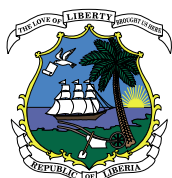


THE REPUBLIC OF LIBERIA

NATIONAL EXPORT STRATEGY

OIL PALM EXPORT STRATEGY

2014-2018



Republic of Liberia



International
Trade
Centre

The Oil Palm Export Strategy of Liberia was developed on the basis of the process, methodology and technical assistance of ITC. The views expressed herein do not reflect the official opinion of ITC. This document has not been formally edited by ITC.

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations

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THE REPUBLIC OF LIBERIA NATIONAL EXPORT STRATEGY OIL PALM

SECTOR EXPORT STRATEGY • 2014-2018



Republic of Liberia



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ACRONYMS

ASYCUDA	Automated System for Customs Data	LEC	Liberian Export Council
CARI	Central Agriculture Research Institute	LISGIS	Liberia Institute of Statistics and Geo-Information Services
CDA	Cooperative Development Agency	LPMC	Liberia Produce Marketing Corporation
CPO	Crude Palm Oil	MoA	Ministry of Agriculture
CPKO	Crude Palm Kernel Oil	MoCI	Ministry of Commerce and Industry
ECOWAS	Economic Community of West African States	MoE	Ministry of Education
EPA	Economic Partnership Agreement	MoFA	Ministry of Foreign Affairs
EU	European Union	NES	National Export Strategy
FAO	Food and Agriculture Organization of the United Nations	NIC	National Investment Council
FBO	Farmer-Based Organization	NSL	National Standards Laboratory
FFB	vFresh Fruit Bunches	OECD	Organisation for Economic Co-operation and Development
FFS	Farmer Field Schools	RSPO	Roundtable for Sustainable Palm Oil
GAP	Good Agricultural Practices	MSME	Micro, small and medium enterprise
GMP	Good Management Practices	TVET	Technical and Vocational Education and Training
GPS	Global Positioning System	UNCTAD	United Nations Conference on Trade and Development
HCV	High Conservation Value	USAID	United States Agency for International Development
ICBT	Informal Cross-Border Trade	WFP	World Food Programme
IITA	International Institute for Tropical Agriculture	WTO	World Trade Organization
ITC	International Trade Centre		
LACRA	Liberia Agricultural Commodities Regulatory Authority		
LBBF	Liberia Better Business Forum		

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EXECUTIVE SUMMARY

Palm oil is a ubiquitous ingredient in West African cuisine. In the 1970s and 1980s, the Government of Liberia (GoL) made a strategic decision to establish oil palm as an alternate tree crop for export. Plantations were established in the northern, north-eastern, north-western, and south-eastern parts of the country. The main variety of oil palm found in West Africa, including Liberia, is a high yielding hybrid variety known as Tenera available for intensive production. There is also a wild variety known as Dura used by small-scale farmers.

The civil war resulted in large-scale abandonment and destruction of plantations and processing facilities. There has been limited maintenance or replanting over the last 20 years and the trees are largely at the end of their productive life.

CURRENT CONTEXT

Existing players in the Liberian oil palm sector can be divided into small players working with Dura/Tenera, individuals playing various intermediation roles/providing support services, and large concessionaires. The value chain is dominated by large concessionaires. In the concessionaire economy, the scale is 100% industrial and every process is defined to the last detail – whether in agronomy, logistics, production or sales.

Small-scale oil palm farming is typically undertaken with minimal adoption of modern agronomic techniques, thus leading to much lower yields and efficiency. These small-scale farmers often harvest from wild forests or oversee small and intercropped plantations. Medium-to-large-scale plantations are more likely to adopt higher yielding plant varieties and agronomic techniques (including fertilizers, pesticides and other technologies). These growers often depend on nurseries for access to high quality seedlings.

The Liberian oil palm sector is considerably affected by inefficiencies in the value chain that have resulted in the sector performing substantially below comparable peer levels. The weaknesses/constraints can be discussed

along the supply-side, business environment, market entry, and development dimensions:

- On the supply side, the sector suffers from major human capital challenges. Improper land usage (including challenges of fragmented and inaccessible production sites) leads to decreased productivity levels. Inefficient processing practices lead to high rates of spoilage and adulteration. There is also an overall need to boost entrepreneurship activity in the sector.
- The lack of capacity diversification makes Liberian exports of Oil Palm vulnerable to global price fluctuations, and there is an urgent need to diversify the product base while also ensuring that food security is not affected.
- On the business environment side, there are a host of challenges faced by small and medium-sized enterprises (SMEs) in the sector. These include weak access to finance (especially for smallholders), weak institutional support, an inefficient business services network (providing support services across the value chain) and transportation infrastructure challenges, among others.
- Inefficiencies are widespread across the smallholder value chain, due more to constraints in the business environment than to any lack of action within reach of particular players. It is important to consider the severe constraints within which the Liberian smallholder and exporter operates, perhaps best illustrated in the palm oil sector. These constraints can be clearly classified as remnants of the pre-war export economy and fallouts of the conflict years and their aftermath, extending right up until the present.
- On the market entry side, an effective brand for the Liberian oil palm sector that is appealing to buyers in target markets needs to be built through certification and other means. The low utilization of the high market access available to Liberian exporters is a natural consequence of the low export competencies in the sector. Another factor that affects all export sectors is the lack of trade information.
- In terms of socioeconomic and environmental issues, women/youth actors across the value chain need to be supported and lax waste management regulations need to be tackled.



Source: © Craig Morey

EXPORT PERFORMANCE

The demand for crude palm oil (CPO) is largely concentrated in emerging markets (for direct consumption purposes) and in more mature markets (EU 27) for oleochemicals. For the Liberian oil palm sector as a whole, large investors already have either internal installed capacity for refining or guaranteed markets.

At the lower end of scale the sector is dominated by smallholders who feed into an ecosystem led by cross-border markets. The primary challenge for smallholders to enter markets and/or expand existing market positions through international, cross-border or concessionaire markets will be understanding buyer preferences and setting up systems for systematic compliance in the market.

Liberia maintains a very small share of the total world exports of palm oil. Nevertheless, it has seen important increases of exported growth in value between 2008 and 2012 (90%). The top three markets for Liberia's palm oil are Portugal, the United States of America and Cameroon, although exports are highly concentrated in the Portuguese market (58.9%).

OPTIONS FOR FUTURE DEVELOPMENT

In order to realize the export potential and increase the export competitiveness of the Liberian oil palm sector, the following vision has been adopted:

“ To establish the Liberian oil palm sector as a leading contributor to the national economic transformation agenda through exports development in an inclusive and sustainable manner. ”

This vision will be realized by the following strategic and operational objectives, which are designed to comprehensively address the overall weaknesses identified across the value chain.

Strategic objective	Operational objective
Boost productive capacity in the oil palm sector, particularly at the smallholder level, in existing and high potential product extensions.	• Establish an integrated research programme. • Augment the availability of quality skilled and semi-skilled labour, in close collaboration with industry. • Improve business services and extension services support. • Improve data collection capabilities to allow better policymaking. • Increase substantially the level of organization in the sector, in a representative and geographically equitable manner. • Support cooperatives and Farmer Field Schools (FFS) to impart relevant training components to their oil palm constituents. • Drive improvements in quality management at both institutional and enterprise levels.
Promote product and capacity diversification.	• Improve packaging capability. • Provide support to promulgate use of mills. • Encourage product diversification.
Improve the regulatory and business environment.	• Ensure requirements for the oil palm sector are met through the development of the Liberia Agricultural Commodities Regulatory Authority (LACRA). • Develop the capacity of the Cooperative Development Agency (CDA) to provide effective service delivery to cooperatives and farmer-based organizations (FBOs). • Develop dedicated infrastructure connecting non-concessionaire areas with important processing and transportation hubs. • Improve access to credit for operators in the small/medium-sized base.
Strengthen in-market support and branding related to the sector.	• Improve in-market support. • Promote certification of CPO sourced from Liberia.
Balance human development (specifically youth and gender) and environmental considerations with economic growth.	• Increase information related to environmental considerations and global best practices. • Provide incubation support to women and youth-owned transport businesses. • Support women operators involved in cross-border trade.

The envisioned future state of the sector has been developed using a combination of consultations, surveys and analyses. This future state consists of two components (both of which combine to form the future value chain):

- Structural changes to the value chain that result in either strengthening of linkages or introduction of new linkages; and
- A market-related component involving identification of key markets in the short and medium-to-long terms for exporters.

OPTIONS FOR FUTURE DEVELOPMENT: MARKETS

Palm oil continues to lead as the world's preferred source of fat, for both food and non-food uses. Demand has steadily risen and remains set to continue to rise on the back of demand from emerging markets, which make up almost 50% of total world demand. Coupled with maturing demand in traditional markets and top suppliers responding to certification requirements, the future of both conventional and certified oil palm products is robust.

Existing trade relationships and bilateral geographical distances will form the major criteria determining the markets for Liberian oil palm in the short-to-medium term. Market penetration in existing markets will be the main mode of market entry. It is also expected that in the short-term phase product diversification will be rather limited while capabilities undergo a gestation period.

Markets in the short-to-medium term will include Sahel countries, Economic Community of West African States (ECOWAS) members, as well as the United States and European Union (EU) markets. Driven by factors such as geographical distances and established relationships, demand is expected to be high for Liberian palm oil in these markets, especially that of the Dura variety. The domestic market will also be an important market in the short term, allowing opportunities for SMEs to build capabilities through import substitution and then scaling operations to international target markets in the medium-to-long term.

The Strategy advocates that over the short term, small and medium-sized Liberian operators strengthen their supply consistency, production levels, and quality levels by forging new or reinforcing existing relationships with concessionaires. Organized groups in the form of

cooperatives will play an especially important role in this. As the build-up of capabilities in the small/medium-sized segment continues, they will gradually become better positioned to reach regional and international markets on their own (over the medium-to-long term).

This medium-to-long-term phase will be witness to growing small/medium-sized operators gradually starting to export to target markets in parallel with existing concessionaire export activities. In addition to the markets identified in the short-to-medium term, target markets are expected to be the United States, EU, India, and China. As discussed earlier, the products basket will diversify based on increased capacity and diversification abilities in the sector –products such as African black soap and palm kernel oil.

OPTIONS FOR FUTURE DEVELOPMENT: STRUCTURAL ADJUSTMENTS TO THE LIBERIAN OIL PALM VALUE CHAIN

To drive improvements in the sector it will be important to leverage the different interventions already taking place and consolidate as many gains as possible from across policy, institutional, regional, scientific, livelihoods and conservation/adaptation perspectives to optimize the business environment within which the sector operates so as to optimize the commercial (growth) opportunities, and consequently the development opportunities, offered by the sector.

The projected structural changes are based on efficiency gains identified through the four gears analysis of the sector's performance, and through the identification of opportunities for improving the sector's capacity to acquire, add, create, retain and distribute value.

The structural adjustments will focus on:

- Increased organization levels among producer groups;
- Improved technical and vocational education and training (TVET) infrastructure relevant to the sector;
- Development of a domestic inputs supply chain;
- Development of an efficient extension services network;
- Improved data collection and policy level decision-making ability;
- Streamlined border and customs processes with those of regional partners;
- Adoption of land management and general management best practices;
- Improved research base aimed at sector needs;

- Mainstreaming of women and youth in value added activities in the sector; and
- Movement towards Roundtable for Sustainable Palm Oil (RSPO) certification in the longer term.

IMPLEMENTATION MANAGEMENT

The broad range of activities, together with the complex nature of integrated intervention, requires careful implementation that efficiently directs resources and monitors results at both the micro and macro levels. To this end, a Liberian Export Council (LEC) will be established in order to facilitate the public-private partnership in elaborating, coordinating and implementing the National Export Strategy (NES). In particular, LEC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders. Within this framework, implementation of the oil palm strategy will also fall within the purview of LEC.

Such efforts will involve directing donor and private and public sector organizations towards the various NES priorities in order to avoid duplication and guarantee maximum impact. Responsibilities will also include monitoring the results of activities and outputs, while at the same time recommending policies that could serve to enhance realization of the strategic objectives. With a 360 degree view of progress, the Council will be best placed to manage funding and provide regular reports to donors and stakeholders. Moreover, LEC will play a key role in recommending revisions and updates to the strategy so that it continues to evolve in alignment with the country's evolving needs.

In addition to LEC, a variety of stakeholders will be critical to the successful implementation of this strategy. These include public sector actors such as the Ministry of Agriculture (MoA) (including extension services), NIC, the Cooperative Development Agency (CDA), MoCI and the Ministry of Foreign Affairs (MoFA), and also private sector/civil society organizations that have a successful track record in the sector and are well positioned to assist.

CONCLUSION

The palm oil export sector in general is in an early stage of recovery (from pre-war levels) and growth and so it is vital to make well-thought out decisions in terms of business models, core propositions, positioning etc. This strategy reflects that analytical rigor and builds towards exports competitiveness in the sector.

INTRODUCTION TO THE GLOBAL OIL PALM SECTOR

Palm oil is one of the oldest oils/fats used by humans, with the first evidence of palm oil use being from West Africa about 5,000 years ago.¹ The tree is endemic to West Africa and has been used in the region for several thousand years.

In more recent times, the tree was planted in South East Asia – Malaysia in particular first – in the mid-nineteenth century.² The bulk of the development of the sector started midway through the twentieth century and has been dominated by two countries – Malaysia and Indonesia. These two countries are of particular significance because between them they produce 87% of total world production³ and account for 86% of total exports.⁴ Some of the biggest multinationals in the palm oil sector, like Sime Darby and Equatorial, also come from these two countries.

The sector forms a very important part of the economies of these two countries and has been a major contributor

to both growth⁵ and development⁶ in them. The main reasons include the steadily growing demand for palm oil and other downstream products driven by low prices and high productivity, and the inherent labour-intensiveness of the sector.

Palm oil is also the world's most produced and sold oil with roughly a 28% market share in the global oils and fats market, followed by fat from animal and other sources with approximately a 24% share and soya oil with 22% of the market.⁷

The industry is inherently labour-intensive, requiring a global average of five workers per hectare. The smallholder sector is primarily responsible for most production – this is especially true for Malaysia and Indonesia, which are two of the world's largest producers of CPO.

Competing oil crops often require approximately one worker for every 200 hectares. In Malaysia, the palm oil sector employs 590,000 direct workers (including many labourers imported from Indonesia), and 35% of production derives from smallholders.⁸ In Indonesia 3.7 million people are engaged in the palm oil industry and downstream industries, with 45% of production from smallholders.⁹

1. *Elaeis guineensis* is well documented in archaeological contexts at Bosumpra from 5210 ± 100 BP and at Kintampo and Obobogo from about 3700 BP onwards, and in non-archaeological contexts at Lake Bosumptwi and the Niger delta. Shaw, Ian and Robert Jameson, eds (1999). *The Dictionary of Archaeology*, p.17. Blackwell Publishers.

2. 1848 in Bogor.

3. From roughly 38,000 ha under oil palm cultivation in the country in 1950, the total area covered in 2011 approximately 5 million ha. (Malaysian Palm Oil Board (2011). Overview of the Malaysian Oil Palm Industry 2011. Available from http://econ.mpob.gov.my/economy/Overview%202011_update.pdf). In neighbouring Indonesia too, the growth of the sector has been nothing short of dramatic. Oil Palm today covers as much as 16.9 million hectares of the total land area in the country (World Bank/International Finance Corporation (2011). The World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector.).

4. World Bank/International Finance Corporation (2011). *The World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector*.

5. Palm oil production is economically vital for Malaysia and Indonesia and their rural communities. Oil palm represents 3.2% of Malaysian gross domestic product and 6% to 7% of Indonesian gross domestic product (RSPO, 2011a).

6. Booming commodity prices in recent years have trickled down through this labour-intensive system, helping to lift millions out of poverty in Indonesia and Malaysia and contributing to a more than doubling of the Indonesian middle class in the decade leading up to 2009 (Bellman, 2011).

7. Oilworld Mielke 2011.

8. NEAC, 2009.

9. RSPO, 2011a.

There are other uses in animal feed manufacturing and as a primary feed stock for biodiesel production and refining. An important trend for palm oil is the increasing importance of its industrial use vis-à-vis its human consumption use. In the ten year period from 2000-2001 to 2010-2011, industrial use rose from 15% to 25%.¹⁰

Figure 1 shows the wide and ubiquitous use of palm oil in some of the world's best known consumer brands across a wide range of products.

10. Adapted with permission from: AOCS Lipid Library (2013). Oils and Fats in the Market Place: Commodity Oils and Fats: Palm Oil. Available from <http://lipidlibrary.aocs.org/market/palmoil.htm>.

Figure 1 : Leading brands/manufacturers of palm oil based consumer products (ranked by sales volume high to low)

Brand	Manufacturer
Warburtons	Warburtons
Hovis	Premier Foods
Cadbury Dairy Milk	Cadbury
Kingsmill	ABF
Persil	Unilever
Flora Spreads	Unilever
Galaxy	Mars
Young's Frozen Fish	Young's
Kit Kat	Nestle
Mr Kipling Cakes	Premier Foods
Wrigley's Extra	Wrigley
Birds Eye Poultry	Birds Eye
Maltesers	Mars
Mars	Mars
Kellogg's Special K	Kellogg's
Ginsters	Ginsters
McVitie's Digestive	United Biscuits
Comfort	Unilever
Goodfella's Pizza	Northern Foods

Source: UK-Liberia Investment Forum (presentation by Michael Frayne, Executive Chairman, Equatorial Palm Oil Liberia).

CURRENT CONTEXT

HISTORICAL PERSPECTIVE

In the 1970s and 1980s, GoL made a strategic decision to establish oil palm as an alternate tree crop for export. Plantations were established in the northern, north-eastern and north-western parts of the country. The decision to locate farms predominantly along the northern ridge were based on the fact that the bulk of agricultural (especially at the commercial level) activity was concentrated (as it indeed continues to be) in the counties within that region – namely Nimba, Bong, Lofa and to a lesser extent Grand Gedeh. These plantations consisted of the higher yielding Tenera variety and could produce both edible and industrial grades of CPO.

