Sub-Saharan Africa (SSA) consists of all countries and territories that lie fully or partially south of the Sahara desert, and is distinct from North Africa. The United Nations lists 46 of Africa’s 54 countries as ‘sub-Saharan’ and the region has more than one billion people. In terms of oils and fats production, the Sub-Saharan region mainly produces palm oil in West Africa, and soyabean and sunflower in southern and east Africa respectively.

Major palm oil producing countries include Nigeria, Ghana, Côte d’Ivoire, and Cameroon. South Africa produces sunflower and soyabean oils while Tanzania produces sunflower oil. Nigeria is the largest oils and fats consumer in the SSA region, at 3M tonnes/year, followed by South Africa at 1.4M tonnes/year, Tanzania at 871,000 tonnes/year, and Ghana at 734,000 tonnes/year. Most of the oils and fats produced in the SSA region is for local consumption and domestic requirements are greater than the region can supply on its own (see Figure 1, below).

The region’s largest oils and fats producer – Nigeria – only produced 1.1M tonnes in 2019 while South Africa produced 700,000 tonnes. The region’s supply shortfall is met with imports from major oil crop growers such as Malaysia, Indonesia, Brazil and the EU.

In 2019, the SSA region imported approximately 6.5M tonnes of oils and fats, of which 83% was palm oil. The region’s largest oils and fats producer – Nigeria – only produced 1.1M tonnes in 2019 while South Africa produced 700,000 tonnes. The region’s supply shortfall is met with imports from major oil crop growers such as Malaysia, Indonesia, Brazil and the EU.

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Palm oil market
Sub-Saharan Africa’s palm oil market has grown substantially in the last 10 years. In 2019, African countries produced around 2.79M tonnes of palm oil, not enough to meet local demand of about 7.31M tonnes. As a result, imported palm oil plays a major role, increasing from more than 3M tonnes in 2010 to some 5.5M tonnes in 2019, a CAGR of 6.02% over that period.

Major palm oil importing countries include Nigeria, Kenya, Tanzania, Angola, and South Africa. Malaysia and Indonesia compete to supply palm oil to SSA (see Figure 2, p26) and their market shares have fluctuated in the past decade. In 2010, Malaysia had a market share of 41% and Indonesia 33%. In 2019, Malaysia’s share dropped to 36% and Indonesia’s rose to 43%. Malaysian CPO exports to SSA increased from just 63,000 tonnes in 2011 to almost 1M tonnes in 2018. In 2020, the SSA region will register around 2.62-2.66M tonnes of Malaysian palm oil imports, a 30-35% increase compared with 2019 and overtaking a record high of 2.43M tonnes in 2017 (see Figure 3, p26), according to Malaysian Palm Oil Board (MPOB) and Malaysian Palm Oil Council (MPOC) estimates. In terms of value, this was an increase of 61.2% from RM4.348bn (US$1.05bn) to RM7.011bn (US$1.68bn). The rise is due to major buyers such as Kenya,
Mozambique, Nigeria, Ghana, Togo and Madagascar importing more crude palm oil (CPO) and crude palm olein (CPL).

Kenya was the top importer of Malaysian palm oil with a 119.8% increase from just 187,479 tonnes in 2019 to 412,152 tonnes from January-November 2020.

Indonesian palm oil exports to Sub-Saharan Africa overtook Malaysia’s in 2013 but dipped between 2015-2018 before regaining the upper hand in 2019 to total some 2.4M tonnes.

Because the country has to fulfil its domestic requirements and biodiesel mandate, as well as meet demand from importing countries such as India and the EU, it has not been able to export CPO to several African countries.

Sub-Saharan Africa also imports palm oil from West African countries, totalling an estimated 2.8M tonnes in 2019.

Nigeria was the biggest palm oil producer in Africa that year, with 1.22M tonnes of production. Other palm oil producers in the region including Ghana, Côte d’Ivoire, Cameroon and a few others with minimal production. Among these smaller producers, the only net exporter is Ivory Coast with 510,000 tonnes of production and 282,000 tonnes of exports in 2019, according to Oil World.

