic development through the income and employment effects in the rural and urban economies. This paper seeks to present the paradigm shifts and the new opportunities offered by foreign direct investment in Cross River State.

Nigeria, with a population of about 120 million, is Africa's most populous country and the continent's third largest economy. Oil dominates the economy, accounting for about 80% of federal government revenues, and 95% of foreign exchange earnings with a continuously declining gross domestic product.

Since its independence in 1960, the country has undergone major political and economic changes. It has attempted to forge a unified nation out of diverse per capita income and comparatively unfavorable social indicators. Nigeria is one of the poorest oil producing regional, ethnic and religious groups through a federal structure of government, whose leadership has changed no less than eleven times, mostly through military coups (African Institute of Applied Economics [AIAE], 2003).

During the 1970s, Nigeria evolved from a poor agricultural economy into a relatively rich, oil-dominated one. In 1969 the oil sector accounted for less than 3% of gross domestic product (GDP) and a modest US\$370 million in exports (42% of total exports); per capita income was only US\$130. More than half of her GDP was generated in the agricultural sector. By 1980, the oil sector accounted for nearly 30% of GDP, oil exports totaled US\$25 billion (96% of total exports), and per capita income exceeded US\$1,100. Following the discovery and exploration of oil, the economy experienced

many symptoms of the "Dutch disease", with the real effective exchange rate appreciating steadily during the 1970s (Ahmad and Singh, 2002).

The steady erosion of competitiveness of the non-oil tradable goods sector was reflected in the substantial decline of agricultural exports, which began in the mid-1960s, and continued through 1976, when oil production reached its peak. Notwithstanding the dramatic rise in oil revenue in the 1970s, the government failed to strengthen public finances. The excessive expansion of public expenditure, from an average of 13% of GDP during 1970-1973 to 25% in 1974-1980, moved the fiscal balance from a small surplus to a deficit, averaging 2½% of GDP a year (CBN, 2010; Addison, 2002; Okonjo et al., 2003).

The monetary financing of these deficits contributed to a rapid growth in broad money and a sharp acceleration in inflation. The real effective appreciation of the currency (Naira) that followed the surge in oil prices toward the end of 1973 eroded Nigeria's competitiveness, and growth of real GDP slowed markedly. A buoyant oil sector sustained an average external current account surplus of 1½% of GDP during this period, while gross international reserves averaged the equivalent of about seven months of imports. By 1980, the country's external debt was only US\$4.1 billion, or 5% of GDP, and the debt-service ratio was a modest 3.7% (CBN, 2010; Addison, 2002; Okonja-Iweala et al., 2003). The economic policy orientation during the 1970s left the country ill prepared for the eventual collapse of oil prices in the first half of the 1980s. Public investment was concentrated in costly, and often inappropriate, infrastructure projects with questionable rates of return and sizable recurrent cost implications, while the agricultural sector was largely neglected (Ajakaiye, 1996; EDR, 2001). Nigeria's industrial policy was inward looking, with a heavy emphasis on protection and government controls, which fueled an uncompetitive manufacturing sector.

Nonetheless, Nigeria's economy has remained dominant in Africa. To reverse the worsening economic fortunes in terms of declining growth, increasing unemployment, galloping inflation, high incidence of poverty, worsening balance of payment conditions, debilitating debt burden and increasing unsustainable fiscal deficits, among others, government embarked on austerity measures in 1982 (Ajakaiye, 1990). Arising from the minimal impacts of these measures, an extensive structural adjustment programme was put in place in 1986 with emphasis on expenditure reducing and expenditure switching policies as well as using the private sector as the engine of growth of the economy via commercialization and privatization of government-owned enterprises.

