



RIC PR IN NICERIA

OVERVIEW,
CHALLENGES
AND
OPPORTUNITIES

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INTRODUCTION

*The importance of food to any nation cannot be over-emphasized. Food occupies a prominent position in the social, political, economic and cultural aspects of the world all over. Rice is the most widely consumed staple food in the entire world. It is grown from the seed of the grass species *Oryza sativa* (Asian rice) or *Oryza glaberrima* (African rice).*

Rice is the world's second most important cereal crop after maize, based on the volume of production. According to data gathered by [statista](#), about 480.3 million tons of rice is produced yearly, with China leading the pack

with a yearly production rate of 206.51 million tons of rice produced in the country.

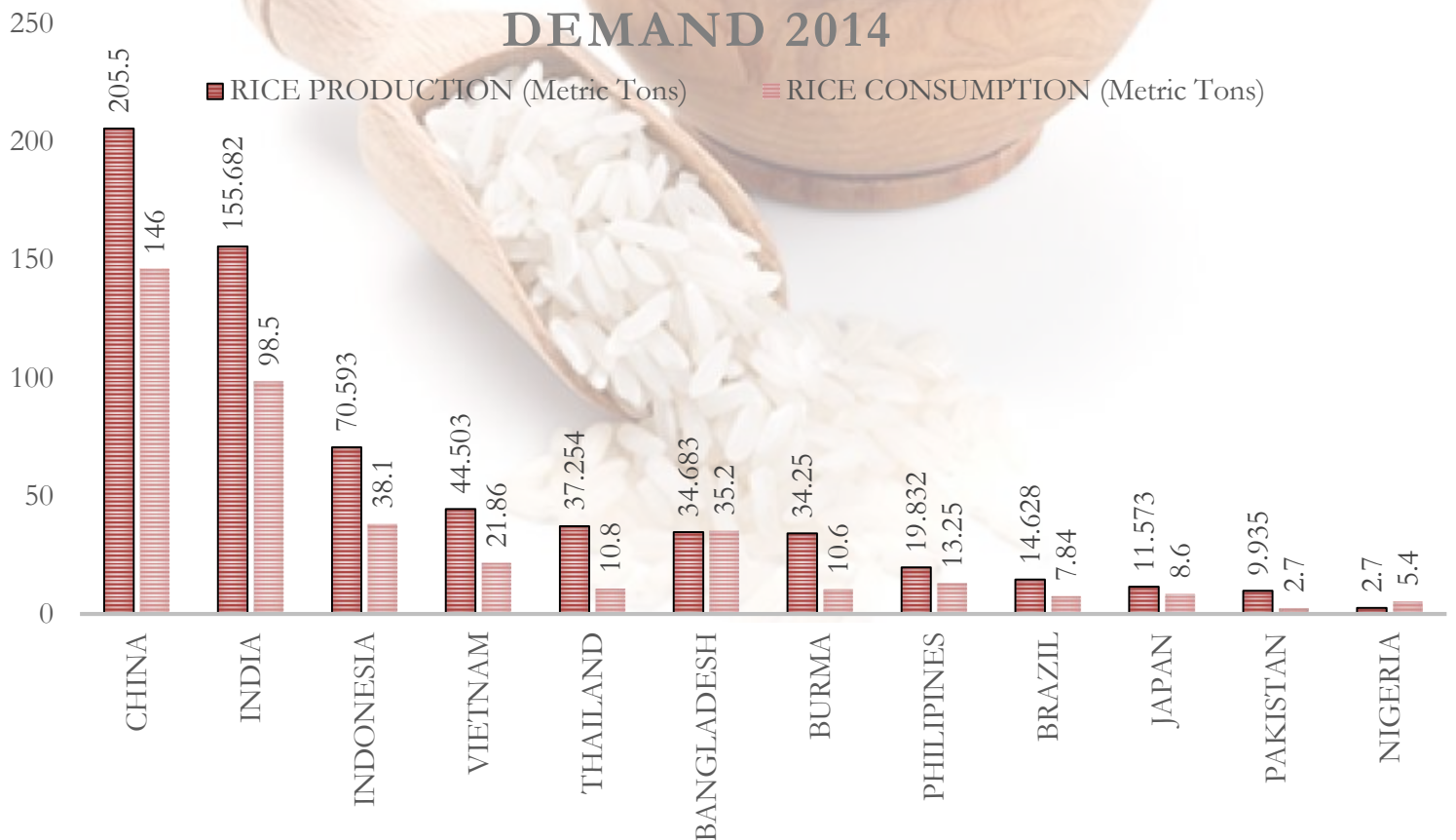
Rice is one of the most consumed foods in Nigeria. Nigeria currently consumes about 7.9million metric tons of Rice annually while production is currently at 5.8million metric tons. This is an increase of 300,000metric tons from 2015 figure. To make up for the shortfall in production, Nigeria spends over N356 million annually in importation of Rice.