Palm oil imported by countries like Benin and Togo are re-routed to neighbouring West African countries due to a favourable tax structure. Palm oil imported by Kenya and Mozambique is also re-routed to the neighbouring land-locked countries in the East Africa and southern Africa regions.

**Shifting palm products demand**

In the past 10 years, the refining industry in SSA has expanded rapidly due to increasing demand from a growing population and better economic conditions.

Crude palm oil (CPO)/crude palm olein (CPL) and refined, bleaching and deodorised (RBD) palm olein are the major Malaysian palm oil exports to the region.

Imports of Malaysian CPO/CPL constituted just 3.8% of total Malaysian palm oil imports in 2011 but CPO imports have increased to more than 40% of total palm oil imports in the past few years.

In contrast, imports of other palm oil products – especially packed cooking oil – have fallen from a high of 483,000 tonnes in 2011 to just 107,000 MT in 2019.

Sub-Saharan Africa’s import volume of Malaysian CPO/CPL jumped substantially by more than 127% from 691,603 tonnes in Jan-Nov 2019 to 1,28M tonnes in the Jan-Nov 2020 period. This surge can be attributed to the higher import duty imposed on processed palm oil compared with CPO/CPL in some countries, especially those that have large refining capacities, such as Nigeria, Ghana, Kenya and Mozambique.

Other countries – such as Benin, Togo, Angola and South Africa – prefer to import RBD palm olein. Tanzania which used to be a major CPO importer, has completely switched to RBD palm olein after the government increased the CPO import duty from 10% to 25% due to pressure from local oilseeds producers.

Mozambique and Togo have considerably increased imports of Malaysian palm oil. From an import volume of just 522 tonnes in 2013, Mozambique’s imports have grown to some 150,000 tonnes in the past two years. Some of Mozambique’s palm oil imports are re-routed to neighbouring landlocked countries such as Malawi, Zimbabwe, and Zambia. Togo also channels palm oil to neighbours such as Nigeria, Niger, Burkina Faso, and Senegal.

Madagascar also shows great import potential. Its imports of Malaysian CPO/CPL have risen, driven by growing domestic demand and the expansion of its food processing industry.

**Major players**

**Nigeria:** With a population of some 206M, Nigeria is the most populous nation in Africa and has the largest economy.

The country produced around 1.91M tonnes of oils and fats in 2020, of which 67% or 1.28M tonnes was palm oil, 362,000 tonnes was groundnut oil and 104,000 tonnes was soyabean oil.

Nigeria is also the largest importer and consumer of oils and fats in Sub-Saharan Africa. The nation imported 1.4M tonnes and consumed approximately 3.27M tonnes of oils and fats in 2020, with palm oil consumption accounting for 79% or 2.59M tonnes of total consumption (see Figure 4, p28).

Along with Malaysian palm oil, Nigeria also imported a substantial amount of Indonesian palm oil and oil from neighbouring West African countries such as Benin, Togo and Ivory Coast.

Nigeria is the biggest importer of Malaysian palm oil, with CPL about 89% of total intake. In the past six years, the country imported an average of 1.39M tonnes/year of palm oil, with Malaysian imports averaging 260,000 tonnes/year, giving it a 19% market share.

Nigeria’s palm oil market is growing, driven by a booming population and rising processed food and fast-food consumption.

The country imposed a ban on vegetable oil imports in 1986 but replaced it with a high import duty in 1995. From 2002-
2008, the government again imposed a total ban on vegetable oil imports. It removed the ban on CPO imports in December 2008, imposing a duty of 35% instead. This duty only applies to edible oil imported from Economic Community of West African States (ECOWAS) nations. Packed vegetable oil products imports remain banned. The import policy has increased the prices of locally produced palm oil but has not been successful in attracting new investment in large oil palm plantations.