The plantations were alternatively completely GoL owned, communally-owned (GoL aided) and managed by cooperatives, or held under trusteeship by managing communities. Given that these plantations were all planted 25–30 years ago, they are all past their peak productivity levels¹¹ and have to a varying extent been reclaimed by surrounding jungle during the prolonged civil conflict. They are currently in a state of near complete neglect and in many instances ownership¹² has become tenuous.

The civil war resulted in large-scale abandonment and destruction of plantations and processing facilities. There has been limited maintenance or replanting in the last 20 years and the trees are largely at the end of their productive life.

11. Oil palms may live up to 200 years, but their commercial value rapidly drops after about 30 years. FAO (n.d.). Small-scale Palm Oil Processing in Africa. FAO Agricultural Services Bulletin 148. Available from <ftp://ftp.fao.org/docrep/fao/005/y4355E/y4355E00.pdf>.

12. As is the case in many African countries, Liberia allows the application of both civil and customary law, individual and communal ownership. As a result ownership issues have become extremely contentious and resolution is slow. This is the case with plantations that were set up by GoL, but which management ceded to communities, in many instances several decades ago. Any re-development in and around these plantations will need to deal carefully with this issue of legal ownership.

As the conflict was resolved, palm oil markets began to respond to demand in the formerly inaccessible urban centres of Liberia. Some of this demand has been satisfied by imports, while other consumers prefer to purchase raw palm nuts for home processing and still others choose to purchase a share of the production that originates from upcountry.¹³

STRUCTURE AND PRODUCTION TRENDS

In Liberia the oil palm tree crop mainly grows in wild groves, which supplied almost half of the 35,000 tons of palm oil produced in 2007.¹⁴ Cultivation is done on small household farms and medium-to large-scale state-owned plantations.¹⁵ The majority of production in the post-war years has been concentrated in the smallholder sector. As per the National Renewable Energy Laboratory/United States Agency for International Development (USAID) Biomass Study of 2009, MoA 2008 estimates show that of the total of about 35,000 tons, a significant proportion was produced by smallholders.

Existing players in the Liberian oil palm sector can be divided into small players working with Dura/Tenera, individuals playing various intermediation roles/providing support services, and large concessionaires. The value chain is dominated by large concessionaires. In the concessionaire economy the scale is 100% industrial and every process is defined to the last detail, whether in agronomy, logistics, production or sales. Of the four large concessionaires in Liberia, Sime Derby and Golden Veroleum are global leaders in the industry with annual revenues of hundreds of millions of dollars each

13. Republic of Liberia, Ministry of Agriculture (2007). *Comprehensive Assessment of the Agriculture Sector in Liberia (CAAS-Lib), Volume 2.2 – Sub-Sector Reports*.

14. Milbrandt, A. (2009). Assessment of Biomass Resources in Liberia. Colorado: National Renewable Energy Laboratory. Available from www.nrel.gov/docs/fy09osti/44808.pdf.

15. *Ibid*.

year and worldwide share of markets, including strong presence in the biggest markets such as India and China and more mature speciality markets such as Organisation for Economic Co-operation and Development (OECD) countries.

Small-scale oil palm farming is typically undertaken with minimal adoption of modern agronomic techniques, thus leading to much lower yields and efficiency. These small-scale farmers often harvest from wild forests or oversee

small and intercropped plantations. Medium-to-large-scale plantations are more likely to adopt higher yielding plant varieties and agronomic techniques (including fertilizers, pesticides and other technologies). These growers often depend on nurseries for access to high quality seedlings.

Oil palm cultivation activity is primarily focused on the northern and north-western parts of the country, as indicated in Figure 2 below.

Figure 2: Oil palm producing regions by scale of production 2009



Source: Milbrandt, A. (2009). *Assessment of Biomass Resources in Liberia*. Colorado: National Renewable Energy Laboratory. Available from www.nrel.gov/docs/ty09osti/44808.pdf. Highlights added by NES.

LIBERIAN PALM OIL VARIETIES

TYPES

Two quite different oils are produced from the oil palm fruit – CPO from the mesocarp (the fleshy part of the fruit) and crude palm kernel oil (CPKO) from the seed or kernel. While palm oil is primarily used in food products (accounting for more than 75% of global production) as cooking oil, shortening, margarine, milk fat replacer and cocoa

butter substitute, kernel oil is used predominantly in the oleochemical industry for making soap, detergent, toiletries and cosmetics. The main oil extracted in Liberia is CPO, although there are a small minority of households which also extract CPKO for subsistence purposes.

VARIETIES

DURA

Dura and Pisifera are the two native varieties of palm that have grown in Liberia at least for the past several hundred years. The Dura variety grows in wild groves in the forest and in village gardens. The Dura palm tends to be in clusters and result from natural seed dispersal. Dura is the main variety found in this form and has traditionally been one of the primary ingredients in most West African recipes.¹⁶ Dura is almost always handpicked by men and then converted to CPO, or 'red oil' as it is widely known because of the characteristic deep red colour that marks the oil.

The fruit grows in bunches and in this form is referred to as Fresh Fruit Bunches (FFB). The FFBs are brought down, boiled, washed, mashed and mechanically filtered, and the oil is finally manually skimmed. This process is fraught with inefficiencies and dangers of spoilage and adulteration. Various reports from the Food and Agriculture Organization of the United Nations (FAO) and MoA suggest that wastage is extremely high, amounting to 50% during harvest and a further 35% during production. This completely manual system also results in a short shelf life and the quick build-up of free fatty acids.

Anecdotal evidence and first-hand accounts from small-scale exporters suggest that Liberian red oil is particularly preferred by Liberians in the diaspora as well by other West African diasporas, especially in the United States. This appears to be true even in domestic and regional markets. The presence of a certain amount of acid is preferred and users like the 'bite'¹⁷ that the acid brings to the oil. Red oil is also widely used for its digestive, laxative and other medicinal properties; even for external application.

TENERA

Tenera is the leading oil palm hybrid between the two naturally occurring varieties, namely Dura and Pisifera.¹⁸ While the oil yielding capacity of Tenera is significantly higher than either Dura or Pisifera, the primary use of



Source: © fitri agung

Tenera CPO has been industrial, such as soap manufacturing, rather than direct consumption.¹⁹

This variety was aggressively promoted by various intergovernmental organizations in many parts of Africa in the 1970s and 1980s, although it is relatively less popular with domestic consumers because of its unfamiliar taste, high(er) fat content and its appearance at ambient temperature – it does not retain its viscosity and red colour.

Medium-sized plantations planted by GoL in the 1970s and 1980s are exclusively Tenera. These plantations are mostly past their productive best or are close. These plantations have also been planted along the northern and north-eastern ridge of the country, whereas the new concessions, which are several hundred times bigger, have all been located in the coastal belt – which in agronomic terms is better suited for oil palm.

SOCIOECONOMIC CONSIDERATIONS

As per MoA/Liberia Institute of Statistics and Geo-Information Services (LISGIS) statistics for 2010-2011, oil palm production accounts for over 10% of total employment in Liberia's agriculture sector. It is a widely consumed product in the West Africa region and therefore one of the most actively traded commodities in the regional trade network. Oil palm is the biggest source of dietary fat in Liberia and indeed over most of West Africa.

There are 29,080 households involved in production in the sector, of which 23,860 households (82%) are male-headed and the remaining 5,220 households (18%) are female-headed. The highest number of households involved are in Nimba, Lofa, and Bong Counties, with male-headed households numbering 7,740, 3,380 and 2,430 respectively and female-headed households numbering 1,080, 1,060 and 890 respectively.²⁰

16. FAO (n.d.). Small-scale Palm Oil Processing in Africa. FAO Agricultural Services Bulletin 148. Available from: <ftp://ftp.fao.org/docrep/fao/005/y4355E/y4355E00.pdf>.

17. Ibid.

18. Breeding work, particularly crosses between Dura and a shell-less variety (Pisifera), have led to the development of a hybrid with a much thicker mesocarp and a thinner shell, termed Tenera. All breeding and planting programmes now use this latter type, the fruits of which have a much higher content of palm oil than the native Dura. FAO (n.d.). Small-scale Palm Oil Processing in Africa. FAO Agricultural Services Bulletin 148. Available from: <ftp://ftp.fao.org/docrep/fao/005/y4355E/y4355E00.pdf>.

19. The Tenera nut is small and is easily shelled to release the palm kernel. The Tenera palm kernel is smaller than the Dura kernel, although the Tenera bunch is much larger than Dura. In all, the Tenera is a much better variety for industrial and economic purposes.

20. MoA/LISGIS Statistics 2010-2011.

Table 1: Oil palm households in Liberia 2010-2011

Country	Both sexes		Male-headed Hh		Female-headed Hh		Percent	
	Number	% Agric Hh	Number	% Total	Number	% Total	Male	Female
Liberia	29,080	10.2	23,860	100	5,220	100	82	18
Grand Bassa	1,590	8.7	1,060	4.4	530	10.2	66.7	33.3
Margibi	2,000	13	1,330	5.6	670	12.8	66.7	33.3
Bong	3,320	8.5	2,430	10.2	890	17	73.3	23.7
Lofa	4,440	12.1	3,380	14.2	1,060	20.3	76.2	23.8
Grand Kru	730	7	610	2.6	120	2.3	83.2	16.8
Rivercess	800	10.6	670	2.8	130	2.5	83.3	16.7
Bomi	840	8	720	3	120	2.3	85.7	14.3
River Gee	500	6	440	1.8	60	1.1	87.5	12.5
Nimba	8,820	14.3	7,740	32.4	1,080	20.7	87.7	12.3
Grand Gedeh	230	2.2	230	1	30	0.6	88.8	11.2
Maryland	450	4.5	400	1.7	50	1	89.4	10.6
Montserrado	2,120	9.3	1,910	8	210	4	90	10
Grand Capemount	1,600	16.7	1,550	6.5	50	1	96.7	3.3

Source: MoA/LISGIS Statistics 2010–2011.

Table 2: Cash crop household survey statistics

Description	Both sexes		Male	Female	Percent	
	Number	Percent			Male	Female
Agricultural households						
Rubber producing households	48 290	17.3	41 800	7 490	84.8	15.2
Oil palm producing households	29 080	10.2	23 860	5 220	82	18
Cocoa producing households	35 960	12.6	29 050	6 910	80.8	119.2
Coffee producing households	24 240	8.5	19 250	4 990	79.4	20.6
Sugarcane producing households	31 400	11	25 480	5 920	81.1	18.9

Source: MoA/LISGIS Statistics 2010-2011: Cash Crop Household Survey.

As indicated in Table 2 above, oil palm is among the most important cash crops in the country.

Employment in the sector is sporadic at best, with high seasonality and with the rainy season being the longest continuous lean period. Any sector development investments must keep the above facts in mind so as to better

spread income over the year in order to keep oil palm households from facing uncertain consumption patterns, which in turn affect savings, investment and eventually growth. Inefficiencies in the supply chain have kept oil palm families from achieving the revenue potential of the existing capacity.

ENVIRONMENTAL AND FOOD SECURITY CONCERNS LINKED WITH PALM OIL TRADE

The oil palm sector has faced significant criticism in recent years for detrimental production practices which include clearing large swathes of land (frequently encroaching on allocation for other sectors that have a bearing on food security) for cultivation of oil palm for industrial usage/export. For instance, the palm oil sub-sector in Indonesia was the subject of widespread protests and collective action by consumer groups, conservation groups, non-governmental organizations and importing governments due to the large-scale replacement of High Conservation Value (HCV) forest.

Several issues over the last two decades have altered public perception of the commodity, particularly in OECD countries, and have resulted in some loss of market share to other oils in these markets as well as loss of reputation which affects the users (industrial buyers such as Unilever) of palm oil and its derivatives and, in turn, the primary producers further upstream.

The main criticism in terms of oil palm's low sustainability was the spike in its use as a feed stock for biodiesel production, which totalled about 9% of total palm oil use in 2009/10. While in itself not a large number, the criticism of palm oil use was part of a larger overall global debate on the relative merits of using food sources (in the form of bio fuels) for fossil fuel replacement. There is now

more consensus that food security for the poorest populations (approximately 925 million that are acutely food insecure)²¹ is a higher priority than energy security for the significantly more affluent (approximately a billion people who consume around 80% of the world's energy).²²

In terms of overall productivity and yield per land area, oil palm is relatively more productive than peers. A closer look (as illustrated in Figure 3) reveals that, compared to other sources of edible oils/fats, oil palm is significantly more efficient in terms of sustainable land use²³ and overall productivity per ha per year.

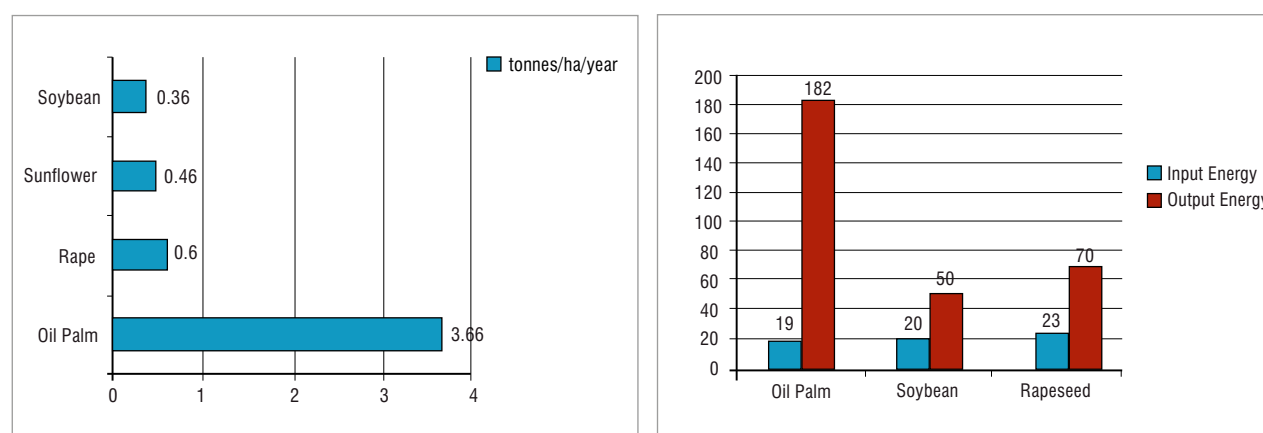
However, the debate on environmental and food security concerns is not centred around relative productivity, but rather around the unsustainable manner in which land is allocated at the expense of other crops (especially those affecting food security), and also the economic vs. food security trade-offs that are involved in focusing on developing palm oil for industrial purposes/export. It is therefore important to find a balance between harvesting the economic potential of the crop and ensuring that environmental and food security needs do not suffer.

21. WFP (2013). Hunger. Available from <http://www.wfp.org/hunger>. WFP estimates that the food crisis of 2007-2009 pushed an additional 44 million people worldwide into poverty – with evidence that the use of food commodities for bio fuel production was one major reason for the sharp spike in food prices.

22. The one billion who constitute the populations of the OECD, the Middle East, non-OECD Europe and the rich in other parts of the world – including in China and India. International Energy Agency (2011). Key World Energy Statistics 2011. Available from <http://www.iea.org/statistics/>.

23. Globally at 8.5 million ha, oil palm has the lowest land use compared with over 58 million ha of land used for soya beans. Malaysian Palm Oil Board.

Figure 3: Oil palm productivity



Source: RSPO (2007). Fact Sheet: About Palm Oil.

Available from <http://www.rspo.org/files/pdf/Factsheet-RSPO-AboutPalmOil.pdf>.



Source: © onVillage Initiative

INVESTMENTS IN THE LIBERIAN OIL PALM SECTOR

The oil palm sector in Liberia has received the highest committed amount of foreign direct investment in the post-war years, totalling over US\$6 billion from just the four biggest players –Sime Derby (US\$3.1 billion until 2025), Golden Veroleum (US\$2 billion until 2017), Equatorial Palm Oil (US\$800 million until 2017) and SIFCA– Maryland Oil Palm Plantations (US\$20 million until 2015).

The main investment in palm oil production is from an Indonesian company called Golden Veroleum. This company is owned by the United States based Verdant Fund LP, whose sole investor is a Singaporean palm oil giant company called Golden Agri-Resources.²⁴

24. Richard Valdmanis (2013). Largest Liberian palm oil project is failing locals: study. *Reuters*, 22 March. Available from: www.reuters.com/article/2013/03/22/us-editor-liberia-veroleum-palmoil-idUSBRE92L0Y520130322.

Between these four concessions an approximate 81,000 direct jobs²⁵ are expected to be created and many thousands more are likely to be created indirectly.²⁶ The investments are almost entirely export focused and are clearly indicative of the importance of the sector to the future of export, and indeed the country itself.²⁷

25. Liberia National Investment Commission (n.d.). Concessions in Liberia. Available from www.nic.gov.lr/?environment/concessions.html.

26. Republic of Liberia, Ministry of Planning and Economic Affairs (2011). *Socioeconomic Achievements of the Government of Liberia 2006–2011*.

27. Liberia's gross domestic product for 2010 was approximately US\$1 billion as per Ministry of Planning and Economic Affairs statistics.

CURRENT SECTOR OPERATIONS

INPUTS

Effective management of intensive oil palm production requires a wide variety of inputs including land, seedlings, labour, fuel, research and development, farm equipment, fertilizer, and pesticides. The local supply chain of input suppliers is virtually non-existent in the oil palm sector (as is the case for other agricultural sectors).

Most input supplies are imported through input importers operating from within the country. The import community is small and almost wholly foreign-owned (Lebanese, Chinese, Ghanaian or Indian). So far the smallholder sector has not been a commercially viable market for input importers since the demand is far too sporadic to constitute a steady and profitable market. Input importers will influence the cost base of the sector to the extent that they change their outlook, either due to better engagement by GoL and the larger stakeholder community in the sector, or due to better organization and predictability of demand from smallholders.

PRODUCTION

Oil palm trees begin producing approximately three years after planting and can remain productive for roughly 30 years. In terms of climate, the crop requires consistent rainfall and high heat units throughout the year in order to attain optimal yields. The crop should also be planted in deep, rich soils. Production techniques and activities vary significantly depending on the scale of the plantation.

