POLICIES AND INSTITUTIONS FOR PROMOTING NERICA RICE COMPETITIVENESS IN SUB-SAHARAN AFRICA

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Background

WARDA member countries together account for nearly 17% of total world rice imports, amounting to an annual USD 1.4 billion in scarce foreign exchange that could instead be used to import strategic industrial and capital goods.

Rice – a major staple in Africa

The trend in *per capita* rice consumption in West Africa is steadily upwards. It increased from 14 kg in the 1970s to 22 kg per person per year in the 1980s and is in 2005 almost 32 kg per person per year. However, the magnitude of increase during each period is also related to supply. As supply has increased over the years, so has *per capita* consumption which is expected to continue increasing as more rice becomes available and as population increases. This provides governments with both an opportunity and a challenge.

The growing demand provides an opportunity as developments along the rice commodity chain can provide jobs to a significant number of people both in rural and urban areas.

Share of total rice imports in Africa

The leading African rice-importing countries are Nigeria (16%), South Africa (11%), Senegal (9%), Côte d'Ivoire (8%), Sierra Leone (4%), Ghana (4%) and Burkina Faso (3%).

It is projected that imports to these countries will continue to increase in the short and medium term. Among West African countries, the bulk of the projected increase in rice imports and consumption is expected from Nigeria, Senegal, Côte d'Ivoire, Sierra Leone, Mali, Ghana and Liberia, although they all have sufficient suitable agro-ecologies for increasing their domestic rice production. These countries and other West African countries will continue to rely on imports unless new policies and programs to adequately promote domestic rice production and development of regional markets are put in place.

African countries need to wake up and invest in rice production, otherwise they will remain heavily dependent on Asia and the USA to supply rice to feed their growing populations, despite having suitable ecologies and water bodies to support for rice production.

What can policy do to improve the competitiveness of domestic rice?

For rice production in SSA to be competitive, production costs have to reduce, quality has to improve and prices of outputs have to be right. But how can this be done?

1. Develop rural input markets

Unless farmers get access to seeds, chemical fertilizers and other complementary inputs to improve their yields, African rice farmers cannot produce sufficient rice to feed the teeming population.

Governments should be encouraged to establish national Input Credit Guarantee Funds (ICGF) to accelerate the access of farmers to agricultural inputs. The private sector in most of West and Central Africa is not yet developed to the extent it can meet the task of providing sufficient quantities of inputs at the right time. The few private sector input dealers face high risks in supplying rural markets. For example, there is no guarantee that farmers will repay loans if there is a crop failure – a scenario that is mostly due to natural factors beyond the control of farmers. Governments can set up or be encouraged to use National Input Credit Guarantee Funds to help cover the risk faced by farmers and private input suppliers.

As extension services in most countries are being rationalized, capacity of the agro-input dealers should be enhanced to provide extension messages to rice farmers, particularly about new technologies.

2. Organize the domestic rice market

Following rice market liberalization, farmers themselves now have to find markets for their produce. Lacking collective action, they are unable to negotiate higher prices for their produce with traders. There is power in organization. When farmers are organized, they can overcome the disadvantage of their atomistic sizes and achieve economies of scale in product bulking, storage, transport and marketing. Most rice farmers do not have access to an organized market for their harvest. They are often left to the mercy of exploitative traders.

As more than 90% of rice farmers in West Africa are smallholders, without an organized market, such farmers will not benefit from economies of scale and size. Thus, policymakers must be encouraged to support programs that organize the rice market so that farmers and rice millers can get better returns on their investments.

3. Set up effective Market Information Services

Market information is needed for farmers to know what to sell – whether paddy or milled rice, where to sell, when to sell, and at what terms to sell to other market participants. The lack of market information creates unequal playing fields between market middlemen and farmers. This negatively affects the terms of trade for smallholder farmers and raises market transaction costs. It also leads to poor integration of markets across space and time.

Because traders do not have access to reliable market information, it is common to find situations of artificial scarcity as surplus areas co-exist with areas of deficits. This has the effect of lowering farm gate prices in surplus areas and raising the price of rice in deficit areas.

4. Improve policy and rural infrastructure

The general policy and rural infrastructure environment needs to be improved to help farmers become competitive in accessing markets and raising their incomes. For this to happen, they need the following:

Credit guarantee facility

Private companies need to be linked up with rural agro dealers; to be part of an innovative private-public-community partnerships

Rice processing technology and quality

Rice processing is constrained by inadequate and inappropriate processing equipment, especially for post-harvest operations at the farm or village level, such as threshing, parboiling, milling, de-stoning and polishing. The inability to provide and use improved technologies in rice processing has led to the production of poor quality and substandard domestic rice that is not competitively marketable. The unavailability of these accessories and farmer and processor practices account for the poor quality of domestic rice processing.

