

# 2<sup>ND</sup> NIGERIA RICE INVESTMENT FORUM (NRIF-2014)

## FINANCING RICE FARMING IN NIGERIA: BOA's EXPERIENCE



ORGANIZED BY: NEPAD BUSINESS  
GROUP-NIGERIA  
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***IMPROVING LIVES, GROWING COMMUNITIES.***

# Presentation outline.



- Protocols.
- Introduction.
- Overview of the rice Economy in Nigeria.
- Opportunities for rice farming in Nigeria.
- BOA in Nigeria's rice revolution.
- Our recommendations.
- Conclusion.

# Protocols.



- It gives me great pleasure to be part of this important meeting on rice. Clearly, the “**most profitable crop in the Agricultural sector**” today.
- As a major stakeholder in the rice debate, we feel able to want to share with you some of our experiences in financing rice across the value chain.
- We are also glad to note that NEPAD’s choice of the theme: “Transforming Rice production” with “breaking all the barriers to large scale production of Rice in Nigeria and West Africa” as sub-theme, is timely.

# Introduction.



- Moving the Nigerian economy away from dependence on crude oil to agriculture, is a paradigm shift well known to all in the millennial order, especially so in Nigeria and Africa.
- Studies reveal that current production of grains must double by **2050** if everyone is to have enough to eat in the future.
- This inevitably mean that Agriculture, as currently practised in Nigeria & Africa must change; to become more productive, efficient and sustainable to make food cheaper and readily available

# Overview of the rice economy in Nigeria.



- The food sub-sector of Nigerian agriculture parades a large array of staple crops:-
  - **Cereals** - sorghum, maize, millet, **rice**, wheat,
  - • **tubers** - yam, cassava.
  - • **legumes** - groundnut, cowpeas.
  - • **others** - vegetables.
- **Of all the staple crops, rice has risen to a position of pre-eminence.**

# Overview of the rice economy..(2)



- **National demand for rice is about 5 million metric tons.**
- **National production is about 3 million tons.**
- **Deficit of 2 million metric tons to be supplemented by importations.**
- The import bill for Rice stood at \$259 million USD or N22,015 billion at \$85 USD as at 2002.

## Overview of the rice economy ... (3).



- Per capita consumption is about 22kg.
- About 90% of Rice producers are small holders farmers.
- Nigeria is the largest producer of Rice in West Africa.
- Rice is grown in about 3.7 million hectares of land or 10.6% out of the 35 million of land under cultivation.
- Average yield is about 1.5 tonnes per hectare for wet season and 3.5 tons/ha for irrigated Rice.

# Opportunities for rice farming in Nigeria.



- The incidence of Instantaneous & compound **growth rates of rice demand over its supply is an existing trend** that has been increasing at a much faster rate in Nigeria than in any other African country since mid 1970s (Daramola,2005).
- **Rice is cultivated in virtually all of Nigeria's agro-ecological zones.** In spite of this production has not kept pace with its demand.
- Land in Nigeria that could be cultivated is roughly 80 million Ha. However, **less than 10% of the 3.4 million Ha that could be irrigated are currently been used.**



# Opportunities for rice farming in Nigeria(2).



- Studies have shown that investment in integrated rice mills are capable of generating the **Internal Rate of Return (IRR) of between 42 -50 %**, also with a **payback period of not more than two years**.
- Rice can be **planted all year round** ( i.e. rain fed and in the dry season under irrigation).
- **“The weighted price of local rice is cheaper than imported rice”**.

# Opportunities for rice farming in Nigeria(3).



- **Increased flow of financial resources and associated facilities** to the sector; MSMEF, Credit Risk Guarantee (CRG) of NIRSAL Plc as incentives. Attributed to this, are monetary/Fiscal incentives to meet the needs of actors in the rice value chain.
- Increased investments in commercial rice milling. **FAO case studies in the rice chain found that millers played the central financing role for rice in Asia and wholesalers were central in financing within the rice chain in Africa.**
- **Rehabilitation of associated infrastructure by FMWR; Dams & Irrigation facilities.**
- **Rice value chain approach to financing of rice businesses.**

# BOA in Nigeria's rice revolution



## ABOUT BOA.

- **Key mandates.**
  - Provision of agricultural credit and non-agricultural rural finance
- **Capacity development:**
  - Cooperative development, Agricultural information systems, Provision of technical support & advisory services
- **Rural savings mobilisation**
- **Focus sectors**
  - Agribusiness Value chain
  - Non-agricultural microfinance
- **Sub-sector focus**
  - Micro agricultural & non-agric: 70%
  - SME & Agri-businesses Enterprises: 30%

