

VALUE CHAIN ANALYSIS IN LIBERIA

Oil Palm

Table of Contents

Abbreviations	2
Oil Palm Thesis.....	2
Oil Palm Sector	3
History of Oil Palm in Liberia	3
Investment Opportunity.....	4
Oil Palm Sector Challenges	5
Oil Palm Value Chain	6
Roundtable on Sustainable Palm Oil (RSPO)	7

Abbreviations

AfDB: African Development Bank

CBL: Central Bank of Liberia

CNG: Compressed Natural Gas

GHG: Greenhouse Gas

GoL: Government of Liberia

KOAFEC: Korea Africa Economic Cooperation

MoA: Ministry of Agriculture

R&D: Research and Development

SWOT: Strength, Weaknesses, Opportunities, Threats

TSR: Technically Specified Rubber

VC: Value Chain

VCA: Value Chain Analysis

Oil Palm Thesis

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Oil Palm is one of the more established agriculture value chains in Liberia and includes multiple large concessions, large commercial farms, cooperatives, and small holder farmers. It has been a source of food in Liberia for most of its existence and is now a major source of export earnings primarily due to the major large concessions operating in the country. According to the Ministry of Agriculture, Oil Palm covers over 1 million hectares of land, with just over 20% of farming households producing oil palm. The sector is said to employ over 220,000 persons in various aspects of the value chain. There continues to be a steady increase in production from one year to the next. In 2019, Liberia produced 22,265 MT which was an increase from 18,104 MT in 2018.¹ As an emerging player in the global Oil Palm trade, Liberia stands to benefit as prices increase in trading of the commodity and given the increasing demands for crude palm oil, which Liberia exports. There are opportunities for value addition and production of various nutritional and non-nutritional products that derive from Oil Palm. Globally, Malaysia and Indonesia lead the world in Oil Palm production, but Africa and Latin America are increasing their share of production.

Oil Palm Sector

The Oil Palm sector in Liberia is overseen by the Ministry of Agriculture in coordination with stakeholders from across relevant Agencies and Ministries. The National Oil Platform of Liberia (NOPOL) was created to enhance coordination and includes all major stakeholders including public and private sector actors, donors and key partners, and community organizations. Collectively and in coordination, these stakeholders have developed two National Policies have guided activities in the sector.

The Government of Liberia has identified Oil Palm as a priority crop in its national agenda for development, and developed a national strategy with the following seven objectives:

- Objective 1: Compliance with National Standards for the Liberian Oil Palm Sector.
- Objective 2: Develop an Enabling Regulatory Framework for the Oil Palm Sector.
- Objective 3: Develop a 5-Year Financing Mechanism to Guide Sustainable Oil Palm Development.
- Objective 4: Provide Support to Improve Livelihoods for Smallholder Farmers and Communities.
- Objective 5: Develop a Conflict Resolution Mechanism and a Feedback Grievance Redress Mechanism.
- Objective 6: Develop an integrated land use plan in conformity with the Liberian Land Rights Act (2018), with specific focus on the acquisition of deeds for customary land.
- Objective 7: Integrate Sustainable Conservation Practices in Oil Palm Production Landscapes, in conformity with the Liberia National REDD+ Strategy and other Relevant National and International Commitments

History of Oil Palm in Liberia

Prior to Liberia's 14-years intermittent civil wars, most of the Oil Palm plantations in Liberia that were planted in the 1970s were owned by the Government and co-managed with Local Communities and Cooperatives. These farms were located in Bong, Nimba and Lofa where most of Liberia's agriculture activities were concentrated. The onset of the wars ravaged many of the farms and destroyed processing facilities—many left in ruins and abandoned. The good aspect about oil palm is that it grows relatively fast (three years to maturity), and with proper techniques, and training of farmers, Liberia would once again develop its Oil Palm sector through the granting of four major Oil Palm Concessions. They included between 2009-2010 Golden Veroleum in Sinoe

¹ National Oil Palm Strategy of Liberia 2021-2025, Ministry of Agriculture

Value Chain Analysis – Ministry of Agriculture Liberia - 2022

County, Sime Darby (Now Mano Palm Oil Industries) In Cape Mount County, Maryland Oil Palm Plantation in Maryland County, and Equatorial Palm Oil in Grand Bassa County.
Major Concessions (National Oil Palm Policy 2021-2025)

Name of company	Area under concession contract (hectare)	Year of commencement of the agreement	Duration of Contractual Agreement	Out-grower scheme in concession contract (hectare)	Planted oil palm area 2016 (hectares)
Golden Veroleum Liberia (GVL)	220,000	2010	65 years	40,000	15,005
Sime Darby (Now MPOI)	220,000	2009	63 years	44,000	10,411
Maryland Oil Palm Plantation	8800	2011	25 years	6400	Unknown
Equatorial Palm Oil (EPO)	70,524	2008	25 years	18,201	18,201

Source: Basta (2016): Live or drive, a choice has to be made: A Case Study of Sime Darby Operations in Liberia

In addition to the major Concessions exporting edible oil and mostly crude palm oil (CPO), several large farms exist in counties around the country owned by private individuals, some of who participate in out grower schemes with the large Concessions. In addition, small companies that package the oil for cooking or used it to produce things of value are also part of the key actors, such as J-Palm, which is a successful producer of cosmetics and soaps using Oil Palm and other natural ingredients.

