PRIVATE SECTOR INVESTMENT IN THE RICE SECTOR IN RESPONSE TO GOVERNMENT POLICIES IN NIGERIA

OUTLINE OF PRESENTATION

- Background of Nigerian Agriculture
  - History of Agricultural Development in Nigeria

- Agricultural Transformation Agenda (ATA)
  - Policy Changes Under ATA
  - More Policy Initiatives

- Rice Transformation Agenda (RTA)
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  - Success Stories
  - Role of Stakeholders in the Success Stories
  - The Success Factors

- Challenges
- Conclusion
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<th>Meaning</th>
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<td>ADP</td>
<td>Agricultural Development Projects</td>
</tr>
<tr>
<td>AEHE</td>
<td>Agricultural Equipment Hiring Enterprises</td>
</tr>
<tr>
<td>ATA</td>
<td>Agricultural Transformation Agenda</td>
</tr>
<tr>
<td>BMGF</td>
<td>Bill &amp; Melinda Gate Foundation</td>
</tr>
<tr>
<td>BOA</td>
<td>Bank of Agriculture</td>
</tr>
<tr>
<td>BOI</td>
<td>Bank of Industry</td>
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<tr>
<td>CARI</td>
<td>Competitive African Rice Initiative</td>
</tr>
<tr>
<td>CBN</td>
<td>Central Bank of Nigeria</td>
</tr>
<tr>
<td>DBOO</td>
<td>Design, Build, Operate and Own</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
</tr>
<tr>
<td>FGN</td>
<td>Federal Government of Nigeria</td>
</tr>
<tr>
<td>FMARD</td>
<td>Federal Ministry of Agriculture and Rural Development</td>
</tr>
<tr>
<td>GAC</td>
<td>Grain Aggregation Center</td>
</tr>
<tr>
<td>GDP</td>
<td>The Gross Domestic Product</td>
</tr>
<tr>
<td>GES</td>
<td>Growth Enhancement Support</td>
</tr>
<tr>
<td>GIZ</td>
<td>Deutsche Gesellschaft Für Internationale Zusammenarbeit</td>
</tr>
<tr>
<td>GMP</td>
<td>Guaranteed Minimum Price</td>
</tr>
<tr>
<td>HMA</td>
<td>Honourable Minister of Agriculture</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
</tr>
<tr>
<td>IRM</td>
<td>Integrated Rice Mill</td>
</tr>
<tr>
<td>JICA</td>
<td>Japan International Cooperation Agency</td>
</tr>
<tr>
<td>NAFPP</td>
<td>National Accelerated Food Production Programme</td>
</tr>
<tr>
<td>NIRSA</td>
<td>Nigerian Incentive-based Risk-Sharing system for Agricultural Lending</td>
</tr>
<tr>
<td>RTA</td>
<td>Rice Transformation Agenda</td>
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<tr>
<td>RVC</td>
<td>Rice Value Chain</td>
</tr>
<tr>
<td>SCPZ</td>
<td>Staple Crops Processing Zone</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
<tr>
<td>WB</td>
<td>The World Bank</td>
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</table>
BACKGROUND OF NIGERIAN AGRICULTURE

History of Agricultural Development in Nigeria

• Agriculture has its place in the history of the nation (this is the reason for the 'green' in the flag)
• It has always served as the major source of livelihood to over 75% of the population
• The agricultural history of Nigeria is intertwined with its political history
• This can be assessed from the pre-colonial, colonial and post-colonial periods.
BACKGROUND OF NIGERIAN AGRICULTURE CONT’D
THE PRE-COLONIAL PERIOD

• Our ancestors were sustained primarily on farming as the major occupation with the use of crude implements compared to what is obtained today.

COLONIAL PERIOD

• The major policy during this period was to increase production of export crops for the British market which was ready to absorb it for its industrial growth.
• Regulations were made to set and enforce standards in export crop production.
• Some attention was also given to Livestock, Fisheries and Research.
• New policies were formulated in the post-independence era to actualize more equitable growth in agriculture.

