



Partnership Ready Rwanda: Food- and Agroprocessing

→ SECTOR OVERVIEW

The agricultural sector in Rwanda accounted for 28 % of GDP in the first quarter of 2019, which is the second biggest contribution after services. The sector grows at an annual rate of 4 % and represents over 70 % of export revenue, and about 72 % of employment. The main sub-sectors are food crops, forestry and livestock. Exports are dominated by mainly unprocessed coffee and tea, as well as vegetables, with flowers emerging as a new commodity. Agro-processing exports constituted 18 % of formal exports in 2016. The agro-processing sector (including food and beverages) is the largest industrial sector in Rwanda’s economy (after construction).

The Government of Rwanda (GoR) is highly focused on agricultural growth. The GoR budgeted 154.1 billion RWF (153.4 million EUR) directly to agriculture in 2019/20 alone as part of the 2.7 trillion RWF (2.7 billion EUR) proposed for the agriculture strategic plan 2018-2024, projecting to scale up productivity and exports. The growth will focus on moving up the agribusiness value chain, and

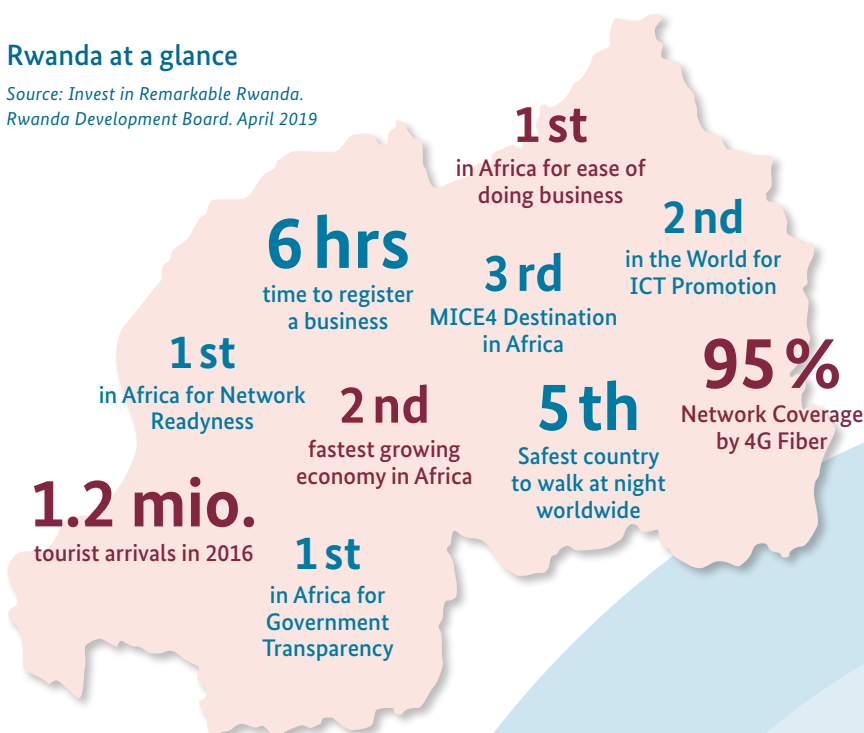
transforming the agriculture sector towards increased value-addition, specialization, and trade. The private sector is expected to contribute significantly to this development.

→ INVESTMENT, REGULATORY AND POLITICAL ENVIRONMENT

Rwanda is a small landlocked country with a population of 12.1 million, three official languages (Kinyarwanda, English, French), unemployment rate of 16 %, and a 7.5 % annual growth over the past 18 years. The country is perceived as highly stable under the ruling Rwandan Patriotic Front (RPF) since its armed wing took control of the country following the 1994 Genocide against the Tutsi. Recent constitutional changes make it likely that President Paul Kagame will remain in power through the next decade, and few suspect major changes to political relations in the short/medium term. As a low risk and business-friendly country with low levels of corruption, Rwanda has been nicknamed “Singapore of Africa”.

