

## Original Paper

# Large-scale Farms and the Rice Economy in Lau North-East Nigeria, 2005-2015

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### Abstract

*Entrepreneurship in agriculture or agribusiness is one activity that has survived different eras namely pre-colonial, colonial and post-colonial periods in Africa and Nigeria in particular. But despite years of experiment on this path, development in the agricultural sector has remained stagnant or at an insignificant level of growth. Interestingly it has received little attention from scholars in the field of history partly because it was viewed as a domain for the economists and business managers. This paper therefore, examined the agribusiness or activities of large farms in the rice economy of Lau Local Government Area of Taraba State. Broadly two sources were relied upon: primary and secondary, and the multi-disciplinary method were also employed for complementary purposes. The paper was organized around themes, and the historical analytical tool was used in the analysis. The study revealed that the people are largely agrarian based, and the rice economy has huge potentials to feed the state and even the northeast region, but the peasant are largely exploited by the market forces thereby short changed. This is further compounded by government insignificant interest in the sector. Hence, the study posits that government support is critical in providing access to subsidize credit, investing in infrastructure, transport and farm input services like advisory services to reverse decades of neglect, and set the path to sustainable development.*

### Keywords

*agribusiness, large-scale farms, value chain, production, marketing*

## 1. Introduction

Agribusiness has been identified and favoured by international actors such as the Britton wood institutions as being central to revamping Africa's agricultural sector and providing for food security. But after several years of experimenting with the market orientation particularly in Nigeria, the desired result is still far from sight. The French economist, Richard Cantillon, is regarded as the first person to employ the term "entrepreneur" to refer to the individual who obtains factors of production and combines them into products and services for the market, Montpellier Panel Report (2014). He saw the entrepreneur as a risk bearer, noting that merchant, farmers, craftsmen and other sole proprietors who buy at a certain price and sell at an uncertain price, therefore operating at a risk. It is any business activity with a market/profit orientation. It is suggested that this businesses play important role in stimulating job creation, economic growth, poverty alleviation and uplifting of living standards globally.

Such business activity exists in agriculture especially the crop sub-sector. In Africa, it had existed before, during and after colonial rule. For example, under colonial rule Nigerian peasants were crucial to the success of export crop production where foreign entrepreneurs had failed. In commerce, European expropriates firms' imported manufactured goods, but these goods reached their final consumers through local traders. After independence, Nigerians in their private capacities as entrepreneurs have continued to play important roles in the economic growth and development of their fatherland as farmers, traders' etc, Sati .U Fwatshak (2011). Agribusinesses in Nigeria includes: farm input supply, producing farm firms, food processing and food marketing and distribution, Prince C. Nwakama et al. (2010).

Rice has been one of the cereal crops dominating agribusiness in Taraba, National Bureau of Statistic (2007). It is however the major crop cultivated in Lau Area of the State, aside others like fish and sugarcane farming, National Agricultural Extension and Research Liason Services et al. (2013). For example, Fishing has provided substantial employment opportunities to the women in different fields of fishery activities: Fish production, processing, transportation and distribution are mostly carried out by women. It estimated that 42.86% engage in the marketing of smoked fish, while 7.14% are involved in marketing of live fish in the Area, Anita and Wachap (2014). The cultivation of rice is most significant, (National Bureau of Statistic). Field size among rice farmers are 1.1 - 5 ha (59.3%), while only 8.4% of the farmers cropped 5.1 – 10 (ha). On the average, 3.3 (ha) were cropped by farmers.

The presence of the tributary of river Benue in the area and the ecology has favoured agricultural production in commercial quantities. These factors suggest that rice is cultivated all year round, average yield was 1.69 t ha<sup>-1</sup>, with lowland rice giving the highest yield of 3.9 t ha<sup>-1</sup>, followed by irrigated rice (3.19 t ha<sup>-1</sup>), and upland with ground water (2.10 ha<sup>-1</sup>). Whereas 61% of rice farmers engaged in upland rice production, only 17% and 8% carried out their activities in lowland and irrigated/upland supplemented with irrigation, respectively. Statistics suggests that about 45% of farmers planted traditional rice varieties, 25% planted improved WARDA NERICA varieties and 11%

planted other improved varieties, National Bureau of Statistics (2009).

