Nigeria Rice Imports in the last Three Decades under different Trade and Fiscal Policies

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ABSTRACT

The study reviewed Nigeria rice importation in the last three decades under different trade policies. The objectives of the study were to: characterize Nigeria rice economy; rice importation; documentation and analysis of trade and fiscal policies that impacted on rice importation. Data for the study were from secondary sources. The study established that Nigeria can produce enough rice for local consumption and has potentials for export. Rice output increased during the period of ban and experienced a decline when market was liberalised. There was a significant increase in rice importation in 1997 and between 2011-2012. Ban period (1986-1995), experienced informal- border trade of rice. Nigeria fiscal expenditure showed that agriculture received little assistance to produce enough rice for the teeming population. The major constraints were the discouragement of local producers by allowing importation and fewer subsidies. Government follow-up in any policy is recommended.

Key words: Rice, Importation, consumption, Production, Policy, Economy

1.0 INTRODUCTION

Nigeria is the most populous country in Africa, with a population of 150 million. Its domestic economy is dominated by agriculture, which accounts for about 40 percent of Gross Domestic Product (GDP) and two-third of labour force. Nigeria has experienced a prolonged period of economic stagnation, rising poverty levels, and the decline of public infrastructure (Okonjo-Iwuala, 2007). Agriculture supplies food, raw materials and generates household income for the majority of the people. The extended sector is dominated by petroleum which generates about 95 percent of Nigeria’s foreign exchange earnings while agriculture contributes less than 5 percent.

Nigeria is a net importer of food. Trade imports are dominated by capital goods, raw materials and food. The major agricultural imports are rice, wheat, sugar, milk, meat and fish. Regular supply of these goods helps to meet the raw materials needs of agribusinesses and ensure food security for Nigerian households. Of all the staple food crops, rice has risen to a position of pre-eminence. Most rice farmers in Nigeria are small holders about (90%) applying a low input strategy to agriculture, with minimum input requirements and low output (USAID, 2010, IFAD, 2009). Nigeria rice productivity is among the lowest within the neighbouring countries with average yields of 1.5 tonnes per hectare. Nigeria is the largest rice producing country in West Africa and also the second largest importer of rice in the world (FAO, 2013).

There has been stupendous rice consumption in Nigeria and this has created a substantial surge in rice imports. This made rice a political commodity and rice apparently, become a critical component of the Nigeria diet and a major consumer of the country’s foreign exchange. The Federal Government of Nigeria (FGN) in 1985 imposed a ban on rice imports in order to facilitate
and increase local production of the precious grain and to invariably meet the high demand for the product. However, in 1997 the import ban was lifted as the local supplies, although showing improvement, could not meet the demand for the commodity. Therefore, lifting the ban resulted in incessant importation, which was not affected by duty hikes by the government.

Nigeria has continued to be an attractive market as compared to other West Africa markets as it imports parboiled rice which is of relatively higher value unlike other regional countries. Since the mid 1970’s Nigeria domestic rice production has increased at a rate of almost 10 percent per annum, mostly as a result of extensification. But still production is unable to satisfy the constantly growing domestic demand for rice and imports have increased more than three-fold, from 300,000 tonnes in 1995 to about 1 million tonnes in 2001. The 360,000 tonnes of rice produced in the 1960’s was enough to meet local demand, but the 1.45 million tonnes produced in the 1990’s was not (IRR, 1991:1995). Thus importation of rice from 7000 tonnes in 1960’s to 657,000 tonnes in the 1990’s. This created a serious drain on Nigeria foreign exchange reserve, which stood at US$407.5 million in the 1960’s but dropped to US$58 million in the 1990’s (IRRI, 1991). The drain on the foreign reserve led the Nigerian Government to ban rice importation in October 1985. Nigerian farmers reacted to take advantage of the ban on rice importation to boost production, only to be met with another government policy that liberalized rice imports in 1995. Thus, importation of rice became a thriving business in Nigeria and the local production was left to the vagaries of the market forces.

