agritrade

Informed Analysis, Expert Opinions

Update December 2014

Executive brief


© Agra, Jeff Haskins

Rice sector

1. Background and key issues

Higher rice prices and rapid growth in domestic rice consumption in a range of ACP countries have stimulated renewed policy interest in boosting rice production, resulting in the launch of several regional rice production initiatives, especially in the use made of trade policy tools. However, in West Africa, divergent rice trade policies have stimulated high levels of rice smuggling, which in turn has led to a review of the trade policy in the affected countries.

"There has been strong growth in rice investment and production in Africa – but growth in consumption has been even higher"

While there has been strong growth in rice investment and production in Africa, growth in consumption has been even higher, leading to Africa becoming a major market for Asian rice exporters. Rice sector production and trade policies in major rice producing and exporting countries have a significant effect on rice sector development in West Africa, where major price competitiveness and quality issues are faced in delivering consumer-ready rice to urban markets.

Eastern and Southern African countries that promote rice production face similar problems of price competitiveness and quality. Progress towards increased self-sufficiency objectives varies between countries, as do rice yields and costs. There is considerable debate on appropriate levels for rice import tariffs, given the need to reconcile producer and consumer interests. Moves towards closer rice sector tariff policy harmonisation are nevertheless under way in the East African Community (EAC).

Issues related to improving the efficiency of rice supply chains need to be addressed, as trade protection is to be reduced in the long term across Africa.

Higher rice prices have facilitated market diversification among traditional Caribbean rice exporters (Guyana and Suriname), which previously benefited from high margins of tariff preference on the EU market. Efforts have been successfully launched to dislodge US rice exporters on certain ACP Caribbean markets (e.g. Jamaica). However, regional markets are facing increased competition from major Asian rice exporters, and public policy decisions in countries such as Thailand are becoming more relevant to Caribbean rice exporters. Likewise, new WTO rules on public sector support to rice producers on food security grounds take on increasing significance.

Despite the erosion of the value for traditional trade preferences and the large decrease of Caribbean rice exports to the EU over the last 10 years, the EU seems to remain a potentially attractive market for Caribbean rice exporters as the exportable surplus increases. This is particularly the case for higher-value milled and retail-ready packaged rice exports. Although EU rice consumption growth is slowing down, imports are still projected to increase by 50% by 2022. Significantly the EU's rice trade regime has allowed imports to increase while sustaining EU rice production. Revised EU maximum tolerance levels for cadmium in food could potentially become an issue in the rice sector.

In the Pacific, efforts continue to encourage investment and boost local rice production, although a more cautious approach to using trade policy tools in this context is now apparent.

2. Latest developments

Global and EU rice sector developments

"A new price context appears to be emerging in the rice sector – higher average global rice prices"

Contradictory short-term and long-term trends emerged in the rice sector in 2013/14, linked to public policy decisions in major rice producing and exporting countries. According to analysis from the UK Overseas Development Institute (ODI), despite price volatility, a new price context appears to be emerging in the rice sector, namely the end of low rice prices and the emergence of higher average global rice prices (until mid 2013 average rice prices were about 120% above price levels). This is seen as creating opportunities for African rice producers (see *Agritrade* article 'Do rising rice prices present an opportunity for African farmers?', 2 December 2013).

"Change in public stockholding policies in major rice producing/consuming economies could carry significant implications for global rice prices"

Since the 2007/08 price surge, rice prices have remained high despite production growth slightly exceeding growth in rice consumption, as a result of major rice producing/consuming countries (China, India and Thailand) maintaining public stock levels at 60% above the 2006/07 period (up from 50 million to 80 million tonnes). Any change in public stockholding policies in the three major rice producing/consuming economies could therefore carry significant implications for global rice prices.

This became apparent in 2013/14 when the Thai government began disposing of its rice stocks, which led to a surge in Thai rice exports, accompanied by a rapid decline in Thai rice prices (–23.6% to –41.5% from July 2013 to May 2014, depending on variety and quality). By May 2014, Thai rice prices were between 29.6 and 39% below average 2012 rice prices. After May 2014, however, the trend began to reverse as the new military government halted rice exports pending a review of the national rice situation. Recent Thai rice price developments highlight the effect that central public policy decisions have on global rice market developments.

