



# **EFFECTIVE FINANCING OF THE RICE VALUE CHAIN *AND PROMOTION OF STRONG VALUE CHAIN LINKAGES***

**3 FEBRUARY 2016**



**Diamond**  
Your Bank

# OUTLINE

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- OVERVIEW OF RICE SECTOR IN NIGERIA
- FINANCE NEEDS OF THE RICE VALUE CHAIN
- PROMOTING STRONG VALUE CHAIN LINKAGES
- FINANCING RICE VALUE CHAIN  
(The Diamond Bank Experience)



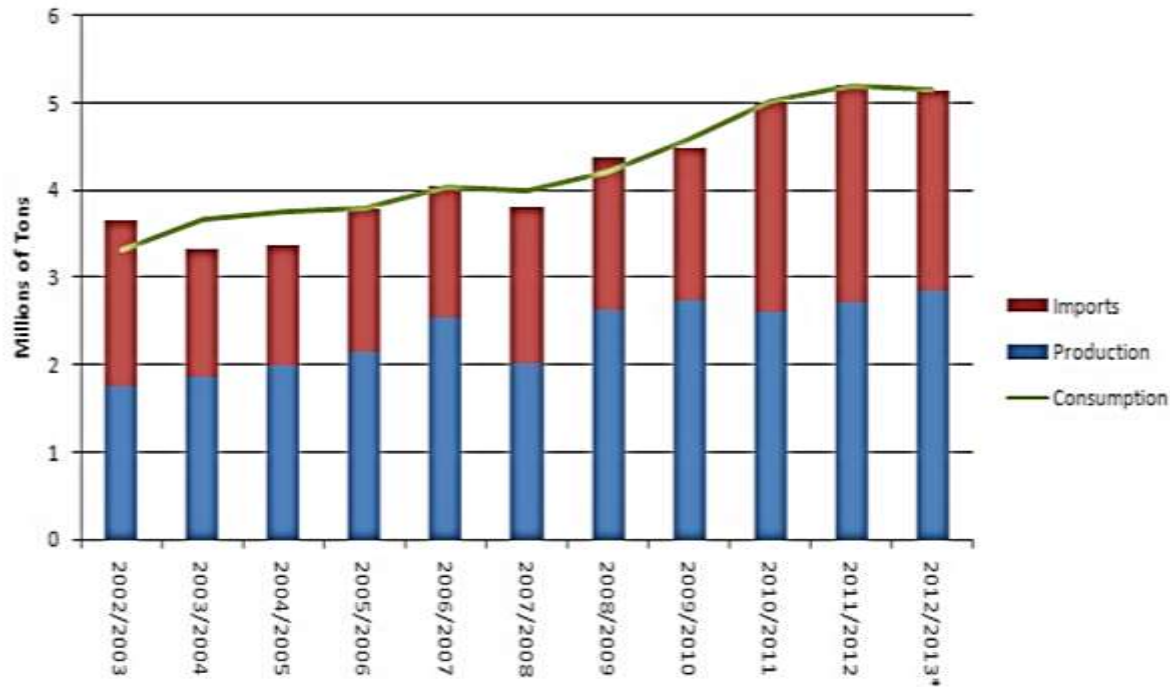
# Overview of Rice Sector in Nigeria

# Rice Sector in Nigeria

## Production, Importation and Consumption

- Local production was 2.7 million tonnes in 2013.
- Importation was 2.9 million tons in 2013 and expected to reach 3 million tonnes in 2014, representing 3.4% increase.
- Consumption is expected to rise from 5.4 million tons in 2013 to about 6 million tonnes in 2014 representing an increase of about 11% in consumption.
- The rice sector has contributed N320bn (about \$2bn) to the nation's GDP). The sector is capable of contributing up to \$9bn
- The sector has created about 670,000 jobs
- High yielding varieties such as FARO 45 and 52 with yield of 6-7 ton/ha against traditional varieties yielding only 1.5-2.0 tons/ha are being adopted
- Nigeria plans to ban rice importation by 2015, but reaching self-sufficiency remains a challenge.