Trade and fiscal policies are measures which the government and policy makers employ to achieve such policy objectives such as economic growth, income distribution, and generation of employment, resource use as well as external trade balance. In the last three decades, these policies have seen tremendous changes in terms of implementation and consequences to the Nigeria economy.

Nigeria has implemented a number of fiscal, monetary and trade policies and reforms with the objective of redressing the economy. However, expected gains have not materialized despite increases in agricultural output of 20 – 30 percent between 1986 and 1993. Instead, domestic rice production has experienced heavy competition from imported rice, both in terms of quality and price.

In view of the failed and abandoned policies and increased demand for rice by Nigerian consumers, rice importation became a booming business in Nigeria. Farmers were discouraged due to poor returns and negligence by the Government of Nigeria (GON). Agriculture was neglected and attention was made towards crude oil coupled with GON rice import liberalization of 1995 which made farmers to divert into other crops. Consumers prefer imported par boiled rice due to its availability and easy to handle. All these made Nigeria to be a dumping ground for all types of rice- long grain, broken rice, brown and par boiled. The GON focused on foreign exchange loss or gain of importation without examining how trade and fiscal policies have impacted on rice importation as policy changes. This paper reviewed these policies and how they impacted on rice importation as policy changes for the past three decades (1980 – 2010). This paper will fill the gap in knowledge. The following objectives guided the study: characterization of Nigeria rice economy under production and importation and documentation and analysis of the trade and fiscal policies that impacted on rice importation.

2.0 Characterization of Nigeria Rice economy under Production and Importation

2.1 Rice Production

Rice (Oryzaglaberrimasteud) is indigenous to Nigeria and has been cultivated for the past 35000 years (Hardcastle, 1959). Rice is cultivated virtually in all the agro-ecological zones in Nigeria. Despite this, the area cultivated to rice still appears small. Rice is grown in approximately on 3.7 million hectares of land in Nigeria, covering 10.5 percent of the 35 million hectares of land under cultivation, out of a total arable land area of 70 million hectares. About 77 percent of the farmed area of rice is rain-fed, of which 47 percent are lowland and 30 percent upland. The main areas of rice cultivation in the country include the middle belt and Northern states of Benue, Kaduna, Niger and Taraba, as well as the south Eastern states of Enugu, Cross River and Ebonyi. Kaduna is the main producing state, followed by Niger, Benue, Ebonyi, Taraba, Kano and Borno states (NBS, 2010). The range of grown varieties is diverse and includes both local (such as Dias, Santana, Ashawa, Yarsawaba, and Yarkuwa) and enhanced varieties of traditional African rice (such as NERICA) (Bayou, 2009). Rice yields are between 46 percent and 56 percent below their potential for different production systems (Ezedinma, 2005). Rain-fed agriculture is the main production systems used while irrigated rice is the best performing in terms of yield (3.5 tons/ha), followed by rain-fed lowland (2.2 ton/ha) and mangrove swamp (2ton/ha) (kebbeh, 2003).
Table 1: Major Features of Nigerian Rice Production Systems

<table>
<thead>
<tr>
<th>Production ecology</th>
<th>Major States Covered</th>
<th>Estimated share of National Rice-Farmed Area</th>
<th>Share of total Domestic production</th>
<th>Average Yield/ha in tonne</th>
<th>Potential Yield/ha in tonne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rain-fed Upland</td>
<td>Ogun, Ondo, Abua, Osun, Ekiti, Oyo, Edo, Delta, Niger, Kwara, Kogi, Sokoto, Kebbi, Kaduna, FCT, and Benue</td>
<td>30%</td>
<td>17%</td>
<td>1.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Rain-fed Upland Lowland (aka “fadama”)</td>
<td>Adamawa, Ebony, Ondo, Ekiti, Edo, Delta, Rivers, Bayelsa, Cross River, Akwa Ibom, Lagos, all major river valleys</td>
<td>47%</td>
<td>53%</td>
<td>2.2</td>
<td>5</td>
</tr>
<tr>
<td>Irrigated</td>
<td>Adamawa, Niger, Sokoto, Kebbi, Borno, Benue, Kogi, Anambra, Enugu, Ebonyi, Cross River, Kano, Lagos, Kwata, Akwa Ibom, Ogun</td>
<td>17%</td>
<td>27%</td>
<td>3.5</td>
<td>6.77</td>
</tr>
<tr>
<td>Deep water Floating</td>
<td>Flooded areas, Rima valley in Kebbi state and deep flooded areas of Delta State</td>
<td>5%</td>
<td>3%</td>
<td>1.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Mangrove Swamp</td>
<td>Ondo, Delta, Edo, Rivers, Bayelsa, Cross River, Akwa Ibom</td>
<td>1%</td>
<td>1%</td>
<td>2</td>
<td>4</td>
</tr>
</tbody>
</table>