Therefore, it is obvious that both ecological factor and the tributary of river Benue which cut across Lau, places the area at an advantage in terms of production and Market. Little wonder for the heavy presence of capitalist such as Dangote, Umza, and Alganzaki farms amongst others who engages in agricultural production in the area for the market. However, despite the huge agricultural potentials of the area, main producers remain poor and sometimes find it difficult to even feed themselves, thereby raising the question of food security to bear. It is therefore imperative to examine the agribusiness in the area especially rice production and marketing; in relations to the wide spread poverty among the rural farmers and food insecurity.

## **2. Research Methodology**

The historical methodology was deployed for this study. Two major sources of data were engage in the course of this work: primary and secondary materials. The primary sources here included oral interviews granted by farmers and entrepreneurs in the agribusinesses, minute and report by relevant government agencies. Archival materials were not use here since the subject scope falls in the post-colonial period. The secondary sources consisted of published and unpublished materials including: books, manuscripts, articles, and BA research project, thesis, and seminar/conference papers. The multi-disciplinary method was also used. Majority of the secondary materials were from different discipline especially sciences and social sciences: agriculture, veterinary, business and economics, political science and history etc. This is evident from the various journals and articles used for this research as they reflect various disciplines. They served as compliment in the various aspect of the research.

## **3. Results**

### *3.1 Evolution of Rice Production in Nigeria*

Rice production in Nigeria and West Africa in general dates back 2.000 to 3.000 years ago, mostly in the food plains of the Niger River, Johnson and Hiroyuki (2013). *Oryza glaberrima*, or the African rice which was one among the two species of rice in the world, was being cultivated the region. The introduction of the second species, *Oryza Sativa*, or the Asian rice, occurred after the arrival of the Portuguese in the 17th century. Again, during the last few decades Asian varieties, or those crossbred with African varieties such as the New Rice for Africa or NERICA rice, began to take centre stage as important food security commodity as demand outstripped production. In Nigeria rice is one of the few crops whose consumption defies cultural, ethnic, or geographic boundaries. Combination of various factors seems to have caused the structural increase in rice consumption in Nigeria. Rising demand was partly as a result of increasing population growth and partly from increased income level and rapid urbanization associated with changes in family occupational structures. Secondly, the gift of nature to

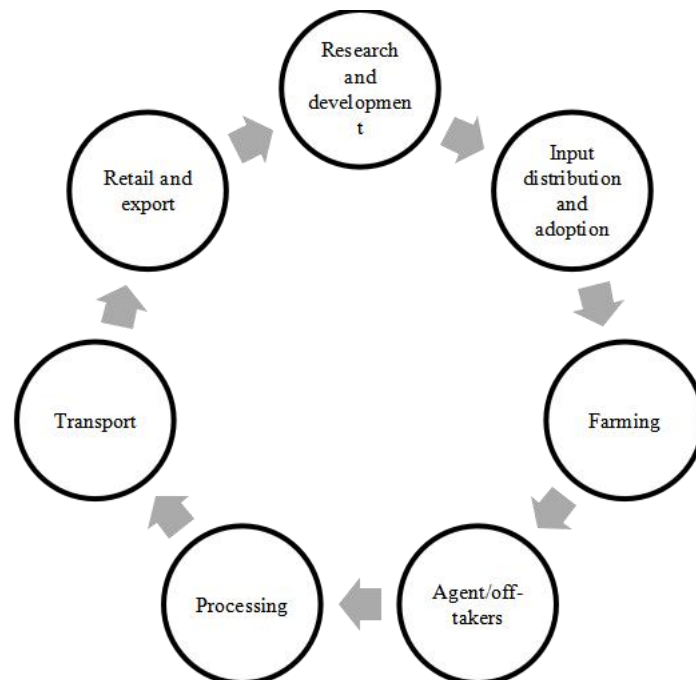
Nigerian communities in form of abundant swamps and fertile lowlands has made rice production easy and almost everywhere.

