

The competitiveness of the nigerian rice industry marketing essay



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Introduction and Background

Rice is a very important food crop that is consumed globally, it is an ancient crop that is consumed as healthy and staple food by more than half of the world population. In Nigeria, the status of rice in the average diet has been transformed from being a luxury food item to that of a staple, taking the place of other meals like cassava and yam (Daramola, 2005).

Whenever there is a description or mention of the Nigerian agriculture sector, an array of agricultural products will be listed, e. g. in its economic overview of Nigerian, the Central Intelligence Agency highlighted cocoa, peanuts, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber, cattle, sheep, goats, pigs, timber, fish as Nigeria's agriculture products. The agricultural sector suffers from extremely low productivity, reflecting reliance on antiquated methods; agriculture has failed to keep pace with Nigeria's rapid population growth which currently stands at over 150 million, so that the country, which was once a major producer and exporter of food, now relies on imports. The CIA World Fact book estimates that Nigeria had a total import of \$46. 3 billion in 2008 which is over 50% of its total exports of \$76. 03 billion. Rice, which forms a part of the Nigerian staple meal, and is produced locally in different geographical parts of the country, has also not been spared from being imported. It was highlighted in the 2001 GAIN Report on the Nigerian Rice Situation states that:

“ Nigeria's rice imports in 2001 increased nearly 50 percent over a year earlier to 1. 8 million tons due largely to a shift in consumption from locally-grown, traditional basic food staples to imported parboiled rice.”

(Ezedinma, 2003) also commented that the market for domestic rice have been shrinking as a result of imports.

Background

Nigeria is the most populous country in Africa, with a population of over 150 million. The Nigerian domestic economy is dominated by agriculture, which accounts for about 40% of the Gross Domestic Product (GDP) and two-thirds of the labour force (Akande, 2002)

The Nigerian agriculture production was estimated to have risen by 28% during the 1990s, the country currently ranks 25th in the world, and 1st in Africa in farm output. Nigeria is West Africa's largest producer of rice, producing an average of 3.2 million tons of paddy rice for the past 7 years preceding 2004, rice cultivation is widespread in Nigeria, extending from the northern to southern zones, with most rice grown in the eastern and middle belt of the country. With all of these, Nigeria still heavily relies on importation and consumption of foreign rice. In the global commodity market report on rice importing countries completed by the World Bank as shown in Table 1 in the appendix section, Nigeria stands as number three on the list with 1.4 million metric tons in 2008/2009, and has been projected to import 1.6 million metric tons of rice in 2010 representing 4.8% of global rice import, this is in spite of the fact that rice is cultivated in virtually all the agro-ecological zones in the country with an approximate annual rice production of 2.1 million metric tons and where the demand and consumption of rice is very high.

All above referred reports and studies indicates that even though rice is milled in Nigeria, a country with high demand and supply capacity/potential for rice, the domestic rice industry does not seem to have any competitive advantage over imported rice as the quantity of rice imported into the country continues to grow in both demand and supply which is somewhat indicative that imported rice seem to be more favoured than domestically grown rice.

The purpose of this project is to carry out a competitive overview of domestically produced rice and imported rice in Nigeria to determine why importation of rice is growing faster than domestic production and to determine the competitiveness of domestically produced rice in the Nigerian rice market using the concept of competition as defined by Grant 2008 as being:

“ When two or more firms compete within the same market, one firms possesses a competitive advantage over its rival when it earns (or has potential to earn) a persistently higher rate of profit”.

As opposed to two or more firms competing in the same market, the project will focus on the two products (domestic and imported rice) competing in the Nigerian rice market.

To fully analyze the competitiveness of domestic rice in Nigeria, this project will answer the following questions:

Is there a big enough market for locally produced rice in Nigeria, if so will domestically produced rice be enough to meet the total rice demand in

Nigeria? - With the demand for imported rice, will consumers be willing to switch their rice demands from imported to domestic and can domestically produced rice be enough to meet the demands of the over 150 million Nigerians and make up for the current shortfall that imported rice fills?

Is locally produced rice able to compete with imported rice? - What are the factors affecting domestically produced rice from competing with imported rice, can these factors be changed, if so will it help the competitiveness of locally produced rice.

