

# Support domestic production of rice

**H**aving become involved in farming over the past three years, I now take a keen interest in government policies that affect the agriculture sector. 80% of Uganda's population reside in rural areas, thus farming provides the livelihood for most of our population, making agriculture a very important part of our economy.

'Operation Wealth Creation' is an attempt by the Government to raise the productivity of farmers and thus increase their standard of living. One lesson they have learned is that it is not sufficient to provide inputs, such as seedlings, to farmers; they must also provide a reliable marketplace for their produce.

Farmers flip between crops and create artificial shortages and gluts, which in turn causes more price fluctuations. If, for example, grain buyers make an investment in drying and storage facilities, they can aggregate from the small farmers, and then get a premium from large buyers for cleaning, drying and improving the quality. They in turn, can then offer consistent prices to the farmer.

It is having relative price stability that allows the farmer to concentrate on a certain crop, improve his farming



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techniques, and increase his outputs. Uganda's domestic rice sector was practically non-existent a couple of decades ago, but since rice is part of our staple diet, we were importing large quantities of rice from countries in Asia.

Such countries produce cheap rice because there are subsidies from the Government to keep the price low for the domestic market. In order to help develop our own rice production, a policy decision was taken to add a

tariff to rice imported from outside the EAC, so as not to flood the market with cheap imported rice.

This government policy has been relatively successful, in that local producers now meet 80% of domestic needs. Rice is grown by a few large commercial farms, along with hundreds of thousands of smallholders. These include many women in the north, who have banded together in cooperatives and are doing well in rice production.

However, several years ago, some businessmen saw an opportunity to import cheap rice, and persuaded the Government (on the basis that there was food shortage at the time) to waive the tariffs. They sweetened the deal by saying that they were only importing brown rice, which needs further polishing to white rice, and thus they were creating value addition and jobs in the milling sector.

They also promised that, in the future, they would take up large-scale rice farming. What happened to this cheap imported rice is not clear, since it does not appear that it was distributed free, nor that it led to the reduction of the price of rice, nor did they take up local rice farming or create any significant number of new jobs.

Their concession from the Government to import duty free rice

has now expired but they have asked Government for a further concession to import 120,000 metric tonnes of 'brown' rice at a low tariff. It is not clear why such a huge quantity is required, since the annual rice consumption in Uganda is 250,000 metric tonnes, and the total shortage of rice needed from outside the EAC would be only 15,000 tonnes per year.

The whole scenario has got the rice industry up in arms, with some of the big commercial producers threatening to pull out completely, since they would be competing against cheap imports, and all the small rice producers crying foul.

The policy of supporting domestic rice production, such that local

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producers have come from near zero, to where they can supply 80% of the market, means that this government policy has been successful and has resulted in massive import substitution.

It therefore, does not make sense to reverse the policy now and destabilise the market by making domestic producers compete with subsidised rice from Pakistan. This is exactly the opposite of BUBU 'Buy Uganda build Uganda' strategy.

So one must ask the question, whose interests would be served by such a shift in policy? It is not the small holders who are producing a crop for which they now get a decent consistent price. It is not the commercial farms, which have invested heavily over the last two decades in order build viable businesses.

The only people who would appear to benefit would be the businessmen who have seen an opportunity to make a quick buck through massive imports of rice, and jeopardise domestic production in the process. If our policy makers cannot understand this equation in two minutes, and ensure that they stick to their original vision, this would be a demonstration of what ails our country – decisions which favour the few at the expense of the many.