Statistics also show that by 2050, Nigeria's consumption of rice would have risen from

7.9million metric tons to 35million metric tons. This is very alarming given that Nigeria's largest supplier, Thailand is poised to increase price by over 50 per cent.

Hence, if we do not grow our own rice, our import bill may also go up by 50 per cent. In essence, Nigeria, not only spends N1billion daily on rice importation but also risk paying more in foreign currency in future to import rice.

GLOBAL RICE PRODUCTION AND DEMAND 2014



TRENDS IN THE NIGERIAN RICE INDUSTRY

- a. **Nigerian's preference for made-in-Nigeria Rice:** *Nigerians have discovered that Nigeria Rice is better than those from Thailand and Vietnam. Evidence from past studies showed that some people's complaint for local rice has been its poor quality compared to imported rice. However, recent survey showed that with the improvement on rice processing 70% of consumers prefer local rice due to its tasty and nutritious value.*
- b. **All-year farming:** *The northeastern*

parts of Nigeria now engage in irrigation farming. Some of the States involved are Kebbi, Niger, Kano, Katsina, Jigawa, Sokoto, Zamfara.

- c. **More States are becoming involved in Rice production** *i.e Anambra, Enugu, Imo.*
- d. **Export potentials:** *Nigeria has commenced exportation of its Rice. We are currently exporting to Mali, Niger, Chad and Mauritania.*
- e. **Stone-free Rice:** *Rice producers are investing in de-stoning machines to ensure*

their Rice is stone and particles free. This is to match the aesthetics of the imported Rice.

GOVERNMENT INTERVENTION IN THE RICE INDUSTRY

Nigerians are becoming more health conscious and hence prefer to eat local Rice that is more nutritious and tasty as opposed to imported Rice that has been packed for a long time with preservatives.

i. **CBN Anchor Borrowers**

Programme (ABP): This was launched by the Federal Government on November 17th, 2015 in Kebbi and is aimed at creating a linkage between anchor companies involved in the processing of the required key agricultural commodities. ABP evolved from the consultations with stakeholders comprising federal ministry of agriculture and rural development, state governors, millers of agricultural produce, and smallholder farmers to boost agricultural production. The fund was provided from the N220 billion micro, small and medium enterprises development fund. For self-sufficiency, adequate and enough paddy for production, ABP which started in Kebbi State has been extended to 26 states. 12million Rice producers and 4heactares of FADAMA rice land is currently involved in the ABP.

ii. **Nigeria Incentive-Based Risk Sharing System for Agricultural Lending**

(NIRSAL): This is an initiative of the Central Bank of Nigeria (CBN), the Bankers Committee (BC) and the federal Ministry of Agriculture & Rural Development (FMA & RD). It provides guarantee in form of Credit Risk Guarantee (CRG) as a comfort

for the banks to lend and also incentivize farmers through provision of Interest Drawback Program (IDP) to be paid quarterly based on the agricultural project. The Guarantee ranges from about 30-75% depending on the Agricultural value chain involved. IDP also ranges from 20-40% depending on the category. It provides farmers with affordable financial products and reduce the risk of granting bank loans to farmers. It has provided Credit Guarantees for over 454 Agricultural projects valued at N61.161 billion. It has also paid out over N753.36 million as interest rebate to borrowers who paid back their loans in good time. It has also through its technical assistance scheme trained over 112,000 farmers across the country on best practice farming techniques and business management.

iii. **LIFE Program:** Federal Government imported 110 Rice Mills to be distributed to Rice producing communities. LIFE entails taking industries to villages. The aim is to create 20million jobs in the villages across the Rice value chain.