The ODI conclusion regarding the end of cheap rice on the world market appears to be supported by the July 2014 FAO Rice Market Monitor findings, which showed growth in rice production slowing down from an average of 2% per annum since 2000, to 1.1% in 2013, and a projected 0.52% increase in 2014 (see Table 1). Rice consumption meanwhile continues to grow strongly at 2.9% in 2013/14, and a projected 2.2% in 2014/15. As a result, FAO is projecting a production deficit in 2014/15 for the first time in a decade.

A further development potentially reinforcing this trend is the finding in the 2014 OECD/FAO Agricultural Outlook report that the accelerating demand for livestock products is likely to alter patterns of cereal production. Cereal production could well shift from wheat and rice towards coarse grain for use as animal feed, resulting in a decrease of the global expansion in rice production.

However, the consequences of short-term price trends, linked to public policy decisions in major rice consuming and exporting countries, will need to be managed. This may involve careful monitoring of the interpretation and application of the WTO 'peace clause' on public stockholding of food for food security purposes by developing countries (see *Agritrade* special report 'ACP aspirations and expectations and the outcome of the Ninth WTO Bali Ministerial Conference', 11 December 2013). Concerns have been expressed about the scope for unexpected trade outcomes in the rice sector following the implementation of government support now allowed under the peace clause in major rice producing countries. These unforeseen effects could complicate efforts in West Africa to promote greater national rice sector self-sufficiency, as well as Guyanese efforts to find new export markets for its expanding rice production.

Table 1: Global rice market summary 2012–15 (million tonnes milled equivalent)

	2012/13	2013/14	2014/15
Production	490.9	498.0	500.7
Utilisation	477.8	491.5	502.3
Trade	37.1	39.4	39.8
Ending stocks	175.4	181.4	179.7

Source: FAO, 'Rice Market Monitor', July 2014, http://www.fao.org/3/a-i3945e.pdf

The ODI Annual Food Price Review for 2013/14 suggests that to date African producers have responded well to the new price context in the rice sector, with Africa showing the greatest improvement in rice production following the 2008 price spike (see *Agritrade* article 'Strong developing country producer response to the 2008 food price crisis eases global cereal price pressures', 4 August 2014). This producer response has been supported by government and donor efforts to promote an expansion of rice production. The production response led to the US Department of Agriculture (USDA) reporting near-record levels of rice production in sub-Saharan Africa in August 2014. However, despite the production gains in 2014, FAO projects that African rice imports will increase by 4% to 13.9 million tonnes in 2014/15. This compares to average annual imports of 10.3 million tonnes in the 2009/11 period – an increase in imports of 35%. Much of this increase will take place in West Africa, with as much of 8.3 million tonnes of rice being imported into the region in 2014. Overall, according to OECD/FAO forecasts, total African rice imports are projected to increase from the current level of 31% of total global rice imports to 38% in 2023.

In terms of the EU market, to which a limited number of Caribbean ACP rice producers have traditionally exported, the area under rice production has been in decline since 2011/12 (–5.5% by 2014/15). This has seen EU rice production fall (–7.8%). In contrast, EU rice consumption has increased by 1.6% over the corresponding period. In this context EU import demand for rice continues to grow.

In 2013/14 the volume of rice for which EU import licences were issued increased by 13.4% for paddy rice, 3.5% for husked rice, and 30.4% for milled and semi-milled rice. Overall. the milled rice equivalent tonnage allowed under import licences increased by 17.6%. In terms of actual trade flows, in June 2014 the EC reported a 3.9% increase in rice imports from September 2013 to May 2014 compared to the corresponding period in 2012/13.

However, with the erosion of the value of traditional rice sector preferences arising from the process of Common Agricultural Policy (CAP) reform and market access improvement for non-ACP least developed country rice exporters, the attractiveness of the EU market to ACP rice exporters has been greatly reduced.

"The attractiveness of the EU market to ACP rice exporters has been greatly reduced"

While licences for EU rice exports in 2013/14 increased by 29.3%, in 2013/14 the varieties of rice exported largely target non-ACP markets and do not directly compete with ACP rice production.

West and Central Africa rice sector developments

The main production and trade developments

According to the FAO's July 2014 Rice Market Monitor, the 2013 rice season in West Africa yielded a harvest of "an all-time high of 13.7 million tonnes (8.7 million tonnes, milled basis)". Tentative FAO projections for 2014 suggest a further expansion of rice production to 8.8 million tonnes of milled rice. This continued expansion is attributed "to Government assistance and increased investment in the sector", which has increased the area under rice.