The objective of this paper is to:

1. Review the Nigerian Economy in perspective Vis-a Vis the oil palm industry in relation to the Malaysian oil palm industry (policy Regimes);
2. Give a brief history and potentials of the palm oil

market;

3. Highlight the new opportunities in Cross River State;
4. Draw lessons from the Malaysian experiences; and
5. Make Recommendations on the new opportunities

NIGERIAN ECONOMY IN PERSPECTIVE

Policy regimes

The Nigerian economy has undergone series of changes over time with different policy regimes. Prior to 1986, a medium-term “development plan” was adopted as a major framework for developing and restructuring the economy. The first national development plan, 1962-1968, was developed to put the economy on a fast growth path. The plan gave adequate priority to agriculture and industrial development as well as training of high-level and intermediate manpower. However, the disruptions to economic activities during the period later paved way for broader economic policies for reconciliation and reconstruction. The second national development plan, 1970-1974, was launched primarily to reconstruct and rehabilitate infrastructure that had been damaged during the civil war. Thus, the government invested a lot of resources into the construction and rehabilitation of infrastructure as well as improving the incomes of the people (Sanusi, 2010).

The Indigenization Decrees of 1972 and 1974 put the commanding heights of the Nigerian economy in the hands of Nigerians within the context of nationalism. The third national development plan, 1975-1980 was designed under a more favorable financial condition of huge oil revenues that accrued to the nation from the mid-1970s. However, the execution/implementation of the fourth national development plan, 1981-1985, was affected by the collapse of the international oil prices. In 1982 the government introduced the Economic Stabilization Act as an immediate reaction to dwindling oil earnings and major external sector imbalances.

Sanusi (2010) noted that this was aimed at reducing government expenditure and conserving foreign reserves in order to improve the country’s balance sheet. It was however found that there was need for a more fundamental reform to compliment the austerity measures. In 1986, the government accepted the IMF-sponsored Structural Adjustment Programme (SAP). The SAP aimed at removing cumbersome administrative controls and creating a more market-friendly environment underpinned by measures and incentives that would encourage private enterprise and more efficient allocation of resources. One might argue the SAP recorded some measure of success. However, some of the gains of the SAP were eroded following the increased spate of policy reversals between 1988 and 1989.

Up to 1990, the economy witnessed some gains which were associated with increased deregulation and

liberalization in economic management. However, owing to policy slippages, there was a reversal of trends in major macroeconomic aggregates thereafter, resulting from policy reversals and inconsistencies. Generally, frequent policy inconsistencies and reversals that characterized the period under review created distortions in the economy and were further compounded by external shocks, including the external debt overhang. Overall, SAP failed to realize the goals of creating wealth and promoting sound economic development as most of the policies were terminated prematurely or reversed out rightly (Sanusi, 2010).

The experimentation with deregulation and liberalization was truncated in 1994 with the advent of a military government. Thus, the Federal Government reregulated the economy, by capping exchange and interest rates due to high nominal interest rates that reached an all-time high of 48.0% in commercial banks and 60.0% in non-bank financial institutions. These rates were in turn driven by the high rates of inflation at 48.8% in 1992 and 61.3% in 1993. As there was no clear economic strategy for the rest of the decade, the monetary policy implementation became ineffective to check expansionary fiscal operations. In addition, weak institutions and an unfriendly legal environment reduced the benefits that would have accrued to the economy (Sanusi, 2010). However, the scenario changed in 1999, with the return of democratic governance in the country.

PALM OIL MARKET AND PRODUCTS IN NIGERIA

The findings of the working paper on Foundation for Partnership Initiatives in Niger Delta (PIND), 2011 states inter alia that very many products emanate from the oil palm trees – palm oils, palm wine, wood by-products, the focus of this research is on the oil products and their direct by-products. Three dominant products are Technical Palm Oil (TPO), Special Palm Oil (SPO), and Palm Kernel Oil (PKO), with palm kernel cake and sludge as significant by-products that can be put into the feed industry. There are 17 characteristics which are used to define and grade palm oil in order for it to be internationally traded. Dominant among them are the levels of free fatty acid (FFA), followed by dirt, iodine value, and other contaminants (PIND, 2011). The minimum requirement for SPO is an FFA of less than 5%, which can be consumed or used in products such as creams or further refined for soaps and bleaches. Oil which does not meet the quality grades of those characteristics is qualified as TPO, with FFA>5%, and is mainly used for food consumption (PIND, 2011).

In Nigeria, there has been limited transformation and uses of the primary or secondary products oil palm for either food or non-food applications. However in developed economies, according to Okezie, Amir and Baharuddin (2011), palm oil is used in the manufacturing

Table 1. Foodstuffs including industrial applications.

