

Rice Crisis: Myth or Reality

Papa Abdoulaye Seck
Director General, Africa Rice Center (WARDA)

28 September 2007

WARDA Council of Ministers, Abuja, Nigeria

World rice reserves, estimated at 80.6 million tonnes in 2005-06, are at the lowest level since 1983-84. These stocks represent less than 2 months of consumption and half of the stocks are being held by China. World rice supply is falling because of industrial development and population pressure in leading rice-producing countries (e.g. China lost 8.8 million hectares in the last 10 years).

World rice consumption continues to outstrip rice production. In Asia – which accounts for 90% of world rice production and consumption -- for the first time since 1990, rice production has grown slower than population.

Asia accounts for 77% of total rice exports. However, it is estimated that by the year 2020 majority of Asian countries will not be able to export any rice primarily, due to the increase in local demand and decrease in the area.

International rice prices have been on an upward trend since early 2003 and this rise in rice prices seems to go on unabated. By 2008, the rice price is expected to be double that of 2003. The prices of rice have already gone up in Thailand and Vietnam, the traditional rice exporters to Africa.

The current world rice situation has serious implications, particularly for SSA, because about 40% of the region's demand for rice is being met by imports. With only 13% of world population, Africa accounts for 32% of world rice imports, which makes it a big player in the international rice trade.

In 2006, SSA imported more than 9 million tonnes of rice worth an estimated US\$ 2 billion to meet its demand. In West Africa, rice consumption is doubling every 9 years; this is an immense challenge for the region to keep up with this growth rate.

Moreover, the international rice market remains “thin” – representing about 7% of global production -- with less than 30 million tonnes, compared with wheat or maize. This supply is too limited for SSA to rely on for its growing rice demand.

In view of this situation, African national rice economies will increasingly become exposed to unpredictable external supply and price shocks. The current rise in prices of cereals and the low level of global reserves could unleash widespread food riots in Africa.

The rice crisis is, therefore, not a myth, but a huge threat and SSA should urgently reconsider its rice import policy to avoid the looming crisis.

Strengths of the African Rice Sector

Potential of rice for Africa: Rice is indispensable in the strategy for food security in SSA, because, it provides 27% of the energy and 20% of protein in developing countries, including African countries. In CORAF’s Strategic Plan (2000), rice is ranked as the second most important food crop, after vegetables, in Sahelian West Africa. Because of its growing importance in SSA, rice can be an ideal entry point for reducing poverty.

A recent study by IFPRI has shown that in West Africa, among the main commodities, rice has the highest potential for growth and could subsequently generate the largest producer benefits among many countries and for the region as a whole. Joint investments in rice research and development at the regional level will provide even higher returns given its potential for transferability across borders. The high consumer demand for rice can be a powerful driver for development in the sector. Rice development is potentially, therefore, the best driver of development -- the engine for growth and poverty reduction.

Africa has an immense untapped potential for rice production. Since it is now almost impossible to increase the area under rice in Asia, Africa with its large tracts of land and underutilized water resources, has become an attractive proposition to become the future rice-bowl of the world.

SSA has a total of 200 million ha of wetlands that exist in the form of small inland valleys, river flood plains, inland basins, and coastal wetlands. According to FAO, 97.58 % of wetlands in Africa are still available for cultivation.

New Rice for Africa (NERICA): NERICA is undoubtedly a major scientific achievement from Africa that continues to attract a lot of attention from the world. NERICA has become popular with African smallholder farmers through PVS across sub-Saharan Africa. There are now 18 NERICA varieties developed for the uplands and 60 for the lowlands, released in 20 African countries. There are also now three NERICA's released for the irrigated ecologies in The Gambia and Senegal.

FAO attributed the 6% increase in rice harvest in 2006 to favorable weather conditions and to “the positive effects of the adoption of NERICA rice varieties.”

High-yielding varieties for irrigated ecologies, such as the Sahel rice varieties are also available. These cover more than 70% of the Senegal River Valley in Senegal and Mauritania. Combined with the ASI rice thresher and the integrated crop management approach, these technologies are increasing the profitability and sustainability of the Sahel.

