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POLICY ANALYSIS

Rice self-sufficiency in Rwanda: policies to ensure it does not remain an elusive goal

How did rice self-sufficiency become a development objective?

Rice is a key component of the Rwandan diet, with a household food budget allocation of about 8.5 percent, ahead of other major staples such as dry beans (7.5 percent) and Irish potatoes (6.9 percent).¹ In the wake of the 2008 world crisis, when higher international food prices threatened national food security, Rwanda set an ambitious goal to be self-sufficient in rice by 2018.

To reduce reliance on imports, the government placed the crop firmly on the national policy agenda as one of the country's priority commodities. This resulted in the National Rice Development Strategy (NRDS 2011–2018), which sought to achieve self-sufficiency in rice production by 2018 and to substantially raise the competitiveness of Rwandan rice in local and regional markets.²

Since then, various strategic policy interventions have been adopted, including a minimum price policy to incentivize production and a rice import tariff to restrict the influx of cheap rice imports and thereby protect domestic producers against foreign competition. When Rwanda joined the East African Community (EAC) customs union in 2009, the Common External Tariff for rice was at 75 percent ad valorem. However, Rwanda has often adopted a lower rice tariff rate, which stood at 30 percent from 2009 to 2011, and rose to between 35 and 45 percent over the last 8 years.

Has the policy environment enabled rice self-sufficiency?

The policies in place have favoured rice production, but have fallen short in achieving the over-ambitious goal of self-sufficiency

¹ See the Fourth Integrated Household Living Conditions (EICV4) at www.statistics.gov.rw/datasource/integrated-household-living-conditions-survey-4-eicv-4

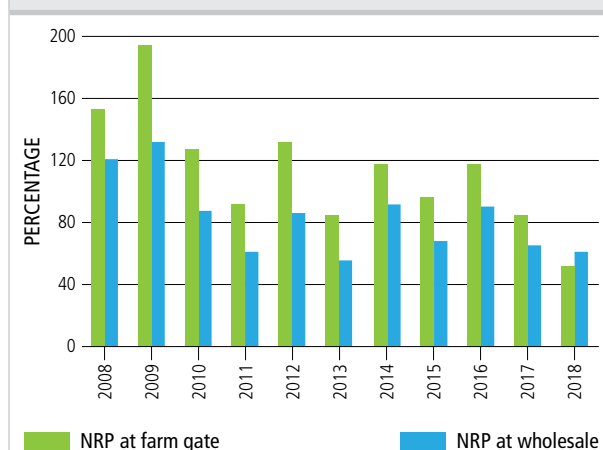
² Ministry of Agriculture and Animal Resources (MINAGRI). 2013. *National rice development strategy*. Kigali.

KEY MESSAGES

- ▶ The 2008 food crisis prompted Rwanda to pursue self-sufficiency in rice by 2018, but meeting this ambitious goal amidst rapid consumption growth remains a challenge.
- ▶ Import tariffs have supported and incentivized rice production, albeit insufficiently to meet the growing demand and posing long-term challenges for the sector's development.
- ▶ Policy interventions should address supply-side constraints to allow for a more efficient, competitive and commercial rice value chain.

by 2018. The nominal rate of protection (NRP) for rice in Rwanda, which measures the effects of trade and market policies on prices paid to actors in the rice value chain, has been largely positive throughout 2008–2018 (Figure 1).