As discussed earlier, existing players in the Liberian oil palm sector can be divided into small players working with Dura/Tenera, individuals playing various intermediation roles/providing support services, and large concessionaires.

Concessionaires have tested business and production models and depth in terms of financial, human and intellectual property resources. These companies also have very sophisticated risk assessment and management processes, which is why these companies have committed bigger and bigger investments since they began their relationships with Liberia, while other types of investors have difficulty in putting money on the ground. These larger private players potentially form a market in themselves as far as the smallholder economy is concerned.

Small-scale oil palm farming is typically undertaken with minimal adoption of modern agronomic techniques, thus leading to much lower yields and efficiency. These small-scale farmers often harvest from wild forests or oversee small and intercropped plantations. Medium-to-large-scale plantations are more likely to adopt higher yielding plant varieties and agronomic techniques (including fertilizers, pesticides and other technologies). These growers often depend on nurseries for access to high quality seedlings.

Many production methods are highly dependent on manual labour, with harvesting typically conducted by hand using a chisel, machete or sickle. Pest management inputs are also critical to prevent damage by rodents, beetles, weevils and other pests. Herbicides may also be required to prevent diseases such as stem rot, ganoderma, etc. Fertilizer inputs including ammonium sulphate and potassium chloride are also common to replace nutrients lost from harvesting in intensive plantations. In terms of downstream processing, palm oil refiners require a number of specialized inputs, particularly equipment such as digesters, mechanical presses, storage tanks, transportation equipment, etc. as well as other fundamental inputs such as chemical solvents, fuel, water and labour.

A non-existent extension system, the lack of any agromonic research in the sector, the absence of a domestic inputs market and the near absence of any kind of agrospecific loan products are all serious challenges at this stage of the value chain.

PROCESSING

Palm fruit is typically processed in order to extract two different types of oils: palm oil, which is extracted from the fruit's pulp; and palm kernel oil, which is extracted from the fruit's large inner seed. Palm oil and palm kernel oil are extracted using different methods. Currently, the bulk of processing activity in Liberia revolves around palm oil extraction, while palm kernel oil production is very limited.

Processing can take place using basic traditional techniques or more sophisticated methods and technologies. Following harvesting, the palm fruit is immediately transferred to the processing facility where it undergoes threshing to remove individual fruit from bunches. Afterwards the fruit undergoes sterilization in order to prevent enzymatic degradation and prepare the pulp for digestion. The digestion process releases oil from the pulp in preparation for extraction using mechanical presses or leaching systems. Finally, the oil is clarified (filtering debris and separating palm kernels), dried, and packaged for shipment or storage. It is important to note that many (but not all) waste by-products resulting from the palm oil and palm kernel oil extraction process have residual value, particularly as animal feed.

The activity of bridging the farm to the first level market gets compressed into one link by a conglomerate of intermediary networks which are almost wholly dominated by women, more specifically encapsulated by the popular Liberian nomenclature of 'market women'. The term is used variously to describe the first level buyer at the farm gate level; the secondary level aggregator who can provide basic warehousing/post-production handling services including packaging; the cross-border trader on the Liberian side who acts as the intermediary who is responsible for making the border crossing; and finally the cross-border contact on the other side of the border, who might set up her own stall at a local market on the other side of the border, travel into a third country herself, or sell to another intermediary.

DISTRIBUTION

In terms of the informal cross-border trade (ICBT) sub-value chain, the red oil (transformed from FFBs) is packed into plastic (jerry) cans and transported by travelling intermediaries/'market women' in shared transport to regional (in-country hubs) and then later to counterpart traders from markets such as Sierra Leone, Guinea or Côte d'Ivoire.

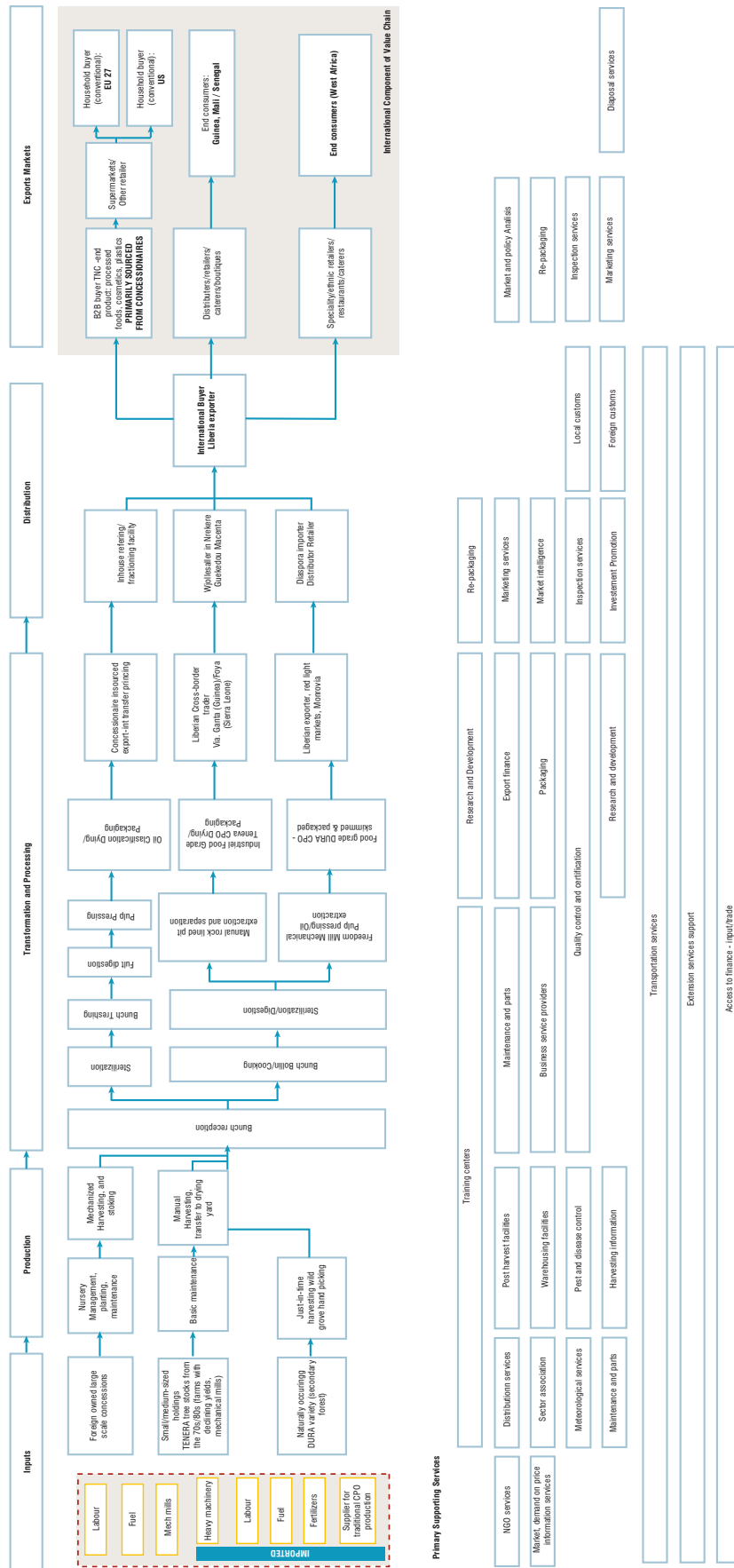
Related to the concessionaires' sub-value chain, palm oil and palm kernel oil (following processing) can be shipped to a domestic fractioning facility for further refinement or to wholesaler markets. Existing relationships with wholesalers in Guinea and Sierra Leone enable access to large-scale purchasers. Liberian exporters also leverage networks in Monrovia in order to reach retail distributors in international markets. Ultimately both palm oil and palm kernel oil can be used in many food or non-food applications (ranging from frying oil to processed foods, cosmetics, biofuels, etc.). A growing movement towards sustainable palm oil (e.g. RSPO) provides important value added opportunities for the sector but will also require strong coordination along the supply chain in order to ensure adherence to strict standards.

MARKETS

The smallholder value chain currently supplies to local markets and 'market women' in ICBT or in semi-organized export-to-niche diaspora markets. Market women sometimes supply red oil to markets in Monrovia for local consumption and to small-scale exporters who then export the oil to diasporas (Liberian and other West African diasporas) in the United States, the Caribbean or the United Kingdom of Great Britain and Northern Ireland. These overseas connections tend to be made via family or other secondary networks where both parties can establish trust based on tribal, clan or community affinities.

In the case of the cross-border consumer, Liberian red oil clearly has a competitive advantage for reasons of physical and culinary proximity (Guinea, Sierra Leone) and attributes (superior taste) in other neighbouring markets. In the medium and long terms there is no reason why there could not be a shift in preferences based on other attributes such as longer shelf life, better packaging/branding or the like in favour of CPO from other countries such as Sierra Leone or Côte d'Ivoire as this market grows and matures.

Figure 4: Current value chain of the Liberian oil palm sector



Source: Stakeholder consultations and desk research.



GLOBAL MARKETS—A SNAPSHOT

GLOBAL TRENDS

The production of palm oil has grown exponentially over the last 50 years. Palm oil production has remarkably increased from 1.5 million tons in 1961 to over 48 million tons in 2011²⁸ and approximately 55 million tons in 2013. However, a deceleration is expected for global output in 2013/2014. Forecasts indicate a growth rate of global output of only 3.5%, the lowest since late 1990s.²⁹ This is partly explained by the slowdown of the growth in mature palm oil areas caused by the replacement of older trees.

The impressive growth trend of production has been driven in the last years primarily by Asia, i.e. Malaysia and Indonesia. However, until 1970 palm oil was mainly produced in Africa, which steadily decreased its share of world production from 76% in 1961, to 55% in the 1970s, to below 20% in the 1980s, to only 5% between 2008 and 2011. On the other hand, global consumption of palm oil is expected

to be 55.4 million tons in 2013/2014. The forecasts of global consumption are balanced by expected lower levels in the EU and Indonesia, but expected increased consumption in other countries (mainly the Russian Federation).³⁰

Prices of palm oil have always been characterized by high volatility, influenced by supply and demand changes, price of competing vegetable oils, weather (e.g. El Niño) and import policies of importing countries, among other factors.³¹ After reaching a peak in 2008 of approximately US\$ 1,200 per ton, CIF NW Europe, prices dropped in line with the prices of other commodities during the financial crisis to below US\$600 per ton in the second half of 2008. Palm oil prices have been recovering since then, although the forecasts for 2014 indicate a drop to below US\$800 per ton. Meanwhile, stocks are estimated to be around 11 million tons at the end of season 2012/2013, and are expected to increase to approximately 14 million tons in 2014/2015.³²

28. UNCTAD (2013). Palm oil, with all of its comparative advantages, is the queen of oils. Available from: www.unctad.info/en/Infocomm/Agricultural_Products/Palme/Market/.

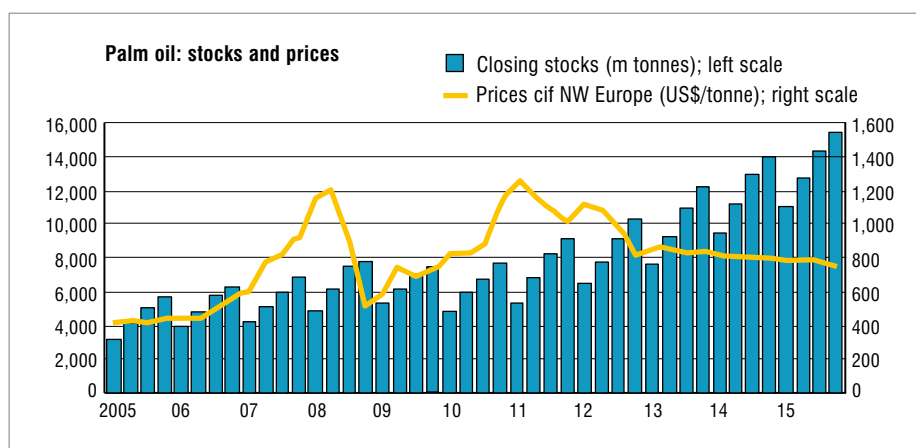
29. Economist Intelligence Unit (2013) World Commodity Forecasts Food Feedstuffs and Beverages – Main Report December 1st, 2013. Available from http://viewswire.eiu.com/index.asp?layout=VWArticle&VW3andarticle_id=221268406.

30. *Ibid.*

31. Oriental Pacific Futures (n.d.). 5 Factors That Affect Crude Palm Oil (CPO) Prices. Available from: www.opf.com.my/blog/5-factors-that-affect-crude-palm-oil-cpo-prices/.

32. Economist Intelligence Unit (2013). <http://www.eiu.com/industry/commodities/article/1971326581/palm-oil/2013-12-11>

Figure 5: Palm oil stocks and prices, 2005–2015

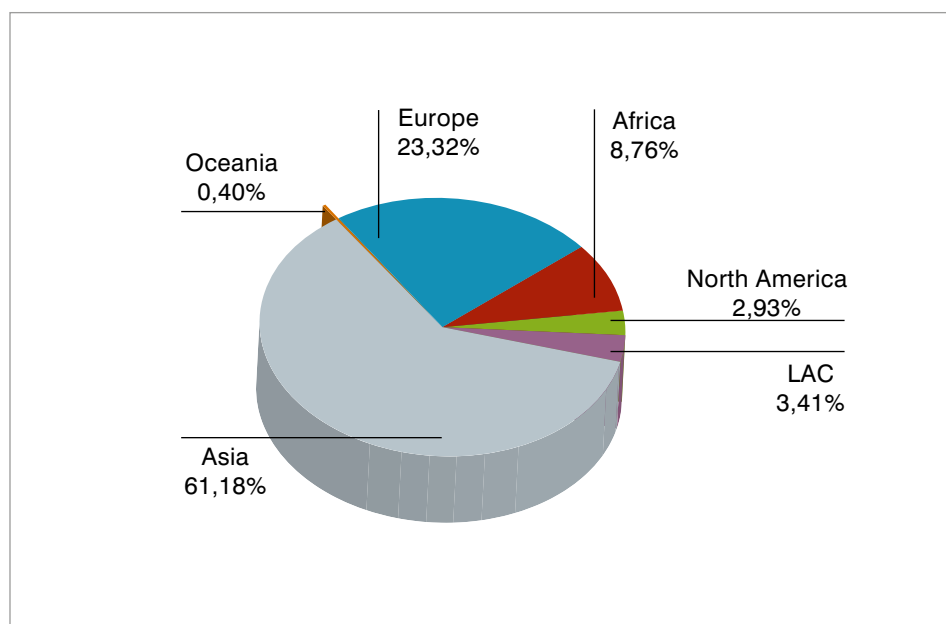


Source: Oil World; Economic Intelligence Unit

Table 3: *Major importers of palm oil*

Importers		Trade indicators			
		Value imported in 2012 (US\$ thousands)	Annual growth in value 2008–2012 (%)	Annual growth in value 2011–2012 (%)	Share in world imports (%)
World		40 708 369	13	1	100
1	India	7 896 374	35	17	19.4
2	China	6 502 236	9	-2	16
3	Netherlands	2 749 623	11	50	6.8
4	Pakistan	2 131 602	12	-9	5.2
5	Malaysia	1 704 963	35	-12	4.2
6	Germany	1 328 139	6	-2	3.3
7	United States	1 097 029	7	-14	2.7
8	Italy	1 079 825	13	7	2.7
9	Bangladesh	950 076	12	-10	2.3
10	Singapore	877 026	35	15	2.2

Source: ITC Trade Map.

Figure 6: *Imports of palm oil by region (2012)*³³

Source: ITC Trade Map

33. North America excluding Mexico.

MAJOR IMPORTERS

Palm oil and its derivatives are mainly used for human consumption, e.g. vegetable fat, ice cream, margarine. Generally, the other main uses for palm oil have been in the oleochemical industry, e.g. soaps, detergents, but it is being increasingly demanded for the biofuel industry, e.g. biodiesel and an alternative to mineral oils for use in power stations.³⁴

Palm oil is known to be the most traded oil in the world. Nearly 90% of total palm oil production is traded.³⁵ The world market for palm oil stood at over US\$40 million in 2012. This value represents an annual growth rate of 13% of imports between 2008 and 2012, but only 1% growth of imports between 2011 and 2012. The main importer of palm oil is India with a 19.4% of share of world imports, followed closely by China with 16%.

The regional distribution of palm oil in terms of consumption is primarily concentrated in Asia (61%), followed by Europe (23%) and Africa (8%).

India has slowed down its imports of palm oil as a result of expectations of increased local oilseed production,

34. UNCTAD (2013). Palm oil, with all of its comparative advantages, is the queen of oils. Available from: www.unctad.info/en/Infocomm/Agricultural_Products/Palme/Market/. R.E.A. Holdings (2013). Markets-Oils and Fats: Uses of Palm Oil. Available from: www.rea.co.uk/rea/en/markets/oilsandfats/palmoilproduction.

35. UNCTAD (2013). Palm oil, with all of its comparative advantages, is the queen of oils. Available from: www.unctad.info/en/Infocomm/Agricultural_Products/Palme/Market/.

high food price inflation and a weak rupee. The estimated consumption is 8.6 million tons for 2013/2014 and 9.1 million tons for 2014/2015.³⁶ On the other hand, China is expected to continue its consumption growth, mainly driven by population and economic growth and increased consumption of instant noodles, a product that uses palm oil in its composition.³⁷

The EU market for palm oil presents slow growth expectations as the result of its increasing use in the energy sector, primarily by Netherlands, Italy and Spain. Nonetheless, palm oil is facing competition from other types of oil in the food sector, which has lowered expectations for its consumption in the EU market.³⁸

MAJOR EXPORTERS

The main exporting region of palm oil is Asia, since the two major exporters of palm oil are Indonesia and Malaysia, which combined represent 86% of the share in world exports. An important remark is that Malaysia presented a considerable drop (12%) in its annual growth rate in value between 2011 and 2012. Liberia is the 57th main exporter of palm oil. Its annual growth rate in value was 24% between 2011 and 2012.