However, the rice production picture was not uniformly favourable across the region, with "erratic weather conditions" affecting output, which fell in Benin, Burkina Faso, Ghana, Liberia, Niger and Senegal in 2013. The FAO also forecast a 2% decline in Nigerian rice production in 2014 due to less favourable climatic conditions.

"There has not been any significant progress in reducing rice imports"

Despite the general expansion of rice production in West Africa, there has not been any significant progress in reducing rice imports. In addition to increased import needs arising from declining production in some countries (e.g. Benin, Burkina Faso, Ghana, Liberia, Niger and Senegal), expanding consumer demand for rice across the region is fuelling rice imports. The USDA forecasts that tariff reduction in Nigeria, linked to policy measures designed to promote investment in rice production by rice importing companies, will lead to increased imports in 2013/14 and 2014/15 (25 and 16.7% respectively). This increase in rice imports is occurring despite the announcement in July 2014 of major new rice sector investments in Nigeria.

The availability of cheaper rice from Thailand up to June 2014 also fuelled West African rice imports. Overall, in 2014, West African rice imports are projected to increase by 4% to as much as 8.3 million tonnes.

In Central Africa, farmers in Cameroon have long complained about their inability to compete on price with rice dumped from third countries, with the consequence that growing domestic demand has increasingly been met from imports. In 2009, to reverse the decline in rice production, the Cameroon government launched its National Rice Development Strategy, setting an ambitious target of 627,250 tonnes of milled rice production by 2018. The USDA estimated Cameroonian rice production in 2012 at around 14% of national consumption, with the remainder being met by imports. However, in 2013 FAO reported that Cameroon increased its rice production by 22% compared to the previous year.

In support of the 2018 target, the Cameroon government is reportedly providing assistance for rice research, irrigation, processing and marketing facilities, as well as training, input subsidies and equipment rentals. Some farmers have been critical of the implementation of government support measures, as it is increasingly being recognised that realising Cameroon's rice production potential will require long-term measures.

"Some governments have reduced the duty on rice imports, to take advantage of the scope for rice re-exports to Nigeria"

Although some farmers have called for increased trade protection for rice, in February 2014 Nigeria's *Ships and Ports Daily* website reported that the Cameroon government (together with the government of Benin) had reduced the duty on rice imports, to take advantage of the scope for rice re-exports to Nigeria. It was reported that in Cameroon the government had "introduced a zero per cent duty policy on the commodity, down from 10 per cent". This reportedly resulted in the "diversion of all rice vessels meant for Nigeria to these and other neighbouring countries". However, it is unclear to what extent this actually affected the ongoing process of tariff reforms in Nigeria.

Policy debates in West and Central Africa

A wide number of developments in rice policy have taken place across West Africa in 2013/14, with the following examples being indicative. In 2013 the government of Gambia announced plans to boost rice production by introducing new rice varieties and improving input supplies. The government subsequently announced it was "looking to promote large-scale cultivation of rice, multi-cropping, as well infrastructural improvements". The introduction of a rice import ban was under consideration for 2016.

However, according to FAO, although there was a record level of rice production in 2013, equivalent to 47,000 tonnes of milled rice, some 137,000 tonnes of imports were still required to meet the national rice consumption needs of 178,822 tonnes. The government is therefore reconsidering its decision to ban rice imports from 2016. Any such ban would be contingent on self-sufficiency targets being met. Local experts have convincingly argued that any import ban in the absence of the attainment of self-sufficiency objectives would simply "result in rice smuggling as in the case of Nigeria".

Likewise, the Ghanaian government is looking to actively promote local rice production to reduce import dependency and attain full self-sufficiency by 2018, "when production is targeted to reach 1.2 million tonnes" (see *Agritrade* article 'Different rice sector policies offer scope for experience sharing in West Africa', 29 October 2014). This is to be achieved through special programmes targeting the youth, input subsidies and the "distribution of improved seeds, the rehabilitation and expansion of irrigation systems and the development of water harvesting structures". FAO, however, suggests in the July 2014 Rice Market Monitor that the Ghanaian government's self-sufficiency target may be overambitious, since it would require annual production growth of 20%.

In Liberia the government is encouraging local rice production by introducing a 25% local procurement requirement for all government agencies. This is projected to create a market for some 3,500 tonnes of rice, with the first purchases now being made from rice farmers operating under a United States Agency for International Development (USAID) support scheme. Creating market opportunities for local rice producers through such public procurement initiatives is considered essential if production development efforts are to prove sustainable.

