COVID-19 IMPACTS ON AGRICULTURAL ENTREPRENEURSHIP IN RWANDA

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Over the last two months, staff with the Daugherty Water for Food Global Institute (DWFI) in Kigali, Rwanda, have been working to understand how small agribusiness entrepreneurs in Rwanda have been affected by and dealt with COVID-19. We've engaged with dozens of agricultural entrepreneurs covering multiple agricultural products, services, and supply chains. Here's the summary of what we've found has changed over the last six months and why it matters.

International transportation disruptions have rippled through the Rwandan agricultural economy.

Exports of high-value crops (green beans, chili peppers) have stopped as a result of COVID-19 travel restrictions. At the same time, Rwandan buyers of these products, such as high-end restaurants and hotels, have also closed. As a result, many horticultural growers have had tough choices: store produce and incur physical losses due to inadequate storage facilities or sell to local market places at discount prices.

Impacts have been exacerbated by increased difficulty and higher prices for inputs such as seeds and chemicals. We talked with a poultry farmer who is no longer able to import chicks from Belgium. A different entrepreneur, venturing into coffee processing, found that the supplier he was negotiating with increased prices tenfold during COVID-19.

At this point, it's still not clear what the medium- or longer-term consequences might be. However, land prices, which ought to reflect longer-term confidence in agricultural profitability, have continued to increase over the last six months. This is particularly true of land near water bodies that have irrigation potential. This suggests that agricultural investors are still bullish on overall growth of Rwanda's agricultural economy and ability to quickly rebuild international exports of high-value produce.

The lockdown highlighted challenges in managing field operations for agribusiness entrepreneurs.

As well as international transport disruption, within Rwanda COVID-19 led to extensive restrictions on movement of goods and people between rural and urban regions. This created critical operational issues in almost all agricultural sectors and value chains.

In Rwanda, many agribusiness entrepreneurs live in the urban areas while their farming operations and employees are in rural communities. The lockdown, which lasted for three months, prevented entrepreneurs from physically accessing their farms and left salaried employees to make operational and management decisions. A very common result of this was that, without continuous guidance and oversight, employees neglected key tasks around agricultural production, leading to significant and avoidable crop losses. One entrepreneur we talked with, who farms mushrooms, told us that he lost 4 million Rwandan Francs because his mushroom dunes were not irrigated during the lockdown.

In economic terms, the issue of salaried employees reducing effort without supervision and the resulting reduction in the business owner's profits is a textbook example of moral hazard associated with the principal-agent problem. One potential solution to this problem is to provide employees an incentive to maintain their efforts even without supervision, either through an ownership stake in the company or through profit-sharing.

Some entrepreneurs have pivoted their business models to take advantage of COVID-19 restrictions.

On the bright side, the COVID-19 pandemic has led some entrepreneurs to try new strategies and innovative solutions to address customer pain points resulting from the closing of supermarkets, and restaurants. There has been increased adoption of digital tools, and in particular social media and communication apps such as WhatsApp, Twitter, and Instagram. These tools have served an increased role both in building new marketing channels between entrepreneurs and their customers and in facilitating transportation and logistics during the lockdown.

An entrepreneur who makes and sells sweet potato bread saw the lockdown as an opportunity and quickly adapted by investing in online marketing and reaching out to existing and potential customers via social media. He also offered free deliveries for all customers and as a result, orders started flooding in. His marketing reach is now much larger than when he sold through supermarkets, and he plans on improving and continuing his strategy even after the pandemic.

An online grocery delivery business, faced with declining orders and restricted food supply, pivoted to an innovative community-based distribution channel derived from customer feedback and insights. They built a program that uses vulnerable women, who used to sell their goods illegally on the streets, for deliveries. Cashless electronic transactions provide secure payments to the women. The approach has been very successful, leading to additional support from the government; as Segond Iragena Fidens, CEO of Park and Pick said "The Government of Rwanda through its Ministry of Trade has officially endorsed e-Commerce as a relevant solution to feed the cities amidst the crisis. And by putting us on the frontline as an essential service during the COVID-19 lockdown, they made it clear that the future of food will be digital and Rwanda is moving towards there."

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