Stabroek news

National Development Strategy

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Rice

As might be expected, the chapter on the rice sector in the National Development Strategy (NDS) begins by pointing out that the rice industry is the second most important agricultural industry in Guyana. The authors of the NDS stress that although rice is second to sugar in terms of foreign exchange earnings, it is the largest user of agricultural land, and absorbs and influences more of the working population than any other industry in the country. Moreover, the industry supports at least 10 percent of Guyana's population directly and indirectly. In addition, the sector contributes about 20 percent of agricultural and 12 percent of export earnings. And, as the authors of the NDS put it on top of all this it is the main staple of the population with consumption estimated at being around 50 kg per capita.

The NDS further explains that production is in the hands of both small and large scale farmers, with holdings varying from less than 10 acres to over 1,000 acres. Moreover, there are ninety eight operating mills within the industry, with individual capacities ranging from 1/2 tonne to 20 tonnes of padi per hour. In the latter half of the 1970s and for much of the 1980s, the fortunes of the rice industry declined, mainly because of the government's interventionist policies and the very high degrees of central control, which were being exerted.

In the late 1980s the government began to dismantle its pricing and institutional structures, and farmers were allowed to sell freely to the market of their choice. Furthermore, the devaluations of the exchange rate, which occurred at that time had the additional effect of dramatically raising rice prices in the Guyanese economy. Also important was the privatization of almost all the parastatal rice mills. This improved the competitiveness of the sector and gave farmers and millers an incentive to invest in the industry.

These major policy changes of the 1980s, and the institutional restructuring of the industry which accompanied them, were supported by agreements with the IDB for foreign exchange to rehabilitate the mills and to buy field equipment and spares and with CIDA to procure fertilizers.

The spectacular growth of the industry during the period 1991 to 1996 was also facilitated by favourable export prices, and by preferential access to the markets of the European Union. Indeed, between 1990 and 1996 the country's rice exports increased from 51,000 tonnes to 262,000 tonnes. However, Guyana's rice exports to the Caribbean, primarily to the CARICOM Countries, have had to compete with exports from the United States which were sold at concessionary prices under the PL 480 programme.

The NDS asserts that despite the gains, which have accrued to the sector since its liberalization in 1989/90 there still remains a number of important constraints to its development.

First, the privatization of the rice industry has not been sufficiently complemented by appropriate regulations and standards. As a result, the reputation of Guyana as a rice exporting country is sometimes questioned because exporters enter into contracts which they are not always able to fulfill; provide rice of inconsistent quality; ship rice of a quality and quantity that are incompatible with their contract; and apply standards of grading that are not always acceptable in overseas markets.

Second, the easy access to the European Union which prevailed in the past, might have given the industry a false sense of security. However, developments within the last three or four years now seem to indicate that it is more than probable that this market might no longer be so remunerative and accessible.

Third, although our CET agreements permit us to export 110,000 tonnes of rice to CARICOM, we might be yet unable to take advantage of this arrangement, simply because we might be unable to compete with cheap Asian rice.

Fourth, because of inadequate export facilities and high handling and transport prices, the costs of exporting rice from Guyana are high. In addition, the constant siltation of Guyana's rivers restricts the size of ships that can use the available wharf facilities.

Fifth, Guyanese farmers have restricted access to credit, the main being the insistence by commercial banks on freehold titles as loan collateral, and their reluctance to accept leasehold land, especially those under short leases, or field equipment in its place.

Sixth, the size of many of the rice holdings is insufficient to support a household and to keep rice incomes above a certain minimum level.

Seventh, productivity is low. It is low because the rice varieties in use are not always high yielding; because the deterioration of the drainage and irrigation systems over the past twenty years has been a considerable constraint; and because the technology that is utilized often acts as an impediment to increasing yields, improving quality and reducing costs.

In other words, rice production in Guyana has increased in recent years almost entirely because of the expanded utilization of land, and greater intensity in input use. These practices, unfortunately, have not reduced costs per unit of production. As a consequence, Guyana's rice is not competitive in the free market and we must perforce depend, in the foreseeable future, on preferential treatment.

The overriding objective therefore is for the sector to become internationally competitive. This would ensure its sustainability in the face of reduced preferential access and falling export prices. In order to attain this goal, costs must be reduced throughout the rice production process.

The NDS states that this might be done through a combination of activities. First, the unit cost of padi production must be lowered primarily by increasing yields per acre. The present average yield, which is around 25 bags per acre, should be increased to at least 35 bags. Second, Guyana's milling yields which are currently at around 45 to 60 percent, should be raised to those of the USA, for example, which are estimated to be between 55 and 70 percent. And third, transportation costs need to be reduced through the development of export facilities, including the establishment of bulk loading facilities, which would permit the utilization of larger vessels and their quicker turnaround.

It would be remiss of me to end this descriptive note on the rice sector without even a passing a reference to the distressed nature in which the industry now finds itself. To some extent, the authors of the NDS had anticipated that rice farmers and millers would encounter financial problems if they were unable significantly to raise their level of competitiveness and to enhance the quality of their management practices; and if at the same time the government found it difficult to ensure access to the CARICOM market. Indeed, in the chapter in the NDS that is devoted to macroeconomic strategies, proposals for the resolution of such problems are put forward.

In the next week's article the strategy for the development of the rice sector will be described in some detail.