Meanwhile, in Nigeria, the revised rice sector policy, which offers lower tariffs on imports of rice to companies investing in developing backward linkages to domestic rice production and processing, is being implemented (see *Agritrade* article 'Nigeria further extends levy concessions to support rice sector backward linkages', 24 August 2014).

In July 2014, as a result of reduced tariffs, various local and international commodity companies have invested in rice production. According to online reports, Dangote Industries announced an expansion of its rice sector investments from US$300 million to US$1 billion across five states, yielding a projected production of 1.4 million tonnes of paddy rice. Olam International also announced expansion of its rice production, from a planned 6,000 to 10,000 ha. In both cases it is envisaged that a core estate and mill will also support smallholder rice production through the provision of inputs, training and a ready market.

Representatives of Olam maintain the model adopted "demonstrates how large-scale commercial farms could work hand in hand with smallholder farmers to achieve the government's agricultural transformation agenda" (see *Agritrade* article 'Trade policy reforms and private and public sector investments in Nigerian rice sector continue', 26 October 2014). These schemes are seen as evidence of the impact of the policy of providing incentives (including trade policy incentives) to firms that contribute to the attainment of government sector policy objectives. However, despite this investment, according to FAO, Nigeria's 2014 rice harvest is forecast to decline by 2% compared to 2013, owing to less favourable climatic conditions.

Local rice sector players continue to argue that the import tariff differential between Nigeria and its neighbours is likely to continue to encourage smuggling and undermine efforts to develop backward linkages in the rice sector. This would appear to highlight the importance of greater rice sector trade policy harmonisation in West Africa, a development which may be encouraged by the agreement reached by the Economic Community of West African States (ECOWAS) and the West African Economic Monetary Union (more often known by its francophone name UEMOA) on a common external tariff (CET), the implementation of which is scheduled to commence in 2015 (see *Agritrade* article 'ECOWAS agrees common external tariff with greater agricultural protection', 24 February 2014).

Southern and Eastern Africa rice sector developments

The main production and trade developments

In terms of production in Southern and Eastern Africa, Madagascar is by far the largest rice producing and consuming country. According to the FAO's July 2014 Rice Market Monitor, after two poor seasons since 2010, the 2014 harvest is expected to be 19% higher than in 2013, at some 2.9 million tonnes milled rice equivalent. This recovery is a result of "favourable growing conditions", with adequate precipitation and limited cyclone damage, as well as improved pest control measures.

In the EAC, early fears of a reduced Tanzanian rice harvest have receded, with FAO projecting a 4% increase in 2014 over 2013 levels, generating some 1.4 million tonnes on a milled basis. FAO attributes recent production gains in Tanzania to an increase in the area under rice and sustained yield improvements (2t/ha compared to 1.7 t/ha in 2005). This is in part linked to government input subsidy programmes as well as to the growing adoption of improved seed varieties.

In Kenya, meanwhile, production is expected to remain stable at some 95,000 tonnes milled rice equivalent.

Ugandan rice production increased substantially between 2004 and 2010, following the widespread dissemination of new rice for Africa (NERICA) varieties (+80% between 2004 and 2010). Press reports indicated further production gains through to 2012 (+14.7%). However, processes of urbanisation are driving an expansion of per capita rice consumption in Uganda, with 2012 consumption estimated at 350,000 tonnes milled equivalent, thus causing a deficit of growing rice over supply. In addition, quality challenges are also faced in Uganda, as a result of poor processing and poor storage, as well as a lack of information for farmers on how to handle their rice production.

After production gains in previous seasons, a slight decline in rice production is expected in Rwanda after erratic rains and reports of input shortages. Similarly, beyond the EAC, FAO has forecast a 3% decline in Mozambican production to 227,000 tonnes milled rice equivalent, following "localised losses caused by excessive rains and ensuing floods".

A favourable rice production season is foreseen in Zambia and Malawi, with production up by 11% (to 50,000 tonnes or 33,000 tonnes on a milled basis) and 5% respectively (to 131,000 tonnes or 85 tonnes milled equivalent). In the case of Malawi, the improved performance is attributed by FAO to "larger plantings and higher yields under favourable weather conditions".

In terms of the main developments on the trade side, Madagascar is expected to import 3% less rice, while in the EAC a 4% increase in Kenyan rice imports, a 21.5% decrease in Tanzanian rice imports and a stabilisation of Rwanda rice imports at 33,000 tonnes is forecast. Meanwhile, imports into sub-Saharan Africa's second largest rice importer, South Africa, are expected to increase by 4% to 1.4 million tonnes.