Rice production and marketing in Nigeria is suggested to contribute to food security, job creation, poverty reduction and increased revenue generation (National Bureau of Statistics). This argument is supported in terms of production, processing, marketing, and food vending and export trade levels. Agricultural experts have suggested that the gross margin from one hectare of rice field is about N19, 465 while rice processors' incomes are about N136, 000. Rice cultivation is increasingly generating employment for new farmers, while established farmers are diversifying into rice cultivation instead of traditional crops and tree crops, such as cocoa and rubber, for which prices have been largely unpredictable for several years. Income and employment in rice processing have also been substantial.

#### **4. Discussion**

##### *4.1 The Proliferation of Large-Scale Farms and Expropriation of Farmers in Lau*

Rice dominates the local economy in Lau (National Bureau of Statistic, (2007). The climate and presence of river Benue which flows through Lau occupying very large tracks of land, renders Lau favourable for rice production which has attracted attention around the state and the country at large. Government, investors and donor agencies and traders all across the country have responded to the rice production in various ways. Despite its potentials in terms of production, market value and potentials for food security, rice production capability of Lau is yet to be properly harnessed. The lack of interest particularly as it concerns provision of farm inputs, pest control and other form of incentives has left government emphasis on food security hanging as mere lip service. This research contends that Lau rice fields portends the capacity to provide the food needs of Nigerians and even become a revenue earner if properly harnessed. Figure I, below present the value chain of rice production in the area