• The earlier surplus extraction policies were quickly translated into the pursuit of an export-led growth.

• This led to the demarcation of the country into the Western Region (cocoa), Northern Region (groundnut) and Eastern Region (oil palm).

• The 1962-1968 development plans was Nigeria’s first national plan. Among several objectives, it emphasized the introduction of more modern agricultural methods through farm settlements, co-operative (nucleus) plantations, supply of improved farm implements (e.g. hydraulic hand presses for oil palm processing) and a greatly expanded agricultural extension service.
• Some of the specialized development schemes initiated or implemented during this period include:
  ✓ Farm Settlement Schemes
  ✓ National Accelerated Food Production Programme (NAFPP), launched in 1972
  ✓ Operation Feed the Nation, launched in 1976
  ✓ River Basin and Rural Development Authorities, established in 1976;
  ✓ Green Revolution Programme, inaugurated in 1980
  ✓ The World Bank-funded Agricultural Development Projects (ADP)

• While each of the above programmes sought to improve food production, the ADPs represented the major practical demonstration of the integrated approach to agricultural development in Nigeria.

• Other Specialized Development schemes include:
  ✓ The Nigerian Agricultural Land Development Authority (NALDA), established in 1992
  ✓ National Fadama Development Project (NFDP), designed in the early 1990s
  ✓ National, Special Programme on Food Security (NSPFS), launched in January 2002
  ✓ Root And Tuber Expansion Programme (RTEP), launched in April 2003,
The Gross Domestic Product (GDP) in Nigeria was worth 568.51 billion US dollars in 2014. The GDP value of Nigeria represents 0.92 percent of the world economy. GDP in Nigeria averaged 79.89 USD Billion from 1960 until 2014, reaching an all time high of 568.51 USD Billion in 2014 and a record low of 4.20 USD Billion in 1960.

GDP in Nigeria is reported by the World Bank.
BACKGROUND OF NIGERIAN AGRICULTURE CONT’D

PRESENT DAY AGRICULTURAL TRANSFORMATION AGENDA (ATA)

• In 2011 the government of Nigeria, launched the Agricultural Transformation Agenda (ATA) which, for the first time, promoted agriculture as a business instead of a development programme.

VISION

“Achieve a hunger-free Nigeria through an agricultural sector that drives income growth, accelerates achievement of food and nutritional security, generates employment and transforms Nigeria into a leading player in global food markets to grow wealth for millions of farmers”.

What ATA Stopped Doing

• Treating Agriculture as a development project
• Isolated projects that do not clearly grow the sector in a clear and measurable way
• Big Government crowding out the Private Sector
AGRICULTURAL TRANSFORMATION AGENDA (ATA)

Policy Changes Under ATA

• FGN no longer involved in procurement and distribution of fertilizers
• Private sector now sell their inputs directly to farmers
• Government provides 50% support for fertilizers & 90% support for seeds
• Electronic-Wallets used to provide direct support to farmers under the Growth Enhancement Support (GES) scheme
• Government is helping companies to raise financing from banks to finance input purchase
• Partnership with State Governments with letters of participation
• Marketing Corporations are being established to be owned by agricultural value chains, run as private sector led institutions
• Agricultural commodity exchange to improve market access and price stabilization for farmers
Staple Crop Processing Zones (SCPZ)

The SCPZs are being established to drive food manufacturing

• Attract private investors into areas of high food production to set up food processing plants

• Reduce current high levels of post-harvest losses, add value for increased local content of foods

• Link farmers in clusters to food manufacturing plants

• Create jobs and drive rapid rural economic growth

• Staple Crop Processing Zones will receive Fiscal, Investment and Infrastructure incentives:
  ✓ Tax breaks on import of agricultural processing equipment
  ✓ Tax holidays for food processors
  ✓ Supportive infrastructure: power, roads, logistics, storage facilities, cargo airports

• Develop Agricultural Investment Code for Nigeria
More Policy Initiatives

Special Credit Facilities

- **CBN**
  - Making special funds available to Stakeholders, especially Farmers and Processors at single digit interest

