Rice: the challenge of self-sufficiency

Ghana is willing to increase its domestic production of rice to meet the growing demand and achieve its self-sufficiency. But the preference for imported rice and a weak ECOWAS Common External tariff hinders the development of the sector.

The rice production in Ghana between 2018-2019 was forecast at 510.000 metric tons (USDA 2018), representing a strong growth. This growth is consistent with the country's rice production strategy. However, the potentiality of production has not been fully tapped and there is a huge scope for development of the sector.

Urbanized Ghanaians consume more and more rice

In Ghana, rice is now the second most important cereal after corn. A lot of Ghanaians, whose income levels have improved with the economic development of the country, have switched from the traditional maize to rice as staple food. Approximately 67% of the Ghana's population (non-poor segment) is now consuming rice on regular basis. This change of habit combined with the population growth (2.4% per year according to the World Bank data), explain the drastic increase of rice consumption in Ghana. While in 2014 rice consumption was about 831,000 metric tons, during the 2018-2019 period, it has been projected at 1.12 Million metric tons (35kg/year per capita).

48% of this demand of rice in Ghana is catered by local Ghana rice. The remaining 52% is imported especially for urban consumers who account for 55% of the total population and 76% of the total imported rice consumption.

Imported rice is usually preferred for its constant quality

About 80% of rice is produced in the Northern, Upper East and Volta regions which are therefore considered as the major rice growing zones in Ghana. With the existing natural resources, Ghana has the potential to reach the self-sustainability in rice production.

But urban consumers prefer imported rice for its reasonable pricing and quality. Its physical appearance, its taste and aroma but also the fact that there is less debris and stones attract more urban consumers. And cities have a well-established distribution network for imported rice including four types of outlets which include small retail rice shops, itinerant traders, medium range rice retail shops and supermarkets. Accra and Kumasi are the main retail markets and comprise 60% retail sales of imported rice.

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In contrast, rural markets predominantly deal with local rice. 70% of it is sold unbranded and promotional efforts are not seen to popularize local rice. But the main issue is that local rice has not matched the consistency levels of the imported rice. Local rice has to overcome several challenges: the high cost of cultivation and low productivity, losses in standing crops, post-harvest losses, transport difficulties and frequent interruption of power supply in rice mills. The supply chains of local rice are still semi organized, informal in nature and fragmented. The volatility of US Dollar versus the Ghana Cedi exchange rate is also contributing to the increase in prices of local rice in Ghana (p. 10). All these issues hinder Ghana's potential to become self-sufficient but also to benefit from the growing demand for rice across the ECOWAS region.

Rice import a high yield market

Since West African import markets are not organized, rice traders can use their relative weight to their advantage. The African rice market is easy to predict, as it is dependent on the population, stock levels and rainfall. But it is a high-risk market. Traders want to go for forward-buy to minimize their risks. The competition is such that the most astute traders load their ships and select two optional countries as landing locations. The rest is all about opportunities resulting from trends and trend reversals. African importers buy the cargo on board once they get the green light from their banks, and often through a third party. The number of the parameters used by the trader right to the floating vessel (trends in chartering of vessels, global and local rice prices, fuel prices, etc.) makes rice trade a very risky and high-yield market. The tariffs are low making it easy for traders to import rather than support domestic production.

The issue of low custom duties

Since October 2013, the Economic Community of West African States (ECOWAS) in order to create a customs union, adopted the final structure of the ECOWAS Common External Tariff. This CET, which will be entitled to superiority on the West African Economic and Monetary Union (WAEMU) CET, established a fifth band of 35% which entered into force on January, 2015.

Many stakeholders expected a better protection for rice by the new CET by classifying it into the fifth tariff band because it was ranked as first strategic product in the region. But the final structure of the ECOWAS CET has classed rice in the categories of 5%, 10% and 20% depending on the types of imported rice and classified the milled rice in 10% band like WAEMU. The CET is so small that West Africa and Ghana have rapidly become a free zone for many imported food products including rice.

Yet, the dependency on rice imports is a risky strategy for food security and food sovereignty. It also seriously compromises the effort of governments to increase domestic rice production which should be protected against world price fluctuations and unfair trading.

The dual challenge of the Common External Tariff

To ensure a sustainable growth of the rice sector and meet the objective of food sovereignty advocated by the Comprehensive Africa Agriculture Development Program (CAADP), it is essential to know if the current level of ECOWAS CET will allow achieving this goal and reducing poverty in West Africa. ROPPA is currently lobbying for an increase of ECOWAS import tariff to 35% but in contrary to their viewpoint, the CET should not improve only the producer's welfare but also the consumers' welfare. This is the dual challenge facing policy makers who must not only ensure better income for producers but also a better welfare to consumers. This means ensuring a better quality for local rice for it to match the imported one. ■

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