Speech by Governor Godwin Emefiele, *CON*
During A Meeting with Officials of State Governments And Rice Processing Companies
At GCC Meeting Room Central Bank Of Nigeria (CBN) Headquarters, Abuja
On July 2, 2015

I welcome you all to this very important meeting, with the primary objective of exchanging ideas and agreeing on a road map on how to resolve the situation we find ourselves as a nation, where we spend huge amounts to import items which could be produced locally, thereby exporting jobs to other countries at the detriment of our local industries.

Most of you are aware that on June 23, 2015, the Central Bank of Nigeria announced a new policy that excluded 41 items from being procured with foreign exchange from the Nigerian foreign exchange markets. (Interbank and BDCs).

The new policy measure was introduced to help conserve our foreign reserves as well as facilitate the resuscitation of domestic industries and improve employment generation in the country.

As often quoted in several economic reports N1.3trillion, is what we spend on average importing rice, fish, sugar and wheat into Nigeria annually.

You will all agree with me that the country can never fully attain its true potentials by simply importing everything into the country. Unfortunately, this trend has resulted in the low operating capacities of our manufacturing industries and cannot be allowed to continue.

Let me talk specifically about the case of rice, which is why we are all here this morning.

Nigeria as we all know, is a major rice producer with over 20 key rice producing states in the country with most cultivating under two seasons: wet and dry seasons. Rice is one crop in which the country has comparative advantage to easily become self-sufficient given the huge potentials that exists. Today, rice is no longer considered a luxury food to millions of Nigerians but has become a cereal that constitutes a major source of calories for both the rural and urban populations of the country.

Indeed figures from the Federal Ministry of Agriculture and Rural Development indicate that in the period 2012 to 2014 paddy rice production in the country grew from 4.5m MT in 2012, to 7.89m MT in 2013, peaking at 10.7m MT in 2014. The capacity of the country to achieve even better production figures cannot be overemphasized, considering that only about 40% of the available potential land area for rice production is currently being cultivated.

Nevertheless, the production figures above show that in recent history, the country had never witnessed such rapid growth of paddy rice production. Added to the increase in primary production, there were huge investments made to ramp up the local capacity for integrated rice milling. As a consequence the number of integrated rice mills increased from only one in 2011 to about 24 by 2014.

The country, it seemed was on the fast track to self-sufficiency in rice production, with the lofty ambition to be a net exporter in the foreseeable future.

In a bid to further encourage investments in the local rice production and milling industry, the Federal Government in May 2014, launched a new rice policy through the introduction of an import duty differential on rice (brown or polished) imported by investors in the sector with a verifiable backward integration agenda.

Ironically, the massive importation of rice in the past year seems to have resulted in a glut in the local rice market. Consequently, this has affected our local rice paddy farmers, who are left with huge unsold stock of paddy across the country.

The CBN is determined to stem this unfortunate trend. We therefore wish to appeal to those of you who are Rice importers to desist from the practice of importing Rice into the country rather than patronize the locally produced Rice. Let me reiterate myself that the denial of FX for import of these products including Rice from the interbank did not connote that importers should now resort to purchasing FX from the BDCs and parallel market. The BDCs and Banks have been advised to desist from such practice and anyone caught in this practice will be sanctioned.

In a bid to salvage the industry, encourage farmers to go back to their farms and increase the low utilization capacities of our mills, you will agree with me that it was expedient to include rice in the FX exclusion list.
This meeting has been called specifically to address this seeming glut of rice paddy in the country, how these will be mopped up by rice millers and also going forward the development of a long term implementation plan to create an efficient ecosystem whereby millers work in close partnership with local rice paddy small holder farmers to create sustainable outgrower schemes.

In line with the objectives of this meeting, the CBN as part of its developmental initiatives has introduced the 'Anchor Borrower Programme'. The programme has been designed to create economic linkages between farmers and processors to not only ensure increased agricultural output of rice paddy but also importantly close the gap between production and consumption by ramping up utilization capacity of our integrated rice mills.

If these noble objectives can be achieved, it is not unlikely that the country will require even more integrated milling capacity to meet the huge local production of rice paddy.
I am very glad to see here today, credible millers and investors in the rice value chain who have been joined by representatives of the state governments of some key rice producing states. This shows the commitment of all stakeholders to the success of this laudable program.

The meeting today is not to apportion blames to any party on the current prevailing situation but to identify ways for all stakeholders to work together in a creative synergy to mop up any excess unsold paddy and going forward key into the CBN's 'Anchor Borrower Program'.

I enjoin us all to have a fruitful deliberation today and collaborate with the CBN to ensure that in the next few years our great country Nigeria will no longer be one of the world's highest importer of rice but a net exporter of the commodity.

I thank you once again for coming.