



Government efforts for increased private sector investment in rice sector in Nigeria



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Introduction

1. Rice Demand

- Demand is soaring due to:
 - Increasing population
 - Rising income levels
 - Rapid urbanizations
 - Changes in family occupational structure
 - Per capita consumption per annum is also rising (currently about 35kg)
- ❖ Even though area cultivated, yield and output are rising, yet not enough to close the current demand-supply gap.

Introduction (cont'd)

2. Rice imports

- Not significant in the 1960s and early 1970s
- By mid 1970s rice imports became very significant
- Nigeria used to import about 1 million metric tons, spending close to US\$300 million (FAO, 2014)
- Government is making significant strides to reverse this trend
- Government efforts are already yielding positive efforts (rice imports in 2017 dropped to 20,000 metric tons according to the Nigeria Custom Service)

“Although significant progress has been made in rice production in Nigeria, private sector investments should increase further to complement the efforts of the government/DPs for the healthy development of the rice sector. Therefore the government of Nigeria has taken various measures to support private rice business”

Key areas of government interventions

Government is intervening in key areas that have significantly increased private sector participation in the rice value chain in the last few years, this include:

1. Policy interventions
2. Infrastructural development
3. Production support
4. Processing support
5. Price stabilization and marketing support
6. Human capacity development

1. Policy Interventions

Nigeria government has put in place both fiscal and monetary policies that have significantly increased private sector's confidence and thus participation in the rice sector in the last couple of years eg:

- Central Bank of Nigeria (CBN) has the following interventions:
 - ✓ Commercial Agriculture Credit Scheme valued at 200 Billion Naira
 - ✓ Non-oil export stimulation policy valued at 500 Billion Naira
 - ✓ Real sector support facility valued at 300 Billion Naira
 - ✓ Special funds for smallholder rice farmers and processors at single digit rate of 9% through MSMEDF

1. Policy Interventions (cont'd)

- ✓ CBN Anchor Borrowers Program for rice sector development launched in 1 state in 2015 and has been up scaled to all states of the federation
- ✓ Establishment of NIRSAL to de-risk agricultural lending by commercial banks in order to make finance available to the sector and promote agribusiness. NIRSAL guarantees loans up to 75% inclusive of principal and interest accrued therein
- ✓ Import duty wavers for agricultural equipment and machineries which include rice mill equipment
- ✓ Duty wavers and other industry related incentives (e.g. based on use of local raw materials, export orientation etc.)
- ✓ Tax holidays for rice processors (especially for the establishment of integrated rice mills)
- Bank of industry (Financing agro-processors)
- Bank of Agriculture Single digit interest funds for farmers and processors and agricultural investors

2. Infrastructural development

1. Rehabilitation of existing river basins (leading to private sector irrigation development for rain fed and dry season irrigation farming)
2. Collaboration with private sector for rural road development and maintenance
3. Private sector interventions in communities of operations as a form of corporate social responsibility for example:
 - i) OLAM
 - ✓ Providing new schools and renovating existing dilapidated ones
 - ✓ Providing learning materials and scholarships to indigent students
 - ✓ Ensuring access to clean water and electricity through provisions of bore wells and solar lamps
 - ii) UMZA
 - ✓ Sharing of excess electricity generated from chaff with the surrounding communities
4. Construction and equipping of 23 Grain Aggregation Centers (to purchase, aggregate and store paddy from farmers) to serve as one stop shop for integrated and other rice millers to access quality paddy. These centers were sold to private investors for effective management

3. Production Support

For maximum profitability rice cultivation needs to be undertaken all year round, therefore government efforts are geared towards ensuring maximum support to stakeholders these include:

1. Support to Private sector(Investors)
 - ✓ Guaranteed minimum price program- government encourages producers by indicating that they would prevent prices falling below a minimum by purchasing excess produce
 - ✓ Registration of more and capable seed companies for certified seed production
 - ✓ Presidential Fertilizer Initiative under PPP arrangement with Fertilizer Producers and Suppliers Association of Nigeria (FEPSAN) where the FGN provides raw materials at subsidized rates to FEPSAN to blend NPK fertilizer(for availability and affordability nation wide)

3. Production Support(cont'd)

- ✓ A public private partnership in which FGN support reactivation of blending plants (currently 11 fertilizer blending plants reactivated across the country which produced 1 million metric tons of NPK in 2017). This partnership brought down the price of fertilizer from N7,000 to N5,500/bag
 - ✓ Increased production through out-grower schemes (This is now a model being promoted by the government in collaboration with the private sector)
 - ✓ Collaboration between FMARD/DPs to train seed companies and community seed producers for quality seed production
- ## 2. Support to Agro dealers
- ✓ Helping companies to raise financing from banks to finance input purchase
 - ✓ Using agro dealers with extensive network as agents to distribute inputs to farmers during the GES program