Rwanda at a glance

Source: Invest in Remarkable Rwanda. Rwanda Development Board. April 2019





The GoR supports private sector investments through various incentives:

- Zero corporate income tax for companies that relocate their headquarters to Rwanda
- 7-year corporate income tax holiday for investors investing more than 50 million USD (45 million EUR) in strategic sectors including manufacturing and agro-processing
- Accelerated depreciation of 50% for key priority sectors including agro-processing
- Duty free imports of machinery and inputs within the Eastern African Community (Burundi, Kenya, Rwanda, South Sudan, Tanzania, Uganda)
- Subsidized airfreight costs with RwandAir (0.95 USD or 0.85 EUR/kg)

- Free business registration
- No restrictions to foreign ownership or capital flows
- Capital gains exemption on sale or transfer of sales

In agriculture, the GoR focuses on supporting large public investments, such as hillside irrigation for horticulture. The government also subsidizes access to seed and fertilizer, and runs an export focused packing house, with professional management through International Finance Corporation (World Bank Group). Public funding has been used to establish large agricultural processors in dairy and pyrethrum processing. The Ministry of Trade and Industry has also installed various “Community Processing Centres”, aiming at improving the competitiveness of SME agriculture clusters through processing.





→ CHALLENGES AND OPPORTUNITIES IN AGROPROCESSING

Private sector participation is limited across the agribusiness value chain. A number of challenges currently hinder agroprocessing in Rwanda, and constitute opportunities for the private sector.

Unreliable Electricity Supply.

The lack of access to and unreliability of electricity is a major constraint to private investment in the agriculture sector, particularly in the processing segment. There is therefore an opportunity for green operations based on a combination of solar and grid energy.

Post-harvest Losses.

The post-harvest losses in Rwanda amount to 30% in some value chains due to poor storage. Improved access to storage (cold-storage facilities, affordable storage and warehousing) can be an opportunity, especially at the premises of the planned Kigali Wholesale Market for Fruits and Vegetables (to be launched mid 2021). Investment into drying and dehydration facilities can be another opportunity.

High Transportation Costs.

Rwanda has the highest transport costs in the region due to inadequate air transport infrastructure, lack of rail transport, water and pipeline transport, and low capital and maintenance investments. There are opportunities for investment in operator-owned and -hired fleets that meet the volume needs of horticulture exporters.

Lack of Skills.

Agriculture in Rwanda is dominated by small-scale subsistence farming, and the low level of skills of farmers and other value-chain actors impacts farming management, crop usage, and farm specialization. Some successful foreign investments have been accompanied by regular training of the farmers, both to increase productivity and meet international standards.

Access to Inputs.

Agriculture in Rwanda is still heavily dependent on seasonal rainfall. Access to feed and fertilizers is also a challenge for farmers. There is space for private investors in seed and fertilizer distribution, currently dominated by the government, as well as in production of pesticides. Another opportunity lies in irrigation.



Access to Finance.

High interest rates, issues of collateral, and inadequate banking products hinder agriculture investment. Opportunities in agrifinance include deepening the agricultural credit market and scaling up the agricultural insurance market.

Access to Technology.

In Rwanda, technology services related to payments, savings, information on weather, soil composition, and access to markets, are less prevalent than in other regional countries. There is a role for the private sector in boosting those services.



→ OPPORTUNITIES IN DIFFERENT AGROPROCESSING SUB-SECTORS

Horticulture

Horticulture is a nascent but very promising sector in Rwanda that will continue to grow in the next years. The country's mild tropical climate and fertile soil makes it well suited for horticulture production. The main export products are avocados, hot peppers, chili, eggplant, French green beans, bananas, pineapples, tomatoes and flowers, exported mainly to the EU. This sector contributes now to about 50% of non-traditional exports, i.e. agricultural products besides coffee, tea, pyrethrum, and cinchona. Most fruits and vegetables are exported unprocessed, with the exception of French beans, which are currently being packaged.

To date, investment in processing in horticulture has lagged due to the small market, small volumes, and inconsistent supply of goods. In the medium term, private investments in cold chain, sorting, packing and grading would improve market opportunities for farmers and lead to a more reliable supply, especially in crops that have high value per hectare. Investors should take advantage from the planned Kigali Wholesale Market for Fruits and Vegetables, to be launched mid 2021. Another opportunity lies in producing value-added products such as tomato paste, chili sauce, banana wine or dried flower bulbs.

Green Harvest Products

Green Harvest Products is a fully private-owned company producing different types of chili sauces and ketchups under the brand Sabana. The company has been in operation for 10 years, and its annual revenue in 2018 amounted at 140,000 USD (126,000 EUR), corresponding to 160,000 bottles sold. Sabana sauces are currently being exported to Uganda, Kenya, Ghana, Ivory Coast, South Africa and the UK. The company's export revenue was 75,000 USD (67,000 EUR) in 2018.