iv. As part of the plan to empower and encourage youths to go into farming, Jigawa government has announced plans to distribute ultra-modern mini rice mills, harvesters and other implements to boost rice production in the state. Albaji Jamilu Usaman-Danmalam, Special Adviser to the governor on rice production and value chain said the implements would be distributed to

youths under the government cluster farming scheme. According to the special adviser, the items would be issued to the young farmers on loan, to be paid back after they have cultivated and sold the rice. He listed the farming implements to include 100 mini rice milling machines, 100 single row planters, 100 double row planters, 100 mini thrashers, 300 handheld harvesters and 574 manual sprayer

v. **Federal Government ban on rice importation through land borders**

vi. **Increase in Rice import levy to discourage rice importation**

vii. **Enabling environment for foreign direct investments:** The government is creating enabling and more favorable environment for direct investment by diversifying Nigeria's economy through agriculture under its Agricultural Transformation Agenda 2011. . For example World Bank had invested USD 495 million in irrigation and 200 million dollars in its FADAMA III Additional Financing (AF). The FADAMA III AF project focuses on improving the productivity of clusters of farmers engaged in the cultivation of staple foods such as rice, cassava and sorghum in eight selected states of Anambra, Enugu, Kano, Sokoto, Lagos, Ogun, Niger and Kogi.



