

SITA

Supporting Indian Trade and Investment for Africa

SPICY FLAVOURS FROM RWANDA

WHY AND HOW INDIAN SPICE COMPANIES ARE
PILOTING CHILLI GROWING WITH RWANDAN FARMERS



CONTEXT

Growing global demand for spices is outpacing supply. International spice companies are aiming to increase their production volumes but opportunities to scale spice cultivation in traditional spice-growing economies are limited. As a result, businesses are looking for alternative sources of supply in new regions.

Consumption is increasingly driven by environmental and social concerns. So, companies have a particular interest in ensuring greater traceability of their supply chains and finding opportunities for supply of sustainable spices, free of pesticides and residues.

India is the largest spices producer, consumer and buyer in the world. Given that the country is facing constraints to scaling local production, there are opportunities to expand and professionalize production in other regions based on India's extensive practical agronomic experience and available capital.

Many East African countries offer scope for producing spices. The growth potential in these emerging markets and untapped regions provides new opportunities for both buyers and producers. For buyers, the economies represent alternative sourcing destinations. For farmers, the high-value cash crops offer an opportunity to farm as a business and enter global export markets. However, the spices sector tends to be underutilized in many East African economies.

Since 2015, the Supporting Indian Trade and Investment for Africa (SITA) project has supported Indian companies in understanding, analysing and seizing new market and investment opportunities in the spices sector across East Africa. SITA's overarching objective in the sector is to facilitate local value addition in agriculture, enabled through investment from India.

This case study summarises key interventions, emerging results and lessons from SITA's work in chilli cultivation in Rwanda.

CHILLI PILOTS

Rwanda offers suitable geographic and climatic conditions for the cultivation of many spices, but the sector is still in its infancy. SITA's engagement in Rwanda's spices sector started in early 2016. At that point, Rwanda was growing small amounts of chilli primarily for domestic consumption.

SITA's approach for the facilitation of investment in the sector aimed to support

- Agricultural innovation through the introduction of new chilli varieties suitable for international export;
- Crop diversification offering opportunities for long-term economic benefits arising from Rwanda's agricultural sector; and
- Behaviour change and capacity building among Rwandan farmers with limited experience in farming as a business.

As a result of SITA's work, four Indian spice companies*, including some of the world's largest businesses in the sector, have piloted cultivation of new high-value chilli varieties with Rwandan farmers for export to India (see boxes). Since 2016, production under the SITA-facilitated pilots has increased 26-fold, covering a total of 104 hectares in 2019.

Akay Flavours & Aromatics

- 330 employees, 12 000 tons annual chilli sourcing
- Three completed pilot seasons with mixed results
- Fourth season ongoing including 27 hectares and 11 lead farmers

All Indian pilot businesses are established firms with decades of experience in agriculture. All companies had some previous experience with sourcing spices from other African countries, but no direct relationships or operations in Rwanda, and no previous chilli sourcing outside India.

Apart from the favourable climatic and soil conditions for sustainable chilli cultivation, Rwanda's cleanliness, safety and supportive government representatives contributed to initial investors' interest.

Kancor Mane

- 600 employees, > 10 000 tons annual chilli sourcing
- First season ongoing including 30 hectares and 2 lead farmers

The pilots have confirmed that sustainable hybrid chilli can be successfully grown in Rwanda. Productivity and quality of the cultivated chilli not only make it a commercially viable crop for buyers and farmers, but also, a potential new cash crop for Rwanda's agricultural sector.

Synthite Industries

- 2 500 employees, 30 000 tons annual chilli sourcing
- First season ongoing including 39.5 hectares and 3 lead farmers

First establishing successful trade relationships can act as a catalyst for investment. All Indian companies share the medium to long-term objective to invest in local value addition after successful cultivation and export has been proven.

LESSONS LEARNED

Through its work with Indian buyers, Rwandan farmers and government representatives, SITA has gained unique insights into the complexities of introducing new agricultural crops, managing farmer-buyer relationships, and the role of institutional stakeholders.

In addition to the exploration of these issues, each of the three companies offers insights into drivers for international expansion as well as investor expectations and decision-making processes.

Every context is unique, yet some insights could be valuable for others working in similar contexts. The following overarching lessons have been identified:

Awareness of the local agricultural context is essential. Direct engagement with international buyers is new for many of the Rwandan farmers involved in the spice pilots. This means they are not familiar with business

* Three companies have been profiled in this case study. A fourth company is piloting organic chilli cultivation.

expectations and quality requirements. Contractual arrangements and ways of working should consider farmers' backgrounds and capabilities.