36. Economist Intelligence Unit (2013). <http://www.eiu.com/industry/commodities/article/1971326581/palm-oil/2013-12-11>

37. *Ibid.*

38. *Ibid.*

Table 4: Major exporters of palm oil

Exporters	Trade indicators			
	Value exported in 2012 (US\$ thousands)	Annual growth in value 2008–2012 (%)	Annual growth in value 2011–2012 (%)	Share in world exports (%)
World	38 180 115	11	-5	100
1 Indonesia	17 602 168	13	2	46.1
2 Malaysia	15 439 766	11	-12	40.4
3 Netherlands	1 510 386	2	-13	4
4 Papua New Guinea	506 652		-19	1.3
5 Thailand	306 231	13	-23	0.8
6 Ecuador	300 915	18	0	0.8
7 Germany	297 173	10	-2	0.8
8 Honduras	290 041	10	78	0.8
9 Guatemala	252 439	18	17	0.7
10 Costa Rica	196 286	18	-3	0.5
... 57 Liberia	2 042	90	24	0

Source: ITC Trade Map.

Table 5: *Liberia's export performance*

Importers	Trade indicators				
	Exported value 2012 (US\$ thousands)	Share in Liberia's exports (%)	Exported quantity 2012	Exported growth in value 2008-2012 (% p.a.)	Exported growth in value 2011-2012 (% p.a.)
Total	2 042	100	2 123	90	24
1 Portugal	1 202	58.9	1 237		
2 United States	459	22.5	553	20	87
3 Cameroon	280	13.7	233		
4 France	53	2.6	38		8
5 Sweden	36	1.8	32	60	350
6 Australia	12	0.6	30		33

Source: ITC Trade Map.

Indonesia is expected to expand its mature palm oil area in spite of the forest moratorium (2011-2013), recently extended to 2015. According to the Economic Intelligence Unit, output growth in Indonesia was expected to slow in 2013/14 as a result of tree stress following the recent strong yield increases. A higher output is expected in 2014/2015, since oil palm trees require three years to reach maturity stage.³⁹

On the other hand, Malaysia is expected to decelerate its output as a result of limits to mature areas being added. Moreover, there are concerns among Malaysian exporters related to the removal of the Generalized System of Preferences. This would take place at the end of 2013. If this is the case, it is expected that there will be a shift towards Indonesian imports.⁴⁰

EXPORT PERFORMANCE

Liberia maintains a very small share of the total world exports of palm oil. Nevertheless, it has been presenting important increases of exported growth in value between 2008 and 2012 (90%). The top three markets for Liberia's palm oil are Portugal, the United States and Cameroon; although the country's exports are highly concentrated in the Portuguese market (58.9%).

MAIN TRENDS IN LIBERIAN PALM OIL EXPORTS

- There is clear evidence that ICBT is currently the most important market for the Liberian smallholder (Dura) value chain. Red oil also goes out of Liberia via Foya into Sierra Leone and into Côte d'Ivoire out of border

markets in Nimba county. Liberia serves both as a substantial supplier and important conduit, especially for supplies (though much smaller) from Sierra Leone.

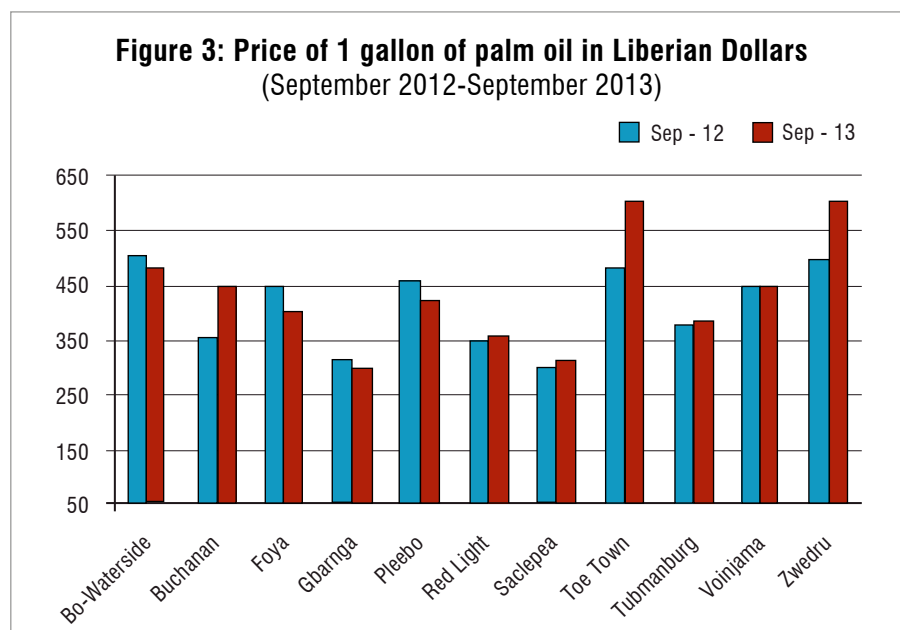
- Between 2012 and 2013 the price per gallon of palm oil presented significant increases (indicated in Figure 7) that can be partially explained by the reasons stated below:
 - **ICBT.** This has an impact on palm oil price increases;
 - **High transport costs.** Transport costs also influence the increase of prices;
 - **High potential.** Although Liberia's exports are mainly dominated by rubber, there is high potential and expectations of the growth of a big palm oil industry, representing an important source of employment generation.
- Liberian exports of palm oil are marked by low survivability rates, as indicated by Figure 8. The probability of export relationships lasting after the first year is approximately 35%. The probability further falls by about 20% in both the second and third years, and to about 10% by the beginning of the fourth year.
- There is a large unmet domestic demand for palm oil in Liberia, and indeed throughout the broader ECOWAS region. In 2012, nearly US\$30 million of palm oil (and its fractions) was imported, primarily from Indonesia (which constituted the bulk of these imports) and Malaysia.

The trade balance, heavily skewed towards imports, is indicated in Figure 9. Imports are growing at a much higher rate than exports. The deficit constitutes an important opportunity for Liberian SMEs in the form of imports substitution in the short term, which would allow them to build supply consistency/quality levels until they are capable of developing sustainable export relationships.

39. *Ibid.*

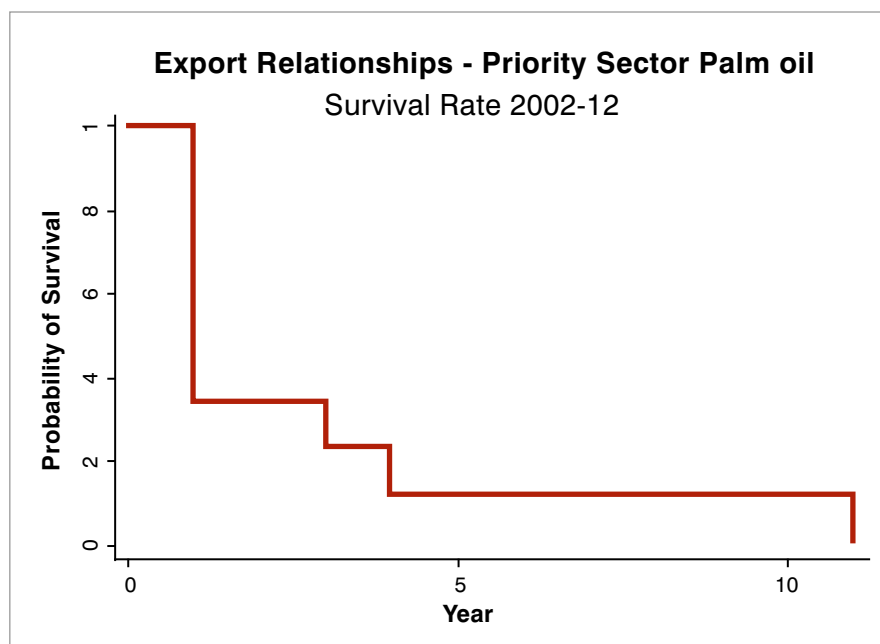
40. *Ibid.*

Figure 7: Price per gallon of palm oil in Liberian dollars by market (September 2012–September 2013)



Source: WFP (2013)⁴¹

Figure 8: Survivability of export relationships in the Liberian palm oil sector



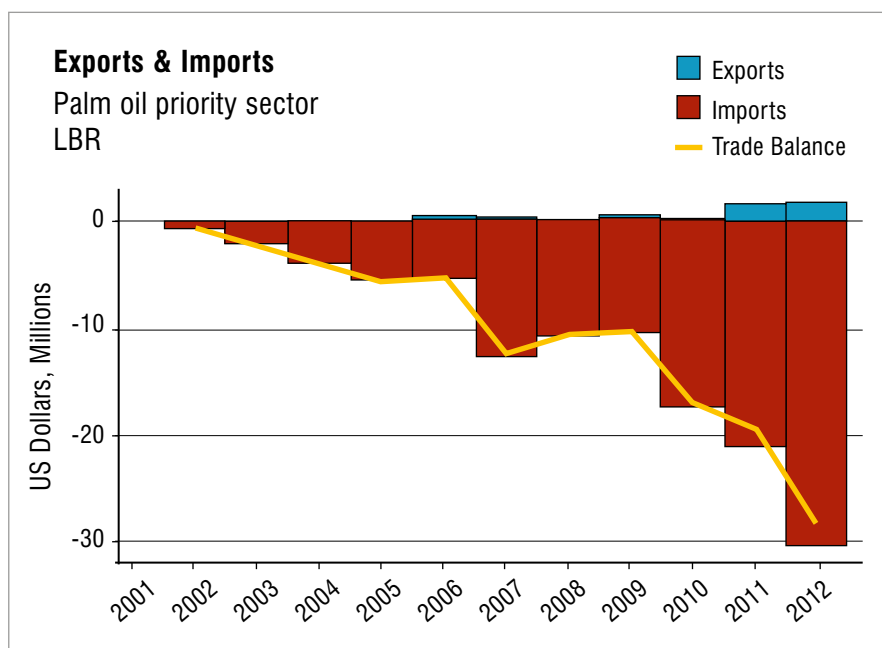
Source: ITC calculations based on COMTRADE SITC Revision 3 data.

41. WFP (2013) *Liberia Market Price Monitor, Volume 29, Issue September 2013*. Available from <http://reliefweb.int/sites/reliefweb.int/files/resources/Liberia%20Market%20Price%20Monitor%20No.%2039.pdf>.



Source: © onVillage Initiative

Figure 9: Trade balance in the Liberian palm oil sector



Source: ITC calculations based on COMTRADE SITC Revision 3 data.

COMPETITION IN TARGET MARKETS

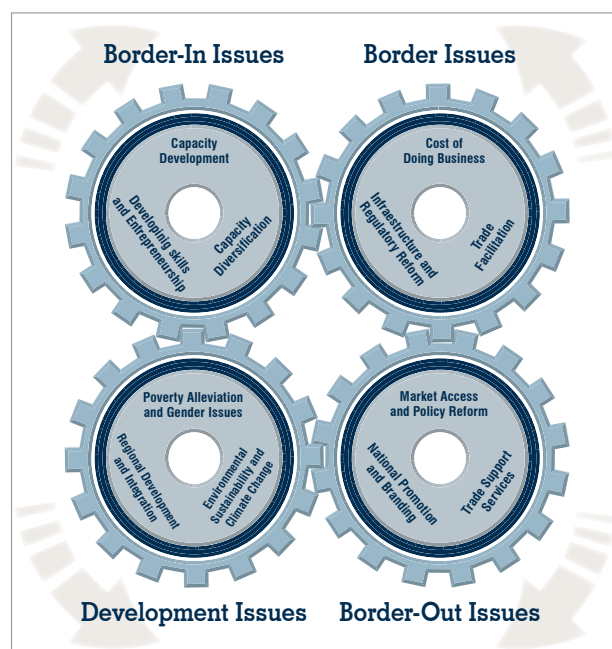
Malaysia's greatest importer of palm oil is China, followed by India. They represent 17.4% and 15.3% of Malaysian palm oil exports to the world. Meanwhile, the opposite

occurs within the market share of Indonesia's exports of palm oil. For Indonesia, India represents 27.5% and China represents 14.8% of the total Indonesian palm oil exports to the world. Both Malaysia and Indonesia primarily export palm oil as 'palm oil and its fractions refined but not chemically modified'.

COMPETITIVENESS CONSTRAINTS

The four gears framework presented below determines the major constraints –within the country as well as outside– to export development and ways to overcome them.

- Supply-side issues affect production capacity and include challenges in areas such as availability of appropriate skills and competencies; diversification capacity; technology and low-value addition in the sector's products. This group of issues is also referred to as the **border-in gear**.
- The quality of the business environment includes issues that influence transaction costs, such as regulatory environment; export procedures and documentation; infrastructure bottlenecks; certification costs; Internet access and cost of export credit insurance. These constraints are grouped together and classified as the **border gear**.
- Market entry issues include questions of competitiveness that are essentially external to the country (but may also be manifested internally), such as market access; market development; market diversification and export promotion. These are referred to as the **border-out gear**.
- Social and economic concerns include poverty reduction, gender equity, youth development, environmental sustainability and regional integration. These developmental concerns form the **development gear**.



Addressing these above categories would exhaustively resolve most major competitiveness bottlenecks. However, for an export strategy to be sustainable, it out to make the greatest socioeconomic impact. Issues that have a profound impact on people's lives need to be addressed in the NES design initiative.

- Social and economic concerns include poverty reduction, gender equity, youth development, environmental sustainability and regional integration. These developmental concerns form the **development gear**.

Box 1: The border-in gear (supply-side issues)

- Severe human capital challenges in the sector.
- Proper land usage needs to be ensured.
- Inefficient processing practices lead to a high rate of spoilage and adulteration.
- Entrepreneurship activity in the sector needs to be boosted.
- Lack of capacity diversification makes Liberian exports of palm oil vulnerable to global price fluctuations.
- Fragmented and inaccessible production sites affect productivity.

Severe human capital challenges in the sector

Overall, the oil palm sector, and indeed the whole country, have significant human capital challenges. The long civil conflict and the forced recruitment of children and young people into active combat meant that a whole generation of Liberians missed primary schooling and/or the possibility to get vocational, professional or technical training of any sort. The TVET apparatus is critically fragmented and suffers from a serious lack of infrastructure, funding, faculty and support staff, updated course content and so on.

The conflict also resulted in widespread migration and brain drain, including in the oil palm sector. Liberia is still one of the top 10 countries in the world in terms of emigration of individuals with tertiary university education at over 45% of total graduates and post-graduates.

The human capital challenge cuts across the public, private and not for profit sectors. While the civil service has benefitted from programmes such as the United Nations' Transfer of Knowledge Through Expatriate Nationals, there are substantial shortages even here to be able to provide the minimum level of institutional support to productive sectors. The oil palm sector, as others do, faces a severe challenge in terms of institutional support. Oil palm being one of the fastest growing sectors in the country, the shortage is anywhere between 30,000–40,000 workers (till 2030) with all kinds of skills including:

- Fertilizer scientists
- Irrigation engineers
- Farmers/cultivators
- Seed scientists
- Agro-economists
- Agronomists
- Machinists
- Factory workers
- Refrigeration and preservation specialists
- Mechanical engineers
- Chemical engineers
- Civil engineers
- Landscape architects
- Electricians

- Welders
- Plumbers
- Marketing professionals
- Packaging specialists.

Proper land usage needs to be ensured

In agronomic terms, the preferred conditions for growing oil palm in Liberia are along the coast, where the majority of the naturally occurring oil palm exists and where all the new mega concessions are located. However, for various reasons mentioned earlier, several of these GoL-owned plantations are situated in areas that are more suited for crops such as cocoa, coffee or rubber. This is another consideration that GoL will need to keep in mind while making any decisions on redevelopment of these properties.

This is especially true for the Tenera variety which was promoted and planted at a high rate in the 1970s. The stock is now largely in disrepair and fast reaching the end of its productive life. As a result, careful thought must be given to whether these old Tenera plantations should be replanted at all or be selectively phased out into other more suitable uses –e.g. community-based agro-forestry.

Dura production is either from palms growing in the wild or from private gardens and smallholder farms. There is very little management or maintenance of tree stock, or planning in terms of sustainable yields.

Inefficient processing practices lead to a high rate of spoilage and adulteration

As discussed earlier, the process involved in processing the Dura variety is characterized by inefficiencies. The FFBs are brought down, boiled, washed, mashed, mechanically filtered and the oil is finally manually skimmed. This process is fraught with inefficiencies and dangers of spoilage and adulteration. Various reports from FAO and MoA suggest that wastage is extremely high, amounting to 50% during harvest and a further 35% during

production. This completely manual system also results in a short shelf life as well as the quick build-up of free fatty acids.

Dura production and processing processes are the exact same process that have existed since the early days of palm oil production in Liberia. Of the less than 50% of Dura production that gets harvested, only 35% gets converted to CPO, primarily as a result of wastage and inefficiencies in the processes employed.

Entrepreneurship activity in the sector needs to be boosted

A culture of entrepreneurship in general has effectively been undermined by decades of forced inaction, not from the point of view of the smallholder producer/SME exporter but more from the point of view of the institutional lender/regulator/support institution. The urban middle class that runs the establishment is mostly unfamiliar with or unresponsive to activity in the smallholder space. Liberian entrepreneurship is alive and well, albeit constricted to the SME space. This is the entrepreneurship that the oil palm sector should harness to catalyse rapid change.

Lack of capacity diversification makes Liberian exports of palm oil vulnerable to global price fluctuations

Almost 50% of the country's palm oil exports in the last few years have consisted of red oil (CPO from Dura). The other 50% is also CPO, though industrial grade. Given the perishability of FFB, CPO is the absolute first level value addition that can take place in palm oil production.

This 100% focus on CPO makes the sector vulnerable to world commodity price cycles. Diversification is therefore an imperative.

Fragmented and inaccessible production sites affect productivity

Producer level limitations such as the sheer remoteness, inaccessibility, and small unit-size of most landholdings constrain possibilities to increase productivity and investment in the oil palm sector, as in all other agricultural sectors in Liberia.

Access to finance is challenging for smallholder farmers

The existing network of commercial banks is limited to the Monrovia region, which leaves out smallholders in the rest of the country. Banks are also unwilling to accept land in rural areas as collateral due to liability issues in case there is a need for foreclosure of defaulting accounts. Even in Monrovia, access is also restricted for smaller players who are often unable to meet minimum collateral requirements or demonstrate creditworthiness. Commercial banks are also hesitant to issue loans spanning 10-15 years, which is the typical amount requested by agricultural operators.