- **NIRSAL**
  - NIRSAL Guarantees 75% inclusive of principal and interest accrued therein
  - Borrower shall be granted a 50% subsidy on interest paid at the liquidation of the loan, to all Borrowers in good standing

- **SPECIAL RICE INTERVENTION FUND**
  - The programme was implemented through PPP concept of Design, Build, Operate and Own, (DBOO) model with 40% credit from the Federal Government and 60% Investors share arrangement. The Federal Government’s 40% credit attracts 4% interest rate, 15-year payback period and 5-year moratorium.
More Policy Initiatives

- **GACs**
  This is PPP project meant to:
  - Purchase, aggregate and store paddy (and other grains) from farmers
  - Undertake primary processing – cleaning, drying, grading, and packaging
  - Reduce transaction cost for all actors

- **AEHEs**
  PPP project meant to:
  - Make different agricultural equipment available through a Service Provider
  - Reduce drudgery for the farmers and boost paddy production in clusters

- **GMP**
  Determined to:
  - Be acceptable to both the Farmers and the Processors
  - Boost Farmers’ confidence to produce paddy with the assurance of Off-Takers availability
Activities in Rice Value Chain (RVC) have been primary beneficiaries of the policy initiatives of the FGN, accentuated by:

**• Incentivization of Private Sector**
- Directly through appropriate policy instruments and
- Indirectly eg HMA endorsing letters to State Governments in support for applications for land allocation

**• Communication with Private Sector**
- Stakeholders’ Meetings have regularly been held to address pertinent issues in the RVC
- Such Meetings are addressed severally or jointly by HMA, Governor of CBN and the Permanent Secretary
- The Meetings usually involve State Governors and top officials of RIFAN, RIPAN, RIMIDAN, Rice Mill Owners Association of Nigeria (Operators of the small scale mills) and Rice and Sugar Distributors Association of Nigeria.

**• Deals struck – Typical Example**
- New fiscal policy on rice with import tariff differential on rice (brown or polished) skewed in favour of investors in the rice sector with verifiable backward integration programmes as against pure rice traders
RICE TRANSFORMATION AGENDA (RTA) CONT’D
SUCCESS STORIES

Paddy Production (MT)
- 2011: 3,522,000
- 2014: 7,075,301

Area Cultivated (Ha)
- 2011: 2,579,540
- 2014: 3,814,595

Average Yield MT (Wet Season)
- 2011: 3.5
- 2014: 4.5

Average Yield MT (Dry Season)
- 2011: 2
- 2014: 2

Success Stories 2011-2014
RICE TRANSFORMATION AGENDA (RTA) CONT’D
SUCCESS STORIES

Total Processing Capacity (MT)
- 2011: 70,000
- 2014: 800,000
- Increase: 1040%

National Supply Gap (MT)
- 2011: 2,670,000
- 2014: 1,500,000
- Increase: 45%
# List of Functioning Integrated Rice Mills