There is a need for ongoing technical and practical support. Compared to other subsistence crops, chilli is a more professional crop requiring timely inputs, attention to detail and careful monitoring. Farmers without prior experience with a particular crop are unlikely to follow required agricultural practices over the whole season after a one-off training. Regular follow-up, oversight and monitoring is necessary.

“The farmers need confidence otherwise they won't invest, and instead continue with the crops that give them something to eat.”

Balu P. Maliakel,
Managing Director
Akay Flavours & Aromatics Pvt Ltd

Capacity building may be required at different levels.

In the SITA-supported pilots, government representatives had limited experience with chilli cultivation and, hence, no awareness of the cultivation requirements such as suitable land. This led to challenges for both farmers and investors. In contexts where new crops are introduced, the need to build capacity of different types of stakeholders (e.g. government institutions) should be considered.

Farmer locations impact ease of engagement and coordination. Conducting trials in different locations can be useful to determine suitable areas and varieties. However, if large numbers of farmers are located far away from each other, field visits, provision of technical assistance and crop transportation post-harvest become more difficult and expensive.

Buyers understand the need for local support, but their willingness to invest and engage varies. Some SITA-supported businesses have been more involved than others. Companies' risk appetite is influenced by different factors including prior experiences. The degree of company involvement provides reassurance to local partners.

Local value addition is a medium-term objective. All companies are willing to consider investments in local value addition in the future, once the model has

been proven. Companies' willingness to make required investments (e.g. in chilli processing facilities) depends on different factors such as achieving minimum export quantities per season required for commercial viable spice processing, and establishing reliable local relationships with farmers and other partners.

Farmer engagement requires local partners. Mobilizing farmers to invest in new crops is not easy. Understanding farmers' psychology and contributing to changing farmers' mindsets takes time and requires involvement of public and private local partners (e.g. national and local government, extension service providers), who know the local context and how farmers operate.

Access to finance needs to be considered. Cultivating chilli in Rwanda is viable, but costs of cultivation are relatively high. Only a fraction of Rwandan farmers are able to make the required investments without access to credit or other forms of subsidy. The pilots have confirmed the importance of finding suitable financial solutions, for example, working with the government to make spices priority crops for which farmers can benefit from government subsidies.

“The banks don't consider chilli as a cash crop but as a vegetable. That is why they don't give loans to these farmers.”

Matthew P. Jacob,
Head, Agricultural Division
Kancor Mane

SITA's intensive work with the first mover company has attracted subsequent investors. SITA's facilitation role was instrumental for all companies involved – but the type of support provided varied. The early pilot years, during which SITA provided intensive support to the first mover company, have had the desired demonstration effects on other businesses.

Clarification of roles and responsibilities between all partners is critical. Involvement of different stakeholders, including farmers, buyers, government representatives and SITA was critical for success. Responsibilities may change, but a clear allocation of roles is crucial to avoid misunderstandings later on. A signed partnership agreement between key partners can help to clarify responsibilities, and is likely to increase ownership among all parties involved.



ABOUT SITA

Supporting Indian Trade and Investment for Africa (SITA) is a project financed by the United Kingdoms' Foreign, Commonwealth & Development Office (FCDO) and runs from 2015-2022.

SITA's objectives is to improve the competitiveness of select value chains (textiles and apparel, pulses, spices, sunflower oil and leather) of five East African countries (the Federal Democratic Republic of Ethiopia, the Republic of Kenya, the Republic of Uganda, the Republic of Rwanda and the United Republic of Tanzania) through provision of partnerships with institutions and business from the Republic of India.

FOR MORE INFORMATION

This case study is a summary version. The full report documenting learning and best practice for investor engagement and South-South linkages in the chilli sector arising from SITA's interventions is available upon request.

This case study is part of a series to document learning and best practice. Other sectors include leather shoe manufacturing in Uganda, institutional strengthening through peer learning in the sunflower oil sector in Tanzania and Uganda, and garment manufacturing in Ethiopia and Kenya. It is based on interviews with companies, sector associations, government representatives, investment authorities and SITA team members, as well as review of available secondary data.

The primary audience includes development partners working in South-South trade and investment, organizations that seek to support economic development in other ways, and institutional stakeholders, including East African government representatives and investment authorities.

To find out more visit <http://www.voicesofsita.com>

ABOUT ITC

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations and works towards creating 'trade impact for good'. ITC assists small and medium-sized enterprises in developing and transition economies to become more competitive in global markets, thereby contributing to sustainable economic development and achieving the United Nations Sustainable Development Goals.



ABOUT FCDO

The Foreign, Commonwealth & Development Office (FCDO) pursues its national interests and projects the UK as a force for good in the world. FCDO promotes the interests of British citizens, safeguards the UK's security, defends its values, reduces poverty and tackles global challenges with its international partners.

FCDO is a ministerial department, supported by 12 agencies and public bodies.



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