Policy debates in Southern and Eastern Africa

> *"Rice sector policy debates are most intense in the EAC"*

Rice sector policy debates in the region are most intense in the EAC. While the EAC CET for rice is set at 75%, national governments may "review the common external tariff structure and approve measures designed to remedy any adverse effects which any of the Partner States may experience by reason of the implementation" of CET commitments, according to the EAC Protocol on the Establishment of the East African Customs Union. This has given rise to the application of various rice tariffs within the EAC. In the case of Kenya, the application of reduced tariffs on rice imports from Pakistan has been linked to reciprocal concessions on Kenyan tea exports.

During 2013/14 pressure mounted on the Tanzanian government to increase the applied tariff on rice imports "to ensure that the domestic market is not saturated" by cheap rice imports. Geoffrey Kirenga, the CEO of the Southern Agriculture Growth Corridor of Tanzania (SAGCOT) argued that the 2013 government decision "to waive import duty on 60,000 tonnes of imported rice… was wrong and the mistake should not be repeated" in 2014. Mr Kirenga maintained that the decision led to declines in local rice prices, while increased competition for Tanzanian rice was also faced on regional markets (see *Agritrade* 'Calls for consistent application of rice import tariffs called for by Tanzanian rice sector stakeholders', 21 July 2014). The market situation created by imports of cheap rice from Asia resulted in Kilombero Plantation Limited (KPL) – the major company supporting smallholder rice production under the SAGCOT initiative – announcing major financial losses as local wholesale rice prices fell by 54%, making sales of locally produced rice unprofitable, resulting in an accumulation of rice stocks.

However, it was recognised that unilateral action by the government of Tanzania would encourage smuggling. Against this background a collective EAC-wide approach was favoured, with EAC ministers agreeing in June 2014 to increase the applied EAC tariff from 25 to 35% (with a minimum tariff of US$200/tonne, up from US$100/tonne in the face of falling global rice prices).

Only Uganda exempted itself from this decision, preferring to maintain its 75% duty in order to promote domestic rice production (see *Agritrade* article 'Debate intensifies around East African Community rice tariff', 30 October 2014). This collective agreement allowed the Tanzanian government to let its 2013 tariff waiver lapse without any fear of fuelling intra-EAC rice smuggling.

Rice farmers welcomed the increased protection introduced. Kenyan farmers also called for more investment in irrigation and more support for input supplies. Kenyan rice importers, however, complained that the increased tariff could drive small-scale importers out of business, while Pakistani rice exporters claimed the new charges would see the total fees collected on Kenya's annual rice imports increase from US$180 million to US$260 million. To date the Kenyan moves to increase tariff protection in the rice sector have not led to any countervailing moves by the Pakistani authorities with regard to Kenyan tea exports.

> *"According to FAO, setting appropriate CET rates for staple food products is a key policy matter"*

FAO has consistently highlighted how setting appropriate CET rates for staple food products is a key policy matter. This is, however, closely related to the issue of effective national management and implementation of regionally agreed tariff policies. The limited analysis that has taken place to date suggests that an import duty of 35% would enable both efficient and average EAC rice producers to remain competitive, but that the benefits would be unevenly spread with, for example, Tanzanian rice producers benefiting at the expense of Kenyan consumers.

The matter of the consumer cost of protecting domestic rice producers is likely to gain in prominence as consumer demand for rice in the EAC grows. This will require an increasing policy focus on bringing about improvement throughout the rice supply chain – from improving production inputs and storage infrastructure, through reducing high transportation costs, improving processing technologies, and harmonising grading and quality standards, to the elimination of non-tariff and informal barriers to intra-regional trade. Improvements in all of these areas will be essential if the price competitiveness of East Africa rice vis-à-vis imported rice is to be enhanced (see *Agritrade* article 'High production potential in East Africa and barriers to intra-regional trade', 13 June 2013). The move towards a more harmonised application of EAC tariffs in the rice sector which took place in 2014 can be seen as establishing a more stable trade policy framework for getting to grips with these challenges.

Caribbean and Pacific rice sector developments

Production trends in the Caribbean

The main rice producers in the Caribbean are the Dominican Republic (DR), Guyana, Suriname and Haiti. In 2013/14 rice production in the DR was 540,000 tonnes, broadly in line with the 5-year average, with a 0.4% increase forecast for 2014/15. Rice consumption in the DR has stabilised at around 550,000 tonnes after a 31% increase in the first decade of the new millennium. A small deficit therefore exists which is met from imports, largely from the US.