What factors if any, is affecting the competitiveness of local rice production? - Are there internal and/or external factors affecting locally produced rice from being competitive, if these factors are present, what are they and what strategy should be applied to domestic rice in order for it to be competitive.

My reason for picking this topic stems from my work experience between 1995 - 2001 with Trenko International (Nigeria) Limited where I was employed as the Assistant General Manager, Sales and Administration, the core business of Trenko International (Nigeria) Limited involved the importation of parboiled rice in 50kg bags from Thailand and India for resale in Nigeria. My role in this company amongst many other duties includes completing all the necessary paper work and transaction for the purchase and distribution of all imported rice into the Nigerian market. During this time, I was intrigued at how much rice was imported into the country and how fast the rice was sold, I was also very worried by the fact that even though we had a well known domestic rice industry, retailers and consumers still preferred imported rice. At that time I was not disposed to complete any

analysis of this situation as I was in the employment of one of the biggest rice importing companies in the country, however even after leaving the employment of Trenko International (Nigeria) Limited, I have always been curious to understand the factors that have made imported rice more competitive than domestic rice, having learnt a about competitive advantage in the course of my MBA programme, I decided to use some of my learnings to answer this question.

Current Literature Review

Rice is a very important food crop that is consumed globally, it is an ancient crop that is consumed as healthy and staple food by more than half of the world population. In Nigeria, the status of rice in the average diet has been transformed from being a luxury food item to that of a staple, taking the place of other meals like cassava and yam (Daramola 2005).

With a population of over 150 million, Nigeria is the most populous country in Africa. Its domestic economy is dominated by agriculture, which accounts for about 40% of the Gross Domestic Products (GDP) and two thirds of labour force (Akande, 2001), which makes the agricultural sector very important in the Nigerian economy. In the food sub-sector of Nigerian agriculture, rice has risen to a prominent place as its consumption continues to rise at approximately 10% per annum since the 1970's to the point that domestic production of rice appears not to be able to meet the current consumption demands prompting the country to import rice from other parts of the world. The value of Nigeria's rice industry is estimated to be about US \$5. 56 billion (as at 2002) made up of US 2. 2 billion of imports and US \$3. 66 billions of domestic production, and that the value of the industry is expected to rise to <https://assignbuster.com/the-competitiveness-of-the-nigerian-rice-industry-marketing-essay/>

about US \$ 7.98 billions by 2006 (Daramola 2005), which make the Nigerian rice industry/market very important in the global rice market. In spite of the consistently high rate of import, Daramola 2005 points out that Nigeria has the potential to increase her domestic share of the rice market in a medium to long-term investment strategy that can develop into a self-sufficient industry locally over the next three year. Four year after this report was written Nigeria stands as number top on the table rice importing countries and its rice import is projected to continue to grow.

Rice production occurs in all agro-ecological zones in Nigeria with the middle belt enjoying a comparative advantage in production over the other parts of the country. Production is primarily by small-scale producers, with average farm size of 1-2 hectares. Yield per hectare is low due to production systems, aging farming population and low competitiveness with imported rice (Daramola, 2005).

The Foreign Agricultural Services of the United States Development Agency (USDA) completed an overview of the crop zones of Nigeria as highlighted in Figure 1 in the appendix, which shows the Nigerian crop zones highlighting some major areas where rice is currently planted in the country, it additionally shows that Nigeria has the capacity to be self-sufficient in rice production as virtually all ecologies in the country are suitable for rice cultivation.

Despite the fact that there is currently local production of rice and potential for cultivating rice in more areas of Nigeria, the country's rice production still lags behind and remains one of the worlds largest importer of foreign rice. In <https://assignbuster.com/the-competitiveness-of-the-nigerian-rice-industry-marketing-essay/>

an overview of rice production in Nigeria by the Overseas Development Institute (<http://www.odi.org.uk/resources/download/3044.pdf>, p1), Britain's leading independent think tank on international development and humanitarian issues, it is commented that "Nigerian rice faces competition from imported rice which is considered by some as mentioned in the above referenced document, to be less tasty less." This comment though a personal opinion and not one of every rice consumer in Nigeria, leaves me asking the question why imported rice is still preferred and continues to grow in demand. Research paper will be conceptual means will be library paper (will be develop a model or something).

