Rai Group’s 8,000ha plan enlivens sugar sector

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Kabuye Sugar Works plant in Kigali. PHOTO | CYRIL NDEGEYA

In Summary

- Trade and Industry Minister Francois Kanimba told *Rwanda Today* that the deal could be signed as early as next week.
- Rai, an investment group from Mauritius, has operations in Uganda, where it controls 70 per cent of Kinyara Sugar

By MOSES K. GAHIGI

The dominance of Madhvani Group in sugar production is coming up for a challenge as the government and the Rai Group conclude an agreement for a

Works — the second largest sugar producer there — and has also recently developed Hoima Sugar Factory.

- Meanwhile, the government has formulated policies to promote domestic production of other goods that are currently imported, such as rice, cement and garments, in order conserve foreign currency and stimulate growth.

$300 million investment that involves the development of an 8,000-hectare sugar plantation.

Trade and Industry Minister Francois Kanimba told *Rwanda Today* that the deal could be signed as early as next week.

“We are currently working on an agreement with the Rai Group. We expect to have signed it by end of January,” Mr Kanimba said.

Kanimba further revealed that the 8,000ha sugar plantation will be located in Kayonza in the eastern district of Kirehe. Rai Group is understood to have initially wanted 10,000ha but the government has been able to guarantee only 8,000ha.

Rai, an investment group from Mauritius, has operations in Uganda, where it controls 70 per cent of Kinyara Sugar Works — the second largest sugar producer there — and has also recently developed Hoima Sugar Factory.

Rwanda imports up to 90 per cent of its sugar, whose consumption currently stands at 100,000 tonnes annually. The country spends $45 million a year on sugar imports, which without intervention are projected to reach 160,000 tonnes by 2020.

Rai’s impending entry appears to have informed a recent expansion drive by Rwanda’s sole sugar producer, the Madhvani Group-owned Kabuye Sugar Works, which has just concluded the first phase of growth that has lifted installed capacity from the current 14,000 tonnes per year to 21,000 tonnes. A planned second phase, which is contingent on acquisition of a power generation licence, will see capacity rise further to 28,000 tonnes.

Both producers are eyeing power generation and ethanol production from the by-products of sugar processing and could add as much as 25 megawatts to the national grid.

Mr Kanimba said demand for sugar is still significantly higher than what is produced locally meaning the search for investors in the sector will continue.

Sugar consumption

According to the Rwanda Development Board, were Kabuye Sugar Works to operate to its maximum installed capacity, it would meet just 30 per cent of national consumption.

The IMF in a recent report said local production meets only about 13 per cent of current sugar consumption due to the limited allocation of agricultural land for sugar cane planting.

Kabuye Sugar, which for years was growing cane on a paltry 2,700ha on the banks of the Nyabarongo river has been pleading for 7,000ha to double its production.

The government has given the go-ahead to the company’s plans to reclaim a further 2,000ha on the Nyabarongo/Akagera marshlands, and put another 4,000ha of upland in Bugesera district under an outgrower scheme.

Meanwhile, the government has formulated policies to promote domestic production of other goods that are currently imported, such as rice, cement and garments, in order conserve foreign currency and stimulate growth.

Imports of these goods stood at about $221 million in 2015, equivalent to 3 per cent of GDP.

The IMF lauded the country, noting that “the agreed policy mix remains appropriate for safeguarding external and fiscal sustainability, while supporting growth objectives”

“If the current trends continue, the current account deficit should fall over the course of 2017–18, bringing official reserves above four months of imports, in line with optimal levels,” read the IMF report.

For the first eight months of 2016 compared with a year earlier, sugar and related imports contracted 25 per cent, cement imports contracted 40 percent, rice imports were flat, and overall clothing imports were down slightly.

In the second quarter of 2016, the country’s total trade amounted to $626.53 million, higher by 2.59 per cent over the second quarter of 2015, exports worth of $ 92.24 million, while imports making up $ 483.86 million and re-exports valued at $50.43 million.

The total imports of Rwanda increased by 2.80 per cent compared to the same quarter of 2015 and Domestic exports decreased by 1.76 per cent compared to the same quarter of 2015.

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