Depending on the type of lender approached, the costs of borrowing vary. Microfinance institutions, which are active in rural areas, are able to lend at lower standardized rates, while other private party lenders can be exploitative, providing loans at exorbitant rates. Most farmers rely on ad hoc financial mechanisms provided by marketing agents (merchants).

Box 2: The border gear (business environment issues)

- Access to finance is challenging for smallholder farmers.
- The country's institutional structure is weak.
- An efficient business services network is needed.
- There is a need to spur infrastructure improvements, especially in the transportation sector.
- Lack of statistical information in the sector prevents effective decision-making.
- Infrastructure in border areas needs to be improved.
- Improvements are needed to align MoCI processes to Automated System for Customs Data (ASYCUDA) systems.
- LACRA's capacity to cater to the oil palm sector must be increased.
- Short-and medium-term costs – including opportunity costs – involved in developing certification capabilities in the sector must be considered.
- The out-grower model needs to be reviewed for inefficiencies.

Access to credit is not just a supply-side issue. Enterprises seeking credit in the oil palm sector are unable to demonstrate adequate levels of creditworthiness due to reasons both within and outside their control. Small-scale exporters are unable to secure firm orders from clients that they can present to banks. Additionally, the historic distrust of the banking system has prevented the majority of rural Liberians from opening a bank account, which further prevents lending officers from gauging the risk levels associated with loan applications.

The country's institutional structure is weak

There is overall overlap in the different categories of institutions in the country, whether institutions that provide policy, trade or business support, or civil society players who play an important role in sector development, or other agencies. The current debilitation of the institutional structure is in part a result of the systematic destruction caused by the many years of violent civil conflict and in part the legacy of the political economy of pre-war years when Liberian society was largely still based on entitlements.

The scope and quality of the extension services' service delivery is poor. The 'thinness' in the support environment is not just in terms of the number of such services that are available but also the level of service that they offer when they do exist. There is a near complete lack of extension support at the producer level. The concept of Farmer Field Schools, an approach that centres curriculum design and learning in the field, has been shown to be effective in the cocoa sector in Liberia. Large-scale replication across sectors will take concerted coordinated action by the international community and, more importantly, by local government.

An efficient business services network is needed

In the absence of a functional business support services network even in the capital region, the oil palm sector needs active everyday support to function in a market-driven and professional manner, to allocate resources strategically, and upgrade production and processing techniques and use better practices and technologies. This function is being/was performed by various civil society alliances (such as Winrock International), institutions (such as the International Institute for Tropical Agriculture (IITA)), or by programmes such the USAID-sponsored Freedom Mill Project. The creation of a functional business support sector will require some time – possibly between 5 and 10 years. This, however, is a process that must be managed so as to incentivize the formation of an ecosystem that can service the particular needs of the Liberian economy in practical and result-oriented ways.

Business support in terms of mill manufacture, maintenance, extension provision, inputs provision, credit services intermediation, logistics and transport, cross-border forwarding, packaging services provision and so on will need to be strengthened.

There is a need to spur infrastructure improvements, especially in the transportation sector

Liberia has some of the highest transport costs in the world. For example, it costs more to transport a container from Monrovia to Greenville – a 150 km ride – than it does to transport the same container from East Asia.⁴² While this is an issue of infrastructural development, it is also an issue of modernization of fleets and of investment.

Lack of statistical information in the sector prevents effective decision-making

There is a comprehensive lack of information in the sector related to existing tree stock and its current status in terms of estimated years of productive age left etc. This information is required to conduct effective future planning for the sector, including decisions on replanting etc. A proper survey of the Dura/Tenera tree stock; a Global Positioning System (GPS) mapping of the location of the groves, their density and their proximity to primary forest areas/sacred lands; and a productivity analysis of the existing tree stock will help plan harvest in a manner that mitigates the current ad hoc harvest procedure that results in a nearly 50% wastage already at harvest stage. A detailed GPS survey is also imperative to make any large-scale changes or investments.

Infrastructure in border areas needs to be improved

Given that CPO trade volumes are as much as 90,000 litres per week out of Ganta alone and destined for nearby markets such as Nzérékore and farther markets such as Dakar, infrastructural improvements along selected hubs will result in closer economic ties in the subregion.

Improvements are needed to align MoCI processes to ASYCUDA systems

There is a clear opportunity to streamline customs and other border processes by aligning all line ministry processes with ASYCUDA World and by aligning systems across the Mano River Union subregion, for instance (countries that also happen to be part of the ASYCUDA network). This would immediately simplify procedures

42. Key informant – General Manager, Golden Veroleum Liberia Inc.

and reduce opportunity for human error and illegal activity based on opaque systems –the way they are now.

LACRA's capacity to cater to the oil palm sector must be increased

While MoA and MoCI have overall responsibility to set policy direction in agriculture and trade at the highest level, LACRA has been handed the responsibility, via Presidential Decree, of being both policymaker at an operational level and fulfilling discretionary services as a tier 2 trade support institution. LACRA needs substantial assistance, both technical and financial, to fulfil this brief. Especially with oil palm, given the complexity of the sector – straddling ultra-modern plantations and forest based red oil production, and the pace and scale of change – LACRA will need to ramp up its ability to monitor, regulate and support the sector dramatically.

Short-and medium-term costs –including opportunity costs– involved in developing certification capabilities in the sector must be considered

There is a strong business case for pursuing certification in the oil palm sector that ensures that environmental considerations are integrated in the production process.

However, this involves significant resources that must be invested. This is not an easy decision at the policy level given that resources are stretched thin.

While the demand for CPO for both industrial and direct consumption uses is robust, the demand for certified CPO is growing at a slower pace. However, this may be balanced through increased exports to countries such as Switzerland that are currently closed off to small/medium-sized operators due to non-certified status. Trade-offs in terms of revenue cuts in favour of sustainability and long-term growth in specific volume and niche markets must be examined in significant detail.

The out-grower model needs to be reviewed for inefficiencies

The out-grower support scheme is fraught with longer-term issues such as unclear land titles and the complete lack of an extension system. This results in most community members preferring employment rather than risking entrepreneurship. There is a crucial need to review this model and identify opportunities for improvements.

Box 3: The border-out gear (market entry issues)

- Inadequate utilization of the high market access available to the sector.
- Lack of access to trade information in the sector.

Box 4: The development gear (development issues)

- Women actors need to be supported across the ICBT value chain.
- Lax environmental waste management regulations are leading to detrimental effects on the environment.

Inadequate utilization of the high market access available to the sector

Liberian enterprises in the sector have been unable to capitalize on the high level of market access available to them. There is significant opportunity to enter these markets, provided that the sector is able to build up levels of supply consistency, quality and value added products.

Lack of access to trade information in the sector

Along with the logistical and financial challenges that prevent potential exports from expanding their scope to international markets, operators lack reliable and timely trade information. The comprehensive lack of trade information within the palm oil exporting base is primarily driven by the prominence of the concessionaire model. Concessionaires have well-established export relationships and access to updated trade information. Since concessionaires are the main customer base for local producers, the need for updated trade information has largely been reduced. However, as capabilities across the value chain improve, access to efficient and timely trade information will be an important requirement.



Source: © Lian Pin Koh

Women actors need to be supported across the ICBT value chain

CPO is a major ICBT commodity that connects actors across at least three countries: Liberia, Sierra Leone and Guinea. Women overwhelmingly dominate ICBT at the operational level. Their needs are of two kinds: a) issues that all SMEs in Liberia face of the many operational inefficiencies that have been detailed before and b) issues that they face especially as women, whether they are related to harassment by respective government agencies on both sides of borders, issues related to personal security, or issues of gender-based violence. Women also face challenges in dividing time between competing priorities in family care and duties outside the home.

Lax environmental waste management regulations are leading to detrimental effects on the environment

There is currently no requirement under Liberian law specifically mandating recycling of agricultural production waste. As a result, large-scale open waste disposal is common, including in the oil palm sector.

WHERE WE WANT TO GO

The following vision has been developed towards the goal of increasing the export competitiveness in the Liberian oil palm sector:

“ To establish the Liberian palm oil sector as a leading contributor to the national economic transformation agenda through exports development in an inclusive and sustainable manner. ”

The vision statement for the sector was developed as a result of in-depth consultations with a wide range of stakeholders representing GoL, the concessionaire economy, the smallholder economy, input importers and manufacturers, and providers of logistics and other critical support services. This vision reflects the comprehensive scope of the strategy and its strategic intent to transform the sector such that it will be an engine of inclusive growth, a vehicle for greater regional integration, and a promoter of the Made in Liberia brand in markets.

The scope for improvements in the oil palm sector is immense and extends along the value chain. In some cases it involves strengthening existing linkages, while in other areas structural modifications to the sector are required. Both these types of improvements must lead to *market penetration* (increasing exports in existing markets), *product development* (increasing exports of new products in existing markets), *market development* (increasing exports of existing products in new markets), and *full diversification* (increasing exports of new products in new markets).

This envisaged future state of the oil palm sector is discussed in greater detail below.

MARKET AND STRATEGIC OPTIONS

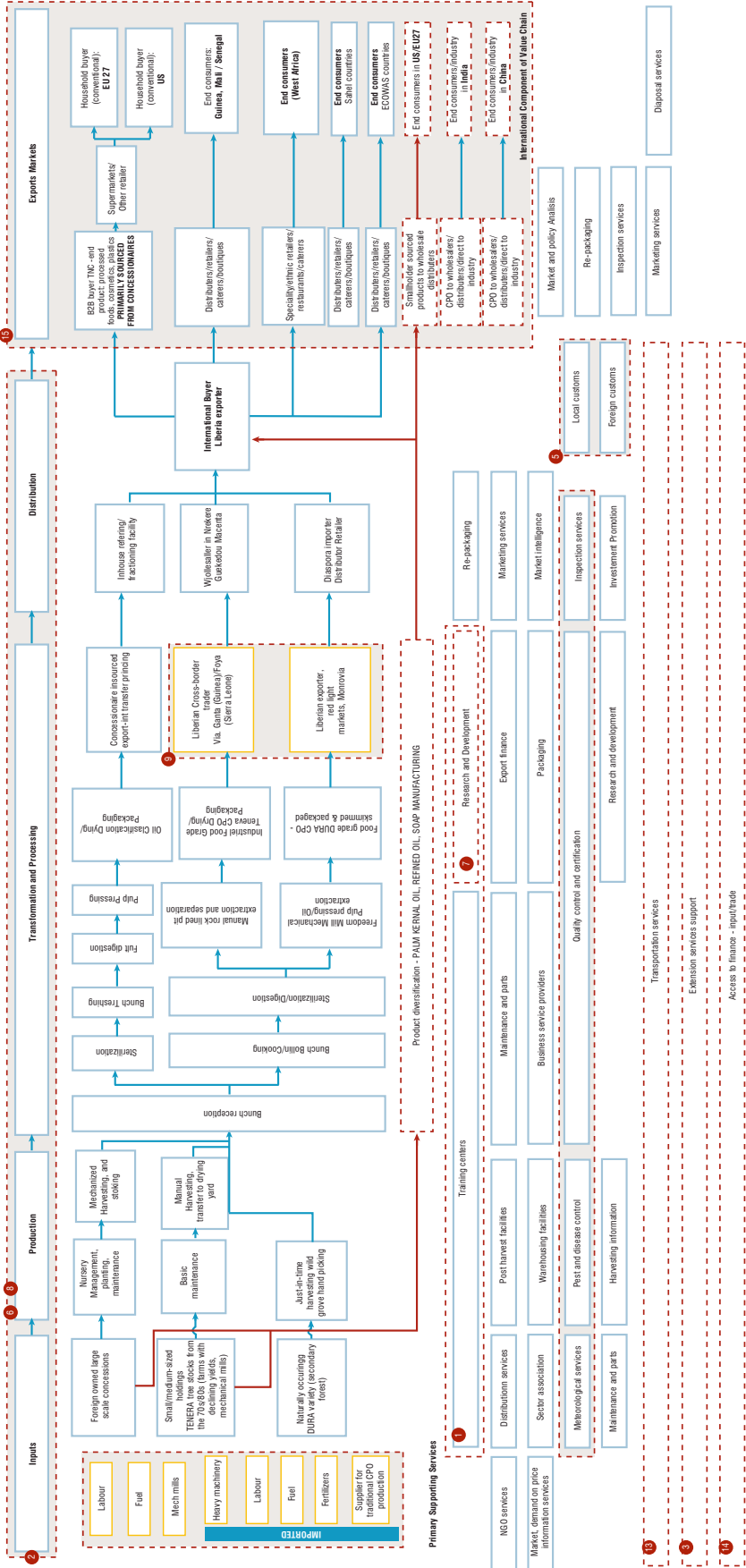
As indicated in the introduction, the envisioned future state of the sector has been developed using a combination of consultations, surveys and analyses. This future state consists of two components:

- Structural changes to the value chain that result in either strengthening of linkages or introduction of new structural linkages; and
- A market-related component involving identification of key markets in the short and medium-to-long terms for exporters.

Market identification was based on a combination of trade analysis conducted by ITC for identifying potential target markets and consultations with sector enterprises. Both short-term and medium-to-long-term target market options are assessed. The projected structural changes to the sector are based on efficiency gains identified through the four gears analysis of the sector's performance and through the identification of opportunities for improving the sector's capacity to acquire, add, create, retain and distribute value.

Figure 10 indicates the proposed future value chain for the sector.

Figure 10: Future value chain



Source: Sector consultations.

STRUCTURAL CHANGES TO THE VALUE CHAIN

1. Improved human capital in the sector

The sector will have important human capital needs in the near future. Industry requirements amount to between 50,000 and 60,000 workers (skilled and semi-skilled) until 2030; jobs that are well paid, sustainable in the long term, and will add significantly to the country's stock of productive knowledge and contribute substantially to effectively creating a small but significant percentage of the Liberian middle class. The following human capital areas have been identified by the National Capacity Development Strategy:

- Fertilizer scientists
- Irrigation engineers
- Farmers/cultivators
- Seed scientists
- Agro-economists
- Agronomists
- Machinists
- Factory workers
- Refrigeration and preservation specialists
- Mechanical engineers
- Chemical engineers
- Civil engineers
- Landscape architects
- Electricians
- Welders
- Plumbers
- Marketing professionals
- Packaging specialists.

The strategy will focus on enabling improvements on both the institutional side (TVET infrastructure) and the enterprise side. These will include setting up vocational training facilities and designing training programmes that reflect closely the needs of industry. Ideally these programmes should be designed together with industry and be delivered along with on the ground training components conducted in partnership with industry. The same would apply to certificate and more advanced tertiary education programmes that would aim to train Liberians for more specialized technical, managerial and administrative roles in the oil palm sector.

2. Development of a domestic inputs supply chain

As in any other post-conflict economy, Liberia faces the challenge of kick-starting economic activity without the requisite density in support services. The only way to keep the transformation process from derailing, therefore, is to import those elements that do not exist within the country in the short term.

Given the extremely low base from which the country is starting, this can mean importing everything from labour to inputs to support services in logistics, finance, testing, compliance certification and others. While these imports in principle do amount to value leakage, as in value that could potentially have been generated through activity performed in Liberia by Liberians and Liberian firms, it would appear that import substitution could be the long-term solution to this overall problem. Therefore, the strategy will propose steps to develop an efficient inputs supply chain that will reduce the dependency on imported inputs and bring down operational costs.

3. Development of an efficient extension services network

Given the weak status of the extension services network (both public and private) across the agriculture sector in general, efforts will focus on building the capacity of the MoA extension services division through a comprehensive gap assessment and consequent interventions aimed at strengthening the services. Efforts will also focus on developing a private sector extension services subsector through targeted incubation and mentoring support to identified service providers.

4. Improved data collection and policy level decision-making ability

As discussed in the four gears section, lack of reliable and timely information affects the ability of policymakers to make effective decisions. To offset these gaps a community-based data collection system will be established to maintain access to relevant and up-to-date statistical information related to the sector. Collected information will range from Dura vs. Tenera stock levels to location, productivity levels etc. Innovative crowdsourcing mechanisms will be used on a sustainable basis to maintain a feedback loop.

5. Streamlining and aligning border and customs processes

Ministry (MoCI) processes will be aligned with ASYCUDA World and with systems across the Mano River Union subregion: for instance, countries that also happen to be part of the ASYCUDA network. This will significantly assist in streamlining operations and improving efficiency and transparency.

This intervention will specifically focus on setting up of the first integrated transaction processing and decision support trade facilitation system, effectively bringing together MoCI, MoA and the Ministry of Finance including Liberia Customs), ASYCUDA (United Nations Conference

on Trade and Development (UNCTAD) and relevant authorities in the neighbouring countries. Guinea, for instance, being an ASYCUDA country, is a good example of a cross-border trade partner with whom trade facilitation harmonization can be achieved relatively simply.

This use of information technology to streamline border procedures will help to make the system more transparent and less prone to malpractice – thus decreasing the transaction costs associated with the current non-transparent system, which is characterized by delays due to manual processing, duplication of requirements on both sides of the border, and a series of unofficial fees by various departments including the police, customs and other actors, both state and non-state. This will in particular help women, who form the bulk of the ICBT community and who are particularly prone to harassment and are therefore forced to incur extra transaction costs by hiring male proxies whose only role is to clear border procedures.

6. Improved land management and, in general, adoption of other best practices such as Good Management Practices (GMP) and Good Agricultural Practices (GAP)

Since it is clear that significant portions of future demand for CPO will overwhelmingly be in favour of certified varieties, there is a clear opportunity to advocate and adopt GAP, sustainable land management and other sustainability-related practices so that the practices themselves and the outcomes they will result in become the source of lasting competitive advantage for the sector.

As an example, some simple alterations in the traditional oil extraction method (for Dura) will result in the production of better quality red oil/CPO. These would include using steel drums/vats in place of the corrugated (tin/zinc) metal barrels that are currently used for boiling and storage, and using metal tubs for squashing boiled fruit. These would directly result in the reduction of waste during and after production.