Food uses	Non – food uses
Cooking oil	Cosmetics and personal care
Deep frying oils	Soaps
Margarines and spreads	Candles
Bakery fats	Pharmaceuticals
Cocoa butter alternative fats	Lubrications and Grease
Confectionary fats	Surfactants
Ice cream fats	Industrial Chemicals
Infants nutrition fats	Agrochemicals
Other food applications	Coatings
	Paints and lacquers
	Electronics
	Leather
	Biodiesel

Source: Unleashing Agricultural Development in Nigeria through Value Chain Financing, Working Paper November 2010.

of many foodstuffs including many industrial applications, as can be seen in Table 1.

Findings from the study also showed that there is a market for mainly 3 major oil palm products in Nigeria:

- (1) Low quality TPO palm oil for traditional use for direct sale as unprocessed oil;
- (2) High quality SPO for use in the processed food industry and produced by large mills and often refined, and
- (3) Palm Kernel Oil which has been growing in demand over the years for the industrial market.

The potential market for palm oil is realistically focused on the domestic market for the foreseeable future as Nigeria is a significant net importer of palm oil for both food and industrial uses. The domestic food market focuses on the TPO, which is consumed by households and commercial enterprises (Hotels and Restaurants) for use in food preparation. In Nigeria, the volume of oil required in the traditional food market is three times more than the requirement in the industrial market, so the household traditional market is therefore the major determinant of supply deficit in Nigeria. Palm oil with free fatty acid between 5 and 30% is acceptable in this market due to the varied requirement for Nigerian cuisines. The traditional market is served by small scale producers of palm oil which account for more than 70% local production (650,000 tons) (PIND, 2011).

SPO always sells at a higher price than TPO and supplies the industrial market, which utilizes the high quality crude and refined palm oil and fractions (olein and stearin) as raw materials for their products: soaps, frying oils for noodles, bakery fats, etc. Though, SPO oil has a higher value, there is a constant tension between SPO

and TPO as the latter is in constant easily accessible demand and is easier to process than SPO.

Palm kernel oil (PKO) is another palm oil product that has been increasing in demand over the years. The demand for PKO has also risen over the years following its usage in manufacture of artificial cream fillings, soap, cosmetic and personal care products as well as emulsifiers in the food processing and pharmaceutical industry and the production of toiletries, tobacco, alkyd resins, paints and varnishes, cellophane, explosives, polyurethane etc. Palm kernel cake (PKC) is another product used as livestock feed (PIND, 2011).

SPO and PKO can be further refined into Refined Bleached Deodorized Oil and Refined Palm Kernel Oil, respectively. These are the end products that are further fractionated into Olein and Stearin, which are the end products used in the food industry.

Additional products

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, fibre, shell, sludge and mill effluent constitute about 74 to 76% of the total mass of the oil products.

In addition the other parts of the palm tree (trunk, leaves, fibre) have broad uses, while the bunch refuse, and by-products from the oil processing (fibre, shell, sludge) can be used as fuel for the mills, making briquettes to substitute for fuel wood (PIND, 2011).

Total consumption (demand) of palm oil products in Nigeria

In a paper *Economic Crossroads, The Experience of Nigeria and lessons from Malaysia* by Okezie et al. (2011) buttressed that “During 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 centre stage. Consequently, Nigeria lost its pride of place as a world leader in palm oil production to Malaysia and Indonesia. So, the trend has been that of increasing domestic consumption not matched by a rather slow growth in production.

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 centre stage. Consequently, Nigeria lost its pride of place as a world leader in palm oil production to Malaysia and Indonesia. So, the trend has been that of increasing domestic consumption not matched by a rather slow growth in production.

The trend in the demand and supply of technical palm oil (TPO)

From 1964 to 2010, there has been rising production (supply) and consumption (demand) of palm oil in Nigeria. However, in the last 10 years, demand has grown faster than the supply, leading to an increasingly widening gap. It is difficult to assess the specific gap because of incomplete statistics, but according to the USDA in their analysis based on estimated production and import figures, the shortfall in supply (the supply gap) is about 150,000 MT of palm oil per annum.

