
Nigeria: Malaysian corporation to invest in palm oil production

Malaysia is the world's top producer and exporter of palm oil, generating fifty percent of the global output, of which 85% is exported. Within the African continent, Nigeria is the country having the more extensive oil palm plantations, with at least 350,000 hectares planted to this crop. According to recent news, a Malaysian corporation will begin to invest in Nigeria's palm oil sector, with government support from both countries.

Sime Darby Plantations --the largest oil palm producing company in Malaysia-- will soon establish an oil palm processing refinery in Nigeria's Cross River State. This is the result of the five days visit to Cross River State by a delegation from Malaysia, which was a follow up to that by the state governor to that country some months ago and is at the instance of the prime minister of Malaysia.

The leader of the Malaysian delegation announced the intention to establish an oil palm processing refinery shortly after inspecting oil palm plantations in various parts of Cross River State. He revealed that it was the intention of Sime Darby Plantations to bring some of the new technological know-how in oil palm processing to the state and regretted the state of obsolete equipment in some of the oil estates visited.

He commended the Cross River State government for promoting and providing the enabling environment for business transactions in the state. The delegation visited the Export Processing Zone (EPZ), where its general manager assured the team of free imports and exports. They also visited the Calabar seaport.

So everything seems to be set for this investment. There are however two questions that need to be posed. The first one is related to the Malaysian firm itself: what is Sime Darby's business? According to the company's own web page, it is "Malaysia's largest and oldest conglomerate" and "owns or has interests in more than 270 companies, primarily in Asia. Its core business activities include the distribution of autos (BMW, Ford, Land Rover) and heavy equipment (Caterpillar); the manufacture of finished rubber products (mainly tires); plantations (oil palm, rubber, cocoa, and fruit crops); property development; and trading. Sime Darby is also acquiring generation assets."

In relation with oil palm, the following is revealing: "The company is trusting that the diversity of its holdings will secure growth. While palm oil prices are falling, hurting the plantation business, there is increasing demand for Sime Darby-supplied automobiles and heavy equipment." The Nigerian government should take that into account before subsidising the company with "free imports and exports." If palm oil prices fall, Sime Darby will earn money through its other activities, but what about Nigeria?

The second question is related to oil palm itself. Oil palm plantations are spreading throughout the tropics and in all cases where large scale plantations of this crop are implemented there are reports of important social and environmental impacts. The jobs they generate are few, seasonal, badly paid and in bad working conditions. Local peoples are deprived of their livelihoods and the overall employment tends to decrease at the local level. Impacts on water, soils and biodiversity are

widespread and in many cases lead to high deforestation rates. Can this be called development?

Article based on information from: Jude Okwe, 'CRS To Benefit From Promoting Enabling Environment For Investment Soon', Post Express (Lagos), December 13, 2000;