3. Production Support(cont'd)

3. Support to Farmers

- ✓ Sustained policies to support the supply of quality high yielding seeds and other inputs under **GES** for increased productivity and provision of agrochemicals, production machinery , knapsack sprayers and water pumps at subsidized prices.
- ✓ Guaranteed minimum price program- which allow farmers to produce with confidence

4. Support to government agencies

- ✓ Strengthening of the National Agricultural Seed Council(NASC) to better pursue their mandate
- ✓ Sanitizing the seed industry through enactment of the seed act which gave the needed impetus to NASC to sanction erring seed companies

4. Processing Support

Government efforts at encouraging the processing of quality milled rice include:

- ▶ Setting up and facilitating mechanism for grading paddy to ensure same quality nation wide
- ▶ Development of crop processing zones- to attract private investors into areas of high food production to set up food processing plants
- ▶ Duty waivers on processing equipment
- ▶ Conducive environment and support for the establishment of 38 IRMs, this was done through:
 - i) Removal of restrictions on areas of investments and maximum equity ownership in investment by foreign investors
 - ii) Constitutional guarantees against nationalization/expropriation of investments

4.Processing Support(cont'd)

iii) Pioneer tax holidays for investments in mills

iv) Free transfer of capital, profits and dividends by foreign investors

- ▶ Government also procured 400 small and medium scale processing mills with de-stoners (capacity of 10, 20 and 50 tons of milled rice/day) which were sold to private investors at subsidized rate
- ▶ Government also acquired processing accessories such as parboilers, dryers, color sorters, packaging and weighing machines, which were also sold to private investors at subsidized rate
- ▶ The objective is aimed at improving the quality of locally milled rice

5. Price stabilization and marketing support

- ▶ Development of policy on guaranteed minimum price for price stabilization to promote production growth
- ▶ Agricultural commodity exchange to improve market access and price stability for farmers
- ▶ Facilitating demand driven contract farming arrangement to ensure guaranteed market for farmers and sustained paddy supply to processors

6. Human capacity development

Human capacity development is being encouraged to sustain gains made in the rice value chain

Collaboration between FMARD/DPs include:

- ▶ Yearly training of selected public servants by JICA under the CARD initiative (these trainings are based on emergent thematic areas)
- ▶ Training of private seed companies by USAID leveraging on concept notes developed by CARD
- ▶ Trainings by GIZ-CARI and GIAE on good agronomic practices through farmers business school model
- ▶ JICA/IRRI/FAO collaborative trainings to specialists in breeding and other value chain segments
- ▶ FMARD organizes trainings for farmers and rural women processors on production and improved processing technologies

7. Output resulting from government efforts

Appropriate policy instrument by government propelled dramatic growth in rice production

Table 1. Trend in rice output resulting from government efforts

Parameter/year	2011	2015	2016
Area cultivated (ha)	2,578,500	3,121,560	4,234,595
Paddy production (MT)	4,612,610	10,925,460	17,487,562
Av. Yield (t/ha)			
Rain fed	2	3.5	4.0
Dry season irrigation	-	5.0	5.5
Total processing capacity (MT)(integrated millers)	-	700,000	1,013,200

7. Output from government efforts (cont'd)

- ▶ Increased in private sector investment
- ✓ 20 integrated rice mills (IRMS) are currently in operation, with capacity of over 1 million metric tons
- ✓ 10 more IRMs to be added on the basis of public private partnership (PPP)
- ✓ More awareness created among stakeholders eg Rice Farmers Association of Nigeria (RIFAN), Rice Processors Association of Nigeria (RIPAN) etc
- ✓ RIPAN direct workforce of 5000 skilled Nigerians including women as off-takers of rice paddy which has created jobs for over 5 million rice farmers out of existing 11 million farmers in Nigeria.
- ✓ Over 2 million un-skilled workers employed by IRMs
- ✓ More than 9 IRMs are undergoing expansion
- ✓ More private investors are currently building integrated rice mills eg Dangote Industries with US\$ 1 billion investment

8. Conclusion

- ▶ The government is currently giving the necessary support to all stakeholders in the rice industry in order to sustain the current momentum and achieve rice self-sufficiency by 2020
- ▶ Continued and sustainable investments in the rice sector will depend on government efforts to continue to create the enabling environment.
- ▶ Government have continued to build investors confidence in this regards hence the rice sector is liberalized and is private sector led.
- ▶ The Government works closely with all stakeholders especially RIFAN, RIPAN and Donor Agencies to ensure that it's goals with regards to rice development is achieved.
- ▶ Considering the interest already generated with the attendant investments so far, Nigeria's march towards rice self-sufficiency is on the right track



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for Your
Attention**