Although the formal estimated gap is about 150,000 MT per annum (excluding palm kernel oil), there is also likely to be significant informal importation of palm oil (including SPO) from neighbouring West African countries. Omoti (2009) presented a following analysis which suggested that the demand – supply gap is currently estimated between 500,000 MT and 600,000 MT per annum.

The Oil World (2008) estimated the average per capita “disappearance” or domestic consumption of vegetable oils and fats in Nigeria for food and non-food uses to be about 12.3 kg in 2007. With a population of 140 million by the 2006 census, Nigeria would require annually 1,722,000 tons of vegetable oils and fats to meet the national requirement for food and non-food uses. From the analysis of the sector, total palm oil and palm kernel oil production per annum is currently at most about 741,800. The Oil World (2008) puts the current 2005 to 2008 estimates of groundnut oil, soya bean oil and cotton oil production – the other major vegetable oils produced in Nigeria as 325,750, 50,325 and 19,700 tons annually

respectively. Added to the palm oil and palm kernel oil production obtained from the current sector analysis, this would give total current annual vegetable oil production in the country as 1.138 million tons. Thus with an annual total domestic vegetable oil requirement of about 1,722,000 tons, there is a supply and demand gap of about 585,000 tons annually, which from the available statistics is being met from importation (the ban on bulk crude palm oil importation into the country was recently lifted in September, 2008) as well as smuggling across the borders.

The Oil World (2008) gives the total palm oil importation into Ghana, Togo, the Republic of Benin and Nigeria as ranging from 394,900 metric tons in 2005 to as much as 663,000 tons in September/October of 2008 only while from MPOB Statistics (2008 and 2009) the Malaysian palm oil export to Ghana, Togo and the Republic of Benin ranged from 402,312 tons in 2006 to 563,763 tons in 2008.

Because of the low population of Ghana, Togo and Republic of Benin, it is likely that more than 80% of the palm oil imported into these countries is destined for informal trade to Nigeria. If we use the Oil World figures which includes importation from other countries and if this is added to the about 61,000 tons of tallow imported into Nigeria annually, this would give a total importation of palm oil and fats into Nigeria of about 418,920 and 637,400 from 2005 to 2008. The cost of importation of this quantity of palm oil and tallow at a landed cost of about N160, 243.3 and N100, 878.7 per ton for palm oil and tallow, respectively in 2008 would amount to about N98.514 billion”.

FOREIGN DIRECT INVESTMENT IN CROSS RIVER STATE

Recently, the Cross River State Government embarked on the sale of its moribund agricultural palm estates to attract foreign direct investment, stimulate domestic production and marketing capacities and overall generate employment opportunities for its teeming growing population.

In order to capture the summary thrust of this paper, the authors have represented verbatim, the recorded speeches of all the key stakeholders in presenting the new opportunities for growth and capital accumulation in cross River State.

Cross River private sector investment portfolio hits \$2 billion

“Special Adviser to the Cross River State Government, Mr. Gerald Adah, has disclosed that investment portfolio of various companies operating in the state in the last five years has risen to about \$2 billion. Adah, who made this

disclosure during the inauguration of the Calaro, Ibiahe and Biase Oil Palm Plantations in Akamkpa local government area, to be managed by Wilmar International Limited in collaboration with PZ Cussons, said during the period under review, over 300 companies have visited the state to prospect business.

He described the inauguration of the oil palm plantation as a major milestone in the vision of attracting foreign direct investment to the state and country. He said: "In the past two years, the state's engagements with Wilmar has been in the aspects of acquisition of at least 50,000 ha of agricultural land for primary production of Oil Palm, as well as the establishment of an Oil Palm Processing/Refining Facility at an estimated project cost of \$400 million.

"While the proposed investment is valued at \$400 million, the direct benefits accruing to the State include; employment of over 20,000 persons on an average payroll of N3.2 billion annually; Out-growers support scheme for another 20,000 ha, leveraging on the World Bank support, Corporate-Social Responsibility in terms of standard schools and hospitals for employees, dependants and host communities," Adah stated. Minister of Agriculture, Dr Akinwunmi Adesina, said "The federal government is concerned about changing the fortunes of agriculture and making it worthwhile business for both large and small scale investors."