7. Establishment of an integrated research programme in the sector

An improved research base in the sector will result from strengthened relationships with research institutions in other palm oil supplying countries such as Malaysia and Indonesia as well as regional neighbours such as Ghana and Côte d'Ivoire.

A decision will be taken to either extend the Central Agriculture Research Institute (CARI) mandate to include/strengthen a focus on oil palm, or establish a separate oil palm research institute in the country. Accordingly, specific research programmes aimed at improving both

resistance to diseases and productivity levels will be undertaken.

8. Mainstreaming youth in productive activities in the value chain

There is substantial opportunity for young individuals to get involved, especially in mechanical production, in the mill production business, and in provision of support services such as transport and logistics, handling and processing.

9. Increased support to 'market women' and other female actors across the value chain

It has been variously documented how Liberia's 'market women', together with its mostly female agricultural work force – or the smallholder sector – kept the country fed and functioning through the war years.⁴³ Their role in the sector's development cannot be underestimated. The strategy will support this key 'influencer' through the establishment of support/grievance mechanisms at key hubs to address issues that they face in their daily operations within the ICBT sub-value chain. Incubation and business support will also be provided.

10. Improved quality management infrastructure

To improve quality compliance levels at the enterprise level, training/coaching programmes, primarily aimed at the cooperative level, will be launched. A best practice manual in different local languages will be developed. At the institutional level, the capabilities of the National Standards Laboratory (NSL) will be enhanced and directed towards the needs of the oil palm sector. Among the proposed recommendations is the international accreditation of NSL. Networks of labs outside Monrovia will be expanded in key oil palm hubs.

11. Movement towards certification

Palm oil production practices have been severely criticized in developed countries because several of the main producers have in the past engaged in unsustainable practices such as clearing HCV forest area to plant oil palms. The negative perception drove retailers in some markets to disguise palm oil content in processed foods

43. Liberia's population grew right through the war years, aided in part by a high fertility rate but also because of the informal economy – and crucially its cross-border component that helped families that chose/were forced to stay in the country or sought refuge in neighboring countries to survive.

as 'vegetable oil'. The criticism has led to the adoption (to a large degree) of best practices and very strict enforcement of conservation laws, especially in Malaysia and Indonesia. The development of RSPO has been a significant step in the transformation of the oil palm sector.

Many of the largest industrial buyers such as Unilever have made public commitments to transition many of their palm oil based brands to using certified palm oil. The RSPO certification process itself, now the industry standard, ensures that oil palm production is sustainable as per internationally accepted standards for emissions, use of peat lands, replacement of secondary and HCV forest areas, and the use of chemical fertilizers.

The oil palm sector in Liberia has a unique opportunity to choose a trajectory at this early stage of redevelopment and create a sector that is from its very inception sustainable and perhaps even entirely RSPO compliant. This achieves several objectives at once. On the development side, this will ensure sustainable use of Liberia's natural resources. On the competitiveness side, this will make Liberia prepared to serve a higher premium market that represents the future of the sector the world over. It also differentiates Liberian palm oil in a market where there is increasing clutter, especially with the growing production levels in other West African growers.

Initial steps towards the sector becoming RSPO certification compliant will involve the establishment of a traceability mechanism in the sector and ensuring that monitoring and enforcement mechanisms accompany this mechanism. As a fundamental step for driving certification in the sector, an RSPO secretariat with the capacity for compliance assessment – closely connected to the NSL and mandated with making RSPO certification the industry standard in the medium-to-long term – will be set up.

12. Institutional improvements, specifically to LACRA and CDA

Institutional capacities of key institutions in the sector such as LACRA and CDA will be studied and enhanced through recommendations. LACRA is expected to take on an important policy and regulatory role when the transition from its current incarnation as the Liberia Produce Marketing Corporation (LPMC) takes place. In this regard, significant efforts would be required to develop the capacity and capabilities to satisfy its mandate requirements for the oil palm sector.

CDA's capacities will also need to be enhanced along human capital, financial and technical dimensions so that it can help support existing, and foster new, cooperatives in the sector.

13. Improved transportation and logistics infrastructure

Infrastructure, including development of roads and feeder networks, will be improved across the value chain. This is a high priority given that linkages in non-concessionaire areas and important processing and transportation hubs are quite weak. Smallholder logistics/distribution hubs will be established in key areas identified through initial feasibility studies.

14. Improved access to finance

As part of the overall access to finance strategy, the credit finance challenges of the oil palm sector will be addressed.

15. Improved in-market support and branding initiatives

Exporters in the small/medium-sized holder sectors will be provided with enhanced in-market support and trade information. A solid feedback loop will be developed in collaboration with Liberian consulates and trade representations overseas to feed information on consumer preferences, market trends, import/export requirements etc. to operators in the sector.

The strategy also plans for a 'sourced sustainably in Liberia' stamp, around which a strong brand can be built and turned into a powerful symbol of the values defining post-conflict reconstruction and economic/socioeconomic growth.

16. Product and capacity diversification

The oil palm sector has high product diversification opportunities as indicated through the following excerpt from a USAID technical report:

Oil palm grows throughout Liberia but is particularly abundant in the coastal areas. It can yield cooking oil, animal food, and raw material for the manufacture of cosmetics, detergents, and pharmaceuticals. Palm oil can be used to produce biodiesel or used directly to run low-rpm diesel generators. In addition, the palm residues can be a feedstock for heat and power generation.⁴⁴

44. Milbrandt, A. (2009). Assessment of Biomass Resources in Liberia. Colorado: National Renewable Energy Laboratory. Available from: www.nrel.gov/docs/fy09osti/44808.pdf.

Value addition to an existing product can occur in three fundamental ways:

1. By promoting a particular attribute of the product – e.g., by targeting consumers for whom the characteristic red colour and typical taste of the Dura red oil is a source of enhanced utility as compared to other attributes of the product or attributes of other substitutes.⁴⁵
2. By changing the perceived attributes of the product. This would constitute, for instance, getting Liberian red oil certified by RSPO and additionally as a sustainable non-timber forest product to serve the specialty foods market in the OECD, primarily. This would not change the product itself, but would change the specific features of the product that are promoted to respond to an existing and substantial opportunity.
3. By changing the physical composition/properties of the product – e.g., by removing the red colour of Liberian red oil and by controlling the free fatty acid levels or by transforming the product into the next logical variant – e.g., processing CPO into refined palm oil. This would in effect alter the entire outlook of the sector, since the biggest markets for the two are quite different and consequently also the particular access conditions, critical success factors and buyer preferences.

While the first alternative above could potentially result in the consolidation of a relatively inelastic market i.e., the West African diaspora, the larger longer-term growth opportunity would be to enter the higher premium specialty oils market via primary distribution channels and with mainstream business to consumer buyers/retailers.

The following products have been identified as having high potential for enabling product/capacity diversification in the sector (based on alternative 3 above):

Palm kernel oil

The oil palm fruit and the kernel produce two different oils, palm oil and palm kernel oil respectively. Palm kernel oil is different both in its chemical composition and in its uses from palm oil. While palm oil is predominantly used for direct consumption, palm kernel oil is preferred for industrial uses such as in manufacture of plastics etc.

45. For the domestic (West African) consumer of crude palm oil, flavour is the primary quality factor. This is boosted by the fermentation that takes place within the fruit when bunches are allowed to rest for three or more days after harvesting. Thus sterilization immediately after harvesting is not a crucial consideration. Herbs and spices for flavour are introduced during the oil-drying phase of operations to mask off-flavours. FAO (n.d.). Small-scale Palm Oil Processing in Africa, p.26. FAO Agricultural Services Bulletin 148. Available from <ftp://ftp.fao.org/docrep/fao/005/y4355E/y4355E00.pdf>.



Source: © onVillage Initiative

Currently all the kernel from the fresh fruit used to produce the 45,000 tons of palm oil annually is almost completely discarded.⁴⁶ Using the lower industry ratio of 1:3 (based on Tenera, of palm kernel oil to palm oil) rather than a higher ratio – given that half of Liberia's palm oil comes from the Dura variety, which has a bigger kernel than the Tenera – the amount of palm kernel oil that Liberia could be producing, assuming the same level of efficiency as palm oil (15%), would amount to significant levels of CPKO. This is boosted by the fact that new palm kernel processing technologies are being produced by local Liberian manufacturers which can further help develop the transformation capacities of processors.

Refined oil

Given the scale of Liberia's oil palm sector, which by 2030 will cover approximately 10% of total land area (600,000–700,000 ha) and produce approximately three million tons of CPO annually (by conservative estimates), oil refining will be a natural next step for the industry. While it is unclear whether the concessionaire economy would consider this a viable next step, it is in the country's interest to encourage and incentivize investment in refining and other fractioning technologies to create a value chain that reaches substantially downstream.

Soap manufacturing

The NES consultations have revealed that Liberia's first patent could be a locally developed formula for manufacture of soap from a local variety of palm. There is significant potential to develop an exports-based soap manufacturing value chain. While further examination will be required to evaluate whether this claim amounts to a patentable piece of intellectual property, this does present an important opportunity for product diversification.

46. Anecdotal evidence suggests that some kernel oil might be being produced at household level in some parts of the country for external cosmetic uses. NES consultations 2012.

Box 5: SHOPS Program

The USAID sponsored Smallholder Oil Palm Support (SHOPS) Program has been involved with the Liberian Oil Palm sector since April 2011. Winrock international has been leading the implementation of this program that is expected to last until April 2014. The program is designed around four components which aim to increase farmer's capacity to meet market demand:

1. Increased production;
2. Improved processing;
3. Effective marketing; and,
4. Enabling environment and support functions.

Under the four main components, the SHOPS Program is:

- Developing commercial linkages to highly productive hybrid oil palm seeds through 2 local pre-germinated seed importers;
- Training nursery operators to produce and commercialize improved hybrid seedlings;
- Training manufacturers and vendors to produce and sell improved processing technologies; including the Freedom Mill 2, motorized Freedom Mill and palm kernel cracker, separator and expeller, using locally available materials;
- Linking financial services to the agricultural sector through support to supply and demand side capacity;
- Strengthening women's entry into the value chain by developing credit, encouraging entry into processing and developing production models suitable for rural women.

Progress to Date:

- 23 Active nurseries producing a total of over 46,000 oil palm seedlings
- 179 Processing units sold
- 101 Loan recipients approved for over \$80,000 USD in loans
- 168 Enterprise generating profits
- 5,257 Participants generating increased income
- \$354,513 USD of private sector investment generated
- \$4,508,947 USD of income generated

Source: SHOPS program factsheet.

MARKET IDENTIFICATION

The following analysis is divided into two broad phases: one related to the immediate, short-term perspective and the other related to the medium-to-long-term outlook, by which time it is expected that a significant portion of the NES and the oil palm sector plans of action will have been implemented. This phased approach is aimed at staging interventions in alignment with the evolving capacities of the sector's trade support institutions and sector enterprises as the NES implementation moves forward.

Note: The products/markets listed under the short-term section will also hold export potential in the medium-to-long term, unless specifically mentioned.

SHORT TERM (0-5 YEARS)

In the short-term phase there will be significantly less potential for small/medium-sized operators to strike out on their own and succeed in international markets given the significantly low base of activity. Market penetration through existing concessionaire activity will remain the main mode of export operations in the short term, which is defined as up to five years. In this regard, the strategy for the short-term phase will be consolidating rather than visionary in nature.

The strategy advocates that over the short term, small/medium-sized Liberian operators strengthen their supply consistency, production levels and quality levels by forging new or reinforcing existing relationships with concessionaires. Organized groups in the form of cooperatives will play an especially important role in this regard. As the

build-up of capabilities in the small/medium-sized segment continues, they will gradually become better positioned to reach regional and international markets on their own (over the medium-to-long term).

As discussed above, existing trade relationships and bilateral geographical distances will form the major criteria determining the markets for Liberian oil palm in the short-to-medium term. Market penetration in existing markets will be the main mode of market entry. It is also expected that in the short-term phase product diversification will be rather limited while capabilities undergo a gestation period.

Target market	Product
Domestic market/import substitution	• Dura
Neighbouring/regional markets (Côte d'Ivoire, Guinea)	• Red oil
Sahel markets	• Red oil • Tenera
ECOWAS	• Red oil
United States	• Palm oil
EU	• Dura for cosmetics industry in Italy

Target markets for Liberian palm oil in the short-to-medium term will include the following:

DOMESTIC MARKET

The domestic market depends heavily on imports for managing local demand. In the short term, this could be a critical opportunity to build up capabilities through import substitution, and then scale up operations to international target markets in the short-to-medium term.

NEIGHBOURING/REGIONAL MARKETS IN WEST AFRICA (CÔTE D'IVOIRE, SIERRA LEONE, GUINEA)

ICBT is used prolifically for exporting Liberian palm oil to regional and bordering markets such as Côte d'Ivoire, Sierra Leone and Guinea. There is evidence that up to 90,000 litres of locally produced CPO (red oil) is exported out of Ganta market into Guinea.

SAHEL MARKETS

The red oil exported from the border routes is consumed in Guinea but also in markets as far away as in Senegal and Mali. The demand in Mali is driven by the large



Source: © onVillage Initiative

presence of the Liberian diaspora in the country and because oil palm is not endemic to Mali.

The Tenera variety could be exported to Sahel countries for cooking and industrial uses through established wholesalers in particular markets. In order to develop this potential, it will be important to coordinate with trade promotion organizations, as well as other relevant public/private sector bodies in the markets, to establish relationships and agree on quality, quantity and price requirements.

ECOWAS

There is an unmet demand for palm oil in the ECOWAS region, which is estimated at 360,000 tons annually. Oil palm is the preferred source of dietary fat all over the sub-region. This is a market that is attractive for the Liberian oil palm sector (the Dura value chain) for two reasons:

- The ECOWAS region is a net importer of the commodity, in spite of it having grown and consumed oil palm for over two millennia.
- The West African consumer uses CPO in many forms: as a cooking medium, as butter for direct consumption and for external application. Also, the West African preference is for higher free fatty acid (FFA) content, unlike for conventional CPO markets, where FFA content needs to be within very strict permissible limits. This particular preference, and the fact that all Liberian red oil is essentially a secondary forest product, actually gives it a competitive edge in the regional market place. This is a strength that not many other agricultural products from Liberia can claim to have. This is therefore a significant opportunity for the Dura value chain to optimize and maximize in terms of market share and value share.

Nigeria is a major importer that offers potential for Liberia. Although it is the world's fifth CPO producer, its refinement capacity is still very limited. It imported \$577 million worth of refined palm oil in 2011. Nigerians also seem to appreciate the distinct taste of Liberian palm oil. Tariff issues should be seen under the ECOWAS framework, which facilitates trade within West Africa.

Better production values, use of modern implements, mechanical processing, sanitary and phytosanitary compliance and export quality packaging will help optimize these substantial market opportunities.

UNITED STATES

The United States is currently the biggest market for Liberian palm oil exports. This is evidently based on the preference of the West African diaspora for red oil from West Africa, especially from Liberia. The demand is primarily driven by the high presence of diaspora in the United States. In this market segment, wholesale distributors and specialized retailers (stocking African food goods) will be the main mode of market entry.

EU

The EU 27 countries represent the third largest market for palm oil in the world. Consumption growth has been low and stable: 1.1% for the last 10 years. Liberia is already exporting some of its palm oil to the Netherlands.

The EU imposes an import tariff duty of 3.8% on red palm oil intended for direct human consumption. Nonetheless, under Council Regulation (EC) No 732/2008, it exempts certain developing countries, including Liberia, from paying this tax.⁴⁷ In this regard it offers significant opportunities.

The Italian market also offers potential for the Dura variety, driven by high demand for the oil as an ingredient in cosmetics and soap production. Wholesale distributors would be an important mode of market entry for the Italian market.

47. European Union (2008). Council Regulation (EC) No 732/2008. Official Journal of the European Union, 6 August. Available from: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:211:1:1:en:PDF>.

Box 6: Requirements for exporting to the EU

The following are specific requirements that exporters of crude oil for human consumption should comply with when exporting to the European Union (HS 15111090):*

- Control of contaminants in foodstuffs;
- Health control of feeding stuffs of non-animal origin;
- Health control of foodstuffs of non-animal origin;
- Labelling for foodstuffs;
- Marketing requirements for dangerous chemicals, pesticides and biocides (only required when intended to be used in plant protection products and/or biocides);
- Voluntary – products from organic production.

For exporters packaging their products for direct sale to consumers, it should be noted that from 13 December 2014 EU Regulation 1169/2011 will come into effect. The new law combines two Directives into one legislation:

- 2000/13/EC – labelling, presentation and advertising of foodstuffs;
- 90/496/EEC – nutrition labelling for foodstuffs.

* European Commission (2013). Export Helpdesk: Requirements: Liberia / Netherlands. Available from: <http://exporthelp.europa.eu/thdapp/taxes/MSServlet?action=outputandprodLine=80andsimDate=20120601andlanguageId=enandmode=specificRequirementsandstatus=nullandtaricCode=15111090andpartnerId=LRandreporterId=NLandnomenCmd=View>.



Source: © jbdodane

MEDIUM-TO-LONG TERM (5+YEARS)

In the longer term it is expected that the evolving capacities of Liberian exporters – across multiple dimensions including quality management, supply capacities, product diversification, time to market efficiency, and marketing/branding, in conjunction with the improving business environment and export value chain improvements affected by the NES and sector plan of action implementations – will allow exporters to target other markets in the medium-to-long term which seem hard to penetrate now. This phase will be witness to growing small/medium-sized operators gradually starting to export to target markets in parallel with existing concessionaire export activities.

Product diversification will be an important requirement during this phase, given that there is an urgent need to develop value added products that will bring in greater revenue. However, an important consideration in this stage is the need to be especially careful in balancing food security needs vs. exporting opportunities. As the capacity of exporters grows and export relationships are strengthened there is a real possibility that production for domestic consumption may be reduced in favour of exports, affecting food security needs in the process. In this regard, this strategy advocates caution and policy measures to ensure that food security and exports competitiveness go hand in hand.