## Success Stories

### RICE TRANSFORMATION AGENDA (RTA) CONT’D

<table>
<thead>
<tr>
<th>S/No.</th>
<th>NAME &amp; LOCATION</th>
<th>CAPACITY (MT/ANNUM)</th>
<th>OWN NUCLEUS FARM (HA)</th>
<th>OUTGROWER SCHEME (NO. OF FARMERS &amp; HECTAREAGE)</th>
<th>LEVEL OF INVESTMENT ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Onyx Rice Mill Bida, Niger States</td>
<td>12,000</td>
<td>Nil</td>
<td>Nil</td>
<td>Not Available</td>
</tr>
<tr>
<td>2</td>
<td>Olam Nigeria Ltd, Doma LGA, Nasarawa State</td>
<td>105,000</td>
<td>16,000</td>
<td>4,000 Farmers</td>
<td>120,000,000.00</td>
</tr>
<tr>
<td>3</td>
<td>JICA/FMARD/Nasarawa State ADP Incubation Rice Mill, Lafia</td>
<td>4,000</td>
<td>NA</td>
<td>Not Applicable</td>
<td>800,000.00</td>
</tr>
<tr>
<td>4</td>
<td>Conti Agro (Eko Rice Mill), Imota, Ikorodu, Lagos</td>
<td>13,200</td>
<td>530</td>
<td>25 farmers – 100ha</td>
<td>5,000,000.00</td>
</tr>
<tr>
<td>5</td>
<td>Popular Foods Limited, Lagos</td>
<td>210,000</td>
<td>17,000</td>
<td></td>
<td>22,510,053.00</td>
</tr>
<tr>
<td>6</td>
<td>Popular Farms &amp; Mills Ltd, Kano</td>
<td>150,000</td>
<td>2,000</td>
<td>30,000 (2015)</td>
<td>23,380,868.00</td>
</tr>
<tr>
<td>7</td>
<td>Mikap Nig Limited, Makurdi</td>
<td>60,000</td>
<td>Nil</td>
<td>NIL</td>
<td>Not Available</td>
</tr>
<tr>
<td>8</td>
<td>Al Umalau Nigeria Enterprise Limited Jalingo, Taraba State</td>
<td>9,000</td>
<td>250</td>
<td>-</td>
<td>3,500,000.00</td>
</tr>
<tr>
<td>9</td>
<td>Quarra Rice Mill, Tsaragi, Kwara State</td>
<td>24,000</td>
<td>Nil</td>
<td>NIL</td>
<td>Not Available</td>
</tr>
<tr>
<td>10</td>
<td>Gouria Rice Mill Ltd, Bauchi</td>
<td>5,000</td>
<td>583ha</td>
<td>750 Farmers 750ha</td>
<td>750,000.00</td>
</tr>
<tr>
<td>11</td>
<td>Dannmodi Food Processing Ltd, Jigawa State</td>
<td>12,000</td>
<td>100ha</td>
<td>600 Farmers 600ha</td>
<td>1,000,000.00</td>
</tr>
<tr>
<td>12</td>
<td>Umza Rice Mill, Kano</td>
<td>75,000</td>
<td>Nil</td>
<td>NIL</td>
<td>Not Available</td>
</tr>
<tr>
<td>13</td>
<td>Tara Agro Industry Ltd, Adani, Enugu</td>
<td>42,000</td>
<td>5,000 Ha</td>
<td>3,000 Farmers</td>
<td>12,000,000.00</td>
</tr>
<tr>
<td>14</td>
<td>Integrated Grains Processor Nig. Ltd, Enugu</td>
<td>12,000</td>
<td>Nil</td>
<td>NIL</td>
<td>500,000.00</td>
</tr>
<tr>
<td>15</td>
<td>Stine Industries Ltd, Amichi, Anambra State</td>
<td>132,000</td>
<td>2,000 Ha</td>
<td>1,000 Farmers</td>
<td>40,000,000.00</td>
</tr>
<tr>
<td>16</td>
<td>Ebony Agro Industry Ltd, Ebonyi Stste</td>
<td>30,000</td>
<td>5,000 Ha</td>
<td>4,000 Farmers</td>
<td>7,000,000.00</td>
</tr>
<tr>
<td>17</td>
<td>Mordern Rice Mill, Ikwo, Ebonyi State</td>
<td>12,000</td>
<td>-</td>
<td>-</td>
<td>Not Available</td>
</tr>
<tr>
<td>18</td>
<td>Mordern Rice Mill, Iboko, Ebonyi State</td>
<td>12,000</td>
<td>-</td>
<td>-</td>
<td>Not Available</td>
</tr>
<tr>
<td>19</td>
<td>Mordern Rice Mill, Oso - Edda, Ebonyi State</td>
<td>12,000</td>
<td>-</td>
<td>-</td>
<td>Not Available</td>
</tr>
<tr>
<td>20</td>
<td>Labana Rice Mill, Kebbi State</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>36,100,000.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>1,031,200</td>
<td></td>
<td></td>
<td>287,540,921.00</td>
</tr>
</tbody>
</table>

IRMs with less than 3,000MT/annum are not included in this Table.
### RICE TRANSFORMATION AGENDA (RTA) CONT’D