Competitiveness of local rice production in SSA: Despite little support from African Governments, rice production in Africa is competitive. Our studies have found that it costs 48 FCFA for a farmer from the Senegal River Valley to produce 1 kg of paddy compared with 42 CFA in Thailand, 47 CFA in Vietnam and 112 CFA in the United States.

Specific Recommendations to Policy-makers to Overcome Major Bottlenecks

1. **Lack of seeds:** One of the biggest constraints to the successful use of improved varieties, such as NERICAs is the availability of seed. A study in Nigeria showed that some farmers were abandoning NERICA because of lack of seeds. For Nigeria, more than 30,000 tonnes of seed of NERICA 1 are projected for 2007. The main reason for seed shortage is that national seed systems lack the staff, equipment, and funding to assure farmers an adequate supply of quality seeds on a regular basis. Only 25% of the African countries have passed a seed act on specific seed regulations. But even in these countries enforcement mechanisms and resources for implementation are inadequate.

Recommendations:

- *Every country should establish standard seed laws, seed quality control mechanism and seed certification systems for rice and should ensure their application.*

- *Seed legislation should encourage the involvement of the private sector in seed supply and trade.*
- *NARS should be strengthened to produce breeder and foundation seeds.*
- *The informal seed sector must be recognized and helped to improve the quality of seed.*

2. **Post-harvest losses and lack of mechanization:** Post-harvest losses account for 15–50% of the market value of production. A study of the Nigeria rice sector revealed that the relatively poor quality of local rice is the primary constraint to the development of the domestic rice sector. The scarcity of machinery to help grow, process and distribute the product also constrains the rice sector.

Recommendations:

- *Every country should have local processing plants and post-harvest technologies to bring African rice grain quality up to par with imported rice.*
- *Governments should reduce the import tax on low cost small-scale machinery which can increase farmers' labor efficiency.*

3. **Poor extension systems and weak research & development linkages:** In most African countries, the national agricultural extension systems are not sufficiently developed because of lack of funds and incentives. The linkages between rice research, development, and policy are also weak.

Recommendations:

- *Every country should establish a rice stakeholders' platform and adopt a comprehensive approach to rice research and development.*
- *Every country should create a fund to support the national rice program*
- *Governments should provide adequate funding to rice research and extension systems.*

4. **Lack of capacity:** The existing capacity for national, regional and international rice science, extension, trade and policy is inadequate in SSA. For example, rice breeders, pathologists and entomologists are fast becoming an extinct species in SSA. Extension services, and operators throughout the rice value chain from producers to processors and traders are lacking in capacity to compete with their counterparts in Asia and Europe.

Recommendation:

- *The rice sector in every country should be made competitive by improving the capacity and efficiency of operators at the research, extension, production, processing, and marketing levels.*

5. **Foreign subsidies and lack of support to African farmers:** SSA production systems face competition from the heavily industrialized, organized and government-subsidized sectors found in other regions of the world. For example, USA's 11,000 rice farmers receive subsidies worth \$1.4 billion per year. The OECD countries spend \$263 billion a year on subsidies. Japanese farmers are also subsidized. But Africa's 36 million rice farmers struggle in a liberalized market with no subsidies and little access to credit, inputs, markets, and market information.

Recommendations:

- *Governments should recognize urgently that African farmers, like all other farmers, need support.*
- *Some countries, like Nigeria, Guinea and Uganda can be used as models for other countries in terms of rice policies and support to farmers to improve the domestic rice sector.*

6. **Poor infrastructure and high cost of inputs:** Limited port and road facilities raise the costs of delivering inputs to farmers, and outputs to market. For example, 1 ton of urea fertilizer is \$90 in Europe, and after shipping it to a port in Kenya it costs about US\$120 and in the interior regions, the price goes up to \$770. Fertilizer prices are 2 to 6 times greater than those in Asia, Europe, and North America.

Recommendations:

- *Governments should work together to reduce fertilizer prices and provide credit mechanisms to farmers.*
 - *Governments must supply fertilizers to farmers through smart support policies without killing the private sector.*
-