

INVESTIGATION: Inside the massive fraud in Nigeria's N117Billion rice import quota scheme

December 21, 2015 [Emmanuel Mayah](#)



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The fuel subsidy scam probably broke the ceiling in a room crammed with some of the worst corporate perfidy. Nothing could more sabotage the economic interest of a nation, many Nigerians thought.

But then came the rice import quota scheme, an unholy romance between politicians and businessmen, at the moment stretching corporate bad practices in Nigeria to an incredulous length.

About N117 Billion is there for the pick. A total of 26 companies are involved; two of which are owned by a former Attorney General of the Federation and a former civilian governor of Kebbi State respectively. Predictably, in the all-too-familiar Nigerian fashion, not all of the 26 companies selected for the scheme made the list on merit.

The Central Bank of Nigeria (CBN) in 2014 disclosed that Nigeria spent an average of N800 Billion annually on the importation of rice. Unofficial import receipts through the Cotonou corridor was not captured in the CBN figure.

But the business of importing rice, a staple in Africa's most popular nation, is so huge and attractive that four neighbouring countries of Benin, Togo, Cameroon and even landlocked Niger Republic have technically factored transshipment or smuggling of rice and allied commodities into Nigeria in their national economic plan.

A recent figure from the CBN indicated that Benin Republic imports almost as much rice as China and nearly as much frozen chicken as the UK. Most of the commodities are smuggled into Nigeria.

Disturbed by the nation's huge import bill, the President Goodluck Jonathan administration in 2014 came up with a new rice policy to fast-track national self-sufficiency in rice production.

The policy specified that owners of existing rice mills and new investors with verifiable backward integration in the rice value chain will be allowed to import rice at 10 per cent duty and 20 per cent levy (30 per cent); while merchants who have nothing to contribute to local production in the form of rice farms or mills will be charged 10 per cent duty and 60 per cent levy (70 per cent). Technically, it was a subsidy aimed at building local capacity in rice production.

Subsequently, an inter-ministerial committee was set up to work out the national rice supply gap and allocate import licenses with appropriate quotas in order to bridge this gap, same time advancing the objectives of the national rice policy.

On paper, this committee was to determine beneficiaries and allocate quotas based on four key criteria that assess investment of individual companies into local rice production.

The criteria included a Domestic Rice Production Plan (DRPP) that demonstrate evidence of current or planned investment in domestic rice production over a three-year period. The DRPP was also expected to show the size of investment, proof of land acquisition and establishment of rice fields and paddy production.

The second criterion was called paddy purchase outlook from Paddy Aggregation Centres (PAC). This should demonstrate a clear plan of purchase of paddy from PACs, location of the PACs and volumes of paddy to be purchased.

The third criterion was paddy purchase outlook from outgrower farmers and farmer cooperatives. This should include location of farms, volumes of paddy to be purchased, etc.

The last criterion was proof of ownership of integrated rice milling facility with par boilers and dehuskers. This should include size of planned installed capacity and evidence of acquisition of integrated rice milling equipment.

Sources within the Ministry of Industry, Trade and Investment told this reporter that the then Minister of Agriculture, Dr. Akinwunmi Adesina, by-passed the inter-ministerial committee in the selection of beneficiaries and commensurate import quota. Mr. Akinwunmi, now President of the African Development Bank (ADB), was Chairman of the inter-ministerial committee and took key decisions as the arrowhead of President Jonathan's much-vaunted Agriculture Transformation Agenda.

Mr. Akinwunmi was easily outwitted by merchants and politicians who did not want a change in status quo, and were known to have resisted such in the past, industry insiders said.

Although the turf is different, the strategy is the same. The same way Nigeria's oil refineries were put in comatose to pave way for massive and lucrative import of refined petroleum products, the same way entrenched interests known in the industry as Rice Mafia, are sabotaging local rice production to sustain the rice import business.

In the final analysis, the rice policy was scuttled to serve everything but national interest. Companies who have no investment in the rice value chain were granted quota. These companies in turn sold the quota to other importers who already had vessels on the sea.

The sellers of quota made huge profits without any investments in Nigeria's local rice production and indeed did so without taking risk or lifting a finger.

The same sellers have been working hard to get more quotas in the bid to get more money from the scheme without any investments, thus holding the domestic rice policy to ransom.

Who got what

Investigations by PREMIUM TIMES revealed that the 26 companies that benefitted from the rice import quota scheme included Milan, Bua, AA Ibrahim, Stine Rice Mills, JMK Foods, Labana Rice Mill, Elephant Group, Honeywell, Kerkasuk Farms, Wacot, Mikap Rice, Golden Penny, Stallion, Umza International Farms Limited, Dangote and Olam. Others were Tara Agro, Ebony Agro, Atari Rice Industry, Ashi Foods, JAI, Arewa Rice Mill, Onyx Rice Mill, Bansara Rice, Danmodi and Klysat.