Even with the rise in imported rice, over the years, the Nigerian domestic rice Industry has seen growth in both supply and demand, Erenstein, O, et al (2003) commented that:

"The Nigerian rice sector has seen some remarkable developments over the last quarter-century. Both rice production and consumption in Nigeria has vastly increased during the aforementioned period."

This development though, does not seem to hinder and/or thwart rice importation as it continues to grow and the country still thrives in importation of rice giving an indication that rice production has still not developed to such a sustainable level that it is sufficient to meet the demands of local consumers and capable of competing with foreign milled rice, as local production of rice has grown, so has rice importation into the country. Daramola, 2004 commented that "Nigeria has the potential to increase her domestic share of the rice market in a medium- to long-term

investment strategy that can develop into a self-sufficient industry locally over the next three years, with almost four fold increase in the industry's employment level, moving from a position of rice import to rice export", but this statement is yet to come to fruition.

In reviewing the impact of trade on domestic rice production and challenges of self sufficiency in Nigeria, it was commented that Rice is generally graded by quality, using factors like percentage of broken rice, sortexed or non sortexed long grain or short grain e. g., the better (less percentage of broken grains) the quality, the higher the price, in essence, quality determines the price that any particular brand of rice is sold (Ezedinma, 2003). With this in mind, it will be important to determine the quality of the locally produced rice in Nigeria i. e. what percentage of the produced rice is broken, this will help determine if it is a factor that is affecting its competitiveness and if it is, what can be done to change this and if locally processed rice are produced to the standard and quality of imported rice, will it have the ability to compete in terms of price.

Over the years, Nigeria has become the largest consumer of rice in Africa; the country produces 4. 2 million metric tones and consumes 6 million metric tones per annum, the country lags in its production compared to consumption. Nigeria meanwhile is making visible efforts under the government's stated policies to increase local production and eliminate the need for imports in the medium term, the government is promoting the adoption of new hybrid rice varieties to help boost rice production. These new varieties are high yielding, early maturing, disease resistant, and high in protein content, the government aims to have 3 million hectares under rice <https://assignbuster.com/the-competitiveness-of-the-nigerian-rice-industry-marketing-essay/>

cultivation by 2007 (Omotola & Ikechukwu, 2006). Based on the goal that was set with these new strategies for Nigeria to be increase local production and eliminate the need for import, Table 1 still shows a trend of continued increase in importation between 2008/2009 1. 4 million metric tons and 2009/2010 1. 6 million metric tons. If these measures have been implemented, why is there still an increase and forecasted increase in rice importation, are there steps or measures to be taken to meet this goal. In an article titled making Nigeria a rice exporter it was commented that “ the growth in consumption of rice can only be met either by increased production or by increased import (Business Day, 2009), which gives hope that it is indeed possible to meet the country’s rice demand locally if the factors to help domestic production are put in place and steps to increase these demands are implemented, however these factors and steps are not further expanded on.

Research Design

The research project will be a conceptual paper where no primary data will be gathered, it will also be a descriptive research as defined by William Zikmund in “ Business Research Methods” which is to determine and describe the answers to research objectives. What I hope will be achieved is a comprehensive look at the Nigerian rice industry using secondary data from previous research paper in the rice industry, library database, conference papers and internet searches to determine if domestically produced rice is competitive with those imported from foreign countries like Thailand, India and the United Stats. The focus will be to look at competitiveness as defined in the business dictionary

“ Ability of a firm or a nation to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them”

The paper will cover some past researches, studies, journals and reports conducted both locally and abroad by on the subject of competition in the Nigerian rice industry and market in the last 39 years 1970 - 2009. In addition to the review of the related literature above for this project, I will be using the Porters Five Forces model which is a framework for industry analysis and business strategy development developed by Michael E. Porter of Harvard Business School in 1979, which uses concepts developing Industrial Organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. This model will be used to analyze the competitiveness and factors influencing the Nigerian Rice Industry and value chain.

The following keywords below were used to search for online research information on the World Wide Web:

Can locally produced rice in Nigeria meet demand?