Investment Opportunity

Liberian firms such as J Palm Liberia and Atlantic Beverage Company have ventured into significant value added in the sector. In the case of J Palm Liberia, it focuses on skin and hair products, and Atlantic Beverage Company was focused on producing and packaging edible palm oil. Another company, Dunia Lotomai manages a farm implementing an out-grower scheme with 248 smallholder farmers and establishes a standard for processing based on hygiene, moisture and FFA levels, produces red palm oil packaged in wine like glass bottles designed for table serving and fine dining. With adequate capital infusion into the sector for companies such as these with the capacity and ability to scale up for value added production, that would provide the necessary capital for many of these companies and others like them to significantly scale up and create sustainable opportunities for the sector.

Value Chain Analysis – Ministry of Agriculture Liberia - 2022



J Palm Liberia

Atlantic PUR Company

Dunia Lotomai Palm Oil

The Business Opportunity is for a Financing Facility developed for selected local banks as pass-through financing for small businesses, thereby creating value added products in the Oil Palm sector. These facilities should be offered at a lower than usual interest rate with a longer repayment schedule. The banks will conduct the normal underwriting due diligence, for which they will earn fee income and share on the interest levied with the investor. Ideally, in addition to private financing from an investor, the Government can contribute to the fund. However, the Government contribution will serve only as a guarantee to the investor on the principal invested in creating the facility.

Proposed Fund Amount to be Invested in Facility	USD \$5M
Target Beneficiaries	Existing Agribusiness Companies in the Oil Palm Sector with a track record of success
Guarantor	GOL through the CBL and Interested Donor Partners to collateralize investor’s principal investment, limiting risks to interest income.
Underwriting/Fiscal Agent	Selected Local Banks (Earning Fee for Underwriting Due Diligence and Servicing Facilities)
Pricing	Offer should be below CBL Prime Rate –for example offered at 8-9% per annum; and 2-3% Origination and Facility Fees
Tenor	5 Years

Oil Palm Sector Challenges

The Oil Palm sector in Liberia is dominated by an “extract and export” model, and very little value-added production activity at scale. With limited Government resources for investment, the extractive model generates lesser revenue as there is little to no value added upon which additional income, job creation, and other economic benefits would derive.

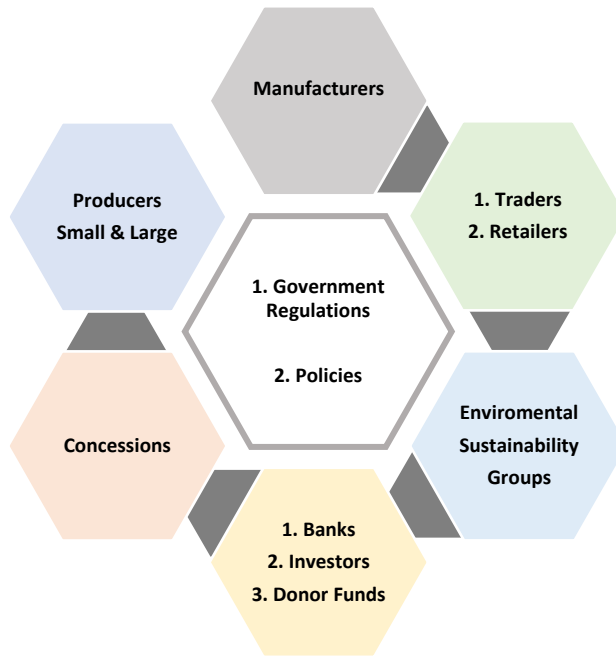
By fully implementing the sustainability guidelines identified by stakeholders and outlined in Liberia’s National Oil Palm Policy, the sector could see a significant increase in production and create clear opportunities for value added production. The good news for Liberia is that the current discussions and dispensations have brought key

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issues to the forefront for resolution in order to move the sector ahead. As indicated in the National Strategy, sustainability objectives should address these factors:

- Address land tenure conflicts resulting from the way some concessions were initially awarded
- Increase government funding and support
- Protect human and social rights of communities affected and impacted by concession activities
- Clarify ambiguous environmental protections laws and policies
- Implement proper inspection and certification schemes

Oil Palm Value Chain



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CONSUMABLE GOODS

Ice Cream
Palm Oil (Red & Kernel)
Vegan Cheese
Margarine
Chocolate
Pastries
Baby Formula
Instant Noodles
Comercial Pizza Dough



COSMETICS

Deodorant
Washing Powder
Lipstics/Cosmetics
Creams/Lotions
Shampoos
Hair Grease
Liquid Detergents
Soap Bars



SUSTAINABILITY CONCERNS

Deforestation Methods
Carbon Dioxide
Greenhouse Gas Emission
Displacement of Rural/Forest
Communities
Impact on Forest Species
Biodiversity Impact
Land Tenure/Land Rights

Possibilities and Potential Environmental Consequences to Mitigate

Roundtable on Sustainable Palm Oil (RSPO)²

GOL policy includes an emphasis on RSPO standards, as reflected in oil palm concession agreements between GOL and palm oil companies. The RSPO Principles and Criteria for Sustainable Palm Oil Production set out seven major principles and forty specific criteria to guide sustainable production of palm oil.⁹ These are accompanied by performance indicators and guidance to support compliance and compliance assessment for RSPO certification.

The seven RSPO Principles

- Principle 1: Behave ethically and transparently
- Principle 2: Operate legally and respect rights
- Principle 3: Optimize productivity, efficiency, positive impacts and resilience
- Principle 4: Respect community and human rights and deliver benefits
- Principle 5: Support smallholder inclusion
- Principle 6: Respect workers' rights and conditions
- Principle 7: Protect, conserve and enhance ecosystems and the environment

² Targeted Scenario Analysis (TSA): Sustainable Palm Oil Concessions in Liberia, November 2020, UNDP and UN Partnership for Action on Green Economy.