Investigations revealed that Mikap Rice is owned by a former Attorney General of the Federation, Michael Aondoakaa, while Ebony Agro is owned by Charles Ugwu, a former minister of commerce and industry.

Ashi Foods is owned by the immediate past governor of Benue State Gabriel Suswam. Milan Group is a business interest that also owns Intercontinental Hotels while Bua is owned by billionaire Ishaku Rabiu. Honeywell is owned by Oba Otudeko while Elephant Group is owned by Tunji Owoye. Labana Rice is owned by former Kebi State governor Adamu Aliero while Keresuk is owned by one Rotimi Williams.

Investigations revealed that for instance, Umza International Farms Limited has a rice mill in Kano with a capacity of 30,000 MT. Beyond this mill, Umza has no other investment in local rice production. However, the company was given import allocations in two categories: 36,000 MT under existing miller allocation and also got 49,207 MT under investor allocation.

Dangote and Golden Penny have no existing mills but got 115,204 MT and 91,887 MT respectively. Stallion got a total allocation of 89,989 MT; that was 59,989 MT under investor allocation and 30,000 MT under existing miller allocation. It has two mills – one in Kano and another in Markurdi.

Investigations further revealed that Mikap Rice, owned by Michael Aondoakaa, has a very small scale mill of between 15,000 to 20,000 MT. The mill itself is government-funded. Mr. Aondoakaa got 82,897 MT of import quota.

Wacot is in seeds business only while Labana has two mills in Kebbi State. Many of the beneficiaries were found to have no investment in the rice value chain. They include Wacot, Honeywell, Elephant Group, AA Ibrahim, Milan, among others. Kersuk Farms has no mill. Stine Rice has a mill but it is not in working condition. Bua has only brown rice mill. It does not have parboiling capacity; the mill is defunct. However Bua received a total import allocation of 109,448 MT.

Ebony Agro owned by Charles Ugwu made wrong investment decision. It built rice mill in a place where there is no paddy. The same wrong investment decision of building a mill where there is no paddy was also made by Tara Agro. Many of the quota beneficiaries sold their allocations to importers. Mikap sold its quota to Elephant Group. Stine Rice sold its quota to a company called PJS. Elephant Group in May 2015 also received through the Jama'tul Nasril Islam (JNI) waiver to import 100,000 MT of rice. The religious organisation had applied for and was granted waiver by President Goodluck Jonathan to import the said metric tonnes of rice and 25,000 metric tonnes of cooking oil described in a letter from the Budget Office of the Federation as 'donated foodstuff'.

One smoking gun on sale of import quota is found with Umza International Farm Ltd. Shipping documents obtained by this newspaper showed that shortly after the release of quota allocations and Umza was named one of the beneficiaries, a letter dated December 20, 2014 instructed Marietta Bolten (owners of a ship MV Marietta) to divert a cargo of rice originally meant for delivery at Cotonou Port to Lagos Port. The cargo in question was a 15,500 MT Thai Parboiled Rice 100PCT Sortexed of Thailand Origin. The letter reads in part: "The above cargo was shipped on the above vessel ... for delivery at the port of Cotonou – Benin but we, Navision Shipping A/S, hereby request you to order the vessel to proceed to and deliver the said cargo at Port Lagos – Nigeria to Pearl Universal Impex Ltd, 7A Asa Afariogun Street, Off Osolo Way, Ajao Estate, Isolo, Lagos, Nigeria.

The same Navision Shipping on the same day gave two more instructions to Marietta ordering it to divert another cargo of 3900.650 MT Thai Parboiled rice to Port Harcourt for Pearl Universal Impex. This second cargo, originally meant for Cotonou Port was originally consigned to STE Premiere Sarl, Niamey, Niger Republic. The third cargo, 18,500MT Thai Parboiled rice, originally destined for Cotonou Port was diverted on instruction to Port Harcourt.

A visit to Pearl Universal Impex in Ajao Estate, Lagos, showed that the company is no more at No, 7A Asa Afariogun Street, the land address used for the shipping transaction. There was no forwarding address. Pearl Universal Impex is a major rice importer owned by a group of foreign businessmen that include the Chairman Pulkit Jain, Nimit Jain, Pulkit Jain was quoted in a recent media report that his company "has been a major importer of rice in the country with imports of 350,000 metric tonnes of rice annually in the past"

Given that Nigeria is the only country that consumes parboiled rice, any cargo of parboiled rice going to Cotonou is in the first place is meant to come into Nigeria through land borders.

All the cargoes diverted belonged to Umza International Farm Ltd, one of the companies that benefitted from government subsidy.

Shipping documents show that diverted rice cargoes with the following bill of lading: MRT1409-01(10,000 MT), MRT1409-03(1,000 MT), MRT1409-04(1,000 MT), MRT1409-05(1,000 MT), MRT1409-09(1494.650 MT) and MRT1409-20(806.000MT) were consigned to Umza International Farm.