The company has 11 full time employees and has recently invested into improved equipment worth 150,000 USD (135,000 EUR). The management is exploring new opportunities, such as jams and chutneys and other semi-processed products. The company also needs to improve market linkages and expand to new markets, especially in Europe. The investment needed (in the form of equity or debt) is approximately 250,000 USD (225,000 EUR). The company can share the business plan and additional information upon request on greenharvestproducts@gmail.com.



Coffee

Coffee is one of Rwanda's largest cash crops, which accounted to 6% of the country's total exports in the 2017/2018 fiscal year. In the same year, Rwanda exported 20.4 million tons of coffee, which represents over 95% of the production, generating over 69 million USD (62 million EUR) in export revenue. Favourable climatic and natural endowments enable the production of high quality Arabica and/or specialty coffee. Around 97% of the coffee is exported in raw form (green beans) and domestic processing is limited to washing. Most of the coffee washing stations operate below capacity and lack expertise, which opens an opportunity for the private sector. Another opportunity lies in investing in roasting facilities to accommodate advanced roasting techniques, and in building market linkages, especially with the German market, one of the largest in Europe. All of these opportunities can be combined with an investment in the coffee upstream, aimed specifically at renewing old coffee trees and implementing an out grower model.

Rwanda Farmers Coffee Company Ltd (RFCC)

Rwanda Farmers Coffee Company is a large-scale coffee roasting and packaging facility located in Kigali. It produces 100% Arabica Bourbon roasted coffee using high quality green beans sourced from six fair-trade cooperatives, totalling 4,352 farmers of which 36% are women. One of the largest roasting facilities in East Africa, RFCC employs 15 people and has a production capacity of 3 tons per day and 120 kg in one batch. RFCC's annual revenue in 2017 was 336,000 USD (302,000 EUR). RFCC supplies whole roasted and ground coffee, roasted and packaged to customer specifications (with or without branding) locally, regionally and globally. The coffee is packaged under the brand name Gorilla's Coffee, a market leader in Rwanda. www.gorillascoffee.com

Essential Oils

The essential oils are still a small industry in Rwanda, but it has already proven to have tremendous potential, especially in the context of a growing demand for naturally-sourced products from European consumers. Rwanda has the possibility of producing up to three or four harvests a year due to good soils and weather conditions, which is a big advantage compared to other essential oil producing countries (e.g. South Africa). Moreover, the government recognizes essential oils as high-value agricultural products and is developing the required infrastructure to support the sector. In 2016, Rwanda Standards Board (RSB) acquired a laboratory for testing and certification of essential oils to international standards, unique in East Africa.

Poultry

Poultry is a strategic sector for the Government of Rwanda and it is especially interesting for the domestic market and cross-border exports. The main products are frozen chicken meat, frozen processed poultry and eggs. The estimated size of the poultry market in East Africa is 2.2 billion USD (2 billion EUR). The domestic demand specifically for eggs totaled 13,200 tons (or 203 million eggs) in 2015, of which only 7,500 tons were produced in Rwanda. Rwanda's annual trade deficit of eggs in 2015 was 43% of domestic demand.

There is currently more demand than there is supply, which presents an opportunity for the private sector. The main opportunity is in processed poultry (packaged, frozen, etc.) and in egg production. However, there are still challenges, mainly limited technical capacity, and limited access to animal feeds, which hinders the competitiveness of the sector.

Dairy

The dairy subsector is one of the fastest growing sectors in Rwanda and contributes a conservative estimate of 6% to national GDP. The Ministry of Agriculture estimates the cattle population at 1.5 million heads and yielding an estimated production of about 850,000 MT of milk per year. The Rwanda Development Board values the domestic market at 42 million USD (37.7 million EUR), with larger opportunities (up to 122 million USD or 109.6 million EUR) lying in the regional market of Democratic Republic of Congo, Uganda, Tanzania, and Burundi. However, Rwanda is currently not competitive on exports of fresh milk. The main opportunity lies in the production of powdered milk, which has the advantage of constituting a solution to excess production, as well as pasteurized milk and dairy products, especially cheese. The main processing player, RPF-owned Inyange Industries, has been actively looking for investors for some of these products.

