The Nigerian Giant Hungers for its Neighbours' Coconuts

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Nigeria is generally seen as a regional giant capable of stimulating the agricultural economies of neighbouring countries. Without appropriate public policies, however, regional integration has its limits. Here, we illustrate this with a case study of a little-known activity, the coconut value chain in Ghana.

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At a scientific meeting in 1990, a researcher displayed a map of agricultural production in West Africa with a large blank space for Nigeria, indicating the absence of reliable data on this regional giant. Since then, although research on this country has improved somewhat, there are still areas in which one can learn more about Nigeria via its neighbours. This is the case of the coconut value chain. Without much fanfare, Nigeria imports coconuts from neighbouring countries in West Africa. Is this an example of regional integration, driven by demand from Nigeria?

Growing Demand in Nigeria. The demand for coconut in Nigeria has outstripped the country's production capacity for several decades. Coconut production is limited to the south-western part of the country, while national consumption is rising. Coconut oil has been imported from Benin and Togo since the 1980s. In the 1990s, demand shifted from oil to the nuts themselves. Coconut oil has gradually been replaced by less expensive palm oil. Coconut consumption, however, has continued to rise with the growing population, especially dry coconuts consumed in northern Nigeria. Import channels for dehusked dry coconuts are being put into place: young Nigerians go to plantations in Benin and Togo where they pay for coconuts to be gathered, dehusked and then hauled to Nigeria. In the late 1990s, traders went as far as Côte d'Ivoire which had a coconut surplus, thanks to a hybrid coconut R&D programme. But the hybrid varieties keep less well than the traditional coconut,[1] called "Grand-ouest africain" (GOA), and from 2002 onwards Nigerian buyers turned massively to GOA coconuts grown in western Ghana.

The Situation in Ghana Before the Arrival of Nigerian Merchants. The development of a coconut value chain in south-west Ghana is a textbook case. Introduced in the 1920s by a British forestry operator, coconut growing expanded in the 1950s when a copra[2] processing plant was created, as a result of public policy. Under the socialist regime, this plant was managed by civil servants. Planters became dissatisfied with the deteriorating terms offered by the plant for their coconuts and, over the course of the 1960s and 1970s, villages along the south-western coast of Ghana established their own small-scale processing units. At the same time, there was not enough land available for young planters coming of age, and they turned to post-harvest activities and transport of coconuts and oil. Some traded as far away as Accra, and began to make loans to planters, gradually coming to control the whole value chain. Coconut became nearly the only income-generating activity along the south-west coast of Ghana, and a major source of employment. Over the years, a few big oil processors came to dominate the chain, via loans and the chronic indebtedness of planters. This economy based almost entirely on a single crop was fragile. The region was increasingly threatened by the lethal yellowing disease that afflicted coconut trees and spread in the 1990s. A hybrid coconut development programme was set up with help from French cooperation authorities, crossing GOA and more productive varieties, but its results were not conclusive and prices remained very low. In this seemingly dismal context for the future of the value chain, demand from Nigeria initially seemed to be a positive thing for the region and its planters. An example of successful regional integration? A closer look leads to a more nuanced view.

Creation of a Nigerian Purchasing Channel in South-Western Ghana. Nigerians buyers came to Ghana scouting for opportunities, and set up business where they were sure to be able to procure coconut. They first set up in about 2002, in Jomoro, the prime coconut-producing district, still untouched by lethal yellowing disease. Their presence became more visible in 2005 as other Nigerian buyers set up in neighbouring districts. These buyers are between twenty and forty years old, and some of them have university degrees in marketing. They work for merchants and trading companies based in Lagos that finance them via a commercial bank located in Half-Assinia, the district capital. The young Nigerians redistribute this money to Ghanaian intermediaries who purchase and collect coconut for the buyers. The coconuts are shipped in trucks registered in Ghana to the Nigerian border, where they are transferred to lightweight vehicles that take the shipments to Lagos. Most of the coconuts are sent to Kano, where they are sold for consumption throughout northern Nigeria and in neighbouring Sahel countries.

The Nigerian buyers, with capital and the Nigerian currency, the naira (that appreciated by 40% against the Ghanaian cedi between 2005 and 2009), found it easy to compete with local processors. To compensate for the fact that they did not provide the same services ➲

