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Nigeria Begins New Rice Levy Increase; Announces Ban

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Grain and Feed

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Report Highlights:

Despite a great deal of local and international media coverage on Nigeria's worst flood in 50 years and its impact on food security- including the flooding of about 400,000 hectares of arable land in 23 out of 36 states (from July thru October 2012) and destruction on rice farmland that was under cultivation, for the 2012/2013 season, the Government of Nigeria (GON) began to implement the already announced 100 percent levy on polished rice—as expected. Not surprisingly, GON officials are making appearances stating that Nigeria would eventually ban imports of rice by 2015. Post remains skeptical on how one of the world's largest importers of rice would reverse its position and achieve its ambitious self-sufficiency rice strategy.

Overview

Nigeria's fertile land and rich agro-climatic conditions provides enormous potential to feed its population generate jobs and income for its people (over 160 million), however, the country's local rice production (estimated at 2.85 million tons) accounts for less than one third of its total consumption (estimated at 6.0 million tons), thus, the demand gap for rice has been filled by polished/milled rice imported mostly from India, Thailand, and Brazil. Post believes that Nigeria's position as one of the world's largest importers of rice will not change dramatically in the short term or even by 2015 due to the lack of infrastructure and low private sector investment in the rice sector value chain.

New Rice Levy

The Government of Nigeria (GON) introduced new tariffs for rice (effective July 1, 2012) which brought a 30 percent levy on imported brown rice and a 50-percent levy on imported polished/milled rice with an expected final levy increase of 100 percent, effective December 31, 2012. The new expected tariffs have resulted in stockpiling of rice by importers and have increased cross-border trade in rice (with Benin and Cameroon), which is expected to reach 100,000 tons.

Media reports indicated that food prices of main staples were over 200% at some point during July-October, but as of mid January, they are reporting a 30% increase in food prices. According to numerous media sources, the floods also destroyed not only rice farms, but livestock, sorghum, millet, groundnuts and cotton, plantains, oil palms, etc across several states in Nigeria.

Also, Minister of Environment, Hajiya Hadiza Mailafia urged the federal government to reconsider the proposed tariffs increase due to the implications on food security.

Rice Import Ban by 2015

Despite GON's effort to promote agricultural investment especially in agricultural infrastructure and attempts to attract foreign investors' capital to increase local production through the Agricultural Transformation Agenda (ATA), Nigerian government officials continue to make the headlines in almost all local media when they speak on imposing import bans on rice, sugar and fertilizer by 2015.

For example, Nigeria's Minister for State, Agricultural and Rural Development, Dr. Bukar Tijani (Deputy Minister for Agriculture) made this statement during the launching ceremony for the distribution of paddy rice to farmers in Lokoja, Kogi State- one of the rice producing states affected by floods. Deputy Minister Tijani said that "Nigeria would be able to achieve self-sufficiency in rice production with the all-year-round production of rice in the country which includes a commitment towards the rice value-chain in the GON's Agricultural Transformation Agenda (ATA)." Minister Tijani also indicated that the GON is firm with its policy of increasing tariffs and levies on imported rice to discourage the dumping of bad rice to the country and that 230,000 hectares of land has been marked across the country to promote rice production in the current dry season for all-year rice production. He also indicated that the GON would provide a 50-percent subsidy on 50 kg fertilizer bags to rice farmers.

Under the GON's intervention measures to help rice, each farmer is supposed to get three bags of paddy rice and a bag of fertilizer free of charge. Furthermore, the state governments in rice-growing areas

(mostly central region) would assist ascertain the value of land; engage in land clearings as well as issue certificates of occupancy to affected land owners to encourage the production of rice. Land owners and local communities renting their land for rice production and other farming activities would also enjoy continuous compensation from the state government throughout the period the land is under cultivation. In addition, state governments would also receive rice mill plants.

Earlier last week, President Goodluck Jonathan emphasized to a large group of Nigerian business man in Abuja his vision on imports: "My belief is that by 2015, Nigeria would have no business importing rice or fertilizer. Further, he said "We also need to encourage the local production of sugar thus, importing will be a thing of the past, and create jobs. The government will strongly discourage the importation of goods being locally produced or capable of being produced in the country."