Target market	Product
Further market penetration/product diversification in markets covered through the short-term phase	
United States	• African black soap • Certified palm oil
EU	• African black soap • Certified palm oil
India	• CPO
China	• CPO

UNITED STATES AND EU

As a product diversification channel, African black soap derived from Liberian palm oil could have important potential. High quality and packaging will be important prerequisites, as well as the development of supply/volume consistency in the sector. Market penetration would primarily occur through sales to large-scale wholesalers for onward distribution. There is a market for this product across the EU and United States, driven by the diaspora and other market segments. The United States is also a major market for certified/traceable palm oil. There is significant opportunity in this niche space for Liberian red oil.

INDIA AND CHINA

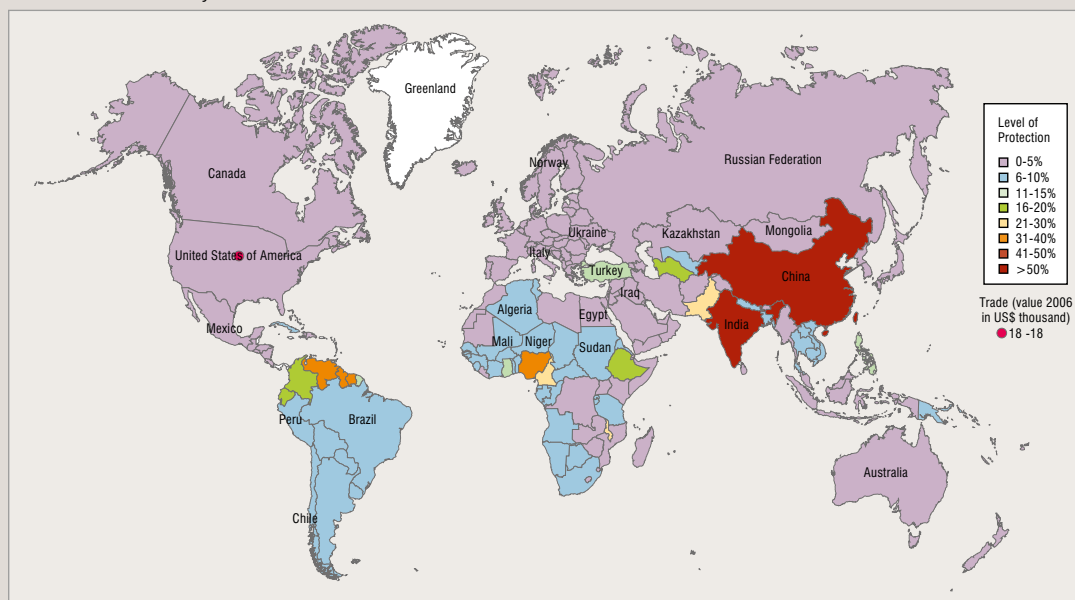
These are the two biggest markets for refined palm oil. Demand for palm oil in both these countries is growing to the tune of 16.6% and 12.8% annually, respectively. However, a prerequisite for developing strong export relationships to these markets will entail Liberia's World Trade Organization (WTO) accession. Liberia cannot currently export competitively to either of these markets due to stiff import tariffs in both markets.

Finalizing Liberia's WTO accession will have an immediate positive effect on the oil palm sector, especially in being able to supply some of the world's biggest and fastest growing markets. The current tariffs could be lowered considerably when Liberia joins WTO. The difference for Liberia between being part of WTO and not being part of it is 32.5% in the case of India (this is the result of the tariff India applies to CPO from non-WTO countries, i.e. 40%, minus 7.5% which is the tariff that it imposes to CPO coming from Liberia's WTO neighbours Côte d'Ivoire and Burkina Faso) and 51% in the case of China (this is the result of the tariff China applies to CPO from non-WTO countries, i.e. 60%, minus 9%, which is the tariff that it imposes to CPO coming from most WTO countries).

Box 7: Market access for Liberian oil palm products

As indicated in figure below, Liberia has duty-free access to most markets in the world.

Figure 11: Tariffs faced by Liberian CPO in the world



Source: ITC Market Access Map, 2012.

Market Access

World

The weighted average rest of the world tariff imposed on Liberia's exports is a low 0.3%, indicating favourable access conditions relative to the averages of 3.5% and 3.9% for sub-Saharan Africa and least developed country comparators, respectively. The country's agricultural exports have easier access to international markets with a tariff of 0.04% compared with the tariff of 0.3% on its non-agricultural exports.⁴⁸

ECOWAS

As a member of ECOWAS, Liberia has generally committed to adopting its Common External Tariff and to a phased reduction and gradual elimination of tariffs and nontariff barriers on products of community origin. Liberia currently has tariffs ranging from 0% to 25%, but with the adoption of the Common External Tariff, the maximum tariff will be reduced to 20%.

EU/USA

Negotiations to replace the expired trade preferences of the Cotonou Agreement and complete a regional Economic Partnership Agreement (EPA) between West Africa and the EU did not conclude by the end of 2007,

as initially planned. As of the time of drafting the NES, the EPA has not been finalized. A negotiation round at technical and Senior Official level took place in April 2012 to proceed in drafting the text of the agreement. This was followed by another meeting in June where negotiators concentrated on issues related to market access.⁴⁹

Although the EPA has not been finalized yet, Liberia's exports remain eligible for duty-free access to the EU under the Everything But Arms initiative for least developed countries. As a Generalized System of Preferences beneficiary with a number of industrialized countries, Liberia's exports enter the United States duty-free under the Africa Growth and Opportunity Act.⁵⁰

In spite of the relatively favourable access conditions Liberia's exports have been generally affected by severe supply-side constraints that keep it from effectively surpassing the non-tariff measures (NTMs) that characterize international trade.

Source: World Bank (2010). *World Trade Indicators 2009/10: Liberia Trade Brief*. Washington, DC: World Bank. Available from http://info.worldbank.org/etools/wti/docs/Liberia_brief.pdf.

48. World Bank (2010). *World Trade Indicators 2009/10: Liberia Trade Brief*. Washington, DC: World Bank. Available from http://info.worldbank.org/etools/wti/docs/Liberia_brief.pdf.

49. European Commission (2013). *Overview of Economic Partnership Agreement Negotiations*. Available from http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf.

50. World Bank (2009). *Liberia Trade Brief*. Available from <http://info.worldbank.org/etools/wti/docs/wti2008/brief108.pdf>.



Source: © onVillage Initiative

HOW TO GET THERE

STRATEGIC OBJECTIVES

Five strategic objectives are considered necessary for realization of the sector vision. Accompanying each of the strategic objectives are operational objectives that will support the realization of the strategic objectives and the overall vision.

Strategic objective	Operational objective
Boost productive capacity in the oil palm sector, particularly at smallholder level, in existing and high potential product extensions.	• Establish an integrated research programme in the sector. • Augment the availability of quality skilled and semi-skilled labour, in close collaboration with industry. • Improve business services and extension services support to the sector. • Improve data collection capabilities in the sector to allow better policymaking. • Increase substantially the level of organization in the sector, in a representative and geographically equitable manner. • Support cooperatives and FFS to impart relevant training components to their oil palm constituents. • Drive improvements in quality management at both institutional and enterprise levels.
Promote product and capacity diversification in the sector.	• Improve packaging capability in the sector. • Provide support to promulgate use of mills. • Encourage product diversification.
Improve the regulatory and business environment in the sector.	• Ensure requirements for the oil palm sector are met through the development of LACRA. • Develop the capacity of CDA to provide effective service delivery to cooperatives and FBOs. • Develop dedicated infrastructure connecting non-concessionaire areas with important processing and transportation hubs. • Improve access to credit for operators in the small/medium-sized base.
Strengthen in-market support and branding related to the sector.	• Improve in-market support for the sector. • Promote certification of CPO sourced from Liberia.
Balance human development (specifically youth and gender) and environmental considerations with economic growth.	• Increase information related to environmental considerations and global best practices. • Provide incubation support to female- and youth-owned transport businesses. • Support women operators involved in cross-border trade.

IMPORTANCE OF COORDINATED IMPLEMENTATION

The broad range of activities, together with the complex nature of integrated intervention, requires careful implementation that efficiently directs resources and monitors results at both the micro and macro levels. To this end, a Liberian Export Council (LEC) will be established in order to facilitate the public-private partnership in elaborating, coordinating, and implementing the NES. In particular, LEC will be tasked with coordinating the implementation of activities in order to optimize the allocation of both resources and efforts across the wide spectrum of stakeholders. Within this framework, implementation of the oil palm strategy also falls within the purview of LEC.

Such efforts will involve directing donor, private, and public sector organizations towards the various NES priorities in order to avoid duplication and guarantee maximum impact. Responsibilities will also include monitoring the results of activities and outputs, while at the same time

recommending policies that could serve to enhance realization of the strategic objectives. With a 360-degree view of progress, the Council will be best placed to manage funding and provide regular reports to donors and stakeholders. Moreover, LEC will play a key role in recommending revisions and updates to the strategy so that it continues to evolve in alignment with the country's evolving needs.

IMPLEMENTATION PARTNERS – LEADING AND SUPPORTING INSTITUTIONS

In addition to LEC, a variety of stakeholders will be critical to the successful implementation of this strategy. These include public sector actors such as MoA, MoCI, LACRA, MoFA and also private sector/civil society organizations that have a history of providing assistance to the sector and are well positioned to assist.

CONCLUSION

The strategic Plan of Action below details the various activities that will be conducted to achieve the above goals, corresponding to the strategic objectives laid out earlier; the time priority of each activity, whether short, medium or long; the measures that will be used to verify their successful completion; specific targets commensurate to the vision; the institution/stakeholder who will lead the effort on each activity; the stakeholder(s) who will support this effort; and eventually what resources will be required to generate the intended result from each activity.

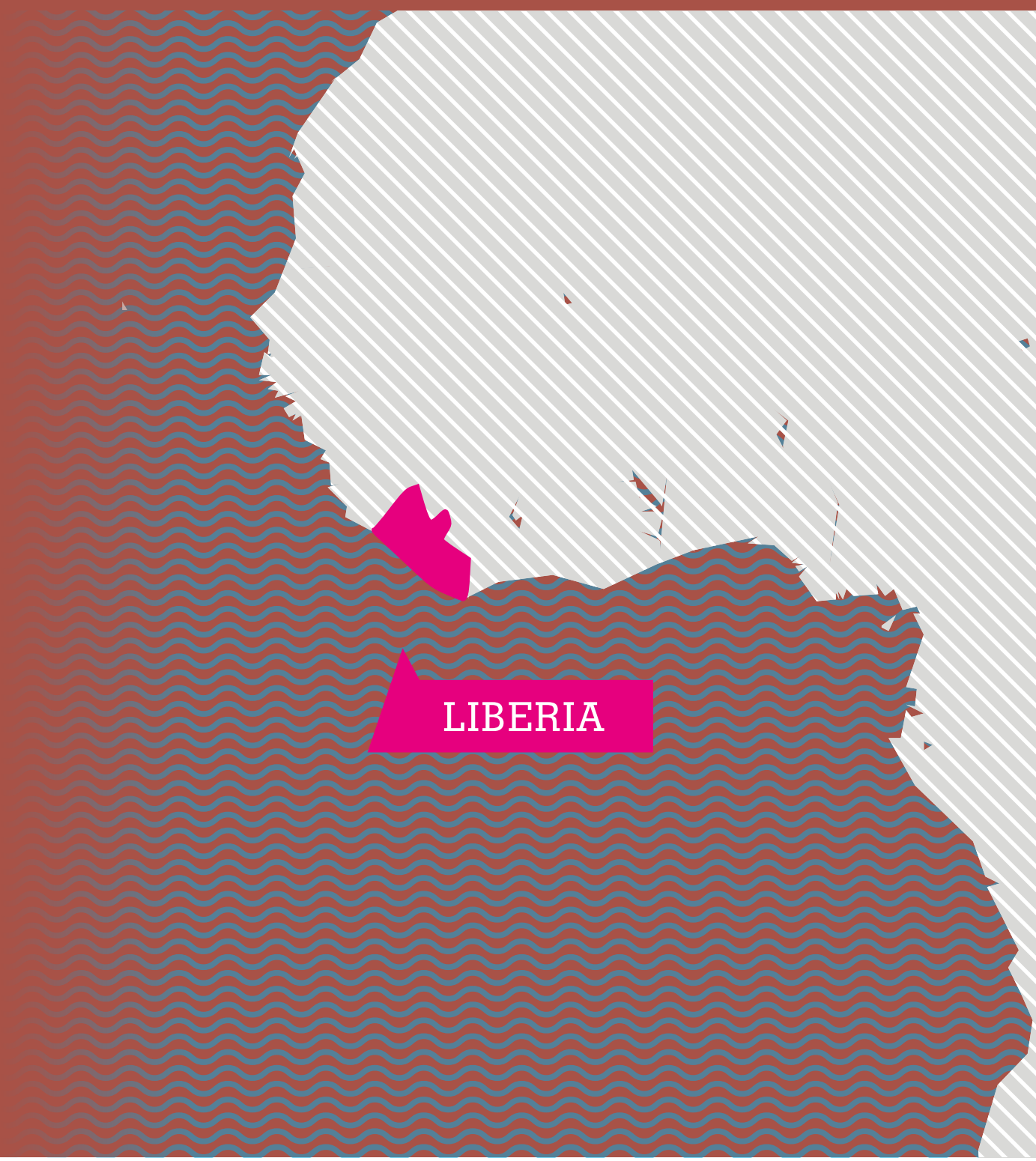
The palm oil export sector in general is in an early stage of recovery (from pre-war levels) and growth and so it is critical to make well-thought out decisions in terms of business models, core propositions, positioning etc. This strategy reflects that analytical rigor and builds towards export competitiveness in the sector.



Source: © jbdodane

THE REPUBLIC OF LIBERIA
NATIONAL EXPORT STRATEGY

SECTOR STRATEGIC
PLAN OF ACTION

A stylized map of Liberia is shown, filled with a wavy pattern of red and blue lines. The map is set against a background of light gray diagonal stripes. A pink rectangular label with the word "LIBERIA" in white capital letters is positioned over the map.

LIBERIA

Strategic objective 1 : Boost productive capacity in the oil palm sector, particularly at smallholder level, in existing and high potential product extensions.								
Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention S – short term M – medium term L – long term	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (high, medium, low)
1.1 Establish an integrated research programme.	1.1.1 Establish formal relationships with oil palm research facilities and institutions in Malaysia/Indonesia/Ghana/Côte d'Ivoire, among other relevant regional and international institutions.	3	M	Entire value chain	» Modes/scope of collaboration identified by end-2014 » Memoranda of Understanding signed with identified research institutes by end-2015	CARI/ Universities engaged in agriculture	Ministry of Education (MoE), MoA, MoFA, MoCI, IITA, NIC	M
	1.1.2 Design specific curriculum for oil palm research in conjunction with identified universities specializing in oil palm related education and research.	2	M	Entire value chain	Curriculum development initiated by early 2015	MoE, CARI, MoA	MoA, MoCI	M
	1.1.3 Conduct a feasibility study to explore either: » Extending CARI's mandate to include research specific to the oil palm sector; or » Setting up a specific oil palm based research institute in the country.	2	S	Entire value chain	Study conducted by end-2014	MoA, MoE	CARI, MoCI, universities	M
	1.1.4 Establish a specific research programme to: Improve the disease resistance of the Dura oil palm variety; Improve productivity levels.	2	S	Entire value chain	Research programme to be completed by mid-2015	MoA, RSPO	CARI, MoCI, universities	M
1.2 Augment the availability of quality skilled and semi-skilled labour for the oil palm sector, in close collaboration with industry.	1.2.1 Assess and strengthen formal arrangements with concessionaires for knowledge sharing and for sponsorship of promising Liberian graduates to acquire Masters and PhD degrees from premier institutions specializing in oil palm research. Existing programmes (such as current association of concessionaires with Bong County Community College) could be supplemented with additional support to students for further research in international institutions/field areas.	3	S	Liberian graduates/post-graduate students seeking to specialize in the sector	Arrangements identified and formalized on a rolling basis	CARI, MoE	MoA, MoCI, RSPO	M
	1.2.2 Develop specialization in Liberian universities/training institutions related to Oil Palm through development of educational programmes (Masters and post-graduate certificate levels) to suit industry requirements for direct employment, in cooperation with various actors that have or could have linkages with the sector.	3	S	Entire value chain	Courses developed with support from benchmarked institutions	MoE	University of Liberia (+ other universities), partner institutions in benchmarked countries (Malaysia/Indonesia) and industry.	M
1.3 Improve business services and extension services support.	1.3.1 Develop a best practice compendium from comparable situations for developing a business model focused on incubating private sector-led extension support especially geared for agribusinesses: » Based on the business case, develop a comprehensive financing vehicle for investment in and incubation of private sector extension support service providers specifically for the oil palm sector and for specific markets (domestic and ICBT, concessionaire, international) and for agronomic regions.	3	S	Extension service providers (private sector based)	Incubation services launched as a pilot project by mid-2015	MoE/MoA	CARI, universities, civil society and pilot communities/ cooperatives	M