In some countries, there are few existing large mills and most of these are owned by government or quasi-government parastatals. For example in Nigeria, the Pateggi, Uzo-Uwani, and the Agbede rice mills are typical examples of large mills. These mills combine rice milling with rice polishing, and in most cases they possess separate parboiling equipment. In other major rice producing countries like Sierra Leone, large mills are not popular with the farmers. It is also important to note that the existing large mills have broken down as a result of poor management, under utilization of capacity (leading to unprofitable businesses), lack of spare parts and the general poor maintenance. Although there are private sector investors that might normally otherwise be willing to acquire and manage such large-scale rice mills, their concerns about policy inconsistency and infrastructure deficiencies are overriding factors for non-acquisition.

The major opportunities in the rice commodity chain lie post-harvest in private and public sector intervention to improve processing standards, quality and grades of domestic rice through investment in rice mills and capacity building for farmers and rice millers. Improved post-harvest technologies to help in the production of uniform rice for seeds or consumption, in drying, destoning and parboiling are necessary. Capacity building will also be enhanced by strengthening processor groups and facilitating linkages not only to improved post-harvest technologies but also to credit. The rice milling industry has considerable potential to increase rural employment but requires initial investment in organization, management and capacity building of the major players in the rice value chain.

Bold government policies needed to help local rice producers
Import tariffs: With the exception of Nigeria, the import tax regime of about 30% for rice in West African Economic and Monetary Union (UEMOA) countries and non-UEMOA countries encourages rice imports against the use of local production.

The Nigerian government's bold step towards improving the competitiveness of domestic rice production in Nigeria is a good example of what can be done. In Nigeria, the tariff on imported rice is about 120%. This policy provides an opportunity for rice farmers as well as millers to invest. The effect is already evident from a declining volume of imported rice with an attendant increase in the domestic price of rice. The volume of rice imported in 2003 was 2.5 million tonnes at the price of NGN 29.85 billion. In 2004 the volume imported was less than 1 million tonnes (0.84 million tonnes) but the price was higher (NGN 30.31 billion). This policy is also encouraging rice millers to invest in new equipment and to set up growers' schemes with farmers. These initiatives will boost domestic output.

Support science and capacity building
Africa will need to have solid science if it is to address most of the problems facing its farmers such as drought, soil fertility depletion, diseases and pests. The comparatively new science of biotechnology has much to offer. However, human capacity is still limited in this area.

Take advantage of regional initiatives
Sub-Saharan Africa regions should take advantage of the opportunities offered by the subregional organizations – ECOWAS and UEMOA (in West Africa), SADDC (in Southern Africa) – as well as the continent-wide initiative NEPAD to promote rice production. NEPAD has placed emphasis on agricultural development through its Comprehensive Africa Agricultural Development Programme (CAADP), which has a goal of lifting the agricultural growth rate by 6%. CAADP has identified two priority areas that are of importance to rice sector development:

- Harmonizing regional policies (ECOWAAP)
- Scaling up transfer of selected technologies

West African countries should use a subregional approach to promote rice production through common policies and scaling up of rice technologies, within the CAADP framework.

Conclusions

First, there is a need to invest in setting up rural input markets to supply agricultural inputs such as seeds and chemical fertilizers to farmers. Unless farmers get access to seeds, chemical fertilizers and other complementary inputs to improve their yields, West African rice farmers cannot produce sufficient rice to feed the population.

Secondly, post-harvest handling and rice milling has to be improved to ensure improved quality.

Thirdly, the market for domestic rice needs to be organized and improved so they can get better returns for rice produced in Africa.

Fourthly, the general policy and rural infrastructure environment needs to be improved, to help farmers become competitive in accessing markets and raising their incomes.

However, developing competitiveness will need to have solid science if it is to address some of the emerging problems facing farmers such as drought, soil fertility depletion, diseases and pests. Thus support to rice research institutes or programs cannot be overstated. Making markets work for rice farmers must be seen as part of a long-term agenda, for which the development of human capacity is critical.

Knowledge drives product innovation. It provides the 'searchlight' and capacity for the identification of new market opportunities. It enhances the ability to compete effectively in markets. Also, knowledge is critical for the development of rice-sector-specific policies, as well as sound market institutions. Rice market 'knowledge chains' need to be developed at several levels:

- at the level of farmers associations and civil society
- researchers and policy analysts
- at the level of the private and public sectors.

Africa Rice Center (WARDA), a knowledge-driven research and development organization, has dedicated its programs to help farmers, processors, governments, etc. develop country-specific and regional rice development programs to make markets work for farmers.