

AGRIBUSINESS IN RWANDA: A WINNER BET¹

ABSTRACT

Since the beginning of the 21st century, Rwanda has focused on agricultural development as a way to encourage economic growth, improve food intake, and reduce poverty. Investment in agriculture has increased substantially in the last years, both from the Government and the private sector. The Government's commitment to agricultural development is translating into many interesting, different initiatives that are modernizing Rwandan agriculture, helping farmers to be more competitive, and improving farming efficiency. Considering the country's scarcity of arable land, these kinds of measures are crucial and should be encouraged.

This paper aims to describe Rwandan agriculture, its strengths, threats, and constraints and proposes several ways to take a leap forward in building a more competitive and modernized agricultural country.

1. AGRIBUSINESS IN RWANDA: A WINNER BET

By 2030, agriculture and agribusiness combined are projected to be a 1 trillion USD industry in Sub-Saharan Africa (World Bank estimation), and they should be at the top of the agenda for economic transformation and development. Agribusiness can play a critical role in jump-starting economic change through the development of agro-based industries that bring much-needed jobs and incomes.

Agribusiness activities outside of farming account for 78% of the total value added in all agricultural value chains globally, yet in Africa, this figure falls to approximately 38%. Low productivity also makes agriculture an uncompetitive sector; around a third of all

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calories consumed in Africa are imported, resulting in a negative net agricultural trade balance of 35bn USD per year in 2015.

Successful agribusiness investments, in turn, stimulate agricultural growth by providing new markets and developing a vibrant input supply sector. Agriculture is again receiving attention from governments, investors, and other partners, but this attention should extend to agribusinesses. This focus on production agriculture will not achieve its developmental goals in isolation from agribusinesses, which range from small and medium enterprises to multinational companies. The challenge is thus threefold: developing downstream agribusiness activities (such as processing) as well as upstream activities (such as supplying inputs), promoting commercial agriculture, and supporting and linking smallholders and small enterprises to productive value chains.

2.- REPORT OVERVIEW

This report is organized around the following five questions:

1. What is the current status of Rwandan agribusinesses in terms of size?
2. What will be the sources and structure of the future agro-industrial demand?
3. What are the sources and structure of the agro-industrial offer in Rwanda?
4. What major constraints do agribusinesses have to their potential building of value chains?
5. What possible solutions are there to those constraints? Case Study: Horticulture and pomology value chains in Rwanda.

3.- THE IMPORTANCE OF AGRICULTURE IN RWANDAN ECONOMY

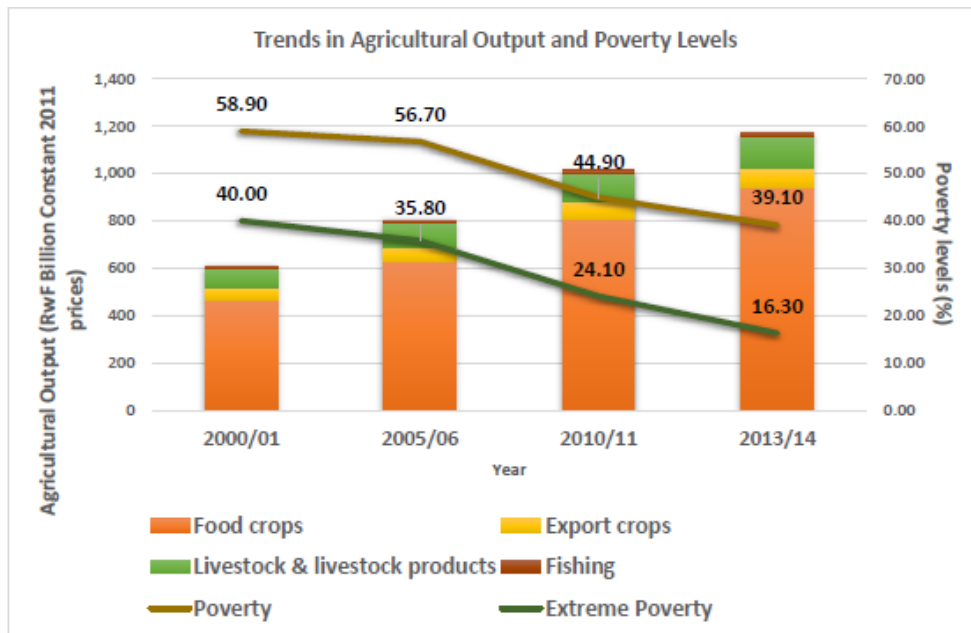
3.1- Macroeconomic overview

Rwanda is a small (26,340 km²) landlocked country with few natural resources and a population of 12.3 million (2017 UN estimation). Its hilly terrain covers 85 percent of the landmass, and the country has the highest population density in Africa with 507 people per square kilometer.

Rwanda has made a remarkable transition from a situation of genocide to one of peace and development. Between 2000 and 2017, GDP growth averaged 7.2% per year. In the third quarter of 2017, Rwanda's economy grew by 8% year-on-year compared to the 4% of the previous period. This growth was the strongest since the first quarter of 2016, and was driven by service sector agriculture mainly (8% compared to 6%), namely food crops (11% compared to 4%), and industrial production.

This robust macroeconomic growth performance was accompanied by substantial improvements in living standards, as evidenced by a decline of two-thirds in child mortality and the attainment of near-universal primary school enrollment. There was also remarkable progress in healthcare services. Household consumption snowballed resulting in the poverty headcount falling from 59% in 2001 to 39.10% in 2014.

Figure 1: Trends in Agricultural Output and Poverty Levels



Source: http://www.minagri.gov.rw/fileadmin/user_upload/documents/AnnualReports/Annual_Report_FY_2014_2015.pdf

These results reflect the Government’s steadfast commitment to reforming health, education, general policy environment, and investing in infrastructure. According to the World Bank Group’s Doing Business Report for 2017, Rwanda rose from 62nd to 56th position in the ease of doing business ranking worldwide. This performance makes Rwanda the second most reformed economy in the world over the last five years; it is the second easiest country for business in Africa after Mauritius and the first in the East African Community.

3.2.- The role of Agriculture in Rwanda’s economy

Agriculture has served historically as a mainstay of Rwanda’s economy. Its contribution to the GDP has consistently been estimated at 30%, and the sector employs approximately 70 percent of the country’s working population. Agriculture meets 90% of the national food needs and generates more than 70% of the country’s export revenues.

Agricultural output grew at 5% per annum in the financial year 2014/15, up from 3% in FY 2013/14. The food crops sub-sector grew at 6% (up from 4% in 2013/14), and the livestock sub-sector grew at a remarkable 8% in the same period (sustaining an upward growth trend from 6% in 2012/13 and 7% in 2013/14). The performance of the agricultural sector and its component sub-sectors over the FY 2007/08- FY 2014/15 period is shown in the following Table. Growth rates have been computed using the compound annual growth rate methodology to derive the annual average growth rate over the period in question. The agricultural sector grew at 5.5% per annum between 2007 and 2014 –while this is indicative of a fairly impressive performance, going