Rice production in Guyana has been growing steadily in recent years (around 80% since 2007), with particularly strong growth since 2010. In 2013 alone, rice production grew 25%, and further production growth of 15% is forecast by the government for 2014, taking it to around 614,000 tonnes. (FAO projections are more modest at 570,000 tonnes, while USDA forecasts production at 536,000 tonnes.) This is significantly increasing Guyana's exportable rice surplus.

In 2013 rice production in Suriname saw further growth to 151,000 tonnes, a 26% increase since 2009, with further growth of 4.6% projected for 2014. This reflects the steady growth in rice production since 2010. Domestic consumption grew only 16% between 2009 and 2013, resulting in a 75% increase in Suriname's exportable rice surplus (from 20,000 to 35,000 tonnes).

After a poor season in 2012, rice production in Haiti recovered nearly 26% in 2013, to reach the level attained prior to the poor 2012 season. Although Haiti was largely self-sufficient in rice production until the mid 1980s, an almost sixfold increase in rice consumption up to 2012 has seen rice imports increase dramatically – by 2012 imports accounted for more than three-quarters of rice consumed in Haiti. Because rice imports from the US are priced at half the level of domestically produced rice, some analysts have questioned the commercial viability of promoting rice production in Haiti. It has been suggested that promoting the production of traditional root crops could potentially offer better results in terms of national food security.

The main trade developments in the Caribbean

For Guyana the rapid expansion of rice production has created storage problems, requiring major government investment in drying and storage. Over the course of 2013/14 these storage problems gave rise to sustained government efforts to find new export markets and consolidate and expand established markets. This resulted in the government seeking to facilitate rice exports through government-to-government contacts, with pricing negotiations being left to the private sector (where this did not involve sales from government-held stocks). The government also actively sought to address any sanitary and phytosanitary (SPS) issues which might arise in developing exports to new markets.

Difficulties faced in securing export markets, including shipping delays on the renewed rice-for-oil agreement with Venezuela (which in 2013 took 110,000 tonnes of white rice and 88,000 tonnes of paddy rice) led to rice millers deferring payments to farmers, creating concerns over the future financial sustainability of production growth. These concerns have been enhanced by intensified competition from Asian rice exporters on Caribbean and regional markets (including the Vietnam–Haiti government-to-government agreement). The increased Asian competition has meant that Guyanese rice exporters have been barely able to break even on sales to regional markets in the Caribbean.

It was acknowledged that because Guyana had become used to obtaining premium prices for its rice exports (e.g. initially on the EU market and subsequently on the Venezuelan market), the issue faced was not simply finding new export markets, but finding sufficiently remunerative new export markets in order to sustain production expansion.

> *"Guyana's regional export strategy has focused on dislodging the USA as a supplier to the Caribbean region"*

A key element of Guyana's regional export strategy has focused on "dislodging the USA as a supplier to the Caribbean Region" (see *Agritrade* article 'US loses out to intra-CARICOM rice exporters as Guyanese rice exports increase', 23 March 2014). This was successfully achieved on the Jamaican market, with US rice exports to Jamaica falling from 46,000 tonnes in 2008 to zero in 2013. Guyana supplied some 60,000 tonnes of Jamaica's import needs and Suriname most of the remainder. According to USDA, the success of Caribbean rice exports on the Jamaican market is attributable to a 25% CARICOM CET on rice, and preferential treatment for imports from Suriname and Guyana.

In March 2014 private traders from Guyana "struck a deal with Haiti to export 50,000 tons", according to reports on the rice news website *Oryza.com*. The government of Guyana had set a target of 100,000 tonnes of rice exports to Haiti in 2014, with efforts taking place to negotiate a further government-to-government agreement to supply an additional 50,000 tonnes (see *Agritrade* article 'Guyana successfully boosts rice production and finds new markets', 18 October 2014).

Additional markets for rice in Belize, Panama, Brazil, the EU, and even Africa were explored during 2013/14. On 14 August 2014, after 18 months of discussions, a multi-annual government to deal for the export of 5,000 tonnes of Guyanese rice per month to Panama was announced as part of a broader agricultural cooperation agreement. Guyana will supply 50,000 tonnes of the 150,000 tonnes of Panama's annual import needs under this government-to-government agreement, while Guyanese private sector operators will have equal access rights in bidding for the remaining 100,000 tonnes of import requirements. The deal is seen as facilitating the attainment of the Guyanese government's objective of exporting 500,000 tonnes of rice per annum by 2020.