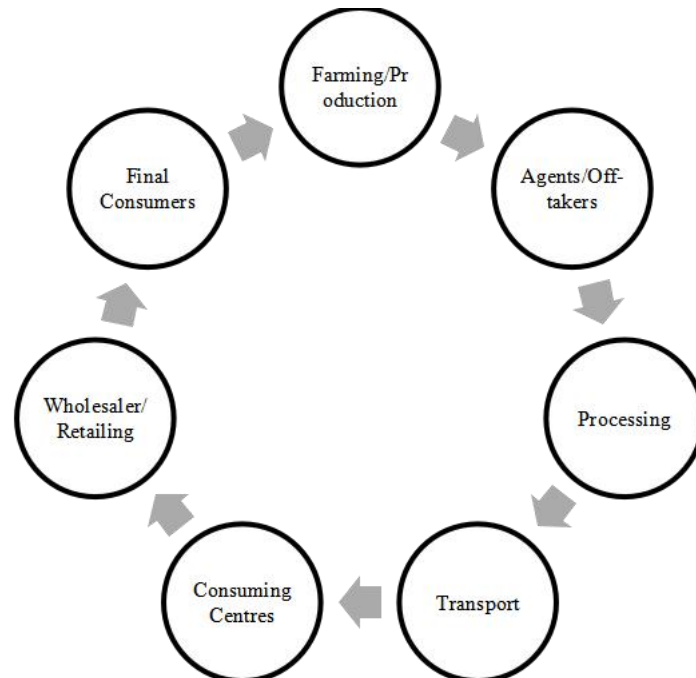


**Figure 1. Value Chain of Rice Production in Lau**

Virtually, all part in the structure above need upgrading, deepening, or expanding. Adequate data already exist in terms of research and development since improved farming activity like pre-harvest and post-harvest farming operation, inputs, funding, etc. that are essential to farming are known, (National Agricultural Extension and Research Liason Services). The problem is not the knowledge, but the application of this knowledge for productivity. Moving to other stages like inputs distribution, farming and transport all together requires more attention. Improvement in inputs distribution like seed, and fertilizer is needed. Farmers spends a lot, some do not even have the funds for such purposes. Therefore, stimulating micro-credit systems is essential, as that would improve productivity. Deepening value in terms of transport is also needed. Farmers suffer huge cost in transporting good to and fro market due to poor road infrastructure. Transport can be deepened by improving infrastructure and small-scale trucking companies that delivers inputs to farmers or agro dealers, and produce to markets. There is also a lot in terms of processing, but there is room for expanding in terms of packing by the already existing local millers in Lau. Value can also be added in terms of manufacturing so that it would not only be that the trade involves only raw product, but also finished product from the production of rice i.e what other thing can be produce from rice, that can also add income to the economy by exporting and expanding trade and consumer broad base. What all these means is that there is still opportunities and gabs for upgrading, deepening, and expansion in terms of value in the rice production structure or value chain. Environment for such activity would have to be coordinated and provided for by the government.

Lau is part of Taraba State which has a tropical climate marked by dry and rainy seasons, Taraba Agricultural Development Programme Report (2015). The rainy season starts by early April and ends

by October. The dry season begins around November and terminates by March. The average rainfall is 1,350mm in the Southern part of the State and reduces gradually to about 750mm towards the Northern part. The climate allows the cultivation of most staple food crops, grazing land, fresh water fishing and forestry. This gives the state a very unique position, as producer of several crops on a very large scale compared to other neighboring states. Taraba State has 4 million hectares of arable land which comprises of 2.5 million hectares of upland ecologies and 1.5 million hectares of lowland ecologies which is dedicated principally to lowland rice and sugarcane production but presently only 25% of the arable land is put to use in the State.



**Figure 2. Rice Marketing Value Chain**

This is an important chain in the marketing industry in Lau. Rice marketing is the performance of all business activities in the flow of paddy and milled rice, from the point of initial rice production until they are in the hands of the ultimate consumers at the right time, in the right place and as convenient as possible, at a profit margin so as to keep the farmer in his farming operations, Akande and Akpokodje (2013). The marketing of rice in Lau involves four stages with a change of product ownership occurring between each pair of stages. The first stage is production through harvesting. Stage two concerns movement from the farms to processing centers while stage three involves moving the milled rice from processing areas to urban consumption centers. The fourth stage encompasses wholesaling and retailing in the urban centers. It is in these stages that the actual producer (peasant farmer) is exploited.

Like in all other trades, distribution of manufactured goods is so critical in the marketing system, and it is in this process that the unequal distribution of surplus occurs, (National Bureau of Statistic, 2007). Lau LGA has four (4) principal markets viz: Mayo-lope, Abbare, Kunini and Lau where buying and

selling of rice paddy takes place. Most of the buyers come from Ebonyi, Cross River, Akwa-Ibom and neighboring States like Adamawa, Gombe, Borno and Yobe. Apart from the sale of rice paddy, small scale millers abound in the LGA where parboiled rice is milled and sold in these markets, (Yavalla, 2016). About five to six local off-takers exist in the area. Amongst them are Al'uma rice mill LTD, Alganlaki rice mill, and mofido rice amongst others which are all based in Jalingo, the state capital because of proximity to urban areas and market accessibility (Rabiu, 2016).

According to the owner of Alganlaki rice mill, Aliyu Sarkin Noma (2016), millers do not only engage in processing, but are also involved in rice production to meet market demands and maximize profit. This situation is usually occasioned by the short fall in rice production demand in terms of supply of paddy rice to processors, and milled rice supply to the market. The supply of a lorry of rice to the market does not take long to be sold, suggesting that rice product is in short supply to meet market demands. The failure to meet production demand is always as a result of inadequate or lack of farm input and fund to the farmers. So these processors provide farm input to farmers in the nature of fertilizer, money as loan, and rice variety particularly Faro 44, which was first introduced to the farmers in the area by Alganlaki, who at the moment have five hundred farmers under the company.

Aliyu further suggested that the coming of Umza and Popular farms – the off-takers from Kano – competition ensued. The off-takers from Kano offered farmers higher price at the farm gate, as a result some of the farmers who benefited from Alganlaki inputs, sold their rice paddy to the companies. This means someone else reap where he did not sow. This situation brought about a change of policy by Alganlaki who now sale such farm inputs to farmers or offer them as loan, thereby tying them down to the dictum of the company.