Nigeria - Rice Production, Consumption, Imports (2002-2013)  
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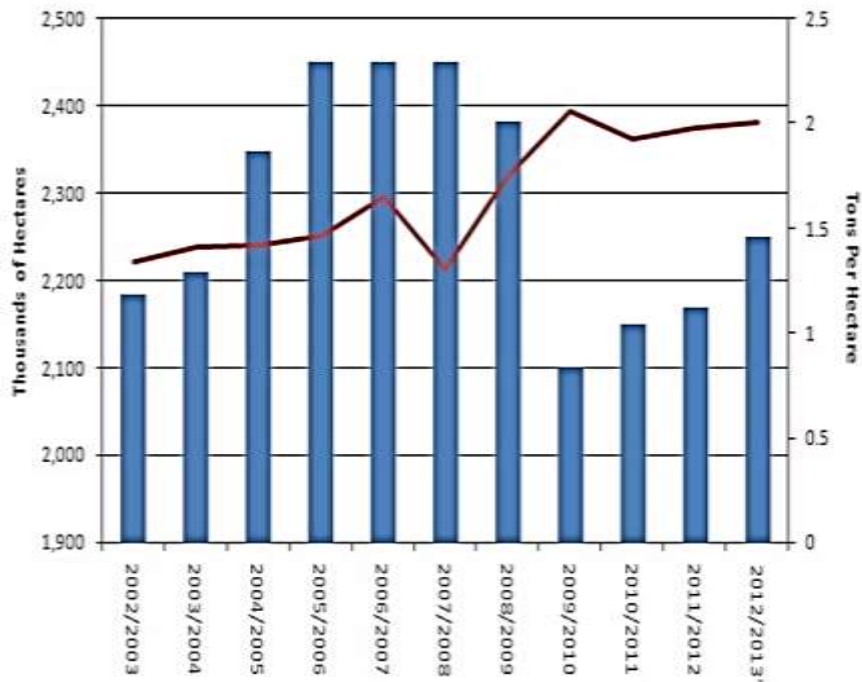


# Rice Sector in Nigeria Cont'd

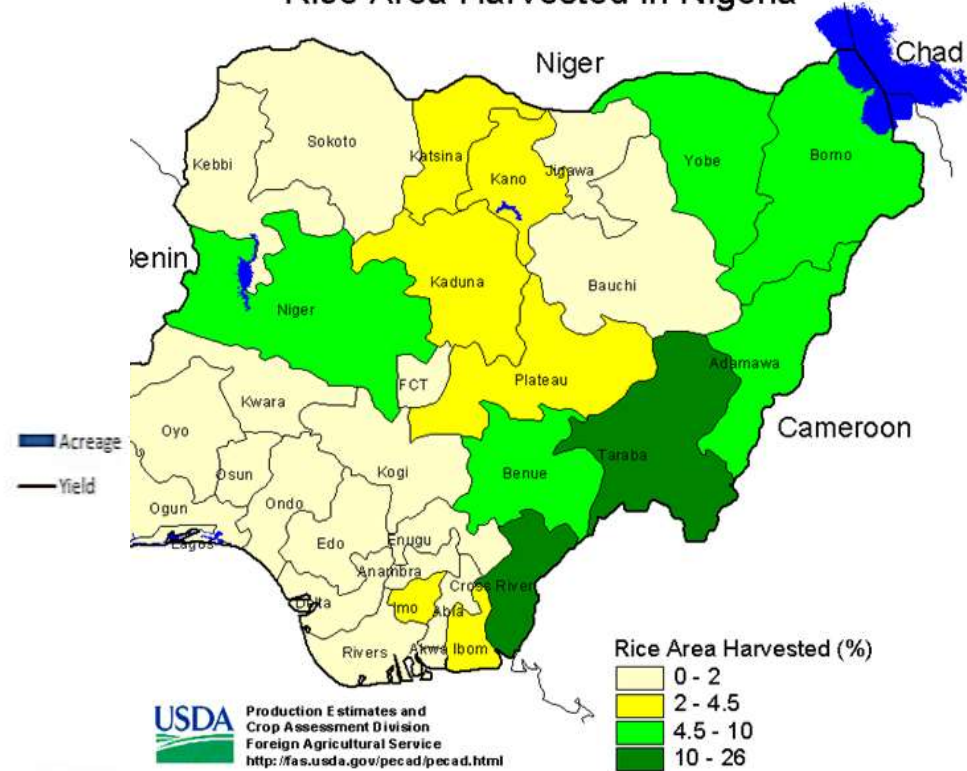
## Production

Nigeria - Rice Acreage, Yield (2002-2013)