#### SUCCESS STORIES

**LIST OF NEWLY COMPLETED MILLS, EXISTING MILLS UNDERGOING EXPANSION AND PROPOSED MILLS**

<table>
<thead>
<tr>
<th>S/No</th>
<th>NAME &amp; LOCATION</th>
<th>INSTALLED CAPACITY (MT/ANNUM)</th>
<th>LEVEL OF INVESTMENT ($)</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Klysat Foods &amp; Beverages Ltd. Hadejia</td>
<td>52,000</td>
<td>3,400,000.00</td>
<td>These 3 Mills are expected to go into Production before the end of 2015. No. 2 has started test running.</td>
</tr>
<tr>
<td>2</td>
<td>3-Brothers Rice Mill, Hadeja, Jigawa State</td>
<td>30,000</td>
<td>10,000,000.00</td>
<td></td>
</tr>
<tr>
<td>i)</td>
<td>Masco Agro Allied Ind. Ltd, Makurdi, Benue</td>
<td>70,000</td>
<td>2,179,816.00</td>
<td></td>
</tr>
<tr>
<td>ii)</td>
<td>Masco Agro Allied Ind. Ltd, Makurdi, Benue (Expansion Planned)</td>
<td>190,000</td>
<td>57,000,000.00</td>
<td>Existing Mills’ Expansion planned by the Stallion Group</td>
</tr>
<tr>
<td>iii)</td>
<td>Popular Farms &amp; Mills ltd, Kano (Expansion Planned)</td>
<td>360,000</td>
<td>108,000,000.00</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>2nd Line Conti Agro (Eko Rice Mill), Lagos Expansion Planned</td>
<td>52,800</td>
<td>30,000,000.00</td>
<td>Expansion planned for 2016/2017</td>
</tr>
<tr>
<td>5</td>
<td>Dangote Rice Mills</td>
<td>Not Available</td>
<td>1,000,000,000.00</td>
<td>Has acquired thousands of hectares across the rice belt</td>
</tr>
<tr>
<td>6</td>
<td>Pearl Universal Impex Ltd, Bida, Niger State</td>
<td>144,000</td>
<td>53,000,000.00</td>
<td>New Investor (hitherto pure rice merchants) has already started paddy production</td>
</tr>
<tr>
<td>i)</td>
<td>Elephant Group Ltd/Veetee Rice Mill, Ofada Ogun State.</td>
<td>75,000</td>
<td>35,000,000.00</td>
<td>Three mills planned by the Elephant Group Ltd (New Investor) who hitherto has been pure rice merchants</td>
</tr>
<tr>
<td>ii)</td>
<td>FMARD Approved Rice Mill Allocated To Elephant Grp Ltd, Niger State</td>
<td>36,000</td>
<td>10,000,000.00</td>
<td></td>
</tr>
<tr>
<td>iii)</td>
<td>Elephant Grp Ltd Rice Mill (Product of Satake of Netherland), In Kebbi State.</td>
<td>54,000</td>
<td>55,000,000.00</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Wacot Rice Mill, Lailaba Arugungu, Kebbi State</td>
<td>100,000</td>
<td>20,000,000.00</td>
<td>New Investor</td>
</tr>
<tr>
<td>9</td>
<td>Pemo Farm Ltd, Aviele, Auchi LGA, Edo State</td>
<td>30,000</td>
<td>9,324,000.00</td>
<td>New Investor</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>1,193,800,000</strong></td>
<td><strong>1,392,903,816.00</strong></td>
<td></td>
</tr>
</tbody>
</table>
• Tiers of Government
  ✓ All efforts of the FGN geared toward providing an enabling environment have been very fruitful
  ✓ State Governments have been very supportive in enabling access to land

• Traditional Rulers
  ✓ Traditional Rulers many a time play the role of middle men between the investors and the State Governments in facilitating negotiations
  ✓ They also do the same between the Investors and the host communities in terms of grass root support and security.

