

Documentation from Competitive African Rice Initiative (CARI) Rice Stakeholder Meeting, April 22nd 2014, Abuja Nigeria

The Competitive African Rice Initiative seeks to improve the livelihoods of at least 122,000 smallholder farmers in Nigeria, Ghana, Burkina Faso, and Tanzania by facilitating market linkages. The core mechanism for implementing the program is a Matching Grant Fund focused on supporting partners to strengthen linkages and build the capacity of the broader value chain actors. The Rice Stakeholder Meeting included participants from the public sector, private sector and social sector. The goal of the meeting was to discuss priorities, challenges, and opportunities as well as better understanding the underlying business models of actors in the rice value chain to enhance the delivery of the program.

The meeting was opened by Professor Olumuyiwa Osiname, Head of the Federal Ministry of Agriculture and Rural Development (FMARD) Rice Value Chain Transformation Agenda in Nigeria. Additional welcoming remarks were shared by Richard Rogers on behalf of the Bill and Melinda Gates Foundation and Wolfgang Bertenbreiter on behalf of GIZ. Dr. Stefan Kachelriess-Mathess, Head of CARI Program introduced the CARI team and provided an overview of the program's progress to date. The respective heads of the CARI Program implementation in Nigeria, Ghana, Tanzania and Burkina Faso (Solomon Agamah, Frederick Phillips, Bahoude Toure, and Mary Shetto) presented highlights of the activities, key challenges, and lessons learned in each of the countries. Three of the existing Matching Fund grantees (Godfrey Sunday on behalf of Niger State Rice Investment Consortium/Onyx Rice Mill from Niger State, Nigeria; David Achimugu on behalf of Vancol/Ajifa from Kogi State, Nigeria; and Lazaro Mwakipesile on behalf of Raphael Group/Southern Highlands Rice Consortium from Mbeya Region in Tanzania) also shared their experience in the CARI program so far, including their interactions with the farmers and other value chain actors, and their experience with securing access to finance.

Discussions proceeded on three topics of interest: challenges to scaling; access to finance; and policy and advocacy.

Challenges to Scaling

Participants discussed four key challenges to scaling Matching Fund projects within CARI:

- 1) Establishing trust amongst various actors within the rice value chain
- 2) Managing and enforcing contract farming arrangements
- 3) Organizing farmer based organizations (FBOs) and other rice sector actors
- 4) Managing risk of innovations

The following insights emerged from the working group discussions:

- It is critical to build relationships over time; many actors have had bad past experiences and broken promises which creates an ongoing feeling of mistrust
- Off-takers who are willing to show good faith and actively provide farmers with support (e.g., access to inputs, training) throughout the growing and pre-harvest activities may build more successful relationships
- Enforcement of contracts requires mutual commitment; farmers and off-takers must both appreciate the value of working in partnership together in order to resist the temptation to engage in "side-selling" and "side-buying"
- Developing and operating a shared profit model may incentivize farmers to honor contracts with off-takers

- Several FBOs are donor-dependent; in order to achieve financial sustainability, they will require support in areas of governance, accounting and finance, and management; CARI Farmer Business School (FBS) training provides an initial platform to engage with FBOs; the additional capacity-building required to support FBOs could be delivered as a follow-up activity
- Effective contract farming arrangements have been successfully established by companies operating in particular regions (such as Rafael Group in Tanzania) and in other value chains (such as Wacott in cotton); lessons can be learnt from these examples and adapted for the rice sector in specific countries
- Although there are technological risks that must be managed in installing and maintaining tube wells, dry season farming in Nigeria provides the potential for higher yields of rice paddy due to the controlled conditions and drier climate which is less conducive to pests
- The integration of tube wells and other irrigation systems which enable dry season farming provide the opportunity for farmers to increase their incomes; an assessment of the profitability of farming rice in addition to or in lieu of farming other crops on irrigated land can provide valuable information to help farmers determine the “returns to water”

Access to Finance

Six financial institutions were represented at the meeting: Root Capital, First Bank of Nigeria, Union Bank, Oikocredit, Mainstreet Bank, and Nigeria Agricultural Insurance Corporation. The session started with an overview of each of the financial institutions and their experience with the rice value chain. Subsequently, participants discussed four key financing needs: pre-financing of inputs for farmers; working capital for millers (e.g., to purchase paddy); growth capital for millers (e.g., to fund capital expenditures on storage facilities or equipment); and access to public financing.