Other international actors have also been involved in the rice economy in Lau. The United State Agency for International Development (USAID), has noticed the strategic importance of Lau in rice production and partners with the Taraba State Agricultural Development Projects (TADP), leveraging on the structure of the TADP to reach out to the farmers with it MARKETS II projects. The Maximizing Agricultural Revenue and Key Enterprises in Targeted Sites (MARKETS I & II) projects, enhance agricultural productivity by building the capacity of farmers to maximize yields and respond to market demand, ifdc.org-markets-II, (2016). Most Nigerians live in rural areas and farm for a living, yet their harvest yield little return in local, regional, or international markets. The USAID MARKETS Projects, now in its second iteration, aimed at increasing agricultural productivity and improving food security in Nigeria by improving yields and generating higher farm revenues. The project builds the capacity of farmers groups and processor associations and forges commercial links between Nigerian agro-processors and small holder farmers. Launched in 2012, MARKETS II deepens and extends the MARKETS model with the aim of increasing incomes and sales and reducing food insecurity for Nigerian poor rural farmers and their families through proven private sector demand driven market interventions. National in scope, the projects works across eighteen states including Taraba as targeted areas.

Dominion Farms is another agribusiness actor in the state. The Farms is an American-owned, Kenyan-registered company that is diversified in the production of long grain rice, fish and other agricultural product under the Prime Harvest Brand ([www.dominion-farms.com](http://www.dominion-farms.com), 2016). It has invested in 30,000 Ha of land, and has trained 50 young commercial farmers from Taraba for 5 month in Kenya.

Similarly UMZA, producers of the Sarauniyya Golden Rice brand, owned by a kano-based industrialist; and Popular Farms & Mills Limited Kumbotso kano state, producers of the Stallion rice brand, together exploit the farmers by using agents and through directs purchase at the farm gate and move it to kano for processing and packaging. They partnered with USAID MARKETS II, to raise farmers' capacity based on USAID modules on Rice Package of Practices to increase their productivity and produce quality paddy that will attract better prices for the farmers, Third National Fadama Development Project (2015). This yielded from 1.5mt/ha, to 4.0mt/ha. UMZA was buying at N65/kg which translates to N6, 500/mt. Popular Farms and Mills Ltd. Kano, was buying at N61.56/kg, i.e., N4, 617.00/75kg bag. Stallion brand of rice which is today sold all over the country as foreign rice, is partly a product of the rice paddy from Lau, which is being milled and process by popular farms based in Kano. Dominion farms, UMZA, and Popular farms have been in Taraba State since 2010, (Yavalla, 2016). Dominion farms came sometimes in the second regime of the Governor Danbaba led administration which began in 2011, Popular farms suffices in 2012, and UMZA appeared in 2014. They buy rice paddy from the farmers at the farm gate beginning from 2011.

Before 2010, the actors as mentioned were not part of the market value chain. Marketing flows begin from the farmers to the assemblers and processors. The assemblers are commissioned agents who assist in purchasing rice paddy from the individual farmers either on behalf of the millers or to sell to them. They serve as the main link between the farmers and the processors. Therefore the agents buy from the farmers and sell it to the processors. The agents use to buy rice paddy from the farmers at the price N3, 300, and sell to the processors at the price of N6, 500 –twice the amount of the actual farmer receive. But due to impurities like stones associated with the local harvest practice, discovered during processing by the processors, they decided to established contact directly with the farmers. They did this through establishing contact with the Taraba State Agricultural Development Project, using their structures to reach out to the farmers for better harvest and post-harvest technology training so as to avoid impurities in the rice during harvest and post-harvest practices.