Nigerian Rice Market

Nigerian Rice Industry

Competition in the Nigerian rice industry

Statement of Results

In the course of writing this project I will not be completing and/or conducting any survey apart from the literature review, data collected by both local and foreign researchers in previous studies relating to this topic will be utilized, all data if and when necessary to be used, will be from secondary sources, my main objective for this project is to give readers a knowledge on domestic rice milled in Nigeria. The expected outcome of the project will be as follows:

To gain an understanding of the Nigerian Rice Industry and market

To find out the geographic area of Nigeria where rice is currently planted and milled and the current approach that is being employed in the domestic production of rice

Determine the competitiveness of domestically produced rice compared to imported rice in Nigeria to see if it is able to compete with imported rice in terms of price and quality and make recommendation if/when necessary

To achieve the expected outcome as outlined above, I will be completing a critical review of existing literature on the Nigerian rice industry and market gathered from sources including but not limited to academic journals, online sources, seminars, newspapers, business magazines and papers from different international rice institute e. g. Africa Rice Center, International Institute of Tropical Agriculture and International Rice Research Institute, I will utilize and apply a number of competitive advantage theories and models from the learning's in my MBA course especially strategic

management including Porters Five Forces, SWOT analysis of both domestic
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and imported rice and an analysis of competitive advantage. I will also use my previous experience in rice importation gathered from working with Trenko International (Nigeria) Limited.

Preliminary Plan

S/N

Activities

Start Date

End Date

Total Days

1

Draft Proposal

1-Dec-09

31-Dec-09

31 days

2

Research of project materials on Nigerian rice

1-Dec-09

7-Dec-09

7 days

3

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Data gathering

1-Dec-09

15-Dec-09

15 days

4

Review of related literature

16-Dec-09

31-Dec-09

15 days

5

Compilation of proposal

16-Dec-09

31-Dec-09

16 days

6

Submission of proposal

31-Dec-09

31-Dec-09

1 day

Final Project

31-Dec-09

31-Mar-10

90 days

1

Further research on Nigerian and Imported rice

31-Dec-09

6-Jan-10

6 days

2

Sorting of final data to be used for the project

6-Jan-10

15-Jan-10

9 days

3

Submission of final proposal

30-Jan-10

4

Abstract

15-Jan-10

31-Jan-10

16 days

5

Introduction

15-Jan-10

31-Jan-10

16 days

6

Background

15-Jan-10

31-Jan-10

16 days

7

Current literature review

1-Feb-10

10-Feb-10

10 days

8

Domestic rice production process

10-Feb-10

15-Feb-10

5 days

9

SWOT Analysis of Nigerian rice industry

15-Feb-10

28-Feb-10

13 days

10

Porters five model frame work of the Nigerian rice industry

15-Feb-10

28-Feb-10

13 days

11

Competitiveness of the Nigerian rice industry

15-Feb-10

28-Feb-10

13 days

12

Conclusion

15-Feb-10

28-Feb-10

13 days

13

Recommendations

15-Feb-10

28-Feb-10

13 days

Final submission

14

Submission of initial draft applied project

1-Mar-10

1-Mar-10

1 day

15

Review of feedback, edits and correction

6-Mar-10

10-Mar-10

4 days

16

Submission of second draft

10-Mar-10

10-Mar-10

1 day

17

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Review of feedback, edits and correction

15-Mar-10

20-Mar-10

5 days

18

Final edit for submission

20-Mar-10

30-Mar-10

10 days

19

Final submission

31-Mar-10

31-Mar-10

1 day

Appendix

Table 1: Rice Global Market Data

Figure: 1 Crop Zones In Nigeria

Source: Foreign Agricultural Service, United States Development Agency.

[http://www.fas.usda.](http://www.fas.usda.gov/pecad2/highlights/2002/03/nigeria/pictures/nigeria_cropzones.gif)

[gov/pecad2/highlights/2002/03/nigeria/pictures/nigeria_cropzones.gif](http://www.fas.usda.gov/pecad2/highlights/2002/03/nigeria/pictures/nigeria_cropzones.gif)

Figure 2: Distribution of rice output by production zones in Nigeria

Source: [http://www.warda.org/workshop/RicePolicy/Chuma.E/Chuma.E.](http://www.warda.org/workshop/RicePolicy/Chuma.E/Chuma.E.Nigeria.Paper.pdf)

[Nigeria.Paper.pdf](http://www.warda.org/workshop/RicePolicy/Chuma.E/Chuma.E.Nigeria.Paper.pdf)