

# Rwanda grants Madhvani Group more land for sugarcane

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A sugarcane farm. Rwanda has given Madhvani Group 2,000 hectares of wetland in Nyabarongo. The move is expected to increase sugar output and lower sugar prices. Photo/FILE

## Summary

- The group has been pushing the government to grant extra land to its Kigali-based sugar factory, Kabuye Sugar Works, as part of a privatisation package.
- The government gave Madhvani 2,000 hectares of wetland in Nyabarongo.
- The move is expected to increase sugar output and lower sugar prices.

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East Africa's investment giant Madhvani Group has won the battle to secure more land for sugarcane growing in Rwanda after the government gave in to more than a decade of pressure from the investor last week.

For the past 14 years, the group has been pushing the government to grant extra land to its Kigali-based sugar factory, Kabuye Sugar Works, as part of a privatisation package.

The Madhvani Group bought the factory from the government at \$1.5 million in 1997, making the group the first foreign investor after the 1994 genocide.

Last week, the government — increasingly desperate to overcome budgetary constraints by attracting more foreign investors — took a softer line and gave Madhvani 2,000 hectares of wetland in Nyabarongo.

“We need a strong presence of Madhvani Group in Rwanda through more investments,” Prime Minister Pierre Damien Habumuremye said.

The move is expected to increase sugar output and lower sugar prices.

Rwanda suffered a severe sugar shortage at the beginning of 2012, triggering a surge in prices and prompting the government — for the second time in a row — to ask the East African Community member states to allow it to import duty free sugar from Asian countries.

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In March 2012, the East African Sectoral Council on Trade, Industry, Finance and Investment [endorsed an extension](#) of the stay of application of the EAC common external tariff for the country to import 38,000 tonnes of sugar.

However, after the expiry of the six-month extension in June, the government asked for the second extension, which was granted.

Rwanda relies on sugar imports to meet the demand from its fast-growing population and expanding industrial sector.

With the decision by government and the planned application of high yield and disease resistant canes, national sugar output is expected to double to 28,000 tonnes annually.

Madhvani's appeal for more land stems from the fact that a sizeable part of its sugar plantations lie in wetland areas in Nyabugogo and Nyabarongo river swamps, which are prone to floods.

Kabuye says this leads to erratic supplies of cane and sugar output. Out of the 3,148 hectares allocated to the company, 1,700 are under sugarcane crop while 1,448 hectares are permanently under water, translating into a loss of Rwf1.9 billion (\$3 million) in potential revenues each year.

“Frequent flooding of Nyabarongo River resulted in crop losses both in Kabuye as well as outgrowers,” said Thiru Navukkarasu, general manager of Kabuye Sugar Works.

The Dutch government has provided a grant of 8 million euros to drain the floodwater and reclaim 2,000 hectares in the Nyabarongo swamp. Madhvani Group is expected contribute 30-40 per cent of the project cost.

Currently, the factory partly depends on supplies from outgrowers cultivating on over 2,200 hectares, which officials say leaves the factory’s future uncertain.

The firm is also keen to introduce upland sugarcane to boost production.

Kabuye estimates its losses from flooding to be between 3,000 and 4,000 tonnes of sugar annually. The firm targets 3,000 hectares of upland cane in the next four years, whose success, it says, will depend on government efforts to promote it among farmers. The upland cane area is currently 579 hectares.

“The sugarcane challenges we have today are as a result of the traditional mindset in Rwanda that sugar is grown in marsh land only,” Jim Kabeho, the executive director of Madhvani Group said recently.

*Reported by John Gahamanyi and Esiara Kabona*