The need to find export markets for rapidly expanded production has seen a renewed interest in EU rice markets. While between 2006/07 and 2012/13 Guyanese husked rice exports to the EU fell by 83% (from 81,142 to 13,812 tonnes milled rice equivalent), in the first 5 months of the 2013/14 season, exports of husked rice to the to the EU increased more than threefold compared to the corresponding period in 2012/13, while exports from Suriname increased by 33%. This needs to be seen in the context of a 20% decline in overall EU rice imports in the first 5 months of 2013/14 compared to the first 5 months of 2012/13.

"The need to find export markets for rapidly expanded production has seen a renewed interest in EU rice markets"

In recent years Suriname has been increasing its exports of milled and semi-milled rice to the EU (+93% since 2006/07). By 2012/13 milled and semi-milled rice exports accounted for 29% of Suriname's rice exports to the EU, up from 14% in 2006/07. For Suriname the EU market now accounts for around 30% of total rice exports, compared to only 3.5% for Guyana.

The renewed interest in the EU rice markets may be reinforced by EU producer pressure to introduce safeguard provisions for rice imports under the 'Everything but Arms' (EBA) agreement, where rice imports from non-ACP EBA beneficiaries now account for 17.5% of EU rice imports, up from 0.5% in 2007/08 (see *Agritrade* article 'Trends in ACP rice exports to the EU', 4 February 2014). Any introduction of safeguards against EBA rice exports could create more market space in the EU for traditional Caribbean rice exporters, particularly Suriname, which is increasingly looking to export processed rice to the EU market. The prepacked retail-ready EU rice market is increasing in importance for rice exporters, with this market component accounting for fully 20% of all EU rice imports in 2012/13.

Initially Guyana's rice market diversification concentrated its efforts on exporting to the lucrative Venezuelan market, which then accounted for 66% of Guyana's rice exports in 2012. By 2014, government-led initiatives to develop new markets and diversify export partners saw Venezuela accounting for only 35% of Guyanese rice exports.

Pacific rice sector developments

Efforts continue in Fiji and Papua New Guinea (PNG) to encourage rice production. These increasingly focus on the development of technical cooperation with Asian rice producing countries (China, Indonesia, Philippines). There are some suggestions that investments in rice production could be linked to fisheries access (e.g. in the context of Philippines–PNG cooperation). However, efforts to use the establishment of an import monopoly to encourage investment in domestic rice production in PNG have been quietly discontinued.

"Efforts continue in Fiji and Papua New Guinea to encourage rice production"

The government of Fiji continues express confidence in the scope for boosting domestic production and reducing rice imports. Under its Rice Revitalisation programme the government hopes to boost production to between 8,000 and 9,000 tonnes, from the 6,873 reportedly produced in 2013 (up from a reported 2,037 tonnes in 2012). In May 2014 the government-owned company Rewa Rice announced plans to develop its own rice production to supplement that of farmers. This forms part of wider plans to develop new rice varieties and rebrand Rewa Rice products. Furthermore, in August 2014, a Korean company announced plans to develop and bring 35 ha of land under rice production.

3. Implications for the ACP

Ensuring that new WTO food security dispensations do not undermine ACP rice production

Policy decisions in major rice exporting countries can impact on global rice prices and have adverse implications for both ACP rice exporters and ACP countries whose governments are seeking to promote rice production in order to meet domestic market needs.

> *"There is a need to carefully monitor the implementation of the WTO peace clause on public stockholdings for food security purposes"*

This suggests a need to carefully monitor the implementation of the WTO peace clause on public stockholdings for food security purposes. ACP governments potentially need to activate the consultation provisions included in the December 2013 agreement with regard to ensuring that measures adopted on food security grounds by major exporting economies do not "adversely affect the food security of other Members", as it is phrased in the clause.

Balancing consumer and producer interests

Opportunities arising for African producers from the prospect of higher global rice prices need to be balanced against the costs to African consumers of price rises for this increasingly popular staple food product. In many ACP countries where governments seek to promote rice production to meet domestic needs, a balanced use of trade policy tools will be required, given the wide discrepancy in the costs of domestic rice production in many of the countries and the price of rice imports. In this context lessons could potentially be drawn from the EU's use of tariff-rate quotas in the rice sector, to reconcile producer interests with those of consumers.