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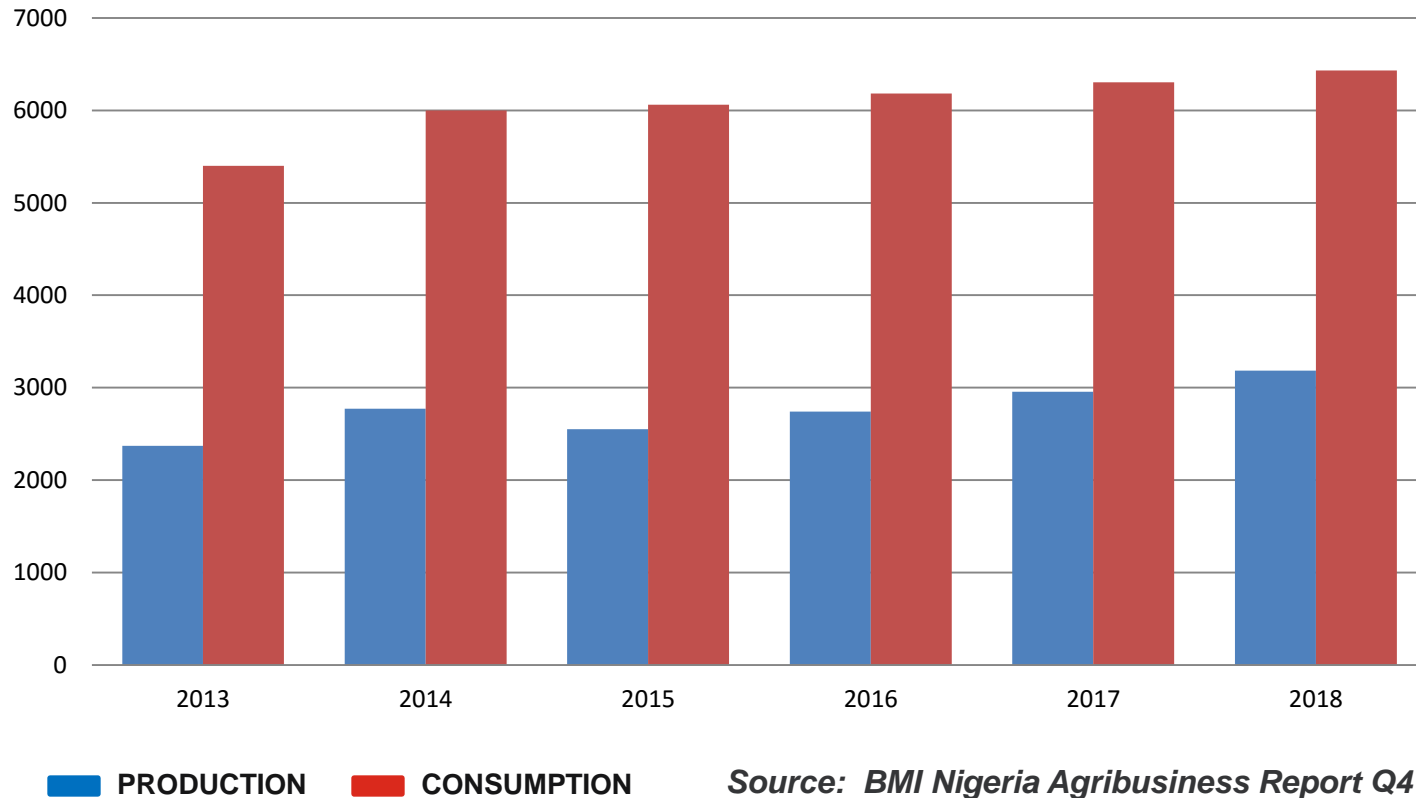


Rice Area Harvested in Nigeria



## Historical data and Forecast on Production/Consumption of Rice in Nigeria.

(000 Tonnes)