Adesina said "in the oil palm value chain many things were wrong that need the enabling environment of the government and commitment of the private sector operators to correct. "The goal of oil palm value chain of the ministry is to increase oil production to satisfy local demand and eventually export as well as to increase the productivity of farmers and create employment," he added. Earlier in his remarks, Governor Liyel Imoke, said the inauguration of Wilmar West Africa in the state would not only transform the economy of host communities but also enhance its production of oil palm, thus making the state the largest producer of oil palm in the country.

Imoke said the agricultural sector in the country today has been much maligned over the years and plagued with a lot of challenges related to enhancing the capacity of farmers and in recognition of the need to refocus the sector in the state and to increase productivity had to shift attention to identifying and attracting meaningful and constructive investment to the sector. He said, "We in the state believe this approach is critical to the realization of our strategy as the top agrarian economy in the country as well ensuring the continued viability and sustainability of government and private estates in the state.

Our intention is create a cluster of agricultural productivity unmatched by any other State in Nigeria. The partnership between Cross River State and Wilmar is the first major result of this strategic realignment if our agricultural industry. "In recent years, we have witnessed significant increase in the global demand for oil palm. This singular commodity has a myriad of uses and

applications for both domestic and industrial consumption and it accounts for a substantial proportion of the country's agriculture production, thus leading the charge in the growth of the industry in Nigeria."

Speaking on the project, Chairman of Wilmar International, Mr. Kuok, said "the project is part of a joint venture with PZ Cussons to revive the oil palm industry in Nigeria, by investing in the entire palm oil value chain, including plantation, palm oil mill, refinery, among others." He said, "This country has the market, land, labour and climatic condition to develop very successful large scale palm oil industry. Our vision is to together with PZ Cussons help build deliver a world class palm oil industry and plantation and processing plant as good as the best in Indonesia and Malaysia.

"Such a project would bring enormous benefit to the country by creating employment and saving tremendous foreign exchange. So far we have acquired 35,000 ha of land and we would complete the development in about four years. We are willing to develop as much land as the government can give us and we will develop it at a speed and quality that has never been seen before. "We also assure the government and all concerned parties that we would do the development in compliance with all sustainability requirements."

On his part, the Chairman PZ Cussons, Prof Emmanuel Edozien, said, "Today we are witnessing an important milestone in our national investment drive that would stimulate economic diversification, agricultural transformation and rural based economic development. The investment in Calaro, Ibiae and Biase oil palm plantations, is part of a new joint partnership venture between PZ Cussons and Wilmar International of Singapore and aims to harness our God given natural resources in Nigeria and actualize the collective dream of strong local contents and far reaching backward integration that would conserve precious foreign exchange earnings and create rural employment.

"Furthermore the investment has brought in the much needed direct foreign investment and would entrench current laudable changes in our agricultural methods and farm practices geared towards international standards. This would be beneficial to the local communities while also ensuring attractive returns from capital to the investors. It is indeed a catalyst par excellence for agricultural transformation."

LESSONS FOR NIGERIA FROM THE MALAYSIA EXPERIENCE

Nigeria and Malaysia share common historical antecedent. They gained their independence from British rule. They federal system of government is practiced with bicameral legislature and the regions are inhabited by different racial and ethnic nationalities. Both economies were relatively resource rich. At independence, Malaysia

in 1957 and Nigeria in 1960 were leading exporters of primary product because basically the climate in the countries is tropical. A comparison of Malaysia and Nigeria's growth record shows divergence in growth rates, and differing structural changes to the economy. Malaysia on average has grown at a faster rate than Nigeria. In contrast to Malaysia's post-independent experience, political instability was more pronounced in Nigeria. The military has ruled for 25 out of its 50 years as an independent nation. In Malaysia there was, relatively, political stability and continuity, no changes in government and the present coalition government is still in power, after more than 50 years. Malaysia achieved sustained growth of about 6% per annum growth for the past 50 years. It maintains large external reserve in comparison to Nigeria and has continued to maintain low inflation rates. Agriculture's share of GDP in 2009 has fallen to 7.7 from 33.6% in 1970, compared to Nigeria's 55.8% in 1970 and 40.3% in 2009. Manufacturing in Malaysia accounted for 12.8% in 1970 and 26.5% in 2009 compared to Nigeria's 6.6% in 1970 and 15.5% in 2009, while the contribution of the service sector has increased to 57.4% in 2009, it stood at only 15.5% in Nigeria. The two countries have adopted almost the same ideology in their developmental efforts, while Malaysia plans and moves vigorously towards the attainment of its vision of becoming an advanced economy in 2020. Nigeria in its Vision 2020 which to become one of the 20 most industrialized economies by the year 2020, not much has been seen in this direction.