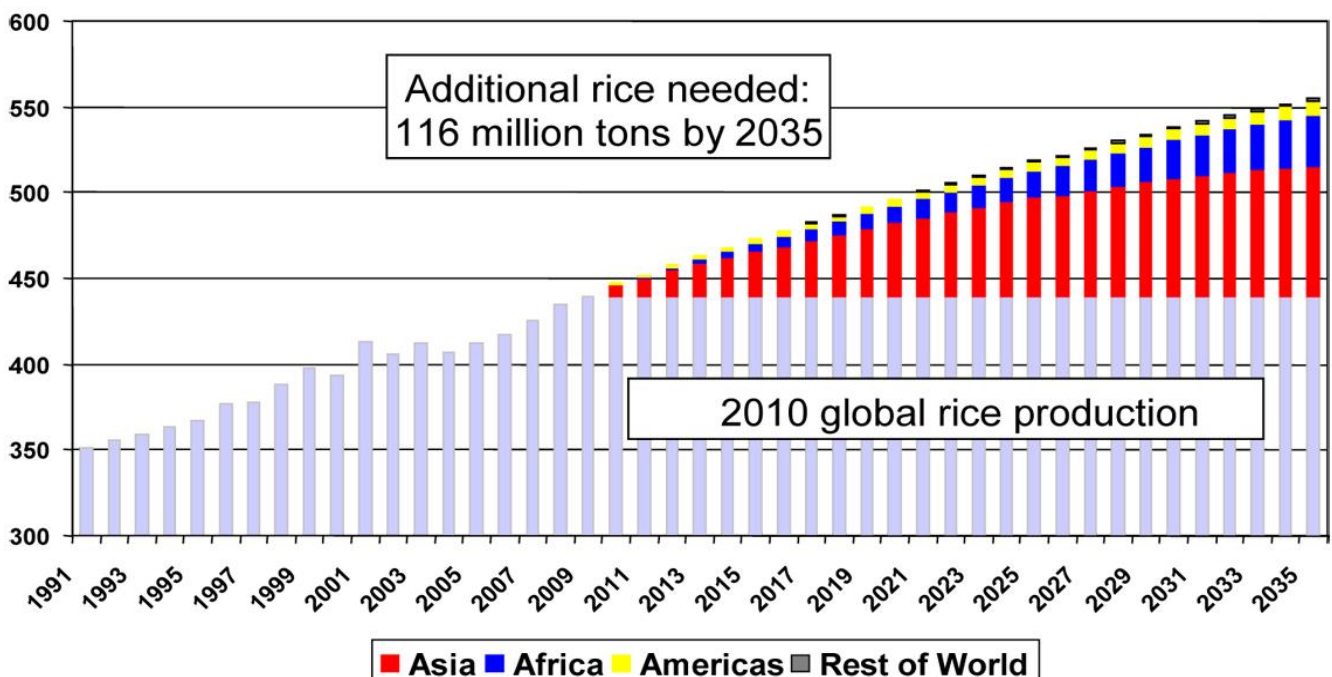
ANALYSIS OF KEY PLAYERS IN THE INDUSTRY

- a. **WACOT Rice:** The Acting President Yemi Osinbajo on August 1, 2017 commissioned the new WACOT rice mill. The mill is the largest of its kind in Africa with capacity of processing over 120,000 metric tons of paddy per annum. The rice mill is a wholly private venture by WACOT limited, developed with the policy support of Kebbi state government and the Federal Government. The Acting President used the occasion to re-echo the resolve of the Federal Government to leverage on agriculture to grow the economy and create jobs. He said investment in agriculture and its value chain as well as mining are the surest path to revamping the nation's economy
- b. **UMZA RICE MILL:** They have UMZA Farms and produces Sarauniyya Golden Rice brand in Kano. The chairman is Albaji Umar Abubakar. The factory is located in Kwanan Dawaki in Dawakin Kudu Local Government, Kano State. The company also buys Rice from farmers in Kano, Jigawa, Taraba, Gombe and Adamawa States. The rice mill has current milling capacity of 72,000 metric tons per annum.
- c. **Dangote Rice:** Africa's major business conglomerate, Dangote Industries Limited (DIL) has signed an MOU with Nigeria's Federal Ministry of Agriculture and Rural Development (FMARD) to establish fully integrated rice production and processing operations across five states in Nigeria – Edo, Jigawa, Kebbi, Kwara and Niger. Through the Dangote Rice Outgrower Scheme, DRL will partner with out-growers (smallholder and contract rice farmers) to cultivate and grow rice paddy. Upon harvest, Dangote Rice will off-take rice paddy and transport the paddy to be processed. One centralized mill will mill the stored paddy rice from all the states.
- d. **Olam Ondorrie Nucleus Rice Farm:** Olam is developing a 10,000 hectare fully irrigated paddy farm on greenfield site in Ondorrie, Nasarawa State. The farm is expected to yield 10 MT per hectare (over two annual crop cycles), based on four varieties of high-yield rice tested with the West African Rice Development Association. 4,351 hectares are already under cultivation, with a further 3,000 hectares on target for 2018/2019. At the heart of the farm is a mechanized rice milling facility and the state of the art mill incorporates Satake milling technology and Italian par boiling technology. The mill has the capacity to process 105,000 metric tons of rice per annum. It is the only ISO 22000 FSMS and FSSC certified rice processing company in Nigeria. Federal Government of Nigeria, CBN, IFAD, USAID MARKETS are the major stakeholders in these OLAM initiatives.
- e. **Kereksuk Rice Farm:** Owned by Rotimi Williams is the 2nd largest commercial rice farm in Nigeria by land size. The farm which is situated in Nasarawa state currently sits on 45,000 hectares of land and currently producing 8,000 metric tons per annum
- Labana Rice – Kebbi State
- f. Mas Rice Mill – Gombe
- g. Mama Happy Rice – Niger State
- h. Labana Rice – Kebbi State
- i. Ebonyi Rice – Ebonyi State
- j. Anambra Rice – Anambra State
- k. Fada Rice – Ogun State
- l. Igbemo Rice – Ekiti State.

INVESTMENT OPPORTUNITIES

A report from fao.org shows that Nigeria is not just the largest consumer of rice on the African continent, but is also one of the largest rice producers on the continent, and still, is one of the largest importers of rice in the world. Data from statista shows that Nigeria imports about (demand is 7.9million metric tons while local production is 5.8million metric tons) 2.1 million tons of rice yearly, making it the third largest importer of rice worldwide.

Million tons of milled rice



INVESTMENT OPPORTUNITIES

This import statistics and the export potential sends a crucial message to the agricultural industry in Nigeria, that there's still so much more to go around for new and existing rice farmers in the country.

The [FAO's](#) report shows that rice generates more income for Nigerian farmers than any other cash crop in the country, with small scale farmers accounting for the largest volume by selling 80% of their crops and consuming 20% of what's left. An average of 7 to 8 tons of rice can be yielded per hectare. But in some cases, you can yield up to 12 tons per hectare depending on the variety of seeds planted. Just one Acre of rice farm is capable of producing over 100 bags of rice.. With the Federal Government's new rice self-sufficient policy, investment opportunities abound in rice production and milling. For example, the new rice self-sufficiency policy will directly save Nigeria \$2.5 billion annually and put this into the hands of our rice farmers and rural communities. Indeed, the policy is attractive to investors who seek to both farm rice paddy as well as process these by operating integrated rice mills. Rice investors stand to gain investment returns as high as 42 percent. This is why investors like Olam, Dangote, Rotimi Williams, WACOT Limited etc are moving massively into local rice production and milling. The Nigerian agri-commodities company Elephant group has also issued a Letter of Intent to invest US\$300million in sustainable agricultural growth in Nigeria and the period of investment which will run from February 2015 to 2018, will see the business introducing a policy of backwards integration in the agricultural sector with investment in rice farm

plantations, rice milling plants, and fertilizer blending plants.