The following insights emerged from the working group discussions:

- Risks of providing inputs to farmers on credit include farmers selling inputs (rather than using them on their farms) and selling produce outside of contract agreements (side-selling); FBOs likely need to be strengthened to better understand and support input credit models
- Input credit models may need to be piloted with a relatively small group of farmers before being scaled up; approach for scaling up may involve encouraging farmers who have successfully repaid input credit to recruit additional farmers to participate
- Many traditional banks have a limited understanding of the agricultural sector; interaction with financial institutions that have successfully implemented agriculture-specific lending can provide a useful opportunity to exchange knowledge about models such as using demand contracts as collateral or lending against cash flow projections
- Banks as financial institutions are ultimately concerned with understanding the financial viability and management practices of the business to be financed; businesses need to be prepared to share relevant information (including credit history, repayment history, business performance, market position, management system, and social and environmental practices) and anticipate time for information to be reviewed before receiving funding requested
- Commercial banks can potentially reduce their cost of capital by securing capital from government agencies or development finance institutions; these funds may be required to be invested specifically in agriculture projects

- The model of establishing a bank of agriculture (e.g., in China and India) may also enable the creation of financial institutions that have a strong incentive to lend to agriculture value chains
- Establishing consortia of actors (involving MOUs or formal agreements between multiple stakeholders within the rice value chain) can potentially reduce the perceived risk by financial institutions and lower the collateral requirements for any single party; key parties to include in consortia are farmers/FBOs, off-takers/millers, input suppliers and potentially training/capacity-building service providers
- Although most farmers lack bank accounts, evidence of transactions between farmers and other rice value chain actors (e.g., off-takers or input suppliers) may provide adequate documentation for financial institutions to consider providing financing to FBOs; ICT-enabled systems may facilitate this documentation
- Evidence of participation in business skills training programs such as Farmer Business School (FBS) may also increase interest from financial institutions in providing credit to farmers
- Equipment rental centers and/or after-sale maintenance services can reduce the cost associated with equipment purchases for farmers
- Agricultural insurance can provide guarantees to farmers and reduce the perceived risk to financial institutions

Participants were encouraged to continue discussions with each other to continue to share knowledge and explore opportunities to work together.

Policy and Advocacy

Nana Ama Opong-Duah presented an update on the main activities and priorities under the policy and advocacy objective within CARI, which ultimately seeks to improve the policy framework for the rice value chain in Africa. To date, the activities (led by the John A. Kufuor Foundation and Kilimo Trust) have focused mainly on organizing and strengthening rice councils and associations, reviewing rice standards, identifying priorities for various actors within the rice value chain, and initiating private and public sector dialogues to further the implementation of national rice strategies.

A subsequent discussion on the scope of CARI activities and potential additional areas for consideration highlighted the following points:

- It is critical to differentiate the concerns and interests of various categories of stakeholders within the rice value chain (e.g., farmers, input suppliers, millers)
- The mandate and organizational strategy (including funding model) for different bodies within the rice sector differs considerably; it will be important to identify which organizations are most relevant for CARI to engage and support
- Farmer associations should primarily be business-oriented, rather than politically motivated; associations which have a business rationale will likely remain active regardless of the policy agenda of the current government
- Policy and advocacy may be an effective approach to address key issues including:
 - Promotion of seed certification to enable access to quality seeds
 - Use of government-developed infrastructure for irrigation

The meeting concluded with an expressed commitment to supporting CARI from Sourakata Bangoura on behalf of the Food and Agriculture Organization of the United Nations (FAO) and closing remarks from Stefan Kachelriess-Matthess and Professor Olumuyiwa Osiname.