The possible lessons from Malaysia's growth experience for Nigeria could be summarized as thus explained.

Resource curse

Resource curse is avoidable and growth can be sustained. Malaysia is a relatively resource rich economy with its supply of land, and has exploited its land for the production of tin, rubber and palm oil. Petroleum resources have become important from the mid-1970s.

Diversification

Diversification is essential for growth. The diversification strategies involved intra agricultural diversification, utilizing resources to raise productivity and diversification from tin and rubber into oil palm, and diversification from agriculture to manufacturing industries.

Openness

Openness and international integration is helpful for growth. International trade and long-term capital flows made important contributions to the growth of the Malaysian economy. Integration with Asian economies

was of growing importance.

Export-led growth

Exports were an important source of growth and trade intensity has increased. The growth of labour intensive manufacturing industries absorbed the surplus labour, especially from the rural areas, which opened up employment opportunities and raised income levels.

Human capital

Education has played a crucial role in sustaining economic growth and raising incomes of households. Large public investment in education as it is a necessity. Private education should be encouraged and can supplement the supply of human capital.

Stable prices and low inflation

Growth with low inflation is possible. Inflation, with rare exceptions, in Malaysia has averaged less than 3% for the past 30 years. A combination of price controls, subsidies and an open economy has helped to contain inflation.

Full or near-full employment

Sustaining full employment with an unemployment rate of about 3% is attainable. But relatively high levels of growth put pressure on labour supply and utilising immigrant labour has been necessary. A ready supply of low cost immigrant labour can discourage the upgrading of labour.

Private investment

Private investment, domestic as well as foreign direct investment (FDI), is vital for economic growth as reliance on substantial public investment is not sustainable. Competition for FDI has and will intensify, policy reforms and strong institutions will be needed to attract and retain FDI.

Fiscal discipline and managing revenue

Fiscal discipline and strict management of revenue, including resource revenues, is essential for macroeconomic stability. Containing the fiscal deficit and the national debt is essential for avoiding imbalances. Additional discipline through legal and administrative guidelines should assist the management of revenue.

Industrial policies and foreign direct investment (FDI)

Industrial policies are important for economic diversification and FDI. Export-led growth of manufactured products needs to be supported by fiscal incentives and infrastructure support, including industrial estates and free trade zones (FTZs). FDI can make important contributions to the growth of manufacturing industries and exports.

Federal constitution and governance

Federal constitution can provide a strong framework for the governance of politics of oil and forestry resources. Regional interests to claim a larger share of revenue and resources have to be managed. Weaker state/regional government can dissipate revenue.

Strong independent national oil corporation

Importance of relative independence, capacity and capability of national oil corporation is needed. The capability and capacity of Petronage, the national oil corporation, has been crucial in the management of revenue from petroleum. The capture by vested interests over the national corporation should be resisted.

CONCLUSION

Cross River State recently lost its 76 oil wells to Akwa Ibom state. This development has created very strong challenges in the revenue profiles. The only opportunity opened to bridge the challenges of development is by exploiting its natural forest reserves in the re-establishment of oil palm commercial estates.

The State has thus generated about \$400 million or N6.4 billion in the sale of the oil palm estates. The challenge is that of managing these proceeds for development. Secondly, the challenge of customary land tenure where land is considered a community property. Though, the Governor has excessive powers to take an absolute and pecuniary interest in dealing with all the legal challenges that will be capable of derailing the process of development and growth.