• Investors
  ✓ Investors, apart from providing employment opportunities for the local people, have also embarked upon other corporate social responsibility programmes like capacity building and extension delivery services to the farmers. Some are planning establishing community television viewing centers, health centers as well as support to Education for the host communities.

• The Communities
  ✓ Host Communities form a reservoir of labour hands and assist in maintaining security of live and property.

• Development Partners
  ✓ DPs have been very helpful in capacity building of the rice farmers, processors and marketers.
  ✓ They also provide grants to the rice value chain operators for the purchase of equipment and machinery
  ✓ Such DPs include, among others, JICA, CARD, IFAD, WB, GIZ/CARI, USAID Markets, FAO, BMGF
• **High Agricultural Potential**
  - Abundant and reliable rainfall distribution
  - 84 million hectares of arable land (only 40% is cultivated at the moment)
  - 214 billion cubic meters of surface water

• **Strong Market Force**
  - About 170 million people/consumers
  - Africa’s largest market for rice
  - Rice consumption in Nigeria is forecasted to reach 36 million tonnes by 2050.

• **Fiscal Policies**
  - Import duty waivers for agricultural equipment and machinery
  - Rice import differential tariff regimes in favour of rice value chain investor.
  - Tax holidays
  - Single digit interest rates (some as low as 4%) for priority rice value chain businesses
  - Up to 75% loan guarantee to agro-dealers and others in the rice value chain
  - 50% subsidy on interest paid at the liquidation of the loan, to all Borrowers in good standing

**RICE TRANSFORMATION AGENDA (RTA) CONT’D**

**THE SUCCESS FACTORS**
CHALLENGES

• Land Issues

✓ Authority over land is vested on the Executive Governors of the States
✓ While some State Governors have been very investor-friendly, some have not been so
✓ There is land hunger in some state due to population density while it is not so in others and there is no central authority over land that can bring about a balance on issues concerning land.

• Security Challenges

✓ There have been serious security challenges in the Northeastern part of the Country since the inception of ATA and this region has very vast potentials for rice production

• Private Investment Still Insufficient

✓ Private sector investment, though growing, is still insufficient considering that the supply gap for import quality rice in the country is somewhere between 1.5 and 3.0 million metric tons.
✓ Much has been achieved in the upstream in terms primary production (Paddy production), while much is needed to be done in the downstream in the area of milling

• Irrigation Facilities

✓ There has not been any noticeable increase in the number of hectares under irrigation. Rehabilitation of water canals in existing schemes need to be accelerated.
CHALLENGES

• Market Structure
  ✓ Paddy supplies are also not thoroughly cleaned by farmers. Paddy usually contains large amount of chaff, dust and immature grains which generate “Black Rice” and overload the mill’s optical sorter.
  ✓ Absence of accurate and uniform weight or volume measure – is equally creating confusion in the paddy market.

• High Cost of Fund
  ✓ Funding difficulties, in terms of the quantum of funds, level of interest rate, issues of collateral securities and very short repayment options, kill off dreams/ambitions of indigenous private sector ownership of mills.
CONCLUSION

• Several Agricultural Development Programmes have been launched by FGN in the past to develop the agricultural sector in Nigeria. These programmes recorded limited successes.

• The launch of ATA in 2011 introduced a paradigm shift in concept and presented agriculture as a business (instead of a development programme) with the Private Sector on the driver’s seat.

• RTA Action Plan was developed under ATA to grow the rice sector and it subsumed the activities of NRDS in Nigeria.

• Enabling environment provided by government through appropriate policy instruments led to dramatic growth in rice production. Paddy production increased by 100% in 2014 from 2011 levels. Aggregate milling capacity of import quality rice increased by a dramatic 1040% during the same period.

• Nigeria achieved 53% of NRDS 2018 target of 13.27 million metric tons of paddy within 4 years of RTA (and 5 years of NRDS formulation) meaning that the 2018 target will be exceeded, all things being equal.

• With huge rivers, low lands and fertile deltas, Nigeria has limitless opportunity to impact the world with excellent quality rice if current initiatives and policy consistency are maintained.
THANK YOU FOR YOUR ATTENTION