Figure 1: Area Cultivated (ha) and Rice Output (tons) in Nigeria
Source: Ezedinma, 2008

There was a significant improvement in rice production in Nigeria in 1980 when output increased to 1 million tons, while area cultivated and yield rose to 550 thousand hectares and 1.98 tons per hectare respectively. Throughout the 1980s rice output and yield increased. But in the 1990s, while rice output increased, the yield of rice declined, suggesting extensive rice production. (Akpokodje et al., 2001)

Growth in output declined between 1981 and 1983 and remained virtually stable at zero growth rates till 1984 (Figure 1). After the ban on rice importation in 1985, the figure shows that growth in output rose between 1987 and 1989 before declining in 1990. The figure shows that since the removal of the ban on imports in 1995, the growth in rice has consistently been on the decline, with growth being negative in 2000.
Rice production showed an increase in 2001-2006 (Figure 2). There was a decline in 2007 and a positive peak in 2008. From 2008 to 2010, rice production started to decline, showing a decreasing trend also in area harvested in 2006-2010. The decreasing trend in area cultivated resulted into high yield in 2008-2010, despite decline production. Increase in production between 2002 and 2006 may be due to the result of the Presidential Initiative on increased rice production (Erenstein et al., 2003). Despite the recent relative increase in yields, yielding performance still remains below potential.

**Figure 2:** Rice paddy area, production and yields in Nigeria (2000 – 2010)


### 2.2 Rice Importation

Nigeria has been a major consumer and number two importer of rice in the world, importing 2 million metric tons of rice annually (ATA, 2011). The high importation is however linked to the increasing population being witnessed in Nigeria and also increasing share of rice in Nigerian diet. Though rice contributes a significant proportion of the food requirements of the population, production capacity is far below the national requirement for rice (Wudiri et al., 1992; and Ladebo, 1999). In order to meet the increasing demand for rice, Nigeria has resorted to importation of milled rice to bridge the gap between demand and supply (Figure3). The figure revealed that rice import was very insignificant in the 1960’s and early 1970’s. However, there was a phenomenal rise in imports in 1977 as the quantity of rice imported in this year alone (45 thousand tons) was more than the combined quantity of rice imported during 1961 – 1975 period. Rice imports continued to increase until in 1981 when it started to decline due to some policy measures put in place to checkmate rice importation. Even with those policies in place, the quantity imported on an annual basis was over 300 thousand tons. Imports dropped significantly from 1985 when the ban was placed on rice. Although, rice imports began to rise again in 1991, major importation did not begin until after the ban was lifted in 1995. Rice importation dropped to 4million tons between 2009 and 2010 (Figure4).
In 1999, the value of rice imports was US$259 and this increased to US$655 million in 2001 and US$756 in 2002. Between 1990 and 2002, Nigeria imported 5,132,616 tons of rice valued at US$1,883,553 million. In 2002 alone, the country imported US$1,882 million tons of rice (FAO, 2002). Nigeria rice imports increased significantly in the last quarter of 2011 caused by GON's announcement of high levies to be imposed twice within the year 2012 and came after the production shortfall after the flooding. Nigeria imports broken rice, rice husked and milled rice. In 2001-2005, a total of over 55 million tons of rice was imported into the country (FAO stats 2012). According to United Nations Commodity Trade (UNCOMTRADE), Nigeria spent $403,578,202 in the importation of semi-milled/wholly milled in 2010 which is about 677,016 tons (Figure 5). This was followed by husked (brown) rice $78,984,737 about 32,122 tons (UNCOMTRADE FAOSTAT, 2013). Rice import from Thailand is traditionally among the main competitors with local rice. Literature focused on Asian rice as the main competitors, the analysis of trade showed that Nigeria rice imports have come from

