

Olam's rice nucleus program

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Olam's rice nucleus program

by Susan Reidy

Nigeria is the second largest importer of rice in the world and the largest net importer in Africa, and it grows only 65% of its rice consumption needs.

Olam International, Singapore, is trying to overcome this challenge through development of an innovative nucleus model that combines a commercial farm with a program that works with nearby farmers, called outgrowers. Olam said this approach gives it greater control over its product while still allowing it to train local small-scale farmers in rice production.



Olam's farm will use four varieties of high-yield rice developed in partnership with the West African Rice Development Association.

With the opening of Olam's state-of-the-art rice mill in Nigeria's Nasarawa state in July, the country is closer to being a major rice exporter instead of a rice importing country.

"The investment by Olam in a commercial rice farm and integrated rice mill will help boost domestic production and milling of international quality grade rice in Nigeria," said Akinwumi Adesina, minister of agriculture of Nigeria. "This is a clear demonstration that our approach of taking agriculture as a business, while enabling the private sector to drive growth of the agriculture sector, is working."

The goal of the rice nucleus program is to create a regional hub of activity in a marginal area that benefits the company and local farmers, according to the Rockefeller Foundation, which recognized the program as a catalytic innovation in African agriculture in 2013. Olam wants to increase Nigeria's domestic rice production through yields from the commercial farm along with rice from the outgrowers program. In addition to reducing agricultural imports, it will help grow the country's economy.

The model is the first of its kind in Nigeria, and is one of the first large-scale rice farming operations in Africa. Olam said it hopes the approach can be a model for similar operations in Nigeria and other African nations.

"In 25 years, Olam is proud to have been a part of Nigeria's development of strong export supply chains for world markets. Olam was one of the first to export sesame from Nigeria - and now Nigeria is one of the world's biggest suppliers," said Mukul Mathur, Olam Nigeria country head. "Today we hope that the success of our rice model will kick-start domestic production in a similar manner, unlocking the opportunity for businesses and smallholders alike, and reducing Nigeria's need to import 1.9 million tonnes of rice each year."

Nucleus model

Olam Nigeria started working in the nation's rice sector through a farmer cooperative system. It partnered with the First Bank of Nigeria to provide cooperatives with seed capital for inputs. Olam said it learned that it was critical to have greater control over the quality and marketability of its product. This led to creation of the nucleus program centered on a commercial farm.

The commercial farm, located in central Nigeria in rural Ondoré, was established in 2010, and work began in the fields in March 2012. Currently, 3,000 hectares are under cultivation and another 3,000 hectares will be developed in 2015. At the mill inauguration, Olam announced that it plans to increase its acreage in Nasarawa up to 10,000 hectares.

The Olam farm benefits from state-of-the-art machinery and techniques, including GPS leveling, the foundation said.

The farm is expected to harvest two crops per year, with four varieties of high-yield rice developed in partnership with the West African Rice Development Association. The varieties were grown in irrigated paddies and rain-fed. One variety had yields well above the rice varieties typically used by small-scale farmers.

Farmers in the outgrowers program have access to the higher-yielding rice seeds, opportunities to learn new cultivation techniques, the option to join farming cooperatives, and access to a market.

Olam is purchasing farmers' crops at prevailing market rates determined by committees composed of cooperatives, Olam employees, and others. Olam hopes to not only increase its overall rice production, but also create a network of rice farmers, while helping farmers to diversify their harvests, increase profits and create a productive business.

Currently 3,000 farmers are part of the program, with a target of 16,000 by 2018. Ultimately, 20,000 smallholder farmers will supply 30% to 40% of the mill's capacity. The commercial farm itself employs up to 1,000 workers depending on seasonality, providing another source of training in Good Agricultural Practices (GAP).

Olam has built more than 40 kilometers of roads connecting smaller communities around the central farm to larger villages that were once inaccessible. The roadwork helps the farms' operations, but also makes education and healthcare more accessible to the communities. Farmer-to-farmer communication is also enhanced and allows them to share resources and information.

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Employees said they have seen several changes in their communities as a result of the program. They said they are paid well, resulting in greater household income. This allows other family members to start small businesses such as food stalls and shops. Olam has built a school, worked with local communities to provide solar lamps, and has developed plans to build wells and a hospital, the foundation said.

Rice mill

The integrated rice milling facility is situated at the heart of Olam's paddy farm and will provide 36,000 tonnes of milled rice per year to the domestic market.

Venkataramani Srivathsan, Olam's managing director for Africa and the Middle East, said the mill characterizes three important aspects of Olam's commitment to Nigeria's agriculture sector. It demonstrates how large-scale farms can work hand in hand with smallholders to advance Nigeria's Agricultural Transformation Agenda and generate rural prosperity through local processing.

It also underlines the country's ability to grow high quality, nutritious rice that can enhance domestic food security by providing an alternative to imports.

"Thirdly, as Olam kicks off its 25th anniversary celebrations this month, this investment is a testament to our ongoing commitment to Nigeria, the country where Olam was founded," Srivathsan said.

Nigerian President Goodluck Ebele Jonathan said the private sector is responding strongly to Nigeria's rice policy. He noted that the number of rice mills has increased from 1 just three years ago to 18 today.

Challenges

Despite the promising results of the program, challenges still remain. A major challenge is the size of the investment to initiate the program in a remote area. Replicating the program would require significant financial input, the foundation said.

The Rockefeller Foundation noted the model's potential risk to small-scale farmers. Those who become part of the outgrowers program are committing to sourcing their inputs from Olam and selling all their outputs to Olam.

"Thus, farmers are simultaneously indebted to the supplier and the buyer and so have very little flexibility," the foundation said. "This structure provides Olam with a great deal of control over prices of inputs, outputs, and, ultimately, over farmers' profits. In the hands of the wrong type of manager, the high degree of control afforded by this nucleus model could lead to abuses of power."

It noted that more investigation needs to be done into the potential impact of this model on competition and on the price of rice in national and international markets.

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