# BOA Outreach.



<b>ZONE</b>	<b>States Covered</b>	<b>Retail outlets.</b>	<b>Z/O Location.</b>
<b>North East</b>	6	22	Bauchi
<b>North Central</b>	7	22	Abuja
<b>North West</b>	7	29	Kano
<b>South East</b>	5	18	Enugu
<b>South West</b>	6	26	Ibadan
<b>South-South</b>	6	19	Port-Harcourt
<b>TOTAL</b>	37	136	

# BOA Exposure to Rice Farmers Association of Nigeria(RIFAN) in the past.



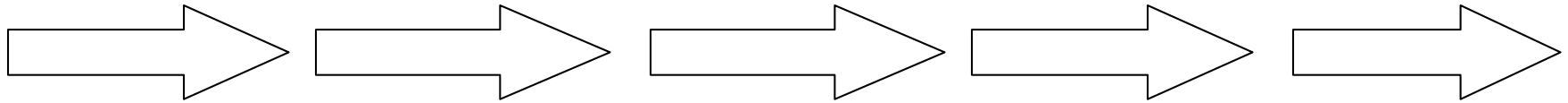
S/N	ZONE	DISBURSEMENT (N)	REPAYMENT (N)	LOAN TYPE
1.	North-central	53,273,222.00	15,160,533.86	Term loan - Prod.
2.	North -East	12,379,060.88	11,772,799.26	Term loan- Prod.
3.	North-West	55,441,818.85	29,343,028.02	“ “ “
4.	South-East	17,850,000.00	7,229,451.58	“ “ “
5.	South-West	52,250,000.00	23,765,035.48	“ “ “
5	South-South	26,380,000.00	7,785,737.10	“ “ “
	<b>TOTAL</b>	<b>217,821,818.85</b>	<b>122,765,233.55</b>	

# Challenges encountered by BOA.



- **Paucity of loan able funds** to cope with increasing demand by farmers.
- **Poor pricing of locally produced rice** largely because of the activities of smugglers - illegal imports.
- **Loan diversion** by applicants.
- **Poor corporate governance** in the affairs of of Trade and Commodity Associations who benefitted from BOA under their groups.
- **Few integrated rice projects** in the country.

# Current trends offered by the rice value chain for BOA.



**A**  
Water  
Land  
Capital  
Machinery  
Seeds.  
Agro-chemicals.  
Agro-service.

**B**  
Production  
Processing

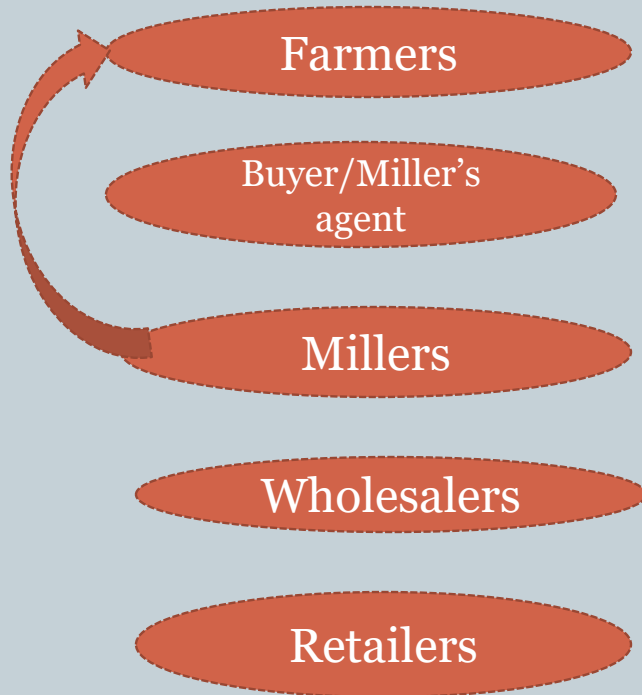
**C**  
Transport.  
Shipping.  
Warehouse.

**D**  
Transit.  
Storage.  
Manufacturing  
Distribution.

**E**  
Wholesale.  
Retail.  
Food Service.  
Hospitality.  
Utility.

# Opportunities...(4)

## Rice value chain in Asia



## Rice value chain in Africa







## Rice value chain in Latin America

Questions: What are the a range of services and infrastructure available to support agricultural value chain development from inputs to transportation and packaging? What are the outreaches? What available financial products are there for addressing value chain needs?