FIGURE 1. Nominal rate of protection for rice in Rwanda

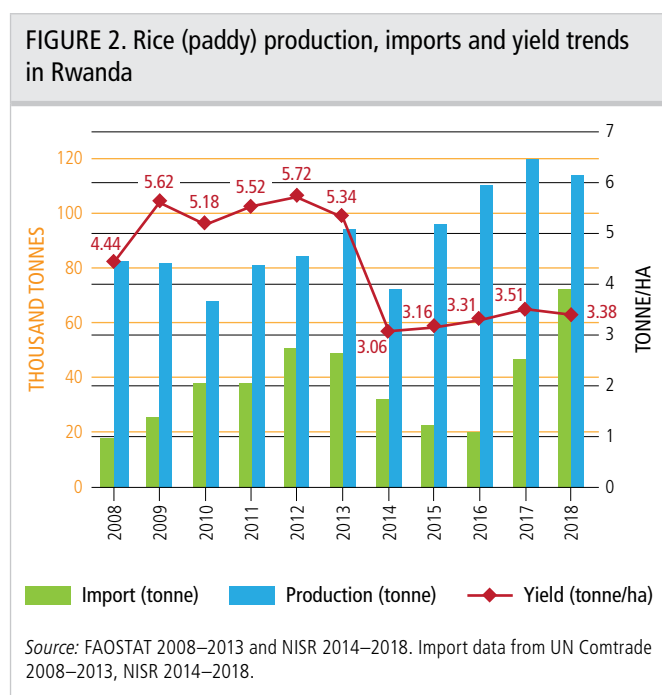


Source: MAFAP database, 2019 version.

This indicates that the tariff protecting the domestic rice market raised domestic prices above their international equivalents, creating price incentives for rice producers and wholesalers of over 100 and 80 percent on average, respectively, during the period. These incentives have helped to drive production over the past decade from 82 000 tonnes in 2008 to 115 000 tonnes in 2018. However, reaching self-sufficiency remains a challenge, as consumption has also grown significantly in the past years.

In the National Rice Development Strategy, the target to reach rice self-sufficiency was set at approximately 200 000 tonnes for 2018. However, the actual paddy rice produced that year only reached 115 000 tonnes (Figure 2). Imports were therefore necessary to meet domestic demand and reached 72 000 tonnes in 2018.

A scenario of sustained imports growth and production deficit is likely to continue in the near future, given the constant low productivity levels recorded over the past five years (around 3 tonnes per ha) compared to the potential yield of around 7 tonnes per ha (Figure 2).³ In this context, maintaining high border protection may even have negative repercussions on both the consumption and production sides.



³ See the Fourth Integrated Household Living Conditions (EICV4) at www.statistics.gov.rw/datasource/integrated-household-living-conditions-survey-4-eicv-4

Are trade barriers to protect the domestic rice market enabling or harming?

On the consumption side, import tariffs have negative effects on the welfare of domestic consumers as they reduce their purchasing power (real income). When supply is limited, rice prices tend to increase, penalizing both rural and urban consumers, in particular those who prefer imported varieties over local ones. Even farmers who are net-buyers of rice are likely to be penalized by price increases and thus lower consumption of rice.

On the production side, tariff protection shields farmers from the more competitive imported rice, but may also generate inefficiencies in the allocation of resources, such as labour and land. With low competition, even farmers with no comparative advantage to produce rice relative to other crops, may engage in rice cultivation. In this way, the import substitution policy hinders the competition needed to stimulate an efficient and sustainable rice production system that would allow Rwandan farmers to compete in the domestic, as well as regional, markets.

What should the policy direction then be to promote the supply for the domestic market and beyond?

- ▲ Reduce rice import restrictions to the benefit of consumers and to help develop a more efficient and productive sector that could even boost exports of local rice to emerging regional markets, such as the Democratic Republic of the Congo. That would also support a stabilization of the rice trade balance.
- ▲ Promote the use of quality-enhancing and more productive technologies or practices, such as high yielding rice varieties, efficient irrigation water management and cost-efficient machineries and equipment for post-harvest handling (i.e., threshing, cleaning, drying, milling and storage). This would boost both on-farm production and market supply and thus allow rice farming cooperatives to take advantage of yet-to-be exploited economies of scale.
- ▲ Strengthen collaboration between sector stakeholders and scientists in the Rwanda Agriculture and Animal Resources Development Board – the agency under the Ministry of Agriculture and Animal Resources for agricultural research and development – for continued research on, and release of, locally developed high-quality rice varieties that are suitable to Rwanda’s agro-ecological conditions and which also meet consumers’ preferences. This would boost the demand for local rice in the domestic market against imports.