Most recently, on a separate occasion, Nigeria's Minister of Agriculture and Rural Development, Akinwunmi Adesina said that rice would be banned for imports into Nigeria within the next four years as Nigerian farmers are expected to be producing more rice than the country needs by 2015. And the surplus would be exported to other countries.

Denying all media reports, Minister Adesina also urged Nigerians not to believe the speculation that there would be severe famine in this year 2013 as a result of the recent flood disaster. Minister Adesina insisted that GON had made adequate preparations to tackle a food crisis of whatever magnitude especially as food items were stored in silos across the country. He further indicated that the flood mostly affected residential buildings and public organizations, and small portions of farmland with marginal effect on the country's food production.

He also disclosed that President Goodluck Jonathan has set up an Eminent Persons Group (EPG) led by Bill Gates to advise the government on agricultural issues, as part of the effort to sustain the gains in the agricultural sector. Other members of the EPG include former United Nations Secretary General Kofi Annan, the President of African Development Bank (ADB) Donald Kabirueka and the President of the International Fund for Agricultural Development (IFAD) Kamnayo Nwanze. According to him, the GON has also concluded arrangement to set up funding for farmers that will provide loans to farmers at a single digit interest rate and that the GON will also provide 10 million phones to rural farmers this year and that President Jonathan has directed that 5 million of the phones be allocated to women farmers in the rural areas. The phones are to pass vital agricultural and market information and alerts to the farmers. [GON has received several critics on the purchasing of cell phones to give to illiterate farmers and he wrote an extensive response that has been widely publicized].

Minister Adesina also made the headlines in most print media indicating that leading institutions around the world are collaborating with the GON on the implementation of the ATA. For example, he said the World Bank (WB) is providing U.S. \$500 million and the International Fund for Agricultural Development (IFAD) is providing U.S. \$80 million. Furthermore, the promotion of investment in the Agricultural sector including investment in commercial agriculture, that is, infrastructure and capital, has been the focal point for the Nigerian delegation during the World Economic Forum in Davos, Switzerland this past week.

Conclusion

Media reports from sources other than the GON put the figure of flood-affected areas at 1.9 million

hectares and over 2.8 million of people displaced and only 387,153 people remaining in shelters. Also the Federal Ministry of Agriculture & Rural Development (FMARD) released some 40,000 tons of grains from the Strategic Grain Reserves (SGR) during October to minimize the food shortage which is expected to put food supply under pressure and naturally raise food prices.

Post contacted the major rice importers in Nigeria and they indicated that the GON issued a notification for a 10-percent tariff and 100-percent tax levied on imported polished/milled rice in early January.

According to our contacts, rice importers are relying on rice stockpiled since July 2012 in anticipation of the levy increase to 100 percent. In 2011/2012 Nigeria imported 3.4 million tons of polished/milled rice (based on actual data). Local rice production is currently forecasted at 2.9 million tons while imports are projected at 2.7 million tons.

Recommendation/Comment

The GON's obvious struggle towards assisting farmers to resettle and recover from the destruction of devastating flood last year while continuing to making unfriendly statement to international trade is ironical and casts doubt about the continued implementation of this policy. Nigeria's population is growing as well as increasing income which combines to expand rice consumption in the country. Imported parboiled is directed at meeting consumer demand in urban areas where incomes are highest, while locally milled rice is consumed mainly in the local areas.

Although the quality of locally produced rice has improved considerably, "Ofada" rice (one of the locally produced Nigerian rice) is still a national delicacy and is offered to consumers at a premium. In addition, the average Nigerian consumer prefers imported rice; however, increased domestic production could drop price of local rice and make it more affordable to the low-income consumers and/or for export market as Nigeria's infrastructural challenge such as poor road network, unreliable energy supply; etc—will still get the locally produced rice to markets in urban areas at higher and non-competitive prices.

Exchange Rate: \$ 1 = 160 Naira