# Financing needs of the Rice Value Chain ( Perspectives on Nigeria and West Africa)



# How big is the Financing Requirement for West Africa's Agriculture?

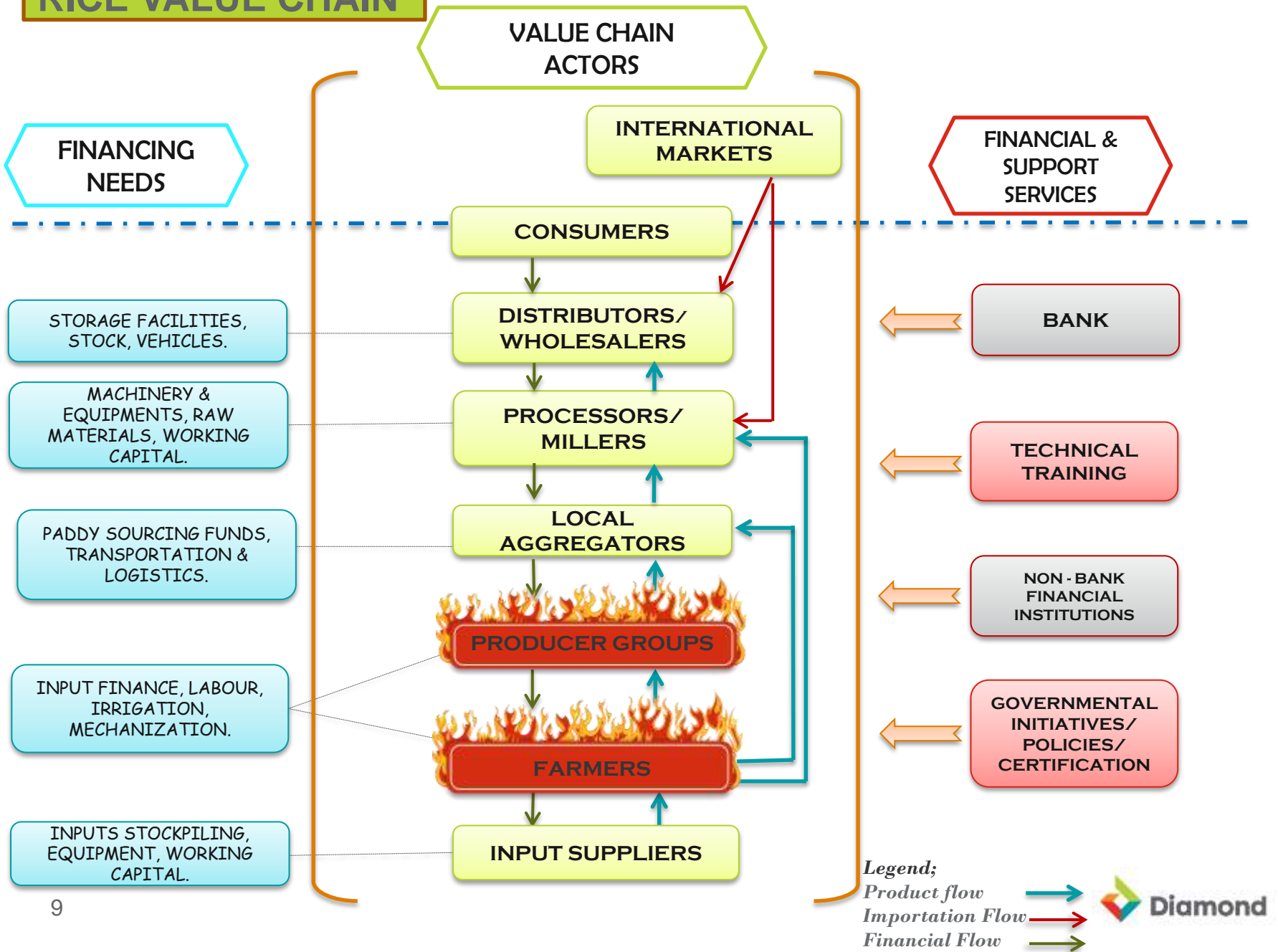
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- According to FAO, global food production needs to grow by 70% to feed 9.1bn people in 2050.
- This expansion in agricultural output will require an average annual net investments of US\$83billion.
- Of the total, US\$11billion would be needed in Sub-Saharan Africa, where predominant number of farmers are small holders-estimated at close to 50 million farms
- The projected investment needs US\$20 billion going to crop production (e.g. rice)
- A further US\$50billion would be needed for downstream services to help achieve a 70% expansion in agricultural production by 2050.