**Figure 3:** Quantity of Nigeria’s Rice Imports  
**Source:** FAOSTAT, adapted from Akpokodje et al., 2001.

**Figure 4:** Nigeria - Rice Production, consumption and Imports (2004- 2013)  
**Source:** USDA 2014
In 2006 over 60% of imported rice (milled equivalent) originated from Thailand, countries such as Brazil, United States, UAE and India started playing a larger role in the following years. Brazil imported over 70% of rice between 2009-2010, while approximately 30% of imported rice originated from India in 2007 and 2008. US imported between 15-20% during the era. Nigeria spent ₦365 billion ($2.2 billion) on importation with about 8000 bags smuggled daily from Benin Republic.

2.3 Documentation and analysis of Trade and Fiscal Policies that impacted on rice importation

2.3.1 Trade Policy on Rice

Nigeria’s trade policy is geared towards encouraging the production and distribution of goods and services to satisfy domestic and international markets as well as to accelerate and achieve economic growth and development. Nigeria has employed various trade policy instruments such as tariffs, import restrictions and outright ban on rice import during the period under investigation.

Nigeria’s rice policy can be discussed in reference to three important periods. The pre-ban, ban and post ban periods. The Pre- ban period 1981 – 1985 – We had a crisis period in 1981-1985. During this period, rice importation experienced liberal policies mostly during temporary shortages. More stringent policies’ were also implemented during this era but not an outright ban.

The ban period (1986-1995) – During the ban period rice importation was illegal; however, rice was smuggled into Nigeria through the neighbouring countries. Informal cross-border trade of rice was widespread. Tariff protection has encouraged cross-border smuggling. Most especially in Paddy imported to Benin, (Cotonou rice) and then re-exported to Nigeria where it is transported to deficit areas, particularly urban areas such as Lagos (Hashim, 1999). An inter-reseaux study on Benin trade data shows important in consistencies between official and mirror statistics particularly for products facing import prohibition and/or high tariffs in Nigeria. For e.g, the quantity of rice imports to Benin doubled between 2004 and 2005, when customs duties in Nigeria were set at 100%, against 35% in Benin, and rose to 119% once port taxes and other duties are included (inter-reseaux, 2011). Additional customs duties in Benin were further lowered for ‘transit’ commodities, which are subjected to only a 5% duty. “In transit” imported rice in Benin increased from 80% to nearly 100% of total rice imports between 2004 and 2006. Traders will often import rice as “in transit” to landlocked neighbouring countries (such as Chad and Niger), while actually smuggling it to Nigeria (USDAFAS, 2005). The ban was anticipated to stimulate domestic production due to increase in price of rice. This price incentive was supposed to attract producers into rice production and at the same time encourage already producers to increase production. Structural Adjustment Programme,

Figure 5: Rice Imports (in milled equivalent, tonne) to Nigeria according to origin (2006-2010)
Source: UNCOMTRADE, FAOSTAT, 2013
(SAP) was introduced in 1986 to reinforce the ban and various trade policies were instituted (Table 2). There was exchange deregulation and the value of Naira depreciated. The overvalued exchange rate had served as an implicit tax on rice producers as it made imported rice cheaper (UNDEP, 2005).

The Post Ban Period 1995-2010 - The ban on rice imports was lifted in January 1995 as the local supplies, although showing improvement, couldn't meet the domestic demand for rice. The country adopted a more liberal trade policy towards rice after the quantitative restrictions. The lifting of the ban resulted in heavy importation which was not affected by duty hikes by the Government. This policy attracted many importers as Nigeria consumes more of parboiled rice which is of relatively higher value compared to other West African countries. Consequently, Nigeria became a dumping ground for rice from various countries of the world.