The expropriation of farmers became obvious when one of the off-takers (processors), bought a bag of rice paddy from one of the managers at the TADP, at the rate of #6,500 as against the N3, 300 prices by the agents, that the Manager discovered how these agents exploits farmers. In monetary terms, income accruable to Lau LGA from rice production is  $45,000\text{ha} \times 4.0\text{mt/ha} = 180,000\text{mt} \times \text{N}65,000/\text{mt} = \text{N}11.7$  billion (N11, 700,000,000) if they go into signing MOU with UMZA or Popular Farms which are off-takers all based in kano. The level and volume of rice business has been on the increase in Lau LGA since the intervention of both UMZA and Popular Farms.



#### *4.2 Structure of the Rice Economy and Exploitation of the Peasant*

Also, the structure of rice marketing has massive gap for upgrading, deepening and expansion in terms of its value chain. From farming/production to processing and whole sale/retailing, there is room for improvement. Of course the market structure, anchored in the words of Adams Smith, “it is not from the benevolent of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest” (Eric Roll, 1992). Meaning that competition in the market system brought about by the pursuit of interest by individuals brings down prices to the benefits of the masses. But the peasant who happens to be the actual producer is being alienated, expropriated, and reduced to subsistence, Eric Roll (232). In the structure of rice marketing or distribution like we have seen above, the farmer represents nothing other than a mere commodity in the market system that does not enjoy the benefit of his labour. The farmer is not supported enough in terms of inputs, and even the land where he cultivates is being taken away.

This is evident in the activities of both the local and large scale millers who expropriate the farmers directly at the farm gate. Worst of it is that most of the millers do not provide any incentives to the farmers for improved production, but are only concern in the products to which they benefits more than the farmers. This situation is even made worst by the coming of Dangote. On May 2, 2013 the then Acting Governor of Taraba State, Alh. Garba Umar disclosed that the business tycoon would be establishing a sugar processing company in Lau LGA (www.leadership.ng, 2016). The moves were part of plans by the State government to increase internally generated revenue and create jobs for the youths. Also, 20,000 hectares of land was approved to a Chinese company for rice production. Dangote procured with the approval of then Acting Governor, about 1000 hectares of sugarcane plantation for the processing and production of sugar in the area. This has rendered the farmers landless and they were now compelled to sell their labour to the land grabbers. Majority of the people are farmers who engage in agricultural production to make a living. By this action, Not only has land been taken from the people, they have also lost their rice farms and means of livelihood. Some of the land owners had already entered complains on their lands being taken by the Sugar Company in collaboration with the state government, without compensation in some cases, Justin Facii (2015). Their rice farms were lost, and they are now laborers on their land.

#### **5. Conclusion**

A number of revelations emerged from the study. First, while Lau has huge potentials: favourable climate, ecology and the presence of natural water body- River Benue that favours increase production of rice, through increasing yield growth. But such growth is hindered by government lack of serious commitment in the sector. Government disinterest and arm twisting tactics has made rice production to be on the decline despite the favourable climate and the presence of the Benue River which makes Lau a high yielding potential for rice production. For example the 2014 Fadama III AF report, shows that out of a total of 270 hectares of Rice farm land cultivated by 270 farmers (i.e., an average of one

hectare per farmer), 270 hectares of farm land were cultivated by 270 farmers in the state. They were efficiently carried out as contained in the business plans of Fadama III AF. A total of 916.2 MT of rice was recorded out of 1,620MT targeted in the business plans. But farmers had to pay for advisory services under the USAID MARKETS II Projects. In the end, off-takers (both local and large scale millers), benefited more from the produce by the farmers than the farmers themselves.

Therefore, it is obvious that the rice economy in Lau has enormous potential to blossom and support the sustainable development goals. But government lip service in terms of provision of essential services, and the market forces are hindering the progress and capacity of the farmers, thereby reducing them to subsistence. Of course, government support is critical in providing access to technologies and training; subsidizing credit and sometimes even the prices of paddy; and investing in infrastructure to lower costs for energy, transportation, and access to market and information. This route would reverse decades of neglect in agriculture, and set the country on a path to sustainable development since agriculture is a main stay in the state and country at large.

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