Strategic objective 1 : Boost productive capacity in the oil palm sector, particularly at smallholder level, in existing and high potential product extensions.								
Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention S – short term M – medium term L – long term	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (high, medium, low)
1.3 Improve business services and extension services support.	1.3.2 Establish an oil palm trade/business services support programme so as to: » Compile an oil palm trade/business services providers directory; » Establish an oil palm trade/business services providers association; » Work with oil palm concessionaires to develop a list of services that can/will be procured from Liberian suppliers on a priority basis; » Formulate local procurement contracts with high potential local suppliers; » Train business service providers to create business plans based on revenue forecasts and signed contracts so as to be able to borrow against receivables and booked orders.	3	M	Entire value chain	» Support programmes launched by end-2014 » Local procurement up 20% bi-annually » Three train-the-trainer sessions per year (minimum 50% women trainers)	MoA/MoCI	Liberia Business registry, MoCI, NIC, financial institutions, LCC	M
	1.3.3 Undertake a comprehensive gap assessment of the extension services division in MoA in the technical, financial and human capital dimensions. Based on the identified gaps, develop a strategic roadmap for the development of these services.	3	S	MoA extension services	» Gap assessment completed by mid-2014 » Strategic roadmap/action plan for extension services developed by end-2014	MoA	CARI, IITA	L
	1.3.4 Conduct a gap analysis of the extension services required in major Oil Palm producing counties, on topics such as the number of extension officers required and the type of services needed in the division.	3	S	Entire value chain	Needs assessment completed by end-2014	MoA	CARI, IITA	M
	1.3.5 In order to offset the significant shortage of extension service officers (in the short term), launch a recruitment campaign to hire and impart training (through fast-track courses) to extension service officers on key aspects of GAP, GMP and other best practices related to the oil palm value chain.	3	S	MoA extension services	» Initial batch of 50 to 100 extension officers trained and deployed by end-2014 » Targets to be revised in early 2015	MoA	CARI, MoCI, universities	M
	1.3.6 Establish and strengthen linkages between extension services and national research institutions such as CARI by regularizing knowledge sharing sessions and establishing a two way feedback loop between identified needs in the field and research updates.	2	M	CARI, MoA extension services	Quarterly meetings starting early 2014	MoA, CARI		L
1.4 Improve data collection capabilities to allow better policymaking.	1.4.1 Establish a community-based data collection system on numbers of trees, productive stage of tree stock, annual FFB production, harvest and CPO produced, powered by mobile phone based supply chain management systems.	2	S	Entire value chain	Pilot system implemented by early 2016	MoA, MoCI	LISGIS, UNICEF innovations unit, EPA, FAO	M
	1.4.2 Conduct a study to comprehensively assess and map the state of oil palm stock in the country so as to enable policymakers and technical advisors to make effective strategic decisions: » Dura vs. Tenera stock, including assessment of acreage and analysis of current productivity levels; » GPS based mapping of the location of groves, their density and their proximity to primary forest areas/sacred lands; » Assessment of future planting needs of the sector.	3	S	Entire value chain	Study conducted by mid-2015	MoA, LISGIS	MoCI, land commission, LME	M

Strategic objective 1 : Boost productive capacity in the oil palm sector, particularly at smallholder level, in existing and high potential product extensions.								
Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention S – short term M – medium term L – long term	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (high, medium, low)
1.4 Improve data collection capabilities to allow better policymaking.	1.4.3 Speed up efforts to align border, customs, and ministry processes with ASYCUDA based systems used by regional markets in order to streamline operations and improve efficiency and transparency.	3	S	Entire value chain	Rolling basis	MoF	MoCI	M
1.5 Increase substantially the level of organization in the sector, in a representative and geographically equitable manner.	1.5.1 » Establish new, or reinvigorate as relevant, cooperatives/associations (as appropriate) in the major smallholder concentration areas, linked to the proposed processing/warehousing hubs already described. » Facilitate the formation of representative core management teams. » Develop an overall portfolio of services to be delivered, especially focusing on pre- and post-harvest product handling, preservation techniques etc. » Train core management teams on operations management. » Design multiyear corporate strategies aligned to the overall sector strategy. » Facilitate agreement upon and systematization of collective governance mechanisms to manage resources, especially leased/communally-owned.	3	M	Cooperatives and other FBOs	Co-op density to reach 1 per 1,000 grower households by 2017 (70%–80% of all female-headed households by same date)	CDA, LPMC	MoA, MoCI	M
1.6 Support cooperatives and FFS to impart relevant training components to their oil palm constituents.	1.6.1 Develop and launch a train-the-trainers programme for focal points at selected cooperatives in the main palm oil producing counties. Main thrust of the trainings will be on production (GAP) and post-harvest (GAP and GMP) techniques. In addition to the trainings, case studies and guidebooks will be also developed and disseminated. Capacities of cooperatives will be built focusing on the following components (through training programmes): » Kernel handling/drying and storing techniques; » Conservation, as well as hygienic handling methods during the harvest and post-harvest seasons; » Trainings related to GMP (strategic goal setting and general operational management, financial management, record keeping and good labour practices); » Training producers on sustainable land use principles/techniques and incorporate curriculum within FFS interventions across the board.	3	S	Cooperatives and other FBOs	» Train-the-trainers programme developed and launched in mid-2014 » Recommend 8–12 week programme sessions with batches of 20–30 trainers	CDA, LPMC	MoA extension services	L
1.7 Drive improvements in quality management at both institutional and enterprise levels.	1.7.1 Benchmark and document the country's first market-driven quality manual for the sector in relevant local languages. 1.7.2 Identify high potential candidates within cooperatives and other FBOs who can be trained as trainers in issues related to quality management: » Develop curriculum related to quality management and conduct a series of Training of Trainers workshops to certify trainers.	2	S	Producers and processors	Benchmark report created and market-specific sector quality manuals prepared	MoCI, MoA, NSL	LPMC/LACRA, universities (Cuttington University), MoE	L
		2	M	Cooperatives and other FBOs	100 trainers trained by end-2014	CDA, LPMC	MoA, MoCI, LISGIS	M

Strategic objective 1 : Boost productive capacity in the oil palm sector, particularly at smallholder level, in existing and high potential product extensions.								
Operational objectives	Activities	Priority 1 =low 2=med 3=high	Entry point of intervention S – short term M – medium term L – long term	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (high, medium, low)
1.7 Drive improvements in quality management at both institutional and enterprise levels.	1.7.3 Create adjunct training and resource centres at processing hubs fully equipped to act as training cum data collection/collation/dissemination cum quality testing/report creation/certification facilities.	2	M	Processors	Training and resource centres created on a rolling basis	CDA	MoA, MoCI	H
1.4 Improve data collection capabilities to allow better policymaking.	1.7.4 Conduct a needs assessment of the NSL and quality infrastructure requirements in key oil palm hubs. Specifically, the focus will be on: Expanding/setting up a network of testing laboratories in important hubs; » Expanding the capacities of NSL in terms of financial/human capital/technical requirements; » International accreditation for NSL to that it can certify oil palm products with international recognition; » Contracting quality service providers such as SGS/BIVAC to service the sector needs in the interim period as the quality management infrastructure improves.	3	M	Entire value chain	Needs assessment completed and recommendations submitted by mid-2015	NSL, MoA	MoCI, ACE, SGS/BIVAC	H

Strategic objective 2: Promote product and capacity diversification.							
Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention S – short term M – medium term L – long term	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners
2.1 Improve packaging capacity.	2.1.1 Establish a smallholder oil palm packaging and promotion programme that will link with existing packaging programmes and develop packaging capacity in the sector. Programme to focus on CPO using enhanced standardized packaging. Main aspects include: » Packaging based infrastructure requirements; » Technology transfer and investment requirements; » Human capital requirements related to the packaging sector.	2	M	Entire value chain	Programme set up by early-2015	MoA	MoCI
	2.2 Provide support to promulgate use of mills.	2	S	Processors	Incubation programme set up by mid-2015	MoA,	MoCI, Winrock International Smallholder Oil Palm Support programme
2.2 Encourage product diversification.	2.2.1 Launch an incubation programme to spur mill production businesses: » Leverage/support existing ongoing initiatives such as the USAID/Winrock Smallholder Oil Palm Support programme; » Identify potential light manufacturing facilities with existing capability to manufacture Freedom Mills and other processing/transformation equipment; » Support identified facilitates through a structured support programme.	2	S	Processors	Incubation programme set up by mid-2015	MoA,	MoCI, Winrock International Smallholder Oil Palm Support programme
	2.2.2 Establish kernel oil production pilots with private investors in collaboration with producer groups. Pilots will involve: » Technology transfer initiatives; » Development of pilot processing units in collaboration with cooperatives and relevant FBOs; » Development of an export based supply chain.	2	S	Producers and processors	Pilots launched on a rolling basis	NIC, CDA	MoA, MoCI
2.3 Encourage product diversification.	2.2.3 Launch a training campaign for users of the Freedom Mill, aimed at training existing operators on diversifying to the Dura variety (in addition to the current utilization of the Tenera variety).	2	S	Existing operators of Freedom Mills	Expansion project launched starting mid-2014	MoA, Winrock International/ USAID	Cooperatives, CDA
	2.3.1 Launch an initiative aimed at identifying and integrating palm kernel processing technologies in the sector through technology transfer initiatives and in collaboration with select cooperatives and private sector players.	2	M	Processors	Technology transfer initiatives launched by end-2014	MoA, CDA	MoCI, NIC
2.3 Encourage product diversification.	2.3.2 Develop a pilot project to manufacture products from palm oil and test in a selected market: » Products to be tested include soap, refined oil, palm kernel oil; » Identify and solicit support from regional/international partners to set up a pilot facility; » With CDA's assistance, identify cooperatives to be involved in the project; » Develop a market entry plan for an identified target market and establish an initial contractual pipeline on a test basis; » Based on the success of the pilot, scale up options to be considered, including a broader project for setting up supply chains for each product type.	2	S	Entire value chain	Pilot facility operational by mid-2015	MoA, CDA	MoCI, NIC

Estimated costs (high, medium, low)

Strategic objective 3: Improve the regulatory and business environment.							
Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention S – short term M – medium term L – long term	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners
3.1 Ensure requirements for the oil palm sector are met through the development of LACRA.	3.1.1 Support the ongoing initiative for restructuring of LPMC to LACRA (possibly through consulting services support to LPMC and the MoA): » Rationalizing mandates and internal organizational structure, based on the new role, to include oil palm; » Establishing guidelines on various aspects including standards for exporting oil palm, pricing in line with international trends, licencing of agents/exporters and other aspects; » Establish a monitoring and enforcement section within LACRA when it is established; » Formulate, together with industrial buyers and smallholder representatives, an integrated operational response to the institutional support requirements of the sector; » Reinforce enforcement and monitoring capacities of LACRA through recruitment and training of monitoring and enforcement staff.	3	Immediate	LPMC/LACRA	LPMC to LACRA restructuring begins in early 2014 and is completed by mid-2015	MoA, LPMC	MoCI, Oil Palm Association of Liberia, other relevant ministries
	3.2 Develop the capacity of CDA to provide effective service delivery to cooperatives and FBOs.	3	S	CDA/LPMC	Needs assessment study completed and recommendations released by end-2014 Service delivery programme set up by mid-2015	CDA, LACRA	MoA, MoCI
3.3 Develop dedicated infrastructure connecting non-concessionaire areas with important processing and transportation hubs.	3.3.1 Develop public-private partnership investment promotion plans for anchor infrastructural additions in palm oil-specific port facilities, feeder roads, weighbridges and CPO tank farms in non-concessionaire areas, benchmarked against similar clusters in other parts of the world: » Specific focus on establishing smallholder logistics/distribution hubs at key market centres like Ganta and the Red Light Market and Freeport to serve landlocked countries in the region, domestic and international markets respectively; » Based on select investment promotion plans, proceed to project financing and development.	3	M	Entire value chain	Anchor investment plans finalized by mid-2015 and ready to proceed to project financing	NIC, MoCI, MoA	LACRA
	3.3.2 Undertake construction projects in key oil palm hubs, especially focused on improving infrastructure along border hubs such as Ganta.	3		Entire value chain	Rolling basis	MoA	MoCI
3.4 Improve access to credit for operators in the small/medium-sized base.	3.3.4 Support greater formalization of the ICBT trade occurring to subregional markets such as Côte d'Ivoire and Sierra Leone markets through the establishment of pilot facilities in Palm Oil producing counties such as Foya and Nimba: » Develop mechanisms for addressing queries and grievances; » Establish packaging and other support functions in a pilot facility that can be used by traders at low rates.	3	S	Cross-border traders	Facilities operational by end-2015	MoA	MoCI, Farmers Unions Network
	3.4.1 Create an oil palm SME growth fund that will have: » A lend against harvest facility; » A lend against orders booked/supply agreements facility; » A lend on pooled credit basis facility to farmer groups to access productive assets including land leasing; » A lend to intermediaries facility on the basis of previous business performance.	2	M	Entire value chain	Lending to cover 30% of all households by 2017	Central Bank of Liberia, commercial banks	MoA, MoCI
	3.4.2 Develop, in collaboration with banks and cooperatives, a regular mentoring programme involving loan officers providing training to members on documentation and best practices involved in seeking loans.	2	S	Credit seekers in the value chain	Mentoring programme to be launched by end-2014	CDA/commercial banks, MFIs	MoA, MoCI, CBL

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Strategic objective 4: Strengthen in-market support and branding related to the sector.

Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention S – short term M – medium term L – long term	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (high, medium, low)
4.1 Improve in-market support.	4.1.1 Set up a comprehensive in-market support programme for the sector at Liberian overseas missions in the United States, Europe, Asia and Africa: » Conduct a needs assessment exercise with selected missions; » Design and roll out an Oil Palm specific immersion programme for identified staff at the missions; » Rejuvenate system of agriculture attaches and economic affairs counsellors at Liberian missions overseas; » Make available investor and consumer information resources at the trade promotion mission in Philadelphia and other trade representations globally; » Develop an operational market-specific annual plan for each trade representation to provide in-market support to Liberian exporters and to interested buyers and investors in target markets. 4.1.2 In collaboration with cooperatives, enhance market linkages by: Launching a branding/advertising campaign in select target markets; and Organizing business delegations to target markets/Liberia to facilitate transactions. 4.1.3 Organize and facilitate meetings between business delegations of Liberian Oil Palm operators/cooperatives and other representatives to select market locations: » Trade promotion organizations » Direct buyers/wholesalers/distributors. Select markets will include: » Regional markets including Sahel countries, bordering markets and ECOWAS member countries; » EU, North America, India and Malaysia. 4.1.4 Leverage the existing trade and investment office in Philadelphia to host international business to business meetings with international clients to encourage potential international business. 4.1.5 Develop a feedback mechanism for continuously monitoring demand and preferences in target markets through Liberian foreign service officers trained to follow demand patterns in target markets and feed the information back to relevant MoA and MoCI contacts. 4.1.6 Organize a business development event for a delegation of buyers from key target markets to interface and meet palm oil exporters from the smallholder sector in Liberia, deal-making being the key aim of the event.	2	S	Exporters	In-market support programmes setup by end-2015 in key selected locations	NIC, MoFA	MoA, MoCI Liberia Better Business Forum (LBBF), LCC	L
		2	S	Cooperatives as exporters	Campaign launched by end-2014	CDA/MoCI	Cooperatives, LCC, MoCI, MoFA	M
		2	S	Producers, Exporters	Business networking events organized in Monrovia (for external delegations) and in target markets on a rolling basis starting mid-2014	MoA/MoFA	MoFA, MoCI, Oil Palm Association of Liberia, major cooperatives such as Pantamcos	M
		3	S	Current/aspiring exporters	First round of business to business meetings hosted by investment office by end-2015.	MoFA, MoA, trade and investment office in Philadelphia	MoCI, LBBF	M
		3	M	Current/aspiring exporters	» Feedback mechanism in place by mid-2015 » Specific training components integrated in foreign service officers' training curricula	MoFA, MoA	MoCI	M
		2	M	Current/aspiring exporters	Pilot event held in end-2014	MoCI, MoA, MoFA	LBBF	M

Strategic objective 4: Strengthen in-market support and branding related to the sector.

Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention S – short term M – medium term L – long term	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (high, medium, low)
4.1 Improve in-market support.	4.1.7 Develop a comprehensive information dissemination campaign aimed at regularly updating potential and current exporters on the following information: » Market-specific consumer trends; » In-country marketing opportunities such as trade fairs, exhibitions etc.; » Import/export requirements at customs/port authority etc.	3	M	Current/aspiring exporters	Campaign active by early-2015	MoA, MoFA	MoCI	M
4.2 Promote certification of CPO sourced from Liberia.	4.2.1 Launch an initiative for RSPO compliance in the sector: » Conduct a preliminary study to develop a long-term sustainability plan for the sector; » Conclude agreement on traceability criteria and monitoring/enforcement/reporting mechanisms; » Commission certification bodies to engage with companies in the sector seeking to gain RSPO compliance. 4.2.2 Establish a 'sourced in Liberia' traceability programme for CPO being exported from Liberia: » Conclude agreement on conditions of use of the 'Sourced responsibly in Liberia' label and launch initiative.	3	L	Entire value chain	Programme rolled out by end-2016	MoA, RSPO	LBBF, MoCI, NSL	H
		3	L	Entire value chain	Programme rolled out by end-2016	MoCI	MoA, LBBF, MoCI, NSL	M

Strategic objective 5: Balance human development (specifically youth and gender) and environmental considerations with economic growth.

Operational objectives	Activities	Priority 1=low 2=med 3=high	Entry point of intervention S – short term M – medium term L – long term	Primary beneficiaries	Target measures	Leading implementing partners	Supporting implementing partners	Estimated costs (high, medium, low)
5.1 Increase information related to environmental considerations and global best practices.	5.1.1 Strengthen civil society networks active in the sector: » Establish a Liberian civil society alliance (connected to other West Africa/worldwide networks) for equity and opportunity in oil palm; » Develop and publish annual oil palm sector reports that will investigate issues of social/environmental and economic equity and opportunity for smallholders in the sector; » Disseminate information on global best practices in fair labour and sustainability via radio and public service text messages.	2	S	Entire value chain	» First oil palm report released in 2015 » Oil palm 'growth and equity' open dialogue set up via multimedia programming including radio, text, town hall meetings, Susu clubs etc.	MoA	CDA, MoCI, MoL, MoGD, CSO Council	M
5.2 Provide incubation support to female- and youth-owned transport businesses.	5.2.1 Incubate female-owned and youth-owned logistics/transport businesses that provide crucial feeder networks connecting the most geographically remote farms to the nearest nodes; » Develop an incubation programme for women-owned enterprises providing support services in the sector; » Identify promising candidate enterprises and launch a pilot.	2	S	Women/youth operators in the sector		Ministry of Gender and Development, MoA	CDA, MoCI	M
5.3 Support women operators involved in cross-border trade.	5.3.1 Develop a specific competencies development programme for women involved in cross-border trade, focusing on: » Raising awareness of their rights and recourse mechanisms in case of grievances; » Negotiating fair prices; » Improved sorting and grading practices.	2	M	Women traders	Pilot initiative for first batch of trainees launched by end-2014	MoCI, Ministry of Gender and Development	MoA, MoE	L



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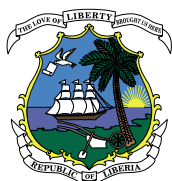
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