Since the lifting of ban on rice imports, the government of Nigeria has resorted to the use of tariff measures. Price policies have been somewhat erratic. In 1995 rice imports were allowed to a 100 percent tariff. In 1996 the tariff was reduced to 50 percent but increased to 85% in 2001. In April 2002, the tariff on imports was again increased to 100 percent (Table 2). Nigeria has also introduced a 100 percent duty and 10 percent levy on rice imports. The federal government has introduced a 40 percent levy on brown rice imports and a 110 percent levy on polished/milled rice import since 2012. This was to discourage imports and to pave way for outright ban on rice importation come 2015.

Table 2: Chronology of Nigeria’s trade policy on rice 1980 - 2010

<table>
<thead>
<tr>
<th>Period</th>
<th>Policy measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1980</td>
<td>Import license issued for 200,000 tons of rice</td>
</tr>
<tr>
<td>October 1980</td>
<td>Rice under general import without quantitative restrictions</td>
</tr>
<tr>
<td>December 1980</td>
<td>Presidential Task force (PTF) on rice was created and it used the Nigeria National Supply Company to issue allocations to customers and traders</td>
</tr>
<tr>
<td>May 1982</td>
<td>PTF commenced issuing of allocations directly to customers and traders in addition to those issued by NNSC</td>
</tr>
<tr>
<td>January 1984</td>
<td>PTF disbanded, rice importation place under general license restrictions</td>
</tr>
<tr>
<td>October 1985</td>
<td>Importation of rice banned</td>
</tr>
<tr>
<td>July 1986</td>
<td>Introduction of SAP and the abolition of Commodity Boards to provide production incentives to farmers through increased producer prices</td>
</tr>
<tr>
<td>1995</td>
<td>100% tariff</td>
</tr>
<tr>
<td>1996</td>
<td>50% tariff</td>
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<tr>
<td>1998</td>
<td>50% tariff</td>
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<td>1999</td>
<td>50% tariff</td>
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<tr>
<td>2000</td>
<td>50% tariff</td>
</tr>
<tr>
<td>2001</td>
<td>85% tariff</td>
</tr>
<tr>
<td>2002</td>
<td>100% tariff Presidential Committee on rice production expansion was set up to help Nigeria become self- sufficient in rice by 2004 and a net exporter by 2005</td>
</tr>
<tr>
<td>2003</td>
<td>50% tariff</td>
</tr>
<tr>
<td>2006</td>
<td>Duty temporarily suspended</td>
</tr>
<tr>
<td>2008</td>
<td>Duty reintroduced</td>
</tr>
<tr>
<td>2009</td>
<td>5- 30% tariff</td>
</tr>
<tr>
<td>2010</td>
<td>30-50% tariff</td>
</tr>
</tbody>
</table>

Adapted from Daramola, 2005
2.3.2 Fiscal Policy on rice

Public spending for agricultural development in Nigeria is under-taken mainly by the Federal and State governments. These can be categorized into four a. direct expenditures of both tiers of government, b. provision of credit by public agencies c. provision of credit by the Central Bank of Nigeria and d. other related assistance (Akande, 2004). Government committed funds to agricultural production through the RBADAS before the ban and commencement of SAP. Credit provision through public agencies especially the defunct Agricultural Credit Guaranteed Scheme (ACGS) and more recently the Bank of Agriculture (BOA) has provided substantial credit capital for investment in rice production. During late 1980s, 15% of the loan went to rice production, while the 1990s, over 60% of total loans guaranteed to agriculture went to grain production.

3.0 CONCLUSION

Nigeria is a net importer of rice, which had adversely affected local production tantamount to the cabal involved in rice importation. Over the years under review the government enacted one policy or another to either ban or liberalize the rice market. Nigeria has the potential to produce enough rice for local consumption and also contribute to the world market. Due to inconsistent policy, the country that would have taken a major lead in rice market in the world resorted to importation. The dependency in importation crippled the domestic industry and also coupled with the fact that rice is an essential diet in any Nigerian home.

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