Yet another document showed that Umza International Farm Ltd has been importing rice from Thailand purportedly to be transhipped to Niger Republic. In October 2014 Umza, using the same ship MV Marietta imported 1,000 MT of Golden Standard brand of parboiled rice to Cotonou for 'transit to Niger'. The Umza cargo has bill of lading MRT1409-03.

The same 1000 MT of same bill of lading MRT1409-03 is named in the instruction letter to the ship owners Marietta Bolten on 20th December 2014 to be diverted to Port Harcourt shortly after Umza was named as a beneficiary of Federal Government rice import quota. So also was another cargo of bill of lading MRT1409-04 with Niger Republic as its original destination.

Industry stakeholders are confused as to how consignments of parboiled rice are transhipped to a country that does not consume parboiled rice. Maritime experts say this is another red flag of irregularities and sabotage of the rice value chain adding that parboiled rice is not the only item 'officially smuggled into Nigeria' in the guise the goods were meant for Niger Republic.

Phoney milling capacities

There are also discrepancies in milling capacities and the local rice production capacity. Under Minister Akinwunmi, the agric ministry claimed Nigeria was producing 2.2 million MT of paddy.

However, investigations by this reporter revealed that all the rice mills in Nigeria have a combined annual capacity to mill only 600,000 MT of paddy. The question that naturally arises is: where are the remaining 1.6 million MT milled if indeed domestic production was 2.2 million MT? Yet, allocations of rice import quota were based on these phoney capacities of rice millers and investors, many of whom at the end sold off their quotas to the detriment of the rice subsidy goals.

Investigations revealed that some of the rice merchants that benefited from government subsidy through proxies are known for patronising the Cotonou Port.

The story of smuggling of rice and other items from Cotonou is almost hackneyed and indeed is the mainstay of that country's economy. In 2013 the government of Benin Republic slashed

its tariff on rice the moment Nigeria hiked its to keep alive transshipment, which actually is a fancy name for smuggling. Cameroon joined the rice smuggling business into Nigeria by crashing its tariff to zero percent.

In April and May 2014 a frightening dimension was recorded in the rice import business. Eleven ships, all carrying rice, sailed into Nigeria's territorial waters but instead of berthing at Apapa Port, they all chose to stop nearby and wait. Their positions were so close they could be sighted from the Lagos Bar Beach. There were no engine failures, no congestion at the destination port and no internal crisis in the host country to warrant the sudden refusals of the ship captains and crew to complete their journeys. The names of the ships were MV Hector, MV Star Capella, MV Wariya Naree, MV Aqua Runner, MV Silvretta and MV Eternity. C. Others were MV Aeolos, MV Lake Hakone, MV Mraki, MV Atlantic Trade and MV Quest.

But why would 11 ships sail all the way from Thailand into Lagos but refuse to berth at the port? Port workers knowledgeable about official corruption proffered that the ships were negotiating tariffs before they could enter Apapa.

In the complex and dodgy multi-billion dollars rice import racket that employs top figures in the Nigeria Customs Service, the Nigeria Navy, officials of the Ministry of Finance and the Nigerian Maritime Administration and Safety Agency (NIMASA), calculations had suddenly gone wrong somewhere, hence the ships were told to halt sail. Had they sailed further into Apapa port, then the rice merchants must pay the 110 per cent tariff on rice import imposed early 2013 by the Federal Government to discourage import dependency and support local production.

The 11 ships were expected to pay a total tariff of N16.5 billion to the Nigerian government. This, the rice mafia were determined to evade. Should negotiations fail to go their way in such a situation, the ships would proceed to Cotonou from where the cargoes would one way or the other find their way into the Nigerian market.

A maritime security expert, Patrick Keku, asked the question: "Can a ship sail into Ghana, South Africa, USA, or even Benin Republic and that ship is allowed to loiter around while it perfect ways of breaking the laws of the host country? It can only happen in Nigeria."

Senate committee and conflict of interests

Like the fuel subsidy scam of 2012, the scale of economic sabotage arising from the sale of rice import quota is such that it has attracted the attention of the National Assembly.

Stakeholders and ordinary Nigerians alike desirous of seeing the President Buhari administration transform the national economy using agriculture, must have expected to see another season of name and shame.

If the purpose of the National Assembly inquiry was to ensure that, like in Brazil and Malaysia, agriculture was turned into a high revenue earner, confidence level soon dropped the moment the committees' chairmen were named.

On Thursday, July 30, the Senate announced membership of the ad-hoc committee on waivers, concessions and grants.

The committee's mandate was populist: to investigate the indiscriminate use and abuse of waivers for rice importation. The committee was to carry out a holistic review to determine the full recovery of all government revenue related to the rice policy.

But the inquiry was abinitio tainted with conflict of interest. The Chairman of the Senate Committee is Senator Muhammad Adamu Aliero, the former governor of Kebbi State who himself is the Chairman of Labana, one of the rice subsidy beneficiaries.

Source: <http://www.premiumtimesng.com/news/headlines/195509-investigation-inside-the-massive-fraud-in-nigerias-n117billion-rice-import-quota-scheme.html>