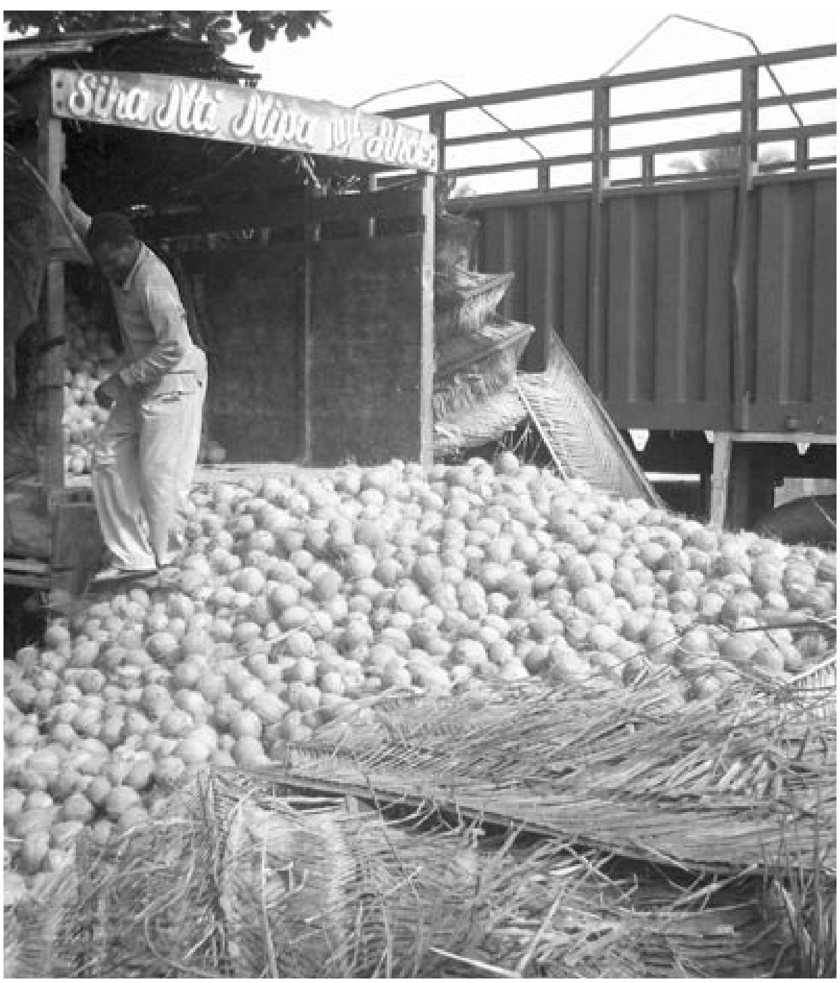
1. The coconut palm originally came from South-East Asia.

2. Albumen, or dried coconut meat.

as the processors,[3] the buyers offered a higher price than the local price, and covered the cost of peeling and transport to their warehouses. In this way, they could load trucks quickly and ensure rapid rotation of their capital. The Nigerian market now absorbs over 50% of coconut sold in Ghana.

The Impact of Nigerian Pressure on the Local Value Chain

Positive Impacts: Higher Prices, Greater Added Value. The first effect of strong demand from Nigeria was a rapid rise in prices in south-western Ghana. Nigerian buyers, taking advantage of the economic rent generated by higher prices for coconut in Nigeria and the naira/cedi exchange rate, were able to raise the purchase price offered year after year. This upward pressure can also be attributed to competition between buyers. Between 2005 and 2008, the price of 100 coconuts delivered to the warehouse went from three to nine cedis, or from two to four cedis in constant currency (2001 value). This doubling of the constant price was indeed due to Nigerian purchases. The intervention of Nigerian buyers generally increased the added value created in the coconut value chain in the coconut districts of south-west Ghana.



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Less Positive Impacts: Added Value Accruing to Intermediaries. The only planters who benefited fully from the higher prices were those who could make their own deliveries to the Nigerian collection points. For the others, the added value was captured by the intermediaries operating between the Nigerian buyers and the Ghanaian planters, locked into debtor-creditor relationships. In the end, only one-third of planters have reaped the benefits, while two-thirds have gained little from the Nigerian market. Moreover, this limitation on the price effect, along with the advancing age of most planters, has considerably constrained investment capacity and renewal of plantations. Here, we encounter the paradigm so often seen in family plantations: planters who own old trees are themselves too old to invest in replanting, and the young people that would have the energy for this work have little or no access to land.

In addition, the demand from Nigeria has sparked theft of coconuts and generational conflicts. In the absence of land or alternative employment, young people are tempted to steal coconuts from their fathers' plantations and sell them to the Nigerians. This could be considered to be a "redistribution of income" between age groups, but this income is rarely reinvested.

Finally, as the Nigerian export/import channel prospers and supply dwindles, local coconut oil processors are collapsing. This has resulted in the loss of about two-thirds of oil processing and sales jobs.

Regional Integration and its Unwanted Side-Effects. In this example, we can see that Nigeria plays its role as the regional giant, hungry for staple foodstuffs and, at least at first glance, able to support agriculture in neighbouring countries. It is quite likely that the effects of this coconut chain have been underestimated in national statistics, for Ghana and Côte d'Ivoire in particular. This value chain, that stretches across the forest regions to the savannah and the Sahel, illustrates the extent to which the "absence of regional integration" denounced by some experts is in part due to ignorance of the informal economy on the subcontinent.

At the same time, this demand from the Nigerian giant also has unwanted effects on Ghana. It remains to be seen whether this form of regional integration can save and renew coconut growing in neighbouring countries. These aspects must be taken into account in public policy and in talks between the States of West Africa. ▪

3. They do not give loans and do not buy at the plantations themselves, instead taking delivery of dehusked coconuts at their purchasing centres.