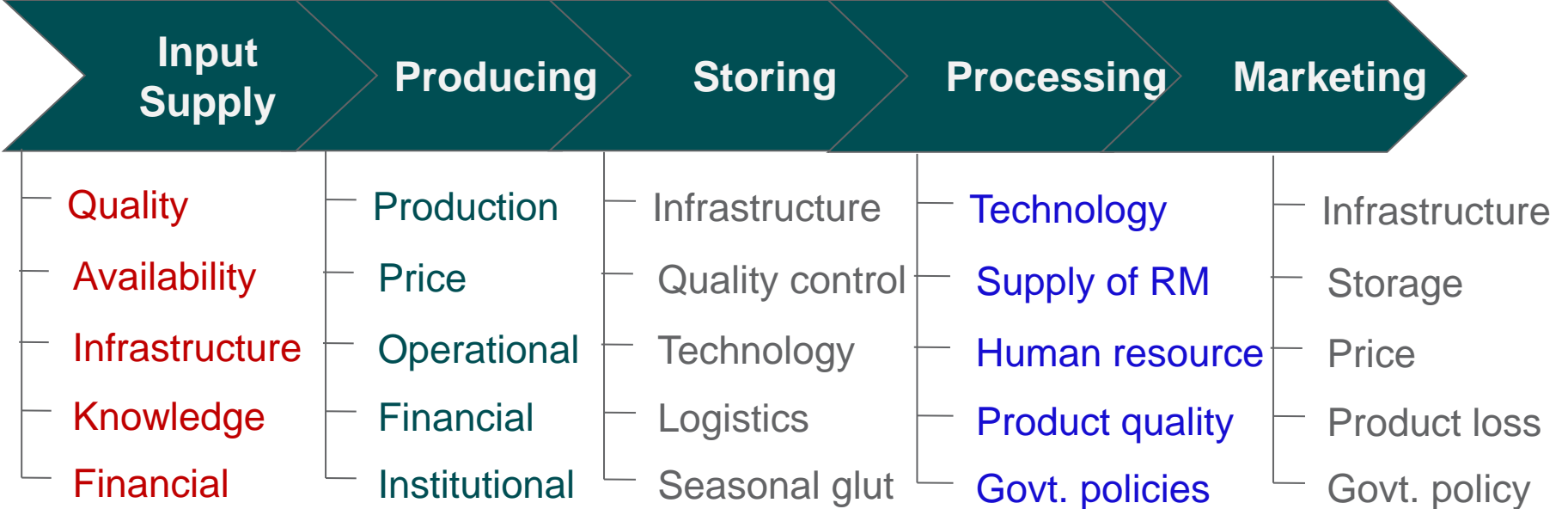




# RICE VALUE CHAIN



# Risks Along the Agricultural Value Chain



# Risk Mitigation Tools

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1. WAREHOUSE RECEIPT FINANCE
2. MARKET INFORMATION SERVICES
3. CONTRACT FARMING/OUTGROWERS
4. CROP AND WEATHER INDEX INSURANCE
5. ACCESS TO TECHNICAL ASSISTANCE
6. USE OF FUTURES AND OPTIONS



***SOME RISK MANAGEMENT TOOLS ARE MORE PRACTICAL FOR SOME AGRO-INDUSTRIES AND WHOLESALERS, BUT CAN STABILIZE PRICES AND REDUCE RISKS FOR ALL PRODUCERS AND BANKERS.***

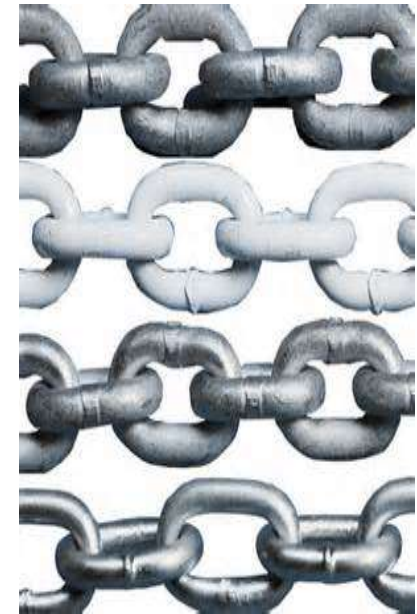
# Promoting Strong Value Chain Linkages

# Factors Influencing Promotion of Strong Value Chain Linkages

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The following are enabling factors which strengthen value chain linkages;

- Agriculture inputs and extension services
- Contract farming and out-grower schemes to build economies of scale for suppliers and for farmer competitiveness
- Import and export competitiveness
- Legal structures (e.g. land use and warehouse receipts)
- Energy and Infrastructure
- Providing support services in the field of market intelligence
- Government Subsidies
- Improved business planning and access to technology
- **Finance etc.**



# Breaking the barriers to large scaled production of Rice



# BREAKING THE BARRIERS

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- Government to design medium to long term master plan for achieving self sufficiency in Rice production
- Put in place a Multi sector approach to resolution of barriers mitigating against increased production
- Execute more Rice farmer aggregation, training across farming zones and provide clusters of support services
- Drive Increased hectarage under cultivation
- Drive Mechanization of rice cultivation
- Drive increased irrigation farming of rice
- Further Improve Input supplies under GESS
- Commit to Improve Infrastructure
- Take urgent steps to improve legal environment affecting Rice production.
- Crop and weather insurance

- Significant improvements in the above listed areas will dramatically improve the value chain competitiveness
- Risk along the value chain will be greatly minimized
- Investments will naturally follow such outcome in the rice value chain

**THANK YOU**