In the 10-year period between 2010-2019, the oil palm plantation area in Nigeria only increased by 110,000ha from 430,000ha in 2009 to 540,000ha in 2019. Palm oil production increased from 780,000 tonnes to 1.22M tonnes during that period, while demand has increased from 1.63M tonnes to 2.57M tonnes. As a result, Nigeria’s palm oil imports from Malaysia, Indonesia and other neighbouring West African countries continue to rise despite the 35% import duty.

Kenya: With a population of around 53.7M people, Kenya is one of the fastest growing economies in Sub-Saharan Africa, averaging more than 5% GDP growth over the last decade. The country is the regional financial and transport hub of East and Central Africa due to the size of its market, its geographical location and improved connectivity.

Kenya is a significant buyer of CPO in the East Africa region. The country meets almost all of its oils and fats consumption (which reached 760,600 MT in 2019) through imports, 96% of which consisted of palm oil in 2019.

Kenyan palm oil imports have risen by 43.6%, from 694,900 MT in 2016 to an estimated 1M tonnes in 2020.

Malaysia’s market share has averaged around 24% between 2016-2019 but more than doubled to an estimated 51.3% in 2020, making Kenya the largest market for Malaysian palm oil in SSA.

The increase was mainly due to Malaysia’s waiver of its CPO export duty, combined with Kenya’s own CPO import duty of 0%. Although Malaysia’s CPO export duty exemption is no longer in place, demand in Kenya is expected to remain strong, driven by its favourable import duty regime and the growth in food demand, especially in the FMCG sector, which benefits palm as the most competitively priced vegetable oil.

This year will see challenges to the Kenyan economy as the country eases out of its COVID-19 restrictions. The Port of Mombassa is expected to be busier than usual, with some 1M tonnes of non-containerised cargo expected to move through the port in 2021 alone, compared to 800,000 tonnes in 2020. This will pose challenges in terms of port clearings, freight time and costs.

Another challenge facing the country will be lower purchasing power, as a result of the weakening Kenyan shilling against the US dollar, and the re-instatement of VAT tax at a rate of 16%.

However, Kenya will continue to be one of the major markets for Malaysian palm oil in Sub-Saharan Africa.

Although most of the imported palm oil is consumed locally, some is re-routed to neighbouring countries such as Burundi, Rwanda, and Uganda, posing an opportunity to position Kenya as a re-export destination.

A policy change in neighbouring Tanzania has also contributed to Kenya’s surging CPO imports. Ever since the Tanzania...
government increased its CPO import duty to 35% in July 2018 to assist local oilseed producers, the role of Kenya as an East African regional palm oil hub has grown more significant.

Ghana: With a growing population which stood at 30M in 2019, Ghana’s oils and fats consumption has been on the rise, at a current per capita rate of 20.7kg and domestic consumption of some 560,000 tonnes in 2019.

Ghana is the second largest palm oil producing country within Sub-Saharan Africa after Nigeria, with 537,000 tonnes/year of production on average in the last three years and 560,000 tonnes in 2019. As consumption of palm oil is higher than production, Ghana imports palm oil from other countries to meet local demand.

While Malaysia holds the largest market share, Ghana also imports palm oil from Indonesia and neighbouring countries like Côte d’Ivoire.

Ghana has a 20% import duty on CPO and 35% for finished products but there is no duty imposed on edible oil originating from ECOWAS member countries. In October 2002, the government announced a Presidential Special Initiative (PSI) for the development of the oil palm industry as part of its programme of accelerating economic growth, wealth generation, and employment in the rural area. The long-term objective of the PSI is to develop large oil palm plantations to fill the demand gap in Ghana and neighbouring West African countries. However, this initiative has not been able to attract significant foreign investment.

The oil palm plantation area has only increased from 270,000ha in 2010 to 370,000ha in 2019. Growth in acreage is constrained by the difficulty of acquiring land for development as ownership is fragmented, with many owners having small plots of land. With an oil palm yield of less than 2 tonnes/ha, Ghana has increased its palm oil production from 400,000 tonnes in 2010 to 560,000 tonnes in 2019, resulting in imports of 350,000 tonnes in 2019.