The need for ongoing regional policy harmonisation

The experience in West Africa would appear to highlight the importance of greater rice sector policy harmonisation within regional EU economic partnership agreement configurations and contiguous regions. As the experience in the EAC illustrates, even where a CET nominally exists, the flexibilities allowed within regional integration processes can lead to widely differing levels of applied tariffs. This suggests a need for ongoing efforts at the sector level to promote trade policy coordination and progressive harmonisation, to ensure that special dispensations do not undermine the proper functioning and development of national and regional rice markets.

This is potentially an important lesson as ECOWAS and UEMOA move towards the implementation of the CET agreed during 2014 (see *Agritrade* article 'ECOWAS agrees CET with greater agricultural protection', 24 February 2014).

Sharing rice sector trade policy experience

A wide variety of financial and trade policy measures are being deployed in West Africa to try to boost rice production and reduce the rice import bill. Policy insights could be obtained from an assessment of the effectiveness of the different types of policy measures being applied in the rice sector, in terms of supporting the sustainable production and marketing of rice.

Such an assessment could then provide a basis for a pragmatic step-by-step approach to rice sector policy harmonisation, an essential prerequisite for reducing the adverse impact of informal rice sector trade flows on official government rice sector policies in West Africa. Given the geographical realities in Western and Central Africa, this approach could usefully be extended to neighbouring Central African rice producing and trading countries, given the porous nature of borders in the West and Central African region.

Looking beyond Africa, potentially Pacific ACP governments seeking to promote local rice production could draw on the experience in other ACP counties of using the allocation of import licences to encourage investment in developing local rice production. However, the relatively small size of domestic markets in Pacific ACP countries could limit possibilities in this context (e.g. PNG has only 4% of the population of Nigeria).

Critical questions in the face of rapidly expanding demand for rice in Africa

Despite the unexpectedly good rice production performance in Africa since 2008, African imports of rice have continued to increase. This raises a number of questions:

- How are input-support programmes to be sustained in the long term once donor assistance is terminated?
- What policies are needed to ensure that internal marketing structures operate efficiently in delivering expanded quality rice production to

national markets at prices that can increasingly compete with imported rice?

- What trade policies are required to allow the sustained profitable expansion of rice production, while meeting growing consumer demand for rice?
- What policy initiatives are required to promote greater harmonisation of rice sector policies in ACP regions so that divergent policy implementation does not undermine rice sector development initiatives?

Main sources

1. FAO 2014 July, 'Rice Market Monitor'
http://www.fao.org/3/a-i3945e.pdf

2. OECD/FAO Agricultural Outlook 2014–2023
http://www.oecd.org/site/oecd-faoagriculturaloutlook/

3. ODI Food Prices 2013/14 Annual Review by S. Wiggins and S. Keats
http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8976.pdf

4. *Ships and Ports Daily* website
http://shipsandports.com.ng/

5. *Daily Monitor*, by D. Nakaweesi 'Low local production driving up rice prices', 27 November 2012
http://www.monitor.co.ug/Business/Prosper/Low-local-production-driving-up-rice-prices/-/688616/1629532/-/emf6og/-/index.html

6. *Biznisafrica.co.za*, 'Dangote invests $1 billion in Nigeria's rice production', 12 August 2014
https://www.homestrings.com/news-and-analysis/2014/august/12/dangote-invests-1-billion-in-nigeria-s-rice-production/#.VCVGwGccSUk

7. East African Community Secretariat, 'Protocol on the establishment of the East African Customs Union', 2 March 2004
http://www.eac.int/legal/index.php?option=com_docman&task=doc_download&gid=183&Itemid=47

8. *Oryza.com*, 'Guyana explores new rice export markets, private sector signs 50,000 tons export deal with Haiti', 12 March 2014
http://www.oryza.com/news/rice-news/guyana-explores-new-rice-export-markets-private-sector-signs-50000-tons-export-deal

About this update
This brief was updated in December 2014 to reflect developments since September 2013. Other publications in this series and additional resources on ACP–EU agriculture and fisheries trade issues can be found online at http://agritrade.cta.int/.

The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint international institution of the African, Caribbean and Pacific (ACP) Group of States and the European Union (EU). Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management in ACP countries. It provides access to information and knowledge, facilitates policy dialogue and strengthens the capacity of agricultural and rural development institutions and communities.

CTA operates under the framework of the Cotonou Agreement and is funded by the EU.

Technical Centre for Agricultural and Rural Cooperation (ACP—EU)
PO Box 380
6700 AJ Wageningen
The Netherlands
Tel: +31 (0) 317 467 100
E-mail: cta@cta.int - **www.cta.int**