Animal Feeds

Rwanda imports about one million USD (900,000 EUR) worth animal feed annually. The total local production volume remains small: the three existing large processors produce a total of 2,500 MT of feeds per month, which can feed only one-third of Rwanda's poultry population. Furthermore, the cost of animal feed remains high for most smallholder farmers, accounting for 60-70% of input cost, due to the high cost of raw materials (maize and soybean) and advanced raw materials (like animal vitamins, supplements, minerals). Feed shortage is however a major bottleneck for Rwandan animal production and there is therefore space – and need – for innovative solutions.



→ EXISTING PROGRAMS AND FINANCING OPTIONS IN AGRICULTURE AND AGROPROCESSING

There are many organizations and programs active in the support of the agriculture sector, either in form of public private partnership or funding programs. A number of countries, including the UK, the Netherlands, the Belgium and the EU also gives financial support directly to the Government of Rwanda.

Organization	Initiative Detail
The British Department for International Development (DFID)	Improving Market Systems for Agriculture in Rwanda (IMSAR). Through Palladium, IMSAR facilitates market partnerships. Through AgDevCo, access to finance. Global Innovation Fund
Belgian Government (through Enabel)	<ul style="list-style-type: none"> - Forest management and biomass support - Study and expertise fund - Inclusive and sustainable value chain development in the pig and poultry sector
USAID	Project Hinga Weze: Focused on increasing farmer productivity, access to markets, and improving nutritional outcomes. Development Innovation Ventures
Dutch Government	Integrated Water Resource Management (IWRM) programs
SNV HortInvest project (Dutch Embassy in Rwanda)	Provides support for horticulture companies supplying the domestic, regional, and high-value export markets
The World Bank	<ul style="list-style-type: none"> - Transformation of Agriculture sector phase 2 - Sustainable Agricultural Intensification and Food Security Project
Buffet Foundation	Investment in irrigation, and financing of the future Rwanda Institute for Conservation Agriculture (RICA)
Alliance for a Green Revolution in Africa (AGRA)	Rural finance, trade, productivity and training. Investing in projects that can have measurable impact and can create meaningful, transformative change in the agriculture sector



Practical information and Sources:

- National Agriculture Export Board (NAEB)
www.naeb.gov.rw
- Rwanda Development Board (RDB)
www.rdb.rw
- Ministry of Agriculture and Animal Resources (MINAGRI)
www.minagri.gov.rw
- Improving Market Systems for Agriculture in Rwanda (IMSAR, Palladium Group)
- Strategic Plan for Agriculture Transformation 2018-2024
- 2019/20 Budget Framework for Rwanda. Ministry of Industry and Commerce (MINICOM)
- Development Bank of Rwanda



YOUR PARTNER FOR DEVELOPMENT COOPERATION

A well-functioning economy is a prerequisite for the development of a country: economic growth creates jobs, improves people's incomes, and promotes innovation. That is why the United Nations 2030 Agenda provides for the active involvement of the private sector in the implementation of the Sustainable Development Goals (SDGs). This includes local companies of partner countries as well as German and European companies, because cooperation with international economic partners is often the key to success. The Global Business Network (GBN) Programme encourages local and German companies to get involved in sustainable economic development in selected countries in Africa and Asia. Via Business & Cooperation Desks the GBN-Coordinators provide information, advice and guidance for businesses on existing support, financing and cooperation instruments of German development cooperation. They also support new approaches and build sustainable networks between the private sector and development cooperation.


The Desks are integrated into local German development cooperation offices. In addition, the GBN-Coordinators work closely with the German Chamber of Commerce Abroad (AHK) regional offices and, where possible, cooperate with bilateral trade associations. The GBN is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

www.bmz.de/issues



Published by



Published by	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH Registered offices Bonn and Eschborn, Germany Dag-Hammarskjöld-Weg 1-5 65760 Eschborn, Germany T +49 6196 79-0 F +49 6196 79-11 15 info@giz.de www.giz.de	URL-links	Responsibility for the content of external websites linked in this publication always lies with their respective publishers. GIZ expressly dissociates itself from such content. GIZ is responsible for the content of this publication.
Project	Global Business Network (GBN) Programme	On behalf of	German Federal Ministry for Economic Cooperation and Development (BMZ)
Responsible	Jens Elsner T +49 6196 79-4117 jens.elsner@giz.de	Division	Division 110 Cooperation with the private sector, sustainable economic policy Berlin
Layout	www.w4gestaltung.de	 Federal Ministry for Economic Cooperation and Development	
Photo credits	© GIZ / Dirk Gebhardt: page 2 and 3, GIZ: page 4, GIZ / Guenay Ulutunçok: page 7		
As at	Eschborn, September 2019		