South Africa produces sunflower and soyabean oils, with a total oils and fats production of 726,200 tonnes in 2019. The country also imported 846,900 tonnes of oils and fats to cover growing domestic consumption, which reached 1.45M tonnes that year. A total of 59% or 500,000 tonnes of imports was palm oil.

This article is based on reports produced by the Malaysian Palm Oil Council (MPOC) and written by Iskahar Nordin, Fazari Radzi and Karthigayen Selva Kumar

SUB-SAHARAN AFRICA

Investment and trade agreements

With investments of US$19bn, Malaysia was Africa’s most important Asian investor in 2011, ahead of China and India in terms of the size of its foreign direct investment. However, by 2020, the country’s investment in the region has fallen behind neighbours such as Indonesia and Singapore.

Singaporean food processing and investment holding company Wilmar International, for example, has oils and fats operations in African countries ranging from oil palm plantations, mills, refineries and food manufacturing.

Indonesian food company Indofood’s Indomie instant noodle, which uses palm oil as an ingredient, has become a household name in Nigeria. PT Indofood Sukses Makmur partnered with Nigerian food company Dufil Prima Foods in the late 1980s to open the country’s first instant noodle factory. Today, the company runs the largest instant noodle factory in Africa, generating more than US$600M/year.

Palm oil operators wishing to capture more market share in the region’s oils and fats business will need to consider setting up joint ventures, or investing in storage, bulking and manufacturing facilities. The hotel, restaurant and catering (HORECA) sector is another area that is fast growing and could yield a high return.

Free trade agreements

Free trade agreements have grown in importance and scope throughout the years and do not just reduce and eliminate tariffs, but also help address barriers that would otherwise impede the flow of goods and services.

The Indonesian government signed a Preferential Trade Agreement (PTA) with Mozambique in 2019, removing tariffs for hundreds of products to boost trade volume between the two nations. In addition, Indonesia is negotiating with the Southern African Customs Union (SACU), which includes South Africa, over a possible PTA designed to lower tariffs. South Africa is also open to exploring the possibility of forming a PTA with Indonesia if the progress of the Indonesia-SACU PTA encounters obstacles.

In contrast, Malaysia does not have free trade agreements with any African countries.

African Continental Free Trade Area (AfCFTA)

AfCFTA is a free trade agreement set to be the largest in the world, with 54 out of 55 African countries having signed the agreement.

AfCFTA will cover more than 1.2bn people and over US$3tr in GDP. According to the World Bank, with the implementation of AfCFTA, trade facilitation measures to cut red tape and simplify custom procedures will drive US$292bn of the US$450bn in potential income gains.

Negotiations on the tariff schedule for AfCFTA are still ongoing and it is foreseeable that implementation could be postponed due to the COVID-19 pandemic and with only 35 out of 54 countries having ratified the agreement as of February this year.

With the introduction of the agreement, palm oil consumption could increase as trade barriers intra-Africa are removed and new market opportunities emerge, especially the export of palm oil into land-locked countries.

Countries such as South Africa, Côte d’Ivoire, Togo, Benin, Kenya and Senegal are expected to become major re-export destinations in the region due to low import tariffs and easy accessibility via land borders.

According to McKinsey, 100 cities in Africa are expected to have populations of one million by 2025 and the total population of the continent could double from the current 1bn population by 2030. The surge in population as well as the introduction of the agreement will greatly boost the demand for Fast-Moving Consumer Goods (FMCG) products, which could enjoy booming demand as trade barriers intra-Africa are removed.

Goods produced under the umbrella of Special Economic Zones (SEZs) could also enjoy the full benefit of the agreement provided that companies adhere to local customs requirements and regulations.

This presents a good opportunity for palm oil refining and re-expots to neighbouring countries. Examples of SEZs located in Sub-Saharan Africa are the Dakar Integrated Special Economic Zone (Senegal), Coega Special Economic Zone (South Africa), and Kigoma Special Economic Zone (Tanzania).

Malaysian Palm Oil Council