Below are business opportunities in the Rice value chain:

- 1. Source of Food:** Rice is undoubtedly the most consumed staple meal in the world. It is also the oldest known food that is consumed worldwide. This extraordinary demand for the cash crop makes it highly lucrative for any farmer in Nigeria, Africa, or around the world to venture into, especially as it is also one of the most lucrative farming businesses in Nigeria. Investment in Rice as source of food can be in the following segments:
 - a. Farming:** This involved acquisition of land and direct cultivation of Rice seeds to produce Rice paddy that will be processed. To ensure better yield, one has to choose healthier seeds that have potentials for yielding high harvests because the healthier the seeds are, the greater the chances of ensuring the highest possible yield is achieved. Hence, the projected income depends on variety of factors; the seedling and the capital that is invested.
 - b. In Nigeria, you can visit the **National Agricultural Seed Council (NASC)** for advice on where to get the best type of rice seeds. Revamping already old irrigations that are bad. One can enter into relationship with the government on public private partnership bases.**
 - c. Integrator and supplier of Paddy Rice:** This involves financing of out growers and serving as off-taker

that will take the harvested paddy and sell to rice millers.

- d. Rice Processing:** This involves investing in milling equipment and purchasing of paddy from farmers to mill. Rice milling is the process of removing husk and the bran layers from paddy rice to produce whole white rice kernels that are sufficiently milled, free of impurities and contain a minimum number of broken kernels. The basic rice milling processes consist of pre-cleaning, de-stoning, parboiling, de-husking, paddy separation, whitening / polishing, length grading, blending / mixing, weighing and bagging. The beauty of Rice processing is that nothing is a waste. The husk is sold to Piggery owners as bedding while the bran is sold to Piggery and Livestock owners as feed. The owners can even go into Feed formulation. There is an opportunity in providing a commercial mill for farmers as well as having a private mill for one's own use.

INVESTMENT OPPORTUNITIES

2. **Storage Facilities:** One of the major problem of agriculture in Nigeria is storage. One can invest in the provision of silos and storage warehouses for farmers to store their produce at a cost.
3. **Farming Equipment and Implements:** There is an investment opportunity in leasing out equipment like tractors, harvesters, threshers, dryers etc. to farmers for a fee. Also on the sale of handy, cheap and easy to use farming equipment to farmers.

4. **Production of Beer/Liquor:** Liquor, an alcoholic drink, especially distilled spirit, can be made from rice. The liquor that's processed from rice is widely called Rice Wine, and it can be made at home or in a processing facility from the fermentation of rice starch that has been converted to sugar. It is widely consumed in Asia, and has an average alcohol content of 18% to 25%. At the present, this area of investment is still untapped.
5. **Production of Rice Flour:** Rice flour is made from grounding raw rice.

It can be purchased in flour form or ground using a blender, grain mills or some traditional pounding techniques. It is usually used as a gluten-free alternative to wheat. Some products that are made from rice flour are rice flour cake, rice noodles, and rice swallow with soup.



FACTS AND BENEFITS OF RICE FARMING

1. *Rice is the world's most popular source of food.*
2. *Rice is a complex carbohydrate that does not have sodium or cholesterol and barely any fat.*
3. *Rice is the second highest worldwide produced cereal crop after maize (corn).*
4. *Rice is a symbol of life and fertility, which is why rice was traditionally thrown at weddings in several parts of the world.*
5. *There are more than 40,000 varieties of rice that grow across every continent except on Antarctica.*
6. *Asia alone produces and consumes almost 90% of the world's rice.*
7. *Rice is rich in carbohydrates, which are needed for the brain to function properly, and for all kinds of physical activity.*
8. *Rice is the oldest known food that is still widely consumed today, dating as far back as 5,000 BC.*
9. *Rice is used in the production of liquor.*
10. *Rice farming is a great source of employment.*



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