# Opportunities...(5)



S/N	TYPE OF ACTIVITY	COMPONENTS
1	Inputs	Seeds, Agro-chemicals, P,M &E, Fertilizers etc.
2	Production	Rice cultivation activities – Tillage operations, planting, weeding, harvesting, bagging etc.
3	Agro-Processing	Milling, Drying , powdering. etc.
4	storage	Warehousing , cleaning, weighing etc.
5	Packaging	Branding , Bagging and Haulage

# Current value chain models & Instruments.

S/N	MODEL	ACTORS	RATIONALE
1	<p><b>Producer-driven</b></p> <ul style="list-style-type: none"> <li>- WAUA, Hadejia.</li> <li>- NGSF Collaboration.</li> <li>- <b>Kare Hi-Tek Ltd</b> at Talata- Mafara in Sokoto state.</li> </ul>	<p><b>Small-scale rice prod; esp. those in groups – Coops, Village clusters &amp; Associations.</b></p>	<ul style="list-style-type: none"> <li>• Access new markets.</li> <li>• Obtain higher market prices.</li> <li>• Stabilise and secure market position.</li> </ul>
2	<p><b>Buyer-driven.</b> (Contract farming)</p> <ul style="list-style-type: none"> <li>- 3-bro Rice Mill.</li> <li>- 10 Rice Mills (BOI)</li> <li>- Kebbi state.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Processors.</b></li> <li>• <b>Exporters.</b></li> <li>• <b>Retailers &amp; Traders.</b></li> <li>• <b>Wholesalers.</b></li> </ul>	<ul style="list-style-type: none"> <li>○ Assured market.</li> <li>○ Increase supply volume.</li> <li>○ Supply more discernible.</li> <li>○ Customers meet mkt int.</li> </ul>
3	<p><b>Facilitator – driven:</b> (On-lending and</p>	<ul style="list-style-type: none"> <li>• <b>Govts : National &amp; LGAs.</b></li> <li>• <b>NGOs + Support</b></li> </ul>	<ul style="list-style-type: none"> <li>✓ Make markets work.</li> <li>✓ Local &amp; Regional dev.</li> </ul>

# Current value chain models...(2).



S/No.	MODEL	ACTORS	RATIONALE
3	<p><b>Integrated.</b></p> <p>- Dangote's planned investment in comm. rice Milling.</p>	<ul style="list-style-type: none"><li>▪ Lead farms.</li><li>▪ Supermarkets.</li><li>▪ Multi-nationals.</li></ul>	<ul style="list-style-type: none"><li>➤ New &amp; higher value markets.</li><li>➤ Low prices for good quality.</li><li>➤ Market monopolies.</li></ul>

# Value chain financing instruments(4)



S/N	INSTRUMENTS
A.	Working capital, term loan, Lease finance – Operating & Financial lease, input provider Credit, Collaboration etc.
B.	Working capital, Warehouse receipts, revolving OD, Contract farming loans.
C.	Warehouse inventory, Marketing loan, LPO financing.
D.	Warehousing facility , Marketing loan, Out grower.
E.	Term loan, Working Capital.

# SPECIAL CREDIT PRODUCTS: YARN AND GEM

(YOUTHS AGRIBUSINESS REVOLUTION IN NIGERIA (YARN) & WOMEN IN AGRIBUSINESS IN NIGERIA = GROW AND EARN MORE = (GEM) )



1	<b>Youth Agribusiness Revolution in Nigeria. (YARN).</b>	<b>To support and encourage Youths Agribusiness Revolution and Entrepreneurship in Nigeria.</b>
2	<b>Women in Agriculture Programme.: Grow and Earn More, (GEM.)</b>	<b>To support Women Entrepreneurs operating in the Agricultural Value Chain to gain more access to Finance and Capacity building.</b>

# RECOMMENDATION



- Nigeria's vision of being able to grow its own requirement and also be able to export rice, including its other rice value added products to other nation states, can only be achieved through deliberate and concerted effort at strengthening the capacities of all value chain actors in the rice value chain.
- Research development and exchange of ideas such as what is taking place now must continue, so as to discover more profitable grounds for efficiency and effectiveness in prosecuting the task before us.

# CONCLUSION,



- BOA has since discovered abundant untapped opportunities in the rice business and has concluded arrangements with Governments and Corporations to invest much financial resources in the rice value chain.
- To boost production and develop the Rice industry in Nigeria, stakeholders in the Rice and Financial value Chains should collaborate/partner in the market place to create the needed confidence and attract more commercial investments in integrated rice production.
- **Can Nigeria be the Thai of Africa?**
- **YES WE CAN !!!!**





***THANK YOU FOR  
LISTENING***

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