RECOMMENDATIONS

The Cross River State Government in order to achieve the desired impact of the foreign direct investment will have to manage a combination of factors:

1. Fiscal discipline in managing the revenues generated from the sale of estates in the short-term;

2. A strong and vibrant industrial policy on the foreign direct investment;
3. A vibrant export-led growth policy and tax regimes for revenue generation;
4. A very strong legal framework that will administer the challenges that will occur in the future between the host communities, government and the investors, and
5. A diversification of the revenues generated from the sale of the estates in building a vibrant and strong industrial base that will free the surplus labour in agriculture to industry.

Conflict of Interest

The authors have not declared any conflict of interests.

REFERENCES

- Addison K (2002). Nigeria: Policy Options for Growth and Stability in a challenging Environment. The World Bank, June 2002.
- Agboola AA (1993). Farming systems in Nigeria". In fundamentals of Agriculture. (Eds) A. Aiyelari, M. O. Abatan, E. O. Lucas and O. A. Akinboade.
- Ahmad E, Singh R (2002). "Political Economy of Oil Revenue Sharing in a Developing Country: illustration from Nigeria" in IMF Working paper: Washington: International Monetary Fund).
- Ahmed SA (2001). Agriculture and Food Security in Nigeria. Paper presented for a forum with Mr. President on Agriculture and Food Security Council Chambers Presidential Villa, Abuja.
- African Institute of Applied Economics (AIAE) (2003). Nigeria: Macroeconomic Assessment and Agenda for Reforms. World Bank assisted country report.
- Ajakaiye DO (1990). Inter-Industry Linkages in the Nigerian Economy 1973-1977, NISER Monograph Series No. 2 NISER, Ibadan.
- Ajakaiye DO (1996). Public Enterprises Reforms in West Africa: Issues and Research Agenda". Res. Dev. 11(1&2):13-24.
- CBN (2010). Central Bank of Nigeria Annual Report and Statement of Accounts, CBN, Abuja.
- CBN/NISER National study (1992). Impact of Structural Adjustment Programme (SAP) on Nigerian Agriculture and Rural Life. Lagos, Nigeria. Page Publishers Services Ltd.
- Cobezas M, Emhardt F, Kutzbach H (1995). Convertible Equipment for Oxen carts". Working paper series 2. Special Research Programme 308, University of Hohenheim.
- European Development Report (EDR) (2001). Programming Study for Nigeria-Infrastructure Report pp. 11-14.
- Forest T (1993). Politics and Economic Development in Nigeria. Boulder: Westview, Inc.
- Hyman EL (1990). An Economic Analysis of small scale Technologies for Palm Oil Extraction in Central and West Africa". World Dev. 18(3):455-476.
- Jalani BS, Ariffion D, Chan KW (2000). Malaysia's contribution to improving the value and use of palm oil through modern technologies in Burotrop Bulletin No. 19 February, 2003 P. 25.
- Kei K, Mywish M, Duncan B (1997). "Transformation Versus Stagnation in the Oil Palm Industry: A Comparison between Malaysia and Nigeria". Staff Paper 97-5. Department of Agricultural Economics Michigan State University, East Lansing, Michigan 48824 P. 19.
- Omoti U (2001). The future of the oil palm industry in Africa and strategies for Development. The Nigerian situation". Paper prepared for the Africa Development Bank (ADB) workshop on the future of oil palm industry in Africa and strategies for Development Cote D' Ivoire.
- Omoti U (2009). Oil palm sector analysis in Nigeria. Main Report, Submitted to the United Nations Industrial Development Organization (UNIDO), Abuja, 64(18):275.

Palm Oil Value Chain Analysis in the Niger Delta (2011).
Foundation for partnership initiatives in the Niger Delta
(PIND), Abuja, Nigeria.

Purvis JM (1970). New Sources of Growth in a Stagnant
Smallholder

Economy in Nigeria” in Growth and Development of
the Nigerian

Economy. Eicher CK and Liedholm (eds) Michigan
State University Press.

Sanusi LS (2010). Growth prospects of the Nigerian
Economy. Eighth Convocation lecture of the Igbinedion
University, Okada, Edo State, Nigeria.

Udom DS (1986). Nigerian Government Policy: Schemes
for Smallholders Oil Palm Planting and Rehabilitation
between 1978-1981. J. Nig. Instit. Oil Palm Res. 7:134-
175.